Allco Equity Partners Limited

1H09 Results Presentation
26 February 2009

Contents

Overview

- Defensive portfolio of companies performing well in deteriorating economic environment
  - Proportional underlying EBITDA increased 48% over prior comparable period (“pcp”) (although enhanced by full period ownership of iSOFT by IBA Health in 1H09)
  - No impairment of three major investments required
  - Earliest external debt maturity in portfolio companies is 30 June 2011, no recourse debt to Allco Equity Partners Limited (“AEP”) balance sheet
- Solid financial performance:
  - Net profit after tax of $5.2m
  - Interim dividend of 4.0 cents per share fully franked
  - Net assets per share of $5.98 as at 31 December 2008 based on asset carrying values
- Further on-market share buyback commenced in 1H09
- Net cash position of AEP as at 31 December 2008 of $68.9m
- AEP appealing to the Court of Appeal of the NSW Supreme Court:
  - Appealing the Court’s ruling that the Management Agreement has not been validly terminated
  - Directions Hearing set for 19 March 2009
- Board strategic review assisted by UBS announced on 10 December 2008 still being completed

1. 1H09 Financial Results

Portfolio companies results summary

- Strong 1H09 for IBA Health and Signature Security ("Signature"). Recovery rates in Baycorp Collections ("Baycorp") lower driven by declining macro-economic conditions, but outlook remains strong
- All current investments are in defensive sectors which do not necessarily rely on growing and strong consumer confidence for success
- All portfolio companies are in compliance with debt covenants and earliest external debt refinancing is June 2011

Business	Sector	Comments	1H09 Revenue Growth (%)[1]	1H09 Underlying EBITDA Growth (%)[1]
ibahealth	Healthcare IT	Organic revenue growth of over 20% and guidance re-affirmed. 90% revenue directly or indirectly government funded	21.8% organic	nm
signature SECURITY GROUP	Security	Organic growth in recurring revenue. Acquisition of Watch24 highly accretive	8.5%	9.9%
BAYCORP	Receivables Management	Well positioned in the market but deteriorating economic conditions impacted collections in 1H09	(1.5)%	9.2%

1. % growth from pcp (1H08); "nm" – not meaningful

Statutory financial results summary

- Reported net profit after tax of $5.2m
- Decrease from 1H08 due primarily due to lower interest income and lower fees, interest and other income from IBA Health. Not due to operational performance of underlying portfolio companies

A$m	6 months to 31 Dec 2008	6 months to 31 Dec 2007
Total consolidated revenue and operating income ($m) [1]	49.2	58.4
EBITDA ($m) [2]	18.6	32.9
EBIT ($m) [3]	13.3	26.4
Profit before tax ($m)	8.6	21.1
Net profit after tax ($m)	5.2	13.4
Earnings per share [4]	5.5 cents	13.7 cents
Interim dividend per share declared fully franked	4.0 cents	5.0 cents
Net assets at balance date – carrying value basis per share [4]	$5.98	$5.53

Movement of net profit before tax (1H08 to 1H09)	A$m
1H08 net profit before tax	**21.1**
Less:	
Difference in interest income [5]	(8.3)
Difference in fees and other income from IBA Health	(3.7)
Marked to market fair value adjustments on other realisable securities	(4.0)
Add:	
Other [6]	3.5
1H09 net profit before tax	**8.6**

1. Operating income is set out in the following slide
2. EBITDA: Profit before tax, financing costs, depreciation and amortisation
3. EBIT: Profit before tax and financing costs
4. 2008 based on 91,921,295 issued shares; 2007 based on 97,318,915 issued shares
5. $8.3m lower interest income on funds held on deposit driven by lower cash balance as more funds were invested in operating companies
6. $3.5m balancing item mainly associated with increased contributions from portfolio companies

Statutory financial results summary (continued)

- The table below sets out the operating income between 1H09 and 1H08
- The 1H08 result included the original arrangement and underwriting fees from the IBA Health transaction in October 2007 and higher interest income due to higher average cash balance

A$m	6 months to 31 Dec 2008	6 months to 31 Dec 2007
Signature sales revenue	37.0	34.1
Corporate interest income	3.2	11.5
Fee, interest and other income from IBA Health recognised	5.6	10.5
Baycorp equity accounted contribution	(0.5)	2.3
IBA Health equity accounted contribution	2.9	-
Dividends and other income	1.0	-
Total Operating Income	**49.2**	**58.4**

Proportional financial results – 1H09

- The table below shows AEP's proportional share of revenue and profit for each of its portfolio companies for 1H09
- We believe this is a useful way to present financial results as it allows investors to more easily see the on-going contribution from each portfolio company to AEP

A$m	IBA Health	Signature	Baycorp	Proportional earnings (pre corporate expenses and other adjustments)	Corporate expenses and other adjustments	Proportional earnings (post corporate expenses and other adjustments)
AEP ownership	30.1%	95.8%	50.0%			
Accounting method	Equity	Consolidated	Equity			Consolidated
Operating revenue	82.9	35.5	14.8	133.2		
Underlying EBITDA [1]	20.6	12.2	4.9	37.7	(1.4) [2]	36.3
Reported EBITDA	20.3	12.0	5.0	37.3		
Underlying EBIT [1]	18.9	7.1	4.7	30.7	(1.4) [2]	29.3
Reported EBIT	12.6	7.0	0.4	19.9		
Reported NPAT	3.1	0.8	(0.9)	3.0	2.2 [3]	5.2
Net Debt	96.9	88.7	28.2	213.8	(156.3) [4]	57.5

1. Figures reported as underlying have been adjusted for specific items. Specific items are detailed in Section 2: "Portfolio company review"
2. Represents on-going expenses incurred at corporate level as part of managing AEP
3. Includes all other non-portfolio company income and expenses incurred within AEP
4. Net debt in AEP corporate includes cash on balance sheet ($68.9m), realisable securities ($27.1m) and subordinated loan to IBA Health ($60.3m)
5. The information in this table is provided for assessment purposes only. The amounts shown are not meant to agree to the amounts reported in AEP's financial statements other than the reported NPAT of $5.2m

Debt position of portfolio companies at 31 Dec 2008

- AEP has no balance sheet recourse debt
  - debt in portfolio companies is only recourse to those companies' assets and reserves
- Each company is individually financed, with no links to other portfolio companies or Allco Finance Group ("AFG")
- All companies in compliance with debt covenants as of 31 December 2008
- Debt figures shown in the table are 100% of the debt balances within the portfolio companies

Entity	Total Gross Debt 31 December 2008 (A$m)	Term Remaining	Recourse Only to Assets of Underlying Investment
Signature	92.6	2½ years	Yes
Baycorp	64.2	3½ years	Yes
IBA Health [1]			
Senior debt facility	193.9	2½ years	Yes
Revolving bank facility	9.0	½ year	Yes
Contract financing	68.5	3 years	Yes
Subordinated debt [2]	60.3	Due 30 June 2009	Yes

1. Source: IBA Health announcement to ASX on 17 February 2009
2. Owed by IBA Health to AEP. IBA Health to repay from the proceeds of an equity raising or by agreement with its senior lenders

Net assets per share – 31 Dec 2008

- The table below shows the net asset value per share compared with the current AEP share price based on:
  - the balance sheet carrying values; and
  - marking AEP's investment in IBA Health to its current share price.
- The Directors have assessed that the current carrying values at 31 December 2008 for IBA Health, Signature and Baycorp are supportable as discussed in the following slide

	Carrying value at 31 Dec 2008 [1]		Basis for	IBA Health marked to market [2]	
	$m	$ / share	carrying value	$m	$ / share
IBA Health					
Shares & convertible notes	**289.8**	**3.15**	Equity accounted	**161.5**	**1.76**
Loan [3]	**60.3**	**0.66**	Historic cost	**60.3**	**0.66**
Signature net assets	**68.1**	**0.74**	Consolidated	**68.1**	**0.74**
Baycorp	**45.0**	**0.49**	Equity accounted	**45.0**	**0.49**
Cash and cash equivalents [4]	**68.9**	**0.75**	Actual	**68.9**	**0.75**
Realisable securities	**27.1**	**0.29**	Marked to market	**27.1**	**0.29**
Other	**(9.1)**	**(0.10)**	Actual	**(9.1)**	**(0.10)**
Total net assets [5]	**550.1**	**5.98**		**421.8**	**4.59**

1. Includes 1H09 contributions from equity accounted investments (IBA Health and Baycorp)
2. IBA Health market value calculated at $0.645 per share / convertible note, representing the closing price as at 25 February 2009
3. Does not include accrued interest
4. Available cash at AEP (not including consolidated cash from Signature)
5. The net assets at 31 Dec 2008 includes the proportionate share of the increase in IBA Health's foreign currency translation reserve ($0.27 per share), while IBA Health marked to market does not include this increase

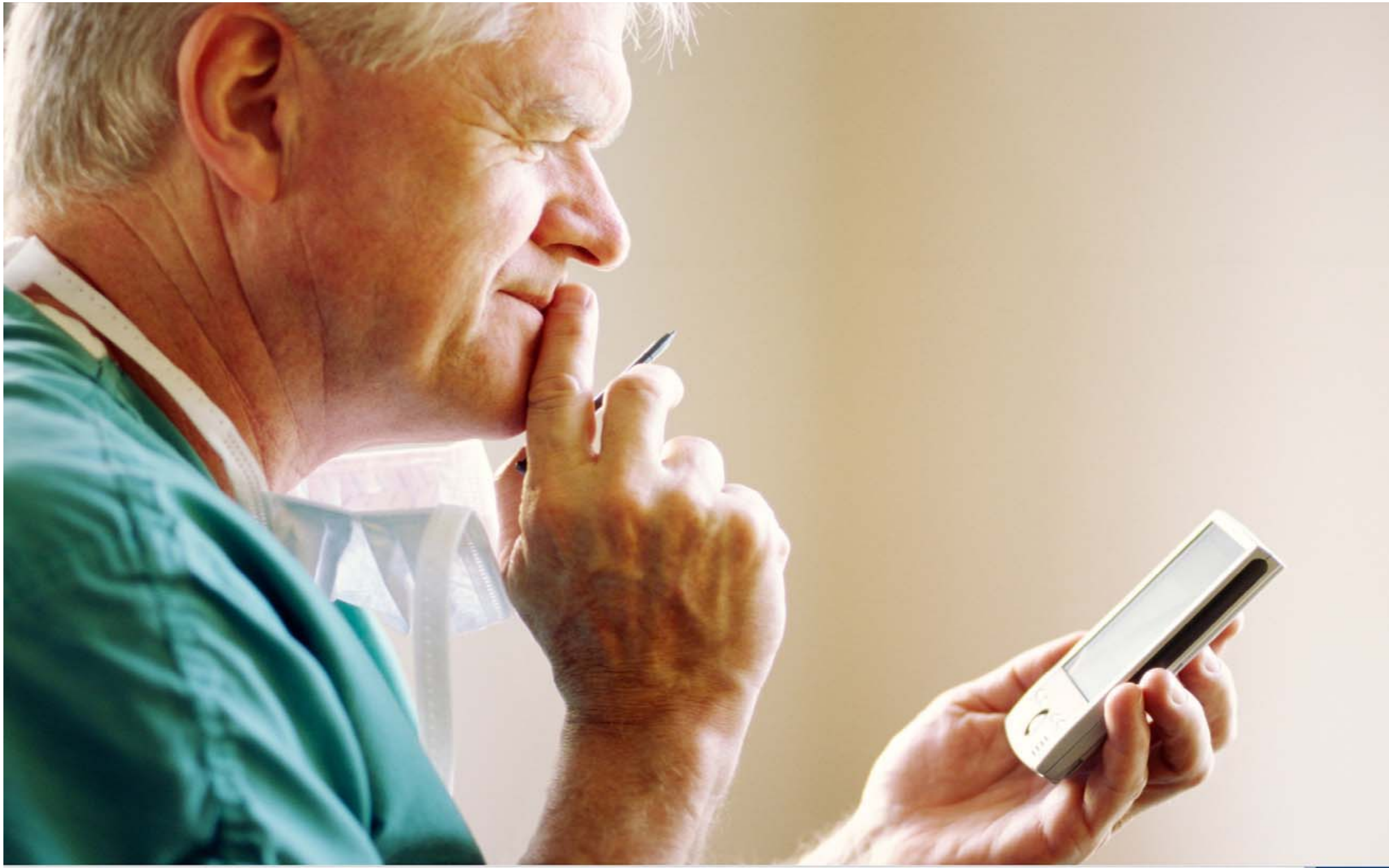
Carrying values of investments

- Carrying values have been closely considered by the Directors at 31 December 2008
  - no impairment of three major investments
  - supporting independent analysis obtained where appropriate
  - impairment of $4 million on marketable securities (marked to market on ongoing basis)
- Investments performing solidly despite market turmoil
  - positive 1H09 growth in Underlying EBIT for IBA Health, Signature and Baycorp
  - operate in defensive sectors and earnings expected to remain robust
  - fundamentals of each of the businesses continue to be strong
- AEP is not a forced seller
  - prospects remains strong for profitable exit of each of the businesses consistent with original investment periods
  - investments are individually financed, with no recourse to AEP or other investments
  - forecast covenant compliance, with no expectation of renegotiation of external debt facilities

Dividends and capital management

- Dividend
  - Interim dividend declared of 4.0 cents per share, fully franked
  - Record date – 10 March 2009
  - Payment date – 31 March 2009
- Capital management program
  - AEP commenced an on-market share buy-back on 15 Sept 2008
    - bought back and cancelled 4.8 million shares at a cost of $8.9 million
  - On 21 Nov 2008 AEP announced its intention to expand the current on-market buyback to the maximum permitted under the Corporations Act without shareholder approval (being a maximum of 10% of the issued capital of the Company in a 12 month period)
    - a maximum of 3.8 million shares remain to be bought back
- Remaining available cash
  - $68.9 million as at 31 December 2008
    - All cash on AEP balance sheet is interest bearing and held with major Australian banks

2. Portfolio company review



ibahealth
An IBA Health Group Company

IBA Health – company overview

Key facts

ACQUIRED – October 2007

% OWNED – 30.1% effective ownership

ASX Code – IBA.AX

AEP INVESTMENT: [1]

Ordinary shares – $200.0 million

Convertible notes – $39.7 million

Subordinated debt – $57.6 million

HEAD OFFICE – Sydney

OPERATIONS – Australia, New Zealand, UK, Western Europe, Middle East, Asia, Central America

EMPLOYEES – Approx. 4,200

- IBA Health is a leading developer of software applications for healthcare, and the largest specialty information company listed on the ASX
- IBA Health designs, develops and delivers fully integrated healthcare IT solutions which support workflows across hospitals, GPs, specialists, aged and community care providers, the primary care sector as well as claims and payment processes
- Leading market position in UK, Australia, New Zealand, Netherlands, and in some parts of Asia. Key position in England's National Health Service's National Programme for IT, one of the world's largest civilian IT projects
- IBA Health's systems are installed in over 13,000 health provider organisations in 36 countries

1. Original investment (not including capitalised interest, underwriting fees or extension fees)

IBA Health – financial results

A$m	6 months to 31 Dec 2008	6 months to 31 Dec 2007	%[1]
Organic revenue [2]	275.4	226.2	*21.8%*
Reported revenue	275.4	102.8	*nm*
Underlying EBITDA [3]	68.5	33.7	*nm*
Reported EBITDA	67.5	25.8	*nm*
Underlying EBIT [3]	62.9	30.8	*nm*
Reported EBIT	41.9	12.6	*nm*
Underlying net profit after tax [3]	25.8	12.9	*nm*
Reported net profit after tax	10.3	(1.1)	*nm*
Net debt [4]	321.9	284.2	
Net assets	718.5	581.2	

1. Percentage change is not meaningful due to IBA Health's acquisition of iSOFT during FY08
2. On a like-for-like basis including pre-acquisition iSOFT revenue
3. Figures reported as underlying have been adjusted for one-off exceptional items, integration and one-off acquisition costs, amortisation of intangibles on acquisition (refer to IBA Health announcement to ASX on 17 February 2009 for further detail).
4. Net debt includes $31.7m in 1H09 and $28.7m in 1H08 of AEP's convertible notes

IBA Health – commentary

Commentary

- 1H09 result ahead of expectations
- Strong organic revenue growth of 22% (i.e. on a like-for-like basis including pre-acquisition iSOFT revenue)
- Lorenzo Clinicals (new generation product) go-live in German and Dutch early adopter sites. Expected go-live in Germany and Holland by Q4 and introduction into Australia and other countries in FY09
- Proposed name change to iSOFT Group Limited (ASX: ISF), to align company's name with major brand

Outlook

- FY09 revenue forecast re-affirmed in the range of $540 - $560 million
  - growth of c.15% over annualised FY08 revenue (i.e. including iSOFT revenues for the full year)
  - 94% of revenue is recurring, contracted and expected
- FY09 EBITDA forecast re-affirmed in the range of $120 – $130 million
- 90% of revenue is directly or indirectly government funded
  - public sector spending more resilient to global downturn than private sector
- IBA Health expects to reinstate dividend payments for FY09

IBA Health – terms of AEP loan

Facility Amount	A$60.3 million as at 31 December 2008
Maturity	30 June 2009 (unless extended)
Repayment	From proceeds of equity issuance or with agreement of senior lenders
Security	Secured
Ranking	Subordinated to the senior debt facilities

Current Financial Terms	**Monthly interest**	**Annualised interest**
Fixed base rate	0.50%	6.00%
Cash margin	0.38%	4.50%
PIK margin	0.33%	4.00%
Warrants	0.50%	6.00%
Total effective interest rate	**1.71%**	**20.50%**

Signature Security Group

Signature – company overview

Key facts

ACQUIRED – January 2006
% OWNED – 96%
CO-INVESTORS – Management (4%)

PURCHASE PRICE - $138.0 million [1]
AEP EQUITY INVESTMENT - $69.3 million

HEAD OFFICE - Sydney
COUNTRIES OF OPERATION – Australia, New Zealand
EMPLOYEES: Over 400

1. Initial purchase price, does not include incremental acquisitions to date

- A leading electronic security services company in both Australia and New Zealand
- The security industry is generally not cyclical and is expected to grow strongly, driven by changes in technology and increased awareness of security needs in the community
- Services include the installation, security monitoring, maintenance, sale and leasing of electronic security equipment to residential and commercial customers, and medical monitoring
- Signature provides alarm monitoring services 24/7 to approximately 100,000 premises. One of the few security companies in the industry with a network of Australian Grade A1 (or New Zealand equivalent) monitoring stations
- Industry-leading and national infrastructure of Signature allows it to acquire smaller operators on a highly value accretive and synergistic basis, as revenues of acquired businesses are fully absorbed with minimal increase in the overall cost structure

Signature – financial results

A$m	6 months to 31 Dec 2008 [1]	6 months to 31 Dec 2007	%
Total revenue	37.1	34.2	*9%*
Underlying EBITDA	12.7	11.6	*10%*
Reported EBITDA	12.6	11.1	*14%*
Underlying EBIT [2,3]	7.4	5.1	*nm*
Underlying EBIT margin	*20%*	*15%*	
Reported EBIT [2]	7.3	4.6	
Capital expenditure [4]	(7.3)	(4.0)	
Business acquisitions & dealer line acquisitions	(9.4)	(12.1)	
Net debt	89.4	94.6	
Net assets [5]	66.4	53.9	

1. Only includes 2 days of earnings from Watch24 which was acquired on 30 December 2008
2. The depreciable life of some acquired security contracts on the Signature balance sheet was increased in FY08 leading to a lower amortisation expense
3. Figures reported as underlying have been adjusted for specific items: 1H09 (-$0.1m) mainly relates to acquisition related expenses and 1H08 (-$0.5m) relates to acquisition related expenses and one off redundancy expenses
4. Capital expenditure is property, plant & equipment and capitalisation of security systems leased to customers
5. Difference between FY08 net assets of $66.4m vs $68.1m shown in the net asset value table on slide 11 is additional goodwill arising on consolidation

Signature – commentary

Commentary

- Signature produced a robust financial result in 1H09 despite challenging economic conditions – continuing the positive momentum achieved in FY08
  - full year forecasts are in line with budget, with full debt covenant compliance
- Strong business growth in medical monitoring alarm sales in New Zealand and leased security systems in Australia
  - New Zealand Post is a significant recent contract win
- Company continues to pursue highly synergistic and value accretive bolt-on acquisitions
  - acquisition of Watch24 Security and Accurate Alarms contributed almost 10,000 of new monitored lines
  - both acquisitions have been successfully integrated into Signature's infrastructure at minimal incremental cost
  - several other acquisition opportunities are currently being pursued in Australia and New Zealand
- AEP and management committed $17m of additional equity to increase Signature's balance sheet flexibility to allow the business to pursue further organic growth and acquisition opportunities
  - $14m of the $17m commitment has been funded to date

Outlook

- Business expected to grow profitably despite a weak economic environment through a combination of stronger sales, lower customer attrition rates, tight cost controls and accretive acquisitions
- In the current environment, Signature is witnessing more attractive acquisition opportunities than ever before, as smaller players exit the industry at valuations highly attractive to Signature


BAYCORP

Baycorp – company overview

Key facts

ACQUIRED – June 2006
% OWNED – 50%
CO-INVESTORS – Funds managed by Propel Investments

PURCHASE PRICE - $112.0 million[1]
AEP EQUITY INVESTMENT - $42.6 million

HEAD OFFICE - Sydney
COUNTRIES OF OPERATION – Australia, New Zealand
EMPLOYEES: Approx. 370

- Baycorp is a leading debt management specialist to the corporate consumer market in Australia and across all business sectors in New Zealand
- Products and services include:
  - Outsourced receivables management services: commission and fee for service based contingency collection services and full legal recovery services. Revenue earned as a % of total debt collected or on a fee per accounts processed basis
  - Purchased Debt Ledgers ("PDLs"): Baycorp acquires portfolios of defaulted consumer debt (mainly from financial institutions and telecommunications companies). Profit is earned by collecting total cash in excess of the original purchase price over time
- Deteriorating economic conditions lead to lower recovery rates, offset by higher debt volumes and lower prices for PDLs

1. Initial purchase price, does not include additional PDL acquisitions

Baycorp – financial results

AIFRS results (A$m)	6 months to 31 Dec 2008	6 months to 31 Dec 2007	%
PDL income	16.6	15.7	*6%*
Contingency, legal and field income	12.9	14.3	*(15%)*
Total revenue	29.5	30.0	*(1%)*
Operating expenditure / COGS	(19.8)	(21.1)	*(6%)*
Underlying EBITDA [1]	9.8	8.9	*9%*
Reported EBITDA	10.0	8.8	*9%*
Underlying EBIT [1]	9.3	8.5	*10%*
Underlying EBIT margin (%)	*32%*	*28%*	
Specific items [1]	(8.6)	(1.4)	
Reported EBIT	0.7	7.0	

Cash flow summary (A$m)	6 months to 31 Dec 2008	6 months to 31 Dec 2007	%
Cash receipts from PDLs	32.6	30.5	*7%*
Cash receipts from contingency, legal and field and other [2]	11.2	15.3	*(26%)*
Total cash receipts	43.8	45.8	*(4%)*
Total cash payments [2]	(18.6)	(22.2)	*(16%)*
Cash flow before interest and tax	25.2	23.6	*7%*
Capital expenditure (including PDL investment) [3]	(32.8)	(19.5)	
Balance Sheet (A$m)			
PDL asset balance	82.7	62.3	
Net debt	56.3	48.4	
Net assets [4]	91.3	83.5	

Note: Due to differences in the way accounting policies have been applied, the Baycorp AIFRS results may not be directly comparable to some listed peers. Cash flow before interest and tax is a more comparable number to the published EBITDA figures of Baycorp's listed peers

1. Figures reported as underlying have been adjusted for specific items: 1H09 (-$8.8m) relates to an impairment charge for fair value adjustment to PDL asset value (refer to appendix 1) and ($0.2m) relates to dividends received from Collection House Limited and other non-recurring items; 1H08 (-$1.2m) relates to an impairment charge for fair value adjustment to PDL asset value and (-$0.2m) relates to dividends received from Collection House Limited and other non-recurring items
2. Difference between total cash receipts and revenue and total cash payments and operating expenses / COGS relates to movements in receivables and payables over the period and other non-recurring cash items
3. Majority of capital expenditure relates to investment in PDLs (1H09 $32.5m, 1H08 $18.5m)
4. To allow like-for-like comparison, net assets / net debt in 1H08 have been adjusted to include / exclude a $10.6m shareholder loan which has been subsequently converted from debt to equity

Baycorp – commentary

- Overall 1H09 revenue was reasonably flat, with declining contingency revenue offset by higher PDL revenue as a result of increased PDL investment
- Control over operating expenditure and growth in the business led to an underlying EBITDA increase of 9% on pcp (1H09: $9.8m vs 1H8: $8.9m)
- PDL business impacted by deteriorating economic conditions:
  - cash collections for PDLs 7% higher compared to 1H08 (1H09: $32.6 vs 1H08: $30.5m), however collection recoveries on existing portfolios were below forecast due to deteriorating economic conditions having a larger impact than anticipated
  - 1H09 PDL expenditure $32.5m (1H08: $18.5m). Prices have declined in the PDL market, but not to the extent Management anticipated given the economic outlook
  - due to economic conditions Management have reduced overall PDL collections forecast and believes that the timing of some collections will be delayed. This has led to a $8.8m impairment charge driven by an AIFRS requirement to revalue PDL asset values where forecast collections from a PDL are changed, given that they are technically classified as financial assets. AEP believes this is a once-off adjustment[1]
- Economic conditions also impacted contingency and legal & field debt volume and collections
  - total revenue declined by 10% compared to 1H08 (1H09: $12.9m vs 1H08: $14.3m)
  - some clients electing to increase in-house collection strategies leading to reduced debt volumes. Economic conditions also are leading to lower collection recoveries
- Cost base continues to demonstrate flexibility and improved efficiency
  - operating expenses 6% lower than 1H08, underlying EBIT margin increased to 31.6% (1H08 28.2%)
  - total FTEs declined by 5% (31 Dec 08: 369, 31 Dec 07: 388)

1. Refer to appendix 1 for more detail

Baycorp – commentary

Outlook

- Second half FY09 will continue to be a challenging collection environment for Baycorp, although the Federal Government stimulus package may assist
- Longer term outlook is still positive for Baycorp
  - high consumer debt with increasing default rates means need for debt recovery will increase
  - Management are ensuring pricing for current debt purchases and contingency contracts is factoring in lower collection rates ensuring that returns are satisfactory
- Baycorp balance sheet still very strong with capacity to increase PDL expenditure
  - shareholders contributed an additional $10m equity in 1H09 and banking syndicate committed an additional $10m debt for increased PDL expenditure
  - to date PDL spend has not increased as much as forecast
  - Baycorp is exposed to competitors continuing to overprice PDL acquisitions either because of more optimistic collection outlook or because of an emphasis on maintaining minimum debt volumes within their business
  - however prices have reduced substantially (approx. 20% - 30%) from highs and given debt volumes and economic environment Management expect this to continue. In the mean time Baycorp will maintain a disciplined approach to PDL pricing with a strong focus on return on capital
- Previous guidance of double digit full year EBITDA growth likely to be challenging

Baycorp – historical collections and operational performance

Historical collections

- As of 31 December 2008 Baycorp had collected 94% of its original forecast cash collections across its entire historical PDL portfolio, despite the extraordinary economic conditions over the past 12 months which has made forecasting cash collections much more challenging
- Based on historical collections and current forecasts Baycorp expects the weighted average TECC ratio[1] across the life of its current PDL portfolios to be 1.67x. Baycorp notes that this is below the market historical average, having been impacted by rising prices for PDLs in FY07 and FY08. Recent pricing adjustments across the market have not yet resulted in forecast TECCs returning to historic levels

Operational performance

- Since acquisition Baycorp has been transformed operationally. Underlying EBIT margin has risen from 23.0% (6 months ended 31 December 2006) to 31.6% (6 months ended 31 December 2008)
- Collector productivity on PDLs has risen from $219 per hour in December 2007 to $279 per hour in December 2008. This compares very favourably to peers
- Baycorp's contingency business has an established and well diversified customer base. The top 25 clients represented 43% of Baycorp's revenue in 1H09, with the balance (57%) being derived from 6,000 active middle market and SME customers

1. TECC ratio = (total expected cash collections from a PDL portfolio) / (purchase price of PDL portfolio)

3. Update on termination of Management Agreement and strategic review

Update on termination of Management Agreement

- On 5 Nov 2008 AEP served a notice of termination of the Management Agreement between itself and Allco Equity Partners Management Pty Limited (the "Manager") a wholly owned subsidiary of Allco Finance Group ("AFG")
- As of 4 Nov 2008 both the Manager and AFG had Managers and Receivers appointed and were placed into Voluntary Administration
- AEP took action in the NSW Supreme Court to confirm the validity of the notice of termination
- The NSW Supreme Court ruled that:
  - as a result of the insolvency of the Manager there had been a breach of a material obligation under the Management Agreement
  - the breach was not capable of remedy within 90 days
  - but that breach did not trigger a termination right
  - the Court was therefore not prepared to make a declaration that the Management Agreement had been validly terminated
- On 22 December 2008 AEP lodged a notice of appeal to the Supreme Court's ruling. The appeal process is continuing

Update on strategic review and proposed name change

Strategic review

- The Company has announced that it has mandated UBS to assist in a strategic review of AEP to determine ways to maximise value for AEP shareholders having regard to current market conditions and AEP's current management and operational structure
- The Company expects to make an announcement on any decisions taken by the Board when the review is finalised

Proposed change of Company name

- The proposed name change to Oceania Capital Partners Limited will be submitted to shareholders for approval upon the outcome of the review

4. Appendices

Appendix 1: Baycorp – PDL accounting treatment

- Baycorp changed its PDL accounting policy during calendar year 2008 to a “loans and receivables” basis, as a result of changes to AASB139. AASB139 recognises income under the Effective Interest Method. This methodology apportions each dollar collected on a PDL to “interest” which is the component that appears in the income statement and “principal” which is used to reduce the PDL asset carrying value on the balance sheet - much the same way as one would treat a loan or lease asset
- The interest amount (or PDL revenue) is calculated by multiplying the Effective Interest Rate (“EIR”) to the opening balance of each PDL every period. The EIR is the Internal Rate of Return (“IRR”) of the forecast 5 year gross cash collections for a PDL
- Because the interest amount is effectively set at the beginning of the period (opening balance x EIR) the standard implicitly assumes the business will always collect cash exactly in line with the original forecasts. If this does not occur each dollar of under / over recovery from the forecast is deducted / added from the interest component (i.e. income), thereby showing the under / over collections as a permanent adjustment
- The standard also requires an end of period “fair value” assessment (or present value) of future gross cash collections using the EIR as the discount rate, whereby a fair value adjustment must be taken if the business changes its expected cash collections compared to its original forecast

Appendix 1: Baycorp –1H09 impairment charge

- Each 6 months Baycorp re-forecasts the expected 5-year cash collections across its entire portfolios of PDLs
- At 31 December 2008 the reforecast resulted in Baycorp reducing its cash collections forecast by 2.0% over the life of the portfolios as a result of deteriorating economic conditions. It also expects a higher proportion of these collections will be made through payment arrangements meaning the cash will be received over time rather than upfront payments
- The accounting standards adopted by Baycorp dictate that as a result of this reforecast and the difference between actual and forecast cash collections in 1H09 Baycorp must take an impairment charge of $8.8m as at 31 December 2008, made up of the following:
  - $4.2m as a result of allocation of net collection shortfall to “interest”; and
  - $4.6m as a result of the a lowering of the present value of the future cash flows from the PDL portfolio, using the EIR as a discount rate
- AEP believes this $8.8m charge is a once off adjustment resulting from adjusting the cash collection forecasts to take into account the new economic environment
- The impairment charge does not suggest Baycorp will not earn a satisfactory return on its existing portfolios, simply the overall return will be lower than previously expected
- As an example, the NPV of the re-forecasted cash flows using a pre-tax discount rate of 15% and an assumed collection cost of 15% is approximately $91m, this compares with a book value of approximately $83m (which discounts the gross cash forecasts using the weighted average EIR)
- AEP also notes that if Baycorp tested for impairment in the same way as its listed peers it would not have taken this impairment during this period

Appendix 2: The new name and logo

oceania
CAPITAL

Disclaimer

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