



WELCOME

Businesses, like products, have a life cycle – and their needs change as they go through growth, consolidation and renewal. Our goal in publishing Viewpoint is to provide information that is both topical and relevant to your particular situation.

In this issue we look at how business owners can exploit the emerging trends in the property market; some tips on managing foreign exchange for exporters and importers; and the successful management buyout of an expanding Christchurch manufacturer.

If you would like to know more about any of these articles - and how they could apply to your business - your ANZ Corporate & Commercial Manager will be pleased to talk with you further.



Jeff Greenslade
Managing Director
Corporate & Commercial Banking

Property investment trends still strong

Driven by the buoyant economy and low interest rates, property continues to be one of the top performing investments.

All property sectors - commercial, industrial and residential - have delivered double-digit gains in the past 12 months. But what can we expect for the next 12 months and beyond?

ANZ Chief Economist Cameron Bagrie says the residential sector is well into consolidation phase. Residential investment has contracted since mid-2004, with dwelling consents and house sales over 30 percent down on their peaks.

However, Mr Bagrie also said he expected the commercial and industrial sectors to remain strong for a while yet. Underinvestment in the past decade has pushed vacancy rates to historically low levels.

Jeff Greenslade, Managing Director of ANZ Corporate & Commercial Banking says, "sound propositions continue to be put before us by developers who have a pre-commitment from tenants. There appears to be no drop in the number or the quality of those proposals".

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Interest from offshore investors is one factor pushing prices up.

Property Council figures show that the nationwide purchase price of CBD offices rose 8 percent while rental returns increased by nearly 10 percent in the year to September 2005. Prices of industrial property rose by more than 11 percent.

Tenants who want the efficiencies of new purpose-built space have been responsible for much of the new development that has taken place.

Gerald Rundle, Manager of Bayleys Research says speculative development has become less attractive due to rising land, construction and compliance costs.

While tenant inquiry for office space may soften in some markets, the slow down in speculative development will serve to keep vacancies in check and, in most areas, steady rental growth will continue, Mr Rundle says.

Within the overall picture for commercial and industrial property, some regional trends are evident. Vacancy rates at the top end of the Auckland CBD market have fallen to an all time low, and an eight year low in the City fringe.

Expanding government departments have been the principal reason for higher rents and new office construction in downtown Wellington.

In regional tourism centres, such as Queenstown, Rotorua and Taupo, further strong growth in tourism is expected to lead to increased property demand.

The combination of all these factors means a positive outlook in the short to medium term for commercial property.

Making the switch for business growth

It was a case of ‘making the right connections’ for the new owners of electrical firm Bremca Industries Limited – who achieved a successful management buyout with the help of our capital solutions.

Bremca Industries is New Zealand’s leading manufacturer and reseller of switchboard, switchgear, control, automation and heating solutions.

The sale of the privately-owned firm was achieved with a quasi equity and debt funding solution provided by our development capital fund and Commercial Banking.

Andrew McLean, who has been an executive at Bremca for 11 years, formed a team with his Bremca colleagues Mike Macklin, Peter Stanley and Peter Lake. Their buyout proposal came together following discussions with the previous owner Ken Swift.

“Bremca is already a successful company,” Mr McLean says. “Our ambition is to grow the business by expanding and developing on the strengths and experience we have in the market.”

The buyout team looked at various options for financing the deal including support from other industry players, offshore interests, proposals from their previous banker and equity arrangements.

“ANZ stood out because it dealt with the equity and banking issues together,” says Mr McLean.

“Working this way also allowed the transaction to be done discreetly without exposing the company to the scrutiny of competitors an open sales process would bring.”

Tim Russell, Director, ANZ Development Capital, predicts it will be the first of many successful deals for local businesses.

“The solution we developed with Bremca is typical of the flexibility we can now offer,” he says.

“By providing equity and debt funding to facilitate transfer of ownership, takeovers, mergers or expansions, we help businesses achieve their goals and prosper.”

Christchurch-based Bremca was established in 1973, and now has 100 employees. It recently opened its seventh branch in the Bay of Plenty, adding to its network stretching from Auckland to Invercargill.

Along with the design and manufacture of switchboards, Bremca also manufactures and supplies automation and process systems.

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Bremca’s Andrew McLean and Corporate & Commercial Banking Relationship Manager Sam McCully



Winning with FX!

Picking the trends for winter's sporting fashions is a skill that's keeping Auckland importing firm Brittain Wynyard & Co at the top of its game.

The ANZ foreign exchange team is also part of the winning team at Brittain Wynyard & Co, supporting their strategic approach to dealing in the world's top sporting goods brands.

"Foreign exchange rates have a significant part to play in making those critical forecasts for us," says John Wesseling, the company's financial controller.

For the last 10 years, the company has been working with the ANZ foreign exchange team to minimise the impact of moving exchange rates, which typically fluctuate by 20 percent a year.

As John Wesseling explains, "if the price is too high, our competitors will undercut and retailers may then be left with unsold stock. If they are forced to sell at a discount, that can do considerable damage to a brand".

A mixture of options and fixed rate contracts are being used to cover 40-60% of the firm's exposure over the next 12 months. "Our business is selling product, not currency, and this FX strategy works to minimise our exposure."

Significant fluctuations can have a big impact on the firm. One example that Mr Wesseling recalls "caused a few sleepless nights" was the rapid fall of the NZ dollar from 63USc to 48USc in the mid 90s.

Brittain Wynyard executives receive a daily update from the ANZ FX Desk, and are in touch

with senior dealer Alex Sinton three or four times a week. They also gather intelligence from media reports and a financial newswire.

Leading brand names imported by the firm include Timberlands and Asic footwear and clothing, Wilson racquet and golf equipment, Gunn & Moore cricket bats (as used by Black Caps' captain Stephen Fleming); as well as other well-known brands, such as Henselite, Daiwa and Coleman.

For further information contact:
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JOHN WESSELING'S TIPS FOR MANAGING FX

- › Prepare and regularly review sales forecasts to determine purchasing patterns
- › Identify the risks to achieving those forecasts
- › Use appropriate FX strategies to manage those risks
- › Take advice from an expert FX team

FX policy scores for Brittain Wynyard & Co



Business Rental: Expense or investment?

Who is the ideal landlord for your business? Most likely it's you.

Many firms, especially those in their initial fast growth phase, prefer to rent their premises in order to achieve capital efficiency.

However, as that flush passes, rent becomes a significant expense that makes little

contribution to the long term wealth of either the business or its owners.

In contrast, becoming the business's landlord can facilitate a long-term investment strategy with a separate income stream for the business owners, without using personal assets, such as the family home, as security for property purchase.

For businesses with consistent cash flow, and a consistent track record of profitability,

ANZ can assist in making the transformation from tenant to landlord. The ANZ Owner/ Occupier Finance package* offers up to 100 percent finance to purchase business premises and is structured to preserve cash flow.

For further information contact David Verry on 027 292 1901 or verryD@anz.com

* ANZ lending criteria and fees apply

› ANZ CORPORATE & COMMERCIAL PEOPLE

The Corporate & Commercial Banking division comprises over 200 Relationship Managers and customer service personnel based in major business centres and regional markets throughout New Zealand.

JEFF GREENSLADE



MANAGING DIRECTOR, CORPORATE & COMMERCIAL BANKING

Establishing close links with corporate and commercial customers is an important element of ANZ strategy, Jeff Greenslade says.

“Having the expertise to understand - and anticipate - the needs of our customers is a crucial role of the Corporate & Commercial Banking team.

“Companies evolve. A start-up business eager for cash has different needs to an established company expanding into new markets. For example, we can now offer up to 100 percent owner/occupier finance packages. These are particularly suited to companies with a strong cash flow who are attracted to the benefits of purchasing their own premises,” Mr Greenslade says.

“Another element of the business life cycle approach is ANZ’s equipment financing specialist, UDC, providing loans for new vehicles. That’s an example of how cash flow can be freed up.”

CHRIS COWELL



HEAD OF COMMERCIAL BANKING

The opportunity to add real value to a business is what makes Commercial Banking particularly rewarding, according to Chris Cowell.

“Our proposition is that we focus on establishing strong and lasting relationships with our customers.

“That means we look beyond our customers’ straightforward requirements for long-term debt and working capital, and provide the kind of expertise that is commonly used by large companies.

“Having a thorough understanding of how the business works is the key to adding commercial acumen,” says Chris.

“We’ve notched up some notable successes for our customers by meeting their specific needs - whether it’s providing trans-Tasman development capital, for instance, or interest rate management solutions. Another example is the FX service we can offer importers and exporters, which can have significant benefits for businesses affected by the fluctuations of the currency markets.”

ROSS VERRY



HEAD OF CORPORATE BANKING

ANZ has made a further commitment to Corporate Banking by introducing another five Relationship Managers throughout the country.

“This is an exciting investment,” says Ross Verry.

“It means our Relationship Managers will spend more time working with their customers, which in turn, will increase their capacity to help with executing customers’ business strategy.

Ross Verry says “despite predictions of a softening economy, there are ongoing opportunities for customers who want to grow their business.

“Predicting and responding to changes in the marketplace, and consolidating market share, are two key strategies in times of change.

“Our additional investment at ANZ means we’ll be better placed to support our customers’ aspirations, including their business growth.”

For further information on any of the items raised in Viewpoint, please contact your ANZ Relationship Manager or:

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