Statement of Performance Expectations 2024-2025

NZ GROWTH
CAPITAL PARTNERS

He whakataukī

Kotahi te kākano, he nui ngā hua o te rākau. A tree comes from one seed but bears many fruits.

Presented to the House of Representatives pursuant to section 149L of the Crown Entities Act 2004.

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Foreword

New Zealand Growth Capital Partners Limited (NZGCP) exists to support and accelerate the development of early-stage capital markets in New Zealand.

This document provides an overview of NZGCP's role, vision, and strategy, as well as the activities planned by the two core funds it manages, the Aspire NZ Seed Fund and the Elevate NZ Venture Fund. These funds invest alongside private sector investors in technology-led start-ups across the spectrum of capital-raising stages, from proof-of-concept to growth. NZGCP looks to help build a strong pipeline of early-stage start-ups seeking funding and to develop investment capability across the sector.

By doing so, NZGCP aims to assist in the development of a more robust and sustainable early-stage capital market that can generate economic and social benefits for New Zealand. Through the two funds, NZGCP supports this goal by investing in innovative, science- and technology startups and supporting the development of a strong investment sector. It also seeks to encourage those going into the sector – whether as founders or investors – to help build a pipeline of talented innovators and capable investors.

This aligns closely with the government's intent to create a highly skilled, productive, technology-led economy which harnesses the start-up sector to drive export growth, job creation and profitable science and technology companies.

New Zealand's start-up ecosystem is operating during difficult economic and capital market conditions and amidst global geo-political tension on several fronts. The impacts are being felt globally and locally. Our technology-driven start-up companies are struggling to raise funding and the venture capital firms that invest in the sector are also finding fund-raising hard.

Pay-outs for investors from exits or other realisations within their investment portfolios have dried-up and this is contributing to a lack of capital being deployed – investors tend to preserve cash to support existing investments at times like these.

NZGCP is subject to all these forces in terms of the investment opportunities in front of it and its ability to deploy capital when inflows are thin. This has an impact on its performance measures – many of which are ecosystem-related. While we anticipate that the current economic and market conditions will continue well into 2024-25, we remain determined to fulfil our objectives in helping the start-up sector through these tough times and into the next up cycle.

Statement of Responsibility

This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the period 1 July 2024 to 30 June 2025. It is produced in accordance with the requirements of section 149E of the Crown Entities Act 2004.

The forecast financial statements and underlying assumptions in this document have been authorised as appropriate for issue by the Board of NZGCP in accordance with its role under the Crown Entities Act 2004.

The Board acknowledges responsibility for the information and prospective financial statements contained in this Statement of Performance Expectations

Signed on behalf of the Board.

Annabel Cotton

Chair

30 June 2024

Steve O'Connor

Deputy Chair

30 June 2024

Introduction

NZGCP is a Crown-owned company which supports the development of the early-stage capital markets in New Zealand.

NZGCP invests into start-ups with high growth potential directly via its Aspire NZ Seed Fund (Aspire) and indirectly via the Elevate NZ Venture Fund (Elevate) which it manages on behalf of the Guardians of New Zealand Superannuation (Guardians). These investment activities are supplemented with other market development activities with the combined objective of addressing the capital and investor capability gaps in the New Zealand early-stage capital markets.

NZGCP predominantly achieves its purpose by leveraging its own and Elevate's capital to attract and crowd in private investment into high-growth start-ups. The combined investments of Aspire and Elevate cover the spectrum of start-up investments from very early (proof-of-concept stage), through to late-stage funding rounds (Series B and beyond).

Currently, NZGCP undertakes three primary activities, these are:

1. Operating **Aspire** – a direct investment fund focused primarily on pre-Series A investments from proof of concept through to Seed investments.
2. Management of **Elevate** – a fund-of-funds sitting under the mandate of the Guardians which invests in private venture capital funds that predominantly make Series A/B stage investments.
3. Running a **market development** programme that further supports the early-stage technology investment ecosystem predominantly through sponsorships of initiatives to increase participation in, and the diversity of, start-ups and to enhance the professional development and diversity of investors.

The legacy venture investment fund (VIF1.0) is winding down and management thereof is a more passive activity within NZGCP.

This Statement of Performance Expectations (SPE) is a partner document to the Statement of Intent 2024 - 2028 (SOI) published in June 2023. The SOI sets out our medium-term strategic intentions for a four-year period and our measures for assessing progress towards them. It is published at least every three years. The SOI is available at: http://www.nzgcp.co.nz/assets/Media/NZGCP-SOI-2024-2024.pdf.

The SPE is published annually. It details the short term workstreams we plan to undertake for the management of the Elevate fund, market development and the operation of the Aspire fund in the financial year to 30 June 2025. It includes the key risks to these, how we intend to manage these and the prospective financial statements for one year.

The prospective financial statements of the NZGCP Group are made up of the income and costs of running NZGCP, the appropriation and costs for running market development activities, the assets of the Aspire Fund and VIF1.0 programme. It also reflects the cost and associated management fee recovery of the NZ Elevate Fund LP. The NZ Elevate Fund LP is not consolidated into the NZGCP Group, it is reported as part of the Elevate Fund in the Guardians' annual report.

Each year, we receive a Letter of Expectations from the Minister of Economic Development outlining the Minister's expectations of the NZGCPs' activities for the forthcoming year. A number of the activities referred to are multi-year activities that we undertake as part of our business-as-usual work streams. A copy of the Letter is available on our website: www.nzgcp.co.nz.

Strategic Objectives

NZGCP's vision is to have a vibrant and self-sustaining early-stage capital market. This supports the government's economic goals of productive, sustainable economic growth because it invests its capital in new technologies and industries doing things better and smarter than before, exploring local and international markets, offers opportunities to our talented people and attracts capital from local and international sources.

NZGCP has the following **strategic objectives which are reflected in its performance measures:**

- Increase the capital available in the early-stage technology investment ecosystem and broader the ranges of active investors **(capital)**
- To increase the capability of investors and founders within the early-stage technology investment ecosystem **(capability)**
- To increase the pipeline and diversity of investment opportunities progressing to Series A funding and beyond **(pipeline)**

These are the core activities undertaken in furtherance of each of the **strategic objectives:**

Capital

Management of Elevate – a fund-of-funds which invests in private venture capital funds that predominantly make Series A/B stage investments.

Since it was established in 2020, Elevate has made nine investments and committed approximately $223 million of the $300 million fund. It was designed to prompt an inflow of private sector investment into the venture capital sector alongside its own investments.

Activities planned for FY25 linked to the strategic objectives:

- It will continue to assess opportunities to allocate its remaining capital into venture capital funds that meet its due diligence requirements, alongside the portfolio construction framework agreed with the Guardians.
- Employ best-practice investment approaches within NZGCP as manager to ensure effective due diligence, monitoring and reporting takes place.
- Facilitate the crowding-in of a broad range of investors with a specific focus to work with (1) domestic institutional investors such as KiwiSaver providers and managed retail funds and (2) investors of Māori capital to build confidence in and the capability of a broader range investors and to encourage Māori participation in the sector more generally whether as founders, investors or those working within the sector. This focus crosses both the capital, capability and pipeline objectives and is broader than the Elevate fund.
- Monitor capital being deployed into and by the venture capital market and assist in the development of the early-stage capital markets throughout the value chain.
- Provide support to both existing and emerging venture fund managers to:
    - Ensure that Elevate 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.

Capability

Part of our mandate is to develop the start-up ecosystem beyond our investment activities in Aspire and Elevate. NZGCP receives a small appropriation from the Crown to support market development activities. The overall market development work spans investment activities and non-investment related activities.

FY25 market development activities outside of investment activities:

- NZGCP will continue to work with, and sponsor, industry participants that develop the capability of the sector– such as the Angel Association New Zealand, the New Zealand Private Capital Association, Ministry of Awesome/Electrify Aotearoa, StartMate, OnBoard, Young Enterprise Scheme, Velocity (University of Auckland), Entre (University of Canterbury).
- NZGCP is developing a learning and development (L&D) strategy in collaboration with other private investors. The intent is to develop frameworks and tools for new participants to the venture capital ecosystem and develop the next generation of investment managers and venture fund General Partners. This programme is designed to be scalable and repeatable and built on collaboration across the early-stage technology investment ecosystem. The L&D programme is intended to be used both for NZGCP's internal investment training as well as for all market participants and new entrants into the ecosystem (regardless of whether they have received Elevate funding). NZGCP is targeting implementation during FY25.
- NZGCP launched the Dealroom platform during FY24 that serves as a data collation and reporting mechanism for the entire NZ start-up ecosystem. Significant gaps in availability of data in relation to start-up companies and their fund-raising needs has made assessing how to develop the investment ecosystem challenging. Our focus for FY25 will be to embed sustainable processes both within NZGCP and across all market participants to continuously update and enhance the ecosystem-wide data in the platform.

FY25 market development through investment activities:

- NZGCP's principal investment activities are aimed at developing the early-stage investment ecosystem while delivering sufficient financial returns to enable the fund to be financially self-sustaining. Aspire is designed to help build the depth and breadth of the pipeline of start-ups progressing to Series A stage investment whilst catalysing further private capital investment in these start-ups. Elevate's objectives include developing the institutional venture capital market and to catalyse further private (including institutional) investment into NZ venture capital.
- The investment teams within NZGCP spend considerable time on building capacity and capability in the ecosystem. This includes attending and hosting workshops and other industry events and in assisting founders/start-ups to make themselves investor ready.

Pipeline

Operating Aspire – a direct investment fund focused primarily on pre-Series A investments from proof of concept through to Seed investments.

Going into FY25, NZGCP will continue to focus its investment and market development activities into "underserved" and "underrepresented" sectors and groups; whilst balancing its portfolio to generate sufficient financial returns to be able to fund its own costs and its investments going forwards. This creates a complex investment strategy which combines intervention to fill identified gaps with investment in highly promising start-ups that stand the best chance of delivering the outsized returns that a venture capital model requires from those investee companies that succeed. Specifically, it will:

- Increase its efforts on deal origination activities by enhancing its partnership with the Angel and Seed sector and the universities and research sector to build the pipeline of investable opportunities from the very early-stage companies up to the Series A/B stage. Throughout 2023/24 the Aspire team saw a reduction in the number of new deals coming through the pipeline and also the number of investable deals within that.

- Spend more time on syndication (assisting the portfolio companies to find other co-investors locally and abroad) and supporting its portfolio companies than previously due to there being less capital and lower investment appetite in the market and difficult underlying market conditions. Due to increased deal origination activities, the Aspire investment team is expected to work through a similar number of deal applications to 2023/24 but the number and amount of those funded might reduce.
- Increase its focus on pre-seed and seed investments in underinvested sectors such as deep tech, emerging technologies and technologies aiming to address climate change or sustainability. To achieve this, whilst remaining a generalist fund, Aspire is focusing a greater proportion of its investment resources on early-stage deep-tech companies and other emerging sectors where it sees a relative capital gap e.g. gaming. 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 done previously and will need to take a longer-term view on investments. This will also have an impact on the public : private leverage ratios in the performance measures and the average time from investment through to realisation.
- Maintain focus on deal origination specifically aimed at Māori and female founders and investments might be skewed towards this potentially "underserved" groups.
- Aspire anticipates that it would have to take cornerstone / lead investor roles during FY25 in funding rounds where there is a clear market gap e.g., an underserved area of the market and there is no-one else willing or able to lead the round, but sufficient interest from investors willing to co-invest as long as a lead investor sets the terms and/or leads due diligence.
- NZGCP will more proactively seek divestment opportunities at an earlier stage or at a discount where it might not have done so in more favorable market conditions. This has longer-term impacts as future planned realisations will be replaced by nearer-term but naturally smaller cash inflows. NZGCP is different to typical Venture Capital Funds because it is self-funded i.e. NZGCP cannot raise new external capital and doesn't receive management fees for managing its portfolio. NZGCP is therefore entirely reliant on realisations from its existing portfolio to fund both its operating costs and new investments. At this stage of the economic cycle, it means that, as NZGCP's cash reserves deplete (investments and operating costs outweigh exits / realisations received) it might pull back on making new and follow-on investments or invest smaller amounts.

Winding down the original venture investment fund (VIF1.0) programme.

The VIF 1.0 programme was established in 2002 and invested in venture capital funds. That programme 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 returns - to the extent possible within its role as a Limited Partner (LP) in the various funds in which VIF 1.0 invested. Of the three remaining active funds in this programme, two are targeting full realisation by the end of FY25 and the other by FY27.

Proceeds realised from divestments within the underlying funds and the wind-down of the VIF1.0 programme generally are re-invested by NZGCP within the Aspire Fund.

Current Market Conditions and their impact on performance measures

The last 10 years have seen venture capital outperform other asset classes globally and over recent years many venture capital markets saw record inflows of capital into funds and significant rises in valuations of venture capital assets. However, global political and economic factors since 2022, including the impact of the geo-political conflict, rising inflation and high interest rates have caused significant volatility in public markets which has flowed through to the private capital investment space including venture capital.

Our strategic objectives are impacted by current market conditions which are particularly challenging for technology stocks and in particular for venture capital investment in early-stage tech companies. Current global and local economic and market conditions have led to:

- A major reduction in investment in early-stage sectors both globally and in New Zealand.
- A major reduction in exit transactions, both globally and in New Zealand such as buy-outs, mergers, initial public offerings, etc.

Many investors are focused on preserving and protecting the investments they have made rather than investing in new companies or new funds. The general consensus is that this global economic uncertainty will continue through 2024 and beyond and interest rates are expected to remain relatively high in the short to medium-term as central banks work hard to reduce inflationary pressures. Inflation and high interest rates significantly impact discretionary spending of individuals and corporations domestically. Due to the reduction in exit transactions, those distributions have not been available to investors for reinvestments, adding to the scarcity of capital mentioned above.

The current market conditions are expected to impact many of our performance measures in 2024/25:

Impact on Capital measures

- The appetite to invest in VC by domestic and offshore institutional and private investors remains limited therefore reducing Elevate's ability to crowd in capital into the funds it invests in. This will have the impact of driving up the public" private ratio as Elevate will likely be a bigger component of fund capital-raising rather than smaller.
- The venture capital model is for funds to make their initial investments over the first 3-4 years of their fund life and then deploy significantly more capital into their best prospects as they mature. As a large number of existing funds in the market are now at the 3–4-year stage, this will see a reduction in capital available for new investments until those managers raise their next fund.
- Existing NZ venture funds looking to raise their next vintage will find it difficult to raise funds and we see no near-term end to that challenge. Therefore, whilst there is capital available to deploy in the market, without next vintages being raised in the next 1-2 years, we expect to see a significant drop-off in capital available at the pre-Series A through to Series B stage from domestic VC funds.
- There are currently no announced plans for additional funding for Elevate and our SPE measures are based on the assumption that this will not happen during FY25. We anticipate this will lead to a thinning out of an already shallow VC market with the knock-on effect of fewer investments and reduced capacity to support growth in existing investments. This impacts performance measures which focus on the amount of Elevate investment (both in terms of the numbers of funds and dollars).
- An additional consequence of the thinning Venture Capital market is that the impact measure in the NZGCP Statement of Intent 2024 – 2028 (NZGCP-SOI-2024-2028.pdf) relating to capital

availability and broader range of active investors may reduce in the short term , but over the longer horizon, the expectation remains that it would continue to increase albeit at a slower pace than since 2020.

Impact on capability measures:

- Market conditions do not have a direct impact on the market development objective of NZGCP or performance measures focusing on capability within the investment sector though they may drive investors and founders out of the market.

Impact on pipeline measures:

- Due to lower capital availability and harsher economic conditions into which startups deliver their products / services, there will continue to be a slowdown in the number of new investments made and companies progressing through the investment stages into which Aspire invests.
- There will continue to be fewer exits/liquidity events (proceeds) thus delaying returns to investors, and reinvestment opportunities.
- Less participation of offshore capital in local funding rounds decreases collaboration opportunities / activities in expanding operations globally for startups in their growth phase.
- Less capital available increases the risk of existing startups going into liquidation or slowing down their development due to a lack of funding. This will impact on industry returns for investors (including NZGCP).
- The impact NZGCP aims to achieve over the longer term as set out in the Statement of Intent 2024-2028 (NZGCP-SOI-2024-2028.pdf) around the pipeline and diversity of start-up investment opportunities progressing to Series A funding and beyond may be expected to reduce in the short term.

Other

Maintaining and growing our organisational health and workforce capability:

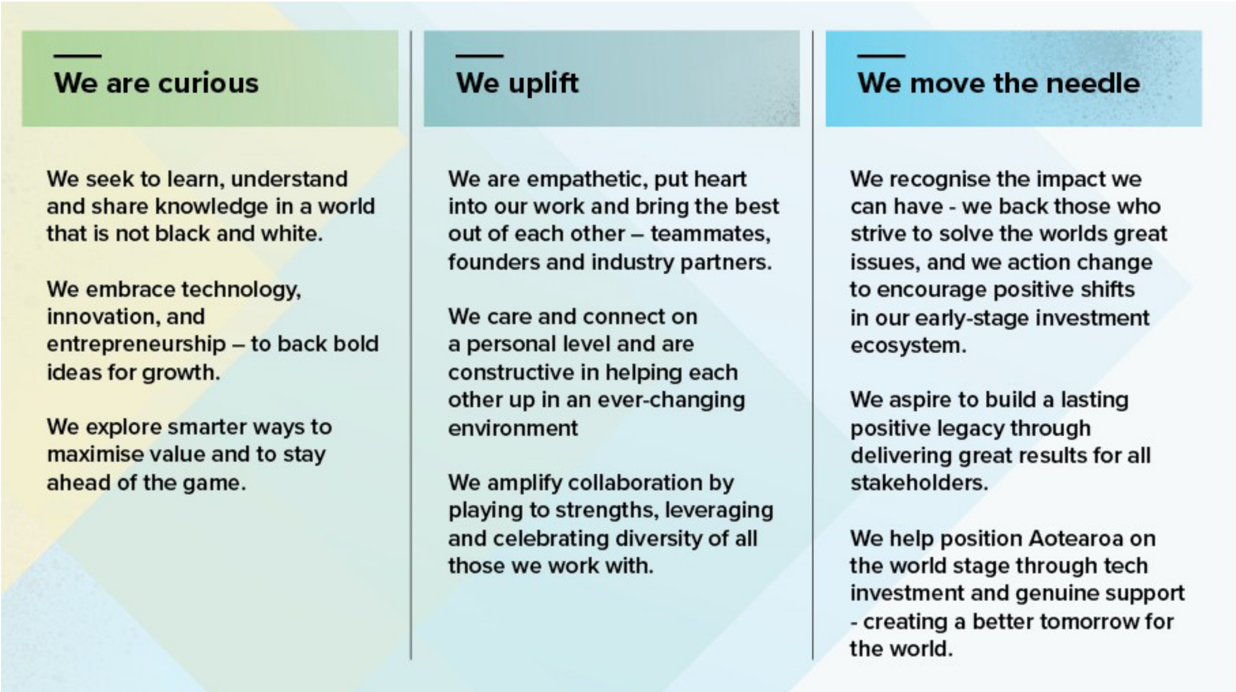
While our mandate identifies why we exist, our values and behaviors provide the how - who we are, what we stand for and how we work. Our shared values reflect these, and we will continue to implement initiatives to embed it across the organisaton.

NZGCP is committed to supporting Māori-Crown relationships through improved engagement and understanding of tikanga Māori and te ao Māori. A key priority for us continues to be building our staff's Māori cultural capability and to engage appropriately and often with Māori.

During FY25 NZGCP will continue to:

- Live out its values both internally and externally; these values align closely with NZGCP's vision for the early-stage technology investment ecosystem and its strategic objectives.
- Continue with our wellbeing programme and initiatives through Groov.
- Focus on progression and succession planning, and internal career growth through focused learning and development activities.
- Provide leadership, team and individual training specifically aimed at developing skills to provide and receive constructive feedback thereby harnessing the power of our talented and diverse workforce.
- Continue to improve our office working environment while retaining flexible work options.
- Conduct its annual employee engagement survey and follow through on actions.

NZGCP works proactively to eliminate and address any gender pay gap and any gender bias in recruitment and remuneration. We publish our Kia Toipoto Action plan and current state on our website and report on our organizational health and workforce capability in the Annual Report.



Improving our environmental sustainability

NZGCP is not part of the Carbon Neutral Government Programme but has engaged Toitu to verify its Greenhouse Gas emissions for FY23. During FY24, NZGCP set emission reduction targets and in FY25 will continue to implement these initiatives to reduce its carbon emissions with an aim to become carbon neutral in the short to medium term. NZGCP reports on its GHG emissions in its annual report.

Continue its engagement with stakeholders

The Aspire and Elevate investment teams are in continuous engagement with its stakeholders being mainly founders, angels, venture funds, industry bodies and other government entities.

Elevate will continue to hold quarterly Pulse sessions, where it gets feedback on industry developments, risks and opportunities. Aspire will continue to send out a Net Promotor Score survey to its portfolio companies to gauge the value received from the interaction with the team.

These engagements provide valuable insights to assist in providing advice or other assistance (data sets) to government and other industry bodies to support market development.

Our funding and appropriations

Alongside the launch of Elevate in 2020, the Crown restructured the funding of NZGCP. There are three components to the funding of operations. These are:

- All costs related to its management of Elevate are reimbursed to NZGCP at cost from Elevate's capital pool. The Guardians administer this process.
- The Crown provides an annual appropriation of $750,000 for the market development programme; and
- The remainder of NZGCP's operational costs and Aspire investments are met out of proceeds received from the existing Aspire Fund and VIF1.0 portfolio companies and current cash balances.

NZGCP works prudently to manage the multiple financial and resource demands on a small organisation within a reasonable budget, recognising that the operating costs reflect additional resource demands stemming from being a Crown entity and reflecting its market development objectives.

Cash forecasting and the impact on investments:

Since a change in funding model, NZGCP funds its internal operations and its Aspire investment activity from realisations from existing investments. NZGCP is dependent on proceeds from its existing portfolio to generate future funding capability. As realisations have slowed due to external market conditions, NZGCP has been depleting its cash reserves through operating costs and Aspire investments.

The pace and size of proceeds / distribution events within existing investments are inherently uncertain and are subject to market conditions. Within the sector as a whole, exits and other distribution events have reduced significantly. Generally, neither Aspire nor the VIF 1.0 programme can initiate or control such an event for portfolio companies as they typically hold small percentages of the relevant company's equity and are not in a controlling position.

This creates a high level of uncertainty and NZGCP therefore seeks to manage its cashflow position actively to ensure that it does not make investment commitments above its financial capacity and that it maintains its ability to operate. This may result in smaller or fewer investments being made by Aspire.

The measures in this year's SPE have therefore been revised to reflect ongoing market conditions and NZGCP's financial position.

Performance measures and financial information

Government mandate (purpose)

Address capital and investor capability gaps in New Zealand's technology start-up ecosystem

The outcome we seek (vision)

A vibrant and self-sustaining early-stage investment ecosystem investing in innovative and globally ambitious companies and contributing to New Zealand's economic prosperity and wellbeing and ambitions for an economy with a low environmental impact

Impacts (what we aim to achieve)

Capital

Increased capital available and broader range of active investors

Capability

Increased capability of investors

Pipeline

Increased pipeline and diversity of investment opportunities progressing to Series A funding and beyond

Outputs (what we do)

Through **Elevate,** support the creation and success of emerging and established VC managers and diversity within VC funds

Through **Elevate,** using best-practice investment selection, generate commercial returns – therefore attracting more capital into VC funds

Through **Aspire,** catalyse more diverse sources of investment into start-ups

Work with the Māori community and other partners to encourage iwi access to (and participation in) early-stage investment

Work with institutional investors and VC funds to encourage investment into the VC sector

Supporting the development of deep tier of angel, Seed and venture capital investors in early-stage markets

Provide education and support to institutional, corporate and Iwi investors to increase their potential participation in early-stage markets

Work on professional development frameworks and material for VC and Seed investors

Support AANZ and others in developing the expertise and experience of the angel investor sector

Through **Aspire,** invest and work actively alongside a broad range of investors in the Seed/pre-Seed stages to build the pipeline of high quality, investable start-ups which progress to Series A funding and beyond

Whilst remaining a generalist fund, actively invest greater proportions in areas or sectors which have the greatest capital gaps

Actively supporting portfolio companies to scale up and to hit milestones required to generate Series A interest

Working collaboratively with other Government agencies and departments to commercialise the investment in research, science and innovation

Support organisations working in founder support, development and well-being

These impacts are measured annually to confirm whether New Zealand is on track to reach these objectives over the longer term and NZGCP will report on qualitative and quantitative measures in its 2024/25 Annual Report.

Some performance measures we use in the SPE are also used in the 2024/25 Estimates of Appropriations included in the MBIE SPE. These performance measures are shown in **bold.**

The way NZGCP sets out to influence the above objectives is via its quantitative and qualitative output measures. These outputs are aligned to the impacts being capital, capability, and pipeline.

Reporting performance targets

The following pages detail our performance measures and targets for our functions in 2024/25. We will report on how we have performed against these targets in the Annual Report 2024/25.

Service performance reporting standard

The New Zealand Accounting Standards Board (XRB) issued a Standard for Service Performance Reporting: Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting (PBE FRS 48). This SPE has been prepared to align with it.

Service performance judgements and assumptions

In preparing this SPE, NZGCP made the following judgements and assumptions in the selection of our non-financial performance measures and targets:

- We have reviewed the performance measures used, and deemed the ones selected as best capturing the work we do to deliver our functions.
- It is our judgement that the performance measures also adequately inform progress towards delivering the ambitions and outcomes in the SOI.
- In our view, the performance information in this SPE will meet the requirement of our stakeholders, including industry participants, venture capital funds, angels, founders, and related government entities.

Further to the above judgements being made in the selection of performance measures, we also apply judgements in the measurement, aggregation, and presentation of performance information. In alignment with PBE FRS 48, judgements and assumptions based on performance measure results will be disclosed in the Annual Report 2024/25.

Output One - capital

Increased capital available and broader range of active investors

Elevate was created because the Government believed there is a gap in the early-stage capital markets in New Zealand, leading to a dearth of innovative young companies and those that did develop heading offshore for capital. The Elevate Fund supports early-stage companies and encourages private investors into the domestic venture capital market by providing capital. The fund is designed to support investments into New Zealand companies that have moved beyond the Seed or "angel" investor stage and need capital for further development.

The measures below track the deployment of the Elevate capital into underlying funds, how much private capital was "crowded" into these funds, how many of the companies the underlying funds invests into attracted offshore investors, and the size of funding rounds. These measures should increase over time to demonstrate more capital is becoming available and the range of investors is expanding.

No decision has been made in respect of further funding for Elevate or a similar mechanism to support the growth of the venture capital sector. Our Elevate commitments in 2023/24 and our targets for 2024/25 reflect that.

In some cases, similar capital measures are included for Aspire and the earlier-stage funding rounds it participates in. Market conditions have impacted those measures and have influenced the targets set for 2024/25.

SPE Nr	Performance Measure	Forecast 2023/24	Target 2023/24	Target 2024/25[5]
1.1	Annual number of venture capital (VC) funds committed in by Elevate (including second vintages)	0	1	1
1.2	Annual amount of capital committed by Elevate (p.a.)	$19m	$40.0m	$40m
1.3	Investment leverage ratio for Elevate (public to total capital)[3]	1:3.5	1:3.5	1:3.5
1.4	Investment leverage ratio for Aspire (public to total capital) [1,2]	1:5.9	Better than 1:5	Better than 1:4
1.5	Total capital invested in funding rounds where Aspire participated (p.a.)[3]	$45m	At least $60m	At least $45m
1.6	Number of companies that attracted offshore VC investment during their Series A/B funding round (specific to Aspire and Elevate) (p.a.)[4]	14	10	At least 10

1. Due to the current market conditions and the change in focus (investing earlier and into underrepresented segments of the market) of Aspire investments, the expectation is that the size of the rounds Aspire participates in would reduce, impacting the public to private capital ratio. Also, because it aims to invest in earlier-stage rounds, the number of local and offshore

VC investments participating in the rounds are expected to reduce.

2. This is measured by dividing the annual amount Aspire invested by the total size of the investment rounds that Aspire participated in.
3. Assumes that Elevate 1 is in its final year of making commitments to underlying funds and it assumes a further $12m Aspire divestments for FY24 and $8.5m in FY25 and thereby limiting the amount that Aspire can invest to $9m for FY25.
4. This assumes a decrease in the number (but not necessarily the value) of offshore investments due to continued difficult / constraint conditions in overseas VC markets.

Quality Measures

- Demographic information of Elevate underlying funds' senior staff and Investment Committees to measure changes to female and Māori representation over time. This information will be self-disclosed from the underlying funds into which Elevate invests.

Basis of measurement:

- These measures only reflect those investments made by Aspire or Elevate and not all deals in the New Zealand ecosystem – partially due to a lack of complete data across the entire sector.
- As defined in the amended 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$40 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.

Appropriation:

NZGCP does not receive an appropriation for the Elevate Fund. The Financial Statements for Elevate are disclosed in the Annual Report of the Guardians of New Zealand Superannuation on the basis that Elevate is a mandate of the Guardians alongside the NZ Super Fund.

The cost associated with NZGCP's management of the Elevate fund is recovered from Elevate NZ Venture Fund LP by way of management fee. This is disclosed in the annual report of NZGCP under "net operating income".

Output Two - capability

Increased capability of investors

A vibrant, self-sustaining early-stage capital market requires skilled and experienced people running start-ups and venture capital firms. NZGCP therefore works with market participants and the industry associations (Angel Association and NZ Private Capital (NZPCA)) to provide development opportunities for founders and investors at all stages of the ecosystem.

- Specific focus points for the forthcoming year include the design and implementation of a professional development framework based loosely on NZGCP's internal professional development programme for its investment team. It is anticipated that this will also align with efforts to increase the ethnic and gender diversity within the investor universe and to increase participation from Māori and Pacifica communities in early-stage investment and funds management.

- NZGCP launched an ecosystem platform called Dealroom - activities during FY25 will focus on processes to improve the completeness and accuracy of the data on an ongoing basis.

  The level of domestic institutional investment in early-stage companies is well below global peers and NZGCP is working with MBIE and others to identify roadblocks or dis-incentives for an increase in such investment.

- The below measures count the initiatives to develop the founders and investors as well as the pieces of data / advice provided to government and industry bodies to further development thereof and narrative is provided on the advice given, initiatives sponsored as the expected outcome of it.

SPE Nr	Quantity Measures	Forecast 2023/24	Target 2023/24	Target 2024/25
2.1	**Number of industry development initiatives undertaken (which includes sponsorships of industry associations NZPCA and AANZ) that specifically focuses on investors to[1]:** • Build the base. • Grow capability and introduce diverse capital sources. • Foster collaboration, connectivity, and healthy competition.	7 *20 (for both founder and investor related initiatives)*	7	7 (20 for both founder and investor initiatives)
2.2	Formal advice, market data initiatives and insights provided to government and other industry bodies to support market development.[2]	3	4	4

1. Measure aligned to the 2024–2025 estimates / appropriation.
2. Narrative will be provided to how the advice or assistance provided supported the market development mandate.

Quality Measures

- NZGCP is launching a learning and development platform and will report on the number of courses made available and the people participating. There are currently no comparatives for this measure because it is a new initiative.
- NZGCP is sponsoring a platform called Dealroom where the early-stage technology investment ecosystem can publish their data and will report on participation of the early-stage technology investment ecosystem in the initiative. The roll-out of the platform and initial on-boarding of companies, investors and other companies and investment data commenced in FY24 but is expected to take 1-2 years to embed. The number of start-ups listed on Dealroom and the percentage of start-ups that claimed their profiles will be reported. There are currently no comparatives for this measure because it is a new initiative.

Appropriation:

The measures for Output Two relate to the NZGCP appropriation received for market development.

Cost to deliver Output Two	Forecast 2023/24	Budget 2023/24	Budget 2024/25
Crown funding	$750,000	$750,000	$750,000
Total output revenue	$750,000	$750,000	$750,000
Total output expenses	($752,000) [1]	($750,000)	($750,000)
Net surplus/(deficit)	$0	$0	$0

1. Amounts more than the appropriation will be funded from NZGCP operational budget.

Output Three - pipeline

Increased pipeline and diversity of investment opportunities progressing to Series A funding and beyond.

A vibrant and self-sustaining early-stage capital market requires sufficient quality startups to invest into and move through the funding stage of a start-up. The measures below illustrate if that pipeline is increasing, how many of the opportunities convert to deals and how they progress through the funding stages, including successful exits. NZGCP does not opt to follow-on in all the companies it invests in; the below measure (3.4 and 3.5) that relates to follow-on's, only track follow-on investments made by NZGCP into its existing portfolio companies, not rounds in which NZGCP did not participated in. The expectation is that over time, these should show an increase which will demonstrate growth.

SPE Nr	Quantity Measures	Forecast 2023/24	Target 2023/24	Target 2024/25
3.1	Number of investment opportunities reviewed by Aspire	Over 200	Over 200	Over 150
3.2	**Number of new investments in companies by Aspire**[1]	7[2]	10 - 15	2 - 8
3.3	Total amount invested into new companies from Aspire for the year	$3m[3]	Over $4m	Between $2m and $4m
3.4	Number of follow on investments made by Aspire	8[3]	15 – 25	8-15
3.5	Total amount invested into follow on rounds from Aspire for the year	$5m[3]	Over $5m	Between $5m and $7m
3.6	Total proceeds from divestment of investments (Aspire and the VIF 1.0 programme)[4]	$12m	$12m	$8.5m
3.7	Number of companies that raised Series A+ investment (Aspire portfolio companies even if Aspire did not participate in the round)	6	10 - 15	5 - 10

1. Measure aligned to the 2024–2025 estimates / appropriation.
2. Due to the current adverse market conditions, NZGCP experienced a slowdown in investment activities, in line with local and global trends. Aspire focused on the deep-tech market segment that has fewer but larger value deals, also leading to a reduced number of investments during FY24. There was also a marked slowdown in divestment opportunities because companies opted to delay exits/IPOs etc. until more favorable market conditions exist and those exits that have occurred have been at lower valuations than would have been expected a few years ago. Due to the lower-than-expected divestment opportunities, Aspire's cash runway decreased and as a result new and follow-on investments have been pulled back.
3. The output targets assume $12m realisation during FY24 and $8.5m realisations during FY25, leaving $9m available for investment.

4. Owing 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's control. The value and timing of these proceeds is expected to vary, and as such should be viewed over the long term. The aim is to average $15m a year over the next few years. The pace/level of realisations in FY22, FY23 and FY24 under-performed against assumptions and therefore NZGCP has to conserve cash, and this will impact the amount of investment it can undertake. If distributions pick up, investment activity will as well.

Quality Measures

- Over 90% of the NZGCP investment portfolio (by number) should be invested in the proof of concept, pre-seed, and seed stage investments.
- Over 50% of new investments are made in underdeveloped and underrepresented segments in the start-up ecosystem.
- 100% of investment transactions comply with the NZGCP Responsible Investment Framework which is consistently applied when approving investments.
- Reporting on gender and ethnic heritage of founders within the Aspire portfolio to continue – this will be based on aggregated, self-disclosed information from successful applicants for funding.

Basis of measurement:

- These measures only cover investments made by Aspire and underlying Elevate funds and no other participants in the market.
- The number of investments is counted based on the round, for example if there were two different funding rounds in a year for the same company, the number of investments would be counted as two but if two tranche payments were made that relates to the same funding round, the number of investments would be counted as one.
- Proceeds are defined as distributions in the form of cash or shares distributed and do not include conversion of convertible loans.

Appropriation:

NZGCP does not receive an appropriation for investment activity in the Aspire fund. NZGCP funds its investments and operational costs from proceeds received during exit transactions or other distributions. NZGCP forecasts proceeds of $12 million [for financial year 2023-24] which will be allocated between operating costs and investments for the remainder of this financial year and 2024/25. Proceeds received from the Aspire Fund and VIF1.0 programme [as well as investments made by the Aspire Fund] can be viewed in the Consolidated Statement of Cashflows.

Prospective Financial Statements

Prospective Statement of Comprehensive Revenue and Expense for the Year Ending 30 June 2025

	Budget 2023/24	Forecast 2023/24	Budget 2024/25
Revenue received from Crown	750,000	750,000	750,000
Revenue received in relation to Elevate NZ Venture Fund [1]	2,394,311	2,235,301	1,951,478
Other income		31,994	
Total revenue	3,144,311	3,017,295	2,701,478
NZGCP administrative expenses	8,399,567	7,673,514	7,689,805
Depreciation and amortisation	67,900	43,332	50,090
Total expenses	8,467,467	7,716,846	7,739,895
Net operating expense	**5,323,156**	4,699,551	**5,038,417**
Investing interest	610,429	689,857	332,136
Management fees and costs paid to NZGCP fund managers [2]	250,000	249,014	200,000
Net realised and unrealised gain/(loss) on investments	(25,366,710)	(4,268,772)	
Surplus/(Deficit) before taxation	**(30,329,437)**	**(8,527,480)**	**(4,906,281)**
Income tax expense			
Total comprehensive revenue/(expense)	**(30,329,437)**	**(8,527,480)**	**(4,906,281)**

1. Income prospected 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.

Prospective Statement of Changes in Equity for the Year Ending 30 June 2025

	Budget 2023/24	Forecast 2023/24	Budget 2024/25
Share capital	172,219,801	172,219,801	172,219,801
Accumulated shareholder' surplus– at the beginning of the year	23,128,240	11,370,782	2,843,302
Total comprehensive revenue and expense for the year	**(30,329,437)**	**(8,527,480)**	**(4,906,281)**
Equity – at the end of the year	**165,018,604**	**175,063,103**	**170,156,822**

Prospective Statement of Financial Position as of 30 June 2025

	Budget 2023/24	Forecast 2023/24	Budget 2024/25
Equity	**165,018,604**	**175,063,103**	**170,156,822**
Current Assets			
Cash and cash equivalents	1,100,242	2,275,109	1,922,301
Receivables and prepayments	1,947,310	1,021,581	916,392
Term deposit investments	11,600,000	13,500,000	8,900,000
	14,647,552	16,796,690	11,738,693
Non-current Assets			
Property, plant, and equipment			
Intangible assets	70,544	73,677	113,587
Term deposit	80,500	80,500	80,500
Investments	151,370,410	159,286,644	159,786,645
	151,521,454	159,440,821	159,980,732
Total assets	**166,169,006**	**176,237,511**	**171,719,425**
Current Liabilities			
Payables and accruals	1,150,402	1,174,408	1,562,603
Total liabilities	1,150,402	1,174,408	1,562,603
Net assets	**165,018,604**	**175,063,103**	**170,156,822**

Prospective Statement of Cash Flows for the year ending 30 June 2025

	Budget 2023/24	Forecast 2023/24	Budget 2024/25
Cash flows from operating activities			
Cash was provided from:			
Revenue from the Crown	750,000	750,000	750,000
Revenue from Elevate NZ Venture Fund	2,395,733	2,308,711	2,056,667
Net GST received	6,324		30,721
Other income		1,350,280	
Term deposit investments	3,400,000	8,000,000	8,000,000
Sale of investments – the VIF 1.0 programme	8,000,000		2,000,000
Sale of investments – Aspire	3,424,611	10,649,721	6,500,000
	17,976,668	23,058,712	19,337,388
Cash was applied to:			
Payments to suppliers	(3,414,773)	(3,435,549)	(2,388,670)
Net GST paid		(20,673)	
Payments to employees	(5,305,040)	(4,624,428)	(5,143,661)
Purchase of investments – Aspire	(10,400,000)	(8,098,317)	(9,000,000)
Term deposit investments		(8,500,000)	(3,400,000)
	(19,119,813)	(24,678,967)	(19,932,331)
Net cash flows from operating activities	**(1,143,145)**	**(1,620,255)**	**(594,943)**
Cash flows from investing activities			
Cash was applied to:			
Purchase of property, plant, and equipment	(57,500)	(12,147)	(90,000)
Net cash flows from investing activities	**(57,500)**	**(12,147)**	**(90,000)**
Interest earned	610,430	689,857	332,135
Net cash flows from financing activities	**610,430**	**689,857**	**332,135**
Net increase/decrease in cash and cash equivalents	**(590,215)**	**(942,545)**	**(352,808)**
Cash and cash equivalents at the beginning of the year	1,690,457	3,217,654	2,275,109
Cash and cash equivalents at the end of the year	**$1,100,242**	**2,275,109**	**1,922,301**

Notes to the Prospective Financial Statements

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 (Aspire) and Elevate NZ Venture Fund GP Limited (Elevate), 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 9, Suite 4, 125 Queen Street, Auckland Central.

The consolidated forecast financial statements of the Group are for the year ended 30 June 2025.

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 PBEs (Public Benefit Entity).

These prospective consolidated financial statements are prepared in accordance with the requirements of the PBE Standards Reduced Disclosure Regime (PBE Standards RDR) and 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 2024/25 year; therefore, actual results are not reflected. NZGCP is responsible for the 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 basis

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

Presentation currency

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

Judgements 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 after 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 and 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.

The Group is funded in part by the Crown for services supplied to the Crown specifically as it relates 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. The Group considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement.

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 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'.

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

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

Interest revenue – exchange revenue

Revenue is recognised as interest accrued 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.

Investment gains and losses

Investment gains and losses represent changes in the value of NZGCP's two investment funds, Aspire and the VIF 1.0 programme. This balance is highly variable, driven largely by the performance of start- up companies.

Goods and services tax (GST)

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 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.

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 are charged or credited to the statement of comprehensive revenue and expense, except when they relate to items charged or credited directly to equity, in which case the tax is charged or credited to equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, both locally and internationally, and other short-term, highly liquid investments, with original maturities of six 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.

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.

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; and
- 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 the VIF 1.0 programme. 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.

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.

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

Financing activities are those activities that result in changes in the size and composition of the capital structure of NZGCP. It includes activities relating to changes in public equity and the debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital.

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 investment disbursements received by NZGCP. 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 not included in the forecast because of the nature of these investments these sale proceeds are estimates and subject to change due to market uncertainty and/or events outside of NZGCP's control.

Fund management fees forecasted are based on investment agreements that were in place on the date the forecast was approved by the Board. NZGCP's expenses are allocated according to the current allocation model.

Service Performance Reporting (PBE FRS 48)

Service performance reporting has been adopted in the financial statements for the same reporting period as the financial statements. The performance information explains why the entity exists, what it aims to achieve and what it has done during the reporting period to achieve those aims. Contextual information has been supplied and judgements used to measure performance explained.

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Capital commitments.

Outstanding capital commitments forecasted are based on investment agreements that were in place on the date the forecast was approved by the Board. Estimated capital expenditure commitments remaining as at 30 June 2025 but not recognised (VIF 1.0 programme):

	30 June 2025
Firm commitment remaining – the VIF 1.0 programme	55,652