Australian Bureau of Statistics

2006–07

5678.0

VENTURE CAPITAL AND LATER STAGE PRIVATE EQUITY

AUSTRALIA

EMBARGO: 11.30AM (CANBERRA TIME) THURS 14 FEB 2008

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ADDITIONAL INFORMATION

INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Michael Abbondante on Canberra (02) 6252 6707.

NOTES

INTRODUCTION

Venture capital and later stage private equity (VC&LSPE) is high risk capital directed towards businesses with prospects of rapid growth and/or high rates of returns. It is an investment not only of money, but also of skills and time. This publication presents information on both financial and non-financial contributions to venture capital and later stage private equity investments.

Australian Bureau of Statistics (ABS) undertook the first survey of venture capital for the period 1999–2000 and has since undertaken this survey annually at the request of, and with the financial support of, the Department of Innovation, Industry, Science and Research. The title of the 2005-06 and subsequent surveys was expanded to include later stage private equity investments, as well as venture capital, to currently reflect the activity reported.

ABS have conducted all surveys with the advice and assistance of users of these statistics, industry bodies and data providers.

SCOPE & COVERAGE

Most data items for 2005-06 have been revised due to the inclusion of new data providers identified in a review of businesses involved in VC&LSPE undertaken for the 2006-07 survey.

Data users are advised to exercise caution when interpreting the results and should refer to the definitions and scope of the survey. Refer to paragraphs 4-10 of the Explanatory Notes for more information.

ABBREVIATIONS

$b	billion (thousand million) dollars
$m	million dollars
ADI	Authorised Deposit-taking Institution
ANZSIC	Australian and New Zealand Standard Industrial Classification
AVCAL	Australian Venture Capital Association Limited
IPO	Initial Public Offer
IT	information technology
LBO	leveraged buyout
MBI	management buyin
MBO	management buyout

Brian Pink
Australian Statistician

TIME SERIES DATA

TABLES AVAILABLE AS DATA CUBES

Data available free on the ABS web site <http://www.abs.gov.au> include longer time series of tables in this publication back to 1999–2000 and the following additional data cubes:

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SUMMARY OF FINDINGS

INTRODUCTION

Investors in Venture Capital and Later Stage Private Equity (VC&LSPE) are generally sophisticated individual investors or organisations such as pension (superannuation) funds. Investors invest in VC&LSPE vehicles which are mainly organised in the form of either trust funds or corporations. There are two types of vehicles: those that generally invest directly in investee companies, and those who pool funds and generally invest through the direct investment vehicles. The latter are called fund of funds.

The investment decisions of the vehicles are made by a VC&LSPE manager, who is generally a skilled business person and financial analyst. The VC&LSPE manager provides assistance and advice to the investee companies.

The usual relationship between the investors, managers, vehicles and investee companies is shown below:

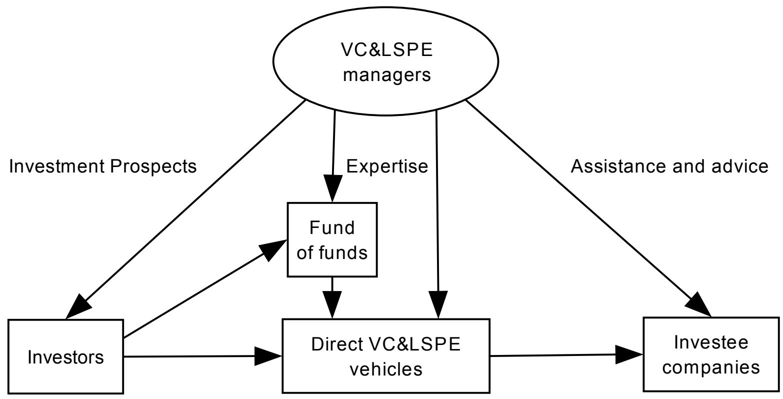


Diagram 1

While this represents the usual relationship, variation can occur e.g. some fund of funds may co-invest with another fund manager.

OVERVIEW

The value in funds committed to VC&LSPE investment vehicles increased during 2006–07. As at 30 June 2007, investors had $15.2b committed to investment vehicles, an increase of 22.0% on the revised $12.5b committed as at 30 June 2006. Most of the committed funds were sourced domestically, with 91% of commitments from Australian investors (down slightly on June 2006). Resident pension funds continue to increase their contribution to total commitment, with $8.1b of committed capital (53% of total funds comitted). Investors had $9.5b of committed funds drawn down at 30 June 2007, an increase of 27% on the previous year end (a revised $7.5b at June 2006).

As at 30 June 2007, there was $5.7b of committed funds yet to be called on, up 14% on the revised $5.0b of unused (undrawn) commitments as at June 2006. The $5.7b of undrawn commitments can be classified by preferred stage of investment, with only $0.4b undrawn by funds which prefer to invest at the early stage.

The value of investments by VC&LSPE investment vehicles ($7.2b in 1076 investee companies) increased by 51% on the revised $4.7b reported at the end of June 2006. Investments in these 1076 investee companies were reported by 280 vehicles. The increase in the value of investments, derived after exits and other decreases was due

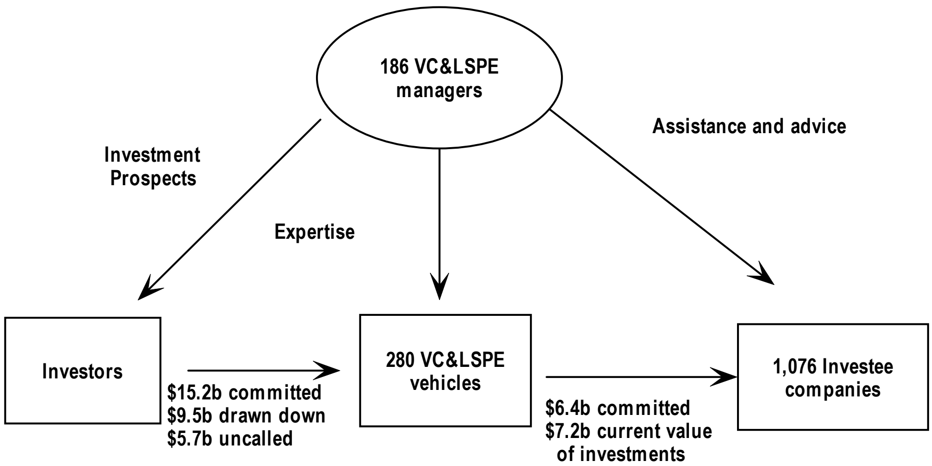
OVERVIEW *continued*

mainly to the contribution of new investments during 2006–07 (up $0.9b, 58% on 2005–06).

During 2006–07, the net value of all exits through trade sales, IPOs and buybacks amounted to $806m.

The selection of investee companies (into which capital is invested) was an intensive process for the VC&LSPE managers. The total of 186 venture capital managers reviewed 8,769 potential new investments during 2006–07 and conducted further analysis on 1058 of those, with 229 being sponsored for VC&LSPE.

The following diagram summarises key findings for VC&LSPE at June 2007.



ANALYSIS OF RESULTS

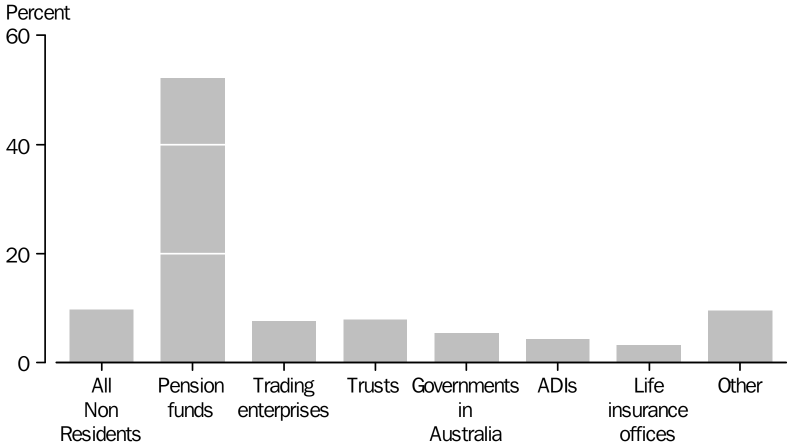
INVESTORS

VC&LSPE investors are generally sophisticated individual investors or organisations such as pension (superannuation) funds. Investors invest in VC&LSPE vehicles which are mainly organised in the form of either trust funds or corporations. VC&LSPE trust funds obtain investment commitments from investors, which are drawn down over time. They must return capital plus profit (minus loss) as investments are realised. VC&LSPE vehicles organised as corporations are able to choose to make distributions to investors (including parent corporations) or to retain capital for further investment. Investors in corporations may liquidate their investment by sale on the secondary market. Drawn down funding from investors in corporations can be estimated from paid up capital and borrowings. However the ability of corporations to reinvest retained earnings and the tradeability of investor equity in corporations makes analysis of investment by type of investor difficult.

VC&LSPE investment vehicles include both direct VC&LSPE investment vehicles which place investments directly in investee companies, and fund of funds investment vehicles which mainly place investments with direct VC&LSPE investment vehicles. At end of June 2007, $15.2b was committed to direct VC&LSPE investment vehicles, $2.5b of which was committed via fund of funds investment vehicles. At end of June 2007, $5.7b of commitments to direct VC&LSPE investment vehicles were unused, $1.0b of which was committed via fund of funds investment vehicles (see table 1 for more details).

The following graph presents drawdown investment for VC&LSPE investors by type of investor. The largest source of funds in terms of drawdowns for VC&LSPE vehicles was provided by domestic pension funds, with 52% of total drawdowns (up from 45% at June 2006).

DRAWDOWN FROM INVESTORS BY INVESTOR TYPE, Percentage of total investment in VC&LSPE vehicles—2006–07



VC&LSPE MANAGERS AND INVESTMENT VEHICLES

The VC&LSPE manager is generally a skilled business person and financial analyst. The gathering of commitments from investors takes a considerable amount of time, as does the process of evaluating potential investees. The survey identified 186 active VC&LSPE managers who were managing 280 VC&LSPE investment vehicles.

VC&LSPE managers received income in the form of management fees ($191m). In 2006–07, fund managers spent on average 3.4 days a month per investee company. This compares with 3.5 days in 2005–06 and 3.0 days in 2003–04.

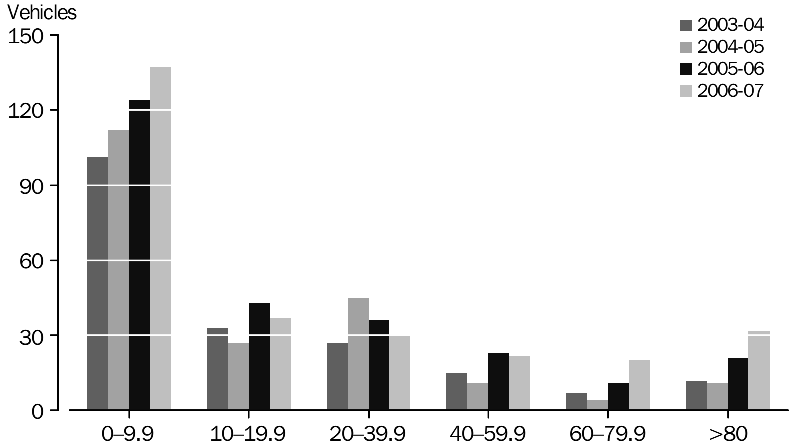
VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

VC&LSPE investment vehicles had net assets of $9.8b at June 2007 compared with $6.9b at June 2006 and $4.2b at June 2005.

Most VC&LSPE investment vehicles were either trusts (funds) or corporations. Of the 280 vehicles operating in 2006–07, 118 were companies, and of these, 98 were not listed with the Australian Stock Exchange.

At the end of June 2007, 121 of the 280 VC&LSPE investment vehicles were participating in a government program, a slight decrease on the number of participants in 2006. Most of the participating investment vehicles were with the *Federal government's Pooled Development Fund* (PDF) program.

NUMBER OF INVESTMENT VEHICLES, By value of assets held ($m)



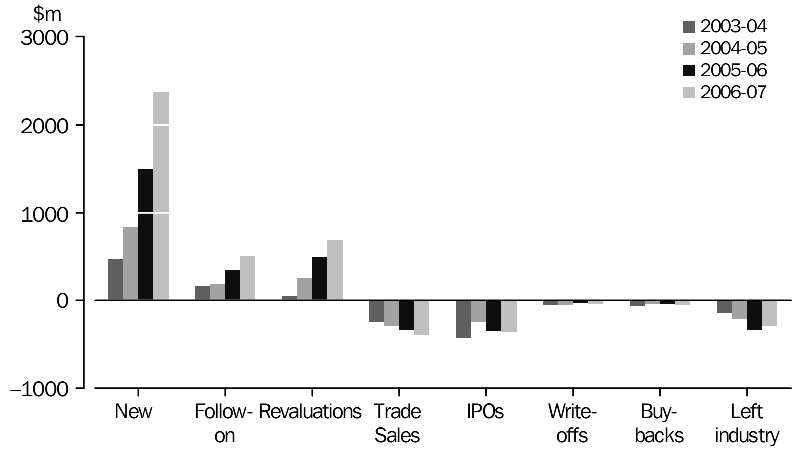
The value of total assets held by VC&LSPE investment vehicles was widely dispersed, from 137 investment vehicles having less than $10m in assets, to 32 with more than $80m in total assets (see the preceding graph).

Table 2 shows the financial flows of VC&LSPE investment vehicles over the survey period. New and follow-on investments by VC&LSPE investment vehicles rose by $1,026m (56%) in 2006–07 to $2,873m.

Most return on investment to investees is through exits from investments. The decrease in the investment value due to exits through trade sales, IPOs and buybacks was $806m in 2006–07 (made up of $1,595m of sale proceeds less $790m profit over the life of the investments). This compares to a fall in investment value of $724m in 2005-06 (made up of $1,096m of sales proceeds less $372m profit over the life of the investments). The value of vehicles that have dropped out of the Australian VC&LSPE industry ($293m in 2006–07) was lower than the level recorded in the previous year.

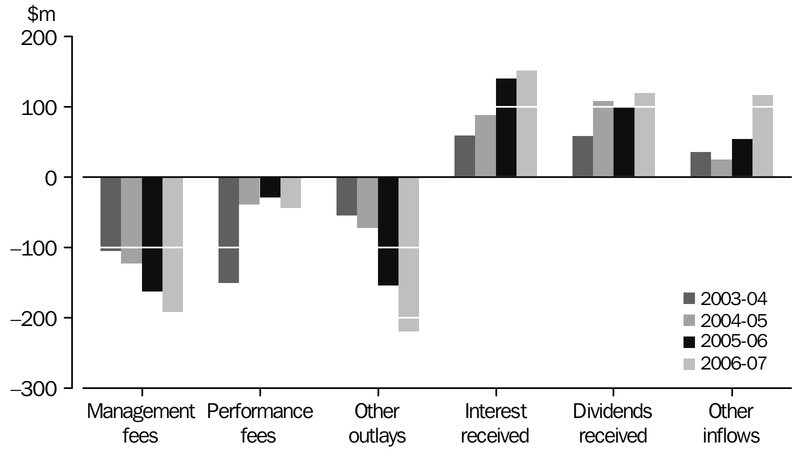
VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

ADDITIONS AND EXITS TO INVESTMENTS IN INVESTEE COMPANIES



Investment vehicles had total expenditure of $453m during 2006–07, just under half of which was for management fees ($191m, compared to $162m during 2005–06). Total income increased to $389m, driven mainly by an increase in other inflows ($117m in 2006–07 compared to $54m in 2005–06).

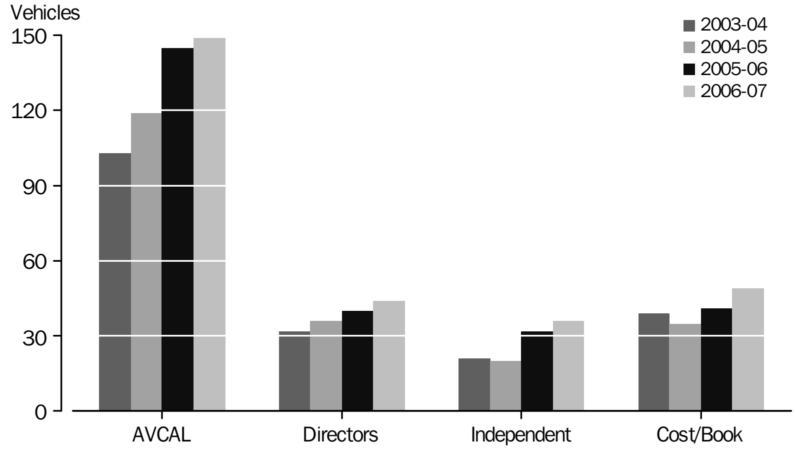
INCOME AND EXPENDITURE OF INVESTMENT VEHICLES



VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

VC&LSPE funds used various valuation methods (refer to paragraph 14 of the Explanatory Notes). The AVCAL method was most frequently used, with 149 vehicles using this method in 2006–07, followed by book value/cost valuation methods (49) and directors' valuation (44).

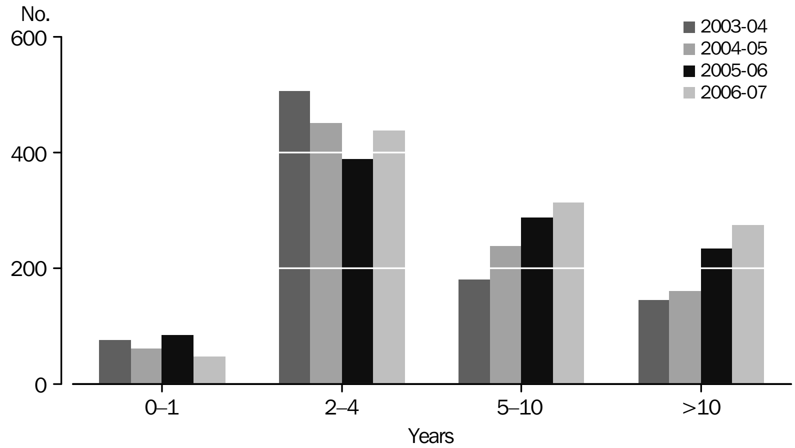
VALUATION METHODS USED, By investment vehicles



INVESTEE COMPANIES

Of the $7,208m that had been invested in the 1076 investee companies (deals) at June 2007, $2,371m was invested in new projects during the 2006–07 financial year (up by $871m or 58% on 2005–06), with additional investments in existing projects of $502m (up $155m or 45%). See table 2 for more details.

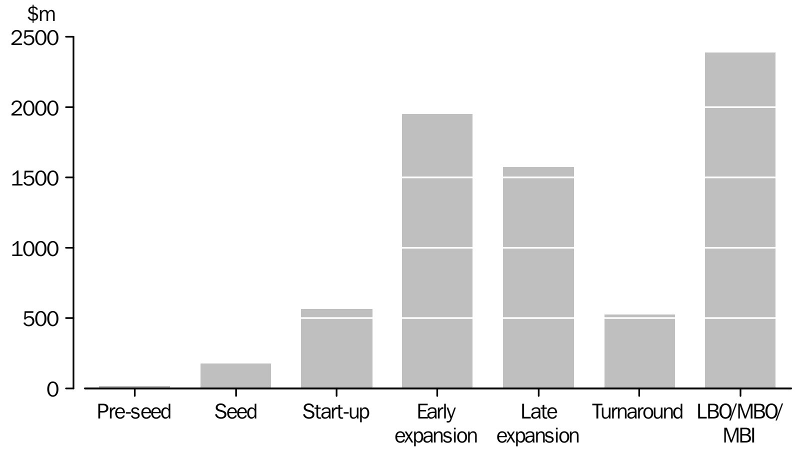
NUMBER OF DEALS, By age of investee company



The preceding graph indicates that in 2006–07, the majority of deals made by VC&LSPE vehicles were with investee companies established for between two and four years (41%). Investee companies in the five to 10 year category accounted for 29% of deals in 2006–07.

INVESTEE COMPANIES
continued

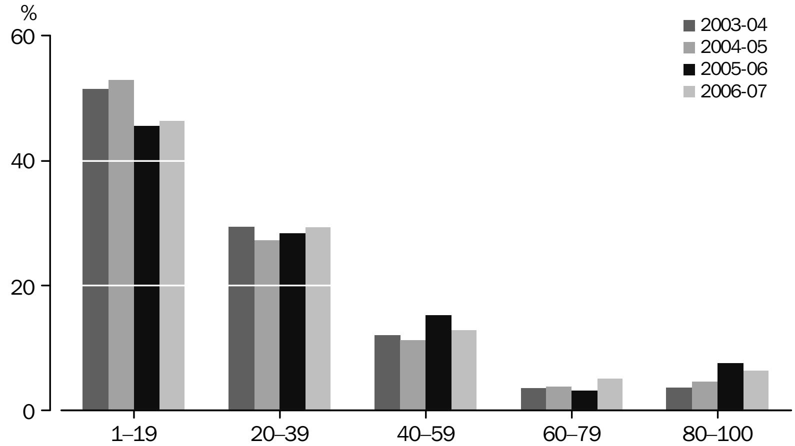
VALUE OF INVESTMENT, By investee stage—2006–07



See paragraph 12 of the Explanatory Notes for a definition of the VC&LSPE stages referred to in the above graph.

In terms of the current stage of investment, total investments in the LBO/MBO/MBI stage attracted the largest share, with $2,388m or 33% of total value as at the end of June 2007.

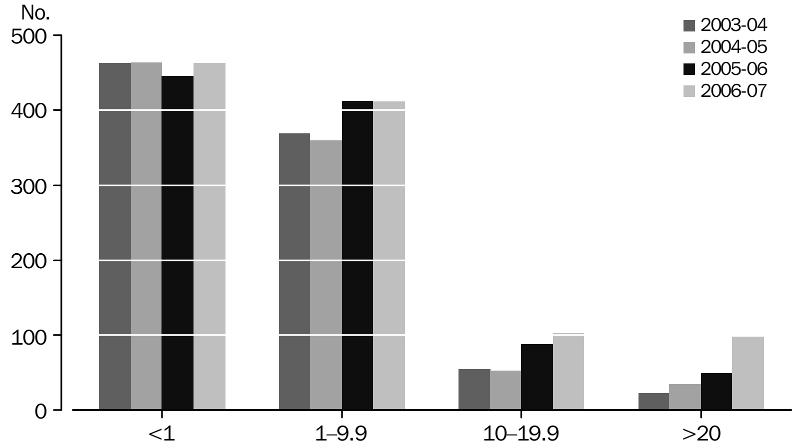
PERCENTAGE OF INVESTEE COMPANY OWNED, By venture capital and later stage private equity vehicle



VC&LSPE arrangements typically do not involve a level of controlling equity by a single VC&LSPE vehicle in investee companies, with most deals having less than 40% ownership by any one investment vehicle, as the above graph illustrates. However, it is worth noting that more than one fund manager may invest in the same investee company or a fund manager may manage more than one vehicle investing in an investee company.

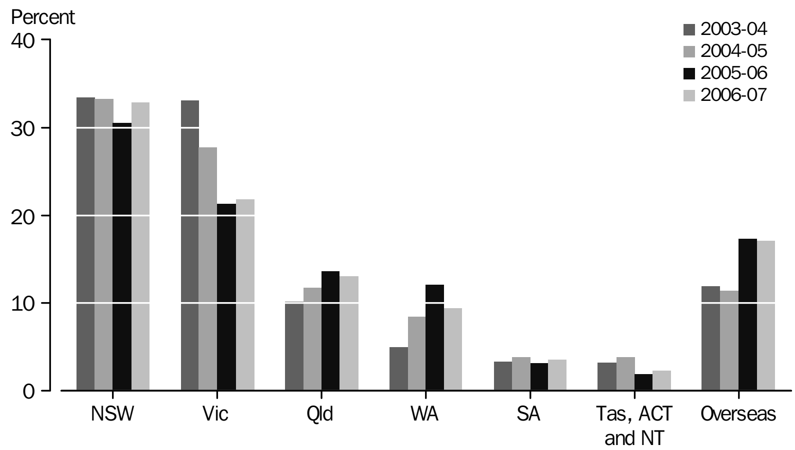
INVESTEE COMPANIES *continued*

VALUE OF INVESTMENT, By number of investees ($m)



The graph above shows the distribution of the value of investment placed by VC&LSPE managers in individual investee companies. Most deals attracted less than $10m from any one investment vehicle, but the proportion receiving greater than $20m has been steadily increasing over the past four survey years.

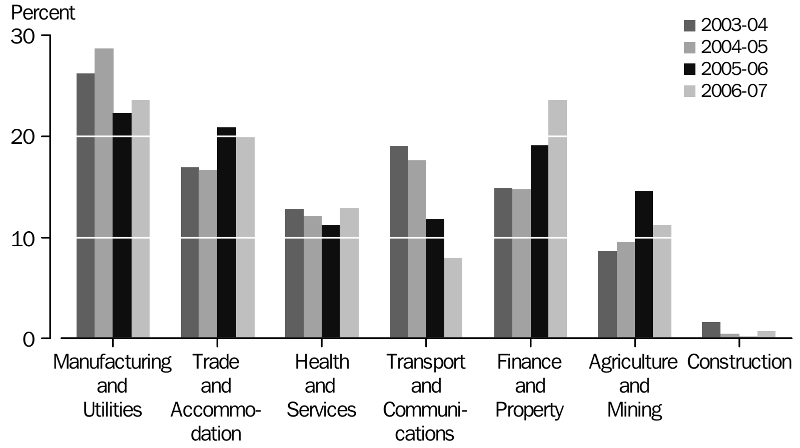
PERCENTAGE OF INVESTMENT VALUE, By location of investee



The graph above indicates that most of the value of VC&LSPE investment was in investee companies with head offices in NSW and Victoria (with 33% and 22% respectively at June 2007). The current value of investee companies with head offices in NSW increased by $904m compared to 2005–06, and Victoria rose by $554m. The current value of investments by Australian vehicles in investee companies domiciled overseas remained significant, increasing (up by $400m) to $1,230m in 2006–07.

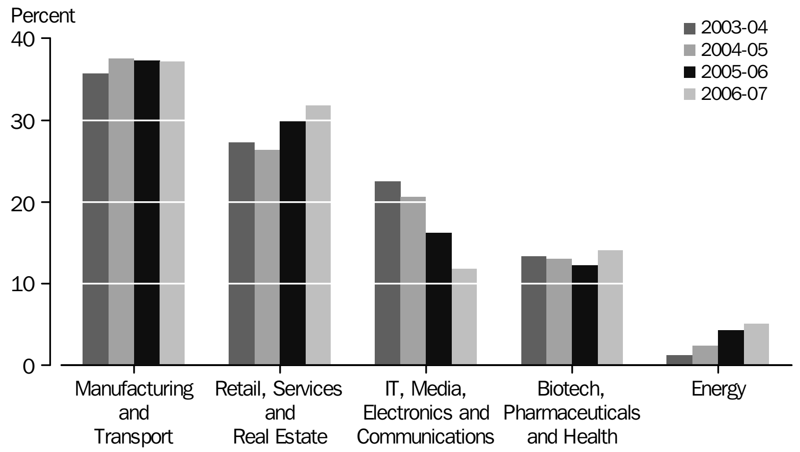
INVESTEE COMPANIES
continued

PERCENTAGE OF TOTAL INVESTMENT, By industry of investee



VC&LSPE vehicles invested in a wide range of industries. Of the total value of $7,208m invested in 2006–07, Finance and Property became the predominant industry of investment, with investments at the end of the year of $1,703m (24% of the total). The current value of investments expressed as a proportion of total investments increased in the Manufacturing and Utilities industries (to 24% of total investments), Health and Services industries (to 13% of total investments) and Construction industries (to 1% of total investments). All other industries recorded decreases in their percentage of total investment.

PERCENTAGE OF VALUE OF INVESTMENT, By activity of investee



When analysed by activity, as defined by the Standard and Poors Activity Classification, the Manufacturing and Transport related activities attracted the largest share of investment, with $2,732m or 38% of total investment for 2006–07. Retail, Services and Real Estate with $2,237m (31%) and Biotech, Pharmaceuticals and Health activities with $1016m (14%) also attracted large shares of the total investments as at the end of June 2007.

1 SOURCE OF FUNDS OF INVESTMENT VEHICLES

	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07
	$m	$m	$m	$m	$m	$m
COMMITMENTS BY INVESTORS						
Non-residents						
Pension funds	27	27	27	27	194	184
Other	420	550	649	657	620	1 129
Residents						
Pension funds	2 799	3 235	4 346	4 996	6 245	8 129
Authorised Deposit-taking Institutions	750	679	462	637	494	436
Trading enterprises	631	648	818	1 000	1 330	941
Governments in Australia	431	561	456	781	768	888
Life insurance offices	245	242	161	179	293	315
Trusts	195	174	257	452	798	990
Other residents	720	755	807	1 319	1 724	2 191
Total	***6 218***	***6 871***	***7 983***	***10 048***	***12 466***	***15 203***
Of which, invested through a fund of funds(a)	619	662	994	1 193	2 104	2 477
DRAWDOWNS FROM INVESTORS						
Non-residents						
Pension funds	20	20	20	21	134	np
Other	259	396	326	343	272	823
Residents						
Pension funds	1 648	1 867	2 246	2 561	3 380	4 951
Authorised Deposit-taking Institutions	486	421	310	504	410	np
Trading enterprises	442	525	491	460	705	727
Governments in Australia	216	264	262	336	389	513
Life insurance offices	150	162	141	150	204	304
Trusts	103	102	143	226	503	751
Other residents	606	586	653	852	1 470	910
Total	***3 930***	***4 343***	***4 592***	***5 453***	***7 467***	***9 494***
Of which, invested through a fund of funds(a)	335	390	515	688	788	1 434
UNUSED COMMITMENT						
Non-residents						
Pension funds	7	7	7	6	61	np
Other	161	154	323	314	347	306
Residents						
Pension funds	1 151	1 368	2 100	2 435	2 865	3 179
Authorised Deposit-taking Institutions	264	258	152	133	84	np
Trading enterprises	189	123	327	540	625	214
Governments in Australia	215	297	194	445	378	374
Life insurance offices	95	80	20	29	89	11
Trusts	92	72	114	226	295	239
Other residents	114	169	154	467	254	1 281
Total	***2 288***	***2 528***	***3 391***	***4 595***	***4 999***	***5 709***
Of which, invested through a fund of funds(a)	284	272	479	505	1 316	1 042

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

2 INVESTMENT BY VENTURE CAPITAL AND LATER STAGES PRIVATE EQUITY INVESTMENT VEHICLES IN INVESTEE COMPANIES

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m	$m	$m
Investments at beginning of year	***2 729***	***3 194***	***3 338***	***3 092***	***3 532***	***4 787***
Additions to investment value during year						
New vehicles and projects	586	472	465	839	1 500	2 371
Follow-on investments	314	194	162	183	347	502
Unrealised gains in investee companies	73	29	50	254	492	686
Exits and other decreases in value (at balance sheet valuations)						
Trade sales	135	69	241	291	334	396
Initial public offers	120	76	428	246	354	357
Buybacks	10	67	60	35	36	53
Write-offs	71	123	50	49	22	40
Left the industry	172	216	144	215	338	293
Investments at end of year	***3 194***	***3 338***	***3 092***	***3 532***	***4 787***	***7 208***

3 NEW AND FOLLOW-ON INVESTMENT IN INVESTEE COMPANIES, By stage of investee company(a)

	2005-06		2006-07	
Stage of investee company	no.	$m	no.	$m
New investments during the year				
Pre-seed	27	6	25	13
Seed	27	38	15	13
Start-up	45	88	30	77
Early Expansion	73	353	60	509
Late Expansion	45	328	42	np
New Turnaround	10	205	5	np
LBO/MBO/MBI	37	481	52	1 075
Total	***264***	***1 500***	***229***	***2 371***
Follow-on investments during the year				
Pre-seed	7	3	9	1
Seed	19	15	34	30
Start-up	46	86	55	65
Early Expansion	86	80	88	152
Late Expansion	32	67	47	81
Turnaround	8	28	6	28
LBO/MBO/MBI	19	68	29	145
Total	***217***	***347***	***268***	***502***

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) A new stage of development classification was introduced in the 2005-06 survey.

4 SOURCE OF FUNDS OF INVESTMENT VEHICLES, By investment vehicles' preferred stage of investment—2006–07

	Earlier stages(a)	*Expansion*	*Later stages*(a)
	$m	$m	$m
COMMITMENTS BY INVESTORS			
Funds			
Non-residents			
Pension funds	np	152	np
Other	113	327	690
Residents			
Pension funds	709	2 902	4 518
Authorised Deposit-taking Institutions	np	287	np
Trading enterprises	190	551	200
Governments in Australia	330	231	327
Life insurance offices	np	np	215
Trusts	np	np	413
Other residents	218	654	1 320
Total	***1 812***	***5 552***	***7 839***
Of which, invested through a fund of funds(b)	186	705	1 585
DRAWDOWNS FROM INVESTORS			
Funds			
Non-residents			
Pension funds	np	np	np
Other	90	225	509
Residents			
Pension funds	514	1 660	2 776
Authorised Deposit-taking Institutions	np	278	np
Trading enterprises	167	391	169
Governments in Australia	228	170	116
Life insurance offices	np	np	208
Trusts	np	np	270
Other residents	137	416	357
Total	***1 381***	***3 583***	***4 530***
Of which, invested through a fund of funds(b)	143	385	906
UNUSED COMMITMENT			
Funds			
Non-residents			
Pension funds	np	np	np
Other	23	102	181
Residents			
Pension funds	194	1 243	1 742
Authorised Deposit-taking Institutions	np	np	np
Trading enterprises	24	159	31
Governments in Australia	102	61	211
Life insurance offices	np	np	8
Trusts	1	95	143
Other residents	81	237	963
Total	***431***	***1 968***	***3 309***
Of which, invested through a fund of funds(b)	43	320	679

np not available for publication but included in totals where applicable, unless otherwise indicated
(a) Refer to paragraph 12 of the Explanatory Notes.
(b) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

5 TOTAL COMMITMENTS BY INVESTMENT VEHICLES, By investment vehicles' preferred stage of investment—By current stage of development of investee companies—2006–07

	INVESTEE COMPANIES' CURRENT STAGE OF DEVELOPMENT		
	Earlier stages(a)	*Expansion*	*Later stages*(a)
Investment vehicles' preferred stage of investment	$m	$m	$m
Earlier stages(a)	318	308	44
Expansion	158	1 544	627
Later stages(a)	62	1 172	2 155

(a) Refer to paragraph 12 of the Explanatory Notes.

6 TOTAL COMMITMENTS BY INVESTMENT VEHICLES, By current stage of development of investee companies—By stage of development when original investment made—2006–07

	INVESTEE COMPANIES' CURRENT STAGE OF DEVELOPMENT		
	Earlier stages(a)	*Expansion*	*Later stages*(a)
Stage of development when original investment made	$m	$m	$m
Earlier stages(a)	538	292	59
Expansion	—	2 732	497
Later stages(a)	—	—	2 270

— nil or rounded to zero (including null cells)

(a) Refer to paragraph 12 of the Explanatory Notes.

EXPLANATORY NOTES

THE SURVEY

1 This publication contains venture capital and later stage private equity (VC&LSPE) statistics for the period 2001–02 to 2006–07. 1999–2001 data are also available in the supplementary spreadsheets available on the ABS website <http://www.abs.gov.au>.

2 The VC&LSPE survey is partly funded by the Department of Innovation, Industry, Science and Research. The survey was first conducted for the 1999–2000 reference period, with results released as a Special Article in the Managed Funds, Australia (ABS cat. no. 5655.0) December quarter 2000 issue. Additional data were incorporated in a subsequent release on the ABS Web site <http://www.abs.gov.au>.

3 The population of investment managers included in the survey was constructed from lists of participants in government programs (including Pooled Development Fund, Innovation Investment Fund, Venture Capital Limited Partnerships, Information and Communications Technology Incubator Program), membership of the Australian Private Equity and Venture Capital Association Ltd (AVCAL), the Australian Venture Capital Guide, business directories and venture capital journals. The survey is, in fact, a census of VC&LSPE vehicles domiciled in Australia that were able to be identified by ABS. The investment managers reported on behalf of the VC&LSPE investment vehicles they controlled.

SCOPE AND COVERAGE

4 The VC&LSPE survey aimed to cover all investments by resident VC&LSPE vehicles in enterprises that met the following definition of venture capital and later stage private equity.

5 *Venture capital* is defined as high risk private equity capital for typically new, innovative or fast growing unlisted companies. A venture capital investment is usually a short to medium-term investment with a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).

6 *Later stage private equity* is defined as investment in companies in later stages of development, as well as investment in underperforming companies. These companies are still being established, the risks are still high and investors have a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams).

7 As VC&LSPE vehicles invest in a business, they become part owners and may require a seat on the company's board of directors. They tend to take a minority share in the company and usually do not take day to day control, but the managers provide support and advice on a range of management and technical issues to assist the company to develop its full potential.

8 *Fund of funds* which invest mainly in other VC&LSPE funds are also included in the scope of this survey. This type of fund pools investments from a diverse range of investors and mainly places its investments with other VC&LSPE funds who then invest in unlisted companies. Direct investments in unlisted companies may occur, but are typically undertaken as a co-investment with another fund manager who manages the investment.

9 Organisations which were not considered VC&LSPE funds for the purposes of this survey included organisations with a principal activity of providing non-financial support to seed industries. For instance, incubators set up by either a state government or by way of a Commonwealth grant facilitate seed enterprises in their efforts to get the business into a position of growth. The incubator may offer grants, seed funding, reduced office rental, mentors, marketing contacts and access to office equipment. Only those incubators with significant equity investment in seed enterprises were included in this survey.

SCOPE AND COVERAGE *continued*

10 Investments by non-resident VC&LSPE funds in Australian investee companies are out of scope of this survey. In addition, non-institutional investors such as "business angels" (private individuals investing in private equity) were also excluded.

FURTHER CHARACTERISTICS

11 The following are typical characteristics of VC&LSPE activities.

- The VC&LSPE industry receives a large number of approaches from individuals and groups of individuals who have what they believe to be good business propositions.
- A small or specialist fund manager will typically receive between 5 and 20 approaches each month for funding; of those 2 or 3 may receive more thorough examination, and out of those perhaps 1 per quarter will get funding.
- The medium sized organisations will receive anything from 20 to 400 approaches in a month. Even though they are medium in size in terms of the amount of capital they are raising and disbursing, their offices typically have only a small number of highly trained staff. There may be 5 or 10 approaches that are investigated thoroughly or undergo due diligence. From these perhaps 2 or 3 will receive funding in a quarter.
- A small number of large organisations receive upwards of 400 approaches a month. These offices are still run with a small number of staff. The culling process is similar to that of the medium sized organisations, with perhaps 5 to 7 enterprises receiving funding in any one quarter.

12 The following describes various stages at which a venture capital vehicle may make investments.

- Pre-seed, seed, start-up or early (earlier stages): products are in development, testing or pilot production. Investee companies may not be fully operational and may not yet be generating revenue.
- Early expansion, expansion or late expansion: developed products are in the market and the investee company has significant revenue growth and may be approaching, or at, profitable operating levels.
- Turnaround, late, buy-out or sale (later stages): a mature investee company that may require financing for turnarounds (because of flat or declining revenue), consolidation and sales.

13 The following definitions of the type of capital sourced from investors are used in this survey.

- Commitments from investors: capital pledged by investors, representing the maximum amount that the fund may drawdown from investors. Committed capital shown in table 1 of this publication is cumulative.
- Drawdowns from investors: for funds, this represents cumulative called capital. This is the amount of capital committed by investors that has actually transferred to a venture capital fund in aggregate for the life of the fund, and is also known as paid-in capital. Calls made, but not yet received, are excluded. Capital returned to investors that is available to be called from investors is excluded from the balance at the end of the financial year. For companies, drawdowns from investors represents paid-up capital as at the end of the year.

VALUATION BASIS

14 The VC&LSPE industry uses a variety of valuation methods for the equity they hold in the investee companies. The valuation methods may vary from one organisation to the other. However, the AVCAL method (described below) is widely used in reporting the value of the private equity holdings.

Methods of valuation

ASSETS VALUED BY THE AVCAL METHOD

15 This method is well documented by AVCAL and Venture Economics and states that all assets should be valued at cost for the first 12 months and thereafter valued at market value or Directors' Valuation.

Methods of valuation continued

ASSETS VALUED BY DIRECTORS' VALUATION

16 Assets may be valued by the Directors taking care to undertake valuations with integrity and based on a common sense approach. This will need to be logically cohesive and subject to a rigorous review procedure under the direction of senior management and possibly non-executive Directors.

ASSETS VALUED BY INDEPENDENT VALUATION

17 The fund may choose to engage a registered independent valuer who will then value the asset based on the current market movements and environment.

ASSETS VALUED AT COST/BOOK VALUE

18 This method is preferred at least for the first 12 months and it is the cost of the asset at time of purchase by the Fund.

EFFECTS OF ROUNDING

19 Any discrepancies between totals and sums of components in the tables are caused by rounding.

RELATED STATISTICS

20 Related ABS publications which may also be of interest include:

- *Australian System of National Accounts* (cat. no. 5204.0)—issued annually;
- *Australian National Accounts: National Income, Expenditure and Product* (cat. no. 5206.0)—issued quarterly;
- *Australian National Accounts: Concepts, Sources and Methods* (cat. no. 5216.0)—latest issue, 2000;
- *Australian National Accounts: Financial Accounts* (cat. no. 5232.0)—issued quarterly;
- *Managed Funds, Australia* (cat. no. 5655.0)—issued quarterly;
- *Standard Economic Sector Classifications of Australia (SESCA) 2002* (cat. no. 1218.0)—latest issue, 2002.

21 Non-ABS data sources:

- Australian Venture Capital Association Limited web site <http://www.avcal.com.au>
- Venture Economics web site <http://www.ventureeconomics.com>
- Australian Venture Capital Guide 2007, Australian Venture Capital Journal; web site contact <http://www.vcjournal.com.au>

22 Data available on request:
The ABS may be able to provide additional data for this survey on request.

FOR MORE INFORMATION . . .

INTERNET	**www.abs.gov.au** the ABS website is the best place for data from our publications and information about the ABS.
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