

Australia & New Zealand

(January 2003 to December 2003)

Asia's most sophisticated and mature market outside of Japan, Australia clocked another year of resilient growth in 2003, fuelled by consumer demand and an increase in export demand. With inflation hovering at around 2%, unemployment standing at an all-time low, and the Australian dollar surging against the greenback by 42%, from approximately US\$1 to A\$0.55 appreciated to US\$1 to A\$0.78 by the end of the year, the International Monetary Fund expects this solid growth to continue well into 2004 and the coming years.

The introduction of the Venture Capital Limited Partnership structure in 2002 was beginning to show positive results during the year. There were at least eight or nine investors that took advantage of this liberalisation and committed capital in Australian-based funds. At the same time, the Australian Stock Exchange also announced its intention to relax its regulatory framework to allow greater flexibility for public issues of shares in order to lure further inflow of foreign capital.

Australia has recovered from the global technology debacle that began in mid 2000 as the private equity investment total rose by 26% in 2003, a year which also boasted Asia's largest private equity deal on record. For global investors, the country's mature infrastructure is a powerful pull, especially in the buyout segment, making Australia the most popular buyout market outside of Japan in 2003.

New Zealand has very much followed in the path of its neighbour. Although both were briefly affected by the severe acute respiratory syndrome (SARS) in the second quarter, by September both economies had managed to rally on the back of consumer spending.

Number of Private Equity Firms: 200 (as at March 2004)

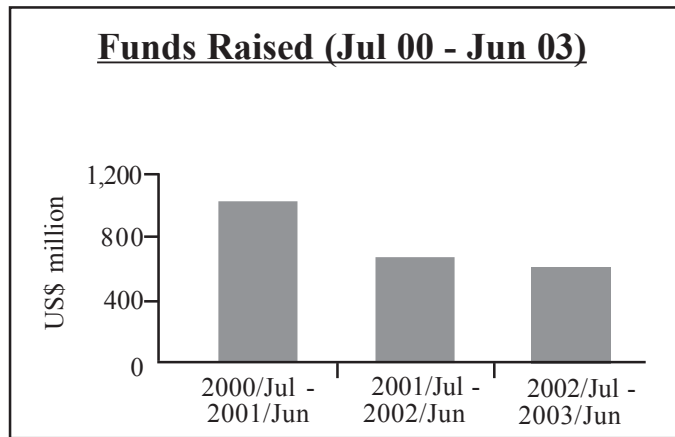
Number of Professionals: 374 (as at March 2004)

Fund Pool

Despite robust economic growth, the 2003 private equity fund pool of US\$601 million has yet to break the record sum raised 2001, which towered at US\$1,027 million. Even compared with the US\$661 million registered in 2002, it was in fact a decline of 9%.

New Zealand is increasingly assuming a pronounced profile in the market,

with the strong support of its government. Four funds are known to be seeking investors. Altogether, they hoped to add US\$80 million into New Zealand's petite fund pool. But all are tied to the government's early stage investment mandate.

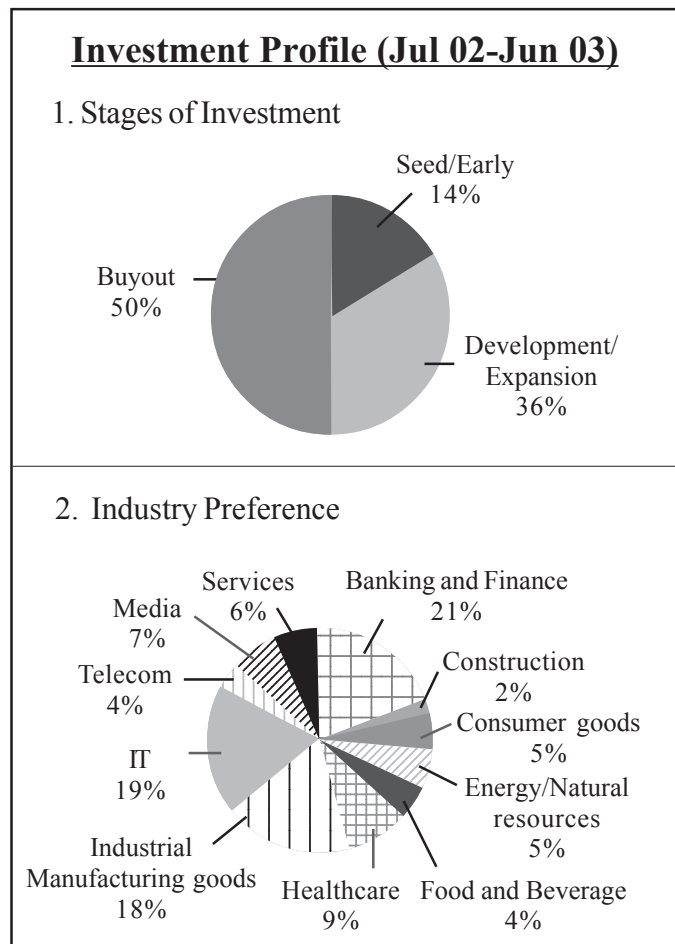


Investments

In the fiscal year ending June 2003⁽¹⁾, according to the *Australian Venture Capital Journal*, some US\$603.62 million has been deployed in 418 companies. The data suggests Australian private equity investors are focusing on companies with small capitalisation.

It is in companies that are either in early/seed or growth stages that the bulk of the Australian private equity capital has been directed. In the year under survey, these two categories of companies commanded 90% of the transaction number totals and took up 50% of the aggregate transaction sum. The buyout market in Australia continued to capture a significant portion of the investment amount, accounting for 50% of the transaction amount recorded during the year. Yet the buyout deal size in Australia remains relatively small compared with other markets in Asia, as the average size was under US\$10 million. (NB: the US\$660 million buyout of the healthcare business from Mayne Group took place in September 2003, outside of the fiscal year under survey)

The information technology industrial sector has consistently attracted private equity investors' interest, although it might not be the most-favoured. In the period ending June 2003, there were 93



information technology companies that raised US\$114 million, virtually the same as the preceding year. The most-favoured industrial sector in the 2002/2003 period was the banking and financial industry which accounted for 20% of the US\$603.6 transaction total, followed by information technology, with industrial manufacturing, taking up US\$107 million.

Estimated Amount Available for Investment: US\$5.9 billion (as at March 2004)

Five Largest Private Equity Firms (by fund pool under management)

Private Equity Firm	Fund Pool (US\$)
Macquarie Bank	6,600 million
Ascalon Capital Managers Ltd.	1,569 million
DB Capital Partners	1,114 million
AMP Capital Investors - Infrastructure	635 million
Castle Harlan Australian Mezzanine Partners	383 million

Five Largest Transactions

Investee Company	Private Equity Investors	Deal Size (US\$)
Affinity Health	CVC Asia Pacific Ltd, Ironbridge Capital Pty Ltd, GIC Special Investments Pte Ltd	660 million
Tech Pacific Group	CVC Asia Pacific	243 million
Eduss Broadcast & Media Inc.	UniFi Capital Partners LLC	20 million
Dôme Coffees Australia Pty Ltd	Navis Capital Partners	16 million
Dôme Coffees Australia Pty Ltd	Navis Capital Partners	15 million