

VCs put \$129m into start-ups

Emma Connors

Venture-capital firms licensed under the Federal Government's Innovation Investment Fund program have now invested \$129 million, and a medical software developer and a bioinformatics company are the latest recipients.

In 1997, five venture-capital firms were licensed to operate IIF funds in which every dollar raised from private investors was to be matched with two government dollars.

Round two occurred last year when another four VC firms entered the IIF program on slightly less generous terms. Private equity and government funding across the two rounds is expected to total \$358 million.

To date, \$85 million in Commonwealth funds and \$44 million in private equity has been invested in 51 eligible companies. An AusIndustry spokesman confirmed that the first-round licensees had until December to commit 60 per cent of the available capital.

Last week, one of the four funds licensed in the second round, the St George Innovation fund, managed by Nanyang Ventures, made its first investments.

This \$50 million fund is made up of \$25 million in government money and \$25 million from private investors St George Bank, Development Australia Fund, Queensland Investment Corporation and Sunsuper.

The fund's portfolio now includes



Dynamic Hearing's CEO, Dr Elaine Saunders . . . set for clinical trials of software.

Photo: PETER BRAIG

Melbourne-based Dynamic Hearing, which develops software for digital hearing aids, and Genetrax, a Queensland company focused on supplying bioinformatics technology to gauge the health of racehorses before and after racing.

The Nanyang fund has invested \$500,000 in Genetrax. Dynamic Hearing has raised \$2 million, \$1 million from Nanyang and \$1 million from Rothschild Bioscience Managers, which was licensed in the IIF first round and has raised a second fund.

Dynamic Hearing, led by chief executive Dr Elaine Saunders, is now set to embark on an extensive clinical

trial of its software. The company is a spin-off from the Co-operative Research Centre for Cochlear Implant and Hearing Aid Innovation.

Both Genetrax and Dynamic Hearing are early-stage investments. Neither has any revenues but both have had interest expressed in their planned products by potential customers. These relatively narrow target markets of veterinarian pathologists and hearing-aid manufacturers are one reason why the two companies made it through the selection process, according to Dr Michael Hirshorn, chief executive officer of the St George Innovation Fund.

The entrepreneurs at the helm of both companies and their technology focus were the other major attractions.

Dr Hirshorn, who spent 15 years at Cochlear and has also sat on the board of ResMed, another Australian technology success story, said the IIF was all about high-risk, early-stage investments.

"The risk of failure is much higher, but so are the potential returns," he said.

Three of the second-round IIF licensees have now made investments and the fourth, the Newport Technology Fund, is finalising its first IIF deal.