BUILDING PATHWAYS TO SUCCESS

It takes a village to raise a child – and we believe it's the same in business. That's why we partner and collaborate with other investors who share our aspirations to help Kiwi innovators make the challenging journey to become world-class companies.

NZ GROWTH CAPITAL PARTNERS

2021 Annual Report

Whāia te iti kahurangi, ki te tuohu koe, me he maunga teitei — Seek the treasure that you value most dearly, if you bow your head, let it be to a lofty mountain.

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Chair report —

The last 12 months has been a period of challenges and significant change for New Zealand Growth Capital Partners (NZGCP). An interim CEO has provided sound leadership to our talented group of investment professionals and supporting team, who, in turn, contributed to a year of vibrant activity in New Zealand's early-stage investment sector.

David Smol
Chair

The Elevate NZ Venture Fund (Elevate Fund) made four financial commitments to private venture capital fund managers in the financial year (with a fifth and sixth made shortly after year-end), resulting in almost $600 million available to invest into promising New Zealand companies at the venture capital stage. This activity was part of the single biggest year of venture capital fund establishment our early-stage capital markets have seen. It bodes well for the growth of investment into promising early-stage New Zealand technology companies over the coming years.

It was especially pleasing to see the growing depth of experience in our local venture capital fund managers which saw the Elevate Fund investing in Movac and Global From Day One (the latter in July, after year-end). Both have been long-time leaders in New Zealand early-stage capital markets and have previously partnered with NZGCP. Alongside these, we made commitments to Blackbird Ventures, which is one of Australia's largest venture capital funds and has made a strong commitment to New Zealand's early-stage ecosystem, and the Finistere Aotearoa Fund, which has strong links to Silicon Valley and a global presence. In addition, the Elevate Fund invested in two first-time venture capital fund managers, Pacific Channel and Nuance Connected Capital, which are both deep-tech-focused fund managers that we hope will achieve great success. Backing first-time venture capital fund managers is an important part of the Elevate Fund's purpose to create more depth of managers in the New Zealand venture capital ecosystem.

Much of this progress results from the strong efforts of James Pinner (who has subsequently stepped up to be Interim CEO) and his Elevate Fund team. We also acknowledge the significant contribution by our international advisors – Dana Lee, Danny Settle, Matt Ocko and Randy Komisar – whose experience, depth of knowledge and strong global networks have been invaluable.

The 2020 calendar year started with an increasing level of worldwide uncertainty created by the potential impact of the newly emerging COVID-19 pandemic. This unease quickly flowed into the early-stage capital markets. The New Zealand Government responded quickly to this uncertainty and enacted a number of temporary settings changes to the Aspire NZ Seed Fund (Aspire Fund) to enable it to provide additional investment support if needed. Fortunately, while investment activity in this sector did initially slow, the market rebounded positively later in the year. Overall, the Aspire Fund, which invests alongside and with private angel investors and funds, maintained relatively high levels of investment throughout the year and investment activity across the early-stage ecosystem continued a long run of growth.

The Aspire Fund invested $10.8 million in the 2021 financial year (FY21), a notable increase on prior financial years. It was especially pleasing to see the level of new investments (14) made by the Aspire Fund. This fund also made a number of notable follow-on investments including into Rockit Global, Quantifi Photonics and Tradify, enabling them to scale up and, we hope, become some of New Zealand's great future success stories.

The Board thanks Marcus Henderson and his Aspire Fund team for the work they have done in seeking out and supporting great quality early-stage companies and collaborating with other investors through an uncertain year.

Alongside our external investment activity, NZGCP underwent a period of introspection, with an independent review into NZGCP's culture. The review identified issues with several aspects of the organisation culture and workplace conduct.

The review made a series of recommendations to address these matters. These included a need for governance and management improvements over staff appointments and departures; gender and ethnic equity practices; workplace behaviour; and staff complaints.

The Board and senior management team have accepted all of the review's recommendations and all but one have now been implemented (with the final recommendation being actioned currently). Alongside that, since the start of 2021 we reviewed other aspects of our approach and management, and implemented a number of further changes. For further details of the changes we made during the year, see the People and Culture section on page 17 of this report.

In the many staffing changes since last year, former CEO Richard Dellabarca left after 4.5 years, and James Fletcher was appointed as Interim CEO for the period from December 2020 to August 2021. James Pinner has subsequently stepped in as Interim CEO. Rob Everett will join NZGCP in January 2022 as the permanent CEO.

The new Board of five has been in place since mid-December 2020 and is working well together.

NZGCP is an organisation which works in support and in partnership with its Ministers, the Ministry of Business, Innovation and Employment (MBIE) and Treasury, and (in relation to the Elevate Fund) the Guardians of New Zealand Superannuation. These key partners have played important roles in the progress we have made this year and I would like to thank them for their continued support.

NZGCP continues to foster relationships across the start-up ecosystem and we are thankful for the support of the Angel Association New Zealand, New Zealand Private Capital Association, other government agencies (including Callaghan Innovation, New Zealand Trade & Enterprise and the Crown Research Institutes) and all the investors in the ecosystem – from angel investors through to venture capital managers. We look forward to continuing our work with all our partners that support and develop the New Zealand start-up landscape.

In addition, we cannot forget the founders and broader teams of the companies that we back; these are the visionaries who work tirelessly to build the global businesses of the future. They are the reason we exist and are at the cutting edge of innovation and growth and play a vital part in contributing to ensuring a strong and dynamic future for New Zealand.

> Challenging as it has been, we now have a solid foundation to support the ecosystem which invests the capital New Zealand start-ups need to accelerate and grow on the global stage. There will continue to be challenges and uncertainties ahead of us but 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 look forward to continuing to build on NZGCP's capability and supporting our partners in building a vibrant New Zealand start-up ecosystem. Therefore, we have now commenced, in partnership with MBIE, a series of stakeholder engagement initiatives and a broader strategic review of NZGCP's activities. This will help us identify and clarify how we can best serve the start-up landscape, in collaboration with our broad range of partners and leveraging off the great foundations that the Elevate Fund, the Aspire Fund and other government initiatives have built. We expect the outcome of this review to be announced in the first half of calendar year 2022.

The NZGCP Board thanks the entire NZGCP team for their significant work and effort over the year. On behalf of the Board, we look forward with excitement and confidence to the continued evolution of the New Zealand start-up ecosystem in FY22 and beyond.

David Smol
Chair

2021 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.

Your all-in-one digital classroom hero —

Empowering students and transforming the way we teach, provide feedback and assess, Kami is a digital classroom tool that creates flexible and collaborative learning environments globally for millions of users.

Kami is a leading digital classroom application built to transform an existing document of any kind into an interactive and more collaborative learning experience. Kami has over 24 million active users in more than 180 countries, used by educators looking to improve engagement and collaboration while teaching in the classroom or online.

Kami (formerly Notable) was founded in 2013 in the trio's final year at the University of Auckland (Bob was their mentor). And today they are backed by Silicon Valley, New Zealand and Australian investors.

Kami

Sector: Software

kamiapp.com

Founders:
Bob Drummond (mentor)
Alliv Samson
Jordan Thomas
Hengjie Wang

Co-investors:
Capital Pitch Ventures
Flying Kiwi Angels
Right Click Capital
Right Side Capital Management

NZGCP ownership: 13.3%
First investment: 2015

Redefining how healthcare is measured and delivered —

The Clinician helps healthcare organisations through the challenging transition to value-based care.

This is an innovative digital health company helping healthcare organisations to collect, analyse and act on the health outcomes and experiences that matter most to patients.

The Clinician's flagship product is ZEDOC, a value-based health outcomes platform that enables organisations to automate the collection and analysis of outcomes and experiences directly from patients, either through self-report or through connection with wearables.

For healthcare organisations, ZEDOC streamlines the end-to-end management of this healthcare data, delivering care teams patient-centred insights that have been proven to improve health outcomes and care delivery, while containing costs. For patients, ZEDOC creates an empowering and personalised digital experience that keeps them engaged at each step in their care journey.

The Clinician

Sector: Health-tech

theclinician.com

Founders:
Tamaryn Hankinson
Ron Tenenbaum

Co-investors:
Allectus Capital
Cure Kids Ventures
Wavemaker Partners

NZGCP ownership: 1%
First investment: 2018

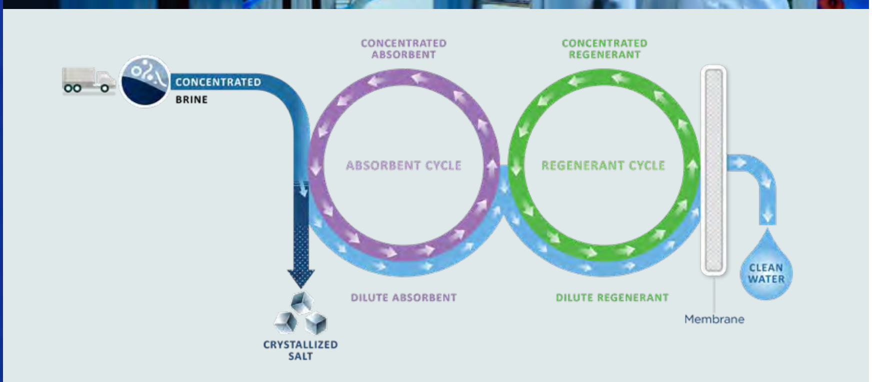
Reducing wastewater to zero —

Aquafortus has the world's most advanced zero liquid discharge technology.

Global industries generate billions of tonnes of high-salinity, difficult-to-treat wastewater every year that can only be treated by energy-hungry thermal evaporation technologies.

Aquafortus's non-thermal recovery and crystallisaton technology uses only a fraction of the energy of thermal evaporation systems.

It can reduce high-salinity wastewater to dry salt, achieving a full zero liquid discharge solution for your site.



aquafortus

Sector: Deep-tech

aquafortus.com

Founders:
Daryl Briggs
Jessica Lam

Some of our co-investors:
Astrolab Nominees
DCVC
K1W1
Trevor Taylor
UMI

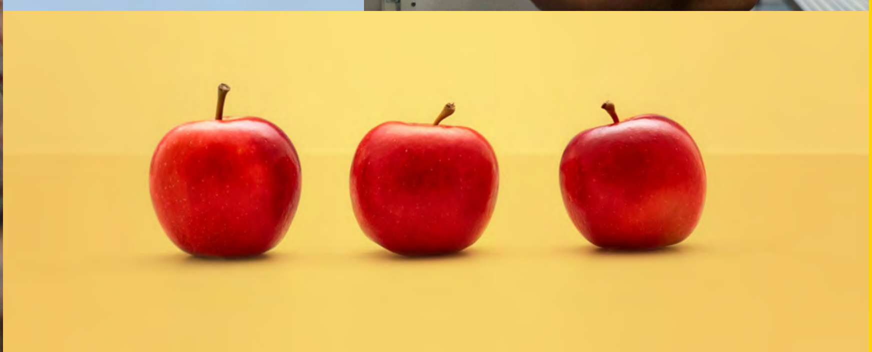
NZGCP ownership: 5.56%
First investment: 2018

The world's first snack-size apple —

Grown in over 30 countries around the globe, Rockit apples are cleaner and stay fresher longer as they are washed and packed into 100% recyclable tubes.

Rockit began as a tiny seed of an idea 20 years ago. While the rest of the world was super-sizing, they did the opposite. They created the perfect snack-size apple, packed with concentrated flavour and goodness.

Then they thought different again, and put them in a tube that's 100% convenient and 100% recyclable. And because they now grow in more than 30 countries worldwide, their apples are fresh all year round.



rockit

Sector: Agri-tech

rockitapple.com

Founders:
Phil Alison
Mark O'Donnell

Co-investors:
Ngāi Tahu Holdings
Oriens Capital
Pioneer Capital
Punchbowl Investments

NZGCP ownership: 9%
First investment: 2011

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.

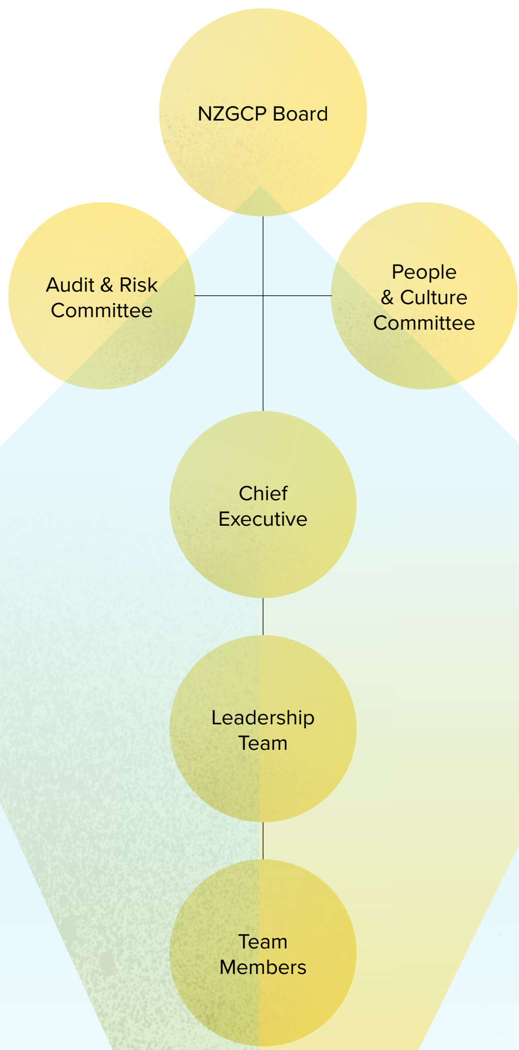
The Corporate Governance Statement sets out the framework currently in place at NZGCP. The statutory governance arrangements for NZGCP are set out in the Crown Entities Act 2004 and the Venture Capital Fund Act 2019. NZGCP was incorporated on 1 July 2002 under the New Zealand Companies Act 1993. As a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

The year saw a complete refresh of our Board including the appointment of a new Chair and four additional new directors. Directors were appointed by the shareholding Ministers following Cabinet approval.



Board Committees

The Board has established two standing committees and has delegated to each committee a number of duties to 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/ internal and 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 setting out the procedures for identifying and managing potential conflicts of interest. The policy applies to everyone working at or for NZGCP.

An interests register is maintained of Directors' and employees' declared interests 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 the manager's performance with regular conviction reviews in line with the Guardians' conviction framework for assessing externally managed investment funds. The Guardians also provide oversight of the Elevate Fund and the manager's performance via the Elevate Fund's Limited Partner Advisory Committee (LPAC). The board of the Guardians is responsible for the preparation of the Elevate Fund's financial reporting. And as such, 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

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)

BMS, ACA, CFInstD, FACA, FAIRA, INFINZ (Fellow)

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

Annabel has over three decades of experience advising NZX- and ASX-listed companies. Annabel is a director of Waikato Regional Airport Limited and Trust Investments Management Limited. She chairs Hamilton & Waikato Tourism and is also a trustee of several large charitable trusts including Global Women and the Donny Charitable Trust. She is an independent member of the investment committee for private equity fund NZ Equity Partners. Annabel is a former director of Genesis Energy Limited, the Security Commission, the External Reporting Board (XRB) and of several NZX-listed companies.

Annabel has a strong knowledge of the financial services industry and good connections with angel investors, fund managers and funding entities. She 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.

Guy Royal — Director

Appointed: 16 December 2020
Committees: People & Culture Committee

Guy is a corporate commercial lawyer with over 20 years of experience who has advised many public- and private-sector organisations in New Zealand, Hong Kong, Vietnam and the United Kingdom. He specialises in joint venture arrangements and mergers and acquisitions, particularly with indigenous groups, and has expertise in advising government and public-sector bodies on economic and regulatory issues.

Guy brings to the Board specific expertise in iwi and indigenous development models and engagement relationships and networks. He has strong networks in the Māori community, cares about the success of the Māori economy, and adds value to the Board through his considerable experience in advising Māori entities, especially with regard to investment decisions.

Guy previously held a number of governance positions at KiwiRail, Toitu Te Waonui (a forestry fund) and ColabNZ (a co-working space provider). He is a Trustee of the Crown Forestry Rental Trust as well as being on the boards of New Zealand Fast Forward Fund Limited and the Film and Literature Board of Review. Guy is currently on the board of CH4 Global (US-based methane inhibitor technology), Raukawa Asset Holding Company (iwi investment board) and Tawhiwhi Bioactives Limited (functional beverages), and he is Chair of Waste Transformation Limited (waste management technology).

Mel Firmin — Director

Appointed: 16 December 2020
Committees: Audit & Risk Committee

Mel has strong governance experience and a sound understanding of the public-sector environment and the nature of the relationships between NZGCP's stakeholders. His background is in investment and funds management, which provides him with expertise and knowledge of numerous capital markets and private funds. Mel has a strong interest in mentoring young players in the industry and has a strong desire to enable disadvantaged groups.

Mel's current roles include Audit, Risk & Compliance Chair of Investment Services Group Limited, director of Devon Funds Management Limited and Advisory and Board member at Thinkladder. Mel has recently completed the establishment of a KiwiSaver scheme for a leading financial services firm. He was Interim Chief Executive of Investment Services Group Limited, Managing Director of Devon Funds Management Limited and Chief Operating Officer of Brook Asset Management Limited.

Marcel van den Assum — Director

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

Marcel is a professional director, independent advisor and angel investor.

Marcel's current roles include Chair of Flick Electric Company, Sprout Agritech Ltd and Wipster Ltd, director of CropX (NZ) Ltd and Education Payroll Ltd, along with independent advisory board positions with New Zealand Inland Revenue and the Ministry of Health. 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 NZ 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.

Murray Gribben — Chair*

Appointed: October 2019 to October 2020

Committees: Audit Committee & Remuneration Committee

* Appointed as Interim Chief Executive 9 August 2020 to 10 October 2020

* Appointed as a director in July 2013 and became Chair in October 2019

Debra Birch — Director*

Appointed: November 2018 to December 2020

Committees: Audit Committee & Remuneration Committee

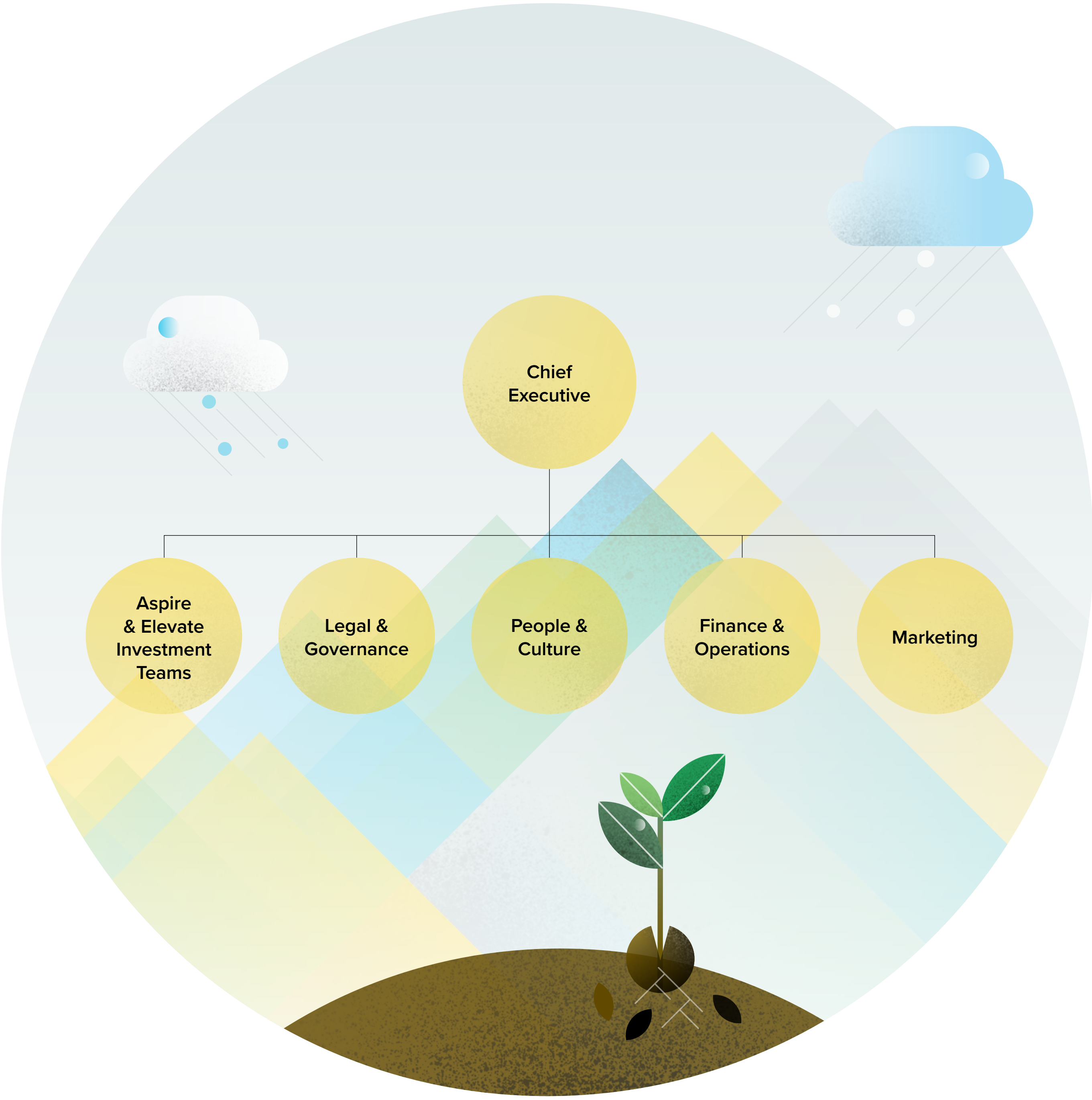
* Appointed as acting Chair 9 August 2020 to 10 October 2020

Emma Loisel — Director

Appointed: November 2018 to December 2020

Committees: Audit Committee & Remuneration Committee

Organisational chart —



Our people —

During the year, we established a new set of Cornerstone Beliefs which 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.

Culture Review and organisational change

Acting on staff concerns, the Board commissioned an organisation-wide Culture Review in late 2020. This was undertaken by former Employment Court Judge Graeme Colgan and was completed and published in March 2021.

Key highlights of changes introduced

Since the review, the NCGCP Board reiterated fundamental principles for the NZGCP working environment:

— The Board signalled its commitment to change at the time the report was shared and subsequent reinforcement during team meetings and get-togethers;

— The Board approved an updated Code of Conduct, incorporating a Speaking Up process. This process outlines various options on how to raise concerns and how they will be addressed; and

— Implementation of the BambooHR Human Resources Information System, in May 2021. BambooHR enables NZGCP to run regular, anonymous employee feedback surveys and have the ability to capture additional feedback during the quarterly performance check-ins.

Further action taken by the NZGCP leadership team:

— Implementing a Strategic Plan, incorporating a clear vision and purpose for the organisation, and aligned goals across all functional areas;

— Developing new Cornerstone Beliefs which set the tone for how NZGCP people are to behave and be perceived;

— Implementing a new Performance Management Framework to enable regular and consistent feedback on performance and to identify developmental needs;

— Implementing a Short-Term Incentive Plan for FY21 establishing clear, consistent and measurable targets for all participating staff, which align individual, team and company performance with our Strategic Plan;

— Reviewing all our roles to ensure position descriptions reflect work undertaken, and our people are paid appropriately;

— Aligning our people policies with the recommendations, which now identify clear options for raising issues with either the CEO, Board or HR;

— Reviewing our employment policies against the Crown Entity Standards and sharing the updated policies with our people. These policies include the Code of Conduct, Conflicts of Interest, Recruitment and Selection, and Harassment, Bullying and Discrimination Prevention;

— Becoming members of Diversity Works NZ and receiving a report and work programme based on an assessment of our current policies and practices; and

— Team members attending Inclusive Leadership training with Diversity Works, with further training to be rolled out more widely across the team later in the calendar year.

NZGCP has made excellent progress this year in addressing all of the fundamental principles and recommendations from the Culture Review.

Our focus

In late June 2021 we held a company-wide team session focused on the importance of raising concerns through Speaking Up, and agreeing on behavioural expectations aligned to our Cornerstone Beliefs.

Several Board members attended and shared their commitment to the three fundamental principles of working together, the Culture Review recommendations and the ongoing work programme. They also expressed their commitment to the newly finalised Code of Conduct, Speaking Up process and our Protected Disclosures/Whistleblowing Policy.

To support and sustain an improved workplace culture, NZGCP believes that this work will be ongoing and will continue to evolve. To ensure we move beyond the base review recommendations, we have developed a comprehensive People Plan to support the People and Well-being initiatives of our Strategic Plan.

NZGCP's People and Well-being Strategic Pillar initiatives include:

— Attracting great people;

— Retaining them through high-quality learning and development;

— Maximising individual performance and contribution; and

— Personalising a 'Safety and Well-being' culture.

Underpinning these initiatives is the ongoing culture development work aligned to and reinforcing our Cornerstone Beliefs. This work is focused on creating a sustainable culture that will engage our people and build a cohesive, high-performing team.

Looking to the future

Diversity and Inclusion

In April 2021, NZGCP became a member of Diversity Works NZ.

After an assessment of current practices, Diversity Works provided us with a series of best practice recommendations which we have incorporated into a work programme. To ensure sustainability, we have designed the work programme to run over a number of years. This project includes the creation of a diversity and inclusion focus group to assist in the development of our Diversity and Inclusion Strategy and supportive initiatives, and organisation-wide education and training addressing cultural competence, unconscious bias and inclusive leadership.

Succession Planning and Talent Management

While we have identified critical roles within the organisation and created a succession pipeline, our ongoing focus will be to ensure that development plans are appropriate and support the development of successors. Increasing NZGCP's management bench strength for an ever-evolving future will be critical.

Mental Health and Well-being

We are very conscious of the mental health and well-being challenges our people face in a fluid and pandemic-impacted environment. We see this as a key risk to address. With their input, we are underway in developing a Mental Health and Well-being Strategy to further protect our people from harm and include additional activities to foster and support well-being. This will involve both reactive and proactive interventions to enhance the support we currently have in place.

Employee stats

Ethnicity

Asian	4
New Zealand European	10
Latin American	1
South African	3
Other	1
Total	**19**

Age profile

20-29	4
30-39	11
40-49	3
50-59	1
Total	**19**

Employment status

Full-time	17
Part-time	2
Total	**19**

Gender

Female	7
Male	12
Total	**19**

Strategy overview —

In 2021 we developed and adopted an updated Strategic Plan. This sets out the basis of NZGCP's direction for the next three years, through to 30 June 2024.

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

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

There is a series of elements contained in the Strategic Plan, for which there is a clear hierarchy.

Vision & 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 set in the 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 of 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 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	

We look forward to further developing the important foundations we have built this year and to working in partnership with the wider ecosystem to create a thriving environment to enable New Zealand start-ups to accelerate and grow on the global stage.

Environmental, social and governance (ESG) statement —

During the year, NZGCP updated its Responsible Investment Policy which was approved by the Board and outlines the key frameworks for responsible investing that NZGCP operates under.

The NZGCP Responsible Investment Policy is based on best-practice responsible investing in early-stage private companies and venture capital funds. The NZGCP Responsible Investment Policy aligns with NZGCP's Cornerstone Belief of Doing the Right Thing and is intended to maintain and protect the reputation of New Zealand and NZGCP.

This section describes NZGCP's approach to responsible investment and the environmental, social and governance (ESG) considerations in its own operations, in the start-up companies it invests in and in the investment operations of the funds it manages.

"ESG considerations are at the forefront of all decisions we make, whether it be through our screening and due diligence processes, or through the management of our portfolio or our day-to-day management of the NZGCP business. Our approach is to work with the companies and venture capital funds that we invest in to incorporate best-practice ESG principles into their operations and to embed them into our own investment decisions. Many of New Zealand's start-ups are at the cutting edge of innovation, creating solutions to environmental and societal challenges. Not only do these companies make fantastic commercial investments but they also align with our Cornerstone Beliefs that underpin everything we do."
– Interim CEO James Pinner

We acknowledge that ESG factors may pose both risks and opportunities to our own and our funds' portfolio companies. Success in any of our investments may be impacted by their financial performance as well as by other performance criteria.

We also acknowledge that both the investors in our funds and co-investors in our portfolio companies may have their own requirements and approaches to responsible investment. These may include expectations in relation to responsible investment factors in the investment, ownership and reporting processes.

We have integrated consideration of responsible investment risks and opportunities into our investment process, the due diligence of target companies, as well as into our active ownership and coaching of our portfolio companies. In addition, ESG indicators are reported to the investors of our funds.

We are committed to the further development of ESG policies and procedures in a manner that has a positive impact on us, the companies and funds that we invest in (including their portfolio companies) and to the broader society.

We are also committed to ensuring that in our due diligence and monitoring for each investment of our funds, ESG is a part of our investment decision procedure, including appropriate consideration of environmental, social (including health and safety, employees, human rights, consumer and community issues) and governance issues.

Positive intent

The nature of our investments is generally in technology-based high-growth companies that are actively looking to solve global problems. We will monitor risks associated with our investments and seek to mitigate them, as and when they arise.

Our objectives in relation to responsible investing are based on international best practice (including the Principles for Responsible Investment (PRI), the Responsible Investment Association Australasia (RIAA) and UN global compact), together with the objectives of the New Zealand Government (both nationally and internationally, as those objectives relate to NZGCP) including:

— Increased diversity in the workforce and in particular the start-up ecosystem;

— Positive economic impact of our investments;

— Improved well-being;

— Increased positive social impact of our investments; and

— A target of a net zero carbon New Zealand economy by 2050.

We will actively seek out opportunities to invest in, and engage with and support investments and management teams that are working towards these objectives.

Consistent with our public/private co-investment model, we recognise that the Aspire Fund will always be a minority investor alongside private capital. However, this does not mean we will take a passive approach to managing our investments. While we will have limited opportunity to influence an investee company's behaviours, we will be an active decider of who and what we invest in and will actively monitor our investments and events which impact on them. We will support investments in companies that seek to develop solutions to address the above ESG issues and will decline those that are significantly exacerbating them.

For the Elevate and VIF 1.0 funds, we will encourage the underlying funds to adopt a similar approach but also to target more proactive progression of their investments. This will primarily include identifying risks and opportunities to improve their performance on these matters.

Deal sourcing

We select investments carefully in accordance with the investment policies and principles agreed with our investors. We exclude investments in, amongst others, weapons, gambling, tobacco and alcohol.

ESG issues, especially in relation to environmental and social matters, are global challenges that provide lucrative investment opportunities. Resource efficiency, including both material efficiency and energy efficiency, is a key innovation and investment driver in the industrial segments. Sustainable living, such as energy efficiency in homes and consumers' expectations of environmentally and socially smart products and services, is providing new investment potential in the consumer segments. In particular, the major megatrend of digitalisation is providing opportunities to investments that significantly serve the ESG goals.

Conversely, a potential investee company that fails to fulfil its potential customers' ESG expectations is most likely to fail to become one of our portfolio companies.

Due diligence

We conduct a standard due diligence process on the target companies, including the legal, financial, governance, business and other relevant issues.

The investee company's legal compliance and alignment with other applicable standards and practices is evaluated for each investment. This consideration includes ESG factors, as well as potential future regulation and marketplace impacts anticipated at that time.

Decision-making

A summary of our due diligence process, including any material findings, is included in the investment documentation for our investments decisions. This summary is complemented by further details regarding possible ESG issues when necessary. An investment proposal with its appendices is the summarised information for the evaluation of the attractiveness of an investment opportunity, as well as the investment decision. Based on the due diligence findings, we may exclude investing in businesses, including those which contain ESG risks.

Monitoring and reporting

Currently we monitor predominantly financial and limited non-financial performance of our portfolio companies, including ESG issues. However, we will be working with all our stakeholders to develop the non-financial performance reporting of all our portfolio companies and funds in the future.

We report the status of our funds and underlying investments to our investors in compliance with agreements with them, International Private Equity and Venture Capital Valuation (IPEV) guidelines, applicable legislation, accounting regulations, and other statutory requirements.

We expect the risk management and corporate responsibility issues to be a yearly theme in each portfolio company's board meetings, and the corporate responsibility reporting to be covered annually by the board simultaneously with the financial statements, including topics such as employee safety and health, equal opportunities, and fair play.

ESG in our own operations

Environment

We aim to minimise any burden to the environment caused by our own activities. We do this by small daily choices, such as: we extensively use videoconferencing instead of travelling to face-to-face meetings; we employ and encourage the use of digital documentation format; and we actively sort and recycle office waste. We lead by example, and encourage our portfolio companies to take similar action.

Social/ly

We invest in start-up companies in their early stages, either directly through the Aspire Fund or indirectly through the Elevate Fund. The majority of all new jobs are created in these young, small companies. Our investments therefore strongly contribute to job creation. In addition, through our investments and business development work, we encourage innovation, promote economic growth, and enhance global competitiveness of our investee companies. We follow applicable labour, safety and health regulations, and have valid licences and permits for our operations.

Corporate governance

We conduct our business by adhering to sound ethical principles and follow the industry best practices, as well as the principles agreed with our investors. We follow transparent communications practices towards our investors.

We endeavour to promote equal opportunities for all individuals. We strive for fair play among all our managers, employees and stakeholders. We aim to proactively contribute to the satisfaction and the long-term engagement of our employees.

We are involved in the activities of the local industry association to promote the development of early-stage investment, venture capital industry and to promote cooperation.

Future direction

While we have only recently updated our Responsible Investment Policy, we will continue to adapt it to ensure it continually evolves to meet with the latest best practice for investing in early-stage high-growth companies.

We believe ESG reporting and monitoring will play an increasingly important part of our role and we are starting the journey of applying this to our portfolio companies as well as to the Elevate Fund's Underlying Funds and their portfolio companies. We are, however, mindful not to have unrealistic or uncommercial expectations of very early-stage companies but we do believe that as companies mature, ESG reporting will become an increasingly critical requirement.

ELEVATE
NZ VENTURE FUND

Investment report — Elevate NZ Venture Fund

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

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

"The Elevate Fund was formally launched in March 2020 and made its first four investments in the financial year, with a fifth and sixth made shortly after the year-end. These investments, combined with commitments from other private and institutional investors, have resulted in almost $600 million being made available to invest in promising New Zealand companies at the venture capital stage.

We are very excited to see the funds into which we've invested already deploying capital and making their mark in the ecosystem. Increased availability of capital and competition for deals is exactly what we want to see for New Zealand start-ups and we believe the Elevate Fund has played an important role in starting that journey in FY21."

James Pinner – Interim CEO and Investment Director, Elevate Fund

Current fund investments

Blackbird Ventures NZ

In September 2020, the Elevate Fund announced its first financial commitment, a $21.5 million investment into Blackbird's recently formed New Zealand fund.

The investment was increased to $22.75 million at final close.

Blackbird is Australia's largest venture capital fund and has made a strong commitment to New Zealand's ecosystem.

blackbird.vc

Movac Fund 5

In September 2020, the Elevate Fund announced an investment into Movac's $250 million Fund 5.

This is New Zealand's largest-ever venture capital fund – with funding commitments from the Elevate Fund, the New Zealand Superannuation Fund and Kiwi Invest, a KiwiSaver fund.

The Elevate Fund committed $10 million into Movac Fund 5 at first close, which was increased to $30 million at final close.

movac.co.nz

Pacific Channel

In October 2020, the Elevate Fund announced a conditional allocation of $20 million into a $50 million fund managed by leading New Zealand deep-tech venture capital firm Pacific Channel.

In February 2021, the Elevate Fund announced that Pacific Channel had satisfied all of the conditions and the Elevate Fund completed its $20 million allocation to Pacific Channel Fund 2, which reached final close at $55 million.

This is the Elevate Fund's first allocation to a first-time venture capital manager.

Pacific Channel is New Zealand's first deep-tech-focused venture capital manager.

pacificchannel.com

Nuance Capital Fund 1

In September 2021, the Elevate Fund announced a conditional $17 million investment into Nuance Connected Capital. Nuance raised $55 million so far and plans to close by March 2022.

This is a deep tech venture capital fund, which aim to solve large societal challenges using emerging technologies.

nuance.vc

Finistere Aotearoa Fund

In April 2021, the Elevate Fund announced its commitment of $14 million into the Finistere Aotearoa Fund which will target agri-tech companies needing Series A and B investment.

The Finistere Aotearoa Fund is a subsidiary of Silicon Valley venture capital fund managers Finistere Ventures.

Finistere Ventures is aiming for a final close of $42 million, which, if achieved, would see the Elevate Fund's contribution rise to $21 million.

finistere.com

Global From Day One (GD1)

In July 2021, the Elevate Fund announced a conditional $45 million investment into New Zealand venture capital fund Global From Day One (GD1) Fund 3.

GD1 Fund 3 announced its first close of $130 million in August 2021.

This 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.

This is the Elevate Fund's fifth and largest allocation to date.

globalfromdayone.com

Investment activity

As at 30 June 2021, the Elevate Fund had made four commitments totalling $87 million (matched by over $290 million of private capital) plus a further conditional allocation of $7 million. On 18 August 2021, the Elevate Fund completed its fifth allocation, a $45 million commitment into GD1, and on 24 September 2021, the Elevate Fund completed its sixth investment with a $17 million commitment to Nuance Connected Capital.

As at the date of this report, the Elevate Fund has made total commitments of over $150 million which have been matched by more than $420 million of private capital. This has resulted in almost $600 million of venture capital available for New Zealand start-ups at the Series A/B stage.

Of the funds that the Elevate Fund has invested in to date, three are generalist funds (Blackbird, Movac and GD1) and three are sector or deep-tech funds (Pacific Channel, Nuance and Finistere). All of the Underlying Funds are New Zealand Connected Funds and both Pacific Channel and Nuance are first-time managers.

During the financial year, the Underlying Funds had called approximately $17 million of the Elevate Fund's commitments (19% of the existing commitments at year-end). The Underlying Funds themselves have made 22 investments in total during FY21.

As at the date of this report, the Elevate Fund still has significant resources available to invest and continues to source new opportunities to invest in. However, NZGCP anticipates that the number of investments the Elevate Fund makes will substantially reduce during FY22 and beyond, in line with the objectives and strategy of the Elevate Fund.

Investment realisations

As this is the first year of investment into Underlying Funds by the Elevate Fund, we have not received, nor would we anticipate, any realisations for some time to come.

Investment performance

All of the Underlying Funds that the Elevate Fund has invested in are still in their first year of operation and are generally making their first round of investments into portfolio companies. We anticipate performance will improve over the life of a fund as its portfolio companies mature and the funds concentrate capital towards more of the winners. Consequently, in our first few years of operation, we would not anticipate material movements in the valuations of the underlying investments of the Underlying Funds, and returns will generally be negative on a net basis due to the management fees involved. The Elevate Fund recorded a loss of $5.3 million for the year ending June 2021.

"We look forward to working with all New Zealand venture capital funds (existing and new) over the next few years to support them in delivering a sustainable venture capital ecosystem backed predominantly by private capital."

Interim CEO – James Pinner

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

"The Aspire Fund made 40 investments totalling $10.8 million during the year into early-stage companies, many of which we hope will go on to be backed by New Zealand venture capital firms in the years ahead and become household names globally. Our investment activity reflects the strong pipeline of ambitious founders that we continue to see. This year has also seen a number of success stories coming out of New Zealand and we look forward to seeing this trend continue."

Marcus Henderson – Investment Director, Aspire Fund

Investment focus

Although a generalist fund, the Aspire Fund had four investment focus areas during the year:

For further clarity on these focus sectors, visit NZGCP:

Understanding investment areas

Investment activity

Improved levels of investment through the reporting period resulted in the Aspire Fund investing $10.8 million during FY21. This excludes $2.4 million of investments that were approved by the Aspire Fund's investment committee prior to 30 June 2021 but not yet paid by year-end. This was a notable increase on the prior financial year of $8.8 million.

The Aspire Fund completed 14 new investments totalling $4.5 million, an increase of 7.7% in new investments completed in FY20. The amount of new investments completed this financial year demonstrates a continuing improvement in the pipeline of exciting new start-ups and our desire to continue actively supporting and stimulating current and future generations of technology entrepreneurs and early-stage ventures. Within this group of new Aspire Fund investments, there is a good spread between the Aspire Fund's four focus sectors with seven new software investments, three new deep-tech investments, three new health-tech investments and one new agri-tech investment. The majority of these new investments were made into seed-stage companies in line with the Aspire Fund's investment strategy. The Aspire Fund looks to also invest in companies at an earlier stage in compelling cases and as a result completed two new proof-of-concept investments into InsituGen (a health-tech spin out from the University of Otago) and Remotely (a software start-up based in Auckland) during the reporting period.

Increased deal competition and syndication levels at the seed and angel stages are positive indicators for FY22. Over one-third of the deals (23) this year were led by either local or offshore venture capital funds, mostly at seed and start-up stages. This indicates the ecosystem is maturing and, in line with our purpose, the capital gap is reducing. It's also encouraging to see that the Aspire Fund's range of co-investment partners has expanded from traditional angel investors 15 years ago to, now, a variety of investors. This adds diversity, capability and expertise to the local ecosystem and ultimately increases enterprise value and the investment support Kiwis need to build world-class companies.

The Aspire Fund follow-on investment activity remained high during the financial year, in line with previous years, as we continue to provide support to our most promising portfolio companies. The Aspire Fund completed 26 follow-on investments totalling $6.3 million in FY21, which is broadly in line with prior years.

Notable follow-on investments made by the Aspire Fund during the year include investments into:

— Rockit Global as part of a $35 million investment round, led by Pioneer Capital and Ngāi Tahu Holdings

— Quantifi Photonics as part of a $13.1 million investment round, led by Punakaiki Fund with participation from Pacific Channel, Simplicity Investment Funds and Nuance Connected Capital

— Tradify, alongside a $10 million Series B investment from Movac.

Investment realisations

The Aspire Fund completed two successful investment realisations during the financial year. The most notable of these was a partial exit of our holdings in AROA Biosurgery following its successful listing on the ASX in July 2020, which valued the company at $225 million on the date of listing. The other successful exit during FY21 was the sale of McCarthy Finch to Onit, Inc. for an undisclosed value, which was completed on 13 November 2020. NZGCP first invested in McCarthy Finch in January 2019.

In addition, the Aspire Fund has recently achieved successful exits from its investments in Rocos Global Limited and Unimarket Holdings Limited. Both of these realisations took place after 30 June 2021 but were in progress at the financial year-end. Rocos was acquired by DroneDeploy Inc on 10 August 2020 for an undisclosed value. Unimarket was acquired by Accel-KKR on 30 July 2021 resulting in a net gain of around $0.5 million on the Fund's total investment.

NZGCP congratulates Rocket Lab SPAC, Seequent, Timely, Palace, Unleashed, Vend and Ninja Kiwi, together with their founders and shareholders, on impressive milestones / liquidity events in FY21. The volume and value of these transactions indicates the health and global ambition of New Zealand's start-up ecosystem is strong and growing. NZGCP supports all Kiwis building world-class companies.

Investment performance

The Aspire Fund performed ahead of forecast during the financial year with total fund value increasing from $85 million to $123 million. The increase represents $10.8 million of new and follow-on investment activity in FY21; a $33 million increase in the value of the Aspire Fund's investments and a $5.5 million realisation from investment exits.

Since original investment, the largest life to date movement increases came from a Kami, Rockit Global, AROA Biosurgery, Invert Robotics and AskNicely.

COVID-19 impact

In response to the significant market uncertainty across the globe due to the emergence of the COVID-19 pandemic, the Government introduced a number of temporary settings changes to the Aspire Fund at the beginning of the financial year. The temporary settings were put in place for a defined period from May 2020 to June 2021. The effect of these revised settings was to:

1. Raise the annual investment cap from $12 million to $20 million;
2. Increase the per-company investment cap from $1.5 million to $2.5 million;
3. Relax the requirement to match the Aspire Fund's capital on a 1:1 basis with private capital to be up to 1:2 public to private capital in certain cases, such as where the COVID-19-related environment has produced lower-than-expected levels of private capital in the market; and
4. Allow NZGCP to work proactively with private-sector partners to co-lead deals to increase the possibility of fundraising occurring during the period of uncertainty which the global COVID-19 pandemic created.

Some of these settings have been extended into FY22 and during FY22 the Aspire Fund settings will be reviewed and updated. However, no additional capital was supplied to NZGCP to deliver on these activities and all of the Aspire Fund's activities have been delivered from existing cash reserves and/or realisations during the year.

A noticeable hesitancy on the part of investors to commit capital to early-stage capital markets emerged in the first half of calendar year 2020. As a result, the Government agreed to an increase in the Fund's settings as outlined above.

The Aspire Fund maintained relatively high levels of investment, representing 13% of the aggregate investment at the seed and angel stages during the first half of the year. Private capital investment appetite levels rebounded in the second half of calendar year 2020 and continued into 2021. This resulted in the Aspire Fund's investments returning to what are considered normal levels where the Aspire Fund's investment represents around 5% of New Zealand's aggregate seed- and angel-stage investments.

Investment report — Venture Investment Fund (VIF 1.0)

NZGCP also continues to manage the legacy VIF 1.0 programme, an end of life venture capital fund-of-funds programme created in 2002.

The vast majority of the VIF 1.0 funds have now been fully liquidated and only three remaining funds are actively managed: Pioneer Capital Fund 2; Movac Fund 3; and GD1 Fund 2 (of which only the latter is still in its investment period).

In addition, there are three end-of-life funds that still hold residual assets (including earnouts from previous exits) and NZGCP holds a number of private and listed investments that have been distributed in specie from the underlying funds. The direct listed equities include IKE GPS (ASX listed) and AROA Biosurgery (ASX listed) where the ownership was transferred directly to NZGCP from the underlying funds.

NZGCP anticipates that the remaining VIF 1.0 funds will be fully realised over the next two or three years as there were only $1.0 million of outstanding commitments to these funds at year-end.

NZGCP has seen a number of realisations during the financial year including the Pioneer Capital lead sale of K9 Natural Pet Food Group to private equity group KKR, the sale of NZGCP's holdings in Moa and the partial realisation from the sale of a proportion of NZGCP's holding in AROA Biosurgery.

During FY21 the VIF 1.0 programme value increased from $26.9 million to $27.4 million and had distributions of $7.4 million during the year.

The prospects for the remaining portfolio are looking relatively positive over the next few years with a number of underlying portfolio companies tracking well, including, among others, Author-It, Lets Cargo, Vesper Marine, Shuttlerock, StretchSense and UBCO Bikes.

Market development —

This is what we are doing:

We are establishing an early-stage capital market development programme that will address the following Statement of Intent work streams by 2024.

Statement of Intent work streams

Build the Base —
Initiatives to ensure quantity and quality of the opportunity pipeline.

Develop Capability —
Initiatives to build the number, experience, expertise and capability of investment professionals in the early-stage capital markets.

Build Networks —
Initiatives to build the connectivity of New Zealand entrepreneurs, fund managers and companies with offshore funding sources, networks and capability.

Capital Introduction —
Initiatives to unlock domestic (for example KiwiSaver) and international capital to New Zealand opportunities.

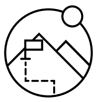
Create Collaboration —
Initiatives to encourage cooperation among ecosystem participants.

Create Competition —
Initiatives to encourage competition among domestic early-stage investors both to raise industry standards and to encourage syndication and risk sharing (which is common in more established offshore jurisdictions).

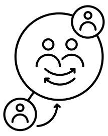
Talent Introduction —
Initiatives to attract talent, both domestic and offshore, into the ecosystem, with a focus on diversity and inclusiveness. Particular attention will be given to gender balance, as well as encouraging Māori and Pasifika participation both on the entrepreneurial side as well as on investment professional pathways.

COVID-19 Recovery —
Initiatives to address the material impact COVID-19 has had, and will continue to have, on our early-stage ecosystem.

Supporting strategic initiatives

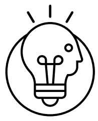


Build the base and develop capability —
(become self-sustaining)



Build networks and introduce new capital sources —
(catalyse new sources of investment capital)

Create collaboration and healthy competition —
(develop high-quality deal flow)



Talent introduction and market engagement —
(develop the market; improve connections and investment conditions)

This is how we are doing it:

Through programmes, events and sponsorships, we are working alongside key partners to develop and foster a self-sustaining early-stage investment ecosystem for New Zealand.

Key partners

NZGCP-initiated workshops/events

- New Zealand venture capital pulse check
- How to make a deep-tech investment
- An introduction to investing in venture capital
- Starting a venture capital fund
- Aspire Fund's 'Kāhui' networking and awards evening
- Aspire Fund's Sales Leaders workshop
- Kōrerorero Q&A blog series

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).

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 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. 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 measures 2020/21

Impact 1: Increased levels of private capital invested into high-growth companies

Measures	Actual 2019/20	Actual 2020/21	SOI Forecast 2020/21
1. Total amount invested by the angel/seed market into New Zealand high-growth companies (p.a.) [1]	$129m	$158m	$116m
2. Total amount invested by the New Zealand venture capital market into New Zealand high-growth companies (p.a.) [2]	$112m	$127m	$100m

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 and Angel Association New Zealand (AANZ), for the years ending 31 December 2019 and 31 December 2020. This report showed growth in the dollars invested despite a small decline in the number of investments.
2. The total amount invested by the New Zealand 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 2019 and 31 December 2020. This report showed growth in the dollars invested but across twice the number of deals, indicating a comparatively lower average investment amount as venture capital funds invest in earlier-stage funding rounds.

Impact 2: Increased number of experienced and professional investors who are active in the industry

Measures	Actual 2019/20	Actual 2020/21	SOI Forecast 2020/21
1. Total number of domestic funds >$50m active in the market	3	6	8
2. Total number of domestic funds <$50m (micro/seed funds) active in the market	8	10	12
3. Number of serial angel investors in the market	100 - 150	100 - 150	100 - 150
4. Number of active venture capital investment professionals	12	39	32

Comment

1. As at 30 June 2021, investors include Blackbird Ventures, Finistere Ventures, Global From Day One (GD1), Movac, Pacific Channel and Punakaiki. These investors have funds classified here given their sizes and active investment into venture-capital-stage funding rounds.
2. As at 30 June 2021, investors include Cure Kids Ventures, Enterprise Angels, Hillfarrance, Icehouse Ventures, Impact Enterprise Fund, K1W1, LIC AgCelerator Fund, Matū, New Ground Capital, WNT Ventures and Nuance Connected Capital, as well as our Aspire Fund, that have early-stage funds actively investing in the New Zealand market.

   The reported figures for these two measures are estimated based on external information from online databases, together with 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 over 1,000 angels, of which 100 to 150 are active at 30 June 2021. We have reported the range.
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 3: Increased connectiveness for globally ambitious companies

Measures	Actual 2019/20	Actual 2020/21	SOI Forecast 2020/21
1. Total number of New Zealand high-growth companies receiving investment from ecosystem p.a. (angel and venture capital)	175	200	156
2. Total number of syndicated institutional funding rounds (venture capital)	n/a	6	6
3. Syndication levels in the angel/seed ecosystem	73%	85%	75%

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.

Impact 3: Increased connectiveness
for globally ambitious companies (continued)

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 New Zealand venture capital market as measured by *New Zealand Private Equity and Venture Capital Monitor*, published by EY, both for the years ending 31 December 2019 and 31 December 2020.

   The results indicate a small decline in the number of investments in the angel/seed market (108, down from 130), but a large increase in the early-stage investment by the venture capital market (92, up from 46).

2. This measure is defined as offshore and local investment in the same venture capital funding round. Our forecast assumption was based on 15% of the market-wide venture capital investments. However, without the required additional layers of detail, the results shown indicate the funding rounds meeting the definition are only those investments participated in by the Aspire and Elevate funds.

3. This syndication level, as measured by *Startup Investment New Zealand,* published by PwC and AANZ, shows record levels of co-investment in the market, which indicates investors working together as a result of the uncertainty throughout the period.

Impact 4: An environment conducive to early-stage investment

Measures	Actual 2019/20	Actual 2020/21	SOI Forecast 2020/21
1. Industry development initiatives undertaken in conjunction with NZPCA and AANZ	4	4	4
2. Advice provided to the Government to assist market development	2	4	2

Comment

1. NZGCP has continued to be involved in supporting market development initiatives in FY21. NZGCP supported a number of initiatives detailed further in the Statement of Performance. (Please refer to Output 4 for a detailed list of notable initiatives.)

2. Key advice provided included:

   — Collaboration and input into a Cleantech initiative, led by Callaghan Innovation
   — Aspire Fund mandate and temporary settings presentation to MBIE
   — Elevate Fund mandate and performance workshop with MBIE, Treasury and the Guardians
   — Attendance and input into a multi-agency/Crown entity Responsible Investment workshop

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

Statement of responsibility —

for the year ended 30 June 2021

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 2021 fairly reflect the financial position and operations of the New Zealand Growth Capital Partners Limited and the Group.

David Smol
Chair
2 November 2021

Annabel Cotton
Director
2 November 2021

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 2021.

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

Opinion

We have audited:

— the consolidated financial statements of the Group on pages 48 to 71, that comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Revenue and Expense for the year ended 30 June 2021, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position and the Consolidated 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 42 to 46.

In our opinion:

— the consolidated financial statements of the Group on pages 48 to 71:
- present fairly, in all material respects:
  - its financial position as at 30 June 2021; 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 42 to 46:
- presents fairly, in all material respects, the Group's performance for the year ended 30 June 2021, 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 2 November 2021. 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 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 is also responsible for disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these 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 is responsible for the other information. The other information comprises the information included on pages 1 to 41, page 47, and pages 72 to 76, 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 2021

This Statement of Performance measures NZGCP's progress against objectives and measurements set out in our FY21 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 and Output Measures. For the Impact Measures, please refer to the Investment Performance and Activity Statement earlier in this report.

NZGCP had 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	Capital appropriations 2020/21	Actual drawn from Crown 2020/21	Reason for variance
VIF 1.0 - This appropriation was made in 2002 to enable NZGCP to co-invest with the private sector to address the venture capital market gap by providing new risk capital to emerging high-growth New Zealand companies.	$125.50m	$0	$0	**In line with expectation.** VIF 1.0 has fully drawn its capital appropriation.
Aspire Fund - This appropriation was made to allow NZGCP 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.** The Aspire Fund has fully drawn all allocated appropriation.

	Actual 2019/20	Actual 2020/21	Forecast 2020/21
Revenue from the Crown	$2,330,000	$750,000	**$750,000**
Investment revenue	$(1,886,790)	$42,039,342	-
Other revenue	$2,323,778	$2,966,021	**$2,956,000**
Total revenue	**$2,766,988**	**$45,755,363**	**$3,716,000**
Expenses	**$4,683,974**	**$8,138,826**	**$6,133,600**
Surplus/(deficit)	**$(1,916,987)**	**$37,616,537**	**$(2,427,600)**

Refer to Note 18 in the financial statements for commentary on major variances against forecast.

NZGCP also received $2.4 million in revenue in relation to the managing of the Elevate NZ Venture Fund.

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

Output measures 2020/21

Output 1: Move to sustainability by making and managing investments

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

Quantity Measures	Actual 2019/20	Actual 2020/21	Forecast 2020/21	Comment
Number of new companies receiving investment the Aspire Fund (p.a.)	13	14	11	**Target met.** NZGCP made investments into 14 new companies (the Aspire Fund: 14 and zero VIF 1.0). COVID-19 has resulted in a minor slowdown and delay in deal flow in the first half of FY21; however, these levels increased and the Aspire Fund made it a key focus to ensure new companies were considered for investment.
Total number of companies receiving investment from the Aspire Fund (p.a.)	47	40	55	**Target not met.** The Aspire Fund made investments into 40 companies (across 43 investments). In line with the market trend, the average deal size increased indicating more meaningful but selective investment across the ecosystem.
Total amount invested into companies annually from the Aspire Fund	$8.8m[1]	$10.8m[2]	$15.0m[2]	**Target not met.** The Aspire Fund invested $10.8 million into 40 companies, with total investments higher than historical averages. However, the need to make use of our temporary increase in mandate limits was not fully realised as private capital returned to the market after an initial slowdown caused by concerns regarding the potential impact of COVID-19.
Total proceeds from divestment of investments (the Aspire Fund, VIF 1.0)	$2.9m	$13.0m	$3.0m	**Target met.** Proceeds were received from the Aspire Fund across 9 investments, including 2 partial exits and 7 full exits. VIF 1.0 also received distributions relating to a further 6 investments, including 1 partial exit and 5 full exits.
Amount of capital committed to venture capital funds invested in by the Elevate Fund (p.a.)	n/a	$86.8m	$110.0m	**Target not met.** Commitments were made into 4 venture capital funds at 30 June 2021. A fifth and sixth conditional approval that were confirmed after year-end resulted in total commitments of over $150 million.

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

Quality Measures

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

— Currently over 95% of NZGCP investments are in seed, start-up and early-expansion stage. We expect this to decrease over time as the portfolio matures, and investment companies grow and expand.

2. 100% of investment transactions will meet NZGCP's eligibility criteria

— All investments made in the 2020/21 financial year 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.

Output 2: Attract capital – catalyse new sources of investment capital

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

Quantity Measures	Actual 2019/20	Actual 2020/21	Forecast 2020/21	Comment
Cumulative number of venture funds invested in by Elevate Fund (including second vintages)	n/a	4	5	**Target not met.** Commitments were made into 4 venture funds at 30 June 2021. A fifth and sixth conditional approval at the time has subsequently closed after year-end in August.
Amount of private capital raised by venture capital funds Elevate Fund invests in	n/a	$303m	$165m	**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.
Investment leverage ratio for the Elevate Fund (public to private capital)	n/a	1:3.5	1:1.5	**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 Fund and Elevate Fund)	6	25	20	**Target met.** Series A/B fundraises increased in number as several that were delayed due to COVID-19 were successful, along with increased investment levels into early-stage companies through the angel/seed ecosystem as well as with the launch of the Elevate Fund and various venture capital funds.
Number of companies with offshore venture capital investment at Series A/B (Aspire Fund and Elevate Fund)	7	11	7	**Target met.** In line with forecast, with the introduction of the Elevate Fund and the launch of the Underlying Funds, the access to domestic capital somewhat offsets increased interest from offshore investors.
Investment leverage ratio for the Aspire Fund (public to private capital)	n/a	1:11	1:2	**Target met.** The Aspire Fund invested $10.8 million into 40 companies, with those companies raising over $130 million. 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 capital.

Quality Measure

Venture capital funds and angel partnerships 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. Despite this broadening, the PwC and AANZ *Startup Investment New Zealand* publication reported record levels of syndication in calendar year 2020 among angel/seed investments.

— The launch of the Elevate Fund has impacted these measures and is expected to continue to do so in 2021/22 and beyond, which will help to attract capital from overseas investment managers, as well as growing local venture capital funds.

Output 3: Develop high-quality deal flow through the establishment of diverse investment partnerships

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

Quantity Measures	Actual 2019/20	Actual 2020/21	Forecast 2020/21	Comment
Number of investment opportunities reviewed by the Aspire Fund	155	147	200	**Target not met.** In 2020/21 the Aspire Fund fully approved 35 investments; 97 opportunities did not gain full approval; and, as at the end of the year, an additional 15 opportunities have been approved for active due diligence. Deal volume dropped temporarily due to the effect of the COVID-19 pandemic, but we believe the largest factor for this slightly lower result is the implementation of a streamlined and semi-automated screening process that resulted in fewer opportunities being reviewed that were simply outside of mandate or not applicable for investment by NZGCP and the Aspire Fund.
Number of Aspire Fund syndicate partners	35	36	35	**Target met.** These forecasts were based on our original network of angel partners; the wider network of investors that NZGCP now works with has proven to be much larger.

Quality Measure

The quality measures for Output 3 relate to the new NZGCP operational model following the changes to the Aspire Fund (previously SCIF) mandate. Under the revised mandate, NZGCP has established co-investment relationships with early-stage investor groups that are not traditional angel investor networks.

For the Elevate Fund partners, refer to Output 2 and the measure 'Cumulative number of venture funds invested in by the Elevate Fund'.

The reported figures for this measure are estimated based on external information from AANZ as well as NZGCP's own knowledge and experience of the market through our varied co-investments and relationships.

Output 4: Work with industry stakeholders – to develop the market and improve investment conditions

— We will support industry professional development programmes and one-off initiatives that will assist in building industry standards and professionalism.

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

— We will seek to improve connectiveness, both within the New Zealand ecosystem and offshore.

Quantity Measures	Actual 2019/20	Actual 2020/21	Forecast 2020/21	Comment
Market development initiatives undertaken in conjunction with industry associations	4	4	4	**Target met.** NZGCP provided support to the industry by: — Sponsoring and supporting the AANZ — Sponsoring and supporting the Hi-Tech Awards — Supporting the industry publication *Startup Investment New Zealand,* in conjunction with PwC and AANZ — Contributing data and analysis to various industry-led initiatives
Advice provided to the Government to assist market development	2	4	2	**Target met.** NZGCP has worked on the following work streams/ given advice on: — Collaboration and input into the Cleantech initiative led by Callaghan Innovation — Aspire Fund mandate and temporary settings presentation to MBIE — Elevate Fund mandate and performance workshop with MBIE, Treasury and the Guardians — Attendance and input into a multi-agency/Crown entity Responsible Investment workshop

Quality Measures

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

NZGCP has achieved this measure, as demonstrated by delivering initiatives that were supported by the industry including:

— Sponsor and co-host of the early-stage investment education series with AANZ and NZPCA

— Collation and presentation of the *Startup Investment New Zealand* publication, reporting on annual angel investment activity across New Zealand, in conjunction with PwC and AANZ

— NZGCP has presented at several workshops and events around the country, in connection with AANZ, Agritech NZ, Callaghan Innovation and NZTE

— Sponsorship of Velocity incubator programme

— Sponsorship of OnBoard programme

— Publishing our Kōrerorero Q&A blog to share experiences of various market participants and NZGCP partners.

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

NZGCP has achieved this measure by providing feedback to government on policy initiatives that impact the earliest-stage capital markets including:

— Collaboration and input into the Cleantech initiative led by Callaghan Innovation

— Aspire Fund mandate and temporary settings presentation to MBIE

— Elevate Fund mandate and performance workshop with MBIE, Treasury and the Guardians.

— Attendance and input into a multi-agency/Crown entity Responsible Investment workshop.

Financials —

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Note	Group		
		2021 Actual $	2021 Unaudited Budget $	2020 Actual $
Net operating income	2	**45,755,363**	3,706,000	2,826,838
Expenses				
Administration expenses	3	**(7,717,357)**	(5,704,600)	(4,110,740)
Realised gain/(loss) on sale of fixed assets		**(6,401)**	–	(222)
Fund management fees and costs		**(415,068)**	(429,000)	(632,863)
Total expenses		**(8,138,826)**	(6,133,600)	(4,743,825)
Surplus/(deficit) before taxation		**37,616,537**	(2,427,600)	(1,916,987)
Income tax expense	4	**–**	–	–
Total comprehensive revenue and expense	18	**37,616,537**	(2,427,600)	(1,916,987)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Group		
		2021 Actual $	2021 Unaudited Budget $	2020 Actual $
Share capital		**172,219,801**	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit) at the beginning of the year		**(11,099,934)**	(8,085,494)	4,497,053
Total comprehensive revenue and expense for the year		**37,616,537**	(2,427,600)	(1,916,987)
Dividend to Crown		**–**	–	(13,680,000)
Accumulated shareholders' surplus/(deficit) at the end of the year		**26,516,603**	(10,513,094)	(11,099,934)
Total equity/accumulated shareholders' surplus/(deficit) at the end of the year		**198,736,404**	161,706,707	161,119,867

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Group		
		2021 Actual $	2021 Unaudited Budget $	2020 Actual $
ASSETS				
Current assets				
Cash and cash equivalents		**3,289,135**	1,840,073	5,672,355
Receivables	5	**1,053,176**	1,786,340	1,371,188
Term deposit investments	6	**41,900,000**	31,000,000	41,000,000
Income tax refundable	4	**–**	–	30,012
Total current assets		**46,242,311**	34,626,413	48,073,555
Non current assets				
Property, plant and equipment		**73,691**	79,498	64,991
Intangible assets		**9,001**	29,000	25,233
Investments through the VIF 1.0 programme	7, 11	**27,419,365**	27,686,022	26,908,535
Investments through the Aspire Fund	7, 11	**123,028,517**	98,404,639	85,039,956
Investment earnout receivable	7, 11	**3,273,679**	1,205,688	1,905,137
Total non current assets		**153,804,253**	127,404,847	113,943,852
Total assets		**200,046,564**	162,031,260	162,017,407
LIABILITIES				
Current liabilities				
Trade and other payables	11	**507,363**	144,553	377,247
Employee entitlements	10	**802,797**	180,000	520,293
Total current liabilities		**1,310,160**	324,553	897,540
Total liabilities		**1,310,160**	324,553	897,540
Net assets		**198,736,404**	161,706,707	161,119,867
EQUITY				
Share capital		**172,219,801**	172,219,801	172,219,801
Accumulated shareholders' surplus/(deficit)		**26,516,603**	(10,513,094)	(11,099,934)
Total equity	18	**198,736,404**	161,706,707	161,119,867

Annabel Cotton
Director
2 November 2021

David Smol
Chair
2 November 2021

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	Group		
		2021 Actual $	2021 Unaudited Budget $	2020 Actual $
Cash flows from operating activities				
Cash was provided from:				
Revenue from the Crown		**750,000**	750,000	2,330,000
Interest		**649**	16,000	29,298
Other income		**2,454,457**	2,340,000	1,000
Income tax refunded		**30,012**	–	47,115
Sale of investments through the VIF 1.0 programme		**7,431,439**	25,000	1,692,139
Sale of investments through the Aspire Fund		**5,528,071**	300,000	1,190,632
Interest earned from term deposit investments		**866,861**	600,000	1,858,100
Term deposit investment		**–**	10,000,000	23,500,000
Cash inflow from operating activities:		**17,061,489**	14,031,000	30,648,284
Cash was applied to:				
Payments to suppliers		**(3,941,151)**	(3,803,900)	(2,677,091)
Payments to employees		**(3,758,689)**	(2,289,700)	(1,975,934)
Net goods and services tax (paid)/refunded		**16,194**	–	92,536
Income tax paid		**(11,743)**	–	(5,352)
Purchase of investments through the VIF 1.0 programme		**(6,070)**	(824,621)	(3,786,261)
Purchase of investments through the Aspire Fund		**(10,782,019)**	(15,000,000)	(8,838,053)
Term deposit investments		**(900,000)**	–	–
Cash outflow from operating activities:		**(19,383,478)**	(21,918,221)	(17,190,155)
Net cash flow from operating activities		**(2,321,989)**	(7,887,221)	13,458,129
Cash flow from investing activities				
Purchase of property, plant, equipment and intangible assets		**(58,576)**	(61,500)	(93,093)
Net cash flow from investing activities		**(58,576)**	(61,500)	(93,093)
Cash flows from financing activities				
Dividends paid		**–**	–	(13,680,000)
Net cash flow from financing activities		**–**	–	(13,680,000)
Net increase/(decrease) in cash and cash equivalents		**(2,380,565)**	(7,948,721)	(314,964)
Cash and cash equivalents at the beginning of the year		**5,672,355**	7,088,794	5,927,469
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(2,655)**	–	59,850
Cash and cash equivalents at the end of the year	18	**3,289,135**	(859,927)	5,672,355

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

Notes to the consolidated financial statements —

30 June 2021

1 — Summary of significant accounting policies

1.1 Reporting entity

The reporting entity is New Zealand Growth Capital Partners Limited ('NZGCP', 'the Parent' and 'the Company') and its controlled subsidiaries ('the Group'). At 30 June 2021 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 1, 12 Madden Street, Wynyard Quarter, Auckland.

The consolidated financial statements of NZGCP are as at and for the year ended 30 June 2021, were approved by the Board on 2 November 2021. The entity's owners do not have the power to amend these financial statements once issued.

1.2 Statement of compliance

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

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

1.3 Basis of preparation

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

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

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

1.4 Changes in accounting policies

There have been no changes in the Group's accounting policies since the date of the last audited consolidated financial statements.

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, 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 2021. 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 International Public Sector Accounting Standards (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 2021 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.

1 — Summary of significant accounting policies (continued)
1.7 Subsidiaries (continued)

			Interest held	
Name of entity	**Principal activity**	Note	**2021**	2020
Aspire NZ Seed Fund Limited	Investment through underlying structured entries (via the VIF 1.0 programme) 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, are incorporated in New Zealand and are 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; and

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

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

VENTURE CAPITAL INVESTMENT FUNDS

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

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 the Group's investments that meet the definition of a structured entity are the venture capital investment funds held via the VIF 1.0 programme. This is because:

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

— 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 inclusive of GST. Where GST is not recoverable as an 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 2021. 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 the future economic benefits or the 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. The associated monthly or annual fees are expensed as incurred. There are no longer any software licenses capitalised; these have been disposed of because it was replaced with cloud-based applications.

Costs associated with the development of the Group's website are capitalised and amortised at a diminishing value rate of 60% over the useful period of the website. 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.

Regular maintenance of the Group's website is recognised as an expense when incurred.

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.

1 — Summary of significant accounting policies (continued)
1.16 Critical accounting estimates and assumptions (continued)

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 1.7)
— Assessment of investments in the Aspire Fund and the VIF 1.0 programme (Notes 7 and 11)
— Determination of fair value (Notes 7 and 11)

1.17 Market response to the COVID-19 pandemic

The prior financial period saw significant volatility in global financial markets as a result of the COVID-19 pandemic. Markets have subsequently seen a substantial turnaround; however, the longer-term direct and indirect impacts of the pandemic on the value of investments remains somewhat uncertain while businesses and governments continue to respond to the outbreak.

1.18 Reclassifications

Certain line items in the Consolidated Statement of Revenue and Expenses and notes thereto were re-classified in the current year to enhance the comparability of items between periods.

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 (2021: $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 NZGCP's two Investment Funds, the Aspire Fund and the VIF 1.0 programme. This balance is highly variable, driven largely by the performance of start-up companies.

In 2020 the Group recorded a loss on valuation of the two Investment Funds, largely as a result of the impact of COVID-19 on asset values. The value of the underlying investments showed strong growth during 2021.

		Group	
	Note	**2021 Actual $**	2020 Actual $
Non-exchange revenue			
Revenue from the Crown		**750,000**	2,330,000
Total non-exchange revenue		**750,000**	2,330,000
Exchange revenue			
Interest		**524,945**	1,693,321
Elevate NZ Venture Fund LP management fee	8	**2,418,790**	630,457
Other gains and losses		**22,286**	59,850
Investment gains and losses		**42,039,342**	(1,886,790)
Total exchange revenue		**45,005,363**	496,838
Total net operating income		**45,755,363**	2,826,838

3 — Administration expenses

	Note	Group 2021 Actual $	 2020 Actual $
Amortisation		**13,502**	15,941
Audit fees		**298,600**	104,134
Depreciation		**34,668**	26,270
Directors' fees and expenses	14	**164,313**	159,691
Employee costs	9	**4,243,433**	2,431,374
Utilities and occupancy expenses		**121,390**	124,184
Other operating expenses		**2,841,451**	1,249,146
Total administration expenses		**7,717,357**	4,110,740

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.

4 — Taxation (continued)

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	
	2021 Actual $	2020 Actual $
Relationship between tax expense and accounting profit		
Net surplus/(deficit) before taxation	**37,616,537**	(1,916,987)
Prima facie income tax at 28%	**10,532,630**	(536,756)
Add/(less)		
Temporary and permanent differences	**(11,582,716)**	536,365
Deferred tax adjustment	**1,050,086**	391
Income 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.

The Group's current tax asset of $Nil (2020: $30,012) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

c — Deferred tax

	Group	
	2021 Actual $	2020 Actual $
Unrecognised deferred tax assets and liabilities		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	**252,335**	221,127
Accumulated tax losses	**25,294,871**	22,359,697
Total	**25,547,206**	22,580,824

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 9 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	
	2021 Actual $	2020 Actual $
Prepayments	**252,647**	215,797
Other receivables	**939,693**	1,230,809
Gross debtors	**1,192,340**	1,446,606
Less: allowance for expected credit losses	**(139,164)**	(75,418)
Total receivables	**1,053,176**	1,371,188

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 2021; this rating indicates the banks have a very strong capacity to meet their financial commitments.

	Group	
	2021 Actual $	2020 Actual $
Term deposits	**41,900,000**	41,000,000
	41,900,000	41,000,000

7 — Investments through the Aspire Fund and the VIF 1.0 programme

The Aspire NZ Seed Fund Limited is a 100% subsidiary of NZGCP. Within the Aspire NZ Seed Fund Limited there are two investment funds called the Aspire Fund and the VIF 1.0 programme. The Aspire Fund is an active, evergreen fund. The VIF 1.0 programme, an investor in structured entities, is close to its end of life with a remaining undrawn commitment of $1,008,190. The strategic intent for the VIF 1.0 programme 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. NZGCP's interests are represented by equity owned directly by the Aspire Fund. NZGCP is not responsible for, and does not exercise significant influence over the performance or success of the underlying investments. 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". The IPEV are reviewed following any relevant changes in accounting standards or market practices and provide a framework for private equity and venture capital investors to arrive at a fair value for their investments. The IPEV and the Board are 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 into the entity. 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 its revaluation. Where an investment has been fully impaired, NZGCP does not carry any risk or reward associated with that investment.

	Group			
	Carrying value 2021 $	**Interest held 2021**	Carrying value 2020 $	Interest held 2020
Investment				
Investments through the Aspire Fund	**86,855,528**	**0%–22%**	70,969,049	0%–22%
Accumulated revaluations	**36,172,989**		14,070,907	
	123,028,517		85,039,956	

Since the Aspire Fund was established in 2006 it has invested into 245 (2020: 230) companies. As at 30 June 2021, 96 (2020: 74) of these companies have been revalued down to $Nil.

7 — Investments through the Aspire Fund and the VIF 1.0 programme (continued)

b — Investment through the VIF 1.0 programme

NZGCP, via the VIF 1.0 programme, co-invested, alongside private-sector investors in seed and early-stage venture investment funds which are managed by external fund managers' who make the investment decisions. The IPEV recommends that investors in venture capital funds should use the fund managers reported valuation as an input in determining the fair value of their interest in the fund's investments. The IPEV also recommends that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. The external fund managers are contractually required to report to NZGCP on an ongoing basis and NZGCP monitors the performance and valuation of the portfolio. The reported fair value of the investment by each fund manager has been used as an input for the fair value assessment performed by NZGCP (Note 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 does not reflect the fair value of investment, NZGCP will adjust the value accordingly.

	Group			
	Carrying value 2021 $	**Interest held 2021**	Carrying value 2020 $	Interest held 2020
Investment				
Investments through the VIF 1.0 programme	**36,457,171**	**2.5%–40%**	36,332,508	2.5%–40%
Accumulated revaluations	**(9,037,806)**		(9,423,973)	
	27,419,365		26,908,535	

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

c — Future earnouts

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

All related party transactions with other government-related entities have been entered into on an arm's length basis. 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 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: $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 (2020: 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 2021, as the VIF 1.0 programme and the Aspire Fund are fully appropriated (2020: $Nil).

SUBSIDIARIES

NZGCP and subsidiaries hold tax losses of $25,547,206 at 30 June 2021 (2020: $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 a reimbursement for expenses for the Elevate Fund, as it provided for 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	
	2021 Actual $	2020 Actual $
Manager fees received	**2,418,790**	723,876
Receivables	**711,608**	723,876

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 New Zealand 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	
	2021 Actual $	2020 Actual $
Salaries and wages	**3,267,653**	1,833,103
Employer contributions to defined contribution schemes	**172,983**	77,978
Increase/(decrease) in employee entitlements payable (Note 10)	**802,797**	520,293
	4,243,433	2,431,374

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 FY21 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	
	2021 Actual $	2020 Actual $
Accrued salaries	**89,304**	64,130
Annual leave	**146,526**	119,033
Other staff benefits	**–**	3,534
Short-term incentives	**533,758**	306,003
Employer contributions to defined contribution schemes	**33,209**	27,593
	802,797	520,293

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; and

— 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; and

— 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.

11 — Financial instruments (continued)

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 programme 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	
	2021 $	2020 $
Financial assets designated at fair value through surplus or deficit on initial recognition		
Investments through the VIF 1.0 programme (Note 7)	**27,419,365**	26,908,535
Investments through the Aspire Fund (Note 7)	**123,028,517**	85,039,956
Investment earnout receivable (Note 7)	**3,273,679**	1,905,137
Total financial assets designated at fair value through surplus or deficit on initial recognition	**153,721,561**	113,853,628
Financial assets measured at amortised cost		
Cash and cash equivalents	**3,289,135**	5,672,355
Trade and other receivables (excluding prepayments)	**800,529**	1,155,391
Term deposit investments	**41,900,000**	41,000,000
Total financial assets measured at amortised cost	**45,989,664**	47,827,746
Financial liabilities measured at amortised cost		
Trade and other payables	**507,363**	377,247
Employee entitlements	**802,797**	520,293
Total financial liabilities measured at amortised cost	**1,310,160**	897,540

11 — Financial instruments (continued)

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 2021 – Group	Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets designated at fair value through surplus or deficit on initial recognition				
Investments through the VIF 1.0 programme	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 receivable	3,273,679	–	–	3,273,679
Total	153,721,561	20,096,650	–	133,624,911

Key judgement – determination of fair value

A majority of investments are categorised within Level 3 of the fair value hierarchy. These investments, by their nature, are inherently more subject to valuation uncertainty. While the determination of fair value in relation to these investments is subject to careful consideration, the volatility in market conditions at balance date as a result of COVID-19 has resulted in certain valuation inputs being less reliable e.g. where fair value is determined using valuation models based on the price of recent and comparable transactions, or using revenue multiples. The Board and senior management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments to their carrying value might be required.

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

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

11 — Financial instruments (continued)

b. Fair value hierarchy disclosures (continued)

	Valuation technique			
30 June 2020 – Group	Total $	Quoted market price $	Observable inputs $	Significant non-observable inputs $
Financial assets designated at fair value through surplus or deficit on initial recognition				
Investments through the VIF 1.0 programme	26,908,535	1,600,868	–	25,307,667
Investments through the Aspire Fund	85,039,956	96,060	–	84,943,896
Investment earnout receivable	1,905,137	–	–	1,905,137
Total	113,853,628	1,696,928	–	112,156,700

c — Strategy in using financial instruments

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

d — Credit risk

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

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

There are no significant concentrations of credit risk as NZGCP only invests funds with registered banks which have a Standard & Poor's long-term AA- investment grade credit rating or higher.

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 as 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 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 Aspire Fund investments and the VIF 1.0 programme.

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. Because of the nature of NZGCP's operations, management aims to maintain flexibility by keeping sufficient available funds to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to NZGCP's reputation.

12 — Commitments

Capital commitments

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

	Group	
	2021 Actual $	2020 Actual $
Capital commitments		
Firm commitment remaining – the VIF 1.0 programme	**1,008,190**	3,026,291
Anticipated commitment remaining – the Elevate Fund	**40,000,000**	40,000,000
Total firm commitment remaining	**41,008,190**	43,026,291

VIF 1.0 programme – generally, drawdowns by a specific fund manager are substantially made over a five-year period from the first commitment and include calls for management fees and investments. VIF 1.0 programme 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. NZGCP manages the Elevate NZ Venture Capital Fund and does not have an ownership interest.

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 instalments over the term of the lease.

Lease commitments under non-cancellable operating leases:

	Group	
	2021 Actual $	2020 Actual $
Less than 1 year	**117,601**	28,043
Total operating lease commitments	**117,601**	28,043

NZGCP holds a lease on one building in Auckland that expires on 30 June 2022.

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 FY21.

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

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

$	2021 Currently employed	2021 No longer employed	2021 Total	2020 Currently employed	2020 No longer employed	2020 Total
100,000–109,999	–	–	–	–	2	2
110,000–119,999	1	–	1	1	–	1
120,000–129,999	–	–	–	2	–	2
130,000–139,999	1	1	2	1	–	1
140,000–149,999	1	–	1	2	–	2
150,000–159,999	1	–	1	–	–	–
160,000–169,999	1	1	2	–	–	–
170,000–179,999	1	–	1	1	–	1
190,000–199,999	1	–	1	1	–	1
200,000–209,999	1	–	1	1	–	1
210,000–219,999	1	–	1	–	–	–
230,000–239,999	1	–	1	–	–	–
240,000–249,999	1	1	2	–	–	–
280,000–289,999	1	–	1	–	–	–
300,000–309,999	–	1	1	1	–	1
350,000–359,999	1	–	1	1	–	1
370,000–379,999	1	–	1	–	–	–
540,000–549,999	–	–	–	1	–	1
Total employees	14	4	18	12	2	14

14 — Directors' remuneration

		Group	
		2021 Actual $	2020 Actual $
Board member fees paid during the year were:	**Term commencement/conclusion date**		
Murray Gribben	1 October 2019 to 14 December 2020	**3,764**	59,900
David Flacks	1 July 2018 to 29 November 2020	**–**	14,959
Richard Hughes	1 July 2018 to 21 April 2020	**–**	24,932
Debbie Birch	1 November 2018 to 20 December 2020	**34,885**	29,950
Emma Loisel	1 November 2018 to 20 December 2020	**30,162**	29,950
David Smol (Chair)	25 November 2020 to 25 May 2022	**26,172**	–
Annabel Cotton	16 December 2020 to 30 June 2023	**12,281**	–
Mel Firmin	16 December 2020 to 30 June 2022	**12,281**	–
Guy Royal	16 December 2020 to 30 June 2023	**12,281**	–
Marcel van den Assum	16 December 2020 to 30 June 2022	**12,281**	–
Total Board member fees		**144,107**	159,691

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. Remuneration in 2021 includes special fees for additional work required by the Board to administer the Elevate Fund as announced in the Budget 2019. The total paid out for special fees in 2021 was $40,000 (2020: $42,435) and $18,000 on board advisory services. In addition, $20,206 was spent on board-related expenses for FY21. This can be broken down into Murray Gribben $3,992, Debbie Birch $8,064 (which includes $1,108 on professional development), Emma Loisel $1,047, David Smol $1,442, Annabel Cotton $638, Mel Firmin $423, Guy Royal $1,510 and Marcel van den Assum $3,089.

Board fees cover 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 of their appointment, refer to the Board of Directors on pages 12 to 14 for outgoing and incoming Directors.

15 — CEO and senior management remuneration

	Group	
	2021 Actual $	2020 Actual $
Current Interim CEO (December 2020 to 30 June 2021)		
CEO contractual base remuneration(1)	**410,000**	–
CEO actual base remuneration payment*	**181,989**	–
CEO KiwiSaver	**14,559**	–
CEO performance incentive	**39,114**	–
Current Interim CEO remuneration	**235,662**	–
Previous CEOs (July 2020 to December 2020)		
CEO contractual base remuneration(2)	**–**	365,000
CEO actual base remuneration payment*	**208,402**	369,400
CEO benefits (KiwiSaver, health insurance, wellness)	**41,441**	34,298
CEO performance incentive	**–**	146,000
CEO termination and associated fees	**379,174**	–
Previous CEOs' remuneration	**629,017**	549,698
Senior management contractual base remuneration	**1,033,960**	837,895
Senior management actual base remuneration payment*	**1,017,497**	481,840
Senior management KiwiSaver	**95,922**	25,471
Senior management benefits (health insurance, wellness)	**12,482**	3,799
Senior management performance incentive	**212,344**	106,915
Senior management termination and redundancy pay	**145,134**	–
Total senior management remuneration	**1,483,379**	618,025
Total CEO remuneration	**864,679**	549,698
Total senior management remuneration	**1,483,379**	618,025
Total CEO and senior management remuneration	**2,348,058**	1,167,723

*Several factors can cause a difference between the CEO's and senior management team's contractual base remuneration and actual base remuneration payments. Actual base remuneration payments include the value of leave taken during the financial year. Where a CEO or member of the senior management team 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 a senior management team member who left during the year, their actual total remuneration paid has been reported, rather than the contractual annual remuneration for a 12-month period. During the year, the organisational structure was aligned to the strategic goals and, as a result, some senior management roles became redundant. Termination and redundancy payments (including associated legal fees) are included in Total senior management remuneration.

(1) Comparatives shown under previous CEO section since the Interim CEO was only appointed for part of FY21.

(2) Contractual base salary for previous CEOs not shown as this would not be a reasonable comparison when shown in consolidation.

Explanation of remuneration:

During FY21, NZGCP saw the departure of two CEOs. Murray Gribben, an NZGCP Director, also acted as Interim CEO for several months prior to the appointment of James Fletcher as Interim CEO. Mr Fletcher resigned in late August 2021 and James Pinner, the Elevate Fund Investment Director, was appointed Interim CEO until a permanent CEO appointment was made. The Board appointed a CEO in October 2021 who will join NZGCP in January 2022.

The Board sets the CEO's remuneration and reviews it annually, including any STI scheme payments. 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. No remuneration adjustment was made to the Interim CEO's remuneration package for FY21 based on external market data.

Key stewardship and management of NZGCP respectively comprises members of the Board and the senior management team. The senior management team comprises five employees.

The Financial Controller and Operations Manager roles were removed during FY21. A combined Chief Financial and Operating Officer (CFO/COO) role was created in July with an internal candidate being appointed. The senior management team will, going forward, include a newly-created General Counsel role.

During the year severance and termination pay was made to two CEOs and redundancy and termination pay to two members of the senior management team.

All staff (including the CEO and senior management) are members of KiwiSaver and eligible to 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 treatments based on receipts to a maximum of $1,500 per annum.

In 2020 the Board approved an STI scheme for the CEO, senior management team and employees for FY21. The scheme is based on achievement of predetermined KPIs and goals which are aligned to the objectives published in the SOI and SPE and considers the strategic intent of the organisation. The STI for the CEO and senior management 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 contribution to the objectives being met for FY21.

16 — Contingent liabilities

There were no material contingent liabilities at balance date.

17 — Post balance date events

The Interim CEO, James Fletcher, resigned effective 27 August 2021. James Pinner, the Elevate Fund Investment Director, was appointed as the Interim CEO. Rob Everett was appointed as permanent CEO in October 2021 and will join NZGCP in January 2022.

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 intentionally unbudgeted for FY21 due to the inherent uncertainty in forecasting investment gains. A significant revaluation gain was made on the investment portfolio.

Expenses

During FY21, NZGCP experienced significant governance and management changes including a review of the operating model. This led to an investment in personnel, processes and systems which was intentionally unbudgeted. These investments improved the control environment, automated processes and improved productivity and efficiency.

Consolidated Statement of Financial Position

Term deposit investments

Budget figures did not include gains made from the exits in the Aspire Fund and VIF 1.0 programme which favourably impacted the cash flow position of NZGCP and allowed for the increase in term deposits.

Investments through the Aspire Fund

There was a significant increase in the value of the investments held by the Aspire Fund due to investment acquisition and stronger-than-expected performance across the portfolio.

Payables and accruals

Payables and accruals are greater than budget due to personnel entitlements relating to incentive schemes and other benefits for an increased team size compared to the prior year. Trade creditors include higher-than-anticipated Board, legal and recruitment fees due at year-end.

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 as a result of the inherent uncertainty in forecasting investment returns.

Consolidated Statement of Cash Flows

Cash flow from operating activities

There was better-than-anticipated cash flow from operating activities due to the gains made from selling investments in both the Aspire Fund and the VIF 1.0 programme.

Shareholder information —

for the year ended 30 June 2021

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 affected 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 2021

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 2021.

Murray Gribben, Chair*

Chair, Ruapehu Alpine Lifts Limited

Director, Electra

CEO (contractor), Crown Irrigation Investments Limited

*Resigned in October 2020

Debra Birch, Director*

Chair, Taupō Moana Investments Limited

Director, Birch & Associates Limited

Director, LGNZ Independent Assessment Board (retiring 17 September)

Director, Ngāti Awa Group Holdings Limited

Chair, Raukawa ki te Tonga AHC Limited

Director, Te Puiā Tāpapa GP Limited

Director, Tūwharetoa Hau Rau GP Limited

Director, Tourism Holdings Limited

Director, White Island Tours Limited

Trustee, Manu Rere Charitable Trust (Financial education for Māori high school students)

Trustee, Wellington Free Ambulance Trust

*Resigned in December 2020

Emma Loisel, Director*

Chair, Full Steam Espresso Ltd (t/a Volcano Coffee Works)

Director, Kea New Zealand

Director, Wayfairer Limited

*Resigned in December 2020

David Smol, Chair*

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

Chair, Capital and Coast DHB

Chair, Hutt Valley DHB

Chair, Department of Internal Affairs (DIA) – External Advisory Committee

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

Director, Co-operative Banking Limited

Director, Contact Energy

Director, Rimu Road Consulting Limited

Board Member, Waka Kotahi (New Zealand Transport Authority)

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

*Appointed as Chair in December 2020

Annabel Cotton, Director*

Director / Shareholder, Merlin Consulting Limited

Director / Shareholder, Merlin Group Limited

Director, Access IR Group Limited

Director, Shareholder, Farmy McFarm Limited

Director, Waikato Regional Airport Limited

Chair, Waikato Regional Airport Limited – Audit & Risk Committee

Director, Waikato Regional Airport Hotel Limited

Chair, Hamilton & Waikato Tourism Limited

Director, Titanium Park Limited

Director, Trust Investments Management Limited

Chair, Trust Investments Management Limited – Audit & Risk Committee

Due Diligence Committee Member, Trust Investment Management Limited

Director, NZX Regulation Ltd

Chair, NZX Regulation Ltd – Audit & Risk Committee

Trustee, Donny Trust

Trustee, NZ Global Women

Member, Global Women – Audit & Risk Committee

Member, Global Women – Membership Committee

Trustee, Susan Te Kahurangi King Trust

*Appointed as Director in December 2020

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

Director / Shareholder, CH4 Global Inc

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

*Appointed as Director in December 2020

Mel Firmin, Director*

Director / Shareholder, Investment Services Group Limited

Director / Shareholder, Devon Funds Management Limited

Director / Shareholder, Clarity Funds Management Limited

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

Director / Shareholder, FAR Investment Group Limited

Director / Shareholder, JMI Wealth Limited

Director / Shareholder, Etha Holdings Limited

Advisory Board / Shareholder, Thinkladder

Shareholder, First AML Limited

Shareholder, Hellers Limited

Shareholder, Nyriad Limited

Shareholder, Purely Accounting Limited

Shareholder, Lodestone Energy

Shareholder, NZ Aged Care Services Limited

*Appointed as Director in December 2020

Marcel van den Assum, Director*

Chair / Shareholder, Flick Energy Limited

Independent Chair, Sprout Agritech Limited (SAL)

Chair / Shareholder, Wipster Limited

Director, Wipp App Limited

Director, CropX (NZ) Limited

Director / Shareholder, Charlie Shareholder Trustee Limited

Director Government Appointment, Education Payroll Limited

Independent Advisor, Digital Advisory Board – Ministry of Health

Independent Advisor, Inland Revenue

Club Participant, AngelHQ

Shareholder, Sparkling Rivers Limited

Shareholder, CoGo Connecting Good Limited

Shareholder, One Reg Limited (Xp42 Limited)

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

*Appointed as Director in December 2020

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.
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 LP, the $300 million venture capital fund established under the Venture Capital Fund Act 2019 and managed by NZGCP on behalf of the Guardians.
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	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 from institutional venture capital funds in which (for the purposes of this document), that, investment round size, is from (and including) $2 million to (and including) $20 million and where that capital is being raised for the purposes of early-stage growth.
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 (usually a dedicated entity made of investment professionals) that is contracted to manage a venture capital fund.
VIF 1.0	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.

Directory —

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Graeme Bennett of EY

On behalf of the Auditor-General

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