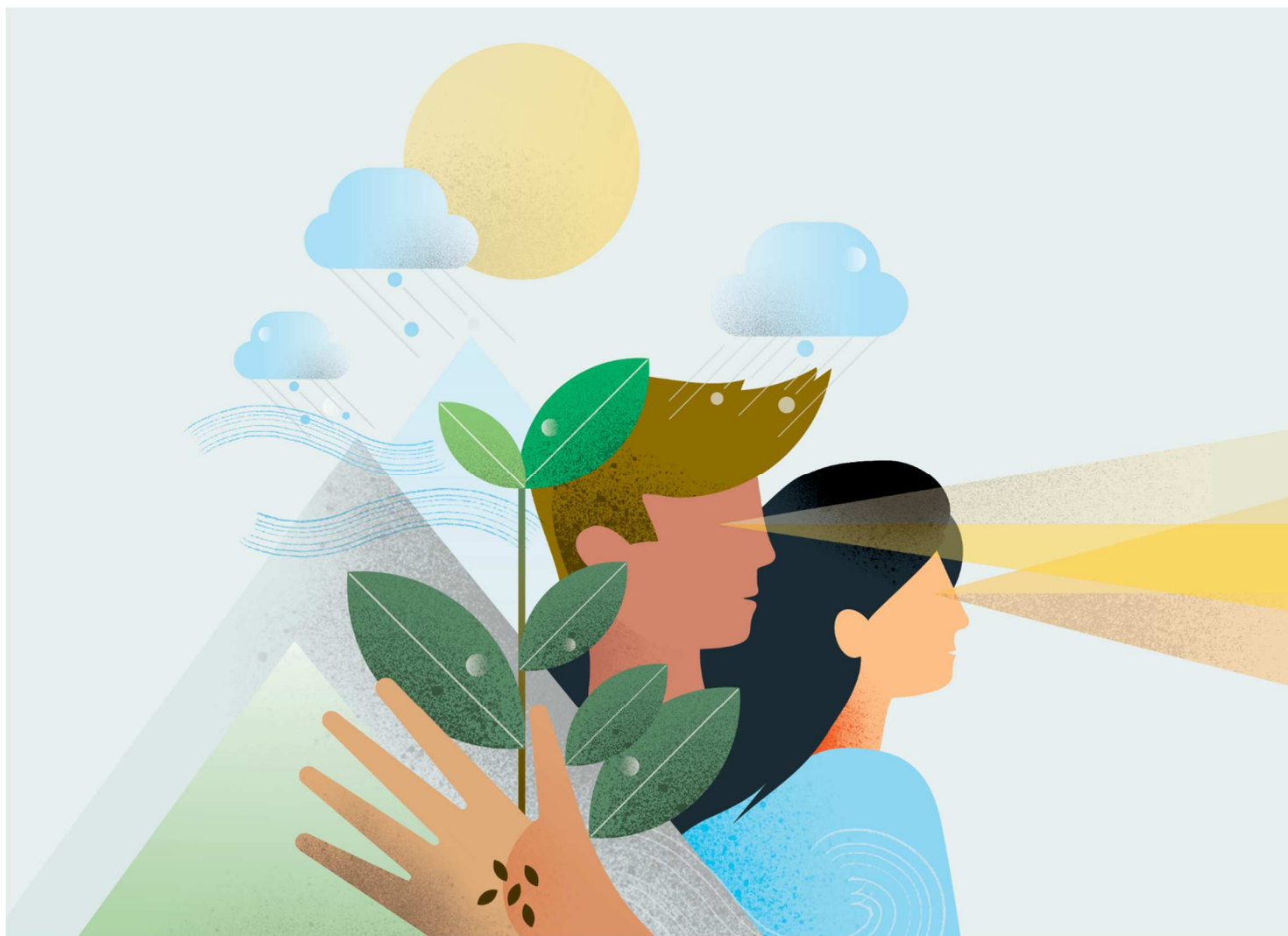


Statement of Performance Expectations 2021-2022

NZ GROWTH CAPITAL PARTNERS

Our Statement of Performance Expectations sets out the annual milestones we need to achieve in 2021-2022 to support the direction in our Statement of Intent 2020-2024.



He whakatauki

**Kotahi te kākano,
he nui ngā hua o te
rakau. A tree comes
from one seed, but
bears many fruit.**

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**NZ GROWTH
CAPITAL PARTNERS**

E: info@nzgcp.co.nz
Connect with us
on LinkedIn

Auckland
Generator, Level 1,
12 Madden Street,
Wynyard Quarter 1010
PO Box 91705,
Victoria Street West,
Auckland 1142

Wellington
Level 1,
Huddart Parker Building,
1 Post Office Square 6011
PO Box 25232,
Wellington 6140

NZGCP Overview

NZGCP in 2022

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 NZ Seed Fund (Aspire) focussed on Seed/Angel investments, or Elevate NZ Venture Fund (Elevate), focussed on Series A/B investments.

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.

Currently, NZGCP manages four primary activities. These are the:

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

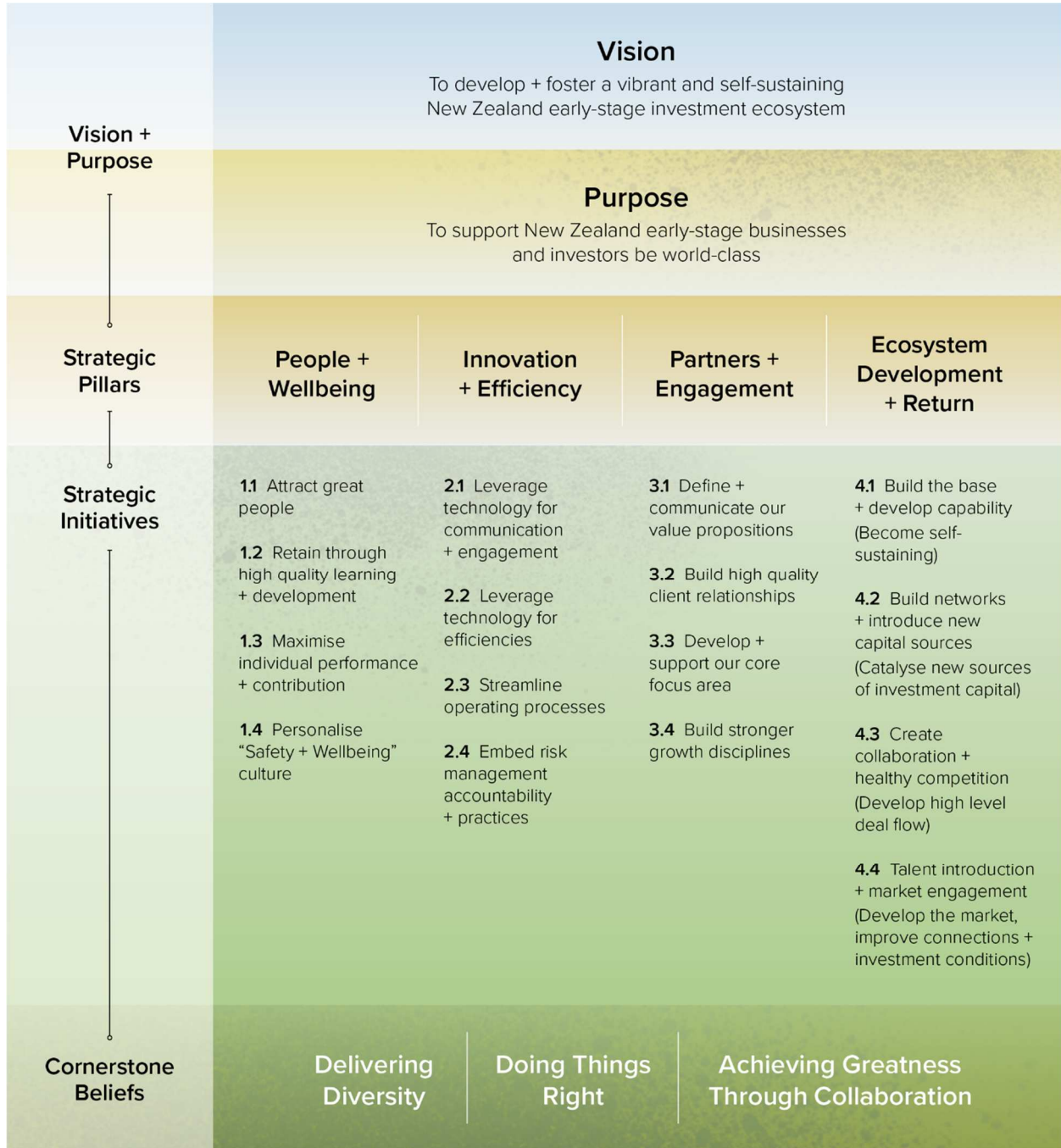
Strategic Plan Introduction

Midway through the 2021 financial year a new Board of Directors was appointed to NZGCP. The new Board has developed and adopted an updated Strategic Plan. The Plan sets out operational and financial targets for NZGCP for the period to 30 June 2024.

It draws off the work that has already been done and committed to via the Statement of Intent (SOI) and our annual Statement of Performance Expectations (SPE), as well as internal functional stream plans.

The purpose of the plan is to align all of these initiatives and targets into one cohesive and consistent plan for the Business to work to. This will enable us to more effectively communicate our plan to our stakeholders, marshal to best effect the limited resources we have, ensure greater alignment between functional areas, and form the basis for our annual company, team and individual targets.

Strategic Plan Overview



There are a series of seven elements to the Strategic Plan, for which there is a clear hierarchy. The key elements are set out in the graphic above. The remaining elements, Strategic KPIs and Tactical Actions, are refreshed across team and individual levels on at least an annual basis. They are intended to map to one or more of the above Strategic Pillars. These elements then feed into our overall Outputs and Measures within the SOI and SPE, however they are more granular and may be refreshed more regularly. These elements are outlined below.

Strategic Plan Elements



Vision – the aspirational goal for the Business or “the Why” we exist;

Purpose – the “What” we do in pursuing our Vision;

High Level Goals – these are the high level goals we are seeking to achieve by 30 June 2024. They are a blend of Ecosystem targets and NZGCP specific targets, which have been set in the SOI;

Strategic Pillars – these are the 4 strategic streams through which we pursue our initiatives. They relate to the core areas of our Business and will frame all communications behind our actions. They are People & Wellbeing, Innovation & Efficiency, Partners & Engagement, and Ecosystem Development & Return;

Strategic Initiatives – these are the high level initiatives upon which our plan is based. They generally have a 2-3 year duration, are underpinned by tactical actions & are allocated by functional area;

Cornerstone Beliefs – our cornerstone beliefs are what define the organisation and underpin all of our initiatives and actions. They are represented at the bottom of each strategic plan page to assure alignment;

Strategic KPIs – are renewed annually, are the measurement points for the strategic initiatives, and are used as milestones in the progression to achieving the 2024 High Level Goals

Tactical Actions – are the actions which support each of the strategic initiatives and will have shorter timeframes within the financial year. They are specific and have action owners and clear timeframes for completion.

Current Workstreams

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

VIF

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 NZ Seed 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 was 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 Global Financial Crisis which saw up to a 45% decline in private sector investment in the Angel eco-system¹, these mandate changes are seen as a significant step by the Crown to alleviate the potential 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.

A decision regarding whether to extend these temporary mandate settings is still to be made ahead of the June 30, 2021 extension date. We expect to have these settings confirmed and reported in our Annual Report.

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. The programme has now made its first investments in the year to June 30, 2021, and will continue 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 implement an early stage capital markets development programme. This workstream is intended to assist the development of early stage capital markets throughout the value chain, from Angel and Seed to Growth capital. Despite disruptions throughout FY21 caused by Covid-19, we have mobilised many initiatives in the first half of calendar year 2021, with the detailed plan to be finalised in the second half of calendar year 2021.

This programme will focus on eight workstreams. These are:

1. Build the Base – initiatives to ensure quantity and quality of Series A/B opportunity pipeline;
2. Develop Capability – aim to build the number, experience, expertise and capability of investment professionals in the early stage capital markets;
3. Build Networks – initiatives to build the connectivity of NZ entrepreneurs, fund managers and companies with offshore funding sources, networks and capability;
4. Create Collaboration – initiatives to encourage co-operation among eco-system participants;
5. 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);
6. 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;
7. Capital Introduction – initiatives to unlock domestic (for example Kiwisaver) and international capital to NZ opportunities;
8. Covid-19 Recovery – initiatives to address the material impact Covid-19 has, and will have, on our early stage eco-system

¹ Per the Young Company Finance reports from 2011 to 2013, published alongside AANZ and NZ Venture Capital Association.

To date, we have worked alongside Angel Association New Zealand (AANZ) in creating a series of early-stage investment workshops, Due diligence, Portfolio management, Government support, and Series A readiness. Each workshop is targeted at either Angels or Founders and addresses key hot topics.

In addition, we have recently commenced sponsorship/collaboration partnerships with numerous industry associations, platforms and events.

The Elevate team is currently finalising its market development plan for FY22 which will include learning and development for Venture Capital (VC) managers and examples of best practice from overseas and domestic managers. Additionally, the Elevate team plans to run a number of introductory VC management programmes for new managers and/or individuals who are looking to become future managers.

Further market development initiatives to broaden diversity of future managers are also under consideration including potential sponsored internships or secondments (both domestically and overseas).

NZGCP Operationally:

Alongside the launch of the Elevate NZ Fund, the Crown decided to re-architect the funding of NZGCP. There are 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 entity's balance sheet.

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 2022 in accordance with s149 of the Crown Entities Act:

- Statement of performance expectations.
- Forecast financial statements.

There are no other relevant statements which need to be devised or disclosed.

Statement of Performance Expectations

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

1. Move to sustainability through making and managing investments

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

2. Attract capital – catalyse new sources of investment capital

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

3. Origination Pipeline

Develop high quality deal flow through diverse investment partnerships.

4. Work with industry stakeholders

To develop the market, improve connectivity and investment conditions.

We deliver the outputs 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 2020/22 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 17/18	Actual 18/19	Actual 19/20	Estimated Actual 20/21	Forecast 21/22
Number of new companies receiving investment from Aspire (p.a.)	29	22	13	15	13
Total number of companies receiving investment from Aspire (p.a.) ^[4]	59	56	47	40	35
Total amount invested into companies annually from Aspire	\$7.4m	\$11.2m	\$8.8m	\$11.5m ^[1]	\$11.0m ^[2]
Total proceeds from divestment of investments (Aspire, VIF 1.0)	\$42m	\$18.3m	\$2.9m	\$12.7m	\$21.2m ^[3]
Amount of capital committed to Venture Funds invested in by Elevate NZ (p.a.)	n/a	n/a	n/a	\$86.8m	\$75.0m

[1] Investment limit temporarily increased to \$20m extended through to 30 June 2021.

[2] Investment limit assumed to return to \$12m from 1 July 2021. We expect to be able to invest the full \$12m but have built in a headroom of \$1m, which amounts to 3 investments at the average deal of size of \$0.3m. This headroom will ensure we retain the ability to invest should urgent funding requirements arise close to the 30 June 2022 date.

[3] Due to the nature of these investments these sale proceeds are estimates and subject to change due to market uncertainty and/or events outside of NZGCP control. The value and timing of these proceeds is expected to vary, and as such should be viewed in the long term.

[4] In line with industry trends, we expect the average deal size continuing to increase. A forecast increase from \$0.25m in FY21 to \$0.3m in FY22 restricts the total number of investments to 35 based on these forecast average deal sizes and our annual investment limit.

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 Environmental, Social, and Governance (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 17/18	Actual 18/19	Actual 19/20	Estimated Actual 20/21	Forecast 21/22
Cumulative number of Venture Funds invested in by Elevate NZ (including second vintages)	n/a	n/a	n/a	4	8
Amount of Private Capital raised by VC Funds Elevate NZ invests in ^[1]	n/a	n/a	n/a	\$302m	\$125m
Investment leverage ratio for the Elevate Fund (Public to Private capital)	n/a	n/a	n/a	1:3.5	1:1.7
Number of companies attracting Series A/B investment (Aspire and Elevate) ^[2]	n/a	9	6	23	30
Number of companies with offshore VC investment at Series A/B (Aspire and Elevate)	n/a	5	4	7	10
Investment leverage ratio for the Aspire Fund (Public to Private capital) ^[3]	n/a	n/a	n/a	1:11	1:4

[1] A further NZ\$12.7m of private capital, is available but not committed to invest into NZ companies.

[2] 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.

[3] Aspire 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. This measure includes only funding rounds that Aspire has co-invested in. Excluding the 5 largest rounds in 20/21, totalling \$38.6m fundraised, Aspire still estimate achieving an investment leverage ratio of 1:6.

Quality Measures

The 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. We expect to invest further alongside co-investors outside of the previous accredited investment partners and Angel Network.

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 17/18	Actual 18/19	Actual 19/20	Estimated Actual 20/21	Forecast 21/22
Number of investment opportunities reviewed by Aspire ^[1]	165	190	149	125	135
Number of Aspire syndicate partners ^[2]	30	35	35	36	36

[1] Deal flow slightly reduced in the wider market due to impacts of Covid-19. The forecast level is largely as a result of implementing more effective pre-screening filtering to exclude non-credible or non-mandate compliant opportunities.

[2] Aspire co-invests alongside many more investors, however we have restricted this list to key co-investment partners with active relationships. We have therefore removed previous syndicate partners who are inactive or whose closed-ended funds are no longer investing. Our forecast assumes a balance of investors leaving the market, as well as others joining.

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

Quality Measures

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. We expect to co-invest alongside many more investors, domestically and globally, however we will focus on building key syndicate partners with active relationships and high likelihood of repeat co-investments.

Output Four

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

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

Quantity Measures	Actual 17/18	Actual 18/19	Actual 19/20	Estimated Actual 20/21	Forecast 21/22
Industry development initiatives undertaken in conjunction with industry associations.	4	4	4	4	4
Advice provided to Government to assist market development.	2	2	2	2	2

Quality Measures

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

- Co-sponsor of various AANZ and other industry association programmes.
- Continue to work with the Government to implement policy.
- Ensure market development initiatives range across various industry sectors and regions.

Statement from the Board of Directors

This Statement of Performance Expectations for the period 1 July 2021 to 30 June 2022 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



David Smol

Chair

28 June 2021



Annabel Cotton

Director

28 June 2021

Forecast Financial Statements

Consolidated Statement of Forecast Comprehensive Revenue and Expense for the Year Ending 30 June 2022

	2022
Revenue received from Crown	750,000
Revenue received in relation to Elevate NZ Venture Fund ¹	2,350,393
Interest and other revenue	16,000
Total revenue	3,116,393
NZGCP administrative expenses	(7,984,241)
Depreciation and amortisation	(77,672)
Total expenses	(8,061,913)
Net operating revenue/(expense)	(\$4,945,520)
Investing interest	265,183
Management fees and costs paid to NZGCP fund managers ²	(250,000)
Net realised and unrealised gain/(loss) on investments ³	13,720,707
Impairment of related party loans	-
Surplus/(Deficit) before taxation	8,790,370
Income tax expense	-
Total comprehensive revenue/(expense)	\$8,790,370

1. Income forecasted as administration manager for the Elevate NZ Venture Fund, not yet presented to Guardians of NZ Superannuation for review and approval.

2. 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.

3. Net realised and unrealised gain / (loss) on investments are estimated based on a 11% return on investment which is in line with the expected performance of the current investment portfolio. This is an estimate and subject to change due to market uncertainty and/or events outside of NZGCP control.

Consolidated Statement of Forecast Changes in Equity for the Year Ending 30 June 2022

	2022
Equity – at the beginning of year	161,152,411
Total comprehensive revenue/(expense) for the year	8,790,370
Contributed equity – at the end of the year	169,942,781
Retained surplus/(deficit) – at the end of the year	(107,903)
Equity – at the end of year	\$169,834,878

Consolidated Statement of Forecast Financial Position as at 30 June 2022

	2022
Equity	\$169,834,878
<i>Current Assets</i>	
Cash and cash equivalents	1,632,580
Receivables and prepayments	540,948
Term Deposit Investments	48,700,000
	50,873,527
<i>Non-current Assets</i>	
Property, plant, equipment	75,071
Intangible assets	9,078
Investments	120,377,200
	120,461,349
Total assets	\$171,334,876
<i>Current Liabilities</i>	
Payables and accruals	1,499,998
Total liabilities	1,499,998
Net assets	\$169,834,878

Consolidated Statement of Forecast Cash Flows for the Year Ending 30 June 2022

	2022
<i>Cash flows from operating activities</i>	
Cash was provided from:	
Revenue from the Crown	750,000
Revenue from Elevate NZ Venture Fund	2,350,393
Interest & other income	16,000
	<u>3,116,393</u>
Cash was applied to:	
Payments to suppliers	(4,083,199)
Payments to employees	(4,093,904)
	<u>(8,177,103)</u>
Net cash flows from operating activities	(\$5,060,710)
<i>Cash flows from investing activities</i>	
Cash was provided from:	
Term deposit investments	265,183
Sale of investments ¹ – VIF	17,069,691
Sale of investments ¹ – Aspire Fund	4,106,002
	<u>21,440,877</u>
Cash was applied to:	
Purchase of property, plant and equipment	(86,250)
Purchase of investments – VIF	-
Purchase of investments – Aspire Fund	(11,000,000)
	<u>(11,086,250)</u>
Net cash flows from investing activities	\$10,354,627
<i>Cash flows from financing activities</i>	
Cash was provided / applied against:	
Increase in term deposits	(11,800,000)
Net cash flows from financing activities	(\$11,800,000)
Net increase/decrease in cash and cash equivalents	(\$6,506,083)
Cash and cash equivalents at the beginning of the year	8,129,226
Cash and cash equivalents at the end of the year	\$1,623,142

1. Due to the nature of these investments these sale proceeds are estimates and subject to change due to market uncertainty and/or events outside of NZGCP control.

Notes to the Consolidated Forecast Financial Statements

1. Summary of significant accounting policies

Reporting entity

The reporting entity is NZ Growth Capital Partners Limited ('NZGCP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). The controlled entities are Aspire NZ Seed Fund Limited and Elevate NZ Venture Fund GP Limited, which are 100% controlled.

NZGCP and its subsidiaries are 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. 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 consolidated forecast financial statements of the Group are for the year ended 30 June 2022.

Basis of preparation

Statement of compliance

These prospective consolidated 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 consolidated financial statements are prepared in accordance with the requirements of the PBE Standards Reduced Disclosure Regime (PBE Standards RDR) and comply with PBE FRS 42 Prospective Financial Statements. The Group is eligible to report in accordance with PBE Standards RDR because it does not have public accountability and it is not large.

The prospective consolidated financial statements are for the Statement of Performance for the 2021/2022 year, therefore actual results are not reflected. NZGCP is responsible for the prospective consolidated financial statements presented, including the appropriateness of the assumptions underlying the prospective consolidated financial statements and all other required disclosures.

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

Forecast Financial Statements

Presentation currency

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

Judgments and estimations

In preparing these prospective consolidated 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 consolidated financial statements subsequent to presentation.

Updates up until presentation will be made if circumstances arise requiring changed forecasts. Assumptions in these prospective consolidated 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 prospective consolidated financial statements.

Basis of consolidation

The controlled entities are Aspire NZ Seed Fund Limited and Elevate NZ Venture Fund GP Limited which are 100% controlled. NZGCP has the power to affect the nature amount of those benefits through its involvement with these entities. The prospective consolidated financial statements include the parent company and its subsidiaries. All significant intercompany transactions are eliminated on consolidation.

Revenue from the Crown – non-exchange revenue

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

Other Revenue – exchange revenue

Revenue is recognised to the extent that the economic benefits will flow to NZGCP and the revenue can be reliably measured. Other Revenue shown in the consolidated 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 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 exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Forecast Financial Statements

Goods and services tax

The forecast consolidated financial statements of NZGCP have been prepared on a GST exclusive basis except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognized 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.

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 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 charged or credited to 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.

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

Impairment of financial and non-financial assets

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

Leased assets

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

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

Statement of cash flows

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

Cash is considered to be cash and cash equivalents net of bank overdrafts.

Investing activities are those relating to the acquisition, holding and disposal of property, plant & 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.

Significant assumptions adopted in the preparation of forecast financial statements

In preparing these forecast 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.

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.

Realised and unrealised gains / losses are included in the forecast. Due to the nature of these investments these sale proceeds are estimates and subject to change due to market uncertainty and/or events outside of NZGCP control. The value and timing of these proceeds is expected to vary, and as such should be viewed in the long term.

Covid-19 Pandemic

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

Elevate NZ Venture Capital Fund

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

The Elevate Fund was formed in December 2019 with the main purpose of investing in venture capital opportunities in New Zealand. The Elevate Fund is managed by NZGCP, with a fund-of-funds model. The financial statements of the Elevate Fund are presented in the Annual Report of the Guardians.

NZGCP incurs expenses for the Elevate Fund and is able to recharge a management fee under terms set out in the Management Deed which is included in other revenue.

2. Capital Commitments

Estimated capital expenditure contracted for at balance date but not recognised for (Aspire Fund and VIF):

	Forecast 30 June 2022
Firm commitment remaining - VIF	885,794
Firm commitment remaining – Aspire Fund	-
Total	\$885,794

Estimated capital expenditure contracted for at balance date but not recognised for (Elevate Fund)

	Forecast 30 June 2022
Anticipated commitment remaining – Elevate Fund	\$40,000,000

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 the Group would be required to pay the entire outstanding commitment at one time. This is supported by historical trends.

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

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

NZ GROWTH
CAPITAL PARTNERS



nzcgp.co.nz

E: info@nzcgp.co.nz

Connect with us
on LinkedIn

Auckland

Generator, Level 1,
12 Madden Street,
Wynyard Quarter 1010
PO Box 91705,
Victoria Street West,
Auckland 1142

Wellington

Level 1,
Huddart Parker Building,
1 Post Office Square 6011
PO Box 25232,
Wellington 6140