Focus
+ Support
= Growth

The 2023 financial year has seen consolidated focus on best-practice investment and support to build a strong diverse pipeline of strong investible technology companies and the investors that back them.

NZ GROWTH CAPITAL PARTNERS

2023 Annual Report

Contents —

ASPIRE
NZ SEED FUND

ELEVATE
NZ VENTURE FUND

Nomenclature:

Throughout this report, we use ‘Aspire’ and ‘Aspire seed fund’ to describe the Aspire NZ Seed Fund, and ‘Elevate’ and ‘Elevate venture fund’ to describe the Elevate NZ Venture Fund.

See Glossary for further explanation.

Cover image: Aspire health-tech portfolio company – Wellumio
Founded in 2019 and led by co-CEOs Dr Shieak Tzeng and Dr Sergei Obruchkov, the Wellington-based team at Wellumio have a vision of a future where anybody, anywhere, suspected of a stroke can access life-changing treatments within the golden hour.

wellumio.com

Aotearoa New Zealand is built on Kiwi 'can do' attitudes and an entrepreneurial spirit. We want our technology start-up ecosystem to grow from strength to strength as we back the bold to foster innovation.

Titiro whakamuri kōkiri whakamua — Look back and reflect so we can move forward.

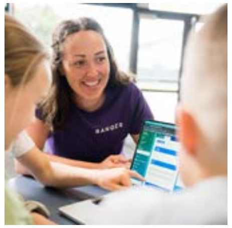
2023 by the numbers —

18 companies received follow-on investment by Aspire

42% of Aspire investments in new portfolio companies have female founders

Total commitments by Elevate (since inception) – **$215 million**

67% of Aspire investments in deep-tech companies



9th VC fund backed by Elevate

Amount invested from/by Aspire – **$11.5 million**

8 start-ups welcomed to the Aspire portfolio

Additional funds backed by Elevate during 2023 – **2**

Total amount invested by Aspire – **$112.1 million** since inception

Average holding period – **5.4 years**

Number of portfolio companies Elevate funds have invested in – **106**

Number of sponsorships – **17**

4% of Aspire investments self-disclosed as Māori-owned businesses

22% of Aspire investments are in clean-tech companies

Number of companies Aspire has invested into since inception – **269**

Our year at a glance —

July 2022

- New Aspire investment into Aquafortus

August

- Hi-Tech Awards 2022 – celebrated wins of three Aspire portfolio companies (and an additional two backed by Elevate underlying funds)
- Elevate finalised its initial commitment into Hillfarrance

September

- New Aspire investment into Banqer
- NZGCP's 'See Tomorrow First' TV content + digital campaign launched
- Startmate Women Fellowship Spring cohort kicked off (five NZGCP scholarships)
- Startmate First Believers cohort four kicked off (one full NZGCP scholarship)

October

- Joined NZTE-led venture capital fund delegation to USA
- New Aspire investment into Hashbane
- Velocity $100,000 Challenge awards ceremony (University of Auckland's entrepreneurship programme backed by NZGCP)
- PwC, AANZ + NZGCP Spring 2022 Startup Investment NZ magazine published

November

- TupuToa interns joined NZGCP

December

- New Aspire investment into IntDevice
- YES annual awards event, supported by NZGCP
- Announced further Elevate investment into Hillfarrance

January 2023

- Kami recognised as top 100 most influential companies by Time magazine
- New Aspire investment into Captivate Technology

February

- New Aspire investment into Kitea Health
- Initial workshop to help develop our L&D strategy for venture development in New Zealand

March

- Annabel Cotton named Board Chair
- New Aspire investment into OpenStar Technologies
- New Aspire investment into MACSO
- Aroa Biosurgery celebrated their 15th birthday
- Commenced support of Entre – University of Canterbury's student entrepreneurship programme
- #EmbraceEquity International Women's Day event hosted by NZGCP

April

- OnBoard kicked off their 2023 cohort, backed by NZGCP
- Commenced support of Startup Dunedin – Otago's student entrepreneurship programme

May

- Elevate underlying funds invested into its 100th start-up
- Startmate Women Fellowship Autumn cohort kicked off (five NZGCP scholarships)
- Startmate First Believers cohort five kicked off (two NZGCP scholarships)
- PwC, AANZ + NZGCP Autumn 2023 Startup Investment NZ magazine published
- Launched Resilience Institute Wellbeing programme for founders and venture capital partners

June

- Elevate announced up to $25 million commitment to Movac Emerge Fund 4
- NZ's venture capital industry raised $1 billion since launch of Elevate in March 2020 (two years in advance of five-year target)
- New Aspire investment into Wellumio
- Yabble launched world's first ChatGPT plug-in for insights
- Hi-Tech Awards 2023 – celebrated wins of three Aspire portfolio companies (and three awards for companies backed by Elevate underlying funds)
- Electrify Accelerator Demo night, powered by MoA + backed by NZGCP

Statement of responsibility —

for the year ended 30 June 2023

In accordance with the Crown Entities Act 2004, the Board of New Zealand Growth Capital Partners (NZGCP) accepts responsibility for the preparation of the annual financial statements and the Statement of Performance and the judgements used in them.

Under the requirements of the Public Finance Act 1989, section 19a, the Board is responsible for the preparation of NZGCP's annual report, which includes financial statements and a statement of performance, and for the judgements made therein.

The Board of NZGCP 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 NZGCP and the Group. In the opinion of the Board of NZGCP, the annual financial statements and the Statement of Performance for the year ended 30 June 2023 fairly reflect the financial position and operations of NZGCP and the Group.

Annabel Cotton
Chair

Marcel van den Assum
Director

Contents
Introduction
Performance
Capital
Capability
Pipeline
Organisational matters
Financial statements

Annabel Cotton, Chair,
and Rob Everett, CEO

Chair and CEO report —

This year, after a great deal of internal change during the previous 12 months, we worked towards finishing the rebuild of our investment team, developing our internal capability and focusing on our core activities – managing the Aspire seed fund (direct investment), the Elevate venture fund (venture capital fund-of-funds) and our broader market development mandate.

Through these activities, we continue to pursue our core objective of addressing capital and investor capability gaps in New Zealand's technology start-up ecosystem, helping to grow and broaden our start-up sector, whether that be for founders and entrepreneurs or investors.

Internally, we built on the prior year's hard work, and the organisation feels stable and motivated. With no resignations in the 12-month period, we were able to focus on completing our recruitment efforts and integrating a high-quality slate of hires into the investment team. We spent considerable time concentrating on our processes, our purpose and our values, with the goal of ensuring we are a high-performing, stable and productive organisation.

Our internal stability meant we were also able to spend time engaging with market participants in more depth and with more frequency than we'd been able to over the previous few years. We have looked at more investment opportunities in the year than ever before and, while market conditions have impacted the volume of investment-ready start-ups and follow-on funding rounds more generally, we made exciting investments through Aspire and at investor level in Elevate. Our investment team has been building both its capability and its relationships with other investors, whether that's university investment arms, incubators, angel investors or venture funds (both domestic and offshore). In addition we have been able to re-engage with many of the companies in our investment portfolio and have created a small portfolio management team to help support portfolio companies and maximise the value of our existing investments.

In our broader market development work, we have continued to work with the investor industry associations (the Angel Association of NZ (AANZ) and NZ Private Capital (NZPC)) and with a number of other organisations that are seeking to build and broaden participation in our sector – schools, universities and more diverse founders. This fits with our objective of building a deeper and more diverse pipeline of start-ups for the angel investors and venture capital firms to invest in and to support the ecosystem's journey to develop high-growth and innovative technological solutions and to meet the many and varied challenges of our society, our environment and the global economy.

After some 'boom years' for the asset class, over the last 18 months or so we have seen much more difficult conditions – for start-ups raising capital, new venture funds or existing venture funds raising their next vintage. These conditions are driven by global issues such as geo-political conflict and tension, high interest rates and market volatility – especially in the technology sector. As a long-term investor, we constantly reassess where Aspire can have the most beneficial impact as we balance the need to generate financial returns for future investment with the wish to support the development of a strong pipeline of investible start-ups and high-performing venture funds. This has seen Aspire invest earlier in start-ups' life cycles. We have also been focusing our Aspire investments into relatively under-invested sectors, particularly deep-tech and emerging sectors in New Zealand such as gaming. The shift to more capital-intensive deep-tech investments has resulted in larger investments than in the past, especially when combined with the need to balance some wariness among angel investors and venture funds given the uncertain market and political conditions. We believe we have an important role in finding and filling gaps in the capital availability for early-stage companies. At times like these, filling funding rounds is challenging, particularly for businesses that require long-term patient capital such as deep-tech companies.

As we have sought to refine and clarify our role in the broader start-up ecosystem, we have been glad to engage in-depth with the Start-up Advisors Council, the Ministry of Business, Innovation and Employment (MBIE), Treasury and Ministers to define the long-term funding model and investment strategy for NZGCP as an organisation and Aspire and Elevate specifically. In addition, we have spent considerable time and effort working with The Guardians of New Zealand Superannuation (the Guardians) (under whose mandate we operate as the manager of Elevate) to develop the depth of the Series A/B funding sector.

Overall, this past year has seen NZGCP operating at full capacity and seeking to contribute in more of a leadership role across the sector. We would like to thank the entire NZGCP team for their efforts and their commitment as well as the Board, which has operated with a reduced number of members for much of the year, for their guidance and support. A special thanks to David Smol, who relinquished his role as chair of the NZGCP Board in December 2022.

Annabel Cotton
Chair

Rob Everett
CEO

Internal stability within our team has allowed us to focus on building external relationships, supporting our portfolio, and on navigating the investment landscape to develop our start-up ecosystem.

Corporate governance statement —

The Board and the leadership team of NZGCP believe that a robust and transparent corporate governance framework is central to the success of the company.

This section sets out the framework currently in place at NZGCP.

NZGCP is a Crown-entity company – incorporated on 1 July 2002 under the New Zealand Companies Act 1993. The statutory governance arrangements for NZGCP are set out in the Crown Entities Act 2004, the Companies Act 1993 and the Venture Capital Fund Act 2019 (in the case of Elevate).

Shareholding Ministers

NZGCP is 100% owned by the Crown. The Minister for Economic Development and the Minister of Finance are the shareholding Ministers.

Under the Crown Entities Act 2004, the shareholding Ministers have responsibilities on matters of strategic direction, targets, funding, performance, reporting and reviews.

Shareholding Ministers are responsible for overseeing the public and Crown's shareholding interests in NZGCP by:

— Ensuring an effective Board is in place

— Setting NZGCP's direction

— Monitoring and reviewing NZGCP's performance.

Shareholding Ministers do not have visibility of NZGCP's 'investment pipeline' nor do they influence or approve any investment decisions in Aspire or Elevate.

MBIE acts as the monitoring agency for NZGCP on behalf of Ministers.

Board of Directors

NZGCP's governing legislation and Board Charter define collective and individual responsibilities. The Board, which exclusively comprises non-executive directors, meets at least 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 NZGCP's Constitution.

The Board establishes strategic objectives, 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 by the Board to the CEO, who is accountable to the Board. The Board places emphasis on implementation of best-practice investment disciplines, sound administrative systems and procedures, and regulatory compliance.

The Board regularly discusses governance and performance and reviews its performance as a board at appropriate intervals. A new chair was appointed during the year as the previous chair's term ended. The chair was an existing director of the Board.

Board committees

We have two standing committees to assist the Board. Each committee has a separate charter that sets out the purpose, roles and responsibilities of that committee.

— Audit and Risk Committee

The role of this committee is to oversee external financial reporting, internal control environment, business assurance/external audit functions and risk management.

— People and Culture Committee

The role of this committee is to ensure appropriate governance and oversight are exercised on behalf of the Board and shareholders over the company's human resource, culture and remuneration policies and practices and the requirements under the Crown Entities Act 2004, Ministerial expectations and the Treasury's Owner's Expectations Manual.

Risk management

We have an active risk management framework encompassing strategic, organisational, health and safety, financial and business continuity risk. Responsibility for ensuring we manage risk is shared at board, senior leadership team (SLT) and individual level. This responsibility is underpinned and supported by policies and registers, with oversight at board and SLT level, and recognises that everyone has a part to play to ensure we are identifying and managing our risk.

The Board's Audit and Risk Committee oversees the quality and integrity of the financial environment, including managing the relationship with the external auditor. The committee also assesses whether appropriate governance, policies and processes are in place to ensure effective operational management of risk and the delivery and integrity of internal audit and improvement processes.

Planning and reporting

The Crown Entities Act 2004 sets out our major planning and reporting requirements, including preparing and publishing the Statement of Intent (SOI), Statement of Performance Expectation (SPE) and annual report. Each year, we seek input from our stakeholders to assist with developing our statutory plans. Progress against our Statement of Performance is reported quarterly to the Ministers.

Code of Conduct

The Code of Conduct Policy is the company's 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 that sets out the procedures for identifying and managing potential conflicts of interest and conflicts of commitment. The policy applies to everyone working at or for NZGCP. An interests register is maintained, which shows directors' and employees' declared interests and commitments. It is updated regularly by employees, and for the directors, it is updated at each Board meeting. NZGCP also has a Mandate Management Policy to ensure that it manages actual and potential conflicts between its two primary mandates, the Elevate venture fund and the Aspire seed fund.

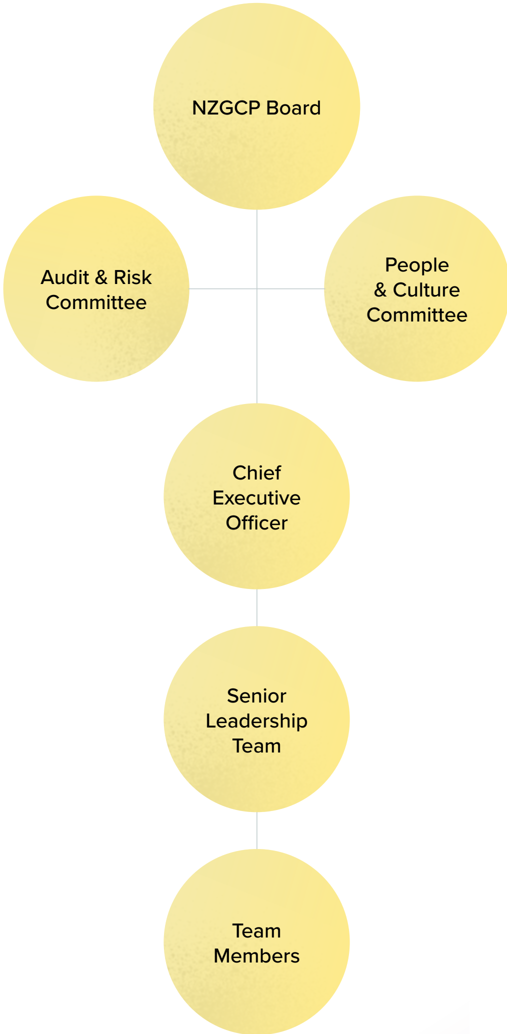
Delegated authority

Responsibility for implementing the Board's strategy and managing the operations and administration of NZGCP is delegated to the chief executive officer. The chief executive officer in turn sub-delegates certain approval authorities. The delegated authorisation levels are subject to Board approval, controls and procedures, as well as external audits.

The Guardians and Elevate

The Guardians is the sole Limited Partner of Elevate and has appointed NZGCP to manage the fund. The Guardians provides governance and oversight of Elevate and NZGCP's performance as manager with regular conviction reviews in line with the Guardians' conviction framework for assessing externally managed investment funds.

The Guardians also provides oversight of Elevate and NZGCP's performance as manager via Elevate's Limited Partner Advisory Committee (LPAC). The board of the Guardians is responsible for the preparation of Elevate's financial reporting; therefore, Elevate's financial statements are included within the Guardians' annual report.



Board of Directors —

The Board of Directors is appointed by shareholding Ministers on behalf of the Crown and is responsible for the performance of NZGCP.

Annabel Cotton — Chair

Appointed: 16 December 2020 as Director and as Chair on 8 March 2023
Committees: Audit and Risk Committee (Chair), People and Culture Committee

Annabel is an experienced governor with knowledge of public sector boards. Her skills and experience include governance, investor relations, risk and assurance, finance and accounting.

She is the owner and managing director of Merlin Consulting and a professional director with over three decades' experience advising NZX- and ASX-listed companies.

Annabel's governance experience includes having been a director and audit committee chair of NZX Regulation, Waikato Regional Airport, Trust Investment Management and several NZX-listed companies. She has also been a director of the Security Commission, the External Reporting Board and Genesis Energy Limited and a trustee of Global Women. Annabel has chaired Hamilton and Waikato Tourism and the investment committee of several charitable trusts.

She has strong knowledge of the finance services industry and has good connections with angel investors, fund managers and funding entities. Annabel has a genuine interest in seeing small businesses succeed and a firm understanding of the stakeholder perspective and the challenges faced by start-up companies.

Nicole Buisson — Director

Appointed: 21 March 2022
Committees: People and Culture Committee

Nicole is a professional director and also works with technology companies on growth and scaling initiatives. She currently sits on the board of Icehouse, Mosaic Business Solutions and Humanitix. Nicole formerly sat on MBIE's Small Business Council and the boards of WEL Networks, Ultra Fast Fibre and Rose & Thorne. Her corporate background combines a mix of high-growth technology leadership (AWS, Xero, Open Insurance), venture capital and private equity (3i and Ernst & Young's Venture Capital Advisory Group) and corporate innovation (Vodafone, HK CSL). Nicole has international experience across the Asia-Pacific region, the USA and Europe, leading to an in-depth knowledge of international market entry and growth strategies. She has an appreciation of the value of diversity, a strong culture and global best practices.

Nicole holds an MBA from Columbia University and London Business School and is a chartered member of the Institute of Directors. She spent additional periods at the University of California at Berkeley, China Europe International Business School (CEIBS) and the University of Otago.

Marcel van den Assum — Director

Appointed: 16 December 2020
Committees: People and Culture Committee (Chair) and Audit and Risk Committee

Marcel is a professional director, independent advisor and angel investor. His current roles include Chair of Sprout Agritech Ltd and Wipster Ltd, director of CropX (NZ) Ltd, Flick Electric Company and BlackCurrent, along with independent advisory board positions with Te Whatu Ora Health New Zealand. He was chair of the Angel Association of NZ, a director of AngelHQ, a founding investor in Lightning Lab accelerator and is a member of the New Zealand Institute of Directors.

Prior to his governance career, Marcel was chief information officer of New Zealand's largest company, Fonterra, and before that was managing principal of Unisys NZ, holding leadership roles in various global functions. He has worked across many industry sectors and government entities, and in most geographies.

Marcel has a genuine desire to grow companies and New Zealand's economy and an interest in NZGCP's leadership role in the early-stage ecosystem. He has a strong level of understanding of the work of NZGCP, the environment it operates in, the relationship between its stakeholders and the challenges surrounding its investment and stakeholder relations.

Changes to the Board

The Board's composition changed during the year, with the previous chair's (David Smol) term ending in December 2022. Marcel van den Assum was acting chair from December to March 2023 until Annabel Cotton (existing director) was appointed as the chair.

We thank David Smol for his role as chair during his tenure at NZGCP – appointed 3 December 2020 and ended 2 December 2022. As chair, he oversaw the rebuilding of NZGCP, gave stability to the organisation and undertook the appointment process for a new chief executive officer.

Post balance date, we welcomed three new directors to the Board – being Janice Fredric, Steve O'Connor and Grant Straker.

What do we aim to achieve?

A vibrant and self-sustaining New Zealand early-stage investment ecosystem, investing in globally ambitious companies and contributing to New Zealand's economic prosperity

These impacts and outputs align with our Statement of Intent 2020–2024 and Statement of Performance Expectations 2022/23 and pave the way for our recently published Statement of Intent 2024–2028.

The measurement of these impacts and outputs is complex, with many influencing factors. Cause-and-effect relationships between our work and measurable change in the early-stage investment ecosystem are not always straightforward, and it can take several years for change to become clear. Factors outside the control of NZGCP can have a major influence also, e.g. the current global economic conditions. Several of the output measures contribute to more than one impact measure.

Statement of Intent 2020–2024

Statement of Performance Expectations 2022/23

Statement of Intent 2024–2028

Capital

At the establishment of Elevate, it targeted up to $1 billion flowing into the early-stage capital markets within five years. Taking into account private-sector investments into Elevate's underlying funds of more than $700 million, the market had raised over $1 billion before the end of 2023, hitting this milestone significantly ahead of initial target.

Capability

Our CEO and investment team spent productive time building capacity and capability in the early-stage investment ecosystem. This included attending and hosting workshops and industry events, and assisting founders to get their start-up ready for investors.

Pipeline

Aspire has been transitioning towards greater investment into a smaller number of companies in under-invested sectors and investing even earlier. This has seen Aspire invest into a number of deep-tech and gaming companies as well as a number of software companies as the fund retains its generalist focus. During the year, 42% of the investments made had female founders.

Our impacts and outputs —

Mandate (our purpose)	Outcome (our vision)	Impacts (what we aim to achieve)		Summary of impact measure performance	Description of impact measure performance	Summary of output measure performance
Address capital and investor capability gaps in New Zealand's technology start-up ecosystem	A vibrant and self-sustaining early-stage investment ecosystem, investing in innovative and globally ambitious companies, and contributing to New Zealand's economic prosperity, wellbeing and ambitions for an economy with a low environmental impact	**Capital**	Increased number of experienced active **investors**	**We had 4 impact measures and achieved 3 (3/4).**	**Output 3** We aim to develop high-quality deal flow through the establishment of diverse investment partnerships that supports the various ambitions of early stage start ups.	**We had 2 output measures and achieved 1 (1/2).**
		Capital	Increased connectiveness for **globally ambitious companies**	**We had 3 impact measures and achieved 2 (2/3).**	**Output 2** We act as a catalyst to attract new sources of investment capital through opportunity and investment return demonstration effect.	**We had 6 output measures and achieved 4 (4/6).**
		Capability	An **ecosystem conducive** to early-stage investment	We had 2 impact measures and achieved both the targets (2/2).	**Output 4** We work with various industry stakeholders to develop the market and improve connectivity and investment conditions for the early-stage investment ecosystem.	We had 2 output measures and achieved both (2/2).
		Pipeline	Increased level of private and institutional **investment**	We had 2 impact measures and achieved both the targets (2/2).	**Output 1** We support the ecosystem by co-investing into eligible industries and stages with appropriate private investment partners to bridge capital gaps and work towards a self-sustaining early-stage investment ecosystem in the long run.	We had 5 output measures and achieved 1 (1/5).

Capital

Increased number of experienced active investors:
Through our Elevate venture capital fund-of-funds, we act as a catalyst to attract new sources of investment capital by driving commercial best-practice and demonstrating strong returns.

Increased connectiveness for globally ambitious companies:
We aim to develop high-quality deal flow through the establishment of diverse investment partnerships that support the various ambitions of early-stage start-ups.

Increased levels of private and institutional capital are required to bridge capital gaps and work towards a self-sustaining investment ecosystem. Through our Elevate venture fund, we aim to increase capital and broaden the range of active investors. With 2023 seeing the market hit the initial stated target of over $1 billion flowing into the early-stage capital markets since Elevate launched (two years ahead of schedule), we are making progress in expanding and deepening the VC sector but there is still significant work to do to mature the sector. Supported by market development initiatives and Aspire co-investment, we are targeting significant increases in the amount as well as diverse sources of capital available for globally ambitious companies.

Elevate —

Backing the best venture capital managers to invest in New Zealand's best early-stage tech companies.

Together we're building a sustainable Kiwi venture capital market.

In 2019, the Government announced a new policy to develop the New Zealand venture capital market, which involved the creation of a new fund to be administered by and the responsibility of The Guardians of New Zealand Superannuation (the Guardians). This resulted in the launch of Elevate NZ Venture Fund (Elevate) in March 2020, a $300 million fund-of-funds programme. The Guardians appointed NZGCP to manage the fund under their oversight.

The Elevate venture fund has made nine investments in the first three years of operations and, as at 30 June 2023, had committed $215 million (plus another $8 million of conditional commitments). NZGCP will continue to assess opportunities to allocate capital into venture capital funds that meet our due diligence requirements, alongside the portfolio construction framework agreed with the Guardians.

At the time of its establishment, alongside private matching capital and assuming an aspirational matching ratio of 1:2, the programme was targeting up to $1 billion flowing into this part of the early-stage capital markets ecosystem over the initial five-year investment period of the fund. This would be a significant increase on amounts raised during the previous 15 years.

Taking into account private-sector investments into Elevate's underlying funds of over $700 million, the market had raised more than $1 billion before the end of FY23. Hitting this milestone significantly ahead of our initial target demonstrates how far the venture capital market has come in such a short period of time. However, the work is not yet complete, and we believe there are significant opportunities to continue growing this sector and to further support both existing and emerging managers.

The current economic conditions are making it extremely difficult for funds to raise private capital, and a number of the funds (including those that Elevate has backed) do not yet have proven track records that will make fundraising easier. We therefore believe there is still a strong need to continue the work that Elevate has achieved so far and catalyse a market that is sustainable without government intervention.

Elevate is aiming to develop a deeper and broader venture capital investment sector and NZGCP, as manager of the fund, undertakes significant development work with potential venture capital funds for Elevate to invest in.

Specific expectations for this period would be to:

— Continue to work with the Guardians to successfully deliver Elevate to:
  - Employ best-practice investment approaches within NZGCP as manager to ensure effective due diligence, monitoring and reporting takes place
  - Ensure that NZGCP is supporting venture capital funds to follow best-practice investment approaches
  - Aid the development of new funds with the promise or potential to be New Zealand's venture capital investors of the future

— Monitor the amount of capital being deployed into and by the venture capital market, including assessing the enduring strength of the pipeline of deals across early-stage investment markets and engaging with officials on any broader implications this may have.

Current fund investments made by Elevate

Blackbird Ventures NZ Fund 2019 and Fund 2022

In May 2022, Elevate committed $30 million into Blackbird Ventures' second New Zealand fund (Fund 2022) with commitments of $77 million at the end of June 2023.

Previously, in FY21, Elevate invested $23 million into its first New Zealand fund (Fund 2019). Blackbird is Australia's largest venture capital fund and has made a strong commitment to New Zealand's start-up ecosystem.

blackbird.vc

Finistere Aotearoa Fund

In April 2021, Elevate committed NZ$16 million (US$14 million) into the Finistere Aotearoa Fund, which is matched by Silicon Valley-based venture fund Finistere Ventures Fund, creating NZ$32 million to invest in New Zealand opportunities. The Finistere Aotearoa Fund is a sidecar vehicle that targets agri-tech companies at the Series A/B stage.

finistere.com

GD1

In July 2021, Elevate committed $45 million into Global From Day 1 (GD1) Fund 3, which achieved a final close of $145 million. GD1 is a generalist venture capital fund, investing in a wide remit ranging from enterprise software and the internet to connected hardware, deep-tech and health-tech.

gd1.vc

Hillfarrance

In August 2022, Elevate committed $15 million into Hillfarrance venture capital fund, which was increased to $17.5 million in Q4 of 2022. Hillfarrance achieved a final close of $36 million by December 2022. Its investment focus is advanced machine learning, gaming and solutions for the climate crisis, with the fund's strategy driven by founders and business models rather than particular sectors.

hillfarrance.com

Movac Fund 5 and Emerge Fund 4

Elevate committed $16 million into Movac Emerge Fund 4 (with a conditional commitment of up to a further $9 million). This is a new deep-tech early-stage fund managed by veteran Movac partner David Beard.

In September 2020, Elevate committed $30 million into Movac's $250 million Fund 5. This is New Zealand's largest-ever venture capital fund – with funding commitments from Elevate, the New Zealand Superannuation Fund and Kiwi Invest, a KiwiSaver fund.

movac.co.nz

Nuance Fund 1

In September 2021, Elevate committed $17 million into Nuance Connected Capital. Nuance reached final close in March 2022 with a fund size of $57 million. This is a deep-tech venture capital fund that aims to solve large societal challenges using emerging technologies.

Nuance.vc

Pacific Channel

In October 2020, Elevate committed $20 million into a $55 million fund managed by Pacific Channel. This was Elevate's first allocation to a first-time venture capital manager, and it is New Zealand's first deep-tech-focused venture capital manager.

pacificchannel.com

Investment activity during FY23

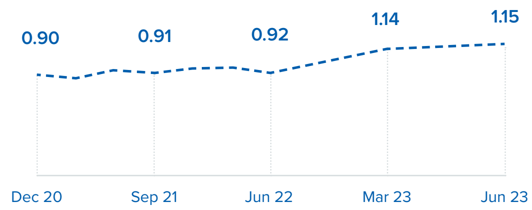
During the year, Elevate made two further commitments – an aggregate of $17.5 million into Hillfarrance and $16 million to the Movac Emerge Fund 4 (with a conditional commitment of up to a further $9 million). This takes Elevate's total commitments to nine funds and an aggregate commitment of up to $223 million.

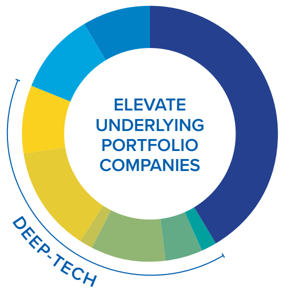
A further $42 million was called by, and due to the underlying funds at financial year end, which resulted in investments into 25 new companies and 47 follow-on investments. This has taken the total number of companies invested in by Elevate's underlying funds to 106 since Elevate launched in March 2020. At the end of FY23, the funds had called approximately 48% of the funds Elevate has committed.

Investment performance

While it is extremely early in the life of the underlying funds (which typically take seven to ten years to exit their successful investments), we are pleased with the way the funds are performing. Venture capital investments usually follow a 'J-curve', where, initially, minimal gains are outweighed by the management fees paid. We expect the successful investments to mature and see significant growth in several years time.

TOTAL VALUE TO PAID IN CAPITAL





Number of companies invested in by sector
AS AT 30 JUNE 2023

SaaS	**44**
Deep-tech (total)	**42**
Bio-tech	2
Med-tech	5
Clean-tech	10
Space-tech	2
Agri/Food-tech	14
Other deep-tech	9
Hardware/Hardware-enabled SaaS	**11**
Other software	**9**

Market growth

The New Zealand venture capital market has significantly grown since Elevate launched. When it was initiated, Elevate was targeting that its capital would facilitate a billion dollars' worth of venture capital fund raising in the first five years. We are very pleased to announce that between March 2020 (when Elevate launched) and 30 June 2023, over $1 billion was raised – including Elevate's $215 million committed at that date.

In addition, when Elevate launched, we estimated that there was only $72 million of capital available to invest in promising Kiwi start-ups (from the venture capital sector). As at 30 June 2023, that figure (despite significant investments during this period) had grown, by our estimates, to over $600 million.

This venture capital is helping to ensure that the most promising start-ups are better funded and can develop their product and their business model faster, enhancing their odds of competing on a global scale. The maturation of the market is reflected in the fact that the median Series A round size has grown from $2.5 million in 2019 to $10 million in 2023, and the median Series B round has grown from $3 million to $15 million over the same period. The number of deals at both stages has increased significantly with the number of Series A rounds increasing from three to thirteen (albeit 2022 was even higher at eighteen) and the number of Series B rounds trebled from three to nine.

Our capital impacts and outputs against our Statement of Intent at a glance

Impact	Measure	Desired trend	2021/22 result	2022/23 result
Increased number of experienced active investors	Total number of domestic funds >$50m active in the market [1]	↑ Increasing to 12	11	>12
	Total number of domestic funds <$50m (micro/seed funds) active in the market [2]	↑ Increasing to 18	18	>18
	Number of serial angel investors in the market [3]	↑ Increasing to 110–160	100–150	100–150
	Number of active venture capital investment professionals [4]	↑ Increasing to 50	44	54
Increased connectiveness for globally ambitious companies	Total number of NZ high-growth companies receiving investment from ecosystem p.a. (Angel and VC) [5]	↑ Increasing to 174	325	351
	Total number of syndicated institutional funding rounds (VC) [6]	– Remaining steady at 7	9	11
	Syndication levels in the pre-Series A ecosystem (Angel) [7]	↑ Increasing to 79%	75%	75%

1. Altered Capital, Blackbird Ventures, Brandon Capital, Global From Day 1 (GD1), Icehouse Ventures, Movac, New Zealand Green Investment Finance, NZGCP, Nuance Capital, Pacific Channel, Pioneer Capital, and Punakaiki. These investors have funds classified here given their sizes and active investment into venture capital-stage funding rounds.
2. As at 30 June 2023, investors include but are not limited to; Aera VC, Auckland Uniservices, Climate Venture Fund, Crypto Fund 1, Cure Kids Ventures, Finistere, GreenMount, Hillfarrance, Impact Enterprise Fund, Maker Partners, Matū Fund, NZVC, Outset Ventures, Phase One Ventures, Quidnet Ventures, Seraphim VC, Snowball Effect, Sprout, WNT Ventures and Zino Ventures. 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. Data based on PitchBook extract for individual angel investors and angel groups in the New Zealand region. The number of angel groups and angels is 108, angel groups usually represent a group of angel investors while some of them may be duplicated with individual angel listed, and we estimate the number of distinct serial angels to be in the range of 100 to 150.
4. Data based on PitchBook. The number of active venture capital investment professionals count only the position-level equivalent to managing directors and partners. The increase in number is mainly due to promotion and the launch of new funds.
5. This measure reports the number of New Zealand high-growth companies receiving investment from the angel/seed market as measured by *Startup Investment New Zealand* published by PwC and AANZ, and by the venture capital market as measured by *New Zealand Private Equity and Venture Capital Monitor* published by EY, both for the years ending 31 December 2021 and 31 December 2022. The results indicate a significant decrease in the number of companies invested in the angel/seed market (129, down from 174) and a large increase in the early-stage investment by the venture capital market (222, up from 151).
6. This measure uses all the rounds completed by Aspire for the year under review, and if the lead investor is a venture capital firm, it counts it as a syndicated institutional venture capital round.
7. Syndication levels uses only the Young Company Finance (YCF) data to work out how many of the rounds were identified as syndication rounds or not. This information was self-disclosed by the parties participating in the YCF report.

Related output measures

	Desired trend	High-level result
Cumulative number of venture capital funds invested in by Elevate (including second vintages)	↑ Increasing to 8	Achieved
Cumulative amount of private capital raised by VC funds that Elevate invests in	↑ Increasing to $700 million	Achieved
Cumulative investment leverage ratio for Elevate (public to private capital)	↑ Increasing to 1:3	Achieved
Number of companies attracting Series A/B investment (Aspire and Elevate)	↑ Increasing to 30	Not achieved
Number of companies with offshore VC investment at Series A/B (Aspire and Elevate)	↑ Increasing to 12	Not achieved
Investment leverage ratio for Aspire (public to private capital)	✓ At least 1:4	Achieved
Number of investment opportunities reviewed by Aspire	✓ At least 100	Achieved
Number of Aspire syndicate partners	– Remain steady at 36	Not achieved

Further details of outcome measures results are included in the Statement of Performance section.

Hillfarrance —

Hillfarrance Venture Capital was established in 2020, with its name originating from the tiny ancestral village of its founder, Rob Vickery, and the strong sense of community and longevity it represented to Rob and his family. Recognising that at the heart of any thriving community is its ability to collaborate effectively, Hillfarrance was created with this ethos built into its bedrock.

Supporting the Hillfarrance vision is Principal Alex Dam and General Partner Andrew Leahy, who has moved from the USA to join the leadership team. With a combined 18 years of pre-seed and seed-stage start-up investing in the USA and New Zealand, a core focus of the firm is to prepare and support their portfolio companies as they expand their business into the biggest markets in the world, the USA.

In August 2022, Elevate committed $15 million into Hillfarrance, which was then increased to $18 million in Q4 at the final close, with a total fund size of $36 million. They are now raising their second vintage, which is targeted at a $50 million final close in early 2025.

Hillfarrance's investment focus is on growing emerging businesses both locally and globally in:

— Advanced machine learning-led applications using vast amounts of proprietary data to solve the biggest problems that matter to the enterprise
— Platforms and studios rewriting the future of content and gaming and its continued convergence
— Solutions that tackle the climate crisis head-on.

Notable investments within their portfolio include Partly, Floating Rock, Yabble, Compostic, Octana and Hashbane Interactive.

Rob and the Hillfarrance team have a significant focus on building and supporting communities ('The Village') and provide a range of support to founders that goes beyond capital including the likes of nationwide fireside chats, 'Huddle & Hustle' networking events, their 'Village Summit', and the 'Future Play Mixer' in conjunction with the New Zealand Game Developers Conference (NZGDC).

If you are curious about the application and investment process of Elevate, Rob shared a blog, 'Growing wings', that articulates his perspective as a venture capital fund manager and how the experience has strengthened their company.

hillfarrance.com   Growing wings at Hillfarrance

HILLFARRANCE

Empowering people to build a better future for the next generation






Capability

An ecosystem conducive to early-stage investment:
We work with various industry stakeholders to develop the market and improve connectivity and investment conditions for the early-stage investment ecosystem.

To achieve an ecosystem conducive to early-stage investment, Elevate continues to back and support the next generation of venture capital managers. Capability building is also supported by our Aspire activities, including active sharing of due diligence and proactive syndication on deals in relatively under-invested sectors such as deep-tech and gaming. We supplement this with our market development commitment of sponsoring and supporting ecosystem partners and programmes, as well as attending and hosting workshops and industry events. We are further progressing this pillar as we build our data and learning and development strategies which will start implementation in FY24.

Capability —

NZGCP continues to work with industry stakeholders to identify and support the areas of capability throughout the sector that need further development.

The feedback from across the industry is reflected in our discussions with the Government on objectives and settings for NZGCP's various programmes. NZGCP also engaged on multiple occasions with the Start-up Advisors Council to discuss ways to accelerate the development of the start-up sector. The council reported to the appointing Ministers in August 2023.

Market development through investment activities

NZGCP's principal investment activities are aimed at developing the start-up ecosystem. Aspire is designed to help build the depth and breadth of the pipeline of start-ups progressing to Series A stage investment while catalysing further private capital investment in these start-ups. Elevate's objectives include developing the institutional venture capital market in New Zealand and to catalyse further private (including institutional) investment.

Our investment team spends considerable time on building capacity and capability in the early-stage investment ecosystem, which includes attending and hosting workshops and industry events as well as assisting founders to get their start-up ready for investors.

NZGCP has one Crown funding appropriation, which is utilised to increase capability within our start-up ecosystem by supporting market development initiatives that sit outside our investment activities.

Our market development objectives are:

Build the base – initiatives to encourage diversity, quantity and quality of the Series A/B opportunity pipeline, with a particular focus on under-represented areas, e.g. youth, deep-tech and emerging sectors, Māori, Pasifika, female and/or regional founders.

Grow capability and introduce diverse capital sources – support new and existing angel, seed and venture capital investors as well as develop private capital into the asset class, including institutional investors, e.g. KiwiSaver and iwi.

Foster collaboration, connectivity and healthy competition – including government organisations, investor networks and increased access to global markets.

Sponsorships and partnerships

The market development programme looks to partner with organisations whose purpose aligns with NZGCP's in growing, deepening and diversifying the early-stage ecosystem. In addition to significant partnerships with industry associations, such as AANZ and NZPC (for venture capital funds), NZGCP partnered with those looking to increase participation in – and the diversity of – the firms coming into the sector. These partners include Ministry of Awesome (specifically their Electrify Aotearoa annual conference and Electrify Accelerator, which focuses on supporting female founders), Startmate's Women Fellowship and First Believers programmes, OnBoard start-up governance programme and youth entrepreneurship programmes that include Young Enterprise Scheme (specific funding for a Māori development role), Velocity (University of Auckland), Entre (University of Canterbury) and Startup Dunedin (Otago). In addition, sponsorship and collaboration partnerships with numerous industry associations, platforms and events were undertaken.

Our work includes activities to attract new investors (angel, seed and venture capital), investor and founder education and initiatives to attract further private capital (particularly institutional investment) into the start-up landscape. There is a specific objective to work with investors of Māori capital to increase access to investment opportunities within the early-stage sector, to build confidence in and the capability of Māori investors and to encourage Māori participation in the sector more generally – whether as founders, investors or those working within the sector.

Learning and development

Consistent with our purpose of supporting investor capability as well as capital, NZGCP is developing a learning and development (L&D) strategy in collaboration with other private investors, e.g. venture capital funds. The purpose of this programme is to develop frameworks and tools for new participants to the venture capital ecosystem and establishing the next generation of venture fund General Partners. This programme is being designed to be scalable and repeatable and built on collaboration across the start-up ecosystem. It is intended to be used both for NZGCP's internal investment training as well as all market participants and new entrants into the ecosystem (regardless of whether they have received Elevate funding). NZGCP will be targeting implementation of this programme during FY24.

Data collation and reporting

NZGCP is also working with the MBIE to establish a data collation and reporting mechanism to collate, analyse and publish ecosystem data. This aligns with the expectations of our shareholding Ministers set out in the Letter of Expectations in May 2023. This work will help to track progress and better understand gaps and areas for further improvement with regard to supporting underserved sectors and groups.

In this context, NZGCP has also purchased a licence from (and worked closely with) Dealroom to enable better collation and reporting of ecosystem data. The intent is to provide all relevant information free of charge and to ensure it is kept up to date with the assistance of those active in the ecosystem.

Our capital impacts and outputs against our Statement of Intent at a glance

Impact	Measure	Desired trend	2021/22 result	2022/23 result
An ecosystem conducive to early-stage investment	Industry development initiatives undertaken in conjunction with NZPC and AANZ [1]	– Remains at 4	7	18
	Advice provided to government to assist market development [2]	– Remains at 2	5	5

1. As COVID-19 restrictions eased, NZGCP was able to participate in more industry development initiatives than previous years. These initiatives were made up of sponsorships, events, accelerators, workshops, participation in industry events, strategy sessions and industry research.
2. Elevate, NZ VC market update, Elevate settings amendments, Elevate funding requirements, crowding in of institutional investment into the venture capital sector, feedback on the Start-up Council report.

Related output measures

	Desired trend	High-level result
Industry development initiatives undertaken in conjunction with NZPCA and AANZ	✓ At least 4	Achieved
Advice provided to government to assist market development	✓ At least 2	Achieved

Further details of outcome measures results are included in the Statement of Performance section.

Market development initiatives we back —

Partnering with organisations who seek to grow, diversify and support the early-stage start-up ecosystem, including its budding entrepreneurs, founders and investors.

YOUTH

YES ▲

UNIVERSITY STUDENTS

Velocity
Entre
Startup Dunedin
TupuToa Internships ▲

FOUNDERS

Startmate Women Fellowship ■
OnBoard
Electrify Accelerator ■

INVESTORS

AANZ
Venture Downunder
Elevate NZ Pulse Checks
Startmate First Believers
NZPC annual summit
L&D Programme

Electrify Aotearoa ■
GEN NZ

Technology Investment Network
PwC Startup Investment NZ magazine
Stuff editorials
Techweek Government Panel
Abroad ●
Resilience Institute ●

Wellbeing ●
Māori / Pasifika ▲
Female focused ■

Ecosystem-wide support

Ministry of Awesome (MoA) —

MoA is a community for founders of high-growth start-ups. Under the helm of CEO Marian Johnson, MoA helps drive ambition, build capability and support success. MoA operates an early-stage start-up incubator, Founder Catalyst, and four national accelerator programmes every year.

Why do we back MoA?

As part of its support for the founder community, MoA is working hard to increase representation of women in the tech start-up space. Two significant programmes powered by MoA include Electrify Accelerator – New Zealand's first accelerator for female and non-binary founders – and Electrify Aotearoa – an annual conference for women founders and investors.

There are approximately 2,500 high-growth Kiwi start-ups, but research indicates that only 21.6% of these have women on their founding teams. We try hard to diversify the pipeline of investment opportunities we review, but for start-ups that we've invested in via Aspire over recent years, only 32% have female founders on the team. More recently, this ratio has improved to more than 42% for additions to the Aspire portfolio over the last two years but it is not enough. The proportion of female and non-binary founders to male founders is too low – innovation, business success and social impact all suffer from monochrome founder cohorts. Research published this year from Theresa Gattung and Jenny Rudd reflects the downsides for our society and our economy from such gaps.

Everyone in the sector needs to focus on encouraging more women and non-binary people to start companies and on helping more female founders reach the point of funding. To achieve this, we actively support programmes like Electrify and Startmate, which help develop capability and visibility of women entrepreneurs and build the pipeline to create more investible women-led start-ups.

MOA

ministryofawesome.com

> "For New Zealand to be a world-leading innovation economy, we need at least 5,000 start-ups building their global ventures from here. The fastest way to reach our goal is to ensure we grow, support and invest in women start-up founders. If we had as many women start-up founders as we do men, we would immediately add another $22 billion on to our GDP."
>
> – Ministry of Awesome CEO Marian Johnson.

Pipeline

Increased level of private and institutional investment: Through our Aspire seed fund, we support the ecosystem by co-investing in eligible industries and stages with private investment partners to bridge capital gaps and work towards a self-sustaining, early-stage investment ecosystem in the long run.

To drive start-ups to become globally successful companies, we need to significantly increase the amount of capital and capability at a VC level. We also need a strong and diverse pipeline of investible start-ups that progress to Series A and beyond. Our Aspire seed fund has transitioned to back fewer companies, but with greater levels of investment into under-invested sectors (like deep-tech, gaming and other emerging sectors). Focusing on ensuring these early-stage companies are best placed to hit milestones and raise follow-on capital, we help build the Series A+ pipeline and create more diverse companies for later-stage investors to back. We also support pipeline creation and diversity through our market development activities such as sponsorship of initiatives to boost the number of female, Māori and younger entrepreneurs. Through Aspire, we invest in and support start-ups with diverse founders where possible (2023 saw 42% of Aspire investments made into companies with female founders). Our data strategy will be rolled out in FY24 to further boost our ability to assess the diversity of the pipeline and help guide policies to address the significant diversity gaps that we know exist.

Aspire —

Bold ideas. Big dreams.

We'll invest in those.

Supporting Kiwi tech start-ups to become world-class companies.

ASPIRE
NZ SEED FUND

The Aspire seed fund was established in 2006 as a passive co-investment fund (alongside private-sector funds) but moved to a more active commercial model in 2017. Aspire has evolved significantly since its establishment to adapt to the changing needs of the early-stage, start-up landscape as it has matured.

Evolution of Aspire's operating model

In 2022, the Government indicated its expectation that NZGCP should increase its focus into 'under-served' sectors and groups. The shift in focus aligns NZGCP's activities with our core purpose of seeking to address capital and capability gaps in the start-up ecosystem, including (among others):

- An increased focus on pre-seed and seed investments in under-invested sectors such as deep-tech, emerging technologies and those aiming to address climate change or sustainability. To achieve this, while remaining a generalist fund, Aspire is focusing a greater proportion of its investment activities on early-stage, deep-tech companies and other emerging sectors where it sees a relative capital gap, e.g. gaming.
- Investing in deep-tech (including agri-tech and food-tech, life sciences, space-tech, artificial intelligence, climate-tech and energy). Due to the capital intensity of deep-tech in particular (and the relative lack of available private capital), Aspire anticipates making larger investments at the pre-Series A stage than it has committed to previously and will need to take a longer-term view on investments. This will also have an impact on the public–private leverage ratios and the average time from investment through to realisation.
- Permitting NZGCP to continue to recycle capital from its investments under a more conventional committed capital model with a finite investment period. To enable this, Aspire's annual and per-company investment caps were removed. This is intended to enable Aspire to meet its refreshed objectives while retaining flexibility to support the market during periods of market uncertainty.
- Making cornerstone and leading investments in funding rounds where there is a clear market gap, e.g. in an under-served area of the market where there is no one else willing or able to lead the round but there is sufficient interest from investors willing to co-invest as long as a lead investor sets the terms and/or leads due diligence.

Investment activity

Aspire is following a revised portfolio construction model, which will see it continuing this strategy of making larger investments earlier in deep-tech, gaming and other emerging sectors. Aspire will make first investments at the proof-of-concept, pre-seed and seed stages and following on up to Series A while ensuring it complies with its Mandate Management Policy and is not squeezing out venture capital funds.

One of Aspire's key objectives is to crowd in capital into under-invested sectors. We do this by working with a broad range of other investors and sharing our due diligence and, increasingly, advising companies on the barriers to further investment such as misaligned founder incentives. During the year, our investments have been matched by $93.3 million of private capital. While this private–Aspire ratio declined during the year, this reflects our change of strategy towards sectors that typically have less private-sector investment.

We are also doing more to invest in under-represented groups and in particular female, Māori and Pasifika founders. Significantly more work needs to be done, both to increase the number of such groups represented in New Zealand start-ups and to increase the capital invested in female, Māori and Pasifika founders. We are working to collect more data to better understand how to assess the full extent of this issue and track progress. However, we are pleased that within the last year, over 40% of the start-ups added to our portfolio have female founders.

There is still significant progress to be made with other under-represented groups, both in founding teams but also in their representation in the tech sector more broadly.

Investment performance

FY23 has seen a correction in market multiples in public companies, which has flowed down to private markets. The effects were less pronounced at the earlier investment stages where Aspire focuses its investing activities, but the majority of the fund's value is retained in companies that have progressed to the later stages. During FY22, we included a general provision in the value of Aspire's portfolio due to this uncertainty. As FY23 has panned out, we have revalued our portfolio and this has resulted in a write-down in value of $7.1 million.

Broader economic conditions and a slow-down in investment levels have made it more difficult for start-ups to grow as quickly as in previous years. We therefore anticipate that the expected level of company failures is likely to increase over the short to medium term. There are, however, many positive stories within our portfolio, and the earliest-stage investments – especially in the deep-tech space, provided they can raise sufficient capital – are still some years away from having to commercialise their technology, by which time we expect markets will be more favourable. A number of other portfolio companies are making substantial progress, and we anticipate those growing into significant businesses in the long term.

Investment realisations

Prevailing market conditions have considerably reduced the opportunities for realisations during the year, with both Mergers and Acquisitions (M&A) and initial public offering (IPO) activity decreasing significantly. We have, however, made progress and continue to explore ways of divesting assets, which are either off-focus or whose long-term sustainable growth prospects have reduced as they have moved away from the typical venture capital path. We will continue to reinvest those proceeds into the most promising early-stage start-ups that are aligned with our investment strategy and purpose.

Aspire as a government-owned fund

As a Crown-owned company, NZGCP's operating model and overheads are different from those of a private-sector fund.

While individual investment decisions within Aspire are made independently of government, its strategic objectives reflect government priorities – including those in Ministerial Letters of Expectation. This differentiates Aspire from a purely commercially-oriented fund with private investors. Aspire needs to provide strong commercial performance as its operating expenses, and its future investments, depend on those returns. However, returns are likely to be delivered over a longer timeframe, and it is possible they would be lower than a private sector fund.

In line with government priorities, we are focused on investing in companies with low environmental impact, and we actively look for opportunities to invest in start-ups that are developing the technology to reduce the impact on the environment of the global economy. The Crown Responsible Investment Framework does not apply to NZGCP or Aspire, but the approach being taken aligns with that framework and our own Responsible Investment Policy.

Our Pipeline impacts and outputs against our Statement of Intent at a glance

Impact	Measure	Desired trend	2021/22 result	2022/23 result
Increased level of private and institutional investment	Total amount invested by the angel/seed market into NZ high-growth companies (p.a.) [1]	↑ Increasing to at least $127m per annum by FY23	$257m	$187m
	Total amount invested by the venture capital market into NZ high-growth companies (p.a.) [2]	↑ Increasing to at least $140m per annum by FY23	$380m	$320m

1. Data obtained from the Young Company Finance (YCF) report for the 2022 calendar year. Across the full calendar year, 2022 had an 18% and 28% drop in deal volume and capital amount compared with 2021. That year (2021) was an exceptional year with abundant capital offshore and, following the launch of Elevate and the rebound post COVID, there was record venture capital deployment onshore. Capital invested grew at a five-year (2018 to 2022) compounded annual growth rate (CAGR) of 12.4%.
2. Data obtained from NZPC. This data is for the 2022 calendar year. Total disclosed investment activity of $320 million was a slight decrease from the calendar year 2021 investment of $380 million but still significantly higher than the historical 10-year average of $169 million. Materially the same number of transactions was concluded in 2022 as in 2021, being 222 against 224. This represents a reduction in the valuation of investments. The number of seed and start-up investments made in 2022 was materially fewer than in 2021 with largely the same value in early-stage expansion. Venture capital funding continues to focus heavily on IT and software but the percentage of VC investments in IT and software decreased in 2022 compared with 2021.

Related output measures

	Desired trend	High-level result
Number of new investments in companies from Aspire	Reaching or exceeding 15	Not achieved
Total number of companies receiving investment from Aspire (p.a.)	↑ Increasing to 35	Not achieved
Total amount invested into companies annually from Aspire	↑ Increasing to $15m	Not achieved
Total proceeds from divestment of investments (Aspire, VIF)	$13m – desire is for the proceeds to match investment capital spend	Not achieved
Amount of capital committed to venture funds invested in by Elevate (p.a.)	In line with commitment allocation profile being $30m	Achieved

Further details of outcome measures results are included in the Statement of Performance section.

VIF

The VIF programme was established in 2002 as a venture capital fund-of-funds. That programme stopped making new investments in 2016 and is now in its wind-down phase. NZGCP's aim is to manage the wind-down of the portfolio in an orderly fashion and to maximise the return profile – to the extent possible within its role as a Limited Partner (LP) in the various funds in which VIF invested. Of the three remaining active funds in this programme, two are targeting full realisation by the end of FY24. The remaining fund was created more recently and it is likely to take two to three years until material realisations are received and the fund is fully wound down, although it is seeking exits as soon as possible too. However, due to current economic uncertainty and the economic outlook, the timing and value of all realisations is significantly at risk.

NZGCP will continue to actively pursue alternative methods of divesting these assets in parcels or collectively, but given the relative size of these holdings and existing market conditions, this will be challenging to achieve.

Proceeds realised from divestments within the underlying funds and the wind-down of the VIF programme generally are re-invested by NZGCP within our Aspire fund.

The future of carbon capture.

Massey University spin-out Captivate Technology are revolutionising carbon capture and potentially paving the way for wider adoption of carbon capture globally.

Their unique material is more efficient than other current carbon capture systems, is low cost and has a long lifetime with the capture and release of carbon dioxide (CO_2) over repeated cycles. Founder Professor Shane Telfer and the team have a vision of lowering CO_2 emissions, particularly in hard-to-abate industries such as cement, steel and chemical production. Innovative technologies like this will play a critical role in our sustainable transition towards a greener future.

Sector: Clean-tech

captivatetechnology.com

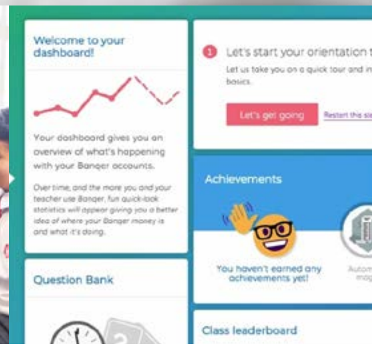
CAPTIVATE TECHNOLOGY

Founder: Professor Shane Telfer
Founding year: 2022
Co-investors: Matū, Massey Ventures Ltd, Booster Innovation Fund
NZGCP ownership: 3.53%
First investment made: January 2023

Financial education made easy for schools.

Banqer is the brainchild of female-founder Kendall Flutey (Ngāi Tahu, Ngāti Kahungunu), and it is an interactive, digital-first platform that embraces the tech savviness of Kiwi youth (at intermediate and high-school levels).

In using Banqer, students learn how to save, borrow, purchase a property and more through simulated economic environments. This technology empowers students with the knowledge and capability they need to thrive.



Sector: Software/Education-tech

banqer.co/nz

Founders: Kendall Flutey (Co-CEO), Simon Brown (Co-CEO), Ben Wigley, Marc McHardy, Micah Hocquard

Founding year: 2014

Co-investors: Greenmount Capital, Ngāi Tahu Investments, Tripple, Tauhara North No.2 Trust

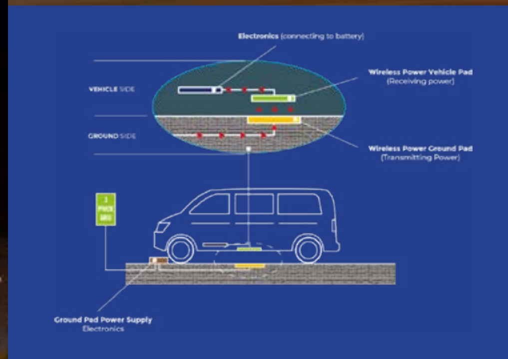
NZGCP ownership: N/A convertible loan investment

First investment made: September 2022

Driven to transform the way we charge electric vehicles.

The world’s modes of transport are increasingly becoming electric, and the charging of these vehicles require ease, efficiency and availability.

IntDevice offers a scalable wireless EV solution for robots and cars to buses and trucks. It is reliable and low cost, with discreet ground installation that offers high-power fast charging.



Sector: Deep-tech

intdevice.co.nz

Founder: Daniel Yu
Founding year: 2013
Co-investors: Quidnet Ventures, Hidden Rock Ventures
NZGCP ownership: 3.51%
First investment: December 2022

IntDevice

Our people

Our people are central to delivering against our purpose which is why we are focused on investing in them and supporting the growth of their careers. We strive to create an environment where our people can flourish, bring all of who they are and do their best work for NZGCP and the ecosystem.

Our values —

During FY23, NZGCP created a new set of values, which underpin how it operates both internally and externally. These values align closely with NZGCP's vision and its strategic objectives.

Values are the fundamental beliefs that help drive a team (and as individuals) to successful and positive outcomes.

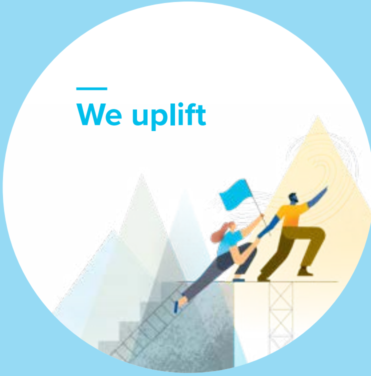
At NZGCP, we work very closely with founders, investors and ecosystem supporters to help build world-class tech companies. Over the past year, we have taken a deep-dive into what makes us tick as individuals and as an organisation. The values that NZGCP staff have crafted and are embedding into our day-to-day actions are set out below. They help us to operate as a motivated, empathetic and high-performing team.

We are curious

We seek to learn, understand and share knowledge in a world that is not black and white.

We embrace technology, innovation and entrepreneurship – to back bold ideas for growth.

We explore smarter ways to maximise value and to stay ahead of the game.



We uplift

We are empathetic, put heart into our work and bring the best out of each other – team mates, founders and industry partners.

We care and connect on a personal level and are constructive in helping each other up in an ever-changing environment.

We amplify collaboration by playing to strengths, leveraging and celebrating diversity of all those we work with.

We move the needle

We recognise the impact we can have – we back those who strive to solve the world's great issues, and we action change to encourage positive shifts in our early-stage investment ecosystem.

We aspire to build a lasting positive legacy through delivering great results for all stakeholders.

We help position Aotearoa on the world stage through tech investment and genuine support – creating a better tomorrow for the world.

Good employer —

NZGCP is committed to being a good employer as we value our team and the contributions they make to NZGCP and our mandate.

As a good employer, we strive to create an environment where our employees trust our processes and procedures around remuneration, recruitment and selection, professional development and promotions. We believe in offering equal employment opportunities to our current and prospective staff and have processes in place to support this. Our refreshed values help support and create this environment.

Focus Area	Our Activities
Leadership, Culture and Values	• The team has developed new values that are more aligned to our current context. • Recognition programme is aligned to the living of our values. • We use team-effectiveness practices, e.g. retrospectives, giving and receiving of feedback. • We run an annual anonymous employee survey on culture, leadership, practices and processes, and we follow through on results and feedback. • Quarterly team updates on strategy, priorities and team alignment.
Recruitment and Selection	• Blind, bias-free recruitment process supported by the Applied platform. • Selection process is designed to create equal opportunity and address gender imbalance in the Investment team.
Professional Development and Performance Management	• In-house fortnightly investment focused training sessions. • Development conversations and plans in place for our people. • Investment team career pathways. • Secondments for investment professionals into VCs or portfolio companies. • Quarterly performance check-ins.
Remuneration and Benefits	• External job evaluation and benchmarking on all roles to eliminate bias. • New company sponsored Parental Leave Policy launched.
Flexibility/Work-life Balance	• Hybrid working models in place, regularly reviewed to ensure fit for NZGCP and our people.
Wellbeing	• Groov wellbeing programme, including anonymous wellbeing surveys. • Health insurance, wellbeing allowance and days to actively support wellbeing.
Harassment and Bullying Prevention	• Code of Conduct and policies in place and externally managed whistleblowing hotline. • Performance check-ins include feedback on behaviours.

Diversity, equity and inclusion —

At 30 June 2023, two out of three of our Board directors and the same ratio of our SLT were women.

One of our key diversity, equity and inclusion goals this year was to increase the number of women in our investment team. This is not a challenge unique to NZGCP, but to the entire investment ecosystem in New Zealand. With the changes to our recruitment and selection practices (including 'blind' selection processes), we have been able to successfully recruit talented women into our investment team to help address the gender imbalance. We have five (38%) women in that team – this is an improvement since late 2021 when we had only two (18%) women in the team.

We've commenced our second year of partnership with TupuToa to assist us in building a pipeline of talented Māori and Pacific investment professionals. Our first set of interns joined us during their university summer break in November 2022 and left us in February 2023. Their experience with us created awareness around career options that they did not know were available to them.

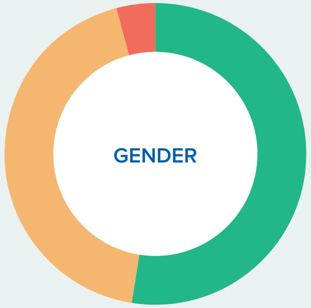
Our focus now shifts to creating an inclusive environment within NZGCP, where all our people can flourish and develop their careers. We've reviewed our people policies and practices and have introduced a Paid Parental Leave Policy, supporting primary caregivers and partners, launched a Māori capability programme and considered our practices in teams to increase inclusiveness and psychological safety.

The size of our organisation makes it difficult to produce meaningful gender or ethnic pay gap statistics. Any employee changes can significantly impact our pay gap statistics. However, we can and do consider other information and trends when assessing pay gaps within NZGCP, like our workforce profile, people data, remuneration and recruitment statistics. Based on these insights, we developed NZGCP's Kia Toipoto Action Plan in accordance with Public Sector Commission.

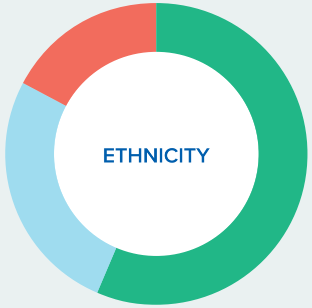
Kia Toipoto Action Plan

Composition of NZGCP's team

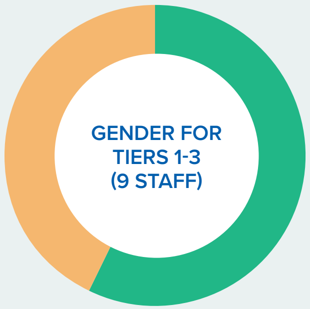
(as defined in the Treasury's Annual Report Guidance)



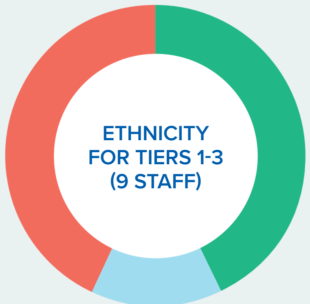
- Female 52%
- Male 43%
- Another gender 4%



- European 56%
- Asian 26%
- MELAA (Middle Eastern, Latin American, African) 17%



- Female 57%
- Male 43%



- European 43%
- Asian 14%
- MELAA (Middle Eastern, Latin American, African) 43%

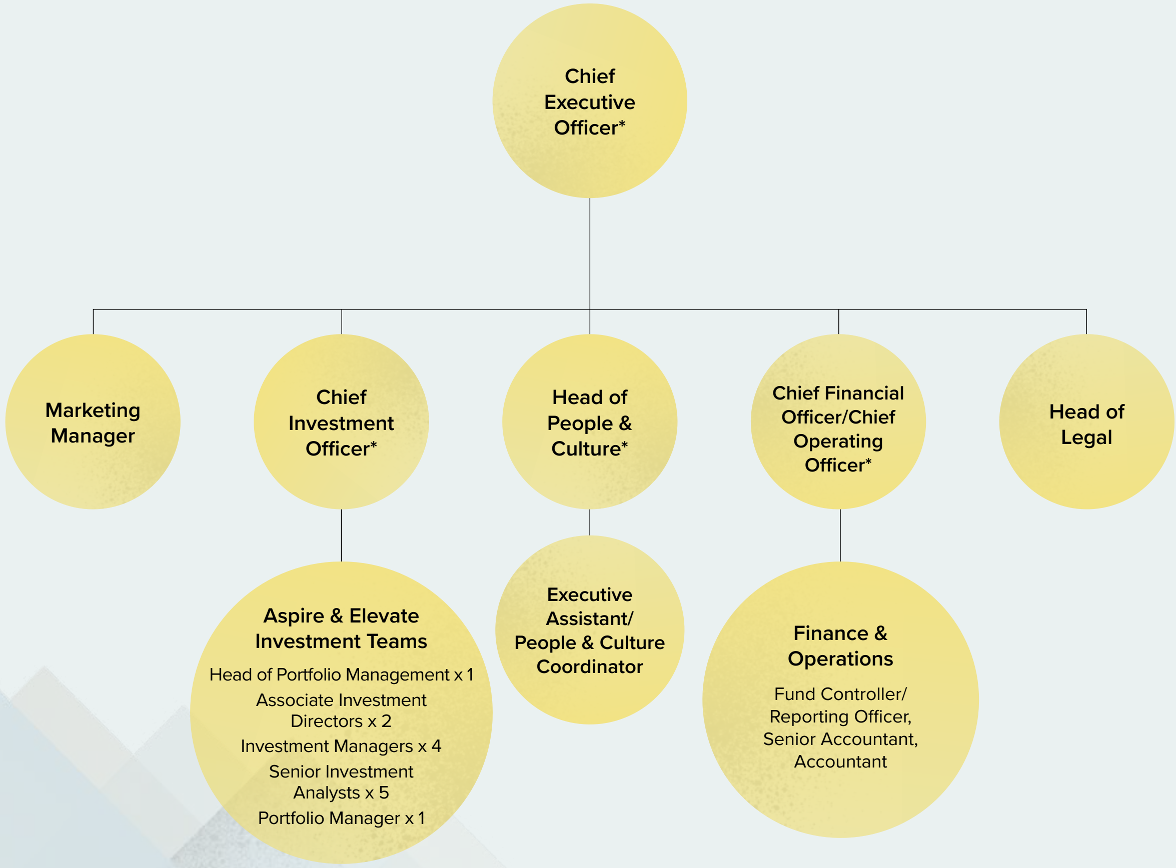
Māori Crown relations capability —

To increase the capability of our team, and in accordance with Te Arawhiti, NZGCP has partnered with Education Perfect and launched their Māori for Professionals platform for all our team. We commenced the programme by focusing on Te Tiriti o Waitangi (The Treaty of Waitangi) and New Zealand history, and the team attended a half-day workshop facilitated by Education Perfect to learn and understand more on this topic. Our team was very well-engaged in this learning and have increased their overall competence.

The Education Perfect platform includes content on te reo Māori. As our team continues to work through the platform, they will increase their level of understanding of basic te reo Māori.

Over the next year, we will continue to work with Education Perfect on the launch of additional modules and workshops to increase the capability of our team. We are also working on our out-reach to iwi to understand how we can help them participate as investors in the early-stage investment ecosystem.

Organisational structure —



* Senior Leadership Team

Our environmental impact

NZGCP baselined its carbon emissions for FY23 and verified the results through a Toitū certification. NZGCP is committed to reducing its carbon emissions.

Our environmental impact —

Sustainability – climate change and greenhouse gas (GHG) emissions

As a Crown-owned company, NZGCP strives to demonstrate best practice in all areas. As an example, we are on a journey to reduce our carbon footprint and become a more sustainable organisation. We are a small organisation and do not have a large carbon footprint. We have identified two areas as our main sources of GHG emissions: the energy we purchase for our two offices and travel. Air travel accounted for 98% of NZGCP emissions for the year. Air travel is considered a Scope 3, or indirect emission, i.e. it is an emission that occurs 'because of the activities of the organisation, but generated from sources that it does not own or control'.

All GHG emissions are expressed as kilograms of carbon dioxide equivalent (tCO_2-e) and have been calculated using the Ministry for the Environment's Measuring Emissions: A Guide for Organisations.

Overall, in 2022/23, NZGCP had 1.30 tCO_2-e of Scope 2 (purchased energy), 45.72 tCO_2-e Scope 3 and 0.76 tCO_2-e Scope 4 emissions. The 2022/23 financial year was the first year NZGCP has calculated emissions and will be used as our baseline year. Our intention is to see a reduction in our emissions over time.

Purchased energy

Our purchased energy is in the form of electricity used to power our offices. In 2022/23, we purchased 21,782 kilowatt hours (kWh) of energy from Meridian, a provider renowned for generating electricity exclusively from 100% renewable sources, thereby emitting 1.30 tCO_2-e imported energy and 0.76 tCO_2-e Transmission of energy (Scope 4).

Air travel

NZGCP flew approximately 147,932 kilometres domestically and 27,288 kilometres internationally in 2022/23. We fly between Wellington and Auckland to conduct our business and also to other parts of the country to meet with investors, founders and angel groups. Our CEO attended the NZTE-led VC trade mission to the USA during September 2022 – being the only international trip made this financial year.

Air travel, staff commuting, taxi and Uber use measured emissions in 2022/23 of 43.61 tCO_2-e. Accommodation emissions provided include 140 nights of domestic accommodation and staff working from home for 2.11 tCO_2-e. NZGCP did not engage in any international accommodation procurement in 2022/23. Total Scope 3 indirect emissions from transportation measured 45.72 tCO_2-e.

NZGCP has verified its carbon emissions and obtained a Toitū verification certification for this reporting period. During 2023/24, NZGCP will formulate an emission reduction plan with an aim to become as close to carbon neutral as possible by 2025.

Impact of investment activities

NZGCP's most notable impact on environmental sustainability is through its investments in start-up organisations. Furthermore, by investing in clean-tech start-ups and other start-ups looking to innovate in the engineering, agri-tech and science sectors, we believe we can move the needle more generally to a more sustainable economy. During the financial year, we embarked on a journey with several venture funds, the Guardians and NZ Private Capital to develop a process to collate key environmental, social and governance (ESG) data points from our portfolio companies. This is expected to take a couple of years before consolidated reporting can commence.

Independent auditor's report —

To the readers of New Zealand Growth Capital Partners Limited's group financial statements and performance information for the year ended 30 June 2023.

Building a better working world

The Auditor-General is the auditor of New Zealand Growth Capital Partners Limited group (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 financial statements and the performance information, including the performance information for an appropriation, of the Group on his behalf.

Opinion

We have audited:

— the financial statements of the Group on pages 50 to 74, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and

— the performance information which reports against the Group's statement of performance expectations and an appropriation for the year ended 30 June 2023 on pages 41 to 47.

In our opinion:

— the financial statements of the Group:
  - present fairly, in all material respects:
    - its consolidated financial position as at 30 June 2023; and
    - its consolidated financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and

— the Group's performance information for the year ended 30 June 2023:
  - presents fairly, in all material respects, for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
  - presents fairly, in all material respects, for the appropriation:
    - what has been achieved with the appropriation; and
    - the actual expenses incurred as compared with the expenses appropriated or forecast to be incurred.
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 27 October 2023. This is the date at which our opinion is expressed.

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

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 financial statements and the performance information

The board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The board is responsible for such internal control as they determine necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the board 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 merge or to terminate the activities of the Group, 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 financial statements and the performance information

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

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

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

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

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

— We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— 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 performance information which reports against the Group's statement of performance expectations and the appropriation.

— 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 financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

— We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board 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 37, 48 to 49 and 75 to 79, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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 2022/23

This section provides a report on our performance, benchmarked against our SPE FY23. We have referenced our SPE intentions with our three core impacts earlier in this report – Capital, Capability and Pipeline.

Statement of Performance 2022/23

This Statement of Performance measures NZGCP's progress against objectives and measurements set out in our FY23 Statement of Performance Expectations (SPE).

As explained in our SPE, NZGCP's Strategic Framework includes performance measures that have been defined in two parts: impact measures (what will success look like) and output measures (how will we achieve this). For the impact measures, please refer to the Investment Performance and Activity Statement earlier in this report.

Currently NZGCP has one appropriation:

1. Seed Co-Investment Fund Multi-currency Appropriation. This appropriation of $750,000 per annum is intended to achieve the provision of funds to be co-invested with the private sector for emerging high-growth New Zealand companies that require new risk capital for growth. Please refer to Output 1 and Output 4 for details on performance.

Operating revenue	Actual 2022/23	SPE 2022/23	Actual 2021/22
Revenue from the Crown	$750,000	$750,000	$750,000
Total operating revenue	$750,000	$750,000	$750,000
Operating expenses			
Other operating expenses – market development	$760,242	$750,000	$551,662
Total operating expenses*	$760,242	$750,000	$551,662
Surplus/ (deficit)	($10,242)		**$198,338**
Net Surplus/(deficit) related to other operating activities	($10,242)		$198,338

*Operating expenditure reported above excludes any time spent by salaried employees towards market development activities and includes spend such as sponsorships, events, awareness campaigns and upskilling of various role players in the early-stage investor sector. Refer to Output 4 for performance against the appropriation. The investments made into portfolio companies are also not reflected above and are in excess of the appropriation. These investments are funded from the NZGCP balance sheet (distributions received from liquidity events of the portfolio companies). During FY23, NZGCP invested $11.5 million (FY22 $14.1 million) into portfolio companies. Refer to Output 1 for performance on these.

Revenue	Actual 2022/23	SPE 2022/23	Actual 2021/22
Revenue from the Crown	$750,000	$750,000	$750,000
Investment revenue	($7,435,684)	$5,435,974	($1,845,799)
Other revenue	$4,292,977	$2,941,539	$2,602,817
Total revenue	($2,392,707)	$9,127,513	$1,507,018
Expenses	$7,704,626	$8,771,975	$6,555,513
Surplus/(deficit)	($10,097,333)	$355,538	($5,048,495)

Refer to the financial statements for commentary on major variances against forecast. NZGCP also received $2 million in revenue in respect of managing Elevate.

In relation to these initiatives and our wider existing mandate, NZGCP undertook four outputs, as detailed in the Statement of Performance.

Output measures 2022/23 – the output measures track annually how well we performed towards achieving our targets, which ultimately impacts the medium-term goals (what will success look like).

Pipeline

Output 1: Move towards self-sustainability

We support the ecosystem by co-investing into eligible industries and stages with appropriate private investment partners to bridge capital gaps and work towards a self-sustaining, early-stage investment ecosystem in the long term.

— We will make portfolio investments into eligible industries and stages in accordance with our mandate.

— We will manage investments to demonstrate and optimise portfolio returns.

— We will recycle investment proceeds into new investments.

Quantity measures*	Actual 2021/22	Actual 2022/23	SPE 2022/23	Comments
Number of new investments in companies from Aspire[1]	11	8	Reaching or exceeding 15	**Target not met.** At year end, there were 8 new portfolio company investments approved, but not yet paid out. Including these, the number of new companies receiving investment would be 16. There has been an increase in the time it takes to pay out new deals because given current market conditions, it takes longer for rounds to be fully subscribed or to meet all conditions precedent.
Total number of companies receiving investment from Aspire (p.a.)	35	26	35	**Target not met.** At year end, there were 9 investments approved, but not yet paid out. Including these, the number of companies receiving investment would be 36. Refer to cause described above.
Total amount invested into companies annually from Aspire	$14.1m	$11.5m	$15.0m	**Target not met.** At year end, there were 8 new and 1 follow-on investment approved, not yet paid out. The value of those investments is $3.9m, which would take the amount invested for the year to $15.4m.
Total proceeds from divestment of investments (Aspire, VIF)[2**]	$10.3m	$1.1m	$13.0m	**Target not met.** Total proceeds from divestments have not yet materialised as forecasted. The winding down of the VIF programme was delayed due to the volatility and slowdown in the market with several planned liquidity events postponed.
Amount of capital committed to venture capital funds invested in by Elevate (p.a.)	$94.0m	$33.8m	$30.0m	**Target met.** Elevate invested in 2 additional funds during FY23 and is ahead of its planned commitment profile.

1. Measure aligned to the 2022/23 appropriation estimates.
2. In accordance with the New Zealand Private Capital Monitor 2023 report – divestment activity in 2022 decreased significantly from 2021. Disclosed divestments of $1.2m across 15 transactions against $174m across 10 transactions in 2021.

Quality measures

— Over 90% of the NZGCP investment portfolio (by number) is in seed, proof-of-concept and early-expansion stage investments.
  - Currently 100% of NZGCP investments are in proof-of-concept, seed early-expansion stage. We expect this to decrease over time as the portfolio matures and investment companies grow and expand.

— 100% of investment transactions comply with the NZGCP Responsible Investment Framework, which is consistently applied when approving investments.
  - All investments made in FY23 were consistent with NZGCP's mandate requirements.
  - As well as ruling out certain industries for investment, we will consider wider ESG factors when approving investments.

Judgements used

* These measures only consider the deals made by Aspire and Elevate and no other participants in the market.

**Proceeds are defined as distributions in the form of cash or shares distributed and do not include conversion of convertible loans.

Capital

Output 2: Catalyse new sources of investment capital

We act as a catalyst to attract new sources of investment capital through opportunity and the demonstration of investment returns. We will seek to grow both the number of experienced investors investing in early-stage New Zealand companies and the commitment those investors make into the market.

By demonstrating that there are quality investment opportunities and investment returns, we believe capital will flow into our early-stage investment ecosystem.

Aspire's increased focus on under-capitalised and under-represented markets will lead to a reduction in the leverage ratio over time (i.e. the ratio of public money to private money invested). Aspire's public to private investment leverage ratio generally targets 1:2 for new rounds, but we expect to achieve higher leverage for follow-on rounds as larger and later-stage investors provide significant capital.

Elevate has reached its target for commitments to first-time venture capital funds, which will flatten out Elevate's public to private capital ratio.

Quantity measures*	Actual 2021/22	Actual 2022/23	SPE 2022/23	Comments
Cumulative number of venture capital (VC) funds invested in by Elevate (including second vintages)	7	9	8	**Target met.** Elevate invested in Hillfarrance and Movac Emerge during the year and is ahead of its anticipated commitment plan.
Cumulative amount of private capital raised by VC funds that Elevate invests in	$484m	$742m	$700m	**Target met.** Elevate invested in Hillfarrance and Movac Emerge during the year and is ahead of its anticipated commitment plan. Since Elevate was enacted, more than $1 billion of funds became available through VC firms when compared with 2019.
Cumulative investment leverage ratio for Elevate (public to private capital)	1:3.7	1:3.4	1:3.0	**Target met.** As indicated above, the introduction of Elevate was successful in crowding in private capital into the VC market.
Number of companies attracting Series A/B investment (Aspire and Elevate)**	41	27	30	**Target not met.** Due to the slowdown in the market and capital becoming scarcer, the number of companies successfully raising Series A/B funding reduced.
Number of companies with offshore VC investment at Series A/B (Aspire and Elevate)	22	11	12	**Target not met.** As a result of the market correction on technology investments and the slowdown of the market, offshore VC investors mostly focused on their local markets and there was less interest by offshore investors in New Zealand companies.
Investment leverage ratio for Aspire (public to private capital)	1:11.1	1:8.1	1:4.0	**Target met.** This ratio reduced year-on-year because Aspire started to invest in earlier rounds and into under-represented and under-served sectors.

Quality measures

— The quality measures for Output 2 reflect that angel partnerships and venture capital funds have been successful in attracting capital from new sources. NZGCP has demonstrated that we have been successful in attracting capital from new sources through:

- Participating in the Start-up Advisory Council, which focused on creating a world-leading vibrant start-up ecosystem that includes attracting new capital sources.
- Elevate committed to a first-time fund manager, Hillfarrance, during FY23.
- Providing input into the drafting of the new investor visa launched during FY23.
- Actively engaging with KiwiSaver funds to understand the bottlenecks to investing in venture.
- Sponsoring the Startmate fellowship and the Angel Association whose role it is to increase the number of angel (including female) investors.

Judgements used

* These measures only consider those investments made by Aspire or Elevate and not all deals in the New Zealand early-stage start-up ecosystem.

** As defined in the policy statement on the Venture Capital Fund Act 2019, Series A and B Capital is defined as 'capital provided in a capital raising in which the total amount being raised in that round is from (and including) NZ$2 million to (and including) NZ$20 million and where that capital is being raised for the purposes of early-stage growth'. Interpretation of Series A/B fundraises may vary by company and by sector, with some being more capital intensive than others and therefore having higher thresholds for what meets their definition.

Capital

Output 3: Develop high-level deal flow

We aim to develop high-quality deal flow through the establishment of diverse investment partnerships that supports the various ambitions of early-stage start-ups.

Quantity measures*	Actual 2021/22	Actual 2022/23	SPE 2022/23	Comments
Number of investment opportunities reviewed by Aspire	176	253	100	**Target met.** The increased number of opportunities reviewed by Aspire reflects the increase in NZGCP resource capacity, more active (and targeted) origination and to some degree, reflects the increased collaboration between NZGCP and our partners.
Number of Aspire syndicate partners*	37	31	36	**Target not met.** The decrease in investment in new portfolio companies and follow-on investments compared to the previous year has led to a reduction in the number of Aspire syndicate partners.

* For Elevate investment partners, refer to 'What will success look like No. 2' and the measure 'Cumulative number of venture capital funds invested in by Elevate NZ Venture Fund'.

Quality measures

The quantity measures for Output 3 relate to the new NZGCP operational model post the 2017 and 2019 changes to the Aspire mandate and the 2020 introduction of Elevate NZ Venture Fund. Under the revised Aspire mandate and introduction of the Elevate venture fund, NZGCP has established co-investment relationships with early-stage investor groups that are not traditional angel investor networks and with investment funds. We expect to co-invest alongside many more investors, locally and globally; however, our focus will be on building key syndicate partners within active relationships and where there is a high likelihood of repeat co-investments.

Judgements used

Aspire co-invests alongside many investors. In deriving the number of syndicate partners, we have applied our judgement to restrict this list to key co-investment partners with active relationships (a new or follow-on investment and where the partners are lead partners for the round within the financial period). We have therefore removed previous syndicate partners that are inactive or whose close-ended funds are no longer investing. There are a few syndicate partners that are not lead investors but have been co-investors for a long period of time.

Capability

Output 4: Develop the market and improve connectedness and investment conditions

We work with various industry stakeholders to develop the market, and improve connectivity and investment conditions for the early-stage investment ecosystem.

— We will support industry market development and professional development programmes.

— We will advise the Government on policy changes to improve the investment environment.

— We will seek to improve connectivity, both within the New Zealand early-stage investment ecosystem and offshore.

Similar events are consolidated to measure the number of initiatives undertaken as part of market development.

Quantity measures[1]	Actual 2021/22	Actual 2022/23	SPE 2022/23	Comments
Industry development initiatives undertaken in conjunction with NZPCA and AANZ[1]	7	18	4	**Target met.** NZGCP had a very active year working with the industry to develop the market for both founders and investors. Special focus was placed on female founders and regional presence.
Advice provided to the Government to assist market development	5	5	2	**Target met.** NZGCP engaged with government on Elevate funding, the general state of the New Zealand VC market, policy changes to align with latest market conditions, Start-up Genome and the Start-up Council recommendations.

1. Measure aligned to the 2022/23 estimates

Quality measures

The quality measures for Output 4 include best-practice initiatives accepted and adopted by the industry; dissemination of early-stage investing best practice to NZGCP's investment partnerships.

1. Co-sponsor of various AANZ and other industry association programmes

   NZGCP has achieved this measure, demonstrated by delivering initiatives that were supported by the industry as described in the Capability section of this report.

2. Continue to work with the Government to implement policy

   NZGCP has achieved this measure by providing feedback to government on policy initiatives that impact the earliest-stage capital markets, including advice to MBIE/Ministers on the Elevate settings and potential policy statement changes of Series A/B definitions, Elevate funding requirements, Start-up Advisory Council and Start-up Genome involvement.

3. Ensure market development initiatives range across various industry sectors and regions as demonstrated in the Capability section of the report.

By the numbers

The consolidated financial statements report actual results against budget information in the NZGCP SPE FY23 for FY23. These statements are provided in accordance with section 151 of the Crown Entities Act 2004.

Annual financial statements —

NZGCP continues to benefit from a solid statement of financial position with year-end net assets sitting at $184 million (2022: $194 million) and capital draw-downs at $172 million (2022: $172 million) reflecting the growth in the underlying value of the VIF and Aspire portfolios since inception.

The investment portfolio was, however, impacted by the downturn in the market, generally challenging economic conditions and several climate-related events throughout the year. This led to a decrease in the unrealised valuation of the investment portfolio of $7 million from FY22. This flows through to the overall operating loss for the year for NZGCP of $10.0 million compared with a budgeted profit of $0.3 million.

NZGCP sustains its operations and investments by drawing from its statement of financial position, primarily dependent on the distributions it receives when VIF and Aspire portfolio companies undergo liquidity events. These events encompass scenarios such as dividend payouts, initial public offerings, or other share sales. However, the current market conditions have led to reduced activity in liquidity events, resulting in decreased volumes and pricing. Consequently, cash flow has taken on greater significance in the eyes of management and the Board, and this emphasis is expected to persist.

The consequences of these lower-than-expected distributions are noticeable in the negative variances observed in term deposit holdings and cash flow when comparing FY23 actuals with the SPE for FY23.

Operating costs came in below budget due to the slower pace of recruitment than anticipated and other internal cost savings. This favourable variance is not expected to continue into FY24 because all vacancies have been filled. There was an improvement in market development spend and related activities for the investment team.

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

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023

	Note	**2023 Actual $**	2023 Unaudited SPE $	2022 Actual $
Net operating income/(expense)	2	**(2,392,707)**	9,127,513	1,507,018
Expenses				
Administration expenses	3	**(7,141,073)**	(8,521,975)	(6,162,697)
Realised gain/(loss) on sale of fixed assets		**430**	–	(17,945)
Fund management fees and costs		**(563,983)**	(250,000)	(374,871)
Total expenses		**(7,704,626)**	(8,771,975)	(6,555,513)
Surplus/(deficit) before taxation		**(10,097,333)**	355,538	(5,048,495)
Income tax expense	4	**–**	–	–
Total comprehensive revenue and expense net of tax		**(10,097,333)**	355,538	(5,048,495)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Note	**2023 Actual $**	2023 Unaudited SPE $	2022 Actual $
Share capital		**172,219,801**	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit) at the beginning of the year		**21,468,108**	36,841,140	26,516,603
Total comprehensive revenue and expense for the year		**(10,097,333)**	355,538	(5,048,495)
Total equity/accumulated shareholders' surplus/(deficit) at the end of the year		**183,590,576**	209,416,479	193,687,909

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	**2023 Actual $**	2023 Unaudited SPE $	2022 Actual $
ASSETS				
Current assets				
Cash and cash equivalents		**3,217,599**	1,512,915	3,343,992
Receivables	5	**2,213,148**	1,447,195	1,178,947
Term deposit investments	6	**13,000,000**	23,000,000	27,000,000
Total current assets		**18,430,747**	25,960,110	31,522,939
Non-current assets				
Property, plant and equipment		**103,386**	101,231	114,562
Intangible assets		**1,440**	5,851	3,600
Term deposit investments		**80,500**	–	80,500
Investments through VIF	7, 11	**16,026,437**	12,952,726	16,222,292
Investments through Aspire	7, 11	**149,261,466**	172,214,307	145,730,387
Investment earnout receivable	7, 11	**1,193,627**	–	1,427,764
Total non-current assets		**166,666,856**	185,274,155	163,579,105
Total assets		**185,097,603**	211,234,225	195,102,044

	Note	**2023 Actual $**	2023 Unaudited SPE $	2022 Actual $
LIABILITIES				
Current liabilities				
Trade and other payables	11	**524,531**	667,344	670,127
Employee entitlements	10	**982,496**	1,150,401	744,008
Total current liabilities		**1,507,027**	1,817,745	1,414,135
Total liabilities		**1,507,027**	1,817,745	1,414,135
Net assets		**183,590,576**	209,416,479	193,687,909
EQUITY				
Share capital		**172,219,801**	172,219,902	172,219,801
Accumulated shareholders' surplus/(deficit)		**11,370,775**	37,196,577	21,468,108
Total equity		**183,590,576**	209,416,479	193,687,909

Annabel Cotton
Chair
27 October 2023

Marcel van den Assum
Director
27 October 2023

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 Actual $	2023 Unaudited SPE $	2022 Actual $
Cash flows from operating activities				
Revenue from the Crown		**750,000**	750,000	750,000
Interest received		**820,417**	451,161	342,261
Other income received		**2,215,916**	2,377,783	2,033,664
Net goods and services tax refunded		**56,578**	–	65,237
Sale of investments through VIF		**307,016**	4,500,000	1,301,389
Sale of investments through Aspire		**812,081**	3,108,260	2,834,090
Movement in term deposit investments		**14,000,000**	8,000,000	14,900,000
Cash inflow:		**18,962,008**	19,187,204	22,226,640
Payments to suppliers		**(3,204,412)**	(3,181,653)	(2,841,025)
Payments to employees		**(4,357,972)**	(4,926,733)	(3,669,296)
FBT paid		**(24,675)**	–	(20,735)
Net goods and services tax paid		**–**	(31,371)	–
Purchase of investments through Aspire		**(11,500,014)**	(15,000,000)	(15,640,788)
Cash outflow:		**(19,087,074)**	(23,139,797)	(22,171,844)
Net cash flow from operating activities		**(125,066)**	(3,952,593)	54,796

	Note	2023 Actual $	2023 Unaudited SPE $	2022 Actual $
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets		**(68,712)**	(179,975)	(90,775)
Net cash flow from investing activities		**(68,712)**	(179,975)	(90,775)
Net increase/(decrease) in cash and cash equivalents		**(193,778)**	(4,132,568)	(35,979)
Cash and cash equivalents at the beginning of the year		**3,343,992**	5,645,483	3,289,135
Effects of exchange rate changes on the balance of cash held in foreign currencies		**67,385**	–	90,836
Cash, cash equivalents, and bank overdrafts at the end of the year		**3,217,599**	1,512,915	3,343,992

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

Notes to the consolidated financial statements —

30 June 2023

1 — Summary of significant accounting policies

1.1 Reporting entity

The reporting entity is NZ Growth Capital Partners Limited ('NZGCP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). At 30 June 2023 the controlled entities were the Aspire NZ Seed Fund Limited ('Aspire') and the Elevate NZ Venture Fund GP Limited ('Elevate GP'), which are 100% controlled. Please refer to Note 8 and 11 for further details.

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 9, 125 Queen Street, Auckland Central.

The consolidated financial statements of NZGCP as at and for the year ended 30 June 2023, and were approved by the Board on 27 October 2023. The entity's owners do not have the power to amend these financial statements once issued.

1.2 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 (PBE).

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.

1.3 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.

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

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

1.4 New and amended standards adopted

The Group has adopted PBE IPSAS 41 Financial Instruments and PBE FRS 48 Service Performance Reporting for the first time in these financial statements. The nature and effect of the changes as a result of the adoption of these new standards are described below.

PBE IPSAS 41 FINANCIAL INSTRUMENTS

PBE IPSAS 41 Financial Instruments introduces requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. It supersedes PBE IFRS 9 Financial Instruments and is effective for reporting periods beginning on or after 1 January 2022. The adoption of PBE IPSAS 41 Financial Instruments has not resulted in any significant changes to these financial statements as the requirements are similar to those contained in PBE IFRS 9 Financial Instruments.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

PBE FRS 48 Service Performance Reporting introduces requirements for certain public benefit entities to select and present service performance information. It replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for reporting periods beginning on or after 1 January 2022. The adoption of PBE FRS 48 Service Performance Reporting has resulted in additional disclosures in the Group's Statement of Performance.

1.5 Budget figures

The budget figures are those approved by the Board in the Statement of Performance Expectations in 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.

1.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of NZGCP and its subsidiaries as at and for the year ended 30 June 2023. The financial statements of the subsidiaries are prepared for the same reporting period as NZGCP using consistent accounting policies. In preparing consolidated financial statements, all inter-entity transactions, balances, unrealised gains and losses are eliminated.

1.7 Subsidiaries

Subsidiaries are those entities that are controlled by NZGCP under the provisions of PBE IPSAS 35 Consolidated Financial Statements. NZGCP controls an entity when it is exposed to, or has rights to, variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the entity. NZGCP's control of an entity is reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

At 30 June 2023 the controlled entities were Aspire and Elevate GP, which are 100% controlled. NZGCP has rights to variable benefits from its involvement with Aspire and Elevate GP. NZGCP has the power to affect the nature and amount of those benefits through its involvement with those entities.

Name of entity	Principal activity	Note	Interest held 2023	Interest held 2022
Aspire	Investment through underlying structured entries (via VIF) and start-up companies (via the Aspire seed fund)	(i)	**100%**	100%
Elevate GP	Holding subsidiary as administrator manager for Elevate	(i)	**100%**	100%

(i) The subsidiaries have a 30 June balance date, all incorporated in New Zealand and included in the consolidated financial statements of the Group.

1.8 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

— Restricted activities
— A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors
— Insufficient equity to permit the structured entity to finance its activities without subordinated financial support
— Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

NZGCP is principally involved with structured entities through its investments in venture capital investment funds via VIF. The Group invested in structured entities to assist with the implementation of its overall investment strategy. The Group does not sponsor any structured entities.

VENTURE CAPITAL INVESTMENT FUNDS

Venture capital investment funds provide a mechanism to share exposure with other investors and may take various legal forms (e.g. limited liability companies, limited partnerships). The Group makes commitments to, and investments in, these legal structures and in return is issued with rights to a proportional stake in their net assets. They have a broad range of investment objectives and are managed by unrelated asset managers who apply various investment strategies to accomplish their respective investment objectives.

Key judgement – assessment of investments in structured entities

The Board and management have assessed which of the Group's investments are investments in structured entities. In doing so, the Board and management have considered voting rights and other similar rights afforded to investors as well as any contractual arrangements in place with these investments.

The Board and management have concluded that certain of the Group's investments meet the definition of a structured entity because:

— The voting rights in the investments are not the dominant factor in deciding who controls the investment
— The investments have narrow and well-defined objectives to provide investment opportunities to investors.

Further disclosures on structured entities are contained in Note 7 and 11.

1.9 Goods and services tax (GST)

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.

1.10 Cash and cash equivalents

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

While cash and cash equivalents are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because no estimated loss allowance for credit loss is anticipated.

1.11 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 2023.

Foreign exchange differences arising on their translation and revaluation of monetary assets and liabilities are recognised in the consolidated statement of comprehensive revenue and expense.

1.12 Statement of cash flows

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

— Operating activities include all activities other than investing or financing activities.
— Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment.
— Financing activities are those activities relating to changes in public equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD, is classified under cash flows from operating activities.

1.13 Critical accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires the Board and management to make judgements and use estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods. The judgements and estimates used in respect of the Group are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The judgements and estimates that the Board and management have assessed to have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

— Assessment of investments in structured entities (Note 7 and 11)
— Determination of fair value (Note 7 and 11).

2 — Net operating income

Accounting Policy

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.

Revenue from the Crown – non-exchange revenue

The Group is funded in part by the Crown for services relating to market development. This funding is restricted in its use for the purpose of the Group meeting the objectives specified by the Crown and the scope of the relevant appropriations of the funder. The Group considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

Apart from the general restrictions, set out in its Funding Agreement, there are no unfulfilled conditions or contingencies attached to government funding (2022: Nil).

Accounting Policy: 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.

The Venture Capital Fund Act 2019 was enacted to establish a new venture capital fund (Elevate) and the Guardians, a fellow 'Crown entity' 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.

Elevate was formed in December 2019 with the main purpose of investing in venture capital opportunities in New Zealand. The financial statements of Elevate are presented in the Annual Report of the Guardians.

NZGCP incurs expenses for Elevate and is able to recharge a management fee under terms set out in the Management Deed which is included in other revenue and further disclosure under related parties (Note 8).

Investment gains and losses

Investments gains and losses represent changes in the value of the Aspire seed fund and VIF. This balance is highly variable, driven largely by the performance of start-up companies.

The Group recorded a loss on valuation as a result of the market correction of technology stock that started to reflect in the valuations of early-stage technology investments at the close of FY22. FY23 reflects the flow-on impact of the market correction on our underlying portfolio companies.

	Note	2023 Actual $	2022 Actual $
Non-exchange revenue			
Revenue from the Crown		**750,000**	750,000
Total non-exchange revenue		**750,000**	750,000
Exchange revenue			
Interest		**870,885**	400,843
Elevate NZ Venture Fund LP management fee	8	**2,192,761**	1,969,103
Other gains/(losses)		**68,091**	90,486
Investment gains/(losses)		**(7,435,684)**	(1,845,799)
Dividend income		**1,161,240**	142,385
Total exchange revenue/(expense)		**(3,142,707)**	757,018
Total net operating income/(loss)		**(2,392,707)**	1,507,018

Variance to budget (unaudited)

The correction of the technology stock market and its impact on the fair value of the investment portfolio was not known at the time of the FY23 budget submission. The negative impact on the unrealised valuation of the portfolio resulted in a $12 million loss.

NZGCP had a $1.3 million positive variance on interest received due to higher-than-anticipated interest earned on term deposits held over the period and one of the underlying Aspire portfolio companies declared a dividend which was not anticipated at the beginning of FY23.

3 — Items included in administration expenses

	Note	**2023 Actual $**	2022 Actual $
Amortisation		**2,160**	5,401
Audit fees paid to EY		**217,000**	195,105
Depreciation		**54,097**	47,112
Directors' fees and expenses	14	**130,041**	134,933
Employee costs	9	**4,396,282**	3,669,296
Utilities and occupancy expenses		**157,956**	122,527
Other operating expenses		**2,183,537**	1,988,323
Total administration expenses		**7,141,073**	6,162,697

Variance to budget (unaudited)

The favourable variance to budget is $1 million and resulted largely from a slower pace of staff recruitment than forecasted. Sustainable savings were achieved on recruitment costs, advisory services and IT licences. Travel spend was reduced, where possible, the aim being to reduce the Company's GHG emissions.

4 — Taxation

Accounting Policy

The income tax expense recognised in the consolidated statement of comprehensive revenue and expense comprises current and deferred tax and is based on accounting surplus, adjusted for permanent differences between accounting and tax rules. Income tax relating to items of other comprehensive revenue and expense is recognised in other comprehensive revenue and expense.

Current tax is the expected tax payable to or receivable from the taxation authorities based on the taxable income or loss for the period and any adjustment in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities at balance date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses only to the extent that it is probable that sufficient taxable surplus will be available to utilise the deductible temporary differences, the carry forward of unused tax credits and unused tax losses. The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset when a legally enforceable right to set-off exists, the deferred tax balances relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

a — Income tax expense

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.

	2023 Actual $	2022 Actual $
Relationship between tax expense and accounting profit		
Net surplus/(deficit) before taxation	**(10,097,333)**	(5,048,495)
Prima facie income tax at 28%	**(2,827,253)**	(1,413,579)
Add/(less)		
Temporary and permanent differences	**2,827,253**	1,413,579
Tax expense	**–**	–

b — 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.

There is $Nil (2022: $10,497) current tax assets. The Group's current tax asset represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

c — Deferred tax

	2023 Actual $	2022 Actual $
Unrecognised deferred tax assets and liabilities		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	**355,944**	233,008
Accumulated tax losses	**32,445,257**	28,790,902
Unrecognised deferred tax balances	**32,801,201**	29,023,910

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 future against which the losses can be applied.

5 — Receivables

Accounting Policy

Receivables are initially recognised at fair value which is equal to the amount of consideration that is unconditional. The Group holds receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less impairment losses using the effective interest method.

The Board and management have applied a simplified approach for calculating expected credit losses (ECLs) on receivables under PBE IPSAS 41 Financial Instruments. As a result, the Board and management do not track changes in credit risk, but instead, recognise impairment losses based on lifetime ECLs at each reporting date. The Group's approach to ECLs reflects a probability weighted outcome using reasonable and supportable information that is available without undue cost or effort at reporting date about past events, current conditions and forecast of future economic conditions.

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.

	2023 Actual $	2022 Actual $
Prepayments	**237,164**	243,768
Other receivables	**2,101,734**	1,044,986
Gross debtors	**2,338,898**	1,288,754
Less: allowance for expected credit losses	**(125,750)**	(109,807)
Total receivables and other receivables	**2,213,148**	1,178,947

6 — Term deposit investments

Accounting Policy

Bank term deposits are measured at amortised cost. Term deposits have original maturities of six months or less and an insignificant risk of change in fair value. 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 banks in whom the deposits are made continue 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, as obtained from Standard & Poor's on 30 June 2023; this indicates the bank has a very strong capacity to meet its financial commitments.

	2023 Actual $	2022 Actual $
Term deposits	**13,000,000**	27,000,000
	13,000,000	27,000,000

Variance to budget (unaudited)

There was an expectation that distributions to the value of $13 million would eventuate during FY22; this did not materialise due to adverse market conditions. Aspire uses distributions received as a result of liquidity events in the portfolio companies to fund new investments. During FY23, there were a few smaller liquidity events but Aspire had to use deposit reserves to fund new and follow-on investments, leading to an adverse variance of $10 million against the majority of the financial statements compared to the Statement of Performance Expectations (SPE).

7 — Investments through Aspire and VIF

Aspire is a 100% subsidiary of NZGCP Limited. Within the Aspire entity there are two investment funds called the Aspire seed fund and VIF. Aspire is an active, evergreen fund. VIF invested in structured entities and the fund is closer to its end of life with a remaining undrawn commitment of $611,005. The strategic intent for the VIF is to wind it up over the next few years.

a — Investments through Aspire

Aspire invests, alongside private-sector investors, in seed and start-up stage investments and these investments represent equity owned directly by the NZGCP subsidiary. Aspire is not responsible for and does not exercise significant influence over the underlying investments – it is a passive investor and generally does not take a seat on investee company boards; these roles are undertaken by NZGCP's co-investment partners. However, Aspire reserves certain shareholder rights and may make subsequent investment decisions in certain circumstances.

All investments are early-stage investments at the time of the initial investment and the valuation of these investments are undertaken using accepted industry guidelines. The International Private Equity and Venture Capital Valuation (IPEV) Guidelines 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.

MEASUREMENT OF INVESTMENTS:
Investments classified as held at fair value through profit or loss are initially measured at their cost, which includes directly attributable transaction costs. This initial cost is considered to reflect the fair value at that point in time. After initial recognition, these investments are subsequently measured at fair value, with any changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

Fair value is defined as the price that the Group would receive to sell an asset or would need to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

FAIR VALUE IN ACTIVE MARKETS:
For investments traded in active markets, their fair value is determined based on their quoted market prices at the balance sheet date, without any deductions for estimated future selling costs. These investments are valued at the current bid prices at the consolidated statement of financial position date.

FAIR VALUE IN INACTIVE MARKETS:
For investments not traded in active markets, their fair value is assessed using various valuation techniques. These techniques may include recent arm's length transactions, reference to the current fair value of substantially similar instruments, discounted cash flow analysis, option pricing models, or any other reliable valuation method based on actual market transactions.

VALUATION OF EARLY STAGE COMPANIES:
Investments in early-stage companies, typically characterised by negative cashflows and losses, rely primarily on the prior round's valuation, with consideration of company-specific performance factors. Factors such as market competition, capital-raising potential at or above the current carrying value, growth prospects, and available cash are taken into account. Some of these early-stage companies may have insufficient cash to meet projected needs, and their future viability depends on securing additional funding. Therefore, there is a risk of potential write-downs if funding cannot be secured.

MANAGEMENT ALLOWANCE FOR DIMINUTION:
Management has the discretion to make adjustments for early-stage companies that are deemed to be at a high risk of overvaluation. An allowance for diminution of investments is established for any portion of the portfolio valued during the robust fundraising period leading up to the first half of 2022.

The fair value estimates presented here do not necessarily reflect the exact amount the Group could realise in a current transaction. These estimates can be influenced by future confirming events, which may have a significant impact on the financial statements, particularly when it comes to the ultimate liquidation of investments.

As at year end FY22, a management allowance was put in place against the fair value of a group of NZGCP's Aspire early-stage companies to reflect the exceptionally volatile period in the markets leading up to year end FY22. This management allowance was partially utilised during FY23 and remains in place to reflect the potential risk of overvaluing companies that completed their most recent investment round during FY22.

Where an investment has been fully impaired, NZGCP does not carry any risk or reward associated with that investment.

	Carrying value 2023 $	Interest held 2023	Carrying value 2022 $	Interest held 2022
Investment				
Investments through Aspire	**112,147,903**	**0% – 19%**	100,555,386	0% – 22%
Accumulated revaluations	**43,113,563**		54,075,001	
Allowance for diminution	**(6,000,000)**		(8,900,000)	
	149,261,466		145,730,387	

Aspire has invested into 269 (2022: 261) companies. As at 30 June 2023, a total of 99 (2022: 87) of these companies have been revalued down to Nil.

b — Investments through VIF

The VIF invested alongside private-sector investors in seed and early-stage venture investment funds which are managed by external fund managers who make the investment decisions. The IPEV recommends that investors in 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 ongoing 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 (Note 11).

NZGCP has reviewed the process undertaken by the external fund managers when valuing investments and is 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 fair value of investment, NZGCP will adjust the value accordingly.

	Carrying value 2023 $	**Interest held 2023**	Carrying value 2022 $	Interest held 2022
Investment				
Investments through VIF	**33,142,665**	**2.5% – 40.0%**	33,105,196	2.5% – 40.0%
Accumulated revaluations	**(17,116,228)**		(16,882,904)	
	16,026,437		16,222,292	

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

c — Investment earnout receivable

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 investment earnouts, split between current and non-current assets. These are reported separate to the value of the Aspire seed fund and the VIF investments.

Variance to budget (unaudited)

Due to timing differences between the annual year-end valuations and the budgeting process, the impact of the technology market correction was not known, leading to an adverse variance of $18 million for the valuation of the Aspire seed fund and VIF compared to the SPE for FY23.

8 — Related parties

Accounting Policy

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries.

Outstanding amounts with related parties at balance date are unsecured and subordinate to other liabilities. Interest is not charged on outstanding balances. There have been no guarantees provided or received for any related party receivables or payables. 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.

For the period ended 30 June 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2022: $Nil).

PARENT ENTITY

NZGCP is the Parent company and a wholly owned entity of the Crown. The Crown provided appropriations to meet the fund management and operating costs of NZGCP. The Crown also subscribes to equity in NZGCP.

The Company has a total of 172,219,801 (2022: 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 2023, as VIF and the Aspire are fully appropriated (2022: $Nil).

SUBSIDIARIES

NZGCP and subsidiaries hold a tax loss of $32,445,257 at 30 June 2023 (2022: $28,790,902). These losses will be carried forward and offset against any future taxable income. 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 (Note 4).

Elevate GP receives income as reimbursement for expenses for the Elevate venture fund, as it is entitled to do under the Venture Capital Fund Act 2019. Elevate is managed by the Guardians and is a government-related entity.

	2023 Actual $	2022 Actual $
Manager fees received	**2,192,761**	1,969,103
Receivables	**640,677**	645,197

In conducting its activities, the Group is also required to pay various taxes and levies (such as GST) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

Details of key management personnel remuneration are disclosed in Note 15 to the consolidated financial statements.

There were no other related party transactions during the year.

9 — Employee costs

Accounting Policy

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

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

	2023 Actual $	2022 Actual $
Salaries and wages	**3,929,570**	3,498,916
Employer contributions to defined contribution schemes	**228,224**	229,169
Increase/(decrease) in employee entitlements payable (Note 10)	**238,488**	(58,789)
	4,396,282	3,669,296

10 — Employee entitlements

Short-term employee entitlements

Accounting Policy

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

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

During FY23 the formal short-term incentive plan continued to be in place and based on the performance criteria an obligation exists against it; as a result, both a liability and an expense are recognised for it.

	2023 Actual $	2022 Actual $
Accrued salaries	**147,672**	104,827
Annual leave	**263,089**	179,549
Short-term incentives	**534,095**	424,024
Employer contributions to defined contribution plans	**37,640**	35,608
	982,496	744,008

11 — Financial instruments

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables, investments and payables. All financial instruments are recognised in the consolidated statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the consolidated statement of comprehensive revenue and expense.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus, in the case of financial assets and financial liabilities not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at fair value through surplus or deficit are expensed in the consolidated statement of comprehensive revenue and expense.

Purchases or sales of financial instruments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the financial instrument.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In making an assessment of the business model for managing a financial asset, the Board and management consider all relevant information such as the investment objectives of the Group and how performance is evaluated and reported to the Board and management.

SUBSEQUENT MEASUREMENT

The Group's financial assets and financial liabilities are subsequently classified into the following categories:

— Those to be measured at fair value through surplus or deficit

— Those to be measured at amortised cost.

The Group's financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial assets at fair value through surplus or deficit

The following financial assets are classified at fair value through surplus or deficit:

— Financial assets that do not qualify for measurement at amortised cost

— Financial assets for which the Group has not elected to recognise fair value gains and losses through other comprehensive revenue and expense.

This category includes investments. These financial assets are managed and have their performance evaluated on a fair value basis.

Financial assets at fair value through surplus or deficit are recognised in the consolidated statement of financial position at fair value with changes in fair value being recognised in the consolidated statement of comprehensive revenue and expense in the period in which they arise.

Financial assets at amortised cost

The Group's financial assets are classified at amortised cost if both of the following criteria are met:

— The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows

— The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents and receivables. Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method and are subject to impairment. When a financial asset is impaired, impairment losses are recognised in the consolidated statement of comprehensive revenue and expense in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. This category includes trade and other payables. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the Group's obligation under the liability is discharged, cancelled or has expired.

IMPAIRMENT

The Board and management assess at each reporting date whether a financial asset is impaired. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Financial assets that are measured at amortised cost and therefore subject to the impairment provisions (the 'expected credit loss model') of PBE IPSAS 41 Financial Instruments comprise cash and cash equivalents and receivables.

The risk of impairment loss for cash and cash equivalents is considered immaterial. Disclosures relating to the impairment of receivables are provided in Note 5.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets financial assets and financial liabilities when it has a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis.

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

NZGCP classifies the Aspire seed fund, the VIF investments and investment earnout receivables under the category of financial assets at fair value through surplus or deficit.

a — Financial instrument categories

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

	2023 $	2022 $
Financial assets designated at fair value through surplus or deficit on initial recognition		
Investments through VIF (Note 7)	**16,026,437**	16,222,292
Investments through Aspire (Note 7)	**149,261,466**	145,730,387
Investment earnout receivables (Note 7)	**1,193,627**	1,427,764
Total financial assets designated at fair value through surplus or deficit on initial recognition	**166,481,530**	163,380,443
Financial assets measured at amortised cost		
Cash and cash equivalents	**3,217,599**	3,343,992
Trade and other receivables (excluding prepayments)	**1,975,984**	935,179
Term deposit investments (Note 6)	**13,000,000**	27,000,000
Total financial assets measured at amortised cost	**18,193,583**	31,279,171
Financial liabilities measured at amortised cost		
Trade and other payables	**524,531**	670,127
Employee entitlements (Note 10)	**982,496**	744,008
Total financial liabilities measured at amortised cost	**1,507,027**	1,414,135

b — 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.

Key judgement – determination of fair value

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 2023. While the determination of fair value in relation to these investments is subject to careful consideration and consultation with a range of reliable and independent sources, the impact of external factors such as rising interest rates and inflationary pressures, increased geopolitical tensions and global supply issues, on the valuation of these investments remains uncertain. The Board and 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 to their carrying value might be required.

Although the fair value of unlisted investments is based on the best information available, there is a high degree of uncertainty about that value due to the early-stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the Group's statement of comprehensive revenue and expense, and statement of financial position.

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

		Valuation technique		
30 June 2023 – Group	Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets designated at fair value through surplus or deficit on initial recognition				
Investments through VIF	16,026,437	6,285,722	–	9,740,715
Investments through Aspire	149,261,466	7,385,717	–	141,875,749
Investment earnout receivables	1,193,627	–	–	1,193,627
Total	166,481,530	13,671,439	–	152,810,091

		Valuation technique		
30 June 2022 – Group	Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets designated at fair value through surplus or deficit on initial recognition				
Investments through VIF	16,222,292	4,702,373	–	11,519,919
Investments through Aspire	145,730,387	5,129,486	–	140,600,901
Investment earnout receivables	1,427,764	–	–	1,427,764
Total	163,380,443	9,831,859	–	133,624,911

c — 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.

d — 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 invests funds with registered banks which have a high Standard & Poor's credit rating.

NZGCP did not have any credit facilities at balance date.

e — Market risk

Market risk is the combined underlying risk of any investment by NZGCP including market price risk, foreign exchange 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 venture investment 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. NZGCP invested into two unlisted early-stage companies that had subsequently listed and as such is exposed to equity price risk. Equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in equity prices. The two companies are listed on the New Zealand and Australia stock exchanges. A guidance document was put in place to manage the event of, and risk associated with, unlisted early-stage companies becoming public.

Note 7 Investments explains how NZGCP determines the fair value of VIF and the Aspire seed fund investments.

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.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cashflows of financial instruments will fluctuate due to change in foreign exchange rates. NZGCP is exposed to foreign currency risk through some operating costs requiring payment in foreign currencies and VIF management fees paid in foreign currencies. NZGCP's exposure to foreign currency risk is not deemed sufficient to warrant foreign exchange hedging contracts.

f — 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 to maintain 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.

12 — Commitments

Capital commitments

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

	2023 Actual $	2022 Actual $
Capital commitments		
VIF	**611,005**	872,895
Elevate	**40,000,000**	40,000,000
Total capital commitments	**40,611,005**	40,872,895

VIF – generally, drawdowns by a specific fund manager are substantially made over a five-year period from the first commitment and include calls for management fees and investments. VIF is at the end of the fund life cycle and outstanding commitments due materially reflect management fees payable in future periods. Over the life of a fund, the Group may receive distributions which it uses to fund future capital calls.

Elevate – on establishing Elevate under the Venture Capital Fund Act 2019, the initial commitment by the Crown to the Elevate venture fund was $240 million; this increased to $259.5 million in 2020. The Crown's intention was for the Elevate venture fund size to reach $300 million over a period of time. The remaining $40.5 million commitment was not stipulated by the Crown on establishment; however, options included a contribution from NZGCP if the Aspire seed fund could generate excess returns within a reasonable timeframe. Post balance date, the Crown formally communicated to NZGCP (the manager of Elevate) that the remaining $40.5 million commitment would also be funded by the Crown, allowing the Elevate venture fund to reach its intended size of $300 million. NZGCP is therefore no longer considered as a source of funding for the remaining commitment.

Operating lease commitments

Accounting Policy

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 installments over the term of the lease.

Lease commitments under non-cancellable operating leases:

	2023 Actual $	2022 Actual $
Less than 1 year	**184,078**	177,334
Later than 1 year and not later than 5 years	**222,105**	402,499
Total non-cancellable operating leases	**406,183**	579,833

NZGCP has a four-year lease agreement for floor space in Wellington that commenced mid-February 2022 and expires on 1 January 2026. NZGCP has the option to extend the lease for a further two years. After two anniversaries (January 2024), there will be a CPI rent adjustment.

From 1 July 2022, NZGCP leased an office with a three-year term in Auckland. NZGCP has the option to extend the lease for a further three years. The rent increases annually on the anniversary date by an amount equal to 2.75%.

13 — Employee remuneration

The total annual remuneration shown in the table opposite comprises: an employee's gross actual base remuneration payment; the costs paid by NZGCP on the employee's behalf for KiwiSaver, health insurance, qualifying wellness programme reimbursements and any short-term incentive (STI) that is payable for FY23.

NZGCP's remuneration approach is focused on attracting strong talent and rewarding and motivating employees across the organisation. All roles are benchmarked externally to ensure market competitiveness. Base salaries are set at or around the market median depending on the skills, experience and competence level of the employee. Gender equality reviews are performed annually to address any gender-based wage differences. NZGCP has a formal cross-business STI scheme that was first introduced in FY21 and continued to be in place for FY23. STIs are paid out after balance date and determined based on agreed company and individual performance criteria. NZGCP had no resignations during FY23.

Total annual remuneration by band for employees as at 30 June 2023:

$	2023 Currently employed	2023 Total	2022 Currently employed	2022 No longer employed	2022 Total
100,000 – 109,999	1	1	1	–	1
110,000 – 119,999	2	2	–	1	1
120,000 – 129,999	2	2	1	–	1
130,000 – 139,999	1	1	–	–	–
140,000 – 149,999	1	1	–	–	–
150,000 – 159,999	1	1	3	–	3
160,000 – 169,999	1	1	–	–	–
170,000 – 179,999	1	1	–	1	1
180,000 – 189,999	1	1	–	–	–
190,000 – 199,999	1	1	–	–	–
200,000 – 209,999	1	1	–	–	–
220,000 – 229,999	–	–	1	–	1
240,000 – 249,999	2	2	–	–	–
260,000 – 269,999	1	1	2	–	2
270,000 – 279,999	1	1	–	–	–
280,000 – 289,999	–	–	1	–	1
290,000 – 299,999	1	1	1	–	1
320,000 – 329,999	–	–	–	1	1
420,000 – 429,999	1	1	1	–	1
440,000 – 449,999	1	1	–	–	–
Total employees	**20**	**20**	11	3	14

14 — Directors' remuneration

Board member fees paid during the year were:	Commencement/conclusion date	2023 Actual $	2022 Actual $
Annabel Cotton (Chair)	16 December 2020 (appointed as chair on 16 March 2023)	**29,783**	22,583
Marcel van den Assum	16 December 2020	**28,385**	22,583
Nicole Buisson	21 March 2022	**22,583**	6,382
David Smol	25 November 2020 to 2 December 2022	**19,161**	45,166
Mel Firmin	16 December 2020 to 31 March 2022	**–**	16,937
Guy Royal	16 December 2020 to 23 March 2022	**–**	16,446
Total Board member fees		**99,912**	130,098

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. In addition, $15,628 (2022: $4,836) was spent on board-related expenses and $14,500 (2022: $Nil) on special fees for FY23. The special fees paid were to Annabel Cotton $5,500, Marcel van den Assum $6,000 and Nicole Buisson $3,000.

Board fees cover attendance of six Board meetings, Board sub committees as well as additional duties undertaken by the Chair. The Chair and Board members had to take up additional responsibilities due to Board vacancies and for these received $14,500 fees, which was approved by the Minister.

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 page 9 and 10 for outgoing and incoming directors.

15 — CEO and senior management remuneration

	2023 Actual $	2022 Actual $
Current permanent CEO		
CEO contractual base remuneration	**450,000**	450,000
CEO actual base remuneration payment *	**436,637**	145,346
CEO benefits (KiwiSaver, health insurance, wellness)	**7,802**	5,594
Current CEO remuneration	**444,440**	150,940
Acting and Interim CEOs **		
CEO actual base remuneration payment	–	210,107
CEO benefits (KiwiSaver, health insurance, wellness)	–	21,582
Acting and Interim CEOs' remuneration	–	231,689
Senior management contractual base remuneration*	**657,566**	988,649
Senior management actual base remuneration payment*	**737,025**	786,050
Senior management KiwiSaver	**62,498**	72,437
Senior management benefits (health insurance, wellness)	**9,322**	8,906
Senior management performance incentive	**157,294**	225,866
Senior management termination and redundancy pay	–	55,138
Total senior management remuneration	**966,139**	1,148,397
Total CEO remuneration	**444,440**	382,629
Total Senior management remuneration	**966,139**	1,148,397
Total CEO and senior management remuneration	**1,410,579**	1,531,026

* Several factors can cause a difference between the CEO's and senior management team's contractual base remuneration and actual base remuneration payments. Actual base remuneration payments include the value of leave taken during the financial year and reflects unpaid leave taken. For senior management where their contractual hours changed during the financial year, the base pay as at year end was used which reflects the adjusted working hours.

** Contractual base salary for Acting and Interim CEO is not shown in FY23 as this would not be a reasonable comparison when shown in consolidation.

Explanation of remuneration

The Board sets the CEO's remuneration and reviews it annually. Independent advice is sought to benchmark the CEO's remuneration package against external market data. Any changes approved by the Board are made based on the market data and performance of the CEO. The CEO is not part of the Company's STI scheme.

Key management of NZGCP comprise members of the Board and the senior management team. The senior management team currently comprises three employees (plus the CEO).

All staff are eligible to contribute to KiwiSaver and to receive a matching company contribution of up to 8% of gross taxable earnings. The CEO does not receive a matching company contribution.

Benefits available to employees include health insurance and a wellness subsidy. Wellness is reimbursed up to 100% of qualifying treatments based on receipts to a maximum of $1,500 per annum.

In 2022 the Board approved an STI scheme for senior management and employees for the FY23 year. The scheme is based on achievement of pre-determined key performance indicators (KPIs) and goals which are aligned to the objectives published in the SOI and SPE and that reflect the strategic intent of the organisation. The STI was set as a percentage of base salary with the maximum percentage payment set at 30%. The payment of these STIs was based on their contribution to the objectives being met for FY23.

16 — Contingent liabilities

There were no material contingent liabilities at balance date.

17 — Post balance date events

On 31 July 2023, the Guardians received formal notice from the Crown to increase its commitment under the Uncalled Capital Contribution Agreement in relation to Elevate by $40.5 million. This increase takes the Crown's total commitment to Elevate to $300 million and removes any prospect of NZGCP being required to commit further funding to Elevate.

Three new directors were appointed to the NZGCP Board effective 11 September 2023, being Janice Fredric, Steve O'Connor and Grant Straker.

Shareholder information —

for the year ended 30 June 2023

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	172,219,801	100%

Use of company information

Pursuant to section 145 of the Companies Act 1993 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 effected insurance for, directors and executives of the company and its related companies which, except for specific matters which are expressly excluded, indemnifies and insures directors and executives against monetary losses because of actions undertaken by them during the performance of 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 2023

The following are general disclosure of interests given by the directors of the company pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2023.

Annabel Cotton, Chair
Director/Shareholder, Merlin Consulting Limited
Director/Shareholder, Merlin Group Limited
Director/shareholder, Access IR Group Limited
Director/Shareholder, Farmy McFarm Limited
Trustee, Annabel Cotton Family Trust – share portfolio managed by Craigs Investment Partners (currently holds some Ubco shares)
Trustee, Families Autism and Behavioural Support Trust
Shareholder, NZSIF Ltd
Shareholder, Pencarrow VI Investment Fund
Shareholder, Pohutukawa Private Equity VI Fund Ltd
Trustee, NZ Global Women
Investor, Pioneer Capital through Kowhai fund
Investor, Pictor and NZ Equity Partners Limited
Investor, Milford as manager of KiwiSaver

Marcel van den Assum, Director
Chair & Independent Director, Sprout Agritech Limited (SAL)
Chair & Shareholder, Wipster Independent Shareholders Limited
Director, Wipp App Limited
Director, CropX Limited
Director/shareholder, BlackCurrent Limited
Director, Flick Energy Limited
Director/Shareholder, Charlie Shareholder Trustee Limited
Shareholder, Sparkling Rivers Limited
Shareholder, CoGo Connecting Good Limited
Shareholder, Eight360
Shareholder of convertible note, One Reg Limited (xp42 Limited)
Independent Advisor, Digital Advisory Board – Te Whatu Ora Health New Zealand
Club Participant, AngelHQ
Investment Committee Member, Maui-Toa Fund
Interest as LP, WNT Ventures
Interest as LP, Movac fund 4 & 5

Nicole Buisson, Director
Independent Director, The Icehouse Limited
Advisory Board Member, Mosaic Business Solutions
Advisory Board Member, Humanitix
Investor, Icehouse Ventures First Cut Fund III
Investor/Shareholder, Open Insurance Limited
Investor, Personal investments across financial and pension funds including Simplicity
Head of Small Business, AWS
Personal/Family, The Nicole Buisson Family Trust
Personal/Family, Director – Antipodeo Consulting Limited

David Smol, Chair – 1 July 2022 to 2 December 2022
Chair, Wellington UniVentures (VicLink), commercialisation subsidiary of Victoria University of Wellington
Chair, DIA External Advisory Committee
Director, Contact Energy
Director, Rimu Road Consulting Limited
Board Member, Waka Kotahi (NZTA)
Chair, MSD Risk and Audit Committee
Investments – Personal investments in various financial funds, pension schemes and a small number of listed investments

Glossary —

AANZ	The Angel Association of New Zealand, a non-profit organisation established to increase the quantity, quality and success of angel investment in New Zealand.
Angel investor	An individual or professionally organised firm or group that invests in entrepreneurial funds or companies. 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.
Angel stage	An investee company is at the angel 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. This stage is generally the stage prior to, or the same as, the seed stage.
Aspire	The early-stage co-investment mandate and related investment activities undertaken by Aspire NZ Seed Fund Limited, a wholly owned subsidiary of NZGCP.
Board	The board of directors of NZGCP.
CAGR	The compounded annual growth rate is the mean annual growth rate of an investment over a specified period of time longer than one year.
Crown entity	An organisation that forms part of New Zealand's public sector, as defined within section 7(1) of the Crown Entities Act 2004. Crown entities are legal entities in their own right.
Deep-tech companies	These are start-ups with the expressed objective of providing technology solutions based on substantial scientific or engineering challenges.
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.
Elevate	Elevate NZ Venture Fund, the $300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians.
Elevate GP	Elevate NZ Venture Fund (GP) Limited, a wholly owned subsidiary of NZGCP and the entity which manages Elevate.
ESG	Environmental, social and governance.
Expansion stage	An investee company is at the 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.
Fair value	The amount paid in a transaction between participants if an asset were expected to be sold in the open between a willing buyer and a willing seller.
Fund-of-funds	A fund that invests primarily in other externally managed funds as opposed to individual investee companies.
Group	NZGCP and its controlled subsidiaries.
Guardians	The Guardians of New Zealand Superannuation, an autonomous Crown agency which manages the New Zealand Superannuation Fund and Elevate. The Guardians has delegated management of Elevate to NZGCP.

IPEV Guidelines	The International Private Equity and Venture Capital Valuation Guidelines which set out recommendations intended to represent current best practice on the valuation of private capital investments.
IPO	An initial public offering or stock launch is a public offering in which shares of a company are sold to institutional investors and usually also to retail investors.
M&A	Mergers and acquisitions are business transactions in which organisations, or their operating units are transferred to or consolidated with another company or business organisation.
Management fee	The fee, typically a percentage of committed capital, that is paid by investors to the manager of a venture capital fund for management of that fund.
Mandate	An official order or commission to undertake something.
MBIE	The New Zealand Ministry of Business, Innovation and Employment.
NZGCP	New Zealand Growth Capital Partners Limited, a New Zealand Crown agency and the entity to which this annual report relates to.
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.
Portfolio company	Term used to refer to a start-up company that forms part of the Aspire or VIF portfolio.
Seed stage	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.
Series A and B capital	Capital provided, usually by institutional venture capital funds, into investment rounds in the $2 million to $40 million range.
Start-up	An investee company is at the start-up stage of its development if the investment will enable actual business operations to commence. This includes further development of the company's product(s) and initial production and marketing.
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). Once 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 entity's performance against expectations set out in the SPE, prepared before the start of the year.
TupuToa	An organisation that aims to provide professional opportunities for Māori and Pasifika in corporate, government and community organisations via various bespoke programmes and pathways.
Underlying Fund	A venture capital fund that the Elevate has invested in.
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 fund or firm. Funds typically have a five-year investment period and a ten-year life.
Venture capital manager	The management team and/or entity (usually a dedicated entity made of investment professionals) that is contracted to manage a venture capital fund.
VIF 1.0 fund	The legacy Venture Investment Fund, a venture capital fund-of-funds established in 2002 and managed by NZGCP. This is a closed mandate i.e. it is not making any new investments.

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Graeme Bennett of EY

On behalf of the Auditor-General

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