

INTERNATIONAL PRIVATE EQUITY AND VENTURE CAPITAL VALUATION GUIDELINES

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These guidelines have been developed by the IPEV Board with the valuable input and endorsement of the following associations:

AFIC - Association Française des Investisseurs en Capital*
AIFI - Italian Private Equity and Venture Capital Association
AMEXCAP - Mexican Private Equity Association
AMIC - Moroccan Private Equity and Venture Capital Association
APCRI - Portuguese Private Equity and Venture Capital Association
APEA - Arab Private Equity Association
ASCRI - Spanish Private Equity and Venture Capital Association
ATIC - Tunisian Venture Capital Association
AVCA - African Venture Capital Association
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BVA - Belgian Venturing Association
BVCA - British Venture Capital Association*
BVK - German Private Equity and Venture Capital Association e.V.
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EVCA - European Private Equity and Venture Capital Association*
FVCA - Finnish Venture Capital Association
GVCA - Gulf Venture Capital Association
HKVCA - Hong Kong Venture Capital Association
HVCA - Hungarian Venture Capital and Private Equity Association
ILPA - Institutional Limited Partners Association
IVCA - Irish Venture Capital Association
LAVCA - Latin American Venture Capital Association
LVCA - Latvian Venture Capital Association
NVCA - Norwegian Venture Capital & Private Equity Association
NVP - Nederlandse Vereniging van Participatiemaatschappijen (Dutch Private Equity and Venture Capital Association)
PPEA - Polish Private Equity Association
Réseau Capital - Québec Venture Capital and Private Equity Association
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SECA - Swiss Private Equity and Corporate Finance Association
SLOVCA - Slovak Venture Capital Association
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* AFIC, BVCA and EVCA founded the IPEV Board in 2005.

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PREFACE

These Guidelines set out recommendations, intended to represent current best practice, on the valuation of private equity and venture capital investments. The term “private equity” is used in these Guidelines in a broad sense to include investments in early stage ventures, management buyouts, management buyins and similar transactions and growth or development capital.

The recommendations are intended to be applicable across the whole range of Private Equity Funds (seed and start-up venture capital, buyouts, growth/development capital, etc) and financial instruments commonly held by such Private Equity Funds. They also provide a basis for valuing investments by other entities, including Funds-of-funds, in such Private Equity Funds.

The recommendations themselves are surrounded by a border and set out in bold type, whereas explanations, illustrations, background material, context and supporting commentary, which are provided to assist in the interpretation of the recommendations, are set out in normal type.

Where there is conflict between a recommendation contained in these Guidelines and the requirements of any applicable laws or regulations or accounting standard or generally accepted accounting principle, the latter requirements should take precedence.

No member of the International Private Equity and Venture Capital Valuation Guidelines ('IPEV Guidelines') Board ('IPEV Board'), any committee or working party thereof can accept any responsibility or liability whatsoever (whether in respect of negligence or otherwise) to any party as a result of anything contained in or omitted from the Guidelines nor for the consequences of reliance or otherwise on the provisions of these Guidelines.

These Guidelines should be regarded as superseding previous Guidelines issued by the IPEV Board with effect for reporting periods post 1 July 2009.



INTRODUCTION

Private equity managers may be required to carry out periodic valuations of Investments as part of the reporting process to investors in the Funds they manage.

The objective of these Guidelines is to set out best practice where private equity Investments are reported at 'Fair Value', with a view to promoting best practice and hence helping investors in Private Equity Funds make better economic decisions.

The increasing importance placed by international accounting authorities on Fair Value reinforces the need for the consistent use of valuation standards worldwide and these Guidelines provide a framework for consistently determining valuations for the type of Investments held by Private Equity Funds.

Private Equity Funds are typically governed by a combination of legal or regulatory provisions or by contractual terms. It is not the intention of these Guidelines to prescribe or recommend the basis on which Investments are included in the accounts of Funds. The IPEV Board confirms fair value as the best measure of valuing private equity portfolio companies and investments in private equity funds. The board's support for fair value is underpinned by the transparency it affords investors in funds, which use fair value as an indication of the interim performance of a portfolio. In addition, institutional investors require fair value to make asset allocation decisions, and to produce financial statements for regulatory purposes.

The requirements and implications of financial reporting standards and in particular International Financial Reporting Standards and US GAAP have been considered in the preparation of these Guidelines. This has been done, in order to provide a framework for Private Equity Funds for arriving at a Fair Value for Investments which is consistent with accounting principles.

It is not a requirement of accounting principles that these Guidelines are followed. However compliance with these accounting principles can be achieved by following the Guidelines.

These Guidelines are intended to represent current best practice and therefore will be revisited and, if necessary, revised to reflect changes in international regulation or accounting standards.

These Guidelines are concerned with valuation from a conceptual standpoint and do not seek to address best practice as it relates to investor reporting, internal processes, controls and procedures, governance aspects, Committee oversights, the experience and capabilities required of the Valuer or the audit or review of valuations.

A distinction is made in these Guidelines between the basis of valuation (Fair Value), which defines what the carrying amount purports to represent, a valuation methodology (such as the earnings multiple technique), which details the method or technique for deriving a valuation, and inputs used in the valuation methodology (such as EBITDA).

DEFINITIONS

The following definitions shall apply in these Guidelines.

Active Market

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

A market is considered active when transactions are taking place regularly at an arms length basis with sufficient volume and frequency to determine a price on an ongoing basis. The necessary level of trading required to meet these criteria is a matter of judgement.

Attributable Enterprise Value

The Attributable Enterprise Value is the Enterprise Value attributable to the financial instruments held by the Fund and other financial instruments in the entity that rank alongside or beneath the highest ranking instrument of the Fund.

Distressed or Forced Transaction

A forced liquidation or distress sale (i.e., a forced transaction) is not an orderly transaction and is not determinative of Fair Value. An entity applies judgement in determining whether a particular transaction is distressed or forced.

Enterprise Value

The Enterprise Value is the value of the financial instruments representing ownership interests in an entity plus the net financial debt of the entity.

Fair Value

The Fair Value is the price at which an orderly transaction would take place between Market Participants at the Reporting Date (measurement date).

Fund or Private Equity Fund

The Fund or Private Equity Fund is the generic term used in these Guidelines to refer to any designated pool of investment capital targeted at all stages of private equity Investment from start-up to large buyout, including those held by corporate entities, limited partnerships and other investment vehicles.

Fund-of-Funds

Fund-of-Funds is the generic term used in these Guidelines to refer to any designated pool of investment capital targeted at investment in underlying Private Equity Funds.

Investee Company

The term Investee Company refers to a single business or group of businesses in which a Fund is directly invested.

Investment

An Investment refers to all of the financial instruments in an Investee Company held by the Fund.

Liquidity

Liquidity is defined as the relative ease and promptness with which an instrument may be sold when desired.

Market Participants

Market Participants are potential or actual willing buyers or willing sellers when neither is under any compulsion to buy or sell, both parties having reasonable knowledge of relevant facts and who have the ability to perform sufficient due diligence in order to be able to make orderly investment decisions related to the enterprise.



Net Asset Value ('NAV')

NAV of a Fund is the amount estimated as being attributable to the investors in that Fund on the basis of the Fair Value of the underlying Investee Companies and other assets and liabilities.

Orderly Transaction

An orderly transaction is a transaction that assumes exposure to the market for a period prior to the Reporting Date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities.

Quoted Instrument

A Quoted Instrument is any financial instrument for which quoted prices reflecting normal market transactions are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.

Realisation

Realisation is the sale, redemption or repayment of an Investment, in whole or in part; or the insolvency of an Investee Company, where no significant return to the Fund is envisaged.

Reporting Date

Is the date for which the valuation is being prepared, which equates to the measurement date.

Secondary Transaction

A Secondary Transaction refers to a transaction which takes place when a holder of an interest in unquoted or illiquid Funds trades their interest to another party.

Unquoted Instrument

An Unquoted Instrument is any financial instrument other than a Quoted Instrument.

Underlying Business

The Underlying Business is the operating entities in which the Fund has invested, either directly or through a number of dedicated holding companies.

Valuer

The Valuer is the person with direct responsibility for valuing one or more of the Investments of the Fund or Fund-of-Funds.

The background of the page is a red-tinted image of a document. It appears to be a financial or accounting record, possibly a ledger or a set of notes. There are handwritten numbers and some printed text visible, though they are somewhat faded and overlaid with a red filter. A calculator is also visible in the lower-left corner, showing numbers on its display. The overall aesthetic is professional and focused on finance.

SECTION I: DETERMINING FAIR VALUE



1. THE CONCEPT OF FAIR VALUE

The Fair Value is the price at which an orderly transaction would take place between Market Participants at the Reporting Date.

For Quoted Instruments, available market prices will be the primary basis for the determination of Fair Value.

For Unquoted Investments, the estimation of Fair Value requires the Valuer to assume the Underlying Business is realised at the Reporting Date, appropriately allocated to the various interests, regardless of whether the Underlying Business is prepared for sale or whether its shareholders intend to sell in the near future.

The objective is to estimate the hypothetical exchange price at which Market Participants would agree to transact at the Reporting Date.

Fair Value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distressed sale. However the hypothetical exchange price must take into account current market conditions for buying and selling assets.

Although transfers of shares in private businesses are often subject to restrictions, rights of pre-emption and other barriers, it should still be possible to estimate what amount a willing buyer would pay to take ownership of the Investment.

2. PRINCIPLES OF VALUATION

The Fair Value of each Investment should be assessed at each Reporting Date.

In the absence of an active market for a financial instrument, the Valuer must estimate Fair Value utilising one or more of the valuation methodologies.

In estimating Fair Value for an Investment, the Valuer should apply a methodology that is appropriate in light of the nature, facts and circumstances of the Investment and its materiality in the context of the total Investment portfolio and should use reasonable data and market inputs, assumptions and estimates.

2. PRINCIPLES OF VALUATION

In private equity, value is generally crystallised through a sale or flotation of the entire Underlying Business, rather than through a transfer of individual shareholder stakes, the value of the business as a whole at the Reporting Date (Enterprise Value) will often provide a key insight into the value of investment stakes in that business.

The Fair Value is estimated by the Valuer, whichever valuation methodologies are used, from the Enterprise Value, as follows:

- (i) Determine the Enterprise Value of the Investee Company using the valuation methodologies;**
- (ii) Adjust the Enterprise Value for surplus assets or excess liabilities and other contingencies and relevant factors to derive an Adjusted Enterprise Value for the Investee Company;**
- (iii) Deduct from this amount any financial instruments ranking ahead of the highest ranking instrument of the Fund in a liquidation scenario (e.g. the amount that would be paid) and taking into account the effect of any instrument that may dilute the Fund's Investment to derive the Attributable Enterprise Value;**
- (iv) Apportion the Attributable Enterprise Value between the company's relevant financial instruments according to their ranking;**
- (v) Allocate the amounts derived according to the Fund's holding in each financial instrument, representing their Fair Value.**

It is important to recognise the subjective nature of private equity Investment valuation. It is inherently based on forward-looking estimates and judgements about the Underlying Business itself: its market and the environment in which it operates; the state of the mergers and acquisitions market; stock market conditions and other factors that exist at the Reporting Date.

Due to the complex interaction of these factors and often the lack of directly comparable market transactions, care should be applied when using publicly available information regarding other entities in deriving a valuation. In order to determine the Fair Value of an Investment, the Valuer will have to exercise judgement and make necessary estimates to adjust the market data to reflect the potential impact of other factors such as geography, credit risk, foreign currency, rights attributable, equity prices and volatility.

As such, it must be recognised that, whilst valuations do provide useful interim indications of the progress of a particular Investment or portfolio of Investments, ultimately it is not until Realisation that true performance is firmly determined. A Valuer should be aware of reasons why realisation proceeds are different from their estimates of Fair Value.

Fair Value should reflect reasonable estimates and assumptions for all significant factors that parties to an arm's length transaction would be expected to consider, including those which impact upon the expected cash flows from the Investment and upon the degree of risk associated with those cash flows.

In assessing the reasonableness of assumptions and estimates, the Valuer should:

- note that the objective is to replicate those that the parties in an arm's-length transaction would make at the Reporting Date;
- take account of events taking place subsequent to the Reporting Date where they provide additional evidence of conditions that existed at the Reporting Date;
- take account of current market conditions at the reporting date; and
- take account of materiality considerations.



Because of the uncertainties inherent in estimating Fair Value for private equity Investments, care should be applied in exercising judgement and making the necessary estimates. However, the Valuer should be wary of applying excessive caution.

Private Equity Funds often undertake an Investment with a view to build, develop and/or to effect substantial changes in the Underlying Business, whether it is to its strategy, operations, management, or financial condition. Sometimes these situations involve rescue refinancing or a turnaround of the business in question. Whilst it might be difficult in these situations to determine Fair Value, it should in most cases be possible to estimate the amount a Market Participant would pay for the Investment in question.

There may be situations where:

- the range of reasonable Fair Value estimates is significant;
- the probabilities of the various estimates within the range cannot be reasonably assessed;
- the probability and financial impact of achieving a key milestone cannot be reasonably predicted; and
- there has been no recent investment into the business.

While these situations prove difficult, the Valuer must still come to a conclusion as to their best estimate of the hypothetical exchange price between willing Market Participants.

Estimating the increase or decrease in Fair Value in such cases may involve reference to broad indicators of value change (such as relevant stock market indices). After considering these broad indicators, in some situations, the Valuer might reasonably conclude that the Fair Value at the previous Reporting Date remains the best estimate of Fair Value.

Where a change in Fair Value is perceived to have occurred, the Valuer should amend the carrying value of the Investment to reflect the estimated impact.

Apportion the Attributable Enterprise Value appropriately

The apportionment should reflect the respective amounts accruing to each financial instrument holder in the event of a sale or flotation at the Reporting Date. As discussed further in section II 1.8., where there are ratchets or share options or other mechanisms (such as 'liquidation preferences', in the case of Investments in early-stage businesses) in place which are likely to be triggered in the event of a sale of the company at the given Enterprise Value at that date, these should be reflected in the apportionment.

The estimation of Fair Value should be undertaken on the assumption that options and warrants are exercised, where the Fair Value is in excess of the exercise price and accordingly it is a reasonable assumption that these will be exercised. The aggregate exercise price of these may result in surplus cash arising in the Underlying Business if the aggregate exercise price is significant.

Differential allocation of proceeds may have an impact on the value of an Investment. If liquidation preferences exist, these need to be reviewed to assess whether they are expected to give rise to a benefit to the Fund, or a benefit to a third party to the detriment of the Fund.

Where significant positions in options and warrants are held by the Fund, these may need to be valued separately from the underlying investments using an appropriate option based pricing model.

3. VALUATION METHODOLOGIES

3.1. General

A number of valuation methodologies that may be considered for use in estimating the Fair Value of Unquoted Instruments are described in sections 3.3. to 3.8. below. These methodologies should be amended as necessary to incorporate case-specific factors affecting Fair Value. Methodologies for valuing Quoted Instruments are described in section 3.9. below.

For example, if the Underlying Business is holding surplus cash or other assets, the value of the business should reflect that fact.

Because, in the private equity arena, value is generally crystallised through a sale or flotation of the entire Underlying Business, rather than through a transfer of individual shareholder stakes, the value of the business as a whole at the Reporting Date will often provide a key insight into the value of investment stakes in that business. For this reason, a number of the methodologies described below involve estimating the Enterprise Value as an initial step.

There will be some situations where the Fair Value will derive mainly from the expected cash flows and risk of the relevant financial instruments rather than from the Enterprise Value. The valuation methodology used in these circumstances should therefore reflect this fact.

In determining the Fair Value of an Investment, the Valuer should use judgement. This includes a detailed consideration of those specific terms of the Investment which may impact its Fair Value. In this regard, the Valuer should consider the substance of the Investment, which may take preference over the strict legal form.

Movements in rates of exchange may impact the value of the Fund's Investments and these should be taken into account.

Where the reporting currency of the Fund is different from the currency in which the Investment is denominated, translation into the reporting currency for reporting purposes should be done using the bid spot exchange rate prevailing at the Reporting Date.

3.2. Selecting the Appropriate Methodology

The Valuer should exercise their judgement to select the valuation methodology that is the most appropriate for a particular Investment.

The key criterion in selecting a methodology is that it should be appropriate in light of the nature, facts and circumstances of the Investment and its materiality in the context of the total portfolio of Investments. The Valuer may consider utilising further methodologies to check the Fair Value derived, if appropriate.

When selecting the appropriate methodology each Investment should be considered individually. Where an immaterial group of Investments in a portfolio are similar in terms of risk profile and industry, it is acceptable to apply the same methodology across all Investments in that immaterial group. The methodology applied should be consistent with that used for material investments with a similar risk profile in that industry.



An appropriate methodology will incorporate available information about all factors that are likely materially to affect the Fair Value of the Investment.

The Valuer will select the valuation methodology that is the most appropriate and consequently make valuation adjustments on the basis of their informed and experienced judgement. This will include consideration of factors such as:

- the relative applicability of the methodologies used given the nature of the industry and current market conditions;
- the quality, and reliability of the data used in each methodology;
- the comparability of enterprise or transaction data;
- the stage of development of the enterprise;
- the ability of the enterprise to generate maintainable profits or positive cashflow; and
- any additional considerations unique to the enterprise.

In assessing whether a methodology is appropriate, the Valuer should be biased towards those methodologies that draw heavily on market-based measures of risk and return. Fair Value estimates based entirely on observable market data should be of greater reliability than those based on assumptions. In some cases observable market data may require adjustment by the Valuer to properly reflect the facts and circumstances of the entity being valued. This adjustment should not be automatically regarded as reducing the reliability of the Fair Value estimation.

Methodologies utilising discounted cashflows and industry benchmarks should rarely be used in isolation of the market-based measures and then only with extreme caution. These methodologies may be useful as a cross-check of values estimated using the market-based methodologies.

Where the Valuer considers that several methodologies are appropriate to value a specific Investment, the Valuer may consider the outcome of these different valuation methodologies so that the results of one particular method may be used as a cross-check of values or to corroborate or otherwise be used in conjunction with one or more other methodologies in order to determine the Fair Value of the Investment.

Methodologies should be applied consistently from period to period, except where a change would result in better estimates of Fair Value.

The basis for any changes in valuation methodologies should be clearly understood. It is expected that there would not be frequent changes in valuation methodologies over the course of the life of an investment.

The table below identifies a number of the most widely used methodologies

METHODOLOGY
Price of Recent Investment
Multiples
Net assets
Discounted cash flows or earnings (of Underlying Business)
Discounted cash flows (from the Investment)
Industry valuation benchmarks

3.3. Price of Recent Investment

Where the Investment being valued was itself made recently, its cost may provide a good indication of Fair Value. Where there has been any recent Investment in the Investee Company, the price of that Investment will provide a basis of the valuation.

The validity of a valuation obtained in this way is inevitably eroded over time, since the price at which an Investment was made reflects the effects of conditions that existed on the date that the transaction took place. In a dynamic environment, changes in market conditions, the passage of time itself and other factors will act to diminish the appropriateness of this methodology as a means of estimating value at subsequent dates.

In addition, where the price at which a third party has invested is being considered as the basis of valuation, the background to the transaction must be taken in to account.

3. VALUATION METHODOLOGIES

In particular, the following factors may indicate that the price was not wholly representative of the Fair Value at the time:

- different rights attach to the new and existing Investments;
- disproportionate dilution arising from a new investor;
- a new investor motivated by strategic considerations;
- the transaction may be considered to be a forced sale or 'rescue package'; or
- the absolute amount of the new Investment is relatively insignificant.

This methodology is likely to be appropriate for all private equity Investments, but only for a limited period after the date of the relevant transaction. Because of the frequency with which funding rounds are often undertaken for seed and start-up situations, or in respect of businesses engaged in technological or scientific innovation and discovery, the methodology will often be appropriate for valuing Investments in such circumstances.

The length of period for which it would remain appropriate to use this methodology will depend on the specific circumstances of the Investment and is subject to the judgement of the Valuer.

In stable market conditions with little change in the entity or external environment, the length of period for which this methodology is likely to be appropriate will be longer than during a period of a rapidly changing environment.

In applying the Price of Recent Investment methodology, the Valuer uses the initial cost of the Investment itself or, where there has been subsequent investment, the price at which a significant amount of new Investment into the company was made, to estimate the Enterprise Value, but only for a limited period following the date of the relevant transaction. During the limited period following the date of the relevant transaction, the Valuer should in any case assess at each Reporting Date whether changes or events subsequent to the relevant transaction would imply a change in the Investment's Fair Value.

The Price of Recent Investment methodology is commonly used in a seed, start-up or an early-stage situation, where there are no current and no short-term future earnings or positive cash flows. For these enterprises, typically, it is difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

Consequently, the most appropriate approach to determine Fair Value is a methodology that is based on market data, that being the Price of a Recent Investment.

If the Valuer concludes that the Price of Recent Investment, unadjusted, is no longer relevant, and there are no comparable companies or transactions from which to infer value, it may be appropriate to apply an enhanced assessment based on an industry analysis, sector analysis and/or milestone analysis.

In such circumstances, industry-specific benchmarks/ milestones, which are customarily and routinely used in the specific industries of the Investee Company, can be used in estimating Fair Value where appropriate. In applying the milestone approach, the Valuer attempts to ascertain whether there has been a change in the milestone and/or benchmark which would indicate that the Fair Value of the investment has changed.

For an investment in early or development stages, commonly a set of agreed milestones would be established at the time of making the investment decision. These will vary across types of investment, specific companies and industries, but are likely to include;

Financial measures:

- revenue growth;
- profitability expectations;
- cash burn rate;
- covenant compliance.

Technical measures:

- phases of development;
- testing cycles;
- patent approvals.



Marketing and sales measures:

- customer surveys;
- testing phases;
- market introduction;
- market share.

In addition, the key market drivers of the Investee Company, as well as the overall economic environment are relevant to the assessment.

In applying the milestone analysis approach, the Valuer attempts to assess whether there is an indication of change in Fair Value based on a consideration of the milestones. This assessment might include considering whether:

- there has been any significant change in the results of the Investee Company compared to budget plan or milestone;
- there have been any changes in expectation that technical milestones will be achieved;
- there has been any significant change in the market for the Investee Company or its products or potential products;
- there has been any significant change in the global economy or the economic environment in which the Investee Company operates;
- there has been any significant change in the observable performance of comparable companies, or in the valuations implied by the overall market;
- any internal matters such as fraud, commercial disputes, litigation, changes in management or strategy

If the Valuer concludes that there is an indication that the Fair Value has changed, they must estimate the amount of any adjustment from the last Price of Recent Investment. By its very nature such adjustment will be subjective. This estimation is likely to be based on objective data from the company, and the experience of the investment professionals and other investors.

However, the necessity and magnitude of the adjustments are relatively subjective and require a large amount of judgment on the part of the Valuer. Where deterioration in value has occurred, the Valuer should reduce the carrying value of the Investment reported at the previous Reporting Date to reflect the estimated decrease.

If there is evidence of value creation, such as those listed above, the Valuer may consider increasing the carrying value of the Investment. Caution must be applied so that positive developments are only valued when they contribute to an increase in value of the Underlying Business when viewed by a Market Participant. When considering these more subtle indicators of value enhancement, in the absence of additional financing rounds or profit generation, the Valuer should consider what value a purchaser would place on these indicators, taking into account the potential outcome and the costs and risks to achieving that outcome.

In the absence of significant revenues, profits or positive cash flows, other methodologies such as the earnings multiple are generally inappropriate. The DCF methodologies may be utilised, however the disadvantages inherent in these, arising from the high levels of subjective judgement, may render the methodology inappropriate.

3.4. Multiples

This methodology involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business.

This methodology is likely to be appropriate for an Investment in an established business with an identifiable stream of continuing earnings that are considered to be maintainable.

This section sets out guidance for preparing valuations of businesses on the basis of positive earnings. For businesses that are still in the development stage and prior to positive earnings being generated, multiples of revenue may be used as a basis of valuation.

3. VALUATION METHODOLOGIES

A revenue multiple is commonly the product of an assumption as to the 'normalised' level of earnings that can be generated from that revenue. The methodology and considerations set out here for earnings multiples equally apply if a multiple of revenue is utilised.

This methodology may be applicable to companies with negative earnings, if the losses are considered to be temporary and one can identify a level of 'normalised' maintainable earnings.

This may involve the use of adjusted historic earnings, using a forecast level of earnings or applying a 'sustainable' profit margin to current or forecast revenues.

The most appropriate earnings to use in this methodology would be those likely to be used by a prospective purchaser of the business.

In using the Earnings Multiple methodology to estimate the Fair Value of an Investment, the Valuer should:

- (i) Apply a multiple that is **appropriate and reasonable** (given the risk profile and earnings growth prospects of the underlying company) to the **maintainable earnings** of the company;**
- (ii) Adjust the Enterprise Value for surplus assets or excess liabilities and other contingencies and relevant factors to derive an Adjusted Enterprise Value for the Investee Company;**
- (iii) Deduct from this amount any financial instruments ranking ahead of the highest ranking instrument of the Fund in a liquidation scenario (e.g. the amount that would be paid) and taking into account the effect of any instrument that may dilute the Fund's Investment to derive the Attributable Enterprise Value;**
- (iv) Apportion the Attributable Enterprise Value appropriately between the relevant financial instruments.**

Guidance on the interpretation of the terms in bold is given below.

Appropriate multiple

A number of earnings multiples are used, including price/earnings (P/E), Enterprise Value/earnings before interest and tax (EV/EBIT) and depreciation and amortisation (EV/EBITDA). The particular multiple used should be appropriate for the business being valued. (N.B: The multiples of revenues and their use are presented in 3.8. Industry Valuation Benchmarks).

In general, because of the role of financial structuring in private equity, multiples should be used to derive an Enterprise Value for the Underlying Business. Where EBITDA multiples are available, these are commonly used. When unavailable, P/E multiples may be used since these are more commonly reported. For a P/E multiple to be comparable, the two entities should have similar financing structures and levels of borrowing.

Therefore, where a P/E multiple is used, it should generally be applied to an EBIT figure which is adjusted for finance costs relating to operations, working capital and tax. These adjustments are designed to eliminate the effect on the earnings of the acquisition finance on the Enterprise Value since this is subsequently adjusted.

By definition, earnings multiples have as their numerator a value and as their denominator an earnings figure. The denominator can be the earnings figure for any specified period of time and multiples are often defined as 'historical', 'current' or 'forecast' to indicate the earnings used. It is important that the multiple used correlates to the period and concept of earnings of the company being valued.

Reasonable multiple

The Valuer would usually derive a multiple by reference to current market-based multiples, reflected in the market valuations of quoted companies or the price at which companies have changed ownership. This market-based approach presumes that the comparator companies are correctly valued by the market.



Whilst there is an argument that the market capitalisation of a quoted company reflects not the value of the company but merely the price at which 'small parcels' of shares are exchanged, the presumption in these Guidelines is that market based multiples are indicative of the value of the company as a whole.

Where market-based multiples are used, the aim is to identify companies that are similar, in terms of risk attributes and earnings growth prospects, to the company being valued. This is more likely to be the case where the companies are similar in terms of business activities, markets served, size, geography and applicable tax rate.

In using P/E multiples, the Valuer should note that the P/E ratios of comparator companies will be affected by the level of financial gearing and applicable tax rate of those companies.

In using EV/EBITDA multiples, the Valuer should note that such multiples, by definition, remove the impact on value of depreciation of fixed assets and amortisation of goodwill and other intangibles. If such multiples are used without sufficient care, the Valuer may fail to recognise that business decisions to spend heavily on fixed assets or to grow by acquisition rather than organically do have real costs associated with them which should be reflected in the value attributed to the business in question.

It is important that the earnings multiple of each comparator is adjusted for points of difference between the comparator and the company being valued. These points of difference should be considered and assessed by reference to the two key variables of risk and earnings growth prospects which underpin the earnings multiple. In assessing the risk profile of the company being valued, the Valuer should recognise that risk arises from a range of aspects, including the nature of the company's operations, the markets in which it operates and its competitive position in those markets, the quality of its management and employees and, importantly in the case of private equity, its capital structure and the ability of the Fund holding the Investment to effect change in the company.

When considering adjustments to reported multiples, the Valuer should also consider the impact of the differences between the liquidity of the shares being valued and those on a quoted exchange. There is a risk associated with a lack of liquidity or marketability. The Valuer should consider the extent to which a prospective acquirer of those shares would take into account the additional risks associated with holding an unquoted share.

In an unquoted company the risk arising from the lack of marketability is clearly greater for a shareholder who is unable to control or influence a realisation process than for a shareholder who owns sufficient shares to drive a realisation at will. It may reasonably be expected that a prospective purchaser would assess that there is a higher risk associated with holding a minority position than for a control position.

The multiple at the date of acquisition should be calibrated against the market comparable multiples. Differences, if any, should be understood and similar differences may be expected or need to be understood at subsequent valuation dates.

For example, the reasons why the comparator multiples may need to be adjusted may include the following:

- the size and diversity of the entities and, therefore, the ability to withstand adverse economic conditions;
- the rate of growth of the earnings;
- the reliance on a small number of key employees;
- the diversity of the product ranges;
- the diversity and quality of the customer base;
- the level of borrowing;
- for any other reason the quality of earnings may differ; and
- the risks arising from the lack of marketability of the shares.

Recent transactions involving the sale of similar companies are sometimes used as a frame of reference in seeking to derive a reasonable multiple. It is sometimes argued, since such transactions involve the transfer of whole companies whereas quoted multiples relate to the price for 'small parcels' of shares, that they provide a more relevant source of multiples.

3. VALUATION METHODOLOGIES

However, their appropriateness in this respect is often undermined by the following:

- the lack of forward looking financial data and other information to allow points of difference to be identified and adjusted for;
- the generally lower reliability and transparency of reported earnings figures of private companies; and
- the lack of reliable pricing information for the transaction itself.

It is a matter of judgement for the Valuer as to whether, in deriving a reasonable multiple, they refer to a single comparator company or a number of companies or the earnings multiple of a quoted stock market sector or sub-sector. It may be acceptable, in particular circumstances, for the Valuer to conclude that the use of quoted sector or sub-sector multiples or an average of multiples from a 'basket' of comparator companies may be appropriate.

Maintainable earnings

In applying a multiple to maintainable earnings, it is important that the Valuer is satisfied that the earnings figure can be relied upon. Whilst this might tend to favour the use of audited historical figures rather than unaudited or forecast figures, it should be recognised that value is by definition a forward-looking concept, and quoted markets more often think of value in terms of 'current' and 'forecast' multiples, rather than 'historical' ones. In addition, there is the argument that the valuation should, in a dynamic environment, reflect the most recent available information. There is therefore a trade-off between the reliability and relevance of the earnings figures available to the Valuer.

On balance, whilst it remains a matter of judgement for the Valuer, he should be predisposed towards using historical (though not necessarily audited) earnings figures or, if he believes them to be reliable, forecast earnings figures for the current year.

Whichever period's earnings are used, the Valuer should satisfy himself that they represent a reasonable estimate of maintainable earnings, which implies the need to adjust for exceptional or non-recurring items, the impact of discontinued activities and acquisitions and forecast material changes in earnings.

3.5. Net Assets

This methodology involves deriving the value of a business by reference to the value of its net assets.

This methodology is likely to be appropriate for a business whose value derives mainly from the underlying Fair Value of its assets rather than its earnings, such as property holding companies and investment businesses (such as Funds-of-funds as more fully discussed in 4. Valuing Fund Interests).

This methodology may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realised by liquidating the business and selling its assets. In the context of private equity, it may therefore be appropriate, in certain circumstances, for valuing Investments in loss-making companies and companies making only marginal levels of profits.

In using the Net Assets methodology to estimate the Fair Value of an Investment, the Valuer should:

- Derive an Enterprise Value for the company using appropriate measures to value its assets and liabilities (including, if appropriate, contingent assets and liabilities);**
- Deduct from this amount any financial instruments ranking ahead of the highest ranking instrument of the Fund in a liquidation scenario (e.g. the amount that would be paid) and taking into account the effect of any instrument that may dilute the Fund's Investment to derive the Attributable Enterprise Value; and**
- Apportion the Attributable Enterprise Value appropriately between the relevant financial instruments.**



3.6. Discounted Cash Flows or Earnings (of Underlying Business)

This methodology involves deriving the value of a business by calculating the present value of expected future cash flows (or the present value of expected future earnings, as a surrogate for expected future cash flows). The cash flows and 'terminal value' are those of the Underlying Business, not those from the Investment itself.

The Discounted Cash Flows (DCF) technique is flexible in the sense that it can be applied to any stream of cash flows (or earnings). In the context of private equity valuation, this flexibility enables the methodology to be applied in situations that other methodologies may be incapable of addressing. While this methodology may be applied to businesses going through a period of great change, such as a rescue refinancing, turnaround, strategic repositioning, loss making or is in its start-up phase, there is a significant risk in utilising this methodology.

The disadvantages of the DCF methodology centre around its requirement for detailed cash flow forecasts and the need to estimate the 'terminal value' and an appropriate risk-adjusted discount rate. All of these inputs require substantial subjective judgements to be made, and the derived present value amount is often sensitive to small changes in these inputs.

Due to the high level of subjectivity in selecting inputs for this technique, DCF based valuations are useful as a cross-check of values estimated under market-based methodologies and should only be used in isolation of other methodologies under extreme caution.

In assessing the appropriateness of this methodology, the Valuer should consider whether its disadvantages and sensitivities are such, in the particular circumstances, as to render the resulting Fair Value insufficiently reliable.

In using the Discounted Cash Flows or Earnings (of Underlying Business) methodology to estimate the Fair Value of an Investment, the Valuer should:

- (i) Derive the Enterprise Value of the company, using reasonable assumptions and estimations of expected future cash flows (or expected future earnings) and the terminal value, and discounting to the present by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company;
- (ii) Deduct from this amount any financial instruments ranking ahead of the highest ranking instrument of the Fund in a liquidation scenario (e.g. the amount that would be paid) and taking into account the effect of any instrument that may dilute the Fund's Investment to derive the Attributable Enterprise Value;
- (iii) Apportion the Attributable Enterprise Value appropriately between the relevant financial instruments.

3.7. Discounted Cash Flows (from the Investment)

This methodology applies the DCF concept and technique to the expected cash flows from the Investment itself.

Where Realisation of an Investment or a flotation of the Underlying Business is imminent and the pricing of the relevant transaction has been substantially agreed, the Discounted Cash Flows (from the Investment) methodology (or, as a surrogate, the use of a simple discount to the expected Realisation proceeds or flotation value) is likely to be the most appropriate methodology.

3. VALUATION METHODOLOGIES

This methodology, because of its flexibility, is capable of being applied to all private equity Investment situations. It is particularly suitable for valuing non-equity Investments in instruments such as debt or mezzanine debt, since the value of such instruments derives mainly from instrument-specific cash flows and risks rather than from the value of the Underlying Business as a whole.

Because of its inherent reliance on substantial subjective judgements, the Valuer should be extremely cautious of using this methodology as the main basis of estimating Fair Value for Investments which include an equity element.

The methodology will often be useful as a sense-check of values produced using other methodologies.

Risk and the rates of return necessary to compensate for different risk levels are central commercial variables in the making of all private equity Investments. Accordingly there exists a frame of reference against which to make discount rate assumptions.

However the need to make detailed cash flow forecasts over the Investment life may reduce the reliability and crucially for equity Investments, there remains a need to estimate the 'terminal value'.

Where the Investment comprises equity or a combination of equity and other financial instruments, the terminal value would usually be derived from the anticipated value of the Underlying Business at Realisation. This will usually necessitate making assumptions about future business performance and developments and stock market and other valuation ratios at the assumed Realisation date. In the case of equity Investments, small changes in these assumptions can materially impact the valuation. In the case of non-equity instruments, the terminal value will usually be a pre-defined amount, which greatly enhances the reliability of the valuation.

In circumstances where a Realisation is not foreseeable, the terminal value may be based upon assumptions of the perpetuity cash flows accruing to the holder of the Investment. These circumstances (which are expected to be rare in private equity) may arise where the Fund has little ability to influence the timing of a Realisation and/or those shareholders that can influence the timing do not seek a Realisation.

In using the Discounted Cash Flows (from the Investment) methodology to estimate the Fair Value of an Investment, the Valuer should derive the present value of the Investment, using reasonable assumptions and estimations of expected future cash flows and the terminal value and date, and the appropriate risk-adjusted rate that quantifies the risk inherent to the Investment.

3.8. Industry Valuation Benchmarks

A number of industries have industry-specific valuation benchmarks, such as 'price per bed' (for nursing-home operators) and 'price per subscriber' (for cable television companies). Other industries, including certain financial services and information technology sectors and some services sectors where long-term contracts are a key feature, use multiples of revenues as a valuation benchmark.

These industry norms are often based on the assumption that investors are willing to pay for turnover or market share, and that the normal profitability of businesses in the industry does not vary much.

The use of such industry benchmarks is only likely to be reliable and therefore appropriate as the main basis of estimating Fair Value in limited situations, and is more likely to be useful as a sense-check of values produced using other methodologies.



3.9. Available Market Prices

Private Equity Funds may be holding Quoted Instruments, for which there is an available market price.

Instruments quoted on an active stock market should be valued at their bid prices on the Reporting Date. If bid price is not required by accounting regulation and not deemed to be appropriate, the most representative point estimate in the bid/ask spread may be used. The Valuer should consistently use either the bid price or the most representative point estimate in the bid/ask spread.

For certain Quoted Instruments there is only one market price quoted, representing, for example, the value at which the most recent trade in the instrument was transacted.

For other Quoted Instruments there are two market prices at any one time: the lower 'bid' price quoted by a market maker, which he will pay an investor for a holding (i.e. the investor's disposal price), and the higher 'ask' price, which an investor can expect to pay to acquire a holding. However, as an alternative to the bid price (where not required by regulation), is the mid-market price (i.e. the average of the bid and ask prices), where this is considered the most representative point estimate in the bid/ask spread.

This methodology should apply when the prices are set on an Active Market.

Discounts should not be applied to prices quoted on an Active Market, unless there is some contractual, Governmental or other legally enforceable restriction that would impact the value realised at the Reporting Date.

In determining the level of discount to apply, the Valuer should consider the extent of compensation a holder would require when comparing the Investment in question with an identical but unrestricted holding.

A Valuer may consider using an option pricing model to value the impact of this restriction on realisation, however in practice for restrictions which only cover a limited number of reporting periods, this is simplified to a simple mathematical discount to the quoted price.

The discount applied should appropriately reflect the time value of money and the enhanced risk arising from the reduced liquidity. The discount rate used is a matter of judgement influenced by expected volatility which should reduce to zero at the end of the period.

4. VALUING FUND INTERESTS

4.1. General

Fund-of-Funds and investors in Private Equity Funds must value their Interest in an underlying Fund at regular intervals to support their financial reporting. Historically, the Net Asset Value ('NAV') based on the underlying Fair Value of the Investments, as reported by the Manager, has been used as the basis for estimating the Fair Value of an interest in an underlying Fund.

In estimating the Fair Value of an interest in a Fund, the Valuer should base their estimate on their attributable proportion of the reported Fund NAV.

Fair Value for an underlying Fund interest is, at its most basic level, equivalent to the summation of the estimated value of underlying investments as if realised on the Reporting Date. The proceeds from such a realisation would flow through to the investor in an amount equal to NAV. This concept makes particular sense for closed-end Fund investors who realise cash returns on their investment when realisation events occur through the sale of the underlying portfolio companies.

As an investor in a Fund, reliance on a reported NAV provided by the investee Fund manager can only be used by the investor to the extent that they have evidence that the reported NAV is appropriately derived using proper Fair Value Principles as part of a robust process. Typically, evidence as to the Fair Value approach, procedures and consistency of application is gathered via initial due diligence, ongoing monitoring, and review of financial reporting and governance of the investee Fund by the investor entity.

Therefore, NAV when rigorously determined in accordance with the principles of Fair Value and these Guidelines provides the best estimate upon which to base the Fair Value of an Interest in a Fund.

4.2. Adjustments to Net Asset Value

After the Valuer determines that the reported NAV is an appropriate starting point, it may be necessary to make adjustments based on the best available information at the Reporting Date. Although the Valuer may look to the Fund Manager for the mechanics of their Fair Value estimation procedures, the Valuer needs to have appropriate processes and related controls in place to enable the Valuer to assess and understand the valuations received.

Factors which might result in an adjustment to the reported NAV would include the following:

- significant time elapsing between the Reporting Date of the Fund NAV and the Valuer entity's Reporting Date. This would be further exacerbated by:
 - the Fund making additional investments or achieving realizations;
 - the Valuer becoming aware of subsequent changes in the Fair Value of underlying investee companies;
 - market changes or other economic conditions changing to impact the value of the Fund's portfolio;
- information from an orderly Secondary Transaction if sufficient and transparent;
- the appropriate recognition of potential performance fees or carried interest in the Fund NAV;
- any features of the Fund agreement that may affect distributions but which are not captured in the NAV;
- materially different valuations by GPs for common companies and identical securities; and
- any other facts and circumstances which might impact underlying Fund value.

NAV should be adjusted such that it is equivalent to the amount of cash that would be received by the holder of the interest in the Fund if all underlying Investee Companies were realised as at the Reporting Date.



4.3. Secondary Transactions

Limited Secondary Transactions exist for Private Equity Funds. External market transactions for a Fund are typically infrequent, opaque and information extremely limited. Secondary prices are negotiated, influenced by factors beyond Fair Value and based on assumptions and return expectations that are often unique to the counter parties. In addition, information relevant to specific transactions may not be deemed orderly and any pricing data available may no longer be current.

When a Valuer of an interest knows the relevant terms of a Secondary transaction in that particular Fund and the transaction is considered orderly, the Valuer should consider the transaction price as one component of the information used to determine the Fair Value.

In the event that the investor in the Private Equity Fund has decided to sell their interest in that fund, then data known from orderly Secondary Transaction prices is likely to be better evidence of Fair Value.

Any use of a Secondary Transaction price requires considerable judgement.

The background of the page is a red-tinted image of a document. It features handwritten notes in blue ink, including the word 'Most' and several numbers like '1520' and '1510'. A silver paperclip is visible on the left side of the document. The overall aesthetic is professional and academic.

SECTION II: APPLICATION GUIDANCE



Introduction

Section I sets out the Guidelines and principles which represent best practice for the valuation of private equity and venture capital Investments. This section sets out further practical guidance to the application of those principles and methodologies to specific cases.

1. SPECIFIC CONSIDERATIONS

1.1. Insider Funding Rounds

The price at which a funding round takes place may be a clear indicator of Fair Value at that date. When using the Price of Recent Investment methodology, the Valuer should consider whether there are specific circumstances surrounding that round of Investment which may reduce the reliability of the price as an indicator of Fair Value.

Where there is a round of financing that involves only existing investors of the Underlying Business in the same proportion to their existing Investments (insider round), the commercial need for the transaction to be undertaken at Fair Value may be diminished. The Valuer needs to assess whether the transaction was appropriately negotiated and reflected the Enterprise Value at that date.

Nevertheless, a financing with existing investors that is priced at a valuation that is lower than the valuation reported at the previous Reporting Date (insider down round) may indicate a decrease in value and should therefore be taken into consideration.

Insider down rounds may take various forms, including a corporate reorganisation, i.e. a significant change in the common equity base of a company such as converting all outstanding shares into equity, combining outstanding preferred shares into a smaller

number of shares (share consolidation) or even cancelling all outstanding shares before a capital increase.

1.2. Distressed Market

Markets from which transaction data may be extracted may be viewed by Valuers to be 'distressed markets'. A distressed market does not mean that all transactions within that market may be deemed to be distressed and invalid for use as comparative purposes, however an individual transaction may be distressed. In these situations significant judgement is needed when determining whether individual transactions are indicative of Fair Value.

When considering whether a transaction may be deemed to be distressed or forced (e.g. not orderly), the Valuer may include such matters as the following indicators in their consideration:

- a legal requirement to transact, for example a regulatory mandate;
- a necessity to dispose of an asset immediately and there is insufficient time to market the asset to be sold;
- the existence of a single potential buyer as a result of the legal or time restrictions imposed; and
- there was not adequate exposure to the market to allow for usual and customary marketing activities.

1. SPECIFIC CONSIDERATIONS

1.3. Deducting Higher Ranking Instruments

Many acquisition structures include third party debt which ranks higher than the interests of the Fund, which is deducted from the Enterprise Value to estimate the Attributable Enterprise Value.

For certain transactions, this debt is actively traded and may be acquired by the Investee Company or the Fund in the market at a price which is at a discount to the par value.

In calculating the Attributable Enterprise Value, the Valuer should deduct from the Enterprise Value the amount which is expected to be repaid in settlement of this debt at the Reporting Date. Typically this is the par value since the debt is repayable at the time of disposal of the Investee Company and the Enterprise Value has been estimated on the basis of disposal at the Reporting Date.

Where the debt is trading at a discount to par, this lower amount would not normally be deducted from the Enterprise Value until the Investee Company or the Fund has acquired that debt in the market at that value and intends to cancel the debt rather than seek repayment at par.

1.4. Bridge Financing

Funds, or related vehicles, may grant loans to an Underlying Business pending a new round of financing (Bridge financing). This may be provided in anticipation of an initial Investment by the Fund, or ahead of a proposed follow on Investment.

In the case of an initial Investment, where the Fund holds no other investments in the Underlying Business, the Bridge loan should be valued in isolation. In these situations and if it is expected that the financing will occur in due course and that the Bridge loan is merely ensuring that funds are made available early, cost is likely to be the best indicator of Fair Value.

If it is anticipated that the company may have difficulty arranging the financing, and that its viability is in doubt, the Valuer should reassess Fair Value.

If the bridge finance is provided to an existing Investee Company in anticipation of a follow on Investment, the bridge finance should be included, together with the original Investment, as a part of the overall package of investment being valued.

1.5. Mezzanine Loans

Mezzanine loans are one of the commonly used sources of debt finance for Investments. Typically these will rank below the senior debt, but above shareholder loans or equity, bear an interest rate appropriate to the level of risk being assumed by the loan provider and may have additional potentially value enhancing aspects, such as warrants.

Often these are provided by a party other than the equity provider and as such may be the only instrument held by the Fund in the Underlying Business. In these situations, the mezzanine loan should be valued on a standalone basis. The price at which the mezzanine loan was issued is a reliable indicator of Fair Value at that date.

The Valuer should consider whether any indications of deterioration in the value of the Underlying Business exist, which suggest that the loan will not be fully recovered. The Valuer should also consider whether any indications of changes in required yield exist, which suggest that the value of the loan has changed.

There are generally limited market opportunities for the holders of mezzanine loans to trade. There are agencies which regularly quote prices on these types of loans, however transactions cannot always be undertaken at the indicative prices offered. Prices reported of transactions should be considered by the Valuer as to whether these are a reasonable indication of Fair Value.

Since the cash flows associated with a mezzanine loan may be predicted with a reasonable amount of certainty, typically these are valued on the basis of a DCF calculation.



Warrants attached to mezzanine loans should be considered separately from the loan. The Valuer should select a methodology appropriate to valuing the Underlying Business and apply the percentage ownership that the exercised warrants will confer to that valuation.

In the event that the warrant position is significant, the Valuer may consider utilising one of the sophisticated option and warrant pricing models.

In the event that the mezzanine loan is one of a number of instruments held by the Fund in the Underlying Business, then the mezzanine loan and any attached warrants should be included as a part of the overall package of investment being valued.

1.6. Rolled up Loan Interest

Many financial instruments commonly used in private equity Investments accumulate interest which is only realised in cash on redemption of the instrument (e.g. deep discount debentures or Payment-in-Kind Notes).

In valuing these instruments, the Valuer should assess the expected amount to be recovered from these instruments. The consideration of recoverable amount will also include the existence of any reasonably anticipated enhancements such as interest rate step increases.

In a typical financing package, these are inseparable from the underlying equity investment and will be realised as part of a sale transaction.

The difference between the estimated recoverable amount (if in excess of the original cost) should be spread over the anticipated life of the note so as to give a constant rate of return on the instrument.

1.7. Indicative Offers

Indicative offers received from a third party for the Underlying Business may provide a good indication of Fair Value. This will apply to offers for a part or the whole Underlying Business as well as other situations such as price indications for debt or equity refinancing.

However, before using the offer as evidence of Fair Value, the Valuer should consider the motivation of the party in making the offer. Indicative offers may be made deliberately high for such reasons as, to open negotiations, gain access to the company or made subject to stringent conditions or future events.

Similarly they may be deliberately low if the offeror believes that the vendor may be in a forced sale position, or to take an opportunity to increase their equity stake at the expense of other less liquid stakeholders.

In addition, indicative offers may be made on the basis of insufficient detailed information to be properly valid.

These motivations should be considered by the Valuer, however it is unlikely that a firm conclusion can be drawn.

Accordingly, typically indicative offers will provide useful additional support for a valuation estimated by one of the valuation methodologies, but are insufficiently robust to be used in isolation.

1.8. Impacts from Structuring

Frequently the structuring of a private equity Investment is complex with groups of stakeholders holding different rights which either enhance or diminish the value of their interests, depending on the success or otherwise of the Underlying Business.

Valuations must consider the impact of future changes in the structure of the Investment which may materially impact the Fair Value. These potential impacts may take several different legal forms and may be initiated at the Fund's option, automatically on certain events taking place, or at the option of another party. Common clauses include, but are not limited to:

- stock options and warrants;
- anti-dilution clauses;
- ratchet clauses;
- convertible debt instruments;
- liquidation preferences;
- commitments to take up follow-on capital Investments.

1. SPECIFIC CONSIDERATIONS

These rights should be reviewed on a regular basis to assess whether these are likely to be exercised and the extent of any impact on value of the Fund's Investment. At each Reporting Date, the Valuer should determine whether these rights are likely to be exercised.

In assessing whether rights are likely to be taken up by stakeholders, the Valuer may limit their consideration to a comparison of the value received by the exerciser against the cost of exercising. If the exerciser will receive an enhancement in value by exercising, the Valuer should assume that they will do so.

The estimation of Fair Value should be undertaken on the basis that all rights that are currently exercisable and are likely to be exercised (such as options), or those that occur automatically on certain events taking place (such as liquidation preferences on Realisation, or ratchets based on value), have taken place.

Consideration should also be given to whether the exercise price will result in surplus cash arising in the Investee Company.

Notwithstanding the above, when considering the impact of liquidation preferences, the Valuer should include in their assessment the likelihood of the Fund receiving their full contractual right under the preference. In practice full value for the preference may not be achieved, particularly when this would result in other investors who are integral to the sale process (such as a continuing management team) receiving a significantly reduced value for their investment.



ENDORISING ASSOCIATIONS

AFIC

(Association Française des Investisseurs en Capital)

AFIC is an independent organization. With 210 active members, AFIC brings together almost all of the private equity institutions in France. In addition, AFIC has 110 associate members.

In order to create a clear set of standards for the private equity business, AFIC drafted a "Code of Ethics", to which all members must adhere to. AFIC regularly publishes reference documents, which include the "Private Equity Best Practices Guidelines". Lastly, AFIC issues recommendations on corporate governance which are designed to promote transparency and responsibility.

AIFI

(Italian Private Equity and Venture Capital Association)

AIFI was founded in May 1986 in order to promote, develop and institutionally represent the private equity and venture capital activity in Italy. The Association is a non-profit organisation whose main activities are: to create a favourable legal environment for the private equity and venture capital investment activity, to analyse the Italian private equity market collecting statistical data, to organize business seminars and specialized courses addressed to institutional investors and to people interested in operating within the industry, to publish research papers regarding specific topics about the private equity market, to build up stable and solid relationships with other National Venture Capital Associations and key players in the international private equity market. In order to carry out the above-mentioned activities, AIFI can rely both on its permanent staff and

on different Technical Committees established with the task to carry out activities of study on specific matters and projects.

AMEXCAP

(Asociación Mexicana de Capital Privado, AC)

The Mexican Private Equity Association (AMEXCAP) is a non for profit organization, created in 2003, representing venture capital/private equity funds that actively invest in Mexico. Additionally, other affiliates that play an important role in the sector are members of the Association such as top consulting and law firms that are active in Mexico.

AMIC

(Association Marocaine des Investisseurs en Capital)

AMIC is an independent non-profit association which was created in 2001 in order to:

- Develop the private equity and venture capital industry in Morocco;
- Promote best practices, transparency and responsibility amongst professionals;
- Create the most favourable legal and fiscal environment by lobbying policymakers;
- Represent and defend its members' professional interests;
- Liaise with key industry players, entrepreneurs and media;
- Provide research and information on the industry;
- Educate and train practitioners;
- Foster networking between members and stakeholders.

Based in Casablanca, AMIC with its 10 members represents the vast majority of private equity and venture capital actors in Morocco.

ENDORISING ASSOCIATIONS

APCRI

(Portuguese Private Equity and Venture Capital Association)

APCRI was established in 1989 and is based in Lisbon. APCRI represents the Portuguese private equity and venture capital sector and promotes the asset class.

APCRI's role includes representing the interests of the industry to regulators and standard setters; developing professional standards; providing industry research; professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics.

APCRI's activities cover the whole range of private equity: venture capital (from seed and start-up to development capital), buyouts and buyins.

APCRI represents the vast majority of private equity and venture capital in Portugal. APCRI has 16 full members and 5 associate members. Full members are active in making equity investments primarily in unquoted companies.

The associate membership can include those firms who invest directly in private equity but for whom this is not their principal activity, advisory firms experienced in dealing with private equity and educational or research based institutions closely associated with the industry.

APEA

(Arab Private Equity Association)

APEA is the only pan-Arab industry association sponsored by the Economic Unity Council of the Arab League, the APEA was formed to address the challenges faced by private equity firms as well as venture capitalists in the Arab world. APEA believes that private equity and venture capitalism can be important catalysts for the provision of economic opportunities, increased investment flows, and superior business performance for Arab industries. APEA's core mission is to increase the role of this young but rapidly growing industry in the Arab world, and strengthen the performance of private equity investment in the emerging Arab market.

ASCRI

(Spanish Private Equity and Venture Capital Association)

ASCRI is a non-profit making association that was set up in 1986, to promote and develop the venture capital and private equity activity in Spain and represent, manage and defend its members' professional interests.

The Association stimulates the promotion and information analysis in the venture capital/private equity sector in Spain, and provides the contact between Official Organisations, investors, professional advisers, business schools and other relevant institutions. At the end of May 2005, ASCRI had 84 full members and 28 associate members.

The ASCRI's main activities are: Research activity, Organisation of different events such as: Annual General Assembly, ASCRI Congress, Training Seminars and Conferences/Workshops, Communication of investment opportunities between ASCRI members, and Institutional and lobbying activity.

ATIC

(Tunisian Venture Capital Association)

ATIC (Association Tunisienne des Investisseurs en Capital) is a professional association founded in April 2004, by more than 30 companies operating in the field of private equity and venture capital in Tunisia. Its main goal is to play the vis-a-vis with the Tunisian authorities to introduce the appropriate legal and fiscal measures to ease the development, and solve the problems of the private equity and venture capital industry in Tunisia.

ATIC second objective is to offer its members the appropriate space for networking, information exchange and business development to upgrade the Tunisian industry by targeting higher value added technology projects, and stronger alliances with its North African and European Partners.

ATIC's third objective no less important is to inculcate the right private equity and venture capital culture to local professionals, to enhance the creation of a new generation of Funds managers and to reach strategic alliances with their European or US counterparts. ATIC aims to reach that by enforcing the best practices of the profession according to international standards, through its planned training programs.



AVCA

(African Venture Capital Association)

AVCA represents the private equity and venture capital industry in Africa. AVCA was established in 2002 and its head office is in Yaoundé, Cameroon. AVCA's membership is drawn from across Africa and internationally.

AVCA's objectives are to represent the industry within Africa and internationally, stimulate the growth and expansion of the industry throughout Africa, stimulate professional relationships and co-operation, provide opportunities for professional development of industry practitioners, research, publish and circulate industry information and insights, provide policymakers with proposals to improve the corporate, fiscal and legal environment for the industry, maintain high ethical and professional standards and contribute to the management development of investors, investees and other stakeholders.

AVCA's activities include an annual industry conference, a quarterly newsletter, research, training and advocacy programs. For more information visit the AVCA website www.avcanet.com.

AVCAL

(Australian Private Equity and Venture Capital Association)

AVCAL represents the interests of Australia's venture capital and private equity industry.

AVCAL's 50 investor members have A\$10 billion under management. AVCAL's roles include: promotion of the industry, education of practitioners, public policy development, staging networking events, application of valuation & disclosure guidelines, benchmarking IRRs, development of industry standard Limited Partnership agreement.

AVCAL conducts about 40 networking events annually across Australia, and leverages its online presence at www.avcal.com.au for maximum efficiency.

AVCO

(Austrian Private Equity and Venture Capital Organisation)

AVCO is the National Association of Austria's private equity and venture capital industry, which covers more than 90% of the Austrian private equity market with its members.

- It works as a knowledgeable partner and independent information point for journalists, entrepreneurs, potential investors, private and public institutions as well as international bodies that are interested in Austria's private equity industry, its development and structure as well as its activities and performance.
- It acts as the official representative of the industry actively engaged in improving the tax-related, legal and economic policy environments in close connection with respective policy makers.
- As a proactive networking institution it promotes co-operation inside the industry as well as interaction with complementary players from other fields in order to intensify information flows and create learning loops.
- In addition it takes the role of an interface to international organisations exchanging experience, information and knowledge with other Private Equity and Venture Capital Associations in Europe, with the European Commission and further relevant institutions in order to put international best practice at work for Austria.

Currently AVCO is engaged to initiate internationally favourable private equity fund structures for Austria and recently AVCO has published Investor Relations Guidelines – behavioural standards for its members vis-à-vis their fund investors – in order to raise transparency and faith in private equity as a professional asset class in Austria. In line with these efforts AVCO welcomes the International Private Equity and Venture Capital Guidelines and will be eager to support their introduction and accurate application by its members.

ENDORISING ASSOCIATIONS

BVA

(Belgian Venturing Association)

BVA was founded in 1986 as a professional association. Its mission is to:

1. Animate the Belgian private equity and venture capital industry by deploying a series of activities for its members and for other stakeholders in the prosperity of the VC/PE sector in Belgium. The objectives of the main animation activities are: to foster active networking amongst members of the BVA and between members of the BVA and other third parties, to provide extensive information to its members on all topics relevant to the VC/PE industry, to improve the quality of the operation of the sector.
2. Promote the well being of the Belgian private equity and venture capital industry towards all relevant third parties. The objectives of the promotional activities are: to pro-actively represent the Belgian VC/PE industry to third parties as the industry's recognized spokesperson, to conduct active lobbying for (i) improvements to or (ii) the removal of obstacles from the structural context in which the Belgian VC/PE industry operates, to contribute to the continuous development of business in our industry.

BVCA

(British Venture Capital Association)

The BVCA represents around 170 UK-based private equity and venture capital firms, the vast majority of all such firms in the UK. The BVCA is the public face of the industry providing services to its members, investors and entrepreneurs as well as the Government and media.

BVK

(Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – German Private Equity and Venture Capital Association e. V.)

BVK was founded in 1989. BVK represents most of the German private equity and venture capital firms as well as the German branches of foreign private equity and venture capital firms. As per March 31, 2005, BVK represented more than 180 private equity and venture capital firms. Apart from full membership BVK offers associate membership to companies and organizations working in this particular business sector, i. e. accountants, lawyers, consultants etc.

BVK serves as a link between government and business and represents its members' views, needs and problems while supplying information and discussing any particular political and economic subject with the relevant governmental institutions.

Science and research are becoming more and more interested in private equity and venture capital issues. BVK supports universities, colleges and their students with their research activities and problem solving.

On the international level BVK exchanges information with other national organizations in the economic sector and other international private equity and venture capital associations.

CVCA

(Canada's Venture Capital & Private Equity Association)

The CVCA - Canada's Venture Capital & Private Equity Association, was founded in 1974 and is the association that represents Canada's venture capital and private equity industry. Its over 1100 members are firms and organizations which manage the majority of Canada's pools of capital designated to be committed to venture capital and private equity investments.

The CVCA fosters professional development, networking, communication, research and education within the venture capital and private equity sector and represents the industry in tax and regulatory matters.



CVCA

(China Venture Capital Association)

The China Venture Capital Association (“CVCA”) is a member-based trade organization established to promote the interest and the development of venture capital (“VC”) and private equity (“PE”) industry in the Greater China Region. Currently CVCA has close to 100 member firms, which collectively manage over US\$100 billion in venture capital and private equity funds.

CVCA’s member firms have long and rich experience in private equity and venture capital investing worldwide and have made many successful investments in a variety of industries in China, including information technology, telecommunications, business services, media and entertainment, biotechnology, consumer products, and general manufacturing.

CVCA’s mission is to foster the understanding of the importance of venture capital and private equity to the vitality of the Greater China economy and global economies; to promote government policies conducive to the development of VC and PE industry; to promote and maintain high ethical and professional standards; to facilitate networking and knowledge sharing opportunities among members; and to provide research data, industry publications and professional development for PE and VC investors.

CVCA is incorporated in Hong Kong with a representative office in Beijing. Funding for CVCA’s activities come from membership dues. CVCA’s membership is open to all China-focused professional venture capital and private equity organizations and corporate venture capital investors, and is also open to the related professional companies, which can join as CVCA associate members. CVCA has three liaison officers in Shanghai, Xi’an and Silicon Valley respectively facilitating local networking and communication.

CVCA

(Czech Venture Capital and Private Equity Association)

CVCA is an association representing companies active in the private equity and venture capital industry in the Czech Republic. CVCA has full members (private equity and venture capital fund managers) and associated members (companies providing advisory services to the private equity and venture capital industry). CVCA has 14 full members and 16 associated members as of May 2005.

CVCA’s priorities are: increasing the awareness about private equity/venture capital among entrepreneurs, state administration and general public, promoting interests of CVCA members in contact with the government and other state authorities, providing information on the private equity/venture capital industry in the Czech Republic, providing platform for discussion among members of CVCA.

DVCA

(Danish Venture Capital Association)

DVCA is an association with the goal of strengthening its member’s business, network, and competences. DVCA includes a broad range of high tech investors in Denmark. Furthermore the organisation covers the whole investment chain from individual business angels over venture capital companies to private equity and institutional investors.

DVCA was founded in 2000 and was in 2004 merged with the formerly known Danish Business Angel Network. The association is situated in the Old Stock Exchange, Slotsholmsgade, Copenhagen. For more information please visit www.dvca.dk.

ENDORISING ASSOCIATIONS

EMPEA

(Emerging Markets Private Equity Association)

EMPEA is a broad-based membership organization formed to serve private equity and venture capital firms operating in the emerging markets of Asia, Eastern Europe, Africa, Latin America and the Middle East.

EMPEA believes private equity investing can generate strong returns for investors while also serving as a critical driver of economic growth and opportunity in these markets. Despite significant differences across emerging market regions, private equity firms face important common challenges and opportunities. EMPEA's programs include conferences, networking opportunities, research, a quarterly publication and advocacy.

EMPEA works closely with national and regional venture capital associations to achieve its mission.

EVCA

(European Private Equity and Venture Capital Association)

EVCA was established in 1983 and is based in Brussels. EVCA represents the European private equity sector and promotes the asset class both within Europe and throughout the world.

With close to 1,300 members throughout Europe, EVCA's role includes representing the interests of the industry to regulators and standard setters, developing professional standards, providing industry research, organising professional development initiatives and forums, as well as facilitating interaction between its members and key industry participants. These key players include institutional investors, entrepreneurs, policymakers and academics.

EVCA's activities cover the whole range of private equity: venture capital (from seed and start-up to development capital), buyouts and buyins.

FVCA

(The Finnish Venture Capital Association)

In 2005 the Finnish Venture Capital Association (FVCA) celebrates its 15th year anniversary. The FVCA is a non-profit organisation representing the Finnish venture capital and private equity industry. The FVCA's main mission is to promote and develop the venture capital and private equity industry in Finland. The main tasks are public affairs, lobbying, networking and research. The FVCA has 43 full members. This represents the vast majority of the Finnish venture capital and private equity companies. Full membership has been approved for equity investors and risk financiers representing private and public investment capital, captive funds and corporate ventures. In addition, the FVCA has 68 associate members. Associate membership can be given to organisations and individuals with an interest in the venture capital and private equity industry.

GVCA

(Gulf Venture Capital Association)

GVCA is a not-for-profit trade and industry association for venture capital (VC) and private equity (PE) based in the Kingdom of Bahrain to serve the whole region. Its prime role is to promote a risk-taking investment culture, develop skills, facilitate networking, and provide relevant information and statistics on the venture capital and private equity industry.

Mission:

GVCA's mission is to serve the venture capital and private equity industry and foster its growth in the region.

Goals:

1. Promote and advocate venture capital and private equity as a vital industry, contributing to economic growth.
2. Facilitate communication and networking among stakeholders.
3. Gather and disseminate industry statistics and information.
4. Develop and promote professional and ethical codes of conduct.
5. Foster professional development and learning environment.



The Association's activities cover several aspects of the venture capital and private equity industry such as trends and strategies, legal/fiscal policies and regulations, investment models, management of fund raising and structures, technology evaluation and valuation, contracts and control rights, information/studies, early-stage funding, buyout, IPO, and corporate venture capital, among others.

Membership:

Members in GVCA include venture capital and private equity companies, financial institutions, corporations, and consultants, and business development organizations, among others. For more information please see: www.gulfvca.org.

HKVCA

(Hong Kong Venture Capital Association)

Hong Kong Venture Capital Association was established on November 12, 1987 with the objectives of promoting and protecting the interests of the venture capital and private equity industry, networking and cooperation on regional and international front, and in raising the professional standards of the market.

Its 120 members are engaged in all levels of venture capital, expansion capital and buyout activities in China, Japan, Korea, Australia, Taiwan, Thailand, Singapore, and other markets in Asia.

It is committed to the promotion of the venture capital industry as a financial and business partner to businesses and the creation of an environment that creates sound partnerships. It is dedicated to developing a high standard of professionalism in the market to ensure investor confidence in the asset class.

The Association provides an effective channel of communication for members to share information on developments within the industry in Hong Kong/PRC as well as on a regional and international level. It also works closely with the government and various trade bodies to further the interests of the industry.

HVCA

(Hungarian Venture Capital and Private Equity Association)

HVCA represents virtually every major source of funds and expertise of private equity in Hungary. HVCA aims to promote the development of the industry, and to create and follow the highest possible professional and ethical standards.

HCVA was set up in 1991 and has developed considerably since then: the original five members have grown to 26 full members, 29 associate members and 9 individual members.

The Association provides a regular forum for the exchange of ideas among members, high-level discussions on the topical issues of the venture capital and private equity industry and the future trends. As the official representative of the industry it is in constant discussion with the financial and legislator institutions of the Hungarian State and with other professional organisations.

ILPA

(Institutional Limited Partners Association)

The ILPA is a non-profit organization committed to serving limited partner investors in the global private equity industry by providing a forum for: facilitating value-added communication, enhancing education in the asset class, and promoting research and standards in the private equity industry

Initially founded as an informal networking group, the ILPA is a voluntary association funded by its members. The ILPA membership has grown to include more than 138 member organizations from 10 countries, who in total have assets under management in excess of two trillion U.S. dollars. Members of the ILPA manage more than US\$300 billion of private equity capital.

The ILPA membership comprises corporate and public pension plans, endowments and foundations, insurance companies and other institutional investors in private equity.

The ILPA holds semi-annual meetings for members.

ENDORISING ASSOCIATIONS

IVCA

(Irish Venture Capital Association)

The IVCA is the representative body of the venture capital industry in Ireland. The association was established in 1985 to represent the views of its members and to promote the Irish venture capital industry. We seek to encourage co-operation and best practices within the industry and to facilitate those seeking venture capital. The IVCA also continuously works with those individuals and organisations committed to fostering an economic and regulatory climate conducive to the growth and development of an enterprising economy.

LAVCA

(Latin American Venture Capital Association)

The Latin American Venture Capital Association (LAVCA) is a not-for-profit membership organization dedicated to promoting the growth of the private equity and venture capital industry in Latin America and the Caribbean.

LAVCA's core membership consists of fund managers, institutional investors and corporate investors active in the region. Select service providers, development finance organizations, trade associations and educational institutions also participate as associate members of LAVCA.

LAVCA's mission – to spur regional economic growth through the promotion of venture capital and private equity investment – is accomplished through programs of research, networking, education, the promotion of best investment practices, and the advocacy of sound public policy.

For more information about LAVCA, its members, products and activities, please visit our website at www.lavca.org.

LVCA

(Latvian Venture Capital Association)

To promote the development of venture capital sector in Latvia, the six biggest companies that operate in the venture capital sector in Latvia have founded a public organization: the Latvian Venture Capital Association. The founders of the association are fund management companies that manage investment funds of different value and function profile.

LVCA has the following missions: to inform businessmen and society about venture capital financing possibilities, to promote the exchange of opinions and experience of the members of the association, to represent opinions and interests of the members in negotiations with public authorities, to organize and to ensure cooperation with international or other countries' venture capital associations.

NVCA

(Norwegian Venture Capital & Private Equity Association)

NVCA is a non-profit association supporting the interests of the companies active in the Norwegian industry. NVCA was established in 2001 by the leading players, and represents today around 40 Norway-based private equity and venture capital firms, the vast majority of such firms in Norway. The 20 associated members are service providers to the industry such as lawyers, advisors, investors and corporate finance companies.

The purpose of the association is to promote an efficient private equity market, to improve the regulations of the industry, to promote entrepreneurship and to ensure political focus on Norway's position as a strong and attractive country for international investments.

NVCA provides knowledge, analysis and general information to the Government and media to communicate the importance of the industry and its role in the national innovation system and the general industrial development in Norway.

NVCA is in this way the public face of the industry providing services to its members, investors and entrepreneurs as well as the Government and media.



NVP

(Nederlandse Vereniging van Participatiemaatschappijen)

The Dutch Private Equity & Venture Capital Association acts in the interests of private equity companies in the Netherlands. The aims of the NVP are: in cooperation with the government, work on an adequate regulatory framework for the private equity sector and its clients; inform entrepreneurs and businesses about the financing possibilities of private equity; inform investors about the characteristics of private equity as an asset class; raise awareness and improve the image of private equity to achieve aforementioned goals; contribute to further raising the level of professionalism of the private equity sector.

The NVP has about 50 members and 50 associated members. Members of the NVP represent 95% of the number of private equity investments and about 85% of the total invested capital in the Netherlands.

More information about the activities of the NVP and its members can be found on www.nvp.nl.

PPEA

(Polish Private Equity Association)

PPEA gathers private equity/venture capital funds active in Poland. The mission of PPEA, established in January 2002, is to promote and develop the private equity and venture capital (PE/VC) industry in Poland and to represent the interests of the Polish PE/VC community in Poland and abroad. PPEA comprises 51 institutions: 29 full members, representing most of the private equity firms active in Poland and 22 Associate Members that are law and consulting companies working for PE/VC industry. The full members manage more than EUR 4.5bn and have currently nearly 300 Polish companies and over 50 companies in other CEE countries on their portfolios.

PPEA has established a number of committees to work on PPEA policy and actions. The committees bring together full and associate members who represent their areas of expertise. To date, PPEA has established committees to work on the following areas: corporate governance, legal and lobbying, pension funds and other domestic investors, SME financing and innovations, and statistics.

Réseau Capital

(Québec Venture Capital and Private Equity Association)

The Québec Venture Capital and Private Equity Association has more than 500 members who represent public and private venture capital companies as well as firms of professionals serving the industry.

Mission and Organizational Structure

Réseau Capital is an association of key players in the private equity and venture capital industry. Its mission is to foster the growth of the industry and the professional development of its members through a range of services and activities, such as training, information, networking and promotion of their interests.

Principal Objectives

To further the development of a business environment favourable to the venture capital community, notably, through training activities; To establish an efficient network of relations and communications between the industry's stakeholders; To promote venture capital as an efficient tool for the development of Québec businesses, and to promote other organizations tied into the industry.

ENDORISING ASSOCIATIONS

RVCA

(Russian Private Equity and Venture Capital Association)

RVCA was set up in 1997. The central office of RVCA is situated in St.Petersburg. By today RVCA unites about 40 members more than half of them are private equity and venture capital funds.

RVCA's mission is to contribute to establishment and development of venture industry in Russia.

RVCA's goals are: to create a political and entrepreneurial environment favorable for investment activity in Russia, to represent RVCA's interests in political and administrative agencies, in mass media, in financial and industrial circles in Russia and abroad, to provide informational support and create communicative forums for Russian venture market players, to create the stratum of experts qualified to work in venture business companies.

RVCA is the unique professional organization in Russia units the progressive financial institutions investing in private Russian companies. RVCA is generally accepted in the business community and by the Russian Government.

SAVCA

(Southern African Venture Capital and Private Equity Association)

SAVCA is a non-profit Section 21 Company based in South Africa that represents the interests of the participants of the private equity and venture capital industry in Southern Africa. All the key participants in the industry are members of the Association. Full membership of SAVCA provides a high level of endorsement and denotes a high level of professionalism and integrity for the member firm.

SAVCA plays a meaningful role in the Southern African venture capital and private equity industry by promoting the industry and its members, promoting self-regulation, setting professional standards, lobbying, disseminating information on the industry, arranging training for the staff of its members and researching the industry in South Africa.

The main objectives of SAVCA are to: promote the venture capital and private equity profession in Southern Africa; represent the profession at the national and international level; develop and stimulate professional and transactional venture capital and private equity investments; stimulate the expansion of venture capital and private equity; collect information from markets and from members; circulate information; stimulate and maintain contacts within the membership; contribute to the management development of investors and investees; provide the relevant authorities with proposals for improvement in the corporate, fiscal and legal environment for venture capital and private equity in Southern Africa; and maintain ethical and professional standards.

SECA

(Swiss Private Equity and Corporate Finance Association)

SECA is the representative body for Switzerland's private equity, venture capital and corporate finance industries. SECA has the objective to promote private equity and corporate finance activities in Switzerland.

Members of the SECA include equity investment companies, Banks, Corporate Finance Advisors, Auditing Companies, Management Consultants and Private Investors.

The association is a non-profit organization and has the following purposes: to promote corporate finance and private equity activities in the public and the relevant target groups, to promote the exchange of ideas and the cooperation between members, to contribute to the professional education and development of the members and their clients, to represent the members views and interests in discussion with government and other bodies, to establish and maintain ethical and professional standards.

In addition to promoting corporate finance in the public, SECA provides a platform to its members to exchange information and experiences. The main activities of SECA are: seminars and events about relevant topics, publication of statistics about private equity investment and management buyout activities in Switzerland, quarterly edition of a newsletter SECA News (for members only), contacts of other associations and state bodies.



SLOVCA

(The Slovak Venture Capital Association)

SLOVCA was created in 1995 with primary purpose to increase the awareness of private equity and venture capital to the public, such as the entrepreneurs, investment and banking institutions and the economic, political and regulatory bodies in Slovakia.

The mission of SLOVCA includes five key objectives: to provide information to those seeking capital for new and existing enterprises, to represent the interests of members before the government and other related institutions/agencies, to provide a forum for networking for members to exchange views and practices, to provide education and training for members of SLOVCA and others, to encourage the highest standards of business practices.

We work for the professional development of players active in the industry through education, ethical guidelines, transparency and valuation principles, networking and seminars with the participation of international colleagues, amongst many other things.

See www.svca.se for more information.

SVCA

(The Swedish Private Equity and Venture Capital Association)

The SVCA represents around 110 private equity firms as well as business angels and service providers. Sweden is one of the leading private equity markets with annual private equity investments over 1% of the national GDP.

The Association was established 1985 and its objective is to work towards a well-functioning private equity industry in Sweden. This is done by supplying information and working for the professional development of the industry. We aim to inform about how the industry functions and what frameworks are needed to facilitate entrepreneurs and investors so that together they can help the development of the Swedish economy and industry that is necessary for the country's future prosperity. We also inform about how investments in private equity funds have yielded a good profit over the long term for pension funds and other institutional investors.

