

EPIC ASM FY11

Chair's Speech

Shareholders, thank you for coming here today.

There is no doubt that this has been a very difficult and challenging year for EPIC and the results we have reported are not as we would wish.

The difficulties are due to a number of reasons. Firstly, our revenue from Moto ceased following its decision to stop paying dividends to its investors. Secondly, the combination of the downturn in the United Kingdom economy and the subsequent weakness of the UK pound against the NZ dollar reduced income to EPIC from our other investments, and also the asset values of our investments.

The year's results clearly reflect this. The impairment of \$19.4 million is made up of a \$2 million unrealised capital gain on the increased value of these assets in UK pounds and a \$21.4 million unrealised loss due to currency movements. This resulted in EPIC recording a loss after tax of \$23.8 million. While any loss is not acceptable, normalising the result for unrealised foreign exchange losses results in an after tax loss of \$2.4 million.

Further explanation around these results and the factors behind them are outlined in my summary in the annual report. Rather than repeat that, I would prefer to leave more time for your questions.

The past year has also been dominated by dealing with this very challenging environment through EPIC's strategic review. A key outcome of the strategic review, as you know, is to reduce debt at the fund level. In order to repay debt, the Board's preferred option - in terms of maximising value for existing shareholders - is to sell some assets in a managed process. Raising new capital, while still a consideration, would be difficult in the current environment and would significantly dilute the holdings of non-participating shareholders.

Looking ahead is now the Board's key focus. We are making progress towards an execution of a sale of assets - which are most likely to include Thames Water, and also the small stakes we have in Arqiva and Wales and West. Macquarie has been engaged to assist with the sale of Thames Water. It is in the process of inviting bids for our holding. Meanwhile, the Board is commissioning an independent appraisal in order to satisfy ourselves and shareholders on what constitutes a fair price for that asset. A sale of Thames Water will only proceed if it wins the support of 75 percent of EPIC shareholders. Depending on the price achieved, a full sale should enable EPIC to repay all bank debt. The deadline to which we are working is to repay our bank debt prior to 30 April 2012.

A number of shareholders have questioned why EPIC is not selling Moto. While a Moto proposal was received back in May, on further examination a transaction was not achievable in a way which would have delivered sufficient, let alone best, value to EPIC's shareholders. That does not mean we would not sell Moto if an appropriate offer was presented, but current market conditions make that unlikely.

It should be noted that our view on Moto as a sound investment has not changed. The UK motorway services industry has attractive trends and characteristics. The regulatory environment in which Moto operates is stable. It is a captive market satisfying an 'essential need'. There are high barriers to entry into the market. It enjoys strong correlation to traffic growth, which will continue to increase in the long term. Moto is the market leader in its sector which puts it in a strong position. We invested into Moto because it demonstrated a compelling investment case. While asset growth is not shown in our accounts due to the requirement to equity account this asset, we believe that the underlying performance of Moto, despite a currently weak UK economy, will deliver value upon eventual realisation.

The past year saw EPIC receiving support from companies linked to our manager, EPIM, in the form of Pyne Gould Corporation and the Torchlight Fund. All transactions involving PGC and Torchlight have been conducted on arms-length commercial terms. It should be noted that PGC's participation in EPIC facilities with National Australia Bank is on the same terms negotiated between NAB and EPIC, except PGC's position is subordinated. We are grateful for this support which is assisting us to proceed with an orderly sale process in order to repay our bank debt.

I would like to thank EPIC's Board and management for the effort they have put into the company over the past year. The workload increased significantly as we grappled with the changes to our business. We were delighted to secure the services of Brian Harrison, who formally joined the Board just after the year end. A senior international lawyer, he has extensive experience in a broad range of sectors, including debt and capital markets, private equity, private public partnerships, and major infrastructure investments. His wealth of experience is most welcome.

The Board thanks you for your patience as we move through this period. We will continue to update shareholders regularly on developments in the year ahead.

It is now time for questions which I invite you to put to myself and my fellow directors, John Duncan and Brian Harrison.

Thank you,

Margaret Devlin
Chair