

COLVILLE || EQUITIES || LIMITED

# PROSPECTUS AND INVESTMENT STATEMENT

Offer of 50,000,000 Shares, with oversubscriptions of up to 25,000,000 Shares, at \$1.00 per Share, with transferable Options to be granted for no additional consideration on the basis of one Option for every two Shares allotted.

ORGANISING PARTICIPANT

Cimino Partners Limited

# Important Information

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(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

## CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

What sort of investment is this?	Page 22
Who is involved in providing it for me?	Page 23
How much do I pay?	Page 23
What are the charges?	Page 24
What returns will I get?	Page 24
What are my risks?	Page 25
Can the investment be altered?	Page 28
How do I cash in my investment?	Page 28
Who do I contact with enquiries about my investment?	Page 29
Is there anyone to whom I can complain if I have problems with the investment?	Page 29
What other information can I obtain about this investment?	Page 29

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.<sup>1</sup>

## CHOOSING AN INVESTMENT ADVISER

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you –

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition –

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

<sup>1</sup> This is the wording required by Schedule 3D of the Regulations, which contemplates a separate investment statement and prospectus. For the Offer, the two documents have been combined and the prospectus available on request is the same as this Offer Document.

# Key Features of the Offer

<b>ISSUER:</b>	Colville Equities Limited (“Colville Equities” or the “Company”).
<b>OFFER:</b>	50,000,000 Shares at \$1.00 per Share with 25,000,000 transferable Options to be granted for no additional consideration on the basis of one Option for every two Shares allotted. Oversubscriptions of up to 25,000,000 Shares (with up to 12,500,000 transferable Options) will be accepted.
<b>GROSS PROCEEDS:</b>	Colville Equities is seeking to raise up to \$75,000,000 from the Offer.
<b>MINIMUM APPLICATION AMOUNT:</b>	2,000 Shares (\$2,000). Applications in excess of the minimum amount should be in multiples of 500 Shares (\$500).
<b>ALLOCATIONS:</b>	<b>Firm allocations:</b> up to 50,000,000 Shares (to clients of NZX Firms). <b>Public pool:</b> at least 25,000,000 Shares.
<b>PURPOSE OF THE OFFER:</b>	Colville Equities is raising capital to be invested on its behalf by Milford Asset Management Limited (“Milford” or the “Manager”) in a Portfolio of shares and other securities, with a view to outperforming the NZSX All Gross Index by at least 3% per annum over time, after allowing for all fees and costs except taxation.

# Important Dates

REGISTRATION OF THE OFFER DOCUMENT	Wednesday, 5 May 2004
OPENING DATE OF THE OFFER	Monday, 17 May 2004
CLOSING DATE OF THE OFFER	Friday, 11 June 2004
ALLOTMENT OF SHARES AND OPTIONS	Tuesday, 15 June 2004
EXPECTED QUOTATION AND TRADING ON NZSX OF SHARES AND OPTIONS	Wednesday, 16 June 2004
MAILING OF STATEMENTS OF HOLDINGS	Wednesday, 16 June 2004

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## General Information

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This Offer Document is a combined prospectus and investment statement prepared for the purposes of the Securities Act 1978 (the "Act") and the Securities Regulations 1983 (the "Regulations") as at and dated 5 May 2004. The purpose of the "Investment Statement" section of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to acquire Shares and Options under this Offer. However, investors should note that other important information about the Shares, Options and the Offer is available in the remainder of this Offer Document.

If you are in any doubt as to how to deal with this document, please consult an NZX Firm, a Certified Financial Planner or your other financial or legal adviser immediately.

No person named in this Offer Document, nor any other person, guarantees the Shares or Options to be issued pursuant to this Offer.

Neither Colville Equities nor any of its Directors, officers, employees or advisers takes responsibility for the taxation liability of an investor in relation to this Offer. Investors should seek their own taxation advice.

A copy of this Offer Document, duly signed by the Directors for the purposes of the Securities Act 1978 and, having attached copies of the documents required by the Act and the Regulations to be so endorsed or attached, being the material contracts referred to in the Statutory Information section on pages 32, has been delivered to the Registrar of Companies for registration under the Act.

This Offer Document constitutes a public offering of these securities only in New Zealand.

# Chairman's Letter

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5 May 2004

Dear Investors,

I am delighted to recommend Colville Equities Limited as a low cost, transparent and actively managed listed investment company that will invest in New Zealand entities, and a limited number of large ASX-listed entities with business activities in New Zealand.

The Company will focus on New Zealand and overseas entities listed on NZX's markets, unlisted entities intending to list on these markets within 24 months, and ASX-listed entities in the S&P/ASX 200 Index. It will be managed by Milford Asset Management Limited, a newly formed investment management company. Milford's executive directors – Brian Gaynor, Alan Moore, Graeme Thomas and Neville Todd – all have many years of experience in the New Zealand investment sector and place a strong emphasis on integrity, transparency and client focus.

Milford adopts a research-driven investment approach, placing a strong emphasis on industry and company analysis, company visits and a long term investment horizon.

There have been a number of other investment companies listed in Australasia over the past twelve months. It is important that you understand the differences between Colville Equities and other listed investment companies.

The major characteristics of Colville Equities are:

- Milford is a research based active manager;
- Colville is able to invest in all securities listed on NZX's markets, as well as unlisted New Zealand companies and large ASX-listed entities with business activities in New Zealand (the latter two subject to limits);
- a competitive annual management fee;
- no additional performance related fees are payable to Milford;
- Colville Equities' Board and shareholders are able to terminate the agreement with Milford after the first three years, and no compensation is payable to Milford on termination; and
- tax considerations will not drive Colville Equities' portfolio decisions.

The Shareholders of Colville Equities will control the Company through the Board of Directors. The Board will consist of myself and Sandy Maier, as independent directors, and Brian Gaynor. The Directors are committed to a high standard of corporate governance and to achieving above average returns for Shareholders, and will ensure full and timely disclosure of all important issues to Shareholders.

Rather than paying a performance fee to Milford if the return on the Portfolio exceeds a predetermined benchmark, the Board has taken the view that the annual management fee (which is based on the value of the Portfolio) provides a strong incentive for Milford to grow value for investors – it is in both Milford's interests and Shareholders' interests for the Portfolio's value to increase.

We appreciate you taking the time to consider this Offer Document and believe that your faith in Colville Equities, and Milford Asset Management, will be well rewarded.

Yours sincerely,



JAMES OGDEN

CHAIRMAN - COLVILLE EQUITIES LIMITED

# Letter from the Manager

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5 May 2004



**MILFORD ASSET MANAGEMENT**

Dear Investors,

Many of you know me through my columns in the New Zealand Herald and my stance on corporate governance issues.

I have recently joined Milford Asset Management, the company that has been appointed to manage the investment portfolio of Colville Equities Limited. My fellow executives and shareholders at Milford believe that New Zealand investors should be given a top rate investment management service at realistic fees. We also believe that the primary objective of an investment management company is to make money for its clients.

Many readers of my columns have written to me asking where they should invest their money. I believe that Colville Equities offers an attractive alternative – a competitive fee structure and transparent vehicle to achieve above average returns from New Zealand and Australian equities.

My primary focus will be the investment performance of Colville Equities. An investment committee comprising myself, Alan Moore and Graeme Thomas will make investment decisions on behalf of the Company. I have been an investment analyst in New Zealand for 28 years, and my main role at Milford is to make recommendations to the investment committee following extensive company analysis, including company visits and industry analysis.

Colville Equities' Directors, in conjunction with Milford (as the Promoter), have negotiated a structure that offers considerable benefits, and empowerment, to Shareholders. For instance:

- at 2.0% of the funds raised (based on raising \$75 million), the total set-up expenses in relation to this offer are relatively low compared to other Australasian listed investment companies;
- the annual management fee of 1% is also lower than other listed investment companies and no performance bonuses will be paid to Milford. As the annual management fee is based on the Gross Value of the Portfolio, Milford has a strong incentive to grow the value of the Portfolio for the benefit of Shareholders;
- if Milford performs poorly, the Board or the Shareholders can terminate the Management Agreement after the initial three year term and no compensation is payable to Milford by the Company on termination; and
- Colville Equities is issuing options on a modest "one for two" basis. This gives Optionholders the opportunity to acquire additional ordinary shares at \$1.00 on 31 March 2006 without the large dilutionary impact of a higher entitlement ratio.

In addition, the Management Agreement can also be terminated by Colville Equities if Alan Moore, Graeme Thomas and I all cease to have overall responsibility for the investment decisions in relation to the Portfolio.

I recommend that you read this Offer Document carefully. In particular, the "Investment Highlights" section identifies and further explains the difference between Colville Equities and other investment vehicles.

Colville Equities offers a new opportunity for investors who are interested in taking a managed approach to the full range of entities listed on NZX's markets, as well as a limited exposure to unlisted New Zealand companies and large ASX-listed entities. We hope that you will consider this opportunity carefully and have the confidence to invest in Colville Equities.

Yours sincerely,

**BRIAN GAYNOR**

**EXECUTIVE DIRECTOR - MILFORD ASSET MANAGEMENT LIMITED**

# Investment Highlights

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An investment in Colville Equities is an opportunity to benefit from:

- Milford's extensive knowledge of New Zealand companies;
- a targeted return of at least 3% per annum above the NZSX All Gross Index over time, after allowing for all fees and costs except taxation;
- low set-up costs and a competitive annual management fee structure;
- a listed company structure;
- a research-based active portfolio management strategy; and
- a strong focus on corporate governance.

## THE MANAGER – MILFORD ASSET MANAGEMENT LIMITED

The executive directors of Milford Asset Management Limited – Brian Gaynor, Alan Moore, Graeme Thomas and Neville Todd – have extensive knowledge of the New Zealand investment markets from both an investment analysis and a fund management perspective.

Milford commenced business in December 2003 and as at 1 May 2004 had \$61 million under management, with a further \$46 million committed and awaiting final documentation, in the form of individual managed accounts – an investment management service for high net worth private individuals and other organisations.

Milford will supply investment management and administrative services to Colville Equities, which are governed by a Management Agreement including an Investment Mandate. The Investment Mandate specifies the following investments that Milford can make on behalf of Colville Equities, subject to certain limitations:

- the equity securities of all entities, both New Zealand and overseas registered, listed on the NZSX and NZAX markets;
- equity securities of entities included in the S&P/ASX 200 Index, but not listed on the NZSX market, which have business activities in New Zealand;

- securities of unlisted companies intending to list on any of NZX's markets within 24 months;
- cash investments;
- debt securities listed on the NZDX market;
- options (and other derivatives) listed on any of NZX's markets; and
- underwriting and sub-underwriting commitments.

These permitted investments and the applicable limitations are set out in greater detail under "Investment Mandate" on pages 18 and 19.

## SUPERIOR INVESTMENT RETURNS

Milford's long-term investment performance target for the Portfolio is to outperform the NZSX All Gross Index by at least 3% per annum over time, after allowing for all fees and costs except taxation. The Board believes that this is an achievable level of return which should be attractive to Shareholders.

The Directors' intend to distribute dividends based on the income received from the Portfolio less the fees and costs of running the Company, after allowing for taxation. Realised gains or losses on the sale of investments in the Portfolio may increase or decrease the dividends. The actual dividends paid will be dependent on a variety of factors, including:

- the dividend income received by Colville Equities;
- the extent to which these dividends have imputation credits attached;
- the interest income received by Colville Equities;
- the level of realised gains or losses on the sale of any investments in the Portfolio; and
- any other income received or costs paid (including taxation) by Colville Equities.

As Colville Equities has not yet commenced business, none of the initial investment decisions in respect of the Portfolio have been made and it is expected to take some time to fully invest the funds in the Portfolio. As a result, no reliable estimate can be made of the level of dividends that will be paid in respect of the current financial year, which ends on 31 March 2005.

Colville Equities intends to implement a dividend reinvestment plan following listing which will allow Shareholders to reinvest dividends in new ordinary shares in the Company.

#### **LOW COSTS AND FEES**

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Two of the main differentiating characteristics of Colville Equities are its relatively low set-up costs and competitive ongoing management fees. This means that investors receive greater value for their money, mainly due to the compounding effect of the costs saved (and reinvested) over a number of years.

The low cost and fee structure includes:

- the costs of the Offer, being \$1.5 million based on raising \$75 million, represent only 2.0% of that amount. The Board believes that these costs are extremely competitive, given the size of the Offer, compared with traditional funds management products and other Australasian listed investment companies;
- Milford's annual management fee is 1% of the Gross Value of the Portfolio. This is at the lower end of other listed investment companies;
- no additional performance related fees are payable to Milford. Nevertheless Milford has a strong incentive to create value for Shareholders because:
  - its management fee will increase as the total value of the Portfolio grows; and
  - Colville Equities' Board or Shareholders can terminate the Management Agreement (after the initial three year term) if dissatisfied with Milford's performance, or sooner if Milford breaches certain terms in the agreement, without compensation to Milford;
- the Board, which has a majority of independent Directors, will ensure that a tight control is kept on the other ongoing costs associated with running a listed investment company.

#### **LISTED COMPANY STRUCTURE**

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Traditional managed funds products are mainly in the form of unit trusts which give investors the

opportunity to acquire and redeem units at net asset backing. A big disadvantage of these funds is that investors often have to pay relatively high entry and exit fees.

A further drawback is that the unit trust manager may be forced to sell shares when prices are low, as redemptions are usually high at that stage of the investment cycle. The manager may also need to purchase shares when prices are high because money flows into unit trusts when investor confidence and markets are buoyant.

Colville Equities is a different structure – it is a limited liability company with ordinary shares and options. These shares cannot be redeemed but will be able to be bought and sold on the NZSX market at the prevailing market price.

The table on the facing page shows a comparison between Colville Equities and a typical unlisted unit trust.

A possible disadvantage of listed company vehicles is that their shares can trade at a discount to net asset backing. The ability for a third party to make a takeover offer for Colville Equities and replace the Manager after an initial three-year period, without the payment of a termination fee, should help to minimise any discount to net asset value. Furthermore, the Company may buy back its own shares on-market if it believes the discount to net asset value is too large.

The share price of a listed investment company can also trade at a premium to net asset value if the company consistently adds value for shareholders. In those circumstances, the premium to net asset value represents a potential additional return for shareholders.

#### **ACTIVE PORTFOLIO MANAGEMENT**

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The Portfolio will be managed on an active basis by Milford. This means that Milford will continually assess the short and long term prospects of each investment in the Portfolio and, if advantageous, will enter, exit and increase or decrease holdings as required, without being constrained by taxation considerations. The Board believes that active management is crucial to building the long term value of the Portfolio.



In making the decision to have an actively managed Portfolio, the Board accepts that realised gains on investments will be subject to taxation. As a consequence, the Board expects that it will build up sufficient imputation credits over time to pay dividends at a rate approaching the dividend yield of the market, with full imputation credits attached. To ensure that investors remain fully informed as to the expected tax position of the Company, Milford will make adjustments to allow for the expected tax liability when calculating the weekly net asset value per Share.

the New Zealand Securities Commission. In addition, Milford, on behalf of Colville Equities, will actively monitor and comment on Colville Equities' website on the governance standards of the companies represented in the Portfolio.

Shareholders will be able to access a weekly net asset value for the Shares through NZX's normal market information channels or Colville Equities' website – [www.colville.co.nz](http://www.colville.co.nz).

#### **GOVERNANCE**

Colville Equities' Board has a majority of independent Directors (two out of three), and the Chairman, James Ogden, is one of the two independent Directors.

Colville Equities will ensure that the governance standards within the Company are designed to meet best practice corporate governance standards, with reference made to the guidelines of NZX and

<b>COLVILLE EQUITIES</b>	<b>UNLISTED UNIT TRUST</b>
- Will be listed on the sharemarket and will be subject to the NZX Listing Rules	- Not listed
- Closed end – a fixed level of funds is raised and managed from the outset	- Open ended – the funds under management grow or contract according to the number of units issued to investors or redeemed by them
- Company structure with all of the associated compliance and governance benefits	- Unit trust structure overseen by a trustee
- May trade at a premium or discount to the net asset value of the fund	- Unitholders purchase or redeem units at the net asset value per unit of the fund
- Management fee of 1% per annum	- Management fee typically in excess of 1% per annum
- No explicit entry or exit fees, but shareholders pay brokerage when they buy or sell shares	- Most funds have entry fees, and many also have exit fees
- Investors are able to change the Manager after the initial 3 year term without paying a termination fee	- Generally have management contracts with longer terms, often with significant fees payable on termination

# Summary of the Offer

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## **THE OFFER**

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The Offer is for 50,000,000 ordinary shares in Colville Equities (“Shares”) at \$1.00 per Share. Successful applicants for Shares will be granted transferable options (“Options”) for no additional consideration, on the basis of one Option for every two Shares allotted. If all 50,000,000 Shares are allotted, Shareholders will be granted a total of 25,000,000 Options. Each Option can be exercised on 31 March 2006 (the “Exercise Date”) to subscribe for one Share at an exercise price of \$1.00 per Share (“Exercise Price”). It is not possible to subscribe for Options in this Offer without subscribing for Shares.

Colville Equities will accept oversubscriptions of up to 25,000,000 Shares at \$1.00 per Share (with up to 12,500,000 transferable Options to be granted to subscribers on the basis and terms described above). If the Offer is fully subscribed and full oversubscriptions are received, Colville Equities will raise \$75,000,000.

## **MINIMUM LEVEL OF SUBSCRIPTIONS**

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The minimum level of subscriptions which must be received in the Offer is 25,000,000 Shares (with 12,500,000 transferable Options), raising \$25,000,000.

## **FIRM ALLOCATIONS**

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Up to 50,000,000 Shares, being all of the Shares in the Offer, have been reserved for firm allocation to clients of NZX Firms. Shares applied for pursuant to a firm allocation will not be scaled.

A list of NZX Firms can be found on NZX’s website at [www.nzx.com/market\\_prof/brokers/firms](http://www.nzx.com/market_prof/brokers/firms)

## **PUBLIC POOL**

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Any Shares not taken up as firm allocations, together with the reserve for oversubscriptions, will form a public pool, which will have a minimum size of 25,000,000 Shares. If applications for Shares in the public pool exceed the number of Shares available, applications may be scaled. Scaling will be determined by the Board on the basis of recommendations from the Organising Participant, and may not be on a pro rata basis.

If scaling is necessary, no investor whose application for Shares is successful will be allocated less than the minimum application amount of 2,000 Shares. If an application is scaled or declined, the balance of the application money will be refunded as soon as practicable and in any event within five business days after the allotment date.

No interest will be paid on amounts refunded to applicants whose allocations are scaled or declined. Any interest earned on application moneys will be retained by Colville Equities.

## **PURPOSE OF THE OFFER**

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Colville Equities is seeking to raise gross proceeds of up to \$75,000,000 (including oversubscriptions) from the Offer. The proceeds will be invested in shares and other securities with a view to outperforming the NZSX All Gross Index by at least 3% per annum over time, after allowing for all fees and costs but before taxation.

More details on the proposed use of the proceeds can also be found in the section “Provisions relating to initial flotations” on page 31 and more details on the strategies to be employed by the Company to achieve these goals are set out in the section “Colville Equities Limited” commencing on page 10.

## **HOW TO APPLY FOR SHARES AND OPTIONS**

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Applications to subscribe for Shares under the Offer must be made on the Application Form contained at the back of this Offer Document, in accordance with the application instructions which can be found in the section “How to Complete the Application Form” on pages 37 and 38.

Applications for Shares must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500). Applications must be accompanied by payment in full in New Zealand dollars for the amount for which application is made, and cheques should be made payable to “Colville Equities IPO”, crossed “Not Transferable” and forwarded to:

Colville Equities Limited  
C/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92-119  
Auckland 1020

to arrive no later than **3.00pm on Friday, 11 June 2004**; or to any Primary Market Participant or any firm employing Certified Financial Planners, or any other channel approved by NZX in sufficient time for the documents to be forwarded to and received by Computershare Investor Services Limited no later than **3.00pm on Friday, 11 June 2004**.

If an application is being made pursuant to a firm allocation, it must be lodged with the NZX Firm through which the firm allocation was obtained in sufficient time to enable the application to be forwarded to and received by Computershare Investor Services Limited no later than **3.00pm on Friday, 11 June 2004**.

#### NZX LISTING

Application has been made to New Zealand Exchange Limited (NZX) for permission to list the Shares and the Options on the NZSX market, and all the requirements of NZX that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. NZX has authorised Primary Market Participants to act in this issue.

Quotation of the Shares and the Options is expected to occur on or about Wednesday, 16 June 2004, under the codes "CVL" and "CVLOA" respectively. Applicants should not attempt to sell Shares or Options until they know whether, and, if so, how many, Shares and Options have been allocated to them. Neither Colville Equities, nor any other person associated with the Offer, nor any of their respective officers or employees, accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares or Options before confirmation of allotment of Shares and Options to them is received by the applicant.

#### OVERSEAS INVESTORS

The Offer is not being made outside New Zealand. Investors who are not resident in New Zealand may

not be eligible to participate in the Offer because of taxation or legal constraints that apply in their country of residence. Such persons should first seek professional advice before electing to participate in the Offer. It is the responsibility of each person to obtain any such advice. Any person resident outside New Zealand who applies for Shares and Options will be deemed to represent and warrant to Colville Equities and its Directors that they are persons who may lawfully participate in the Offer. Neither Colville Equities nor any of its officers, employees or advisers accepts any responsibility to determine whether a person is able to participate in the Offer.

#### BROKERAGE

Colville Equities will pay brokerage of:

- 1.75% of the subscription price per Share to NZX Firms in respect of Shares issued pursuant to valid firm allocation applications bearing their stamp;
- 1.25% of the subscription price per Share to Primary Market Participants (which are primarily NZX Firms) in respect of valid applications in the public pool bearing their stamp; or
- 1.25% of the subscription price per Share, at Colville Equities' discretion, to firms employing Certified Financial Planners in respect of valid applications in the public pool bearing their code.

The Offer is not underwritten.

# Colville Equities Limited

## OVERVIEW

Colville Equities is a newly formed listed investment company, which is raising capital to invest in entities listed on NZX's markets, as well as a limited amount in unlisted New Zealand companies and certain large ASX-listed entities. The funds raised in this Offer, which will be up to \$75 million, will be invested on the Company's behalf by the Manager, Milford Asset Management Limited.

The investment services to be provided by Milford are set out in the Management Agreement (discussed in detail on pages 18 to 20), and in particular certain restrictions and limits, set out in the Investment Mandate (discussed in detail on pages 18 and 19), are placed on how Milford can invest the funds in the Portfolio. Milford will also be responsible for undertaking certain administrative services for the Company. A discussion of Milford, its investment philosophy and process, and its key personnel, begins on page 14.

## INVESTMENT OBJECTIVES

The long-term investment performance target for the Portfolio is to outperform the NZSX All Gross Index by at least 3% per annum over time, after allowing for all fees and costs except taxation.

Part of this return is expected to be paid to Shareholders as dividends based on the income received from the Portfolio less the fees and costs of running the Company. Realised gains or losses on the sale of investments in the Portfolio may increase or decrease the dividends.

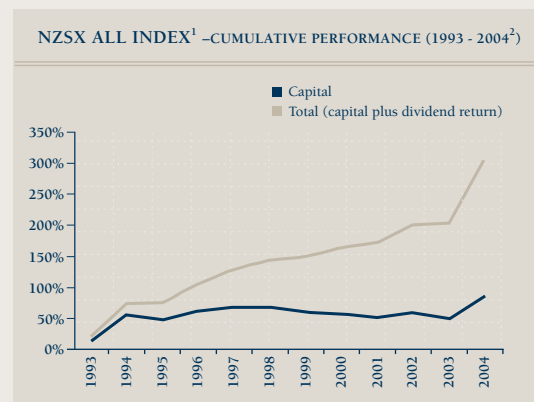
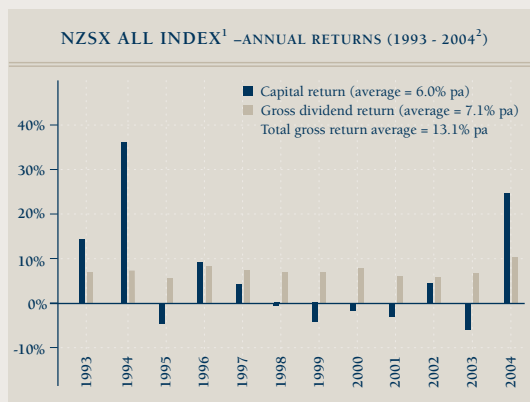
The graphs below show that, over the last 12 years, the average total gross return from the NZSX All Index was 13.1%, comprising an average gross dividend return of 7.1% and an average capital return of 6.0%. The total gross return was positive in each of the 12 years.

An additional analysis, over a shorter five year period (to 31 March 2004), indicates that if the Portfolio had been invested, and the target return for the Portfolio (NZSX All Gross Index plus 3% per annum, after allowing for all fees and costs except taxation) had been achieved, the average return of the Portfolio would have been 14.0% per annum before tax. Based on 90 day bank bill yields over the same period (5.7% per annum on average), this would have been an outperformance of approximately 8.3% per annum. However, investors should note that prior market performance is not an indicator of future performance.

## PORTFOLIO CONSTRUCTION

The funds raised in the Offer will be invested by Milford in accordance with its investment philosophy. This will be achieved by following the investment process which is discussed on pages 14 to 16.

Milford will build the Portfolio on Colville Equities' behalf over a prudent timeframe, as suitable investments are identified and after taking into account market conditions and liquidity. The Portfolio may not be fully invested until the December 2004 quarter. As Milford is focused on



Source: Milford Asset Management Limited

Note: <sup>1</sup> The NZSX All Index was known as the NZSE All Index prior to 30 May 2003

<sup>2</sup> For years ended 31 March

the creation of long term value, the Portfolio construction process will result in a relatively concentrated group of investments, which will not be constrained by any index composition.

The Portfolio will be constructed in accordance with the restrictions and limits set out in the Investment Mandate in the Management Agreement (discussed in detail on pages 18 and 19). The focus will be on New Zealand and overseas entities listed on the NZSX and NZAX markets. In addition, subject to certain limits Milford may invest in equity securities of entities included in the S&P/ASX 200 Index, but not listed on the NZSX market, which have business activities in New Zealand. A portion of the Portfolio may also be invested in securities of unlisted companies intending to list on any of NZX's markets within 24 months.

#### **OTHER CLASSES OF INVESTMENT**

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In addition to the equity investments described above, the Investment Mandate (subject to certain restrictions) permits Milford to invest the Portfolio in the following types of investments:

- cash investments, and debt securities listed on the NZDX market, when appropriate;
- options (and other derivatives) listed on any of NZX's markets; and
- underwriting and sub-underwriting commitments.

Milford may also hedge Colville Equities' currency risk in respect of any investment denominated in a foreign currency.

#### **BORROWINGS**

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If Milford believes that the opportunity exists to enhance returns for Shareholders, the Management Agreement permits Milford, with Colville Equities Board approval, to procure debt facilities on behalf of the Company. Milford may draw down these facilities, with Colville Equities Board approval, up to an aggregate limit of 20% of the Gross Value of the Portfolio (measured at the time of draw down).

It is the Colville Equities Board's intention to approve the use of debt facilities in respect of specific investment opportunities, such as an initial public

offering or a placement of a block of shares to institutional investors, if debt funding is the most appropriate source of funds at that time (for instance if the Portfolio is already fully invested).

#### **CAPITAL MANAGEMENT**

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If the price of the Company's Shares on the NZSX market at any time is at a level which the Board believes is not representative of their underlying value (and in particular if the Shares trade at a material discount to net asset value), the Board will consider buying Colville Equities' Shares on-market, as permitted by the NZX Listing Rules. In making this decision the Board will consider other investment alternatives and whether the acquisition is in the best interests of the non-participating shareholders.

#### **ACTIVE CORPORATE GOVERNANCE**

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Milford, on behalf of Colville Equities, will actively monitor and comment on the governance standards of the entities represented in the Portfolio. This will include:

- publishing (on Colville Equities' website) its voting intentions with respect to shareholder votes on material matters;
- attendance and, if Milford considers it necessary, asking questions at shareholder meetings;
- publishing (on Colville Equities' website) a description of principles which Milford considers constitute "good corporate governance"; and
- expressing views (on Colville Equities' website) on departures from appropriate standards of corporate governance.

The Portfolio will have a strong investment bias towards entities that adopt corporate governance practices which Milford considers to be acceptable.

#### **COLVILLE EQUITIES' TAXATION POSITION**

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Milford will be an active manager of the Portfolio, and Colville Equities will pay tax on realised gains from the sale of securities (and claim the full tax benefit from any realised losses). Furthermore, Colville Equities will provide for the taxation impact of any unrealised gains and losses in its weekly calculations

of net asset values, which will be released through NZX's normal market announcement channels and published on the Colville Equities website.

Colville Equities' income will include dividends with imputation credits attached from New Zealand companies. To the extent the dividends have full imputation credits attached, Colville Equities will have no further tax liability. The imputation credits will be available to be attached to dividends paid by Colville Equities to Shareholders to reduce or satisfy the Shareholders' own tax liabilities.

Where the dividends are not fully imputed further tax will be payable by Colville Equities. This tax will give rise to imputation credits which will be available to be attached to dividends paid to Shareholders.

Dividends received by Colville Equities from foreign companies will be exempt from New Zealand tax but Colville Equities will be required to make a dividend withholding payment at a maximum rate of 33%. The amount of the dividend withholding payment payable by Colville Equities may be reduced to the extent that any foreign withholding tax has already been paid or deducted in respect of the dividend. In some cases, where the foreign company makes New Zealand tax payments, New Zealand imputation credits may be attached to distributions. Those imputation credits would reduce Colville Equities' dividend withholding payment liability and be able to be passed on to Colville Equities' Shareholders.

Colville Equities will attach any dividend withholding payment credits to dividends, and these credits can then be used by Shareholders to reduce their tax liability in a similar way to imputation credits. Dividend withholding payment credits are in certain circumstances refundable to taxpaying Shareholders. However, to the extent a dividend withholding payment liability is reduced by foreign tax credits, those credits will not be available to reduce a Shareholder's tax liability.

Colville Equities has elected to have the Portfolio actively managed to extract maximum returns for Shareholders. The Directors believe that active management of the Portfolio, coupled with the competitive fees payable to Milford, should more than offset the impact of taxation on the returns of the Company (as compared to taking a passive, buy and

hold, investment management approach designed to minimise the possibility of tax on any gain on sale). In addition, as Colville Equities will be paying tax on profits from the sale of investments, the Directors expect to have sufficient imputation credits available over time to declare dividends, with full imputation credits attached, at a rate approaching the dividend yield of the market.

This is only a general summary of potential taxation effects on Colville Equities and to Shareholders. All references to taxation in this Offer Document are of a general nature only, and neither Colville Equities nor any of its Directors, officers, employees or advisers takes responsibility for the taxation liability of an investor in relation to this Offer. Investors should seek their own taxation advice in respect of the Shares and the Options which takes into account their personal circumstances.

#### **REPORTING TO SHAREHOLDERS AND OPTIONHOLDERS**

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Colville Equities is a newly formed company and has an annual balance date of 31 March. The first interim report to be provided to Shareholders and Optionholders will show the performance for the period from allotment of the Shares and Options to 30 September 2004.

In addition to the statutory reporting requirements for all companies, and the reporting requirements of NZX, Colville Equities will provide the following information:

- each Friday, Milford will provide to NZX net asset value per Share calculations, which will be announced to the market through NZX's normal market announcement channels. These net asset value per Share calculations will be on an undiluted and a fully diluted basis; and
- from the Colville Equities website – [www.colville.co.nz](http://www.colville.co.nz), investors will be able to access:
  - the most recently calculated net asset value per Share;
  - the most recently disclosed Portfolio composition, to be provided monthly; and
  - an analysis of issues affecting the Portfolio, from time to time.

# Board of Directors

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**JAMES HAROLD OGDEN**  
– CHAIRMAN  
BCA (HONS) (VICTORIA UNIVERSITY OF WELLINGTON), CA, CFIP

James Ogden provides consulting services to organisations in the public and private sector on mergers and acquisitions and investment strategy, and has a professional

accounting background with extensive experience in investment banking and capital markets.

Mr Ogden currently holds directorships with New Zealand Post Limited, Kiwibank Limited, Powerco Limited, and AgriQuality Limited, and is a Council Member of Victoria University of Wellington and Chairman of the Monitoring Sub-Committee of Wellington City Council.

Before becoming a consultant and director, he had extensive investment banking experience, including six years as Country Manager for Macquarie Bank Limited and five years as a Director of Credit Suisse First Boston. Prior to becoming an investment banker, Mr Ogden worked for eight years in the New Zealand dairy industry.

Mr Ogden is a Chartered Accountant, and a Member of the Institute of Financial Professionals New Zealand Inc. He holds a Bachelor of Commerce and Administration (First Class Honours) in Accounting from Victoria University of Wellington.



**SAMFORD LEE MAIER JR.**  
JD (HARVARD LAW SCHOOL),  
BA (HONS) (YALE UNIVERSITY)

Samford (Sandy) Maier has worked in international commercial and investment banking with Citicorp/Citibank for 15 years in various management positions in the Caribbean,

South America and Australasia. He has lived and worked in New Zealand since 1986, serving on the board of Bank of New Zealand and as the statutory manager of DFC New Zealand, for which he received a 1990 Commemoration Medal for services to New Zealand.

For the past 10 years he has had his own international management consulting firm specialising in strategic, financial and human resource issues. Mr Maier has served as chief executive and board member of a

number of companies, listed and unlisted, in both the public and private sectors, across a wide range of industries. Current directorships include Mighty River Power Limited and Vertex Group Holdings Limited.

He has a Bachelor of Arts (Hons) from Yale University and a Doctorate in Jurisprudence from Harvard Law School.



**BRIAN ARTHUR GAYNOR**  
BCOM (ECON) (NATIONAL UNIVERSITY OF IRELAND)

Brian Gaynor is one of New Zealand's most experienced and well-known investment analysts. His career includes roles as a partner and head of research at stock brokers Jarden & Co, a former

member of NZX, chairman of the New Zealand Society of Investment Analysts and chairman of the Asian Securities Analysts Council.

More recently he has worked as an independent investment analyst and business media columnist. He is a director of The New Zealand Investment Trust plc (listed on the NZSX market and the London Stock Exchange) and was formerly a board member of the Guardians of New Zealand Superannuation.

Mr Gaynor has a Bachelor of Commerce in Economics from the National University of Ireland.

## BOARD COMMITTEES

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The Board will establish two standing committees, the members of which will be Mr Ogden and Mr Maier:

- an Audit Committee which will carry out the normal functions of an audit committee as well as monitor any potential conflicts of interest. The Audit Committee Charter will be posted on Colville Equities' website; and
- a Management Review Committee, which will review the performance of Milford, particularly in relation to the Management Agreement and the Investment Mandate. It will make recommendations to the Board on any proposed changes to the Management Agreement or the Investment Mandate.

Matters relating to nomination and remuneration of Directors will be dealt with by the full Board, after taking independent external advice if appropriate, and recommendations will be made to Shareholders for confirmation where necessary.



# The Manager

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## **MILFORD ASSET MANAGEMENT LIMITED**

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The Manager of Colville Equities, Milford Asset Management Limited, is an investment management company formed by Alan Moore, Graeme Thomas, Neville Todd and non-executive director Richard Somerville. Brian Gaynor has joined more recently as an executive director and shareholder.

Milford's existing business – individual managed accounts – offers full service, independent, client-focused investment management for high net worth individuals and families, charities, foundations and other select institutions. As at 1 May 2004, Milford had \$61 million under management with a further \$46 million committed and awaiting documentation.

Milford commenced business in December 2003 as an independent, employee-owned investment manager. The Milford team is a group of experienced individuals who offer clients the following important characteristics:

- experience;
- integrity;
- total client focus;
- fee transparency; and
- commitment to best practice and quality governance.

Milford's four executive directors all have many years of experience within the financial services sector and have known each other in a professional capacity for much of that time.

## **MILFORD'S INDIVIDUAL MANAGED ACCOUNTS**

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Milford works extensively with its clients to define their wealth management objectives and then implement a portfolio strategy to achieve them. Each of Milford's executives brings many years of experience to the task of advising clients on a wide range of asset allocation and stock selection choices. Because each executive is compensated as a Milford principal – not as a salesperson – each is highly motivated to assist Milford's clients in achieving their investment objectives. Milford's executives conduct regular peer reviews of each client's portfolio to ensure that the client is receiving Milford's best thinking at all times.

## **MILFORD'S APPROACH TO COLVILLE EQUITIES' PORTFOLIO**

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Milford has been appointed by Colville Equities as the Manager for the Portfolio. In addition to providing day to day administration services, the main function under the Management Agreement is to invest the Portfolio on Colville Equities' behalf in a range of shares and other securities with the objective of achieving returns for the Portfolio of at least 3% per annum in excess of the NZSX All Gross Index over time (after allowing for all fees and costs except taxation).

Milford's investment philosophy and the investment process in respect of the Portfolio are set out below.

### **INVESTMENT PHILOSOPHY**

Milford adopts a bottom-up, fundamental research-driven investment approach. This philosophy places a strong emphasis on industry and company analysis, company visits and a long term investment horizon.

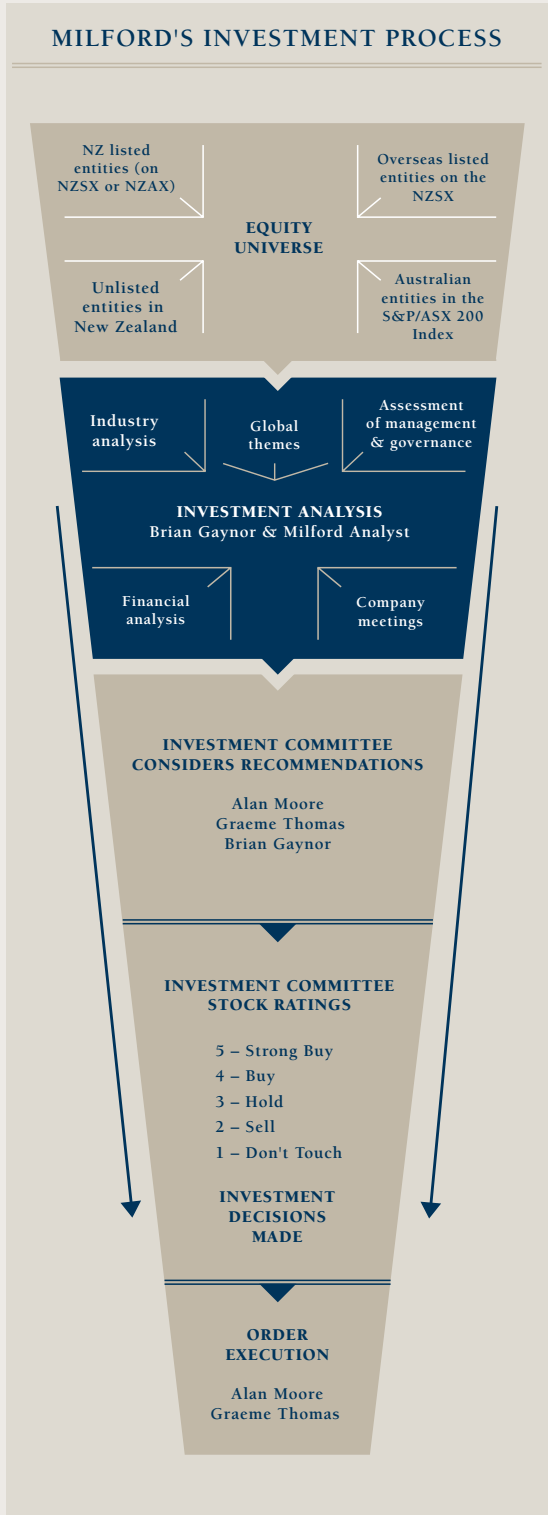
In addition to expected future financial performance, particular importance is placed on the quality of directors and management of a company and its adherence to corporate governance practices acceptable to Milford.

Milford believes in long term investments and is not looking to take advantage of short term market cycles by increasing or decreasing the balance of equities in favour of cash. However, Milford will only invest in entities which it believes meet its criteria, and if insufficient attractive equity investment opportunities exist at any time, the balance of the Portfolio will be held in cash and debt securities.

### **INVESTMENT PROCESS**

Milford's investment process (shown graphically in the diagram on the facing page) is designed to select the most suitable entities for investment from its equity investment universe – approximately 170 New Zealand listed issuers and 60 overseas listed issuers quoted on NZX's markets, unlisted companies in New Zealand that are planning to list within 24 months, and entities in the S&P/ASX 200 Index which have operations in New Zealand and are not already listed on the NZSX market. A number of the NZSX-listed entities will not be considered, including United





Kingdom-based investment trusts and entities which are considered too small or where the integrity and quality of directors and management are not considered to be satisfactory.

This investment process will be conducted by Milford's *Investment Committee*, which will be responsible for determining the composition of the Portfolio. The members of this committee are Brian Gaynor, Alan Moore and Graeme Thomas.

Brian Gaynor will prepare company and industry reports and present these to the Investment Committee. In his previous capacity as an independent investment analyst and media commentator he participated in between 50 and 100 company visits, presentations and meetings each year. His role at Milford is to maintain this level of contact with listed issuers and to identify unlisted entities that are planning to list and have the potential to create substantial shareholder wealth.

The Investment Committee will make all the investment decisions for Colville Equities, and is required to have a quorum of two members for decisions in respect of the Portfolio. All of the committee's decisions in respect of the Portfolio will be recorded and minuted. Alan Moore and Graeme Thomas will be primarily responsible for executing the committee's decisions.

The main objective of the investment process is to identify six types of entity which represent potentially valuable investment propositions:

- well-managed entities that have a strong market position and good growth prospects;
- well-managed entities that have developed a viable growth strategy, particularly offshore;
- entities that have sound businesses but have experienced a temporary downturn in earnings and share price, mainly because they have been poorly governed. Management and shareholder changes are normally the catalysts for a positive change in the performance of these companies;
- well-managed entities which operate in mature industries that are currently mis-priced by the market;

- industry-focused investment companies that have proven skills both in New Zealand and offshore; and
- unlisted entities that are well managed, have good growth prospects and are expected to list within 24 months. There is far greater potential in this area since the launch last November of the new NZAX market, a facility designed for smaller companies.

Each entity will be rated on a scale from 5 (Strong Buy) to 1 (Don't Touch).

The Investment Committee, following recommendations from Brian Gaynor, will determine the ratings. The committee will look to acquire shares of entities rated 5 (Strong Buy) and 4 (Buy), and sell shares in the Portfolio which fall to a rating of 2 (Sell) or lower.

The ratings will be determined by a number of criteria. The main criteria are:

- the quality of directors and management. Particular attention will be placed on the capabilities and integrity of the key personnel. Milford believes that good managers can be successful in a difficult industry whereas poor managers can fail in a buoyant sector;
- organisations that have realistic business models and can achieve sustainable profit growth;
- organisations that have strong balance sheets and strong cash flows that allow them to pay dividends; and
- share prices that are low compared with fundamental value.

#### PORTFOLIO CONSTRUCTION

Milford anticipates that the Portfolio will be relatively concentrated, containing between 10 and 25 shareholdings. All of these will be rated either 5 (Strong Buy), 4 (Buy) or 3 (Hold). Any entity whose rating falls to 2 (Sell) will be removed from the Portfolio at the most opportune time.

#### INVESTMENT MONITORING

The Investment Committee will continuously monitor the performance of the Portfolio to ensure that the Portfolio is meeting its long term performance

objectives. The composition of the Portfolio will be changed as required to achieve this goal, following the principles set out in the investment process described above.

#### INVESTMENT SALES

Milford believes that a decision to sell an investment is equally as important as a decision to buy. Accordingly, the Portfolio will be continually assessed on an objective basis. The decision to sell shares will be a disciplined process, and will not be constrained by any desire to avoid locking in losses or unsatisfactory outcomes. As Colville Equities will be paying tax on realised gains on the sale of investments, no selling decision will be affected by the need to take into account potential tax implications.

#### THE DIRECTORS OF MILFORD

Milford has five directors. Brian Gaynor, Alan Moore, Graeme Thomas and Neville Todd are all executive directors, and will be involved in performing investment services for Colville Equities in accordance with the Management Agreement. Brief details about each executive director, as well as for Richard Somerville who is a non-executive director of Milford, are provided below.



**BRIAN GAYNOR**  
BCOM (ECON)  
(NATIONAL UNIVERSITY OF IRELAND)

Details about Brian Gaynor are set out in the discussion on the Board of Directors of Colville Equities on page 13.



**ALAN MOORE**  
ACIB LONDON, CSAP

Alan Moore is one of New Zealand's most experienced investment managers. In a financial services career of over 35 years he has most recently been an Investment Manager at Guardian Trust Funds Management managing a portfolio on behalf of long standing private clients and trusts – a position he held for six years.

Mr Moore started in New Zealand as the first Investment Manager for the Accident Compensation

Corporation. He then joined Westpac as Investment Manager before becoming managing director of its Investment Management business in New Zealand. In 1988, he became managing director of Barclays Investment Services which later became BZW Investment Management.

Mr Moore is a member of the Chartered Institute of Bankers in London and the Institute of Financial Professionals NZ Inc. He was a founding member of the New Zealand Society of Investment Analysts.



**GRAEME THOMAS**  
BA (CANTERBURY), CFP

Graeme Thomas has had 23 years experience in investment management in New Zealand, starting as an actuarial student. In 1982 he joined Southpac

Investment Management as an investment analyst and had a number of roles including Portfolio Manager and Equities Manager before becoming Chief Investment Officer managing a team of 15 professionals with assets committed to equities, fixed interest and property.

He held subsequent roles as General Manager Financial Services at The National Bank of New Zealand, responsible for Private Banking and Managed Funds Distribution, and as a principal at William M Mercer as an investment consultant. His most recent role was as Head of Advisory Services at ANZ Private Bank in New Zealand.

Mr Thomas has a BA (Mathematics) from the University of Canterbury, is a Certified Financial Planner and a past chairman of the New Zealand Society of Investment Analysts.



**NEVILLE TODD**  
– MANAGING DIRECTOR  
BCOM (OTAGO)

Neville Todd joined Milford Asset Management from a role as Managing Director of Salomon Smith Barney NZ Limited, a subsidiary of Citigroup. He established the New Zealand broking operation in 1994, which provided stock broking and investment banking services to New Zealand institutions and companies. In this role he was responsible for overseeing all facets of the business including company research, sales, administration of trades and ensuring that the business met all the standards of compliance and business governance required by Citigroup globally. Mr Todd's earlier career within the financial services industry was as a private client adviser with Jarden & Co and as an institutional equity adviser with the Warburg group in Auckland and Melbourne and Doyle Paterson Brown in Wellington. Over this period he also advised major global institutions in the UK, US, Australia and Asia on New Zealand equities.

Mr Todd has a Bachelor of Commerce from Otago University and is a past member of NZX.



**RICHARD SOMERVILLE**  
BCOM (OTAGO), CA, ACIS

Richard Somerville is a non-executive director of Milford. He is a qualified Chartered Accountant with experience in the accounting profession, industry, and a 25 year career in investment banking specialising in mergers and acquisitions. He was most recently Chief Executive of Investment Banking for Hambros Australia in Sydney. Previously he was a director of Southpac Corporation in New Zealand, a subsidiary of The National Bank of New Zealand. He is a director of a number of private companies, predominantly in the rural and aquaculture sectors in New Zealand.

# Management Agreement

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The Management Agreement is the agreement which sets out the investment management services and general corporate administrative services to be provided by Milford to Colville Equities. This is an important document, and a “material contract” under securities law, and investors should read the summary of the terms set out below carefully.

Please note that this information is a **summary only** of the terms of the Management Agreement. Investors wishing to inspect the Management Agreement can do so, free of charge, on the Companies Office’s electronic register at [www.companies.govt.nz](http://www.companies.govt.nz), or on Colville Equities’ website at [www.colville.co.nz](http://www.colville.co.nz).

The key terms of the Management Agreement are:

## **APPOINTMENT OF THE MANAGER**

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The Company has appointed Milford on an exclusive basis for an initial term of three years (the “Initial Term”) on the terms and conditions contained in the Management Agreement, with the Management Agreement being conditional on receipt and acceptance of applications for Shares up to the minimum subscription level (of 25,000,000 Shares) under the Offer.

## **DUTIES OF THE MANAGER**

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Milford will provide the *Administrative Services* and *Investment Management Services* set out below, with the objective being to achieve returns for the Portfolio of at least 3% per annum in excess of the NZSX All Gross Index over time (after allowing for all fees and costs except taxation). It is required to act in the best interests of the Company and in accordance with the instructions of the Board, and to provide competent and skilled administrative and funds management services to the Company. In performing these tasks, Milford has a number of authorities and powers to enter into contracts and obligations on behalf of the Company.

## **ADMINISTRATIVE SERVICES**

These are the general administrative, managerial and secretarial services required by Colville Equities to conduct business as a listed company. These services include the preparation of reports, business plans and

budgets, meeting the requirements of NZX, liaising with the Company’s advisers such as legal, accounting and share registry, keeping all records required by law and preparing and filing all tax and other returns required to be filed by the Company.

## **INVESTMENT MANAGEMENT SERVICES**

The Investment Management Services are the investment advisory and management services required by the Company in respect of the Portfolio. Milford has absolute and unfettered discretion to manage the Portfolio, provided Milford complies with the Management Agreement, any directions given by the Board, and, in particular, the Investment Mandate (described below).

Milford must ensure the Portfolio is valued weekly, and must provide this information to the Board. Milford must provide to NZX a statement of the net asset value of the Shares at the end of each week.

## **INVESTMENT MANDATE**

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The Investment Mandate, which may be varied from time to time by agreement between the Board and Milford, sets out the investments that Milford can make on behalf of Colville Equities, including:

- the equity securities of all entities, both New Zealand and overseas registered, listed on any of NZX’s markets (subject to a limit of 15% of the Portfolio in any one listed entity, other than any entity which has a higher weighting in the NZSX All Gross Index, in which case the limit will be this weighting plus 5%);
- equity securities of entities included in the S&P/ASX 200 Index which have business activities in New Zealand, but are not listed on the NZSX market (subject to an aggregate limit of 15% of the Portfolio);
- securities of unlisted entities intending to list on any of NZX’s markets within 24 months (subject to an aggregate limit of 20% of the Portfolio, and a limit of 5% of the Portfolio in any one unlisted company);
- cash investments with organisations that have a Standard & Poor’s rating (or equivalent) of AA- or better;

- debt securities listed on the NZDX market;
- financial derivatives listed on any of NZX's markets, subject to Milford ensuring that:
  - the net exposure to any investment through these derivatives must not exceed the exposure which could be created if all assets were invested in physical securities;
  - the exposure through derivatives matches or closely resembles that which could be gained through physical assets;
  - short positions are substantially matched by long positions (either assets or derivatives); and
  - derivative counterparties have a Standard & Poor's rating (or equivalent) of AA- or better, where the counterparty is not also the issuer or primary obligor;
- underwriting and sub-underwriting commitments, subject to a maximum limit on any single exposure of 20% of the Portfolio.

The investment limits discussed above apply at the time each investment is acquired, based on the Gross Value of the Portfolio. If the performance of an investment after acquisition results in a breach of any limit, or if a change in circumstances causes an unlisted entity to delay listing, the Manager is not required to sell any portion of that investment.

In addition, the Investment Mandate sets out the following underlying strategies:

- active management of the Portfolio;
- fundamental research to support investment decisions;
- ASX-listed investments should have business activities in New Zealand;
- the Portfolio should be concentrated and hold between 10 and 25 entities; and
- emphasis on entities with corporate governance practices considered acceptable by Milford.

Milford may not:

- delegate any discretionary management powers;

- invest in any other investment vehicle managed by Milford; or
- participate in securities lending in regard to the Portfolio.

#### **REMUNERATION**

Milford's remuneration for performing the Administrative Services and the Investment Management Services is a Management Fee of 1% per annum of the Gross Value of the Portfolio, plus GST, calculated weekly and payable monthly in arrears. The Gross Value of the Portfolio will be calculated on the basis of:

- the last sale price for investments which are listed on a securities exchange approved by the Board;
- the lesser of historical cost or Milford's estimate of value for unlisted investments; and
- the face value of cash and money market securities.

For any investments which do not meet these criteria, or for listed investments where Milford considers the last sale price to imply an unrealistically high valuation, the investment will be valued by Milford according to proper, recognised principles of investment valuation. The Gross Value of the Portfolio will be adjusted to take into account, on a mark to market basis, any currency hedges held by Colville Equities.

#### **COSTS AND EXPENSES**

Milford will bear the costs incurred by it in performing the Administrative Services and Investment Management Services, except the following fees, costs and expenses:

- fees payable to securities exchanges or other regulatory bodies;
- fees, costs and expenses associated with the acquisition, sale and receipt of income of any investment (whether the acquisition or sale is completed or not);
- custodial fees;

- outgoings in relation to the Company such as registry fees, shareholder meeting and reporting costs, levies, duties, taxes, and insurance premiums;
- costs of maintaining the Colville Equities website; and
- other expenses which should be borne by the Company as agreed between Colville Equities and Milford.

#### TERMINATION

The Management Agreement can be terminated by the Company at any time on three month's notice in certain circumstances, including:

- persistent non-compliance by Milford with the criteria in the Investment Mandate;
- material breaches by Milford of terms in the Management Agreement;
- a change in control of Milford, or if none of Brian Gaynor, Alan Moore and Graeme Thomas any longer have overall responsibility for the investment decisions in relation to the Portfolio (without the Company's prior consent); or
- fraudulent behaviour by Milford or any of its directors.

Colville Equities can terminate the Management Agreement on or at any time after expiry of the Initial Term by giving six months' notice if either the Board, or the Shareholders by ordinary resolution, resolve that termination is in the best interests of the Company. No termination fee, other than unpaid Management Fees, is payable by the Company.

In addition, the Management Agreement can be terminated at any time by either party in the event of liquidation, statutory management or insolvency of the other party.

#### OTHER TERMS AND CONDITIONS

Milford gives no warranty as to the performance or profitability of Colville Equities or the Portfolio. Milford will have no liability to the Company for any action if it has acted in good faith in accordance with the Board's instructions, or for any loss of value of, or

damage to, the Company or the Portfolio unless this loss of value or damage is caused or contributed to by the negligence, default, fraud, or breach of the Management Agreement on the part of Milford, its officers, employees, advisers or agents.

In addition, Colville Equities indemnifies Milford from all liabilities incurred in connection with Milford performing its role as the Manager, except to the extent these liabilities are caused or contributed to by the negligence, default, fraud, dishonesty, or breach of the Management Agreement or other legal obligations on the part of Milford, its officers, employees, advisers or agents. Milford indemnifies Colville Equities against losses and liabilities incurred by the Company which arise from negligence, misconduct, bad faith, fraud, dishonesty, or breach of the Management Agreement or other legal obligations on the part of Milford, its officers, employees, advisers or agents.

If the Company incurs any liability or loss through the actions of a third party which has contracted with Milford, Milford is obligated to take appropriate steps to recover this liability or loss.

Milford is under obligation to keep Colville Equities' information confidential.

# Financial Information

## **HISTORICAL FINANCIAL INFORMATION**

Colville Equities has not commenced business prior to the Specified Date. As a result, it has no historical financial information available.

The intended accounting policies of Colville Equities are set out below.

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. Description of the Company**

- a) Colville Equities Limited is a company registered under the Companies Act 1993 and will be listed on the NZSX.
- b) The principal business activity of the Company is to invest in entities listed on NZX's markets, as well as a limited amount in unlisted New Zealand companies and large ASX-listed entities with business activities in New Zealand.

### **2. General Accounting Policies**

- a) The financial statements will be prepared on the basis of historical cost, with the exception of certain assets which will be revalued with reference to generally accepted accounting principles as detailed in notes 3(a) to 3(h).
- b) The financial statements will be prepared on the basis that the Company is a going concern.
- c) The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements will be prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

### **3. Particular Accounting Policies**

The following particular accounting policies have a material effect on the measurement of results and financial position:

- a) **Valuation of investments**  
All investments in fixed interest securities will be stated at market value as at balance date. Shares and convertible notes in listed companies will be valued at the last sale price quoted by NZX and overseas stock exchanges as at balance date. For investments held at balance date, unrealised gains and losses for the year will be recognised in the Statement of Financial Performance.
- b) **Gains and losses upon realisation of investments**  
Realised gains and losses disclosed in the

Statement of Financial Performance will represent the difference between the proceeds received upon sale and the cost of investments sold during the year and will exclude unrealised gains and losses previously recognised in the Statement of Financial Performance.

- c) **Liabilities**  
Liabilities will be stated at their estimated amounts payable. Distributions from the Company will be recorded on the 'ex-date'.
- d) **Taxation**  
Taxation will be provided in the Financial Statements based on the estimated taxation payable. Deferred taxation relating to asset revaluation will be calculated using the liability method on a comprehensive basis on market values. Deferred taxation and future income tax benefits will only be recognised where there is virtual certainty of recovery.
- e) **Financial instruments**  
The Portfolio may include off balance sheet financial instruments. These include equity futures, options and forward foreign exchange contracts. Off balance sheet transactions may be undertaken as part of the Company's hedging activities to manage foreign exchange rate and equity price movements. Off balance sheet financial instruments will be marked to market. Both realised and unrealised gains and losses will be recorded in the Statement of Financial Performance.
- f) **Income recognition**  
Income recognised for the period will be dealt with in the Financial Statements of the Company. Dividends and distributions will be accounted for upon securities' and the Company's applicable 'ex-date'. Income on fixed interest securities, including interest on convertible notes and income on short-term investments, will be accrued for on a daily basis.
- g) **Foreign currencies**  
Transactions in foreign currencies will be translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date, foreign monetary assets and liabilities will be translated at the closing rate, and exchange variations arising from these translations will be included in the Statement of Financial Performance.
- h) **Expense recognition**  
Management fees will be accrued on a daily basis.



# Investment Statement Information

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## ANSWERS TO IMPORTANT QUESTIONS

### 1. WHAT SORT OF INVESTMENT IS THIS?

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#### OFFER

Colville Equities Limited, a company incorporated under the Companies Act 1993, is making an offer of 50,000,000 ordinary shares (each a "Share") at a price of \$1.00 per Share. Successful applicants for Shares will be granted transferable options (each an "Option") for no additional consideration, on the basis of one Option for every two Shares allotted. If 50,000,000 Shares are allotted, Shareholders will be granted a total of 25,000,000 Options. Each Option can be exercised on 31 March 2006 to subscribe for one Share at an exercise price of \$1.00 per Share.

Colville Equities will accept oversubscriptions of up to 25,000,000 Shares at \$1.00 per Share (with up to 12,500,000 transferable Options to be granted to subscribers on the basis and terms described above).

There is, at the date of this Offer Document, one existing ordinary share, which is held by Milford Asset Management Limited, and no existing options, on issue.

#### SHARES

Each Share gives the holder the right to:

- attend and vote at a meeting of Colville Equities, including the right to cast one vote per Share on a poll on any resolution including but not limited to a resolution to:
  - appoint or remove a Director or auditor;
  - alter Colville Equities' Constitution;
  - approve a major transaction;
  - approve an amalgamation of Colville Equities under section 221 of the Companies Act 1993; and
  - put Colville Equities into liquidation;
- an equal share in dividends and other distributions (if any) authorised by the Board;

- an equal share in the distribution of surplus assets if Colville Equities is liquidated;
- be sent certain Colville Equities information; and
- all other rights as a shareholder conferred by the Companies Act 1993 and Colville Equities' Constitution.

#### OPTIONS

Each Option entitles the holder to subscribe for one Share in the Company ranking equally with all other Shares on issue at the date of the exercise of the Option, upon payment in full on 31 March 2006 of the exercise price of \$1.00 per Share. If an Option is not exercised on 31 March 2006, it will expire automatically.

An Option does not entitle the holder to:

- vote on any resolution of the Company's Shareholders;
- participate in any dividends or other distributions authorised by the Board; or
- participate in the distribution of surplus assets upon liquidation of the Company.

Each Option does entitle the holder to:

- receive copies of all notices, reports and financial statements issued to Shareholders by the Company (including annual and half yearly reports and notices of meetings); and
- attend, but not vote at, meetings of the Company's Shareholders.

If before the exercise or lapse of an Option:

- Colville Equities makes a pro-rata rights issue to holders of its Shares the Exercise Price will be reduced by the Board according to the formula prescribed by NZX Listing Rule 8.1.7(b) so as to take into account the market price for the Shares and the subscription price of the Shares under the rights issue, and there will be no change in the number of Shares to which the Optionholder is entitled upon exercise of the Option; or
- Colville Equities makes a bonus issue of securities, or subdivides or consolidates its



Shares, the Exercise Price will be adjusted in a fair and equitable manner to take account of the relevant event.

Options may be transferred at any time before expiry on any common form of transfer. Directors have the same powers in respect of registration of transfers of Options as they have in respect of Shares.

#### OTHER TERMS OF THE OFFER

This is a simplified and general description of some of the rights and obligations of Shareholders and Optionholders. All terms of the Offer, the Shares and the Options, except those rights and obligations implied by law, are set out elsewhere in this Offer Document or in the Constitution, which is available for public inspection on the Companies Office electronic register at [www.companies.govt.nz](http://www.companies.govt.nz), or at the registered office of Colville Equities, free of charge, during normal business hours, or on Colville Equities website at [www.colville.co.nz](http://www.colville.co.nz).

#### 2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

The issuer of the Shares and the Options is Colville Equities Limited. Its registered address is Level 8, ASB Bank Tower, 2 Hunter Street, Wellington.

Milford Asset Management Limited, which will be the Manager of Colville Equities, and each of its directors, are the Promoters of the Offer. The contact address of Milford Asset Management Limited and each of its directors is:

Milford Asset Management Limited  
Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington  
Phone: 04 915 9330  
Fax: 04 915 9339

The principal activities of Colville Equities will be investing in shares and other securities with a view to outperforming the NZSX All Gross Index by at least 3% per annum over time after allowing for all fees and costs except taxation. Colville Equities has not carried on business prior to the Offer and it has no subsidiaries.

#### 3. HOW MUCH DO I PAY?

The price for Shares is \$1.00 per Share. The Options will be granted to Shareholders for no additional consideration on the basis of one Option for every two Shares allotted. If Options are exercised, the Exercise Price is \$1.00 per Share. It is not possible to subscribe for Options without subscribing for Shares.

Applications to subscribe for Shares under the Offer must be made on the Application Form contained at the back of this Offer Document, in accordance with the application instructions set out under the heading "How to Complete the Application Form" on page 37.

Applications for Shares must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500). Applications must be accompanied by payment in full in New Zealand dollars for the amount for which application is made, and cheques should be made payable to "Colville Equities IPO", crossed "Not Transferable" and forwarded either to:

Colville Equities Limited  
C/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92-119  
Auckland 1020

to arrive no later than **3.00pm on Friday, 11 June 2004**; or to any Primary Market Participant or any firm employing Certified Financial Planners, or any other channel approved by NZX in sufficient time for the documents to be forwarded to and received by Computershare Investor Services Limited not later than **3.00pm on Friday, 11 June 2004**.

Subscribers for Shares are required to pay the full amount for the Shares allocated to them. **If an applicant fails to make payment in full by Friday, 11 June 2004, then the application for Shares will lapse.**

If an application is being made pursuant to a firm allocation, it must be lodged with the NZX Firm through which the firm allocation was obtained in sufficient time to enable the application to be forwarded to and received by Computershare Investor Services Limited no later than **3.00pm on Friday, 11 June 2004**.

Colville Equities may:

- close the Offer earlier (because the Offer is fully subscribed or for any other reason); or
- extend the Closing Date.

In the event that the Offer is closed early or the Closing Date is extended, Colville Equities will make an announcement to investors through NZX's normal market information channels.

#### **4. WHAT ARE THE CHARGES?**

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Subscribers for the Shares are not required to pay any brokerage or other charges to Colville Equities or any other person on applications for Shares other than the issue price of \$1.00 for each Share allocated to them.

The expenses of the Offer have been estimated at \$1,530,000, based on raising \$75,000,000. Colville Equities will pay all costs and expenses associated with this Offer including legal and other professional fees, the Organising Participant's fee, brokerage fees, issue management and administration expenses and printing and distribution costs, together with all registry fees.

Investors who subsequently buy or sell Shares or Options on the NZSX after allotment to them of Shares and Options may be liable for brokerage costs.

#### **5. WHAT RETURNS WILL I GET?**

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##### **SHARES**

Returns (if any) from Shares will consist of dividends and other distributions and increases in the Share price between acquisition and sale of Shares (after deducting any brokerage and other expenses). The market price of Shares may also decline.

The income and gains of Colville Equities may either be retained by Colville Equities or distributed, in whole or in part, to Shareholders.

##### **OPTIONS**

Returns (if any) from Options will consist of increases in the market price of the Option if the Option is sold (after deducting any brokerage and other expenses), or, if the Option is exercised, returns will consist of dividends and other distributions following the

exercise of the Option and increases in the Share price between the Exercise Price and the sale of Shares (after deducting any brokerage and other expenses).

##### **DIVIDEND POLICY**

The Directors' intentions are to distribute dividends based on the income received from the Portfolio less the fees and costs of running the Company, after allowing for taxation. Realised gains or losses on the sale of investments in the Portfolio may increase or decrease the dividends. The actual dividends paid will be dependent on a variety of factors, including:

- the dividend income received by Colville Equities;
- the extent to which those dividends have imputation credits attached;
- the interest income received by Colville Equities;
- the realised gains or losses on the sale of any investments in the Portfolio; and
- any other income received or costs, including taxation, paid by Colville Equities.

The Board intends to attach imputation credits to dividends to the fullest extent possible.

As Colville Equities has not yet commenced business, none of the initial investment decisions in respect of the Portfolio have been made and it is expected to take some time to fully invest the funds in the Portfolio. As a result, no reliable estimate can be made of the level of dividends which will be paid in respect of the current financial year, which ends on 31 March 2005.

Colville Equities intends to implement a dividend reinvestment plan following listing which will allow Shareholders to reinvest dividends in new ordinary shares in the Company.

##### **RETURNS**

The key features that will determine Shareholder returns are:

- market prices for Shares and Options and demand for them;
- the Board's policy and decisions in relation to profit distributions and reserves; and
- applicable taxes.

Nothing contained in this Offer Document should be construed as a promise of profitability, and Colville Equities can give no assurance about the level of dividends (if any) which will be paid or the level of imputation credits which will be attached to those dividends. These levels will depend on a number of factors, including those in the section entitled “What are my risks?” below, which could reduce or eliminate the dividends or other returns intended to be derived from holding the Shares or Options.

New Zealand taxes may affect the returns to investors. Dividends will be subject to New Zealand withholding and final taxes, but an investor’s liability in respect of such taxes may be reduced or satisfied to the extent that dividends have imputation credits attached. Wherever possible, dividends paid by Colville Equities will have the maximum allowable imputation credits attached. In addition, in some cases gains to investors on the sale of their Shares and Options may be taxable.

The above comments and the descriptions referred to are of a general nature only. Persons considering the purchase, ownership or disposition of Shares and Options should consult their own tax advisers concerning the tax consequences of owning Shares and Options, in light of their particular situation.

Colville Equities is the person who will be legally liable to pay any distributions on the Shares. If you sell any of your Shares or Options, the purchaser of those Shares or Options will be the person who will be legally liable to pay you the purchase price of those Shares or Options.

Neither Colville Equities, nor any other person, guarantees or promises the return of capital or any amount of returns in relation to the Offer, the Shares or the Options. The dates on which and frequency with which any returns on the Shares will be paid are unknown.

## 6. WHAT ARE MY RISKS?

### GENERAL RISKS

The principal risks to you as an investor in Shares and Options are that you may not be able to recover your

original investment or that you may not receive the returns you expect. This could happen for a number of reasons, including if:

- the price at which you are able to sell your Shares and Options is less than the price you paid for the Shares due to market volatility or any other reason;
- you are unable to sell your Shares or Options;
- Colville Equities becomes insolvent, or is otherwise unable to pay distributions; or
- Colville Equities is liquidated, your return on liquidation may be less than the amount originally invested by you in the Shares.

There is no guarantee that you will receive the returns described in the section “What returns will I get?”

You will not be liable, in the event of an insolvency of Colville Equities, to pay to any person any money as a result of the insolvency.

If Colville Equities is placed in liquidation, the residual value of its assets may not be sufficient for Shareholders to recover the full value of their investment. Options will cease to be exercisable on liquidation and Optionholders will not be entitled to any part of the proceeds of liquidation.

### SPECIFIC RISKS

In addition to the general risks described above, the returns to you as an investor in Shares and Options are subject to the following risk factors which may affect the results and profitability of Colville Equities.

#### **Colville Equities’ performance depends on the investment decisions of the Manager.**

The Manager will invest the funds raised in the Offer in a variety of securities, derivatives or interest bearing investments in accordance with the Investment Mandate. There can be no assurance that these investment decisions will result in dividend streams or increases in value over time. The market value of the investments made by Colville Equities can fall as well as rise.

There are a number of other risks to an investment in Shares and Options in regard to the Manager, including:

- the past performance of funds managed by persons associated with the Manager is not necessarily a guide to future performance of Colville Equities;
- there can be no guarantee that the Manager will be able to continue to retain the services of all the personnel responsible for management of Colville Equities and the Portfolio, or that suitable replacement personnel would be able to be retained should this become necessary;
- the ongoing management of Colville Equities and the Portfolio by the Manager is dependent on the continued solvency of the Manager;
- as the Manager will not be basing the composition of the Portfolio on the composition of any index, the returns of Colville Equities may differ significantly from the returns of the indices that NZX calculates; and
- the Manager may have competing investment mandates (for instance, for its individual managed accounts clients) from time to time, and Colville Equities will not receive any preferential treatment in such instances. Milford has undertaken to use its best endeavours to treat Colville Equities and its other clients equally in those instances, making a pro-rata allocation of investment opportunities based on the size of the Portfolio relative to the size of the other clients' investment portfolios managed by Milford.

Under certain circumstances (and in any event at any time after 3 years) the Board may replace the Manager, and there can be no guarantee of better performance of Colville Equities under any replacement manager of the Portfolio.

**A portion of the income streams and change in market value of the Portfolio will be subject to the underlying risk of the entities in which Colville Equities invests.**

The future earnings of Colville Equities and the value of its investments may be affected by a variety of factors beyond the control of the Company and the Manager, which have an impact on the entities in the

Portfolio in which Colville Equities invests. The general risk factors which could affect the dividend stream from, and market value of, the investments in the Portfolio include:

- the general economic climate in New Zealand and Australia;
- commodity prices;
- currency movements;
- interest rates;
- changing government policy, including regulation and taxation; and
- industry specific risks.

**A portion of the dividend streams and change in market value of the Portfolio may be subject to currency movements.**

The Investment Mandate allows for up to 15% of the Portfolio to be invested in entities included in the S&P/ASX 200 Index which are not listed on the NZSX market. The dividend streams and change in market value of any investments in these entities will be subject to the risk of changes in the exchange rate between the New Zealand dollar and the Australian dollar. This risk may be mitigated to the extent that Colville Equities hedges this exposure.

**A portion of the income stream and change in value of the Portfolio may be subject to variations in interest rates.**

The Investment Mandate allows for funds in the Portfolio to be invested in interest bearing securities and cash (or cash equivalents). The income streams and change in value of these investments will be subject to changes in prevailing interest rates – both short and long term.

If Colville Equities has borrowings as permitted under the Investment Mandate, there is a risk that the returns from the Portfolio may be negatively affected by adverse changes in interest rates. This risk may be mitigated to the extent that Colville Equities simultaneously invests in interest bearing securities. Furthermore, the fixed nature of debt servicing obligations means that any borrowings by Colville Equities will raise the risk profile of the Portfolio.

**A portion of the Portfolio may be invested in derivatives, which can be a volatile class of investment.**

Derivatives are leveraged instruments offering an exposure to an underlying asset. As a small price movement in the underlying asset could have a large impact on their value, they should be considered more volatile than other types of investment, and thus more risky. The Investment Mandate places restrictions on the types of derivative which Colville Equities can hold and the amount which may be invested in them. Furthermore, the Investment Mandate requires the Manager to invest in derivatives offering exposures which match or closely resemble those which can be created by physical assets, and also that any short derivative positions must be substantially matched through long positions.

**A portion of the Portfolio may be invested in smaller entities and unlisted entities.**

The Investment Mandate permits the Manager to invest in a wide range of entities, including smaller entities and unlisted entities. Compared to larger listed entities, it may be more difficult to sell investments in smaller entities and unlisted entities, should a sale become desirable, and in these circumstances there may be a negative affect on the sale price, and thus on the returns of Colville Equities.

**Changes in legislation and Government policies, in particular taxation, could affect the returns on Shares and Options.**

In addition to the potential effects from changes in legislation to the returns and market value of companies in the Portfolio described above, there is a risk that changes in legislation which directly affect investment companies such as Colville Equities will have a material adverse effect on the returns from, and market value of, an investment in Colville Equities. In particular, there is a risk that changes to the taxation regime may make an investment in Shares and Options less tax efficient than an investment in alternative investment vehicles. This risk will depend on the individual tax position of each investor.

**The Offer costs and operational costs of Colville Equities as a proportion of total assets will depend on the amount raised under the Offer.**

Both the costs of the Offer and the ongoing operational costs of Colville Equities as a proportion of total assets will be affected by the level of total assets of Colville Equities and by the level of acceptance under the Offer. If Colville Equities only achieves the minimum subscription level under the Offer:

- greater Offer costs as a proportion of funds raised may reduce the funds (on a per Share basis) available for investment in the Portfolio; and
- operational costs will represent a greater proportion of total assets and may reduce the operating results of the Company and accordingly the ability to make dividend payments.

**The size of the Portfolio will affect the risk profile of the Portfolio.**

Colville Equities may not be able to diversify its investments and thus manage its risks as efficiently if it achieves only the minimum subscription level under the Offer as it would if it secures a greater level of acceptance. However, the risk of loss of investments included in the Portfolio will not necessarily be reduced if the level of acceptance under the Issue exceeds the minimum subscription level. Effective risk management depends on a range of factors, including diversification of investments and other factors.

**It may take some time for the Portfolio to be fully invested.**

Milford will build the Portfolio on Colville Equities' behalf over a prudent timeframe, as suitable investments are identified and taking into account market conditions and liquidity, and the Portfolio may not be fully invested until the December 2004 quarter. As the Portfolio will be less diversified over this period, there is a risk that its performance will be more volatile. There is also a risk that it will take significantly longer to fully invest the Portfolio, and that this may negatively affect the returns of Colville Equities. As it may take some time to invest the Portfolio fully, and gains from the sale of investments may not be realised in the first one to two years of

operation, there is a risk that there may not be sufficient imputation credits available during this time to fully impute any dividends declared by Colville Equities.

**The Shares may trade at a discount to their net asset value.**

The price for the Shares on the NZSX market following allotment will be determined by investor demand for them, and there is a risk that the market price prevailing from time to time may be less than the net asset value of the Shares. Moreover, in this instance there is a risk that a takeover offer may be made for Colville Equities and, if the 90% threshold for compulsory acquisition under the Takeovers Code is reached, you may be required to sell your Shares for less than the net asset value.

To mitigate the risk of the Shares trading at less than their net asset value, Colville Equities may conduct an on-market buyback of Shares.

**The Shares and Options have not been publicly traded before the Offer, and an active or liquid market may not develop.**

As Shares and Options have not yet been issued, there has previously been no public market for them, which means there is uncertainty about their future market prices. There can be no assurance that a significant public market will develop for the Shares or Options, or be sustained after the Offer, or that the Shares or Options will trade in the public market subsequent to the Offer at or above the price paid by investors.

**Future sales of substantial numbers of Shares or Options could adversely affect market price.**

Future sales of substantial numbers of Shares in the market following the Offer could adversely affect market prices prevailing from time to time. The same risk applies with respect to Options.

**If Options are not exercised on the Exercise Date, Optionholders may suffer a loss of value.**

If an Optionholder does not exercise their Options on 31 March 2006, and the prevailing Share price is in excess of the Exercise Price, the Optionholder may suffer a loss in the value of their investment. Notice will be given to Optionholders prior to 31 March 2006 reminding them of their right to exercise the Options.

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**7. CAN THE INVESTMENT BE ALTERED?**

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Neither Colville Equities, nor an investor, nor any other person has the right to alter the amount payable under the Offer by an investor for Shares, as described in the paragraph headed "How much do I pay?" on page 23.

The rights attaching to Shares and Options, once issued, are governed by the Constitution of the Company, the terms of the Options, and the Companies Act 1993. The Constitution may only be altered by a special resolution of Shareholders, subject to the rights of interest groups under the Companies Act 1993, or in certain circumstances by Court order. Section 117 of the Companies Act 1993 restricts Colville Equities from taking any action which affects the rights attached to Shares unless that action has been approved by a special resolution of the Shareholders whose rights are affected by the action. Under certain circumstances, a Shareholder whose rights are affected by a special resolution may require Colville Equities to purchase its Shares.

The rights attaching to each Option may only be altered by agreement with the holder or by Court order.

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**8. HOW DO I CASH IN MY INVESTMENT?**

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Application has been made to NZX for permission to list the Shares and the Options, and all the requirements of NZX that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

An investor is free to sell the Shares or Options they hold, although at the date of registration of this Offer Document, as no Shares or Options have been issued, there is no established market for them. However, Colville Equities is of the opinion that a ready market will develop for both Shares and Options. Any sales of Shares or Options through an NZX Advisor will attract normal brokerage fees.

Applicants should not attempt to sell Shares or Options until they know whether, and, if so, how many, Shares and Options have been allocated to them. Neither Colville Equities, nor any other person associated with the Offer, nor any of their respective officers or employees, accepts any liability or

responsibility should any person attempt to sell or otherwise deal with Shares or Options before confirmation of allotment of Shares and Options to them is received.

**9. WHO DO I CONTACT WITH  
ENQUIRIES ABOUT MY INVESTMENT?**

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Enquiries about the investment may be made to either:

Milford Asset Management Limited  
Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington

Phone: 04 915 9330  
Fax: 04 915 9339

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92-119  
Auckland 1020

Phone: 09 488 8777  
Fax: 09 488 8787

**10. IS THERE ANYONE TO WHOM I CAN COMPLAIN  
IF I HAVE PROBLEMS WITH THE INVESTMENT?**

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A complaint about your investment may be made to:

Milford Asset Management Limited  
Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington

Phone: 04 915 9330  
Fax: 04 915 9339

There is no ombudsman to whom complaints can be made about this investment.

**11. WHAT OTHER INFORMATION CAN I OBTAIN  
ABOUT THIS INVESTMENT?**

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Other information about Colville Equities, the Shares and the Options is contained or referred to elsewhere in this Offer Document.

As Colville Equities had not commenced business prior to the Offer, no financial statements are available at the date of this Offer Document.

This Offer Document, and other documents of, or relating to, Colville Equities are filed on a public register at the office of the Registrar of Companies, Ministry of Economic Development and are available for public inspection on the Companies Office's electronic register at [www.companies.govt.nz](http://www.companies.govt.nz).

Colville Equities is required to send its annual report and interim report (including financial statements in both cases) to each Shareholder and Optionholder (other than those who request to the contrary) in accordance with the requirements of the Companies Act 1993 and the NZX Listing Rules.

Colville Equities will, upon request by any holder of Shares or Options, provide free of charge to that holder a copy of the most recent annual report (if any) of Colville Equities, the most recent financial statements of Colville Equities and the most recent prospectus and investment statement relating to shares in Colville Equities.

A request for those documents should be made to Colville Equities at:

Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington

Phone: 04 915 9330  
Fax: 04 915 9339

All this information will also be published by Colville Equities on its website, [www.colville.co.nz](http://www.colville.co.nz).



# Statutory Information

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This statutory information is provided in accordance with the First Schedule to the Regulations.

## **1. MAIN TERMS OF THE OFFER**

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The issuer of the Shares and Options is Colville Equities Limited, which has its registered office at Level 8, ASB Bank Tower, 2 Hunter Street, Wellington.

Colville Equities is making an offer of 50,000,000 Shares at \$1.00 per Share. Successful applicants for Shares will be granted transferable Options for no additional consideration, on the basis of one Option for every two Shares allotted. If 50,000,000 Shares are allotted, Shareholders will be granted a total of 25,000,000 Options. Each Option can be exercised on 31 March 2006 to subscribe for one Share at an Exercise Price of \$1.00 per Share.

Colville Equities will accept oversubscriptions of up to 25,000,000 Shares at \$1.00 per Share (with up to 12,500,000 transferable Options to be granted to subscribers on the basis and terms described above).

The maximum number of Shares being offered in this Offer Document is 75,000,000 and, if 75,000,000 Shares are allotted, Colville Equities will grant 37,500,000 Options to the subscribers for the Shares.

## **2. DETAILS OF INCORPORATION OF ISSUER**

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Colville Equities Limited was incorporated and registered in New Zealand on 23 March 2004 under the Companies Act 1993. Its registered number is 1487548. There is no place in New Zealand where a public file relating to Colville Equities is kept. The public register relating to Colville Equities is available for public inspection on the Companies Office electronic register at [www.companies.govt.nz](http://www.companies.govt.nz).

## **3. DIRECTORATE AND ADVISERS**

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The names of Directors, and their technical or professional qualifications (if any) are set out on page 13 of this Offer Document. The address in New Zealand at which each of the Directors may be contacted is the address of Colville Equities' registered office, which is set out in the Directory inside the back cover. The city in which the principal residence of Mr Ogden is situated is Wellington. The city in which the principal residence of Mr Gaynor and Mr Maier is situated is Auckland. No Director is an executive director of Colville Equities and no Director has been adjudged bankrupt during the five years preceding the Specified Date.

The names of the auditors, share registrar, Organising Participant, and solicitors who have been involved in the preparation of this Offer Document are set out inside the back cover of this Offer Document.

## **4. RESTRICTIONS ON DIRECTORS' POWERS**

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The following modifications, exceptions or limitations on the powers of the Board of Colville Equities, all of which are common to companies generally, are imposed by the Companies Act 1993 or the Constitution:

- the Board may not delegate the powers conferred on it by the sections of the Companies Act 1993 listed in the Second Schedule to the Companies Act 1993;
- the Board may not authorise a dividend in respect of some but not all shares in a class or that is of a greater value per share in respect of other shares of that class, otherwise than in proportion to the amount paid on the shares in satisfaction of the shareholder's liability, except where the shareholder has waived their entitlement;
- the Directors may not authorise entry into a "major transaction" unless the transaction is approved by, or contingent on approval by, a special resolution. A "major transaction" is essentially a transaction, the value of which exceeds half the value of the Company's assets before the transaction;
- the Company may not take any action that affects the rights attached to any shares unless the action has been approved by special resolution of each interest group affected;
- the Company may not buy back or redeem any of its equity securities, or give financial assistance in connection with the acquisition of any of its equity securities, except as permitted by the Companies Act 1993 and the Constitution; and
- the modifications, exceptions or limitations that are required to be imposed on listed companies under the NZX Listing Rules.

## **5. SUBSTANTIAL EQUITY SECURITY HOLDERS OF THE ISSUER**

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The sole Shareholder of Colville Equities is Milford Asset Management Limited, which holds one Share. Milford Asset Management Limited does not undertake any liability in respect of, or guarantee, the Shares or Options being offered in this Offer Document.



## **6. DESCRIPTION OF ACTIVITIES OF THE ISSUER**

Colville Equities has no subsidiaries and accordingly is the only member of the issuing group (as defined in the Regulations). At the Specified Date, Colville Equities has not commenced business and has not acquired any material fixed assets.

## **7. SUMMARY OF FINANCIAL STATEMENTS**

As Colville Equities has not commenced business at the Specified Date, no financial statements for the Company have been prepared.

## **8. PROSPECTS AND FORECASTS**

A statement as to the trading prospects of Colville Equities, together with any material information that may be relevant to those prospects, is set out in the section of this Offer Document entitled "Colville Equities Limited" on pages 10 to 12. Any special trade factors and risks which could materially affect the prospects of Colville Equities and which are not likely to be known or anticipated by the general public are set out under the heading "What are my risks?" on pages 25 to 28.

The Offer is not intended to provide finance for any particular capital project. The proceeds of the Offer are to be used to acquire investments for the purposes described elsewhere in this Offer Document.

## **9. PROVISIONS RELATING TO INITIAL FLOTATIONS**

The plans of the Directors in respect of Colville Equities during the year commencing on the Specified Date are set out in detail in the section of this Offer Document entitled "Colville Equities Limited" on pages 10 to 12. The sources of finance that will be used for these plans are the funds raised under the Offer and funds generated from operations. Notwithstanding these plans, the proceeds of the Offer may be applied towards any other undertaking in which the Company may lawfully engage.

The Securities Act (Colville Equities Limited) Exemption Notice 2004 exempts Colville Equities and every person acting on its behalf (subject to compliance with certain conditions) from providing a prospective statement of cash flows in this Offer Document as required by clause 10(1)(c) of the First Schedule to the Regulations.

The reason why this exemption was sought is that as Colville Equities has not yet commenced business, it has not yet decided which entities it will initially invest in, or the timing of those investments. The income of the Company will thus be dependent on the dividends it receives from entities in which it has yet

to invest and on gains from the future sale (where appropriate) of investments which it has yet to acquire.

As it is very difficult for the Company to predict the income it is likely to receive from either of these sources during the next 12 months, a prospective statement of cash flows would, in the opinion of the Directors, be unhelpful and potentially misleading to prospective investors.

Because of the difficulty of estimating future cash flows, investors should regard an investment in Colville Equities as high risk.

The minimum amount that in the opinion of the Directors must be raised in the Offer in order to provide for the matters specified in clause 10(4) of the First Schedule to the Regulations is \$25,000,000.

## **10. SECURITIES PAID UP OTHERWISE THAN IN CASH**

The one existing share in Colville Equities was issued upon incorporation to Milford Asset Management Limited for no consideration.

## **11. OPTIONS TO SUBSCRIBE FOR SECURITIES OF COLVILLE EQUITIES**

Up to 37,500,000 Options will be granted for no additional consideration to Shareholders on the basis of one Option for every two Shares allotted.

Each Option entitles the holder to subscribe for one Share in the Company ranking equally with all other Shares on issue at the date of exercise of the Option, upon payment in full on the Exercise Date of the Exercise Price of \$1.00 per Share. If an Option is not exercised on 31 March 2006, it will expire automatically.

Further information on the rights attaching to Options can be found in the section "What sort of investment is this?" on pages 22 and 23.

## **12. APPOINTMENT AND RETIREMENT OF DIRECTORS**

No Director has been appointed to the Board in a manner that is materially different from that specified in sections 153 and 155 of the Companies Act 1993. No person (other than Shareholders by ordinary resolution or the Directors acting to fill a casual vacancy) has the right to appoint a Director or Directors.

## **13. DIRECTORS' INTERESTS**

No Director is entitled to remuneration from the Company other than by way of directors' fees and reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising their powers.

The combined directors' fees will be \$95,000. Brian Gaynor will receive no remuneration by way of director's fees from Colville Equities in his role as a Director of the Company. Brian Gaynor is a shareholder, director and employee of the Manager, and will receive benefits as a result of the fees paid by Colville Equities to the Manager pursuant to the Management Agreement.

The Company has granted each of the Directors an indemnity, and agreed to maintain directors' and officers' liability insurance for their benefit, to the maximum extent permitted by the Companies Act 1993, and has also granted them certain rights of access to records. These deeds of indemnity constitute material contracts and are referred to under "Material contracts" below.

The Constitution provides that Colville Equities may not make any payment to a Director, or to his or her dependants, upon or in connection with the retirement or cessation of office of that Director unless the amount of the payment, or the method of calculation of the amount, is authorised by an ordinary resolution of Shareholders.

#### **14. PROMOTERS' INTERESTS**

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The Promoter of the Offer is the Manager, Milford Asset Management Limited, and its directors, Brian Gaynor, Alan Moore, Richard Somerville, Graeme Thomas and Neville Todd. No material transaction (as that term is defined in the Regulations) has been entered into, or is to be entered into, by the Company with the Promoter. The Company has a management agreement with Milford Asset Management Limited which is one of the material contracts described in section 15 of this Statutory Information.

#### **15. MATERIAL CONTRACTS**

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The Company has entered into the following material contracts (not being contracts entered into in the ordinary course of business) in the two years preceding the Specified Date:

- the Management Agreement with Milford Asset Management Limited dated 4 May 2004, details of which are set out in the section "Management Agreement" on pages 18 to 20; and
- separate deeds, each dated 4 May 2004, in favour of each Director, granting rights of indemnity, insurance and access to the maximum extent permitted by law and the Company's Constitution.

#### **16. ISSUE EXPENSES**

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Issue expenses (including brokerage fees, share registry expenses, legal fees, investment advisory fees, accounting fees, roadshow costs, printing costs and

postage relating to this Offer) are estimated to amount to \$1,530,000 based on raising \$75,000,000. Details of the brokerage fees payable by the Company are set out in the section "Brokerage" on page 9.

#### **17. OTHER TERMS OF OFFER AND SECURITIES**

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All the terms of the Offer, and all the terms of the Shares and the Options being offered, are set out in this Offer Document, other than those implied by law or set out in a document which is registered with a public official, referred to in this Offer Document, and available for public inspection.

#### **18. FINANCIAL STATEMENTS**

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As Colville Equities has not commenced business at the Specified Date no financial statements have yet been prepared.

#### **19. PLACES OF INSPECTION OF DOCUMENTS**

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The Constitution and the material contracts referred to in section 15 of this Statutory Information are available for public inspection, free of charge, either on the Companies Office electronic register at [www.companies.govt.nz](http://www.companies.govt.nz), or at the registered office of Colville Equities specified in this "Statutory Information" section during normal office hours, or on Colville Equities' website at [www.colville.co.nz](http://www.colville.co.nz).

#### **20. OTHER MATERIAL MATTERS**

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Colville Equities has obtained a waiver from NZX from Listing Rule 7.1.10 to allow references to lodging applications for Shares to exclude the Organising Participant and to include firms employing Certified Financial Planners. NZX has approved firms employing Certified Financial Planners as a channel for lodging applications.

NZX has approved Cimino Partners Limited as a Distribution and Underwriting Sponsor under the NZX Participant Rules, subject to a number of conditions, for the purposes of conducting the role of Organising Participant in the Offer. Cimino Partners Limited is not underwriting the Offer.

There are no other material matters relating to the Offer other than the matters set out elsewhere in this Offer Document.

#### **21. DIRECTORS' STATEMENT**

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As Colville Equities has not commenced business, and no financial statements have yet been prepared, no Directors' statement in accordance with clause 41 of the First Schedule to the Regulations is required.

## 22. STATUTORY INDEX REQUIRED BY THE REGULATIONS

For the purposes of clause 5(6) of the Regulations, matters required to be disclosed in this Offer Document in accordance with the First Schedule of the Regulations are contained on the pages indicated in the index below. The requirements marked “not applicable” do not apply to Colville Equities.

Clause	Title	Page(s)
1	Main terms of offer	30
2	Name and address of offeror	not applicable
3	Details of incorporation of the Company	30
4	Principal subsidiaries of the Company	not applicable
5	Directorate and advisers	13, 30, and inside the back cover
5A	Restrictions on director's powers	30
6	Substantial equity security holders of the Company	30 and 31
7	Description of activities of issuing group	31
8	Summary of financial statements	31
9	Prospects and forecasts	10 to 12, 25 to 28, and 31
10	Provisions relating to initial flotations	10 to 12, and 31
11	Acquisition of business or subsidiary	not applicable
12	Securities paid up otherwise than in cash	31
13	Options to subscribe for securities of issuing group	22 and 23, and 31
14	Appointment and retirement of directors	31
15	Directors' interests	31 and 32
16	Promoters' interests	32
17	Material contracts	18 to 20, and 32
18	Pending proceedings	not applicable
19	Preliminary and issue expenses	9 and 32
20	Restrictions on issuing group	not applicable
21	Other terms of offer and securities	32
22 – 38	Financial statements	not applicable
39	Places of inspection of documents	32
40	Other material matters	32
41	Directors' statement	32
42	Auditor's report	not applicable

**SIGNATURES**

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This Offer Document has been signed by each of the Directors and each of the Promoters (or by their authorised agents).

**SIGNED BY THE DIRECTORS OF COLVILLE EQUITIES LIMITED:**



Brian Arthur Gaynor



Samford Lee Maier, by his authorised agent



James Harold Ogden

**SIGNED BY MILFORD ASSET MANAGEMENT LIMITED AS A PROMOTER:**



Director



Director

**SIGNED BY THE DIRECTORS OF MILFORD ASSET MANAGEMENT LIMITED AS PROMOTERS:**



Brian Arthur Gaynor



Alan George Moore



Richard John Somerville, by his authorised agent



Graeme Richard Thomas



Neville Owen Todd

# Glossary

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Act	means the Securities Act 1978;
ASX	means Australian Stock Exchange Limited;
Board	means the board of Directors of Colville Equities;
Certified Financial Planner	means a financial planner who holds a licence to use the CFP and Certified Financial Planner marks in New Zealand, and who is a member of the Financial Planners & Insurance Advisers Association;
Colville Equities	means Colville Equities Limited;
Company	means Colville Equities Limited;
Constitution	means the constitution of Colville Equities;
Director	means a director of Colville Equities;
Exercise Date	means the date on which an Option can be exercised, being 31 March 2006;
Exercise Price	means the price of \$1.00 payable for a Share upon exercise of an Option;
Gross Value of the Portfolio	means the value of the Portfolio calculated as described on page 19;
Investment Mandate	means the investment strategies and criteria to be adopted by Milford in respect of the Portfolio, which are summarised on pages 18 and 19;
Management Agreement	means the agreement between the Manager and the Company for the provision by the Manager to the Company of administrative and investment management services, which is summarised on pages 18 to 20;
Management Fee	means the fee payable to the Manager for the services detailed in the Management Agreement;
Manager	means Milford Asset Management Limited;
Milford	means Milford Asset Management Limited;
NZAX	means the NZX alternative equity market;
NZDX	means the NZX debt market;
NZSX	means the NZX main equities market;
NZSX All Gross Index	means the index calculated by NZX which comprises all domestic

	equity securities listed on the NZSX market, weighted by their free float market capitalisation;
NZX	means New Zealand Exchange Limited and all preceding entities;
NZX Firm	means an entity approved as such by NZX under the NZX Participant Rules;
NZX Listing Rules	means the listing rules of NZX;
Offer	means the combined offer of Shares and transferable Options under this Offer Document;
Offer Document	means this combined prospectus and investment statement;
Option	means an option issued by the Company pursuant to this Offer Document to subscribe for a Share;
Optionholder	means a holder of Options;
Organising Participant	means Cimino Partners Limited;
Portfolio	means the portfolio of investments of Colville Equities from time to time;
Primary Market Participant	means an entity approved as such by NZX under the NZX Participant Rules;
Promoter	means Milford Asset Management Limited and its directors;
Regulations	means the Securities Regulations 1983;
Share	means an ordinary share in Colville Equities;
Shareholder	means a holder of Shares;
Specified Date	means the date this Offer Document is delivered to the Registrar of Companies for registration under section 42 of the Act.

# How to complete the Application Form

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## HOW TO APPLY

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You should read this Offer Document carefully before completing the Application Form. This section should be read in conjunction with the sections “Firm allocations”, “Public Pool” and “How to apply for Shares and Options” on pages 8 and 9.

## COMPLETING THE APPLICATION FORM

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Please complete all relevant sections of the Application Form using CAPITAL BLOCK LETTERS.

1. Applicant(s) details (The section numbers shown below correspond to the relevant section of the Application Form included in this Offer Document)
  - 1) Enter your FULL NAME. You should refer to the table on the back of the Application Form, under the heading “Correct form of registrable names” for the correct form of name that can be registered. Applications using the wrong form of name may be rejected for that reason.
  - 2) Enter your ADDRESS for all correspondence. All communications to you from Colville Equities (statements of shareholding, dividend cheques, periodic reports, correspondence, etc) will be mailed to the person(s) at the address as shown. For joint applicants, only one address is to be entered and correspondence will be sent to the first named person at that address. Up to three applicants may apply jointly.
  - 3) Please let us know your TELEPHONE NUMBER(S) and contact name in case we need to contact you in relation to your application.
  - 4) Insert the NUMBER of shares and the DOLLAR AMOUNT of Shares for which you wish to apply. The application must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500).
  - 5) If you wish any dividends to be credited directly to an account with your bank, ensure that appropriate details are entered. If Computershare Investor Services Limited already has these details, you do not need to provide them again.
  - 6) Please enter your IRD NUMBER. Colville Equities is required by law to hold it. For joint applicants, please fill in the IRD number to be used. Your application may be rejected if your IRD number is not entered. Indicate by ticking the appropriate box whether or not you hold a Resident Withholding Tax Exemption Certificate. If you hold a certificate, please enclose a copy with the Application Form. Colville Equities will not be obliged to deduct Resident Withholding Tax on dividends if it has seen the relevant certificate.
  - 7) If you currently have a Common Shareholder Number (CSN), please enter it.
  - 8) Read the declaration carefully and SIGN the Application Form. It must be signed by the applicant(s) personally and all joint applicants must sign. Companies or other bodies corporate must sign in the same way as they would sign a formal deed. Applications may, in either case, be executed by an attorney. If your Application Form is signed by an attorney, a copy of the power of attorney document must be lodged for noting, unless it has already been noted by Computershare Investor Services Limited. The attorney must complete the certificate of non-revocation at the bottom of the Application Form.

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#### **PAYMENT**

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Payment must accompany each Application Form. Payment must be made by a cheque drawn on a New Zealand bank, in New Zealand dollars, for immediate value. Post-dated cheques will not be accepted.

Make the cheque payable to “Colville Equities IPO” and cross it “Not Transferable”.

Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected or your allocation being cancelled. Staple your cheque to the Application Form.

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#### **MINIMUM APPLICATIONS**

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Applications must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500).

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#### **CLOSING DATE**

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Applications must be **received** by Computershare Investor Services Limited no later than 3.00pm New Zealand time on Friday, 11 June 2004 unless this date is varied by Colville Equities. Colville Equities has the right to close the Offer earlier or extend the offer period.

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#### **DELIVERY**

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Applications cannot be revoked or withdrawn.

Application Forms must be mailed or delivered (with payment) to “Colville Equities Limited” c/- Computershare Investor Services Limited (see address on page 8 or inside the back cover) in time to arrive on or before 3.00 pm on Friday, 11 June 2004.

You may also lodge your application with any Primary Market Participant or any firm employing Certified Financial Planners, or any other channel approved by NZX but must deliver it in time to enable the application to be forwarded to and received by Computershare Investor Services Limited before 3.00 pm on Friday, 11 June 2004.

If your application is being made pursuant to a firm allocation, it must be lodged with the NZX Firm through which the firm allocation was obtained in sufficient time to enable the application to be forwarded to and received by Computershare Investor Services Limited no later than 3.00pm on Friday, 11 June 2004.





## APPLICATION TERMS

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1. By signing the Application Form, the applicant(s) acknowledge(s) that this form was distributed with the Prospectus and Investment Statement dated 5 May 2004 and the applicant(s) offer(s) to subscribe for Shares and Options upon and subject to the terms and conditions set out in the Offer Document and Application Form.
2. An application cannot be withdrawn or revoked.
3. Upon receipt, application money will be banked into a trust account pending allocation of Shares and Options. The banking of the money will not constitute allotment of any Shares or Options. Except where otherwise required by law, interest earned on the account will be paid to the Company. The Company intends to allot Shares and Options on 15 June 2004. An applicant does not have any interest in, or right or entitlement to, any Shares or Options unless and until, and then only to the extent that, Shares or Options are allotted to that applicant by the Company. If application money is paid by a cheque that does not clear, that application may be rejected or the allocation in respect of that application may be cancelled. Prior to trading, applicants should ensure clearance will occur.
4. The Company reserves the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications that are declined will be refunded in whole or in part (as the case may be). Refunds will be posted within five business days after allocation of Shares and Options to successful applicants. Interest will not be paid on any application money refunded to applicants.
5. Share and Option statements will be despatched as soon as is practicable after allocation, but in any event not later than five business days after closing of the Offer. Neither the Company, nor the Organising Participant, nor any of their respective officers, directors, employees, or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares or Options before the statements confirming allotment are received by the applicants.
6. If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still treat it as valid. The Company's decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. The Company's decision on the number of Shares and Options to be allocated to an applicant shall also be final. Applicants will not, however, be treated as having applied for a greater number of Shares than the number indicated on the Application Form, or a greater value of Shares than those for which payment has been made.
7. Expressions defined in this Offer Document have the same meanings in this Application Form. This Application Form is governed by New Zealand law.

## CORRECT FORM OF REGISTRABLE NAMES

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ONLY LEGAL ENTITIES are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

## TYPE OF INVESTOR

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INDIVIDUAL:	Use given names in full, not initials.
COMPANY:	Use full company title, not abbreviations.
TRUSTS:	Do not use the name of the trust. Use the trustee(s) personal names. All trustees must apply as joint applicants.
DECEASED ESTATES:	Do not use the names of deceased persons. Use executor(s) personal names.
PARTNERSHIPS:	Do not use the names of partnerships. Use partner(s) personal names.
CLUBS/UNINCORPORATED BODIES:	Do not use names of clubs etc, unless legally incorporated. Use trustee(s) or office bearer(s) personal names.
SUPERANNUATION FUNDS:	Do not use name of fund. Use name of trustee.

## CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

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I,  of  HEREBY CERTIFY that:

1. By a Power of Attorney dated the  day of

(Name of person for whom attorney is signing)

appointed me his/her/its attorney on the terms and conditions set out in the Power of Attorney.

2. I have executed the application for Shares and Options printed on the face of this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.

3. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the donor or otherwise.

Signed at  this  day of  2004

Signature of Attorney

# Application Form

NZX FIRM STAMP

CODE

This Application is for Shares in Colville Equities Limited offered under a Prospectus and Investment Statement dated 5 May 2004. For instructions on how to complete and deliver this form see the section titled "How to Complete the Application Form" on page 37.

## 1 COMPLETE FULL NAME DETAILS (CAPITAL BLOCK LETTERS PLEASE)

APPLICANT #1	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
JOINT APPLICANT #2	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
JOINT APPLICANT #3	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
CORPORATE NAME	<input type="text"/>		

## 2 COMPLETE ADDRESS DETAILS

<input type="text"/>		
Number and Street		
<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb	City	Postal Code

## 3 TELEPHONE NUMBERS

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Home		Work	

## 4 SHARES APPLIED FOR (AT \$1.00 PER SHARE)

Applications must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500).

<input type="text"/>	at \$1.00 =	\$	<input type="text"/>
Number of Shares applied for		Dollar amount	

Cheques should be made payable to "Colville Equities IPO". Application Forms must be mailed or delivered (with payment) to "Colville Equities Limited" c/- Computershare Investor Services Limited (see address on page 8) in time to arrive on or before 3.00pm on Friday, 11 June 2004.

## 5 DIVIDEND PAYMENTS (PLEASE TICK THE APPROPRIATE BOX)

EITHER:	<input type="checkbox"/> Pay by cheque to the postal address in 2 above	OR	<input type="checkbox"/> Direct credit my/our bank account as detailed below (these details are not required if Computershare Investor Services Limited already has them)
	<input type="text"/>		<input type="text"/>
	Name of Bank		Address of Bank
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank/Branch	Account No.		Suffix

## 6 IRD NUMBER (PLEASE TICK THE APPROPRIATE BOX)

Does/do the applicant(s) hold a current Resident Withholding Tax Exemption Certificate?

<input type="checkbox"/> Yes	<input type="checkbox"/> No	If yes, please attach a copy of the Certificate.
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<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Enter applicant(s) IRD number (only one IRD number is required in respect of joint applicants).

## 7 SHAREHOLDER NUMBER

If the applicant(s) currently has/have a Common Shareholder Number (CSN), please insert here.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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## 8 DECLARATION AND SIGNATURE

I/We hereby apply for the number of Shares (with transferable Options) shown above upon the terms and conditions set out in this Prospectus and Investment Statement dated 5 May 2004 and in this Application Form and acknowledge that I/we are legally bound by any decision of Colville Equities Limited to allocate me/us the Shares (with transferable Options) applied for or any lesser number and I/we agree to be bound by Colville Equities Limited's constitution.

### SIGNATURE(S) OF APPLICANT(S) (OR FOR COMPANIES, EXECUTE AS A DEED)

APPLICANT	<input type="text"/>	<input type="text"/>	Date
JOINT APPLICANT #2	<input type="text"/>	JOINT APPLICANT #3	<input type="text"/>

This Application Form must not be issued, circulated, or distributed unless accompanied by the Prospectus and Investment Statement dated 5 May 2004.

## APPLICATION TERMS

---

1. By signing the Application Form, the applicant(s) acknowledge(s) that this form was distributed with the Prospectus and Investment Statement dated 5 May 2004 and the applicant(s) offer(s) to subscribe for Shares and Options upon and subject to the terms and conditions set out in the Offer Document and Application Form.
2. An application cannot be withdrawn or revoked.
3. Upon receipt, application money will be banked into a trust account pending allocation of Shares and Options. The banking of the money will not constitute allotment of any Shares or Options. Except where otherwise required by law, interest earned on the account will be paid to the Company. The Company intends to allot Shares and Options on 15 June 2004. An applicant does not have any interest in, or right or entitlement to, any Shares or Options unless and until, and then only to the extent that, Shares or Options are allotted to that applicant by the Company. If application money is paid by a cheque that does not clear, that application may be rejected or the allocation in respect of that application may be cancelled. Prior to trading, applicants should ensure clearance will occur.
4. The Company reserves the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications that are declined will be refunded in whole or in part (as the case may be). Refunds will be posted within five business days after allocation of Shares and Options to successful applicants. Interest will not be paid on any application money refunded to applicants.
5. Share and Option statements will be despatched as soon as is practicable after allocation, but in any event not later than five business days after closing of the Offer. Neither the Company, nor the Organising Participant, nor any of their respective officers, directors, employees, or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares or Options before the statements confirming allotment are received by the applicants.
6. If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still treat it as valid. The Company's decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. The Company's decision on the number of Shares and Options to be allocated to an applicant shall also be final. Applicants will not, however, be treated as having applied for a greater number of Shares than the number indicated on the Application Form, or a greater value of Shares than those for which payment has been made.
7. Expressions defined in this Offer Document have the same meanings in this Application Form. This Application Form is governed by New Zealand law.

## CORRECT FORM OF REGISTRABLE NAMES

---

ONLY LEGAL ENTITIES are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

## TYPE OF INVESTOR

---

INDIVIDUAL:	Use given names in full, not initials.
COMPANY:	Use full company title, not abbreviations.
TRUSTS:	Do not use the name of the trust. Use the trustee(s) personal names. All trustees must apply as joint applicants.
DECEASED ESTATES:	Do not use the names of deceased persons. Use executor(s) personal names.
PARTNERSHIPS:	Do not use the names of partnerships. Use partner(s) personal names.
CLUBS/UNINCORPORATED BODIES:	Do not use names of clubs etc, unless legally incorporated. Use trustee(s) or office bearer(s) personal names.
SUPERANNUATION FUNDS:	Do not use name of fund. Use name of trustee.

## CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

---

I,  of  HEREBY CERTIFY that:

1. By a Power of Attorney dated the  day of

(Name of person for whom attorney is signing)

appointed me his/her/its attorney on the terms and conditions set out in the Power of Attorney.

2. I have executed the application for Shares and Options printed on the face of this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.

3. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the donor or otherwise.

Signed at  this  day of  2004

Signature of Attorney

# Application Form

NZX FIRM STAMP

CODE

This Application is for Shares in Colville Equities Limited offered under a Prospectus and Investment Statement dated 5 May 2004. For instructions on how to complete and deliver this form see the section titled "How to Complete the Application Form" on page 37.

## 1 COMPLETE FULL NAME DETAILS (CAPITAL BLOCK LETTERS PLEASE)

APPLICANT #1	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
JOINT APPLICANT #2	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
JOINT APPLICANT #3	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Title	First Names	Surname
CORPORATE NAME	<input type="text"/>		

## 2 COMPLETE ADDRESS DETAILS

<input type="text"/>		
Number and Street		
<input type="text"/>	<input type="text"/>	<input type="text"/>
Suburb	City	Postal Code

## 3 TELEPHONE NUMBERS

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Home		Work	

## 4 SHARES APPLIED FOR (AT \$1.00 PER SHARE)

Applications must be for a minimum of 2,000 Shares (\$2,000) and thereafter in multiples of 500 Shares (\$500).

<input type="text"/>	at \$1.00 =	\$ <input type="text"/>
Number of Shares applied for		Dollar amount

Cheques should be made payable to "Colville Equities IPO". Application Forms must be mailed or delivered (with payment) to "Colville Equities Limited" c/- Computershare Investor Services Limited (see address on page 8) in time to arrive on or before 3.00pm on Friday, 11 June 2004.

## 5 DIVIDEND PAYMENTS (PLEASE TICK THE APPROPRIATE BOX)

EITHER:	<input type="checkbox"/> Pay by cheque to the postal address in 2 above	OR	<input type="checkbox"/> Direct credit my/our bank account as detailed below (these details are not required if Computershare Investor Services Limited already has them)
	<input type="text"/>		<input type="text"/>
	Name of Bank		Address of Bank
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bank/Branch	Account No.		Suffix

## 6 IRD NUMBER (PLEASE TICK THE APPROPRIATE BOX)

Does/do the applicant(s) hold a current Resident Withholding Tax Exemption Certificate?

<input type="checkbox"/>	Yes	<input type="checkbox"/>	No	If yes, please attach a copy of the Certificate.
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Enter applicant(s) IRD number (only one IRD number is required in respect of joint applicants).

## 7 SHAREHOLDER NUMBER

If the applicant(s) currently has/have a Common Shareholder Number (CSN), please insert here.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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## 8 DECLARATION AND SIGNATURE

I/We hereby apply for the number of Shares (with transferable Options) shown above upon the terms and conditions set out in this Prospectus and Investment Statement dated 5 May 2004 and in this Application Form and acknowledge that I/we are legally bound by any decision of Colville Equities Limited to allocate me/us the Shares (with transferable Options) applied for or any lesser number and I/we agree to be bound by Colville Equities Limited's constitution.

### SIGNATURE(S) OF APPLICANT(S) (OR FOR COMPANIES, EXECUTE AS A DEED)

APPLICANT	<input type="text"/>	<input type="text"/>	Date
JOINT APPLICANT #2	<input type="text"/>	JOINT APPLICANT #3	<input type="text"/>

This Application Form must not be issued, circulated, or distributed unless accompanied by the Prospectus and Investment Statement dated 5 May 2004.

## APPLICATION TERMS

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1. By signing the Application Form, the applicant(s) acknowledge(s) that this form was distributed with the Prospectus and Investment Statement dated 5 May 2004 and the applicant(s) offer(s) to subscribe for Shares and Options upon and subject to the terms and conditions set out in the Offer Document and Application Form.
2. An application cannot be withdrawn or revoked.
3. Upon receipt, application money will be banked into a trust account pending allocation of Shares and Options. The banking of the money will not constitute allotment of any Shares or Options. Except where otherwise required by law, interest earned on the account will be paid to the Company. The Company intends to allot Shares and Options on 15 June 2004. An applicant does not have any interest in, or right or entitlement to, any Shares or Options unless and until, and then only to the extent that, Shares or Options are allotted to that applicant by the Company. If application money is paid by a cheque that does not clear, that application may be rejected or the allocation in respect of that application may be cancelled. Prior to trading, applicants should ensure clearance will occur.
4. The Company reserves the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications that are declined will be refunded in whole or in part (as the case may be). Refunds will be posted within five business days after allocation of Shares and Options to successful applicants. Interest will not be paid on any application money refunded to applicants.
5. Share and Option statements will be despatched as soon as is practicable after allocation, but in any event not later than five business days after closing of the Offer. Neither the Company, nor the Organising Participant, nor any of their respective officers, directors, employees, or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares or Options before the statements confirming allotment are received by the applicants.
6. If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still treat it as valid. The Company's decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. The Company's decision on the number of Shares and Options to be allocated to an applicant shall also be final. Applicants will not, however, be treated as having applied for a greater number of Shares than the number indicated on the Application Form, or a greater value of Shares than those for which payment has been made.
7. Expressions defined in this Offer Document have the same meanings in this Application Form. This Application Form is governed by New Zealand law.

## CORRECT FORM OF REGISTRABLE NAMES

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ONLY LEGAL ENTITIES are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

## TYPE OF INVESTOR

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INDIVIDUAL:	Use given names in full, not initials.
COMPANY:	Use full company title, not abbreviations.
TRUSTS:	Do not use the name of the trust. Use the trustee(s) personal names. All trustees must apply as joint applicants.
DECEASED ESTATES:	Do not use the names of deceased persons. Use executor(s) personal names.
PARTNERSHIPS:	Do not use the names of partnerships. Use partner(s) personal names.
CLUBS/UNINCORPORATED BODIES:	Do not use names of clubs etc, unless legally incorporated. Use trustee(s) or office bearer(s) personal names.
SUPERANNUATION FUNDS:	Do not use name of fund. Use name of trustee.

## CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

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I,  of  HEREBY CERTIFY that:

1. By a Power of Attorney dated the  day of

(Name of person for whom attorney is signing)

appointed me his/her/its attorney on the terms and conditions set out in the Power of Attorney.

2. I have executed the application for Shares and Options printed on the face of this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.

3. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the donor or otherwise.

Signed at  this  day of  2004

Signature of Attorney

# Directory

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## BOARD OF DIRECTORS

James Ogden – Chairman  
Samford (Sandy) Maier  
Brian Gaynor

The Directors can be contacted at Colville Equities' registered office address set out below.

## ISSUER

Colville Equities Limited  
Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington  
Phone: 04 915 9330  
Fax: 04 915 9339  
[www.colville.co.nz](http://www.colville.co.nz)

## MANAGER AND PROMOTER

Milford Asset Management Limited  
Level 8, ASB Bank Tower  
2 Hunter Street  
PO Box 5191  
Wellington  
Phone: 04 915 9330  
Fax: 04 915 9339  
[www.milfordasset.com](http://www.milfordasset.com)

## SHARE REGISTRAR

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92-119  
Auckland 1020  
Phone: 09 488 8777  
Fax: 09 488 8787

## LEGAL ADVISERS

Harmos Horton Lusk  
Level 37, Vero Centre  
48 Shortland Street  
PO Box 28, Shortland Street  
Auckland

## AUDITORS

Ernst & Young  
41 Shortland Street  
PO Box 2146  
Auckland

## ORGANISING PARTICIPANT

Cimino Partners Limited  
2.4 Axis Building  
91 St Georges Bay Road, Parnell  
PO Box 28344, Remuera  
Auckland



