



New Zealand  
**Venture  
Investment  
Fund**

# Start-up capital for New Zealand technology companies



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## Case Study

# Kiwi technology targets food wastage



**Auckland company Ripetime has developed a system for tracking fruit quality as it is moved through the supply chain.**

It hopes it will revolutionise quality control of the global fruit supply chain.

Founded by serial entrepreneur Jon Lowy, Ripetime's sensor technology detects volatile gasses which cause rotten fruit and vegetables. The patented technology could help reduce significant food wastage across the globe. The company says its system can test at a very high sensitivity, which is faster and at lower cost than other technologies.

Ripetime's investors include GD1 Fund, Sparkbox and NZVIF.



# Highlights

## GOOD COMPANY REVENUE GROWTH

# 30%

Aggregate revenues across the Venture Capital portfolio grew by over 30% in the past year to reach almost \$900 million.

## VERY STRONG ANGEL INVESTMENT ACTIVITY

\$64.5 million invested by angel funds with NZVIF's Seed Fund investing:

# \$6.9m

alongside its angel partners

## 1x NEW LISTED COMPANY

The successful listing of Adherium on the ASX took the number of listed companies in the portfolio to eight.



## HEALTHY VC INVESTMENT ACTIVITY

NZVIF-backed funds invested \$64.3 million (NZVIF's share was \$13.6 million).

# \$64.3m

## NEW ANGEL GROUPS EMERGING

in Taranaki and Canterbury. SCIF renewed its investment partnership with Wellington's Angel HQ.

## TWO VC FUNDS RAISING CAPITAL

The Global from Day One Fund II raised

# \$38m

\$5 million more than its first close target

Movac 4 on target for first close of between

# \$70-100m

# Chairman and CEO report

**Murray Gribben** — *Chairman*



**Richard Dellabarca** — *Chief Executive*

**The 2015/16 financial year was a busy and productive year for NZVIF. A number of new funds were established, investment partnerships renewed, and the level of early-stage investment was at very healthy levels. The general buoyancy in the sector was reflected in rising valuations for many early-stage companies. This was seen in the value of NZVIF's portfolio (including new investment and the impact of the buyout clause)<sup>1</sup> which rose from \$125.5 million at the beginning of the year to over \$154 million at the year's end.**

**T**he venture capital sector saw good levels of activity. NZVIF-backed venture capital funds invested \$64.3 million (of which NZVIF's share was \$13.6 million). Alongside that, NZVIF was involved in the establishment of two new Venture Capital (VC) funds. This should see investment levels maintained over the next few years.

A commitment, alongside cornerstone investors New Zealand Super Fund and Ngai Tahu, was made to Wellington fund manager Movac for its new growth capital fund. The fund aims to raise between \$70 million and \$100 million at final close. It will be a sizable fund in the New Zealand (NZ) market – and is focusing on later stage companies and those that are raising growth capital in the post seed and angel investment stages.

The second fund to be established was the Global from Day One Fund II, which achieved a first close of \$38 million – \$5 million more than its target. NZVIF committed up to \$11 million (it is a US dollar fund so the precise amount is subject to currency fluctuations) alongside its Taiwan counterpart, the National Development Fund (NDF). The remainder has been raised from foundation investor Sparkbox Investments, the Fund's management team and private investors in New Zealand, Taiwan, Australia, Singapore, Hong Kong, and the United States (US). It will target early-stage software companies here and in Taiwan at the Pre Series A and Series A stages.

<sup>1</sup> NZVIF's buy-out clause allows the private investors in a VC fund the option to exercise a buy-out of NZVIF's share in the fund in the first five years of the fund life, at a price which returns NZVIF its capital invested plus a rate of return on that capital equal to the yield on the five year Government bond rate. This clause was a deliberate policy design to help attract private investors to invest into high risk venture capital investment opportunities, in line with NZVIF's core role of stimulating market activity. Last July, the Government removed the requirement for the buy-out clause to be a feature of any new VC funds.

VC FUND INVESTMENT TO 30 JUNE 2016

**\$13.6** Million.

SCIF INVESTMENT TO 30 JUNE 2016

**\$6.9** Million.

The GRC SinoGreen Fund, which was established last year, achieved a final close of US\$110 million and has begun investing. Its first NZ investment was into Avertana, the bio-tech company which converts industrial waste into usable compounds and whose founders were previously involved with Lanzatech. It has made a number of investments in Taiwan, having been established under the auspices of the NZ-Taiwan Co-Fund.

NZVIF's Seed Co-investment Fund (SCIF) renewed its investment partnership with Angel HQ. Through the initial investment partnership, SCIF co-invested \$4 million which was matched with \$15 million of private investment by Angel HQ and private investors.

**The level of early-stage investment was at very healthy levels.**

Young Company Finance Index record investment of \$64.5 million in the year to 30 June. This was up 28% on the same period in the previous year. Alongside the angel fund investment, there was \$15 million of crowd-funding investment. NZVIF and the angel sector are looking at how to combine with equity crowd-funding platforms to deepen the early-stage capital market.

The healthy investment levels were matched by good progress by a number of companies, in particular Magic Memories, Aroa, Wherescape and Stretchsense. The successful listing of Adherium on the ASX took the number of listed companies in the portfolio to eight. Formerly known as Nexus6, Adherium has been a very successful investment. The VC fund had a small amount invested which was realised at its listing. A larger SCIF investment has a 12 month lock-in restriction.

The renewal means SCIF has committed to co-invest another \$4 million alongside Angel HQ and private investors.

The continuing momentum in the angel fund sector saw NZVIF's

In terms of market development, NZVIF was heavily involved in the Asian Business Angel Forum (ABAF) conference in Queenstown which saw around 190 angel investors from around the Asia-Pacific attending. We partnered with the Angel Association to bring two highly respected angel investors – Scotland's Nelson Gray and US Bill Payne – to NZ for a series of angel investor education workshops throughout the country last October. NZVIF also attended the launch in Beijing (paid for by the organisers) of Angels Without Borders, an academic work looking at trends and policies shaping the development of angel sectors across a range of countries, including NZ.

The year was also notable for the transition of chief executives. Long-time CEO Francesca Banga, who led the company from its inception, stepped down in April to concentrate on directorships and consulting. She was succeeded by Richard Dellabarca, who joined NZVIF in late May having recently returned from a career in investment banking and managing technology companies from his base in London.

The Board thanks Francesca for her significant contribution to NZVIF and the development of NZ's early-stage capital markets. She oversaw 25 partnerships with venture capital and angel funds. This helped over 200 companies to raise around \$1.9 billion of capital from investors. NZVIF's contribution of around \$160 million to these companies means that for every dollar invested by NZVIF, other investors put in \$11. These achievements were recently recognised in the Queen's Birthday Honours with her receiving an ONZM for her services to business and the venture capital sector.

NZVIF has been doing a lot of work with regard to options around its path forward, reflecting NZVIF's development and that which has occurred in the sector over the last 15 years. Our work on NZVIF's future role and structure is feeding into the review being undertaken by our Ministers and their officials. We expect that decisions on the preferred option will be made in the coming months.

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



**Richard Dellabarca**  
Chief Executive

# Board of directors

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



**Murray Gribben** — *Chairman\**

Murray Gribben's professional background is in corporate finance and investment management. He has broad knowledge of, and experience in, both the public and private investment markets. He has been involved in bringing businesses to the public markets, public to private acquisitions, large capital raising processes and investing in private equity, infrastructure and property assets. His earlier career was spent in investment banking and at the New Zealand Treasury. He is currently chief executive of Crown Irrigation Investments Limited and was previously executive director at Willis Bond & Co, a property development and investment business. Prior to that Murray was Managing Director at AMP Capital Investors. Murray holds several governance positions. *\*Reappointed as Chairman on 1 July 2016*



**Anna Blackburn** — *Deputy Chairman*

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



**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. Roger chairs the Rata Foundation with net assets of \$580 million. He is Deputy Chair of Quotable Value. He is a member of the New Zealand Institute of Directors. He has an involvement in the community, being a trustee of Re:Start The Heart Trust which established and administers the Container Mall in the Christchurch CBD. Roger is also a trustee of the Christchurch Arts Festival Trust a member of the Christchurch Cathedral Working Party, and a Trustee of the Te Papa Foundation.



**Richard Hughes** — *Director*

Richard Hughes has spent much of his career in the private equity industry. He has lived and worked in the UK, China, Australia and New Zealand and has also been responsible for the oversight of emerging market 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.



**David Flacks** — *Director\**

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 Harmoney, the peer-to-peer lending platform. Previously he was a partner of Bell Gully and senior executive at Carter Holt Harvey. *\*Appointed 1 August 2015*



## Venture capital fund

### The 2015/16 financial year saw investment activity by NZVIF-backed funds of \$64.3 million (of which NZVIF's share was \$13.6 million).

Two venture capital funds have been actively investing – Pioneer Capital Partners Fund II and GRC SinoGreen – while a further two fund managers were actively fundraising.

The Global from Day One Fund II raised \$38 million – \$5 million more than its first close target. We are a cornerstone investor in the fund, committing around \$11 million (US\$7.5m), alongside our Taiwan counterpart, the National Development Fund. The remainder has been raised from the Fund's management team and private investors in New Zealand, Taiwan, Australia, Singapore, Hong Kong, and the US.

Meanwhile Movac Fund 4, to which we have made a commitment, made very good progress towards its first close target of \$70 million.

Of the 66 companies in the Venture Capital Fund, there are seven listed companies, five companies earning annual revenue of over \$50 million, and a further 10 companies earning between \$10 million and \$50 million. Aggregate revenues across the portfolio grew by over 30 percent in the past year to reach almost \$900 million.



## Seed co-investment fund

### Angel investment activity over the past 12 months has been one of the strongest on record, with \$64.5 million invested in the year to 30 June 2016.

Over the year, SCIF invested \$6.85 million alongside its angel partners. The fund has now invested \$45.2 million into 150 companies since establishment in 2007. Alongside that, our partners have invested \$86.4 million into those companies, and a further \$167 million has been invested by other investors. For every \$1 invested by the Seed Fund, private investors have invested \$5.60.

The level of investment activity in NZ on a per capita basis is at a healthy rate by international standards, although well below the US. The formation of new groups and ongoing support to existing groups is assisting the continued development of the angel investment eco-system.

NZVIF renewed its SCIF partnership with Wellington-based group Angel HQ. No new SCIF angel network partnerships were formed over the past year, however, discussions are ongoing with two new prospective partners and for another partnership renewal.

The SCIF's portfolio saw its first company list in late 2015 on the ASX with Adherium, a personal medication monitoring system. It had received investment from ICE Angels and Cure Kids alongside SCIF. The Venture Capital Fund also had a small holding.

The year saw considerable work put into market development, including providing advice to potential new angel groups in the regions like Taranaki and Canterbury. The focus for the coming year will remain on continued investment alongside our partners, and supporting the newly established partners. There is continuing high demand for SCIF investment, as part of the growth in angel activity being seen across the country.

# Timeline

▼ YEAR							
02	03	04	05	06	07	08	09
<p>\$100m: Crown commitment to VC</p> <p><b>▼ LEVELS OF PRIVATE CAPITAL</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		
<p><b>▼ INCREASED # OF INVESTORS</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 First SCIF Partner established	5 <sup>th</sup> SCIF Partner established	9 <sup>th</sup> SCIF Partner established	11 <sup>th</sup> SCIF Partner established
<p><b>▼ INVESTMENT ENVIRONMENT</b></p>							
NZVCA established	VC Fund investment template developed by NZVIF NZVCA Monitor established		Young Company Finance Index established VC capital tax exemption legislation enacted	Standardised investment agreements adopted by the angel industry	Limited Partnership legislation enacted	AANZ established Private equity investment performance data published by NZVIF	NZVCA adopt Code of Conduct Changes to overseas investment rules
<p><b>▼ HIGH GROWTH COMPANIES</b></p>							
			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

	10	11	12	13	14	15	16
	\$40m: Crown underwrite for VC			\$60m: Crown underwrite for VC			
	Angels invest over \$50m	Total of \$400m private capital invested		Establishment of Taiwan NDF Co-Fund	NZVIF/Taiwan NDF Co-Fund VC Fund approved for investment  Record annual investment by angels of \$53m	New Angel investment record with \$55.9m invested	Exceeded previous Angel investment record with \$64.5m invested  \$7.1m invested through the NZVIF/ NDF Co-Fund
	12 <sup>th</sup> SCIF Partner established	16 active angel networks or funds in the industry	8 <sup>th</sup> NZVIF VC Fund established 14 <sup>th</sup> SCIF Partner established 2 SCIF partnerships renewed	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	10 <sup>th</sup> VC Fund established 1 SCIF partnership renewed
	Power of Angel investing seminars  Private equity investment performance data updated and published by NZVIF	Valuation of early-stage investment data presented by NZVIF	Early exits and valuations and market validation seminars  IPEV international best practise reporting guidelines adopted  Institutional investment in VC and private equity report published  Private equity investment performance data presented	Provided independent summary report (Fidato) on Institutional investments in VC and private equity in NZ and barriers to participation		First annual performance report for the industry produced	2nd Annual investment report published  Assisted with Asian Business Angel Forum Conference  Conducted exit strategy and capital recycling workshops
		100 companies invested into by NZVIF  \$300m invested alongside NZVIF into high tech companies			100 SCIF company milestone	190 companies invested into by NZVIF 7 listed companies	216 companies invested into by NZVIF

# Understanding global content demand



**Parrot Analytics has built a business on measuring and predicting viewer demand.**

The company, which has offices in Los Angeles and Auckland, analyses petabytes of content-demand data from consumers in 249 countries to create a platform for gauging and predicting the popularity of TV and film content to provide insights into demand and predict future content performance. Its research and development based in Auckland.

It was founded in 2011 by Wared Seger, who studied neuroscience alongside later studies in IP and commercialisation. In 2013 the company raised over \$1 million in a seed investment round, which was one of the biggest amounts raised by any pre-revenue company in New Zealand. Among its shareholders are Ice Angels, NZVIF, Stephen Tindall's K1W1, Angel HQ and a range of other private investors.



# Making people smile



**Queenstown-based Magic Memories provides a photography and video service at visitor attraction venues worldwide.**

It was launched in New Zealand in 1995, founded by John Wikstrom and Stuart Norris. It now has around 2000 employees across the United States, United Kingdom, Europe, China, United Arab Emirates, Australia and New Zealand, and is one of New Zealand's fastest growing companies.

Magic Memories recently acquired SharpShooter Imaging in the United States. It now leads the industry as the largest provider of content and photography solutions for the attractions industry with 185 sites worldwide at major visitor venues.

Pioneer Capital is an investor in the company.



# Corporate governance statement

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**NZVIF was incorporated on 1 July 2002 under the New Zealand Companies Act 1993. A Crown Company, the company's principle activity is managing two early-stage investment programmes on behalf of the 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. Murray Gribben was reappointed as Chairman on 1 July 2016 for a 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 2016

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

The Board and management of NZVIF accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting. In the opinion of the management and Board of NZVIF the annual financial statements and statement of service performance for the year ended 30 June 2016 fairly reflect the financial position and operations as at 30 June 2016 of the NZVIF Group.



**Murray Gribben**  
Chairman, 18 October 2016



**Anne Blackburn**  
Deputy Chairman, 18 October 2016



**Richard Dellabarca**  
Chief Executive, 18 October 2016

# Independent Auditor's Report

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## To the readers of New Zealand Venture Investment Fund Limited group's financial statements and performance information for the year ended 30 June 2016.

The Auditor-General is the auditor of the New Zealand Venture Investment Fund Limited group (the group). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the group consisting of New Zealand Venture Investment Fund Limited and its subsidiary, on her behalf.

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

We have audited:

- the financial statements of the group on pages 17 to 40, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the group on pages 14 to 16.

In our opinion:

- the financial statements of the group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; 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 Reduced Disclosure Regime; and
- the performance information:
  - presents fairly, in all material respects, the group's performance for the year ended 30 June 2016, 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 18 October 2016. 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

Without modifying our opinion, we draw your attention to notes 13, 14 and 20(c) of the financial statements that explain how the fair value of venture capital investments has been determined and the uncertainties in measuring that fair value. Although the fair value of unlisted venture capital investments is based on the best information available, there is a high degree of uncertainty about that value due to the early stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the group's statement of comprehensive revenue and expense and statement of financial position.

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

### Basis of 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 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 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 New Venture Investment Fund Limited'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 Reduced Disclosure Regime;
- present fairly the group's financial position, financial performance and cash flows; and
- present fairly the 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 group.



**David Walker**

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

# Statement of service performance for the year ended 30 June 2016

**NZVIF has two separate investment appropriations:**

1. The Venture Investment Fund (VIF) which is \$128 million. The purpose of the VIF capital appropriation is to invest with privately managed venture capital funds in order to catalyse the New Zealand (NZ) venture capital market; and
2. The Seed Co-investment Fund (SCIF) which is \$52 million. 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 2015/16	Actual drawn from Crown 2015/16	Reason for variance
VIF - This category is intended to achieve the provision of funds to be co-invested with the private sector to address the capital market gap by providing new risk capital to emerging high growth NZ companies.	\$128m	\$11.21m	\$10.0m	Capital is called as required for investment. Proceeds received from distributions are reinvested before calling new capital from the Crown. A total of \$13.6m was invested into VC fund managers through the VIF during 2015/16.
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	\$8.41m	\$6.55m	Capital is called as required for investment. A total of \$6.9m was invested into companies through the SCIF during 2015/16.

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

**OUTPUT ONE: ATTRACT CAPITAL - CATALYSE NEW SOURCES OF INVESTMENT CAPITAL**

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

Quantity Measures	Actual 12/13	Actual 13/14	Actual 14/15	Actual 15/16	Forecast 15/16	Comment
NZVIF mandate changes implemented	1	0	0	1	1	<b>Target met.</b> A revised capital structure was implemented to enable flexibility across VC and SCIF investment.
Investment products developed - Angel and VC	0	0	0	0	1	<b>Target not met.</b> Work on developing new investment products was put on hold pending the strategic review of NZVIF.

**Quality Measure**

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

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

- Movac are in the process of capital raising and have received a conditional commitment of \$5 million from NZVIF.

- For the year ending 30 June 2016, a record \$64.5 million was invested into companies by Angel investors.
- NZVIF continues to invest through the Co-fund established with Taiwan’s NDF and has invested \$7.1 million during the year.

**OUTPUT TWO: ESTABLISH PARTNERSHIPS – SELECT, CONTRACT AND DEVELOP INVESTMENT GRADE FUND MANAGERS AND INVESTMENT PARTNERS**

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

Quantity Measures	Actual 12/13	Actual 13/14	Actual 14/15	Actual 15/16	Forecast 15/16	Comment
Number of due diligence completed - Angel and VC	1	3	2	6	6	<b>Target met.</b> During 2015/16 NZVIF completed due diligence on three venture capital fund managers. NZVIF also undertook due diligence on one new SCIF partner, as well as completing due diligence with two existing Seed Fund partners.
New VC funds contracted	1	0	1	1	2	<b>Target not met.</b> One VC fund was contracted during the year with another venture capital fund manager under negotiation in August 2016.
New angel partnerships established	0	1	1	1	1	<b>Target met.</b> One new SCIF partnership was entered into with an existing partner 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 2015/16 NZVIF completed due diligence on three VC funds and made a \$12 million unconditional commitment

to one fund. NZVIF also made a \$5 million conditional commitment to another VC fund which is currently fund raising with private investors.

- During the year one new SCIF partnership was entered into with an existing partner which had full support of private investors. The remaining two partnerships will be executed in the first quarter of 2016/2017.

**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 12/13	Actual 13/14	Actual 14/15	Actual 15/16	Forecast 15/16	Comment
Industry development initiatives undertaken in conjunction with New Zealand Private Equity and Venture Capital Association (NZVCA) and Angel Association New Zealand (AANZ).	4	2	2	8	3	<b>Target met.</b> NZVIF sponsored two overseas visitors that were supported by the industry: <ul style="list-style-type: none"> <li>Prominent UK angel investor and educator Nelson Gray; and</li> <li>Prominent US angel investor Bill Payne.</li> </ul> NZVIF also provided support to the industry by: <ul style="list-style-type: none"> <li>Supporting the ABAF conference held in Queenstown on 15-16 October 2015.</li> <li>Conducting exit strategy workshops nationwide, with the SCIF Investment Director presenting at all the workshops.</li> <li>Assisting with a networking event run by the newly formed New Plymouth based angel network, Venture Taranaki.</li> <li>Holding a Capital Recycling workshop with a number of the network managers from around the country, with the SCIF Investment Director presenting at the workshop.</li> <li>Co-ordination of the collection of investment data as part of the Compass Start-Up Genome benchmarking study for 2016.</li> <li>Publishing the second Annual Investment Report for the industry.</li> </ul>
Advice provided to Government to assist market development.	2	1	1	1	1	<b>Target met.</b> NZVIF commissioned a report to be prepared by an external strategic advisor to provide advice on the future role of NZVIF and the Crown's ownership options. This report was presented to Ministers in December 2015.

## Quality Measure

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

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

- Sponsorship of two international visitors as part of its Entrepreneur in Residence programme in 2015. Bill Payne and Nelson Gray were in NZ over October and November, and spoke at a number of events around the country, including Queenstown, Wanaka, Dunedin, Christchurch, Nelson, Wellington, New Plymouth, Tauranga, Hamilton and Auckland. These events involved investors, business leaders, angels, entrepreneurs and government agencies. The visitors met or presented to over 1000 people from the NZ ecosystem. Attendees rated the value of the sessions very highly, with the visit catalysing the beginning of the formation of a new angel group out of New Plymouth.
- Assisting with the development of the content and co-ordination of the ABAF conference which attracted 197 attendees, including international visitors from 11 countries.
- Steering exit strategy workshops in Auckland, Tauranga and Wellington with the SCIF Investment Director presenting to over 50 people in these locations.
- Assisting with a networking event run by the newly formed angel network, Venture Taranaki, which was attended by 20 people, and provided an overview of the early-stage ecosystem in NZ and the steps the group could take to become an active investor network within that ecosystem.
- Conducting, in association with the AANZ, a Capital Recycling workshop. NZVIF's SCIF Investment Director, presented at the workshop which was attended by 25 people representing 11 New Zealand angel groups. Presentations were also given from subject matter experts from KPMG, Simpson Grierson, AJ Park and Lowndes Associates.
- Supporting the collection of data from the SCIF portfolio of companies as part of the Compass Start-up Ecosystem report which measures and benchmarks New Zealand against around 50 other start-up ecosystems from around the world.
- Collation and presentation of the second Annual Investment report for the industry.

## OUTPUT FOUR: MAKE AND MANAGE INVESTMENTS - CO-INVEST INTO ELIGIBLE INDUSTRIES AND STAGES

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

Quantity Measures	Actual 12/13	Actual 13/14	Actual 14/15	Actual 15/16	Forecast 15/16	Comment
Number of new companies receiving investment	20	26	20	26	29	<b>Target not met.</b> NZVIF has continued to invest during the year and made investments into 26 (Seed: 17, VC: 9) new companies.
Total number of investments in companies	51	72	78	73	60	<b>Target met.</b> NZVIF has made investments into 73 (Seed: 55, VC: 18) 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 2016

	Note	2016 Actual	Group 2016 Budget	2015 Actual
Revenue	2	2,959,251	2,974,211	3,086,150
<b>Expenses</b>				
Administration expenses	3	(2,923,039)	(2,803,476)	(2,840,630)
Fund management fees and costs paid to VC fund managers	3	(2,731,288)	(2,601,525)	(2,466,695)
Total expenses		(5,654,327)	(5,405,001)	(5,307,325)
<b>Net operating revenue/(expense)</b>		(2,695,075)	(2,430,790)	(2,221,176)
Realised gain/(loss) on sale of fixed assets	3	(8,646)	-	(1,692)
Net gain/(loss) in the value of investments	3	10,050,690	-	2,617,255
Net gain/(loss) on foreign currency	3	(42,712)	-	1,283,364
Surplus/(deficit) before taxation		7,304,257	(2,430,790)	1,677,751
Income tax expense	4	-	-	-
<b>Other comprehensive revenue</b>		-	-	-
<b>Total comprehensive revenue/(expense)</b>		\$7,304,257	(2,430,790)	\$1,677,751

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

## Statement of changes in equity

### For the year ended 30 June 2016

	Note	2016 Actual	Group 2016 Budget	2015 Actual
Equity/(Shareholders' deficit) at the beginning of the year		135,847,236	139,083,117	123,194,485
Surplus/(deficit) before taxation		7,304,257	(2,430,790)	1,677,751
Other comprehensive revenue/expense		-	-	-
Increase in share capital	8	16,550,000	5,592,690	10,975,000
Equity/(Shareholders' deficit) at the end of the year	8	\$159,701,493	\$142,245,017	\$135,847,236

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

# Statement of financial position

## As at 30 June 2016

	Note	2016 Actual	Group 2016 Budget	2015 Actual
<b>Equity</b>				
Share capital	8	156,877,801	142,420,592	140,327,801
Retained earnings/(Accumulated deficit)		2,823,692	(175,575)	(4,480,565)
<b>Total equity</b>		<b>\$159,701,493</b>	<b>\$142,245,017</b>	<b>\$135,847,236</b>
Represented by:				
<b>Current assets</b>				
Cash and cash equivalents		5,725,170	3,752,243	10,273,004
Trade and other receivables	9	97,928	42,434	87,310
GST refundable		-	-	-
Income tax refundable	5	6,368	-	114,299
		5,829,466	3,794,677	10,474,613
<b>Non-current assets</b>				
Property, plant and equipment	10	83,005	157,255	84,403
Intangible assets	11	63,408	120,797	157,663
Investments through NZVIF Venture Capital Fund	13	102,261,586	104,060,847	92,375,590
Investments through NZVIF Seed Co-investment Fund	14	51,745,864	34,613,619	33,124,204
Deferred tax asset	7	-	-	-
		154,153,863	138,952,518	125,741,860
<b>Total assets</b>		<b>159,983,328</b>	<b>142,747,195</b>	<b>136,216,473</b>
<b>Current liabilities</b>				
Trade and other payables	16	200,682	502,178	245,018
Employee entitlements	18	81,153	-	124,217
<b>Total liabilities</b>		<b>281,835</b>	<b>502,178</b>	<b>369,235</b>
<b>Net assets</b>		<b>\$159,701,493</b>	<b>\$142,245,017</b>	<b>\$135,847,236</b>

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

**MURRAY GRIBBEN,**  
CHAIRMAN — 18 OCTOBER 2016



**ANNE BLACKBURN,**  
DEPUTY CHAIRMAN — 18 OCTOBER 2016



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

# Statement of cash flows

## For the year ended 30 June 2016

	2016 Actual	Group 2016 Budget	2015 Actual
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Revenue from the Crown	2,800,000	2,800,000	2,330,000
Interest	141,251	174,212	572,790
Other income	18,000	-	183,360
Income tax refunded	107,931	-	-
	3,067,182	2,974,212	3,086,149
Cash was applied to:			
Payments to suppliers	(4,196,242)	(4,391,258)	(3,815,322)
Payments to employees	(1,453,065)	(1,253,967)	(1,325,295)
Net goods and services tax	17,329	-	15,498
Income tax paid	-	-	(94,084)
	(5,631,979)	(5,645,225)	(5,219,203)
<b>Net cash flows from operating activities</b>	<b>(2,564,797)</b>	<b>(2,671,013)</b>	<b>(2,133,053)</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Sale of investments through NZVIF Venture Capital Fund	1,651,905	10,000,000	4,661,826
Sale of investments through NZVIF Seed Co-investment Fund	351,830	-	461,746
Revaluation of foreign currency	(42,712)	-	1,283,364
	1,961,023	10,000,000	6,406,937
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	(33,356)	(63,088)	(251,824)
Purchase of investments through NZVIF Venture Capital Fund	(13,587,449)	(13,000,000)	(7,733,235)
Purchase of investments through NZVIF Seed Co-investment Fund	(6,873,253)	(6,000,000)	(7,468,409)
	(20,494,058)	(19,063,088)	(15,453,469)
<b>Net cash flows from investing activities</b>	<b>(18,533,035)</b>	<b>(9,063,088)</b>	<b>(9,046,532)</b>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Increase in share capital	16,550,000	5,592,690	10,975,000
<b>Net cash flows from financing activities</b>	<b>16,550,000</b>	<b>5,592,690</b>	<b>10,975,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,547,832)</b>	<b>(6,141,411)</b>	<b>(204,585)</b>
Cash and cash equivalents at the beginning of the year	10,273,004	9,893,654	10,477,591
<b>Cash and cash equivalents at the end of the year</b>	<b>\$5,725,170</b>	<b>\$3,752,243</b>	<b>\$10,273,004</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 2016

	Group 2016 Actual	Group 2015 Actual
<b>Total comprehensive income/(expenses) for the year</b>	7,304,257	1,677,751
<i>Add/(less) non-cash items:</i>		
Depreciation and amortisation	120,364	114,110
Loss on sale of property, plant and equipment	8,646	1,692
<b>Total non-cash items</b>	129,010	115,803
<i>Add/(less) movements in working capital items:</i>		
Receivables and prepayments	(10,618)	86,296
Other current assets	107,931	(94,084)
Payables and accruals	(104,729)	(33,701)
Other current liabilities	17,329	15,498
Subvention receivable	-	-
<b>Net movement in working capital items</b>	9,912	(25,990)
<i>Add/(less) items classified as investing activity:</i>		
Net gain in value of investments and currency	(10,007,978)	(3,900,619)
<b>Net cash flows from operating activities</b>	<b>(\$2,564,797)</b>	<b>(\$2,133,053)</b>

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

# Notes to the financial statements for the year ended 30 June 2016

## For the year ended 30 June 2016

### 1. Summary of significant accounting policies

#### Reporting entity

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

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

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

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

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

The financial statements of the group are for the year ended 30 June 2016, and were approved by the Board on 18 October 2016. The entity's owners do not have the power to amend these financial statements once issued.

#### Basis of preparation

##### Statement of compliance

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

The financial statements have been prepared in accordance with the requirements of the PBE accounting standards and in accordance with Tier 2 PBE accounting standards.

##### Measurement base

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

##### Presentation currency

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

#### Changes in accounting policies

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

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

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

#### Significant accounting policies

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

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

##### (a) Budget figures

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

The budget figures for equity investments through NZVIF Venture Capital Funds are included in the parent's budget for the year ended 30 June 2016 and are based on the mid point of the forecast range contained in the NZVIF Statement of Performance Expectations 2015/2016.

##### (b) Basis of consolidation

As at 30 June 2016, NZVIF holds one investment subsidiary - NZVIF Investments Limited. This investment subsidiary is an entity in which the

company has the capacity to determine the financing and operating policies and from which it has an entitlement to significant ownership benefits.

The consolidated financial statements (group financial statements) include the parent company and its investment subsidiary accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation.

**(c) Goods and services tax**

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

**(d) Taxation**

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

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

**(e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, other short-term, highly liquid investments, with original maturities of three months or less and bank overdrafts. At year end, NZVIF held \$1.9 million for Seed Fund investments and \$3.7 million for VC Fund investments. NZVIF is restricted to using cash as appropriated to each fund and cannot use it for any other purpose. This cash is held separately to operational funding provided by the Crown.

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

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

**(g) Leased assets**

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

**(h) Foreign currencies**

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

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

New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Revenue and Expense.

**(i) Statement of cashflows**

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

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

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

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

**(k) Segment information**

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

## 2. Revenue

### Revenue is recognised as follows:

#### *Revenue from the Crown - non-exchange revenue*

Revenue is recognised to the extent that the economic benefits will flow to NZVIF and the revenue can be reliably measured. Revenue shown in the Statement of Comprehensive Revenue 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 is recognised when the right to receive payment is established.

	Group 2016	Group 2015
<b>Non-exchange revenue</b>		
Revenue from the Crown	2,800,000	2,330,000
Total non-exchange revenue	\$2,800,000	\$2,330,000
<b>Exchange revenue</b>		
Interest	141,251	202,470
Dividends	-	370,319
Other	18,000	183,360
Subvention receipt (Note 15)	-	-
Total exchange revenue	\$159,251	\$756,150
<b>Total revenue</b>	<b>\$2,959,251</b>	<b>\$3,086,150</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 (2015: Nil).

### 3. Expenses

	Group 2016	Group 2015
Amortisation (Note 11)	94,747	91,536
Audit fees - fees to Audit New Zealand for audit of financial statements	90,549	120,590
Audit fees refunded by Audit New Zealand for 2014/15 audit	(36,545)	-
Depreciation (Note 10)	23,363	22,678
Directors' fees (Note 23)	135,666	137,500
Employee benefits (Note 17)	1,453,065	1,325,295
Fund management fees	2,731,288	2,466,695
Operating lease costs	104,296	104,871
Other administrative expenses	1,057,897	1,038,160
<b>Total expenses</b>	<b>\$5,654,327</b>	<b>\$5,307,325</b>
Loss on sale of fixed assets	(8,646)	(1,692)
Net gain/(loss) in the value of investments	10,050,690	2,617,255
Gain/(loss) on currency	(42,712)	1,283,364

### 4. Income tax expense

	Group 2016	Group 2015
Net surplus/(deficit) before taxation	7,304,257	1,677,751
Prima facie income tax at 28%	2,045,192	469,770
<i>Add/(less)</i>		
Temporary and permanent differences	(2,831,535)	(1,092,319)
Tax loss not recognised	786,343	622,549
<b>Income tax expense</b>	<b>\$ -</b>	<b>\$ -</b>

### 5. Current tax assets and liabilities

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

The Group's current tax asset of \$6,368 (2015: \$114,299) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

## 6. Imputation credit account

	Group 2016	Group 2015
Opening balance at 1 July	124,445	30,357
Income tax paid/(refunded) during the year	(114,299)	(20,211)
Resident withholding tax on interest received	6,368	114,299
Imputation credits attached to dividends received	-	-
<b>Closing balance at 30 June</b>	<b>\$16,514</b>	<b>\$124,445</b>

## 7. Deferred tax

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

### *Unrecognised deferred tax assets and liabilities*

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

	Group 2016	Group 2015
Deductible temporary differences	149,702	211,637
Tax losses	21,908,810	19,100,700
<b>Total</b>	<b>\$22,058,512</b>	<b>\$19,312,337</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 2016	Group 2015
<b>Share capital</b>		
Balance at the beginning of the year	140,327,801	29,352,801
Issued capital	16,550,000	10,975,000
Ordinary share capital at end of year	156,877,801	140,327,801
<b>Retained earnings/(Accumulated deficit)</b>		
Balance at the beginning of the year	(4,480,564)	(6,158,315)
Net operating revenue/(expense)	(2,695,075)	(2,221,176)
Net gain/loss in the value of investments and currency	9,999,332	3,898,927
Balance at end of year	2,823,692	(4,480,564)
<b>Total equity</b>	<b>\$159,701,493</b>	<b>\$135,847,237</b>

The company has a total of 156,877,801 (2015: 140,327,801) 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.

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

The Share Capital of NZVIF increased in the following months:	Parent 2016	Parent 2015
July	-	-
August	-	1,440,000
September	1,500,000	5,000,000
October	-	-
November	-	1,035,000
December	8,300,000	-
January	-	-
February	-	2,000,000
March	-	-
April	5,000,000	-
May	-	1,500,000
June	1,750,000	-
<b>Total</b>	<b>\$16,550,000</b>	<b>\$10,975,000</b>

## 9. Trade and other receivables

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

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

	Group 2016	Group 2015
Prepayments	51,253	86,087
Trade and other receivables	46,675	1,223
<b>Total</b>	<b>\$97,928</b>	<b>\$87,310</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

### Owned assets

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

### Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### Disposals

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

### Subsequent costs

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

### Depreciation

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

Computer equipment	<b>33% - 60%</b>
Office equipment	<b>11.4% - 60%</b>
Leasehold improvements	<b>9.6% - 48%</b>

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 2014	109,068	37,486	151,957	298,511
Additions	11,389	3,467	6,350	21,206
Disposals	(39,414)	(10,954)	-	(50,368)
<b>Balance at 30 June 2015</b>	81,043	29,999	158,307	269,348
<b>Balance at 1 July 2015</b>	81,043	29,999	158,307	269,348
Additions	3,050	14,325	13,833	31,208
Disposals	(3,936)	-	(19,512)	(23,448)
<b>Balance at 30 June 2016</b>	80,157	44,324	152,628	277,180

**Accumulated depreciation and impairment losses**

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>	65,902	24,367	94,676	184,945
Balance at 1 July 2015	65,902	24,367	94,676	184,945
Depreciation expense	8,902	5,799	8,641	23,363
Elimination on disposal	-	-	(14,205)	(14,205)
<b>Balance at 30 June 2016</b>	74,825	30,166	89,112	194,103
<b>Carrying amounts</b>				
At 1 July 2014	15,006	7,868	66,084	88,959
At 30 June and 1 July 2015	15,141	5,631	63,631	84,403
<b>Balance at 30 June 2016</b>	\$5,332	\$14,157	\$63,516	\$83,005

## 11. Intangible assets

### *Software acquisition*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

### *Software development*

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

### *Amortisation*

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

	Group 2016	Group 2015
<b>Acquired computer software</b>		
Balance at 1 July 2015	277,136	151,119
Additions	3,089	232,795
Disposals	(37,814)	(106,778)
Balance at 30 June 2016	242,411	277,136
<b>Less accumulated amortisation and impairment losses</b>		
Balance at 1 July 2015	120,176	135,617
Amortisation expense	94,044	90,658
Elimination on disposal	(35,217)	(106,099)
Balance at 30 June 2016	179,003	120,176
<b>Carrying amounts at year end</b>	<b>63,408</b>	<b>156,960</b>
<b>Trademark</b>		
Balance at 1 July 2015	8,779	8,779
Additions	-	-
Balance at 30 June 2016	8,779	8,779
<b>Less accumulated amortisation and impairment losses</b>		
Balance at 1 July 2015	8,076	7,198
Amortisation expense	703	878
Balance at 30 June 2016	8,779	8,076
<b>Carrying amounts at year end</b>	<b>-</b>	<b>703</b>
<b>Balance at 30 June 2016</b>	<b>\$63,408</b>	<b>\$157,663</b>

## 12. Investments in subsidiaries

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

Subsidiary	Principle activity	Interest held 2016	Interest held 2015
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 Venture Capital Funds

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

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

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

subsidiary. These investments are made through venture capital funds (NZVIF Venture Capital Funds), which are managed by private sector venture capital fund managers (NZVIF Venture Capital Fund Managers), who make the investment decisions. NZVIF is not responsible for and does not exercise significant influence over these individual investment portfolio investments.

The fair value of NZVIF Venture Capital Fund investments as at 30 June 2016 has been determined by NZVIF in accordance with IPEV guidelines.

The IPEV recommends that investors in private equity and venture capital funds should use the fund managers reported valuation as an input in determining the fair value of their interest in the fund's investments. The IPEV also recommends that investors have the appropriate processes and controls in place to monitor the fund manager and assess the data received. The NZVIF Venture Capital Fund Managers are contractually required to report to NZVIF on an on-going basis and NZVIF monitors the performance and valuation of the portfolio. The reported fair value of the investment by each fund manager has been used as an input for the fair value assessment performed by NZVIF.

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

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

Investment	Carrying value 2016	Interest held 2016	Carrying value 2015	Interest held 2015
Investments through NZVIF VC Funds in listed and unlisted companies	83,535,191	12.5% - 50%	71,094,057	12% - 50%
Accumulated revaluations and impairments	18,726,395		21,281,533	
	\$102,261,586		\$92,375,590	

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

The value of investments is the value of NZVIF Venture Capital Funds at balance date calculated in accordance with NZVIF's valuation policy. Contracts entered into by NZVIF include a 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 2016	Interest held 2016	Carrying value 2015	Interest held 2015
Value of NZVIF VC Funds before exercise of buyout option	132,594,247	12% - 50%	123,108,831	12% - 50%
Cost of NZVIF buyout option (if exercised)	(30,332,661)		(30,733,241)	
Carrying value of investments held in VC Funds	\$102,261,586		\$92,375,590	

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

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

As at 30 June 2016 the valuation of the Seed Co-investment Fund's investments is based on the price of the most recent investment made by external investors, unless there is evidence that the value of the investment should be adjusted as the performance of the investment

is significantly below the expectations on which the investment was based, leading to a diminution in value.

PBE standards make specific reference to investments held by venture capital organisations and that all investments must be recognised at fair value, except for those where control exists. Under PBE IPSAS 29 (AG 14), an investment by a venture capital organisation is considered to be a financial instrument. The appropriate standard dealing with investment in associates is not applicable and the financial instruments standard applies.

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

Investment	Carrying value 2016	Interest held 2016	Carrying value 2015	Interest held 2015
Investments through the NZVIF Seed Co-investment Fund in unlisted companies	43,063,322	0% - 33%	36,388,636	0% - 33%
Accumulated revaluations and impairments	8,682,542		(3,264,432)	
	\$51,745,864		\$33,124,204	

The NZVIF Seed Co-investment Fund has invested into 158 (2015:134) companies. As at 30 June 2016, 31 (2015:30) of these companies have been fully impaired.

## 15. Related parties

NZVIF accounts for related party loans at their cost less impairment, with impairment based on the underlying value of the subsidiary's venture capital investments, which will have been purchased through the loan funding. This treatment is permitted following the assessment that the loans are outside the scope of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The accounting treatment for the loans is in accordance with the cost method of an investment in a subsidiary under PBE IPSAS 6 *Consolidated and Separate Financial Statements*, which gives an entity the option of accounting for an investment in a subsidiary either at cost (less impairment) or under PBE IPSAS 29. Furthermore the terms of the loans are no interest with limited recourse of repayment. Accordingly the loans have characteristics similar to an equity instrument. A further consideration in carrying related party loans at cost (less impairment) is that their fair value cannot be reliably determined at initial recognition due to difficulties in forecasting the obligations to repay the loans and the timing of such repayments.

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

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

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

Advances made by the Parent are unsecured and are not subject to interest.

The Parent company is a wholly owned entity of the Crown. The Crown provides revenue to meet the fund management and market development operating costs of NZVIF. The Crown also subscribes for equity in the Parent company, which the Parent company advances to its subsidiary investment company in the form of limited recourse loans. The funds received from the Crown for these loans are converted into additional share capital (refer Note 8).

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

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

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

The NZVIF Parent and investment subsidiary hold a tax loss of \$21,869,241 (Parent) and \$21,908,810 (Group) for the year ended 30 June 2016 (2015:\$19,427,133 and \$19,100,700).

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 nil (2015:\$326,433). These transactions were eliminated on consolidation.

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

There were no other related party transactions during the year.

## 16. Trade and other payables

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

	Group 2016	Group 2015
GST payable	43,115	25,787
Accrued expenses	121,844	112,192
Trade payables	35,723	107,039
	\$200,682	\$245,018

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 2016	Group 2015
Salaries and wages	1,463,866	1,266,986
Employer contributions to defined contribution plans	32,264	49,469
Increase/(decrease) in employee entitlements (Note 18)	(43,064)	8,840
	\$1,453,065	\$1,325,295

## 18. Employee entitlements

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

	Group 2016	Group 2015
Accrued salaries and wages	22,000	49,480
Annual leave	59,153	74,737
Current	81,153	124,217
Non current	-	-
	\$81,153	\$124,217

## 19. Financial instruments

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

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

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

Regular purchases and sales of financial assets are accounted for at trade date i.e. the date the company commits itself to

purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

NZVIF classifies its NZVIF Venture Capital Funds and Seed Co-investment Fund investments under the category "financial assets at fair value through surplus or deficit" - designated as such upon initial recognition. This is because PBE IPSAS 29 (AG 14(a)) indicates that investments held by venture capital organisations whose business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or from changes in their value, should be designated at fair value through profit and loss. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through surplus or deficit" category are included in the Statement of Comprehensive Revenue & Expense in the period in which they arise.

### 19a. Categories of financial instruments

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

	Group 2016	Group 2015
<b>Financial assets designated at fair value through surplus or deficit upon initial recognition</b>		
Investments through NZVIF Venture Capital Funds (Note 13)	102,261,586	92,375,590
Investments through NZVIF Seed Co-investment Fund (Note 14)	51,745,864	33,124,204
<b>Total financial assets designated at fair value through surplus or deficit</b>	<b>\$154,007,450</b>	<b>\$125,499,794</b>
<b>Loans and receivables</b>		
Cash and cash equivalents	5,725,170	10,273,004
Trade and other receivables (excl. prepayments)	46,675	1,223
Related party loans	-	-
<b>Total loans and receivables</b>	<b>\$5,771,845</b>	<b>\$10,274,227</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	\$157,566	\$219,231

### 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>2016</b>				
<i>Financial assets designated at fair value through surplus or deficit upon initial recognition</i>				
Investments through NZVIF Venture Capital Funds	102,261,586	32,415,537	18,021,003	51,825,046
Investments through NZVIF Seed Co-investment Fund	51,745,864	-	-	51,745,864
<b>Total</b>	<b>\$154,007,450</b>	<b>\$32,415,537</b>	<b>\$18,021,003</b>	<b>\$103,570,910</b>
<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	45,320,476
Investments through NZVIF Seed Co-investment Fund	33,124,204	-	-	26,113,618
<b>Total</b>	<b>\$125,499,794</b>	<b>\$32,156,459</b>	<b>\$24,102,224</b>	<b>\$71,434,094</b>

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

	2016	2015
Beginning balance	69,241,111	71,434,094
Net gain/(loss) in the value of investments	10,050,690	2,617,255
Purchase of investments	20,460,702	15,201,647
Proceeds received from sale of investments	(2,003,735)	(5,123,573)
Transfer from/(to) quoted market price	(259,077)	(19,859,991)
Transfer from/(to) observable inputs	6,081,220	4,971,679
<b>Ending balance</b>	<b>\$103,570,910</b>	<b>\$69,241,111</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 2016	Group 2015
Cash and cash equivalents	5,725,170	10,273,004
Trade and other receivables	46,675	1,223
Related party loans	-	-
<b>Total</b>	<b>\$5,771,845</b>	<b>\$10,274,227</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>2016</b>			
Cash and cash equivalents	5,725,170	-	-
Trade and other receivables	46,675	-	-
Related party loans	-	-	-
<b>Total</b>	<b>\$5,771,845</b>	<b>-</b>	<b>-</b>
<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>

NZVIF did not have any credit facilities at balance date.

## 20c. Market risk

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

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

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

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

### Market price risk

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

Note 13 Investments through Venture Capital Funds explains how NZVIF determines the fair value of its venture capital fund investments.

Due to the early-stage nature of these investments, significant judgement must be exercised in determining the fair value of unlisted investments totalling \$121,591,913 (2015: \$93,343,335).

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

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

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

- The portfolio of underlying investments is extremely well diversified. NZVIF's investment consists of one investment (2015:1) subsidiary which has exposure to some 216

(2015:190) 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 2016 the largest investment in the portfolio makes up 7% (2015: 13%) of the total net investments of NZVIF.
- Due to the long term nature of these investments, and the fact that there are no open market values, the Board places more importance on the real progress of the underlying entities as forming the basis of short-term value.
- The valuations of each investment are based on the current value of the underlying companies which they hold. The fund managers' do not intend to sell these underlying companies until their potential has been realised and/or utilised. Historically, at any point in time, the values at which they are held by the fund manager and hence NZVIF, are generally lower than the eventual sale values.

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

### Currency risk

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

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

As at 30 June 2016, 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 +/- \$1,492,148 (2015:\$1,984,527).

**Interest rate risk**

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

**Sensitivity analysis**

For financial instruments held at balance date, NZVIF has exposure to market risks on those financial instruments that give rise to an impact on the surplus/(deficit) and equity as detailed above.

NZVIF may be exposed to risks arising from the validity of the investment valuation. Where the price of the most recent investment method is used (as detailed in Note 13) validity is eroded over time, since the price at which an investment was made reflects the effects of conditions that existed on the date that the transaction took place. In a dynamic environment, changes in market conditions, the passage of time and other factors will act to diminish the appropriateness of this methodology as a means of estimating value at subsequent dates. In stable market conditions with little change in the entity or external environment, the length of period for which this methodology is likely to be appropriate will be longer than during a period of rapid change.

NZVIF holds investments which are listed on the NZX, the ASX or the AIM (London Stock Exchange). If these investments were subject to an increase/decrease of 5% in these markets, the

overall portfolio would be subject to a change of +/- \$1,489,729 (2015:\$1,639,962).

**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>2016</b>				
Trade and other payables	157,566	157,566	157,566	-
<b>Total</b>	<b>\$157,566</b>	<b>\$157,566</b>	<b>\$157,566</b>	<b>-</b>
<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>

**21. Commitments**

**Capital commitments**

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

	Group 2016	Group 2015
Firm commitment remaining – Venture Capital Fund	49,714,364	53,436,262
Firm commitment remaining – Seed Fund	136,736	639,331
Conditional commitment	5,000,000	20,000,000
	<b>\$54,851,100</b>	<b>\$74,075,593</b>

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 timeframe of these commitments cannot be predicted because capital can be called by investment managers at any time, however it is unlikely that the NZVIF Group would be required to pay the entire outstanding commitment at one time. This is supported by historical trends.

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

Conditional commitments are those investments subject to the fund manager raising matching private sector capital and successfully concluding investment arrangements and documentation with NZVIF and other investors. A conditional commitment totalling \$5 million (2015: \$20 million) has been made to one (2015:one) party.

### Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group 2016	Group 2015
Less than 1 year	12,747	12,331
Later than 1 year but not later than 2 years	6,492	6,492
Later than 2 years but not later than 5 years	5,951	12,443
Total operating lease commitments	\$25,190	\$31,266

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 2016	Group 2015
100,000 - 109,999	1	-
110,000 - 119,999	1	1
120,000 - 129,999	1	-
160,000 - 169,999	1	-
220,000 - 229,999	-	2
230,000 - 239,999	1	-
240,000 - 249,999	1	-
320,000 - 329,999	1	-
360,000 - 369,999	-	1

## 23. Directors' remuneration

Member	Group 2016	Group 2015
Murray Gribben	44,000	44,000
Anne Blackburn	27,500	27,500
Roger Bridge	22,000	22,000
Calvin Smith	-	22,000
Richard Hughes	22,000	22,000
David Flacks	20,166	-
	\$135,666	\$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 2016	Group 2015
Salaries and other short-term employee benefits	489,176	520,126
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
	\$489,176	\$520,126

Key management personnel include all Directors and the Chief Executive. The NZVIF senior leadership team consists of 3 FTE employees (2015:3) as well as 5 Directors (assessed as 5 FTE) (2015:5).

## 25. Contingent liabilities

There were no material contingent liabilities at balance date (2015: Nil).

## 26. Post balance date events

There were no material events subsequent to balance date.

## 27. Major budget variations

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

### Statement of comprehensive income

#### Revenue

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

### Statement of changes in equity

#### Increase in share capital

More capital was drawn from the Crown than expected due to 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 held that was not anticipated.

### Balance sheet

#### Cash and cash equivalents

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

#### Investments through NZVIF Venture Capital and Seed Co-investment Funds

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

#### Payables and accruals

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

### Statement of cash flows

#### Cash flow from investing activity

Less proceeds were received from realisations than expected due to the delay in listing of 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.

# Shareholder information for the year ended 30 June 2016

### Substantial security holders

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

Largest security holder	Shares held	Percentage
Crown	156,877,801	100%

### Use of company information

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

### Indemnification and insurance of Directors and Officers

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has given indemnities to, and has effected insurance for, Directors and executives of the company and its related companies which, except for specific matters which are expressly excluded, indemnify and insure Directors and executives against monetary losses 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.

# Our investment partners and companies

NZVIF has partnered with 24 venture funds and angel groups. In association with them, we have invested into 216 companies.

## Active Investee Companies

Aroa	Debtor Daddy	Koti Technologies	Pet Doctors	SimTutor
Author-it	Dexibit	Konnect	Pukeko Pictures	Signal
Adherium (NZ)	Engender Technologies	Lypanosys	Phitek Systems	SuchCrowd
ableX	EcKey	LearnKo	Publons	Spotlight
Auror	Eight Wire	LightKnight International	Pictor	The Appreciation Engine
APIMATIC	EFTPLUS	Lifetime Health Diary	Puteko	Times-7
AskNicely	Educa	Liquid Strip	PolyBatics	Techion Group
Avalia Immunotherapies	Eye-Fly	Living Green	Plantae	Texus Fibre
Acuite	Fuel 50	Livelink Connect	Parrot Analytics	The Rugby Site
Aura EQ	Focus Genetics	Logicore	Postr Media	The New Zealand Quiz
Avertana	Flexidrill	Leaping Tiger	Preno	Tracplus Global
Big Little Bang	Footfalls and Hearbeats	Let's Cargo	PicsOS	Unimarket
Biolumic	GFG Group	Modlar	Pricetech	Ubco
Biomatters	Green Codes	Martin Aircraft Company	Quantec	Upstream Medical
Booktrack	Googly	Moa Brewing Company	Qotient	Technologies
Breathe Easy	Glassjar	Menixis	ReGen	Vital Food Processors
Balex Marine	Googol Technology	Mobot	Rockit	Veritide
Bison Group	Hunter Safety Lab	Mohiomap	Rush Digital	Vend
Beany.biz	Heilala Vanilla	Mi5 Security	Roholm	Vesper Marine
Buding Technology	HydrOxSys	Motim Technologies	Rex Bionics	Vocado
BuzzTech	Hydroworks	Mish Guru	Ripetime	Viscovery
CoDa Therapeutics	Hoist	Montoux	Ray Power Systems	Wipster
CMP Therapeutics	ikeGPS	Monk Fruit	Rancher Labs	Wise Giant
CropX	IndieReign	Magic Memories	SLI Systems	Waikato Milking Systems
Caldera Health	Innovative Learning	Nextspace	SMX	WhereScape
CalfSMART	Indigo Systems	nomos one	Swiftpoint	Wolf
Croplogic	Invert Robotics	Notable PDF	ShowGizmo	Xero
Clean Planet	iRock Technologies	Orion Health	Syl Semantics	Xenos
Coachseek	Jellogram	Open Cloud	SIMTICS	YikeBike
CNano	Joiy	Orthopedic Synergy	SciTOX	Yonix
Centrillion Technologies	K9 Natural	PowerByProxi	SolarBright	Zephyr Technology
Derceto	Kahne	Photonic Innovations	Sharesight	Zeosoft
Drikolor	Kiwi Semiconductor	Proacta	StretchSense	1Above
Designer Wardrobe	Kaynamaile	Project Partner	Swing Profile	11Ants Analytics

## Investment Partners

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

# Directors' interests as at 30 June 2016

**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 2016.**

## **Murray Gribben\***

**Chairman**, Ruapehu Alpine Lifts Limited  
**Chief Executive**, Crown Irrigation Investments Limited  
**Advisory Trustee**, National Army Museum  
*\*Reappointed as Chairman on 1 July 2016*

## **Anne Blackburn**

**Chair**, RDNS NZ Limited  
**Director**, RSL Care RDNS Limited (Australia)  
**Director**, Committee for Auckland  
**Director**, Development Auckland  
**Director**, Fidelity Life  
**Director**, Fisher Funds Management  
**Director**, TSB Bank Limited, TSB Group Capital Limited, TSB Group Investments Limited  
**Director**, Warren and Mahoney Limited  
**Trustee**, Sir Ernest Davis Endowment Fund  
**Director**, Wairaka Land Company  
**Member**, Commercial Operations Advisory Board, Treasury

## **Roger Bridge**

**Chairman**, Rātā Foundation  
**Director**, Darroch Limited  
**Director**, New Zealand National Party  
**Director**, Quotable Value  
**Trustee**, Christchurch Arts Festival  
**Trustee**, Re:Start the Heart Trust  
**Trustee**, Te Papa Foundation  
**Member**, Christchurch Cathedral Working Party  
**Representative**, Community Trust of Canterbury  
**Advisory Board Member**, Morrison & Co. Public Infrastructure Partners LP ("PIP Fund")

## **Richard Hughes**

**Chairman**, WNT Ventures Management Limited  
**Director**, Black Prince Limited  
**Director**, Oriens Capital Limited  
**Director**, Orthotic Group Holdings Limited  
**Member**, Entrepreneurs Challenge Investment Committee

## **David Flacks\***

**Chairman**, AFT Pharmaceuticals  
**Chairman**, Harmony Corporation  
**Chairman**, NZX Markets Disciplinary Tribunal  
**Director**, Flacks & Wong Limited  
**Director**, Project Janzoon  
**Director**, Vero Insurance Limited, Vero Liability Limited and Asteron Limited  
**Director**, Zero Invasive Predators (ZIP) Limited  
**Member**, Takeovers Panel  
*\*Appointed 1 August 2015*

# Organisational health and capability

## Ensuring NZVIF is a good employer

NZVIF is a small organisation with six full-time and three part-time employees (8 FTE). Our flexible working environment enables employees to balance work, family and other commitments. NZVIF supports employees to develop their leadership skills and become the best they can be, in a positive working culture.

The values of the organisation ensure that all employees 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 employee selection and management within the limits of our small size. Our team gender ratio is 5:3 female to male. The age of employees in the organisation range from 33 to 53 years with two of the eight employees 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.

### Measure

- 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 Chairman immediately.

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

### Measure

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

# Conflict of interest procedures

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

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

In deciding whether a conflict is present in any given situation it is appropriate that the determination be

whether a reasonably informed objective observer would infer from the circumstances that the Board or employee's judgement is likely to be influenced to the detriment of NZVIF's best interests.

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

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

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**New Zealand Venture  
Investment Fund Limited**

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



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**Directors**

**Murray Gribben**, Chairman  
*(reappointed as Chairman 1 July 2016)*

**Anne Blackburn**

**Roger Bridge**

**Richard Hughes**

**David Flacks**

**Management**

**Richard Dellabarca**, Chief Executive

**Registered Office**

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

**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