NEW ZEALAND venture INVESTMENT FUND LIMITED

2014 ANNUAL REPORT
NEW ZEALAND VENTURE INVESTMENT FUND

Start-up capital for New Zealand technology companies

2014 Annual Report

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NEW ZEALAND venture® INVESTMENT FUND LIMITED

Highlights

THE LISTINGS:
5

NZVIF now has five listed companies – Rex Bionics, SLI Systems, Moa, IkeGPS and Xero – among its portfolio of 167 companies.

THE NEW PARTNERS:
1+1

The year saw negotiations on a new Venture Capital fund and new Seed Fund partner. GRC SinoGreen Fund is a new Venture Capital fund which made its first close at US$75 million. Flying Kiwi Angels is a new Seed Fund partner – the 15th to be established.

THE EXITS:
4

GreenButton's sale to Microsoft was an exceptional result for the company and investors. The returns were very good, and will enable NZVIF's Seed Fund to invest into another 5 to 6 companies. Other exits included Zephyr Technology, Grand Challenge, and Inro.

$19.6m

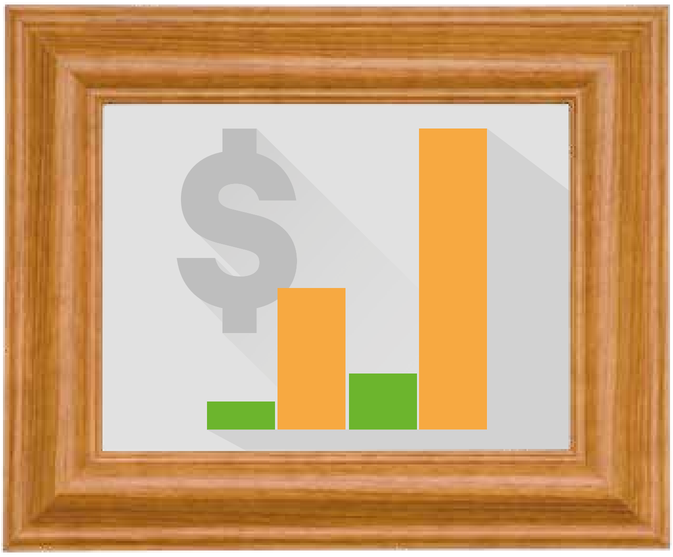
THE RECORD:
$19.6 MILLION

2013/14 was the biggest investment year yet for NZVIF, with $6.2 million invested through the Seed Fund and $13.4 million through the Venture Capital funds.

x4

THE VC MULTIPLIER:
X4

The NZVIF-backed funds invested a total of $55 million, including NZVIF's share of $13.4 million.



THE ANGEL MULTIPLIER:
X5

Since its establishment, for every $1 invested by the Seed Fund, private investors have put in nearly $5.

x5

The New Zealand technology and innovation sector had a very good year, highlighted by the IPO activity, record levels of investment, and good returns.

Chair report

The New Zealand technology and innovation sector had a very good year, highlighted by IPO activity, record levels of investment, and good returns achieved for a number of angel investors.

Two years ago the New Zealand Venture Investment Fund Limited (NZVIF) had a single listed company in its portfolio – Xero. There are now five (Rex Bionics, SLI Systems, Moa and IkeGPS and Xero), and a number of other firms are considering the prospect of listing. Besides the NZVIF portfolio companies, many other tech companies have listed, or have signalled an interest in doing so.

This activity is positive for a number of reasons. It shows the growing appetite within New Zealand's capital markets for investing into growth companies. It also provides existing early stage investors with a liquid and effective pathway to exit for their portfolio companies – a pathway which was effectively blocked in the years following the Global Financial Crisis (GFC).

NZVIF and its venture capital (VC) and angel partners, alongside the listed investment market activity, continue to make progress in the development of the early-stage private investment market. There are currently three VC funds which invested $55 million in the past year – four times the level of the previous year – and the angel investor market also experienced a record investment with $53 million invested during the 2013 calendar year.

Twelve years on from its establishment, NZVIF has $300 million under management and has made investments in partnership with ten VC funds and 14 angel investment networks. NZVIF has invested $130 million into 167 companies. In the past year alone, almost $20 million was invested – the highest level of investment to date.

Of the 167 companies NZVIF has invested into, 36% are software companies, 19% biotechnology, 8% other technology, 5% healthcare, and 5% capital goods. While the majority of these companies are still at a very early-stage of growth, 11 have achieved annual revenues of over $10 million and four of these companies now generate over $50 million in revenues per annum. Eighty percent of revenues generated are from exports.

For those companies that are successful in attracting investment through one of NZVIF's private partners, the impact of that invest can be very significant in attracting follow-on capital as well as the capability needed for fast growth. The total capital raised by NZVIF VC companies recently passed the billion dollar mark ($1.1 billion), including capital raised in recent IPOs. Nine percent of this capital came from NZVIF, 27% from onshore private investors, 56% from offshore investors, 8% from IPO capital raisings. NZVIF's partnerships with angel investors, through the Seed Co-investment Fund (Seed Fund or SCIF), to date has leveraged $4 of private capital for every NZVIF dollar.

NZVIF has long recognised the importance of developing international linkages between New Zealand VC and angel investors and offshore counterparts in the United States and Asia. For many companies the scale of capital needed to achieve their offshore growth ambitions is not available from within New Zealand. This year NZVIF's $200m investment partnership with Taiwan's National Development Fund committed to its first VC fund, GRC SinoGreen Fund III. This US$75 million fund is a joint venture fund between a New Zealand and a Taiwanese VC fund manager. The focus of this fund will be both New Zealand and Taiwanese high growth companies with ambitions to enter the greater China market. Attracting international investor capability, alongside local VC funds will continue to be a focus for NZVIF.

During the year NZVIF continued to play an active role in early-stage capital market development and capability building with a focus on strengthening investor resources and capability, and industry based research. Attracting new sources of private capital, and strengthening investor capability, will remain a priority for the year ahead.

Over the next three to four years NZVIF is proposing that it shift towards a self-sustaining investment model, with reduced reliance on new capital funding from the Government. This approach relies on achieving sufficient returns from previous investments, as well as investigating other opportunities that will attract greater levels of private capital into the New Zealand VC and angel investor market.

New Zealand's early-stage investment sector has achieved a lot in the last decade, and the investment and entrepreneurial capability that has been built is now much stronger. A robust investment and governance framework is in place, investment returns are starting flow, and there is a nucleus of capability able to build and take the sector forward. But the sector is still very small. The challenge for the next ten years is to build scale and resilience. It took the United States 40 years to build their VC and angel ecosystem. New Zealand is on track to achieving a small but robust local sector in 25 years.

On behalf of the Board, I thank the NZVIF team for their contribution to this year's performance and for their professionalism and commitment.

Murray Gribben
Chair

Chief executive report

_NZVIF invested a record high of almost $20 million into high growth technology companies through its VC ($13.4 million) and Seed ($6.2 million) Funds in a year which saw New Zealand's VC and angel sectors investing well over $100 million into technology companies.

The year also saw outstanding milestones in our goal to increase the availability of start-up capital for New Zealand technology companies. The most notable being the Seed Fund making its 100th company investment. Alongside this milestone was the continued growth and success of a number of portfolio companies, including some very successful exits and listings which have returned capital to investors.

Every Seed Fund investment represents a huge amount of work by the entrepreneur leading the company, as well as the angel investors who invest their time and money. It is impressive to see the level of commitment shown by New Zealand angel investors in supporting young, high risk technology companies.

The increase in exit and listing activity this year was a welcome development – both for the investment returns achieved and in demonstrating the growing level of international interest in New Zealand tech companies. GreenButton's purchase by Microsoft was a great outcome for multiple angel investors and the company. Likewise the sale of Zephyr Technology, a VC investment through iGlobe Treasury Fund, yielded a good result for investors.

As well as NZVIF's investment role, market development remains a key focus for NZVIF, particularly in building investor capability and attracting new sources of capital.

Under the umbrella of the New Zealand-Taiwan Co-Fund Partnership established in 2012, a large delegation of Taiwan VC fund managers visited New Zealand during the year, organised by NZVIF and New Zealand Trade and Enterprise. This provided the impetus for a new Taiwan-New Zealand VC fund to get underway in late July.

OVER $100 MILLION INVESTED

into tech companies by New Zealand's VC and angel sector over the last year.

On the angel side, NZVIF supported the visit to New Zealand by two high profile US angels, Bill Payne and Dan Rosen. These visits, and the knowledge imparted, help to accelerate the sector's professionalism and understanding of what it takes to achieve investment success when dealing with high risk early stage companies.

In the year ahead, NZVIF will explore the option of developing a new investment product that would enable institutional investors to get better access to a diversified portfolio of high growth investment opportunities. Compared with other countries that have well developed private equity and VC markets, New Zealand institutional investors' capital allocation to private equity and VC is still very low. This is partly structural and partly to do with the stage of development of the New Zealand VC market. Developing a suitable investment product could go some way towards overcoming structural impediments.

Another area of focus will be looking at the reforms in the new Financial Markets Conduct Bill – in particular, the changes which allow for equity crowd-funding platforms – and how these might be leveraged to attract new sources of capital alongside our existing angel partnerships.

NZVIF is a small organisation with five full-time and five part-time staff. I would like to thank my team at NZVIF for their hard work and commitment to achieving NZVIF's objectives over the year, and the Board for their continued expert guidance and support, led by chairman Murray Gribben and his deputy, Anne Blackburn.

Franceska Banga
Chief Executive

Board of directors

MURRAY GRIBBEN

ANNE BLACKBURN

RICHARD HUGHES

ROGER BRIDGE

CALVIN SMITH

___The board of directors are appointed by the government to oversee the performance of the New Zealand Venture Investment Fund.

ROGER BRIDGE
DIRECTOR

Roger Bridge is a Christchurch businessman and company director with a background primarily in property investment and management. He has been involved in the formation and development of new business ventures. He is a member of the New Zealand Institute of Directors. He has an involvement in the community, being a trustee of The Canterbury Community Trust. Roger is also a trustee of the Christchurch Arts Festival Trust and Re:Start The Heart Trust which established and administers the Container Mall in the Christchurch CBD.

MURRAY GRIBBEN
CHAIR

Murray Gribben's professional background has been in corporate finance and investment management. He has broad knowledge of, and experience in, both the public and private investment markets. He has been involved in bringing businesses to the public markets, public to private acquisitions, large capital raising processes and investing in private equity, infrastructure and property assets. His earlier career was spent in investment banking and at the New Zealand Treasury.

He is currently chief executive of Crown Irrigation Investments Limited and was previously executive director at Willis Bond & Co, a property development and investment business. Prior to that Murray was Managing Director at AMP Capital Investors. Murray holds several governance positions.

CALVIN SMITH
DIRECTOR

Calvin Smith is a New Zealand based businessman with a background in investment banking. Calvin spent 16 years in investment banking working in New Zealand, Singapore, Tokyo and London. This culminated in being a Managing Director at Credit Suisse First Boston in London, with primary responsibility for the global currency derivatives trading. Upon returning to New Zealand in 2007, he has been actively involved with start-up businesses. He is currently an investor of K9 Natural Food Limited. He also consults on currency risk management for investors and exporters. He is an active investor in other start-ups.

ANNE BLACKBURN
DIRECTOR

Anne Blackburn is a banker by professional background, having had earlier careers in journalism and diplomacy. She worked in investment banks in New York and London for over a decade before returning to a senior management role with a New Zealand bank in the 1990s. Anne is currently a director of a number of businesses in the infrastructure, finance, investment and research sectors. She also holds governance positions in arts and education not-for-profit organisations.
*Reappointed as Deputy Chair on 1 July 2014

RICHARD HUGHES
DIRECTOR

Richard Hughes has spent much of his career in the private equity industry. He has lived and worked in the UK, China, Australia and New Zealand and has also been responsible for the oversight of emerging market VC funds in Africa, Central America, and Asia. He now advises a number of businesses involved in the private equity industry. He is a Chartered Accountant and graduated from Trinity College, Cambridge where he read Engineering.

Our investment partners are what keep us going

Investment partners:

AngelHQ
AngelLink
BioPacific Management
Cure Kids Ventures
Endeavour i-Cap
Enterprise Angels
Flying Kiwi Angels
ICE Angels
iGlobe Treasury Management
Manawatu Investment Group
Movac
New Zealand Diagnostics
No 8 Ventures Management
Otago Angels
Pacific Channel
Pioneer Capital Management
Powerhouse Ventures
Sparkbox Ventures
TMT Management
Valar Ventures
Venture Accelerator

NZVIF has partnered with 21 venture capital funds and angel groups. In association with them, we have invested into 167 companies.

Investee companies (active):

11Ants Analytics
1Above
Arc Active
AuthorIT
Big Little Bang
Biolumic
Biomatters
BioVittoria
Black Ice
Breathe Easy
Caldera Health
Calf Smart
Clean Planet
CMP Therapeutics
CoDa Therapeutics
CropLogic
D'Arcy Polychrome
Derceto
EcKey
EFTPlus
Elitepac
Engender Technologies
Expander
Eyedentify
Flexidrill
Footfalls and Heartbeats
Fuel50
GFG Group
Googly Inc.
Heilala Vanilla
Hunter Safety Lab
Hydroworks
HydrOxSys
ikeGPS
Im-Able
IndieReign
Indigo Systems
Innovative Learning
Invert Robotics
iSoundtrack
K9 Natural
Kahne
Kaynemaile
Kiwi Semiconductor
Konnect
Koti Technologies
LearnKo
Lifetime Health Diary
LightKnight International
Liquid Strip
LiveLink Connect
Lypanosys
Martin Aircraft Company
Menixis
Mesynthes
Mi5 Security
Moa Brewing Company
Mobotech
Modlar
Mohio
Motim Technologies
MusicHype
Nextspace
Nexus6
Nomos
Open Cloud
Orion Health
Orthopedic Synergy
Pacific Fibre
Parrot Analytics
Pet Doctors
Phitek Systems
Photonic Innovations
Photonz
Pictor
Plantae
PolyBatics
PowerbyProxi
Proacta
Project Partner
Publons
Pukeko Pictures
Puteko
Quantec
Re:Gen
Rex Bionics
Rissington Breedline
Rockit
Rush Digital
SciTOX
Sharesight
ShowGizmo
Simtics
SLI Systems
SMX
SolarBright
Swiftpoint
Syl Semantics
Techion
Texus Fibre
The New Zealand Quiz
The Perfect Fruit Company
The Rugby Site
Times-7
Tracplus Global
Unimarket
Varigate
Vend
Veritide
Vesper Marine
Vital Foods
VKorus
Waikato Milking Systems
WatchMe
WhereScape
Wipster
Wise Giant
Xenos
Xero
YikeBike
Yonix
Zeosoft
Zephyr Technology

Our impact

___Providing start-up capital for New Zealand technology companies.

Progress to date

Impact one_Increased levels of private capital invested into high growth companies.

NZVIF's Young Company Finance Index reported that angel investing for 2013 was the biggest year on record to date with $53.2 million invested – an 80% increase on the $29.9 million invested in 2012.

Cumulatively, $297.7 million has now been invested into young companies by angels since NZVIF began measuring activity in 2006.

There are currently three active VC funds which invested $55 million in the past year – four times the level of the previous year.

Growth in private capital invested relative to Government investment
The total amount of capital invested into the NZVIF VC Fund (VC Fund or VIF) and Seed Funds by the Crown (to date) has been $130 million. Total private capital invested in the same period is $1.1 billion. Of this, approximately $383 million was directly matching investment alongside NZVIF.

Impact two_Increased number of experienced and professional investors who are active in the industry.

VC funds
Currently there are three active VC fund managers operating in the New Zealand market. NZVIF is an investor into each of these funds. One of these fund managers has successfully raised a second fund. One further manager has received conditional support for a second fund from NZVIF.

The number of VC investment professionals in the New Zealand market has grown since the establishment of NZVIF in 2002, to a peak of 22 in 2008. More recently as the original cohort of VC funds have reached the end of their contracted lives this number has declined to 15.

Angel networks and funds
At present there are 16 formal angel investment funds and/or networks in the New Zealand market of which the majority are currently active. NZVIF is a co-investment partner with 15 of these funds and networks.

Fuel50_ is an Auckland start-up whose career development software helps companies and employees develop better informed decisions on career direction.

According to the Young Company Finance data, in 2013 about 75% of the deals were led by funds or networks based out of Auckland, Wellington or Christchurch.

Impact three_An environment conducive to early stage investment.

Significant progress has been made over the past 12 years in both professionalisation of the industry and changes in the regulatory environment. NZVIF has been an active leader and participant alongside the industry in identifying required changes and facilitating change.

NZVIF has worked together with the New Zealand Private Equity and Venture Capital Association (NZVCA) and the Angel Association of New Zealand (AANZ) since they were established, to adopt standard investment documentation and best practice reporting guidelines and valuation disciplines. To date, the following milestones have been achieved:

- International standard limited liability partnerships used as the preferred investment structure and standard investor protections included in shareholder agreements.
- Venture capital reporting guidelines adopted by NZVCA.
- Standard form shareholder documentation widely adopted by angel investors.
- Venture capital code of conduct adopted by NZVCA.

NZVIF has worked closely with the NZVCA and AANZ, which have been active in seeking changes in Government policy that support building market capability and attracting investors, including:

- VC tax exemption (where foreign investors who are tax exempt in their own country are exempt from New Zealand income tax on the sale of shares in certain unlisted New Zealand companies);
- Simplified overseas investment rules and changes to the Overseas Investment Act (to allow VC investing); and
- A capital markets regulatory framework to reduce barriers for Angel investors.

On the angel side, NZVIF continues to support visits to New Zealand by high profile US angels. These visits are valuable for the insights and experiences passed on in workshops with our angels, and are helping to accelerate the sector's professionalism and its development of investment documentation and best practice standards.

Impact four_Increased number of successful high growth companies.

NZVIF has supported the early-stage development for 167 seed and start-up companies, partnering with the private sector to invest $515 million ($343 VC and $172 Seed Fund) in them over the past 12 years.

Of these 167 companies, 46 have emerged from either universities or research institutes. Just over 80% of revenues are being generated offshore.

Eleven companies in the NZVIF portfolio currently generate over $10 million each year. Four of these companies now generate over $50 million in revenues per annum, one of which has revenues well over $100 million.

NZVIF's investment to date has been predominantly into Software and Services, Biotechnology and Telecommunications and Technology Hardware.

The average revenue generated per employee by companies in the NZVIF portfolio has exceeded $200,000 per annum for each of the past four years. This is well in excess of the national average of $140,000 per employee per annum.

$55m

THE RECORD
$55 MILLION

Three VC funds invested $55 million in the past year, 4 times more than the previous year.

OUR COMPANIES
TO DATE

NZVIF's investment has been predominantly into Software & Services, Biotechnology & Telecommunications & Technology Hardware.

Our funds

Venture Capital Fund and Seed Co-investment Fund

Modlar_ is a Christchurch startup which connects architects, contractors, engineers and designers with leading manufacturers to create efficient, modern, and sustainable designs.

Orion Health_ earns annual revenues of over $100 million from its world-leading health management software systems.

Venture Capital Fund

Investment into high growth companies rebounded strongly in 2014 after the prolonged dry spell following the GFC.

The 2013/14 financial year saw investment activity by NZVIF backed funds of $55 million (of which NZVIF's share was $13.4 million) – four times higher than the $12.9 million invested by NZVIF backed funds in the previous year.

Pioneer Capital Partner's second fund is targeting high value, export focused companies that are seeking capital for significant growth. Investments to date include Wherescape, K9 Natural and Waikato Milking Systems. Movac continued to be active with new and follow-on investments into its portfolio, including PowerbyProxi and Mesynthes. Valar Ventures made one further investment during the year into Vend.

In 2014 three venture capital funds invested

$55M

NZVIF and Taiwan's National Development Fund Co-Fund partnership is up and running. The first VC fund established under the partnership – the GRC SinoGreen Fund III – achieved a US$75 million first close at the end of July 2014 following fund-raising over the past year. NZVIF will continue to work with the Co-Fund to establish similar investment partnerships.

With the GRC Fund established, the level of VC activity should remain healthy over the next 12 months. Growth capital has been an underserved part of our investment market, so it is encouraging to see companies being able to access growth capital from New Zealand sources, be it VC funds or public markets from NZX listings.

Of the 66 companies in the VC Fund portfolio, there are now five listed companies – Xero, Rex Bionics, SLI Systems, Moa and IkeGPS. There are four companies earning annual revenue of over $50 million, and a further seven companies earning between $10 million and $50 million. Alongside the listing activity, the major exit over the past year was Zephyr Technology.

Seed Co-investment Fund

During the year, the Seed Fund invested a record $6.2 million alongside its angel partners.

Since its establishment, SCIF has invested $29.6 million into 115 companies with $61.5 million invested by our angel partners and a further $77.6 million from other investors into those companies. For every $1 invested by the Seed Fund, private investors have put in nearly $5.

The Seed Fund contributed to a very active year of angel investment. The 2013 calendar year saw $53 million invested through formal angel investment networks and funds – the largest on record. Since NZVIF began collecting the angel investment data in 2006, angel investors have invested over $300 million into young New Zealand technology start-ups.

NZVIF signed up its fifteenth SCIF partnership with the addition of Flying Kiwi Angels, an Auckland-based group. As the angel investment market develops some groups have closed down or reduced their investment activity over the last couple of years, so it is important that new groups and new capital enter the market, adding to and complementing the range of existing angel networks and funds.

The Seed Fund saw a number of exits in the year led by GreenButton's sale to Microsoft. This was a very positive result for the fund and the large number of angel investor shareholders, led by Marcel van den Assum from Angel HQ, and including ICE Angels, Sparkbox Ventures, Enterprise Angels, Movac and Evander Capital. The capital returned from GreenButton's sale will enable SCIF to invest in another five to six young companies alongside our partners.

NZVIF's focus in the next year will remain on continued investment alongside our partners and active participation in the overall development of the angel investment sector in New Zealand.

Timeline

YEAR	02	03	04	05	06	07	08
	$100: Crown commitment to VC			$40m: Crown commitment to Seed	$60m: Additional commitment to VC		
LEVELS OF PRIVATE CAPITAL		$150m new private capital committed for VC investment		$50m new private capital committed for VC investment		$65m new private capital committed for VC investment	
INCREASED # OF INVESTORS	First 2 NZVIF VC Funds established	4th NZVIF VC Fund established		5th NZVIF VC Fund established	6th NZVIF VC Fund established First SCIF Partner established	5th SCIF Partner established	9th SCIF Partner established
INVESTMENT ENVIRONMENT	NZVCA established	VC Fund investment template developed by NZVIF NZVCA Monitor established		YCFI established VC capital tax exemption legislation enacted	Standardised investment agreements adopted by the angel industry	Limited Partnership legislation enacted	AANZ established Private equity investment performance data published by NZVIF
HIGH GROWTH COMPANIES				1st successful realisation by NZVIF portfolio company	Total employees in NZVIF portfolio companies exceeds 500	Total NZVIF portfolio company revenue exceeds $100m	2 NZVIF portfolio companies exceed $30m revenue

09	10	11	12	13	14
	$40m: Crown underwrite for VC			$60m: Crown underwrite for VC	
	Angels invest over $50m	Total of $400m private capital invested		Establishment of Taiwan NDF Co-Fund	NZVIF/Taiwan NDF Co-Fund VC Fund approved for investment Record annual investment by angels of $53m
11th SCIF Partner established	12th SCIF Partner established	16 active angel networks or funds	8th NZVIF VC Fund established 14th SCIF Partner established 2 Partnerships renewed	9th NZVIF VC Fund established	15th SCIF Partner established
NZVCA adopt Code of Conduct Changes to overseas investment rules	Power angel investing seminars Private equity investment performance data updated and published by NZVIF	Valuation of early-stage investment data presented by NZVIF	Early exits and valuations and market validation seminars IPEV international best practise reporting guidelines adopted Institutional investment in VC and private equity report published Private equity investment performance data presented	Provided independent summary report (Fidato) on Institutional investments in VC and private equity in NZ and barriers to participation	
NZVIF portfolio company average revenue per employee is $250k		100 companies invested into by NZVIF $300m invested alongside NZVIF into high tech companies			167 companies invested into by NZVIF

2002/2014

NZVIF investment performance and activity

Impact one — Increased levels of private capital invested into high growth companies

Measures	30 June 2012 Actual	30 June 2013 Actual	30 June 2014 Actual	Full year SOI Forecast 2013/14
1. Total amount invested in New Zealand high growth companies by the market (including NZVIF and private sector) p.a.	$67.3m	$65m	$99.2m	$75m
2. NZVIF as % of total investment	19.5%	17.5%	19%	13%
3. Capital received from Crown for investment (cumulative since inception)	$103.7m	$108.2m	$129.4m	$117.99m
4. Value of NZVIF investments	$83.7m	$90.1m	$112.80m	$95.72m
5. Net asset value ($ per share) [1]	0.88	0.87	0.95	0.81
6. Interim performance since inception (IRR p.a)	-2.89%	-3.89%	-1.2%	-.63%
7. Distributions received	$5.76m	$2.6m	$6.5m	$4.13m

[1] NAV is calculated as follows: (value of investments and cash from proceeds held at balance date) / capital drawn from Crown.

Comment

1. The actual amount invested in New Zealand high growth companies by the market was considerably more than forecast due to the high level of market activity of which NZVIF is required to match.

2. NZVIF proportion of total investment is greater than forecast. The objective for NZVIF is to become a smaller percentage of the total market over time.

3. Capital received from the Crown was greater than anticipated as a result of more investments being made during the year and considerable market activity.
The amount of capital received has steadily increased over the past three years.

4. Value of NZVIF investments at June 2014 is above forecast due to increased investments.

5. The net asset value is above the forecast due to greater than expected increase in value of investments held.

6. The IRR has improved since last year and is close to forecast.

7. NZVIF has continued to receive distributions over the past three years however not to the level forecast in 2013/14 due to fewer than expected company exits.

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

Measures	30 June 2012 Actual	30 June 2013 Actual	30 June 2014 Actual	Full year SOI Forecast 2013/14
1. Number of VC funds invested in by NZVIF	8	9	9	10
2. Number of Seed Fund partners	14	14	15	15
3. Number of key investment personnel and lead investors	100 – 120	100 – 120	140 – 160	140 – 160

Comment

1. One VC manager who was expected to commence during 2013/14 was not operational at year end. This fund is anticipated to commence operations during the 2014/15 year.

2. One Seed Fund partner was established during the year.

3. The number of key personnel has increased over the past three years to the level anticipated.

Impact three — An environment conducive to early stage investment

Measure	30 June 2012 Actual	30 June 2013 Actual	30 June 2014 Actual	Full year SOI Forecast 2013/14
1. Market development initiative supported by NZVIF	3	4	2	2

Comment
1. NZVIF has continued to be involved in supporting market development and met the number of initiatives forecast for the 2014 year.

Impact four — Increased number of successful high growth companies

Measures	30 June 2012 Actual	30 June 2013 Actual	30 June 2014 Actual	Full year SOI Forecast 2012/13
1. Total number of companies invested in through NZVIF VC and SCIF Funds	126	146	167	163
2. Exports as a % of total revenues generated from NZVIF portfolio companies	82%	80%	>80%	>80%
3. Number of companies emerging from CRI's and Universities	28	33	46	34
4. Number of companies with revenues > $10m p.a.	8	11	11	9
5. High growth as % of total NZVIF portfolio	79%	79%	>75%	>75%
6. Average revenue per employee	$190,000	$191,000	$200,000-$240,000	$200,000-$240,000

Comment
1. Growth in the number of companies invested into continued, with the 2014 figures exceeding forecast.

2. Exports continue to be a large source of total revenues generated and have reached the level anticipated.

3. The number of companies emerging from CRI's and Universities has continued to grow over the past three years to exceed the level forecast. Investment deal flow from Universities and CRI's is a positive sign of increasing research and development commercialisation.

4. Portfolio companies are making good progress as evidenced by the number of companies with revenues over $10 million exceeding expectations. The number of companies with revenues > $10m p.a. has also continued to grow.

5. High growth as a % of NZVIF portfolio has remained constant and meets forecast.

6. The average revenue per employee has continued to increase over the past three years and is within the forecast range.

Corporate governance statement

Kahne_is an agritech company which has developed continuous monitoring systems to improve livestock health in dairy and beef herds.

__NZVIF was incorporated on 1 July 2002 under the NZ Companies Act 1993. A Crown Company, the company's principle activity is managing two early-stage investment programmes on behalf of the New Zealand Government.

NZVIF is responsible for establishing partnerships with private sector investors and ensuring that appropriate monitoring and reporting arrangements are in place. The overall purpose of NZVIF is to accelerate the growth of the VC and early-stage investment industry in New Zealand, through the effective administration of investment programmes.

Management of the company
The business and affairs of the company are managed by or under the direction or supervision of the Board of Directors.

Board of Directors
The Board, which comprises of non-executive directors, meet 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 the NZVIF Constitution and the NZVIF Establishment Funding Agreement.

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 Chief Executive who is accountable to the Board. In particular, the Board places emphasis on implementation of VC best practice, sound administrative systems and procedures, and regulatory compliance.

Directors
Directors are appointed by the shareholding Ministers following Cabinet approval. Anne Blackburn was reappointed as Deputy Chair on 1 July 2014 for a one year term.

Governance review
A governance review is undertaken at least annually, to ensure effectiveness of governance structures.

Statement of responsibility

For the year ended 30 June 2014

In terms of the Crown Entities Act 2004, the Board and management of NZVIF is responsible for the preparation of the annual financial statements and statement of service performance, and the judgements used in them.

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

In the opinion of the management and Board of NZVIF the annual financial statements and statement of service performance for the year ended 30 June 2014 fairly reflect the financial position and operations as at 30 June 2014 of NZVIF and Subsidiaries.

MURRAY GRIBBEN,
CHAIR — 31 OCTOBER 2014

ANNE BLACKBURN,
DEPUTY CHAIR — 31 OCTOBER 2014

FRANCESKA BANGA,
CHIEF EXECUTIVE — 31 OCTOBER 2014

Independent auditor's report

To the readers of New Zealand Venture Investment Fund Limited and group's financial statements and non financial performance information for the year ended 30 June 2014.

The Auditor General is the auditor of NZVIF Limited (the company) and group. The Auditor General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the company and group on her behalf.

We have audited:

- The financial statements of the company and group on pages 30 to 59, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and

- The non financial performance information of the company and group that comprises the statement of service performance on pages 26 to 28 and the report about impacts on pages 18 to 19.

Opinion

Financial statements and non financial performance information

In our opinion:

- The financial statements of the company and group on pages 30 to 59:

› Comply with generally accepted accounting practice in New Zealand; and

› Give a true and fair view of the company and group's:

  – Financial position as at 30 June 2014; and

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

 - Financial performance and cash flows for the year ended on that date.

- The non financial performance information of the company and group on pages 26 to 28 and 18 to 19:

› Complies with generally accepted accounting practice in New Zealand; and

› Gives a true and fair view of the company and group's service performance and impacts for the year ended 30 June 2014, including for each class of outputs:

 - The service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and

 - The actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Uncertainties in the carrying value of unlisted venture capital investments and related party loans
Without modifying our opinion, we draw your attention to note 1(l) and note 20(c) of the financial statements that explain how the fair value of venture capital investments has been determined and the uncertainties in measuring that fair value. Although the fair value of unlisted venture capital 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 income and statement of financial position.

Additionally, as disclosed in note 1(u) and note 15 of the financial statements, the value of the venture capital investments can affect the carrying amount of related party loans that are recorded in the company's parent entity financial statements. Therefore, the uncertainties in determining the fair value of venture capital investments also create uncertainties about the carrying amount of related party loans. These uncertainties could have a material effect on the company's statement of comprehensive income and statement of financial position.

We consider the disclosures about the above uncertainties to be adequate.

Other legal requirements
In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 31 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and we explain our independence.

Basis of opinion
We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and non financial performance information that give a true and fair view of the matters to which they relate. We consider internal control 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 company's internal control.

An audit also involves evaluating:

- The appropriateness of accounting policies used and whether they have been consistently applied;

- The reasonableness of the significant accounting estimates and judgements made by the Board of Directors;

- The appropriateness of the reported service performance within the company and group's framework for reporting performance;
- The adequacy of all disclosures in the financial statements and non financial performance information; and
- The overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non financial performance information.

In accordance with the Financial Reporting Act 1993 we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors
The Board of Directors is responsible for preparing financial statements and non financial performance information that:

- Comply with generally accepted accounting practice in New Zealand;
- Give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- Give a true and fair view of the company and group's service performance and impacts.

The Board of Directors is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and non financial performance information, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004 and the Financial Reporting Act 1993.

Responsibilities of the Auditor
We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence
When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company or its subsidiary.

David Walker
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand

Statement of service performance

For the year ended 30 June 2014

Output one — Attract capital – catalyse new sources of investment capital

We will implement mandate changes and develop new investment products that will attract additional investment to existing and new funds and partnerships.

Quality Measures	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	Forecast 13/14	Comment
NZVIF mandate changes implemented	1	2	1	0	0	Target met. No mandate changes were made during the year.
Investment products developed – Angel and VC	0	1	0	0	0	Target met. No new investment products were completed during the year.

Quality measures

Percentage of NZVIF VC funds and angel partnerships successful in attracting capital from new sources – 37.5%.

The target measure established in 2013 cannot be accurately measured as a percentage, however NZVIF has demonstrated that it has been successful in attracting capital from new sources through:

- The continued momentum of the co-fund established with Taiwan's NDF arrangement. NZVIF has now committed US$20million to a US$75 million fund in the co-fund arrangement. There are several engaged parties from both New Zealand and Taiwan committed to this fund which invests into New Zealand and Taiwanese companies.
- Record levels of angel investments made ($53m) into new companies during the year from New Zealand investors – an 80% increase on the $29.9 million invested in the prior year.

Output two — Establish partnerships – select, contract and develop investment grade fund managers and investment partners

We will perform a robust selection methodology and due diligence process, implement best practice investment documentation, play an active role in investor governance and select credible lead investors to represent us.

Quality Measures	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	Forecast 13/14	Comment
Number of due diligence completed – Angel and VC	8	6	1	3	4	Target not met. During 2013/14 NZVIF completed a full due diligence assessment on one Seed Fund application, and approved the co-investment partnership. NZVIF also completed due diligence on two VC funds in association with the Taiwan Co-fund. Initial review was undertaken on two further VC proposals.
New VC Funds contracted	1	2	1	0	1	Target not met. One VC Fund under negotiation with NZVIF will be completed early in the 2014/15 year.
New Angel partnership established	1	2	0	1	1	Target met. One new Seed Fund partnership was entered into during the year.

Quality measures
Percentage of funds and investment partnerships that NZVIF has entered into are supported by private investors = 100%.

NZVIF has achieved this measure as demonstrated by:

- During 2013/14 NZVIF completed due diligence on two VC Funds in association with the Taiwan Co-Fund, one of which NZVIF made a US$20 million investment commitment to post balance date (July 2014). This VC Fund also received commitments from private investors totalling $55 million.
- During the year one new Seed Fund partnership was entered into which had full support of private investors.

Output three — 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.

Quality Measures	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	Forecast 13/14	Comment
Industry development initiatives undertaken in conjunction with (NZVCA) and (AANZ).	4	4	4	2	2	Target met. NZVIF sponsored two visitors from the US that were supported by the industry: • Prominent US angel investor Dan Rosen was in New Zealand for a week in August. • Another prominent US angel investor, Bill Payne, returned to New Zealand in late October for three weeks.
Advice provided to Government to assist market development.	0	1	2	1	1	Target met. NZVIF provided analysis and advice to the Government as part of the review of both the VC Fund and SCIF.

Quality measures
Percentage of initiatives delivered by NZVIF that are accepted and adopted by the industry = 100%.

NZVIF has achieved this measure as demonstrated by:

- NZVIF delivered two initiatives that were supported by the industry including sponsored visitors from the US. Dan Rosen ran a workshop in Auckland as well as facilitating at the Lead Investors Forum run by the ICE House in Auckland and Wellington. These Lead Investor Forums were attended by approximately 40 people. Bill Payne attended the AANZ Summit in Dunedin as a guest speaker, running Angel Investing 101 workshops in Wellington and Auckland. These workshops were attended by approximately 80 people in total. Attendees rated the value of the sessions very highly drawing an overall satisfaction rating of 6.1 out of 7. Bill also participated in an NZVIF Investor Representative workshop in Auckland which was attended by 20 people.
- Advice provided to shareholding Ministers was incorporated as part of the review of SCIF and VC mandates.

Output four — Make and manage investments – co-invest into eligible industries and stages

- We will make portfolio investments in line with our mandate.
- We will manage investments to optimise portfolio returns.

Quality Measures	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	Forecast 13/14	Comment
Number of new companies receiving investment	26	18	20	26	17	Target met. NZVIF has continued to invest during the year and made investments into 26 (Seed: 17, VC: 9) new companies.
Total number of investments in companies	46	48	51	72	45	Target met. NZVIF has made investments into 72 (Seed: 54, VC: 18) different (new and existing) companies during the year.

Quality measures

Percentage of NZVIF investment portfolio (by number) in seed, start-up and early expansion stage investments > 90%.

NZVIF has achieved this measure as demonstrated by:

- More than 90% of investments in the NZVIF portfolio are in seed, start-up and early expansion stage.

Percentage of investment transactions will meet NZVIF eligibility criteria = 100%.

NZVIF has achieved this measure as demonstrated by:

- All investments are consistent with NZVIF mandate requirements.

Financials

Statement of comprehensive income

For the year ended 30 June 2014

	Note	Group 2014 Actual	Group 2014 Budget	Group 2013 Actual	Parent 2014 Actual	Parent 2014 Budget	Parent 2013 Actual
Revenue	2	2,668,221	2,602,784	2,565,763	2,481,464	2,599,933	2,548,802
Expenses							
Administration expenses	3	(2,714,676)	(2,795,444)	(2,532,186)	(2,658,220)	(2,795,444)	(2,340,960)
Fund management fees and costs paid to fund managers	3	(1,900,040)	(1,961,417)	(1,895,471)	(1,900,040)	(1,961,417)	(1,895,471)
Total expenses		(4,614,716)	(4,756,861)	(4,427,657)	(4,558,259)	(4,756,861)	(4,236,430)
Net operating income/(expense)		(1,946,495)	(2,154,077)	(1,861,894)	(2,076,795)	(2,156,928)	(1,687,628)
Realised gain/(loss) on sale of fixed assets	3	-	-	(1,959)	-	-	(1,959)
Net gain/(loss) in the value of investments	3	9,574,885	125,028	(246,061)	-	-	-
Realised gain/(loss) on foreign currency	3	(32,653)	-	-	(32,653)	-	-
Revaluation/(impairment) of related party loans	15	-	-	-	-	799,333	10,337,534
Surplus/(deficit) before taxation		7,595,736	(2,029,049)	(2,109,914)	(2,109,448)	(1,357,595)	8,647,946
Income tax expense	4	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income/(expense)		$7,595,736	($2,029,049)	($2,109,914)	($2,109,448)	($1,357,595)	$8,647,946

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

Statement of changes in equity

For the year ended 30 June 2014

	Note	Group 2014 Actual	Group 2014 Budget	Group 2013 Actual	Parent 2014 Actual	Parent 2014 Budget	Parent 2013 Actual
Equity/(Shareholders' deficit) at the beginning of the year		94,452,749	94,988,809	92,062,663	92,814,053	82,592,255	79,666,106
Surplus/(deficit) before taxation		7,595,736	(2,029,049)	(2,109,914)	(2,109,448)	(1,357,595)	8,647,946
Other comprehensive income		-	-	-	-	-	-
Increase in share capital	8	21,146,000	5,000,000	4,500,000	21,146,000	5,000,000	4,500,000
Equity/(Shareholders' deficit) at the end of the year	8	$123,194,485	$97,959,760	$94,452,749	$111,850,604	$86,234,660	$92,814,053

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

Statement of financial position

As at 30 June 2014

	Note	Group 2014 Actual	Group 2014 Budget	Group 2013 Actual	Parent 2014 Actual	Parent 2014 Budget	Parent 2013 Actual
Equity/(Shareholders' deficit)	8	123,194,485	97,959,760	94,452,749	111,850,604	86,234,660	92,814,053
Total equity/(Shareholders' deficit)		$123,194,485	$97,959,760	$94,452,749	$111,850,604	$86,234,660	$92,814,053
Represented by:							
Current assets							
Cash and cash equivalents		10,477,591	8,347,841	4,550,346	10,477,591	8,346,454	4,548,981
Trade and other receivables	9	173,606	75,586	67,687	173,606	69,788	67,687
GST refundable		-	-	-	-	-	-
Income tax refundable	5	20,215	-	4,944	-	-	-
Subvention receivable		-	-	-	-	-	-
		10,671,412	8,423,427	4,622,977	10,651,197	8,416,242	4,616,668
Non-current assets							
Property, plant and equipment	10	88,959	90,327	105,573	88,959	90,327	105,573
Intangible assets	11	17,083	32,553	44,809	17,083	32,553	44,809
Investments in subsidiaries	12	-		-	-	900	900
Investments through NZVIF VC Fund	13	86,690,847	70,660,397	70,710,610	-	-	-
Investments through NZVIF Seed Co-investment Fund	14	26,113,618	18,908,408	19,392,918	-	-	-
Related party loans	15	-	-	-	101,482,182	77,849,990	88,470,241
Deferred tax asset	7	-	-	-	-	-	-
		112,910,507	89,691,685	90,253,910	101,588,225	77,973,770	88,621,522
Total assets		123,581,919	98,115,112	94,876,886	112,239,422	86,390,012	93,238,190
Current liabilities							
Trade and other payables	16	272,055	155,352	300,587	273,440	155,352	300,587
Employee entitlements	18	115,378	-	123,550	115,378	-	123,550
Total liabilities		387,433	155,352	424,137	388,818	155,352	424,137
Net assets		$123,194,485	$97,959,760	$94,452,749	$111,850,604	$86,234,660	$92,814,053

For and on behalf of the Board who authorised the accounts for issue on:

MURRAY GRIBBEN,
CHAIR — 31 OCTOBER 2014

ANNE BLACKBURN,
DEPUTY CHAIR — 31 OCTOBER 2014

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

Statement of cash flows

For the year ended 30 June 2014

	Group 2014 Actual	Group 2014 Budget	Group 2013 Actual	Parent 2014 Actual	Parent 2014 Budget	Parent 2013 Actual
Cash flows from operating activities Cash was provided from:						
Revenue from the Crown	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000
Interest and dividends	325,371	269,933	235,763	138,614	269,933	218,802
Other income	12,850	-	-	12,850	-	-
Income tax refunded	-	-	22,092	-	-	10,478
Subvention receipt	-	-	-	-	-	72,184
	2,668,221	2,599,933	2,587,855	2,481,464	2,599,933	2,631,464
Cash was applied to:						
Payments to suppliers	(3,380,398)	(3,592,804)	(3,205,032)	(3,321,663)	(3,592,804)	(3,005,599)
Payments to employees	(1,342,034)	(1,128,774)	(1,197,699)	(1,342,034)	(1,128,774)	(1,197,699)
Net goods and services tax	(3,649)	-	(18,859)	(3,649)	-	(18,859)
Income tax paid	(15,268)	-	-	-	-	-
	(4,741,349)	(4,721,578)	(4,421,590)	(4,667,346)	(4,721,578)	(4,222,157)
Net cash flows from operating activities	(2,073,128)	(2,121,645)	(1,833,735)	(2,185,882)	(2,121,645)	(1,590,693)
Cash flows from investing activities Cash was provided from:						
Sale of investments through NZVIF VC Funds	3,950,693	11,333,334	2,379,589	-	-	-
Sale of investments through NZVIF Seed Co-investment Fund	2,578,265	-	206,692	-	-	-
Loans to subsidiaries repaid	900	-	-	6,700,218	-	2,677,203
	6,529,858	11,333,334	2,586,281	6,700,218	-	2,677,203
Cash was applied to:						
Purchase of property, plant and equipment and intangible assets	(20,466)	(35,283)	(51,191)	(20,466)	(35,283)	(51,191)
Purchase of investments through NZVIF VC Funds	(13,429,509)	(7,343,333)	(4,126,565)	-	-	-
Purchase of investments through NZVIF Seed Co-investment Fund	(6,225,508)	(5,000,000)	(5,153,715)	-	-	-
Purchase of shares in subsidiaries	-	-	-	-	-	-
Loans to subsidiaries	-	-	-	(19,711,260)	(1,009,999)	(9,613,735)
	(19,675,483)	(12,378,616)	(9,331,471)	(19,731,726)	(1,045,282)	(9,664,926)
Net cash flows from investing activities	(13,145,625)	(1,045,282)	(6,745,190)	(13,031,508)	(1,045,282)	(6,987,723)
Cash flows from financing activities Cash was provided from:						
Increase in share capital	21,146,000	5,000,000	4,500,000	21,146,000	5,000,000	4,500,000
Net cash flows from financing activities	21,146,000	5,000,000	4,500,000	21,146,000	5,000,000	4,500,000
Net increase/(decrease) in cash and cash equivalents	5,927,247	1,833,073	(4,078,926)	5,928,610	1,833,073	(4,078,416)
Cash and cash equivalents at the beginning of the year	4,550,346	6,514,768	8,629,271	4,548,981	6,513,381	8,627,398
Cash and cash equivalents at the end of the year	$10,477,591	$8,347,841	$4,550,346	$10,477,591	$8,346,454	$4,548,981

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

Reconciliation of net surplus/ (deficit) to net cash from operating activities

For the year ended 30 June 2014

	Group 2014 Actual	Group 2013 Actual	Parent 2014 Actual	Parent 2013 Actual
Total comprehensive income (expenses) for the year	7,595,736	(2,109,914)	(2,109,448)	8,647,946
Add/(less) non-cash items:				
Depreciation and amortisation	47,341	46,681	47,341	46,681
Loss on sale of property, plant and equipment	-	1,959	-	1,959
Impairment of related party loans	-	-	-	(10,337,534)
Total non-cash items	47,341	48,640	47,341	(10,288,894)
Add/(less) movements in working capital items:				
Receivables and prepayments	(105,920)	(18,072)	(105,920)	(18,072)
Other current assets	(15,268)	22,093	-	10,478
Payables and accruals	(16,485)	(3,685)	(14,205)	4,525
Other current liabilities	(3,649)	(18,859)	(3,649)	(18,859)
Subvention receivable	-	-	-	72,184
Net movement in working capital items	(141,323)	(18,523)	(123,775)	50,255
Add/(less) items classified as investing activity:				
(Gain)/Loss in value of investments	(9,574,885)	246,061	-	-
Net cash flows from operating activities	($2,073,128)	($1,833,735)	($2,185,882)	($1,590,693)

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

Notes to the financial statements

For the year ended 30 June 2014

1. Summary of significant accounting policies

Reporting entity

NZVIF Limited (NZVIF) and its subsidiaries are companies incorporated in New Zealand under the Companies Act 1993.

The Parent company – NZVIF – and its subsidiaries are referred to throughout these financial statements as NZVIF. NZVIF is domiciled in New Zealand.

The primary objective of NZVIF is the development of a vibrant early-stage capital market, both formal (VC) and informal (Angel). NZVIF has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The registered office for NZVIF is Unit 1B, Ascot Office Park, 93-95 Ascot Avenue, Greenlane, Auckland.

The financial statements of the company are for the year ended 30 June 2014, and were approved by the Board on 31 October 2014. The entity's owners do not have the power to amend these financial statements once issued.

Basis of preparation

Statement of compliance
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRS, and other applicable Financial Reporting Standards as appropriate for public benefit entities.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Crown Entities Act 2004.

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

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

Changes in accounting policies

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted.

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to NZVIF include:

- The External Reporting Board (XRB) has introduced a revised Accounting Standards Framework. The revised framework introduces Public Benefit Entity Accounting Standards largely based on International Public Sector Accounting Standards, modified as appropriate for New Zealand circumstances. These standards will apply for years beginning on or after 1 July 2014. NZVIF will transition to the new standards in preparing its 30 June 2015 financial statements. NZVIF has not assessed the full implication of the new Accounting Standards Framework at this time other than certain changes to disclosure requirements. NZVIF does not expect the recognition and measurement of transactions to differ significantly to those prescribed in NZ IFRS.

- Financial reporting requirements for public benefit entities are frozen in the short term and all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 are not applicable to public benefit entities. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant Accounting Policies

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

(a) Budget figures

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

The budget figures for equity investments through NZVIF VC Funds are included in the parent's budget for the year ended 30 June 2014 and are based on the mid point of the forecast range contained in the NZVIF Statement of Intent 2013/2014.

(b) Basis of consolidation

As at 30 June 2013, all nine NZVIF subsidiary companies were amalgamated to form one investment subsidiary. This investment subsidiary is an entity in which the company has the capacity to determine the financing and operating policies and from which it has an entitlement to significant ownership benefits.

The consolidated financial statements include the parent company and its investment subsidiary accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent's financial statements investments in the subsidiary are valued at cost.

(c) Revenue recognition

Revenue is recognised as follows:

Revenue from the Crown

Revenue is recognised to the extent that the economic benefits will flow to NZVIF and the revenue can be reliably measured. Revenue shown in the Statement of Comprehensive Income comprises the amounts received and receivable by NZVIF for services supplied to the Crown.

Interest income

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

Dividend income

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

(d) Goods and services tax

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

(e) Taxation

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Accounts receivable

Accounts receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(h) Prepayments

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

(i) Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less aggregate depreciation and impairment losses. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Additions

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

Computer equipment	**33% - 60%**
Office equipment	**11.4% - 60%**
Leasehold improvements	**9.6% - 48%**

(j) Impairment of non-financial assets

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

(k) Intangible assets

Software acquisition

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

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

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

Software development

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

Amortisation

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

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.

Trademarks are depreciated at the rate of 10% or over the useful life of 10 years.

(l) Investments

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

IPEV Guidelines recommend that for early-stage investments, where it is difficult to assess the future profitability of the company, fair value is generally determined by the price of the most recent investment. This methodology is appropriate until the circumstances of the company change such that an alternative valuation methodology (such as, but not limited to price/earnings analysis or discounted cash flow) is appropriate or there is evidence that the value of the investment should be adjusted. An adjustment is considered necessary where the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value.

NZVIF VC Funds

NZVIF co-invests, alongside private sector investors, in primarily early-stage VC investments and these investments represent equity owned directly by NZVIF subsidiaries. These investments are made through VC Funds (NZVIF VC Funds), which are managed by private sector VC fund managers (NZVIF VC Fund Managers), who make the investment decisions. NZVIF is not responsible for and does not exercise significant influence over these individual investment portfolio investments.

The fair value of NZVIF VC Fund investments as at 30 June 2014 has been determined by NZVIF in accordance with IPEV Guidelines.

The IPEV recommends that investors in private equity and VC 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 NZVIF VC Fund Managers are contractually required to report to NZVIF on an on-going basis and NZVIF 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 NZVIF.

NZVIF has reviewed the process undertaken by the NZVIF VC Fund Managers when valuing NZVIF investments and are satisfied that the valuation process complies with the fund managers' contractual requirements.

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

As at 30 June 2014 the valuation of the Seed Co-investment Fund's investments is based on the price of the most recent investment made by external investors, unless there is evidence that the value of the investment should be adjusted as the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value.

NZ IFRS and NZ IAS make specific reference to investments held by VC organisations and that all investments must be recognised at fair value, except for those where control exists. Under NZ IFRS, an investment by a VC organisation is considered to be a financial instrument. The appropriate standard dealing with investment in associates is not applicable and the financial instruments standard applies.

(m) Leased asset
Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised in the Statement of Comprehensive Income in equal instalments over the term of the lease.

(n) Foreign currencies
Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction.

Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

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

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

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

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

NZVIF classifies its NZVIF VC Funds and Seed Co-investment Fund investments under the category "financial assets at fair value through profit or loss – designated as such upon initial recognition". This is because NZ IAS 39 indicates that investments held by VC organisations whose business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or from changes in their value, should be designated at fair value through profit and loss. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Comprehensive Income in the period in which they arise.

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

(q) Employee entitlements
Provision is made for annual leave entitlements estimated to be payable to employees on the basis of statutory and contractual requirements. The provision is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

(r) Statement of cashflows
The following are the definitions of the terms used in the Statement of Cashflows:

- Cash is considered to be cash and cash equivalents net of bank overdrafts.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of NZVIF. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Operating activities include all transactions and other events that are not investing or financing activities.

(s) Critical accounting estimates and assumptions
In preparing these financial statements NZVIF has made estimates and assumptions concerning the future. Assumptions on investments are disclosed in Note 1(l) – Investments, Note 15 – Related Parties and Note 20 – Market Price Risk. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(t) Segment information
A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographic segment is engaged

in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of a segment operating in other economic environments. NZVIF operates predominantly in the VC investment industry. All operations of the Company are carried out in New Zealand.

(u) Related party loans

NZVIF accounts for related party loans at their cost less impairment, with impairment based on the underlying value of the subsidiaries VC investments, which will have been purchased through the loan funding. This treatment is permitted following the assessment that the loans are outside the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement. The accounting treatment for the loans is in accordance with the cost model of an investment in a subsidiary under NZ IAS 27 Separate and Consolidated Financial Statements, which gives an entity the option of accounting for an investment in a subsidiary either at cost (less impairment) or under NZ IAS 39. Furthermore, as disclosed in Note 15, the terms of the loans are no interest with limited recourse of repayment. Accordingly the loans have characteristics similar to an equity instrument. A further consideration in carrying related party loans at cost (less impairment) is that their fair value cannot be reliably determined at initial recognition due to difficulties in forecasting the obligations to repay the loans and the timing of such repayments.

2. Revenue

	Group 2014	Group 2013	Parent 2014	Parent 2013
Revenue from the Crown	2,330,000	2,330,000	2,330,000	2,330,000
Interest	325,371	235,763	138,614	218,802
Dividends	-	-	-	-
Other income	12,850	-	12,850	-
Total revenue	$2,668,221	$2,565,763	$2,481,464	$2,548,802

NZVIF has been provided with funding from the Crown for services supplied to the Crown. Apart from the general restrictions, set out in its funding agreement, there are no unfulfilled conditions or contingencies attached to Government funding (2013: Nil).

3. Operating expenditure

	Group 2014	Group 2013	Parent 2014	Parent 2013
Amortisation (Note 11)	16,786	14,678	16,786	14,678
Audit fees – fees to Audit New Zealand for audit of financial statements	117,300	113,770	61,060	59,180
Depreciation (Note 10)	30,555	32,003	30,555	32,003
Directors' fees (Note 23)	137,500	157,667	137,500	157,667
Employee benefits (Note 17)	1,342,034	1,192,699	1,342,034	1,192,699
Fund management fees	1,900,040	1,895,471	1,900,040	1,895,471
Operating lease costs	101,653	98,633	101,653	98,633
Other administrative expenses	968,849	922,736	968,632	786,099
Total expenses	$4,614,716	$4,427,657	$4,558,259	$4,236,430

Loss on sale of fixed assets	-	(1,959)	-	(1,959)
Net gain/(loss) in the value of investments	9,574,885	(246,061)	-	-
Gain/(loss) on currency	(32,653)	-	(32,653)	-
Revaluation/(impairment) of related party loans	-	-	-	10,337,534

4. Income tax expense

	Group 2014	Group 2013	Parent 2014	Parent 2013
Net surplus/(deficit) before taxation	7,595,736	(2,109,914)	(2,109,448)	8,647,946
Prima facie income tax at 28%	2,126,806	(590,776)	(590,646)	2,421,425
Add/(less)				
Temporary and permanent differences	(2,662,481)	71,114	18,024	(2,888,989)
Tax loss not recognised	535,675	519,662	572,621	467,564
Income tax expense	$ -	$ -	$ -	$ -

5. Current tax assets and liabilities

The Group's current tax asset of $20,215 (2013: $4,944) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

The Parent's current tax asset of nil (2013: nil) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

6. Imputation credit account

	Group 2014	Group 2013	Parent 2014	Parent 2013
Opening balance at 1 July	15,086	37,128	-	10,478
Income tax paid/(refunded) during the year	(4,944)	(26,986)	-	(10,478)
Resident withholding tax on interest received	20,215	4,944	-	-
Closing balance at 30 June	$30,357	$15,086	$-	$-

7. Deferred tax

	Group 2014	Group 2013	Parent 2014	Parent 2013
Deferred tax asset	$-	$-	$-	$-

Unrecognised deferred tax assets and liabilities.

Deferred tax assets have not been recognised in respect of the following items:

	Group 2014	Group 2013	Parent 2014	Parent 2013
Deductible temporary differences	213,349	180,479	157,109	125,889
Tax losses	16,877,837	15,008,127	16,806,903	14,762,734
Total	$17,091,185	$15,188,606	$16,964,012	$14,888,623

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 profit will be available in the immediate future against which the losses can be applied.

8. Equity

	Group 2014	Group 2013	Parent 2014	Parent 2013
Share capital				
Balance at the beginning of the year	108,206,801	103,706,801	108,206,801	103,706,801
Issued capital	21,146,000	4,500,000	21,146,000	4,500,000
Ordinary share capital at end of year	129,352,801	108,206,801	129,352,801	108,206,801
Retained earnings/(Accumulated deficit)				
Balance at the beginning of the year	(13,754,052)	(11,644,138)	(15,392,748)	(24,040,694)
Total comprehensive income/(expense) for the year	7,595,736	(2,109,914)	(2,109,448)	8,647,946
Balance at end of year	(6,158,315)	(13,754,052)	(17,502,196)	(15,392,748)
Total equity	$123,194,486	$94,452,749	$111,850,604	$92,814,053

The company has a total of $129,352,801 (2013: $108,206,801) fully paid ordinary shares on issue. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

During the year the Parent company received funds from the Crown, by way of equity subscriptions, to facilitate the Crown's objective of accelerating the development of the New Zealand VC industry.

The share capital of the Parent company increased in the following months:

	Parent 2014	Parent 2013
July	2,220,000	-
August	-	-
September	-	3,000,000
October	5,000,000	-
November	-	-
December	2,265,000	-
January	-	-
February	5,000,000	1,500,000
March	5,000,000	-
April	1,661,000	-
May	-	-
June	-	-
	$21,146,000	$4,500,000

9. Trade and other receivables

	Group 2014	Group 2013	Parent 2014	Parent 2013
Prepayments	171,939	67,085	171,939	67,085
Trade and other receivables	1,667	601	1,667	601
Total	$173,606	$67,687	$173,606	$67,687

Fair value

The carrying value of receivables approximates their fair value.

Impairment

Receivables and prepayments have been reviewed for impairment and none is required.

10. Property, plant and equipment – Group and Parent

Movements for each class of property, plant and equipment are as follows:

	Computer equipment	Office equipment	Leasehold improvements	Total
Cost				
Balance at 1 July 2012	83,952	34,908	153,003	271,863
Additions	18,688	912	4,930	24,530
Disposals	(524)	(5,324)	(5,976)	(11,824)
Balance at 30 June 2013	102,116	30,496	151,957	284,569
Balance at 1 July 2013	102,116	30,496	151,957	284,569
Additions	6,952	6,990	-	13,941
Disposals	-	-	-	-
Balance at 30 June 2014	109,068	37,486	151,957	298,511
Accumulated depreciation and impairment losses				
Balance at 1 July 2012	62,372	25,024	69,190	156,586
Depreciation expense	16,595	4,459	10,949	32,003
Elimination on disposal	(488)	(4,971)	(4,133)	(9,592)
Balance at 30 June 2013	78,479	24,512	76,006	178,997
Balance at 1 July 2013	78,479	24,512	76,006	178,997
Depreciation expense	15,583	5,105	9,867	30,555
Elimination on disposal		-	-	-
Balance at 30 June 2014	94,062	29,617	85,873	209,552
Carrying amounts				
At 1 July 2012	21,580	9,884	83,813	115,277
At 30 June and 1 July 2013	23,638	5,984	75,951	105,572
Balance at 30 June 2014	$15,006	$7,868	$66,084	$88,959

11. Intangible assets

	Group 2014	Group 2013	Parent 2014	Parent 2013
Acquired computer software				
Balance at 1 July 2013	162,059	150,496	162,059	150,496
Additions	6,525	27,304	6,525	27,304
Disposals	(17,465)	(15,741)	(17,465)	(15,741)
Balance at 30 June 2014	151,119	162,059	151,119	150,496
Less accumulated amortisation and impairment losses				
Balance at 1 July 2013	119,709	121,280	119,709	121,280
Amortisation expense	15,908	13,800	15,908	13,800
Elimination on disposal	-	(15,371)	-	(15,371)
Balance at 30 June 2014	135,617	119,709	135,617	121,280
Carrying amounts at year end	15,502	42,350	15,502	29,216
Trademark				
Balance at 1 July 2013	8,779	8,779	8,779	8,779
Additions	-	-	-	-
Balance at 30 June 2014	8,779	8,779	8,779	8,779
Less accumulated amortisation and impairment losses				
Balance at 1 July 2013	6,320	5,442	6,320	5,442
Amortisation expense	878	878	878	878
Balance at 30 June 2014	7,198	6,320	7,198	6,320
Carrying amounts at year end	1,581	2,459	1,581	2,459
Balance at 30 June 2014	$17,083	$44,809	$17,083	$44,809

12. Investments in subsidiaries

The Parent company's investment in subsidiaries comprises shares at cost. As at 30 June 2013, NZVIF amalgamated nine subsidiaries into one investment subsidiary. This subsidiary now holds all NZVIF investments.

Subsidiary	Principle activity	Interest held 2014
NZVIF Investments Limited	Investment through VC funds and start-up companies	100%

All subsidiaries have 30 June balance dates and are included in the consolidated financial statements.

13. Investments through NZVIF VC Funds

NZVIF has made a number of investments through NZVIF VC Funds. These investments are as follows:

Investment	Carrying value 2014	Interest held 2014	Carrying value 2013	Interest held 2013
Investments through NZVIF VC Funds in listed and unlisted companies	73,745,209	12.5% - 50%	64,382,544	12% - 50%
Accumulated revaluations and impairments	12,945,638		6,328,066	
	$86,690,847		$70,710,610	

All investments through NZVIF VC Funds have been valued by NZVIF, using manager's reported valuations as an input as disclosed in Note 1(l).

The value of investments is the value of NZVIF VC Funds at balance date calculated in accordance with NZVIF's valuation policy under 1(f) of the notes to the financial statements. Contracts entered into by NZVIF include a buyout option which can be exercised in the first five years of the fund's life by other investors in those funds. If the buyout option for any NZVIF VC Fund is "in the money" at balance date, NZVIF adjusts the value of its investments by the value of the buyout option. If the value of NZVIF's investments are greater than the buyout option price then the impact of the buyout option (if exercised) is a cost to NZVIF.

Investment	Carrying value 2014	Interest held 2014	Carrying value 2013	Interest held 2013
Value of NZVIF VC Funds before exercise of buyout option	134,112,596	12% - 50%	98,684,720	12% - 50%
Cost of NZVIF buyout option (if exercised)	(47,421,749)		(27,974,110)	
Carrying value of investments held in VC Funds	$86,690,847		$70,710,610	

14. Investments through the Seed Co-investment Fund

NZVIF has made a number of investments through the NZVIF Seed Co-investment Fund. These investments are as follows:

Investment	Carrying value 2014	Interest held 2014	Carrying value 2013	Interest held 2013
Investments through the NZVIF Seed Co-investment Fund in unlisted companies	28,973,428	0% - 33%	23,942,860	0% - 33%
Accumulated revaluations and impairments	(2,859,810)		(4,549,942)	
	$26,113,618		$19,392,918	

Investments through the NZVIF Seed Co-investment Fund have been valued as disclosed in Note 1(l). The NZVIF Seed Co-investment Fund has invested into 115 (2013: 96) companies. As at 30 June 2014, 24 (2013: 22) of these companies have been fully impaired.

15. Related parties

	Group 2014	Group 2013	Parent 2014	Parent 2013
NZVIF Investments Limited	-	-	101,482,182	88,470,241
	-	-	101,482,182	88,470,241
Less impairment of loans to subsidiaries	-	-	-	-
	$-	$-	$101,482,182	$88,470,241

	Group 2014	Group 2013	Parent 2014	Parent 2013
Movement in the provision for impairment of related party receivables				
Balance at 1 July 2013	-	-	-	(10,337,534)
Additional provisions made during the year	-	-	-	10,337,534
Balance at 30 June 2014	$-	$-	$-	$-

Advances made by the Parent to the subsidiaries are by way of limited recourse loans. Such advances fund the subsidiaries' investment activities. Repayment of the advances is limited to amounts or assets received by way of a distribution from the NZVIF VC Fund investment or amounts received upon the realisation of the NZVIF VC Fund investment. Thus the ability of the subsidiaries to repay the limited recourse loans may be reduced if there is impairment in the value of the investments held by the NZVIF VC Funds.

Advances to subsidiaries, also known as related party loans, are accounted for at their cost (less impairment) as detailed in Note 1(u).

The impairment of related party loans of nil (2013: nil) has been made to reflect the impairment in the value of the investments held by the NZVIF VC Funds. The value of the investments held in the amalgamated subsidiary have had a net increase as a result of revaluations which has resulted in the reversal of the provision previously provided.

Due to the amalgamation of the NZVIF subsidiary companies in 2013, the method of calculation for impairment in related party loans has changed. Losses in those subsidiaries which are in a negative position are able to be offset against gains in subsidiaries in a positive position. This has resulted in an overall gain position for the NZVIF Group which has eliminated all doubtful debts previously provided.

Advances made by the Parent are unsecured and are not subject to interest. The Parent company is a wholly owned entity of the Crown. The Crown provides revenue to meet the fund management and market development operating costs of NZVIF. The Crown also subscribes for equity in the Parent company, which the Parent company advances to its subsidiary investment company in the form of limited recourse loans. The funds received from the Crown for these loans are converted into additional share capital (refer Note 8).

The NZVIF investment subsidiary charges NZVIF a management fee in relation to the NZVIF VC Funds. These management fees are eliminated on consolidation.

The NZVIF Parent and investment subsidiary hold a tax loss of $16,806,903 (Parent) and $16,877,887 (Group) for the year ended 30 June 2014 (2013: $14,762,734 and $15,008,127). These losses will be carried forward and offset against any future taxable income.

Details of key management personnel remuneration are disclosed in Note 24 to the financial statements. There were no other related party transactions during the year.

16. Trade and other payables

	Group 2014	Group 2013	Parent 2014	Parent 2013
GST payable	10,288	13,937	10,288	13,937
Accrued expenses	180,434	130,088	180,434	130,088
Trade payables	81,333	156,562	82,718	156,562
	$272,055	$300,587	$273,440	$300,587

Payables and accruals are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value approximates their fair value.

17. Employee costs

	Group 2014	Group 2013	Parent 2014	Parent 2013
Salaries and wages	1,331,210	1,185,248	1,331,210	1,185,248
Employer contributions to defined contribution plans	18,996	12,450	18,996	12,450
Increase/(decrease) in employee entitlements (Note 18)	(8,172)	(5,000)	(8,172)	(5,000)
	$1,342,034	$1,192,698	$1,342,034	$1,192,698

18. Employee entitlements

	Group 2014	Group 2013	Parent 2014	Parent 2013
Accrued salaries and wages	55,569	76,431	55,569	76,431
Annual leave	59,809	47,119	59,809	47,119
Current	115,378	123,550	115,378	123,550
Non current	-	-	-	-
	$115,378	$123,550	$115,378	$123,550

19. Financial instruments

19a. Categories of financial instruments

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Group 2014	Group 2013	Parent 2014	Parent 2013
Financial assets designated at fair value through profit or loss upon initial recognition				
Investments through NZVIF VC Funds	86,690,847	70,710,610	-	-
Investments through NZVIF Seed Co-investment Fund	26,113,618	19,392,918	-	-
Total financial assets designated at fair value through profit or loss	$112,804,465	$90,103,528	$-	$-
Loans and receivables				
Cash and cash equivalents	10,477,591	4,550,346	10,477,591	4,548,981
Trade and other receivables	1,667	601	1,667	601
Related party loans	-	-	101,482,182	88,470,241
Total loans and receivables	$10,479,258	$4,550,947	$111,961,440	$93,019,823
Financial liabilities measured at amortised cost				
Trade and other payables	$261,767	$286,650	$263,155	$286,650

19b. Fair value hierarchy disclosures

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

1. Quoted market price – financial instruments with quoted prices for identical instruments in active markets.

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.

3. Valuation technique with significant non-observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

The balances for the Parent accounts for instruments recognised at fair value are nil so are not disclosed in this note.

		Valuation technique		
Group	Total	Quoted market price	Observable inputs	Significant non-observable inputs
2014				
Financial assets designated at fair value through profit or loss upon initial recognition				
Investments through NZVIF VC Funds	86,690,847	12,296,468	29,073,903	45,320,476
Investments through NZVIF Seed Co-investment Fund	26,113,618	-	-	26,113,618
Total	$112,804,465	$12,296,468	$29,073,903	$71,434,094
2013				
Financial assets designated at fair value through profit or loss upon initial recognition				
Investments through NZVIF VC Funds	70,710,610	7,177,279	5,423,041	58,110,290
Investments through NZVIF Seed Co-investment Fund	19,392,918	-	-	19,392,918
Total	$90,103,528	$7,177,279	$5,423,041	$77,503,208

19c. Reconciliation of the fair value hierarchy for significant non-observable inputs

	2014	2013
Beginning balance	77,503,207	66,077,825
Net gain/(loss) in the value of investments	9,574,885	(246,061)
Purchase of investments	19,655,017	9,280,280
Proceeds received from sale of investments	(6,528,964)	(2,586,285)
Transfer from/(to) quoted market price	(5,119,189)	4,788,167
Transfer from/(to) observable inputs	(23,650,862)	189,281
Ending balance	$71,434,094	$77,503,207

The valuation of companies will move between significant non-observable inputs to observable inputs when the valuation can be based on significant observable inputs. Changing a valuation assumption to a reasonably possible alternative assumption would not significantly change the fair value.

20. Financial risk management

20a. Strategy in using financial instruments

NZVIF'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. NZVIF 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.

20b. Credit risk

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

Maximum exposure to credit risk	Group 2014	Group 2013	Parent 2014	Parent 2013
Cash and cash equivalents	10,477,591	4,550,346	10,477,591	4,548,981
Trade and other receivables	173,606	601	173,606	601
Related party loans	-	-	101,482,182	88,470,241
Total	$10,651,197	$4,550,947	$112,133,379	$93,019,823

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

Advances made by NZVIF to subsidiary companies are represented as related party loans (Note 15). For those assets that are not past due it is believed that the risk of default is small and the capital repayments will be made in accordance with the agreed terms and conditions.

Group	Not past due	Past due less than 1 year	Past due more than 1 year
2014			
Cash and cash equivalents	10,477,591	-	-
Trade and other receivables	173,606	-	-
Related party loans	-	-	-
Total	$10,651,197	-	-
2013			
Cash and cash equivalents	4,550,346	-	-
Trade and other receivables	601	-	-
Related party loans	-	-	-
Total	$4,550,947	-	-

Parent	Not past due	Past due less than 1 year	Past due more than 1 year
2014			
Cash and cash equivalents	10,477,591	-	-
Trade and other receivables	173,606	-	-
Related party loans	101,482,182	-	-
Total	$112,133,379	-	-
2013			
Cash and cash equivalents	4,548,981	-	-
Trade and other receivables	601	-	-
Related party loans	88,470,241	-	-
Total	$93,019,823	-	-

NZVIF did not have any credit facilities at balance date.

20c. Market risk

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

Prior to committing to an investment, the Board had the opportunity to consider each of the market risks while they reviewed detailed submissions from the fund manager. Each manager submission is based on extensive due diligence with regard to, but not limited to:

- Management and investment team skills, experience and qualifications;
- Investment structure, conditions of application (including required commitment level) and fees;
- Past performance and outlook for current investments; and
- Alignment of personal interest with investors.

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

Market price risk

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

Section (l) investments of the accounting policies explains how NZVIF determines the fair value of its VC Fund investments.

Due to the early stage nature of these investments, significant judgement must be exercised in determining the fair value of unlisted investments totalling $100,507,997 (2013: $82,926,249).

While the Board is of the view that the fair values of the unlisted investments in these financial statements represent the best available information, uncertainty exists over the fair value of the investments in the absence of an active market to determine fair value. Further information is provided below about the uncertainties and judgements in determining fair value.

NZVIF's exposure to VC investments is material, but the risks of market price movements have less direct relevance due to the factors outlined below.

The Board considers and manages the market price risk relating to unlisted VC investments taking into account the following factors:

- The portfolio of underlying investments is extremely well diversified. NZVIF's investment consists of one investment (2013: 1) subsidiary which has exposure to some 167 (2013: 146) individual underlying opportunities located in many different industry sectors. Any single underlying exposure does not generally put a material amount of NZVIF's capital at risk.

- As at 30 June 2014 no individual investment makes up greater than 8% (2013: 7%) of the total net investments of NZVIF.

- Due to the long term nature of these investments, and the fact that there are no open market values, the Board places more importance on the real progress of the underlying entities as forming the basis of short-term value.

- The valuations of each investment are based on the current value of the underlying companies which they hold. The fund managers' do not intend to sell these underlying companies until their potential has been realised and/or utilised. Historically, at any point in time, the values at which they are held by the fund manager and hence NZVIF, are generally lower than the eventual sale values.

The major risks to NZVIF are more indirect in relation to the investments in so far as a prolonged drop in market values may lead to increased impairment allowances and lower surplus/(deficit) in the short-term. Risks may also include an underlying investment not being able to reach its full potential in a timely manner or at all, which would cause a delay or a decrease in the expected cash flows. The likelihood of such an event is considered periodically by NZVIF and the findings are reviewed by the Board. Consideration procedures include, but are not limited to, the review of regular reports from the managers, direct correspondence with the manager, and information provided in quarterly reports which explain any movement in valuation of the investments. In the event that such an event becomes likely, the investment will be considered to be impaired which will have an effect on the surplus/(deficit) of NZVIF.

Currency risk
NZVIF records the transactions using the exchange rate applicable at the date of the invoice and recognises an exchange gain or loss at the time of payment. As there are a small number of transactions denominated in foreign currencies, NZVIF does not take out any forward cover.

NZVIF has exposure to foreign exchange risk as a result of investments in foreign currencies made through VC funds, which are managed by private sector VC fund managers. The investments are denominated in US dollars and UK pounds.

As at 30 June 2014, if the New Zealand dollar had weakened/strengthened by 5% against the US dollar and the UK pound with all other variables held constant, the movement in the value of investments held at fair value would have been +/- $1,282,102 (2013: $1,011,038).

Interest rate risk
NZVIF is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. NZVIF's exposure to interest rate risk is limited to its cash and cash equivalents which are held in short-term, floating interest rate accounts.

Sensitivity analysis

For financial instruments held at balance date, NZVIF has no material exposure to market risks on those financial instruments that give rise to an impact on the surplus/(deficit) and equity as detailed above.

NZVIF may be exposed to risks arising from the validity of the investment valuation. Where the price of the most recent investment method is used (as detailed in Note 1(l)) validity is eroded over time, since the price at which an investment was made reflects the effects of conditions that existed on the date that the transaction took place. In a dynamic environment, changes in market conditions, the passage of time and other factors will act to diminish the appropriateness of this methodology as a means of estimating value at subsequent dates. In stable market conditions with little change in the entity or external environment, the length of period for which this methodology is likely to be appropriate will be longer than during a period of rapid change.

20d. Liquidity risk

Liquidity risk is the risk that NZVIF will encounter difficulty raising liquid funds to meet commitments as they fall due. NZVIF has an agreement with the Crown under which NZVIF can call on capital to meet commitments. NZVIF does not make commitments in excess of the amount it can call from the Crown. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the nature of NZVIF's operations, management aims at maintaining flexibility by keeping sufficient available funds to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to NZVIF's reputation.

NZVIF's liquidity requirements include day to day running costs and expenditures such as the amounts payable to creditors and the amounts which NZVIF are committed to pay to fund managers which are paid on a "drawdown" basis.

Contractual maturity analysis of financial liabilities

The table below analyses NZVIF's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group	Carrying amount	Contractual cash flows	Less than 1 year	More than 5 years
2014				
Trade and other payables	261,767	261,767	261,767	-
Total	$261,767	$261,767	$261,767	-
2013				
Trade and other payables	286,650	286,650	286,650	-
Total	$286,650	$286,650	$286,650	-

Parent	Carrying amount	Contractual cash flows	Less than 1 year	More than 5 years
2014				
Trade and other payables	263,152	263,152	263,152	-
Total	$263,152	$263,152	$263,152	-
2013				
Trade and other payables	286,650	286,650	286,650	-
Total	$286,650	$286,650	$286,650	-

21. Commitments

Capital commitments

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

	Group 2014	Group 2013	Parent 2014	Parent 2013
Firm commitment remaining	38,739,418	53,726,590	-	-
Conditional commitment	25,000,000	20,000,000	-	-
	$63,739,418	$73,726,590	$-	$-

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

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

Capital commitments held by NZVIF at balance date are as follows:

2014	Firm commitment	Invested	Remaining commitment
TMT Ventures Fund	21,000,000	20,603,545	396,455
Endeavour i-cap Fund	13,000,000	12,950,798	49,202
iGlobe Treasury Fund	10,375,000	10,375,000	-
No 8 Ventures No 2 Fund	11,750,000	11,750,000	-
BioPacific Ventures Fund	10,000,000	9,454,057	545,943
Pioneer Capital Partners - Innovation Fund	19,993,321	16,981,387	3,011,934
Movac Fund 3	16,522,667	8,515,213	8,007,454
Valar Ventures LP	20,000,000	8,542,031	11,457,969
Pioneer Capital Partners II	18,750,000	5,758,691	12,991,309
NZVIF Seed Co-investment Fund	-	-	378,626
The following additional commitments have been made through the Annex Fund:			
TMT Ventures Fund	750,000	750,000	-
Endeavour i-cap Fund	3,500,000	3,500,000	-
iGlobe Treasury Fund	3,750,000	3,686,073	63,927
No 8 Ventures No 2 Fund	5,000,000	5,000,000	-
BioPacific Ventures Fund	2,000,000	163,401	1,836,599
	$156,390,988	$118,030,196	$38,739,418

2013	Firm commitment	Invested	Remaining commitment
TMT Ventures Fund	21,000,000	20,603,545	396,455
Endeavour i-cap Fund	13,000,000	12,950,798	49,202
iGlobe Treasury Fund	10,375,000	10,375,000	-
No 8 Ventures No 2 Fund	11,750,000	11,750,000	-
BioPacific Ventures Fund	10,000,000	9,224,088	775,912
Pioneer Capital Partners - Innovation Fund	19,993,321	15,484,352	4,508,969
Movac Fund 3	16,522,667	4,379,428	12,143,239
Valar Ventures LP	20,000,000	5,350,000	14,650,000
Pioneer Capital Partners II	18,750,000	280,028	18,469,972
NZVIF Seed Co-investment Fund	-	-	457,125
The following additional commitments have been made through the Annex Fund:			
TMT Ventures Fund	750,000	750,000	-
Endeavour i-cap Fund	3,500,000	3,500,000	-
iGlobe Treasury Fund	3,750,000	3,422,217	327,783
No 8 Ventures No 2 Fund	5,000,000	5,000,000	-
BioPacific Ventures Fund	2,000,000	52,067	1,947,933
	$156,390,988	$103,121,523	$53,726,590

Conditional commitments are those investments subject to the fund manager raising matching private sector capital and successfully concluding investment arrangements and documentation with NZVIF and other investors.

A conditional commitment totalling $25 million (2013: $20 million) has been made to one (2013:one) party.

Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group 2014	Group 2013	Parent 2014	Parent 2013
Less than 1 year	13,688	83,248	13,688	83,248
Later than 1 year but not later than 2 years	4,020	6,691	4,020	6,691
Later than 2 years but not later than 5 years	-	4,461	-	4,461
Total operating lease commitments	$17,708	$94,401	$17,708	$94,401

22. Employee remuneration

The number of employees who received remuneration and other benefits of $100,000 or more per annum, shown in $10,000 ranges.

	Group 2014	Group 2013	Parent 2014	Parent 2013
100,000 - 109,999	1	-	1	-
140,000 - 149,999	-	1	-	1
150,000 - 159,999	1	-	-	-
210,000 - 219,999	-	2	-	2
220,000 - 229,999	2	-	2	-
340,000 - 349,999	-	1	-	1
360,000 - 369,999	1	-	1	-

23. Directors' remuneration

Member	Group 2014	Group 2013	Parent 2014	Parent 2013
Murray Gribben	44,000	-	44,000	-
Sir John Anderson	-	44,000	-	44,000
Brian Mayo-Smith	-	27,500	-	27,500
Anne Blackburn	27,500	22,000	27,500	22,000
Roger Bridge	22,000	22,000	22,000	22,000
Calvin Smith	22,000	22,000	22,000	22,000
Richard Hughes	22,000	20,167	22,000	20,167
	$137,500	$157,667	$137,500	$157,667

These fees cover attendance at six full Board meetings, one Board conference call, as well as additional duties undertaken by the Chair and Deputy Chair.

24. Key management personnel compensation

	Group 2014	Group 2013	Parent 2014	Parent 2013
Salaries and other short-term employee benefits	499,607	502,622	499,607	502,622
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	$499,607	$502,622	$499,607	$502,622

Key management personnel include all Directors and the Chief Executive.

25. Contingent liabilities

There were no material contingent liabilities at balance date (2013: Nil).

26. Post balance date events

There were no material events subsequent to balance date other than the conditional commitment of $25,000,000 becoming unconditional in July 2014.

27. Major budget variations

Explanations for significant variations from NZVIF's budgeted figures in the Statement of Intent are as follows:

Statement of comprehensive income

Revenue

Revenue was lower than budgeted due to less interest earned than anticipated on cash held.

Statement of changes in equity

Increase in share capital

More capital was drawn from the Crown than expected due to high volume of investments during the year.

Surplus/deficit for the year

The net profit for the year in the Group accounts was greater than anticipated due to positive revaluation of investments held that was not anticipated.

Balance sheet

Cash and cash equivalents

Greater than anticipated cash held at year end due to the timing of distributions received and investments made.

Investments through NZVIF VC and Seed Co-investment Funds

The value of investments through NZVIF VC Funds exceeded forecast due to revaluation of investments. There was an increase in the value of investments held by the Seed Co-investment Fund due to greater than expected investments made during the year.

Related party loan

The related party loan exceeded budget due to greater than anticipated investments being made which required loans from NZVIF.

Payables and accruals

Payables and accruals exceed budget due to the timing of payments and accrued expenses over the year end period.

Statement of cash flows

Increase in share capital

As explained in "Statement of Changes of Equity", more capital was drawn from the Crown than budgeted. This was due to the large number of investments made during the year.

Shareholder information

For the year ended 30 June 2014

Sustainable security holders

The Crown is registered by the NZVIF Group as a substantial security holder owning 100% of the parent company.

Largest security holder	Shares held	Percentage
Crown	129,352,802	100%

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

Indemnification and insurance of Directors and Officers
In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has given indemnities to, and has effected insurance for, Directors and executives of the company and its related companies which, except for specific matters which are expressly excluded, indemnify and insure Directors and executives against monetary losses as a result of actions undertaken by them in the course 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 2014

__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 2014.

Murray Gribben
Chief Executive, Crown Irrigation Investments Limited
Director, Ruapehu Alphine Lifts Limited
Trustee, Queen Elizabeth II Army Memorial Museum Trust
Trustee, NZ Post Superannuation Trust

Anne Blackburn
Chair, Royal District Nursing Service New Zealand
Director, Auckland Council Property
Director, Warren and Mahoney Architects Limited and Warren and Mahoney Limited
Director, Eastland Group Limited and Subsidiaries
Director, Fidelity Life
Director, TSB Bank
Director, Fisher Funds Management
Director (pro bono), Committee for Auckland
Chair of Trustees, Centre for Clinical Research and Effective Practice
Council Member, UNITEC New Zealand
Trustee, Chinese Language Foundation
Trustee, Sir Ernest Davis Endowment Fund
Member, Commercial Operations Advisory Board, Treasury

Roger Bridge
Managing Director, Allstor Self Storage Limited
Director, Waterman Investments Limited
Director, New Zealand National Party
Director, Quotable Value
Trustee, ReStart the Heart Trust
Trustee, Community Trust of Canterbury
Trustee, Christchurch Arts Festival

Calvin Smith
Director, Bullendale Limited
Director, Cultivar Fund Management Limited
Director, K9 Natural Food Limited
Director, K9 Natural Food Group Limited
Director, Indigo Group Limited
Director, Raw International NZ Limited
Director, Southern Productions Limited

Richard Hughes
Director, Black Prince Limited

Conflict of interest procedures

The NZVIF Board has a documented conflict of interest policy that sets out procedures for identifying and addressing potential conflict of interests. This policy applies to the Directors and staff of NZVIF.

The key determination when considering whether an interest might create a conflict is whether the interest creates an incentive for the Director or staff member to act in a way that may not be in the interests of NZVIF.

In deciding whether a conflict is present in any given situation it is appropriate that the determination be whether a reasonably informed objective observer would infer from the circumstances that the Board or staff member's judgement is likely to be influenced to the detriment of NZVIF's best interests.

Where a conflict exists, then the Director or staff member must declare the conflict and may not participate or vote on any matters in which they have a conflict of interest.

An interest's register is maintained of Directors' and staff's declared interests and updated at each Board meeting.

Organisational health and capability

__Ensuring NZVIF is a good employer.

NZVIF is a small organisation with seven full-time equivalent staff.

Our flexible working environment enables staff to balance work, family and other commitments. NZVIF supports staff to develop their leadership skills and become the best they can be, in a positive working culture.

The values of the organisation ensure that all staff have the opportunity to engage and participate in organisational decisions.

Our good employer and personnel policies are formally recorded and include a commitment to equal employment opportunities. We do not tolerate harassment or discrimination of any type. We recognise the value of attracting employees of diverse backgrounds and talents, and the positive impact this has on our organisation.

Equal employment opportunity principles are incorporated in staff selection and management within the limits of our small size.

Measure
EEO principles included in all relevant documents and practices.

Capability development
To continue enhancing our capability, we will maintain and develop policies that ensure recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible, efficient and knowledgeable team players.

Measures
Individual staff training needs are assessed and supported. External salary comparisons and individual role assessments are conducted regularly.

Health and safety
NZVIF is committed to being a zero harm employer. Regular observations will be undertaken to identify hazards and unsafe workplace practices and any training required will be provided as appropriate. Any serious event will be notified to the CEO and Board Chair immediately. Our office environment and equipment are safe and well maintained.

Measures
Zero tolerance of harassment, bullying and discrimination. Each employee has an ergonomically suitable workspace.

Glossary

Angel fund:
A professionally managed investment vehicle that evaluates and invests in entrepreneurial companies.

Angel investor:
A wealthy individual who 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 network:
A group of individual Angel investors who join together to evaluate and invest in entrepreneurial companies.

Committed capital:
Pledges of capital by investors to a VC fund. This capital is drawn down progressively over the life of the fund for investments or to meet management fees.

Crown entity companies:
One of the five categories of Crown entity. A company incorporated under the Companies Act 1993 that is wholly-owned by the Crown and named in Schedule 2 to the Crown Entities Act 2004.

High growth company:
A company that has the potential to offer products which are attractive to a wide international market.

Management fee:
The fee, typically a percentage of committed capital that is paid by investors in a VC fund to the fund manager to cover salaries and expenses.

Pooled investment vehicle:
An entity such as a Limited Partnership that combines capital from many investors to deploy it according to a particular investment strategy.

Private equity:
Private equity includes organisations devoted to VC, leveraged buyouts, mezzanine and distressed debt investments.

Successful realisation:
When a company is either sold or listed at a price that exceeds the initial cost of investment.

VC:
Professionally managed, dedicated pools of capital that focus on equity or equity-linked investments in privately held, high-growth companies.

VC fund:
A pool of capital raised periodically by a VC or private equity firm. Funds typically have a ten-year life. Company Stage of Development.

Company stage of development:

Seed:
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.

Start-up:
An investee company is at the start-up stage of its development if the investment will enable actual business operations to get underway. This includes further development of the company's product(s) and initial production and marketing.

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.

Directory

Directors
Murray Gribben, Chair
Anne Blackburn (reappointed as Deputy Chair 1 July 2014)
Roger Bridge
Calvin Smith
Richard Hughes

Management
Franceska Banga, Chief Executive

Registered office
Unit 1B, Ascot Office Park
93-95 Ascot Avenue, Greenlane, Auckland

Contact details
PO Box 74211
Greenlane, Auckland 1546
Telephone: 09 951 0170
www.nzvif.co.nz

Auditor
Audit New Zealand
Level 6, 280 Queen Street, Auckland
On behalf of the Auditor-General

Banker
Westpac Banking Corporation
318 Lambton Quay, Wellington

Solicitor
Simpson Grierson Limited
88 Shortland Street, Auckland

New Zealand Venture Investment Fund Limited

PO Box 74211, Greenlane,
Auckland 1546

Tel: 09 951 0170
venture@nzvif.co.nz
www.nzvif.co.nz