



New Zealand
**Venture
Investment
Fund**

Start-up capital for New Zealand technology companies



Highlights	3	Notes to the financial statements for the year ended 30 June 2017	21
Chairman and CEO report	4	Shareholder information for the year ended 30 June 2017	40
Board of directors	7	Directors' interests as at 30 June 2017	41
Venture capital fund	8	Conflict of interest procedures	42
Seed Co-investment Fund	8	Organisational health and capability	42
Corporate governance statement	10	Our investment partners and companies	43
Statement of responsibility for the year ended 30 June 2017	10	Directory	44
Independent Auditor's Report	11		
Statement of service performance for the year ended 30 June 2017	14		
Financials	17		

Case Study

Rocketing commercialisation



While Rockit Apples is the brand, the company behind it is the Havelock North Fruit Company which is backed by a range of investors, Enterprise Angels and NZVIF.

Rockit's growing licences have been sold to 18 different countries. The company strictly monitors overseas sales, by limiting licences to one per country and controlling the quantity. Marketing is also managed in New Zealand to ensure the packaging is consistent globally.

The success of the enterprise has led to the building of a \$17 million packaging plant in Havelock North and 150 hectares of orchards.



Highlights

PORTFOLIO GROWS

239

A number of companies across the venture and seed portfolios.

VERY STRONG ANGEL INVESTMENT ACTIVITY

\$69 million invested by angel funds with NZVIF's Seed Fund investing:

\$5.0m

alongside its angel partners

NEW PARTNERSHIPS

New accredited partnerships signed with Canterbury Angels, Arc Angels and Launch Taranaki.

RELATIVELY QUIET VC INVESTMENT ACTIVITY

NZVIF-backed funds invested \$29.0 million (NZVIF's share was \$4.5 million).

\$29.0m

DELISTING & EXITS

Rex Bionics delisted from UK AIM market and Xero was exited through buy-out option with Valar Ventures reducing the number of listed companies in the portfolio to six.

TWO VC FUNDS COMPLETED RAISING CAPITAL

The Global from Day One Fund II raised

US

\$38m

Movac Fund 4 raised

\$75m

Chairman and CEO report

Murray Gribben — *Chairman*



Richard Dellabarca — *Chief Executive*

The past year has seen significant work directed into evolving NZVIF towards its next phase. This will see NZVIF continuing to support the development of the angel and venture capital investment sectors in New Zealand while, over time, moving to a self-sustaining model which is no longer reliant on new capital commitments from the Crown.

Phase one saw considerable progress made since NZVIF's 2002 establishment. The growing venture capital sector has seen NZVIF investing \$123 million into 79 companies through 12 funds. Those companies have raised \$1.7 billion from private investors.

NZVIF's Seed Co-investment Fund (SCIF) was established by the government to help develop the angel investment sector. When it was created in 2006, there were a handful of angel networks and around \$20 million of annual investment by these groups into young companies. Now, there are over 18 active angel funds comprising 700-plus investors, and more than triple the investment activity, with almost \$70 million invested last year.

SCIF was initially established as a \$40 million fund tasked with co-investing into startups alongside angel groups and networks. It has since invested \$50 million into 171 companies alongside private investment of \$310 million. For every dollar of SCIF investment, there has been over six dollars of private investment.

Alongside the development of the venture capital and angel sectors, the 239 companies across our two portfolios (SCIF 171 and Venture Fund 79 – 11 companies are in common) employ over 6000 people, earn over \$1.1 billion in annual revenues and have paid cumulative taxes (income/PAYE) to the Crown of over \$174 million – more than the total capital drawn for investment by NZVIF.

Across both portfolios, NZVIF has drawn \$161 million for investment. NZVIF's combined portfolio's current value (including capital returned) is around \$188 million.

VC FUND INVESTMENT TO 30 JUNE 2017

\$4.5 Million.

SCIF INVESTMENT TO 30 JUNE 2017

\$5.0 Million.

Notwithstanding the achievements to date, in order to build a self-sustaining NZVIF, changes are needed to its mandate in order to give it and the sector the best chance of success.

As we reviewed the venture capital sector and NZVIF's performance during its first 15 years, what became apparent was that our VC managers were hampered by the small size of our funds. The average fund size of the eight VC funds originally established was NZ\$45 million, compared to a global average of around US\$300 million.

These historic sub-scale New Zealand funds would invest in a range of companies, but then either did not have capacity to fund them through to success (and, therefore, under-capitalised them), or had later stage investors dilute them down when they could not follow on with the investment. The consequence was many of these funds were unable to support companies through to success or generate appropriate returns for their investors.

If New Zealand is to have a sustainable early stage investment sector supporting a wide array of investable early stage companies with global aspirations, we need venture capital funds with the scale to succeed. Large corporates and financial institutions – local and international – have historically indicated an interest in allocating money into New Zealand technology innovation, but they have not been able to find a platform to put the money into. For institutions managing multi-billion dollar funds, in many cases the smallest investment their mandate allows is \$50 to \$100 million, and to be no more than 15-20% of a fund. By definition, this has precluded any engagement with New Zealand's historically smaller funds.

Alongside Ministers and officials, NZVIF has been doing a lot of work on options to address these issues. The chief question has been how to build a fund (or funds) of scale – structured with the best chance of investment success and the scale to attract the big institutions the sector needs, and how to create a team (or teams) acceptable to such investors and appropriately qualified to manage such a funds. We see the next step for New Zealand's venture capital sector, and a critical need for NZ Inc, is to have funds of scale which can back growth companies taking on global opportunities throughout their

journey. This work will continue in the coming months with our public and private sector partners, both domestic and international.

The review also included the Seed Co-investment Fund, and what, if any, changes needed to be made to position it for the next phase of its existence. It is a programme which has made a considerable impact, as seen in the growth of angel group investment since it was established in 2006. Ministers approved changes post the year end, which will see it given more flexibility in how and where it can invest, with the aim of it too becoming self-sustaining.

SCIF's more active approach will allow it to allocate more capital to support the most promising companies. It also enables SCIF to be a syndicate partner with qualified investors who are not currently angel partners.

\$483.7 million has now been invested into young companies by angel groups.

With the changes, the government expects SCIF to invest \$40 million over the next five years – an average annual investment of \$8 million (compared to a historical average annual investment of \$4.4 million) – meaning more support for the most promising companies, while continuing the fund's cornerstone market development role of attracting investors and capital into the sector.

Alongside the work on NZVIF's next phase, business as usual saw lower levels of activity from the venture capital sector. NZVIF-backed venture capital funds invested \$29.6 million (of which NZVIF's share was \$5.2 million).

SCIF entered into three new investment partnerships – with ArcAngels, Canterbury Angels and Launch Taranaki. Over the 12 months, SCIF invested \$5 million into young companies alongside angel partner investment of \$11.9 million. The year also saw some very strong performances from companies like StretchSense and

Rockit Apples. Publons was exited in what was a very pleasing result for its investors.

The continuing momentum in the angel Fund sector saw NZVIF's Young Company Finance Index record investment of \$69 million in the 2016 calendar year– a 13 percent increase on the previous record set in 2015. Cumulatively, \$483.7 million has now been invested into young companies by angel groups since the Young Company Finance Index began measuring activity in 2006.

There was some controversy following media coverage around the Valar Ventures Fund. In October 2016, Valar's investors, which included Peter Thiel and New Zealand investors, exercised their right to activate the buy-out clause. NZVIF had invested \$9 million and received \$10.3 million from Valar Ventures Fund as a result of a fund redemption via the buy-out clause.

When NZVIF was established, there was a requirement that all venture capital funds in which NZVIF invested includes a buy-out option. This clause was a deliberate policy design to help attract private investors to invest into high risk venture capital investment opportunities, in line with NZVIF's core role of stimulating market activity. In June 2015, the Government removed the requirement which had served its purpose as there had been sufficient development in the market to make it no longer a requirement.

Valar Ventures' entry into the local market had a number of benefits for the wider market and investee companies of the fund. In addition to the fund's financial success, there has been considerable qualitative positives for New Zealand's capital markets in attracting an international investor of Valar Ventures and Peter Thiel's stature. We would hope other investors of Peter Thiel's stature are not discouraged by the controversy, and appreciate the significant and growing investable opportunity in New Zealand, a country that has produced world class \$1 billion plus successes like Xero, RocketLab, Pushpay, Diligent, Telogis, and Anaplan to name a few.

From a financial performance perspective, it is disappointing to note that NZVIF recorded a financial loss of \$12.8 million, versus a prior year gain of \$7.3 million. Pleasingly there was a decrease in our Administration expenses and Fund Management Fees from prior year. However, unfortunately this was offset by a significant \$10.8 million decline in the value of largely illiquid and somewhat volatile publicly listed holdings, which in prior year had seen a \$10 million increase in market value. These holdings are either controlled by Venture Capital funds NZVIF has invested in, or are residual holdings of funds now closed that are held directly by NZVIF.

In what has been a very busy 12 months, we thank the NZVIF board and management team for their contribution to this year's performance and for their professionalism and commitment to achieving NZVIF's objectives. NZVIF is a small organisation with six full-time and three part-time staff.

Much has been achieved in the past 12 months in terms of identifying our strengths and weaknesses, and how we can change to best support the development of our early stage capital markets. Looking ahead, we hope that the next year will see NZVIF having significantly progressed along a pathway towards a successful, self-sustaining future.



Murray Gribben
Chairman



Richard Dellabarca
Chief Executive

Board of directors

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



Murray Gribben — *Chairman*

Murray Gribben's professional background is 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.



Anna Blackburn — *Deputy Chairman**

Anna 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 late 1990s. Anne is currently a director of a number of businesses in the infrastructure, built environment and financial services sectors. She also holds governance positions in not-for-profit organisations.

**Reappointed as a Director on 1 July 2017*



Roger Bridge — *Director*

Roger Bridge is a Christchurch businessman and company director with a background primarily in property investment and management, and also the formation and development of new business ventures. He is Chair of the Rata Foundation (formerly Canterbury Community Trust), Deputy Chair of Quotable Value and a Trustee of the Te Papa Foundation. He is a member of the New Zealand Institute of Directors. He also has an involvement in the community, serving on school boards, and with the Christchurch Arts Festival Trust.



Richard Hughes — *Director*

Richard Hughes has spent much of his career in the private equity industry in the UK, China, Australia and New Zealand, and has also held roles in emerging market venture capital funds in Africa, Central America, and Asia. He is a Chartered Accountant and graduated from Trinity College, Cambridge where he read Engineering.



David Flacks — *Director*

David Flacks is an Auckland based lawyer and company director with extensive capital markets and governance experience. He is Chair of AFT Pharmaceuticals, Harmoney Corporation and biotech start up Upside Biotechnologies, and a director of the Vero group of companies and a number of not for profit organisations. Previously he was a partner of Bell Gully and senior executive at Carter Holt Harvey.



Venture capital fund

Investment activity in the 2016/17 financial year was slower than in the previous year as two existing funds (Pioneer II and Movac 3) reached the end of their investment periods.

Overall investment activity for the year by NZVIF-backed funds was \$29.0 million (of which NZVIF's share was \$4.5 million).

There are currently three venture capital funds have been actively investing into new companies – GD1 Fund II, Movac 4 and GRC SinoGreen.

In October 2016, the private investors in the Valar Ventures Fund elected to fully exercised the buy-out option. The buy-out option

was a deliberate policy design to help attract private investors to invest into high risk venture capital investment opportunities, in line with NZVIF's core role of stimulating market activity. NZVIF had invested \$9 million into Valar Ventures and received \$10.3 million as a result of the exercise of the buy-out option.

Of the 79 companies in the Venture Capital Fund portfolio, there are five listed companies and 13 companies earning annual revenue of over \$20 million.



Seed Co-investment Fund

Angel investment activity over the past 12 months has been one of the strongest on record, with \$69 million invested in the year to 31 December 2016.

Over the year, SCIF invested \$5 million alongside its angel partners. The fund has now invested \$50 million in the year ending 30 June 2017 into 171 companies since establishment in 2007. Alongside that, our partners have invested \$105 million into those companies, and a further \$205 million has been invested by other investors. For every \$1 invested by the Seed Fund, private investors have invested \$6.

Three new SCIF-angel network partnerships were formed over the past year, with agreements signed with Arc Angels based in Auckland, Canterbury Angels and Launch Taranaki.

The year saw considerable work put into requested mandate changes and operating procedures for the Seed Co-investment Fund going forward. There were three significant changes requested to existing mandate parameters as well as a new mandate request. This was presented to cabinet after year end, and has been approved. The focus for the coming year will be on implementing the changes across all internal processes and engaging closely with the market on the adoption of the new mandate.

Case Studies

The long stretch to US and Asia



Auckland startup StretchSense is commercialising wearable technology developed out of the Bioengineering Institute at the University of Auckland and incubated at Auckland UniServices.

Backed by a range of local investors and also Japan's largest online apparel retailer, it is targeting large international customers in the US and Asia.



If you just ask Nicely



Auckland-based startup venture AskNicely, whose application enables businesses to engage in real-time response to online customer feedback, has been backed by Australian technology venture capital firm Blackbird Ventures has led a \$6.7 million investment.

The investment comes as it releases a new iPhone app to let companies manage customer relationships remotely, as well as claiming a revenue increase in excess of 350 percent. The venture is also backed by NZVIF and a number of New Zealand angel networks, including Ice Angels, Angel HQ and K1W1, and high net worth investors.



Corporate governance statement

NZVIF was incorporated on 1 July 2002 under the New Zealand 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 venture capital 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, meets 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. The Board places emphasis on implementation of venture capital 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 a Director on 1 July 2017 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 2017

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 2017 fairly reflect the financial position and operations as at 30 June 2017 of the NZVIF Group.



Murray Gribben
Chairman, 17 October 2017



Anne Blackburn
Deputy Chairman, 17 October 2017



Richard Dellabarca
Chief Executive, 17 October 2017

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of New Zealand Venture Investment Fund Limited group's financial statements and performance information for the year ended 30 June 2017.

The Auditor-General is the auditor of New Zealand Venture Investment Fund Limited group (the 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 the performance information, including the performance information for appropriations, of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 17 to 39, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 14 to 16.

In our opinion:

- the financial statements of the Group on pages 17 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 14 to 16:
 - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

- what has been achieved with the appropriations; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 17 October 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the uncertainties in the carrying value of unlisted venture capital investments. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Uncertainties in the carrying value of unlisted venture capital investments

Without modifying our opinion, we draw your attention to notes 13, 14 and 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 revenue and expense and statement of financial position.

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

Basis of our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 10 and 40 to 44, but does not include the financial statements and the performance information, and our auditor's report thereon. Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit,

or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

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



David Walker

Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Statement of service performance for the year ended 30 June 2017

NZVIF has two separate investment appropriations:

1. The Venture Investment Fund (VIF) which is \$125.5 million. The purpose of the VIF capital appropriation is to invest with privately managed venture capital funds to catalyse the New Zealand venture capital market; and
2. The Seed Co-investment Fund (SCIF) which is \$50 million. The purpose of the SCIF capital appropriation is to invest in seed and start up technology companies alongside qualified angel investors to assist more young technology companies to market.

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

	Total appropriation	Appropriation 2016/17	Actual drawn from Crown 2016/17	Reason for variance
VIF - This category is intended to achieve the provision of funds to be co-invested with the private sector to address the capital market gap by providing new risk capital to emerging high growth NZ companies.	\$125.5m	\$0	\$0m	Capital is called as required for investment. Proceeds received from distributions are reinvested before calling new capital from the Crown. A total of \$6.02m was invested into VC fund managers through the VIF during 2016/17.
SCIF - This appropriation is intended to achieve an increase in firms undertaking market development and business capability development activities, and the co-funding of feasibility studies of investment cases required for growth in new markets that delivers benefits for the firm and the New Zealand economy.	\$46.768m	\$4.889m	\$4.889m	Capital is called as required for investment. SCIF has fully drawn all allocated appropriation. A total of \$4.9m was invested into companies through the SCIF during 2016/17.

NZVIF's agreement with the Minister for Economic Development contains one output 'Investment Fund Management – Governance and Operation'. NZVIF received \$2.80m in Crown funding to undertake operations in relation to investments and undertook four Outputs as detailed below:

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.

Quantity Measures	Actual 13/14	Actual 14/15	Actual 15/16	Actual 16/17	Forecast 16/17	Comment
NZVIF mandate changes implemented	0	0	1	4	1	Target met. A revised capital structure was implemented to enable flexibility across VC and SCIF investment. The mandate has been agreed before year end but was formally approved in July 2017.
Investment products developed - Angel and VC	0	0	0	0	1	Target not met. Work on developing new investment products was put on hold pending the strategic review of NZVIF.

Quality Measure

Venture Capital funds and angel partnerships successful in attracting capital from new sources.

NZVIF has demonstrated that it has been successful in attracting capital from new sources through:

- Movac Fund 4 raised \$110 million from NZ institutions and high net worth investors. NZVIF committed \$2.4 million to Movac Fund 4.
- For the year ending 31 December 2016, a record \$69 million was invested into companies by Angel Investors.
- GD1 Fund II held its final close during 2017 year, raising \$54 million from NZ and offshore investors, NZVIF commitment is \$12 million.

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.

Quantity Measures	Actual 13/14	Actual 14/15	Actual 15/16	Actual 16/17	Forecast 16/17	Comment
Number of due diligence completed - Angel and VC	3	2	6	3	4	Target not met. During 2016/17 NZVIF completed due diligence on three new Seed Fund partners.
New venture capital funds contracted	0	1	1	1	1	Target met. One VC Fund was contracted during the year.
New angel partnerships established	1	1	1	3	2	Target met. Three new Seed Fund partnerships were entered into during the year.

Quality Measure

Funds and investment partnerships that NZVIF has entered into are supported by private investors.

NZVIF has achieved this measure as demonstrated by:

- During 2016/17 NZVIF made a \$2.4 million commitment Movac Fund 4.

- During the year three new Seed Fund partnerships were entered into with new partners 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.

Quantity Measures	Actual 13/14	Actual 14/15	Actual 15/16	Actual 16/17	Forecast 16/17	Comment
Industry development initiatives undertaken in conjunction with New Zealand Private Equity and Venture Capital Association (NZVCA) and Angel Association New Zealand (AANZ).	2	2	8	4	4	Target met. NZVIF also provided support to the industry by: <ul style="list-style-type: none"> Supporting the AANZ conference held in the Hawkes Bay on 3 – 4 November, with the SCIF Investment Director presenting at the conference. In conjunction with NZVCA and Immigration New Zealand, the Venture Capital Investment Director presented to Wealthy Migrant Visa holders on the Venture Capital market. Released the 22nd Start-Up report on angel investment activity. In conjunction with NZVCA, moderated the Investor Only session at the NZVCA conference.
Advice provided to Government to assist market development.	1	1	1	1	1	Target met. Initial finding of NZVIF strategic review was presented to MBIE, Treasury and subsequently Ministers in September 2017, following on from the report prepared by external advisors and presented to Ministers in December 2015.

Quality Measure

Best practice initiatives accepted and adopted by the industry; Dissemination of angel investing best practice to NZVIF investment partnerships.

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

- Assisting with the development of the content and co-ordination of the Annual Angel Association conference with the SCIF investment director presenting at the conference to over 120 people.
- Collation and presentation of the 22nd Start-up publications reporting on annual angel investment activity across New Zealand.

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.

Quantity Measures	Actual 13/14	Actual 14/15	Actual 15/16	Actual 16/17	Forecast 16/17	Comment
Number of new companies receiving investment	26	20	26	28	20	Target met. NZVIF made investments into 28 (Seed: 20, VC: 8) new companies.
Total number of investments in companies	72	78	73	60	70	Target not met. NZVIF has made investments into 60 (Seed: 44, VC: 16) different (new and existing) companies during the year.

Quality Measures**Over 90% of the NZVIF investment portfolio (by number) in seed, start-up and early expansion stage investments.**

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.

100% of investment transactions will meet NZVIF eligibility criteria.

NZVIF has achieved this measure as demonstrated by:

- All investments are consistent with NZVIF mandate requirements.

Financials

Statement of comprehensive revenue & expense

For the year ended 30 June 2017

	Note	2017 Actual	Group 2017 Budget	2016 Actual
Revenue	2	3,128,939	2,892,352	2,959,251
Expenses				
Administration expenses	3	(2,777,828)	(3,025,190)	(2,923,039)
Fund management fees and costs paid to VC fund managers	3	(2,262,825)	(2,765,026)	(2,731,288)
Total expenses		(5,040,652)	(5,790,216)	(5,654,327)
Net operating revenue/(expense)		(1,911,714)	(2,897,864)	(2,695,075)
Realised gain/(loss) on sale of fixed assets	3	(1,332)	-	(8,646)
Net gain/(loss) in the value of investments	3	(10,880,079)	-	10,050,690
Net gain/(loss) on foreign currency	3	(11,162)	-	(42,712)
Surplus/(deficit) before taxation		(12,804,286)	(2,897,864)	7,304,257
Income tax expense	4	-	-	-
Other comprehensive revenue/(expense)		-	-	-
Total comprehensive revenue/(expense)		(\$12,804,286)	(\$2,897,864)	\$7,304,257

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

Statement of changes in equity

For the year ended 30 June 2017

	Note	2017 Actual	Group 2017 Budget	2016 Actual
Equity/(Shareholders' deficit) at the beginning of the year		159,701,493	144,264,842	135,847,236
Surplus/(deficit) before taxation		(12,804,286)	(2,897,864)	7,304,257
Other comprehensive revenue/expense		-	-	-
Increase in share capital	8	4,889,000	4,915,026	16,550,000
Equity/(Shareholders' deficit) at the end of the year	8	\$151,786,207	\$146,282,004	\$159,701,493

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

Statement of financial position

As at 30 June 2017

	Note	2017 Actual	Group 2017 Budget	2016 Actual
Equity				
Share capital	8	161,766,801	144,264,842	156,877,801
Retained earnings/(Accumulated deficit)		(9,980,594)	2,017,162	2,823,692
Total equity		\$151,786,207	\$146,282,004	\$159,701,493
Represented by:				
Current assets				
Cash and cash equivalents		21,708,744	2,534,525	5,725,170
Trade and other receivables	9	120,196	22,286	97,928
GST refundable		-	-	-
Income tax refundable	5	-	-	6,368
		21,828,940	2,556,811	5,829,466
Non-current assets				
Property, plant and equipment	10	74,805	139,476	83,005
Intangible assets	11	28,416	119,919	63,408
Investments through NZVIF Venture Capital Fund	13	68,445,936	102,625,491	102,261,586
Investments through NZVIF Seed Co-investment Fund	14	61,723,714	41,024,204	51,745,864
Related party loans	15	-	-	-
Deferred tax asset	7	-	-	-
		130,272,871	143,909,090	154,153,863
Total assets		152,101,811	146,465,901	159,983,328
Current liabilities				
Trade and other payables	16	196,630	102,537	200,682
Employee entitlements	18	118,974	81,360	81,153
Total liabilities		315,604	183,897	281,835
Net assets		\$151,786,207	\$146,282,004	\$159,701,493

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

MURRAY GRIBBEN,
CHAIRMAN — 17 OCTOBER 2017



ANNE BLACKBURN,
DEPUTY CHAIRMAN — 17 OCTOBER 2017



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

Statement of cash flows

For the year ended 30 June 2017

	2017 Actual	Group 2017 Budget	2016 Actual
Cash flows from operating activities			
Cash was provided from:			
Revenue from the Crown	2,800,000	2,800,000	2,800,000
Interest	255,800	92,352	141,251
Other income	18,000	-	18,000
Income tax refunded	6,368	-	107,931
Net goods and services tax	-	-	-
Subvention receipt	-	-	-
	3,080,168	2,892,352	3,067,182
Cash was applied to:			
Payments to suppliers	(3,384,388)	(4,090,329)	(4,196,242)
Payments to employees	(1,521,847)	(1,582,286)	(1,453,065)
Net goods and services tax	(9,602)	-	17,329
Income tax paid	-	-	-
	(4,915,838)	(5,672,615)	(5,631,979)
Net cash flows from operating activities	(1,835,670)	(2,780,263)	(2,564,797)
Cash flows from investing activities			
Cash was provided from:			
Sale of investments through NZVIF Venture Capital Fund	19,299,821	11,000,000	1,651,905
Sale of investments through NZVIF Seed Co-investment Fund	3,253,276	-	351,830
Realised gain/(loss) on the sale of investments through NZVIF Venture Capital Funds	-	-	-
Realised gain on the sale of investments through NZVIF Seed Co-investment Fund	-	-	-
Revaluation of foreign currency	(11,162)	-	(42,712)
	22,541,935	11,000,000	1,961,023
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	(16,266)	(167,454)	(33,356)
Purchase of investments through NZVIF Venture Capital Fund	(4,538,902)	(9,250,000)	(13,587,449)
Purchase of investments through NZVIF Seed Co-investment Fund	(5,056,523)	(5,400,000)	(6,873,253)
	(9,611,691)	(14,817,454)	(20,494,058)
Net cash flows from investing activities	12,930,245	(3,817,454)	(18,533,035)
Cash flows from financing activities			
Cash was provided from:			
Increase in share capital	4,889,000	4,915,026	16,550,000
Net cash flows from financing activities	4,889,000	4,915,026	16,550,000
Net increase/(decrease) in cash and cash equivalents	15,983,574	(1,682,690)	(4,547,832)
Cash and cash equivalents at the beginning of the year	5,725,170	4,217,215	10,273,004
Cash and cash equivalents at the end of the year	\$21,708,744	\$2,534,525	\$5,725,170

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 2017

	Group 2017 Actual	Group 2016 Actual
Total comprehensive income/(expenses) for the year	(12,804,286)	7,304,257
<i>Add/(less) non-cash items:</i>		
Depreciation and amortisation	58,126	120,364
Loss on sale of property, plant and equipment	1,332	8,646
Total non-cash items	59,458	129,010
<i>Add/(less) movements in working capital items:</i>		
Receivables and prepayments	32,871	(10,618)
Other current assets	6,368	107,931
Payables and accruals	43,372	(104,729)
Other current liabilities	(9,554)	17,329
Subvention receivable	(55,139)	-
Net movement in working capital items	17,918	9,912
<i>Add/(less) items classified as investing activity:</i>		
Net gain in value of investments and currency	10,891,241	(10,007,978)
Net cash flows from operating activities	(\$1,835,670)	(\$2,564,797)

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

Notes to the financial statements for the year ended 30 June 2017

For the year ended 30 June 2017

1. Summary of significant accounting policies

Reporting entity

NZVIF Limited (NZVIF) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing NZVIF's operations includes the Crown Entities Act 2004. NZVIF's ultimate parent is the New Zealand Crown.

NZVIF and its subsidiary are companies incorporated in New Zealand under the Companies Act 1993.

The Parent company - NZVIF - and its subsidiary are referred to throughout these financial statements as NZVIF.

The primary objective of NZVIF is the development of a vibrant early-stage capital market, both formal (venture capital) and informal (angel). NZVIF has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

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

The financial statements of the group are for the year ended 30 June 2017, and were approved by the Board on 17 October 2017. 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 the Crown Entities Act 2004 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 PBE accounting standards and in accordance with Tier 2 PBE accounting standards.

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:

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBE's with reporting periods beginning on or after 1 January 2016. NZVIF will apply these amendments in preparing its 30 June 2017 financial statements. NZVIF expects there will be no effect in applying these amendments.

Significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

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 Performance Expectations 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 Venture Capital Funds are included in the parent's budget for the year ended 30 June 2017 and are based on the mid point of the forecast range contained in the NZVIF Statement of Performance Expectations 2016/2017.

(b) Basis of consolidation

As at 30 June 2017, NZVIF holds one investment subsidiary - NZVIF Investments Limited. 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 (group financial statements) include the parent company and its investment subsidiary accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation.

(c) Goods and services tax

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

(d) Taxation

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

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

(e) 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. At year end, NZVIF held \$5 million for Seed Fund investments and \$16.1 million for VC Fund investments. NZVIF is restricted to using cash as appropriated to each fund and cannot use it for any other purpose. This cash is held separately to operational funding provided by the Crown.

(f) 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.

(g) Leased assets

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised in the Statement of Comprehensive Revenue & Expense in equal instalments over the term of the lease.

(h) 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 Revenue & Expense.

(i) 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.

(j) 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 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.

(k) 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 venture capital investment industry. All operations of the Company are carried out in New Zealand.

2. Revenue

Revenue is recognised as follows:

Revenue from the Crown - non-exchange revenue

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 Revenue & Expense comprises the amounts received and receivable by NZVIF for services supplied to the Crown.

Interest revenue - exchange revenue

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 revenue - exchange revenue

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

Other revenue - exchange revenue

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

	Group 2017	Group 2016
Non-exchange revenue		
Revenue from the Crown	2,800,000	2,800,000
Total non-exchange revenue	\$2,800,000	\$2,800,000
Exchange revenue		
Interest	255,800	141,251
Dividends	-	-
Other	73,139	18,000
Total exchange revenue	\$328,939	\$159,251
Total revenue	\$3,128,939	\$2,959,251

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 (2016: Nil).

3. Expenses

	Group 2017	Group 2016
Amortisation (Note 11)	38,368	94,747
Audit fees - fees to Audit New Zealand for audit of financial statements	92,710	90,549
Audit fees refunded by Audit New Zealand for 2014/15 audit	-	(36,545)
Depreciation (Note 10)	19,497	23,363
Directors' fees (Note 23)	164,030	135,666
Employee benefits (Note 17)	1,521,847	1,453,065
Fund management fees	2,262,825	2,731,288
Operating lease costs	101,469	104,296
Other administrative expenses	839,645	1,057,897
Total expenses	\$5,040,652	\$5,654,327
Loss on sale of fixed assets	(1,332)	(8,646)
Net gain/(loss) in the value of investments	(10,880,079)	10,050,690
Gain/(loss) on currency	(11,162)	(42,712)

4. Income tax expense

	Group 2017	Group 2016
Net surplus/(deficit) before taxation	(12,804,286)	7,304,257
Prima facie income tax at 28%	(3,585,200)	2,045,192
Add/(less)		
Temporary and permanent differences	3,056,893	(2,831,535)
Tax loss not recognised	528,307	786,343
Income tax expense	\$ -	\$ -

5. Current tax assets and liabilities

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.

The Group's current tax asset of \$0 (2016: \$6,368) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

6. Imputation credit account

	Group 2017	Group 2016
Opening balance at 1 July	16,514	124,445
Income tax paid/(refunded) during the year	(6,368)	(114,299)
Resident withholding tax on interest received	-	6,368
Imputation credits attached to dividends received	-	-
Closing balance at 30 June	\$10,146	\$16,514

7. Deferred tax

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.

Unrecognised deferred tax assets and liabilities

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

	Group 2017	Group 2016
Deductible temporary differences	187,099	149,702
Tax losses	21,891,569	21,908,810
Total	\$22,078,668	\$22,058,512

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 2017	Group 2016
Share capital		
Balance at the beginning of the year	156,877,801	140,327,801
Issued capital	4,889,000	16,550,000
Ordinary share capital at end of year	161,766,801	156,877,801
Retained earnings/(Accumulated deficit)		
Balance at the beginning of the year	2,823,692	(4,480,564)
Net operating revenue/(expense)	(1,911,714)	(2,695,075)
Net gain/loss in the value of investments and currency	(10,892,573)	9,999,332
Balance at end of year	(9,980,594)	2,823,692
Total equity	\$151,786,207	\$159,701,493

The company has a total of 161,766,801 (2016: 156,877,801) 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 venture capital industry.

The Share Capital of NZVIF increased in the following months:	Parent 2017	Parent 2016
July	-	-
August	-	-
September	1,655,000	1,500,000
October	-	-
November	-	-
December	-	8,300,000
January	-	-
February	3,234,000	-
March	-	-
April	-	5,000,000
May	-	-
June	-	1,750,000
Total	\$4,889,000	\$16,550,000

9. Trade and other receivables

Accounts receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Accounts receivables have not been defined as exchange and non-exchange due to their value.

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.

	Group 2017	Group 2016
Prepayments	64,870	51,253
Trade and other receivables	55,326	46,675
Total	\$120,196	\$97,928

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

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 Group 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 Revenue & Expense.

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 Revenue & Expense 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%

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

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
Cost				
Balance at 1 July 2015	81,043	29,999	158,307	269,348
Additions	3,050	14,325	13,833	31,208
Disposals	(3,936)	-	(19,512)	(23,448)
Balance at 30 June 2016	80,157	44,324	152,628	277,108
Balance at 1 July 2016	80,157	44,324	152,628	277,108
Additions	10,404	2,833	-	13,237
Disposals	(61,197)	(10,925)	(2,110)	(74,232)
Balance at 30 June 2017	29,364	36,232	150,518	216,113

Accumulated depreciation and impairment losses

Balance at 1 July 2015	65,902	24,367	94,676	184,945
Depreciation expense	8,923	5,799	8,641	23,363
Elimination on disposal	-	-	(14,205)	(14,205)
Balance at 30 June 2016	74,825	30,166	89,112	194,103
Balance at 1 July 2016	74,825	30,166	89,112	194,103
Depreciation expense	4,517	6,216	8,764	19,497
Elimination on disposal	(60,460)	(9,853)	(1,979)	(72,292)
Balance at 30 June 2017	18,882	26,530	95,897	141,308
Carrying amounts				
At 1 July 2015	15,141	5,631	63,631	84,403
At 30 June and 1 July 2016	5,332	14,157	63,516	83,005
Balance at 30 June 2017	\$10,482	\$9,702	\$54,621	\$74,805

11. 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 Revenue & Expense. Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is impaired. Trademarks are depreciated at the rate of 10% or over the useful life of 10 years.

	Group 2017	Group 2016
Acquired computer software		
Balance at 1 July 2016	242,411	277,136
Additions	3,636	3,089
Disposals	-	(37,814)
Balance at 30 June 2017	246,047	242,411
Less accumulated amortisation and impairment losses		
Balance at 1 July 2016	179,003	120,176
Amortisation expense	38,628	94,044
Elimination on disposal	-	(35,217)
Balance at 30 June 2017	217,631	179,003
Carrying amounts at year end	28,416	63,408
Trademark		
Balance at 1 July 2016	8,779	8,779
Additions	-	-
Balance at 30 June 2017	8,779	8,779
Less accumulated amortisation and impairment losses		
Balance at 1 July 2016	8,779	8,076
Amortisation expense	-	703
Balance at 30 June 2017	8,779	8,779
Carrying amounts at year end	-	-
Balance at 30 June 2017	\$28,416	\$63,408

12. Investments in subsidiaries

The Parent company's investment in the subsidiary comprises shares at cost.

Subsidiary	Principle activity	Interest held 2017	Interest held 2016
NZVIF Investments Limited	Investment through venture capital funds and start-up companies	100%	100%

The subsidiary has a 30 June balance date and is included in the consolidated financial statements.

13. Investments through NZVIF Venture Capital Funds

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 venture capital investors to arrive at a fair value for their investments. The IPEV are of the view that compliance with required standards 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. Where an investment has been fully impaired, NZVIF does not carry any risk or reward associated with that investment.

NZVIF co-invests, alongside private sector investors, in primarily early-stage venture capital investments and these investments represent equity owned directly by NZVIF

subsidiary. These investments are made through venture capital funds (NZVIF Venture Capital Funds), which are managed by private sector venture capital fund managers (NZVIF Venture Capital 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 Venture Capital Fund investments as at 30 June 2017 has been determined by NZVIF in accordance with IPEV guidelines.

The IPEV recommends that investors in private equity and venture capital funds should use the fund managers reported valuation as an input in determining the fair value of their interest in the fund's investments. The IPEV also recommends that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. The NZVIF Venture Capital 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 Venture Capital Fund Managers when valuing NZVIF investments and are satisfied that the valuation process complies with the fund managers' contractual requirements.

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

Investment	Carrying value 2017	Interest held 2017	Carrying value 2016	Interest held 2016
Investments through NZVIF VC Funds in listed and unlisted companies	74,605,401	12.5% - 50%	83,535,191	12.5% - 50%
Accumulated revaluations and impairments	(6,159,465)		18,726,395	
	\$68,445,936		\$102,261,586	

All investments through NZVIF Venture Capital Funds have been valued by NZVIF, using managers reported valuations as an input.

The value of investments is the value of NZVIF Venture Capital Funds at balance date calculated in accordance with NZVIF's valuation policy. Contracts entered into by NZVIF include a buy-out option which can be exercised in the first five years of the funds life by other investors in those funds. If the buy-out option for any NZVIF Venture Capital Fund is "in the money" at balance date, NZVIF adjusts the value of its investments by the value of the buy-out option. If the value of NZVIF's investments are greater than the buy-out option price then the impact of the buy-out option (if exercised) is a cost to NZVIF. The buy-out option for the Valar Ventures Fund was exercised during the 2017 year.

Investment	Carrying value 2017	Interest held 2017	Carrying value 2016	Interest held 2016
Value of NZVIF VC Funds before exercise of buy-out option	68,445,936	12.5% - 50%	132,594,247	12.5% - 50%
Cost of NZVIF buy-out option (if exercised)	-		(30,332,661)	
Carrying value of investments held in VC Funds	\$68,445,936		\$102,261,586	

14. Investments through the 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 2017 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.

PBE standards make specific reference to investments held by venture capital organisations and that all investments must be recognised at fair value, except for those where control exists. Under PBE IPSAS 29 (AG 14), an investment by a venture capital 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.

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

Investment	Carrying value 2017	Interest held 2017	Carrying value 2016	Interest held 2016
Investments through the NZVIF Seed Co-investment Fund in unlisted companies	47,256,217	0% - 33%	43,063,322	0% - 33%
Accumulated revaluations and impairments	14,467,497		8,682,542	
	\$61,723,714		\$51,745,864	

The NZVIF Seed Co-investment Fund has invested into 171 (2016:158) companies. As at 30 June 2017, 19 (2015:31) of these companies have been fully impaired.

15. Related parties

NZVIF accounts for related party loans at their cost less impairment, with impairment based on the underlying value of the subsidiary's venture capital 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 PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The accounting treatment for the loans is in accordance with the cost method of an investment in a subsidiary under PBE IPSAS 6 *Consolidated and Separate Financial Statements*, which gives an entity the option of accounting for an investment in a subsidiary either at cost (less impairment) or under PBE IPSAS 29. Furthermore 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.

Related party loans and transactions with the subsidiary are eliminated on consolidation.

Advances made by the Parent to the subsidiary are by way of limited recourse loans. Such advances fund the subsidiary's investment activities. Repayment of the advances is limited

to amounts or assets received by way of a distribution from the NZVIF Venture Capital Fund investment or amounts received upon the realisation of the NZVIF Venture Capital Fund investment. Thus the ability of the subsidiary to repay the limited recourse loans may be reduced if there is impairment in the value of the investments held by the NZVIF Venture Capital Funds.

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).

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect NZVIF would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies are

not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

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

The NZVIF Parent and investment subsidiary hold a tax loss of \$21,891,569 (parent) and \$21,891,569 (group) for the year

ended 30 June 2017 (2016:\$21,869,241 and \$21,908,810). These losses will be carried forward and offset against any future taxable income.

The Parent company has a subvention payment receivable from NZVIF Investments Limited of \$55,139 (2016: nil). These transactions were eliminated on consolidation.

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

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

	Group 2017	Group 2016
GST payable	33,513	43,115
Accrued expenses	114,987	121,844
Trade payables	48,130	35,723
	\$196,630	\$200,682

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 2017	Group 2016
Salaries and wages	1,442,664	1,463,866
Employer contributions to defined contribution plans	41,362	32,264
Increase/(decrease) in employee entitlements (Note 18)	37,821	(43,064)
	\$1,521,847	\$1,453,065

18. 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.

	Group 2017	Group 2016
Accrued salaries and wages	24,585	22,000
Annual leave	94,389	59,153
Current	118,974	81,153
Non Current	-	-
	\$118,974	\$81,153

19. 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 surplus or deficit, 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 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 Venture Capital Funds and Seed Co-investment Fund investments under the category "financial assets at fair value through surplus or deficit" - designated as such upon initial recognition. This is because PBE IPSAS 29 (AG 14(a)) indicates that investments held by venture capital 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 surplus or deficit' category are included in the Statement of Comprehensive Revenue & Expense in the period in which they arise.

19a. Categories of financial instruments

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 29 categories are as follows:

Financial assets designated at fair value through surplus or deficit upon initial recognition	Group 2017	Group 2016
Investments through NZVIF Venture Capital Funds (Note 13)	68,445,936	102,261,586
Investments through NZVIF Seed Co-investment Fund (Note 14)	61,723,714	51,745,864
Total financial assets designated at fair value through surplus or deficit	\$130,169,649	\$154,007,450
Loans and receivables		
Cash and cash equivalents	21,708,744	5,725,170
Trade and other receivables (excl. prepayments)	55,326	46,675
Related party loans	-	-
Total loans and receivables	\$21,764,070	\$5,771,845
Financial liabilities measured at amortised cost		
Trade and other payables	\$163,118	\$157,566

19b. Fair value hierarchy disclosures

For those instruments recognised at fair value through surplus or deficit, 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 the tables below.

Group	Valuation technique			
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
2017				
<i>Financial assets designated at fair value through surplus or deficit upon initial recognition</i>				
Investments through NZVIF Venture Capital Funds	68,445,936	8,113,908	6,731,100	53,600,928
Investments through NZVIF Seed Co-investment Fund	61,723,714	-	-	61,723,714
Total	\$130,169,649	\$8,113,908	\$6,731,100	\$115,324,641
2016				
<i>Financial assets designated at fair value through surplus or deficit upon initial recognition</i>				
Investments through NZVIF Venture Capital Funds	102,261,586	32,415,537	18,021,004	51,825,045
Investments through NZVIF Seed Co-investment Fund	51,745,864	-	-	51,745,864
Total	\$154,007,450	\$32,415,537	\$18,021,004	\$103,570,909

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

	2017	2016
Beginning balance	103,570,911	69,241,111
Net gain/(loss) in the value of investments	(10,880,079)	10,050,690
Purchase of investments	9,595,425	20,460,702
Proceeds received from sale of investments	(22,553,097)	(2,003,735)
Transfer from/(to) quoted market price	24,301,629	(259,077)
Transfer from/(to) observable inputs	11,289,904	6,081,220
Ending balance	\$115,324,692	\$103,570,911

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 2017	Group 2016
Cash and cash equivalents	21,708,744	5,725,170
Trade and other receivables	55,326	46,675
Related party loans	-	-
Total	\$21,764,070	\$5,771,845

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
2017			
Cash and cash equivalents	21,708,744	-	-
Trade and other receivables	55,326	-	-
Related party loans	-	-	-
Total	\$21,764,070	-	-
2016			
Cash and cash equivalents	5,725,170	-	-
Trade and other receivables	46,675	-	-
Related party loans	-	-	-
Total	\$5,771,845	-	-

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 venture capital funds into unlisted early-stage companies. Unlisted investments

are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance that a determination of fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment.

Note 13 Investments through Venture Capital Funds explains how NZVIF determines the fair value of its venture capital 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 \$122,055,741 (2016: \$121,591,913).

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 venture capital and seed 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 venture capital investments taking into account the following factors:

- The portfolio of underlying investments is extremely well diversified. NZVIF's investment consists of one investment (2016:1) subsidiary which has exposure to some 239 (2016:216) 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 2017 the largest investment in the portfolio makes up 6% (2016: 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 venture capital funds, which are managed by private sector venture capital fund managers. The investments are denominated in US dollars and UK pounds.

As at 30 June 2017, if the NZ dollar had weakened/strengthened by 5% against the Australian dollar, 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 +/- \$1,038,038 (2016:\$1,492,148).

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 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 13) 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.

NZVIF holds investments which are listed on the NZX, the ASX or the AIM (London Stock Exchange). If these investments were subject to an increase/decrease of 5% in these markets, the overall portfolio would be subject to a change of +/- \$460,862 (2016:\$1,489,729) as detailed in the following table.

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
2017				
Trade and other payables	163,118	163,118	163,118	-
Total	\$163,118	\$163,118	\$163,118	-
2016				
Trade and other payables	157,566	157,566	157,566	-
Total	\$157,566	\$157,566	\$157,566	-

21. Commitments

Capital commitments

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

	Group 2017	Group 2016
Firm commitment remaining – Venture Capital Fund	36,440,974	49,714,364
Firm commitment remaining – Seed Fund	221,439	136,736
Conditional commitment	-	5,000,000
	\$36,662,413	\$54,851,100

These commitments reflect the capital commitment in respect of future investments in current venture capital investments held. Due to the inherent nature of this type of investment, the time frame of these commitments cannot be predicted because capital can be called by investment managers at any time, however it is unlikely that the 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, the NZVIF Group may receive distributions which it uses to fund future capital calls.

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.

Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group 2017	Group 2016
Less than 1 year	114,460	12,747
Later than 1 year but not later than 2 years	22,640	6,492
Later than 2 years but not later than 5 years	-	5,951
Total operating lease commitments	\$137,100	\$25,190

NZVIF leases one building which has a 1 month notice period and has a lease agreement for office equipment which expires in May 2019. Subsequent to balance date, NZVIF gave notice on the building lease - termination date of 30 September 2017. NZVIF entered into new building lease on 10 August 2017 with a commencement date of 11 September 2017. The new building lease has a 90 day notice period and an expiry date of 11 September 2018.

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 2017	Group 2016
100,000 - 109,999	1	1
110,000 - 119,999	1	1
120,000 - 129,999	-	1
140,000 - 149,999	1	-
150,000 - 159,999	1	-
160,000 - 169,999	-	1
170,000 - 179,999	1	-
230,000 - 239,999	-	1
240,000 - 249,999	-	1
260,000 - 269,999	1	-
320,000 - 329,999	-	1
410,000 - 419,999	1	-

23. Directors' remuneration

Member	Group 2017	Group 2016
Murray Gribben	49,583	44,000
Anne Blackburn	32,864	27,500
Roger Bridge	27,292	22,000
Richard Hughes	27,000	22,000
David Flacks	27,292	20,166
	\$164,030	\$135,666

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

24. Key management personnel compensation

	Group 2017	Group 2016
Salaries and other short-term employee benefits	594,655	489,176
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	\$594,655	\$489,176

Key management personnel include all Directors and the Chief Executive. The NZVIF senior leadership team consists of 3 FTE employees (2016:3) as well as 5 Directors (assessed as 5 FTE) (2016:5).

25. Contingent liabilities

There were no material contingent liabilities at balance date (2016: Nil).

26. Post balance date events

There were no material events subsequent to balance date.

27. Major budget variations

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

Statement of comprehensive income

Revenue

Revenue was higher than budgeted due to more interest earned than anticipated on cash held.

Statement of changes in equity

Surplus/deficit for the year

The net loss for the year in the Group accounts was greater than anticipated due to negative 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 Venture Capital and Seed Co-investment Funds

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 and unbudgeted revaluations. There was less investment revaluation than expected in the VC fund.

Payables and accruals

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

Statement of cash flows

Cash flow from investing activity

More proceeds were received from sale of investments than expected due to VC fund buy-outs and distributions which were not anticipated for the year.

Shareholder information for the year ended 30 June 2017

Substantial 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	161,766,801	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 because of actions undertaken by them during 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 2017

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 2017.

Murray Gribben

CEO, Crown Irrigation Investments Limited

Chairman, Ruapehu Alpine Lifts Limited

Advisory Trustee, National Army Museum

Anne Blackburn*

Director, Development Auckland

Director, Warren and Mahoney Limited

Director, Fidelity Life

Director, TSB Bank Limited, TSB Group Capital Limited, TSB Group Investments Limited

Director, Fisher Funds Management

Director (pro bono), Committee for Auckland

Director, Wairaka Land Company

Member, Commercial Operations Advisory Board, Treasury

**Reappointed as Director on 1 July 2017*

Roger Bridge

Chairman, Rātā Foundation

(formerly Canterbury Community Trust)

Deputy Chairman, Quotable Value Limited

Director, New Zealand National Party

Director, Darroch Limited

Director, National Mortgage Underwriters Limited

Director, Advisory Board of Morrison Social Investment Fund

Director, City Assets Limited

Director, Research Built Limited

Director, Storewell Limited

Trustee, Re:Start the Heart Trust

Trustee, Christchurch Arts Festival

Trustee, Te Papa Foundation

Trustee, The Church Property Trust

Member, Christchurch Cathedral Working Party

Advisory Board Member, Morrison & Co.

Public Infrastructure Partners LP ("PIP Fund")

Richard Hughes

Chairman, WNT Ventures Management Limited and related companies

Director, Black Prince Limited

Director, Orthotic Group Holdings Limited and related companies

Director, Oriens Capital Limited

Director, Mint Innovation Limited

Member, Entrepreneurs Challenge Investment Committee

David Flacks

Chairman, AFT Pharmaceuticals

Chairman, Harmony Corporation

Chairman, Upside Biotechnologies Limited

Director, Vero Insurance and Vero Liability Limited & Asteron Limited

Director, Flacks & Wong Limited

Director, Project Janzoon

Director, Zero Invasive Predators (ZIP) 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 NZVIF Directors and employees.

The key determination when considering whether an interest might create a conflict is whether the interest creates an incentive for the Director or employees 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 employee member's judgement is likely to be influenced to the detriment of NZVIF's best interests.

Where a conflict exists, then the Director or employees 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 employee'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 five full-time and two part-time employees (6.4 FTE). Our flexible working environment enables employees to balance work, family and other commitments. NZVIF supports employees 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 employees can 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 employee selection and management within the limits of our small size. Our team gender ratio is 4:4 female to male. The age of employees in the organisation range from 27 to 52 years with three employees from the Pacific, Asia and the Middle East.

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 employee 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 Chairman 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.

Our investment partners and companies

NZVIF has partnered with 28 venture funds and angel groups. In association with them, we have invested into 250 companies.

Active Investee Companies

1Above	Dexibit	Lifetime Health Diary	Plantae	Syl Semantics
ableX	Dotterel	LightKnight International	PolyBatics	Synthase Biotech
Acuite	Drikolor	Liquid Strip	Postr Media	Techion Group
Ad Cloud Company	DropIT	Livelink Connect	PowerByProxi	Texus Fibre
Adherium (NZ)	EcKey	Living Green	Preno	The Appreciation Engine
APIMATIC	Educa	Logicore	Pricetech	The New Zealand Quiz
Aroa	EFTPlus	Lypanosys	Project Partner	The Rugby Site
AskNicely	Eight Wire	Magic Memories	Publons	Times-7
Aura EQ	Engender Technologies	Martin Aircraft Company	IMeasureU	TourWriter
Auror	Eye-Fly	Mastaplex	Puteko	Tracplus Global
Author-it	Flexidril	Mi5 Security	Qotient	Ubco
Automio	Footfalls and Hearbeats	Mish Guru	Quantec	Unfiltered
Avalia Immunotherapies	Fuel 50	Moa Brewing Company	Rancher Labs	Unimarket
Avertana	Glory League	Mobot	Ray Power Systems	Uproar
Beany.biz	Googol Technology	Modlar	ReGen	Upside Biotechnologies
Big Little Bang	Green Codes	Mohiomap	Revolution Fibres	Upstream Medical Technologies
Biolumic	Heilala Vanilla	Monk Fruit	Rex Bionics	Veritide
Biomatters	Hoist	Montoux	Ripetime	Vesper Marine
Bison Group	Humblebee	Motim Technologies	Rockit	VidApp
Booktrack	Hunter Safety Lab	Nextspace	Roholm	Viscovery
Breathe Easy	HydrOxSys	nomos one	SciTOX	Vital Food Processors
Buding Technology	ikeGPS	Notable PDF	Sharesight	Vocado
BuzzTech	IMeasureU	NoticeMatch	ShowGizmo	Waikato Milking Systems
Caldera Health	IndieReign	NZeno	Signal	WhereScape
CalfSMART	Innovative Learning	Objective Acuity	SIMTICS	Wipster
Centrillion Technologies	Invert Robotics	Onesixone	SimTutor	Wireless Guard
Clean Planet	iRock Technologies	Orion Health	SLI Systems	Wise Giant
CNano	Jellogram	Orthopedic Synergy	SMX	Wolf
Coachseek	Jet Spark	Parrot Analytics	SolarBright	Xenos
CoDa Therapeutics	Joiy	Patternsnap	Spalk	YikeBike
Croplogic	K9 Natural	Pet Doctors	Spotlight	Yonix
CropX	Konnect	Phitek Systems	StretchSense	
Debtor Daddy	Koti Technologies	Photonic Innovations	SuchCrowd	
Derceto	Leaping Tiger	PicsOS	Swiftpoint	
Designer Wardrobe	Let's Cargo	Pictor	Swing Profile	

Investment Partners

AngelHQ	Endeavour i-Cap	iGlobe Treasury Management	Pacific Channel	Trans-Tasman
AngelLink	Enterprise Angels	Launch Taranaki	Pioneer Capital Management	Commercialisation Fund
Arc Angels	Flying Kiwi Angels	Manawatu Investment Group	Powerhouse Ventures	Valar Ventures
BioPacific Management	Global from Day One	Movac	Sparkbox Ventures	Nelson Angels
Canterbury Angels	GRC SinoGreen	New Zealand Diagnostics	Taranaki Angels	
Cure Kids Ventures	ICE Angels	No 8 Ventures Management	TMT Management	
		Otago Angels		

**New Zealand Venture
Investment Fund Limited**

PO Box 91705
Victoria Street West
Auckland 1142

venture@nzvif.co.nz
www.nzvif.co.nz



Directors

Murray Gribben, Chairman
Anne Blackburn (reappointed as Chairman on 1 July 2017)
Roger Bridge
Richard Hughes
David Flacks

Management

Richard Dellabarca, Chief Executive

Registered Office

1 Madden Street
Wynyard Quarter
Auckland 1010

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