Statement of Performance Expectations

2020-2021

NZ GROWTH
CAPITAL PARTNERS

Table of Contents

NZGCP Overview

Background to NZGCP

New Zealand Growth Capital Partners Limited (NZGCP) is a Crown equity investment agency addressing the significant capital market gap for emerging high growth New Zealand companies that require new risk capital (equity and quasi equity) for growth.

NZGCP leverages its capital to attract increased levels of private investment into early stage high growth New Zealand companies. Investments may be made from proof of concept stage, through to what is now defined as Series C+ (as defined in the Elevate NZ Venture Fund establishment documents). These investments are made through either the Aspire Fund (Seed/Angel) or Elevate NZ Venture Fund (Series A/B).

As background, NZGCP was established in 2002 as a Venture Capital Fund-of-Funds manager to partner with the private sector to invest into private New Zealand venture capital funds which would then support the development of innovative companies, initially from start-up through to Series A/B. In addition, NZGCP was also tasked with working alongside the private sector, to build investor capability and put in place best practice industry infrastructure.

In 2008, alongside the Venture Capital Fund of Funds programme (VIF), NZGCP introduced the Seed Co-Investment Fund, now renamed as the Aspire NZ Seed Fund (Aspire), to fill the Angel/Seed investment gap for entrepreneurs needing early stage capital to get their business underway. Like Venture Capital, Angel investing is a feature of vibrant start-up ecosystems across the globe. While New Zealand already had many wealthy entrepreneurs and investors willing to provide their own capital and expertise to speed to development of very young companies, achieving scale and professionalism was the next step in building a sustainable Angel investor community.

In August 2017, following consultation with a range of stakeholders in the early stage investment market, the design of the Aspire Fund programme was revised to allow it to more actively manage its investment activity. These changes were aimed at improving its investment returns while continuing its cornerstone market development role of attracting more investors and capital to the sector. In addition, to support continued investment activity without relying on further Crown capital, NZGCP is now able to re-invest investment returns. These settings for the Aspire fund were further amended again in June 2020 in response to Covid-19.

Finally, in the May 2019 budget it was announced that NZGCP was to manage a $300m Fund of Funds programme, overseen by the NZ Superannuation Fund. The Fund of Funds programme aim is to invest alongside private and institutional investors into private venture capital funds, which will in turn invest at the predominantly Series A and B stage into high growth New Zealand companies. After passing the relevant legislation to enable this in December 2019, the programme was launched in March 2020 as the Elevate NZ Venture Fund (Elevate). It is expected that this programme will support potentially a number of Venture Funds over its five-year investment horizon. It is anticipated these funds will be a mix of generalist and specialist funds, across a spectrum of fund sizes and vintages, as well as being a mix of NZ Connected and Offshore funds. The first announced investment is expected to be in August 2020.

Going forward, NZGCP manages four primary activities. These are the:

1. Wind-down of the VIF programme established in 2002;
- Elevate $300m programme focused primarily on the Series A/B space;
- Aspire Fund focused primarily on the Angel/Seed space; and
- A Market Development programme that operates across the early stage eco-system.

NZGCP Going Forward

There is a fourfold workstream focus for the period of this SPE. This includes:

VIF

As noted above, the original VIF programme is in wind-down. NZGCP's aim is to manage this orderly wind-down and ensure we can maximise the return profile, to the extent our role as an LP in the various legacy funds VIF is invested in allows.

Aspire Fund

In August 2017, following consultation with a range of stakeholders in the early stage investment market, the design of the Aspire Fund was revised. These changes were aimed at improving its investment returns while continuing its cornerstone market development role of attracting more investors and capital to the sector. In addition, to support continued investment activity without relying on further Crown capital, NZGCP is now able to re-invest investment returns.

Following the changes to the design of Aspire in 2017 and a further mandate amendment in 2019, NZGCP could co-invest up to $12 million p.a. into early stage investment opportunities alongside its private sector partners. As a consequence of Covid-19, and submissions by the Angel Association of New Zealand, NZGCP's mandate has been further extended on 27 May 2020 to allow it to invest up to $20 million p.a. in the year to June 30, 2021. There were additional amendments to its mandate including (i) allowing it to invest up to $2.5 million into any one company; (ii) altering the public/private investment ratio from 1:1 to up to 2:1; and (iii) allowing the Aspire fund to take a co-lead role in investment deals it was participating in.

Given what was observed in the GFC which saw up to a 45% decline in private sector investment in the Angel eco-system, these mandate changes are seen as a significant step by the Crown to alleviate this anticipated drop-off in investment as a consequence of Covid-19 and the downstream impacts it may have on the availability of private capital to support the early stage high growth entrepreneurial sector.

Elevate NZ Venture Fund

As discussed, the Government announced in the May 2019 budget a new policy to develop the venture capital markets that involves the Guardians of New Zealand Superannuation and NZGCP. This resulted in the formation and launch of the Elevate NZ Venture Fund in March 2020, which is a $300 million Fund of Funds programme. It is anticipated this programme will make its first investments by June 30, 2020, and then continue through the period to allocate capital into further Venture Funds that meet its due diligence requirements, alongside its target portfolio construction framework.

This programme will also be a significant contributor to alleviating the impact of Covid-19 on the nascent Venture Capital eco-system in New Zealand. It is targeted that, alongside private matching capital and assuming an aspirational matching ratio of 1:2, the programme could see a total of up to $900m flow into this part of the early stage capital markets eco-system over the five year investment period of the fund, which would be a significant increase in annual amounts raised over the last five years pre-Covid.

Market Development

An additional explicit requirement for the period is for NZGCP to develop and implement at early stage capital markets development programme. The development of this workstream is targeted to be completed by the end of Q2 2020, with the 2020/21 financial year being its first year of implementation.

This programme will focus on eight workstreams. These are:

- Build the Base – initiatives to ensure quantity and quality of Series A/B opportunity pipeline;

- Develop Capability – aim to build the number, experience, expertise and capability of investment professionals in the early stage capital markets;
- Build Networks – initiatives to build the connectivity of NZ entrepreneurs, fund managers and companies with offshore funding sources, networks and capability;
- Create Collaboration – initiatives to encourage co-operation among eco-system participants;
- Create Competition – initiatives to encourage co-opetition among domestic fund managers to both raise industry standards, but also encourage syndication and risk sharing (which is common in more established offshore jurisdictions);
- Talent Introduction – initiatives to attract talent, both domestic and offshore into the eco-system, with a focus on both diversity and inclusiveness. A particular focus on this will be on gender, as well as encouraging Maori and Pacifica participation both on the entrepreneurial side, as well as the investment professional pathways;
- Capital Introduction – initiatives to unlock domestic (for example Kiwisaver) and international capital to NZ opportunities;
- Covid-19 Recovery – initiatives to address the material impact Covid-19 has, and will have, on our early stage eco-system

NZGCP Operationally:

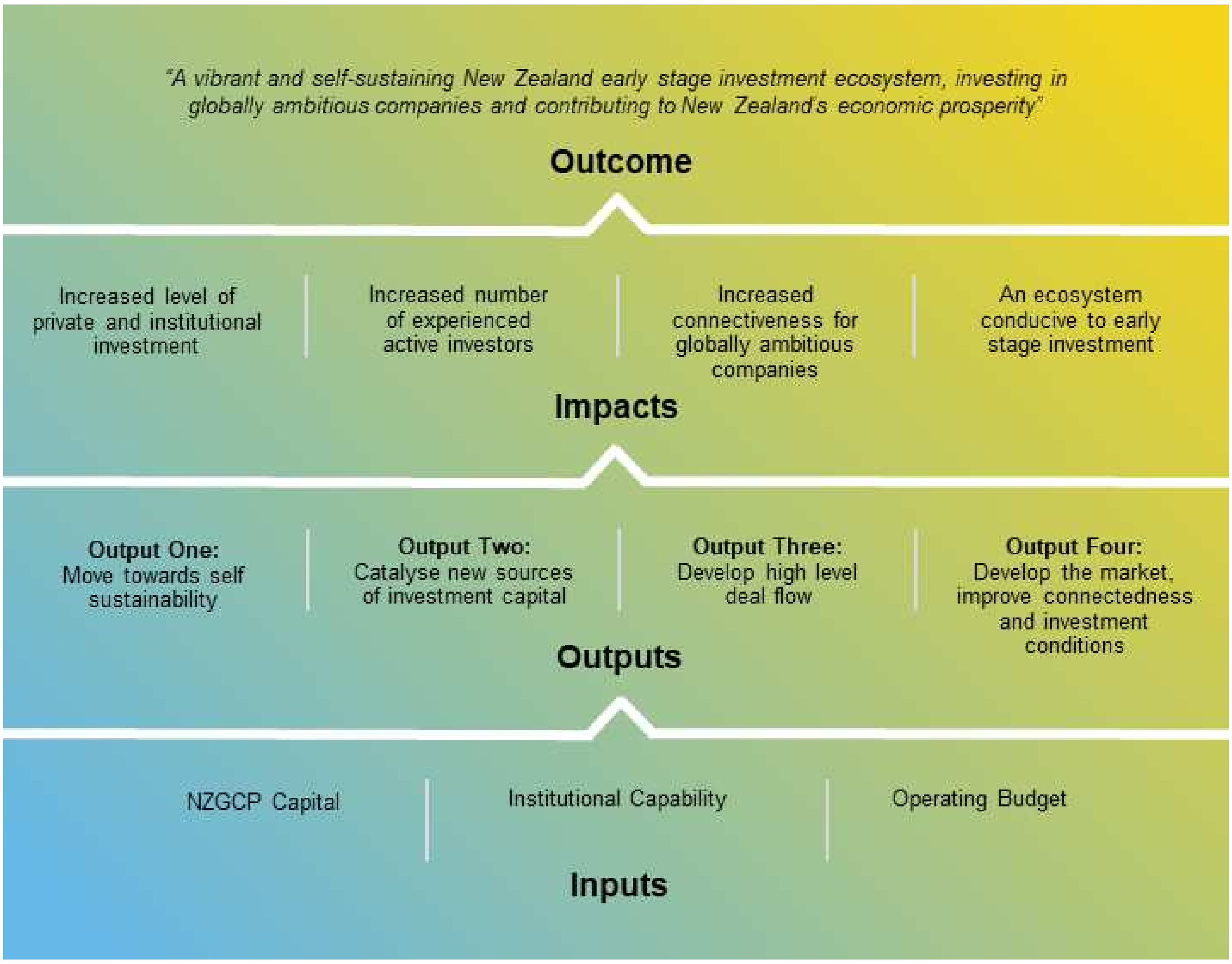
Alongside the launch of the Elevate NZ Fund, the Crown has decided to re-architect the funding of NZGCP. There will now be three components to the funding of operations, these are:

- All costs related to the Elevate NZ Fund will be reimbursed to NZGCP at cost from the Elevate Fund's capital pool. NZ Super will administer this process;
- The Crown will provide a $750,000 p.a. appropriation for the Market Development programme; and
- The balance of NZGCP's operational costs are to be met out of the entities balance sheet.

Additionally, all monies realised from the VIF 1.0 programme (up to a maximum of $40 million) will be used to provide additional funding to the Elevate NZ Venture Fund. This funding is expected to be provided to the Elevate Fund by or before Year 5 of its operation.

NZGCP will work prudently to manage the multiple demands it has on what is a small organization within a reasonable budget, recognizing that there has been a number of additional resource and operating demands placed on the organisation through the Elevate NZ Fund and Market Development mandates.

Our Strategic Framework: What we are trying to achieve and how we plan to achieve it



Service Performance & Financial Management

The following statements provide targets, budgets and performance measures for the year ending 30 June 2021 in accordance with s142 of the Crown Entities Act:

- Statement of performance expectations.
- Statement of forecast comprehensive revenue and expense.
- Statement of forecast movements in equity.
- Statement of forecast financial position.
- Statement of forecast cash flows.
- Notes to the financial statements.

There are no other relevant statements which need to be devised or disclosed (ss142(1)(c) and (e)).

Statement of Performance Expectations

To achieve our Outcome as per the Statement of Intent, we will provide the following four outputs:

(i) Move to sustainability through making and managing investments

Co-invest into eligible industries and stages with appropriate private investment partners and recycle returned capital.

(ii) Attract capital – catalyse new sources of investment capital

Catalyse new sources of investment capital through opportunity and investment return demonstration effect.

(iii) Origination Pipeline

Develop high quality deal flow through diverse investment partnerships.

(iv) Work with industry stakeholders

To develop the market, improve connectiveness and investment conditions.

We deliver the output by administering and monitoring of the NZGCP Elevate NZ Venture Fund and the NZGCP Aspire NZ Seed Fund, alongside our Market Development Programme. We also note the continued wind-down of the original fund of funds programme (Venture Investment Fund or VIF 1.0), which still has a number of years prior to its closure.

We will report against qualitative and quantitative measures in the 2020/21 Annual Report.

OUTPUT ONE:
Move to sustainability by making and managing investments

- We will make portfolio investments in line with our mandates.
- We will manage investments to optimize portfolio returns.
- We will recycle investment proceeds into new investments
- We note the potential impact on returns of Covid-19 in this estimate

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 20/21
Number of new companies receiving investment from Aspire (p.a.)	28	29	22	13	11
Total number of companies receiving investment from Aspire (p.a.)	60	59	56	47	55
Total amount invested into companies annually from Aspire	$5m	$7.4m	$11.2m	$8.8m[1]	$15m[2]
Total proceeds from divestment of investments (Aspire, VIF 1.0)	n/a	$42m	$18.3m	$2.9m	$3.0m
Amount of capital committed to Venture Funds invested in by Elevate NZ (p.a.)	n/a	n/a	n/a	n/a	$110m

[1] Investment limit temporarily increased to $20m on 27 May 2020 through to 30 June 2020.
[2] Investment limit of $20m extended through to 30 June 2021.

Quality Measures

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

- Currently over 95% of NZGCP investments are in seed, start-up and early expansion stage.

100% of investment transactions will meet NZGCP eligibility criteria.

- All investments are consistent with NZGCP mandate requirements.
- As well as ruling out certain industries for investment, we will consider wider ESG factors when approving investments.

OUTPUT TWO:
Attract capital – catalyse new sources of investment capital

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

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 20/21
Cumulative number of Venture Funds invested in by Elevate NZ (including second vintages)	n/a	n/a	n/a	n/a	5
Amount of Private Capital raised by VC Funds Elevate NZ invests in	n/a	n/a	n/a	n/a	$165m
Investment leverage ratio for the Elevate Fund (Public to Private capital)	n/a	n/a	n/a	n/a	1:1.5
Number of companies attracting Series A/B investment (Aspire and Elevate)	n/a	n/a	9	6	20
Number of companies with offshore VC investment at Series A/B (Aspire and Elevate)	n/a	n/a	5	4	7
Investment leverage ratio for the Aspire Fund (Public to Private capital)	n/a	n/a	n/a	n/a	1:2

Quality Measure

The quantity measures for output 2 relate to the new NZGCP operational model post the 2017 and 2019 changes to Aspire mandate and the 2020 introduction of Elevate NZ Venture Fund.

OUTPUT THREE:
Develop high quality deal flow through the establishment of diverse investment partnerships

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

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 20/21
Number of investment opportunities reviewed by Aspire	n/a	165	190	149	200
Number of Aspire syndicate partners	n/a	30	35	35	35

For Elevate partners, refer to Output Two and the measure ‘Cumulative number of Venture Funds invested in by Elevate NZ’.

Quality Measure

The quantity measures for output 3 relate to the new NZGCP operational model post the 2017 and 2019 changes to Aspire mandate. Under the revised Aspire mandate NZGCP has established co-investment relationships with early stage investor groups who are not traditional angel investor networks.

OUTPUT FOUR:
Work with industry stakeholders – to develop the market and improve investment conditions

- We will support industry professional development programmes.
- We will advise Government on policy changes to improve the investment environment.
- We will seek to improve connectiveness both within the NZ ecosystem and offshore.

Quantity Measures	Actual 16/17	Actual 17/18	Actual 18/19	Actual 19/20	Forecast 20/21
Industry development initiatives undertaken in conjunction with NZPCA and AANZ.	4	4	4	4	4
Advice provided to Government to assist market development.	2	2	2	2	2

Quality Measure

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

- Co-sponsor AANZ and NZPCA professional development programmes.
- Continue to work with the Government to implement policy.

Statement from the Board of Directors

This Statement of Performance Expectations for the period 1 July 2020 to 30 June 2021 is submitted pursuant to the Crown Entities Act 2004. The forecast financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZGAAP).

The underlying assumptions of this document have been authorised as appropriate for issue by the Board of Directors of the New Zealand Growth Capital Partners Limited in accordance with its role under the Crown Entities Act 2004.

The Board and management of NZGCP accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

Signed on behalf of the Board

D. R. Birch

Debbie Birch

Acting Chair

September 2020

Emma Loisel

Director

September 2020

Forecast Financial Statements

Consolidated Statement of Forecast Comprehensive Revenue and Expense for the Year Ending 30 June 2021

	2021
Operating revenue received from Crown	750,000
Revenue received from Elevate NZ Venture Fund	2,340,000
Operating interest and other revenue	16,000
Total revenue	3,106,000
NZGCP administrative expenses	(5,664,600)
Depreciation and amortisation	(40,000)
Total expenses	(5,704,600)
Net operating revenue/(expense)	**$(2,598,600)**
Investing interest	600,000
Management fees and costs paid to NZGCP fund managers[1]	(429,000)
Realised gain/(loss) on sale of investments	-
Net unrealised gain/(loss) in the value of investments	-
Impairment of related party loans	-
Surplus/(Deficit) before taxation	(2,427,600)
Income tax expense	-
Total comprehensive revenue/(expense)	**$(2,427,600)**

[1] *Fund management fees are paid to external fund managers from capital drawn from Crown for investment. These fees are classified as an expense of NZGCP for accounting purposes.*

Consolidated Statement of Forecast Changes in Equity for the Year Ending 30 June 2021

	2021
Equity – at the beginning of year	164,134,307
Total comprehensive revenue/(expense) for the year	(2,427,600)
Contributed equity – at the end of the year	172,219,801
Retained surplus/(deficit) – at the end of the year	(10,513,094)
Total expenses	
Equity – at the end of year	**$161,706,707**

Consolidated Statement of Forecast Financial Position as at 30 June 2021

	2021
Equity	**$161,706,707**
Represented by	
Current Assets	
Cash and cash equivalents	1,840,073
Receivables and prepayments	1,786,340
Investments	31,000,000
	34,626,413
Non-current Assets	
Property, plant, equipment	79,498
Intangible assets	29,000
Receivables	1,205,688
Investments	126,090,661
	127,404,847
Total assets	**$162,031,260**
Current Liabilities	
Payables and accruals	324,553
Total liabilities	324,553
Net assets	**$161,706,707**

Consolidated Statement of Forecast Cash Flows for the Year Ending 30 June 2021

Cash flows from operating activities	**2021**
Cash was provided from:	
Revenue from the Crown	750,000
Revenue from Elevate NZ Venture Fund	2,340,000
Interest & other income	16,000
	3,106,000
Cash was applied to:	
Payments to suppliers	(3,803,900)
Payments to employees	(2,289,700)
	(6,093,600)
Net cash flows from operating activities	**$(2,987,600)**
Cash flows from investing activities	
Cash was provided from:	
Interest	600,000
Sale of investments – VIF 1.0	25,000
Sale of investments – Aspire	3,000,000
	3,625,000
Cash was applied to:	
Purchase of property, plant and equipment	(61,500)
Purchase of investments – VIF 1.0	(824,621)
Purchase of investments – Aspire	(15,000,000)
	(15,886,121)
Net cash flows from investing activities	**$(12,261,121)**
Cash flows from financing activities	
Cash was provided from:	
Sale of investments	10,000,000
Net cash flows from financing activities	**$10,000,000**
Net increase/decrease in cash and cash equivalents	**$(5,248,721)**
Cash and cash equivalents at the beginning of the year	7,088,794
Cash and cash equivalents at the end of the year	**$1,840,073**

Notes to the Forecast Financial Statements

1. Summary of significant accounting policies

Reporting entity

NZ Growth Capital Partners Limited and its subsidiaries are companies incorporated in New Zealand under the Companies Act 1993.

The parent company - NZ Growth Capital Partners Limited - and its subsidiaries are referred to throughout these financial statements as NZGCP. NZGCP is domiciled in New Zealand.

The primary objective of NZGCP is the development of a vibrant early-stage capital market, both formal (venture capital) and informal (angel). NZGCP has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

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

The forecast financial statements of the group are for the year ended 30 June 2021.

Basis of preparation

Statement of compliance

The prospective financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Principles (NZGAAP). They comply with the Crown Entities Act 2004 and other Financial Reporting Standards as appropriate for public benefit entities.

These prospective financial statements are prepared in accordance with the requirements of the Public Benefit Entity (PBE) accounting standards and in accordance with Tier 2 PBE accounting standards and comply with PBE FRS 42 Prospective Financial Statements.

The prospective financial statements are for the Statement of Service Performance for the 2020/2021 year therefore, actual results are not reflected. NZGCP is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The information contained in the financial statements is not suitable to be used for any purpose other than to give an indication of the magnitude of the company's financial requirements for the period of the Statement of Service Performance.

The actual financial results for the period covered are likely to vary from the information presented and the variations may be material.

Measurement base

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

Presentation currency

These financial statements are presented in New Zealand dollars ($).

Judgments and estimations

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

It is not intended to update these prospective financial statements subsequent to presentation.

Updates up until presentation will be made if circumstances arise requiring changed forecasts. Assumptions in these financial statements are based on business as usual and historic performance but include implementation costs for new policy development.

Significant Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance, financial position and cash flows, have been applied consistently to all periods presented in these forecast financial statements.

Basis of consolidation

Subsidiaries are entities in which the company has the capacity to determine the financing and operating policies and from which it has an entitlement to significant ownership benefits.

The consolidated financial statements include the parent company NZ Growth Capital Partners Limited and its subsidiaries NZGCP Investments Limited and NZGCP GP Limited; accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent's financial statements investments in the subsidiaries are valued at cost.

Revenue recognition

Revenue is recognised as follows:

Revenue from the Crown

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

Other Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to NZGCP and the revenue can be reliably measured. Other Revenue shown in the Statement of comprehensive revenue and expense comprises the amounts received and receivable by NZGCP for services as General Partner of the Elevate NZ Venture Fund Limited Partnership.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive payment is established.

Administration expenses

Administration expenses comprise operating expenditure and consist of audit fees, directors' fees, employee costs, lease costs and other administrative expenditure.

Goods and services tax

The forecast consolidated financial statements of NZGCP have been prepared on a GST exclusive basis except for receivables and payables.

Taxation

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the way the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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

Cash & cash equivalents

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

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses due to bad and doubtful accounts.

Investments - current

Investments include term deposits held with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or more.

Prepayments

Prepayments consist of management fees invoiced or paid, for the first quarter of the next year, and director's liability insurance paid in advance. Prepaid directors' liability insurance is expensed on a straight-line basis over the term of the insurance policy.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less aggregate depreciation and impairment losses.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

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

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of comprehensive revenue and expense.

Subsequent costs

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

Depreciation

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

Computer equipment	33%-60%
Office equipment	11%-60%
Leasehold improvements	9%-48%

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Intangible Assets

Software acquisition

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

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

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

Software development

NZGCP capitalises the direct costs associated with the development of network and business software for internal use where project success is regarded as probable. Capitalised costs include external direct costs of materials and services consumed, payroll and direct payroll-related costs for employees (including contractors) directly associated with the project and interest costs incurred while developing the software. Software developed for internal use is depreciated over its useful life.

Amortisation

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

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

Investments – non-current

Investment assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of comprehensive revenue and expense.

Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases in which the lessor retains substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease expenses are recognised on a straight-line basis over the period of the lease.

Foreign currencies

Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction.

Transactions 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 that date. Foreign exchange differences arising on their translation are recognised in the Statement of comprehensive revenue and expense.

Financial instruments

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

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

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

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

NZGCP classifies its VIF 1.0 venture capital funds and Aspire NZ Seed investments under the category "financial assets at fair value through surplus or deficit" - designated as such upon initial recognition. This is because PBE IPSAS 29 (AG 14(a)) indicates that investments held by venture capital organisations whose business is investing in financial assets with a view to profiting from their total return (in the form of interest, dividends or from changes in their value) should be designated at fair value through profit and loss. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through surplus or deficit' category are included in the Statement of comprehensive revenue and expense in the period in which they arise.

VIF 1.0 venture capital fund

NZGCP co-invests, alongside private sector investors, in venture capital funds (Underlying Funds) which invest primarily in early-stage venture capital investments. NZGCP owns a share of the Underlying Funds and those Underlying Funds directly hold the investments.

The Underlying Funds investments are made through or by co-investing alongside venture capital funds, which are managed by private sector venture capital fund managers. NZGCP does not exercise significant influence over these fund managers or the underlying individual investment portfolio investments.

The fair value of VIF1.0 investments has been determined by NZGCP in accordance with our Investment Valuation Policy and the International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines). The IPEV Guidelines have been adopted into the NZGCP Investment Valuation Policy.

The IPEV Guidelines recommends that investors in private equity and venture capital funds should use the fund managers reported valuation Net Asset Value as an input in determining the fair value of their interest in the fund's investments. The IPEV Guidelines also recommend that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. Per the IPEV Guidelines and NZGCP Valuation Policy, the fair values received are assessed and adjusted if appropriate. Where NZGCP is an investor into a venture capital fund under the VIF 1.0 programme, the fund manager is contractually required to report to NZGCP on an on-going basis and NZGCP monitors the performance and valuation of the portfolio. The reported fair value of the investment by each fund manager has been used as an input for the fair value assessment performed by NZGCP.

NZGCP has reviewed the process undertaken by the venture capital fund manager when valuing VIF 1.0 investments and are satisfied that the valuation process complies with the fund managers' contractual requirements. The inputs used and our determined fair values comply with our Investment Valuation Policy and the IPEV Guidelines.

Aspire NZ Seed Fund

NZGCP co-invests, alongside private sector investors, in seed and start-up stage investments and these investments represent equity owned directly through a 100% owned NZGCP subsidiary. NZGCP is typically a passive investor and does not take a seat on investee company boards; these roles are undertaken by NZGCP's co-investment partners. However, NZGCP reserves certain shareholder rights and may make subsequent investment decisions in certain circumstances.

The IPEV Guidelines note the price of a recent investment made by external investors may be a useful starting point to determine fair value, but it is not a standalone valuation technique. NZGCP have considered the price of a recent investment rounds, together with various valuation techniques in line with the IPEV Guidelines, to determine the fair value of investments.

As at 30 June 2021 the valuation of the Aspire NZ Seed Fund's investments are held at fair value that complies with the NZGCP Investment Valuation Policy and the IPEV Guidelines.

PBE standards make specific reference to investments held by venture capital organisations and that all investments must be recognised at fair value, except for those where control exists. Under PBE IPSAS 29 (AG 14), an investment by a venture capital organisation is a financial instrument. The appropriate standard dealing with investment in associates is not applicable and the financial instruments standard applies.

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

NZGCP classifies its VIF 1.0 investments and Aspire NZ Seed Fund investments under the category "financial assets at fair value through surplus or deficit" - designated as such upon initial recognition. This is because PBE IPSAS 29 (AG 14(a)) indicates that investments held by venture capital organisations whose business is investing in financial assets with a view to profiting from their total return (in the form of interest, dividends or from changes in their value) should be designated at fair value through profit and loss. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through surplus or deficit' category are included in the Statement of comprehensive revenue and expense in the period in which they arise.

Creditors and other payables

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

Employee entitlements

Provision is made for annual leave entitlements estimated to be payable to employees based on statutory and contractual requirements. The provision is equal to the present value of the estimated future cash outflows because of employee services provided at balance date.

Statement of cash flows

The following are the definitions of the terms used in the Statement of Cashflows:

Cash is cash and cash equivalents net of bank overdrafts.

Investing activities are those relating to the acquisition, holding and disposal of property, plant & equipment and investments. Investments can include securities not falling within the definition of cash.

Financing activities are those activities that result in changes in the size and composition of the capital structure of NZGCP. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

Operating activities include all transactions and other events that are not investing or financing activities.

Segment information

A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographic segment is engaged in providing products or services within an economic environment that are subject to risks and returns that are different from those of a segment operating in other economic environments. NZGCP operates predominantly in the venture capital investment industry. All operations of the Company are carried out in New Zealand.

Related party loans

NZGCP accounts for related party loans at their cost less impairment, with impairment based on the underlying value of the subsidiary's venture capital investments, which will have been purchased through the loan funding. This treatment is permitted following the assessment that the loans are outside the scope of PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The accounting treatment for the loans is in accordance with the cost method of an investment in a subsidiary under PBE IPSAS 6 Consolidated and Separate Financial Statements, which gives an entity the option of accounting for an investment in a subsidiary either at cost (less impairment) or under PBE IPSAS 29. Furthermore, as disclosed in Note 15, the terms of the loans are no interest with limited recourse of repayment. Accordingly, the loans have characteristics like an equity instrument. A further consideration in carrying related party loans at cost (less impairment) is that their fair value cannot be reliably determined at initial recognition due to difficulties in forecasting the obligations to repay the loans and the timing of such repayments.

Significant assumptions adopted in the preparation of forecast financial statements

Fund management fees are paid to external fund managers from capital drawn from Crown for investment. They are not paid from operational funding received from the Crown. These fees are classified as an expense of NZGCP for accounting purposes only and are not part of the operational costs of NZGCP. The loss reported in the Statement of forecast comprehensive revenue and expense for the year ended 30 June 2020 does not reflect the actual result of NZGCP.

Due to uncertainties on investment valuations, no realised/unrealised gains or losses are included in the forecast. However, there is a reasonable expectation that the overall portfolio will increase in value over the longer term. Performance returns are highly likely to vary every year and some years may be negative.

2. Capital Commitments

The following commitments have been made by NZGCP. This is the estimated capital expenditure contracted for at balance date but not provided for (Aspire NZ Seed Fund and VIF 1.0):

	Forecast 30 June 2021
Firm commitment remaining	$263,000
Conditional commitment	$0
Total	$263,000

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

NZ GROWTH
CAPITAL PARTNERS