
ALLCO EQUITY PARTNERS LIMITED

ANNUAL GENERAL MEETING

14 NOVEMBER 2005



ALLCO EQUITY PARTNERS LIMITED
MANAGING DIRECTOR'S PRESENTATION
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OPERATING HIGHLIGHTS

- Successful float
 - December 2004
 - \$1 billion of applications
 - raised \$550 million
 - payable in three instalments
- Solid deal flow
 - number of opportunities pursued
- Acquired 17% of Baycorp Advantage
 - investment cost of \$136 million
 - seeking Board representation



FINANCIAL INFORMATION

F2005

- Revenue – interest income \$5.1 million
- Profit before tax \$4.0 million
- Profit after tax \$2.8 million

- Earnings per share 2.7 cents

- Fees paid to manager \$nil

Current

- Net Tangible Assets (31 October) \$1.79 per share
- Share Price (11 November) \$1.13



FINANCIAL INFORMATION

	\$m
Proceeds from Share Issue	183
Share Issue Costs	(12)
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Net Funds Raised	171
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<u>Use of Funds</u>	
Investment in Baycorp	(136)
Net Operating Cash Inflows	3
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Net Use of Funds	(133)
	====
Cash Funds Available at 31 October	38



AVAILABLE FUNDS

	\$m
Cash Funds at 31 October	38
Capital Return from Baycorp	20
Call Monies due 16 December	183
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Available Funds post Call Monies	241
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NTA v SHARE PRICE

- NTA – December 2004 - \$1.68
- NTA – October 2005 - \$1.79
 - cash
 - investment in Baycorp
 - no debt
- Share Price 11 November 2005 - \$1.13
- Discount of Share Price to NTA
 - AEP is a listed Private Equity fund and offers shareholders an early redemption opportunity.
 - in our view, early redemption discount is currently too deep
 - should be judged on quality and performance of investments over 5 year cycle as per Private Equity funds



AEP CURRENT SHARE PRICE AND DISCOUNT TO NTA

INVESTMENT AMOUNT v NTA v SHARE PRICE

	Fully Paid	Initial Instalment	Current Price
Amount Invested	\$6.00	\$2.00	\$2.00
Initial NTA* (1) (2)	<u>\$5.28</u>	<u>\$1.68</u>	
Share Price			<u>\$1.13</u>
Discount cents	72c	32c	87c
%	12%	16%	44%

LIC's pay ongoing annual management fees. AEP does not.

*Prospectus. Including capital raising fees (1). Including manager carried interest (2).



INVESTMENT STRATEGY

- Medium to large transactions
- Traditional Private Equity and Corporate Activist
- Initial focus on Australian and NZ markets
- Preference for:
 - financial services
 - healthcare
 - media
 - gaming
- Will pursue opportunistic situations outside these core areas
- Target business
 - needs to be fundamentally sound
 - financial structuring enhances value but does not create business value
- Expect to achieve one to two transactions per annum
- Patience important
 - medium term investment horizon



DEAL FLOW

Offers made by Sector:

Financial Services	4
Gaming	1
Healthcare	2
Media	-
Other	3
	<hr/>
	10
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DEAL FLOW

Offers made by Type:

Private Equity Market	9
Corporate Activist	1
	<hr/>
	10
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LISTED COMPETITOR COMPARISON

	Floated	Raised \$m	Principals Hold
AEPL	12/04	550	36%
MCAGL	4/05	1,000	10%
BBCL	2/05	1,000	6%



LISTED COMPETITOR COMPARISON

	Transactions Announced	Location	Sectors
AEPL	1	Australia	Financial Services
MCAGL	5	Australia (2) Europe (3)	Aged Care Media Telecommunications
BBCL	1	Europe	Telecommunications



INVESTMENT IN BAYCORP ADVANTAGE LIMITED

- Acquired 17% shareholding
- Cost of \$136m
 - before Baycorp capital return (\$20m)
 - dividends absorbed transaction costs
- In discussions for Board seat
- Proposed a plan for change
 - Baycorp directors committed to implementing key elements
- Share price of Baycorp re-rated following AEPL takeover offer



RELATIONSHIP WITH THE MANAGER

- 25 year exclusive management agreement
- AEPM responsible for:
 - identification of opportunities
 - due diligence
 - transaction management
 - accounting and administration support through Allco Group



RELATIONSHIP WITH THE MANAGER

- Fees

- 1% transaction fee on completion of investment
- success fees on exit of investments
 - subject to thresholds being met

• Less than 15% IRR	No fee payable
• 15-25% IRR	25% of pre tax return in excess of 15%
• More than 25% IRR	25% of pre tax return between 15% and 25% 33% of pre tax return in excess of 25%

- cost recovery for accounting and administrative support
- currently no annual management fees



CALL ON PARTLY PAID SHARES

- Shares issued at \$6.00 each, payable in three instalments
- Calls of \$2.00 per share payable on 16 December 2005 and 2006
- Proceeding with next call as scheduled
 - to maintain cash reserves
 - in anticipation of funding further transactions
 - funds to be placed on deposit



CAPITAL MANAGEMENT

- Cash on Deposit
 - conservative cash management strategies
 - available funds placed on deposit
 - preserve for use in transactions
- Debt
 - look at on a transaction basis
 - use Balance Sheet as a bridge

IFRS – KEY IMPACTS

- Amounts due from Shareholders on Partly Paid Shares
 - write down to fair value
 - \$26m impact to receivable and shareholder equity
 - discount recognised as interest income as unwind
 - \$20 million profit impact expected in F2006
- Investment in Baycorp
 - mark to market
 - movement in value taken directly to shareholders' funds



OUTLOOK

- Expect to continue to see solid deal flow
 - high competition in traditional unlisted Private Equity market
 - limited competition in corporate activist market
- Value issues
 - vendors' expectations still high
 - funds flowing into market keeping prices high
 - patience important
- Target one to two transactions per year

