

BIL | Bethunes Investments Limited

ANNUAL SHAREHOLDERS MEETING

29 July 2016

Bethunes Investments Limited - BIL:NZX

Formerly Mowbray Collectables Limited

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BETHUNES INVESTMENTS LIMITED

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AGENDA

- **CHAIRMAN'S REVIEW & UPDATE**
- **SHAREHOLDER DISCUSSION AND QUESTIONS**
- **RESOLUTIONS:**
 1. **Re-election of Aaron Titter:** That Aaron Titter, who retires in accordance with the Company's constitution and NZX Main Board Listing Rule 3.3.6, and is eligible for re-election, be re-elected as a director of the Company.
 2. **Re-election of Ian Halsted:** That Ian Halsted, who retires by rotation in accordance with the Company's constitution and NZX Main Board Listing Rule 3.3.11, and is eligible for re-election, be re-elected as a director of the Company.
 3. **Auditor:** That the directors are authorised to fix the auditor's [KPMG] remuneration for the current financial year.

All resolutions are ordinary resolutions

BETHUNES INVESTMENTS LIMITED

CHAIRMAN'S REVIEW

The 2016 financial year was one of significant change for Bethunes Investments Limited ("Bethunes") - formerly Mowbray Collectables Limited. This included the sale of the Stamp, Bank Note and Coin Business, sale of Peter Webb Galleries ("Webb's"), and the formal wind up of Mowbray's Australia. This has resulted in Bethunes now being a listed shell company seeking new investments.

The sale of the former businesses and the creation of Bethunes has been vindicated in recent weeks by events at Stanley Gibbons in London, which has seen that group nearly collapse as a result stock valuation difficulties similar to those suffered by Mowbray Collectables.

Auditing the historical group would have been in all likelihood impossible.

While contentious for many shareholders (and past shareholders) at the time had the company not restructured it is highly likely it would have faced similar difficulties and de-listing.



(Financial Times - 24 February 2016)

BETHUNES INVESTMENTS LIMITED

CHAIRMAN'S REVIEW

Subsequent to last year's ASM (31 July 2015) a rights issue was conducted which raised \$1.53m (\$1.4m in cash) and the company was recapitalised.

As indicated at last year's ASM - the company had received expressions of interest in Webb's and the decision was made to divest this business to Mossgreen and approved by shareholders on 15 January 2016.

Accordingly, Webb's was sold to Mossgreen effective 31 January 2016.

Payment was \$320,000 in cash on settlement and quarterly payments of \$40,000 from 31 March 2016 until 31 December 2018. The first two quarterly payments have been received from Mossgreen.

Exiting Webb's took longer than we anticipated and we had to hold the business and bear the costs for several months over the seasonal shutdown period (December and January). Unfortunately, this resulted in additional costs which impacted our cash levels at year end.

Today, Bethunes (for the first time in years) has no debt and is in a net cash position. Bethunes also has no known contingent liabilities.

Net Tangible Assets as at 31 March 2016 amount to approximately = \$0.0062 cents per share

Operating costs have been substantially reduced and it is estimated that Bethunes costs \$225,000 (+GST) per annum to run including a \$40,000 (+GST) per annum analytical charge by Elevation Capital Management Limited. Refer Appendix #2 (page 9) for a more detailed estimate of operating costs.

BETHUNES INVESTMENTS LIMITED

UPDATE ON NEW INVESTMENT OPPORTUNITIES

In line with its stated investment objective to establish itself as an investment company - Bethunes has made its first investment into an ASX listed company - we continue to acquire shares as pricing permits. This investment is scaleable and Bethunes has every intention of increasing its position size if pricing and funding permits.

In addition, Bethunes has investigated a number of industries to date - a summary is provided below:

| | Listed | Unlisted Industrial | Unlisted Food & Beverage | Unlisted Services |
|----------------------|--------|---------------------|--------------------------|-------------------|
| Individual Companies | 6 | 2 | 2 | 4 |
| Sectors | - | - | - | 1 |

Bethunes is currently in the initial stages of a counter-cyclical investment into the New Zealand agricultural sector. If the investment comes to fruition it will provide an investment exposure not readily accessible to institutional or individual investors.

Bethunes is optimistic that such an investment will be the first step into a number of investments in this sector.

BETHUNES INVESTMENTS LIMITED

FUTURE CAPITAL NEEDS

It is reasonable to expect that Bethunes will require additional capital to execute on its future investment plans. We therefore would like to signal to shareholders the Director's intention to raise additional capital when/if we have an opportunity to execute on a new investment.

At this point in time Directors believe Bethunes has more than sufficient funds to meet over two years of operating costs (assuming payments from Mossgreen continue to be received).

Further details on new investments will be provided at the appropriate time.

It is also reasonable to expect the Director's at the time of seeking additional will undertake a share consolidation. (e.g. 100 for 1)

The directors anticipate being able to update shareholders further in October 2016.

BETHUNES INVESTMENTS LIMITED

CHAIRMAN'S CLOSING COMMENTS & QUESTIONS

Thank you for your continued support of Bethunes Investments and thank you to my fellow Directors Ian Halsted and Aaron Titter for their efforts in the last twelve months.

I would also like to thank our Accountants, BDO and Auditors, KPMG. The Directors anticipate no audit qualification in the years ahead on the back of significant efforts put into this past years audit and vastly improved communication and systems from what was in place in the past.

We are now open for questions ...

APPENDIX #1

CURRENT BOARD & BIOGRAPHIES

CHAIRMAN - CHRISTOPHER SWASBROOK

Christopher Swasbrook is currently the Managing Director and a shareholder of Elevation Capital Management Limited a company he founded in 2007. He was previously a Partner of Goldman Sachs JBWere Pty Limited and Co-Head of Institutional Equities at Goldman Sachs JBWere (NZ) Limited. Christopher is a member of the NZX Listing Sub-Committee and a member of the NZ Markets Disciplinary Tribunal. Since the 15th November 2013, he has been a director of NZX listed - Bethunes Investments Limited [BIL.NZX] and assumed the Chairmans role on the 24th October 2015. Mr. Swasbrook is independently recognised as a global value investor. He was most recently referenced in a book published on a number of global value investors - "The Manual of Ideas" by John Mihaljevic.

INDEPENDENT DIRECTOR - IAN HALSTED

Ian has previously held positions in public companies that include Managing Director of Hallenstein Glasson Holdings Ltd, Director of Hallenstein Bros Ltd and Director of Mr Chips Holdings Ltd. Ian was Managing Director of Hedley Byrne NZ Limited and also a Past President of the NZ Retailers Federation and has served on the Board of several private companies.

INDEPENDENT DIRECTOR - AARON TITTER

Aaron is a Chartered Accountant and Member of Chartered Accountants Australia & New Zealand. Aaron holds a Bachelor of Management Studies with Specialist Valuation Papers. As an experienced Corporate Finance and Advisory Partner at BDO Wellington, Aaron provides due diligence, valuation, financial modeling, and consulting services to his clients. In addition, Aaron operates an accounting and tax advisory team, who prepare budgets, cashflows, tax returns, and annual/management reports. Aaron acts as a director for private companies as well as acting on advisory boards for clients.

APPENDIX #2

FORECAST OPERATING COSTS - FY2017

The forecast operating costs for Bethunes Investments as an investment company are as follows on a per annum basis:

| | |
|--|---|
| Directors Fees: | NZ\$ 60,000 |
| Elevation Capital - Analytical Charge: | NZ\$ 40,000 |
| BDO - Accountancy: | NZ\$ 15,000 |
| KPMG - Audit: | NZ\$ 35,000 |
| NZX Listing Fees: | NZ\$ 25,000 |
| Link - Share Registry: | NZ\$ 10,000 |
| Other: | NZ\$ 65,000 (incl. legals, insurance, custody, etc) |
| Total: | NZ\$ 250,000 + GST |

APPENDIX #3

SHAREHOLDER PRINCIPLES

The relationship between managers and shareholders should be a simple one.

The objective of managers should be to maximise per share value for shareholders and they are paid by those shareholders to do exactly that. Based on their own financial decisions, the shareholders of businesses provide the capital which allows management to do its job. With this ethos, the following shareholder principles set out the relationship between the Management of Bethunes and the owners of the business (its shareholders).

1. Corporate in form, but our attitude is Partnership

Although we are an NZX listed company, we will act like a partnership. The benefits of our corporate form should not be underestimated, as it provides the permanence of our capital structure that gives Management a real advantage to make both strategic and long-term investments.

2. Investment Objective

The Company's investment objective is to preserve capital and seek maximum, long-term capital growth commensurate with reasonable risk. Management defines risk as the probability of a permanent loss of capital, rather than price volatility.

In its value approach to investing, the Company will seek to identify and invest in opportunities that we believe exhibit significant valuation discrepancies between current trading prices and intrinsic business value (or net assets value).

Management's focus on undervalued securities/assets is due to our belief that a well-priced purchase is often the most important determinant of the success of an investment. We believe that the acquisition of a portfolio of investments, acquired at a discount to intrinsic value, provides a margin of safety that can mitigate the likelihood of an overall loss of the Company's capital.

While Management is comfortable making investments in a wide range of industries and asset classes, they prefer investment in simple businesses and assets that generate cash flow over the long term.

Management will seek to make investments in three broad categories of opportunities:

- (1) great businesses at fair prices, well understood by Management and ones that generate relatively predictable, growing, free cash flows;
- (2) good businesses or assets at significantly low prices, often with a catalyst to realise value; and/or
- (3) mispriced probabilistic investments/assets where management believes that the market price of a security or other investment/asset under-estimates the probability of a favorable event that is expected to lead to a significant change in the valuation of such security or investment/asset.

APPENDIX #3

SHAREHOLDER PRINCIPLES - CONTINUED

In certain situations, if we believe the commitment of time and capital is justified we may seek to be a catalyst to realise value from an investment by taking an active role to effect corporate change, this could be working alone or in conjunction with other investors. Such activist techniques could involve working with existing management or other more aggressive steps such as acquiring substantial stakes in companies, proposing restructuring, recapitalisation, sale, changes in strategic direction, seeking potential acquirers, and other related activities. Management believe that on occasion these activist techniques can both accelerate and maximise the realisation of value from an investment.

3. Use of Leverage

Debt should be used sparingly and with an appreciation for the increased risks inherent in increased leverage. Investment opportunities which require excessive debt to finance will be rejected rather than over burdening our balance sheet. This conservative approach to issuing debt reflects a focus on capital preservation (as well as capital growth) and our acknowledgment of the fiduciary obligation we hold towards shareholders as stewards of their capital.

4. Alignment of Interests

The long-term goal of Bethunes Management is to maximise the average annual growth rate of the intrinsic value per share. Our focus is on intrinsic value per share as it reflects an obligation to add value for shareholders. Likewise, our orientation will be guided by having an ownership stake in the business. This will ensure both management and investors have a stake in the long-term

performance of the business and that we will “eat our own cooking”.

5. Management Compensation

Management compensation is a key point of contention in the relationship between management and owners. We can all agree that compensation should be linked with performance, but often shareholders money is spent (or their ownership stake diluted – the net effect is the same), by the excessive issuance of equity or options. We far prefer Management compensation to be based on the achievement of fundamental goals related to increasing revenue, net income, cash flow or the reduction of debt (preferably a combination of all). Management should discuss fundamental performance on a per share basis, reflecting their focus on adding value for the holders of these shares. Above all, remuneration should incentivise a long term outlook from management - short term thinking can destroy long-term value.

APPENDIX #3

SHAREHOLDER PRINCIPLES - CONTINUED

6. Transparent and Candid Reporting

Management are also owners and we will always treat shareholders in the manner we would want to be treated if our roles were reversed. However, we do not propose to issue earnings guidance or report on a quarterly basis

7. Dividends / Capital Management

We propose to only pay dividends or return capital to shareholders when this is the best use of capital, therefore Bethunes will not be a “yield stock”. However, we will utilise buy-backs when we believe our shares are trading at a material discount to intrinsic value. Conversely, if we believe utilising our shares for an acquisition results in the Company receiving more than it is giving up then one should not be surprised to see us act accordingly.

BETHUNES INVESTMENTS LIMITED

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