

**ADVENT III PRIVATE EQUITY LIMITED**

ACN 082 863 769

NINTH ANNUAL GENERAL MEETING  
HELD AT ST. JOHNS SOUTHGATE, IN THE FUNCTION ROOM,  
20 CITY ROAD, SOUTHBANK, VICTORIA ON  
THURSDAY 30 NOVEMBER 2006 AT 11.30 AM

**CHAIRMAN'S ADDRESS AND MANAGING DIRECTORS REPORT**

Mr Jon Schahinger, Chairman of Advent III Private Equity Limited opened the ninth annual general meeting of the Company and announced that the board has recommended payment of a dividend of \$1.5 million, being 5.56 cents per share. The dividend will be paid on 20 December 2006 to shareholders registered on 6 December 2006 and that notices are to be despatched this week.

Mr Brian Ball, Managing Director of the Company, provided the following update on the Company:

"The company completed another excellent year reporting a profit of \$2.7 million with the bulk of this contributed from the sale of the Taverner Hotel Group.

Profits were also enhanced by the receipt of significant dividends from investees, totalling \$1.75 million and interest received of \$580 thousand.

The Taverner sale generated a profit, over the life of the investment of \$8.9 million after manager expenses and provided net cash proceeds of \$12.9 million with a further \$750 thousand in retentions expected in February 2007."

As a result of the introduction of A-IFRS from 1 July 2005, revaluation of investments in prior years has been taken to profit in prior years. This has impacted the current year profit comparative to prior years and the full impact of this is included in the notes to the financial statements. For example, the profit on Taverner would have been reported in the current year under GAAP accounting but has now been "moved" to prior years. There is little impact on the carried forward profit and loss.

As a result of the proceeds from Taverner, the company paid a dividend of 18.8 cents per share and a return of capital of 24 cents per share on 14 March 2006. Also, in July 2005, following the receipt of all proceeds from the ACIL sale in the previous year, the company paid a dividend of 10.2 cents per share and a return of capital of 8.7 cents per share. Therefore, payments to shareholders in the year were 61.7 cents per share and totalled \$16.6 million.

The company has now adopted valuations, based on valuations provided by the manager, Advent Private Capital Pty Ltd (formerly Advent Management Group Limited), as the basis for determining the carrying value of investments. On this basis the net tangible asset backing of the company's shares at 30 June 2006 was 74 cents per share, compared with \$1.07 at 31 December 2005 and \$1.26 at 30 June 2005. These decreases are after the distributions of 61.7 cents already noted. This brings total distributions over the life of the fund, to June 2006, to \$1.178 per share and \$1.234 after the dividend advised above. Therefore the 74 cents at June 2006 would equate to **\$1.92** per share at June 2006 after taking distributions to date into account."

**Investee summaries were noted by Mr Ball as follows:**

**Taverner**

"At initial investment, the Taverner group consisted of 2 hotel leaseholds in Victoria and 2 in South Australia. Revenue was \$25 million and EBITDA was \$3 million. Advent was the initial institutional investor, structured several syndicates and eventually introduced another private equity fund.

Advent worked with the group to identify, research, negotiate and acquire its portfolio of hotels. The management team successfully integrated a diverse portfolio of hotels under a single brand, across multiple states, creating a leading national pub operator. At exit, revenue was \$262 million and EBITDA was \$43 million.

## Exit

A dual track exit process revealed significant interest from both trade and private equity bidders and a possible IPO. Taverner was ultimately sold to Bruandwo Pty Ltd (Woolworths) for \$380million in October 2005, generating an IRR for Advent of 33% over five and a half years. Taverner represented Advent's largest investment, as a total group, to this point.

A report on each of the remaining businesses held by the company was provided in the financial reports and I will now make some comments on recent performances.

## Securepay

Advent now has a majority position in Securepay and has consolidated its results into the group accounts from 1 July 2005.

Securepay has been an investee since March 2000 and has continued its solid performance in the first 4 months of the year. It has now successfully concluded the integration of the Camtech business acquired in June 2006 and migration of Camtech's customers to the Securepay gateway. We continue to be pleased with the growth and recovery by Securepay from its early history. Securepay is now the pre-eminent private payments gateway in Australia. However, it is still small and we need to continue to drive its growth and size to reinforce its position.

Further initiatives and growth opportunities are being reviewed by Securepay which will enhance its product offering and position the company for exit.

## Global

Following the appointment of a new chief executive officer, David Cullen the global business management team has been strengthened. The roles of chief financial officer and operations manager have been upgraded with the appointment of high quality, experienced individuals.

The immediate focus of the new management team has been on strengthening the quality of the management information systems. It is clear that there was an unsatisfactory integration of the Curtin and O.B.S. businesses, along with the other smaller acquisitions. A single software system is being scaled up cost effectively and used throughout the entire operations.

Effort has been channelled into reducing inventory levels and overdue debtors. Both of these key areas suffered historically from a lack of control.

The next stage of the turnaround plan is imminent and includes a cost reduction plan and new sales strategy once the business' systems are up to scratch .

The cash flow remains tight. Monthly trading losses continue to make full cash flow recovery a slow process.

The preliminary result for the new financial year indicates that the operating performance of the business is turning around under David Cullen's management. However, performance of the next 6 months needs to continue to improve.

## **Plantmark**

We have generally been pleased with the Plantmark performance in the last 4 months in difficult circumstances. The drought in the eastern states is creating hardship for the whole horticultural industry. Many of Plantmark's large customers, such as developers and councils, have deferred planting until next year and the introduction of tighter water restrictions has dampened consumer spending, which impacts landscaper and retail nursery customers. Despite this, revenue in the September 2006 quarter was within 4% of budget and EBIT was solid.

Expansion by way of acquisitions and new market openings has been put on hold whilst management focuses on increasing gross margins and reducing Plantmark's cost base. Good progress is being made in both of these areas, with the gross margin % above budget and significant cost savings identified.

Pleasingly, the Treemax and Fertool acquisitions are performing to plan and hold promise as a future growth area for the business.

We are comfortable with the way management is operating the business in the difficult trading conditions but do not expect a significant improvement in performance until el niño dissipates.

While the drought conditions and restructuring of the company continue it is not an appropriate time to review exit strategies.

## **Regency**

Following the acquisition of the 51% AAV holding, giving Regency 100% control over the AAV Regency joint venture, performances have improved significantly. Turnover and profit for the first 4 months have strongly exceeded budget with EBITDA 30% above budget at the end of October 2006. Significant reductions have been achieved in reducing the debt raised to acquire AAV's share of the joint venture and Regency are forecasting that, by Christmas, it will have repaid almost \$10 million of that \$22 million debt raised for the acquisition. The ratio of debt to EBITDA is now at a very comfortable level and will continue to improve.

The introduction of new technologies in the industry is expected to be slow, but ultimately provide further advantages to the company's performance without a requirement for significant capital expenditure.

Management continue to settle in the business following the take-out of AAV and are forging stronger ties with customers. It is proposed that we will "let the dust settle" before recommencing exit reviews.

As previously advised Advent III has now ceased further investment in new business but remains able to provide some follow up funding to ensure the success of its current investments.

## **The Chairman**

Mr John Shergold was appointed to the company's board on 11 November 1998, shortly after the registration of the company. John has served as chairman since November 2003 and has been a positive influence on management in driving the performance of the company. As the company has now ceased all investing activities in new ventures and is now concentrating on the maintenance and exits of the balance of its investees, John has decided to retire from the board

and is not seeking re-election. John's retirement is effective from the end of annual general meeting and we thank John for his efforts over the last 9 years and wish him well for the future.

The Company's constitution requires at least three directors be appointed. There are currently five directors on the board and John's retirement will leave a balance of four. It is proposed that no new appointments be made to replace this vacancy.

We are also pleased to advise that Mr Jon Schahinger, who has been on the Company's board since March 2000 has agreed to take on the chairman's role from the conclusion of the annual general meeting."

### **Results of annual general meeting:**

Re-election of Mr Rupert Harrington

| <b>In favour</b> | <b>Against</b> | <b>At proxy's discretion</b> |
|------------------|----------------|------------------------------|
| 7,841,005        | Nil            | Nil                          |