For NZGCP, the 2022 year was a year of ensuring greater stability and taking a step back to complete a detailed strategic review of its objectives and purpose. NZGCP is committed to collaborating with stakeholders and partners to help develop and foster a vibrant, self-sustaining New Zealand early-stage ecosystem.

Stability
+ Collaboration
= Confidence

NZ GROWTH
CAPITAL PARTNERS

2022 Annual Report

Contents —

Kia kaha, kia māia, kia manawanui — Be strong, be brave, be steadfast.

It takes a village to raise a child – and we believe it's the same in business. That's why we believe collaboration is the key to achieving great things for New Zealand start-ups and giving Kiwi innovators and investors the support and backing they need to grow, thrive and succeed.

From left:
David Smol, Chair
and Rob Everett, CEO

Chair and CEO report —

The 12 months to 30 June 2022 was a busy and productive period for NZGCP and New Zealand's early-stage investment sector, which collectively invested at record levels into emerging companies. We are now entering a challenging and uncertain period for capital markets and economies globally. However, the local start-up ecosystem is in a stronger position than it has ever been to weather these uncertain times with a strong pipeline of high-quality start-ups and a healthy array of active venture capital funds and angel investor groups.

The Elevate fund – which New Zealand Growth Capital Partners (NZGCP) invests on behalf of the Guardians of New Zealand Superannuation – continued to deploy capital at a brisk pace, making four new fund commitments in the financial year as the venture capital sector's investment reached impressive levels. The new fund commitments included a $45 million commitment into the $130 million GD1 Fund 3 – Elevate's largest allocation to date. In May 2022, Elevate committed $30 million into Blackbird Ventures' second New Zealand fund which was targeting a final close of $80 million. Elevate also made two smaller commitments into first-time funds. There was a $17 million commitment to Nuance Connected Capital, a newly established Auckland-based venture capital fund manager which closed a fund size of $56.8 million. Hillfarrance, which is aiming to raise $35 million, received a $15 million conditional commitment.

The strong pipeline of promising venture capital funds, supported by strong appetite from private investors, has resulted in Elevate committing $196 million to funds since its launch in March 2020. Of the seven fund commitments since its inception, five have been into funds operating for the first time in New Zealand's venture capital space. Two – Blackbird and Finistere – have been offshore managers who have established New Zealand teams. And another two – GD1 and Pacific Channel – involve managers who initially began as seed funds; they both partnered with NZGCP's Seed Co-Investment Fund (the Aspire fund's predecessor), before shifting into early venture capital deals.

What is also notable – and especially pleasing – has been the ratio of private capital raised alongside the public sector investment. When Elevate was launched in March 2020, the expectation was for one dollar of private capital to match every dollar of public capital. What we have seen is over $3.67 raised privately for every $1 invested by NZGCP.

The total capital raised by Elevate-backed funds over the past 2.5 years is $700 million. When Elevate was launched, it aimed to hit that level in four to five years. While international investment markets are now slowing alongside the global economic slowdown, there remains plenty of available capital committed to those funds for investment into promising companies. In addition, the pipeline of funds expressing interest in joining the Elevate programme is strong (both in number and quality).

NZGCP also runs the Aspire fund, which co-invests into seed-stage companies together with other private investors. NZGCP's Aspire fund invested $14.1 million over the 12 months – a notable increase of 31% on the prior financial year ($10.8 million).

Aspire has invested in more than 260 companies since its launch in 2006 and the current portfolio is valued at over $146 million. We're proud to have invested in innovative and ambitious companies such as Kami (named in the Times 100 Most Influential Companies), Auror (retail store crime prevention), apple innovator Rockit Global, Zenno Astronautics (super magnets for space applications such as satellite orientation), and Aquafortus (wastewater recovery technology). Some more examples of the great companies we have invested in are shown on pages 25 to 29.

The level of seed and early-stage investment continues to grow. The 2021 calendar year saw more than $258 million of investment by angel investors, groups and funds. When NZGCP first began measuring investment activity in 2007, there was around $20 million of angel investment annually. As companies progress, many will then look to venture capital funds for larger Series A and B rounds to continue to develop and this sector has seen significant growth catalysed by Elevate's investments over the last few years.

The levels of activity across the seed and venture investing spectrum can be described as increasingly vibrant... The difficulty remains to continue the strong growth, particularly in challenging economic conditions, and continue building greater diversity and depth of high-quality start-ups and investors.

The vision set for NZGCP by the Government is to develop and foster a 'vibrant and self-sustaining' New Zealand early-stage ecosystem. The levels of activity across the seed and venture investing spectrum can be described as increasingly vibrant but still relatively immature compared to other comparative global ecosystems. The difficulty remains to continue the strong growth, particularly in challenging economic conditions, and continue building greater diversity and depth of high-quality start-ups and investors.

While the impact of the Elevate and Aspire funds on catalysing private sector investment has been encouraging, there remain gaps in our early-stage markets and in investor capability within some sectors. If we benchmark ourselves against the breadth and scale of early-stage investment markets elsewhere in the world, there is some way to go before New Zealand reaches the OECD average, and the levels which will allow start-ups and technology sectors to flourish.

Addressing those capital and capability gaps cannot be achieved without partnering with private and institutional investors as well as other government agencies and the New Zealand science and research community. An initiative we are currently investigating is the potential for a seed fund of funds to address key gaps at the pre-venture stage and to also deal with areas of under investment such as deep-tech. We have seen that software start-ups have been able to raise capital with relative ease and that New Zealand now has strong investor capability within that sector. Deep-tech and other emerging technologies, however, face a significant capital gap at the early commercialisation stage.

Following recommendations to Ministers, some of the legacy constraints on how the Aspire fund invests have been loosened. The sector expanded in terms of the size of funding rounds and Aspire evolved from acting as a strictly passive co-investor supporting angel investment groups into becoming a more active manager. Given our changing focus on investing earlier and into more under-invested and capital intensive businesses, the Ministers have made amendments to some of the legacy settings which seemed restrictive in the new context.

Market development is an important role and NZGCP undertakes a range of activities to address the key capital and capability gaps and to build awareness of the start-up sector. This includes activities to attract new investors (angel, seed and venture capital), investor and founder education, and initiatives to attract further private capital (particularly institutional investment) into the start-up landscape.

Other market development initiatives are also planned to address specific diversity issues, continue the development of the start-up pipeline, to raise awareness of opportunities in the early-stage ecosystem and to increase global connectivity. It is pleasing to see growing interest from iwi-backed funds and pools of capital in the early-stage ecosystem, and NZGCP is looking at how we can co-invest alongside Māori investors and help build investor capability in that sector of the economy. NZGCP is also committed to work with the Ministry of Business, Innovation and Employment (MBIE), Callaghan Innovation, and NZ Trade and Enterprise (NZTE) to improve data collection and insights and to build a more collaborative and coordinated start-up strategy and execution.

The 12 months to June 2022 has been a period of internal consolidation and growth at NZGCP with a number of vacancies being filled, including a new CEO. Alongside our recruitment efforts, we have worked hard to create and maintain a positive and collaborative internal culture. In addition to rebuilding our internal capability, we are seeking to fully harness the many parts of the public sector operating in the start-up portion of New Zealand's economy. NZGCP works in partnership with the Guardians of New Zealand Superannuation, MBIE, NZTE and Treasury. We also work with and enjoy great support from the Angel Association and NZ Private Capital.

The progress over the year has our early-stage ecosystem well-placed to continue to support promising companies at a time of global economic contraction. There will continue to be challenges, particularly for young companies, but we have strong foundations in place to deal with the uncertainties ahead of us.

We believe the structures are now in place to enable us to keep improving and deliver on our very important objectives for the benefit of New Zealand.

We wish to thank Mel Firmin and Guy Royal, who finished their time on the Board, and welcome Nicole Buisson to the Board. Thanks also to James Pinner for his stewardship of the team as Acting CEO and to the entire NZGCP team for the quality of their effort and strength of their commitment over the year.

David Smol
Chair

Rob Everett
CEO

Corporate governance statement —

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

The Corporate Governance Statement sets out the framework currently in place at NZGCP. The statutory governance arrangements for NZGCP are set out in the Crown Entities Act 2004 and the Venture Capital Fund Act 2019. NZGCP was incorporated on 1 July 2002 under the New Zealand Companies Act 1993. As a Crown entity, NZGCP's principal activities are managing early-stage investment programmes on behalf of the New Zealand Government, being the Elevate NZ Venture Fund (Elevate), the Venture Investment Fund (VIF 1.0) programme and the Aspire NZ Seed Fund (Aspire), as well as market development of the early-stage investment ecosystem.

Board of Directors

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

The Board regularly discusses governance and performance and reviews its performance as a board at appropriate intervals. Two Board Directors resigned during the 2022 financial year to pursue other commitments, followed by the appointment of one new Director. Directors were appointed by the shareholding Ministers following Cabinet approval.

Board Committees

Established by the Board in 2021, the following two standing committees assist the Board in exercising its responsibilities. Each committee has a separate charter that sets out the purpose, roles and responsibilities of that committee.

— Audit and Risk Committee

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

— People and Culture Committee

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

Code of Conduct

The Code of Conduct Policy is the company's guiding principle of ethical and legal conduct. The Code of Conduct applies to everyone working at or for NZGCP, and provides guidance for the principles of fairness, impartiality, responsibility and trustworthiness.

Conflicts of Interest

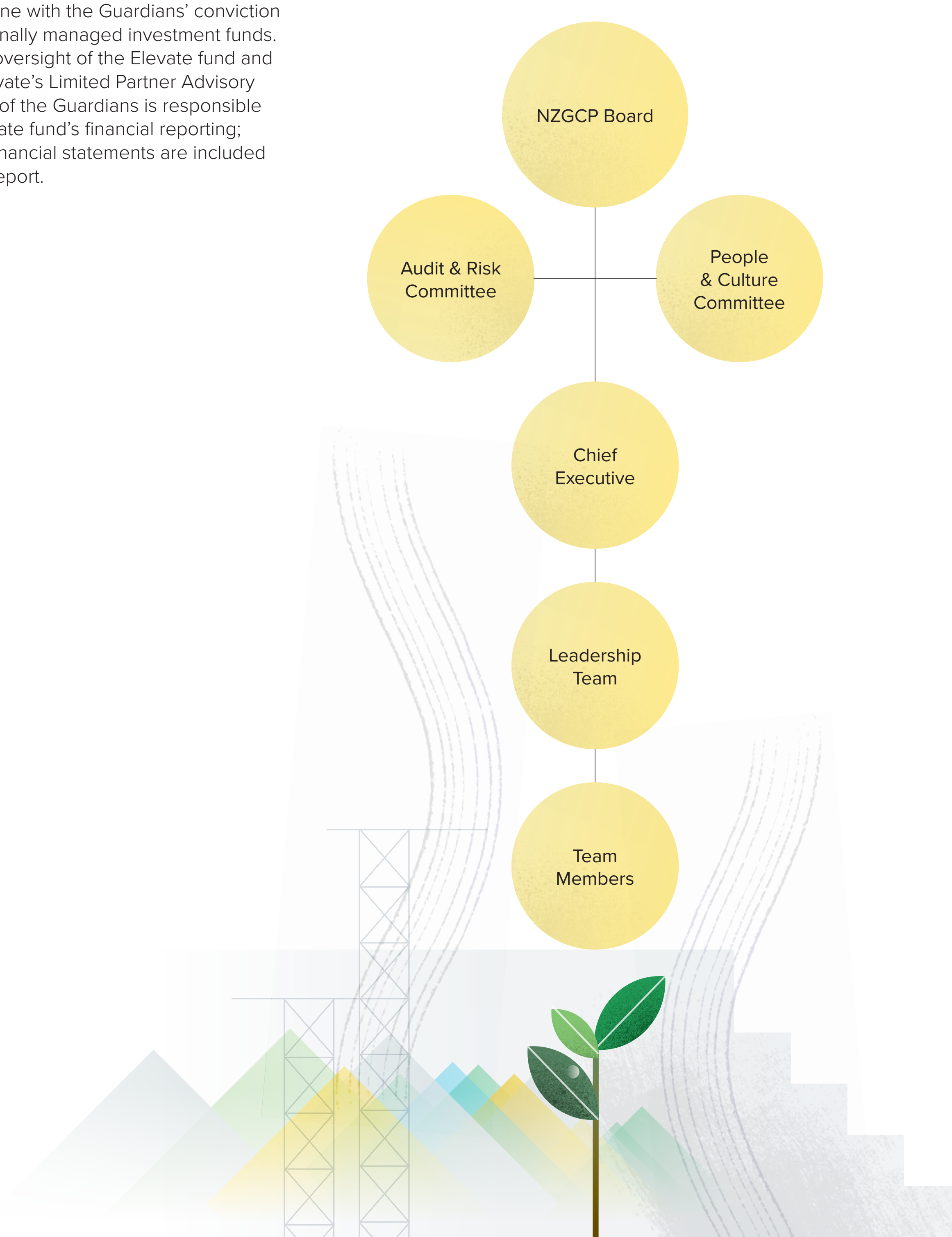
NZGCP has a Conflicts of Interest Policy that was reviewed during the year and sets out the procedures for identifying and managing potential conflicts of interest and conflicts of commitment. The policy applies to everyone working at or for NZGCP. An interests register is maintained of Directors and employees' declared interests and commitments and is updated at each Board meeting. NZGCP also has a Mandate Management Policy to ensure that it manages actual and potential conflicts between its two primary mandates, the Elevate fund and the Aspire fund.

Delegated Authority

Responsibility for implementing the Board's strategy and managing the operations and administration of NZGCP is delegated to the CEO, who is accountable to the Board. The CEO in turn sub-delegates certain of these delegated authorities to the leadership team. The delegated authorisation levels are subject to Board approval, controls and procedures as well as external audits as outlined in the Delegated Authority Policy.

Guardians of New Zealand Superannuation

The Guardians is the sole Limited Partner of the Elevate fund which NZGCP is engaged to manage on behalf of the Guardians. The Guardians provides additional governance and oversight of the Elevate fund and NZGCP's performance with regular conviction reviews in line with the Guardians' conviction framework for assessing externally managed investment funds. The Guardians also provides oversight of the Elevate fund and NZGCP's performance via Elevate's Limited Partner Advisory Committee (LPAC). The board of the Guardians is responsible for the preparation of the Elevate fund's financial reporting; therefore, the Elevate fund's financial statements are included within the Guardians' annual report.



Board of Directors —

The Board of Directors is appointed by the Government to oversee the performance of the NZGCP business.

David Smol — Chair

Appointed: 3 December 2020
Committees: Audit & Risk Committee, People & Culture Committee

David was appointed as chief executive of the Ministry of Economic Development in 2008. He was the inaugural chief executive of the Ministry of Business, Innovation and Employment (MBIE) from 2012 to 2017.

Since then, David has undertaken a number of governance and consulting roles, including in energy, health, land transport, housing, commercialisation and economic development.

David has an MPhil in economics from Cambridge University and was made a Companion of the Queen's Service Order in 2018.

Annabel Cotton — Director

Appointed: 16 December 2020
Committees: Audit & Risk Committee (Chair)

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

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

Annabel is a director of and chairs the Audit and Risk Committee for NZX Regulation. She is a trustee of Global Women and is an independent member of the NZ Equity Partners' Investment Committee, a private equity fund. Her governance experience includes directorships and audit committee chair of Waikato Regional Airport, Trust Investments Management and several NZX-listed companies. Annabel has been a director of the Securities Commission, the External Reporting Board and Genesis Energy Limited. She has chaired Hamilton and Waikato Tourism and the investment committee of several charitable trusts.

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

Marcel van den Assum — Director

Appointed: 16 December 2020
Committees: People & Culture Committee (Chair)

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

Prior to his governance career, Marcel was Chief Information Officer (CIO) of New Zealand's largest company, Fonterra, and previous to that Managing Principal of Unisys New Zealand, holding leadership roles in various global functions. He has worked across many industry sectors and government entities, and in most geographies.

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

Nicole Buisson — Director

Appointed: 21 March 2022
Committees: People & Culture Committee

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

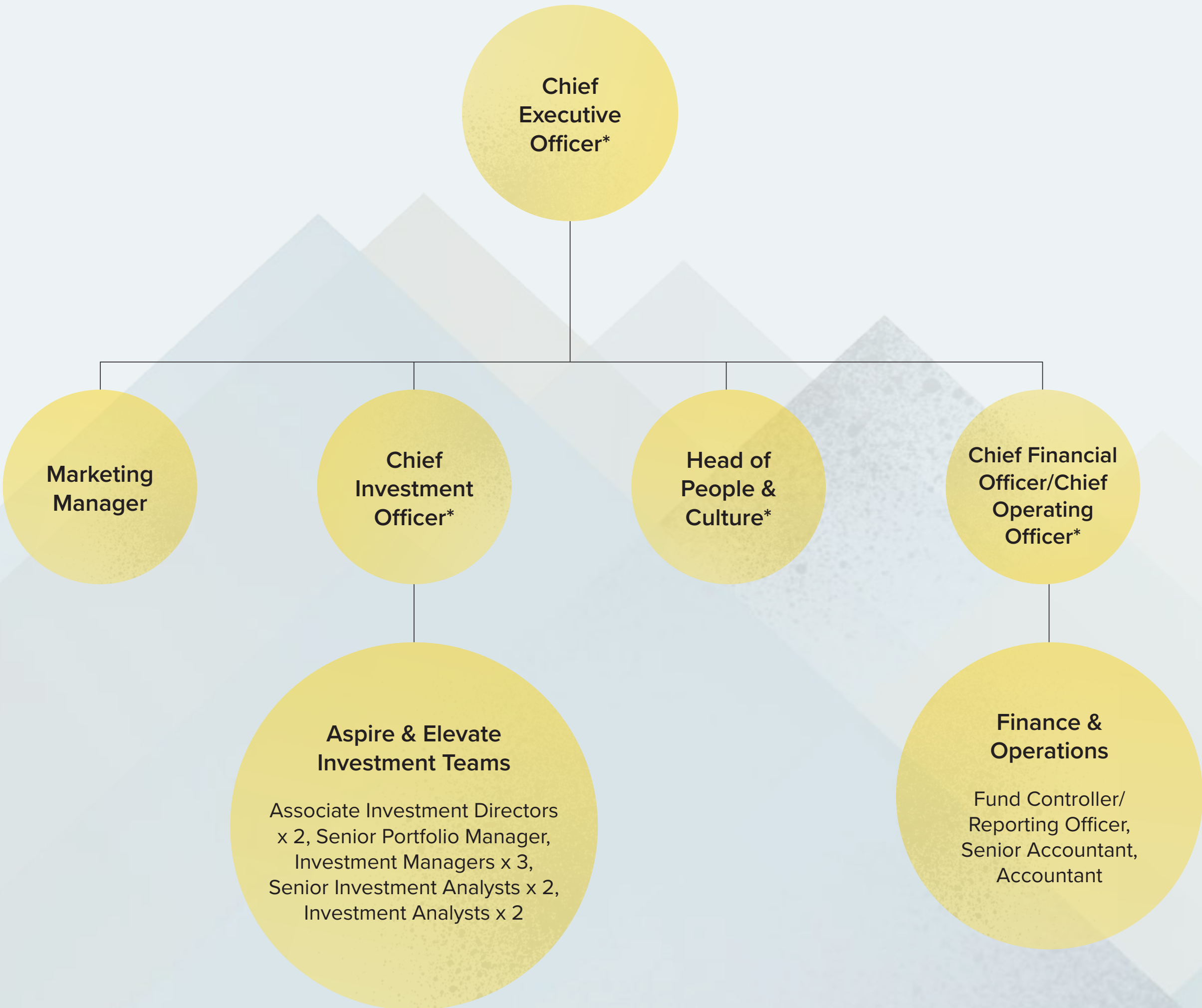
Nicole holds an MBA from Columbia University and London Business School and is a Chartered Member of the Institute of Directors. She spent additional periods at the University of California at Berkeley, China Europe International Business School (CEIBS) and the University of Otago.

Director Resignations —

Guy Royal – Appointed: December 2020 to April 2022
Mel Firmin – Appointed: December 2020 to April 2022

Organisational structure —

Our organisational structure has been redesigned during the year to help us deliver a more cohesive investment strategy aligned with our vision and purpose while retaining a relatively flat structure.



* Senior Leadership Team

Our people —

Our cornerstone beliefs underpin everything we do and every interaction we have.

Cornerstone Beliefs

Doing things right

We set high standards for ourselves and for those we partner with. It is important to us that we do things right, with professionalism and integrity, using data-based insights and best-practice processes. While we aim to be agile and flexible wherever we can, it is not at the expense of doing the right thing nor managing risk effectively. We bring a longer-term sustainable view to what we do. We are prepared to have the honest and hard conversations when we encounter behaviour that is inconsistent with our values and beliefs.

Delivering diversity

We are diverse in the ideas and start-ups we invest in, the partners we work with and within our own team. We thrive on fostering ingenuity and innovation which challenges established boundaries, and which drives better and more efficient outcomes. We are a culturally diverse team and country, and we embrace diverse styles of thinking and delivery – because diversity is what makes us better.

Achieving greatness through collaboration

We believe things are better when we work together – that is why we co-invest with our partners to help cultivate an environment where New Zealand innovators can succeed. And when we act, we do so with integrity, transparency and dignity, because that builds trust and genuine and long-lasting connections.

Our focus

To help develop and foster a vibrant and self-sustaining New Zealand early-stage investment ecosystem, we believe our people are our most valuable asset. On the back of progress made in 2021, this year has been focused on supporting and sustaining an improved workplace culture. Our People and Well-being Strategic Pillar focus areas include:

- Attracting great people
- Retaining our people through high-quality learning and development
- Maximising individual performance and contribution
- Personalising a 'Safety and Well-being' culture.

Underpinning all of this is our culture and team development work, focused on creating a sustainable culture that will engage our people and build a cohesive, high-performing team.

Attracting great people

With a number of gaps in our Investments team, a significant focus for the latter part of the year was recruitment. As at the date of this report, the Investments team is almost at full capacity. The focus now is on integrating our new team members.

Diversity and Inclusion (D&I)

To attract and retain great people, and to have our team feeling connected and able to contribute their best, we accelerated our diversity and inclusion programme during 2022. The diversity and inclusion workgroup was pivotal in supporting the creation of a fit-for-purpose D&I strategic plan and accompanying initiatives, based on feedback from the wider team.

Key focus areas and some activities/initiatives include:

- **Educating, engaging and enabling our people** – training with Diversity Works, events and workshops to create connections to each other and NZGCP.
- **Building inclusive leadership capability** – coaching and training for leaders.
- **Attracting a diverse candidate pool** – our recruitment platform enables blind assessment of candidates' skills. Through this process, we have appointed highly-capable, diverse candidates to our Investments team.
- **Adhering to equitable, inclusive and consistent policies and guidelines** – through our gender pay gap review, we were able to eliminate gaps and ensure that starting salaries for new joiners are consistent based on skills and experience.
- **Creating a safe, respectful, inclusive and supportive work environment** – implementation of team tools to consider a holistic view of performance including the mental and emotional components, and seeking team views and feedback on hybrid and flexible working situations.

Our work programme is ongoing with outcomes focused on increasing a sense of inclusion and belonging for our team members, and increased awareness of and support for each other.

Retaining our people through high-quality learning and development

We are working to create a tailored, supportive learning and development environment for individuals and teams.

Regular, structured learning sessions now occur within the Investments team to ensure consistency and to increase skills and knowledge, across a number of relevant areas.

Individual and group coaching are in place for our Senior Leadership Team and people leaders, to support and encourage not just their personal growth and development but also across NZGCP as their leadership skills and capabilities are developed.

Maximising individual performance and contribution

By identifying gaps and focusing on development, we have increased performance at an individual level. To help drive individual and team performance, we've been able to introduce the team to a holistic view on performance. This tool and the accompanying sessions have given us the ability to consider all the elements that drive performance – not only the tactical components but also the emotional, mental, physical and contextual aspects that drive performance. By focusing on how we perform, we've built in feedback loops to enable us to constantly tweak and increase how we perform as individuals and as a team.

Personalising a 'Safety and Well-being' culture

We considered the current support we have in place for our team and were keen to pursue a more proactive approach to mental well-being. Our leaders have participated in training to increase their understanding and provide them with the tools to have effective conversations on mental health. To increase the proactive support to our team and provide learning for our leaders, we will be implementing a well-being platform. This platform will foster holistic well-being and will also give us insights to employee concerns through anonymous well-being surveys. The mental health of our employees is important to us and we continue to support them in their well-being journey.

Going forward

In addition to building on the work we've done, some of the new initiatives being considered include:

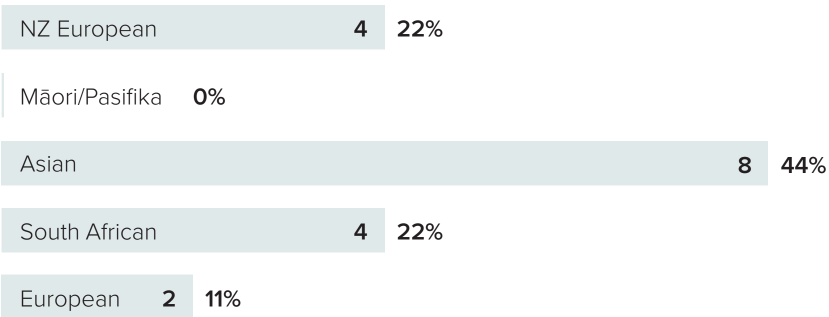
- Partnering with TupuToa to increase Māori and Pacific talent within NZGCP and the wider ecosystem
- Increasing te reo Māori, te ao Māori and Te Tiriti o Waitangi capability within NZGCP
- Taking the next steps on our culture and team development journey to create a team that focuses on performance through a human lens
- Making mental well-being a priority with leaders having conversations and role-modelling changes which will make a positive difference for our people and the wider ecosystem.

Our workforce*

Number of Employees		
Full-time	17	94%
Part-time	1	6%
Total	**18**	**100%**

Age	Female	Male	Gender Diverse	Unknown	Total
20-29	0%	6%	0%	0%	6%
30-39	39%	32%	0%	0%	72%
40-49	11%	6%	0%	0%	17%
50-59	0%	6%	0%	0%	6%
60+	0%	0%	0%	0%	0%
Total	**50%**	**50%**	**0%**	**0%**	**100%**

Ethnic Profile



* as at 30 June 2022

Strategy overview —

Continuing on from our efforts in 2021, our Strategic Plan sets out the basis of NZGCP's direction for the remaining two years, through to 30 June 2024.

— Vision & Purpose
— High-Level Goals
— Strategic Pillars
— Strategic Initiatives
— Cornerstone Beliefs
— Strategic KPIs
— Tactical Actions

Vision and Purpose – the aspirational goal for the business and the 'Why' we exist.

High-Level Goals – these are the goals we are seeking to achieve by 30 June 2024. They are a blend of ecosystem targets and NZGCP-specific targets, which have been stated in the Statement of Intent (SOI).

Strategic Pillars – these are the four 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 & Well-being, Innovation & Efficiency, Partners & Engagement, and Ecosystem Development & Return.

Strategic Initiatives – these are the initiatives on which our plan is based. They generally have a two-to-five-year duration, are underpinned by tactical actions and are allocated by functional area.

Cornerstone Beliefs – our Cornerstone Beliefs are what define the organisation and underpin all our initiatives and actions.

Strategic KPIs – these key performance indicators (KPIs) are annually renewed measurement points for the Strategic Initiatives and are used as milestones in the progression to achieving the 2024 High-Level Goals.

Tactical Actions – these 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 timelines for completion.

These various elements feed into our overall Outputs and Measures within the SOI and Statement of Performance Expectations (SPE); however, they are more granular and may be refreshed more often.

Strategic plan —

Vision & Purpose	**Vision** To develop and foster a vibrant and self-sustaining New Zealand early-stage investment ecosystem			
	Purpose To support New Zealand early-stage businesses and investors to be world-class			
Strategic Pillars	**People & Well-being**	**Innovation & Efficiency**	**Partners & Engagement**	**Ecosystem Development & Return**
Strategic Initiatives	**1.1** Attract great people **1.2** Retain through high-quality learning & development **1.3** Maximise individual performance & contribution **1.4** Personalise 'Safety & Well-being' culture	**2.1** Leverage technology for communication & engagement **2.2** Leverage technology for efficiencies **2.3** Streamline operating processes **2.4** Embed risk management accountability & practices	**3.1** Define & communicate our value propositions **3.2** Build high-quality client relationships **3.3** Develop & support our core focus areas **3.4** Build stronger growth disciplines	**4.1** Build the base & develop capability **4.2** Build networks & introduce new capital sources (catalyse new sources of investment capital) **4.3** Create collaboration & healthy competition **4.4** Talent introduction & market engagement (develop the market; improve connections & investment conditions)
Cornerstone Beliefs	**Delivering Diversity**	**Doing Things Right**	**Achieving Greatness Through Collaboration**	

Investment stages —

An overview of the various stages of investment and how each of our funds can support Kiwi companies going through these stages of growth.

Proof of Concept	Pre-seed	Seed	Series A	Series B
ASPIRE NZ SEED FUND	ASPIRE NZ SEED FUND	ASPIRE NZ SEED FUND	ELEVATE NZ VENTURE FUND	ELEVATE NZ VENTURE FUND
The realisation of an idea alongside demonstration that a concept or theory has practical potential. Plan out what the product could look like, the problem it wants to solve and the ideal team to help realise this vision.	The period in which a company's founders are first getting their operations off the ground. Starting to build the product, get an Minimal Viable Product (MVP) and iterating.	Companies use this round of funding to iterate the product and find Product Market Fit. A repeatable go-to-market strategy should also be proven to secure interest from Series A investors.	Once a business has developed a track record (an established user base, consistent revenue figures, or some other key performance indicator), that company may opt for Series A funding. Scale the team and expand sales efforts.	Series B rounds are all about taking businesses to the next level, past the development stage so that it can meet the levels of demand. Expansion offshore or into new markets.
Funding predominantly from the founders themselves, angel investors, accelerators, Crown Research Institutes (CRIs) and, in some instances, Aspire.	Funding available via Aspire and angel investors.	Funding available via Aspire, angel investors or venture capital (VC).	Funding via domestic and overseas VC manager. Elevate invests into eight VC funds that target Series A/B rounds.	Funding via domestic and overseas VC manager. Elevate invests into eight VC funds that target Series A/B rounds.

Investment report — Elevate NZ Venture Fund

Backing the best venture capital managers to invest in New Zealand's fastest growing early-stage companies. Together, we're building a sustainable Kiwi venture capital market.

nzgcp.co.nz/funding/elevate-venture-fund

> “Elevate has continued the success of FY21, approving investments into a further four funds during the year. These comprise its largest allocation to date into GD1 Fund 3; the first investment into a second vintage of an existing Underlying Fund, Blackbird Ventures’ second New Zealand fund; as well as two more investments into first-time fund managers Nuance Connected Capital and Hillfarrance, which were completed just after year-end.
>
> At the end of FY22, Elevate had made commitments (including the conditional commitment completed shortly after year-end) of $196 million out of a current fund size of $259.5 million.”
>
> James Pinner – Chief Investment Officer, NZGCP

The small number of established funds that existed in 2020 when Elevate launched has grown substantially. This includes an increasing number of new entrants and first-time fund managers in the market and we are well on the way to achieving our initial goals of creating $1 billion of capital available to New Zealand start-ups at the Series A/B stage.

The performance of the Underlying Funds is still too early to assess, given the time horizons from initial investments through to eventual exit, but we are encouraged by the number, type and quality of investments that have been made. Round sizes have generally been bigger than we had predicted and some of Aotearoa’s most promising companies (e.g. Mint, Halter, First AML, Auror, UBCO and Open) have been able to raise significant rounds to accelerate their growth. We believe this would not have been achievable in New Zealand two years ago.

The depth and quality of the pipeline for the New Zealand venture funds over the last two years has resulted in record-breaking levels of activity in our start-up ecosystem and we have seen faster deployment of capital than we had anticipated. While some may be concerned about this, we feel that valuations really didn’t reach the levels seen overseas and our bigger challenge now is maintaining the momentum going forward, both by continuing to develop the pipeline of high-quality companies and building larger pools of available capital supported by increasing levels of private capital. There still remains large areas of untapped or underdeveloped invention and innovation across Aotearoa, which we want to support and foster.

However, the last few months have seen a shift in economic conditions globally, which we expect will create significant headwinds for early-stage companies once these flow down into New Zealand (noting also that the vast majority of Kiwi start-ups will be selling or moving into overseas markets). These economic downturns also spur innovation and potentially make hiring bigger teams easier and cheaper and valuations can reduce (this is a double-edged sword, though, when it comes to founder incentivisation). Therefore, we still anticipate that significant opportunities lie ahead for the New Zealand venture capital market, even if the economic downturn does endure.

The Underlying Funds of Elevate have substantial capital yet to deploy, so we do not anticipate a significant stalling of investment, but we do expect the rate of growth to slow over the coming years. Raising private capital will become more difficult as well, so we anticipate that our ratio of public to private capital leverage will be lower on future investments.

Current fund investments

Blackbird Ventures NZ Fund 1 and Fund 2

In May 2022, Elevate committed $30 million into Blackbird Ventures’ second New Zealand fund targeting a final close of $80 million in late 2022.

Previously, in FY21, Elevate invested $22.75 million into its first New Zealand fund. Blackbird is Australia’s largest venture capital fund and has made a strong commitment to New Zealand’s ecosystem.

blackbird.vc

Hillfarrance

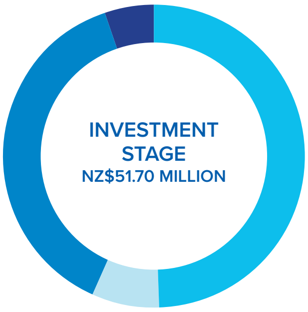
In April 2022, Elevate announced a $15 million conditional commitment to Hillfarrance venture capital fund. Hillfarrance is targeting to raise up to $35 million by December 2022. Its investment focus is as a generalist venture fund with the fund’s strategy driven by founders and business models rather than particular sectors. This investment was completed in July 2022.

hillfarrance.com

Nuance Capital Fund 1

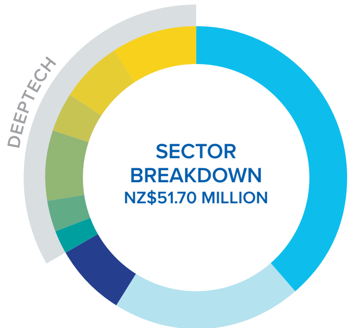
In September 2021, Elevate committed $17 million into Nuance Connected Capital. Nuance reached final close in March 2022 with a fund size of $56.8 million. This is a deep-tech venture capital fund which aims to solve large societal challenges using emerging technologies.

nuance.vc



A/B	25.58
PRE-A	3.76
POST-B	19.77
OTHER	2.59

NZ ENTITY	48.60
OTHER	3.10



SaaS	20.00
HW/HeSaaS	10.57
OTHER SW	3.90
Bio-tech	1.37
Med-tech	1.67
Clean-tech	3.97
Space-tech	2.08
Agri/Food-tech	3.49
Other Deep-tech	4.64

GD1

In July 2021, Elevate committed $45 million into New Zealand venture capital fund GD1 Fund 3. GD1 Fund 3 announced its first close of $130 million in August 2021 and is targeting a final close of up to $170 million by the end of 2022. GD1 is a generalist venture capital fund, investing in a wide remit ranging from enterprise software and internet to connected hardware, deep-tech and health-tech.

gd1.vc

Finistere Aotearoa Fund

In April 2021, Elevate committed US$10 million (NZ$16 million) into the Finistere Aotearoa Fund, which is matched by Silicon Valley venture fund Finistere Ventures Fund, creating $32 million to invest in New Zealand opportunities. The Finistere Aotearoa Fund is a sidecar vehicle that targets agri-tech companies at the Series A/B stage.

finistere.com

Pacific Channel

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

pacificchannel.com

Movac Fund 5

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

movac.co.nz

Investment activity

As at 30 June 2022, Elevate had made firm commitments of $181 million into seven New Zealand Connected Funds (with a further commitment of $15 million made in July 2022). As at year-end, these seven funds had called $61 million for management fees and investments, representing approximately 34% of total commitments made at year-end. This does, however, include the newer commitments e.g. Blackbird Fund 2, which is substantially below this level currently.

The Underlying Funds have in aggregate made 80 investments, which includes 11 investments that were syndicated across multiple New Zealand venture capital funds. Overall, our portfolio now comprises 69 companies.

Investment realisations

As anticipated at this stage of the fund's performance, there have been no realisations to date in any Elevate investment and we do not anticipate any realisations for two to three years.

Investment performance

The Underlying Funds are still very early in their life cycle and currently fund performance (gross of Elevate's management fees and fund costs) sits at a Total Value to Paid In (TVPI) of 0.92 and net of Elevate's costs results in a TVPI of 0.86.

Venture Capital Fund features —

As at 30 June 2022, Elevate had made a total commitment of $196 million (including the conditional commitment completed shortly after year-end), which is expected to match $503 million of private capital at final close of the funds. These commitments have been made to eight venture capital funds (including two separate vintages of Blackbird Ventures NZ). Examples of these commitments are GD1 Fund 3 and Blackbird Ventures NZ (2019 and 2022 vintages).

GD1

GD1 was established in 2012 and its Fund 3 is led by Partners Chintaka Ranatunga, John Kells and Vignesh Kumar.

At first close in August 2021, Elevate invested $45 million into GD1's $130 million Fund 3. Although a generalist venture capital fund, it has the depth and breadth of skill to invest across a wide remit ranging from enterprise software and internet to connected hardware, deep-tech and health-tech. Following increasing investor interest, intentions are to raise further capital with an anticipated final close between $150 million and $170 million.

GD1's fund mandate is to partner with ambitious founders and teams building the next generation of New Zealand-originated B2B-focused technology companies that are going global. The GD1 team exists to help Kiwi founders and teams believe bigger so that they can dream, act and achieve at a global scale. To date, capital has been deployed to several high-potential, high-growth start-ups, including: JUNOFEM, Dawn Aerospace, Runn.io, Formus Labs, Flowingly, Foundry Lab, Auror, Osho, Vxt, and Zenno Astronautics.

Giving back to New Zealand's technology ecosystem

GD1 is also the lead investor into a brand-new incubator programme and fund by Phase One Ventures which aims to produce 10 New Zealand technology 'unicorns' by 2026. The incubator will address significant gaps inherent in more traditional programmes, including access to experienced product and growth operators within the global start-up ecosystem, and the cultivation of what Phase One Ventures calls a "culture of customer and problem obsession".

GD1

gd1.vc

JUNOFEM

formuslabs

Blackbird Ventures New Zealand

Blackbird Ventures established its first New Zealand fund in August 2019, with a final close of $54 million in September 2020, including a $22.75 million investment from Elevate.

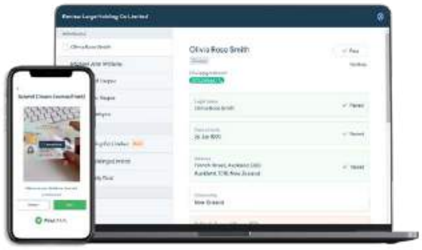
In May 2022, Elevate committed its first follow-on investment, a further $30 million, into its Fund 2 which was targeting a final close of $80 million.

Blackbird's Auckland-based New Zealand arm is led by General Partner Samantha Wong, Principal Phoebe Harrop and Associate James Palmer (a former NZGCP Investment Manager). Blackbird has established a strong and growing presence in New Zealand under the leadership of Sam Wong and there is a genuine commitment from the entire Blackbird partnership in supporting Kiwi start-ups, particularly in Series A/B stages, to become major successes. Notable investments made by Blackbird NZ include: Foundry Lab (Series A), an additive materials company that builds microwave systems for creating cast metal parts which enable a first-of-its-kind rapid prototyping for metal parts; and First AML (Series B), a Software as a Service (SaaS) company which develops systems for managing complex customer onboarding processes, initially focused on anti-money laundering (AML) and know your customer (KYC) verification.

BLACKBIRD

blackbird.vc

First AML



FOUNDRY LAB

ASPIRE
NZ SEED FUND

Investment report — Aspire NZ Seed Fund

Bold ideas. Big dreams. We'll invest in that.

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

nzgcp.co.nz/funding/aspire-seed-fund

"In 2022, Aspire invested $14.1 million into 35 early-stage technology companies. These completed investments include the addition of 11 new companies to the Aspire portfolio as NZGCP continues to back bold founders looking to scale innovation globally. Despite challenging macroeconomic conditions and changing market sentiment in the last two quarters, it was another year characterised by success stories and continued growth in the early-stage ecosystem in New Zealand."

Jacques Richter – Associate Investment Director, NZGCP

Pulse check on our Aspire Fund

What have we been doing?

Stepped back to assess where the market is where we want it to be in 10 years' time

Reclarified what our purpose is i.e. to address capital and capability gaps in the early-stage ecosystem

Redesigned our main investment activities around bridging those gaps in collaboration with others

Begun to develop a market development strategy to supplement our investment activities, to help close some of the missing gaps

What we found

The market has come a long way over the last 20 years, but **there's still a long way to go** to where we want to be in 10 years' time

Some key gaps we found:

- A need to build a bigger and more diversified pipeline of maturing companies to support more venture capital managers and larger VC funds
- Some early-stage sectors (e.g. Auckland SaaS) are relatively well served, but deep-tech is still not commercialising enough out of significant research, science and innovation spend
- Other emerging sectors (e.g. gaming) are generally attracting less investment
- Lack of diversity across founders and investors
- Minimal institutional investment at Seed stage and pipeline of emerging managers
- Lack of institutional investment into VC, especially from KiwiSaver and other large institutions

What we're going to do

Aspire

- Focus more of our portfolio on investing earlier and into deep-tech and emerging sectors; that doesn't mean that we won't invest in SaaS/software, but just a lesser proportion of our fund.
- Continue to make commercially based decisions.
- Back more companies led by more diverse founders (gender, ethnicity) and regionally based.
- Trial a dedicated portfolio management team to help support the companies that we are investing in, and in doing so, increase the value of it.

What we're exploring

New Seed fund of funds

- It could target:
  - Seed investment funds
  - Emerging venture capital managers
  - More diverse managers (either by background of the investors or the types of companies they invest in)
  - Impact funds.
- This concept is still in its early days of discussion as we look to shape how this could be delivered and determine the size of the fund.
- If this programme comes to fruition, it will likely follow the Elevate conviction process but with a higher risk appetite reflecting the greater weighting to market development objectives.

Investment activity

Aspire's $14.1 million of investments was a notable increase of 31% on the prior financial year ($10.8 million). The total number of investments remained relatively constant when compared to the 40 investments made in FY21. However, the number of new investments decreased from 14 to 11 in FY22 and investment amounts into new companies decreased from $4.5 million to $3.9 million. The increased investment amount reflects the growing size and maturity of our portfolio and associated capital needs, as well as our commitment to addressing capital gaps by investing in under-funded sectors, stages and companies.

We expect this trend to continue, especially as we invest more into deep-tech companies which are generally capital intensive and have fewer sources of private capital available. Building conviction in under-funded areas takes more time and resource but we believe this is well aligned with our purpose and over time it will catalyse more private capital into these emerging sectors.

Within the new portfolio company investments, five were at the proof-of-concept stage and three were deep-tech companies. This highlights our intention to support the development of a healthy pipeline of technology start-ups with the potential to transform New Zealand's economy and to build a high-quality pipeline of companies progressing to the Series A/B stage for venture capital managers to invest in.

Notable new additions to the Aspire portfolio include PowerON (developing artificial muscle actuators for soft robotic applications), Cropsy Technologies (using computer vision and artificial intelligence (AI) for early detection of crop disease) and Miruku (expression of animal protein in plants). We also made our first investments into gaming companies as we intend to support the development of this nascent local industry; these companies include Space Rock Games, November Games, and Beyond.

The Aspire follow-on investment activity remained high during the financial year as we continue to back our most promising portfolio companies. We completed 28 follow-on investments totalling $10.2 million in FY22. Notable follow-on investments made by Aspire during the year include: Zenno Astronautics (super magnets for space applications such as satellite orientation) as part of a $10 million round led by GD1; Aquafortus (wastewater recovery technology) as part of a $9.6 million round led by DCVC; and BioLumic (light treatments to stimulate plant growth) as part of a $15.4 million round led by OurCrowd Ventures.

Our portfolio continues to be a pipeline for local and offshore venture capital funds with 9 of our portfolio companies raising follow-on capital from venture capital funds. In total, Aspire participated in 13 follow-on investments that were led by local or offshore venture capital funds in the financial year. The number of venture capital firms that are active in the local market continues to expand as the industry matures.

Notable new co-investment partners include: Intel Capital, the corporate venture of Intel Corporation and one of the largest global corporate venture funds; OurCrowd, an Israeli venture capital fund and crowd-funding platform; NVIDIA, a multinational technology company; and DCVC, a leading global venture capital fund. Overall, our leverage ratio (Aspire to private capital) was 1:11. For new investments the average leverage ratio was 1:7, and for follow-on investments it was 1:13, which reflects our more active involvement in the earlier stages. As we seek to increase our focus on under-invested sectors, we expect this leverage ratio to reduce over the short to medium term as we invest in companies where there is relatively less private capital available.

Investment performance

Despite headwinds in the public and private markets during FY22, investment performance remained robust. Our portfolio value increased from $123 million to $146 million. This growth represents $14.1 million of new and follow-on investment activity in FY22, an $8 million increase in the value of Aspire's investments and $2.8 million in realisations from investment exits. The largest unrealised gains in the Aspire portfolio have been from investments in Kami, Rockit Global, Aroa Biosurgery and AskNicely, all driven by strong underlying performance of these companies.

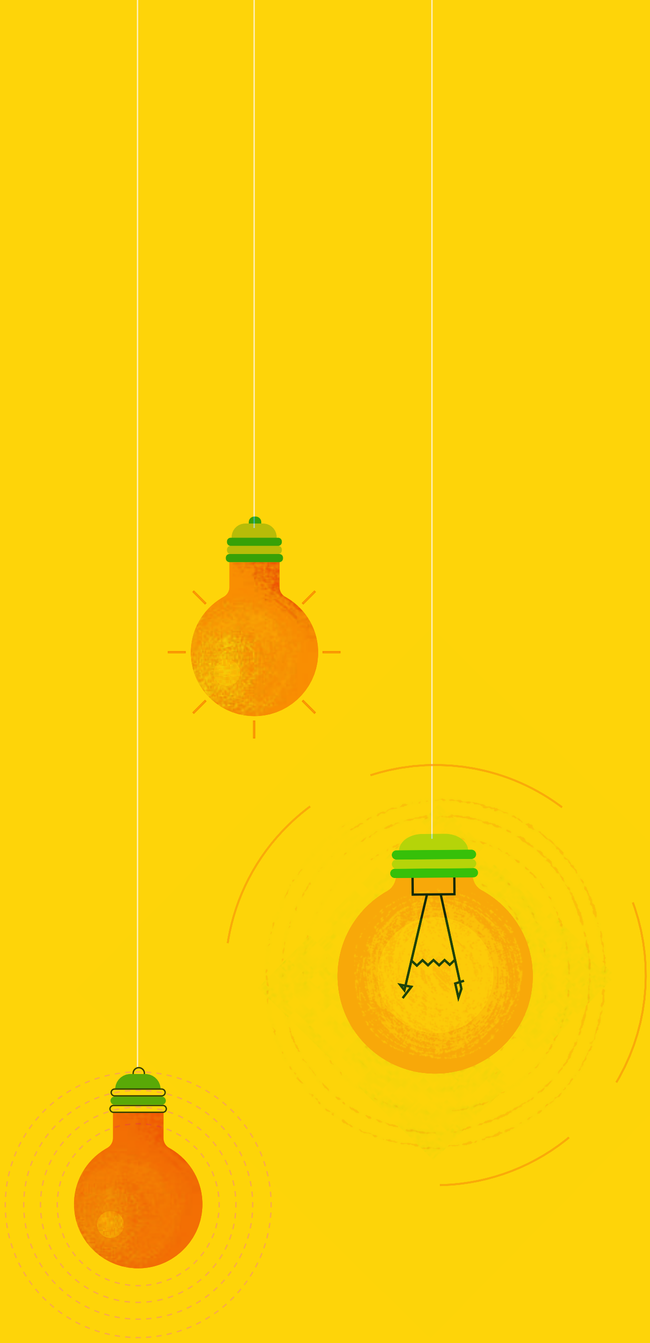
The increase in our portfolio value during the financial year was largely driven by portfolio companies raising substantial rounds on the back of strong performance to support their continual growth. This highlights the importance of building a well-diversified portfolio by continuing to invest in new technology start-ups with global ambitions. As is expected in this asset class, several portfolio companies were impaired or ceased operating due to a lack of traction or progress. Aspire has invested around $100 million since establishment, with a current valuation of around $146 million. Over the life of the fund, this translates to a gross internal rate of return (IRR) of 9.3% and a net IRR (i.e. net of costs) of 5.1%.

Investment realisations

Aspire had several investment realisations during the financial year totalling $2.8 million. The most notable of these was a full exit of Moxion, which was sold to Autodesk for an undisclosed amount. The other successful exits during FY22 were the acquisition of Unimarket by Accel-KKR and the acquisition of Rocos by DroneDeploy.

2022 case studies —

Backing great founders and innovative start-ups is why we exist. The following are just a few examples of some of the shining lights that we have invested in along with a broad range of co-investors.



Grow against all odds.

Empowering growers with groundbreaking technology to transform fruit-growing for people and planet.

Founded in 2019 in a home garage, Cropsy's proprietary AI-enabled hardware is bringing omniscience to fruit-growing and has attracted interest and support of early technology adopters like Pernod Ricard. Its technology allows users to transform how they plan their vineyard, manage pests and diseases, measure and estimate their yields, prune vines, replant underperformers, and even fix their broken posts.

Cropsy's purpose is to unlock the full potential of growers' land with insights that were impossible before: allowing growers to monitor every plant, understand the whole crop and track how it changes over time.

CROPSY TECHNOLOGIES

Sector: Agri-tech

cropsy.tech

Founders:

Leila Deljkovic, Ali Alomari, Rory Buchanan, Winston Su

Co-investors:

Angel Investors Marlborough (AIM), K1W1, Icehouse Ventures, AngelHQ, Enterprise Angels, Impact Enterprise Fund

NZGCP ownership: 6.94%

First investment: December 2021

Test. Measure. Solve.

As optical communication technologies find new applications, we require new solutions to solve increasingly complex test and measurement challenges. Quantifi Photonics is on a mission to transform the world of photonics test and measurement devices.

From its Auckland headquarters, Quantifi Photonics designs and manufactures test and measurement solutions for optical communication data and telecom networks, a multi-billion-dollar global market.

Having built a global reputation for excellence and innovation since being founded in 2012, the company is now a critical supplier to leading multinational technology companies in over 25 countries. It is now in a unique position to supply test instruments to large manufacturers of optical communication devices to enable the explosive growth of 5G networks.

Quantifi Photonics has offices in Austin, Texas, and a recently established research and development (R&D) centre in Thailand. It is now passionate about building a world-class technology company firmly rooted in Aotearoa.

QUANTIFI PHOTONICS

Sector: Deep-tech

quantifiphotonics.com

Founders:
Andy Stevens, Iannick Monfils

Co-investors:
Nuance Connected Capital, K1W1, Punakaiki Fund, Pacific Channel, Simplicity Nominees, Southern Photonics, Auckland UniServices

NZGCP ownership: 4.84%

First investment: 2017

Creating new value for climate action.

Toha is placing the environment at the heart of the regenerative economy through new impact assets, markets and network infrastructure that allows the true value of regenerative action to be recognised and traded.

Founded in 2018, Toha's collective goal is to enable economic prosperity through the regeneration of the environment, starting in Aotearoa New Zealand.

Through a system of claims, pledges, marketplace and networks, Toha creates new value for climate action by reliably measuring and proving regenerative outcomes that can be recognised and traded in the market – enabling impact investment to be unleashed to the front line of climate action at scale.

TOHA

Sector: Clean-tech

toha.nz

Founders:

Nathalie Whitaker, Mike Taitoko, Professor Shaun Hendy

Co-investors:

Movac, K1W1

NZGCP ownership: 1.64%

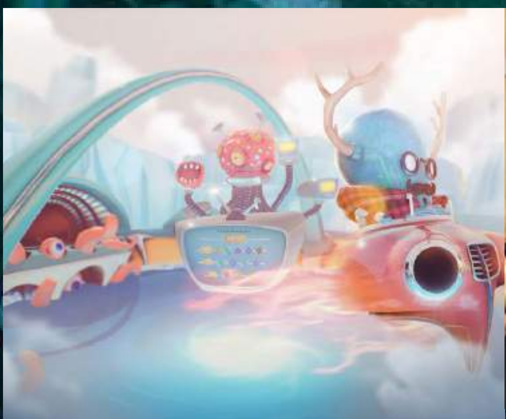
First investment: October 2021

Share the goodness.

Beyond creates virtual worlds where everyone can belong.

At the cutting edge of creating virtual worlds, Beyond builds environments that encourage human connection, sociability and fun.

Blending together technology and entertainment since establishment in 2018, co-founders Jessica and Anton created Beyond with a focus on multi-player virtual-reality (VR) gaming. It was the first studio in the world to launch an eight-player free-room game (Oddball) and was awarded the Spark 5G Starter Fund in 2020. Beyond sold out its VR collection of Burrows in less than 30 minutes while raising over $1 million for Auckland City Mission via a collaboration auction with Kiwi technology company Non-Fungible Labs and musician/rapper/actor Snoop Dogg.



BEYOND

Sector: Software

beyond.fun

Founders:
Jessica Manins, Anton Mitchell

Co-investors:
AngelHQ, K1W1

NZGCP ownership: 5.70%

First investment: August 2021

Born in New Zealand. Built tough.

Whether you are taking inspirational journeys, exploring our planet, saving our parks, or getting jobs done, UBCO and their electric bikes want to 'power your purpose'.

Tauranga start-up UBCO was founded in 2015 on the idea of a rugged all-wheel-drive electric utility bike and has rapidly evolved into a digitally connected electric vehicle platform. Leveraging the benefits of modern electric drive and battery technology, its platform includes on- and off-road transport, accessories, subscription software, and 4,000+ riders globally.

UBCO has strong international growth goals, with evident expansion in the USA, Australia and European markets. USA sales alone have tripled in the past year with rising demand via its 64 USA dealers. UBCO also joined Prime Minister Ardern's 2022 trade mission, meeting American technology giants, investors and political influencers.

Recent investment has allowed the company to focus on its environmental, social and governance (ESG) commitments around end of life. In addition to its DNA of durability and circularity, UBCO is now exploring battery chemistries that both boost performance and reduce dependencies on conflict minerals.

UBCO

Sector: Clean-tech

ubco.co.nz

Founders:
Daryl Neal, Anthony Clyde, Timothy All

Co-investors:
GD1, Snowball Effect, Enterprise Angels

NZGCP ownership: 1.71%

First investment: 2016

Investment report — Venture Investment Fund (VIF 1.0)

The VIF 1.0 fund is at the end of its life, and activity is predominantly made up of three venture capital funds that are seeking to realise their remaining portfolio over the next two to three years.

During FY22 there was an in-specie distribution of Aroa shares from Movac Fund 3 to VIF 1.0 to the value of around $6.1 million. There were non-cash distributions of a further two investments valued at $0.8 million which was reinvested; and $1.3 million investment earnouts received. The funds called amounted to approximately $0.2 million of capital; remaining uncalled commitments at year-end totalled $0.8 million.

The residual unrealised value of remaining VIF 1.0 assets at year-end was $16.2 million compared to FY21 $27.4 million, which, after accounting for distributions, represents a $10 million loss since the prior year due to the drop in listed share prices for two investments and a decline in the performance of some of the funds' underlying investments. A conservative approach has been taken in valuing the VIF 1.0 fund's underlying investments given current market uncertainty.

Market development —

With a focus on collaboration and development, the market development programme for FY22 focused on the following three work streams:

Building the base

Diversity, quantity and quality of Series A/B opportunity pipeline. Increasing origination of start-ups with a focus on under-represented areas e.g. youth, deep-tech/ emerging sectors, Māori and women founders. Raising awareness of, and participation in the early-stage investment ecosystem.

Growing capability and introducing diverse capital sources

Support Angel and venture investors, encourage new Seed funds with private and institutional capital, increase access to global markets.

Fostering collaboration, connectivity, and healthy competition

Including between government agencies and investor networks.

Programmes and events that we have backed to help address these work streams include:

Velocity
OnBoard
TIN
NZ Private Capital
Angel Association New Zealand
Abroad
Careers of the Future
Young Enterprise
Electrify Aotearoa
Startmate
Electrify Accelerator
stripe

Environmental, social and governance (ESG) statement —

NZGCP's environmental impact

While NZGCP's small size and nature of our business does not give us a large environmental footprint, we believe it is part of our corporate responsibility to minimise our impact on the environment where possible. Most of our carbon emissions arise from air travel, commuting travel to and from the workplace and the energy used in our offices (both of which are small premises in large office towers where we have little control over emissions). In the 2022 financial year, there was no international travel for NZGCP staff and the environmental impacts of such travel will be considered in any proposals for overseas travel in the future.

As at 30 June 2022 we do not comprehensively measure and publicly report on this effort, however. From 2023, we will be seeking to report our emissions and our efforts to reduce these, ensuring we are playing our part in building a low-carbon, resilient and sustainable future for Aotearoa New Zealand.

NZGCP has already introduced measures to reduce our environmental impact where possible. Such measures include recycling, digitisation and automation, the introduction of a videoconferencing system, restricting air travel only where meetings or events are more effective and productive in person, and using an electricity supplier that uses 100% renewable generation. Our flexible working arrangements mean that on any given day a number of staff will be working from home and therefore not using transport to get to the office. We have also leased office space in buildings that have end-of-journey facilities to encourage walking or cycling to work where possible.

Environmental impact of our investments

As Elevate is a fund of funds, NZGCP does not directly hold or control any of the underlying investee companies. Where we hold investments directly via the Aspire fund, these are minority stakes in early-stage companies that do not generally have capacity to measure their own carbon emissions and are not advanced enough to be able to quantify the intended emissions or reduction in emissions from their technology. As a result, we do not currently report on carbon emissions across our portfolio of investments.

As a generalist technology fund, we mainly look to invest in deep-tech companies. We align our focus with societal needs, hence our focus on clean-tech, bio-tech and agri-tech. In our investment decisions, we consider the nature of the technology being developed and its impact on the environment.

Social

Our approach to issues such as Diversity and Inclusion are set out in the People section of this report. See pages 10 to 12.

Governance

Our governance arrangements are in line with the principles of good practice for Crown entities and are set out elsewhere in this report. See pages 5 to 6.

Investment performance and activity statement —

This Investment Performance and Activity Statement measures NZGCP's progress against objectives and measurements set out in our 2020 – 2024 Statement of Intent (SOI).

Our why

NZGCP is mandated to create a vibrant and self-sustaining New Zealand early-stage investment ecosystem, investing in globally ambitious companies and contributing to New Zealand's economic prosperity.

What success will look like

Impact One
Increased level of private and institutional capital invested into high-growth companies

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

Impact Three
Increased connectiveness for globally ambitious companies

Impact Four
An ecosystem conducive to early-stage investment

How we will achieve this

Output One
Co-invest to bridge capital gaps and move towards self-sustainability

Output Two
Catalyse new sources of investment capital

Output Three
Develop high-level deal flow and diverse investment partnerships

Output Four
Develop the market, improve connectedness and investment conditions

What we will use

NZGCP Capital | **Institutional Capability** | **Operating Budget**

As explained in our SOI, NZGCP's Strategic Framework includes performance measures which have been defined in two parts, Impact Measures and Output Measures:

— The Impacts and related Impact Measures are wider ecosystem goals (what success would look like over the medium term) that will help track ecosystem progress but are the result of many drivers, some of which are outside the control of NZGCP. These should be viewed in conjunction with the Output Measures.

— The Outputs and related Output Measures represent more direct measures or tools that NZGCP implements to assess and actively track our progress (the tools we use to achieve this over a one-year period). These Output Measures are reported annually in the Statement of Performance Expectations (SPE) and progress is measured in the Statement of Performance within this report.

Impact One — Increased level of private and institutional capital invested into high-growth companies

Measures	30 June 2021 Actual	30 June 2022 Actual	Full year SOI Target 2021/22
1. Total amount invested by the angel/seed market into New Zealand high-growth companies (p.a.) [1]	$158m	$257m	$116m
2. Total amount invested by the venture capital market into New Zealand high-growth companies (p.a.) [2]	$127m	$321m	$120m

Comment

1. The total amount invested by the angel/seed market into New Zealand high-growth companies as measured by *Startup Investment New Zealand* published by PwC, NZGCP and AANZ for the years ending 31 December 2020 and 31 December 2021. This report showed growth in the number of investments made and the round sizes.
2. The total amount invested by the venture capital market into New Zealand high-growth companies as measured by *New Zealand Private Equity and Venture Capital Monitor* published by EY for the years ending 31 December 2020 and 31 December 2021. Following the launch of Elevate in March 2020, we have now seen almost $700 million of capital available for New Zealand start-ups at the Series A/B stage plus a growing number and depth of both domestic and international venture capital managers investing in New Zealand start-ups. Domestic venture capital funds deployed their newly raised funds at pace, round sizes have generally been bigger than predicted and some of the most promising companies (e.g. Mint, Halter, First AML, Auror, UBCO and Open) have been able to raise significant rounds to accelerate their growth. The depth and quality of the pipeline for the New Zealand venture capital funds over the last two years has resulted in record-breaking levels of activity in our start-up ecosystem. As international headwinds emerge, we expect the speed of venture capital deployment to slow significantly over the next few years but for levels to remain significantly above those prior to Elevate's launch and we expect the current vintage of funds to deploy larger deposits into fewer companies as their portfolios mature.

Impact Two — Increased number of experienced and professional investors who are active in the industry

Measures	30 June 2021 Actual	30 June 2022 Actual	Full year SOI Target 2021/22
1. Total number of domestic funds >$50m active in the market	6	11	10
2. Total number of domestic funds <$50m (micro/seed funds) active in the market	10	18	15
3. Number of serial angel investors in the market	100 - 150	100 - 150	100 - 150
4. Number of active venture capital investment professionals	39	44	40

Comment

1. As at 30 June 2022, investors include Altered Capital, Blackbird Ventures, Brandon Capital, GD1, Icehouse Ventures, Movac, New Zealand Green Investment Finance, NZGCP, Nuance Capital, Pacific Channel, and Punakaiki Fund. These investors have funds classified here given their sizes and active investment into venture capital-stage funding rounds.
2. As at 30 June 2022, investors include Aera VC, Alt Ventures, Arc Angels, Climate Venture Fund, Crypto Fund 1, Cure Kids Ventures, Finistere, GreenMount, Hillfarrance, Impact Enterprise Fund, Maker Partners, Matu Fund, NZVC, Outset Ventures, Phase One Ventures, Quidnet Ventures, Seraphim VC and WNT Ventures. The reported figures for these two measures are estimated based on external information from online databases as well as NZGCP's own knowledge and experience of the market through our varied co-investments and relationships.
3. We note the wider angel network has potentially 1,000+ angels, of which 100 to 150 were estimated to be active at 30 June 2022. We have reported the midpoint of the estimated ranges.
4. These reported figures are estimated based on external information from online databases as well as NZGCP's own knowledge through underlying investments of the Elevate fund. We have included only domestically based investment professionals.

Impact Three — Increased connectiveness for globally ambitious companies

Measures	30 June 2021 Actual	30 June 2022 Actual	Full year SOI Target 2021/22
1. Total number of New Zealand high-growth companies receiving investment from ecosystem p.a. (angel and venture capital)	200	325	160
2. Total number of syndicated institutional funding rounds (venture capital)	6	9	7
3. Syndication proportions in the angel/seed ecosystem (angel)	85%	75%	77%

Comment

These measures have been updated to move away from an offshore investment focus, to measuring the capital invested into New Zealand high-growth companies irrespective of source. In addition, the new measures focus on syndication within the New Zealand angel and venture capital spaces, as an indicator of the ability for companies to be connected to multiple sources of capital.

1. This measure reports the number of New Zealand high-growth companies receiving investment from the angel/seed market as measured by *Startup Investment New Zealand* published by PwC and AANZ, and by the venture capital market as measured by *New Zealand Private Equity and Venture Capital Monitor* published by EY, both for the years ending 31 December 2020 and 31 December 2021.

   The results indicate a significant increase in the number of investments in the angel/seed market (174, up from 108), and a large increase in the early-stage investment by the venture capital market (151, up from 92).

2. This measure is defined as Aspire investment with two or more venture capital investors in the same funding round; and Elevate investments with one or more venture capital investors in the same funding round. As a result of the lack of market-wide data, only Aspire and Elevate investments were taken into account.

3. These statistics, as measured by *Startup Investment New Zealand* published by PwC and AANZ, shows record numbers of syndicated deals. The reduction in syndication proportions in the angel/seed sector reflects proof-of-concept or pre-seed deals that were invested in by incubators and early-stage investors in 2022; these deals are normally very early-stage and generally only one investor participates. We anticipate that in FY23, international syndication may decline as global venture capital activity temporarily falls from record levels of growth during calendar year 2021.

Impact Four — An ecosystem conducive to early-stage investment

Measures	30 June 2021 Actual	30 June 2022 Actual	Full year SOI Target 2021/22
1. Industry development initiatives undertaken in conjunction with NZPCA and AANZ	4	7	4
2. Advice provided to the Government to assist market development	4	5	2

Comment

1. NZGCP has continued to be involved in supporting market development initiatives in FY22. We supported a number of initiatives detailed further in the Statement of Performance. Please refer to Output Four for a detailed list of notable initiatives.
2. Key advice provided included:
   - Engagement with AANZ, NZ Private Capital and MBIE on talent and immigration issues
   - Aspire settings review (December 2021)
   - Aspire settings review (April 2022)
   - Consultation on Business Growth Fund
   - Consultation on Investor Migrant Visa.

   NZGCP also provides further analysis and data on ad hoc queries when requested from the government agencies throughout the year.

Output measures 2021/22

Output One: Move to sustainability by making and managing investments

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

— We will make portfolio investments into eligible industries and stages in accordance with our mandate.
— We will manage investments to demonstrate and optimise portfolio returns.
— We will recycle investment proceeds into new investments.

Quantity Measures*	Actual 2020/21	Actual 2021/22	Target 2021/22	Comments
Number of new investments in companies from Aspire[1]	14	11	13	**Target not met.** The main drivers behind not meeting the target: – Aspire is actively targeting underinvested markets and reducing its focus on sectors where there is sufficient capital already available. This pivot meant a temporary slowdown in new investments in the new higher-priority sectors. – A lack of internal resources resulting in having to review fewer deals or not being able to invest within the required timeframes.
Total number of companies receiving investment from Aspire (p.a.)	40	35	35	**Target met.** The Aspire fund made investments into 35 companies (across 39 investments). The market was very active and the constraining factors above should be considered.
Total amount invested into companies annually from Aspire	$10.8m [2]	$14.1m	$11.0m[2]	**Target met.** The Aspire fund invested $14.1m into 35 companies; both the number and average deal size increased from prior year and this is in line with market trends.
Total proceeds from divestment of investments (Aspire and VIF 1.0 funds)**	$13.0m	$10.3m	$21.2m	**Target not met.** Proceeds were received from both the Aspire and VIF 1.0 funds across 11 investments, including 8 full cash exits. Distribution was also received in the form of shares from 2 companies (1 company received both cash and share distribution). Three sets of investment earnouts were received. The wind-down of the VIF 1.0 fund is slower than anticipated as the global markets face economic headwinds. Target included listed share divestments which have not yet been made.
Amount of capital committed to Venture Funds invested in by Elevate NZ (p.a.)	$86.8m	$94.0m	$75.0m	**Target met.** Commitments were made into additional venture capital funds during FY22, taking the total number of funds committed into to 7 (with an eighth conditional approval made post year-end).

[1] The target set by NZGCP as per the Estimates of Appropriation was for Aspire to reach or exceed 15 new investments. This target was not met and the reasons align with those disclosed above.
[2] The investment limit temporarily increased to $20 million was extended through to 30 June 2022.

Quality Measures

1. **Over 90% of the NZGCP investment portfolio (by number) in seed, proof-of-concept and early-expansion stage investments.**
   — Currently over 98% of NZGCP investments are in proof-of-concept, seed and early-expansion stage. We expect this to decrease over time as the portfolio matures, and investment companies grow and expand.
2. **100% of investment transactions comply with the NZGCP Responsible Investment Framework, which is consistently applied when approving investments. 100% of investment transactions will meet NZGCP's eligibility criteria.**
   — All investments made in FY22 were consistent with NZGCP's mandate requirements.
   — As well as ruling out certain industries for investment, we will consider wider ESG factors when approving investments.

Judgements used

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

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

Output Two: Attract capital – catalyse new sources of investment capital

We act as a catalyst to attract new sources of investment capital through opportunity and investment return demonstration effect.

— We will seek to grow both the number of experienced investors investing into early-stage New Zealand companies and the commitment those investors make into the market.

Quantity Measures*	Actual 2020/21	Actual 2021/22	Target 2021/22	Comments
Cumulative number of venture capital (VC) funds invested in by Elevate (including second vintages)	4	7	8	**Target not met.** Commitments were made into 7 venture funds at 30 June 2022. An eighth conditional approval was finalised after year-end in July 2022.
Cumulative amount of private capital raised by VC funds that Elevate invests in	$303m	$484m	$427m	**Target met.** Significant private capital was raised by the venture capital funds that the Elevate fund invested in, resulting in substantial fund sizes for these funds.
Cumulative investment leverage ratio for Elevate (public to private capital)	1:3.5	1:3.7	1:1.7	**Target met.** As above, the level of private capital that was committed resulted in an increased leverage ratio.
Number of companies attracting Series A/B investment (Aspire and Elevate)**	25	41	30	**Target met.** Series A/B fundraises increased due to the larger number and size of venture capital funds in New Zealand representing the continued positive impact of the launch of the Elevate fund and the strong pipeline of high-quality companies maturing to this stage. This has also attracted greater international investment into New Zealand start-ups. The increase in the number of companies attracting Series A/B investment is in line with international market trends.
Number of companies with offshore VC investment at Series A/B (Aspire and Elevate)	11	22	10	**Target met.** In line with forecast, with the introduction of the Elevate fund, the launch of the Underlying Funds and the quality of the early-stage companies, an increase interest is apparent through offshore investment into New Zealand start-ups.
Investment leverage ratio for Aspire (public to private capital)	1:11	1:11.1	1:4	**Target met.** The Aspire fund invested $14.1m into 35 companies, with those companies raising over $157m. The Aspire fund's portfolio is continuing to mature, with the success of numerous Aspire fund portfolio companies resulting in later-stage and larger fundraises that attracted significant private and offshore capital.

Quality Measure

Angel partnerships and venture capital funds have been successful in attracting capital from new sources. NZGCP has demonstrated that it has been successful in attracting capital from new sources through:

- The mandate revisions in 2017/18 have allowed NZGCP to partner with non-angel network investors. The PwC and AANZ *Startup Investment New Zealand* publication reported record levels of syndication in calendar year 2021 among angel/seed investments.
- The launch of the Elevate fund has had a positive impact on these measures and is expected to continue to do so in 2022/23 and beyond, which will help to attract capital from overseas investment managers, as well as growing local venture capital funds. The total amount invested by venture capital funds into the early-stage companies more than doubled from 2020/21 to 2021/22 as mentioned in the *New Zealand Private Equity and Venture Capital Monitor* published by EY for the years ending 31 December 2020 and 31 December 2021.

Judgements used

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

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

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.

Quantity Measures	Actual 2020/21	Actual 2021/22	Target 2021/22	Comments
Number of investment opportunities reviewed by Aspire	147	176	135	**Target met.** In 2021/22 the Aspire fund approved 34 investments and completed 39 investments in FY22 (included investments approved in FY21). At year-end, 4 investments had been approved but not completed. During the year, 45 investments were taken to due diligence and, as at the end of the year, an additional 9 opportunities were at the detailed due diligence stage. The increased volumes reflect in part the active market and improved syndication with co-investment partners.
Number of Aspire syndicate partners*	36	37	36	**Target met.** 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 that are inactive or whose close-ended funds are no longer investing.

* For Elevate investment partners, refer to “What will success look like #2” and the measure “Cumulative number of venture capital funds invested in by Elevate NZ Venture Fund” on page 39.

Quality Measures

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

Judgements used

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

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 the Government on policy changes to improve the investment environment.

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

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

Quantity Measures	Actual 2020/21	Actual 2021/22	Target 2021/22	Comments
Industry development initiatives undertaken in conjunction with NZPCA and AANZ [1]	4	7	4	**Target met.** Seven industry development initiatives and co-branding of several summits: — Sponsorship of Electrify Accelerator – a new programme run by Ministry of Awesome to help develop and support new female start-up founders — Collaboration with AANZ – running a series of early-stage investment education workshops — Collaboration with AANZ – running the Business Growth workshops — Collaboration with NZTE – running workshops on employee share schemes — Collaboration with StartMate, AWS re-Start and Summer of Tech to promote programmes that improve diversity in the start-up community — Co-branded AANZ Angel Summit and spoke/participated in AANZ Strategy Day and Annual General Meeting — Co-branded and spoke at NZ Private Capital Venture Summit.
Advice provided to the Government to assist market development	4	5	2	**Target met.** NZGCP worked on the following work streams/gave advice on: — Engagement with AANZ, NZ Private Capital and MBIE on talent and immigration issues — Aspire fund mandate and settings review twice during FY22 — Consultation on the Business Growth Fund — Consultation on the revised Investor Migrant Visa.

[1] Measure aligned to the FY22 appropriation estimates.

Quality Measures

1. **Best-practice initiatives accepted and adopted by the industry; dissemination of early-stage investing best practice to NZGCP's investment partnerships.**

   NZGCP has achieved this measure, as demonstrated by delivering initiatives that were supported by the industry as disclosed in the above table.

2. **Providing advice to the Government on early-stage capital markets.**

   NZGCP has achieved this measure by providing feedback to the Government on policy initiatives that impact the earliest-stage capital markets as disclosed in the above table.

Statement of responsibility —

for the year ended 30 June 2022

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

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

In the opinion of the Board and management of the New Zealand Growth Capital Partners, the annual financial statements and Statement of Performance for the year ended 30 June 2022 fairly reflect the financial position and operations of the New Zealand Growth Capital Partners Limited and the Group.

David Smol
Chair

Annabel Cotton
Director

Independent Auditor's report —

To the readers of New Zealand Growth Capital Partners Limited's group financial statements and performance information for the year ended 30 June 2022

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

Opinion

We have audited:

— the consolidated financial statements of the Group on pages 50 to 73 that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information; and

— the performance information of the Group on pages 38 to 42 and 47-48.

In our opinion:

— the consolidated financial statements of the Group on pages 50 to 73:

- present fairly, in all material respects:
  - its financial position as at 30 June 2022; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and

— the performance information on pages 38 to 42 and 47-48:

- presents fairly, in all material respects, the Group's performance for the year ended 30 June 2022, including:
  - for each class of reportable outputs:
    - › its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - › its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 27 October 2022. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

— We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

— We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.

— We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board responsible for the other information. The other information comprises the information included on pages 1 to 37, 43 and 74 to 78, but does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

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

Statement of performance —

for the year ended 30 June 2022

This Statement of Performance measures NZGCP's progress against objectives and measurements set out in our FY22 Statement of Performance Expectations.

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

Currently NZGCP has one appropriation:

1. Economic Development: Development of Early-Stage Capital Markets MCA. The single overarching purpose of this appropriation is to provide capital and market development services to support the development of markets for early-stage equity finance and venture capital. Please refer to Output One and Output Four for details on performance.

How much it cost

	Budget 2021/22	Actual 2021/22
Operating revenue		
Revenue from the Crown	$750,000	$750,000
Total operating revenue	**$750,000**	**$750,000**
Operating expenses		
Other operating expenses - Market Development	$750,000	$551,662
Total operating expenses*	**$750,000**	**$551,662**
Surplus/(deficit)	–	**$198,338**
Net surplus/(deficit) related to other operating activities	–	**$198,338**

* Operating expenditure reported above excludes any time spent by salaried employees towards market development activities and includes spend such as sponsorships, events, awareness campaigns and upskilling of various role players in the early-stage investor sector.

Previously NZGCP received two separate investment appropriations:

1. The Venture Investment Fund (VIF 1.0), which was a $125.5 million appropriation. The purpose of the VIF 1.0 capital appropriation was to invest with privately managed venture capital funds to catalyse the New Zealand venture capital market; and
2. The Aspire Fund, which had a $46.8 million appropriation. The purpose of the Aspire Fund capital appropriation is to invest in early-stage high-growth technology companies, alongside qualified professional investors.

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

	Total appropriation	Appropriations 2021/22	Actual drawn from Crown 2021/22	Commentary
VIF 1.0 – This category was intended, in 2002, to achieve the provision of funds to be co-invested with the private sector to address the venture capital market gap by providing new risk capital to emerging high-growth New Zealand companies.	$125.5m	$0	$0	**In line with expectation.** VIF 1.0 has fully drawn its capital appropriation.
Aspire Fund – This appropriation is intended to invest in early-stage high-growth technology companies that are addressing global opportunities, alongside qualified professional investors. Creation of these high-value export-oriented companies would deliver benefits for the firm and the New Zealand economy.	$46.77m	$0	$0	**In line with expectation.** Aspire has fully drawn all allocated appropriation.

	Actual 2020/21	Actual 2021/22	Forecast 2021/22
Revenue from the Crown	$750,000	$750,000	**$750,000**
Investment revenue	$42,039,342	–	**$13,721,703**
Other revenue	$2,966,021	$2,602,817	**$3,380,580**
Total revenue	**$45,755,363**	**–**	**$17,102,283**
Expenses	**$8,138,826**	**$6,555,513**	**$8,311,913**
Surplus/(deficit)	**$37,616,537**	**–**	**$8,790,370**

Refer to note 18 in the financial statements for commentary on major variances against forecast. NZGCP also received $2 million in revenue from the Guardians of New Zealand Superannuation in relation to managing the Elevate NZ Venture Fund.

In relation to these initiatives and our wider existing mandate, NZGCP undertook four Outputs, as detailed above.

Financials —

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Note	Group		
		2022 Actual $	2022 Unaudited Budget $	2021 Actual $
Net operating income	2	**1,507,018**	17,102,283	45,755,363
Expenses				
Administration expenses	3	**(6,162,697)**	(8,061,913)	(7,717,357)
Realised gain/(loss) on sale of fixed assets		**(17,945)**	–	(6,401)
Fund management fees and costs		**(374,871)**	(250,000)	(415,068)
Total expenses		**(6,555,513)**	(8,311,913)	(8,138,826)
Surplus before tax		**(5,048,495)**	8,790,370	37,616,537
Income tax expense	4	**–**	–	–
Total comprehensive revenue and expense		**(5,048,495)**	8,790,370	37,616,537

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Group		
	2022 Actual $	2022 Unaudited Budget $	2021 Actual $
Share capital	**172,219,801**	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit) at the beginning of the year	**26,516,603**	(11,175,293)	(11,099,934)
Total comprehensive revenue and expense for the year	**(5,048,495)**	8,790,370	37,616,537
Total equity/accumulated shareholders' surplus/(deficit) at the end of the year	**193,687,909**	169,834,878	198,736,404

Consolidated Statement of Financial Position

As at 30 June 2022

		Group		
	Note	**2022 Actual $**	2022 Unaudited Budget $	2021 Actual $
ASSETS				
Current assets				
Cash and cash equivalents		**3,343,992**	1,632,580	3,289,135
Receivables	5	**1,178,947**	540,948	1,053,176
Term deposit investments	6	**27,000,000**	48,700,000	41,900,000
Total current assets		**31,522,939**	50,873,528	46,242,311
Non-current assets				
Property, plant and equipment		**114,562**	75,071	73,691
Intangible assets		**3,600**	9,078	9,001
Long-term deposit		**80,500**	–	–
Investments through VIF 1.0 fund	7, 11	**16,222,292**	18,068,709	27,419,365
Investments through the Aspire fund	7, 11	**154,630,387**	102,308,490	123,028,517
Provision for diminution	7, 11	**(8,900,000)**	–	–
Investment earnout receivable	7, 11	**1,427,764**	–	3,273,679
Total non-current assets		**163,579,105**	120,461,348	153,804,253
Total assets		**195,102,044**	171,334,876	200,046,564
LIABILITIES				
Current liabilities				
Trade and other payables	11	**670,127**	1,499,998	507,363
Employee entitlements	10	**744,008**	–	802,797
Total current liabilities		**1,414,135**	1,499,998	1,310,160
Total liabilities		**1,414,135**	1,499,998	1,310,160
Net assets		**193,687,909**	169,834,878	198,736,404
EQUITY				
Share capital		**172,219,801**	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit)		**21,468,108**	(2,384,923)	26,516,603
Total equity		**193,687,909**	169,834,878	198,736,404

David Smol
Chair
27 October 2022

Annabel Cotton
Director
27 October 2022

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	Group		
		2022 Actual $	2022 Unaudited Budget $	2021 Actual $
Cash flows from operating activities				
Cash was provided from:				
Revenue from the Crown		**750,000**	750,000	750,000
Interest		**342,261**	281,183	867,510
Other income		**2,033,664**	2,350,393	2,454,457
Income tax refunded		**–**	–	30,012
Net goods and services tax (paid)/refunded		**65,237**	–	16,194
Sale of investments through the VIF 1.0 fund		**1,301,389**	17,069,691	7,431,439
Sale of investments through the Aspire fund		**2,834,090**	4,106,002	5,528,071
Term deposit investments		**14,900,000**	–	–
Cash inflow from operating activities:		**22,226,640**	24,557,269	17,077,683
Cash was applied to:				
Payments to suppliers		**(2,841,025)**	(4,083,199)	(3,941,151)
Payments to employees		**(3,669,296)**	(4,093,904)	(3,758,689)
Fringe Benefit Tax paid		**(20,735)**	–	(11,743)
Purchase of investments through the VIF 1.0 fund		**–**	–	(6,070)
Purchase of investments through the Aspire fund		**(15,640,788)**	(11,000,000)	(10,782,019)
Term deposit investments			(11,800,000)	(900,000)
Cash applied:		**(22,171,844)**	(30,977,103)	(19,399,672)
Net cash flow from operating activities		**54,796**	(6,419,834)	(2,321,989)
Cash flow from investing activities				
Purchase of property, plant, equipment and intangible assets		**(90,775)**	(86,250)	(58,576)
Net cash flow from investing activities		**(90,775)**	(86,250)	(58,576)
Net increase/(decrease) in cash and cash equivalents		**(35,979)**	(6,506,084)	(2,380,565)
Cash and cash equivalents at the beginning of the year		**3,289,135**	8,129,226	5,672,355
Effects of exchange rate changes on the balance of cash held in foreign currencies		**90,836**	–	(2,655)
Cash, cash equivalents, and bank overdrafts at the end of the year		**3,343,992**	1,623,142	3,289,135

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

Notes to the consolidated financial statements

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30 June 2022

1 — Summary of significant accounting policies

1.1 Reporting entity

The reporting entity is NZ Growth Capital Partners Limited ('NZGCP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). At 30 June 2022 the controlled entities were the Aspire NZ Seed Fund Limited and the Elevate NZ Venture Fund GP Limited, which are 100% controlled. Please refer to Notes 8 and 11 for further details.

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

The registered office for NZGCP is Level 9, 125 Queen Street, Auckland Central.

The consolidated financial statements of NZGCP as at and for the year ended 30 June 2022 were approved by the Board on 27 October 2022. The entity's owners do not have the power to amend these financial statements once issued.

1.2 Statement of compliance

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

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

1.3 Basis of preparation

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

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

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

1.4 Changes in accounting policies

There have been no changes in accounting policies during the year. All accounting policies are consistent with those applied in the previous financial year.

Standards issued but not yet effective

The following standards have been issued but are not yet effective for the year ended 30 June 2022:

PBE IPSAS 41 FINANCIAL INSTRUMENTS

Introduces requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 PBEs. It supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard to mitigate the effect on mixed groups of differences between New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and PBE standards. The standard is effective for reporting periods beginning on or after 1 January 2022. The Board and management do not expect any significant changes as a result of this new standard as the requirements are almost identical to PBE IFRS 9 Financial Instruments.

PBE FRS 48 SERVICE PERFORMANCE REPORTING

Introduces requirements for PBEs to select and present service performance information. It replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for reporting periods beginning on or after 1 January 2022. The Board and management are currently assessing the impact of this new standard on the NZGCP Group's Statement of Performance. Some additional disclosures will be required under the new standard, but the Board and management do not expect significant changes.

1.5 Budget figures

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

1.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of NZGCP and its subsidiaries as at and for the year ended 30 June 2022. The financial statements of the subsidiaries are prepared for the same reporting period as NZGCP using consistent accounting policies. In preparing consolidated financial statements, all inter-entity transactions, balances, unrealised gains and losses are eliminated.

1.7 Subsidiaries

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

At 30 June 2022 the controlled entities were the Aspire NZ Seed Fund Limited and the Elevate NZ Venture Fund GP Limited, which are 100% controlled. NZGCP has rights to variable benefits from its involvement with the Aspire NZ Seed Fund Limited and the Elevate NZ Venture Fund GP Limited. NZGCP has the power to affect the nature and amount of those benefits through its involvement with those entities.

Key judgement – assessment of control

NZGCP's investment in each subsidiary has been assessed in light of the control model established under PBE IPSAS 35 Consolidated Financial Statements to ensure the correct classification and disclosure of its investments in the subsidiary.

			Interest held	
Name of entity	**Principal activity**	Note	**2022**	2021
Aspire NZ Seed Fund Limited	Investment through underlying structured entries (via the VIF 1.0 fund) and start-up companies (via the Aspire fund)	(i)	**100%**	100%
Elevate NZ Venture Fund GP Limited	Holding subsidiary as administrator manager for the Elevate fund	(i)	**100%**	100%

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

1.8 Structured entities

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

— Restricted activities;

— A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors

— Insufficient equity to permit the structured entity to finance its activities without subordinated financial support

— Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

NZGCP is principally involved with structured entities through its investments in venture capital investment funds via VIF 1.0 fund. The Group invested in structured entities to assist with the implementation of its overall investment strategy. The Group does not sponsor any structured entities.

VENTURE CAPITAL INVESTMENT FUNDS

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

Key judgement – assessment of investments in structured entities

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

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

— The voting rights in the investments are not the dominant factor in deciding who controls the investment

— The investments have narrow and well-defined objectives to provide investment opportunities to investors.

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

1.9 Goods and services tax (GST)

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

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

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

1.10 Cash and cash equivalents

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

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

1.11 Impairment of financial and non-financial assets

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

Cash and cash equivalents, receivables (Note 5), and term deposit investments (Note 6) are subject to the expected credit loss model. The notes for these items provide relevant information on impairment.

1.12 Foreign currencies

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

Transactions denominated in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date, are translated to New Zealand dollars at the foreign exchange rate ruling at 30 June 2022. Foreign exchange differences arising on their translation and revaluation of monetary assets and liabilities are recognised in the consolidated statement of comprehensive revenue and expense.

1.13 Property, plant and equipment

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

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

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

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

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

— Computer equipment	33% – 60%
— Office equipment	11.4% – 60%
— Leasehold improvements	9.8% – 48%

1.14 Intangible assets

The Group only uses cloud-based applications and therefore monthly or annual fees are expensed as incurred.

Costs associated with the development of the Group's website are capitalised and amortised over the useful period of the website. Regular maintenance of the Group's website is recognised as an expense when incurred.

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

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

1.15 Statement of cash flows

The following are the definitions of the terms used in the Consolidated Statement of Cash Flows:

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

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

1.16 Critical accounting estimates and assumptions

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

— Assessment of control (Note 1.6)

— Assessment of investments in structured entities (Notes 7 and 11)

— Determination of fair value (Notes 7 and 11)

— Provision for diminution on investments (Notes 7 and 11).

1.17 Response to the COVID-19 pandemic and market uncertainties

The COVID-19 pandemic continues to have an impact on the value of certain investments as businesses and governments continue to respond to the outbreak. Additional judgement and valuation uncertainty has also been introduced in the current financial year as a result of rising interest rates and inflationary pressures, increased geopolitical tensions and global supply issues. The longer-term direct and indirect impacts of all these factors on the value of investments remains uncertain.

2 — Net operating income

Accounting Policy

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

Revenue from the Crown – non-exchange revenue

The Group is funded in part by the Crown for services 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 of the funder. The Group considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

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

Interest revenue – exchange revenue

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

Other revenue – exchange revenue

Other income includes fund income and is recognised when the right to receive payment is established.

The Venture Capital Fund Act 2019 was enacted to establish a new venture capital fund (the 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 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 and further disclosure under related parties (Note 8).

Investment gains and losses

Investments gains and losses represent changes in the value of the Aspire fund and VIF 1.0 fund. This balance is highly variable, driven largely by the performance of start-up companies.

In 2021 the Group recorded a gain on valuation of the two investment funds, largely as a result of a positive impact on the market created by COVID-19. Underlying values of the investments showed strong growth during 2022.

	Note	Group 2022 Actual $	Group 2021 Actual $
Non-exchange revenue			
Revenue from the Crown		**750,000**	750,000
Total non-exchange revenue		**750,000**	750,000
Exchange revenue			
Interest		**400,843**	524,945
Elevate NZ Venture Fund LP management fee	8	**1,969,103**	2,418,790
Other gains and losses		**90,486**	22,286
Investment gains and losses		**(1,845,799)**	42,039,342
Dividend receivable		**142,385**	–
Total exchange revenue		**757,018**	45,005,363
Total net operating income		**1,507,018**	45,755,363

3 — Items included in administration expenses

	Note	Group 2022 Actual $	Group 2021 Actual $
Amortisation		**5,401**	13,502
Audit fees		**195,105**	298,600
Depreciation		**47,112**	34,668
Directors' fees and expenses	14	**134,933**	164,313
Employee costs	9	**3,669,296**	4,243,433
Utilities and occupancy expenses		**122,527**	121,390
Other operating expenses		**1,988,323**	2,841,451
Total administration expenses		**6,162,697**	7,717,357

4 — Taxation

Accounting Policy

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

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

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

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

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

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

a — Income tax expense

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

	Group	
	2022 Actual $	2021 Actual $
Relationship between tax expense and accounting profit		
Net surplus/(deficit) before taxation	**(5,048,495)**	37,616,537
Prima facie income tax at 28%	**(1,413,578)**	10,532,630
Add/(less)		
Temporary and permanent differences	**531,915**	(11,582,716)
Deferred tax adjustment	**881,663**	1,050,086
Tax expense	**–**	–

b — Current tax

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

There is $10,497 (2021: $511) of current tax assets. The Group's current tax assets represent the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

c — Deferred tax

	Group	
	2022 Actual $	2021 Actual $
Unrecognised deferred tax assets and liabilities		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	**233,008**	252,335
Accumulated tax losses	**28,790,902**	25,294,871
Unrecognised deferred tax balances	**29,023,910**	25,547,206

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

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

5 — Receivables

Accounting Policy

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

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

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

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

	Group	
	2022 Actual $	2021 Actual $
Prepayments	**243,768**	252,647
Other receivables	**1,044,986**	939,693
Gross debtors	**1,288,754**	1,192,340
Less: allowance for expected credit losses	**(109,807)**	(139,164)
Total receivables and other receivables	**1,178,947**	1,053,176

6 — Term deposit investments

Accounting Policy

Bank term deposits are measured at amortised cost. Term deposits have original maturities of six months or less and an insignificant risk of change in fair value. Interest is subsequently accrued and included in receivables.

The Group considers there has not been a significant increase in credit risk for investments in term deposits because the issuer of the investment continues to have low credit risk at balance date. Term deposits are held with banks that have a long-term AA investment-grade credit rating or higher, as obtained from Standard & Poor's on 30 June 2022; this indicates the bank has a very strong capacity to meet its financial commitments.

	Group	
	2022 Actual $	2021 Actual $
Term deposits	**27,000,000**	41,900,000
	27,000,000	41,900,000

7 — Investments through the Aspire fund and the VIF 1.0 fund

The Aspire NZ Seed Fund Limited is a 100% subsidiary of NZGCP Limited. Within the Aspire NZ Seed Fund Limited there are two investment funds called the Aspire fund and the VIF 1.0 fund. The Aspire fund is an active, evergreen fund. VIF 1.0 fund invests in structured entities and the fund is closer to its end of life with a remaining undrawn commitment of $872,895. The strategic intent for the VIF 1.0 fund is to wind it up over the next few years.

a — Investment through the Aspire fund

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

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

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

	Group			
	Carrying value 2022 $	**Interest held 2022**	Carrying value 2021 $	Interest held 2021
Investment				
Investments through the Aspire fund	**100,555,386**	**0% – 22%**	86,855,528	0% – 22%
Accumulated revaluations	**54,075,001**		36,172,989	
	154,630,387		123,028,517	

The Aspire fund has invested into 261 (2021: 245) companies. As at 30 June 2022, a total of 35 companies have been fully impaired and 52 have been liquidated (2021: 96) and revalued down to $0.

b — Investment through the VIF 1.0 fund

NZGCP, via the VIF 1.0 fund, co-invested, alongside private sector investors, in seed and venture investment funds which are managed by external fund managers who make the investment decisions. The IPEV recommends that investors in venture capital funds should use the fund managers' reported valuation as an input in determining the fair value of their interest in the fund's investments. The IPEV also recommends that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. The external fund managers are contractually required to report to NZGCP on an ongoing basis and NZGCP monitors the performance and valuation of the portfolio. The reported fair value of the investment by each fund manager has been used as an input for the fair value assessment performed by NZGCP (Note 1.7).

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

	Group			
	Carrying value 2022 $	**Interest held 2022**	Carrying value 2021 $	Interest held 2021
Investment				
Investments through the VIF 1.0 fund	**33,105,196**	**2.5% – 40%**	36,457,171	2.5% – 40%
Accumulated revaluations	**(16,882,904)**		(9,037,806)	
	16,222,292		27,419,365	

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

c — Provision for diminution of investments

	Group	
	2022 Actual $	2021 Actual $
Opening balance	**–**	–
Provision raised during the year	**(8,900,000)**	–
Closing balance	**(8,900,000)**	–

We made a discretionary provision to a group of our Aspire early-stage companies to reflect the exceptional volatile period in the markets leading up to year end. The provision for diminution of investments was applied against a portion of the Aspire portfolio to recognise the potential risk of overvaluing companies that completed an investment round during the strong fundraising period of the year. We may decide to release some of the provision based on our determination that the provision is no longer necessary or as write-downs materialise.

d — Future earnouts

Any investments with future earnouts that are not performance-based, or performance-based but the performance criteria have been met, are classified as investment earnout receivables and investment earnouts, split between current and non-current assets. These are reported separate to the value of the Aspire fund and the VIF 1.0 fund investments.

8 — Related parties

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

Outstanding amounts with related parties at balance date are unsecured and subordinate to other liabilities. Interest is not charged on outstanding balances. There have been no guarantees provided or received for any related party receivables or payables. Transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

For the period ended 30 June 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: $Nil).

PARENT ENTITY

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

The company has a total of 172,219,801 (2021: 172,219,801) fully paid ordinary shares on issue. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

The Parent company received funds in prior years from the Crown, by way of equity subscriptions, to facilitate the Crown's objective of accelerating the development of the New Zealand venture capital industry. No funds have been received in 2022, as the Aspire fund and the VIF 1.0 fund are fully appropriated (2021: $Nil).

SUBSIDIARIES

NZGCP and subsidiaries hold a tax loss of $28,790,902 at 30 June 2022 (2021: $25,294,871). These losses will be carried forward and offset against any future taxable income. A deferred tax asset has not been recognised in respect of these items as it is not probable that taxable income will be available in the immediate future against which the losses can be applied (Note 4).

The Elevate NZ Venture Fund GP Limited subsidiary receives income as reimbursement for expenses for the Elevate Fund, as it is entitled to do under the Venture Capital Fund Act 2019. The Elevate Fund is managed by the Guardians of New Zealand Superannuation and is a government-related entity.

	Group	
	2022 Actual $	2021 Actual $
Manager fees received	**1,969,103**	2,418,790
Receivables	**645,197**	711,608

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

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

There were no other related party transactions during the year.

9 — Employee costs

Accounting Policy

Salaries and wages are recognised as an expense in the Consolidated Statement of Comprehensive Revenue and Expense as employees provide services.

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the Consolidated Statement of Comprehensive Revenue and Expense as incurred.

	Group	
	2022 Actual $	2021 Actual $
Salaries and wages	**3,498,916**	3,267,653
Employer contributions to defined contribution schemes	**229,169**	172,983
Increase/(decrease) in employee entitlements payable (Note 10)	**(58,789)**	802,797
	3,669,296	4,243,433

10 — Employee entitlements

Short-term employee entitlements

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

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

During FY22 a formal short-term incentive plan was put in place and based on the performance criteria an obligation exists against it; as a result, both a liability and an expense are recognised for it.

	Group	
	2022 Actual $	2021 Actual $
Accrued salaries	**104,827**	89,304
Annual leave	**179,549**	146,526
Short-term incentives	**424,024**	533,758
Employer contributions to defined contribution schemes	**35,608**	33,209
	744,008	802,797

11 — Financial instruments

Accounting Policy

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

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables, investments and payables. All financial instruments are recognised in the Consolidated Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus, in the case of financial assets and financial liabilities not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at fair value through surplus or deficit are expensed in the Consolidated Statement of Comprehensive Revenue and Expense.

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

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

SUBSEQUENT MEASUREMENT

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

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

— Those to be measured at amortised cost.

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

Financial assets at fair value through surplus or deficit

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

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

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

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

Financial assets at fair value through surplus or deficit are recognised in the Consolidated Statement of Financial Position at fair value with changes in fair value being recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the period in which they arise.

Financial assets at amortised cost

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

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

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

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

Financial liabilities at amortised cost

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

DERECOGNITION

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

IMPAIRMENT

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

Financial assets that are measured at amortised cost and therefore subject to the impairment provisions (the 'expected credit loss model') of PBE IFRS 9 Financial Instruments comprise cash and cash equivalents and receivables.

The risk of impairment loss for cash and cash equivalents is considered immaterial. Disclosures relating to the impairment of receivables are provided in Note 4(c).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

NZGCP classifies the Aspire fund, the VIF 1.0 fund investments and investment earnout receivables under the category financial assets at fair value through surplus or deficit.

a — Financial instrument categories

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

	Group	
	2022 $	2021 $
Financial assets designated at fair value through surplus or deficit on initial recognition		
Investments through the VIF 1.0 fund (Note 7)	**16,222,292**	27,419,365
Investments through the Aspire fund (Note 7)	**154,630,387**	123,028,517
Provision on diminution of investments (Note 7)	**(8,900,000)**	–
Investment earnout receivables (Note 7)	**1,427,764**	3,273,679
Total financial assets designated at fair value through surplus or deficit on initial recognition	**163,380,443**	153,721,561
Financial assets measured at amortised cost		
Cash and cash equivalents	**3,343,992**	3,289,135
Trade and other receivables (excluding prepayments)	**935,179**	800,529
Term deposit investments	**27,000,000**	41,900,000
Total financial assets measured at amortised cost	**31,279,171**	45,989,664
Financial liabilities measured at amortised cost		
Trade and other payables	**670,127**	507,363
Employee entitlements	**744,008**	802,797
Total financial liabilities measured at amortised cost	**1,414,135**	1,310,160

b — Fair value hierarchy disclosures

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

- Level 1. Quoted market price – financial instruments with quoted prices for identical instruments in active markets.
- Level 2. Valuation technique using observable inputs financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3. Valuation technique with significant non-observable – inputs financial instruments valued using models where one or more significant inputs are not observable.

		Valuation technique		
30 June 2022 – Group	Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets				
Investments through the VIF 1.0 fund	16,222,292	4,702,373	–	11,519,919
Investments through the Aspire fund	154,630,387	5,129,486	–	149,500,901
Provision for diminution of investments	(8,900,000)	–	–	(8,900,000)
Investment earnout receivables	1,427,764	–	–	1,427,764
Total	163,380,443	9,831,859	–	153,548,584

Key judgement – determination of fair value

A majority of investments are categorised within Level 3 of the fair value hierarchy and these investments, by their nature, are inherently more subjective and therefore more exposed to valuation uncertainty as at 30 June 2022. While the determination of fair value in relation to these investments is subject to careful consideration and consultation with a range of reliable and independent sources, the longer-term direct and indirect impacts on the valuation of these investments from the ongoing COVID-19 pandemic, the impact of rising interest rates and inflationary pressures, and increased geopolitical tensions and global supply issues remain uncertain. The Board and management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments to their carrying value might be required.

Although the fair value of unlisted investments is based on the best information available, there is a high degree of uncertainty about that value due to the early-stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the Group's Statement of Comprehensive Revenue and Expense, and Statement of Financial Position.

We have implemented a short-term provision on diminution against our investments. It is a means to reflect and absorb public market uncertainty and any potential impacts on the early-stage private companies we invest in. The provision may be temporary and was raised on a portion of the Aspire portfolio which are at a higher risk of being overvalued as they were primarily valued on rounds completed during the current financial year.

It is not a view of the company-by-company quality and traction experienced within our Aspire portfolio and we will reassess this provision annually. Recovery of the provision (incremental or whole) will be at management's discretion and based on key factors including portfolio companies raising subsequent rounds, exits achieved, or recovery of the markets.

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

30 June 2021 – Group	Valuation technique Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets designated at fair value through surplus or deficit on initial recognition				
Investments through the VIF 1.0 fund	27,419,365	10,988,608	–	16,430,757
Investments through the Aspire fund	123,028,517	9,108,042	–	113,920,475
Investment earnout receivables	3,273,679	–	–	3,273,679
Total	153,721,561	20,096,650	–	133,624,911

c — Strategy in using financial instruments

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

d — Credit risk

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

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

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

NZGCP did not have any credit facilities at balance date.

e — Market risk

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

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

Market price risk

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

Note 7 Investments explains how NZGCP determines the fair value of the VIF 1.0 fund and the Aspire fund investments.

Interest rate risk

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

f — Liquidity risk

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

12 — Commitments

Capital commitments

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

	Group	
	2022 Actual $	2021 Actual $
Capital commitments		
Uncalled capital commitments of the VIF 1.0 fund	**872,895**	1,008,190
Elevate NZ Venture Capital fund	**40,000,000**	40,000,000
Total capital commitments	**40,872,895**	41,008,190

VIF 1.0 Investment fund – generally, drawdowns by a specific fund manager are substantially made over a five-year period from the first commitment and include calls for management fees and investments. The VIF 1.0 Investment fund is at the end of the fund life cycle and outstanding commitments due materially reflect management fees payable in future periods. Over the life of a fund, the Group may receive distributions which it uses to fund future capital calls.

The Elevate NZ Venture Capital fund, established in December 2019, has an initial size of $259.5 million, anticipated to increase to an aggregate of $300 million in the longer term. Of the $259.5 million, $40 million represents NZGCP's anticipated commitment in the longer term. Currently NZGCP does not have an interest in the fund and only manages the Elevate NZ Venture Capital fund.

Operating lease commitments

Accounting Policy

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

Lease commitments under non-cancellable operating leases:

	Group	
	2022 Actual $	2021 Actual $
Less than 1 year	**177,334**	117,601
Later than 1 year and not later than 5 years	**402,499**	–
Total non-cancellable operating leases	**579,833**	117,601

NZGCP holds a lease on one building in Wellington which expires on 1 January 2026. NZGCP has the option to extend the lease for a further three years. After two anniversaries, there will be a CPI rent adjustment.

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

13 — Employee remuneration

The total annual remuneration shown in the table below comprises: an employee's gross base salary; the costs paid by NZGCP on the employee's behalf for KiwiSaver, medical insurance and qualifying wellness programme reimbursements; and any short-term incentive (STI) that is payable for FY22.

NZGCP's remuneration approach is focused on attracting strong talent and rewarding and motivating employees across the organisation. All roles are benchmarked externally to ensure market competitiveness. Base salaries are set at or around the market median of the finance sector depending on the skills, experience and competence level of the employee. Annually a gender equality review is performed to address any gender-based wage differences. NZGCP has a formal cross-business STI scheme that was implemented in FY21. STIs are paid out after balance date and determined based on agreed company and the individual's performance criteria.

Total annual remuneration payable by band for employees for the period ending 30 June:

$	2022 Currently employed	2022 No longer employed	2022 Total	2021 Currently employed	2021 No longer employed	2021 Total
100,000–109,999	1	–	1	–	–	–
110,000–119,999	–	1	1	1	–	1
120,000–129,999	1	–	1	–	–	–
130,000–139,999	–	–	–	1	1	2
140,000–149,999	–	–	–	1	–	1
150,000–159,999	3	–	3	1	–	1
160,000–169,999	–	–	–	1	1	2
170,000–179,999	–	1	1	1	–	1
190,000–199,999	–	–	–	1	–	1
200,000–209,999	–	–	–	1	–	1
210,000–219,999	–	–	–	1	–	1
220,000–229,999	1	–	1	–	–	–
230,000–239,999	–	–	–	1	–	1
240,000–249,999	–	–	–	1	1	2
260,000–269,999	2	–	2	–	–	–
280,000–289,999	1	–	1	1	–	1
290,000–299,999	1	–	1	–	–	–
300,000–309,999	–	–	–	–	1	1
320,000–329,999	–	1	1	–	–	–
350,000–359,999	–	–	–	1	–	1
370,000–379,999	–	–	–	1	–	1
420,000–429,999	1	–	1	–	–	–
Total employees	**11**	**3**	**14**	14	4	18

Annual remuneration disclosed above is based on the in-year remuneration payable and not the contractual remuneration.

14 — Directors' remuneration

		Group	
		2022 Actual $	2021 Actual $
Board member fees paid during the year were:	**Term commencement/conclusion date**		
Murray Gribben	1 October 2019 to 14 December 2020	–	3,764
Debbie Birch	1 November 2018 to 20 December 2020	–	34,885
Emma Loisel	1 November 2018 to 20 December 2020	–	30,162
David Smol (Chair)	25 November 2020 to 2 December 2022	**45,166**	26,172
Annabel Cotton	16 December 2020 to 16 December 2023	**22,583**	12,281
Marcel van den Assum	16 December 2020 to 16 December 2022	**22,583**	12,281
Nicole Buisson	21 March 2022 to 22 March 2025	**6,382**	–
Mel Firmin	16 December 2020 to 31 March 2022	**16,937**	12,281
Guy Royal	16 December 2020 to 23 March 2022	**16,446**	–
Total Board member fees		**130,098**	144,107

The remuneration of Board members is set by the Minister of Finance operating in accordance with the Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown, and as such is not controlled by NZGCP. In addition, $4,836 was spent on Board-related expenses for FY22.

Board fees covered attendance at five full Board meetings, one Board conference call, as well as additional duties undertaken by the Chair.

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

No Directors received compensation in relation to cessation; refer Board of Directors on pages 7 and 8 for outgoing and incoming directors.

15 — CEO and senior management remuneration

	Group	
	2022 Actual $	2021 Actual $
Current permanent CEO remuneration (31 January to 30 June 2022)		
CEO contractual base remuneration	**450,000**	–
CEO actual base remuneration payment*	**145,346**	–
CEO benefits (KiwiSaver, health insurance, wellness)	**5,594**	–
Current CEO remuneration	**150,940**	–
Acting and Interim CEOs		
CEO contractual base remuneration **	**–**	–
CEO actual base remuneration payment *	**210,107**	390,391
CEO benefits (KiwiSaver, health insurance, wellness)	**21,582**	56,000
CEO performance incentive	**–**	39,114
CEO termination and associated fees	**–**	379,174
Acting and Interim CEOs' remuneration	**231,689**	864,679
Senior management contractual base remuneration	**988,649**	1,033,960
Senior management actual base remuneration payment *	**786,050**	1,017,497
Senior management KiwiSaver	**72,437**	95,922
Senior management benefits (health insurance, wellness)	**8,906**	12,482
Senior management performance incentive	**225,866**	212,344
Senior management termination and redundancy pay	**55,138**	145,134
Total senior management remuneration	**1,148,397**	1,483,379
Total CEO remuneration	**382,629**	864,679
Total senior management remuneration	**1,148,397**	1,483,37
Total CEO and senior management remuneration	**1,531,026**	2,348,058

* Several factors can cause a difference between the CEO and senior management team's contractual base remuneration and actual base remuneration payments. Actual base remuneration payments include the value of leave taken during the financial year. Where a CEO or member of senior management has joined NZGCP and been employed for less than a full 12-month period, the actual total remuneration paid will be less than the amount shown for actual base remuneration payment. For senior management members who left during the year, their actual total remuneration paid has been reported, rather than the contractual annual remuneration for a 12-month period.

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

Explanation of remuneration:

During FY22, NZGCP saw several changes at CEO level. James Fletcher resigned his role as Interim CEO in late August 2021 and James Pinner, the Elevate Fund Investment Director, was appointed Acting CEO. Rob Everett joined NZGCP as permanent CEO in January 2022. James Pinner was appointed as Chief Investment Officer in April 2022.

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

Key management of NZGCP comprise members of the Board, the CEO and the senior management team.

All members (excluding the CEO) who are eligible for, and members of KiwiSaver, contribute and receive a matching company contribution of up to 8% of gross taxable earnings.

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

In 2021 the Board approved an STI scheme for senior management and employees for FY22. The scheme is based on achievement of pre-determined KPIs and goals which are aligned to the objectives published in the SOI and SPE and that reflect the strategic intent of the organisation. The STI was set as a percentage of base salary. The maximum percentage payment was set at 30%. The payment of these STIs was based on the company and individual performance objectives being met for FY22.

16 — Contingent liabilities

There were no material contingent liabilities at balance date.

17 — Post balance date events

There was no material events post balance date.

18 — Major budget variations (unaudited)

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

Consolidated Statement of Comprehensive Revenue and Expense

Revenue

Net gains in the fair value of investments were lower than budgeted and a revaluation gain/(loss) was made on the Aspire fund and VIF 1.0 fund investment portfolios respectively given current market conditions.

Expenses

Operating costs came in favourable compared to budget, mainly driven by restriction on activities due to the COVID-19 lockdown (sponsorships, travel) and unfilled vacancies that existed throughout the year. The underlying drivers are not expected into FY23.

Consolidated Statement of Financial Position

Term deposit investments

Realisations did not flow through as expected for the VIF 1.0 fund and those distributions could not be recirculated into the Aspire deals for FY22 as envisaged. As a result, term deposits had to be released to cover the investment made and ongoing operations of NZGCP.

Investments through the Aspire fund

As a result of timing differences between annual year-end valuations and the budgeting process, the base used for the value of the Aspire fund did not take into account the significant revaluation gain made in FY21.

Consolidated Statement of Changes in Equity

The net surplus for the year in the consolidated financial statements differs mainly due to the significant valuation gain achieved across the investment portfolio.

Consolidated Statement of Cash Flows

Cash flow from operating activities

As a result of lower-than-anticipated distributions received from both the Aspire and VIF 1.0 portfolios, cash from term deposits maturing had to be used to fund operating activities.

Shareholder information —

for the year ended 30 June 2022

Substantial security holders

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

Largest security holder	Shares held	Percentage
Crown	172,219,801	100%

Use of company information

Pursuant to section 145 of the Companies Act 1993 the Board recorded no notices from Directors requesting to use the company information received in their capacity as Directors that would not otherwise have been available to them.

Indemnification and insurance of Directors and Officers

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

Directors' interests —

as at 30 June 2022

The following are general disclosures of interest given by Directors of the company pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2022.

David Smol, Chair

Chair, Wellington UniVentures (VicLink) commercialisation subsidiary of Victoria University of Wellington

Chair, Capital and Coast DHB (DHBs disestablished 30 June 2022)

Chair, Hutt Valley DHB (DHBs disestablished 30 June 2022)

Chair, DIA External Advisory Committee

Director, Contact Energy

Director, Rimu Road Consulting Limited

Director, Co-operative Bank

Director, Waka Kotahi (NZTA)

Chair, Ministry of Social Development (MSD) – Risk and Audit Committee

Investor, Personal investments in a various financial funds, pension schemes and a small number of listed investments

Annabel Cotton, Director

Director/Shareholder, Merlin Consulting Limited

Director/Shareholder, Merlin Group Limited

Director, Access IR Group Limited

Director, Shareholder, Farmy McFarm Limited

Director, NZX Regulation Ltd

Chair, NZX Regulation Ltd – Audit and Risk Committee

Trustee, NZ Global Women

Trustee, Susan Te Kahurangi King Trust

Trustee, Annabel Cotton Family Trust – share portfolio managed by Craigs Investment Partners (currently holds some Ubco shares)

Investor, Pioneer Capital through Kowhai fund

Investor, Pictor and NZ Equity Partners Limited

Marcel van den Assum, Director

Chair & Shareholder, Flick Electric Limited

Chair & Shareholder, Wipster Independent Shareholders Limited

Director & Shareholder, Charlie Shareholder Trustee Limited

Independent Chair, Sprout Agritech Limited (SAL)

Chair, Wipp App Limited

Director, CropX (NZ) Limited

Director, Education Payroll Limited (Government appointment)

Director, BlackCurrent Limited

Interests as LP, Movac fund 4 & 5, WNT Ventures

Independent Advisor, Ministry of Health – Digital and Data Working Group

Club Participant, AngelHQ

Investment Committee member, Maui-Toa Fund

Nicole Buisson, Director*

Directorships, Independent Director, The Icehouse Limited

Directorships, Advisory Board Member, Mosaic Business Solutions

Directorships, Advisory Board Member, Humanitix

Investor, Icehouse Ventures First Cut Fund III

Investor/Shareholder, Open Insurance Limited

Investor, Personal investments across financial and pension funds including Simplicity

Executive Member, Head of Small Business AWS

Personal/Family, The Nicole Buisson Family Trust

Personal/Family, Director – Antipodeo Consulting Limited

* Appointed as Director in March 2022

Guy Royal, Director*

Director/Shareholder, CH4 Aotearoa Distribution Limited

Director/Shareholder, CH4 Aotearoa Supply Limited

Director/Shareholder, CH4 Limited

Director, Raukawa Ki Te Tonga AHC Limited

Director/Shareholder, ColabNZ Limited

Trustee, Frandi Trust

Trustee, Royal Family Trust

Director/Shareholder, Tawhiwhi Bioactives Limited

Partner, Tuia Legal Partnership

Director/Shareholder, Tuia Group Services Limited

Director/Shareholder, Tuia Innovation Limited

Trustee, Turoa and Maryrose Family Trust

Iwi Member, Raukawa ki te Tonga

Iwi Member, Ngāti Tamaterā

Shareholder, Shareholder of a vehicle looking at potentially investing in Beyond VR (part of the Wellington Angels Association). Has met with the owners/operators while visiting the business and has used their VR kit.

Personal relationship, Arama Kukutai, Finistere MD

* Resigned in March 2022

Mel Firmin, Director*

Director/Shareholder, Investment Services Group Limited

Director/Shareholder, Devon Funds Management Limited

Director/Shareholder, Clarity Funds Management Limited

Advisory Board/Shareholder, Thinkladder

Shareholder, First AML Limited

Shareholder, Hellers Limited

Shareholder, Nyriad Limited

Director/Shareholder, Coffee Distribution NZ Limited, Foundation Group NZ Limited and World Coffee Limited

Shareholder, NZ Aged Care Services Limited

* Resigned in March 2022

Glossary —

AANZ	The Angel Association of New Zealand, a non-profit organisation established to increase the quantity, quality and success of angel investment in New Zealand.
Angel investor	A wealthy individual or professionally organised firm or group that invests in entrepreneurial firms. Although angels perform many of the same functions as venture capitalists, they usually invest their own capital rather than that of institutional or other individual investors.
Angel stage	An investee company is at the angel stage of its development if the investment will enable development, testing and preparation of a product or service to the point where it is feasible to start business operations. This stage is generally the stage prior to, or the same as, the seed stage.
Aspire fund	The angel and seed stage co-investment mandate and related investment activities undertaken by Aspire NZ Seed Fund Limited, a wholly owned subsidiary of NZGCP.
Board	The board of directors of NZGCP.
Crown entity	An organisation that forms part of New Zealand's state sector, as established under the Crown Entities Act 2004. Crown entities are legal entities in their own right.
Deep-tech companies	These are start-ups with the expressed objective of providing technology solutions based on substantial scientific or engineering challenges.
Early expansion	An investee company is at the early-expansion stage of its development if the investment provides capital to initiate or expand commercial production and marketing but where the company is normally still cash flow negative.
Elevate fund	Elevate NZ Venture Fund, the $300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians; current size $259.5 million.
Elevate NZ Venture Fund LP	The fund of funds vehicle formed to invest the $300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians.
ESG	Environmental, social and governance.
Expansion stage	An investee company is at the mid-expansion stage of its development if the investment provides capital to expand commercial production and marketing, and where the company is normally breaking even or trading profitably.
Fair value	The amount paid in a transaction between participants if an asset were expected to be sold in the open between a willing buyer and a willing seller.
Fund of funds	A fund that invests primarily in other externally managed funds as opposed to individual investee companies.
Guardians	The Guardians of New Zealand Superannuation, an autonomous Crown agency which invests and manages the New Zealand Superannuation Fund and the Elevate fund. The Guardians has delegated management of the Elevate fund to NZGCP.
IPEV Guidelines	The International Private Equity and Venture Capital Valuation Guidelines set out recommendations, intended to represent current best practice, on the valuation of private capital investments.

Liquidity	The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.
Management fee	The fee, typically a percentage of committed capital, that is paid by investors in a venture capital fund to the fund manager to cover salaries and expenses.
Mandate	An official order or commission to undertake something.
MBIE	The New Zealand Ministry of Business, Innovation and Employment.
NZGCP	New Zealand Growth Capital Partners Limited, a New Zealand Crown agency and the entity to which this annual report relates to.
Portfolio	A portfolio can be thought of as a pie that is divided into pieces of varying sizes, representing a variety of asset classes and/or types of investments to achieve an appropriate risk-return portfolio allocation.
Private markets	Investments not traded on a public exchange or market.
Seed stage	An investee company is at the seed stage of its development if the investment will enable development, testing and preparation of a product or service to the point where it is feasible to start business operations.
Series A and B capital	Capital provided, usually by institutional venture capital funds, into investment rounds in the $2 million to $20 million range.
Start-up	An investee company is at the start-up stage of its development if the investment will enable actual business operations to commence. This includes further development of the company's product(s) and initial production and marketing.
Statement of Intent (SOI)	A document that identifies, for the medium term, the main features of intentions regarding strategy, capability and performance. SOIs are developed after discussion between an entity and its Minister(s). Once finalised, the SOI is tabled in Parliament.
Statement of Performance Expectations (SPE)	Enables the responsible Minister to participate in setting the annual performance expectations of the Crown entity. The SPE reports on the Crown entity's performance against expectations set out in the SPE, prepared before the start of the year.
Underlying Fund	A venture capital fund that the Elevate fund has invested in.
Venture capital	Professionally managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies.
Venture capital fund	A pool of capital raised periodically by a venture capital fund or firm. Funds typically have a five-year investment period and a ten-year life.
Venture capital manager	The management team and/or entity (usually a dedicated entity made of investment professionals) that is contracted to manage a venture capital fund.
VIF 1.0 fund	The legacy Venture Investment Fund, a venture capital fund of funds established in 2002 and managed by NZGCP. This is a closed mandate i.e. it is not making any new investments.

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