



Report of Council to NZVCA AGM

4 September 2003

Overview of the 2002/2003 year

The 2002/2003 year saw the NZVCA build significantly on the platform that has been created since the Association was re-established in November 2001.

The Council, consisting of ten members, continued to meet on a monthly basis and the key event for the period was the very successful NZVCA conference held in Auckland on October 31 last year. At the last AGM on 31 October 2002 it was agreed that, in the interests of continuity at the early stages of the Association's re-establishment, the Council should remain intact for a further term. Jon Hooper from Ernst & Young came on board as the 10th Council member in October 2002.

In order to drive the Association's development on to the next stage, the Council recognised that it would be crucial to appoint a dedicated person on at least a part-time basis. The successful income generating activities of the Association over the course of 2002 made this a realistic possibility for the new year and several potential candidates were identified in late 2002 and early 2003. In March 2003 the Council appointed Christopher Twiss as the Association's Executive Director effective from 1 April 2003. This appointment is for an initial period of 2 years.

Having someone committed to managing the affairs of the Association, promoting the venture capital and private equity industry here and representing the interests of all industry participants, will mean that the Association will be able to achieve significantly more than was possible previously and this is certainly evident from the overview of the Association's current activities that I will give shortly.

Organisationally, during the 2002/2003 year the NZVCA continued to be structured around four working committees.

- Government and industry relations
- Communications
- Membership services
- Finance and administration

This structure has historically provided a solid framework for the Council's activities although, with the appointment of the Executive Director, this is currently being reviewed and it is likely that the Council will adopt a more "taskforce" orientated approach in the year ahead, focussing on several key initiatives.

Looking back at the 2002/2003 year the highlights included:

- The continued success in signing up new members
- Generating around \$42,000 in income from membership dues
- Generating sponsorship income of around \$45,000.
- Running several successful member events organised around interesting international speakers
- Commencing a dialogue with government on several industry issues
- Strengthening our relationship with VIF
- Planning and running a profitable first industry conference
- The appointment of Christopher Twiss as Executive Director

Overview of the year ahead

For the 2003/2004 year, the Executive Director and the Council have a set of ambitious goals for the development of the Association itself and for the venture capital and private equity industry generally. The current emphasis is on establishing proper administrative and financial systems and achieving a targeted set of key operational objectives.

It will also be crucial to continue to strengthen the NZVCA's financial footing to create the solid base needed to support its activities.

The NZVCA is looking forward to having a number of new Council members on board for the year ahead. Six current Council members are standing down today but we have a number of excellent nominations for new members so the next Council will have a good balance of continuity and new faces. I wish the next Council well for the 2003/2004 year and extend my sincere thanks to those members who are standing down for their considerable efforts over the last two years.

Key operational objectives for the NZVCA for 2003/2004 will include:

- **Facilitate the resolution of key regulatory/tax issues facing the NZ private equity and venture capital industry**

The key regulatory issue to be addressed is the lack of an internationally recognised limited liability partnership structure for venture capital and private equity investment. New Zealand currently has no legislative framework in place which is deliberately designed to attract this form of investment as most major economic powers and our key trading partners do. Australia has recently introduced legislative reforms designed to bring Australia's venture capital regime into line with international best practise.

The NZVCA is in favour of New Zealand making legislative changes in order to "level the playing field" vis a vis other countries that are reliant on foreign capital and which compete with New Zealand for foreign venture capital investment.

To this end, the NZVCA is now actively working with government officials on a legislative initiative to introduce an appropriate venture capital legislative regime. The Association submitted a general discussion paper (addressing the feasibility of adopting the Australian regime in NZ) to officials and to ICANZ on 22 August 2003 and it is now developing a set of detailed recommendations on the specific content of the proposed legislation. The shared objective is to have the new legislation in place by April 2004 and the Association will do all that it can to assist in hitting that target.

The NZVCA is also currently working with a number of members on a submission relating to proposed changes to GST rules under a current Taxation Bill. The NZVCA appeared before the Finance and Expenditure Select Committee on 27 August 2003 and this initiative is ongoing.

- **Significantly increase Association membership.**

The Association has continued to add new members over the last few months and the number of full (manager) members now stands at 13 (9 last year). There are currently 16 associate members (15), 6 incubator members (3) and 8 individual members (9). Total current membership therefore stands at 43 (36). It is expected that new members will continue to join over the coming months as the Association's profile continues to increase along with the membership "value-proposition".

- **Establish a strong working relationship with government officials and NZVIF.**

The Council met with Dr Cullen in Auckland on 1 June 2003 and we are positive about the level of support for the industry from within the present government. The NZVCA will continue to develop its profile with government officials and the current limited partnership legislation initiative presents a great opportunity for the NZVCA to establish its industry body credentials.

The NZVCA continues to develop its relationship with VIF and we are looking at a number of ways in which the two organisations can work together to achieve our shared goal of developing the New Zealand venture capital and private equity industry. VIF are also important financial supporters of the Association and recently they agreed to provide approximately \$20,000 of funding for NZVCA initiatives.

- **Hold several well attended networking events throughout the year.**

The key event this year will be the 2nd annual conference in Auckland on 29 October 2003. A successful roadshow event – “How to Approach a Venture Capitalist” - was also held in Christchurch, Wellington and Auckland in June this year. These events attracted over 150 delegates. The objective of the NZVCA is to establish, as soon as possible, a series of networking and educational events running throughout the year.

- **Publish relevant industry statistics**

We are extremely pleased that the joint Ernst & Young and NZVCA “New Zealand Venture Capital Monitor” survey is launching today. This is the first NZ-based initiative to collect industry statistics on an ongoing basis and we are very encouraged by the level of support we have received from the industry so far. The survey results paint the picture of a substantial and active industry and this represents a great base for the NZVCA’s industry development work.

- **Enhance communications with all industry participants but particularly Association members**

A new NZVCA website will go live in late September 2003 and the intention is that this will be a key industry hub promoting both NZVCA and wider industry activities and events. In addition to detailed profiles of all members and a monthly e-mail newsletter there will be a resource centre containing relevant industry related information and know-how to help educate and assist entrepreneurs and other business owners and managers.

The opportunity has also been taken to re-brand the NZVCA as part of the process of building the Association’s profile and the level of recognition and understanding of its activities.

- **Running a very successful conference in October 2003**

Plans for this year’s conference are now well advanced and we have confirmed a number of excellent speakers including Andrew Green (AVCAL CEO), Dr Cullen, Geoff Brown (NZSX) and Eric Rush. We are aiming to attract at least 250 delegates to what will be a full-day event this year.

- **Significantly increasing the profile of the industry (and the Association) with government, institutional investors and media.**

This is now being done on a number of fronts as the level of the Association’s activities steadily increases.

Overview of 2002/2003 accounts

Income for the year amounted to \$122,929 made up of income from sponsorship (\$45,000), annual conference (\$35,907) and membership fees (\$42,022). Expenditure for the year amounted to (\$38,647) the majority of the expenses (\$27,781) having been incurred in relation to the annual conference in October 2002. Tax, payable only on sponsorship income, amounted to \$15,236. The Association has received advice from Ernst & Young that only income and expenditure relating to sponsorship of the Association is potentially taxable and so the 2002/2003 accounts only contain a tax provision in respect of that income. The Association’s operating surplus after tax was \$69,046.

Closing comments

On behalf of the Council, I would like to publicly acknowledge the excellent job Christopher Twiss has done for the Association as its first Executive Director. In the six months he has been on board he has made an enormous difference and provided the organisation with the ability to “make things happen”.

I would also like to thank those Council members that are retiring at this AGM. To Tim Russell, Mike Bradley, John Cunningham, Peter Allport and Ian McInnes, who resigned in July when he moved to Australia, you should understand that your contribution and wisdom has been valued and appreciated. You were part of the team that help re-establish the Association at a time that the industry was looking for a voice.

It is also important for me also to thank those organisations and individuals that have already joined up as members for the support provided to date and we look forward to your continued support in the next twelve months. And, of course, I must record a special vote of thanks to the Association’s sponsors, First NZ Capital, Ernst & Young, NZ Venture Investment Fund, Direct Capital, Pencarrow and Simpson Grierson for their crucial support.

Finally, and on a personal note, I would like to say that as the retiring Chairman, that I have enjoyed the opportunity to be part of the team that re-established the Association. I initially got involved when heading up Strathmore, which as some may recall was a publicly listed technology VC firm, and like most publicly listed technology VC’s the world over, Strathmore’s fortunes declined as the market turned back to more traditional VC models. Reflecting on this, it just causes me to observe that while we sometimes complain about the slow pace at which the VC industry has developed in NZ in the last couple of years, I believe that quite a lot has happened. The listed VC’s have gone, government has got involved in the industry creating VIF, which has in turn spawned a number of new privately managed funds, entrepreneurs now better appreciate how to interface with the VC community and there is a heightened public awareness of the role venture capital and private equity can play in developing NZ businesses. It is important that this industry momentum is maintained and I wish the Association and the incoming Council all the best as the new industry stewards in achieving this.

Thank you.

Phil Norman
Chairman