



VENTURE CAPITAL AND LATER STAGE PRIVATE EQUITY

AUSTRALIA

EMBARGO: 11.30AM (CANBERRA TIME) THURS 9 FEB 2012

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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 2008-09 to include the latest available survey data.

ABBREVIATIONS

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\$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
CRB	collector record book
DIISR	Department of Innovation, Industry, Science and Research
IPO	Initial Public Offer
IT	information technology
LBO	leveraged buyout
MBI	management buyin
MBO	management buyout
PDF	Pooled Development Fund
VC&LSPE	Venture Capital and Later Stage Private Equity

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 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 2000-2001 with the remainder starting from 2005-06.

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SUMMARY OF FINDINGS

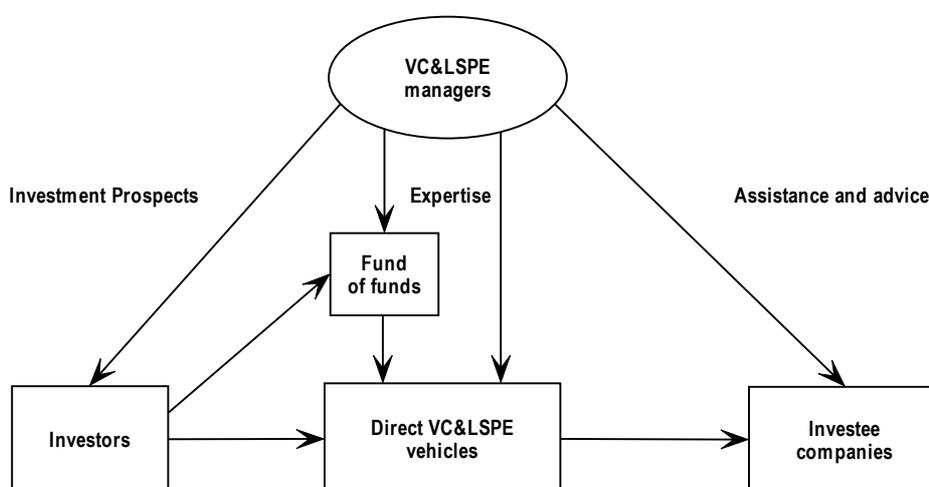
INTRODUCTION

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 VC&LSPE investment vehicles: direct VC&LSPE investment vehicles which generally place investments directly in investee companies; and vehicles that pool funds and generally place investments with direct VC&LSPE investment vehicles. These 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. 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 resident VC&LSPE investment vehicles fell during 2010-11. As at 30 June 2011, investors had \$15.9b committed to investment vehicles, a fall of 8% on the revised \$17.3b committed as at 30 June 2010. Most of the committed funds were sourced domestically, with 91% of commitments from Australian investors (residents) down from 93% as at 30 June 2010. The value of funds committed by non-residents rose \$0.2b (16%) (see table 1).

Resident pension funds contributed \$9.3b to total committed capital (59% of total funds committed). All investors had \$12.2b of committed funds drawn down as at 30 June 2011, which was the same as the \$12.2b of committed funds drawn down as at 30 June 2010.

SUMMARY OF FINDINGS *continued*

OVERVIEW *continued*

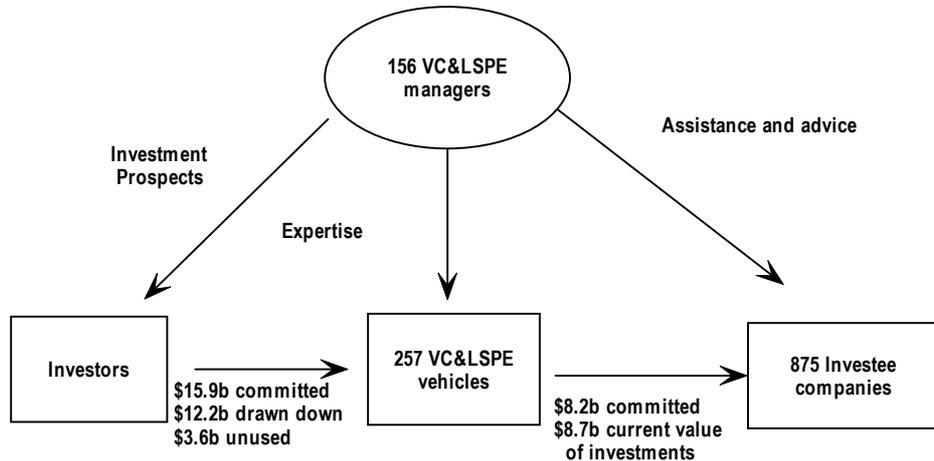
As at 30 June 2011, \$3.6b of committed funds were yet to be called on, down 28% on the undrawn commitments as at 30 June 2010. The \$3.6b of undrawn commitments can be classified by preferred stage of investment, with only \$0.7b undrawn by funds which prefer to invest at the earlier stage (see tables 1 and 4).

The value of investments by VC&LSPE investment vehicles (\$8.7b in 875 investee companies) fell 2% on the \$8.9b reported as at 30 June 2010 (see table 2). Investments in these 875 investee companies were reported by 257 vehicles.

During 2010-11, the net value of all exits through trade sales, Initial Public Offers (IPOs) and buybacks amounted to \$1,433m, up 109% on 2009-10 (see table 2).

VC&LSPE managers only selected 2% of the potential investments they reviewed. The 156 VC&LSPE managers reviewed 5,532 potential new investments during 2010-11 and conducted further analysis on 749 of those, with 90 being sponsored for VC&LSPE.

The following diagram summarises key findings for VC&LSPE as at 30 June 2011.



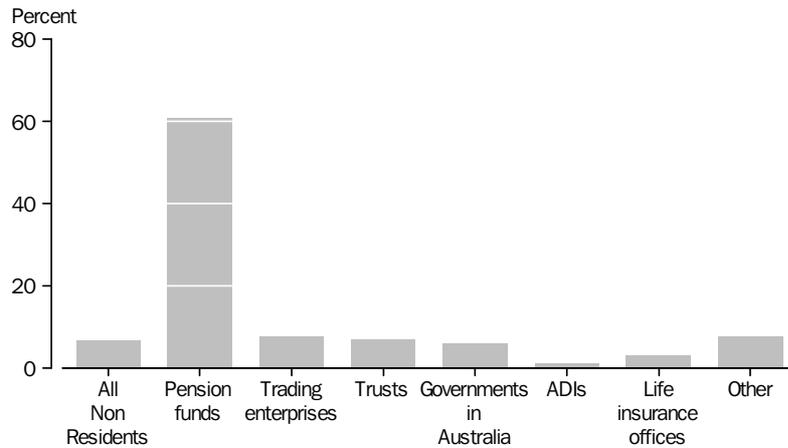
ANALYSIS OF RESULTS

INVESTORS

As at 30 June 2011, \$15.9b was committed to direct VC&LSPE investment vehicles, \$5.1b of which was committed via fund of funds investment vehicles. As at 30 June 2011, \$3.6b of commitments to direct VC&LSPE investment vehicles were unused, \$1.3b 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 61% of total drawdowns (up slightly from 60% for 2009-10).

DRAWDOWN FROM INVESTORS BY INVESTOR TYPE, Percentage of total investment in VC&LSPE vehicles—2010-11



ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES

The survey identified 156 active VC&LSPE managers who were managing 257 VC&LSPE investment vehicles.

VC&LSPE managers received income in the form of management fees (\$252m) (see table 20). In 2010-11, fund managers spent on average 4.6 days a month per investee company. This compares with 4.0 days in 2009-10 and 3.5 days in 2008-09 (see table 18).

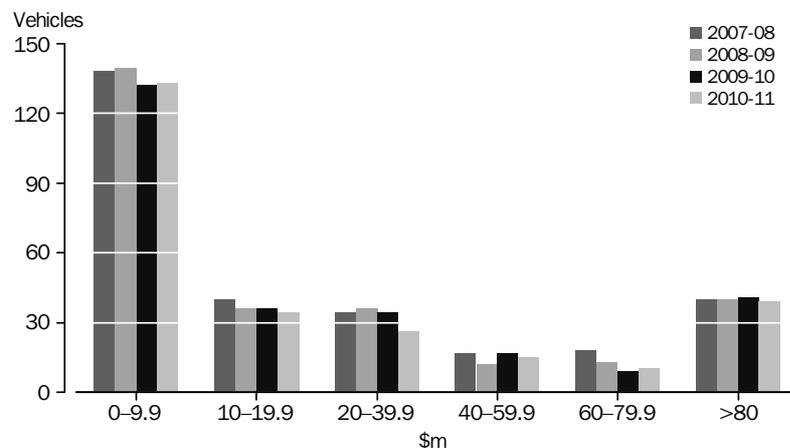
VC&LSPE investment vehicles had net assets of \$10.3b as at 30 June 2011 compared with \$10.2b as at 30 June 2010 and \$9.4b as at 30 June 2009 (see table 8).

Most VC&LSPE investment vehicles were either trusts (funds) or corporations. Of the 257 vehicles operating in 2010-11, 70 were companies, 13 of which were listed with the Australian Stock Exchange (see table 9).

As at 30 June 2011, 89 of the 257 VC&LSPE investment vehicles were participating in a government program, a 11% fall on the number of participants in 2010. Of the 89 participating investment vehicles, 50 were with the Federal government's Pooled Development Fund (PDF) program, a 17% fall in the number of participants (see table 10).

The value of total assets held by VC&LSPE investment vehicles was widely dispersed, from 133 investment vehicles having less than \$10m in assets, to 39 with more than \$80m in total assets (see following graph).

NUMBER OF INVESTMENT VEHICLES, By value of assets held



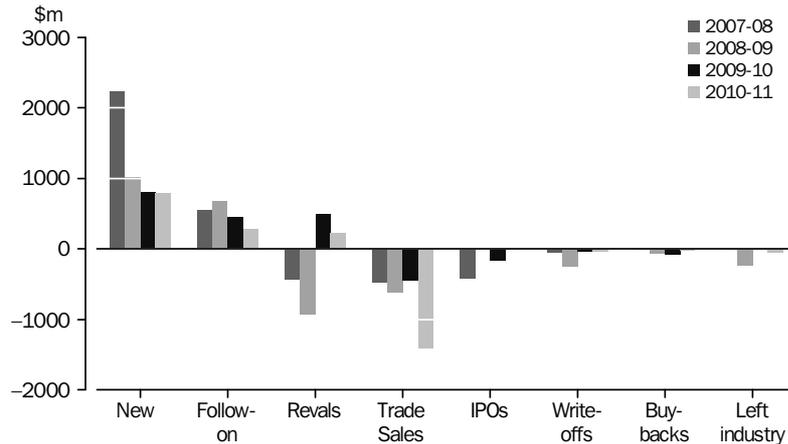
ANALYSIS OF RESULTS *continued*

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 \$167m (13%) in 2010-11 to \$1,077m.

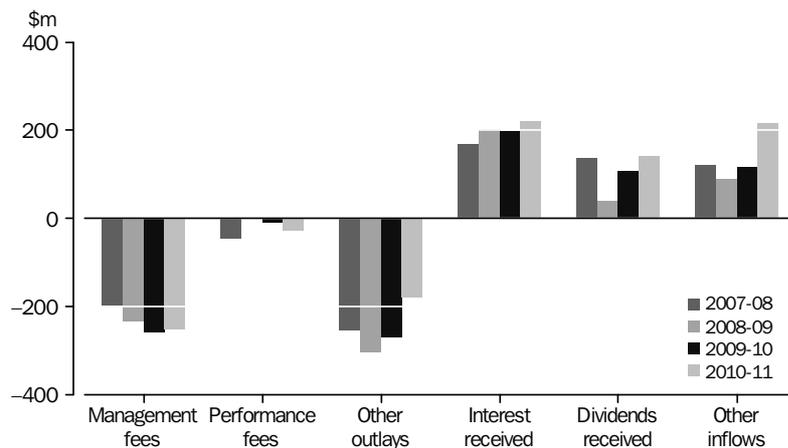
Most return on investment to investees is through exits from investments. The value of exits through trade sales, IPOs and buybacks was \$1,433m in 2010-11, compared with exits of \$686m in 2009-10.

ADDITIONS AND EXITS TO INVESTMENTS IN INVESTEE COMPANIES



Investment vehicles had total expenditure of \$458m during 2010-11, of which the largest component was management fees (\$252m, compared to \$257m during 2009-10). Total income rose to \$577m, driven mainly by rises in interest receipts (\$220m in 2010-11 compared to \$198m in 2009-10), other inflows (\$217m in 2010-11 compared to \$117m in 2009-10) and dividends received (\$141m in 2010-11 compared to \$109m in 2009-10) (see table 20).

EXPENDITURE AND INCOME OF INVESTMENT VEHICLES

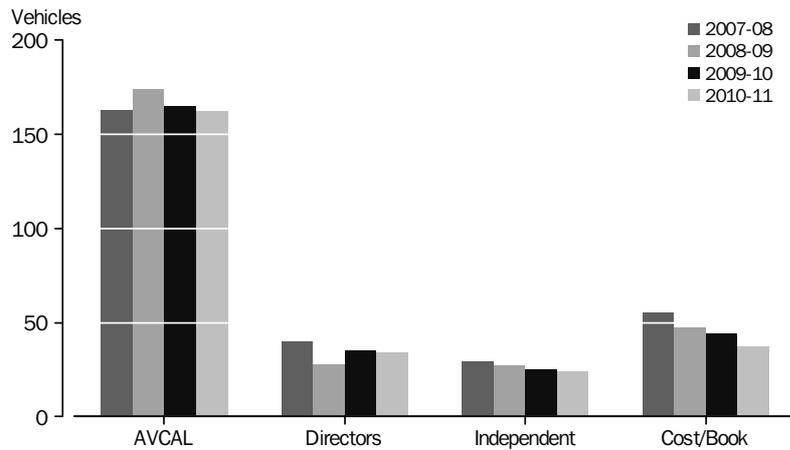


VC&LSPE funds used various valuation methods (refer to paragraph 14 of the Explanatory Notes). The AVCAL method was most frequently used, with 162 vehicles using this method in 2010-11, followed by book value/cost valuation (37), directors' valuation (34) and independent valuation methods (24).

ANALYSIS OF RESULTS *continued*

VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

VALUATION METHODS USED, By investment vehicles

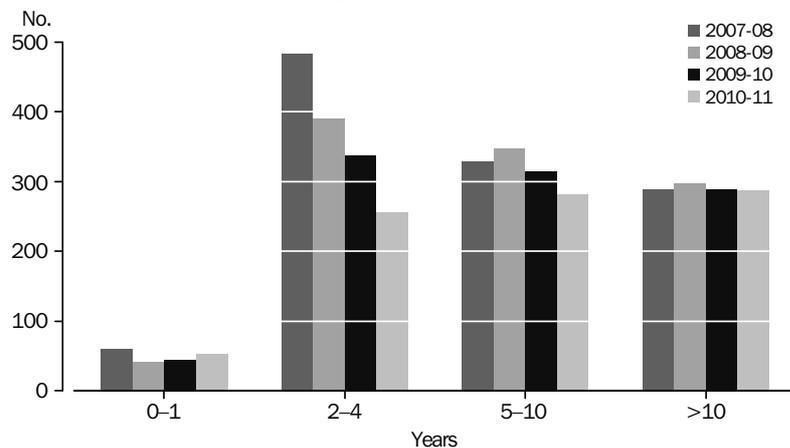


INVESTEE COMPANIES

At the beginning of the 2010-11 financial year there was \$8,912m invested in 984 investee companies (deals). During the 2010-11 financial year a further \$791m was invested in new vehicles and projects, and an additional \$286m 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 2011 of \$8,694m in 875 investee companies. See table 2 for more details.

The following graph indicates that as at 30 June 2011, the largest concentration of deals held by VC&LSPE vehicles was with investee companies established for over 10 years (33%). Investee companies in the five to 10 year category accounted for 32% of deals at the end of 2010-11.

NUMBER OF DEALS, By age of investee company



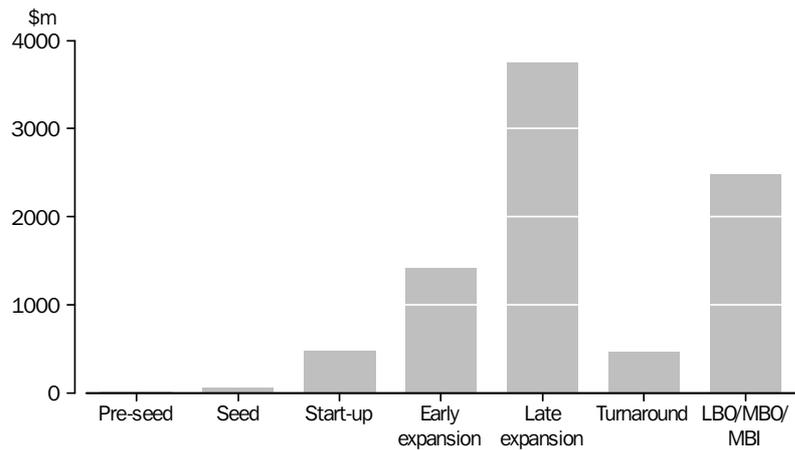
ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES *continued*

In terms of the current stage of investment, total investments in the late expansion stage attracted the largest share, with \$3,750m or 43% of total value as at 30 June 2011 (see table 14).

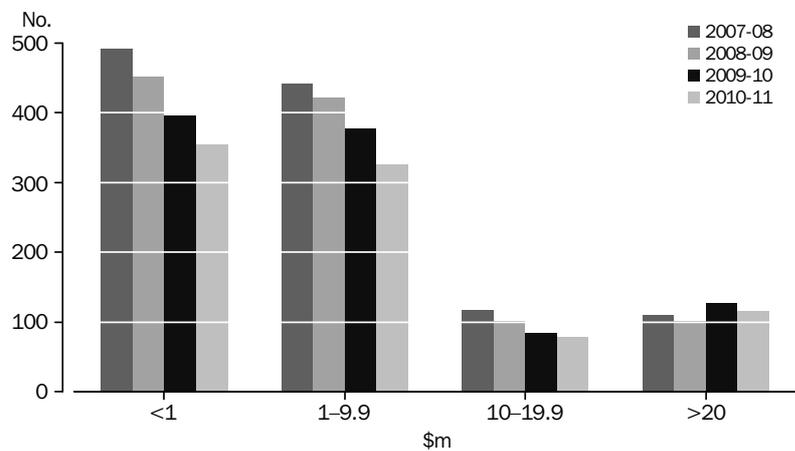
See paragraph 12 of the Explanatory Notes for a definition of the VC&LSPE stages referred to in the following graph.

VALUE OF INVESTMENT, By investee stage—2010–11



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.

VALUE OF INVESTMENT, By number of investees

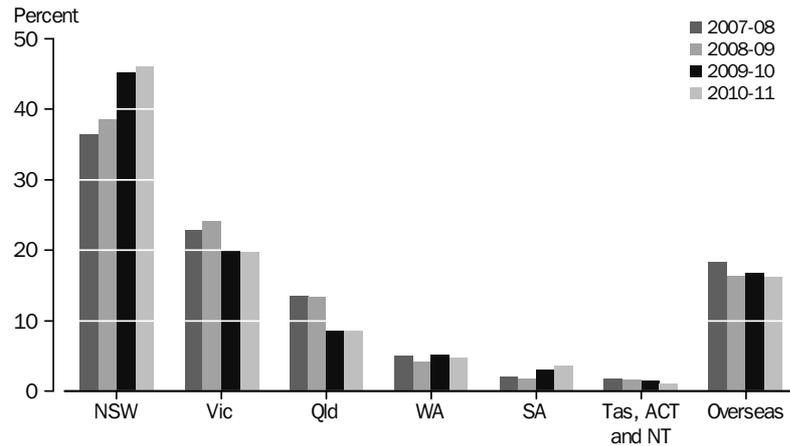


ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES *continued*

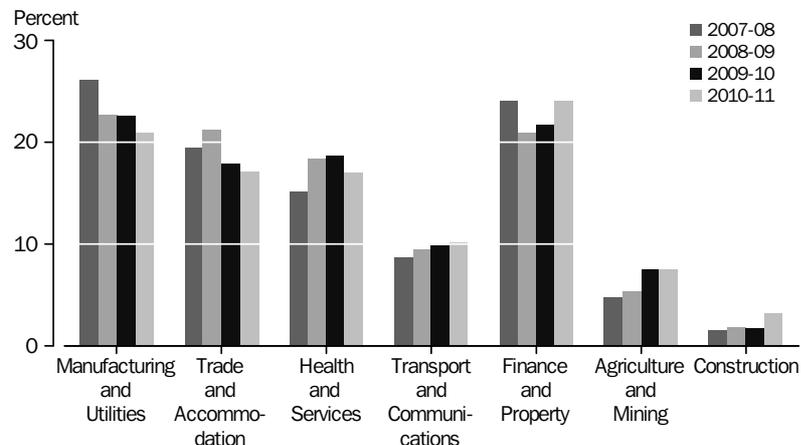
Most of the value of VC&LSPE investment was in investee companies with head offices in New South Wales and Victoria (46% and 20% respectively as at 30 June 2011). The current value of investee companies with head offices in New South Wales fell \$19m to \$3,997m compared to 2009-10, Victoria also fell \$66m to \$1,713m. The current value of investments by Australian vehicles in offshore investee companies fell \$86m to \$1,405m, accounting for 16% 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 \$8,694m invested in 2010-11, Finance and Property was the predominant industry of investment, with investments as at 30 June 2011 of \$2,091m (24% of total investment) with a \$159m rise in the level of investment. The Manufacturing and Utilities industries with investments of \$1,813m (21% of total investment) and the Trade and Accommodation industry with investments \$1,488m (17% of total investment) ranked the second and third most predominant industries of investment respectively. The Manufacturing and Utilities industries fell \$202m from the level of investment in 2009-10. The Health and Other Services industries fell \$192m, Trade and Accommodation industries fell \$104m, and the Agriculture and Mining industries fell \$16m, (see table 12).

PERCENTAGE OF TOTAL INVESTMENT, By industry of investee

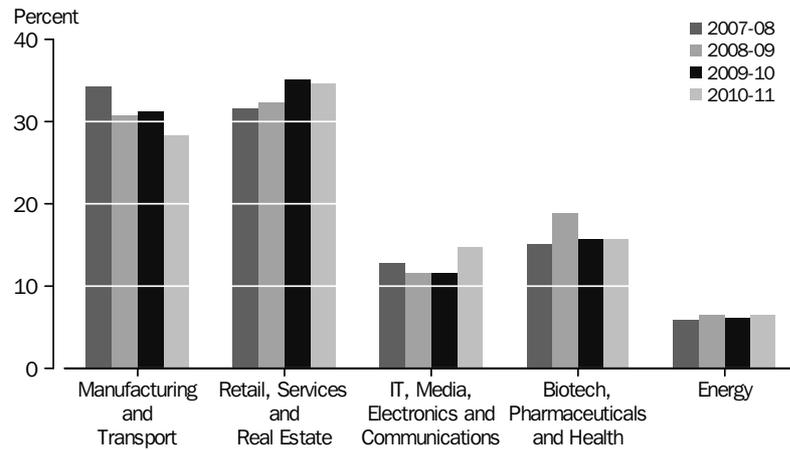


ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES *continued*

When analysed by activity, as defined by the Standard and Poors Activity Classification, the Retail, Services and Real estate activities attracted the largest share of investment, with \$3,008m or 35% of total investment as at 30 June 2011. The Manufacturing and Transport activities with \$2,472m (28%) also attracted a large share of the total investments as at 30 June 2011 (see table 13).

PERCENTAGE OF VALUE OF INVESTMENT, By activity of investee



SOURCE OF FUNDS OF INVESTMENT VEHICLES

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
.....						
COMMITMENTS BY INVESTORS						
Non-residents						
Pension funds	70	59	57	32	68	96
Other	620	1 335	1 826	1 500	1 163	1 333
Residents						
Pension funds	6 337	8 520	9 700	9 861	10 429	9 280
Authorised Deposit-taking Institutions	494	466	577	374	205	149
Trading enterprises	1 330	941	1 290	1 434	1 416	1 266
Governments in Australia	768	888	883	928	1 004	892
Life insurance offices	293	315	360	358	341	363
Trusts	713	664	921	1 112	1 247	1 079
Other residents	1 724	2 201	2 013	1 888	1 390	1 394
Total	12 348	15 389	17 627	17 487	17 262	15 852
Of which, invested through a fund of funds(a)	2 104	2 681	3 903	4 124	4 651	5 100
.....						
DRAWDOWNS FROM INVESTORS						
Non-residents						
Pension funds	47	np	11	np	np	np
Other	272	842	1 017	833	663	784
Residents						
Pension funds	3 446	5 079	5 806	6 575	7 358	7 407
Authorised Deposit-taking Institutions	410	np	506	np	np	np
Trading enterprises	705	728	1 013	1 162	1 132	943
Governments in Australia	389	514	532	648	712	721
Life insurance offices	204	304	331	340	331	356
Trusts	406	406	649	796	914	863
Other residents	1 470	910	1 045	987	865	942
Total	7 349	9 211	10 911	11 720	12 224	12 206
Of which, invested through a fund of funds(a)	788	1 466	2 052	2 393	2 573	3 815
.....						
UNUSED COMMITMENT						
Non-residents						
Pension funds	23	np	46	np	np	np
Other	347	494	808	667	500	549
Residents						
Pension funds	2 891	3 441	3 893	3 286	3 072	1 872
Authorised Deposit-taking Institutions	84	np	71	np	np	np
Trading enterprises	625	213	277	272	284	323
Governments in Australia	378	374	352	280	292	171
Life insurance offices	89	11	29	18	10	7
Trusts	307	258	272	316	334	216
Other residents	254	1 291	968	900	525	452
Total	4 999	6 178	6 716	5 767	5 039	3 646
Of which, invested through a fund of funds(a)	1 316	1 215	1 851	1 731	2 078	1 286

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

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	\$m	\$m	\$m	\$m	\$m	\$m
Investments at beginning of year	3 532	4 665	6 939	8 315	7 903	8 912
<i>Additions to investment value during year</i>						
New vehicles and projects	1 475	2 359	2 223	1 003	800	791
Follow-on investments	307	446	547	675	444	286
Unrealised gains in investee companies	453	557	-438	-928	496	226
<i>Exits and other decreases in value (at balance sheet valuations)</i>						
Trade sales	334	392	476	618	450	1 409
Initial public offers	345	360	411	—	155	np
Buybacks	36	53	12	64	81	np
Write-offs	22	40	50	249	40	39
Left the industry	366	243	6	231	5	48
Investments at end of year	4 665	6 939	8 315	7 903	8 912	8 694

— nil or rounded to zero (including null cells)

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

3

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

Stage of investee company	2009-10		2010-11	
	no.	\$m	no.	\$m
New investments during the year				
Pre-seed	np	np	np	np
Seed	np	np	np	np
Start-up	20	39	11	14
Early Expansion	27	153	23	38
Late Expansion	11	181	16	466
Turnaround	8	70	2	51
LBO/MBO/MBI	14	348	9	211
Total	96	800	90	791
Follow-on investments during the year				
Pre-seed	np	np	np	np
Seed	np	np	np	np
Start-up	52	89	39	66
Early Expansion	77	120	61	112
Late Expansion	34	139	29	64
Turnaround	6	23	10	17
LBO/MBO/MBI	20	63	10	16
Total	219	444	173	286

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

	Earlier stages	Expansion	Later stages
	\$m	\$m	\$m
.....			
COMMITMENTS BY INVESTORS			
Funds			
Non-residents			
Pension funds	np	np	32
Other	215	539	579
Residents			
Pension funds	1 401	3 206	4 672
Authorised Deposit-taking Institutions	3	87	59
Trading enterprises	277	748	241
Governments in Australia	450	198	245
Life insurance offices	np	np	273
Trusts	161	454	465
Other residents	222	552	621
Total	2 735	5 930	7 186
Of which, invested through a fund of funds(b)	447	1 419	3 234

.....			
DRAWDOWNS FROM INVESTORS			
Funds			
Non-residents			
Pension funds	np	np	np
Other	np	np	310
Residents			
Pension funds	1 073	2 638	3 696
Authorised Deposit-taking Institutions	np	np	np
Trading enterprises	np	558	np
Governments in Australia	342	169	210
Life insurance offices	np	np	np
Trusts	np	402	np
Other residents	159	384	398
Total	2 076	4 651	5 478
Of which, invested through a fund of funds(b)	362	1 049	2 404

.....			
UNUSED COMMITMENT			
Funds			
Non-residents			
Pension funds	np	np	np
Other	np	np	269
Residents			
Pension funds	328	568	976
Authorised Deposit-taking Institutions	np	np	np
Trading enterprises	np	190	np
Governments in Australia	108	29	34
Life insurance offices	np	4	np
Trusts	np	52	np
Other residents	62	167	222
Total	659	1 280	1 708
Of which, invested through a fund of funds(b)	85	371	830

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)—2010–11

<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)	341	438	38
Expansion	244	2 070	438
Later stages(a)	21	2 184	2 444

(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)—2010–11

<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)	606	392	38
Expansion	—	4 301	837
Later stages(a)	—	—	2 044

— 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 2005–06 to 2010–11. Data back to 2000–2001 are available for selected series in the supplementary spreadsheets available on the ABS website < <http://www.abs.gov.au> >.

2 The 2010–11 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 the 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 investment 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) are 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 five and 20 approaches each month for funding; of those two or three may receive more thorough examination, and out of those perhaps one 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 five or 10 approaches that are investigated thoroughly or undergo due diligence. From these perhaps two or three 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 five to seven 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 website <<http://www.avcal.com.au>>
- Venture Economics website <<http://www.ventureeconomics.com>>

22 Australian Venture Capital Guide 2011, Australian Venture Capital Journal; website 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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