

WINPAR HOLDINGS LIMITED  
A.C.N. 003 035 523

Annual General Meeting 2006

The Company's annual general meeting was held on 30 November 2006.

The remuneration report was approved.

Messrs. Steven Pritchard and John Honan were re-elected to the Board.

Proxies received in respect of the approval of the remuneration report and the re-election of Messrs. Pritchard and Honan were as follows:

	In favour	Against	Undirected
Remuneration report	147,531	3,300	31,268
Steven Pritchard	150,831	0	31,268
John Honan	150,831	0	31,268

Shareholders were invited to comment on a merger proposal which had been announced to the market on 7 November 2006. A copy of a document outlining the proposal is attached.



Gordon B. Elkington  
Secretary

1 December 2006

**Proposal for a merger**  
**between**  
**Winpar Holdings Limited**  
**and**  
**Cameron Capital Limited**

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## **1. Introduction**

### **1.1 Background to the proposed transaction**

Winpar Holdings Limited (WPH) is an Australian company listed on the Stock Exchange of Newcastle Limited (NSX). The company was incorporated in 1985 and since that time it has carried on the business of investing in, and sub-underwriting issues of, securities.

Cameron Capital Limited (CCL) was incorporated on 7 March 2002 to acquire Cameron Stockbrokers Limited, and is currently the owner of 100 percent of Cameron Stockbrokers Limited.

Winpar Holdings Limited has for some time been looking to expand the scope of its activities for the benefit of shareholders, and it is proposed that it should do so through the acquisition of the share capital of CCL.

The acquisition by WPH of CCL is consistent with this strategy because it will provide:

- a complementary and growing financial services business that has the potential to provide high returns;
- a larger capital base; and
- a qualified and experienced management team.

### **1.2 The proposed transaction**

It is proposed that WPH enter into an agreement with CCL (the proposed transaction) under which WPH will acquire all of the issued capital of 836,958 shares in CCL from various shareholders of CCL in consideration of the issue of 4,057,983 shares in WPH.

For the purposes of the proposed transaction, shares in WPH have been assigned a value of \$1.19, and shares in CCL have been assigned a value of \$5.77. The value of the proposed transaction is approximately \$4.829 million.

## **2. Winpar Holdings Limited**

### **2.1 General background and company description**

Winpar Holdings Limited was established as an unlisted public company in 1985 by Robert Cameron and the late Wallace Hore, with an initial capital of \$135,805.

On 3 March 1994 WPH made a 2 for 1 offer to shareholders, with shareholders subscribing for 285,380 new shares.

On 19 November 1996 WPH issued a prospectus for a 1 for 5 offer to shareholders and a public offer of up to 1,000,000 shares. As a result of these offers the company raised additional capital of \$1,133,011.

Since 1996 WPH's shareholders funds have continued to grow through a combination of the result of exercise of options, the reinvestment of dividends, and

the retention of profits.

On 5 December 2001 WPH was admitted to the official list of NSX.

## **2.2 Business operations**

The investment objective of WPH is to provide its shareholders with a high real rate of return, with an emphasis on capital growth over the longer term and without recourse to substantial debt.

Since its incorporation WPH has operated primarily as a value investor, and over a long period has accumulated a diverse portfolio of listed and unlisted securities which it has perceived as having long term value. Most of these have been Australian securities, although more recently a proportion of them have been overseas securities, mainly shares in companies in the United Kingdom. The company has also developed a trading portfolio, although share trading has always been regarded as secondary to the company's overall investment strategy.

Winpar Holdings Limited has relied primarily on equity rather than debt in the conduct of its business. It has however recently established a small portfolio of high yielding stocks which are supported by a margin loan.

For some years WPH made reasonable profits from acquiring and holding strategic parcels of traditional preference shares in older companies but, following a change in the law early in 2000, many of the company's holdings of preference shares were compulsorily acquired by overseas corporations outside of the ordinary operation of the market place. Some of the company's resources were expended in opposing the acquisitions through the courts, but without success. The company is however continuing to seek new investment opportunities in companies which have been overlooked or which are outside the ordinary markets.

## **2.3 Balance sheets**

The balance sheets for WPH for the financial years ended 30 June 2003 – 30 June 2006 are set out below.



	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2</sup>
	\$	\$	\$	\$
<b>Current assets</b>				
Cash and cash equivalents	70,085	139,357	128,775	162,875
Trade and other receivables	31,470	40,207	149,057	360,585
Financial assets	2,152,190	1,717,388	1,506,265	1,311,231
<b>Total current assets</b>	<b>2,253,745</b>	<b>1,896,952</b>	<b>1,784,097</b>	<b>1,834,691</b>
<b>Non-current assets</b>				
Financial assets	1,743,546	1,228,086	1,237,532	1,183,584
Property, plant and equipment	1,156	1,850	2,960	4,315
Deferred tax assets	-	-	20,079	41,616
<b>Total non-current assets</b>	<b>1,744,702</b>	<b>1,229,936</b>	<b>1,260,571</b>	<b>1,229,515</b>
<b>Total assets</b>	<b>3,998,447</b>	<b>3,126,888</b>	<b>3,044,668</b>	<b>3,064,206</b>
<b>Current liabilities</b>				
Trade and other payables	85,614	24,861	115,194	205,109
Short-term borrowings	136,217	61,184	89,481	225,144
Current tax liabilities	60,859	(237)	(60,095)	-
Short-term provisions	95,000	85,000	-	-
<b>Total current liabilities</b>	<b>377,690</b>	<b>170,808</b>	<b>144,580</b>	<b>430,253</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	169,933	16,918	24,201	34,968
<b>Total non-current liabilities</b>	<b>169,933</b>	<b>16,918</b>	<b>24,201</b>	<b>34,968</b>
<b>Total liabilities</b>	<b>547,623</b>	<b>187,726</b>	<b>168,781</b>	<b>465,221</b>
<b>Net assets</b>	<b>3,450,824</b>	<b>2,939,162</b>	<b>2,875,887</b>	<b>2,598,985</b>
<b>Equity</b>				
Issued capital	2,909,345	2,789,310	2,658,725	2,581,287
Reserves	109,191	(45,899)	-	119,628
Retained earnings	432,288	195,751	217,162	(101,930)
<b>Total equity</b>	<b>3,450,824</b>	<b>2,939,162</b>	<b>2,875,887</b>	<b>2,598,985</b>

## 2.4 Income statements

The income statements for WPH for the financial years ended 30 June 2004 – 30 June 2006 are set out below.

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2</sup>
	\$	\$	\$	\$
Revenue	1,999,933	1,381,340	1,501,801	712,595
Expenses	(1,436,033)	(1,222,239)	(1,200,410)	(909,188)
<b>Operating profit/(loss) before income tax</b>	563,900	159,101	301,391	(196,593)
Income tax expense	(158,315)	(35,940)	(24,488)	59,626
<b>Operating profit/(loss) after income tax</b>	405,585	123,161	276,903	(136,967)

## 2.5 Key statistics

The following table sets out some key statistics for shares in WPH.

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2</sup>
Issued ordinary shares	2,909,345	2,789,310	2,658,725	2,581,287
Earnings per share (cents)	13.94	4.42	12.23	-6.50
Dividend per share (cents)	6	6	3	2
Net asset backing per share (\$)	1.19	1.05	1.08	1.06
Total shareholder return (percent)	12.6	0.00	7.77	-4.63

1. Financial statements and statistics for the years ended 30 June 2006 and 30 June 2005 have been prepared in accordance with the Australian Equivalents of International Financial Reporting Standards.
2. Financial statements and statistics for the years ended 30 June 2004 and 30 June 2003 have been prepared in accordance with Australian Generally Accepted Accounting Principles.

## 2.6 Comparison with other listed investment companies

The following table sets out the discount or premium to post tax net tangible assets of the share prices of other listed investment companies which hold investments similar to those of WPH as at 30 September 2006.

ASX Code	Company	Discount to NTA (percent)	Market capitalisation \$m
AMH	Acmil Limited	9.23	93
CAM	Clime Capital Limited	8.48	37
CTN	Contango MicroCap Limited	6.90	73
FAT	Fat Prophets Australia Fund Limited	14.76	31
GFLS	Global Masters Fund Limited	11.00	15
HHV	Hunter Hall Global Value Limited	18.11	231
MMA	MMC Contrarian Limited	13.64	205
WIL	Wilson Investment Fund	10.43	124

It would appear that at the present time listed investment companies that hold similar investments to those of WPH are trading at a discount to net tangible assets of between 6.90 percent and 18.11 percent, with an average discount of 11.56 percent.

## 2.7 Share price history

WPH listed on NSX on 5 December 2000.

The following table sets out the details of the trades in WPH shares on NSX for the last 12 months.

Date	Price \$	Volume
11 November 2005	1.00	1,133
19 January 2006	1.05	1,000
17 February 2006	1.08	14,525
23 February 2006	1.05	9,657
24 March 2006	1.06	1,246
29 March 2006	1.06	1,624
26 April 2006	1.20	60,000
1 May 2006	1.20	1,331
3 May 2006	1.20	67,516
22 May 2006	1.20	198,835
7 June 2006	1.20	57,740
9 November 2006	1.20	867

## 2.8 Valuation

The value of shares in WPH may be assessed by reference either to their net asset backing or to their current market value.

- Net asset backing

Listed investment companies are generally considered by investors to be long term investments.

History has shown that in bull markets listed investment companies generally trade at a discount to their after tax net tangible assets due to the long term nature of their investment portfolios and investor attitudes that they can



achieve better results through managing their own portfolio of investments rather than using a listed investment company. However when uncertainty about the markets future direction emerges or in a market downturn investors are often willing to pay a premium to net tangible assets.

However, it is also the case that many small listed investment companies rarely if every trade at a premium to their post tax net tangible assets. Currently most listed investment companies continue to trade at a discount to their post tax net tangible assets.

The table in section 2.7 displays the discount to net tangible assets for some listed investment companies which hold similar investments as WPH. On this basis it may be appropriate to apply a discount of between 7 percent and 18 percent, with a preferred discount of 12 percent to the net tangible assets of WPH, to determine the market value of the shares.

This would equate to a value of between \$0.97 and \$1.10 per share, with a preferred value of \$1.05 per share.

- Current market value

The most recent trades in shares of WPH have all taken place at \$1.20. It is however noted that there is currently a bid of \$1.01 and an offer of \$1.20 for shares in the company.

### **3. Cameron Capital Limited**

#### **3.1 General overview and company description**

Cameron Capital Limited was incorporated on 7 March 2002 to acquire Cameron Stockbrokers Limited, and is currently the owner of 100 percent of Cameron Stockbrokers Limited.

Cameron Stockbrokers Limited was incorporated in 2000 to acquire the firm known as Cameron Securities, which was established by Robert Cameron in 1994.

#### **3.2 Business operations and management**

Cameron Stockbrokers Limited is a full service broking house. It holds AFS licence number 246705 issued by ASIC, and is a participant of both ASX and NSX.

Since its establishment Cameron Stockbrokers Limited has built up a strong franchise as a traditional private client stockbroker. The principal features of its business are as follows.

- Broking

Cameron Stockbrokers Limited provides advice on investing in equities and other financial products. Additionally over the last three years Cameron Stockbrokers Limited has developed a niche position in dealing in UK equities.

- Corporate finance

Cameron Stockbrokers Limited also operates a boutique corporate advisory

business. This business has been active in providing corporate advice on capital raisings, underwriting and initial public offerings.

- Investment management

Cameron Stockbrokers Limited is sponsoring the establishment of a number of specialised listed investment companies for which it will act as the manager. The first of these has been Florin Mining Investment Company Limited. Cameron Capital Limited also has incorporated a subsidiary company known as Community and Regional Investment Company Pty. Limited, which is currently acquiring a number of seed investments which it proposes to use as the basis for an initial public offering.

- Information technology

Over the past three years Cameron Stockbrokers Limited has made a considerable investment in its information technology platform to enable it to provide fully integrated online information systems to its dealing desk.

- Compliance

Cameron Stockbrokers Limited is the holder of an AFS licence under the *Corporations Act* and as such is regulated by the *Corporations Act* and the rules of ASX, NSX, ACH and ASTC. The firm has a compliance program to ensure that it complies with its legal obligations and best practice standards in the giving of advice to clients and the execution of client instructions.

- Industry environment

The stockbroking industry is highly competitive and is becoming increasingly so, as the advent of online broking encroaches into the client full service market. Competition is intensifying as broking houses compete with non traditional participants such as banks, which can now provide execution services to clients. An increasing proportion of the Australian population hold, directly and indirectly, listed securities. This is partially offsetting the negative impact of reduced retail brokerage margins, increased competition amongst providers of broking services and the increasing costs of providing these services. Cameron Stockbrokers Limited is constantly reviewing industry conditions with the aim of implementing measures to improve the firm's position in the market.

- Strategies

Cameron Stockbrokers Limited has ambitions to increase its client base and profile to obtain a more significant market share. The firm is currently developing an innovative strategic plan to improve the quality of client advice and services, and other aspects of the firm, in order to ensure that Cameron Stockbrokers Limited is considered to be among the most professional and ethical stockbroking firms.

Cameron Stockbrokers Limited is focussing on the following aspects of the business:

- attracting and retaining staff who provide quality advice and professional service to clients, and who will generate higher revenues

for the firm and generally lift its dealing profile;

- increasing the deal flow of opportunities for the corporate advisory section;
- expanding research capabilities;
- developing a formal marketing plan aimed at improving client services and lifting the firm's public profile;
- establishing regional offices to service client needs;
- improving communications between advisers and the firm's clients; and
- increasing opportunities for the retail clients to participate in initial public offerings.

- Risks

Specific risks associated with an investment in Cameron Stockbrokers Limited include the following.

- Cameron Stockbrokers Limited is dependent on the ongoing efficient operation of its information and accounting computer system. A major hardware or software failure could create delays in processing daily transactions, resulting in abnormal costs if the failure cannot be addressed quickly.
- Cameron Stockbrokers Limited relies on ASX to continue to supply and operate efficiently the ITS and CHESS services to enable it to execute orders and settle share trade transactions. A failure of either or both of these services could detrimentally affect the business conducted by Cameron Stockbrokers Limited.
- The loss of key staff could result in Cameron Stockbrokers Limited losing valuable client relationships and transaction execution skills.
- The Australian stock market is subject to economic and financial factors and the uncertainties of overseas financial markets. The market also responds to investor perceptions of the state of the Australian economy, Government policy and budgets, Reserve Bank announcements, foreign economies and market conditions generally. Any of these factors could contribute to a downturn in activity on the Australian stock market, which would have adverse effects on the performance of Cameron Stockbrokers Limited.
- The stockbroking industry is regulated by the *Corporations Act*, ASIC, ASX and NSX operating rules. Cameron Stockbrokers Limited is required to hold certain licences and memberships to be able to conduct its business. If Cameron Stockbrokers Limited or its advisers were to breach the requirements of the relevant regulations and licences, Cameron Stockbrokers Limited's ability to continue to conduct its business could be threatened.



These risks and others not specifically referred to may materially affect the financial performance of Cameron Stockbrokers Limited and hence the value of CCL.

### **3.3 Balance sheets**

The consolidated balance sheets for CCL for the financial years ended 30 June 2004 – 30 June 2006 are set out below.

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2,3</sup>
	\$	\$	\$	\$
<b>Current assets</b>				
Cash and cash equivalents	4,016,849	3,290,096	2,999,690	1,709,031
Trade and other receivables	2,275,980	2,445,463	2,033,762	1,883,366
Financial assets	149,983	220,737	109,613	39,600
Other current assets	125,731	40,172	13,260	10,820
<b>Total current assets</b>	<b>6,568,543</b>	<b>5,996,468</b>	<b>5,156,325</b>	<b>3,642,817</b>
<b>Non-current assets</b>				
Financial assets	150,621	65,740	65,741	-
Property, plant and equipment	112,129	54,552	73,724	124,500
Deferred tax assets	26,420	3,816	-	-
Other	-	-	75,000	75,000
<b>Total non-current assets</b>	<b>289,170</b>	<b>124,108</b>	<b>214,465</b>	<b>199,500</b>
<b>Total assets</b>	<b>6,857,713</b>	<b>6,120,576</b>	<b>5,370,790</b>	<b>3,842,317</b>
<b>Current liabilities</b>				
Trade and other payables	4,892,435	4,780,120	4,180,636	3,203,262
Short-term borrowings	4,016	3,236	3,221	2,681
Current tax liabilities	123,563	27,638	10,429	-
Short-term provisions	26,256	12,533	18,512	12,119
<b>Total current liabilities</b>	<b>5,046,270</b>	<b>4,823,527</b>	<b>4,212,798</b>	<b>3,218,062</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	37,609	6,118	-	-
<b>Total non-current liabilities</b>	<b>37,609</b>	<b>6,118</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,083,879</b>	<b>4,829,645</b>	<b>4,212,798</b>	<b>3,218,062</b>
<b>Net assets</b>	<b>1,773,834</b>	<b>1,290,931</b>	<b>1,157,992</b>	<b>624,255</b>
<b>Equity</b>				
Issued capital	486,954	474,588	474,588	409,503
Reserves	-	-	75,000	75,000
Retained earnings	1,286,880	816,343	608,404	139,752
<b>Total equity</b>	<b>1,773,834</b>	<b>1,290,931</b>	<b>1,157,992</b>	<b>624,255</b>



### 3.4 Income statements

The consolidated income statements for CCL for the financial years ended 30 June 2004 – 30 June 2006 are set out below

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2,3</sup>
	\$	\$	\$	\$
Revenue	4,184,507	3,723,335	4,134,484	2,404,221
Expenses	(3,520,739)	(3,494,340)	(3,655,402)	(2,264,469)
<b>Operating profit before income tax</b>	663,768	228,995	479,082	139,752
Income tax expense	(180,863)	(22,692)	(10,429)	-
<b>Operating profit after income tax</b>	482,905	206,303	468,653	139,752

### 3.5 Key statistics

The following table sets out some key statistics for shares in CCL.

	2006 <sup>1</sup>	2005 <sup>1</sup>	2004 <sup>2</sup>	2003 <sup>2</sup>
Issued ordinary shares	836,958	824,589	824,589	759,503
Earnings per share (cents)	57.70	25.02	56.83	18.40
Dividend per share (cents)	1.50	-	-	-
Net asset backing per share (\$)	2.12	1.57	1.40	0.82
Total shareholder return (percent)	36.0	12.1	70.7	51.9

1. Financial statements and statistics for the years ended 30 June 2006 and 30 June 2005 have been prepared in accordance with the Australian Equivalents of International Financial Reporting Standards.
2. Financial statements and statistics for the years end 30 June 2004 and 30 June 2003 have been prepared in accordance with Australian Generally Accepted Accounting Principles.
3. The financial year ended 30 June 2003 is for the period 7 March 2002 to 30 June 2003.

### 3.6 Comparison with listed stockbrokers

The following table sets out price earnings and price assets ratios of stockbroking firms listed on the ASX as at 10 November 2006.

ASX Code	Company	Price earnings ratio	Share price/assets per share
AQE	Aequs Capital Limited	15.0	2.13
ETR	Etrade Australia Limited	13.8	5.19
EZL	Euroz Limited	10.8	5.13
TNL	Tolhurst Noall Group Limited	10.4	2.64

The average price earnings ratio for these four companies is 12.5, and the average price assets ratio is 3.77.

### 3.7 Share price history

CCL is not listed on any stock exchange and therefore has a limited secondary market for its shares. A parcel of 10,000 shares in CCL was recently transferred at a price of \$2.00 per share.

### 3.8 Valuation

The value of shares in CCL may be assessed by reference to their price earnings ratio or to their price assets ratio.

- Price earnings ratio

The price earnings ratios for listed stockbroking companies varies between 10.4 and 15.0, with an average ratio of 12.5. The earnings of CCL are \$482,905, which equates to a value of CCL of between \$5,022,212 and \$7,243,575, with a preferred value of \$6,036,312. On an issued capital of 486,956 shares this equates to a value of between \$6.00 and \$8.65 per share, with a preferred value of \$7.21.

- Price assets ratio

The price assets ratios for listed stockbroking companies varies between 2.13 and 5.19, with an average ratio of 3.77. The assets of CCL are \$1,773,834, which equates to a value of CCL of between \$3,778,266 and \$8,327,859, with a preferred value of \$4,705,130. On an issued capital of 486,956 shares this equates to a value of between \$4.51 and \$11.00 per share, with a preferred value of \$8.00.

## 4. Assessment of the proposed transaction

The following tables set out ranges of values for the shares in WPH and CCL.

WPH	Low value \$	High value \$	Preferred value \$
Net asset backing	0.97	1.10	1.05
Market value	1.01	1.20	1.105

CCL	Low value \$	High value \$	Preferred value \$
Multiple of earnings	6.00	8.65	7.21
Multiple of assets	4.51	11.00	8.00

The value which has been assigned to shares in WPH for the purposes of the proposed transaction is \$1.19, which is greater than the preferred values calculated upon a net asset backing basis and a market value basis.

Similarly, the value which has been assigned to shares in CCL for the purposes of the proposed transaction is \$5.77, which is less than the preferred values calculated upon an earnings multiple basis and an assets multiple basis.

From a financial point of view, the transaction appears to be fair to the shareholders of WPH, having regard to the value they will be giving up and the value they will be receiving in return.

It is necessary also to consider the advantages and disadvantages of accepting and not accepting the proposed transaction:

- Advantages of accepting the transaction
  - CCL has a history of high returns on shareholders equity.
  - WPH shareholders would have an interest in a larger group whose securities may be re-rated.
  - WPH shareholders would have an interest in a profitable and growing financial services business.
- Disadvantages of accepting the transaction
  - There may be higher risks associated with the business of CCL, particularly with the operation of Cameron Stockbrokers Limited.
  - The voting power of WPH shareholders would be diluted.
- Advantages of not accepting the transaction
  - WPH shareholders would retain their existing holdings and their current collective voting power would be preserved.
  - Shareholders would retain their existing risk profile. If the proposed transaction is rejected, the nature of the operations of WPH will not change.
- Disadvantages of not accepting the transaction
  - If the proposed transaction is rejected, shareholders of WPH will forgo the opportunity to change the nature of WPH's business.