

**The New Zealand Private Equity & Venture Capital Association
Incorporated**

ANNUAL REPORT

31 MARCH 2011

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The New Zealand Private Equity & Venture Capital Association Incorporated

NOTICE OF MEETING

Annual General Meeting 2011

THE ANNUAL GENERAL MEETING OF THE NEW ZEALAND PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION INCORPORATED WILL BE HELD AT THE AUCKLAND OFFICES OF SIMPSON GRIERSON LEVEL 27, LUMLEY CENTRE, 88 SHORTLAND STREET AUCKLAND

AT 5.00 PM ON MONDAY 15 AUGUST 2011

Ordinary business of the meeting

The ordinary business of the annual general meeting shall be:-

- (a) to receive, consider and (if so decided) to adopt the financial statements of the Association for the year ending 31 March 2011, the report of the Council, and the report of the auditors;
- (b) to elect Council Members;
- (c) to appoint auditors; and
- (d) to receive notice of fees for the current membership year.

Special business of the meeting

There are no special business items.

Further business

The annual general meetings may also transact any other business of which notice has been given in accordance with the Rules and Constitution.

Minutes of Annual General Meeting held at the Offices of Simpson Grierson, 88 Shortland Street Auckland on 5 August 2010 at 5.00 p.m.

1. The Chairman declared the meeting open and duly constituted as a quorum was present.

2. Notice of Meeting

The Notice of Meeting distributed at the meeting was taken as read.

3. Apologies

Apologies were received from:

- Nigel Bingham – Pencarrow Private Equity
- Hamish Bell – PricewaterhouseCoopers

4. Minutes of the Annual General Meeting held on 30 July 2009

Minutes of the Annual General Meeting held on 30 July 2009 had been circulated. The Chairman proposed that the Minutes be accepted as a true and accurate record.

The motion was seconded by Tony Bishop and put to the meeting. It was passed unanimously.

5. Special Business

The Chairman advised the meeting that there was no item of special business.

6. Ordinary Business

(a) Annual report

The Chairman invited the Executive Director to highlight key matters from the appended Report of the Council to the meeting.

The Association's Financial Statements for the year ended 31 March 2010 were tabled for the information of the meeting.

The Chairman moved "That the Report of the Council and the Financial Statements for the year ended 31 March 2010 be adopted".

The motion was seconded by Tony Bishop and put to the meeting. It was passed unanimously.

(b) Auditors report

The Chairman provided a summary of the Auditor's report:

The Chairman moved "That the Auditors' Report for financial statement for the year ended 31 March 2010 be adopted".

The motion was seconded by Kerry McIntosh and put to the meeting. It was passed unanimously.

(c) Election of Council members

The Chairman advised the meeting that Association's Constitution and Rules require that office holders must retire each year. During 2009/2010, there were three office holders, namely the Chairman, Franceska Banga, the vice-Chairman, Nigel Bingham and the Secretary/Treasurer, Matthew Houtman. Accordingly, all three retired in accordance with the Constitution and Rules and, being eligible, offered themselves up for re-election.

The Chairman advised the meeting that Greg Sitters, Nikki Brown and Hamish Bell Hamish Bell were standing down and not seeking re-election and thanked them for their contributions to the Association.

The Association's Constitution and Rules also require that half of the non-office bearing Council Members must retire each year. Accordingly, in addition to Greg Sitters, Nikki Brown and Hamish Bell standing down, Patrick Coyle, Nick Wells, Michael Pollard, and Andrew Taylor retired in accordance with the Constitution and Rules and, being eligible, offered themselves for re-election.

The Chairman reminded the meeting that Tony Bishop, Stuart McKenzie, and Kerry McIntosh remained on the Council for 2010/2011 as they were not required to offer themselves for re-election.

The Chairman advised the meeting that nominations have been received in accordance with the Constitution and Rules for Martin Goldfinch.

The Chairman advised the meeting that the newly constituted Council will be responsible for appointing up to two new vice-Chairpersons and the Treasurer as soon as possible after the AGM.

The Chairman advised the meeting that eight nominations for Council positions have been received and outline the following summary regarding the Council member election process:

Council member/Nominee name	Member firm
Standing down and not seeking re-election	
Greg Sitters	2 Ignite
Hamish Bell	PriceWaterhouse Coopers
Nikki Brown	
Standing down and seeking re-election	
Franceska Banga	NZVIF
Nigel Bingham	Pencarrow
Matthew Houtman	Pioneer Capital Partners
Patrick Coyle	Direct Capital
Nick Wells	Chapman Tripp
Michael Pollard	Simpson Grierson
Andrew Taylor	Ernst & Young
Nominations received for new Council members	
Martin Goldfinch	Accident Compensation Corporation
Remaining as Council members	
Tony Bishop	iGlobe Treasury
Stuart McKenzie	Endeavour Capital
Kerry McIntosh	Ironbridge Capital Partners

The Chairman noted there are eight nominations for eleven vacant positions.

The Chairman moved “that the eight nominated people be appointed to the NZVCA Council.” The motion was seconded by Tony Bishop and put to the meeting. It was passed unanimously.

The Chairman moved “that the council record a vote of thanks for Nikki Brown, Hamish Bell and Greg Sitters.” The motion was seconded by Andrew Taylor and put to the meeting. It was passed unanimously.

- (d) Appointment of Auditor
The Association’s Constitution and Rules require that an Auditor be appointed at each Annual General Meeting.

The Chairman moved that “BDO Spicers be appointed as the Association’s auditors for the year ending 31 March 2011”

The motion was seconded by Kerry McIntosh and put to the meeting. It was carried unanimously.

- (e) The Association’s Constitution and Rules require that the membership fees are set each year at the Annual General Meeting.

The Chairman advised the meeting that no change to fees for the year to 31 March 2011 had been determined by the Council.

The Chairman noted that the fees (exclusive of GST) are:

Full members	\$3,000
Associate members	\$3,000
Investor members	\$1,500
Incubators and Angels	\$600
Individuals	\$400

7. Further Business

There was no further business notified to the meeting in accordance with the Constitution and Rules.

8. Close

The Chairman declared the meeting closed at 5.18 p.m. and thanked all present for their attendance.

Signed as a true record:

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Kerry McIntosh, Chairman

Date: 15 August 2011



Executive Director Report to the NZVCA AGM

15 August 2011

Overview of the 2010/2011 year

NZVCA continued to build on good foundations during the 2010/2011 year. The Association continued building value for members through core activities and retaining a quality membership base. The financial result reflects prudent fiscal management while working to improve service delivery and member support. NZVCA continues to lead advocacy through a range of activities including submissions and recommendation on regulatory and tax issues impacting private capital investment.

Looking back at the 2010/2011 year the highlights included:

Member Communication / Events

- Membership levels increased to around 120 (2010; 110) organisations that include over 803 individuals. The membership engagement continues at a high level with members actively participating in networking and professional development events.
- The 9th Annual conference in November 2010 was attended by around 214 people and including 11 international speakers
- There were two professional development workshops lead by international facilitators that were well attended on topics of PE Boot Camp and Raising Capital

Investor Relations / Research

- The New Zealand Venture Capital and Private Equity Monitor survey continued to be the primary market activity report of the Association. We thank all the managers for their time and effort in supplying their data to the survey. The association has been reviewing options to enhance its data reporting capacity particularly with respect to performance statistics.
- Successful institutional investor events were run as part of the NZVCA's 2010 conference.

Advocacy / Industry Representation

- The final aspects of the Financial Advisers legislation involved the principal advocacy effort during the year.
- Two submissions were provided to officials on the Securities Law review. This legislation has far reaching implications for the industry and will be a key component of advocacy work in the coming year.

Financial

- Total income for year ended 31 March 2011 was \$471,664 (\$381,833 in 2010). Net Operating Surplus increased to \$59,680 (\$11,021 in 2010).
- The 2010/2011 year was good result in uncertain conditions after the global financial crisis. The surplus generated in FYE2011 has been retained and provides the association capacity to advance some new projects in the current year.
- The annual conference and other events provided a net surplus of \$59,104 (\$30,193 in 2010) which was a pleasing result in difficult times.
- The association is in a good financial position to enhance its industry leadership role and add value to members.

Overview of 2010/2011 accounts

Income for the year amounted to \$471,664 made up of income from sponsorship \$137,833, annual conference \$130,369 membership fees \$142,679 and other events and projects \$60,783.

Expenditure for the year amounted to \$423, 299 with the majority of the expenses having been incurred for contracting the Executive Office and the running of the Annual Conference. No tax is payable. The Association's operating surplus after tax was \$59,680.

NZVCA has worked effectively using working groups focused on strategic priorities. Our work has been balanced between striving for high levels of professional standards and maintaining momentum with advocacy on regulatory and tax matters. Members have contributed well to submissions and industry engagement which adds value to the community and the association.

Overview of the year ahead

NZVCA represents the interest of private equity and venture capital investors in the New Zealand market. The Securities Law review is a key component of our advocacy work over the next two years. NZVCA has a reputation as a trusted and knowledgeable advocate for growing investment in New Zealand.

The core focus of the association remains on the issues impacting private investors in growing privately owned businesses. We represent the interests of the whole industry - including professional funds, institutional and individual investors with emphasis on private equity and early stage venture capital.

The capital gap in the venture capital market continues to be a frustration. NZVCA has embarked on research and a plan to engage government and industry leaders with viable options to improve the capacity for venture capital funds.

Institutional investment is a key factor in development pools of capital. We have effective engagement with institutional investors in New Zealand. We strive do more to promote the asset class to investors in New Zealand and overseas. With help from members and sponsors we expect work with agencies such as New Zealand Venture Investment Fund and Investment New Zealand to promote the New Zealand private capital market to local and international investors.

Priority Activities for 2011/12

The Association maintains its core activity areas going forward. We will keep members informed of specific plans but the overall framework of core activity areas will continue to be:

1. Advocacy / Industry Representation

- Advocacy - represent the interests of the industry to Government at every level to encourage the world class environment on which our industry depends. Promote recognition of our industry as a key contributor to the New Zealand economy;
- Industry representation – 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.

2. 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.

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 private equity and venture capital 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.

Closing comments

I would like to thank the Association's 2010/2011 sponsors:

Platinum: ANZ, Ernst & Young, New Zealand Venture Investment Fund

Gold: Direct Capital, Pencarrow Private Equity, Maui Capital, Simpson Grierson and Chapman Tripp

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 behalf of the Association we would like to thank Kerry McIntosh for his work last year as NZVCA Chair. Kerry led some new initiatives for council including the inaugural NZVCA awards at the 2011 conference and the work towards establishing industry performance statistics. Special thanks go to Stuart McKenzie who stepped down today. Stuart has served the council for several years and has been a powerful advocate for the venture capital industry.

It has been a slow start to the year for the private equity market in New Zealand but indications are that transaction volume could increase as the year progresses. The venture capital industry was bolstered by the recent Movac announcement of the first new fund in four years. But venture capital fund raising will continue to be challenging.

NZVCA is a respected industry body with a strong role to play in shaping the private capital investing environment for New Zealand. Members of NZVCA provide a voice for growing investment in New Zealand.

Colin McKinnon
Executive Director