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ALLEN & BUCKERIDGE VENTURE PARTNERS FUND

DECEMBER 2010

Performance Summary

During the quarter the Investment Manager, Allen & Buckeridge Asset Management Limited (A&B), continued to focus on developing and progressing exit strategies for the 4 remaining investments. The Manager has initiated a process for gaining liquidity for investors in all cases and all are expected to provide distributable cash before the Fund termination date of 30 September 2011.

Shares in First Folio should be realised before the Fund termination date. A final Fultec escrow amount is due in February 2011 and no earn out is expected. Final NetStar sale escrow amounts were paid in January 2011. Millenium IP is now fully provided for with no forecast proceeds due to the Fund. RBN will be wound up by mid 2011.

In some cases however earn-outs and other significant receivables resulting from the sale of investments will not be collectable until at least a year after the termination date. These are considerable and could amount to around \$250k for the Fund. Therefore the winding up phase of the Fund should prudently be assumed to be extended to December 2012. Huntley Management Limited in conjunction with Allen & Buckeridge is examining processes to deal with this situation.

Context

In reviewing the performance of the fund it is important to keep its results to date in context:

- A total of \$4m was raised in the A&B Venture Partners Fund that was applied to a \$132m co-investing pool including \$105m from the wholesale Allen & Buckeridge III Trust and \$23m from the Blue Peak Fund. A further \$200,000 was committed to the Kennett 11 Fund, based in London.
- It is now 10 3/4 years since the first closing in March 2000. The Fund has been extended to 30 September 2011. The Co-investment Deed between the three Funds has also been extended to 30 September 2011.
- 15 investments were made originally with all but 4 sold or being wound up.
- **July 2005:** Vintela Inc was sold for a 5x return and the proceeds from the sale have been distributed
- **June 2006:** AGN International was sold for a loss, returning 25% of capital.
- **June 2007:** Hitwise was sold for US\$260m cash, an escrow of \$857k was released to the Fund in December 2008. These funds have been distributed to investors.
- **September 2007:** The Australian unit of Communicator Interactive was sold to BlueFreeway Limited in September 2008. The Fund has received \$32.8k cash and 22,587 BlueFreeway shares from the sale. The shares have been sold and the proceeds have been returned to the Fund. The remaining business unit in New York, t/a Safari Sundays, continues.
- **May 2008:** RBN sold its asset to Sorrento for US\$2.5m on an earn-out basis, which is unlikely to produce any return to the Fund.
- **August 2008:** Sententia was sold to its management for an initial payment of \$1.5m and an additional two payments on an earn-out basis are due in March 2009 and March 2010.
- **September 2008:** The circuit protection assets of Fultec were sold to Bourns Inc of California. Initial consideration paid could grow with an earn-out based on sales in 2009 and 2010 but there is little prospect of a minimum sales threshold being achieved. The power FET R&D assets were sold to Fairchild Semiconductor.
- **October 2008:** eChoice was sold to First Folio Ltd for an estimated consideration of \$5.5m to be paid over 4 years from the proceeds of the commission trail in the loan book and fees from licensing the eChoice technology to all the First Folio businesses.

- **January 2010:** Netstar was sold to Datatec Limited. The Fund received A\$4,887 cash and 15,142 Datatec shares as its share of the total sale amount. The shares have been sold and the proceeds, \$70,615 net of costs, were returned to the Fund.
- **April 2010:** NextGen gaming was restructured into a Guernsey holding company, (RNG) and 16% of the shares in RNG sold to another shareholder.
- **December 2010:** eKit.com signed agreement to sell the company to Jersey Telecom.
- All of the remaining capital is called and cash is reserved to meet operational costs.
- The Venture Partners Fund retains its limited partnership interest in the Kennett 11 LP Fund. The closing date for this Fund has been extended to 30 September 2011.

Quarter Highlights and Investment Exit Plans

- ✓ **RNG Holdings Guernsey (holding company for NextGen Gaming):** Negotiations have commenced with a listed company active in the online gaming industry in Europe and North America to acquire RNG for an issue of shares. Should these negotiations be completed, central management and control will be relocated to London. The RNG vendors share of ownership of the merged entity could be improved under a proposed one year "earn-in". The most likely route to liquidity for the A&B III Pool would be placement of its shares in the listed entity at a time when the earn-in is completed, liquidity is created and institutional interest attracted.
- ✓ **eKit.com:** eKit.com directors have signed a merger agreement with Jersey Telecom for acquisition of all shares and options in the company, which will complete when all US regulatory approvals are received from the US – expected by April 2011. Warranty escrow and earn out amounts will not be received by the Fund until July 2012 and March 2012 respectively
- ✓ **Safari Sundays (remaining business of Communicator):** A&B expects that this business will be acquired by its executives during the next half year. The sale will complete the exit from the Communicator Interactive group which sold 3 business units in the last 3 years to recover 44% of the Fund's investment cost to date.
- ✓ **Wishlist Holdings:** A trade sale process has commenced with an Information Memorandum being released to targeted trade buyers on 25 October 2010. A comprehensive data room has been constructed containing vendor due diligence materials prepared by PriceWaterhouseCoopers. Detailed due diligence is underway by prospective buyers.

Unit Valuation: The unit price as at 30 June 2010 is **\$1.743** based on net assets of the Fund. The net capital value of a unit is now \$3.55. The units were issued at \$10 per unit. This is an increase of 0.61% for the quarter.

A copy of this report is available on our website www.huntleygroup.com.au

Past performance is not a guide to future performance. Any view of the Investment Manager, Allen & Buckeridge, regarding the future performance of the Trust is based on its current market assumptions and is not a guarantee of future performance. The BluePeak Venture Capital Technology Trust is closed to new investments.

Any information contained in this publication has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. We also recommend that you seek independent legal and financial advice before making any decision about your investment in the Trust. The disclosure document, provided to you prior to investing in the Trust will contain information about the Trust and will usually include the costs associated with the Trust and details of their fees and charges, which may apply, including any commissions to third parties.

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