



# VENTURE CAPITAL AND LATER STAGE PRIVATE EQUITY

AUSTRALIA

EMBARGO: 11.30AM (CANBERRA TIME) THURS 12 FEB 2015

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## INQUIRIES

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# 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. They are an investment not only of money, but also of skills and time. This publication presents information on 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 Industry and Science.

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

## REVISIONS

There have been revisions to the 2012-13 series to include the latest available survey data.

## DATACUBES

Additional data are available on the ABS website including longer time series for all publication tables (except Table 4). For details of the additional data please refer to paragraphs 25 and 26 of the Explanatory Notes.

## ABBREVIATIONS

.....

|          |  |
|----------|--|
| \$b      | billion (thousand million) dollars   |
| \$m      | million dollars  |
| ABS      | Australian Bureau of Statistics  |
| ADI      | Authorised deposit-taking institution  |
| ANZSIC06 | <i>Australian and New Zealand Standard Industrial Classification, 2006 Edition</i> |
| ANZSIC93 | <i>Australian and New Zealand Standard Industrial Classification, 1993 Edition</i> |
| AVCAL    | Australian Private Equity & Venture Capital Association Limited                    |
| GDP      | gross domestic product   |
| IPO      | Initial Public Offer   |
| LBO      | leveraged buyout   |
| LSPE     | Later Stage Private Equity   |
| VC       | Venture Capital  |
| VC&LSPE  | Venture Capital and Later Stage Private Equity                                     |

David Kalisch  
Australian Statistician

## SUMMARY OF FINDINGS

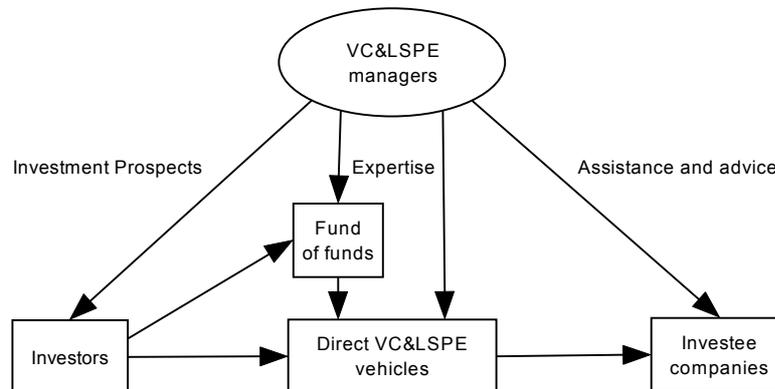
### INTRODUCTION

Investors in Venture Capital and Later Stage Private Equity (VC&LSPE) are generally sophisticated individual investors or institutional investors such as pension (superannuation) funds. Investments in VC&LSPE vehicles 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 return net capital (original 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 vehicles: direct VC&LSPE vehicles which generally place investments directly in investee companies; and indirect VC&LSPE vehicles that pool funds and generally place investments with direct VC&LSPE 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/or 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 decreased in 2013-14. As at 30 June 2014, investors had \$18,514m committed to investment vehicles, a fall of 6% on the \$19,777m committed as at 30 June 2013. Most of the committed funds were sourced domestically, with 73% of commitments from Australian investors (residents) down from 77% as at 30 June 2013. The value of funds committed by non-residents rose \$420m (9%). Resident pension funds contributed \$8,492m to total committed capital (46% of total funds committed).

## SUMMARY OF FINDINGS *continued*

### OVERVIEW *continued*

### SOURCE OF FUNDS OF VC&LSPE VEHICLES

|                          | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|--------------------------|---------|---------|---------|---------|---------|---------|
|                          | \$m     | \$m     | \$m     | \$m     | \$m     | \$m     |
| Commitments by investors | 17 487  | 17 262  | 16 546  | 19 268  | r19 777 | 18 514  |
| Drawdowns from investors | 11 720  | 12 224  | 12 216  | 13 069  | r14 198 | 13 603  |
| Unused commitment        | 5 767   | 5 039   | 4 330   | 6 199   | r5 579  | 4 912   |

r revised

Committed funds drawn down from investors totalled \$13,603m as at 30 June 2014, a decrease of 4% on the \$14,198m committed funds drawn down as at 30 June 2013.

Committed funds of \$4,912m were yet to be called on, down 12% on the undrawn commitments of \$5,579m as at 30 June 2013. These undrawn commitments can be classified by preferred stage of investment, with \$1,134m undrawn by funds which prefer to invest in companies in the Venture Capital (VC) stages.

Total valuations of all investments by VC&LSPE investment vehicles (\$7,907m in 652 investee companies) fell 5% on the \$8,348m reported as at 30 June 2013. Investments in these 652 investee companies were reported by 221 vehicles.

The value of investments as at 30 June 2014 represented 0.50% of GDP, down from 0.55% of GDP as at 30 June 2013. Over the same period, VC investments remained constant (0.11% of GDP), while Later Stage Private Equity (LSPE) investments fell as a proportion of GDP from 0.44% to 0.39%.

### VALUE OF INVESTMENT BY VC&LSPE INVESTMENT VEHICLES

|                           | 2011-12 |       |       | 2012-13 |        |        | 2013-14 |       |       |
|---------------------------|---------|-------|-------|---------|--------|--------|---------|-------|-------|
|                           | VC      | LSPE  | Total | VC      | LSPE   | Total  | VC      | LSPE  | Total |
| Value of Investment (\$m) | 1 827   | 5 825 | 7 652 | 1 707   | r6 641 | r8 348 | 1 692   | 6 215 | 7 907 |
| GDP(a) %                  | 0.12    | 0.39  | 0.51  | 0.11    | 0.44   | 0.55   | 0.11    | 0.39  | 0.50  |

r revised

(a) In calculating VC&LSPE ratios, the most recently published annual GDP values were sourced from the Time Series Spreadsheet Table 36 *Australian National Accounts: National Income, Expenditure and Product, Sept 2014* (cat. no. 5206.0)- Gross domestic product: Current prices (original, derived, annual), series ID: A2304617J.

VC&LSPE managers reviewed 8,133 investment proposals during 2013-14 and conducted further analysis on 906 of those, with 108 investment vehicles ultimately receiving funding. These 108 new investments totalled \$933m in value. In addition to this, 137 follow-on investments were made in existing VC&LSPE investments with a total value of \$255m.

## SUMMARY OF FINDINGS *continued*

OVERVIEW *continued*

### SUMMARY TABLE, VC&LSPE investment—2012-13 and 2013-14

|                                      |     | VC      |         | LSPE    |         | BOTH VC&LSPE |         |
|--------------------------------------|-----|---------|---------|---------|---------|--------------|---------|
|                                      |     | 2012-13 | 2013-14 | 2012-13 | 2013-14 | 2012-13      | 2013-14 |
| <b>New investments</b>               |     |         |         |         |         |              |         |
| Deals                                | no. | 51      | 74      | 25      | 34      | 76           | 108     |
| Value                                | \$m | r164    | 191     | 755     | 742     | 919          | 933     |
| <b>Follow-on investments</b>         |     |         |         |         |         |              |         |
| Deals                                | no. | 122     | 104     | 35      | 33      | 157          | 137     |
| Value                                | \$m | 102     | 104     | 101     | 152     | 203          | 255     |
| <b>New and Follow-on investments</b> |     |         |         |         |         |              |         |
| Deals                                | no. | r170    | 178     | 60      | 67      | r230         | 243     |
| Value                                | \$m | 265     | 295     | 856     | 894     | r1 121       | 1 189   |
| <b>VC&amp;LSPE proposals</b>         |     |         |         |         |         |              |         |
| Viewed(a)                            | no. | 5 515   | 6 131   | 1 089   | 2 002   | 6 604        | 8 133   |
| Further considered(b)                | no. | 728     | 697     | 122     | 209     | 850          | 906     |

r revised

(a) Number of investment proposals viewed by all VC&LSPE managers.

(b) Number of investment proposals that underwent further analysis by VC&LSPE managers, i.e. significant negotiations with owners, indicative bid made or due diligence undertaken.

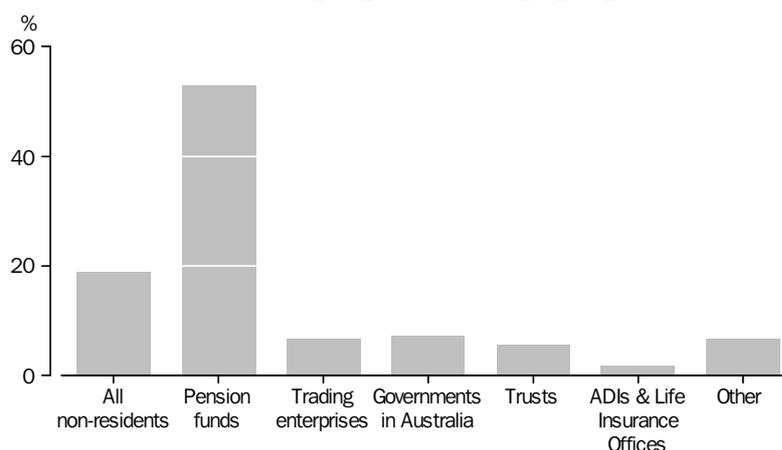
## ANALYSIS OF RESULTS

### INVESTORS

There were \$18,514m committed to VC&LSPE investment vehicles as at 30 June 2014. Of this, \$4,866m was committed via fund of funds investment vehicles.

The following graph presents drawdown investment for VC&LSPE investors by type of investor for 2013-14. Resident pension funds (53%) were the largest source of funds, in terms of drawdowns for VC&LSPE investment vehicles.

DRAWDOWN FROM INVESTORS BY INVESTOR TYPE, percentage of total investment in VC&LSPE vehicles—2013-14



### VC&LSPE MANAGERS AND INVESTMENT VEHICLES

There were 125 active VC&LSPE managers who were managing 221 VC&LSPE investment vehicles. Of the 125 active VC&LSPE managers, 49% reported that they prefer to invest in VC investments only, 30% prefer LSPE investments only and 22% prefer to invest in both VC and LSPE investments (refer to paragraph 13 of the Explanatory Notes regarding the stages of investment). The following table shows the breakdown of managers and vehicles by preferred category of investment.

VC&LSPE MANAGERS AND INVESTMENT VEHICLES, by focus of fund—2012-13 and 2013-14

|                | VC&LSPE MANAGERS |            | VC&LSPE VEHICLES |            |
|----------------|------------------|------------|------------------|------------|
|                | no.              | %          | no.              | %          |
| <b>2012-13</b> |                  |            |                  |            |
| VC only        | 55               | 45         | 93               | 40         |
| LSPE only      | 26               | 21         | 93               | 40         |
| Both VC & LSPE | 41               | 34         | 45               | 20         |
| <b>Total</b>   | <b>122</b>       | <b>100</b> | <b>231</b>       | <b>100</b> |
| <b>2013-14</b> |                  |            |                  |            |
| VC only        | 61               | 49         | 92               | 42         |
| LSPE only      | 37               | 30         | 95               | 43         |
| Both VC & LSPE | 27               | 22         | 34               | 15         |
| <b>Total</b>   | <b>125</b>       | <b>100</b> | <b>221</b>       | <b>100</b> |

The stage of investment preferred by VC&LSPE fund managers was dependent on the value of the fund's assets. VC&LSPE fund managers with less than \$10m in total assets mostly focused on VC investments only (65%), while VC&LSPE managers with more than \$25m in total assets preferred to focus on LSPE investments (45%). VC&LSPE managers received income in the form of management fees (\$211m).

## ANALYSIS OF RESULTS *continued*

### VC&LSPE MANAGERS AND INVESTMENT VEHICLES *continued*

### FUND MANAGER AND ASSETS, by fund managers preferred stage of investment(a)—2013-14

|                          | VC<br>only | LSPE<br>only | Both<br>VC &<br>LSPE | Total      |
|--------------------------|------------|--------------|----------------------|------------|
|                          | no.        | no.          | no.                  | no.        |
| Less than \$10m          | 40         | 12           | 10                   | 62         |
| \$10m to less than \$25m | 10         | 5            | 4                    | 19         |
| \$25m or more            | 11         | 20           | 13                   | 44         |
| <b>Total</b>             | <b>61</b>  | <b>37</b>    | <b>27</b>            | <b>125</b> |

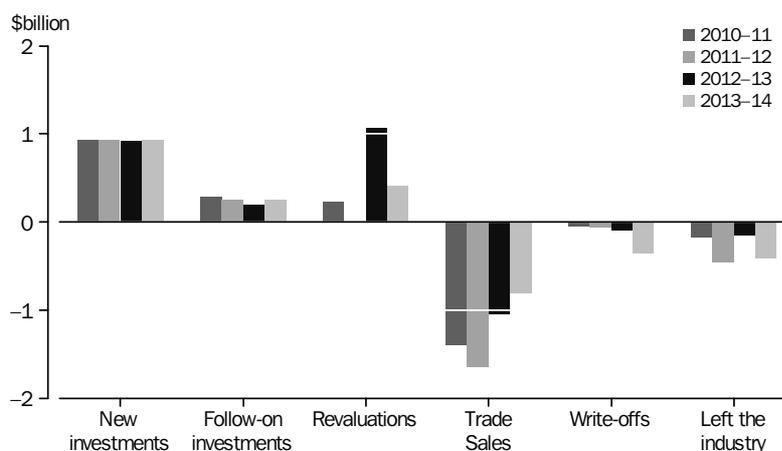
(a) Refer to paragraph 13 of the Explanatory Notes.

VC&LSPE investment vehicles had net assets of \$9,966m as at 30 June 2014, a rise of \$31m from 30 June 2013. The majority (50%) of the 221 VC&LSPE vehicles were trusts.

As at 30 June 2014, 98 of the 221 VC&LSPE vehicles were participating in a government program, an increase of two investment vehicles from 2012-13.

The majority of returns on investment to investors is through exits from investments. The value of exits through trade sales was \$806m in 2013-14.

### SELECTED ADDITIONS TO AND EXITS FROM INVESTMENTS IN INVESTEE COMPANIES



VC&LSPE vehicles used three valuation methods in 2013-14 (refer to paragraph 15 of the Explanatory Notes regarding valuation basis). Directors' valuation (145 vehicles) was the most frequently used method, followed by cost value/book valuation (49 vehicles), and independent valuation methods (27 vehicles).

### INVESTEE COMPANIES

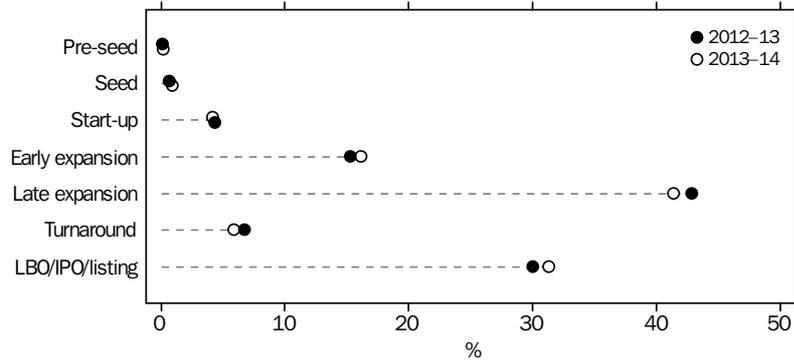
At the beginning of the 2013-14 financial year there 720 active VC&LSPE investee companies valued at \$8,348m. During the 2013-14 financial year \$933m was invested in new VC&LSPE investee companies, and an additional \$255m of follow-on investment was made to existing VC&LSPE investee companies. Following revaluations and exits of investee companies during the year, there were 652 continuing VC&LSPE investee companies valued at \$7,907m at the end of the 2013-14 financial year.

Investee companies in the late expansion stage accounted for \$3,271m or 41% of the total value of investments at the end of the 2013-14 financial year.

## ANALYSIS OF RESULTS *continued*

INVESTEES COMPANIES  
*continued*

PERCENTAGE VALUE OF INVESTMENT, by investee stage(a)(b)

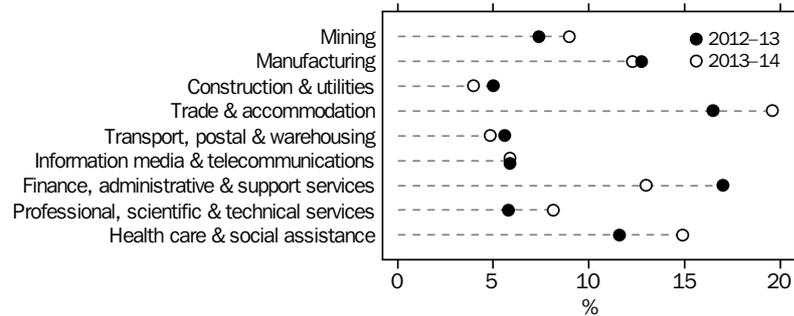


(a) Refer to Glossary for investee stage definitions.  
(b) For further information on interpreting these data, refer to paragraph 20 of the Explanatory Notes.

The majority of the total value of investments was in VC&LSPE investee companies with head offices in New South Wales and Victoria (38% and 20% respectively), while offshore investee companies accounted for 17% of total investment in 2013-14.

In 2013-14, the combined Trade and accommodation industries had the highest proportion of VC&LSPE investment (20%), followed by the Health care and social assistance industry (15%).

PERCENTAGE VALUE OF INVESTMENT, by industry of investee(a)(b)



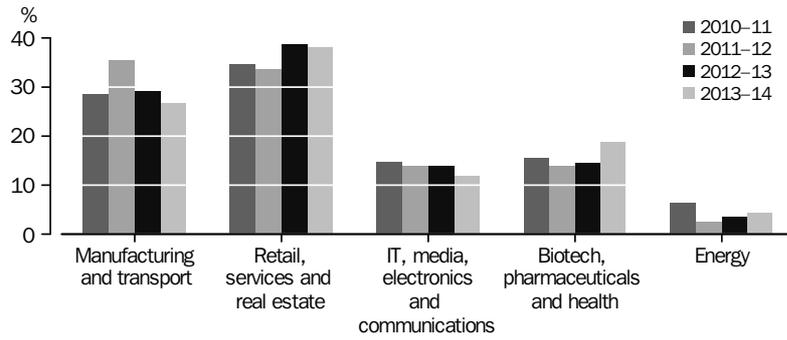
(a) Based on the Australian and New Zealand Standard Industrial Classification, 2006. Refer to paragraph 17 and 18 of the Explanatory Notes.  
(b) For further information on interpreting these data, refer to paragraphs 20 and 21 of the Explanatory Notes.

When analysed by activity, as defined by the Standard and Poors Global Industry Classification Standard, the Retail, services and real estate group of activities attracted the largest share of investment, with \$3,011m or 38% of total investment as at 30 June 2014. This was followed by the Manufacturing and transport group of activities, with \$2,121m or 27%.

## ANALYSIS OF RESULTS *continued*

INVESTEE COMPANIES  
*continued*

PERCENTAGE VALUE OF INVESTMENT, by activity of investee(a)(b)



(a) Based on Standard and Poors Global Industry Classification Standard. Refer to paragraph 19 of the Explanatory Notes.

(b) For further information on interpreting these data, refer to paragraphs 20 and 21 of the Explanatory Notes.

## INVESTMENT BY VC&amp;LSPE VEHICLES IN INVESTEE COMPANIES—2008-09 to 2013-14

|  | 2008-09      | 2009-10      | 2010-11      | 2011-12      | 2012-13       | 2013-14      |
|--|--------------|--------------|--------------|--------------|---------------|--------------|
|  | \$m          | \$m          | \$m          | \$m          | \$m           | \$m          |
| <b>Investments at beginning of year<sup>(a)</sup></b>            | <b>8 315</b> | <b>7 903</b> | <b>8 912</b> | <b>8 700</b> | <b>7 652</b>  | <b>8 348</b> |
| Additions to investment value during the year                    |              |              |              |              |               |              |
| New vehicles and projects  | 1 003        | 800          | 928          | 924          | 919           | 933          |
| Follow-on investments  | 675          | 444          | 286          | 250          | 203           | 255          |
| Unrealised gains in companies                                    | -928         | 496          | 224          | -3           | r1 068        | 409          |
| Exits and other decreases in value (at balance sheet valuations) |              |              |              |              |               |              |
| Trade sales  | 618          | 450          | 1 403        | 1 648        | 1 037         | 806          |
| Initial public offers  | —            | 155          | np           | np           | np            | np           |
| Buybacks   | 64           | 81           | np           | np           | np            | np           |
| Write-offs   | 249          | 40           | 44           | 63           | 94            | 352          |
| Left the industry  | 231          | 5            | 179          | 461          | 149           | 405          |
| <b>Investments at end of year<sup>(b)</sup></b>                  | <b>7 903</b> | <b>8 912</b> | <b>8 700</b> | <b>7 652</b> | <b>r8 348</b> | <b>7 907</b> |

— nil or rounded to zero (including null cells)

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

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(a) The balance sheet value of all ongoing investee companies by VC&LSPE vehicles at the beginning of the financial year.

(b) Equals the balance sheet value of 'Investments at the beginning of the year' plus 'Additions to investment value during the year' minus 'Exits and other decreases in value'.

NEW AND FOLLOW-ON INVESTMENT IN INVESTEE COMPANIES (a), by stage of investee company—2012-13 and 2013-14

|  | 2012-13              |            |             |            | 2013-14              |            |            |            |
|--|----------------------|------------|-------------|------------|----------------------|------------|------------|------------|
|  | Investment companies |            | Value       |            | Investment companies |            | Value      |            |
|  | no.                  | %          | \$m         | %          | no.                  | %          | \$m        | %          |
| <b>New investments during the year</b>       |                      |            |             |            |                      |            |            |            |
| Venture Capital                              |                      |            |             |            |                      |            |            |            |
| Pre-seed                                     | np                   | np         | np          | np         | 7                    | 6          | 2          | —          |
| Seed   | np                   | np         | np          | np         | 22                   | 20         | 12         | 1          |
| Start-up                                     | 18                   | 24         | 92          | 10         | 27                   | 25         | 51         | 5          |
| Early expansion                              | 18                   | 24         | 68          | 7          | 18                   | 17         | 126        | 13         |
| <b>Total venture capital</b>                 | <b>51</b>            | <b>67</b>  | <b>r164</b> | <b>18</b>  | <b>74</b>            | <b>69</b>  | <b>191</b> | <b>21</b>  |
| Later Stage Private Equity                   |                      |            |             |            |                      |            |            |            |
| Late expansion                               | np                   | np         | np          | np         | np                   | np         | np         | np         |
| Turnaround                                   | np                   | np         | np          | np         | np                   | np         | np         | np         |
| LBO/IPO/listing                              | 11                   | 14         | 501         | 55         | 16                   | 15         | 383        | 41         |
| <b>Total later stage private equity</b>      | <b>25</b>            | <b>33</b>  | <b>755</b>  | <b>82</b>  | <b>34</b>            | <b>31</b>  | <b>742</b> | <b>79</b>  |
| <b>Total</b>                                 | <b>76</b>            | <b>100</b> | <b>919</b>  | <b>100</b> | <b>108</b>           | <b>100</b> | <b>933</b> | <b>100</b> |
| <b>Follow-on investments during the year</b> |                      |            |             |            |                      |            |            |            |
| Venture Capital                              |                      |            |             |            |                      |            |            |            |
| Pre-seed                                     | 8                    | 5          | 3           | 1          | 4                    | 3          | 1          | —          |
| Seed   | 26                   | 17         | 9           | 5          | 18                   | 13         | 6          | 2          |
| Start-up                                     | 41                   | 26         | 41          | 20         | 37                   | 27         | 44         | 17         |
| Early expansion                              | 47                   | 30         | 49          | 24         | 45                   | 33         | 53         | 21         |
| <b>Total venture capital</b>                 | <b>122</b>           | <b>78</b>  | <b>102</b>  | <b>50</b>  | <b>104</b>           | <b>76</b>  | <b>104</b> | <b>41</b>  |
| Later Stage Private Equity                   |                      |            |             |            |                      |            |            |            |
| Late expansion                               | 21                   | 13         | 67          | 33         | 20                   | 15         | 68         | 27         |
| Turnaround                                   | 5                    | 3          | 13          | 6          | 4                    | 3          | np         | np         |
| LBO/IPO/listing                              | 9                    | 6          | 21          | 10         | 9                    | 7          | np         | np         |
| <b>Total later stage private equity</b>      | <b>35</b>            | <b>22</b>  | <b>101</b>  | <b>50</b>  | <b>33</b>            | <b>24</b>  | <b>152</b> | <b>59</b>  |
| <b>Total</b>                                 | <b>157</b>           | <b>100</b> | <b>203</b>  | <b>100</b> | <b>137</b>           | <b>100</b> | <b>255</b> | <b>100</b> |

— nil or rounded to zero (including null cells)

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

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(a) Refer to Glossary for stage of investee company definitions.

## SOURCE OF FUNDS OF VC&amp;LSPE VEHICLES (a)—2008-09 to 2013-14

|   | 2008-09       | 2009-10       | 2010-11       | 2011-12       | 2012-13        | 2013-14       |
|---|---------------|---------------|---------------|---------------|----------------|---------------|
|   | \$m           | \$m           | \$m           | \$m           | \$m            | \$m           |
| COMMITMENTS BY INVESTORS                      |               |               |               |               |                |               |
| Non-residents                                 |               |               |               |               |                |               |
| Pension funds                                 | 32            | 68            | 196           | 756           | r845           | 891           |
| Other   | 1 500         | 1 163         | 1 860         | 3 163         | r3 664         | 4 038         |
| Residents                                     |               |               |               |               |                |               |
| Pension funds                                 | 9 861         | 10 429        | 9 352         | 9 452         | r9 502         | 8 492         |
| Authorised deposit-taking institutions        | 374           | 205           | 149           | 202           | r126           | 83            |
| Trading enterprises                           | 1 434         | 1 416         | 1 173         | 1 268         | r1 208         | 972           |
| Governments in Australia                      | 928           | 1 004         | 1 042         | 1 510         | r1 462         | 1 600         |
| Life insurance offices                        | 358           | 341           | 341           | 324           | 260            | 220           |
| Trusts  | 1 112         | 1 247         | 1 050         | 1 031         | 994            | 920           |
| Other residents                               | 1 888         | 1 390         | 1 383         | 1 561         | r1 716         | 1 299         |
| <b>Total</b>                                  | <b>17 487</b> | <b>17 262</b> | <b>16 546</b> | <b>19 268</b> | <b>r19 777</b> | <b>18 514</b> |
| Of which, invested through a fund of funds(b) | 4 124         | 4 651         | 5 383         | 5 228         | r5 202         | 4 866         |

|   |               |               |               |               |                |               |
|---|---------------|---------------|---------------|---------------|----------------|---------------|
| DRAWDOWNS FROM INVESTORS                      |               |               |               |               |                |               |
| Non-residents                                 |               |               |               |               |                |               |
| Pension funds                                 | np            | np            | np            | 144           | r303           | 444           |
| Other   | 833           | 663           | 784           | 1 185         | r1 854         | 2 128         |
| Residents                                     |               |               |               |               |                |               |
| Pension funds                                 | 6 575         | 7 358         | 7 472         | 7 422         | r7 765         | 7 195         |
| Authorised deposit-taking institutions        | np            | np            | np            | 158           | np             | np            |
| Trading enterprises                           | 1 162         | 1 132         | 923           | 1 072         | r1 049         | 909           |
| Governments in Australia                      | 648           | 712           | 757           | 944           | r941           | 990           |
| Life insurance offices                        | 340           | 331           | 334           | 318           | 254            | np            |
| Trusts  | 796           | 914           | 834           | 877           | np             | 761           |
| Other residents                               | 987           | 865           | 925           | 949           | r1 052         | 922           |
| <b>Total</b>                                  | <b>11 720</b> | <b>12 224</b> | <b>12 216</b> | <b>13 069</b> | <b>r14 198</b> | <b>13 603</b> |
| Of which, invested through a fund of funds(b) | 2 393         | 2 573         | 3 840         | 3 724         | r3 884         | 3 778         |

|   |              |              |              |              |               |              |
|---|--------------|--------------|--------------|--------------|---------------|--------------|
| UNUSED COMMITMENT                             |              |              |              |              |               |              |
| Non-residents                                 |              |              |              |              |               |              |
| Pension funds                                 | np           | np           | np           | 612          | r542          | 446          |
| Other   | 667          | 500          | 1 076        | 1 978        | r1 810        | 1 910        |
| Residents                                     |              |              |              |              |               |              |
| Pension funds                                 | 3 286        | 3 072        | 1 880        | 2 031        | r1 737        | 1 297        |
| Authorised deposit-taking institutions        | np           | np           | np           | 44           | np            | np           |
| Trading enterprises                           | 272          | 284          | 251          | 196          | r159          | 63           |
| Governments in Australia                      | 280          | 292          | 285          | 566          | r521          | 610          |
| Life insurance offices                        | 18           | 10           | 7            | 6            | 5             | np           |
| Trusts  | 316          | 334          | 216          | 154          | np            | 159          |
| Other residents                               | 900          | 525          | 459          | 612          | r664          | 377          |
| <b>Total</b>                                  | <b>5 767</b> | <b>5 039</b> | <b>4 330</b> | <b>6 199</b> | <b>r5 579</b> | <b>4 912</b> |
| Of which, invested through a fund of funds(b) | 1 731        | 2 078        | 1 543        | 1 504        | r1 318        | 1 088        |

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

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(a) Closing balance of all VC&LSPE vehicles operating during the financial year (i.e. cumulative stock).

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

|   | Venture<br>capital | Later<br>stage<br>private<br>equity | Total         |
|---|--------------------|-------------------------------------|---------------|
|   | \$m                | \$m                                 | \$m           |
| .....   |                    |                                     |               |
| <b>COMMITMENTS BY INVESTORS</b>               |                    |                                     |               |
| Non-residents                                 |                    |                                     |               |
| Pension funds                                 | np                 | np                                  | 891           |
| Other   | 848                | 3 190                               | 4 038         |
| Residents                                     |                    |                                     |               |
| Pension funds                                 | 1 649              | 6 843                               | 8 492         |
| Authorised deposit-taking institutions        | np                 | np                                  | 83            |
| Trading enterprises                           | 264                | 708                                 | 972           |
| Governments in Australia                      | 581                | 1 019                               | 1 600         |
| Life insurance offices                        | 23                 | 197                                 | 220           |
| Trusts  | 267                | 653                                 | 920           |
| Other residents                               | 419                | 879                                 | 1 299         |
| <b>Total</b>                                  | <b>4 261</b>       | <b>14 254</b>                       | <b>18 514</b> |
| Of which, invested through a fund of funds(c) | 654                | 4 212                               | 4 866         |

|   |              |               |               |
|---|--------------|---------------|---------------|
| .....   |              |               |               |
| <b>DRAWDOWNS FROM INVESTORS</b>               |              |               |               |
| Non-residents                                 |              |               |               |
| Pension funds                                 | np           | np            | 444           |
| Other   | 475          | 1 652         | 2 128         |
| Residents                                     |              |               |               |
| Pension funds                                 | 1 428        | 5 767         | 7 195         |
| Authorised deposit-taking institutions        | 16           | np            | np            |
| Trading enterprises                           | 233          | 676           | 909           |
| Governments in Australia                      | 385          | 605           | 990           |
| Life insurance offices                        | np           | 194           | np            |
| Trusts  | 194          | 567           | 761           |
| Other residents                               | 310          | 612           | 922           |
| <b>Total</b>                                  | <b>3 127</b> | <b>10 476</b> | <b>13 603</b> |
| Of which, invested through a fund of funds(c) | 533          | 3 246         | 3 778         |

|   |              |              |              |
|---|--------------|--------------|--------------|
| .....   |              |              |              |
| <b>UNUSED COMMITMENT</b>                      |              |              |              |
| Non-residents                                 |              |              |              |
| Pension funds                                 | np           | np           | 446          |
| Other   | 373          | 1 538        | 1 910        |
| Residents                                     |              |              |              |
| Pension funds                                 | 221          | 1 076        | 1 297        |
| Authorised deposit-taking institutions        | np           | np           | np           |
| Trading enterprises                           | 31           | 32           | 63           |
| Governments in Australia                      | 196          | 414          | 610          |
| Life insurance offices                        | np           | 3            | np           |
| Trusts  | 72           | 86           | 159          |
| Other residents                               | 109          | 267          | 377          |
| <b>Total</b>                                  | <b>1 134</b> | <b>3 778</b> | <b>4 912</b> |
| Of which, invested through a fund of funds(c) | 122          | 966          | 1 088        |

- np not available for publication but included in totals where applicable, unless otherwise indicated
- (a) Closing balance of all VC&LSPE vehicles operating during the financial year (i.e. cumulative stock).
- (b) Refer to paragraph 13 of the Explanatory Notes.
- (c) Capital sourced from investors which were invested through a fund of funds, into a direct vehicle.

SOURCE OF FUNDS OF VC&LSPE VEHICLES, new commitments and new capital called—2011-12 to 2013-14

|   | 2011-12      | 2012-13      | 2013-14      |
|---|--------------|--------------|--------------|
|   | \$m          | \$m          | \$m          |
| <b>New Commitments</b>                        |              |              |              |
| Total non-residents                           | 1 760        | 300          | np           |
| Residents                                     |              |              |              |
| Pension funds                                 | 625          | 184          | 68           |
| Authorised deposit-taking institutions        | np           | —            | np           |
| Trading enterprises                           | np           | 6            | np           |
| Governments in Australia                      | np           | np           | 301          |
| Life insurance offices                        | np           | np           | —            |
| Trusts  | np           | np           | 95           |
| Other residents                               | 220          | 82           | 66           |
| <b>Total</b>                                  | <b>3 087</b> | <b>704</b>   | <b>1 245</b> |
| Of which, invested through a fund of funds(a) | 440          | np           | np           |
| <b>Capital Called</b>                         |              |              |              |
| Total non-residents                           | 208          | r359         | 587          |
| Residents                                     |              |              |              |
| Pension funds                                 | 432          | r465         | 267          |
| Authorised deposit-taking institutions        | np           | np           | np           |
| Trading enterprises                           | np           | r47          | 18           |
| Governments in Australia                      | 62           | r98          | 174          |
| Life insurance offices                        | np           | np           | np           |
| Trusts  | 51           | 38           | 75           |
| Other residents                               | 59           | 101          | 104          |
| <b>Total</b>                                  | <b>1 004</b> | <b>1 109</b> | <b>1 231</b> |
| Of which, invested through a fund of funds(a) | 374          | 306          | 269          |

— nil or rounded to zero (including null cells)

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

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

## 6

## VC&amp;LSPE VEHICLES AND ASSETS, by type of legal organisation and program participation—2011-2 to 2013-14

|   | 2011-12    |              | 2012-13    |               | 2013-14    |              |
|---|------------|--------------|------------|---------------|------------|--------------|
|   | Vehicle    | Asset Value  | Vehicle    | Asset Value   | Vehicle    | Asset Value  |
|   | no.        | \$m          | no.        | \$m           | no.        | \$m          |
| <i>Type of Legal Organisation</i>                           |            |              |            |               |            |              |
| Listed company  | 13         | 489          | 12         | 415           | 12         | 321          |
| Unlisted company  | 51         | 266          | 44         | 188           | 43         | 400          |
| Trust   | 134        | 6 589        | 121        | 6 410         | 111        | 5 641        |
| Other   | 44         | 2 154        | 54         | r2 922        | 55         | 3 604        |
| <b>Any participation in a government assistance program</b> | <b>89</b>  | <b>2 213</b> | <b>96</b>  | <b>r2 862</b> | <b>98</b>  | <b>3 920</b> |
| <b>Total</b>  | <b>242</b> | <b>9 498</b> | <b>231</b> | <b>r9 935</b> | <b>221</b> | <b>9 966</b> |

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## 7

## VC&amp;LSPE VEHICLES, by valuation method and value of assets, by preferred stage of investment(a)—2012-13 and 2013-14

|                             | 2012-13     |             |                  |             | 2013-14     |             |                  |             |
|-----------------------------|-------------|-------------|------------------|-------------|-------------|-------------|------------------|-------------|
|                             | VC only     | LSPE only   | Both VC and LSPE | Total       | VC only     | LSPE only   | Both VC and LSPE | Total       |
|                             | Vehicle no. | Vehicle no. | Vehicle no.      | Vehicle no. | Vehicle no. | Vehicle no. | Vehicle no.      | Vehicle no. |
| <i>Valuation Method</i>     |             |             |                  |             |             |             |                  |             |
| Directors                   | 52          | 68          | 21               | 141         | 55          | 70          | 20               | 145         |
| Independent                 | 9           | 12          | 7                | 28          | 5           | 13          | 9                | 27          |
| Cost/Book                   | 32          | 13          | 17               | 62          | 32          | 12          | 5                | 49          |
| <i>Value of assets held</i> |             |             |                  |             |             |             |                  |             |
| Less than \$10m             | 61          | 27          | 29               | 117         | 62          | 38          | 16               | 116         |
| \$10m to less than \$20m    | np          | 13          | np               | 33          | 11          | np          | np               | 23          |
| \$20m to less than \$40m    | 9           | 11          | 3                | 23          | 12          | 12          | 3                | 27          |
| \$40m to less than \$60m    | np          | np          | 5                | 17          | 4           | 8           | 6                | 18          |
| \$60m to less than \$80m    | np          | np          | —                | 5           | np          | np          | —                | 5           |
| \$80m or more               | np          | 28          | np               | 36          | np          | 24          | np               | 32          |
| <b>Total</b>                | <b>93</b>   | <b>93</b>   | <b>45</b>        | <b>231</b>  | <b>92</b>   | <b>95</b>   | <b>34</b>        | <b>221</b>  |

— nil or rounded to zero (including null cells)

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

(a) Refer to paragraph 13 of the Explanatory Notes.

## VC&amp;LSPE VEHICLES, by selected balance sheet items—2008-09 to 2013-14

|                                  | 2008-09       | 2009-10       | 2010-11       | 2011-12      | 2012-13       | 2013-14      |
|----------------------------------|---------------|---------------|---------------|--------------|---------------|--------------|
|                                  | \$m           | \$m           | \$m           | \$m          | \$m           | \$m          |
| <b>Assets</b>                    |               |               |               |              |               |              |
| <i>Non-residents</i>             |               |               |               |              |               |              |
| Unlisted equity                  | 899           | 1 011         | 1 120         | 1 023        | 892           | 1 220        |
| Listed equity                    | 62            | 123           | 309           | 303          | 210           | 167          |
| Other                            | 289           | 330           | 322           | 88           | 167           | 113          |
| <b>Total non-resident assets</b> | <b>1 250</b>  | <b>1 464</b>  | <b>1 751</b>  | <b>1 414</b> | <b>1 269</b>  | <b>1 499</b> |
| <i>Residents</i>                 |               |               |               |              |               |              |
| Cash and deposits                | 638           | 645           | 792           | 524          | 380           | 638          |
| Debt securities                  | 461           | 837           | 1 091         | 1 115        | 1 245         | 1 548        |
| Listed equities                  | 583           | 457           | 570           | 364          | 406           | 989          |
| Unlisted equities                | 5 861         | 6 381         | 5 660         | 5 359        | r6 245        | 4 665        |
| Other venture capital funds      | 482           | 503           | 487           | np           | 84            | np           |
| Other equity                     | 41            | 24            | 15            | np           | 9             | np           |
| Other financial                  | 457           | 557           | 445           | 240          | 241           | 520          |
| Non-financial                    | 268           | 323           | 105           | 63           | 55            | 68           |
| <b>Total resident assets</b>     | <b>8 790</b>  | <b>9 726</b>  | <b>9 165</b>  | <b>8 085</b> | <b>r8 665</b> | <b>8 467</b> |
| <b>Total assets</b>              | <b>10 040</b> | <b>11 190</b> | <b>10 916</b> | <b>9 498</b> | <b>r9 935</b> | <b>9 966</b> |
| <b>Liabilities</b>               |               |               |               |              |               |              |
| Borrowings                       | 226           | 329           | 248           | 182          | 248           | 133          |
| Other                            | 424           | 657           | 407           | 237          | 195           | 440          |
| <b>Total liabilities</b>         | <b>650</b>    | <b>986</b>    | <b>655</b>    | <b>419</b>   | <b>443</b>    | <b>573</b>   |
| <b>Net assets</b>                | <b>9 390</b>  | <b>10 204</b> | <b>10 261</b> | <b>9 079</b> | <b>r9 492</b> | <b>9 393</b> |
| <b>Expenditure and income</b>    |               |               |               |              |               |              |
| <i>Selected expenditure</i>      |               |               |               |              |               |              |
| Management fees                  | 234           | 257           | 250           | 198          | 250           | 211          |
| Performance fees                 | 2             | 9             | 27            | 5            | 43            | 87           |
| Interest expenses                | 43            | 23            | 10            | 20           | 28            | 4            |
| Wages and salaries               | 62            | 61            | 26            | 29           | 26            | 26           |
| Taxation                         | 4             | 17            | 11            | 27           | 20            | 3            |
| Professional services            | 28            | 37            | 25            | 44           | 59            | 222          |
| Other outlays                    | 168           | 132           | 107           | 187          | 195           | 134          |
| <i>Selected income</i>           |               |               |               |              |               |              |
| Interest receipts                | 203           | 198           | 220           | 167          | 193           | 180          |
| Dividends received               | 41            | 109           | 141           | 150          | 256           | 314          |
| Other inflows                    | 90            | 117           | 213           | 143          | 181           | 271          |

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

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## SUMMARY OF INVESTEE COMPANIES—2011-12 to 2013-14

|  | 2011-12            |                 | 2012-13            |                 | 2013-14            |                 |
|--|--------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
|  | Investee companies |                 | Investee companies |                 | Investee companies |                 |
|  | no.                | Value(a)<br>\$m | no.                | Value(a)<br>\$m | no.                | Value(a)<br>\$m |
| <i>By location of investee company head office</i> |                    |                 |                    |                 |                    |                 |
| New South Wales                                    | 274                | 3 208           | 232                | 3 413           | 198                | 3 012           |
| Victoria   | 180                | 1 333           | 168                | r1 750          | 164                | 1 566           |
| Queensland   | 87                 | 842             | 83                 | r1 095          | 69                 | 1 079           |
| South Australia                                    | 35                 | 233             | 29                 | 279             | 23                 | 203             |
| Western Australia                                  | 69                 | 439             | 61                 | r500            | 60                 | 678             |
| Tas., NT and ACT                                   | 38                 | 277             | 36                 | 41              | 23                 | 31              |
| Overseas   | 121                | 1 318           | 111                | 1 270           | 115                | 1 338           |
| <i>By industry of investee company(b)</i>          |                    |                 |                    |                 |                    |                 |
| Agriculture, forestry and fishing                  | na                 | na              | np                 | np              | np                 | np              |
| Mining   | na                 | na              | 50                 | 617             | 48                 | 710             |
| Manufacturing                                      | na                 | na              | 114                | 1 064           | 97                 | 971             |
| Construction and utilities                         | na                 | na              | 54                 | 419             | 45                 | 313             |
| Trade and accommodation                            | na                 | na              | 65                 | 1 376           | 56                 | 1 549           |
| Transport, postal and warehousing                  | na                 | na              | 27                 | 468             | 23                 | 383             |
| Information media and telecommunications           | na                 | na              | 69                 | 492             | 79                 | 464             |
| Finance, administrative and support services       | na                 | na              | 45                 | r1 420          | 36                 | 1 027           |
| Professional, scientific and technical services    | na                 | na              | 115                | 483             | 112                | 643             |
| Health care and social assistance                  | na                 | na              | 116                | 968             | 98                 | 1 179           |
| Other industries                                   | na                 | na              | np                 | np              | np                 | np              |
| <i>By activity of investee company(c)</i>          |                    |                 |                    |                 |                    |                 |
| Manufacturing and transport                        | 174                | 2 652           | 162                | 2 428           | 141                | 2 121           |
| IT, media, electronics and communications          | 196                | 1 073           | 185                | r1 169          | 162                | 940             |
| Retail, services and real estate                   | 177                | 2 645           | 132                | r3 237          | 121                | 3 011           |
| Biotechnology, pharmaceuticals and health          | 205                | 1 073           | 193                | 1 220           | 181                | 1 495           |
| Energy and utilities                               | 52                 | 209             | 48                 | 294             | 47                 | 340             |
| <i>By stage of investee company(d)</i>             |                    |                 |                    |                 |                    |                 |
| Pre-seed   | 22                 | 17              | 21                 | 12              | 19                 | 14              |
| Seed   | 87                 | 62              | 72                 | 57              | 71                 | 73              |
| Start-up   | 123                | 321             | 118                | 362             | 103                | 331             |
| Early expansion                                    | 264                | 1 427           | 228                | 1 276           | 207                | 1 275           |
| Late expansion                                     | 209                | 3 871           | 159                | r3 575          | 129                | 3 271           |
| Turnaround   | 35                 | 501             | 31                 | 564             | 28                 | 467             |
| LBO/IPO/listing                                    | 64                 | 1 453           | 91                 | r2 502          | 95                 | 2 477           |
| <i>By age of investee company</i>                  |                    |                 |                    |                 |                    |                 |
| Less than one year                                 | 33                 | 58              | 12                 | 75              | 32                 | 63              |
| One year to less than five years                   | 255                | 1 447           | 187                | 730             | 170                | 564             |
| Five years to less than ten years                  | 220                | 1 261           | 237                | 1 988           | 202                | 1 993           |
| Ten years or more                                  | 296                | 4 885           | 284                | r5 554          | 248                | 5 288           |
| <b>Total</b>                                       | <b>804</b>         | <b>7 652</b>    | <b>720</b>         | <b>r8 348</b>   | <b>652</b>         | <b>7 907</b>    |

na not available

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

r revised

(a) Balance sheet value of ongoing investee companies as at the end of the financial year.

(b) Industry classification changed to ANZSIC06 in 2012-13, when industry groupings were revised. Refer to paragraphs 17 and 18 of the Explanatory Notes.

(c) Refer to paragraph 19 of the Explanatory Notes.

(d) Refer to Glossary for stage of investee definitions.

NUMBER OF INVESTEE COMPANIES, by value of investments(a)—2011-12 to 2013-14

|                             | 2011-12    | 2012-13    | 2013-14    |
|-----------------------------|------------|------------|------------|
|                             | no.        | no.        | no.        |
| <i>Value of investments</i> |            |            |            |
| Less than \$0.5m            | 235        | 222        | 171        |
| \$0.5m to less than \$1m    | 80         | 69         | 63         |
| \$1m to less than \$2m      | 90         | 61         | 63         |
| \$2m to less than \$3m      | 49         | 53         | 44         |
| \$3m to less than \$4m      | 44         | 25         | 34         |
| \$4m to less than \$5m      | 28         | 32         | 26         |
| \$5m to less than \$10m     | 88         | 72         | 75         |
| \$10m to less than \$20m    | 72         | 65         | 68         |
| \$20m or more               | 118        | 121        | 108        |
| <b>Total</b>                | <b>804</b> | <b>720</b> | <b>652</b> |

(a) Balance sheet value of ongoing investee companies as at the end of the financial year.

## EXPLANATORY NOTES

### THE SURVEY

**1** This publication presents statistics for Venture Capital and Later Stage Private Equity (VC&LSPE) statistics for the period 2008–09 to 2013–14.

**2** The 2013–14 VC&LSPE survey was fully funded by the Department of Industry and Science. The survey was first conducted for the 1999–2000 reference period, with results released as a feature article in the *Managed Funds, Australia (cat. no. 5655.0)—December quarter 2000 issue*.

**3** The VC&LSPE survey aims to have full coverage of all resident VC&LSPE vehicles in enterprises that meet the definitions of venture capital and later stage private equity.

### SURVEY DEFINITIONS

**4** Venture Capital (VC) 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).

**5** Later Stage Private Equity (LSPE) 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 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).

**6** 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.

**7** 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.

### SCOPE AND COVERAGE

**8** 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, Early Stage Venture Capital Limited Partnership), membership of AVCAL, the Australian Venture Capital Guide, business directories and venture capital journals.

**9** The statistical unit for the VC&LSPE survey is the resident VC&LSPE fund (vehicle), however the reporting unit is the resident fund manager.

**10** 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.

**11** 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.

## EXPLANATORY NOTES *continued*

### CHARACTERISTICS OF VC&LSPE ACTIVITIES

**12** 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 number of these may receive more thorough examination, and decisions are made as to which proposals will receive funding.

### STAGES OF INVESTMENT

**13** The following describes various stages at which a VC&LSPE vehicle may make investments.

- Venture Capital (VC) refers to the pre-seed, seed, start-up and early expansion stage of investment.
- Later Stage Private Equity (LSPE) refers to the late expansion, turnaround and buy-out or sale stage of investment.

### TYPES OF CAPITAL

**14** 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 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. For companies, drawdowns from investors represents paid-up capital as at the end of the year.

### VALUATION BASIS

**15** The VC&LSPE industry uses a variety of valuation methods for the equity they hold in the investee companies. The valuation methods may vary between organisations and are defined below.

- Assets valued by directors' valuation: 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: 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: the cost of the asset at time of purchase by the fund, is the preferred method, at least for the first 12 months.

**16** As of 2012-13, the AVCAL method was no longer an applicable valuation method type. AVCAL had adopted the International Private Equity and Venture Capital (IPEV) Valuation Guidelines, replacing the former Venture Economics method. If an organisation followed the AVCAL/IPEV guidelines, their chosen valuation method would be based on who carried out the valuation of investments.

### INDUSTRY GROUPINGS

**17** Industry groupings are based on the Australian and New Zealand Standard Industrial Classification, 2006 (ANZSIC06). VC&LSPE data prior to 2012-13 are based on the Australian and New Zealand Standard Industrial Classification, 1993 (ANZSIC93). The industry groupings consist of these ANZSIC06 division categories:

- Agriculture, forestry and fishing includes Division A 'Agriculture, Forestry and Fishing'.
- Mining includes Division B 'Mining'.
- Manufacturing includes Division C 'Manufacturing'.
- Construction and utilities includes Division D 'Electricity, Gas, Water and Waste Services' and Division E 'Construction'.
- Trade and accommodation includes Division F 'Wholesale Trade', Division G 'Retail Trade', and Division H 'Accommodation and Food Services'.

## EXPLANATORY NOTES *continued*

### INDUSTRY GROUPINGS

*continued*

- Transport, postal and warehousing includes Division I 'Transport, Postal and Warehousing'.
- Information media and telecommunications includes Division J 'Information Media and Telecommunications'.
- Finance, administrative and support services includes Division K 'Finance and Insurance Services' and Division N 'Administrative and Support Services'.
- Professional, scientific and technical services includes Division M 'Professional, Scientific and Technical Services'.
- Health care and social assistance includes Division Q 'Health Care and Social Assistance'.
- Other industries includes Division L 'Rental, Hiring and Real Estate Services', Division O 'Public Administration and Safety', Division P 'Education and Training', Division R 'Arts and Recreational Services', and Division S 'Other Services'.

**18** For further detail on ANZSIC06 classifications see *Australian and New Zealand Standard Industrial Classification (ANZSIC) (cat. no. 1292.0)— issue, 2006 (Revision 2.0)*.

### ACTIVITY CLASSIFICATION

**19** The activities reported have been classified using Standard & Poor's Global Industry Classification Standard. This classification is commonly used internationally. Further information can be found at <http://www.standardandpoors.com/indices/gics/en/au>.

### DATA QUALITY

**20** Care should be exercised when analysing investee company data. The number of investee companies represents the number of investments that VC&LSPE investment vehicles have made, and not the total number of companies that have received funding. In some cases an individual company may receive funding from several different VC&LSPE investment vehicles.

**21** Industry and activity of VC&LSPE investee companies' were self classified by VC&LSPE managers at the time of reporting. Some organisations may have experienced difficulty in classifying their investee companies. Care is taken to ensure correct and consistent application of industry and activity classifications.

### EFFECTS OF ROUNDING

**22** Any discrepancies between totals and sums of components in the tables are due to rounding.

### RELATED STATISTICS

**23** Related ABS publications which may also be of interest include:  
*Australian System of National Accounts (cat. no. 5204.0)— annually;*  
*Australian National Accounts: National Income, Expenditure and Product (cat. no. 5206.0)— quarterly;*  
*Australian System of National Accounts: Concepts, Sources and Methods (cat. no. 5216.0)— issue, 2013;*  
*Australian National Accounts: Finance and Wealth (cat. no. 5232.0)— quarterly;*  
*Managed Funds, Australia (cat. no. 5655.0)— quarterly;*  
*Standard Economic Sector Classifications of Australia (SESCA) (cat. no. 1218.0)— issue, 2008 (Version 1.1);*  
*Australian and New Zealand Standard Industrial Classification (ANZSIC) (cat. no. 1292.0)— issue, 2006 (Revision 2.0).*

**24** An alternative (non-ABS) data source can be found at:  
*Australian Private Equity and Venture Capital Association Limited website*  
<http://www.avcal.com.au>.

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

## GLOSSARY

|                                   |   |
|-----------------------------------|---|
| <b>ADI</b>                        | An authorised deposit-taking institution, e.g. a bank, credit union, etc.   |
| <b>Asset value</b>                | Total gross assets (including derivatives, cash, debt securities, and other financial and non-financial assets).  |
| <b>Committed funds</b>            | Capital pledged by investors, representing the maximum amount that the fund may drawdown from investors.  |
| <b>Debt securities</b>            | Borrowings which may be traded on secondary markets. Short term debt securities include bills of exchange, commercial paper and promissory notes. They generally have an original term to maturity of 30 to 180 days. Long term debt securities have an original term maturity of more than one year, and include bonds, debentures, convertible notes, and non-participating preference shares. They do not include derivatives. |
| <b>Drawdowns from investors</b>   | For VC&LSPE investment vehicles, this represents the amount of capital committed by investors that is actually transferred to a VC&LSPE investment vehicle in aggregate for the life of the fund, and is also known as paid-in capital. For VC&LSPE investee companies, drawdowns from investors represents paid-up capital as at the end of the year.  |
| <b>Early expansion</b>            | An investee company which is operational and has product in the market place. The investee company will show significant revenue growth, and may or may not be profitable.  |
| <b>Follow-on investment</b>       | A subsequent investment made by a VC&LSPE manager who made a previous investment in the company; generally equal to a later stage investment in comparison to the initial investment.   |
| <b>Fund of funds</b>              | This type of fund pools investments from a diverse range of investors and mainly places its investments with other VC&LSPE investment vehicles who then invest in investee companies. Fund of funds may directly invest in unlisted companies, but these investments are typically undertaken as a co-investment with another VC&LSPE manager.  |
| <b>Governments in Australia</b>   | Comprises all government units of the Australian government, each state and territory government, and all local government authorities.   |
| <b>Investee company</b>           | The company in which the venture capital or later stage private equity investment has been made.  |
| <b>IPO</b>                        | Initial Public Offering (IPO) is a type of public offering where shares of stock in a company are sold to the general public, on a securities exchange, for the first time.   |
| <b>Late Expansion</b>             | Current product improvement or new product development. Continued revenue growth. Approaching, or at, profitable operating levels.  |
| <b>Later Stage Private Equity</b> | An investment in companies in the late stage of expansion, turnaround and buy-out or sale stage of investment. 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).  |
| <b>Left the industry</b>          | Refers to partial exits (a divestment of part of a VC or LSPE investment).  |
| <b>LBO/LBI</b>                    | Leveraged buy-out/in (LBO/LBI) involve the acquisition of a product or business from either a public or private company often utilising a significant amount of debt and little or no equity.   |
| <b>Life insurance offices</b>     | Life insurance offices must be registered with the Australian Prudential Regulation Authority (APRA). Life insurance offices offer insurance for death or disability and also offer investment and superannuation products. Generally, they have the word “life” in their legal name. They include friendly societies, but exclude insurance companies offering house, car and marine insurance.                                  |
| <b>Listed shares and units</b>    | Shares in resident companies and units in resident trusts quoted on the Australian Stock Exchange (ASX). Does not include equity derivatives or shares in foreign companies.  |

## GLOSSARY *continued*

|                                |  |
|--------------------------------|--|
| <b>Non-residents</b>           | Any individual, business or other organisation domiciled overseas. Foreign branches and foreign subsidiaries of Australian businesses are regarded as non-residents.   |
| <b>Paid-in Capital</b>         | See Drawdowns from investors.  |
| <b>Pension funds</b>           | Provide benefits for their members on retirement, resignation, death or disablement. A superannuation fund usually takes the legal form of a trust fund. Includes pooled superannuation trusts (PST), approved deposit funds (ADF) and public sector superannuation funds.   |
| <b>Pre-seed</b>                | An investee company in the process of setting up. Product is in research and development stage.  |
| <b>Residents</b>               | Any individual, business or other organisation domiciled in Australia. Australian branches and Australian subsidiaries of foreign businesses are regarded as Australian residents.   |
| <b>Sale/IPO/Listing</b>        | The investment in a business with the intention of listing it on the stock exchange, eventually offering shares to the public.   |
| <b>Seed</b>                    | An investee company in the process of setting up. Product at testing or pilot production stage.  |
| <b>Start-up</b>                | The investee company is not yet fully operational. May or may not be generating revenue.   |
| <b>Total assets</b>            | See Asset value.   |
| <b>Trading enterprises</b>     | Those businesses which are owned and controlled by all levels of governments and which produce goods or non-financial services for sale at market prices.  |
| <b>Trust funds</b>             | Public unit trusts issue units to the general public within Australia and invest the pooled monies. They must have registered a prospectus with the Australian Securities and Investment Commission (ASIC). Some are listed on the ASX. There are two broad types of public unit trusts: property and trading trusts; and financial trusts such as mortgage, fixed interest and equity trusts. |
| <b>Turnaround</b>              | Financing provided to a company at a time of operational or financial difficulty with the intention of improving the company's performance. The company may not be profitable, its product turnover stagnant and/or with flat or declining revenue.  |
| <b>Unlisted equity</b>         | Equity in resident unlisted trusts and resident unlisted participating preference shares.  |
| <b>Unrealised gains/losses</b> | The change in the market value of any equity that will only be realised on the sale of the equity.   |
| <b>Vehicle</b>                 | Funds or pooled funds (where capital is sourced from the fund manager and investors) for investment in investee companies and are mainly organised in the form of either trust funds or corporations.  |
| <b>Venture Capital</b>         | 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).  |
| <b>Write-offs</b>              | Writing down of a portfolio company's holdings to a valuation of zero, with the fund receiving no proceeds from their investments.   |

## 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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