



VENTURE CAPITAL AND LATER STAGE PRIVATE EQUITY

AUSTRALIA

EMBARGO: 11.30AM (CANBERRA TIME) THURS 10 FEB 2011

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INQUIRIES

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or Steve Sykes on Canberra (02) 6252 6446.

NOTES

INTRODUCTION

Venture capital and later stage private equity 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.

The Australian Bureau of Statistics (ABS) undertook the first survey of venture capital for the period 1999-2000 and has since undertaken this survey annually with the financial support of the Department of Innovation, Industry, Science and Research.

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

SCOPE & COVERAGE

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.

REVISIONS

There have been revisions in some series back to 2006-07 to include the latest available survey data.



ABBREVIATIONS

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

Trevor Sutton
Acting 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 for tables 1 to 3 in this publication
- Latest financial year only for the tables 4 to 6 in this publication
- Longer time series for the additional tables listed below.

Most of the longer time series start from 1999-2000 with the remainder starting from 2004-05.

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SUMMARY OF FINDINGS

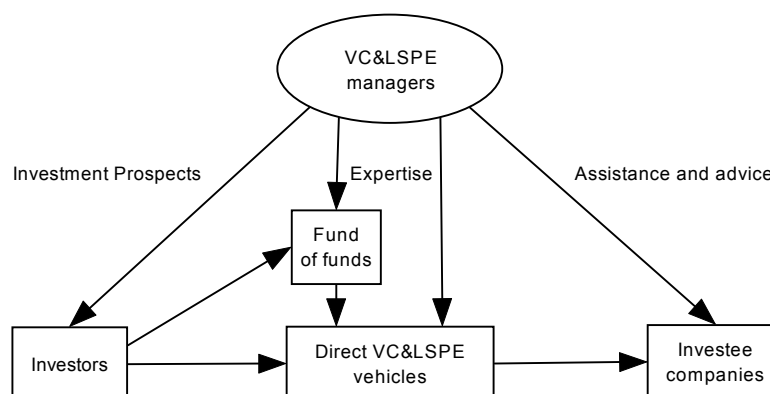
INTRODUCTION

Investors in Venture Capital and Later Stage Private Equity (VC&LSPE) are generally sophisticated individual investors or institutional investors 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. There are two types of vehicles: those that generally invest directly in investee companies, and those that pool funds and generally invest through direct investment vehicles. The latter are called fund of funds.

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.

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



OVERVIEW

The value of funds committed to VC&LSPE investment vehicles fell during 2009-10. As at 30 June 2010, investors had \$17.3b committed to investment vehicles, a fall of 1% on the \$17.5b committed as at 30 June 2009. Most of the committed funds were sourced domestically, with 93% of commitments from Australian investors (up from 91% as at 30 June 2009). The value of funds committed by non residents fell \$301m (20%) (see Table 1).

Resident pension funds continued to increase their contribution to total commitments, with \$10.4b of committed capital (60% of total funds committed). All investors had \$12.2b of committed funds drawn down as at 30 June 2010, a rise of 4% on the \$11.7b of committed funds drawn down as at 30 June 2009.

SUMMARY OF FINDINGS *continued*

OVERVIEW *continued*

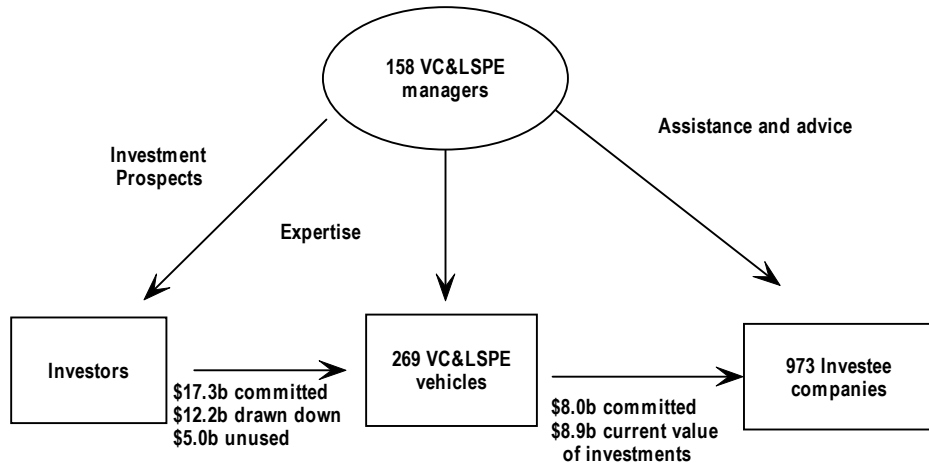
As at 30 June 2010, \$5.0b of committed funds were yet to be called on, down 13% on the \$5.8b of unused (undrawn) commitments as at 30 June 2009. The \$5.0b of undrawn commitments can be classified by preferred stage of investment, with only \$0.8b undrawn by funds which prefer to invest at the early stage (see Table 4).

The value of investments by VC&LSPE investment vehicles (\$8.9b in 973 investee companies) rose 12% on the \$7.9b reported as at 30 June 2009 (see Table 2). Investments in these 973 investee companies were reported by 269 vehicles.

During 2009-10, the net value of all exits through trade sales, Initial Public Offerings (IPOs) and buybacks amounted to \$686m (see Table 2).

VC&LSPE managers only selected 2% of the potential investments they reviewed. The 158 VC&LSPE managers reviewed 4,297 potential new investments during 2009-10 and conducted further analysis on 626 of those, with 96 being sponsored for VC&LSPE.

The following diagram summarises key findings for VC&LSPE as at 30 June 2010.



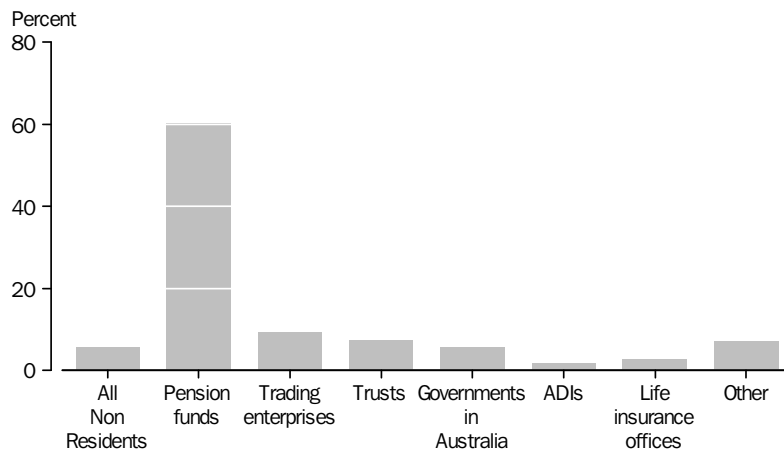
ANALYSIS OF RESULTS

INVESTORS

As at 30 June 2010, \$17.3b was committed to direct VC&LSPE investment vehicles, \$4.7b of which was committed via fund of funds investment vehicles. As at 30 June 2010, \$5.0b of commitments to direct VC&LSPE investment vehicles were unused, \$2.1b of which was committed via fund of funds investment vehicles (see Table 1).

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 60% of total drawdowns (up slightly from 56% for 2008-09).

DRAWDOWN FROM INVESTORS BY INVESTOR TYPE, Percentage of total investment in VC&LSPE vehicles—2009-10



ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES

The survey identified 158 active VC&LSPE managers who were managing 269 VC&LSPE investment vehicles.

VC&LSPE managers received income in the form of management fees (\$257m) (see table 20). In 2009-10, fund managers spent on average 4.0 days a month per investee company. This compares with 3.5 days in 2008-09 and 3.8 days in 2007-08 (see Table 18).

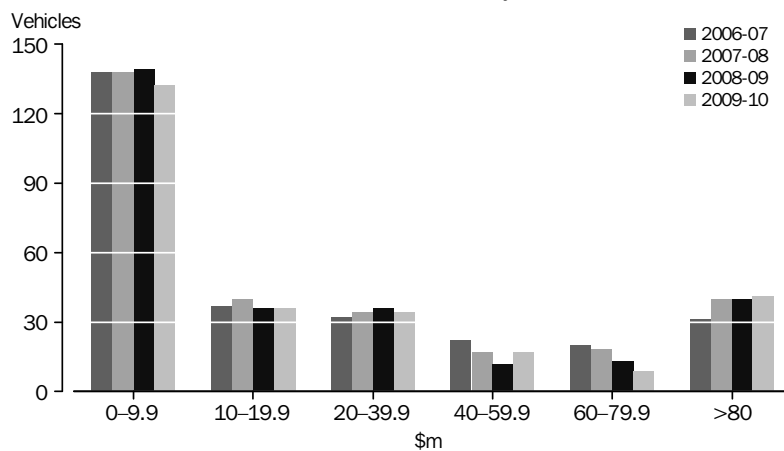
VC&LSPE investment vehicles had net assets of \$10.2b as at 30 June 2010 compared with \$9.4b as at 30 June 2009 and \$10.6b as at 30 June 2008 (see Table 8).

Most VC&LSPE investment vehicles were either trusts (funds) or corporations. Of the 269 vehicles operating in 2009-10, 78 were companies, 14 of which were listed with the Australian Stock Exchange (see Table 9).

As at 30 June 2010, 100 of the 269 VC&LSPE investment vehicles were participating in a government program, a 5% fall on the number of participants as at 30 June 2009. Of the 100 participating investment vehicles, 60 were with the Federal government's Pooled Development Fund (PDF) program, a 15% fall in the number of participants (see Table 10).

The value of total assets held by VC&LSPE investment vehicles was widely dispersed, from 132 investment vehicles having less than \$10m in assets, to 41 with more than \$80m in total assets (see following graph).

NUMBER OF INVESTMENT VEHICLES, By value of assets held



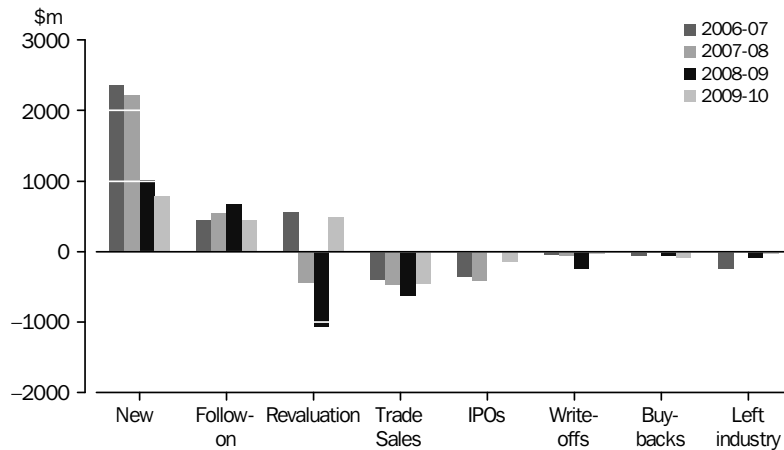
ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

Table 2 shows the financial flows between VC&LSPE investment vehicles and investee companies over the survey period. New and follow-on investments by VC&LSPE investment vehicles fell \$435m (26%) in 2009-10 to \$1,243m.

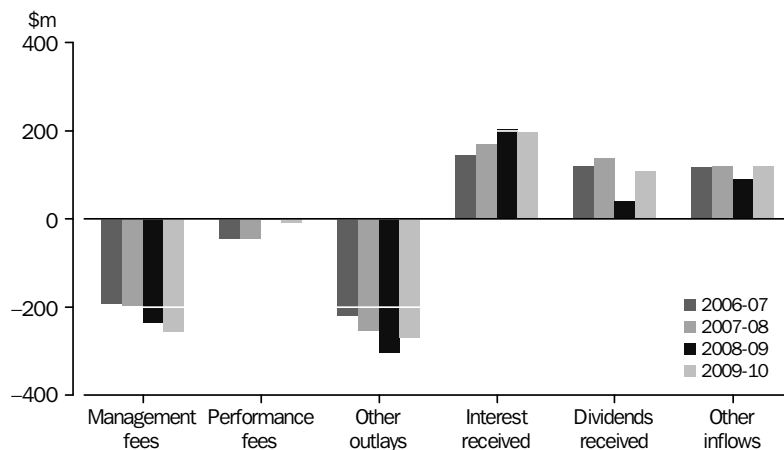
Most return on investment to investees is through exits from investments. The value of exits through trade sales, IPOs and buybacks was \$686m in 2009-10, compared to \$682m in 2008-09. The value of vehicles that left the Australian VC&LSPE industry (\$33m in 2009-10) was lower than recorded in the previous year (\$91m).

ADDITIONS AND EXITS TO INVESTMENTS IN INVESTEE COMPANIES



Investment vehicles had total expenditure of \$535m during 2009-10, of which the largest component was management fees (\$257m, compared to \$234m during 2008-09). Total income rose to \$428m, driven mainly by rises in dividends received (\$109m in 2009-10 compared to \$41m in 2008-09) and other inflows (\$121m in 2009-10 compared to \$90m in 2008-09) (see Table 20).

EXPENDITURE AND INCOME OF INVESTMENT VEHICLES

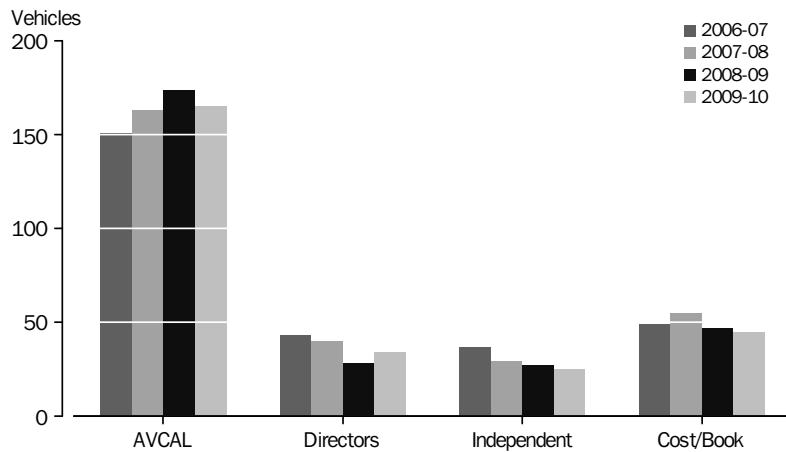


VC&LSPE funds used various valuation methods (refer to paragraph 14 of the Explanatory Notes). The AVCAL method was most frequently used, with 165 vehicles using this method in 2009-10, followed by book value/cost valuation methods (45), directors' valuation (34) and independent valuation methods (25).

ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

VALUATION METHODS USED, By investment vehicles

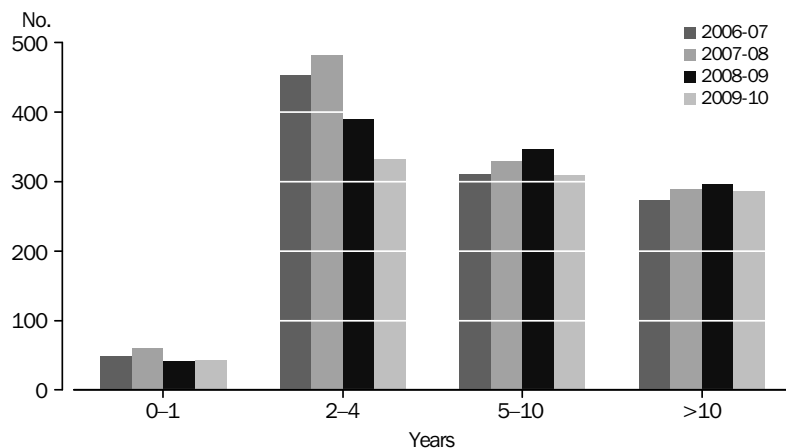


INVESTEE COMPANIES

At the beginning of the 2009-10 financial year there was \$7,093m invested in 1,075 investee companies (deals). During the 2009-10 financial year a further \$799m was invested in new vehicles and projects, and an additional \$444m of follow on investment was made in existing vehicles and projects. Net of revaluations and exits this resulted in an investment as at 30 June 2010 of \$8,887m in 973 investee companies. See Table 2 for more details.

The following graph indicates that as at 30 June 2010, the largest concentration of deals held by VC&LSPE vehicles was with investee companies established for between 2 and 4 years (34%). Investee companies in the 5 to 10 year category accounted for 32% of deals at the end of 2009-10.

NUMBER OF DEALS, By age of investee company



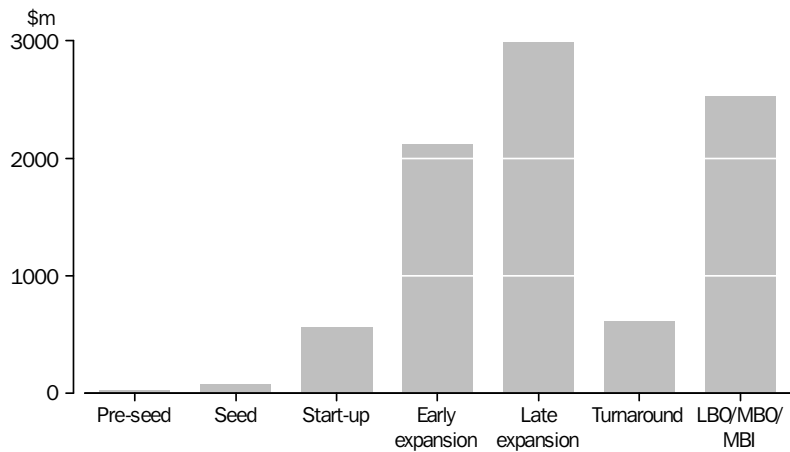
ANALYSIS OF RESULTS *continued*

INVESTEES COMPANIES *continued*

In terms of the current stage of investment, total investments in the late expansion stage attracted the largest share, with \$2,985m or 34% of total value as at 30 June 2010 (see Table 14).

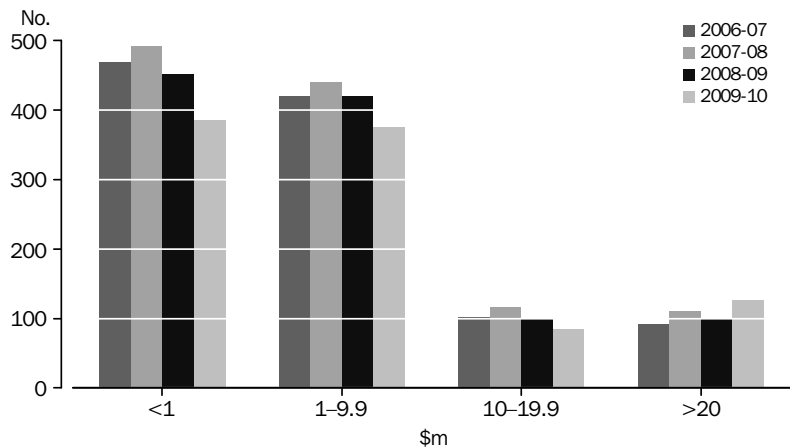
See paragraph 12 of the Explanatory Notes for a description of the VC&LSPE stages referred to in the following graph.

VALUE OF INVESTMENT, By investee stage—2009–10



The following graph 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, with approximately half of these attracting less than \$1m.

VALUE OF INVESTMENT, By number of investees

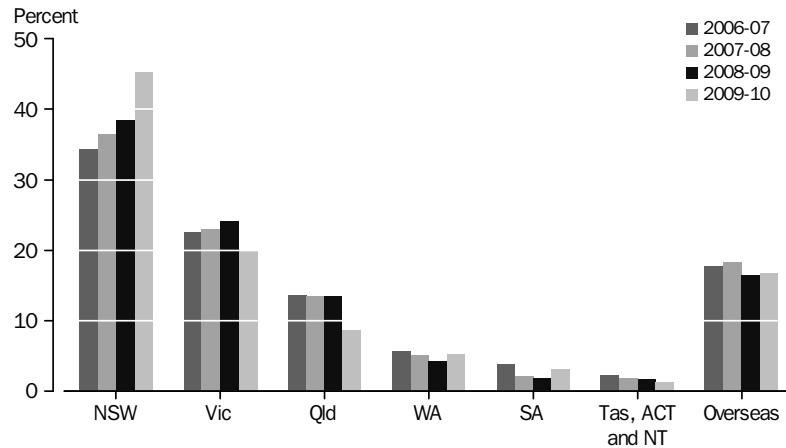


ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES *continued*

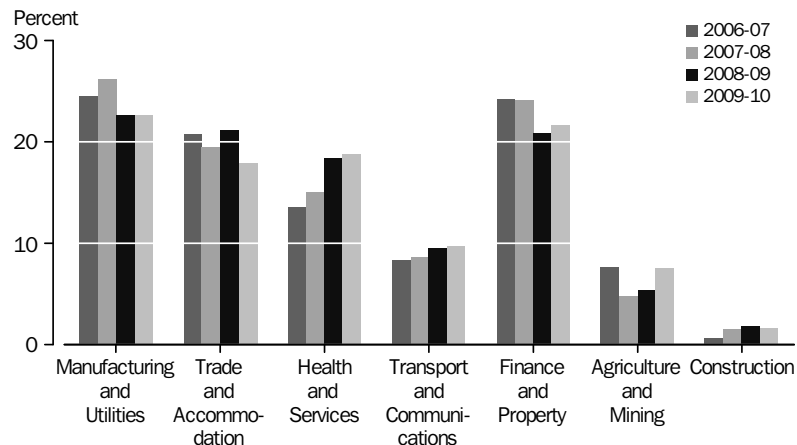
Most of the value of VC&LSPE investment was in investee companies with head offices in New South Wales and Victoria (45% and 20% respectively as at 30 June 2010). The current value of investee companies with head offices in New South Wales rose \$974m to \$4,018m compared to 2008-09, whereas Victoria fell \$124m to \$1,777m. The current value of investments by Australian vehicles in offshore investee companies rose \$184m to \$1,484m, accounting for 17% of total investment (see Table 11).

PERCENTAGE OF INVESTMENT VALUE, By location of investee



VC&LSPE vehicles invested in a wide range of industries. Of the total value of \$8,887m invested in 2009-10, Manufacturing and Utilities remained the predominant industry of investment, with investments as at 30 June 2010 of \$2,010m (23% of total investment) with a \$219m rise in the level of investment. The Finance and Property industries with investments of \$1,933m (22% of total investment) and the Health and Services industries with investments of \$1,668m (19% of total investment) ranked the second and third most predominant industries of investment respectively. The Trade and Accommodation industries experienced a fall of \$86m in the level of investment, dropping from second place in 2008-09 to rank in fourth place in 2009-10. The ranking of all other industries remained constant (see Table 12).

PERCENTAGE OF TOTAL INVESTMENT, By industry of investee

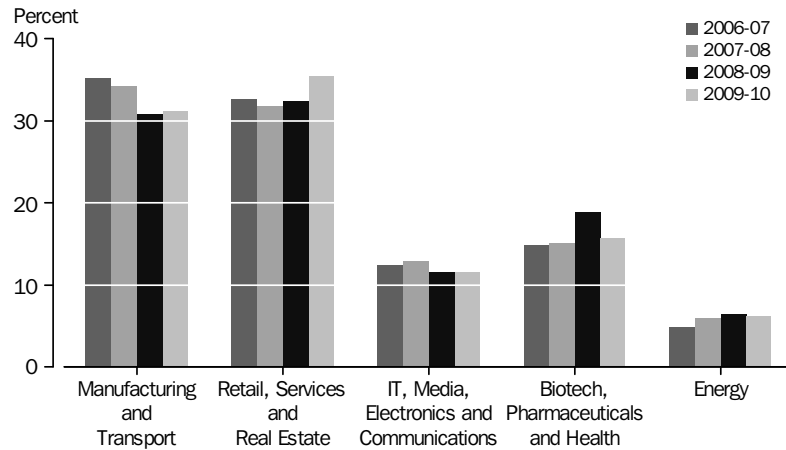


ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES *continued*

When analysed by activity, as defined by the Standard and Poors Activity Classification, the Retail, Services and Real estate related activities attracted the largest share of investment, with \$3,143m or 35% of total investment as at 30 June 2010. Manufacturing and Transport with \$2,770m (31%) and Biotech, Pharmaceuticals and Health activities with \$1,396m (16%) also attracted large shares of the total investments as at 30 June 2010 (see Table 13).

PERCENTAGE OF VALUE OF INVESTMENT, By activity of investee



SOURCE OF FUNDS OF INVESTMENT VEHICLES

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
.....						
COMMITMENTS BY INVESTORS						
Non-residents						
Pension funds	27	70	59	57	32	68
Other	657	620	1 335	1 826	1 500	1 163
Residents						
Pension funds	4 996	6 337	8 520	9 700	9 861	10 429
Authorised Deposit-taking Institutions	637	494	466	577	374	205
Trading enterprises	1 000	1 330	941	1 290	1 434	1 416
Governments in Australia	781	768	888	883	928	1 004
Life insurance offices	179	293	315	360	358	341
Trusts	452	713	664	921	1 112	1 252
Other residents	1 319	1 724	2 201	2 013	1 888	1 388
Total	10 048	12 348	15 389	17 627	17 487	17 266
Of which, invested through a fund of funds(a)	1 193	2 104	2 681	3 903	4 124	4 651
.....						
DRAWDOWNS FROM INVESTORS						
Non-residents						
Pension funds	21	47	np	11	np	np
Other	343	272	842	1 017	833	663
Residents						
Pension funds	2 561	3 446	5 079	5 806	6 575	7 358
Authorised Deposit-taking Institutions	504	410	np	506	np	np
Trading enterprises	460	705	728	1 013	1 162	1 132
Governments in Australia	336	389	514	532	648	712
Life insurance offices	150	204	304	331	340	331
Trusts	226	406	406	649	796	914
Other residents	852	1 470	910	1 045	987	862
Total	5 453	7 349	9 211	10 911	11 720	12 221
Of which, invested through a fund of funds(a)	688	788	1 466	2 052	2 393	2 572
.....						
UNUSED COMMITMENT						
Non-residents						
Pension funds	6	23	np	46	np	np
Other	314	347	494	808	667	500
Residents						
Pension funds	2 435	2 891	3 441	3 893	3 286	3 072
Authorised Deposit-taking Institutions	133	84	np	71	np	np
Trading enterprises	540	625	213	277	272	284
Governments in Australia	445	378	374	352	280	292
Life insurance offices	29	89	11	29	18	10
Trusts	226	307	258	272	316	339
Other residents	467	254	1 291	968	900	526
Total	4 595	4 999	6 178	6 716	5 767	5 045
Of which, invested through a fund of funds(a)	505	1 316	1 215	1 851	1 731	2 079
.....						

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

(a) Capital sourced from investors which was 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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m
Investments at beginning of year	3 092	3 532	4 665	6 939	8 315	7 903
<i>Additions to investment value during year</i>						
New vehicles and projects	839	1 475	2 359	2 223	1 003	799
Follow-on investments	183	307	446	547	675	444
Unrealised gains in investee companies	254	453	557	-438	-1 068	495
<i>Exits and other decreases in value (at balance sheet valuations)</i>						
Trade sales	291	334	392	476	618	450
Initial public offers	246	345	360	411	—	155
Buybacks	35	36	53	12	64	81
Write-offs	49	22	40	50	249	35
Left the industry	215	366	243	6	91	33
Investments at end of year	3 532	4 665	6 939	8 315	7 903	8 887

— nil or rounded to zero (including null cells)

3

NEW AND FOLLOW-ON INVESTMENT IN INVESTEE COMPANIES, By stage of investee
company

Stage of investee company	2008-09		2009-10	
	no.	\$m	no.	\$m
New investments during the year				
Pre-seed	12	2	np	np
Seed	10	17	np	np
Start-up	36	90	15	38
Early Expansion	35	257	27	153
Late Expansion	14	280	11	181
Turnaround	11	199	8	70
LBO/MBO/MBI	14	158	14	348
Total	132	1 003	91	799
Follow-on investments during the year				
Pre-seed	17	5	np	np
Seed	22	13	np	np
Start-up	53	81	52	89
Early Expansion	107	218	76	119
Late Expansion	36	158	34	139
Turnaround	12	28	6	23
LBO/MBO/MBI	36	171	20	63
Total	283	675	218	444

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

SOURCE OF FUNDS OF INVESTMENT VEHICLES, By investment vehicles' preferred stage of investment(a)—2009–10

	Earlier stages	Expansion	Later stages
	\$m	\$m	\$m
.....			
COMMITMENTS BY INVESTORS			
Funds			
Non-residents			
Pension funds	np	np	19
Other	217	485	461
Residents			
Pension funds	1 453	3 677	5 300
Authorised Deposit-taking Institutions	4	116	85
Trading enterprises	256	922	237
Governments in Australia	425	198	381
Life insurance offices	np	np	233
Trusts	182	599	472
Other residents	212	525	650
Total	2 764	6 663	7 837
Of which, invested through a fund of funds(b)	349	1 198	3 105

.....			
DRAWDOWNS FROM INVESTORS			
Funds			
Non-residents			
Pension funds	np	np	np
Other	np	np	222
Residents			
Pension funds	1 030	2 809	3 519
Authorised Deposit-taking Institutions	np	np	np
Trading enterprises	np	736	np
Governments in Australia	321	160	231
Life insurance offices	np	np	np
Trusts	np	465	np
Other residents	133	347	382
Total	1 991	5 052	5 178
Of which, invested through a fund of funds(b)	260	820	1 492

.....			
UNUSED COMMITMENT			
Funds			
Non-residents			
Pension funds	np	np	np
Other	np	np	239
Residents			
Pension funds	423	868	1 781
Authorised Deposit-taking Institutions	np	np	np
Trading enterprises	np	186	np
Governments in Australia	104	38	150
Life insurance offices	np	6	np
Trusts	np	134	np
Other residents	79	178	269
Total	773	1 612	2 659
Of which, invested through a fund of funds(b)	88	378	1 613

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 was 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(a)—2009–10

<i>Investment vehicles' preferred stage of investment</i>	INVESTEE COMPANIES' CURRENT STAGE OF DEVELOPMENT		
	<i>Earlier stages</i>	<i>Expansion</i>	<i>Later stages</i>
	\$m	\$m	\$m
Earlier stages(a)	423	384	84
Expansion	267	2 431	580
Later stages(a)	20	1 586	2 219

(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(a)—2009–10

<i>Stage of development when original investment made</i>	INVESTEE COMPANIES' CURRENT STAGE OF DEVELOPMENT		
	<i>Earlier stages</i>	<i>Expansion</i>	<i>Later stages</i>
	\$m	\$m	\$m
Earlier stages(a)	710	365	54
Expansion	—	4 035	584
Later stages(a)	—	—	2 245

— 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 2004–05 to 2009–10. Data back to 1999–2000 are available for selected series in the supplementary spreadsheets available on the ABS website < <http://www.abs.gov.au> >.

2 The 2009-10 VC&LSPE survey was funded by 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* (cat. no. 5655.0) December quarter 2000 issue.

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 AVCAL, the Australian Venture Capital Guide, business directories and venture capital journals. The survey is a census of VC&LSPE vehicles domiciled in Australia that were able to be identified by ABS. 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 definitions 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 within 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 (typically providing office space and support) 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.

EXPLANATORY NOTES *continued*

SCOPE AND COVERAGE

continued

10 Investments by non-resident VC&LSPE funds in Australian investee companies are out of scope of this survey, however funds sourced from non-residents and Australian funds investing in non-resident companies are in scope. 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.

- Earlier stages (includes pre-seed, seed, start-up or early): products are in development, testing or pilot production. Investee companies may not be fully operational and may not yet be generating revenue.
- Expansion (includes 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.
- Later stages (includes turnaround, late, buy-out or sale): a mature investee company that may require financing for turnarounds (because of flat or declining revenue), consolidation and selling of the business.

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

EXPLANATORY NOTES *continued*

Methods of valuation continued

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.

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 due to 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)* (cat. no. 1218.0)—latest issue, 2008.

21 Non-ABS data sources:

- Australian Private Equity and Venture Capital Association Limited web site <<http://www.avcal.com.au>>
- Venture Economics web site <<http://www.ventureeconomics.com>>

22 Australian Venture Capital Guide 2010, Australian Venture Capital Journal; web site contact <<http://www.privateequitymedia.com.au>>

23 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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