



New Zealand  
Venture  
Investment  
Fund

# Start-up capital for New Zealand technology companies

# 2015 Annual Report

<b>Highlights</b>	<b>2</b>
<b>Chairman and CEO report</b>	<b>4</b>
<b>Board of directors</b>	<b>8</b>
<b>Our investment partners and investee companies</b>	<b>10</b>
<b>Venture Capital Fund</b>	<b>12</b>
<b>Orion Health</b>	<b>13</b>
<b>Invert Robotics</b>	<b>14</b>
<b>Seed Co-investment Fund</b>	<b>15</b>
<b>NZVIF timeline</b>	<b>16</b>
<b>Vesper Marine</b>	<b>18</b>
<b>NZVIF investment performance and activity</b>	<b>20</b>
<b>Corporate governance statement</b>	<b>22</b>
<b>Statement of responsibility for the year ended 30 June 2015</b>	<b>23</b>
<b>Independent Auditor's Report</b>	<b>24</b>
<b>Aroa</b>	<b>26</b>
<b>Statement of service performance for the year ended 30 June 2015</b>	<b>27</b>
<b>Financial statements</b>	<b>30</b>
<b>Notes to the financial statements for the year ended 30 June 2015</b>	<b>35</b>
<b>Shareholder information for the year ended 30 June 2015</b>	<b>61</b>
<b>Directors' interests as at 30 June 2015</b>	<b>62</b>
<b>Conflict of interest procedures</b>	<b>63</b>
<b>Organisational health and capability</b>	<b>64</b>
<b>Directory</b>	<b>65</b>

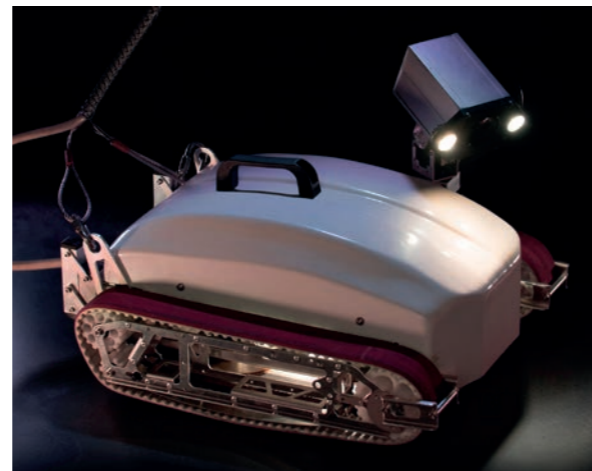
# Highlights

## HEALTHY YEAR

NZVIF invests \$15.3 million.  
Private investors invest \$70 million.

**\$85.3m**

The BCC team are part of the startup community clustered around Palmerston North.



Invert Robotics climbing robot.

## 2x NEW LISTED COMPANIES

Two new listings - Orion Health and Martin Aircraft. Eight in total.



## ANGELS FLYING

Largest ever SCIF investment year at over \$7.5 million.

**\$7.5m**

## LEVERAGE EFFECT

**1:9**

for every NZVIF \$1 there is \$9 of private investment into companies.



Angel-backed Vesper Marine is expanding their 'virtual' beacon technology into the USA market.

## COMPANIES INVESTED IN

in 2015 NZVIF invested in 20 new companies in our portfolio, bringing our total to 190 companies.

**190**

## NEW VENTURE CAPITAL FUND

GRC SinoGreen Fund III achieved US\$75 million first close.

## RETURNING CAPITAL



**Overall portfolio value\***  
**\$156.2 million**

**NZVIF investment**  
**\$147.8 million**

\*excluding VIF buyout option.



Fuel50 is an angel-backed company expanding in the USA.

# Chairman and CEO report

**In the early 2000s, New Zealand had very few angel investors and no venture capital funds.**

**The New Zealand Venture Investment Fund (NZVIF) was established in 2002 with the goal of catalysing venture capital investment in New Zealand. At that time there was a virtual absence of risk capital available for young technology companies, as well as a lack of the formal investment structures and institutional capital required to support those companies as they grew.**



Murray Gribben — *Chairman*



Franceska Banga — *Chief Executive*

**T**he picture in 2015 is very different. Buoyed by extraordinary growth in internet based technology worldwide, as well as the globalisation of technology platforms, there is a high level of interest in opportunities in New Zealand's emerging technology sector. This is evidenced not only by recent technology company listings on the NZX, but also the level of offshore investor interest, at levels not seen previously. Global demand for unique technology opportunities, backed by new digital based investor platforms, is a trend that has been beneficial for New Zealand companies seeking to attract offshore investor interest. As well as raising capital through listings on the NZX, a number of New Zealand companies have also been successful in raising capital offshore, including through listing on exchanges such as AIM and ASX.

This heightened activity has also been evident in NZVIF's portfolio over the past year, with healthy levels of investment. Over the 12 months NZVIF invested \$15.33 million – \$7.86 million via the Venture

Capital Fund (VIF) and a record \$7.47 million through the Seed Co-investment Fund (SCIF). This was slightly lower than the previous year due to less venture capital investment but we expect this to pick up again over the next 12 months

**Across both funds NZVIF has invested \$147 million as part of total investment of \$1.4 billion.**

with new funds entering the market. At 30 June 2015, NZVIF's portfolio numbered 190 companies – 20 more than last year. The SCIF portfolio has 134 and VIF's portfolio has 66 companies – with 10 companies sitting in both portfolios.

One of NZVIF's objectives is to facilitate greater levels of private investment into early stage New Zealand companies. Over the past year, alongside NZVIF's investment, our venture capital fund partners invested \$21.5 million, and our angel investor partners invested \$16.6 million. Including other private investment, a total of around \$85 million was invested into start-ups during the year.

The overall leverage effect of NZVIF investment since its establishment is notable. For every

dollar invested by NZVIF, there must be at least 1:1 matching investment from private investors. The public/private sector investment leverage for both the VIF and SCIF funds is running significantly above that. Across both funds, NZVIF has invested \$147 million as part of total investment of \$1.47 billion, producing an overall public/private fund leverage effect of 1:9.

Another NZVIF objective is to contribute to the Government's economic growth objectives, through the growth and success of the companies that NZVIF invests in. Over the past year SCIF backed companies averaged 55% annual revenue growth and VIF backed companies averaged 37% revenue growth. Two new sharemarket listings were achieved with Orion Health joining the NZX in November 2014 and Martin Aircraft listing on the ASX in February. These IPOs take the number of NZVIF listed companies to seven.

Stockmarket listings are part of the continuing development of New Zealand's early stage investment market. A decade ago, there were a handful of well-known New Zealand technology companies, mostly in private ownership. Now there are a growing number of successful New Zealand technology companies, with a mix of public and private ownership. As both investor and entrepreneur experience grows, and New Zealand builds up a track record of investing in and growing successful technology companies, this then becomes self-reinforcing. Success breeds success.

The development of the internet is a major driver of this growth, and has led a significant shift towards software investment worldwide, and in New Zealand. NZVIF's Young Company Finance Index reported that half of all angel fund investment was directed into software companies over the past two years. Software is also the best performing sector in the NZVIF portfolio in terms of annual revenue growth.

Pleasing as this progress is, we know it takes a long time to develop a sustainable venture capital and angel investment sector – Silicon Valley took

NZVIF INVESTMENT OVER PAST 12 MONTHS

**\$15.3** Million.

40 years to develop. So while the New Zealand market has made good progress, particularly over recent years post global financial crisis (gfc), it is still relatively small scale and likely to remain so into the foreseeable future.

Supporting the continued growth of New Zealand's early stage market remains NZVIF's key role and focus, achieved through the investment partnerships that are forged with private sector investors. To date NZVIF has partnered with 10 venture capital funds and 14 angel networks and funds. Two VIF venture capital fund managers have raised follow-on funds and a third is now in the capital raising process.

The year saw the first venture capital fund established under the co-fund partnership involving NZVIF and Taiwan's National Development Fund (NDF). The GRC SinoGreen Fund III achieved a US\$75 million first close at the end of July. A healthy pipeline of further fund proposals from both New Zealand and Taiwan fund managers also emerged over the past year.

One of the biggest weaknesses in our capital markets remains the capital gap for companies needing \$5 million to \$10 million to fund further growth. This gap reflects both the size and stage of development of the market, and a fundamental structural weakness, with the distinct absence of many large institutional investors making allocations to growth funds.

It is very encouraging, therefore, that the Government continues to support NZVIF's role in developing the early stage market, including funding changes that give certainty to the market

over the availability of NZVIF capital for new investment over coming years. NZVIF's 100 million underwrite facility from the Crown has been extended until 2018 and will then continue at \$60 million until 2022. In addition, the Government has also transferred \$12 million of capital from VIF to SCIF, which enables SCIF to continue investing.

During the year NZVIF initiated work on a new investment product designed to attract and make it easier for major private investment institutions, including Kiwisaver fund managers, to invest in a portfolio of technology growth companies. This work is expected to be completed in the coming year.

Work also continued on establishing international investor partnerships, focused on Taiwan and the greater China market. During the year the GRC SinoGreen Fund, established under the New Zealand Taiwan Co-Fund arrangements, was successful in raising \$75 million for investment in both New Zealand and Taiwan based investment opportunities.

NZVIF is expected to continue in its role as a cornerstone investor, underpinning the confidence of many private sector investors, for some years yet. Ultimately the goal is for the market to reach a level of capability and scale, that reliance on direct Government support is no longer required. There are several international precedents for this approach, notably the SBIS in the US, 3i in the UK and YOZMA in Israel.

At an institutional level it is also desirable for NZVIF to shift away from reliance on Government investment support, as returns from investments grow and private investor support increases. The NZVIF board and management will work closely with Ministers and officials over the coming year to identify the timeframes and options for NZVIF transition to a self-funding approach, while supporting continued market development. In this context adjustments have been made to the VIF mandate to support future investment returns, including removal of the buyout option as a standard fund feature.

TOTAL STARTUP INVESTMENT IN 2015

**\$85** Million.

In the past 12 months NZVIF published two new market reports to complement The Young Company Finance Report – the NZVIF Investment Performance Report and the Investment Snapshots Report. NZVIF is the single largest investor into early stage New Zealand companies, and as the portfolio has grown, so too has the level of market interest in both the progress and performance of that portfolio. While the Government has not set a specific investment return objective for NZVIF, it is recognised that investment success is critical for the long term growth, sustainability and ongoing success of both NZVIF and the early stage investment market. It is NZVIF's intention to produce these reports annually, both to highlight portfolio performance and to profile the characteristics of early stage investing in a way which should be useful to other investors in the sector.

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.



**Murray Gribben**  
Chairman



**Franceska Banga**  
Chief Executive

# Board of Directors



**Murray Gribben — Chairman**

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

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



**Anne Blackburn — Director**

Anne Blackburn is a banker by professional background, having had earlier careers in journalism and diplomacy. She worked in investment banks in New York and London for over a decade before returning to a senior management role with a New Zealand bank in the 1990s. Anne is currently a director of a number of businesses in the infrastructure, finance, investment and research sectors. She also holds governance positions in arts and education not-for-profit organisations.  
\*Reappointed as Deputy Chairman on 1 July 2015



**Roger Bridge — Director**

Roger Bridge is a Christchurch businessman and company director with a background primarily in property investment and management. He has been involved in the formation and development of new business ventures. He is a member of the New Zealand Institute of Directors. He has an involvement in the community, being a trustee of The Canterbury Community Trust. Roger is also a trustee of the Christchurch Arts Festival Trust and Re:Start The Heart Trust which established and administers the Container Mall in the Christchurch CBD.  
\*Reappointed as Director on 1 July 2015



**Calvin Smith — Director**

Calvin Smith is a New Zealand based businessman with a background in investment banking. Calvin spent 16 years in investment banking working in New Zealand, Singapore, Tokyo and London. This culminated in being a Managing Director at Credit Suisse First Boston in London, with primary responsibility for the global currency derivatives trading. Upon returning to New Zealand in 2007, he has been actively involved with start-up businesses. He is currently an investor of K9 Natural Food Limited. He also consults on currency risk management for investors and exporters. He is an active investor in other start-ups.  
\*Term ended 30 June 2015



**Richard Hughes — Director**

Hughes has spent much of his career in the private equity industry. He has lived and worked in the UK, China, Australia and New Zealand and has also been responsible for the oversight of emerging market venture capital funds in Africa, Central America, and Asia. He now advises a number of businesses involved in the private equity industry. He is a Chartered Accountant and graduated from Trinity College, Cambridge where he read Engineering.  
\*Reappointed as Director on 1 July 2015



**David Flacks — Director**

Post the reporting period, David Flacks was appointed as a Director on 1 August 2015. David is an Auckland based lawyer/company director with extensive capital markets and governance experience. He is currently a member of the Takeovers Panel, director of Vero Insurance NZ Ltd, and Chair of the NZX Markets Disciplinary Tribunal. He is also Chair of AFT Pharmaceuticals and director of Harmony, the new peer-to-peer lending platform. Previously he was a partner of Bell Gully and senior executive at Carter Holt Harvey.

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

# Our investment partners and investee companies

**NZVIF has partnered with 24 venture capital funds and angel groups. In association with them, we have invested into 190 companies.**

## Active investee companies

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

## Investment Partners

AngelHQ

Movac

AngelLink

New Zealand Diagnostics

BioPacific Management

No 8 Ventures Management

Cure Kids Ventures

Otago Angels

Endeavour i-Cap

Pacific Channel

Enterprise Angels

Pioneer Capital Management

Flying Kiwi Angels

Powerhouse Ventures

GRC SinoGreen

Sparkbox Ventures

ICE Angels

TMT Management

iGlobe Treasury Management

Valar Ventures

Manawatu Investment Group

Venture Accelerator

# Venture capital fund

**The 2014/15 financial year saw investment activity by NZVIF-backed funds of \$29.35 million (of which NZVIF's share was \$7.9 million).**

The first venture capital fund established under the NZVIF and Taiwan's National Development Fund co-fund partnership – GRC SinoGreen Fund III – achieved a US\$75 million first close at the end of July 2014. Over the year it continued to raise further capital towards a final close, at which point it will commence investment activity.

The past year saw increased interest from prospective fund managers. NZVIF has been in discussions with five fund managers over proposed new funds. At year end, one fund was close to approval with two more in the formal pipeline.

Of the 66 companies in the Venture Capital Fund portfolio, there are now seven listed companies – Martin Aircraft and Orion Health joining Xero, Rex Bionics, SLI Systems, Moa and IkeGPS. There are four companies earning annual revenue of over \$50 million, and a further eight companies earning between \$10 million and \$50 million.

Over the 12 months, there were six exits realising \$4.6 million.



# Making hospitals smarter and safer

**Orion Health is one of New Zealand's most promising technology companies, developing health software management systems which are used in hospitals and health systems around the world.**

It was established in 1993 by founder and CEO Ian McCrae. His entry into the health software industry began in 1992 when he left his role as a telecommunications consultant with Ernst & Young to form a consulting firm which developed software packages and solutions. McCrae eventually took a majority interest in a spinoff company, which was subsequently renamed Orion Systems, and then Orion Health when it exited all its non-health businesses.

In 2007, it received investment from Pioneer Capital's first NZVIF-backed venture capital fund. Stephen Tindall's K1W1 was also an investor.

It quickly became a company with significant prospects. It has made Healthcare Informatics' annual rankings of the top 100 healthcare IT vendors in the USA on numerous occasions. It was also named a winner in the 2008 Red Herring Asia top 100 award for technology companies.

The company is now a global operation with its systems being used by hundreds of thousands of clinicians. It has offices in North America, the UK, Europe, Australia, Japan and South East Asia, over 1000 employees, and annual revenues of over \$160 million. It listed on the New Zealand and Australian stock exchanges in November 2014.





Case Study

# Climbing robots scaling challenging jobs



**Invert Robotics is a Christchurch-based company commercialising robotics technology developed at the University of Canterbury. Its wall climbing robots are used as remote inspection devices in industrial settings, such as large dairy storage tanks.**

The company was formed in 2010 and received its first angel investment in 2012, led by Powerhouse Ventures and including NZVIF.

The investment has enabled the company to further refine its technology, and develop relationships with major companies in the dairy sector. It is also looking at industries such as petrochemicals which have large storage tanks and silos needing inspection.

# Seed co-investment fund

**During the year, SCIF invested a record \$7.5 million alongside its angel partners – a record level of annual investment.**

Since it began investing in 2007, SCIF has invested \$38 million into 134 companies with \$76 million invested by our angel partners and a further \$100 million from other investors into those companies. For every \$1 invested by SCIF, private investors have put in nearly \$4.60.

SCIF contributed to a very active year across the angel investment sector. The 2014 calendar year saw \$56m invested through formal angel investment networks and funds – the largest on record.

Since NZVIF began collecting the angel investment data in 2006, angel investors have invested over \$350 million into young NZ technology start-ups.

Of the 15 SCIF partnerships entered into so far, 12 of the partnerships were active and investing over the past year. No new networks partnered with SCIF over the year but discussions are ongoing with one prospective partner.

The year saw considerable work put into SCIF's future as the fund neared its \$40 million investment limit. With the continuing high demand for SCIF investment, this gives certainty to the angel market over the availability of SCIF capital for investment over coming years.



# Timeline

▼ YEAR	02	03	04	05	06	07	08	09	10	11	12	13	14	15
<p>\$100m: Crown commitment to VC</p> <p>▼ <b>LEVELS OF PRIVATE CAPITAL</b></p>				\$40m: Crown commitment to Seed	\$60m: Additional commitment to VC				\$40m: Crown underwrite for VC			\$60m: Crown underwrite for VC		
<p>▼ <b>INCREASED # OF INVESTORS</b></p>	\$150m new private capital committed for VC investment			\$50m new private capital committed for VC investment		\$65m new private capital committed for VC investment			Angels invest over \$50m	Total of \$400m private capital invested		Establishment of Taiwan NDF Co-Fund	NZVIF/Taiwan NDF Co-Fund VC Fund approved for investment	Record annual investment by angels of \$53m
<p>▼ <b>INVESTMENT ENVIRONMENT</b></p>	First 2 NZVIF VC Funds established	4 <sup>th</sup> NZVIF VC Fund established		5 <sup>th</sup> NZVIF VC Fund established	6 <sup>th</sup> NZVIF VC Fund established	5 <sup>th</sup> SCIF Partner established	9 <sup>th</sup> SCIF Partner established	11 <sup>th</sup> SCIF Partner established	12 <sup>th</sup> SCIF Partner established	16 active angel networks or funds	8 <sup>th</sup> NZVIF VC Fund established	9 <sup>th</sup> NZVIF VC Fund established	15 <sup>th</sup> SCIF Partner established	First VC Fund of \$75m established under NZ-Taiwan-Co-Fund partnership
<p>▼ <b>HIGH GROWTH COMPANIES</b></p>	NZVCA established	VC Fund investment template developed by NZVIF		Young Company Finance Index established	Standardised investment agreements adopted by the angel industry	Limited Partnership legislation enacted	AANZ established	NZVCA adopt Code of Conduct	Power of Angel investing seminars	Valuation of early stage investment data presented by NZVIF	Early exits and valuations and market validation seminars	Provided independent summary report (Fidato) on Institutional investments in VC and private equity in NZ and barriers to participation		First annual performance report for the industry produced
		NZVCA Monitor established		VC capital tax exemption legislation enacted			Private equity investment performance data published by NZVIF	Changes to overseas investment rules	Private equity investment performance data updated and published by NZVIF		IPEV international best practise reporting guidelines adopted			
											Institutional investment in VC and private equity report published			
											Private equity investment performance data presented			
				1 <sup>st</sup> successful realisation by NZVIF portfolio company	Total employees in NZVIF portfolio companies exceeds 500	Total NZVIF portfolio company revenue exceeds \$100m	2 NZVIF portfolio companies exceed \$30m revenue	NZVIF portfolio company average revenue per employee is \$250k		100 companies invested into by NZVIF			100 SCIF company milestone	190 companies invested into by NZVIF 7 listed companies
										\$300m invested alongside NZVIF into high tech companies				

# Vesper Marine navigates new markets



**Vesper Marine is an Auckland hi-tech company developing maritime warning systems.**

The company was formed in 2007 by Jeff Robbins, Deirdre Schleigh and Carl Omundsen and has raised investment from ICE Angels, NZVIF, Artemis Capital, and number of private investors. The company's 'WatchMate' collision avoidance system is deployed in thousands of boats all over the world. From that came the jump into 'virtual' beacon technology, which the company expects will drive its growth in the coming years. Their system enables a port operator, for example, to transmit virtual buoys onto the navigation screens of ships and yachts in nearby waters.

The system was used during the last Americas Cup to show the course boundaries on the screens on the spectator boats. Captains used it to look at their screens and see markers showing how close they were to the edge of the course to get their guests a close up view safely - despite the absence of any physical buoy in the water.

It is currently installing its virtual beacon technology in New York's East River to protect power cables serving millions of customers, and is looking at expansion into other major United States markets.



# NZVIF investment performance and activity

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

Measures	30 June 2013 Actual	30 June 2014 Actual	30 June 2015 Actual	Full year SOI Forecast 2014/15
1. Total amount invested in New Zealand high growth companies by the market (including NZVIF and private sector) p.a.	\$65m	\$99.2m	\$87m	\$95m
2. NZVIF as % of total investment	17.5%	19%	17%	14%
3. Capital received from Crown for investment (cumulative since inception)	\$108.2m	\$129.4m	\$140.3m	\$136.6m
4. Value of NZVIF investments <sup>1</sup>	\$90.1m	\$112.80m	\$135.5m	\$119.6m
5. Net asset value (\$ per share) <sup>2</sup>	0.87	0.95	0.96	0.88
6. Interim performance since inception (IRR p.a)	-3.89%	-1.2%	-0.20%	-1.33%
7. Distributions received	\$2.6m	\$6.5m	\$5.0m	\$11.0m

<sup>1</sup> Includes \$10 million cash held for investment.

<sup>2</sup> NAV is calculated as follows: (value of investments and cash from proceeds held at balance date) / capital drawn from Crown.

### Comment

- The actual amount invested in NZ high growth companies by the market was lower this year than the previous year due to less VC investment.
- NZVIF proportion of total investment is still greater than forecast however is improving. The objective for NZVIF is to become a smaller percentage of the total market over time.
- Capital received from the Crown was greater than anticipated as a result of less than anticipated distributions being received together with considerable market activity.
- Value of NZVIF investments at June 2015 is above forecast due to the positive revaluation of investments. Also there were more investments made during the year than planned and \$10 million cash held – some of which was received from distributions.
- The net asset value is above forecast due to greater than expected increase in value of investments held.
- The IRR has improved since last year and is higher than forecast.
- NZVIF has continued to receive distributions over the past 3 years however not to the level forecast, due to the timing of the realisation of listed portfolio companies. The total value of NZVIF holding in listed companies as at 30 June 2015 was \$31.4 million taking into account the buy-out option. Excluding the buy-out option, the value of listed companies in the NZVIF portfolio was \$68.9 million.

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

Measures	30 June 2013 Actual	30 June 2014 Actual	30 June 2015 Actual	Full year SOI Forecast 2014/15
1. Total number of NZVIF VC funds active in the market	9	9	6	6
2. Total number of active NZVIF angel investment partners	14	15	12	15
3. Number of venture capital investment professionals and active angel investors in the market	100 – 120	140 – 160	140 – 160	150 – 170

### Comment

- This is the number of funds actively investing in the market. NZVIF has invested into 10 VC funds since inception. One new VC fund is expected to commence in the 2015/16 year.
- The number of angel partners actively investing in the market is less than anticipated due to some existing partners becoming inactive and the considerable challenges associated with establishing new groups.
- The number of key personnel remains constant as new members join and others leave.

## Impact three — An environment conducive to early stage investment

Measures	30 June 2013 Actual	30 June 2014 Actual	30 June 2015 Actual	Full year SOI Forecast 2014/15
1. Market development initiative supported by NZVIF	4	2	2	2

### Comment

- NZVIF has continued to be involved in supporting market development and met the number of initiatives forecast for the 2015 year. NZVIF updated angel investment documents and supported an angel networking function as detailed in the Statement of Service Performance.

## Impact four — Increased number of successful high growth companies

Measures	30 June 2013 Actual	30 June 2014 Actual	30 June 2015 Actual	Full year SOI Forecast 2014/15
1. Total number of companies invested in through NZVIF VC and Seed Funds	146	167	190	186
2. Exports as a % of total revenues generated from NZVIF portfolio companies	80%	>80%	>80%	>85%
3. Number of companies emerging from CRIs and universities	33	46	54	39
4. Number of companies with revenues > \$10m p.a.	11	11	12	10
5. High growth as % of total NZVIF portfolio	79%	>75%	>75%	>75%
6. Average revenue per employee	\$191,000	\$200,000–\$240,000	\$200,000–\$240,000	\$210,000–\$250,000

### Comment

- There has been a continued growth in the number of companies invested into over the past 3 years with the 2015 figures exceeding forecast again.
- Exports continue to be a large source of total revenues generated and have reached the level anticipated.
- The number of companies emerging from CRIs and universities has continued to grow over the past 3 years to exceed the level forecast. Investment deal flow from universities and CRIs is a positive sign of increasing R&D commercialisation.
- Portfolio companies are making good progress as evidenced by the number of companies with revenues over \$10m p.a. exceeding expectations. The number of companies with revenues > \$10m p.a. has also increased since last year.
- High growth companies as a % of NZVIF portfolio has remained constant and meets forecast.
- The average revenue per employee has continued to increase over the past 3 years and is within the forecast range.

# Corporate governance statement

**NZVIF was incorporated on 1 July 2002 under the NZ Companies Act 1993. A Crown Company, the company's principle activity is managing two early-stage investment programmes on behalf of the NZ 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 NZ, 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. In particular, 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 Deputy Chair on 1 July 2015 for a one year term. Roger Bridge and Richard Hughes were reappointed as Directors on 1 July 2015 for a further three year term. David Flacks was appointed as a Director on 1 August 2015 for a three 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 2015

**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 are responsible for any end of year performance information provided by NZVIF under section 19A of the Public Finance Act 1989.

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 2015 fairly reflect the financial position and operations as at 30 June 2015 of NZVIF and its subsidiary.



**Murray Gribben**

Chairman

19 October 2015



**Anne Blackburn**

Deputy Chairman

19 October 2015



**Franceska Banga**

Chief Executive

19 October 2015

# Independent Auditor's Report

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## To the readers of New Zealand Venture Investment Fund Limited and group's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of New Zealand Venture Investment Fund Limited (the company) and its subsidiary. 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 company and group consisting of New Zealand Venture Investment Fund Limited and its subsidiary (collectively referred to as "the group"), on her behalf.

### Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company and group on pages 31 to 60, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 20 to 21 and 27 to 29.

In our opinion:

- the financial statements of the company and group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards with reduced disclosure requirements; and
- the performance information:
  - presents fairly, in all material respects, the company and group's performance for the year ended 30 June 2015, including:
    - for each class of reportable outputs:
      - its standards of 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;
- 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 29 October 2015. This is the date at which our opinion is expressed.

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

### Uncertainties in the carrying value of unlisted venture capital investments and related party loans

Without modifying our opinion, we draw your attention to note 1(l) and note 20(c) of the financial statements that explain how the fair value of venture capital investments has been determined and the uncertainties in measuring that fair value. Although the fair value of unlisted venture capital investments is based on the best information available, there is a high degree of uncertainty about that value due to the early stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the group's statement of comprehensive revenue and expense and statement of financial position.

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

have a material effect on the company's statement of comprehensive revenue and expense and statement of financial position.

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

### Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company and group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

financial statements and the performance information.

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

### Responsibilities of the Board of Directors

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

- comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards with reduced disclosure requirements;
- present fairly the company and group's financial position, financial performance and cash flows; and
- present fairly the company and group's performance.

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

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

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### Independence

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

Other than the audit, we have no relationship with or interests in the company and group.



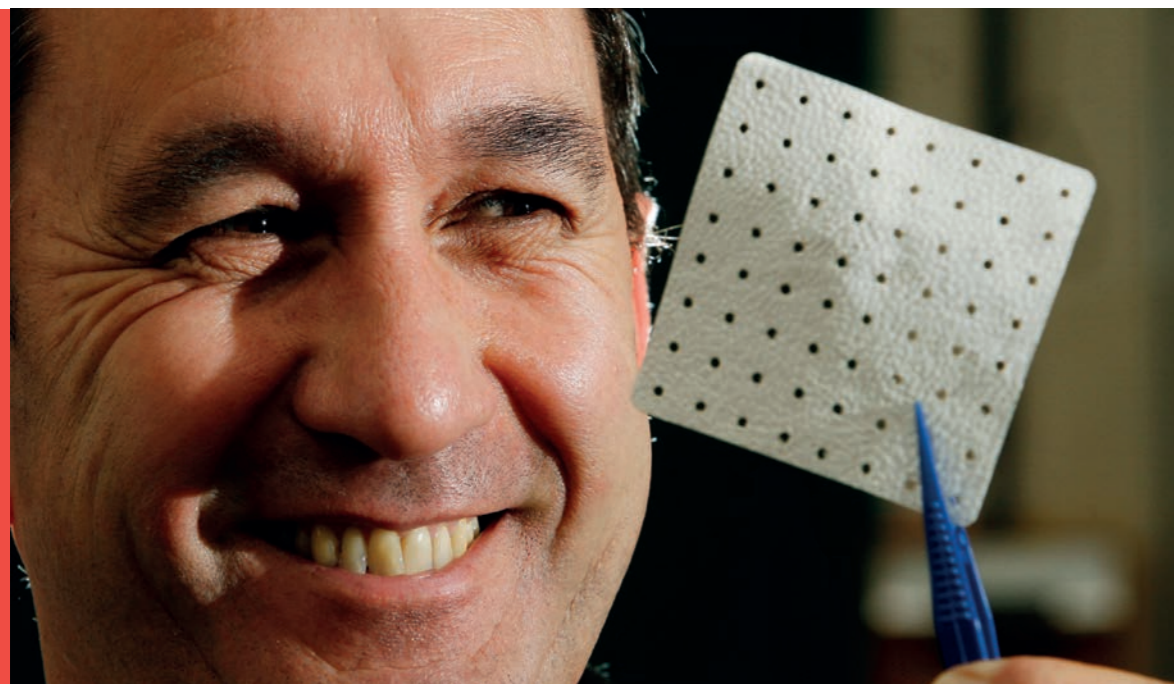
### David Walker

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

Case Study



# Healing wounds with sheep tissue



**Aroa was founded in Wellington in 2007, developing a new type of tissue sheet for wound care and surgery.**

Its founder is Brian Ward, a former veterinarian and head of NZBio. He began developing a regenerative wound care product derived from sheep forestomach and treating it so that it encourages tissue regeneration.

It is a replacement for the traditional surgical technique of cutting and pasting human tissue

from another site. Using animal tissue has the benefit of being quick, leaving only one wound site to deal with.

The company has raised investment from a range of New Zealand investors, including Movac, Sparkbox, K1W1, and CureKid Ventures, as well as NZVIF.

In 2010, Aroa gained US Food and Drug Administration 510k clearance for its product's commercial launch into the lucrative US health market.

## Statement of service performance for the year ended 30 June 2015

**NZVIF has two separate investment appropriations:**

1. The Venture Investment Fund (VIF) which is a \$128 million fund. The purpose of the VIF capital appropriation is to invest with privately managed venture capital funds in order to catalyse the New Zealand venture capital market.
2. The Seed Co-investment Fund (SCIF) which is a \$52 million fund. The purpose of the SCIF capital appropriation is to invest in seed and start up technology companies alongside qualified angel investors in order to assist more young technology companies to market.

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

	Total appropriation	Appropriation 2014/15	Actual drawn from Crown 2014/15	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 New Zealand companies.	\$128m (excludes \$12m transferred to SCIF in 2014/15)	\$10.378m	\$5.0m	Capital is called as required for investment. Proceeds received from distributions are reinvested before calling new capital from the Crown. A total of \$7.9m was invested into VC fund managers through the VIF during 2014/15.
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.	\$52m (includes \$12m transferred from VIF in 2014/15)	\$6.354m	\$5.975m	Capital is called as required for investment. A total of \$7.5m was invested into companies through the SCIF during 2014/15.

**NZVIF's agreement with the Minister for Economic Development contains one output 'Investment Fund Management - Governance and Operation'. NZVIF received \$2.33m 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 11/12	Actual 12/13	Actual 13/14	Actual 14/15	Forecast 14/15	Comment
1. NZVIF mandate changes implemented	2	1	0	0	1	Target not met. No mandates changes were made during the year however work was undertaken leading to decisions being made regarding the current underwrite and the buy-out option for the VC fund.
2. Investment products developed - Angel and VC	1	0	0	0	2	Target not met. Work on developing new investment products was put on hold pending decisions in relation to both VC and Seed Fund mandates. NZVIF is currently scoping a new investment product designed to offer Kiwisaver providers and other institutional investors' access to a pool of prequalified New Zealand technology companies.

**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:

- The GRC SinoGreen fund has raised a total of US\$103 million

of commitments and will close in November 2015. This fund will invest in NZ and Taiwanese companies. Movac are in the process of capital raising and have received a conditional commitment of \$20 million from NZVIF.

- Another record year of angel investments made (\$56m) into new companies during the year from NZ Angel investors.

**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 11/12	Actual 12/13	Actual 13/14	Actual 14/15	Forecast 14/15	Comment
1. Number of due diligence completed - Angel and VC	6	1	3	2	3	<b>Target not met.</b> During 2014/15 NZVIF received three proposals from venture capital fund managers and has completed due diligence on one of these proposals. NZVIF is in the process of undertaking due diligence on the other two proposals. NZVIF undertook due diligence on one Seed Fund partner which was engaged.
2. New venture capital funds contracted	2	1	0	1	1	<b>Target met.</b> One VC fund was contracted during the year.
3. New angel partnerships established	2	0	1	1	1	<b>Target met.</b> One new Seed Fund partnerships was 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 2014/15 NZVIF completed due diligence on one New

Zealand based VC fund and made a \$20 million conditional commitment to them. This VC fund is currently fund raising with private investors.

- During the year one new Seed Fund partnership was entered into which had full support of private investors.

**Output Three: WORK WITH INDUSTRY STAKEHOLDERS - TO DEVELOP THE MARKET AND IMPROVE INVESTMENT CONDITIONS**

- We will support industry professional development programmes and one off initiatives that will assist in building industry standards and professionalism.
- We will advise Government on policy changes to improve the investment environment.

Quantity Measures	Actual 11/12	Actual 12/13	Actual 13/14	Actual 14/15	Forecast 14/15	Comment
1. Industry development initiatives undertaken in conjunction with New Zealand Private Equity and Venture Capital Association (NZVCA) and Angel Association New Zealand (AANZ).	4	4	2	2	2	<b>Target met.</b> NZVIF provided support to the industry by: <ul style="list-style-type: none"> <li>updating the Angel investment documents and;</li> <li>assisting with a networking evening run by the newly formed Christchurch based Angel network, Canterbury Angels.</li> </ul>
2. Advice provided to Government to assist market development.	1	2	1	1	1	<b>Target met.</b> NZVIF provided a briefing to the incoming Minister detailing activities in the industry. Also, Cameron Partners were engaged to present a report on NZVIF's policy mandate specifically for the VC and Seed Fund programmes, and the future direction for NZVIF.

**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 two initiatives that were supported by the industry including:

- Leading the updating of industry standard Angel investment documents (specifically, the preference and ordinary share Term Sheets, Subscription and Shareholders' Agreement and Constitution templates (Templates)). This included benchmarking the Templates against international best practice and making amendments as necessary to ensure

that the NZ industry standard documentation reflect that. Use of these templates also continues to contribute in a materially positive way to reducing legal costs and improving transaction efficiencies in the New Zealand Angel investment market.

- Assisting with a networking evening run by the newly formed Christchurch based Angel network, and Canterbury Angels. This was attended by over 30 people. Investment Director Chris Twiss gave a presentation on the early-stage investment ecosystem in NZ and led a discussion on the steps that Canterbury Angels could take in order to become an active and successful part of that ecosystem.

**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 optimize portfolio returns.

Quantity Measures	Actual 11/12	Actual 12/13	Actual 13/14	Actual 14/15	Forecast 14/15	Comment
1. Number of new companies receiving investment	18	20	26	20	17	<b>Target met.</b> NZVIF has continued to invest during the year and made investments into 20 (Seed: 19, VC: 1) new companies.
2. Total number of investments in companies	48	51	72	78	65	<b>Target met.</b> NZVIF has made investments into 78 (Seed: 65, VC: 13) different (new and existing) companies during the year.

**Quality Measure**

**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 and expense

### For the year ended 30 June 2015

	Note	2015 Actual	Group 2015 Budget	2014 Actual	2015 Actual	Parent 2015 Budget	2014 Actual
Revenue	2	3,086,150	2,452,406	2,668,221	2,840,394	2,452,406	2,481,464
<b>Expenses</b>							
Administration expenses	3	(2,840,630)	(2,538,587)	(2,714,676)	(2,662,856)	(2,538,587)	(2,658,220)
Fund management fees and costs paid to fund managers	3	(2,466,695)	(2,604,636)	(1,900,040)	(2,466,695)	(2,604,636)	(1,900,040)
Total expenses		(5,307,325)	(5,143,223)	(4,614,716)	(5,129,551)	(5,143,223)	(4,558,259)
<b>Net operating income/(expense)</b>		(2,221,176)	(2,690,817)	(1,946,495)	(2,289,156)	(2,690,817)	(2,076,795)
Realised gain/(loss) on sale of fixed assets	3	(1,692)	-	-	(1,692)	-	-
Net gain/(loss) in the value of investments	3	2,617,255	500,000	9,574,885	-	-	-
Realised gain/(loss) on foreign currency	3	1,283,364	-	(32,653)	1,283,364	-	(32,653)
Revaluation/(impairment) of related party loans	15	-	-	-	-	-	-
Surplus/(deficit) before taxation		1,677,751	(2,190,817)	7,595,736	(1,007,484)	(2,690,817)	(2,109,448)
Income tax expense	4	-	-	-	-	-	-
<b>Other comprehensive income</b>		-	-	-	-	-	-
<b>Total comprehensive income/(expense)</b>		\$1,677,751	(\$2,190,817)	\$7,595,736	(\$1,007,484)	(\$2,690,817)	(\$2,109,448)

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

## Statement of changes in equity

### For the year ended 30 June 2015

	Note	2015 Actual	Group 2015 Budget	2014 Actual	2015 Actual	Parent 2015 Budget	2014 Actual
Equity/(Shareholders' deficit) at the beginning of the year		123,194,485	121,136,974	94,452,749	111,850,604	110,237,780	92,814,053
Surplus/(deficit) before taxation		1,677,751	(2,190,817)	7,595,736	(1,007,484)	(2,690,817)	(2,109,448)
Other comprehensive revenue/expense		-	-	-	-	-	-
Increase in share capital	8	10,975,000	6,240,876	21,146,000	10,975,000	6,240,876	21,146,000
Equity/(Shareholders' deficit) at the end of the year	8	\$135,847,237	\$125,187,033	\$123,194,485	\$121,818,119	\$113,787,839	\$111,850,604

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

# Statement of financial position

## As at 30 June 2015

Note	2015 Actual	Group 2015 Budget	2014 Actual	2015 Actual	Parent 2015 Budget	2014 Actual
<b>Equity</b>						
Share capital	140,327,801	133,932,777	129,352,801	140,327,801	133,932,777	129,352,801
Retained earnings/(Accumulated deficit)	(4,480,564)	(8,745,744)	(6,158,315)	(18,509,682)	(20,144,938)	(17,502,197)
<b>Total equity</b>	<b>\$135,847,237</b>	<b>\$125,187,033</b>	<b>\$123,194,486</b>	<b>\$121,818,119</b>	<b>\$113,787,839</b>	<b>\$111,850,604</b>
Represented by:						
<b>Current assets</b>						
Cash and cash equivalents	10,273,004	5,465,142	10,477,591	10,273,004	5,465,142	10,477,591
Trade and other receivables	87,310	23,392	173,606	87,310	23,392	173,606
GST refundable	-	-	-	-	-	-
Income tax refundable	114,299	-	20,215	-	-	-
Subvention receivable	-	-	-	326,433	-	-
	10,474,613	5,488,534	10,671,412	10,686,747	5,488,534	10,651,197
<b>Non-current assets</b>						
Property, plant and equipment	84,403	202,660	88,959	84,403	202,660	88,959
Intangible assets	157,663	31,675	17,083	157,663	31,675	17,083
Investments in subsidiaries	-	-	-	-	-	-
Investments through NZVIF Venture Capital Fund	92,375,590	92,830,000	86,690,847	-	-	-
Investments through NZVIF Seed Co-investment Fund	33,124,204	26,790,000	26,113,618	-	-	-
Related party loans	-	-	-	111,258,595	108,220,806	101,482,182
Deferred tax asset	-	-	-	-	-	-
	125,741,860	119,854,335	112,910,507	111,500,661	108,455,141	101,588,225
<b>Total assets</b>	<b>136,216,473</b>	<b>125,342,869</b>	<b>123,581,919</b>	<b>122,187,408</b>	<b>113,943,675</b>	<b>112,239,422</b>
<b>Current liabilities</b>						
Trade and other payables	245,018	155,836	272,055	245,072	155,836	273,440
Employee entitlements	124,217	-	115,378	124,217	-	115,378
<b>Total liabilities</b>	<b>369,235</b>	<b>155,836</b>	<b>387,433</b>	<b>369,289</b>	<b>155,836</b>	<b>388,818</b>
<b>Net assets</b>	<b>\$135,847,237</b>	<b>\$125,187,033</b>	<b>\$123,194,485</b>	<b>\$121,818,119</b>	<b>\$113,787,839</b>	<b>\$111,850,604</b>

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

**MURRAY GRIBBEN,**  
CHAIRMAN — 19 OCTOBER 2015



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

**ANNE BLACKBURN,**  
DEPUTY CHAIRMAN — 19 OCTOBER 2015



# Statement of cash flows

## For the year ended 30 June 2015

	2015 Actual	Group 2015 Budget	2014 Actual	2015 Actual	Parent 2015 Budget	2014 Actual
<b>Cash flows from operating activities</b>						
Cash was provided from:						
Revenue from the Crown	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000
Interest	572,790	122,406	325,371	165,961	122,406	138,614
Other income	183,360	-	12,850	18,000	-	12,850
Income tax refunded	-	-	-	-	-	-
Subvention receipt	-	-	-	-	-	-
	3,086,149	2,452,406	2,668,221	2,513,961	2,452,406	2,481,464
Cash was applied to:						
Payments to suppliers	(3,815,322)	(3,862,633)	(3,380,398)	(3,638,876)	(3,862,633)	(3,321,663)
Payments to employees	(1,325,295)	(1,237,414)	(1,342,034)	(1,325,295)	(1,237,414)	(1,342,034)
Net goods and services tax	15,498	-	(3,649)	15,498	-	(3,649)
Income tax paid	(94,084)	-	(15,268)	-	-	-
	(5,219,203)	(5,100,047)	(4,741,349)	(4,948,672)	(5,100,047)	(4,667,346)
<b>Net cash flows from operating activities</b>	<b>(2,133,053)</b>	<b>(2,647,641)</b>	<b>(2,073,128)</b>	<b>(2,434,711)</b>	<b>(2,647,641)</b>	<b>(2,185,882)</b>
<b>Cash flows from investing activities</b>						
Cash was provided from:						
Sale of investments through NZVIF Venture Capital Funds	4,661,826	11,000,000	3,950,693	-	-	-
Sale of investments through NZVIF Seed Co-investment Fund	461,746	-	2,578,265	-	-	-
Revaluation of foreign currency	1,283,364	-	-	1,283,364	-	-
Loans to subsidiaries repaid	-	-	900	5,487,767	-	6,700,218
	6,406,937	11,000,000	6,529,858	6,771,131	-	6,700,218
Cash was applied to:						
Purchase of property, plant and equipment and intangible assets	(251,824)	(143,180)	(20,466)	(251,824)	(143,180)	(20,466)
Purchase of investments through NZVIF Venture Capital Funds	(7,733,235)	(9,250,000)	(13,429,509)	-	-	-
Purchase of investments through NZVIF Seed Co-investment Fund	(7,468,409)	(5,400,000)	(6,225,508)	-	-	-
Purchase of shares in subsidiaries	-	-	-	-	-	-
Loans to subsidiaries	-	-	-	(15,264,182)	(3,650,000)	(19,711,260)
	(15,453,469)	(14,793,180)	(19,675,483)	(15,516,006)	(3,793,180)	(19,731,726)
<b>Net cash flows from investing activities</b>	<b>(9,046,532)</b>	<b>(3,793,180)</b>	<b>(13,145,625)</b>	<b>(8,744,875)</b>	<b>(3,793,180)</b>	<b>(13,031,508)</b>
<b>Cash flows from financing activities</b>						
Cash was provided from:						
Increase in share capital	10,975,000	6,240,876	21,146,000	10,975,000	6,240,876	21,146,000
<b>Net cash flows from financing activities</b>	<b>10,975,000</b>	<b>6,240,876</b>	<b>21,146,000</b>	<b>10,975,000</b>	<b>6,240,876</b>	<b>21,146,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(204,585)</b>	<b>(199,945)</b>	<b>5,927,247</b>	<b>(204,587)</b>	<b>(199,945)</b>	<b>5,928,610</b>
Cash and cash equivalents at the beginning of the year	10,477,591	5,665,087	4,550,346	10,477,591	5,665,087	4,548,981
<b>Cash and cash equivalents at the end of the year</b>	<b>\$10,273,004</b>	<b>\$5,465,142</b>	<b>\$10,477,591</b>	<b>\$10,273,004</b>	<b>\$5,465,142</b>	<b>\$10,477,591</b>

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 2015

	Group 2015 Actual	Group 2014 Actual	Parent 2015 Actual	Parent 2014 Actual
<b>Total comprehensive income/(expenses) for the year</b>	1,677,751	7,595,736	(1,007,484)	(2,109,448)
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	114,110	47,341	114,110	47,341
Loss on sale of property, plant and equipment	1,692	-	1,692	-
Impairment of related party loans	-	-	-	-
<b>Total non-cash items</b>	115,803	47,341	115,803	47,341
<i>Add/(less) movements in working capital items:</i>				
Receivables and prepayments	86,296	(105,920)	86,296	(105,920)
Other current assets	(94,084)	(15,268)	-	-
Payables and accruals	(33,701)	(16,485)	(35,027)	(14,205)
Other current liabilities	15,498	(3,649)	15,498	(3,649)
Subvention receivable	-	-	(326,433)	-
<b>Net movement in working capital items</b>	(25,990)	(141,323)	(259,666)	(123,775)
<i>Add/(less) items classified as investing activity:</i>				
(Gain)/loss in value of investments	(3,900,619)	(9,574,885)	(1,283,364)	-
<b>Net cash flows from operating activities</b>	(\$2,133,053)	(\$2,073,128)	(\$2,434,711)	(\$2,185,882)

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

# Notes to the Financial Statements for the year ended 30 June 2015

## For the year ended 30 June 2015

### 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 parent and group are for the year ended 30 June 2015, and were approved by the Board on 19 October 2015. 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.

These are the first financial statements presented in accordance with the new PBE accounting standards. There have been no material adjustment arising on transition to the 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 May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. NZVIF has applied these standards in preparing the 30 June 2015 financial statements.
- In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBE's with reporting periods beginning on or after 1 April 2015. NZVIF will apply these updated standards in preparing its 30 June 2016 financial statements. NZVIF expects there will be minimal or no change in applying these updated accounting standards.

**Significant Accounting Policies**

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

**(a) Budget figures**

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

The budget figures for equity investments through NZVIF Venture Capital Funds are included in the parent's budget for the year ended 30 June 2015 and are based on the mid point of the forecast range contained in the NZVIF Statement of Intent 2014/2015.

**(b) Basis of consolidation**

As at 30 June 2015, 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 include the parent company and its investment subsidiary accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent's financial statements investments in the subsidiary are valued at cost.

**(c) Revenue recognition**

**Revenue is recognised as follows:**

*Revenue from the Crown - 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 and 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 recognised when the right to receive payment is established.

**(d) Goods and services tax**

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

**(e) Taxation**

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

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

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

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

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

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

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less and bank overdrafts. At year end, NZVIF held \$1.9 million for Seed Fund investments and \$8.2 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.

**(g) Accounts receivable**

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

**(h) Prepayments**

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

**(i) Property, plant and equipment**

*Owned assets*

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

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

*Additions*

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

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

*Disposals*

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

*Subsequent costs*

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

*Depreciation*

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

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

**(j) Impairment of non-financial assets**

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

**(k) Intangible assets**

*Software acquisition*

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

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

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

*Software development*

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

*Amortisation*

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

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

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

**(l) Investments**

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

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 2015 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 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 2015 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.

**(m) 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 Income in equal instalments over the term of the lease.

**(n) Foreign currencies**

Transactions denominated in a foreign currency are converted at the functional currency exchange rate at the date of the transaction.

Transactions in foreign currency that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to New Zealand dollars at the foreign exchange rate ruling at that

date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

**(o) Financial instruments**

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through 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 Income in the period in which they arise.

**(p) Creditors and other payables**

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

**(q) Employee entitlements**

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

**(r) Statement of cashflows**

The following are the definitions of the terms used in the Statement of Cashflows:

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

**(s) Critical accounting estimates and assumptions**

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

**(t) Segment information**

A business segment is a group of assets or operations engaged in providing products or services that are subject to risks and rewards that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of a segment operating in other economic environments. NZVIF operates predominantly in the venture capital investment industry. All operations of the Company are carried out in New Zealand.

**(u) Related party loans**

NZVIF accounts for related party loans at their cost less impairment, with impairment based on the underlying value of the 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, as disclosed in Note 15, the terms of the loans are no interest with limited recourse of repayment. Accordingly the loans have characteristics similar to an equity instrument. A further consideration in carrying related party loans at cost (less impairment) is that their fair value cannot be reliably determined at initial recognition due to difficulties in forecasting the obligations to repay the loans and the timing of such repayments.

**2. Revenue**

	Group 2015	Group 2014	Parent 2015	Parent 2014
<b>Non-exchange revenue</b>				
Revenue from the Crown	2,330,000	2,330,000	2,330,000	2,330,000
Total non-exchange revenue	\$2,330,000	\$2,330,000	\$2,330,000	\$2,330,000
<b>Exchange revenue</b>				
Interest	202,470	325,371	165,961	138,614
Dividends	370,319	-	-	-
Other	183,360	12,850	18,000	12,850
Subvention receipt (Note 15)	-	-	326,433	-
Total exchange revenue	\$756,150	\$338,221	\$510,395	\$151,464
<b>Total revenue</b>	<b>\$3,086,150</b>	<b>\$2,668,221</b>	<b>\$2,840,394</b>	<b>\$2,481,464</b>

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 (2014: Nil).

**3. Expenses**

	Group 2015	Group 2014	Parent 2015	Parent 2014
Amortisation (Note 11)	91,536	16,786	91,536	16,786
Audit fees - fees to Audit New Zealand for audit of financial statements	120,590	117,300	62,780	61,060
Depreciation (Note 10)	22,678	30,555	22,678	30,555
Directors' fees (Note 23)	137,500	137,500	137,500	137,500
Employee benefits (Note 17)	1,325,295	1,342,034	1,325,295	1,342,034
Fund management fees	2,466,695	1,900,040	2,466,695	1,900,040
Operating lease costs	104,871	101,653	104,871	101,653
Other administrative expenses	1,038,160	968,849	918,195	968,632
<b>Total expenses</b>	<b>\$5,307,325</b>	<b>\$4,614,716</b>	<b>\$5,129,550</b>	<b>\$4,558,259</b>
Loss on sale of fixed assets	(1,692)	-	(1,692)	-
Net gain/(loss) in the value of investments	2,617,255	9,574,885	-	-
Gain/(loss) on currency	1,283,364	(32,653)	1,283,364	(32,653)

## 4. Income tax expense

	Group 2015	Group 2014	Parent 2015	Parent 2014
Net surplus/(deficit) before taxation	1,677,751	7,595,736	(1,007,484)	(2,109,448)
Prima facie income tax at 28%	469,770	2,126,806	(282,096)	(590,646)
Add/(less)				
Temporary and permanent differences	(1,092,319)	(2,662,481)	(359,927)	18,024
Tax loss not recognised	622,549	535,675	642,023	572,621
<b>Income tax expense</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 5. Current tax assets and liabilities

The Group's current tax asset of \$114,299 (2014: \$20,215) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

The Parent's current tax asset of nil (2014:nil) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

## 6. Imputation credit account

	Group 2015	Group 2014	Parent 2015	Parent 2014
Opening balance at 1 July	30,357	15,086	-	-
Income tax paid/(refunded) during the year	(20,211)	(4,944)	-	-
Resident withholding tax on interest received	114,299	20,215	-	-
<b>Closing balance at 30 June</b>	<b>\$124,445</b>	<b>\$30,357</b>	<b>\$ -</b>	<b>\$ -</b>

## 7. Deferred tax

	Group 2015	Group 2014	Parent 2015	Parent 2014
Deferred tax asset	\$ -	\$ -	\$ -	\$ -

*Unrecognised deferred tax assets and liabilities.*

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

	Group 2015	Group 2014	Parent 2015	Parent 2014
Deductible temporary differences	211,637	213,349	153,827	157,109
Tax losses	19,100,700	16,877,837	19,427,133	16,806,903
<b>Total</b>	<b>\$19,312,337</b>	<b>\$17,091,185</b>	<b>\$19,580,960</b>	<b>\$16,964,012</b>

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 2015	Group 2014	Parent 2015	Parent 2014
<b>Share capital</b>				
Balance at the beginning of the year	129,352,801	108,206,801	129,352,801	108,206,801
Issued capital	10,975,000	21,146,000	10,975,000	21,146,000
Ordinary share capital at end of year	140,327,801	129,352,801	140,327,801	129,352,801
<b>Retained earnings/(Accumulated deficit)</b>				
Balance at the beginning of the year	(6,158,315)	(13,754,052)	(17,502,197)	(15,392,748)
Net operating revenue/(expense)	(2,221,176)	(1,946,495)	(2,289,156)	(2,076,795)
Net gain/loss in the value of investments and currency	3,898,927	9,542,231	1,281,672	(32,653)
Balance at end of year	(4,480,564)	(6,158,315)	(18,509,682)	(17,502,197)
<b>Total equity</b>	<b>\$135,847,237</b>	<b>\$123,194,486</b>	<b>\$121,818,119</b>	<b>\$111,850,604</b>

The company has a total of 140,327,801 (2014: 129,352,801) 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 the Parent company increased in the following months:

	Parent 2015	Parent 2014
July	-	2,220,000
August	1,440,000	-
September	5,000,000	-
October	-	5,000,000
November	1,035,000	-
December	-	2,265,000
January	-	-
February	2,000,000	5,000,000
March	-	5,000,000
April	-	1,661,000
May	1,500,000	-
June	-	-
	\$10,975,000	\$21,146,000

## 9. Trade and other receivables

	Group 2015	Group 2014	Parent 2015	Parent 2014
Prepayments	86,087	171,939	86,087	171,939
Trade and other receivables	1,223	1,667	1,223	1,667
<b>Total</b>	<b>\$87,310</b>	<b>\$173,606</b>	<b>\$87,310</b>	<b>\$173,606</b>

### Fair value

The carrying value of receivables approximates their fair value.

### Impairment

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

## 10. Property, plant and equipment – Group and Parent

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

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balance at 1 July 2013	102,116	30,496	151,957	284,569
Additions	6,952	6,990	-	13,941
Disposals	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>109,068</b>	<b>37,486</b>	<b>151,957</b>	<b>298,511</b>
<b>Balance at 1 July 2014</b>	<b>109,068</b>	<b>37,486</b>	<b>151,957</b>	<b>298,511</b>
Additions	11,389	3,467	6,350	21,206
Disposals	(39,414)	(10,954)	-	(50,368)
<b>Balance at 30 June 2015</b>	<b>81,043</b>	<b>29,999</b>	<b>158,307</b>	<b>269,348</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance at 1 July 2013	78,479	24,512	76,006	178,997
Depreciation expense	15,583	5,105	9,867	30,555
Elimination on disposal	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>94,062</b>	<b>29,617</b>	<b>85,873</b>	<b>209,552</b>
Balance at 1 July 2014	94,062	29,617	85,873	209,552
Depreciation expense	9,867	4,008	8,803	22,678
Elimination on disposal	(38,027)	(9,258)	-	(47,285)
<b>Balance at 30 June 2015</b>	<b>65,902</b>	<b>24,367</b>	<b>94,676</b>	<b>184,945</b>
<b>Carrying amounts</b>				
At 1 July 2013	23,638	5,984	75,951	105,572
At 30 June and 1 July 2014	15,006	7,868	66,084	88,959
<b>Balance at 30 June 2015</b>	<b>\$15,141</b>	<b>\$5,631</b>	<b>\$63,631</b>	<b>\$84,403</b>



## 11. Intangible assets

	Group 2015	Group 2014	Parent 2015	Parent 2014
<b>Acquired computer software</b>				
Balance at 1 July 2014	151,119	162,059	151,119	162,059
Additions	232,795	6,525	232,795	6,525
Disposals	(106,778)	(17,465)	(106,778)	(17,465)
Balance at 30 June 2015	277,136	151,119	277,136	151,119
<b>Less accumulated amortisation and impairment losses</b>				
Balance at 1 July 2014	135,617	119,709	135,617	119,709
Amortisation expense	90,658	15,908	90,658	15,908
Elimination on disposal	(106,099)	-	(106,099)	-
Balance at 30 June 2015	120,176	135,617	120,176	135,617
<b>Carrying amounts at year end</b>	<b>156,960</b>	<b>15,502</b>	<b>156,960</b>	<b>15,502</b>
<b>Trademark</b>				
Balance at 1 July 2014	8,779	8,779	8,779	8,779
Additions	-	-	-	-
Balance at 30 June 2015	8,779	8,779	8,779	8,779
<b>Less accumulated amortisation and impairment losses</b>				
Balance at 1 July 2014	7,198	6,320	7,198	6,320
Amortisation expense	878	878	878	878
Balance at 30 June 2015	8,076	7,198	8,076	7,198
<b>Carrying amounts at year end</b>	<b>703</b>	<b>1,581</b>	<b>703</b>	<b>1,581</b>
<b>Balance at 30 June 2015</b>	<b>\$157,663</b>	<b>\$17,083</b>	<b>\$157,663</b>	<b>\$17,083</b>

## 12. Investments in subsidiaries

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

Subsidiary	Principle activity	Interest held 2015	Interest held 2014
NZVIF Investments Limited	Investment through VC 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 VC Funds

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

Investment	Carrying value 2015	Interest held 2015	Carrying value 2014	Interest held 2014
Investments through NZVIF VC Funds in listed and unlisted companies	71,094,057	12.5% - 50%	73,745,209	12% - 50%
Accumulated revaluations and impairments	21,281,533		12,945,638	
	<b>\$92,375,590</b>		<b>\$86,690,847</b>	

All investments through NZVIF Venture Capital Funds have been valued by NZVIF, using managers reported valuations as an input as disclosed in Note 1(l).

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

Investment	Carrying value 2015	Interest held 2015	Carrying value 2014	Interest held 2014
Value of NZVIF VC Funds before exercise of buyout option	123,108,831	12% - 50%	134,112,596	12% - 50%
Cost of NZVIF buyout option (if exercised)	(30,733,241)		(47,421,749)	
Carrying value of investments held in VC Funds	<b>\$92,375,590</b>		<b>\$86,690,848</b>	

## 14. Investments through the Seed Co-investment Fund

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

Investment	Carrying value 2015	Interest held 2015	Carrying value 2014	Interest held 2014
Investments through the NZVIF Seed Co-investment Fund in unlisted companies	36,388,636	0% - 33%	28,973,428	0% - 33%
Accumulated revaluations and impairments	(3,264,432)		(2,859,810)	
	\$33,124,204		\$26,113,618	

Investments through the NZVIF Seed Co-investment Fund have been valued as disclosed in Note 1(l). The NZVIF Seed Co-investment Fund has invested into 134 (2014:115) companies. As at 30 June 2015, 30 (2014:24) of these companies have been fully impaired.

## 15. Related parties

	Group 2015	Group 2014	Parent 2015	Parent 2014
NZVIF Investments Limited	-	-	111,258,595	101,482,182
Less impairment of loans to subsidiaries	-	-	-	-
	\$ -	\$ -	\$111,258,595	\$101,482,182

	Group 2015	Group 2014	Parent 2015	Parent 2014
<b>Movement in the provision for impairment of related party receivables</b>				
Balance at 1 July 2014	-	-	-	-
Additional provisions made during the year	-	-	-	-
Balance at 30 June 2015	\$ -	\$ -	\$ -	\$ -

Advances made by the Parent to the subsidiary are by way of limited recourse loans. Such advances fund the subsidiary' 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 to the subsidiary, also known as related party loans, are accounted for at their cost (less impairment) as detailed in Note 1(u).

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 \$19,427,133 (parent) and \$19,100,700 (group) for the year ended 30 June 2015 (2014:\$16,806,903 and \$16,877,837). 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 \$326,433 (2014: Nil). These transactions were eliminated on consolidation but were included in the Parent company's financial statements.

Details of key management personnel remuneration are disclosed in Note 24 to the financial statements.

There were no other related party transactions during the year.

## 16. Trade and other payables

	Group 2015	Group 2014	Parent 2015	Parent 2014
GST payable	25,787	10,288	25,787	10,288
Accrued expenses	112,192	180,434	112,192	180,434
Trade payables	107,039	81,333	107,093	82,718
	\$245,018	\$272,055	\$245,072	\$273,440

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 2015	Group 2014	Parent 2015	Parent 2014
Salaries and wages	1,266,986	1,331,210	1,266,986	1,331,210
Employer contributions to defined contribution plans	49,469	18,996	49,469	18,996
Increase/(decrease) in employee entitlements (Note 18)	8,840	(8,172)	8,840	(8,172)
	\$1,325,295	\$1,342,034	\$1,325,295	\$1,342,034

## 18. Employee entitlements

	Group 2015	Group 2014	Parent 2015	Parent 2014
Accrued salaries and wages	49,480	55,569	49,480	55,569
Annual leave	74,737	59,809	74,737	59,809
Current	124,217	115,378	124,217	115,378
Non Current	-	-	-	-
	\$124,217	\$115,378	\$124,217	\$115,378

## 19. Financial instruments

### 19a. Categories of financial instruments

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

	Group 2015	Group 2014	Parent 2015	Parent 2014
<b>Financial assets designated at fair value through surplus or deficit upon initial recognition</b>				
Investments through NZVIF Venture Capital Funds	92,375,590	86,690,847	-	-
Investments through NZVIF Seed Co-investment Fund	33,124,204	26,113,618	-	-
<b>Total financial assets designated at fair value through surplus or deficit</b>	<b>\$125,499,794</b>	<b>\$112,804,465</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Loans and receivables</b>				
Cash and cash equivalents	10,273,004	10,477,591	10,273,004	10,477,591
Trade and other receivables	1,223	1,667	1,223	1,667
Related party loans	-	-	111,258,595	101,482,182
<b>Total loans and receivables</b>	<b>\$10,274,227</b>	<b>\$10,479,258</b>	<b>\$121,532,822</b>	<b>\$111,961,440</b>
<b>Financial liabilities measured at amortised cost</b>				
Trade and other payables	\$219,231	\$261,767	\$219,285	\$263,152

### 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
<b>2015</b>				
<i>Financial assets designated at fair value through surplus or deficit upon initial recognition</i>				
Investments through NZVIF Venture Capital Funds	92,375,590	32,156,459	24,102,224	36,116,907
Investments through NZVIF Seed Co-investment Fund	33,124,204	-	-	33,124,204
<b>Total</b>	<b>\$125,499,794</b>	<b>\$32,156,459</b>	<b>\$24,102,224</b>	<b>\$69,241,111</b>
<b>2014</b>				
<i>Financial assets designated at fair value through surplus or deficit upon initial recognition</i>				
Investments through NZVIF Venture Capital Funds	86,690,847	12,296,468	29,073,903	45,320,476
Investments through NZVIF Seed Co-investment Fund	26,113,618	-	-	26,113,618
<b>Total</b>	<b>\$112,804,465</b>	<b>\$12,296,468</b>	<b>\$29,073,903</b>	<b>\$71,434,094</b>

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

	2015	2014
Beginning balance	71,434,094	77,503,207
Net gain/(loss) in the value of investments	2,617,255	9,574,885
Purchase of investments	15,201,647	19,655,017
Proceeds received from sale of investments	(5,123,573)	(6,528,964)
Transfer from/(to) quoted market price	(19,859,991)	(5,119,189)
Transfer from/(to) observable inputs	4,971,679	(23,650,862)
<b>Ending balance</b>	<b>\$69,241,111</b>	<b>\$71,434,094</b>

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 2015	Group 2014	Parent 2015	Parent 2014
Cash and cash equivalents	10,273,004	10,477,591	10,273,004	10,477,591
Trade and other receivables	1,223	173,606	1,223	173,606
Related party loans	-	-	111,258,595	101,482,182
<b>Total</b>	<b>\$10,274,227</b>	<b>\$10,651,197</b>	<b>\$121,859,255</b>	<b>\$112,133,379</b>

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
<b>2015</b>			
Cash and cash equivalents	10,273,004	-	-
Trade and other receivables	1,223	-	-
Related party loans	-	-	-
<b>Total</b>	<b>\$10,274,227</b>	<b>-</b>	<b>-</b>
<b>2014</b>			
Cash and cash equivalents	10,477,591	-	-
Trade and other receivables	173,606	-	-
Related party loans	-	-	-
<b>Total</b>	<b>\$10,651,197</b>	<b>-</b>	<b>-</b>

Parent	Not past due	Past due less than 1 year	Past due more than 1 year
<b>2015</b>			
Cash and cash equivalents	10,273,004	-	-
Trade and other receivables	1,223	-	-
Related party loans	111,258,595	-	-
<b>Total</b>	<b>\$121,859,255</b>	<b>-</b>	<b>-</b>
<b>2014</b>			
Cash and cash equivalents	10,477,591	-	-
Trade and other receivables	173,606	-	-
Related party loans	101,482,182	-	-
<b>Total</b>	<b>\$112,133,379</b>	<b>-</b>	<b>-</b>

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.

Section 1(l) Investments, of the accounting policies 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 \$93,343,335 (2014: \$100,507,997).

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 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 (2014:1) subsidiary which has exposure to some 190 (2014:167) 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 2015 the largest investment in the portfolio makes up 13% (2014: 8%) of the total net investments of NZVIF. This investment is a company that has been newly listed on the Australian Stock Exchange.
- 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 2015, 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 +/- \$1,984,527 (2014:\$1,282,102).

#### Interest rate risk

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

#### Sensitivity analysis

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

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

#### 20d. Liquidity risk

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

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

#### Contractual maturity analysis of financial liabilities

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

Group	Carrying amount	Contractual cash flows	Less than 1 year	More than 5 years
<b>2015</b>				
Trade and other payables	219,231	219,231	219,231	-
<b>Total</b>	<b>\$219,231</b>	<b>\$219,231</b>	<b>\$219,231</b>	<b>-</b>
<b>2014</b>				
Trade and other payables	261,767	261,767	261,767	-
<b>Total</b>	<b>\$261,767</b>	<b>\$261,767</b>	<b>\$261,767</b>	<b>-</b>
<b>Parent</b>				
<b>2015</b>				
Trade and other payables	219,285	219,285	219,285	-
<b>Total</b>	<b>\$219,285</b>	<b>\$219,285</b>	<b>\$219,285</b>	<b>-</b>
<b>2014</b>				
Trade and other payables	263,152	263,152	263,152	-
<b>Total</b>	<b>\$263,152</b>	<b>\$263,152</b>	<b>\$263,152</b>	<b>-</b>

## 21. Commitments

### Capital commitments

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

	Group 2015	Group 2014	Parent 2015	Parent 2014
Firm commitment remaining	54,075,593	38,739,418	-	-
Conditional commitment	20,000,000	25,000,000	-	-
	\$74,075,593	\$63,739,418	\$-	\$-

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.

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

2015	Firm commitment	Invested	Remaining commitment
TMT Ventures Fund	21,000,000	20,603,545	396,455
Endeavour i-cap Fund	13,000,000	12,950,798	49,202
iGlobe Treasury Fund	10,375,000	10,375,000	-
No 8 Ventures No 2 Fund	11,750,000	11,750,000	-
BioPacific Ventures Fund	10,000,000	9,761,814	238,186
Pioneer Capital Partners - Innovation Fund	19,993,321	17,946,744	2,046,577
Movac Fund 3	16,522,667	14,020,013	2,502,654
Valar Ventures LP	20,000,000	8,592,031	11,407,969
Pioneer Capital Partners II	18,750,000	6,710,560	12,039,440
GRC SinoGreen	25,000,000	2,107,280	22,892,720
NZVIF Seed Co-investment Fund	-	-	639,331
The following additional commitments have been made through the Annex Fund:			
TMT Ventures Fund	750,000	750,000	-
Endeavour i-cap Fund	3,500,000	3,500,000	-
iGlobe Treasury Fund	3,750,000	3,686,073	63,927
No 8 Ventures No 2 Fund	5,000,000	5,000,000	-
BioPacific Ventures Fund	2,000,000	200,869	1,799,131
	\$181,390,988	\$127,954,726	\$54,075,593

### 2014

	Firm commitment	Invested	Remaining commitment
TMT Ventures Fund	21,000,000	20,603,545	396,455
Endeavour i-cap Fund	13,000,000	12,950,798	49,202
iGlobe Treasury Fund	10,375,000	10,375,000	-
No 8 Ventures No 2 Fund	11,750,000	11,750,000	-
BioPacific Ventures Fund	10,000,000	9,454,057	545,943
Pioneer Capital Partners - Innovation Fund	19,993,321	16,981,387	3,011,934
Movac Fund 3	16,522,667	8,515,213	8,007,454
Valar Ventures LP	20,000,000	8,542,031	11,457,969
Pioneer Capital Partners II	18,750,000	5,758,691	12,991,309
NZVIF Seed Co-investment Fund	-	-	378,626

The following additional commitments have been made through the Annex Fund:

	Firm commitment	Invested	Remaining commitment
TMT Ventures Fund	750,000	750,000	-
Endeavour i-cap Fund	3,500,000	3,500,000	-
iGlobe Treasury Fund	3,750,000	3,686,073	63,927
No 8 Ventures No 2 Fund	5,000,000	5,000,000	-
BioPacific Ventures Fund	2,000,000	163,401	1,836,599
	\$156,390,988	\$118,030,196	\$38,739,418

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

A conditional commitment totalling \$20 million (2014: \$25 million) has been made to one (2014:one) party.

### Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group 2015	Group 2014	Parent 2015	Parent 2014
Less than 1 year	12,331	13,688	12,331	13,688
Later than 1 year but not later than 2 years	6,492	4,020	6,492	4,020
Later than 2 years but not later than 5 years	12,443	-	12,443	-
Total operating lease commitments	\$31,266	\$17,708	\$31,266	\$17,708

NZVIF leases one building which has a one month notice period and has a lease agreement for office equipment which expires in May 2019.

## 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 2015	Group 2014	Parent 2015	Parent 2014
100,000 - 109,999	-	1	-	1
110,000 - 119,999	1	-	1	-
150,000 - 159,999	-	1	-	-
220,000 - 229,999	2	2	2	2
360,000 - 369,999	1	1	1	1

## 23. Directors' remuneration

Member	Group 2015	Group 2014	Parent 2015	Parent 2014
Murray Gribben	44,000	44,000	44,000	44,000
Anne Blackburn	27,500	27,500	27,500	27,500
Roger Bridge	22,000	22,000	22,000	22,000
Calvin Smith	22,000	22,000	22,000	22,000
Richard Hughes	22,000	22,000	22,000	22,000
	\$137,500	\$137,500	\$137,500	\$137,500

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

## 24. Key management personnel compensation

	Group 2015	Group 2014	Parent 2015	Parent 2014
Salaries and other short-term employee benefits	498,126	499,607	498,126	499,607
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	\$498,126	\$499,607	\$498,126	\$499,607

Key management personnel include all Directors and the Chief Executive. The NZVIF senior leadership team consists of three FTE employees (2014: 3) as well as five Directors (assessed as 5 FTE) (2014: 5).

## 25. Contingent liabilities

There were no material contingent liabilities at balance date (2014: Nil).

## 26. Post balance date events

There were no material events subsequent to balance date other than the public listing of one of the portfolio companies resulting in return of capital in September 2015.

## 27. Major budget variations

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

### Statement of comprehensive income

#### Revenue

Revenue was higher than budgeted due to more interest earned than anticipated on cash held. Also, dividends were received from an investment that was not anticipated.

### Statement of changes in equity

#### Increase in share capital

More capital was drawn from the Crown than expected due to less realisations received from sale of investments than anticipated.

#### Surplus/deficit for the year

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

### Balance sheet

#### Cash and cash equivalents

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

#### Investments through NZVIF VC and Seed Co-investment Funds

There was an increase in the value of investments held by the Seed Co-investment Fund due to greater than expected investments made during the year.

#### Related party loan

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

#### Payables and accruals

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

### Statement of cash flows

#### Cash flow from investing activity

Less proceeds were received from realisations than expected due to the delay in listing companies on the stock exchange which was anticipated for the year.

#### Increase in share capital

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

## 28. Adjustments arising on transition to the new PBE accounting standards

### *Reclassification adjustments*

There have been no reclassification adjustments in the financial statements as a result of adopting the new PBE accounting standards.

### *Recognition and measurement adjustments*

There have been no recognition and measurement

adjustments in the financial statements as a result of adopting the new PBE accounting standards.

### *Disclosure changes*

Various disclosure changes have been made to align with the disclosure requirements of the new PBE accounting standards.

# Shareholder information for the year ended 30 June 2015

### **Substantial security holders**

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

<b>Largest security holder</b>	Shares held	Percentage
Crown	140,327,802	100%

### **Use of company information**

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

### **Indemnification and insurance of Directors and Officers**

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



# Directors' interests as at 30 June 2015

**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 2015.**

## **Murray Gribben**

**Chief Executive**, Crown Irrigation Investments Limited

**Director**, Ruapehu Alpine Lifts Limited

**Advisory Trustee**, National Army Museum

## **Anne Blackburn\***

**Chair/Director**, RDNS NZ Limited, RDNS Group

**Director**, Auckland Council Property

**Director**, Warren and Mahoney Architects Limited and Warren and Mahoney Limited

**Director**, Eastland Group Limited and Subsidiaries

**Director**, Fidelity Life

**Director**, TSB Bank, TSB Group Capital, TSB Group Investment

**Director**, Fisher Funds Management

**Director (pro bono)**, Committee for Auckland  
**Chair of Trustees**, Centre for Clinical Research & Effective Practice

**Council Member**, UNITEC New Zealand

**Trustee**, Chinese Language Foundation

**Trustee**, Sir Ernest Davis Endowment Fund

**Member**, Commercial Operations Advisory Board, Treasury

*\*Reappointed as Deputy Chairman on 1 July 2015*

## **Roger Bridge\***

**Managing Director**, Allstor Self Storage Limited

**Director**, Waterman Investments Limited

**Director**, New Zealand National Party

**Director**, Quotable Value

**Director**, Darroch Limited

**Trustee**, ReStart the Heart Trust

**Trustee**, Community Trust of Canterbury

**Trustee**, Christchurch Arts Festival

**Representative of Community Trust of**

**Canterbury**, Morrison & Co. Public Infrastructure Partners LP ("PIP Fund")

*\*Reappointed as Director on 1 July 2015*

## **Calvin Smith\***

**Director**, Bullendale Limited

**Director**, Cultivar Fund Management Limited

**Director**, K9 Natural Food Limited

**Director**, Natural Food Group Limited

**Director**, Indigo Group Limited

**Director**, Raw International NZ Limited

**Director**, Southern Productions Limited

*\*Term ended 30 June 2015*

## **Richard Hughes\***

**Director**, Black Prince Limited

**Director**, Orthotic Group Holdings Limited

**Chair**, WNT Ventures Management Limited

*\*Reappointed as Director on 1 July 2015*

# Conflict of interest procedures

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

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

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

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

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

# Organisational health and capability

## Ensuring NZVIF is a good employer

NZVIF is a small organisation with seven full-time equivalent staff. Our flexible working environment enables staff to balance work, family and other commitments. NZVIF supports staff to develop their leadership skills and become the best they can be, in a positive working culture.

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

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

- Equal employment opportunity principles are incorporated in staff selection and management within the limits of our small size. Our team gender ratio is 2:1 female to male. The age of employees in the organisation range from 30 to 60 years with two of the nine staff from the Pacific and Asia.

### Measure

- EEO principles included in all relevant documents and practices.

## Capability development

To continue enhancing our capability, we will maintain and develop policies that ensure:

- Recruitment, training and remuneration policies focus on attracting and retaining skilled, flexible, efficient and knowledgeable team players.

### Measures

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

## Health and safety

NZVIF is committed to being a zero harm employer. Regular observations will be undertaken to identify hazards and unsafe workplace practices and any training required will be provided as appropriate. Any serious event will be notified to the CEO and Board Chair immediately.

- Our office environment and equipment are safe and well maintained.

### Measures

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

# Directory

## Directors

**Murray Gribben**, Chairman

**Anne Blackburn**  
(reappointed as Deputy Chairman 1 July 2015)

**Roger Bridge**  
(reappointed as Director on 1 July 2015)

**Richard Hughes**  
(reappointed as Director on 1 July 2015)

**David Flacks**  
(appointed as Director on 1 August 2015)

**Calvin Smith**  
(term ended on 30 June 2015)

## Management

**Franceska Banga**, Chief Executive

## Registered Office

Unit 1B, Ascot Office Park

93-95 Ascot Avenue

Greenlane

Auckland

## Contact Details

PO Box 74211

Greenlane

Auckland 1546

Telephone: 09 951 0170

www.nzvif.co.nz

## Auditor

Audit New Zealand

Level 6

280 Queen Street

Auckland

On behalf of the Auditor-General

## Banker

Westpac Banking Corporation

318 Lambton Quay

Wellington

## Solicitor

Simpson Grierson Limited

88 Shortland Street

Auckland

---

**New Zealand Venture  
Investment Fund Limited**

PO Box 74211, Greenlane,  
Auckland 1546

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



---

New Zealand  
**Venture  
Investment  
Fund**