



Executive Director Report to the NZVCA AGM

20 June 2007

Overview of the 2006/2007 year

The 2006/2007 year again saw the NZVCA build significantly on the platform that has been created since the Association was re-established in November 2001.

Looking back at the 2006/2007 year the highlights included:

Member Communication / Events

- Further success in retaining and attracting new members. Membership levels are now over 130 members compared to just over 100 last year. This includes 29 (23) VC and PE funds.
- Successful 5th Annual conference in November 2006 attended by over 270 people and including 5 international speakers
- 18 other NZVCA events throughout New Zealand

Investor Relations / Research

- Ongoing development of the NZ Venture Capital and Private Equity Monitor survey. Further developing our market stats continues to be a key target for the Association going forward and we thank all the managers for their time and effort in supplying their data to the survey.
- Successful institutional investor event run as part of the NZVCA's 2006 conference

Advocacy / Lobbying / Industry Representation

- Continued engagement with Government officials on specific tax and regulatory initiatives including Limited Partnerships and, unfortunately, significant time and resources were needed in respect of the new Offshore Investment rules which came into effect on 1 April 2007.
- In early May 2007 the NZVCA met with over 20 Officials from six Government Departments in Wellington to give an industry update and discuss key industry issues. In response to significant increases in media coverage and commentary relating to the industry we have also recently begun a process of more active and regular engagement with key media contacts on behalf of the industry.

PR & Marketing / Education

- Showing that persistence pays we have, after 2 years of effort, now received \$40,000 of funding from NZTE to develop an entrepreneur focused educational module on angel and venture capital in New Zealand.

Financial

- Generating total revenue of \$392,243 (\$314,567 in 2006)

All in all - another busy year for the NZVCA against the backdrop of what we see as an increasingly dynamic and growing private capital market in NZ.

Overview of the year ahead

Late last year the NZVCA Council took stock of where the industry is and what role we as an Association can play in the years ahead. We had a very useful strategy session at the end of November on this subject and on focusing our priorities for the year ahead. By way of summary, a few of the key outcomes are as follows:

Broader PE/VC Industry Focus - as a group we are keen to represent the interests of the whole industry - including both professional funds and individual investors, and representing all stages of the market - angel, seed / early stage, venture capital and private equity. To this end, we will be targeting activities in the year ahead to each of these segments.

Name Change - reflecting this broader focus, and in line with a similar move at AVCAL, we changed our name in February 2007 to "The New Zealand Private Equity & Venture Capital Association" - however will retain the acronym "NZVCA" as the core underlying identity.

Priority Activities for 2007 - The following are the core activity areas for the year ahead:

1. Investor Relations / Research

- Investor Relations - promote the investment case of the asset class to local and offshore investors.
- Industry data / research – collect, analyse and publish industry information to support our investor relations work and to help demonstrate the economic impact of the private capital industry.

2. Advocacy / Lobbying / Industry Representation

- Advocacy - represent the interests of the industry to Government at every level to encourage the entrepreneurial culture and world class environment on which our industry depends. Promote recognition of our industry as a key contributor to the NZ economy.
- Lobbying – influence / work with regulatory and professional bodies and lawmakers to create an appropriate framework for the private equity and venture capital industry. Ensure the voice of industry is heard when decisions are taken which impact on our industry.

3. PR & Marketing / Education

- PR & Marketing – promote the industry generally in the New Zealand marketplace, including proactive media relations.
- Publications – prepare and distribute relevant publications within the industry.
- Education - increase awareness and understanding of angel, venture capital and private equity investment within government and the business community and further raise awareness and understanding of the economic benefits of private equity and venture capital in the market generally.

4. Member Communication / Events

- Member Communication – continue to publish the regular NZVCA newsletter and to develop a comprehensive and up-to-date NZVCA website.
- Events – organise and manage regular NZVCA networking and educational events and the annual NZVCA conference.

5. Professional Development

- Training and practitioner competence – investigate the possibility of offering continuing professional development.
- Standard Documentation / Industry Guidelines – continue to develop a suite of industry guidelines and standard documentation.

Overview of 2006/2007 accounts

Income for the year amounted to \$392,243 (\$314,567) made up of income from sponsorship \$105,000 (\$70,000), annual conference \$172,902 (\$154,835), membership fees \$113,342 (\$76,972) and other events \$999 (\$12,760).

Expenditure for the year amounted to \$378,165 (\$289,938) the majority of the expenses having been incurred in relation to appointment of the Executive Director, the running of the 2006 Annual Conference and increased office expenses due to the appointment of an administrator to look after the NZVCA accounts and higher travel costs associated with the greater number of events both run and attended. No tax is payable. The Association's operating profit after tax was \$14,078 (\$24,629).

As you can see the NZVCA is involved in a wide range of activities and initiatives and we continue to look at ways of increasing or income to support those.

Closing comments

I would like to thank the Association's 2006/2007 sponsors; ANZ, Ernst & Young, NZ Venture Investment Fund, Direct Capital, Pencarrow, Ironbridge and Simpson Grierson.

For the year ahead we have introduced new categories of sponsorship and it's great that Direct Capital, Ernst & Young, Pencarrow and Simpson Grierson will be continuing their sponsorship support as Gold sponsors. We also welcome NZVIF, ANZ and Aon NZ as sponsors in the new Platinum category for the current year.

The support of each of our sponsors is critical and their on-going support underlies their commitment to the development of a vibrant and growing New Zealand private capital market. I would also like to thank all NZVCA members for their ongoing support of the Association.

On a personal note I have signed up for one further year as the NZVCA's ED but have indicated to Hamish and the rest of the Council that I anticipate moving on to other things in April 2008. Each of the past 4 years has been fascinating in its own right and that remains the case in 2007 with some continuing old – but also many great new – market dynamics playing themselves out day in day out. I recall that in my early days in this role I predicted that we would have NZ's new Limited Partnership legislation done and dusted by late 2005. Not my best call but appropriate perhaps that I might finally get to see this enacted on 1 April 2008 – my first non-NZVCA day for 5 years.

I would like to thank Hamish, Franceska and the rest of the Council for their continuing support and participation in the NZVCA. No ongoing commitment from the Council – no NZVCA - simple as that. A special thanks as well to the two Council members who stepped down today, Mark Edwards (No 8 Ventures) and Richard Hughes (now ING, Sydney) – and a welcome to our new Council member, Philippa McCarthy from Direct Capital.

As an industry I hope that members have cause to be pleased with the on-going development of the NZVCA this past year. Together we can look forward to further substantial growth and development over the next 12 months.

Chris Twiss

Executive Director