MACQUARIE CAPITAL ALLIANCE GROUP
SCHEME BOOKLET
17 JULY 2008

MACQUARIE

For a recommended proposal for Macquarie Advanced Investment Group (“MAIG”) to acquire (through Macquarie Advanced Investment Company Pty Limited ACN 131 467 411) all of your securities in Macquarie Capital Alliance Group via schemes of arrangement and a trust scheme.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Share Schemes and the Trust Scheme, and, if necessary, consult your legal, investment, taxation or other professional adviser.

YOUR INDEPENDENT DIRECTORS **UNANIMOUSLY RECOMMEND** THAT YOU VOTE **IN FAVOUR OF THE RESOLUTIONS TO APPROVE THE MAIG PROPOSAL**, IN THE ABSENCE OF A SUPERIOR PROPOSAL.

If, after reading this Scheme Booklet, you have any questions about the MAIG Proposal, please call the MCAG Securityholder information line on:
1300 139 717 (within Australia) or
+61 3 9415 4387 (outside Australia)
Monday to Friday between 8.30 am
and 7.00 pm (Sydney time).

If you have recently sold all of your MCAG Securities, please disregard this document.

Macquarie Capital Alliance Limited
ABN 96 112 594 662

Macquarie Capital Alliance International Limited ARBN 113 880 783

and

Macquarie Capital Alliance Management Limited ABN 94 105 777 704 (AFSL 236894)
as responsible entity of

the Macquarie Capital Alliance Trust
ARSN 112 638 212

Minter Ellison
LAWYERS

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WHAT YOU SHOULD DO NEXT

STEP 1: CAREFULLY READ THIS SCHEME BOOKLET

You should read this Scheme Booklet in full before making any decision on how to vote.

There are frequently asked questions in Section 1 to help answer any questions you may have. If you have any doubts as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your MCAG Securities and how to vote at the Scheme Meetings.

STEP 2: VOTE ON THE SCHEMES

As a MCAG Securityholder, you are entitled to vote on whether you want the MAIG Proposal to proceed or not.

You can vote:

- by proxy, using the enclosed green proxy form; or
- in person, by attending the Scheme Meetings to be held at Sheraton on the Park, 161 Elizabeth Street, Sydney at 10.00 am on 20 August 2008.

To ensure that the proxy form is valid, you should return it by 10.00 am on 18 August 2008.

You can do this by using the enclosed reply paid envelope or by faxing the proxy form to: (+61 3) 9473 2118.

STEP 3: DECIDE ON YOUR PREFERRED SCHEME CONSIDERATION

Assuming the Schemes proceed, you will need to decide on your preferred Scheme Consideration. The Cash Offer is the default option. If you would like to receive the Scrip Alternative, complete and lodge a blue Election Form prior to the Election Date.

IMPORTANT NOTICES

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 15. A Glossary of the entities referred to in this Scheme Booklet is included in Section 14.

Currency

Unless otherwise specified, a reference to 'A$', '$' or 'dollar' is to Australian currency.

This Scheme Booklet

This Scheme Booklet provides MCAG Securityholders with information about the proposed acquisition of MCAG by the Bidder. It is the explanatory statement required to be sent to MCAG Securityholders in relation to the Schemes, under Part 5.1 and Part 6.2 of the Corporations Act and section 100 of the Bermuda Companies Act. A copy of each proposed Share Scheme is included in this Scheme Booklet in Annexures D and E. A copy of the proposed Supplemental Deed (to implement the Trust Scheme) is also included as Annexure F.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Scheme Meetings and, if necessary, consult your legal, investment, taxation or other professional adviser.

Responsibility for information

Except as outlined below, the information contained in this Scheme Booklet has been provided by MCAG and is the responsibility of MCAG. Except as outlined below, none of the Bidder, MAIG, Macquarie Group, MAIP, the New Investors nor any of their respective directors, employees, officers or advisers assume any responsibility for the accuracy or completeness of any such information.

The Bidder has provided and is solely responsible for the Bidder Information, including information as to the funding arrangements it has made to provide the Scheme Consideration and information as to the Bidder's opinions, views, and intentions in relation to MCAG (except to the extent that information is based on information about MCAG, for which MCAG takes responsibility). None of MCAG, MAIG, Macquarie Group, MAIP, the New Investors or any of their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Bidder Information.

The Independent Expert, Deloitte, has provided and is responsible for the information contained in Annexure A of this Scheme Booklet. None of the Bidder, MCAG, MAIG, Macquarie Group, MAIP, the New Investors nor any of their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the information contained in Annexure A. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Annexure A.

Investment decisions

This Scheme Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any MCAG Securityholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent financial and taxation advice should be sought before making any investment decision in relation to your MCAG Securities and your Scheme Consideration election.

ASIC and ASX involvement

A copy of this Scheme Booklet (including the Independent Expert's Report) has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and lodged with, and registered for the purposes of section 412(6) of the Corporations Act by, ASIC. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the MCAL Share Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Court involvement

The orders of the Court and the Bermuda Court that the Scheme Meetings be convened and the giving of the First Judicial Advice are not and should not be treated as an endorsement by the Court or the Bermuda Court of, or any other expression of opinion by the Court or the Bermuda Court on, the Schemes.

Disclosure regarding forward looking statements

This Scheme Booklet contains both historical and forward-looking statements in connection with MCAG and MAIG.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current expectations of MCAG or, in relation to the Bidder Information, the Bidder, concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimated', 'potential', or other similar words and phrases. Similarly, statements that describe MCAG's and MAIG's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected.

MCAG Securityholders should review carefully all of the information, including the financial information, included in this Scheme Booklet. The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. Neither MCAG, the Bidder nor MAIG or any of the directors of these entities or any other person makes or gives any representation, assurance or guarantee to MCAG Securityholders that any forward-looking statements will actually occur or be achieved and MCAG Securityholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, MCAG, the Bidder and MAIG do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

MCAG will need to collect personal information to implement the Schemes. The personal information may include the names, contact details and details of holdings of MCAG Securityholders, plus contact details of individuals appointed by MCAG Securityholders as proxies, corporate representatives or attorneys at the Scheme Meetings. The collection of some of this information is required or authorised by the Corporations Act. MCAG Securityholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact MCAML's company secretary if they wish to exercise those rights. The information may be disclosed to print and mail service providers, and to MCAG and the Bidder and their respective advisers to the extent necessary to effect the Schemes. If the information outlined above is not collected, MCAG may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Schemes effectively or at all. MCAG Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meetings should inform that individual of the matters outlined above. It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Register. The Register contains personal information about MCAG Securityholders.

Notice to persons outside Australia

This Scheme Booklet and the Schemes are subject to Australian and Bermudian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

This Scheme Booklet and the Schemes do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

MCAG Securityholders whose address, as shown in the Register at the Scheme Record Date, is a place outside Australia and its external territories, New Zealand and Hong Kong should refer to Section 4 of this Scheme Booklet to determine whether they are Ineligible Overseas MCAG Securityholders. MCAG Securityholders that are Ineligible Overseas MCAG Securityholders will not be able to receive MAIG Securities under the Schemes, and will instead only be eligible to receive the Cash Consideration.

MCAG Securityholders resident outside Australia for tax purposes should seek specific taxation advice in relation to the Australian and overseas taxation implications of the Schemes.

Important notice to Hong Kong residents

WARNING

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Important notice to United Kingdom residents

This document has not been approved by a person authorised under the United Kingdom Financial Services and Markets Act 2000 (FSMA) and its distribution in the United Kingdom is only being made to persons (Exempted Persons) in circumstances that will not constitute a financial promotion for the purposes of section 21 of the FSMA because of exemptions contained in the FSMA (Financial Promotion) Order 2005 (Order). Exempted Persons include MCAG Securityholders on the Register at the time that such persons receive this Scheme Booklet.

This document must not be relied on by any persons who are not Exempted Persons and any investment or investment activity to which this document relates is available only to Exempted Persons. This document must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person. If a recipient is in doubt about the contents of this document, the recipient should consult a person authorised by the Financial Services Authority under the FSMA who specialises in advising on the acquisition of shares and other securities.

The parts of this document which relate to the election to receive the Scrip Consideration are solely directed at UK Exempt Investors (as defined in this Scheme Booklet) and should not be acted or relied on by any other persons. Any person (other than a high net worth entity under Article 49(2) of the Order) who does not have professional experience in matters relating to investments should not act or rely on anything in this Scheme Booklet which relates to the election to receive Scrip Consideration.

This Scheme Booklet is not a prospectus within the meaning of the European Directive 2003/71/EC (known as the Prospectus Directive) or any EU national implementing legislation.

Macquarie Group entities

None of MCAG, MAIG or any Macquarie Group entity (other than Macquarie Bank Limited ABN 46 008 583 542 (MBL)) is an authorised deposit–taking institution for the purposes of the Banking Act 1959 (Cth) and their obligations do not represent deposits with, or other liabilities of, MBL or any other Macquarie Group entity. MBL does not guarantee or otherwise provide assurance in respect of the obligations of MCAG, MAIG or any Macquarie Group entity (other than MBL).

Date

This Scheme Booklet is dated 17 July 2008.

KEY DATES

Date	Event
Monday 18 Aug 2008	8.00 am: Announcement of guidance of amount of the Distribution
Monday 18 Aug 2008	10.00 am: Last time and date by which the Proxy Forms must be received by MCAG
Monday 18 Aug 2008	7.00 pm: Time and date for determining eligibility to vote at Scheme Meetings
Wednesday 20 Aug 2008	Scheme Meetings of MCAG Securityholders to be held at Sheraton on the Park, 161 Elizabeth Street, Sydney at 10.00am
If Schemes Approved By MCAG Securityholders:	
Friday 22 Aug 2008 (Bermuda Time)	Bermuda Court hearing for approval of the MCAIL Share Scheme If approval is obtained, notify ASX of Bermuda Court approval
Monday 25 Aug 2008	Court hearing for approval of the MCAL Share Scheme and Second Judicial Advice If approval is obtained, notify ASX of Court approval
Tuesday 26 Aug 2008	Effective Date: Lodge Court order and modified constitution of MCAT with ASIC and Bermuda Court order with Bermuda Registrar of Companies
Tuesday 26 Aug 2008	Suspension of trading: MCAG Securities cease trading on the ASX at close of trading
Tuesday 26 Aug 2008	7.00pm Election Date: Last time and date by which the Election Forms can be lodged
Wednesday 27 Aug 2008	Date of declaration of Distribution
Tuesday 2 Sep 2008	5.00 pm Scheme Record Date: Record date for determining entitlements to Scheme Consideration including any Distribution
Tuesday 9 Sep 2008	Implementation Date
Tuesday 9 Sep 2008	Expected payment of Scheme Consideration including any Distribution

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court, the Bermuda Court and the ASX. Any changes to the above timetable will be announced through the ASX and on MCAG's website at www.macquarie.com/mcag.

Unless otherwise stated all references to time in this Scheme Booklet are references to Sydney time.

LETTER FROM THE INDEPENDENT DIRECTORS

17 JULY 2008

Dear MCAG Securityholder,

The Independent Directors of MCAG have unanimously agreed to recommend a proposal, by which a consortium of investors (the Consortium) together with Macquarie Capital would acquire MCAG. The proposal is subject to MCAG Securityholder approval.

The proposal offers MCAG Securityholders a choice of $3.40 cash per MCAG Security or (subject to the conditions explained below) scrip in a new unlisted fund which will hold MCAG's assets. Details on the cash and scrip alternatives are contained in Section 4 of this booklet. The cash offer of $3.40 per security is a 62% premium to the closing price prior to the proposal announcement[1] and a 53% premium to the three month volume weighted average price prior to the proposal announcement.

MCAG was established to provide an opportunity to co-invest with Macquarie Capital and Macquarie Capital clients. Since listing and fully investing its capital, MCAG has delivered, on average, EBITDA[2] growth in the underlying businesses of over 20% since acquiring them, returned 60 cents of capital to investors through the refinancing of its investment in Red Bee Media and the sale of its investment in the Zig Inge Group, and undertaken a $50 million buy-back.

Despite these measures, the trading price of MCAG's securities has been disappointing and at its interim results presentation on 27 February 2008, MCAG announced that it was exploring a range of options to maximise value for securityholders. This included consideration of the sale of existing assets and further capital management.

As part of this review process, MCAG management, in consultation with the Board, approached around 20 institutional investors to determine their interest in participating in the proposal to take MCAG private. After a competitive process over several months, seven investor groups formed the Consortium. The Consortium comprises investment vehicles managed by major international investors: AlpInvest Partners NV, HarbourVest Partners, Pantheon Ventures, Partners Group, Paul Capital Partners, Portfolio Advisors and Procific.

As the Consortium is investing through a new fund managed by Macquarie Capital, and as Macquarie Capital is investing alongside the Consortium, an Independent Board Committee ("IBC") was formed to consider the proposal. It is the IBC which has made the recommendation to accept the offer.

The IBC concluded that a whole of fund proposal at $3.40 per security was optimal for those MCAG Securityholders seeking to crystallise value in the short term. This conclusion in part relates to the fact that pre-emptive rights under the shareholder agreements and mandatory repayment clauses of the existing asset level debt packages are not triggered under the proposal. These debt packages were arranged between 2005 and mid 2007 and prior to the credit market deterioration over the last year. Consideration was also given to the time, costs and uncertainty of outcome involved in attempting individual asset sales in current market conditions.

The IBC also considers that the unlisted scrip alternative enhances the proposal as it potentially offers eligible MCAG Securityholders the ability to maintain an investment in MCAG's underlying assets. However, MCAG Securityholders should note that the unlisted scrip alternative is subject to minimum and maximum take up requirements and may not eventuate. The unlisted scrip will be illiquid, part of a minority position, and as it is unlisted will have a different management fee structure to the listed MCAG.

The IBC appointed Deloitte to prepare an independent expert's report on the proposal. The independent expert has valued MCAG at $3.19 to $3.62 per MCAG Security and concluded that the proposal is fair and reasonable and in the best interests of Non-Associated MCAG Securityholders. In addition, in a separate report to MCAG's Independent Directors, Deloitte has reviewed certain related party transactions that are ancillary to the proposal, and has opined that nothing has come to their attention that causes them to believe those transactions are not on arm's length, commercial terms or that the fee arrangements are not consistent with or at least no more favourable to Macquarie Group than the fee arrangements of comparable funds. See Section 11 of this booklet for further details.

The Independent Directors unanimously recommend that securityholders vote in favour of the proposal, in the absence of a superior offer. All the Independent Directors intend to vote in favour of the proposal. All MCAG directors and MCAG's CEO intend to elect the cash alternative for their own MCAG Securities.

The Scheme Meetings to consider the proposal are to be held on Wednesday, 20 August 2008 in Sydney. The proposal is subject to a number of conditions including the passing of the resolutions to approve the Schemes and court approval in New South Wales and Bermuda. The conditions are outlined in Section 4.19.1 of this booklet.

This booklet contains important information in relation to the proposal and the Schemes, including the reasons for the Independent Directors' recommendation and a summary of the advantages, disadvantages and risks associated with the Schemes. Please read this booklet carefully before making your decision and voting at the Scheme Meetings.

If you have any questions in relation to the proposal, please call the MCAG Securityholder information line on 1300 139 717 (within Australia) or +61 3 9415 4387 (outside Australia).

Yours sincerely

Ken Moss
Independent Director, MCAG, on behalf of the IBC

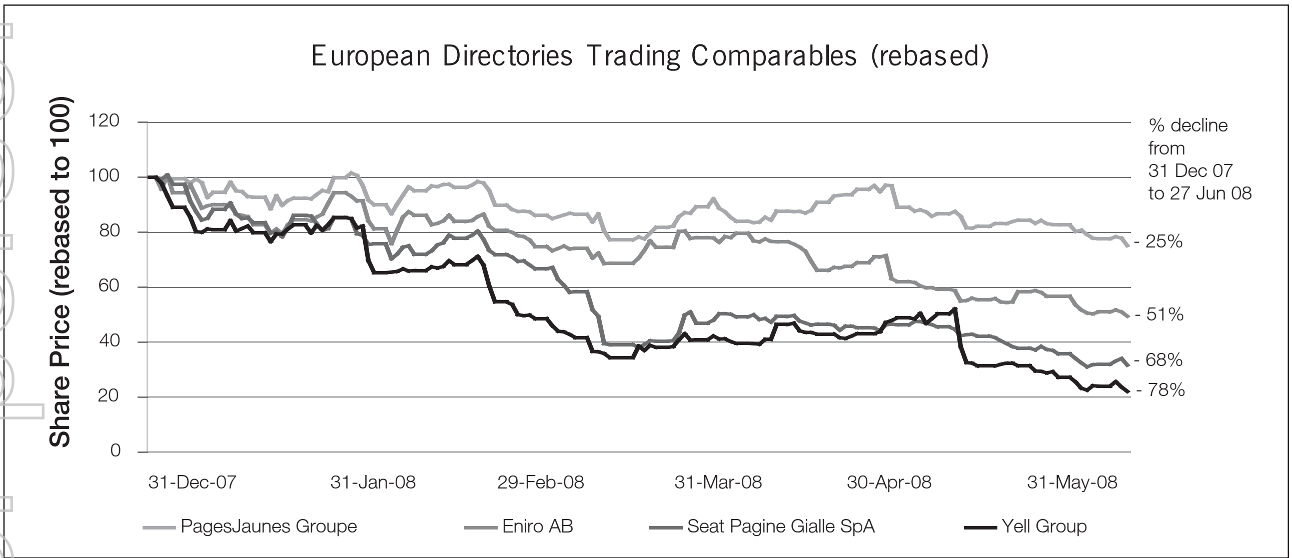
1 The closing price of MCAG Securities on ASX on 13 June 2008 ($2.10).
2 Earnings before interest, tax, depreciation and amortisation

NOTE TO THE INDEPENDENT DIRECTORS' LETTER

MARKET CONDITIONS AND BUSINESS VALUATIONS HAVE CHANGED SINCE 31 DECEMBER 2007

MCAG's last published Directors' Valuation was $4.28 per security as at 31 December 2007 (after adjusting for the 30 cent special distribution paid in April 2008). The valuation was prepared in accordance with the International Venture Capital and Private Equity guidelines, which require trading prices of comparable companies to be taken into account.

In the six months since 31 December 2007, equity and credit markets have deteriorated. For example, the change in trading prices of businesses comparable to MCAG's largest investment, European Directories (54% of the invested portfolio), are shown in the chart below. The Independent Directors consider that the MAIG proposal represents fair value, based on a review using the same methodologies applied to the 31 December 2007 Directors' Valuation and taking into account changes to market conditions since that time. The valuation analysis of the Independent Expert has confirmed the conclusion of the review that the offer of $3.40 per MCAG Security represents fair value. Further information about the companies in the chart below and on comparable companies to MCAG's other businesses is set out in Appendixes 3 and 4 of the Independent Expert's Report in Annexure A to this booklet.



WHAT YOU WILL RECEIVE UNDER THE MAIG PROPOSAL

Under the MAIG Proposal, MCAG Securityholders will have a choice between:

- All cash consideration of $3.40 per MCAG Security ("Cash Offer"); OR
- Scrip in MAIG, an unlisted fund that will hold MCAG's existing assets ("Scrip Alternative").

There is no "mix and match" option. MCAG Securityholders must elect 100% cash or 100% scrip. Securityholders who do not make an election will be deemed to have elected the Cash Offer.

About the Cash Offer

The Cash Offer is $3.40 per MCAG Security. This will consist of a combination of a distribution of capital from MCAT (up to $0.40) (the "Distribution") and cash from the Bidder ($3.40 less the Distribution). The relative amounts of the Distribution and the cash from the Bidder will depend on the cash balance of MCAG at the Effective Date, but will total $3.40. For further details see Section 4.2.

The Cash Offer is a 62% premium to the closing price prior to the proposal announcement[3] and a 53% premium to the three month volume weighted average price.

About the Scrip Alternative

The Scrip Alternative will effectively comprise one unlisted MAIG Security[4] for each MCAG Security. MAIG, an unlisted fund, will acquire MCAG. The intention is that over time (and this may be several years), MCAG's assets will be sold and any available proceeds returned to MAIG Securityholders. MAIG is unlikely to make new investments, other than follow on investments in existing assets. See Section 4 for further information.

If the Scrip Alternative is available, MCAG Securityholders electing the Scrip Alternative will effectively receive one unlisted MAIG Security for each MCAG Security. The distribution of capital that they would have received as cash will instead be held in escrow to be used at the discretion of MAIG for working capital and any follow on investments in existing assets. For further details see Section 4.6.

Ineligible Overseas MCAG Securityholders are not entitled to participate in the Scrip Alternative. This includes MCAG Securityholders who are resident outside Australia, New Zealand and Hong Kong, other than certain United Kingdom residents. See Section 4.10 for further details.

If you elect the Scrip Alternative, your investment in MAIG will be regulated differently because the ASX Listing Rules will no longer apply and the Bermuda Companies Act, rather than the Corporations Act, will govern many of the rights and obligations of MAIG and its securityholders in respect of MAIL and MAIIL (MAIT will be a registered managed investment scheme regulated under the Corporations Act). Although Bermuda is a common law system, the rights of shareholders in a Bermuda mutual fund company are different from those of an Australian company. In particular, a consequence of the change in regulatory regimes means that the continuous disclosure rules, takeover regime and certain minority protection rights relevant to MCAG will not apply to MAIG. These issues are explained in sections 5.3 and 8.3.1.

The availability of the Scrip Alternative is conditional on holders owning 5% or more of the total MCAG Securities on issue electing this option[5]. Further, there will be a pro-rata scale back if demand exceeds 20% of MCAG Securities in aggregate[6].

Securityholders considering the Scrip Alternative should consult their financial adviser, accountant or stockbroker if they are uncertain about whether an investment in an unlisted fund such as MAIG suits their particular investment objectives. You should note the following:

- The Independent Expert has concluded that based on the liquidity and other factors relating to the MAIG Securities, a value discount of not less than 30% is likely to apply to a MAIG Security. Therefore, based on the Independent Expert's estimated fair market value of a MCAG Security, the Independent Expert's estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security. Please refer to the Independent Expert's Report contained in Annexure A for further information regarding the estimated value of the MAIG Securities.
- The distribution of capital under the Scrip Alternative will not be received by MCAG Securityholders in cash, rather it will be held in escrow for working capital and any follow on investments.
- MAIG will be unlisted and illiquid. The Scrip Alternative will be part of a minority position relative to the Consortium and exposed to ongoing investment risk, including leveraged debt risk.
- MAIG Securityholders will be able to participate in any rights issues in MAIG on an equal basis, but may be diluted if they do not participate in any such rights issues. However, MAIG is generally not obliged to offer MAIG Securities to all MAIG Securityholders on an equal basis and may not do so.
- MAIG may make future capital calls on MAIG Securityholders who elect the Scrip Alternative in excess of the Escrow Amounts held by the Escrow Trustee. After the Escrow Amounts have been fully utilised, capital calls by MAIG may dilute the proportionate interest of MAIG Securityholders who elect the Scrip Alternative, relative to the Consortium, if those persons do not participate, or are not invited to participate in, any contribution of further capital on a pro rata basis.
- MAIG Securityholders will not have many of the protections currently afforded to them as MCAG Securityholders under the Corporations Act and ASX Listing Rules.
- MAIG will not have a regular distribution profile as distributions will be contingent on timing of any asset realisations. See Section 6.3.7 for further details.

3 The closing price of MCAG Securities on ASX on 13 June 2008 ($2.10).
4 Comprising: 1 share in MAIL for each share in MCAL; 1 share in MAIIL for each share in MCAIL; and 1 unit in MAIT for each unit in MCAT.
5 MCAG will announce at the Scheme Meetings the progressive total of Scrip Elections at that time, however the total will be subject to change
6 Macquarie Capital will elect to receive the Cash Consideration in respect of its 44,017,295 MCAG Securities (17.9%).

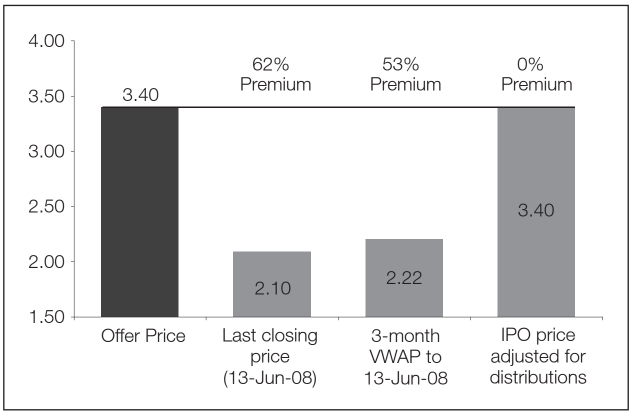
- As MAIG will be unlisted it will have a different management fee arrangement than the current fee arrangements in respect of MCAG. A summary of the management arrangements is set out in Section 6.5 and a comparison of the base and performance fees for MCAG and MAIG is provided in Section 7.9.
- The MAIG management fee arrangements could operate as a commercial disincentive to remove the responsible entity of MAIT, because if the MAIT RE is removed and not replaced by another Macquarie Group entity, the management fees payable to the MAIT RE will continue to be payable to Macquarie Group entities. The management arrangements also operate so that the ability of those who elect the Scrip Alternative, being a minority of all MAIG Securityholders, to choose or change the MAIG Manager is significantly restricted.

Please refer to Section 8 of this Scheme Booklet for further discussion of the risks associated with the Scrip Alternative.

WHY YOU MIGHT VOTE IN FAVOUR OF THE MAIG PROPOSAL

The Cash Offer is a significant premium to the recent trading price of MCAG Securities

- 62% premium to the last closing price of MCAG Securities on the ASX prior to the announcement of the MAIG Proposal.
- 53% premium to the three month volume weighted average price on the ASX prior to that announcement.



The $3.40 offer follows a rigorous process[7] and consideration of several alternatives

- MCAG approached around 20 institutional investors.
- Detailed due diligence has been conducted by the Consortium and the price negotiated on an arm's length basis.

The trading price of MCAG Securities may fall if the Schemes are not implemented

- MCAG Securities are relatively illiquid and not part of any major index.
- If the Schemes are not implemented it is likely the MCAG Securities will trade at a lower price than the price at which they have traded since the MAIG Proposal was announced.

  The trading price of MCAG Securities before the announcement of the MAIG Proposal is indicated by the following chart (which has been adjusted to exclude the 30 cent special distribution paid by MCAG in April 2008).

The MCAG Independent Directors unanimously recommend the MAIG Proposal

- Recommendation follows a review of several options, including individual asset sales and further capital management.
- The MAIG Proposal came about following a rigorous process.[8]
- The Independent Directors consider that the MAIG Proposal represents fair value, based on a review using the same methodologies applied to the 31 December 2007 Directors' Valuation and taking into account changes to market conditions since that time. The valuation analysis of the Independent Expert has confirmed the conclusion of the review that the offer of $3.40 per MCAG Security represents fair value.

The Independent Expert has concluded the MAIG Proposal is fair and reasonable and in the best interests of Non-Associated MCAG Securityholders

- The Independent Directors retained an Independent Expert, Deloitte, to provide a report for MCAG Securityholders about the MAIG Proposal.
- The Independent Expert has concluded the MAIG Proposal is fair and reasonable and in the best interests of Non-Associated MCAG Securityholders.

Potential for ongoing equity investment

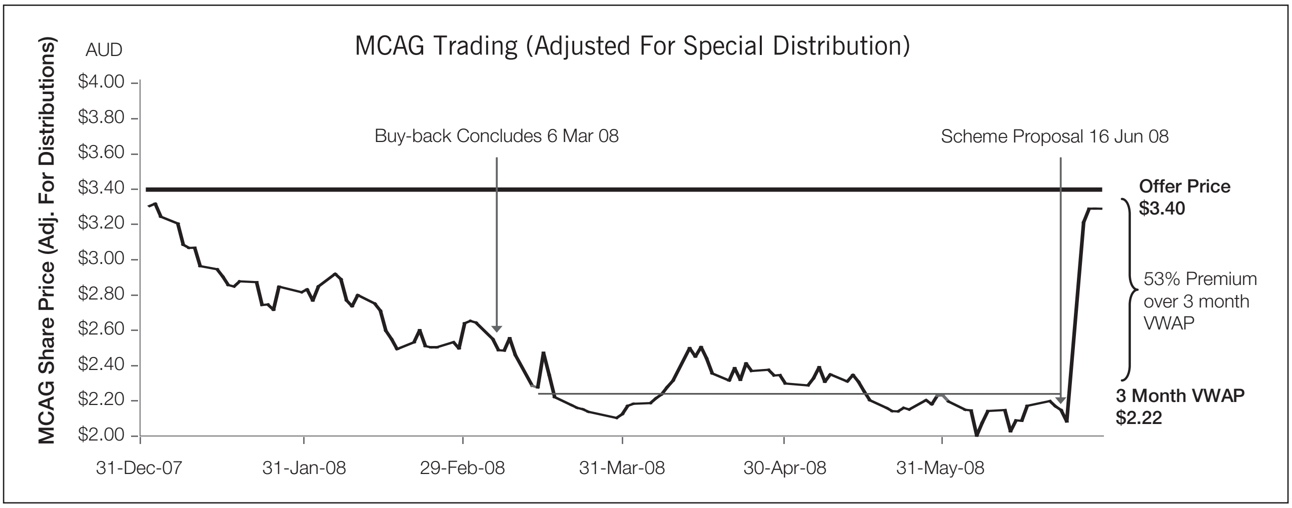
- The Scrip Alternative (if available) provides the potential for MCAG Securityholders to maintain their investment in MCAG's portfolio of assets, through an investment in the unlisted MAIG.

No superior offer has emerged

- No superior offer has emerged following the announcement of the MAIG Proposal on 16 June 2008.

No brokerage or stamp duty

- There is no brokerage or stamp duty payable under the MAIG Proposal.



7 See the background to the MAIG Proposal in Section 4.1.

8 See Section 4.1.

WHY YOU MIGHT VOTE AGAINST AND DISADVANTAGES OF THE MAIG PROPOSAL

You may disagree with the conclusions of the Independent Directors and the Independent Expert

- You may consider that the value of MCAG's businesses is adversely affected by current equity and credit market conditions and that MCAG's trading performance may improve over time to a point above the $3.40 Cash Offer, in which case you may consider that the $3.40 Cash Offer is too low.
- You may consider that any proposal to acquire MCAG Securities should be at or above the last published Directors' Valuation, despite changes to equity and credit market conditions in the six months since that time and despite the offer representing a 53% premium to the three month value weighted average price of MCAG Securities prior to the announcement of the MAIG Proposal.

Maintain investment profile

- You may wish to retain an investment in an ASX listed private equity fund.
- By accepting the Schemes and taking the Cash Consideration you will not participate in any future increase in value of the Portfolio Investments.
- You may consider that individual asset sales or further capital management may realise greater value than the MAIG Proposal.

Possibility of a superior proposal emerging

- The MCAG Independent Directors are not currently aware of a superior proposal.

Tax consequences for MCAG Securityholders

- Implementation of the MAIG Proposal may trigger tax consequences for MCAG Securityholders earlier than may otherwise have been the case (see Section 12).

Scrip Alternative may not be available and is different to MCAG Securities

- The Scrip Alternative will only become available if holders owning 5% or more of MCAG Securities in aggregate elect this option. There will be a pro-rata scale back if demand exceeds 20% of MCAG Securities in aggregate.
- MAIG Securities will be unlisted and illiquid. The MAIG fee structure will be calculated on a different basis to the MCAG fee structure (see Sections 7.9 and 7.10). The MAIG Securities will be subject to the ongoing investment risk (including leveraged debt risk) in the underlying assets as well as other risks (see Section 8).
- MAIG will be unlisted and two of the entities comprising MAIG will be governed by Bermudan corporate law. As such, protections available to MCAG Securityholders under the ASX Listing Rules and Australian corporate law (including in relation to takeovers and acquisitions of substantial holdings and minority protection rights) will not apply to MAIG Securityholders. There is currently no public takeover code under Bermudan company law.
- The Independent Expert has concluded that based on the liquidity and other factors relating to the MAIG Securities, a value discount of not less than 30% is likely to apply to a MAIG Security. Therefore, based on the Independent Expert's estimated fair market value of a MCAG Security, the Independent Expert's estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security. Please refer to the Independent Expert's Report contained in Annexure A for further information regarding the estimated value of the MAIG Securities.
- If you elect the Scrip Alternative and become a MAIG Securityholder you should note that the MAIG management fee arrangements could operate as a commercial disincentive to remove the responsible entity of MAIT, because if the MAIT RE is removed and not replaced by another Macquarie Group entity, the management fees payable to the MAIT RE will continue to be payable to Macquarie Group entities. The management arrangements also operate so that the ability to choose or change the MAIG Manager is significantly restricted.

1. FREQUENTLY ASKED QUESTIONS

- This Section is a summary only and is not intended to address all relevant issues for MCAG Securityholders. It should be read in conjunction with other parts of this Scheme Booklet.

Question	Answer	Reference
1. What are the Schemes?	The Schemes are two schemes of arrangement and a trust scheme between MCAG and MCAG Securityholders. If approved by the MCAG Securityholders, the Schemes will effect the acquisition of MCAG by MAIG, via the Bidder.[9]	Section 4
2. When and where are the Scheme meetings?	10am on 20 August 2008 at the Sheraton on the Park, 161 Elizabeth Street, Sydney. The Sheraton on the Park is opposite Hyde Park and a short walk from Museum Station. Details of proxy voting options are set out in Section 2.	Section 2
3. Who has made the MAIG Proposal?	The MAIG Proposal is funded by a consortium of investment vehicles managed by North American and European institutional fund managers: AlpInvest Partners N.V., HarbourVest Partners, Pantheon Ventures, Partners Group, Paul Capital Partners, Portfolio Advisors and Procific (the "Consortium"). Macquarie Capital (an operating group within the Macquarie Group) is also providing funding for the proposal through MIAPL, a wholly owned subsidiary of Macquarie Group.	Section 5
4. What is the Scheme Consideration?	MCAG Securityholders have a choice between $3.40 Cash Offer and a Scrip Alternative in an unlisted fund which will hold MCAG's existing assets. However the Scrip Alternative may not become available if the Minimum Aggregate Acceptance condition is not satisfied, and it is also subject to a Scaleback. See Sections 4.2 to 4.10 for further details, including a breakdown of the Cash Consideration and the terms of availability of the Scrip Alternative.	Section 4
5. How do I elect the Cash Consideration?	The Cash Consideration is the default consideration. Accordingly you can either complete the attached blue Election Form, choosing the Cash Consideration, and return it to the Registry by 7.00pm Tuesday, 26 August 2008, or simply not return an Election Form. Note that the Election Form is a separate form to the green Proxy Form for voting at the Scheme Meetings.	Section 2.6
6. How do I elect the Scrip Alternative?	To elect the Scrip Alternative you must complete and return the attached blue Election Form, checking the Scrip Alternative box, to the Registry by 7.00pm Tuesday, 26 August 2008. You should note however that the Scrip Alternative may not become available even if the Schemes become Effective and may be subject to the Scaleback.	Section 2.6
7. If I make an election am I entitled to vary it?	Yes, you may vary your Scheme Consideration election by lodging a new Election Form in accordance with the instructions on the Election Form, but your new Election Form must be received by the Registry by 7.00pm on Tuesday, 26 August 2008.	Section 2.6
8. Do the Independent Directors recommend the Schemes?	The MCAG Independent Directors unanimously recommend that MCAG Securityholders vote in favour of the Resolutions to approve the Schemes, in the absence of a superior proposal. The MCAG Independent Directors have considered a range of options to address the disappointing MCAG Security price performance. They consider the MAIG Proposal to be in the best interests of MCAG Securityholders. The Cash Offer represents a 62% premium to the last closing price prior to the announcement of the MAIG Proposal,[10] and a 53% premium to the three month volume weighted average price prior to that announcement.	Letter from the Independent Directors
9. What is the conclusion of the Independent Expert?	The Independent Expert has valued MCAG at $3.19 to $3.62 per MCAG Security, and concluded that the Schemes are fair and reasonable and therefore in the best interests of Non-Associated MCAG Securityholders.	Annexure A

9 The Bidder will acquire the shares in MCAL in its own capacity, the units in MCAT as nominee for MAIT and the shares in MCAIL as nominee for MAIIL.
10 The closing price of MCAG Securities on ASX on 13 June 2008 ($2.10).

Question	Answer	Reference
10. How does the Scheme Consideration compare with the most recent MCAG Directors' Valuation?	The MCAG Directors have provided voluntary disclosure of Directors' Valuations every six months. The most recent MCAG Directors' Valuation was at 31 December 2007. The Cash Offer of $3.40 is lower than the adjusted 31 December 2007 valuation of $4.28 ($4.58 less the $0.30 distribution paid on 7 April 2008). The Independent Directors consider that market conditions have changed materially since 31 December 2007, leading the Independent Directors to conclude that the Directors' Valuation published for the period to 31 December 2007 is no longer current. The Independent Directors consider that the MAIG Proposal represents fair value, based on a review using the same methodologies applied to the 31 December 2007 Directors' Valuation and taking into account changes to market conditions since that time. The valuation analysis of the Independent Expert has confirmed the conclusion of the review that the offer of $3.40 per MCAG Security represents fair value.	Note to the Independent Directors' letter
11. When will I receive the Scheme Consideration?	Provided the Schemes become Effective, MCAG Securityholders on the Register at the Scheme Record Date 2 September 2008 will receive the Scheme Consideration on or about 9 September 2008.	Key Dates
12. Are there any conditions that must be satisfied?	Yes. A full list of the Conditions Precedent to be either satisfied or (where applicable) waived before the Second Court Date is set out in Annexure B.	Annexure B
13. What voting majority is required to approve the Schemes?	At the Scheme Meetings, the majority required to approve each Resolution will depend on the particular Resolution being considered. As an example, the scheme of arrangement under the Corporations Act must be approved by more than 50% by number of MCAG Securityholders voting and at least 75% of the votes cast on the resolution.	Section 4
14. Am I entitled to vote?	If you are registered as a MCAG Securityholder on the Register as at 7.00pm on 18 August 2008, you will be entitled to vote at the Scheme Meetings unless otherwise noted in the Notices of the Scheme Meetings.	Section 2
15. Who is excluded from voting?	The Bidder and its associates are excluded from voting on the Acquisition Resolution at the Trust Scheme Meeting. In addition, MCAML (the responsible entity of MCAT) and its associates (including other Macquarie Group entities) are excluded from voting at the Trust Scheme Meeting (other than where the interest they hold in MCAG Securities is held on behalf of a third party who provides voting instructions). The Specified Macquarie Executives and Macquarie Group will not vote at any of the Scheme Meetings, other than where the interest they hold in MCAG Securities is held on behalf of a third party who provides voting instructions.	Annexure H, "Voting Exclusions"
16. Is voting compulsory?	No. If you do not vote or make an election, and the MAIG Proposal is successful, you will receive the Cash Consideration if you are still a MCAG Securityholder on the Scheme Record Date.	What you will receive under the MAIG Proposal
17. Will I be taxed on the Schemes proceeds?	The taxation consequences of the Schemes for MCAG Securityholders will depend on the personal taxation and financial circumstances of each MCAG Securityholder. However, general information about the likely Australian capital gains tax consequences of the Schemes is set out in Section 12 of this Scheme Booklet. A Class Ruling application has been submitted to the Australian Taxation Office requesting confirmation of the consequences of the Schemes for MCAG Securityholders, including the consequences for MCAG Securityholders that elect the Scrip Alternative. However, the Class Ruling may not be issued by the time of the Scheme Meetings. MCAG Securityholders should consult their own taxation advisers about the taxation consequences for them if the Schemes are implemented.	Section 12
18. If I choose to participate in the Scrip Alternative (if available), how will I receive a return?	The opportunity to invest in MAIG by accepting the Scrip Alternative (if available) is designed to provide existing MCAG Securityholders with the potential to retain an economic exposure to MCAG's underlying investments. MAIG will be unlisted (the securities will not trade on the ASX). As the investments owned by MAIG are sold over time (and this may be several years), the proceeds from those sales will be returned to MAIG Securityholders by distributions or returns of capital. Because there is no guarantee that the Scrip Alternative will eventuate given the 5% minimum, when considering whether to vote in favour of the MAIG Proposal, you should not do so in the expectation that the Scrip Alternative will eventuate. MCAG will announce at the Scheme Meetings the progressive total of Scrip Elections at that time, however the total will be subject to change until the Election Date, and accordingly there will be no certainty that the Scrip Alternative will be available until after the Election Date.	What you will receive under the MAIG Proposal

Question	Answer	Reference
19. What are the advantages and disadvantages of the Cash Consideration vs. the Scrip Alternative (if available)	The Cash Consideration offers certainty of value and immediate liquidity, while avoiding the risks associated with the MAIG Securities. The Cash Consideration means MCAG Securityholders forgo the opportunity to benefit from the potential future growth in the value of MCAG's assets, however they will also avoid the uncertainty associated with future asset realisation. The Cash Consideration may also trigger tax consequences. The Scrip Alternative allows an ongoing exposure to MCAG's assets. However there are additional risks from holding MAIG Securities including an absence of liquidity and an uncertain exit value. Also, the Scrip Alternative may not be available. If you elect the Scrip Alternative and it is available then your distribution will be paid into escrow to be held by the Escrow Trustee as set out in Section 4.6. If available, the Scrip Alternative may provide capital gains tax roll over relief. You should consult your professional adviser for specific advice. The Independent Expert has concluded that based on the liquidity and other factors relating to the MAIG Securities, a value discount of not less than 30% is likely to apply to a MAIG Security. Therefore, based on the Independent Expert's estimated fair market value of a MCAG Security, the Independent Expert's estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security. Please refer to the Independent Expert's Report contained in Annexure A for further information regarding the estimated value of the MAIG Securities. MCAG Securityholders wishing retain an ongoing exposure to MCAG's assets may wish to vote against the MAIG Proposal. Voting against the MAIG Proposal does not prevent an election to receive the Scrip Alternative if the MAIG Proposal proceeds (although the Scrip Alternative may not eventuate due to the 5% Minimum Aggregate Acceptance condition, and it is also subject to the Scaleback condition).	Sections 4 to 10 (in particular, risks in Section 8) Annexure A
20. What happens if the Schemes do not proceed?	If all of the Schemes do not become Effective then none of the Schemes will proceed. MCAG Securityholders will not receive the Scheme Consideration but will retain their MCAG Securities. Depending on the reasons for the Schemes not proceeding, including if the Independent Directors recommend a superior proposal, MCAG may be liable to pay a reimbursement fee to the Bidder of up to $8 million. No reimbursement fee is payable if MCAG Securityholders do not pass the resolutions for the MAIG Proposal. The IBC is of the opinion that if the Schemes do not proceed, and no alternative proposal emerges, the MCAG Security price is likely to fall.	Section 4
21. How do the MAIG fee arrangements compare to the existing MCAG fee arrangements?	The base and performance fee arrangements for MCAG are based on MCAG's listed security price performance. As MAIG will be unlisted, its fee arrangements will be based on the Allocated Cost Base of its Portfolio Investments and returns to MAIG Securityholders from these Portfolio Investments. It is therefore difficult to compare forecast base and performance fees that may become payable under the different arrangements, however given the return hurdle under the MAIG arrangement is based on the $3.40 Cash Offer (which is lower than the MCAG security price performance fee hurdle as at 30 June 2008 of $4.70*) the performance fee may be greater under the MAIG arrangement. Sections 7.9 and 7.10 of this Scheme Booklet provide a comparison and a worked example of the fee arrangements of MAIG and MCAG. * Based on the accumulated performance of the S&P/ASX 200 Accumulation Index as at 30 June 2008. The MCAG security price performance fee hurdle will change in line with movements in the ASX200 Accumulation Index.	Section 7
22. How have related party matters been reviewed?	The IBC engaged Deloitte to provide a report to the IBC on certain Related Party Transactions that are ancillary to the MAIG Proposal. Deloitte opined that nothing has come to their attention that causes them to believe the Related Party Transactions are not on arm's length, commercial terms or that the fee arrangements are not consistent with or at least no more favourable to Macquarie Group than the fee arrangements of comparable funds. Deloitte also reported that nothing has come to their attention that causes them to believe the Related Party Transactions have a bearing on their conclusion that the Schemes are fair and reasonable and in the best interests of Non-Associated MCAG Securityholders in the absence of a superior proposal.	Section 11.1
23. Where can I find further information?	If you have any questions about the Schemes, or you would like additional copies of this Scheme Booklet or another Proxy Form or Election Form, please call 1300 139 717 (within Australia) or +61 3 9415 4387 (outside Australia). A copy of the Scheme Booklet will be available at www.macquarie.com/mcag. For information about your individual financial or taxation circumstances, please consult your investment, legal, taxation or other professional adviser.	

2. MEETINGS DETAILS AND HOW TO VOTE

2.1 Entitlement to Vote

All Eligible MCAG Securityholders on the Register at 7.00pm on 18 August 2008 are entitled to vote at the Scheme Meetings to be held to approve the Schemes.

In order for the Schemes to proceed, all Resolutions must be approved by the requisite majorities of Eligible MCAG Securityholders. If any of the Resolutions is not passed by the requisite majority, the Schemes will not proceed.

For this reason, the MCAG Independent Directors unanimously recommend that you vote in favour of the Resolutions to approve the Schemes, in the absence of a superior proposal. If you are unable to attend the Scheme Meetings, your Independent Directors urge you to complete and return, in the enclosed reply-paid envelope, the Proxy Form that accompanies this Scheme Booklet.

The Macquarie Group will not vote at the Scheme Meetings, due to its interest in the outcome of the MAIG Proposal as outlined in Section 11, (except to the extent that Macquarie Group entities hold MCAG Securities on behalf of third parties who provide voting instructions in relation to the MAIG Proposal). The Specified Macquarie Executives have also confirmed that they will not vote at the Scheme Meetings.

2.2 Location of Scheme Meetings

Location:	Sheraton on the Park, 161 Elizabeth Street, Sydney
Date:	Wednesday 20 August 2008
Time:	10.00am. The MCAL Share Scheme Meeting will begin at this time, followed by the MCAIL Share Scheme Meeting and then the Trust Scheme Meeting immediately afterwards.

The notices of Scheme Meetings are set out in Annexure H of this Scheme Booklet. There is a single personalised Proxy Form (enclosed with this Scheme Booklet) for all of the Scheme Meetings.

2.3 The Resolutions

Section 4 provides details of the Resolutions and the requisite voting majorities that are required for the Schemes to be approved.

2.4 Voting in person, by attorney or corporate representative

If you wish to vote in person, you must attend the Scheme Meetings.

If you cannot attend the Scheme Meetings, you may vote by proxy, attorney or if you are a body corporate, by appointing a corporate representative.

Attorneys who plan to attend the Scheme Meetings should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meetings.

A body corporate which is a MCAG Securityholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. The representative should bring to the Scheme Meetings evidence of his or her appointment, including any authority under which it is signed.

2.5 Voting by proxy

If you wish to appoint a proxy to attend and vote at the Scheme Meetings on your behalf, please complete and sign the personalised green Proxy Form accompanying this Scheme Booklet in accordance with the instructions set out on the Proxy Form. You may complete the Proxy Form in favour of the Chairman of the Scheme Meetings or appoint up to two proxies to attend and vote on your behalf at the Scheme Meetings. If two proxies are appointed, and the appointment does not specify the proportion or number of the MCAG Securityholder's vote each proxy may exercise, each proxy may exercise half of the votes. If a proxy appointment is signed by or validly authenticated by the MCAG Securityholder but does not name the proxy or proxies in whose favour it is given, the Chairman of the Scheme Meetings will act as proxy.

THE PROXY FORM SHOULD BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS ON THE PROXY FORM SET OUT BELOW.

TO BE VALID, PROXY FORMS MUST BE RECEIVED BY THE REGISTRY, COMPUTERSHARE INVESTOR SERVICES PTY LIMITED BY NO LATER THAN 10.00AM ON 18 AUGUST 2008.

Proxy Forms, duly completed in accordance with the instructions set out on the Proxy Form, may be returned to the Registry by:

- posting them in the reply paid envelope provided, or to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- delivering them to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000, Australia; or
- faxing them to (+61 3) 9473 2118.

2.6 Alternative Scheme Consideration elections

If you are a MCAG Securityholder on the Register as at the Election Date, you can elect the Scheme Consideration alternative you would prefer by completing the blue Election Form and lodging it, prior to 7.00pm on the Election Date. MCAG Securityholders who fail to make a valid election will be deemed to have elected to receive the Cash Consideration. Under the terms of the Schemes, Ineligible Overseas MCAG Securityholders are not eligible to receive the Scrip Alternative, and will be deemed to have made a Cash Election.

THE ELECTION FORM SHOULD BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS ON THE ELECTION FORM SET OUT BELOW.

TO BE VALID, ELECTION FORMS MUST BE RECEIVED BY THE REGISTRY, COMPUTERSHARE INVESTOR SERVICES PTY LIMITED BY NO LATER THAN 7.00PM ON 26 AUGUST 2008.

ALTERNATIVELY, YOU CAN LODGE YOUR ELECTION FORMS AT THE SCHEME MEETINGS.

Election Forms, duly completed in accordance with the instructions set out on the Election Form, may be returned to the Registry by:

- posting them in the reply paid envelope provided, or to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- delivering them to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000, Australia; or
- faxing them to (+61 3) 9473 2118.

3. PROFILE OF MCAG

3.1 Background and history

MCAG is an ASX listed entity which provides investors with access to co-investment opportunities generated by the Macquarie Group. MCAG's strategy is to work with the senior management at the businesses in which it invests to implement agreed upon business plans. These plans can involve improving the efficiency of existing operations, expanding into new territories, or introducing new or improved product lines.

MCAG listed on the ASX in April 2005 with no investments and $500 million of available capital, with a further $500 million of capital contributed by investors through an instalment structure in April 2006. MCAG invested this capital in the following businesses:

- European Directories (39% owned), a directory services business in Europe
- Red Bee Media (65% owned), a media services business in the United Kingdom
- AIR-serv (60% owned), which owns and services tyre inflation machines in the United States, Canada, the United Kingdom and The Netherlands
- Regis Group (46% owned), which owns and operates aged care centres in Australia
- Zig Inge Group (sold in November 2007), a retirement village builder and manager in Australia.

In addition to the investment descriptions set out above and below in Section 3.2, information about MCAG and its investments is available on MCAG's website at www.macquarie.com/mcag. The website contains copies of MCAG's Annual and Interim reports free of charge. Alternatively, MCAG Securityholders may contact MCAG for copies of MCAG's Annual and Interim Reports free of charge. Macquarie also produces detailed voluntary management information reports for MCAG which address key metrics including the operating performance of assets and debt levels. These reports are also available on MCAG's website.

MCAG's interests in the Portfolio Investments are subject to various rights in favour of the other third party investors in the Portfolio Investments. Those rights include provisions which treat MCAG as having offered to sell all of its interest to the other investors at 'fair market value' in the event of a change of control of MCAG or its manager. In addition, lenders to the asset companies have imposed requirements relating to the ongoing involvement of Macquarie Group manager entities and their removal may have adverse consequences such as acceleration of loan repayments. The MAIG Proposal does not trigger any of these rights as the Portfolio Investments will continue to be ultimately owned by a fund managed by a Macquarie Group entity.

The Independent Expert's Report contained in Annexure A contains further financial and descriptive information about MCAG and its investments.

In February 2008, MCAG announced that it was considering a range of options to maximise value for securityholders and that, having regard to market conditions, it was unlikely to pursue further acquisitions outside of its existing Portfolio Investments at this time.

3.2 Overview and performance updates since MCAG's Interim Report released 18 March 2008

3.2.1 European Directories

European Directories is a leading directory service business in Europe which provides local advertising services to small and medium size businesses.

European Directories' investment characteristics include:

- Geographically diverse operations with leading positions in most markets
- Sales force of over 2,200 promoting more than 10 different forms of local advertising
- Established market position based on well known brands

On 31 March 2008, European Directories announced that, subject to regulatory approvals, it intends to acquire the Dutch operations of Truvo. Truvo is a local commercial search and advertising company, whose portfolio includes the Gouden Gids directories and Clearsense, a search engine marketing organisation. European Directories expects that the combination of its business in the Netherlands (DTG) with the Dutch operations of Truvo will provide benefits to both advertisers and users. The acquisition is expected to generate significant synergies. The acquisition is subject to approval by the Dutch Competition Authority (the NMa). A decision from the NMa is expected in the third quarter of calendar year 2008. The outcome of this approval process is uncertain. If the approval of the NMa is obtained and the acquisition proceeds, European Directories will fund the acquisition through an equity rights issue and additional senior only debt facilities. MCAG will take up c.40% of its rights issue entitlement for approximately EUR30 million (AUD52 million) and following completion will hold 34% of European Directories, compared with its 39% holding prior to completion. If the acquisition does not proceed, the rights issue by European Directories will not proceed, and MCAG will retain the cash that it otherwise would have invested in the rights issue. This would be likely to result in the Distribution to MCAG Securityholders being closer to the maximum amount of $0.40 per MCAG Security, if the Schemes become Effective, than it would be if the acquisition had proceeded (see Section 5.4).

European Directories has a calendar financial year end. The group is expected to achieve EBITDA pre-specific items growth of at least 7.5% over calendar year 2008, subject to economic conditions in European Directories' major markets.

Historical financial information and full year forecasts to 30 June 2008, as well as further background information is set out in the Independent Expert's Report.

3.2.2 Red Bee Media

Red Bee Media provides important services for television broadcasters, including the storage, formatting and ordering of content immediately prior to transmission; access services such as subtitling, audio description and signing; and creative services such as channel branding.

Red Bee Media's investment characteristics include:

- Multi-year contracts with established broadcasters such as the BBC and Virgin Media
- Regulated levels of access services in some countries of operation
- Potential opportunities as television broadcasters move from analogue to digital transmission

During financial year 2008, Red Bee Media has been awarded or appointed as the preferred supplier for several contracts of various sizes, including playout for Channel 4 in the United Kingdom, access services contracts in France and creative services contracts in China.

As noted in the MCAG interim results presentation,[11] Red Bee Media has embarked on a further round of efficiency improvements, which will result in one off costs. EBITDA pre-specific items (such as one off costs incurred to achieve efficiency improvements) over financial year 2008 is expected to be in line with guidance of around GBP25 million.

Historical financial information and full year forecasts to 30 June 2008, as well as further background information is set out in the Independent Expert's Report.

3.2.3 AIR-serv

AIR-serv owns and operates a large portfolio of vehicle tyre inflation, vacuum and jet-wash equipment, with more than 65,000 machines at petrol stations and convenience stores across the United States, Canada, the UK and Continental Europe.

AIR-serv's investment characteristics include:

- a large portfolio of cash generative machines
- an established distribution network in the United States which is capable of servicing large national accounts
- medium term concession agreements

AIR-serv completed its acquisition of Savan Services, the only significant provider of coin operated tyre inflation machines in The Netherlands. AIR-serv expects that there will be opportunities to expand its operations in Continental Europe, where there is currently a low penetration of pay-air machines compared with the United States.

During the financial year ending 30 June 2008, AIR-serv's revenue per machine in the United States has been adversely impacted by high retail fuel prices, as well as lower consumer spending. AIR-serv has a relatively fixed cost base, resulting in some pressure on earnings in the United States. In light of the adverse economic conditions, it is expected that the EBITDA for 2008 will be slightly lower than the level of EBITDA generated in 2007, rather than the modest growth previously expected. The lower earnings are likely to have an impact on the business' ability to utilise its committed capital expenditure facility until certain earnings levels are met. In order to continue its expansion into new markets, such as Continental Europe, and to fund capital expenditure in existing markets, AIR-serv is likely to require further contributions of equity from its shareholders (including MCAG), or should the Schemes proceed, MAIG.

Historical financial information and full year forecasts to 30 June 2008, as well as further background information is set out in the Independent Expert's Report.

3.2.4 Regis Group

Regis Group is one of the largest private sector operators of aged care centres in Australia. Regis Group has operated for over 15 years and merged with Retirement Care Australia (which was owned by MCAG) in July 2007.

Regis Group's investment characteristics include:

- Regulated industry with government funding of a majority of revenues
- An ageing population which may increase demand for aged care services
- Development potential at sites located in metropolitan areas

During financial year 2008, the Regis Group integrated the operations of Retirement Care Australia with the Regis Group. As noted at MCAG's interim results, there are one off costs from this integration, with the benefits expected to be realised progressively over financial years 2009 to 2011. Several centres have been closed for redevelopment. This is expected to have medium term benefits, but will impact revenue and EBITDA in financial year 2008.

Historical financial information and full year forecasts to 30 June 2008, as well as further background information is set out in the Independent Expert's Report.

3.3 Debt Maturity Profile

The Portfolio Companies have medium term debt packages. A summary of the duration of the debt packages of the Portfolio Companies (which are non-recourse to MCAG) is contained in the following table:

Debt Maturity Profile Table

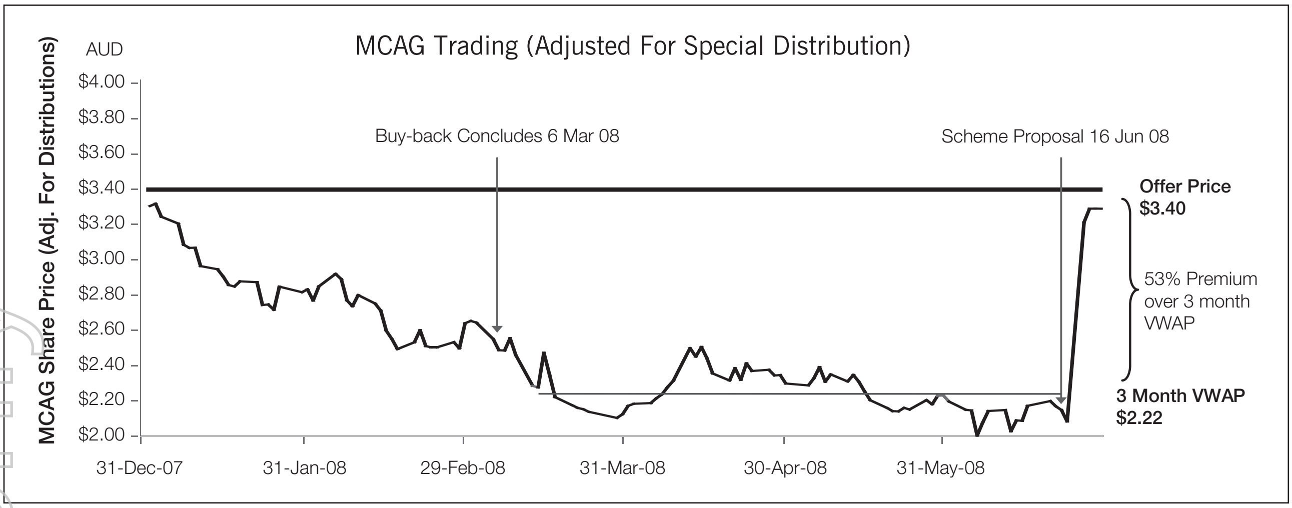
Business	Calendar Year of Earliest Term Debt Maturity
European Directories	2012
Red Bee Media	2013
AIR-serv	2011
Regis Group	2012

3.4 Recent MCAG Security price performance

The closing price of Securities on the ASX on 13 June 2008, the last trading day prior to the announcement of the Proposal was $2.10. The closing price of the MCAG Securities on the ASX on 27 June 2008 was $3.26.

The chart on the following page sets out the daily closing price of the MCAG Securities on the ASX from 31 December 2007 to 13 June 2008 (the last trading day prior to the announcement of the MAIG Proposal). The chart has been adjusted to exclude the 30 cent special distribution paid in April 2008.

11 Released to the ASX on 27 February 2008.



3.5 Biographies of members of the MCAG Board

Rowan Ross
MCAIL Director, MCAL and MCAML Chairman

Rowan Ross is an executive director of Macquarie Capital and has had more than 35 years' experience in investment banking. Rowan is a director of Insurance Australia Group Limited, IAG Finance (New Zealand) Limited and Chairman of Australian Brandenburg Orchestra. He is the former Chairman of Bankers Trust Investment Bank, former National President of the Securities Institute of Australia and former Chairman of the Sydney Dance Company and the Australian Major Performing Arts Group.

Ken Moss
MCAL and MCAML independent director

Ken Moss has extensive experience as an executive and company director. Ken is the Chairman of Boral Limited and Centennial Coal Company Limited. He is also a director of GPT Management Holdings Limited. Ken commenced his career with Howard Smith in 1974 and held senior positions both in Australia and overseas with Howard Smith before becoming managing director in 1993 until August 2000. He was also a director of NAB until 2004.

Robin Crawford
MCAL and MCAML independent director

Robin Crawford has more than 20 years' experience in banking and investment banking and worked on the creation of Macquarie, of which he was a founding director. Robin is also active in the not-for-profit sector as Chairman of the Sydney Cancer Centre Foundation and a director of The Centre for Social Impact, and formerly as a director of the Autistic Children's Association of NSW, Clean Up Australia and Schizophrenia Foundation of Australia.

Kim Carter
MCAIL Chairman

Kim Carter has extensive experience in business management. He owned and operated a manufacturing company, QRT Ltd from 1977 to 1989, and in 1991 launched a publishing company, Carter & Carter Ltd, publisher of non-fiction books. Kim is a certified hedge fund specialist (CHFS) and in 2004 became a director of Tribley Asset Management Ltd in Bermuda. Kim is a director of Macquarie MCG International Limited and was the Chairman of international squash tournaments; the Bermuda Open, the PSA Masters 2005 and 2006, and the World Open 2007.

Rodney Birrell
MCAIL independent director

As a corporate attorney with Appleby Spurling & Kempe between 1988 and 1993, Rodney Birrell was involved in a number of high profile merger and acquisition transactions. Since then, Rodney has been managing director and president of Bristol Limited and, since 2003, co-executive director of the Wine Investment Fund. Rodney is a director of Macquarie MCG International Limited; Paradigm Limited and C.Venture Limited in Bermuda; Quorum Secured Equity Trust in Canada; and Kew Trading in the British Virgin Islands.

Anthony Nagel
MCAIL, MCAL and MCAML independent director

Anthony Nagel is Chief Executive Officer of QuoVadis Limited which specialises in the provision of computer encryption and security services and products. Until recently, Anthony was a member of the E-Commerce Advisory Board established by the Bermuda Minister of Telecommunications and Commerce. Anthony served as Chief Financial Officer of Full Service Trade System Limited between 1996 and 1999 and Bermuda Commercial Bank between 1993 and 1996. Anthony is currently a director of Cybermuda Limited and is also a member of the Bermuda International Business Association E-Commerce Committee.

Michael Carapiet
MCAML director

Michael Carapiet is an executive director and head of Macquarie Capital. Macquarie Capital is Australia's largest investment advisory services business. Michael is also a director of Macquarie Infrastructure Investment Management Limited, Macquarie Communications Infrastructure Management Limited, Macquarie Airports Management Limited, Macquarie Media Management Limited and a director of the Export Finance Insurance Corporation.

3.6 MCAG historical financial information

Set out below is historical financial information in respect of MCAG for the years ended 30 June 2006 and 30 June 2007, and for the half year ended 31 December 2007.

The historical income statements and historical summarised balance sheets set out below are extracted from the MCAG Financial Report for the year ended 30 June 2007 and the MCAG Interim Financial Report for the half year ended 31 December 2007. The historical proportionate EBITDA information is extracted from the MCAG Management Information Reports for the years ended 30 June 2006 and 30 June 2007, and from the MCAG Management Information Report for the half year ended 31 December 2007. Copies of these reports and further historical financial information about MCAG can be found on MCAG's website at www.macquarie.com/mcag.

Subsequent to 31 December 2007, MCAG undertook both a $50.1 million buy-back of MCAG Securities that was completed on 6 March 2008 and a 30 cent per MCAG Security distribution that was paid on 7 April and that reduced MCAG's cash by $75 million. The financial impact of these events on MCAG's 31 December 2007 balance sheet is included in the unaudited 31 December 2007 summarised balance sheet adjusted for post-balance sheet date events in Section 9.2.4 of this Scheme Booklet. Forecast proportionate revenue and EBITDA for each of MCAG's existing investments and fund level expenses and management fees for the 12 months to 30 June 2008 are provided in Annexure A, in section 3.4.1 of the Independent Expert's Report.

3.6.1 Historical MCAG income statement

Income Statement (consolidated)	Audited Jun 2006	Audited Jun 2007	Reviewed Dec 2007
	12 months	12 months	6 months
	A$millions	A$millions	A$millions
Revenue from continuing activities	278	487	247
Other income[1]	3	7	190
Total revenue and other income from continuing activities	**281**	**494**	**437**
Share of net losses of associates accounted for using the equity method[2]	(32)	(15)	(9)
Management fees	(12)	(15)	(6)
Other operating expenses from continuing activities	(294)	(548)	(322)
Operating expenses from continuing activities	(306)	(563)	(328)
Profit/(loss) from continuing activities before tax	**(57)**	**(84)**	**100**
Tax benefit/(expense)	6	23	(13)
Profit/(loss) from continuing activities	**(51)**	**(61)**	**87**
Profit/(loss) from discontinued operations	(9)	-	-
Profit/(loss) for the period	**(60)**	**(61)**	**87**
Profit/(loss) attributable to:			
- MCAG Securityholders	(58)	(51)	103
- Other minority interests	(2)	(10)	(16)

1. Other income in the six months to 31 Dec 2007 includes A$145 million gain on the disposal of ZIG and A$40 million gain following the merger of Regis Group and RCA (which is accounted for as an associate).

3.6.2 Historical MCAG proportionate Revenue and EBITDA

Proportionate Revenue and EBITDA[1]	Unaudited Jun 2006	Unaudited Jun 2007	Unaudited Dec 2007
	12 months	12 months	6 months
	A$millions	A$millions	A$millions
European Directories	328	412	237
Red Bee Media	157	204	103
AIR-serv	-	98	50
Regis (previously RCA)	97	122	48
Zig Inge Group	17	28	8
Proportionate Revenue	**599**	**864**	**446**
European Directories	104	139	93
Red Bee Media	14	28	10
AIR-serv	-	29	15
Regis (previously RCA)	(3)	11	5
Zig Inge Group	8	13	4
Proportionate EBITDA (pre fund expenses)	**123**	**220**	**127**
Fund level expenses (including management fees)	(18)	(19)	(25)
Proportionate EBITDA (post fund expenses)	**105**	**201**	**102**

1. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

3.6.3 Historical MCAG summarised balance sheet

Summarised balance sheet (consolidated)	Audited Jun 2006	Audited Jun 2007	Reviewed Dec 2007
	A$millions	A$millions	A$millions
Cash and cash equivalents	163	134	351
Receivables	72	76	65
Investments accounted for using the equity	550	537	530
Property, plant and equipment	260	191	191
Deferred tax assets	1	48	55
Intangible assets	496	764	723
Other assets	24	41	39
RCA assets held for sale	-	304	-
Total Assets	**1,566**	**2,095**	**1,954**
Payables and provisions	253	136	124
Current tax liabilities	-	-	24
Interest bearing liabilities	275	713	691
Deferred tax liabilities	22	73	70
Other liabilities	-	4	18
Liabilities directly associated with RCA assets held for sale	-	227	-
Total liabilities	**550**	**1,153**	**927**
Net assets	**1,016**	**942**	**1,027**

4. OVERVIEW OF THE MAIG PROPOSAL

4.1 Background

MCAG was established to provide an opportunity to co-invest with Macquarie Group and Macquarie Group clients.

Since listing and fully investing its capital, MCAG has returned 60 cents of capital per MCAG Security to investors, undertaken a $50 million buy-back and sold its investment in the Zig Inge Group, a retirement villages business in Australia, for a $255 million return on $101 million invested.

Despite these measures, the trading price of MCAG's Securities has been disappointing and at its interim results presentation on 27 February 2008, MCAG announced that it was exploring a range of options to maximise value for securityholders. These options included a sell-off of individual assets, refinance opportunities, further capital management, as well as exploring the potential for a whole of fund solution.

As part of this process, and in consultation with the Board in developing a whole-of-fund solution that retained the value of the existing debt packages, MCAG management conducted an extensive process that included approaching approximately 20 institutional investors who specialise in secondary or late stage private equity investments to determine their interest in participating in the proposal to take MCAG private.

A process was run by MCAG management which involved:

- Separate arm's length negotiations with each potential third party investor as part of a competitive process to maximise value. Several investors were excluded on the basis of being unable to meet price or timing expectations;
- Provision of detailed due diligence information and management meetings with senior management of MCAG's portfolio companies;
- Detailed negotiations and due diligence sessions, from which a consortium of third party investors was formed to take a proposal forward; and
- Negotiation with the consortium of third party investors on the transaction terms and documents to finalise a proposal.

As the consortium of third party investors is investing through a new Macquarie Capital managed fund, and as Macquarie Capital is investing alongside the fund, an Independent Board Committee ("IBC") of MCAG was established to consider the proposal, and any alternative proposals that may be received. The IBC consists of the Independent Directors of MCAG. The IBC appointed Deloitte to provide an independent expert's report on the proposal (see Annexure A).

It was noted by the IBC that:

- due to continuing uncertainty in capital markets, there would be a high level of risk involved in attempting to achieve fair value from individual asset sales in current market conditions (and no certainty around whether capital market conditions were likely to improve);
- a whole of fund transaction delivering the Cash Offer of $3.40 cash per MCAG Security was optimal for those investors seeking to crystallise value in the short term. This conclusion relates in part to the fact that mandatory repayment clauses of the existing asset level debt packages are not triggered under the whole of fund offer by a Macquarie managed fund, nor are pre-emptive rights in current MCAG Portfolio Investment agreements triggered;
- credit market conditions had continued to deteriorate since 31 December 2007 and it was unlikely that any benefit would be obtained from engaging in the recapitalisation of any of the assets;
- the MCAG Security price response to the $125 million of capital management undertaken in the period from 7 January 2008 to 7 March 2008 (by way of a special distribution of 30 cents per security ($75 million) and a $50 million buy-back) had been disappointing and that compared with a whole of fund solution, further capital management was unlikely to create as much value for MCAG Securityholders; and
- considering recent MCAG Security price trading and the lack of identifiable short term security price catalysts, that maintaining the operation of MCAG in its existing form was unlikely to be satisfactory for MCAG Securityholders when compared with the $3.40 Cash Offer, which represents a 53% premium to the three month volume weighted average price of $2.22 and a 62% premium to the last closing price of $2.10 prior to the announcement of the MAIG Proposal on 13 June 2008.

Having considered the merits of the alternatives, the IBC ultimately concluded that, in the absence of a superior offer, the most viable option and the one most likely to deliver the greatest value for MCAG Securityholders, was the MAIG Proposal.

4.2 Scheme Consideration

If the Schemes become Effective, the Bidder will provide the Scheme Consideration to each MCAG Securityholder on the Register at 5.00pm on the Scheme Record Date (the Scheme Participants). The Schemes provide for two alternative forms of Scheme Consideration. Each Scheme Participant will receive either:

- Under the Cash Consideration: $3.40 in cash per MCAG Security (the default election). The $3.40 MCAG Securityholders will receive under the Cash Offer is made up of a Distribution being a return of capital by MCAT of up to $0.40, plus the Cash Consideration from the Bidder (being $3.40 less the Distribution); or
- Under the Scrip Alternative (for MCAG Securityholders other than Ineligible Overseas MCAG Securityholders and subject to the Minimum Aggregate Acceptance and Scaleback conditions described below): effectively one MAIG Security per MCAG Security[12]. If the Scrip Alternative is provided to a Scheme Participant (which will depend on a Scrip Election being made and the Minimum Aggregate Acceptance condition being satisfied), a Distribution in an amount of up to $0.40 per MCAG Security ("Escrow Amount") will also be paid on the Scheme Participant's behalf to the Escrow Trustee, to

12 Comprising: 1 share in MAIL for each share in MCAL; 1 share in MAIIL for each share in MCAIL; and 1 unit in MAIT for each unit in MCAT.

be held in escrow for follow-up investments and working capital under the Escrow Arrangements described below in Section 4.6.

The Independent Expert has concluded that based on the liquidity and other factors relating to the MAIG Securities, a value discount of not less than 30% is likely to apply to a MAIG Security. Therefore, based on the Independent Expert's estimated fair market value of a MCAG Security, the Independent Expert's estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security. Please refer to the Independent Expert's Report contained in Annexure A for further information regarding the estimated value of the MAIG Securities.

Ineligible Overseas MCAG Securityholders may not make the Scrip Election and will be deemed to have elected to receive the Cash Consideration. Macquarie Capital will elect to receive the Cash Consideration in respect of its 44,017,295 MCAG Securities.

4.3 Minimum Aggregate Acceptance condition for Scrip Alternative

If total elections for the Scrip Alternative are received for less than 12,297,959 MCAG Securities (5% of the issued MCAG Securities) ("Minimum Aggregate Acceptance"), the Scrip Alternative will not be available and all Scheme Participants will receive the Cash Consideration for each MCAG Security held by them at the Scheme Record Date.

4.4 Scaleback condition for Scrip Alternative

If total elections for the Scrip Alternative exceed 49,191,837 MCAG Securities (20% of the issued MCAG Securities), there will be a scale-back applied on a pro rata basis, such that no more than 20% of MAIG's issued capital will be held by former MCAG Securityholders ("Scaleback"). To the extent that a MCAG Securityholder's entitlement to MAIG Securities is scaled back, the MCAG Securityholder will receive the Cash Consideration for each MCAG Security.

4.5 Uncertainty of Scrip Alternative

Because there is no guarantee that the Scrip Alternative will in fact be made available even if the MAIG Proposal is approved, when considering whether to vote in favour of the MAIG Proposal, you should not do so in the expectation that the Scrip Alternative will be made available.

4.6 Escrow Arrangements for the Distribution if the Scrip Alternative is elected

As described in Section 5.5, the majority securityholder in MAIG will be MAIP Investments Ltd., an entity ultimately owned by the New Investors (through MAIP) and Macquarie Capital (through MIAPL). The New Investors and Macquarie Capital (through MIAPL), in addition to committing capital to pay the Scheme Consideration, have committed additional capital for follow-up investments and working capital for MAIG (the "Additional Amount").

The purpose of the Escrow Arrangements is to ensure that when capital calls are made on the New Investors and Macquarie Capital in respect of the Additional Amount, equivalent capital calls can be made on the Escrow Amounts of other MAIG Securityholders at that time ("Scrip Securityholders"), so that the capital contributions of the New Investors, Macquarie Capital and Scrip Securityholders are maintained, until such time as the funds in the Escrow Account have been fully depleted. After the Escrow Amounts have been fully utilised, calls for further capital may dilute the proportionate interest of Scrip Securityholders in MAIG, relative to the Consortium, if Scrip Securityholders do not participate, or are not invited to participate in, the contribution of further capital to MAIG on a pro rata basis.

The Escrow Arrangements will operate as follows:

- each Scrip Securityholder directs MCAG to pay the Escrow Amount to the Escrow Trustee to be held by the Escrow Trustee on a separate trust ("Escrow Account") for the Scrip Securityholder at a reasonable rate of interest and in accordance with the terms of the Escrow Trust Deed governing the escrow arrangement, and paid for the benefit of the Scrip Securityholder as set out below;
- each Scrip Securityholder appoints MCAG as its agent and attorney and directs MCAG to direct MAIPGPL to:
  - direct the Escrow Trustee to pay the net amount of all interest accrued on the Escrow Amount (after deduction of the Scrip Securityholder's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) to the Scrip Securityholder at least once in each financial year;
  - certify to the Escrow Trustee that all holders of MAIG Securities are subject to further capital contributions of a particular amount per MAIG Security; and
  - direct the Escrow Trustee to pay on behalf of the Scrip Securityholder from time to time an amount, not exceeding the remainder of the Escrow Amount, as requested by MAIG as a call for further capital contribution; and
- any part of the Escrow Amount that is still held in the Escrow Account on the fifth anniversary after the Implementation Date will be repaid to the Scrip Securityholders.

The Escrow Trustee will have an absolute discretion whether to pay any net amount of interest accrued on the Escrow Amount to the relevant Scrip Securityholders if the costs of making such payments are disproportional to the amount of interest due to be payable to the relevant Scrip Securityholders. This discretion may be exercised by the Escrow Trustee in circumstances where the interest (after deduction of the Scrip Securityholder's pro-rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) is so small that the cost of processing the payment of that interest significantly outweighs the amount of interest. In these circumstances, rather than paying the amount of the interest, it will be carried forward to a future payment period and paid when it is economical and reasonable to do so. Once the Scrip Alternative is elected, subject to the entitlement to vary an election before 7.00pm on the Effective Date, a Scrip Securityholder will have no cooling-off right with respect to the Escrow Account once they have selected the Scrip Alternative.

The key terms of the Escrow Trust Deed are summarised in Annexure G. The taxation implications of the Escrow Arrangements are considered in Section 12 of this Scheme Booklet.

A formal complaints handling process will be in place for the Escrow Trustee. The Escrow Trustee will be a member of the Financial Ombudsman Service. In the first instance, any complaints should be directed to the Escrow Trustee. When the Escrow Trustee receives a complaint by telephone (to (+61 2) 8232 9284) or in writing to Macquarie Advanced Investment Management – the Escrow Trustee, No.1 Martin Place, Sydney, NSW, Australia, it will ensure that an appropriate person properly considers the complaint and the Escrow Trustee will give the Scrip Securityholder information about any further action available to it.

If the Escrow Trustee is unable to resolve the Scrip Securityholder's complaint within 24 hours, it will keep the Scrip Securityholder informed, giving the timeframe in which it expects to resolve the matter and name of the representative managing the resolution of their complaint. The Escrow Trustee may also require additional information from the Scrip Securityholder.

If the matter is not resolved to the Scrip Securityholder's satisfaction or is not resolved within 45 days, the Scrip Securityholder can contact the Financial Ombudsman Service by telephone on 1300 780 808 or in writing to GPO Box 3, Melbourne, Victoria 3001. The Financial Ombudsman Service is independent of the Escrow Trustee.

A Scrip Securityholder may also contact ASIC on 1300 300 630 or through their website, www. asic.gov.au. Contact details for the Escrow Trustee are included in the Corporate Directory at the end of this Scheme Booklet.

4.7 Scheme Consideration election

The blue Election Form should be used by Scheme Participants to select one of the Scheme Consideration alternatives. The election to receive either the Cash Consideration or the Scrip Alternative (if available) applies to all the MCAG Securities held by the Scheme Participant at the Scheme Record Date.

There is no "mix and match" option. MCAG Securityholders must elect either 100% cash or 100% scrip.

If a valid election is not made, a Scheme Participant will be deemed to have elected to receive the Cash Consideration in respect of all their MCAG Securities.

If you wish to receive the Scrip Alternative (if available), then irrespective of how or whether you intend to vote at the Schemes Meetings to approve the Schemes, you should complete and return the Election Form to the address specified on the form before 7.00pm on 26 August 2008.

4.8 Trustees and nominees

Scheme Participants that hold parcels of MCAG Securities as trustee or nominee for, or otherwise on account of, another person ("Nominees") can make an Election in respect of the Scheme Consideration alternatives for each parcel. A Nominee needs to manage the underlying owners' separate Elections in the following manner.

Where a Nominee may nominate separate Elections to reflect the instructions of underlying beneficiaries, that Nominee should establish two separate holdings on the Register (each with a Holder Identification Number (HIN)) and lodge (by the Election Date) one Election Form in relation to each of these holdings as follows:

- one Election Form electing the Cash Consideration for one HIN; and
- one Election Form electing the Scrip Consideration for the other HIN.

At the time of lodging the Election Forms, the Nominee should pool the correct amount of MCAG Securities into each HIN to reflect instructions received at that time. Any MCAG Securities in relation to which no instructions are received should be pooled into the HIN for which the Cash Consideration has been elected.

Each Election and holding will serve as the point for the aggregation of a Nominee's underlying client instructions. Any Nominee must arrange its holdings by the Scheme Record Date taking into account the cut off time and date and method of transfer at its disposal.

Note that individual Scaleback calculations, including fractional entitlement calculations, will be made on the whole holding of MCAG Securities, not individual beneficial owner's interests inside the holding on the Register.

4.9 Determination of persons entitled to Scheme Consideration

The form of the Register will solely determine the entitlement to the Scheme Consideration. MCAG Securityholders who are registered on the Register as at the Scheme Record Date will receive the Scheme Consideration.

4.10 Ineligible Overseas MCAG Securityholders

If the address of a MCAG Securityholder as shown in the Register is a place outside Australia and its external territories, that MCAG Securityholder is an Overseas MCAG Securityholder under the Schemes.

An Overseas MCAG Securityholder with an address in New Zealand or Hong Kong is not an Ineligible Overseas MCAG Securityholder. All other Overseas MCAG Securityholders other than UK Exempt Investors are Ineligible Overseas MCAG Securityholders, unless MCAG and the Bidder determine that it is lawful and not unduly onerous or impractical to issue that Overseas MCAG Securityholder with MAIG Securities if the Schemes become Effective and the Scrip Alternative becomes available.

If you are an Ineligible Overseas MCAG Securityholder and you elect to receive the Scrip Consideration, your election will have no effect, and you will be deemed to have elected the Cash Consideration.

4.11 Bidder acquiring as nominee for MAIG entities

The Bidder is a subsidiary of MAIL. The Bidder will acquire the MCAG Securities as follows:

- each MCAL Share will be acquired by the Bidder for itself;

- each MCAIL Share will be acquired by the Bidder as nominee for MAIIL; and
- each MCAT Unit will be acquired by the Bidder as nominee for MAIT RE as the responsible entity of MAIT.

The Cash Consideration (being $3.40 less the Distribution) is being provided as follows:

- $0.27 cash for each MCAL Share by the Bidder;
- $1.21 cash for each MCAIL Share by MAIIL; and
- $1.92 less the Distribution (being a return of capital by MCAT of up to $0.40) for each MCAT Unit by MAIT RE as the responsible entity of MAIT.

The Scrip Consideration is being provided by each entity as follows:

- 1 MAIL share worth $0.27 for each MCAL Share;
- 1 MAIIL share worth $1.21 for each MCAIL Share; and
- 1 MAIT unit worth $1.92 less the Distribution (being a return of capital by MCAT of up to $0.40) for each MCAT Unit.

4.12 Explanation of the Schemes

Each MCAG Security comprises one share in MCAL, one share in MCAIL and one unit in MCAT stapled together. The MAIG Proposal comprises three separate but inter-conditional Schemes:

- An Australian law scheme of arrangement in relation to the transfer of MCAL Shares to MAIL;
- A Bermudian law scheme of arrangement in relation to the transfer of MCAIL Shares to MAIIL; and
- An Australian law trust scheme in relation to the transfer of the MCAT Units to MAIT.

4.12.1 Share Schemes

The Share Schemes are court supervised arrangements between MCAL and MCAL Shareholders, and between MCAIL and MCAIL Shareholders, pursuant to which all of the shares in each of those entities are transferred to the respective MAIG entities in consideration for the Scheme Consideration. To be effective, the Share Schemes must be approved by MCAL Shareholders and MCAIL Shareholders at their respective Share Scheme Meetings, and by the Court and the Bermuda Court respectively.

A copy of the MCAL Share Scheme and MCAIL Share Scheme are set out at Annexures D and E respectively of this Scheme Booklet.

The MCAL Share Scheme Resolution must be approved by:

i) a majority in number (more than 50%) of the holders of MCAL Shares present and voting at the MCAL Share Scheme Meeting (either in person or by proxy); and
ii) at least 75% of the votes cast by MCAL Shareholders entitled to vote on the MCAL Share Scheme Resolution.

The MCAIL Share Scheme Resolution must be approved by:

i) a majority in number (more than 50%) of the holders of MCAIL Shares present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the MCAIL Share Scheme Meeting; and
ii) at least 75% of the votes cast on the MCAIL Share Scheme Resolution.

The Share Scheme Resolutions are set out in the notice of MCAL Share Scheme Meeting and notice of MCAIL Share Scheme Meeting included in this Scheme Booklet at Annexure H.

4.12.2 Trust Scheme

The Trust Scheme is an arrangement pursuant to which all of the MCAT Units are transferred to MAIT. This transfer requires the MCAT Unitholders to approve two separate resolutions.

i) Amendment Resolution

The MCAT Unitholders must approve as a special resolution an amendment to the MCAT Constitution, to authorise all actions necessary or desirable for the transfer of MCAT Units to MAIT to be made. These amendments are set out in the Supplemental Deed in Annexure F of this Scheme Booklet.

The amendment to the MCAT Constitution (by adoption of the Supplemental Deed) must be approved by special resolution passed by at least 75% of the total number of votes cast on the Amendment Resolution at the Trust Scheme Meeting by MCAT Unitholders entitled to vote on the resolution.

ii) Acquisition Resolution

In addition to the Amendment Resolution, MCAT Unitholders must approve the acquisition by MAIT of all the MCAT Units pursuant to an ordinary resolution (resolution passed by more than 50% of the total number of votes cast) of the MCAT Unitholders for the purposes of Item 7 of section 611 of the Corporations Act.

MAIT's acquisition of MCAT Units under the Trust Scheme must be approved as an ordinary resolution passed by more than 50% of the total number of votes cast on the Acquisition Resolution at the Trust Scheme Meeting by MCAT Unitholders entitled to vote on the resolution.

iii) Judicial advice

MCAT applied for the First Judicial Advice from the Court to confirm its power to take the steps required to implement the MAIG Proposal. On 17 July 2008 the Court made an order that MCAML as responsible entity of MCAT is justified in:

- proceeding on the basis that amendments to the MCAT Constitution in the manner proposed by the Supplemental Deed following the approval by special resolution of the MCAT Unitholders, would be within the powers of alteration contained in the MCAT Constitution and as set out in section 601GC of the Corporations Act; and
- convening a meeting of the MCAT Unitholders to consider, and if thought fit approve, the Amendment Resolution and the Acquisition Resolution. If the Amendment Resolution and Acquisition Resolution are approved by the requisite majorities, MCAML will apply for further judicial advice (the Second Judicial Advice) to the effect that it is justified in acting upon the Amendment Resolution and the Acquisition Resolution and in doing all things and taking all necessary steps to implement the Trust Scheme. If the Court does not advise that MCAML is so justified, the Schemes will not become Effective.

4.12.3 Scheme Meetings

As required under the Schemes, the Court has:

i) convened, under section 411(1) of the Corporations Act, the MCAL Share Scheme Meeting to approve the MCAL Share Scheme (pursuant to which the Bidder will acquire all of the MCAL Shares); and
ii) advised that, under section 63 of the Trustee Act 1925 (NSW), MCAML would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the MCAT Constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by the MCAT Constitution and section 601GC of the Corporations Act.

The Bermuda Court has convened, under section 99(1) of the Companies Act, the MCAIL Share Scheme Meeting to approve the MCAIL Share Scheme (pursuant to which the Bidder will acquire all of the MCAIL Shares).

The MCAL Share Scheme Meeting, the MCAIL Share Scheme Meeting and the Trust Scheme Meeting will be held at 10.00am on Wednesday, 20 August 2008 at the Sheraton on the Park, 161 Elizabeth Street, Sydney.

The notices of the MCAL Share Scheme Meeting, the MCAIL Share Scheme Meeting and the Trust Scheme Meeting are set out in Annexure H of this Scheme Booklet.

Each MCAG Securityholder who is registered on the Register at 7.00pm on 18 August 2008 is entitled to attend and vote at the Scheme Meetings, either in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with sections 250D and 253B of the Corporations Act.

Instructions on how to attend and vote at the Scheme Meetings in person, or to appoint a proxy, attorney or corporate representative to attend and vote on your behalf, are set out in Section 2 of this Scheme Booklet.

MCAG has engaged Computershare Investor Services Pty Limited to assist in the administration of the Scheme Meetings by providing services including receiving Proxy Forms, reporting proxy voting details to the chairman, and recording and reporting the results of voting by poll on the Resolutions.

4.13 Court approval of Share Schemes

In the event that:

i) the Resolutions are approved by the requisite majority of MCAL Shareholders, MCAIL Shareholders and MCAT Unitholders at the MCAL Scheme Meeting, the MCAIL Scheme Meeting and the Trust Scheme Meeting respectively; and
ii) all Conditions Precedent to the Schemes have been satisfied or remain capable of being satisfied, or (where applicable) waived,

MCAG will apply to the Court for an order approving the MCAL Share Scheme. MCAG will also apply to the Bermuda Court for an order approving the MCAIL Share Scheme. The Corporations Act and the Supreme Court (Corporations) Rules 1999 provide a procedure for MCAG Securityholders to oppose the approval by the Court of the MCAL Share Scheme. MCAG Securityholders may also oppose the approval by the Bermuda Court of the MCAIL Share Scheme.

If you wish to oppose the approval of the MCAL Share Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on MCAG an interlocutory process in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the MCAL Share Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. MCAG should be notified in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be 25 August 2008, though an earlier or later date may be sought. Any change to this date will be announced through ASX.

If you wish to oppose the approval of the MCAIL Share Scheme at the Second Bermuda Court Hearing, you may do so by filing with the Court and serving on MCAIL, an affidavit setting out the reasons for your opposition. Such affidavit evidence must be filed in advance of the Second Bermuda Court Hearing. You will be entitled to attend and make representations, either through Counsel or in person, at the Second Bermuda Court Hearing in support of your affidavit evidence.

Alternatively you may appear at the Second Bermuda Court Hearing and make representations and give evidence to the Bermuda Court as to why you oppose the approval of the MCAIL Share Scheme. The date for the Second Bermuda Court Hearing is currently scheduled to be 22 August 2008, although this date is subject to change. Any change to this date will be announced through ASX.

4.14 Second Judicial Advice

In the event that:

i) the Resolutions are approved by the requisite majority of MCAL Shareholders, MCAIL Shareholders and MCAT Unitholders at the MCAL Scheme Meeting, the MCAIL Scheme Meeting and the Trust Scheme Meeting respectively; and
ii) all Conditions Precedent to the Schemes have been satisfied or remain capable of being satisfied, or (where applicable) waived,

MCAG will apply to the Court, at the same time as it will apply for approval of the MCAL Share Scheme, for orders confirming that MCAML would be justified in acting upon the Trust Scheme Resolutions and in doing all things and taking all necessary steps to put the Trust Scheme into effect.

Each MCAG Securityholder has the right to appear at this Court hearing seeking the Second Judicial Advice.

4.15 Implementation Steps

If the Court and the Bermuda Court make orders approving the Share Schemes and confirming the implementation of the Trust Scheme, MCAG and the Bidder will take or procure the taking of the steps required for the Schemes to be implemented, including:

i) lodging with ASIC an office copy of:
   a) the Court orders given under section 411(4)(b) of the Corporations Act approving the MCAL Share Scheme; and
   b) the modification to the MCAT Constitution under section 601GC(2) of the Corporations Act; and

ii) lodging with the Bermuda Registrar of Companies the Bermuda Court order given under section 99(2) of the Companies Act approving the MCAIL Share Scheme.

It is anticipated that these steps will occur on or about 26 August 2008. Upon the lodgement of the Court order and the Bermuda Court order and the modification of the MCAT Constitution with ASIC, the Schemes will take effect and:

iii) the Bidder will provide the Scheme Consideration for each Scheme Participant. The Cash Consideration will be deposited by the Bidder into a trust account operated by MCAG in cleared funds before the Implementation Date; and

iv) MCAG will execute a master transfer on behalf of all Scheme Participants to transfer all the MCAG Securities to MAIG and deliver the master transfer to MAIG or otherwise effect a transfer of such MCAG Securities in CHESS and enter the name of MAIG in the Register in respect of all MCAG Securities.

4.16 Payment of Scheme Consideration and Distribution

Cash Consideration: If the Schemes become Effective, payment of the Cash Consideration and the Distribution to Scheme Participants will occur on the Implementation Date, currently expected to be 9 September 2008. The Cash Consideration and the Distribution will be paid by making a payment into your nominated bank account with the Registry as at the Scheme Record Date. If you have not previously notified the Registry of your nominated bank account or would like to change your existing nominated bank account, you should contact the Registry on 1300 139 717 (within Australia) or +61 3 9415 4387 (outside Australia) before the Scheme Record Date.

If you do not have a nominated bank account with the Registry as at the Scheme Record Date, you will be sent a cheque for the Cash Consideration and the Distribution. If the Scheme Participant's whereabouts are unknown as at the Scheme Record Date, the Cash Consideration and the Distribution will be paid into a separate bank account and held by MCAG until claimed or applied under laws dealing with unclaimed money.

Scrip Consideration: If the Scrip Alternative becomes available, MAIG Securities to be issued as Scrip Consideration to Scheme Participants will be issued on the Implementation Date. Certificates detailing your holding of MAIG Securities are expected to be issued to you within 5 Business Days after the Implementation Date. The Distribution will be paid on your behalf to the Escrow Trustee on the Implementation Date, as outlined in Section 4.6 of this Scheme Booklet.

4.17 Effects of rounding

If the Scrip Alternative becomes available and a Scaleback applies, all fractional entitlements to MAIG Securities of 0.5 or less will be rounded down to the nearest whole number of MAIG Securities, and all other fractional entitlements will be rounded up to the nearest whole number of MAIG Securities.

If MCAG reasonably believes that a Scheme Participant has been a party to the splitting or division of a MCAG Securityholding in an attempt to obtain an advantage due to the rounding of fractional entitlements to MAIG Securities in the event of a Scaleback, then MCAG reserves the right to round the entitlement of such holdings so as to provide only the number of MAIG Securities that would have been received but for the splitting or division.

4.18 Warranty by MCAG Securityholders about their MCAG Securities

The effect of clause 8.3(a) of the Share Schemes and clause 32.9(a) of the MCAT Constitution as amended by the Supplemental Deed is that all Scheme Participants, including those who vote against the Schemes and those who do not vote, will be deemed to have warranted to MAIG that their MCAG Securities are fully paid and are not subject to any encumbrances or interests of third parties.

4.19 Scheme Implementation Agreement and Deed Poll

The key terms of the Scheme Implementation Agreement are summarised in Annexure B. On 15 July 2008, the Bidder executed the Deed Poll pursuant to which the Bidder agrees, subject to the Schemes becoming Effective, to provide to each Scheme Participant the Scheme Consideration to which each Scheme Participant is entitled under the terms of the Schemes. A copy of the Deed Poll is included in this Scheme Booklet in Annexure C. A full copy of the Scheme Implementation Agreement may be obtained by contacting the MCAG Securityholder information line on 1300 139 717 (within Australia) or +61 3 9415 4387 outside Australia) Monday to Friday between 8.30 am and 7.00 pm (Sydney time), or from MCAG's website: www.macquarie.com/mcag.

4.19.1 Conditions Precedent

A number of conditions need to be satisfied or waived on or before the Second Court Date before the Schemes can be implemented.

In particular, the Schemes are subject to conditions including:

- Regulatory authorities approvals;
- Court approval;
- Bermuda Court approval;
- MCAG Securityholder approval;
- No Prescribed Occurrences;
- No MCAG Material Adverse Change;
- No decline in the FTSE 100 Index below 4,497.2;
- MCAG announcing the Distribution guidance before the Scheme Meetings;
- No change to the Independent Directors' recommendation;
- Termination of MCAG's MCAML management agreements;
- MCAG certifying it has a Cash Amount greater than the Distribution amount; and
- No material adverse change in the AUD/USD exchange rate.

Please refer to paragraph 2 of Annexure B for full details.

4.19.2 Exclusivity

MCAG has accepted restrictions in relation to competing transactions. Please refer to paragraph 8 of Annexure B for further details.

4.19.3 Payment of reimbursement fee

MCAG may become liable to pay a maximum of $8 million to the Bidder as a form of reimbursement fee in certain circumstances. Please refer to paragraph 9 of Annexure B for further details.

4.19.4 Bidder's limited liability

The Bidder will have no liability to MCAG for any claim arising out of or in connection with the Scheme Implementation Agreement, the Schemes or the Deed Poll (including, without limitation, any claim for breach of the Bidder's obligations to provide the Scheme Consideration) to the extent that:

- the amount of the claim exceeds the amount (if any) which the Bidder has actually recovered from any New Investor that has breached its obligations in a commitment deed in respect of the circumstances giving rise to the claim (for example, breach of a commitment to provide capital to the Bidder); or
- MCAG actually recovers an amount from any New Investor that has breached its obligations in a commitment deed under the terms of the commitment deeds in respect of the circumstances giving rise to the claim; or
- the claim is for, arises out of or is connected with any consequential or indirect loss.

Similar provisions are contained in the Deed Poll which the Bidder is required to provide under the terms of the Scheme Implementation Agreement.

4.19.5 Termination

Each of MCAG on the one hand, and the Bidder on the other, have termination rights under the Scheme Implementation Agreement in certain circumstances, including if the Schemes do not become Effective by 14 December 2008. If a termination right is exercised, the Schemes will not proceed. Please refer to paragraph 7 of Annexure B for further details.

4.20 Effective Date

The Schemes will become Effective on the date on which the later of the following takes place:

a) an office copy of the Court order approving the MCAL Share Scheme is lodged with ASIC;

b) an office copy of the Bermuda Court order approving the MCAIL Share Scheme is lodged with the Bermuda Registrar of Companies; and

c) a copy of the MCAT Constitution, as modified by the Supplemental Deed is lodged with ASIC.

MCAG anticipates that this will be on or about 26 August 2008.

If the Schemes become Effective:

a) MCAG will become bound to take the steps required for MAIG to become the holder of all MCAG Securities; and

b) the Bidder will become bound to provide the Scheme Consideration.

4.21 Effect of the Schemes

The effect of the Schemes will be to transfer all of the MCAG Securities to the Bidder. If all the Conditions Precedent to implementation of the Schemes are satisfied or (where applicable) waived, the Schemes are expected to be implemented by 9 September 2008. On or about this date, the Scheme Participants will be sent the Scheme Consideration and each MCAG Security they hold will be transferred to the Bidder, regardless of whether they voted for or against the Resolutions.

MAIG will seek to de-list MCAG from the ASX if the Schemes are implemented.

4.22 Consequences if the Schemes are not Implemented

If the Schemes do not proceed, MCAG Securityholders will continue to hold MCAG Securities. The Bidder will not acquire any MCAG Securities under the Schemes and MCAG Securityholders will not receive the Scheme Consideration. MCAG Securities will continue to be quoted on the ASX.

It is difficult to predict where the MCAG Security price might settle in the absence of the MAIG Proposal or speculation regarding an alternative proposal. However, the IBC has concluded that, in such circumstances, the MCAG Security price may trade at levels that potentially are significantly below current levels.

Depending on the reasons why the Schemes do not proceed, MCAG may be liable to pay up to $8 million to the Bidder as a reimbursement fee. This amount will not be payable merely because MCAG Securityholders do not approve the Schemes. The provisions in relation to the reimbursement fee are summarised in paragraph 9 of Annexure B.

Transaction fees incurred by MCAG of approximately $2 million will still be payable by MCAG if the Schemes do not proceed.

If the Schemes do not proceed, and no superior proposal is received, the MCAG Directors intend to continue to operate MCAG as a listed entity.

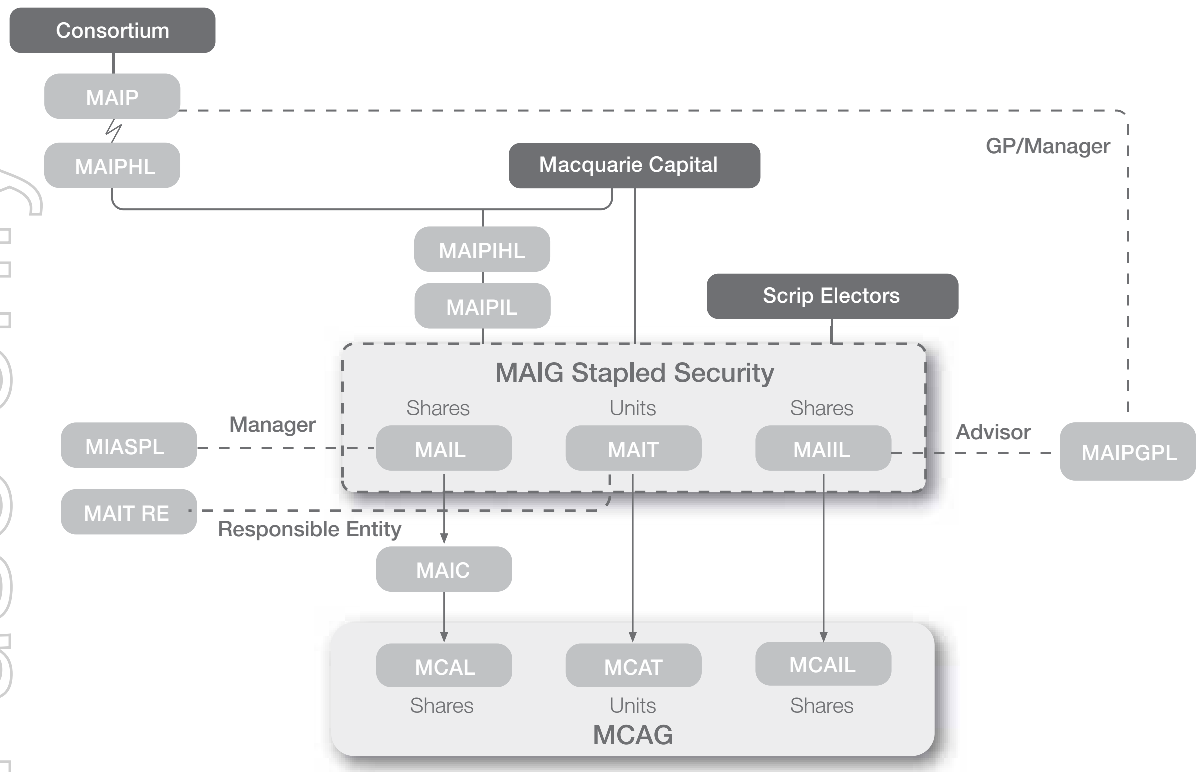
4.23 Taxation

The taxation consequences of the Schemes for Securityholders will depend on the personal taxation and financial circumstances of each Securityholder. General tax implications of the Schemes are discussed in Section 12 of this Scheme Booklet. MCAG Securityholders should consult their own taxation advisers about the taxation consequences for them if the Schemes are implemented.

4.24 Further questions

If you have any further questions, you should call the MCAG Securityholder information line on 1300 139 717 (within Australia) or +61 3 9415 4387 (outside Australia), Monday to Friday between 8.30 am and 7.00pm (Sydney time).

5. PROFILE OF MAIG



5.1 Overview

The group structure of MCAG and MAIG immediately following payment of the Scheme Consideration to MCAG Securityholders is summarised in the diagram above.

Details of the above entities are set out in the Glossary of Entities in Section 14 of this Scheme Booklet. The above irregular line between MAIP and MAIPHL signifies an indirect interest held through interposed holding companies.

5.2 Overview of MAIG

MAIG consists of three stapled entities:

- Macquarie Advanced Investment Ltd. ("MAIL"), a Bermuda mutual fund company;
- Macquarie Advanced Investment Trust ("MAIT"), an Australian registered managed investment scheme[13]; and
- Macquarie Advanced Investment International Ltd. ("MAIIL"), a Bermuda mutual fund company.

MAIL's wholly owned subsidiary, Macquarie Advanced Investment Company Pty Limited ("MAIC"), is the legal entity acquiring MCAG Securities. MAIC will acquire the shares in MCAL in its own capacity, but will acquire the units in MCAT and the shares in MCAIL as nominee for MAIT and MAIIL, respectively.

For further information on MAIG refer to Sections 6 to 10.

MAIG is controlled by MAIP International Holdings Ltd. ("MAIPIHL") (through its subsidiary MAIP Investments Ltd) (99.8% interest) and Macquarie Capital (through MIAPL, a wholly owned subsidiary of Macquarie Group) (0.2% interest). Under the MAIG Proposal, existing MCAG Securityholders are being offered the opportunity to elect to receive MAIG Securities through the Scrip Alternative (if available) for their MCAG Securities, which will correspondingly reduce MAIPIHL's percentage interest in MAIG.

13 MAIT will be de-registered if there is no participation in the Scrip Alternative

5.3 MAIG Regulatory Regime

5.3.1 Overview

MCAG is a listed entity and comprised of three stapled entities: an Australian registered managed investment scheme, an Australian company and a Bermuda company. Consequently, two of the entities are regulated under the Corporations Act and all three are regulated under the ASX's Listing Rules.

MAIG is an unlisted entity which is also comprised of three stapled entities: an Australian registered managed investment scheme (MAIT) and two Bermuda companies (MAIL and MAIIL). As a consequence of the fact that it is not listed and the place of incorporation of the two MAIG companies is Bermuda, the ASX Listing Rules will not apply to MAIG and certain provisions of the Corporations Act will also not apply. By contrast, the Companies Act will apply to the two MAIG companies.

The effect of the change in regulatory structure means that protections available to shareholders in Australia under the ASX Listing Rules and Corporations Act that may have applied to MCAG Securityholders, including

in relation to takeovers and acquisitions of substantial holdings and minority protection rights, will no longer apply.

Because MAIG also includes a registered managed investment scheme, various provisions of the Corporations Act will continue to apply in relation to that entity.

The differences between holding an investment in MCAG and MAIG under the different regulatory regimes are outlined below in sections 5.3.2 and 5.3.3. The fact that certain shareholder protections will not be applicable to MAIG in the same way they applied to MCAG is one of the risks you should consider when electing whether to take the Scrip Alternative. Please refer to the Risks section of this Booklet at section 8.3.1.

5.3.2 ASX Listing Rules

The ASX Listing Rules reflect a number of mechanisms designed to protect investors and to provide them with equality in relation to the exercise of a number of their rights. A summary of the types of investor protections currently applicable to MCAG Securityholders is set out in the table below. As noted above, these rules will not apply to MAIG as an unlisted fund.

Listing Rule	Description of shareholder protection
Continuous disclosure (Chapter 3)	This Chapter contains obligations on listed companies to disclose material price sensitive information to the market.
Securities (Chapter 6)	This Chapter provides that each class of equity security must be appropriate and equitable in the ASX's view. It also provides protections in relation to voting rights of holders of ordinary and preference shares.
Changes in capital and new issues (Chapter 7)	This Chapter requires issuers who issue more than 15% of the company's capital in a 12 month period to seek shareholder approval, subject to certain exceptions. It also imposes limits on the ability of listed entities to issue securities under a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are met.
Transactions with persons of influence (Chapter 10)	This Chapter imposes restrictions on persons in a position of influence, such as related parties, a subsidiary, or a substantial holder, from entering certain transactions with the company unless certain conditions are met. In prescribed cases, transactions of this nature will require shareholder approval.
Significant transactions (Chapter 11)	This Chapter requires a listed entity to obtain the approval of shareholders in certain circumstances (and where required by the ASX), if it proposes to make a significant change to the nature or scale of its activities.

5.3.3 Corporate Law Regulation

The laws of Bermuda differ from the laws of Australia. MAIL and MAIIL are incorporated under the Companies Act and are subject to the supervision, regulation and inspection pursuant to the Bermuda Investment Funds Act 2006.

Set out below is a summary of the differences between Australian law and Bermuda law in relation to a range of provisions relating to issues of new securities, general meetings and shareholder approvals, takeovers, share class rights, inspection of the share register, shareholder reports, and protection of minority shareholders and oppression remedies. The following statements are summaries and do not purport to deal with all aspects of Bermuda law or Australian law which may be relevant to MAIG if you elect the Scrip Alternative.

(i) Issues of shares

Bermuda

Subject to the ongoing stapling of the MAIL shares, MAIIL shares and MAIT units, the bye-laws of each of MAIL and MAIIL provide that the directors are free to allot unissued shares of such company without shareholder approval. Any issue is not subject to shareholders' rights of pre-emption under the bye-laws of the companies and there are no pre-emptive rights under the Companies Act.

Australia

In addition to the Listing Rule requirements noted in section 5.3.2 for new issues of securities, and the stapling of the MCAG Securities, the directors of MCAG are free to allot new MCAG Securities.

(ii) General meetings and shareholder approvals

Bermuda

Generally, all matters to be passed at a general meeting require a simply majority unless the bye-laws provide otherwise. The bye-laws of MAIL and MAIIL provide that a special resolution (at least 75% approval) is required for the following matters.

- modification of class rights (being a special resolution of the holders of the particular class of shares);
- reductions of capital;
- removal of a director;
- an in specie distribution on liquidation; and
- amendment to the bye-laws.

Shareholders holding at least 10% of the voting shares may requisition a meeting and propose resolutions to be considered at such requisitioned meeting.

At a general meeting, a poll may be demanded by: (1) at least 5 shareholders present in person or represented by proxy; or (2) any shareholder(s) present in person or represented by proxy and holding 10% of the total voting rights of all the shareholders having the right to vote; or (3) a shareholder(s) present in person or represented by proxy holding shares with the right to vote and being shares on which an aggregate sum has been paid up equal to at least 10% of the total sum paid up on all such shares having the right to vote.

Australia

Generally, all matters to be passed at a general meeting require a simple majority unless the Corporations Act or the constitution provides otherwise. Under the Corporations Act, an amendment to the constitution requires a special resolution (a resolution passed by 75% or more of the votes cast on the resolution). The constitution of MCAL currently provides that an amendment to the stapling provisions of the constitution (those that deal with the stapling of MCAL shares to MCAT units and MCAIL shares) requires the approval of a special resolution of the MCAT unitholders.

(iii) Takeovers

Bermuda

The Companies Act does not contain takeover protections. However, directors of each of MAIL and MAIIL will have fiduciary duties to act in the best interests of the company as a whole.

Australia

Chapter 6 of the Corporations Act sets out Australia's takeover regime. This regime is also supplemented by ASIC Regulatory Guides and guidance notes issued by the Australian Takeovers Panel. Chapter 6 applies to listed companies and other listed bodies, such as managed investment schemes, which are not companies but which are formed or incorporated in Australia.

The Chapter prohibits a person from acquiring relevant interests in a prescribed entity's securities to cause the person's or someone else's voting power in the entity to increase from 20% or below to above 20%, or from a starting point of above 20% and below 90%, unless an exception, such as a takeover bid or scheme of arrangement, applies. The takeover regime in Chapter 6 contains a range of rules designed to provide investors with sufficient time and detailed disclosure requirements relating to a takeover bid so that they can assess the offer put to them by the bidder.

In addition, a bidder is subject to minimum consideration requirements (being the maximum amount the bidder or its associate have paid or agreed to pay for securities in the bid class in the 4 months prior to the date of the bid) and a prohibition on the bidder and its associates giving or offering to give any collateral benefits to any offeree under the takeover where that benefit is not offered to all holders of the bid class securities and it is likely to induce the person or its associates to accept an offer. These rules are designed to provide for shareholders in a company which is the subject of a takeover to have an equal opportunity to participate in the offer and any takeover premium offered by the bidder.

The constitution of MCAL contains provisions requiring shareholder approval for proportional takeover bids.

(iv) Share class rights

Bermuda

The rights attaching to any class of share of MAIL and MAIIL may be amended with the written consent of the holders of 75% of the issued class or by a resolution passed by at least 75% of the votes cast at a separate general meeting of the holders of the class of shares.

Australia

A company must strictly comply with the procedure set out in its constitution for varying or cancelling rights attached to shares in a class of shares or rights of members in a class of members. The constitution of MCAL provides that if the share capital of MCAL is divided into different classes of shares, any variation or cancellation of rights attaching to a class of MCAL shares may only occur as provided by those rights, or in the absence of any such provision, with the consent in writing of the holders of 75% in nominal value of the issued shares in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

(v) Inspection of the register

Bermuda

Bermuda law provides the general public with a right of inspection of a Bermuda company's public documents at the office of the Registrar of Companies in Bermuda and provides a Bermuda company's shareholders with a right of inspection of such company's bye-laws and minutes of general meetings. However, mutual fund companies, such as MAIL and MAIIL, are exempt from the requirement to have their share register open for inspection by shareholders or the public.

A Bermuda company is required to keep at its registered office a register of its directors and officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records or management accounts.

There is no obligation under Bermuda law to notify of substantial holdings of shares.

Australia

A shareholder is permitted access to the shareholder register under the Corporations Act.

Under Part 6C.1 of the Corporations Act, a person who acquires a substantial interest of 5% or more of the securities in a listed company (or listed managed investment scheme) is required to give notice to the company. In addition, each 1% increase or decrease in the substantial shareholders' stake above 5% must also be notified. The Corporations Act also contains provisions which permit a listed company or the responsible entity of a listed managed investment scheme to trace the beneficial ownership of its securities. These types of provisions which apply to MCAG will not apply to MAIG.

(vi) Shareholder reports

Bermuda

Under Bermuda law, MAIL and MAIIL are required to provide financial statements to their securityholders for each relevant period including:

- a statement of results of operations;
- a statement of retained earnings or deficit;
- a balance sheet as at the end of the period;
- a statement of changes in financial position or cash flows;
- any notes to the financial statements (which shall include a description of the generally accepted accounting principles used in the preparation of the financials); and
- any other information required by the Companies Act and the bye-laws of MAIL and MAIIL.

Australia

Under the Listing Rules and Corporations Act provisions relating to MCAG, MCAG is required to provide half year and annual disclosure, and quarterly disclosure in certain circumstances. Financial reports are required to include, among other things, financial statements and notes, a directors declaration that the disclosing entity will be able to meet its debts as and when they become due and payable, and the directors' opinion that the financial statements and notes comply with accounting standards and give a true and fair view of the financial performance of the company.

Notwithstanding MAIL and MAIIL's regulation under Bermudan law, if MAIT is a disclosing entity, MAIG will be required under the Corporations Act to provide MAIG Securityholders with audited annual financial reports. As set out in 10.3.6, even if MAIT is not technically classified as a disclosing entity, it will provide annual financial reports and annual tax information to its securityholders.

(vii) Protection of minority shareholders and oppression remedies

Bermuda

The Companies Act provides that a shareholder may complain to the court that the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of a portion of the shareholders.

Generally, shareholder derivative actions are not available under Bermuda law. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in MAIL or MAIIL's name (as the case may be) to remedy a wrong done to the company where the act complained of is alleged to be beyond MAIL or MAIIL's corporate power or is illegal or would result in the violation of its bye-laws.

Australia

Under Australian law, a statutory derivative action may be instituted by a shareholder, former shareholder or person entitled to be registered as a shareholder, of MCAG. In all cases, leave of the Court is required. Such leave will be granted if: (i) it is probable that MCAG will not itself bring the proceedings or properly take responsibility for them; (ii) the applicant is acting in good faith; (iii) it is in the best interests of the company; and (iv) there is a serious question to be tried.

Furthermore, under the Corporations Act, MCAG Securityholders can bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.

5.4 MAIG investment strategy, prospects and post-acquisition intentions of MAIG

If the Schemes are implemented:

- MAIG will become the holder of all MCAG Securities and accordingly the MCAG entities will become wholly owned entities of MAIG;
- MAIG intends to appoint new directors of MCAG as nominees of MAIG. MAIG will not give any benefit to any current director of MCAG in connection with his retirement from office following implementation of the Schemes; and
- MAIG will apply for MCAG to be removed from the official list of the ASX.

The Scrip Alternative gives eligible MCAG Securityholders the potential to maintain an investment in MCAG's underlying assets through an investment in MAIG if the Schemes are implemented, subject to the Minimum Aggregate Acceptance and Scaleback conditions which apply to the Scrip Alternative.

If the Schemes are implemented, the Bidder's current intentions are:

- to maintain the business of MCAG in owning and managing a portfolio of unlisted investments. MAIG intends to continue MCAG's strategy of working with senior management of the businesses in which it invests to implement agreed upon business plans. These plans can involve improving the efficiency of existing operations, expanding into new territories, or introducing new or improved product lines. Further details of the expectations for the businesses in which MCAG invests are set out in Section 3 of this Scheme Booklet ("Profile of MCAG") and in the following sections of the Independent Expert's Report: 4.1.4.2 and 5.2.15 (European Directories), 4.2.4.2 (Red Bee Media), 4.3.4.3 (AIR-serv) and 4.4.4.2 (Regis Group);
- that as the investments owned by MAIG are sold over time (and this may be several years), the proceeds from those sales will be returned to MAIG Securityholders by distributions or returns of capital. When all investments owned by MAIG have been sold, MAIG will cease to operate;
- that MAIG will not make new investments, other than follow on investments in existing Portfolio Investments. By way of example, MAIG may consider making capital available for a Portfolio Investment to make a "bolt on" acquisition of another company in its sector or as expansion capital, but does not intend to invest in new sectors outside the existing operations of the Portfolio Investments (see below for further examples of follow on investments);
- that the management arrangements for MCAG will be terminated as these fee arrangements will apply at the MAIG level (see Section 6.4 and 7); and
- that the Board of MAIG will comprise Macquarie executives and if MAIG remains a registered managed investment scheme, at least one independent director (see Section 10.1).

An identified follow on investment is the proposed acquisition by European Directories, subject to regulatory approvals, of the Dutch operations of Truvo. Truvo is a local commercial search and advertising company, whose portfolio includes the Gouden Gids directories and Clearsense, a search engine marketing organisation. European Directories expects that the combination of its business in the Netherlands (DTG) with the Dutch operations of Truvo will provide benefits to both advertisers and users. If the acquisition proceeds it is expected to generate significant synergies. European Directories expects steady state synergies of around EUR20m to EUR30m per annum from 2010. Significant integration costs are expected to be incurred to achieve these recurring synergies. There is no guarantee that these levels of synergies will be achieved and the integration programme remains subject to the outcome of the ongoing regulatory review process (see below). The benefit to MCAG Securityholders of any synergies achieved by European Directories may be partially or fully offset by the dilution in MCAGs equity stake in European Directories from 39% to 34% at completion (see below). The acquisition is subject to approval by the Dutch Competition Authority (the NMa). A decision from the NMa is expected in the third quarter of calendar year 2008. The outcome of this approval process is uncertain. If the approval of the NMa is obtained and the acquisition proceeds, MCAG has advised that it will take up c.40% of its rights issue entitlement for approximately EUR30m (AUD52m) and following completion will hold 34% of European Directories, compared with its 39% holding prior to completion. This proposed investment represents approximately $0.21 per MCAG Security. If the transaction completes following the implementation of the Schemes and the Scrip Alternative is made available, a capital call would be made on the Escrow Amounts of Scrip Securityholders at that time. If the acquisition does not proceed, the rights issue by European Directories will not proceed, and MCAG will retain the cash that it otherwise would have invested in the rights issue. This would be likely to result in the Distribution to MCAG Securityholders being closer to the maximum amount of $0.40 per MCAG Security, if the Schemes become Effective, than it would be if the acquisition had proceeded.

Another potential follow on investment is a likely contribution of equity to AIR-serv to fund expansion into new markets and capital expenditure in existing markets (see Section 3.2.3). The final amount of any contribution has not been determined at the date of this Scheme Booklet. If the equity contribution occurs following the implementation of the Schemes and the Scrip Alternative is made available, a capital call would be made on the Escrow Amounts of Scrip Securityholders at that time.

These intentions are based on the information concerning MCAG, its business and the general business environment which is known to the Bidder at the time of the preparation of this Scheme Booklet.

5.5 Ownership of MAIG

If the Schemes become effective, and assuming there is zero participation in the Scrip Alternative, MAIPIHL will be owned 74.7% by MAIP (through its wholly owned subsidiary MAIP Holdings Limited) and 25.3% by Macquarie Capital (through MIAPL).

MAIPIHL was established for the purpose of acquiring:

- 99.8% of MAIG (through MAIPIHL's wholly owned subsidiary MAIP Investments Limited); and
- 28.3% of Creative Broadcast Services International Ltd. (which holds the Red Bee Media assets), currently owned by Macquarie Capital (through MIAPL) (conditional upon the MCAG Schemes becoming effective) ("Red Bee Transfer").

The actual shareholdings of MAIP Holdings Limited and MIAPL in MAIPIHL will be determined by the final participation in the Scrip Alternative (if available). The above shareholdings assume zero participation in the Scrip Alternative. If participation in the Scrip Alternative reaches a maximum of 20%, the shareholdings of MAIPHL and MIAPL in MAIPIHL will be 68.9% and 31.1% respectively.

Macquarie Capital's shareholding (through MIAPL) in MAIPIHL arises from subscription for shares in MAIPIHL:

- in consideration for the Red Bee Transfer; and
- investment of an amount equal to the cash proceeds to be received by Macquarie Capital for its 44,017,295 MCAG Securities.

As Macquarie Capital will be selling its interest in Red Bee Media to MAIPIHL in exchange for shares in that company, in conjunction with the Schemes, and as agreed between Macquarie Capital and the Consortium, Macquarie Capital will invest an amount equivalent to its cash proceeds from the Schemes to subscribe for additional securities in MAIPIHL, rather than separately investing directly in MAIG.

The Consortium has committed total capital of USD808 million to MAIP and MGOP. The commitment allocation between MAIP and MGOP is variable, but at a minimum (assuming no clawback due to MCAG Securityholders electing MAIG Scrip), the Consortium will commit USD658 million to MAIP. From this amount MAIP will commit up to AUD662 million to the MAIG Proposal (or AUD588 million based on a Distribution of $0.40 per MCAG Security) with the remaining commitments available for future capital calls by MAIG (for working capital and follow-on investments in existing MCAG assets).

Macquarie Capital has committed to MAIPIHL total capital equalling the sum of approximately (i) AUD150 million (an amount equivalent to the gross Cash Consideration it will receive under the Schemes for its 17.9% interest in MCAG); (ii) AUD52 million (an amount equivalent to the gross proceeds it will receive in connection with the Red Bee Transfer); and (iii) USD34 million for future capital calls by MAIG (for working capital and follow-on investments in existing MCAG assets). From this amount, Macquarie Capital will commit up to AUD175 million to the MAIG Proposal (or approximately AUD150 million based on a Distribution of $0.40 per MCAG Security) with the remaining commitments available for future capital calls by MAIG (for working capital and follow-on investments in existing MCAG assets).

5.5.1 MAIP

MAIP (a Cayman Islands Exempt Limited Partnership) is a new unlisted private equity fund to be managed by MAIPGPL. The investors in MAIP will be the New Investors (99.9%) and Macquarie Capital (0.1%).

MAIP has entered into a limited partnership agreement under which MAIPGPL, a wholly owned subsidiary of the Macquarie Group, will act as the general partner. MAIPGPL will also act as manager of MAIP. The general partner will have ultimate responsibility for the operation and management of MAIP.

5.5.2 The Consortium

The Consortium members have entered into binding equity subscription agreements and commitment deeds for an aggregate amount of up to $662 million in relation to the MAIG Proposal. The binding commitment deeds have been received from the investment vehicles managed by the following major international investors:

HarbourVest Partners

HarbourVest Partners, LLC is an independent global private equity investment firm that invests in venture capital, buyout, mezzanine debt, distressed debt, and real estate.

With 25 years of experience investing in private equity, HarbourVest provides private equity solutions to institutional clients worldwide. HarbourVest and its subsidiaries have 202 employees, including 74 investment professionals deployed in Boston, London and Hong Kong.

As at 31 March 2008, HarbourVest had USD31 billion of funds under management. HarbourVest is an active investment manager, investing in the U.S., Europe, Asia Pacific and emerging markets through primary partnerships, secondary purchases, co-investments and direct investments. The firm's clients consist of 250 institutional investors, including pension funds, endowments, foundations, and financial institutions throughout the U.S., Canada, Europe, Australia, and Japan.

Partners Group

Partners Group is a global alternative asset management specialist offering a range of innovative multi-manager private equity products.

Partners Group was established in 1996 in Zug, Switzerland and pursued an IPO on the SWX Swiss Exchange in March 2006. Partners Group has over 270 employees, including over 170 alternative assets professionals, located in Guernsey, New York, San Francisco, London, Luxembourg, Singapore, Tokyo, Beijing and Sydney.

As at 31 December 2007, Partners Group had over CHF24 billion in investment programs under management in private equity, private debt, private real estate, listed alternative investments, hedge funds and alternative beta strategies. Partners Group combines strategic asset allocation, relative value analysis and a rigorous investment selection process. Since 1998, Partners Group has invested over USD3.5 billion in secondary investments.

Paul Capital Partners

Paul Capital Partners is a global private equity investment firm focused on private equity secondaries, healthcare royalty and revenue interests, and private equity funds of funds.

Established in 1991, Paul Capital has over 85 employees worldwide, with offices in New York, San Francisco, London, Paris, Hong Kong and Sao Paulo.

As at 31 December 2007, Paul Capital managed more than USD6 billion dollars across 13 investment funds. The firm's global secondary assets under management amount to approximately USD4 billion.

Paul Capital's secondary business has a broad investment mandate, acquiring limited partnership interests in leveraged buyout, mezzanine, high yield and venture capital funds, as well as portfolios of direct equity interests in private companies.

Pantheon Ventures

Pantheon Ventures is a leading private equity fund-of-funds and secondaries manager. It has been delivering private equity investment solutions to a broad range of clients for over 25 years. As at 31 December 2007, Pantheon managed USD22.6 billion for over 250 clients, including pension funds, endowments, government bodies and insurance companies.

Pantheon employs 132 staff and is headquartered in London with further offices in San Francisco, Hong Kong, Brussels and New York. Pantheon's product and service offerings include regional funds-of-funds in Europe, the USA and Asia, customised separate account programmes, global secondary funds, a global infrastructure fund-of-funds and Pantheon International Participations PLC, an investment company listed on the London Stock Exchange.

Pantheon is one of the largest investors in secondaries in the world, committing in excess of USD4.3 billion in the secondary market globally across more than 250 transactions, including 85 portfolio transactions and more than 170 single fund secondaries (as at 31 December 2007).

AlpInvest Partners N.V.

AlpInvest Partners N.V. is a global independent private equity investment manager.

Formerly known as NIB Capital Private Equity N.V., and founded in 1999, AlpInvest Partners was spun-off by NIB Capital. The firm is based in Amsterdam, the Netherlands. It has a team of more than 100 employees, with offices in Amsterdam, New York, Hong Kong and London.

As at 15 June 2008, AlpInvest Partners had over EUR40 billion of funds under management. The firm specialises in private equity-related investing, partaking in fund, secondary, co-investment, and mezzanine opportunities. AlpInvest Partners independently manages the private equity investments for two of the world's largest pension funds: ABP and PFZW, both based in the Netherlands, and additionally manages commitments from a diverse group of pension funds in Europe and Canada.

Portfolio Advisors, LLC

Portfolio Advisors, LLC is a provider of a full range of private equity investment advisory and portfolio management services. Its clients include major public and private pension plan sponsors, corporations, foundations, endowments, insurance companies, financial institutions, and family offices. Portfolio Advisors was founded in 1994 and is employee-owned. The firm is based in Darien, Connecticut in the United States and also has an office in Zurich, Switzerland.

Procific

Procific is a Cayman Islands corporation with its principal place of business in Abu Dhabi that invests in private equity transactions. Procific was incorporated in 1994. Procific has been an active investor in the global private equity market since its inception. Procific makes significant investments in private equity funds and co-investments focused in a variety of industries and geographic regions with many of the world's preeminent private equity fund sponsors.

5.5.3 Macquarie Capital

Macquarie Capital is an operating group within the Macquarie Group. It includes the Macquarie Group's wholesale structuring, underwriting, corporate advisory, specialised funds management (including infrastructure) and specialised equipment financing.

With offices in Australia, New Zealand, Asia, North America, Europe, South Africa and the Middle East, Macquarie Capital provides a depth of service including specialist capabilities in:

- Mergers and acquisitions, takeovers and corporate restructuring advice;
- Equity capital markets and equity and debt capital management and raising;
- Project financing;
- Specialised funds management including infrastructure and private equity funds;

- Specialised leasing and asset financing;
- Manufacture and distribution of wholesale and retail financial products; and
- Institutional cash equities and equities research.

Macquarie Group has a market capitalisation of approximately $13 billion[14] and over $232 billion of assets under management as at 25 June 2008.

Macquarie Capital (through MIAPL) has entered into binding equity subscription agreements of up to $175m[15] in relation to the MAIG Proposal.

5.6 MAIG's funding arrangements

If the Schemes become Effective, the maximum amount of cash required to be paid by the Bidder under the Schemes is approximately $836.3 million. This amount will be reduced:

- to the extent that MCAG Securityholders participate in the Scrip Alternative (if available); and
- to the extent that a special distribution of existing MCAG cash reserves is announced and declared prior to the Scheme Record Date.

If all Conditions Precedent to the Scheme Implementation Agreement are satisfied and the Schemes become Effective, the Bidder is obliged to procure before the Implementation Date the payment of an amount equal to the aggregate Cash Consideration to a trust account operated by or on behalf of MCAG. The Bidder's obligation in this regard will be funded by MAIP Investments Ltd and MIAPL subscribing for shares in MAIIL, units in MAIT, and shares in MAIL (and where MAIL, in turn, will subscribe for shares in the Bidder under a subscription agreement).

The funding for the Cash Consideration payable to the MCAG Securityholders on the Implementation Date is ultimately being provided by way of equity subscription from the New Investors (described in Section 5.5.2 above) and Macquarie Capital through MIAPL (described in Section 5.5.3 above). The funding arrangements may be summarised as follows.

- The Consortium (comprising of investment vehicles managed by the investors listed in Section 5.5.2) have entered into a subscription agreement on 14 June 2008 under which they have agreed to subscribe for interests in MAIP and provide capital commitments. The terms of the subscription agreement require the Consortium to contribute capital to MAIP, when called by MAIPGPL. MAIPGPL will call capital from Consortium members under the subscription agreements prior to the Schemes becoming Effective.
- Once called, each of the Consortium members will be required to fund (by wire transfer) its capital contribution in Australian dollars to an escrow account by no later than 10 am Sydney time on the second Business Day prior to the Second Court Date.
- This funding obligation is subject to:
  - the Scheme Implementation Agreement not having been terminated in accordance with its terms on or prior to that date; and
  - no event having occurred on or prior to that date that would render any of the Conditions Precedent under the Scheme Implementation Agreement incapable of being satisfied if measured on that date.

The Scheme Implementation Agreement Conditions Precedent and termination rights are described in Annexure B of this Scheme Booklet.

- The Consortium members' aggregate capital contributions will be released to an escrow account established by the Bidder pursuant to an escrow agreement on the Business Day following the Effective Date if either:
  - the capital contributions all Consortium members remain in the escrow account at such time; or
  - the capital contribution of one or more Consortium members has been substituted with an equal amount of funds obtained from other Consortium members or third parties and such substituted funds remain in the escrow account at such time.
- Concurrent with their entry into the subscription agreements in relation to MAIP, the Consortium members have also entered into binding commitment deeds which contain, subject to the terms of the subscription agreements, an irrevocable commitment to provide their funding commitments.
- Subject to the fulfilment of certain conditions precedent to subscription, including that each Scheme becomes Effective before the Sunset Date:
  - the amounts contributed by the Consortium to MAIP will be provided to MAIPIHL by way of equity subscription. Macquarie Capital will also subscribe for equity in MAIPIHL;
  - in aggregate, the equity subscriptions by the Consortium and MIAPL into MAIPIHL are $836.3 million;
  - the Consortium and MIAPL, through MAIPIHL, have committed the $836.3 million to the Bidder.

The Bidder has also entered into a scrip funding deed with MAIL, MAIIL and MCLML (AFSL Number 241106) as responsible entity of MAIT, under which those parties agree to pay their portion of the aggregate Cash Consideration and provide undertakings to the Bidder, in favour of the MCAG Securityholders, for the issue of the Scrip Alternative (in the event that the Scrip Alternative becomes available).

14 As at 25 June 2008.

15 In the event MCAG declares a $0.40 Distribution, then Macquarie Capital (through MIAPL) will commit approximately $150m (an amount equal to its 17.9% interest in MCAG) to the MAIG Proposal.

6. MAIG SCRIP - OVERVIEW

6.1 Introduction

This Section 6 summarises certain features of the constitutions and agreements that affect the MAIG structure, including the arrangements with respect to the ongoing management of MAIG.

As noted in Section 4.3 of this Scheme Booklet, the Scrip Alternative will not be available if the Minimum Aggregate Acceptance condition is not satisfied. In that case, all Scheme Participants will receive the Cash Consideration (including those who made a Scrip Election) and no MAIG Securities will be issued under the Schemes.

6.2 MAIG Corporate Structure

The general structure of MAIG may be represented by the simplified diagram below.

Details of the entities in the diagram can be found in Section 14 of this Scheme Booklet.

Upon Implementation of the Schemes, MAIG will consist of three entities:

- MAIL, a Bermuda mutual fund company which will hold 100% of the shares of MAIC, which in turn will hold 100% of the shares of MCAL;
- MAIT, an Australian unit trust (and, if there is participation in the Scrip Alternative, a registered managed investment scheme) that will hold 100% of the units in MCAT; and
- MAIIL, a Bermuda mutual fund company which will hold 100% of the shares in MCAIL.

MAIC (the Bidder) has been established as the bid vehicle to acquire all of the outstanding MCAG Securities via the MAIG Proposal. An overview of the management arrangements applicable to MAIG is set out in more detail in Sections 6.4 and 6.5.

The current responsible entity of MAIT is MCLML. A newly incorporated responsible entity, MAIML, will replace MCLML as responsible entity of MAIT once it obtains an Australian financial services licence. This is expected to occur prior to the Scheme Meetings. All rights and obligations of MCLML as responsible entity of MAIT will then become rights and obligations of MAIML.

6.3 Rights, liabilities and restrictions attaching to MAIG Securities

This Section discusses certain characteristics of the MAIG Securities.

6.3.1 Stapling

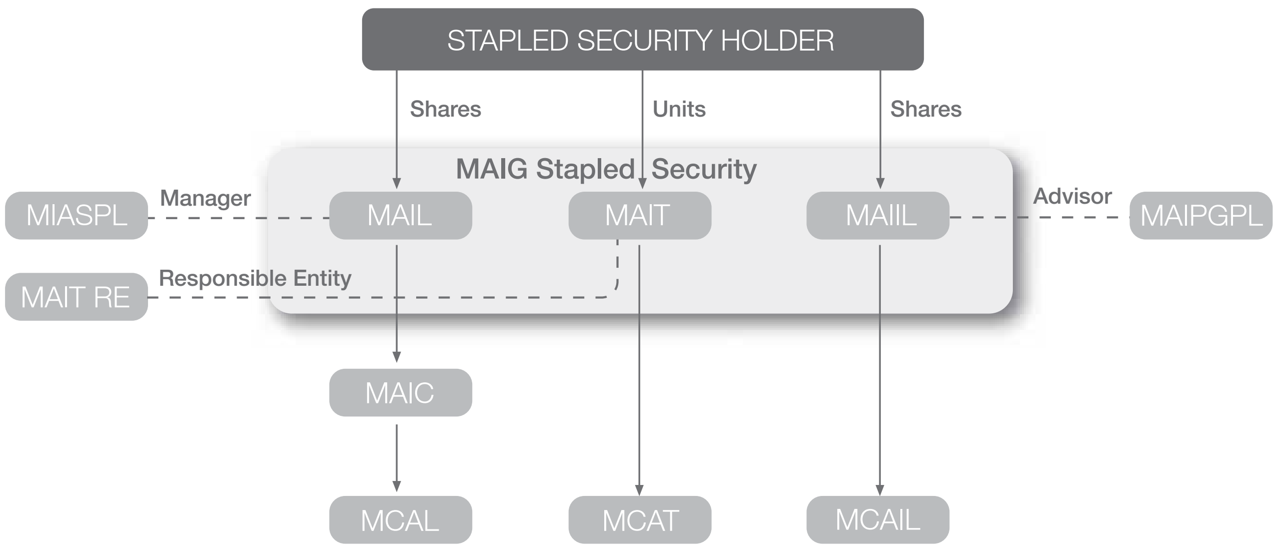
As set out in Section 4, MCAG Securityholders will have the option of electing the Scrip Alternative. However, there is no guarantee that the Scrip Alternative will be made available (because of the 5% Minimum Aggregate Acceptance condition) or that it will be available to the full extent of a MCAG Securityholder’s holding (because of the Scaleback that will apply if demand exceeds 20%). In addition, the Scrip Alternative is not available to Ineligible Overseas MCAG Securityholders.

Subject to the above qualifications, and assuming that the Schemes become Effective, MCAG Securityholders who elect to receive scrip would be eligible to receive effectively one MAIG Security for each MCAG Security held by them on the Scheme Record Date. Each MAIG Security will consist of:

- one share in MAIL;
- one unit in MAIT; and
- one share in MAIIL.

Shares in MAIL and MAIIL and units in MAIT will be stapled together and will effectively be treated as one security.

Stapling is achieved through the Stapling Deed and the bye-laws of MAIL and MAIIL and the MAIT Constitution. There are also provisions in these documents that facilitate the stapling of other entities’ securities, if so required in the future and subject to compliance with any applicable laws, without the need to obtain the approval of MAIG



Securityholders.

While stapling applies, the MAIT RE and the respective Boards of MAIL and MAIIL must not offer, issue or register any transfer of new MAIG Securities unless an identical number of securities in each of MAIL, MAIIL and MAIT are also offered, issued, or registered to the same person at the same time.

The bye-laws of MAIL and MAIIL and the MAIT Constitution include provisions which might enable the MAIG Securities to be unstapled at some point in the future. However, this course of action would be subject to compliance with any applicable laws and a requirement for prior approval by ordinary resolution of MAIG Securityholders.

6.3.2 Transfer of MAIG Securities

Because the shares in MAIL and MAIIL and units in MAIT are stapled together they will not be able to be transferred independently.

Where a MAIG Securityholder has a beneficial interest in an Escrow Amount (under the Scheme Implementation Agreement) and transfers some or all of their MAIG Securities, the MAIG Securityholder must also transfer the beneficial interest in the Escrow Amount relating to the securities transferred.

The provisions of the bye-laws of MAIL and MAIIL and the MAIT Constitution generally contemplate that MAIG Securityholders will be entitled to transfer their securities. However, this right is not absolute. For example, the MAIT RE may refuse a transfer if, in its opinion:

- the transfer would breach the stapling requirements;
- the creditworthiness of the proposed transferee suggests that the transfer would be materially prejudicial to the interests of the balance of the other members or the responsible entity;
- the transferee is not an investor who has the financial ability and willingness to accept the risks and lack of liquidity inherent in an investment in MAIT; or
- there are material legal, tax or regulatory reasons which mean the transfer would be prejudicial to the balance of the other members or the responsible entity.

If the MAIT RE validly declines to register a transfer this would effectively prevent any attempted transfer of the stapled MAIL and MAIIL shares.

There are practical impediments to transfer that should also be noted. Because the MAIG Securities will not be quoted on the ASX, it will be much more difficult to transfer MAIG Securities (as compared to your existing ASX-listed MCAG Securities).

MAIG Securityholders will have no pre-emptive rights if MAIP Investments Ltd (the other Securityholder in MAIG) decides to sell its MAIG Securities to any third party.

6.3.3 New issues of MAIG Securities

MAIG Securityholders will be able to participate (proportionate to their holdings) in any rights issue in MAIG. However, MAIG is generally not obliged to offer MAIG Securities to all MAIG Securityholders on an equal basis and may not do so.

While the MAIG Securities are stapled, the MAIT RE and the respective Boards of MAIL and MAIIL must not offer or issue any new MAIG Securities unless an identical number of securities in each of MAIL, MAIIL and MAIT are offered or issued to the same person at the same time.

The MAIT RE has a unit pricing policy, a copy of which is available to investors at their request at no charge. Where the MAIT RE is required to exercise discretion in determining the transaction costs of MAIT within the application and withdrawal prices for units in MAIT, it will exercise this discretion in accordance with its unit pricing policy.

6.3.4 Liability of MAIG Securityholders

In the absence of a separate agreement with a MAIG Securityholder, the liability of that holder is limited to the amount (if any) which remains unpaid in relation to the holder’s subscription for their shares or units.

6.3.5 Voting

MAIG voting arrangements may be summarised, in general, as follows:

- on a show of hands at a MAIL, MAIIL or MAIT meeting, each MAIG Securityholder present in person (or represented by proxy) at that meeting will have one vote;
- on a poll, each MAIG Securityholder present in person (or represented by proxy) will have:
  - at a MAIL meeting, one vote for each fully paid share held in MAIL;
  - at a MAIIL meeting, one vote for each fully paid share held in MAIIL; and
  - at a MAIT meeting, one vote for each one dollar of the value of MAIT units held by that person.

6.3.6 Redemption and withdrawals

While stapling applies, the Boards of MAIL and MAIIL and the responsible entity of MAIT must not cancel, redeem or repurchase any share or unit in MAIL, MAIIL or MAIT (or otherwise reorganise the capital of MAIG), unless at the same time there is a corresponding cancellation, redemption or repurchase of any share or unit to which it is stapled.

Subject to compliance with the terms on which the MAIG Securities are stapled, the bye-laws of MAIL and MAIIL enable each company to compel shareholders to redeem the whole or a specified percentage of their shareholding.

As regards voluntary redemption, holders of MAIL and MAIIL Shares are not permitted to redeem the whole or any part of their respective holdings except with the prior written consent of the Board of each company.

A holder of units in MAIT may make a request for the redemption of some or all of their units, provided that MAIT is a “liquid” scheme, as defined in the Corporations Act, or while MAIT is not a registered scheme. MAIT RE may give effect to that request but is not required to do so.

If MAIT is not a “liquid” scheme and subject to the terms on which the MAIG Securities are stapled, a member may withdraw from MAIT in accordance with the terms of any current withdrawal offer made by the responsible entity, which must be made in accordance with the provisions of the Corporations Act. However, if there is no withdrawal offer currently open for acceptance by the members, a member would have no right to withdraw from MAIT.

A registered scheme is a “liquid” scheme under the Corporations Act if liquid assets account for at least 80%

of the value of the scheme property. The following assets are liquid assets unless it is proved that the responsible entity cannot reasonably expect to realise them within the period specified in the constitution for satisfying withdrawal requests while the scheme is liquid: money in an account or on deposit with a bank; bank accepted bills; and marketable securities.

6.3.7 Income and distributions

The bye-laws of MAIL and MAIIL provide that the Boards of each company may from time to time declare cash dividends or distributions to be paid to shareholders in accordance with their respective rights and priorities.

Under the MAIT Constitution, the responsible entity of MAIT is obliged to distribute all of the income of MAIT for each financial year within three months after the end of that financial year. The responsible entity of MAIT may also transfer capital to enable distribution to unit holders of the minimum amount necessary to avoid the responsible entity, as trustee of MAIT, becoming assessable to pay tax. The responsible entity may decide whether to permit or require the members to reinvest some or all of any distribution to acquire units in MAIT.

The bye-laws of MAIL and MAIIL and the MAIT Constitution enable distributions to be made to MAIG Securityholders by transferring assets rather than by paying cash or issuing additional securities.

There are no distributions currently forecast to be payable by MAIG. It is the current intention of the directors of the Boards of MAIL, MAIIL and MAIT RE to seek to pay distributions as funds become available for distributions, with any such distribution expected to be payable quarterly, in arrears. Distributions will be made in Australian dollars.

Depending on the availability of funds for distribution, MAIG Securityholders may receive distributions from MAIT and dividends from MAIL and MAIIL. The availability of funds for distribution by MAIG will be influenced by, among other things, MAIG's distribution policy and the operating cashflows of MAIG's underlying investments.

MAIG intends to distribute all distributions and proceeds from portfolio asset realisations received by it, less any expenses and fees paid or accrued during the quarter, and reasonable reserves for future obligations and liabilities of MAIG. Distributions will be made equally to all MAIG Securityholders.

Fee arrangements applicable to the holding of MAIG Securities are discussed in Section 7.

6.3.8 Amendments to the MAIG constitutions

The bye-laws of MAIL and MAIIL may be amended by special resolution (i.e., a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution).

While MAIT is a registered scheme, and if the Corporations Act allows, the MAIT Constitution may be amended by special resolution or by deed executed by the responsible entity.

6.4 Overview of management arrangements

The main provisions which describe how MAIG will be managed are set out in the following documents:

- MAIT Constitution;
- Management Services Agreement between MAIL, MCLML and MIASPL;
- Advisory Agreement between MAIIL and MAIPGPL.

The relationship between the MAIG entities is summarised in Section 5. MIASPL is the manager of MAIL and MAIPGPL is the adviser to MAIIL. MCLML is the initial responsible entity of MAIT.

As the relevant management provisions are similar across the MAIG structure (apart from certain entity-specific clauses concerning fees discussed in Section 7.4), MIASPL, MAIGPL and the MAIT RE may be described collectively as the "MAIG Manager".

6.4.1 Continuity of MCAG management team

Under the MAIG Proposal, MAIG's management team will be the present MCAG management team.

6.5 Key terms of the management arrangements

The management arrangements applying to MAIG differ in various respects from those which currently apply to MCAG. In particular, the fees are calculated differently (see Section 7) and the circumstances in which the MAIG Manager can resign or be removed have been changed to reflect that MAIG will not be listed on the ASX and the requirement that the MAIG Manager resign if MAIPGPL is removed under the MAIP Limited Partnership Agreement and the Consortium requests the MAIG Manager to resign (see Sections 6.5.2 and 6.5.3).

6.5.1 Duties

The MAIG Manager must manage MAIG so as to enable it to carry out its activities in a manner consistent with the provisions of any disclosure document, constituent documents and its investment policy, and while stapling applies, the Stapling Deed. To that end, it must, among other things:

- cause the carrying out of management, secretarial, accounting, administrative, liaison, representative and reporting functions and obligations of MAIG;
- make recommendations with respect to the capital structure, investments, liabilities and income of MAIG;
- attend to all matters necessary to ensure the professional management of MAIG's investments; and
- identify, evaluate and recommend the sale of investments and manage those sales on behalf of MAIG.

In performing these functions, the MAIG Manager will be subject to the supervision of the respective Boards.

6.5.2 Resignation of MAIG Manager

The MAIG Manager may resign on 90 days' notice (or such lesser period of notice as may be required by relevant applicable laws or regulatory requirements) and will be deemed to have resigned if MAIPGPL is removed under the MAIP Limited Partnership Agreement and the Consortium has requested that the MAIG Manager be removed.

6.5.3 Removal of MAIG Manager

The MAIG Manager's appointment may only be terminated if:

- the MAIG Manager ceases to carry on business;
- the MAIG Manager ceases to hold any authorisation necessary to lawfully perform its obligations;
- the MAIG Manager is placed in liquidation;
- the MAIG Manager is convicted of fraud or gross negligence, criminal conduct, a wilful breach of law, or commits a material breach of the Advisory Agreement or Management Services Agreement or a breach of fiduciary duty or becomes bankrupt and a resolution has been passed that the MAIG Manager's appointment be terminated by at least 75% of the total votes cast by MAIG Securityholders entitled to vote on the resolution; or
- MAIPGPL is removed under the MAIP Limited Partnership Agreement (which may only occur in limited circumstances) and 60% interest of the Consortium has requested that the MAIG Manager be removed.

6.5.4 Removal of the MAIT responsible entity

Under the Corporations Act, MAIG Securityholders can vote to remove the responsible entity of MAIT, and MAIP Investments Ltd as the majority securityholder will not be able to vote on that resolution for so long as MAIPGPL (or another Macquarie Group related party) is the general partner of MAIP(the Voting Restriction). To ensure that the fee flow under the MAIT Constitution is not lost in the event that a third party responsible entity is appointed to MAIT, under the agreed fee arrangements, if a Macquarie Group entity were to be removed as responsible entity of MAIT, MIASPL may become entitled to certain fees that would otherwise be payable to the new responsible entity. Furthermore, the new responsible entity cannot receive its portion of the management fees because they are payable to MIASPL under the Management Services Agreement (see Section 7.4). This means the new responsible entity will not be entitled to any management fees unless the MAIT Constitution is amended. If the MAIT Constitution is amended to permit the new responsible entity to receive fees, this will result in an increase in overall management fees as MIASPL is still entitled to receive the responsible entity's portion of the management fees under the Management Services Agreement (see Section 7.4 for further details).

The MAIT RE has a duty to act in the best interests of members in proposing these arrangements.

The MAIT RE considers that the arrangements are in the best interests of MAIG Securityholders because they preserve the proposal for the management of MAIG described above which all investors will have approved by subscribing for MAIG Securities. In forming that view, the MAIT RE has taken account of the following matters:

- Macquarie Group will manage the stapled group. There will be a separate manager for each stapled entity, each being a Macquarie Group entity (ie, the MAIT RE in respect of MAIT, MIASPL in respect of MAIL and MAIPGPL in respect of MAIIL). MIASPL also provides management services to the MAIT RE. If the responsible entity of MAIT is changed, MIASPL and MAIPGPL may not be changed, which could lead to inconsistency in management of the group or even a breakdown in the effective management of the group if the new responsible entity wishes to pursue a different management direction to that of MIASPL and MAIPGPL;
- an investment in MAIG is an investment in a private vehicle. As with other private equity investments, investors are invited to invest on the basis that a specified entity will manage the fund, and minority investors generally have no influence over management of the fund. The management arrangements proposed for MAIG are consistent with this private equity model;
- by subscribing for MAIG Securities, investors are indicating approval of the Macquarie Group as the manager of the MAIG group. The Voting Restriction creates an imbalance between MAIG Securityholders which could operate to undermine the majority approval of the management arrangements, and the arrangements described above in this section assist in preserving those approved management arrangements. This is also consistent with the MAIT RE's duty to treat all MAIG Securityholders equally because the arrangements help to preserve the management integrity of the group, consistently with the majority approval of the management arrangements;
- there is nothing in the arrangements that removes the right granted under the Corporations Act to remove the responsible entity or prohibits an amendment of the MAIT Constitution to allow the new responsible entity to receive fees (and the Voting Restriction would no longer apply to the resolution to amend the MAIT Constitution if there is a third party responsible entity);
- if the MAIT RE is removed, MIASPL would continue to provide management services to the new responsible entity to ensure it was able to "service" MAIT, thereby assisting to ensure the operational integrity of the group, and the shift in fees away from a third party responsible entity is recognition that the management synergies no longer exist.

In summary, in light of the imbalance between MAIG Securityholders created by the Voting Restriction, the clear acceptance of the management arrangements disclosed in this Scheme Booklet by investors subscribing for MAIG Securities and the need for management integrity within the group, the MAIT RE considers the arrangements are in the best interests of MAIG Securityholders.

7. MAIG SCRIP - FEES

7.1 Overview of fee structure

The MAIG fee structure is established through a series of interconnecting contractual provisions. These are to be found primarily in the following documents:

- Stapling Deed between MCLML, MAIL, MAIIL, MIASPL and MAIPGPL;
- MAIT Constitution;
- Management Services Agreement between MAIL, MCLML, and MIASPL;
- Advisory Agreement between MAIIL and MAIPGPL;
- Fee Allocation Agreement between MCLML and MIASPL; and
- Fee Rebate Side Letter.

The two main types of fees applicable to the management and operation of MAIG consist of:

i) a base fee; and
ii) a performance fee.

These are described immediately below in Sections 7.2 and 7.3.

7.2 Base fee

A base fee will be charged quarterly. This will be 1.5% per annum of the aggregate Allocated Cost Base for the Portfolio Investments held by MAIG as at the first day of each quarter.

"Allocated Cost Base" means for each Portfolio Investment:

a) The deemed acquisition cost base for the Portfolio Investment as set out below:
   i) European Directories: AUD385.6 million;
   ii) Red Bee Media: AUD119.9 million;
   iii) AIR-serv: AUD101.7 million; and
   iv) Regis: AUD129.7 million; plus
b) the aggregate amount of capital invested in the Portfolio Investments by MCAG between the date of the Management Services Agreement, Advisory Agreement and MAIT Constitution (14 June 2008) and the date on which the Schemes become Effective; plus
c) the aggregate amount of capital invested in the Portfolio Investments by MAIG on or after the Schemes become Effective.

Worked examples of the calculation of the base fee are set out in Section 7.10.

7.3 Performance fee

The MAIG Manager is entitled to a performance fee of up to 20% of the amount by which the Total Distributions exceed the Contributed Capital, provided that MAIG Securityholders have received Total Distributions equal to the aggregate of:

- the Contributed Capital; and
- such further sum as would give rise to an internal rate of return at the relevant assessment date equal to or greater than 8%.

For these purposes, "Total Distributions" is defined as the aggregate of total distributions paid to MAIG Securityholders and performance fees paid by MAIG from the date on which the Schemes become Effective up to and including the assessment date.

"Contributed Capital" is defined to mean:

- AUD3.40 less the Distribution; multiplied by
- the number of MAIG Securities on issue at the end of the day on which the Schemes become Effective (245.9 million); plus
- the aggregate amount of capital raised by MAIG after the date on which the Schemes become Effective.

The performance fee will be calculated by the MAIG Manager and audited by an appropriately qualified independent party. Performance fees will be calculated and (if payable) paid whenever MAIG makes a distribution to MAIG Securityholders.

Worked examples of the calculation of the performance fee are set out in Section 7.10.

7.4 Method of fee allocation

The Stapling Deed provides a framework for the allocation of the base fee and performance fee across the 3 stapled entities.

These fees are payable respectively to MAIT RE as the responsible entity of MAIT (the "RE Portion"), MAIPGPL as the adviser to MAIIL (the "Adviser Portion") and MIASPL as the manager of MAIL (the "Manager Portion").

The allocation is based on the proportionate equity interests of the respective stapled entities in the Portfolio Investments.

Under the Management Services Agreement, MIASPL will be paid the Manager Portion of the base fee and performance fee in accordance with the Stapling Deed.

In addition, MIASPL is entitled to be paid the RE Portion out of the assets of MAIT. The MAIT Constitution supports this allocation principle by providing that MAIT RE will not receive the RE Portion to the extent it is paid to MIASPL. However, for so long as Macquarie Group Limited is the ultimate holding company of the responsible entity or of its successor, this arrangement will be overridden. The RE Portion will instead be allocated between MIASPL and MAIT RE under the Fee Allocation Agreement in such portions as to ensure that MAIT RE has sufficient working capital.

In the event that a Macquarie Group entity ceases to be the responsible entity of MAIT, the Fee Allocation Agreement is terminated. To ensure that the fee flow under the MAIT Constitution is not lost in the event that a third party responsible entity is appointed to MAIT, from that time forward:

- MIASPL receives the additional RE Portion under the Management Services Agreement; and
- the MAIT Constitution operates so that the responsible entity cannot receive the RE Portion because it is payable to MIASPL under the Management Services Agreement.

7.5 Fee rebate

MAIP and Macquarie Capital (investing through MAIPHL and MAIPIHL's wholly owned subsidiary MAIP Investments Ltd.) will effectively not incur base and performance fees to the MAIG Manager. Their portion will be fully rebated to MAIP Investments Ltd..

MAIP will incur fees on its investment in MAIPHL under a separate arrangement with Macquarie Capital.

7.6 Advisory fees

Macquarie Capital is the preferred financial adviser for MAIG. Arm's length fees will be payable by MAIG for these advisory services which shall be determined on a deal by deal basis. The commercial terms of each individual engagement will be subject to approval by the independent directors of the Boards of MAIL, MAIIL and MAIT RE as the responsible entity of MAIT. Advisory services provided by Macquarie Capital Advisers would typically include:

- mergers and acquisitions advice;
- divestment advice;
- debt market raisings and advice; and
- general financial and commercial advice.

7.7 Fees for additional services

MAIG may also pay Macquarie Group fees and/or Macquarie Group may also earn income in relation to the provision of other services. For example, such services may relate to foreign exchange, interest rate swaps, debt, interest on cash deposits and other forms of hedging. Any such fees will be determined on the basis of relevant precedents and market practice and will be on an arm's length basis. These fees must be approved by the independent directors of the Boards of MAIL, MAIIL and MAIT RE.

7.8 MAIG Expenses

The MAIG Manager is indemnified and entitled to be reimbursed by MAIG for reasonable costs and expenses incurred in relation to the proper performance of its powers and duties. These include, but are not limited to, legal, audit and consulting fees, reporting, insurance, third-party expenses associated with proposed or actual investments, interest and fees on permitted borrowings, fees and costs relating to foreign exchange rate hedging and all other out-of-pocket costs incurred in managing MAIG or its investments.

7.9 Comparison of MAIG fee structure to the MCAG fee structure

Base fees

A base fee of 1.5% per annum will be charged under the MAIG fee arrangement. This is the same percentage that is currently charged under the MCAG fee arrangement. The base fee for MCAG is based on MCAG's listed security price, however as MAIG will be unlisted, its base fee will be based on the aggregate Allocated Cost Base of its Portfolio Investments (detailed in Section 7.2). Therefore, given the same percentage base fee is charged under both arrangements, if MCAG's security price is $3.40 (the same as the offer price under the MAIG Proposal), then the base fee paid will be materially the same under both fee arrangements (a worked example of this is provided below). However, to the extent the MCAG Security price is below (or above) $3.40, then the base fee would then be lower (or higher) under the MCAG arrangement.

The table below provides a summary of the different methodologies for calculation of the base fee and a worked example for both the MAIG and MCAG fee structure.

Base fee	Methodology	Assumption	Calculation	Amount[16]
MAIG	1.5% per annum of the aggregate "Allocated Cost Base" for the Portfolio Investments held by MAIG as at the quarter commencement date.	- All Portfolio Investments held for the entire period - No further capital commitments[17]	a) Allocated Cost Base of AUD 736.9m b) Base fee = 1.5% x AUD736.9m	AUD 11.1m
MCAG	1.5% of the net investment value of MCAG. The net investment value is based on: • the average market capitalisation of MCAG over the last 15 trading days of a quarter, • plus the amount of any external borrowings of MCAG, plus • the aggregate of the amounts that MCAG has firmly committed to for future investment in investments other than cash and cash equivalents, less • the aggregate amount invested in cash and cash equivalents. (Refer MCAG Prospectus dated 17 February 2005 for further detail)	- MCAG market capitalisation based on a $3.40 security price - Cash balance of AUD98.4m - No commitments[17]	a) Market Capitalisation = 246m MCAG Securities x Security Price of $3.40 = AUD836.3m b) Cash Balance = AUD98.4m c) Net Investment Value = AUD737.9 d) Base fee = 1.5% x AUD737.9m	AUD 11.1m

Note: In the above comparison of the MAIG and MCAG fee structures, the effect of the rebate arrangements described in Section 7.5 is excluded.

16 Amount calculated based on a 12 month period.

17 Note: MCAG currently has a commitment for the Gouden Gids acquisition (bolt-on acquisition by European Directories) for c.AUD 53m. To the extent this acquisition is approved and completes this would increase the base fee payable by AUD0.8 million under both the MAIG and MCAG structure.

Performance fees

The table below provides a summary of the different methodologies for calculation of the performance fee for both the MAIG and MCAG fee structure. It is difficult to compare the performance fees that may become payable under the different methodologies as they will depend on future cash available from distribution (for the MAIG fee structure) and future security price performance (for the MCAG fee structure), however given the return hurdle under the MAIG arrangement is based on the $3.40 Cash Offer (which is lower than the MCAG security price performance fee hurdle as at 30 June 2008 of $4.70[18]) the performance fee may be greater under the MAIG arrangement.

Performance fee	Methodology
MAIG	20% of the total return of MAIG (Total Distributions from MAIG less Capital Contributions to MAIG) provided that the total amount returned to MAIG Securityholders would give rise to an internal rate of return at the relevant assessment date equal to or greater than 8%. At the Implementation Date the MAIG Capital Contributions will be $3.40 less the Distribution per security.
MCAG	20% of the return (security price performance and distributions paid) above the accumulated performance of the S&P/ASX200 Accumulation Index (refer to the MCAG Prospectus dated 17 February 2005 for further detail). As at 30 June 2008, MCAG security price would have needed to be above $4.70 for a performance fee to become payable.

Note: In the above comparison of the MAIG and MCAG fee structures, the effect of the rebate arrangements described in Section 7.5 is excluded.

7.10 Fee calculation examples

This Section provides detailed examples to illustrate the calculation mechanics of MAIG base and performance fees. Assumptions used are for illustrative purposes only. Please note that the actual methodology for calculating the Allocated Cost Base of each investment is discussed in Section 7.2. The fees examples in this Section do not include the effect of the fee rebate provisions described in Section 7.5.

For the purpose of a simplified example, it is assumed that MAIG will hold four portfolio investments. These portfolio investments will each have an initial acquisition cost base of AUD250m and there will be an additional AUD100 million invested in portfolio investment 4 in Year 3. It is assumed that MAIG will realise these portfolio investments in Year 1 through to Year 4 and that portfolio investments 1, 2 and 3 will each realise net proceeds of AUD500m and portfolio investment 4 will realise net proceeds of AUD650 million.

Assumptions

Investment Assumptions	Acquisition Cost Base ($ millions)	Additional Capital Invested ($ millions)	Year Additional Capital Invested[19]	Year Asset Realised	Investment Realisation Proceeds[20] ($ millions)
Investment 1	250	0	-	Year 1	500
Investment 2	250	0	-	Year 2	500
Investment 3	250	0	-	Year 3	500
Investment 4	250	100	Year 3	Year 4	650
Total	1,000	100	-	-	2,150

18 Based on the accumulated performance of the S&P/ASX200 Accumulation Index as at 30 June 2008. The MCAG security price performance fee hurdle will change in line with movements in the S&P/ASX200 Accumulation Index.
19 Assumed capital contributed at the beginning of period
20 Assumed realisation proceeds at the end of the period

Base fees

The base fee will be charged quarterly and will be calculated as 1.5% per annum of the aggregate allocated cost base for the investments held by MAIG as at the quarter commencement date. For the purpose of this example, the allocated cost base will be the aggregate of the initial acquisition cost and the amount of any further capital invested in each of the investments. In Year 1, MAIG will therefore have an aggregate allocated cost base of AUD1,000 million. The aggregate allocated cost base of the investments held by MAIG will then reduce as MAIG realises its investments, and will increase to the extent any further capital is invested by MAIG in these investments.

Base fee - Worked Example	Year 1	Year 2	Year 3	Year 4	Year 5
Allocated Cost Base of Investments held by MAIG ($ millions)					
Investment 1	250	-	-	-	-
Investment 2	250	250	-	-	-
Investment 3	250	250	250	-	-
Investment 4	250	250	350	350	-
Total Investment Allocated Cost Base	**1,000**	**750**	**600**	**350**	**-**
Base fee % (per annum)	1.50%	1.50%	1.50%	1.50%	1.50%
Base fee (excl GST) ($ millions)	**15**	**11**	**9**	**5**	**-**

In Year 1, based on an aggregate Allocated Cost Base of AUD1,000m, MAIG will pay a base fee to the MAIG Manager of AUD15m. The base fee paid by MAIG will then reduce as MAIG realises the Portfolio Investments, and will increase to the extent any further capital is invested by MAIG in these Portfolio Investments.

Performance fees

The MAIG Manager is entitled to a performance fee of up to 20% of the amount by which the "Total Distributions" exceed the "Contributed Capital", provided that MAIG Securityholders have received Total Distributions equal to the aggregate of:

- the Contributed Capital; and
- such further sum as would give rise to an internal rate of return at the relevant assessment date equal to or greater than 8%.

For these purposes, "Total Distributions" is defined as the aggregate of distributions paid to MAIG Securityholders and performance fees paid by MAIG from the date on which the Schemes become Effective up to an including the assessment date.

For the purpose of this example, MAIG will initially have aggregate Contributed Capital of AUD1,000 million which will increase to AUD1,100 million in Year 3 as a further AUD100 million is invested in investment 4. It is assumed that MAIG will realise its investments in Year 1 through to Year 4 and that investments 1, 2 and 3 will each realise net proceeds of AUD500 million and investment 4 will realise net proceeds of AUD650 million. The accumulated realisation proceeds by the end of Year 4 is therefore AUD2,150 million (and AUD2,110 million net of base fees paid).

Performance fee - Worked Example	Year 1	Year 2	Year 3	Year 4	Year 5
(i) Aggregate Contributed Capital ($ millions)	**1,000**	**1,000**	**1,100**	**1,100**	**1,100**
(ii) Investment Realisation Proceeds ($ millions)					
Investment 1	500	-	-	-	-
Investment 2	-	500	-	-	-
Investment 3	-	-	500	-	-
Investment 4	-	-	-	650	-
Less: Base fee (excl GST)	(15)	(11)	(9)	(5)	-
Net Investment Realisation Proceeds ($ millions)	**485**	**489**	**491**	**645**	**-**
Accumulated Investment Realisation Proceeds ($ millions)	485	974	1,465	2,110	2,110

The net investment realisation proceeds will then be distributed to MAIG Securityholders and paid as a performance fee to the MAIG Manager in the following order of priority:

(iii) Distribution and performance fee waterfall					
(a) first, 100% to the MAIG Securityholder until it has received all its pro-rata share of Contributed Capital up to the date of distribution;					
- Distribution to MAIG Securityholder	485	489	126	-	-
- Performance fee to MAIG Manager	-	-	-	-	-
(b) then, 100% to the MAIG Securityholder until it has received an 8% annual internal rate of return on all its pro rata share of Contributed Capital, calculated on the date of distribution and taking into account all its pro rata share of Contributed Capital and all distributions made to that MAIG Securityholder;					
- Distribution to MAIG Securityholder	-	-	148	-	-
- Performance fee to MAIG Manager	-	-	-	-	-
(c) then, 80% to the MAIG Manager as a performance fee and 20% to the MAIG Securityholder until the MAIG Manager has received 20% of the excess of the cumulative distributions made to the MAIG Securityholder and to the MAIG Manager, over the MAIG Securityholder's pro rata share of Contributed Capital; and					
- Distribution to MAIG Securityholder	-	-	10	-	-
- Performance fee to MAIG Manager	-	-	39	-	-
(d) thereafter, 80% to the MAIG Securityholder as a distribution and 20% to the MAIG Manager as a performance fee (together with the fee to the MAIG Manager in paragraph (c) above, the "performance fee").					
- Distribution to MAIG Securityholder	-	-	134	516	-
- Performance fee to MAIG Manager	-	-	34	129	-
Total					
- Distribution to MAIG Securityholder	**485**	**489**	**418**	**516**	**-**
- Performance fee to MAIG Manager	**-**	**-**	**73**	**129**	**-**
Total	**485**	**489**	**491**	**645**	**-**

8. MAIG SCRIP - RISKS

8.1 Risks associated with an investment in MAIG

MCAG Securityholders who elect to receive MAIG Securities should consider a number of risks that can be broadly classified as general risks relating to investing in unlisted securities and risks specific to an investment in MAIG. These risks may, individually or in combination, have a material adverse effect on MAIG's future financial performance, financial position, cashflows or, distributions and, consequently, on the outcome of an investment in MAIG and the value of your MAIG Securities. You should read the whole of this Scheme Booklet and specifically consider the factors contained within this Section.

You should carefully consider these factors in the light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to elect to receive the Cash Consideration or the Scrip Alternative. There is no guarantee that MAIG will achieve its stated objectives, that any distributions will be paid or that any statements of future intent will be achieved.

You should note that this Section is not an exhaustive list of the risks associated with an investment in MAIG. Further, many of these risks are outside the control of MAIG and cannot be mitigated.

Despite MCAG's operating history, an investment in MAIG should be considered a speculative investment.

8.2 General Risks

8.2.1 Dependence on general economic conditions

The operating and financial performance of MAIG is influenced by a variety of general economic and business conditions, including inflation, oil prices, interest rates and exchange rates, access to debt and capital markets, the competitive environment, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on MAIG and the value of MAIG Securities. Those factors could occur in any jurisdiction in which MAIG operates.

8.2.2 Acts of terrorism and breakout of international hostilities

Acts of terrorism or an outbreak of international hostilities may adversely affect sentiment with respect to global asset markets. This could have a negative impact on the value of an investment in MAIG.

8.2.3 Legislative and regulatory changes

Legislative or regulatory changes, or the interpretation of such, may have legal, tax or accounting consequences that adversely affect MAIG and/or Portfolio Investments.

8.3 Risks specific to MAIG

8.3.1 Application of certain corporate law protections

If MCAG is converted to a private group through the MAIG Proposal and it ceases to be listed on the ASX, the ASX Listing Rules will not apply. As summarised in Section 5.3.2, this means that a number of investor protection mechanisms found in the ASX Listing Rules, including those key provisions set out below, will not apply to MAIG:

- continuous disclosure obligations;
- restrictions on issuing securities except where their terms are appropriate and equitable;
- restrictions on issues of new shares above 15% of the company's capital in a 12 month period without securityholder approval unless the issue is exempt;
- restrictions on issuing securities in the context of a rights issue, dividend or distribution plan or during a takeover unless prescribed conditions are satisfied;
- restrictions on persons of influence, such as related parties and substantial shareholders, contracting with the company, without shareholder approval; and
- requirements to seek shareholder approval in certain circumstances, such as where the listed entity proposes to make a significant change to the nature or scale of its activities.

This is a consequence of holding securities in an entity that is no longer publicly listed. To the extent that MAIT remains classified as a "disclosing entity" under the Corporations Act, it will remain subject to regular reporting obligations as set out in Section 10.3.6. Even if MAIT is not classified as a "disclosing entity" it proposes to issue annual reports and annual taxation information to its securityholders.

In addition, the MAIG Securities comprise shares in a Bermuda company, stapled to shares in a Bermuda company, and to units in an Australian trust. By contrast, the MCAG Securities include shares in an Australian company. Therefore, if the Scrip Alternative is elected and the Schemes are Effective, different corporate law regulatory regimes will apply to the new MAIG Securities that are issued as part of the Scheme Consideration to MCAG Securityholders. The difference in corporate law regimes means that some protections available under the Corporations Act that may have applied to MCAG Securities, will no longer apply. A summary of the differences between the two different regulatory regimes is set out in section 5.3.3. Among the differences, the key risks arising out of the different regulatory treatment are as follows.

- The takeover provisions set out in Chapter 6 of the Corporations Act will not apply. Consequently, those shareholder protection mechanisms which provide for equal opportunity and full disclosure in the context of a takeover, minimum bid consideration and restrictions on collateral benefits will not apply.
- Unlike the Corporations Act, there are no substantial shareholder notice requirements under Bermuda law. This means that investors may not become aware of the

identity of a new holder who acquires a stake of greater than 5% in MAIG and any further increases in that stake.

- Although there are oppression remedies available under Bermuda law, the right of MAIG's securityholders to undertake a statutory derivative action to protect their position will be more limited than under the Corporations Act.

8.3.2 Liquidity and redemption risk

MAIG is unlisted entity. As such, there is no guarantee that there will be any liquidity of the securities. This may affect the price of the securities as well as your ability to dispose of securities. There is no defined exit period and MAIG Securityholders will receive distributions only derived from distributions received on, or divestments of, the underlying portfolio of assets. Any such distributions will not be paid on a regular basis.

8.3.3 Investment risks

It is not the intention of MAIG to pursue new investments other than potential investments that may be made through Portfolio Investments as bolt-on acquisitions. The performance of MAIG and the return available to the MAIG Securityholders will be affected by the recognition and availability of suitable opportunities by the Portfolio Investments. Such investment opportunities are subject to market conditions and other factors outside the control of MAIG and may not occur.

8.3.4 Divestment risks

It is possible that a substantial amount of time may lapse for MAIG to realise the value of its current, and any bolt-on investments, and thus there could be a substantial delay before any distributions are made to MAIG Securityholders. Further, the returns generated by MAIG depend on proceeds from divestments. There is a risk that MAIG may not be able to divest assets on appropriate terms (including price) which may have an adverse impact on the value of an investment in MAIG.

8.3.5 Reliance on the MAIG Manager and key personnel

Investors who elect the Scrip Alternative will have no control over the day-to-day operations, including investment decisions, of MAIG. MAIG Securityholders must rely on the judgement of the MAIG Manager and the boards of the MAIG entities, their delegates and, in particular, on the judgement of their respective principals, officers and employees. MAIG's success depends in large part on the performance of the MAIG Manager. The key management personnel of MAIG will be seconded to the MAIG Manager. There can be no assurance that MAIG or the MAIG Manager will be able to retain its key personnel. The loss of any key personnel, including the Chief Executive Officer of MAIG, could have a material adverse impact on MAIG.

Further, because the MAIG Manager will rely on contact and support from the Macquarie Group to help fulfil its obligations to MAIG, the loss of any key personnel by the Macquarie Group as a whole could materially affect the MAIG Manager's ability to effectively manage MAIG. In addition, as such personnel will have been provided to the other funds managed by Macquarie Capital Funds management companies on a non-exclusive basis, there can be no assurance that such personnel or resources will be available at the times and to the extent required by the MAIG Manager or MAIG. In addition, the stapled entities and the MAIG Manager have rights to terminate the management agreements in certain limited circumstances and the MAIG Manager may resign on 90 days' notice (see Section 6.5.2) and accordingly there can be no assurance that the MAIG Manager will remain the manager of the stapled entities, no assurance that MAIG could remove the MAIG Manager of its own accord or that a suitable replacement will be found.

8.4 Risks specific to MAIG's Portfolio Investments

8.4.1 Earnings volatility

MAIG's earnings may be volatile due to the uncertain timing in relation to MAIG making investments, receiving distributions (if any) from Portfolio Investments and realising investments.

8.4.2 Use of borrowing

MAIG uses leverage to maintain an optimal capital structure for each of its investments. The use of leverage may enhance returns and enable a broader range of investments to be made. However, it will increase the exposure of MAIG and Portfolio Investments to financial and interest rate risk, and to refinancing risk if the businesses are still owned by MAIG when the debt packages reach the end of their term. These risks may result in the negative performance of investments and a reduction in the underlying value of MAIG. As such, neither the achievement of the investment objectives as stated nor any projected returns of capital to MAIG Securityholders can be guaranteed.

8.4.3 Competitive nature of business

The Portfolio Investments operate in a competitive environment. Such competition may materially and adversely affect their businesses, financial conditions and results of operations. For example, the industry settings in which Portfolio Investments operate may change over time as a result of the introduction and commercialization of new technologies or change in competitive landscape. These changes may represent both opportunities and risks and the risk of technological obsolescence for the Portfolio Investments. New technologies may raise the levels of competition risks and the risk of technological obsolescence because they may result in a lowering in barriers to entry and/or increase the number of alternatives available to consumers. There can be no assurance that the Portfolio Investments will not be adversely impacted by changes in technologies or competitive landscape. In some circumstances, MAIG will compete with other financial and industry investors to acquire telecommunications, media, entertainment and technology businesses. As a result of such competition, MAIG may have difficulty in making certain investments, or may be required to make investments on economic terms less favourable than anticipated. New competitors may also enter exiting markets of Portfolio Investments. There can be no assurance that Portfolio Investments will not be adversely impacted by new or existing competitors.

8.4.4 Liquidity

MAIG may invest in entities that are unlisted or for which there are a limited number of potential investors. The realisable value of any of MAIG's investments may therefore be less than its apparent value at any time and divestment at such time may adversely impact performance.

8.4.5 Minority investments

Where MAIG holds an investment in circumstances where it is unable to exert control over the investee entity it will become subject to those risks inherent in minority shareholdings and may not be able to achieve an easy exit from that investment. In such cases the investee entity may make decisions that the MAIG Manager does not agree with, or take risks or act in other ways that do not serve the interests of MAIG Securityholders. This could lead to a reduction in the performance of MAIG or the underlying value of its assets.

8.4.6 Performance incentive

As the fee structure includes a performance-based fee, an investment in MAIG may involve a higher degree of risk than other investments as the manager is incentivised to generate higher returns. Investments that offer potentially higher returns may have a higher risk profile than investments offering lower returns.

8.4.7 Business risk

MCAG's portfolio of assets is influenced, by a wide range of factors and economic and business conditions,including inflation, oil prices[21], interest rates, wage pressures and exchange rates, access to debt and capital markets, the competitive environment, creditworthiness of its customers, government fiscal, monetary and regulatory policies. One or more of these or other factors (including risk of litigation brought against Portfolio Investments) may have a material adverse effect on the financial performance or cashflows of these investments which may in turn have a material adverse impact on the financial performance and cashflows of MAIG and the realisable value to MAIG Securityholders.

8.4.8 Key personnel

Day-to-day operations of Portfolio Investments rely on the judgement of Portfolio Investment management, their delegates, officers and employees. There can be no assurance that Portfolio Investments will be able to retain their key personnel. The loss of any key personnel could have a material adverse impact on Portfolio Investments.

8.4.9 Conflicts of interest

There are potential conflicts of interest inherent in the Macquarie Group structure and business model. Several of MAIG's executive officers and directors have obligations to provide services to other entities, including other Macquarie Group entities and/or funds managed by Macquarie Group entities, and thus will not be able to devote all of their time to the management of MAIG. Such officers and directors may also have obligations to investors in other funds, the fulfilment of which might not be in the best interests of MAIG. It is possible that new investment opportunities that meet MAIG's investment criteria that are presented to the Macquarie Group or other funds managed by the Macquarie Group may not be offered to or reviewed by the MAIG Manager.

8.4.10 Foreign country risk

MAIG will have investments outside of Australia, so that MAIG Securityholders will be exposed to additional risks associated with foreign investment. Such risks include exchange rate fluctuations, differences in relative inflation and interest rates, less liquid capital markets with increased volatility, different regulatory and operating environments, variations in infrastructure required to support business activity, social and political instability or unrest and the risk of natural disaster. These risks may materially affect the value of foreign investments made by MAIG.

8.4.11 Foreign security holdings

As the foreign ownership of MAIG exceeds 40%, MAIG may be reliant on gaining approval under the Australian Foreign Acquisitions and Takeovers Act 1975 (Cth) in respect of certain kinds of Australian related transactions which it may wish to enter into in the future. There can be no guarantee that MAIG will be able to obtain all necessary approvals under the Foreign Acquisitions and Takeovers Act and other industry-specific laws which regulate foreign investment in Australia, or other similar legislation in other jurisdictions, or that such approvals will be obtained in a timely manner. Further, MAIG Securityholders outside Australia and New Zealand may not be able to participate in any future rights offering or certain other equity issues of MAIG and may experience dilution in their holdings.

8.4.12 Dilution

Future capital raisings or equity funded acquisitions by MAIG may dilute the holdings of MAIG Securityholders. MAIG's investments may also be diluted by future capital raisings by Portfolio Investments if MAIG is not entitled to, or chooses not to, participate in such capital raisings so as to maintain its proportionate equity interest in the relevant Portfolio Investment.

8.4.13 Unforeseen event risk

The use of the assets critical to one or more Portfolio Investments may be interrupted or otherwise affected by a variety of events outside the MAIG Manager's control, including natural disasters (such as fire, floods, earthquakes and hurricanes), man-made disasters (including terrorism), defective design and construction, amendment of key legislation, technological change, environmental legislation or regulation, general economic conditions, contractual or labour disputes, infectious or contagious disease and other unforeseen circumstances and incidents. Certain of these events have affected businesses in the past, and if the use of such assets is interrupted in whole or in part for any period as a result of any such events, the revenue of such Portfolio Investments could be reduced. There can be no assurance that such Portfolio Investments' insurance would cover liabilities resulting from claims relating to such events.

21 In particular, see Section 3.2.3 for commentary on AIR-serv.

9. MAIG SCRIP – FINANCIAL INFORMATION

9.1 Financial impact of the proposed transaction for MCAG Securityholders who elect to take MAIG Securities (if available under the Scrip Alternative)

Set out below in Sections 9.2 and 9.3, is adjusted historical and pro forma financial information for a MAIG Securityholder for the half year ended 31 December 2007. The financial information has been prepared as if MAIG had acquired MCAG as at 1 July 2007, recognising that MAIG has only recently been established and has never prepared historical financial information.

9.2 MAIG adjusted historical financial information

The adjusted historical financial information provided in this Section is intended to provide an indication of MAIG's consolidated income statement, proportionate EBITDA and consolidated balance sheet for the half year ended as at 31 December 2007. This historical information does not take into account the impact of the Schemes.

9.2.1 Basis of preparation

The financial information set out below is based on information extracted from MCAG's reviewed Interim Financial Report for the half-year ended 31 December 2007 and from MCAG's Management Information Report for the half-year ended 31 December 2007. An outline of each adjustment made to the information extracted from these documents is set out in the notes to the tables below.

The adjusted historical financial information has been prepared in accordance with the accounting policies and bases of preparation set out in MCAG's Interim Financial Report for the half year ended 31 December 2007 and MCAG's Management Information Report for the half year ended 31 December 2007 (MIR) respectively. The MIR was a supplement to MCAG's Interim Financial Report for the half-year ended 31 December 2007 and was prepared on the basis set out in the notes to the MCAG Management Information Report for the half year ended 31 December 2007. The MIR relates to the preparation of the adjusted historic proportionate EBITDA for MAIG.

Copies of MCAG's Interim Financial Report and MCAG's Management Information Report for the half-year ended 31 December 2007, from which the historical financial information is derived, can be found on MCAG's website at www.macquarie.com.au/mcag. The information set out below does not contain all of the disclosures required in an annual or half year financial report under the Corporations Act.

MCAG expects to announce its full year results for the year ending on 30 June 2008 to the ASX on or about 27 August 2008. These results will be included on MCAG's website (www.macquarie.com/mcag) on the date of the announcement. MCAG Securityholders who request a copy of the 30 June 2008 annual financial report will be sent a copy free of charge.

9.2.2 Adjusted historical income statement for MAIG

The following table sets out MAIG's historical income statement as extracted from MCAG's reviewed Interim Financial Report for the half-year ended 31 December 2007. The historical income statement has been adjusted to exclude significant non-recurring items that occurred in the half year to 31 December 2007. Profit before significant non-recurring items is shown as the Directors believe it provides a more relevant and reliable indication of MAIG's consolidated income statement for the half year to 31 December 2007.

	Interim financial report for the half-year ended 31 December 2007 (reviewed)	Impact of disposals of Zig Inge Group and Retirement Care Australia (unaudited)	Other significant non-recurring items (unaudited)	Unaudited half-year ended 31 December 2007 before significant non-recurring items
		Note 1	Note 2	
	$millions	$millions	$millions	$millions
Revenue from continuing activities	247.3	-	-	247.3
Other income	189.7	(184.1)	(1.0)	4.6
Total revenue and other income from continuing activities	**437.0**	**(184.1)**	**(1.0)**	**251.9**
Share of net profits/(losses) of associates accounted for using the equity method	(9.3)	(1.6)	4.3	(6.6)
Management fees	(6.4)	-	-	(6.4)
Other operating expenses from continuing activities	(321.6)	11.9	9.1	(300.6)
Operating expenses from continuing activities	(328.0)	11.9	9.1	(307.0)
Profit/(loss) from continuing activities before income tax	**99.7**	**(173.8)**	**12.4**	**(61.7)**
Income tax benefit/(expense)	(12.8)	23.0	-	10.2
Profit/(loss) for the period	**86.9**	**(150.8)**	**12.4**	**(51.5)**
Profit/(loss) attributable to:				
MAIG Securityholders	103.3	(150.8)	10.4	(37.1)
Other minority interests	(16.4)	-	2.0	(14.4)
	86.9	**(150.8)**	**12.4**	**(51.5)**

1. The adjustments for the impact of disposals of Zig Inge Group (ZIG) and Retirement Care Australia (RCA) relate to the following:
   a) MCAG disposed of its interest in ZIG on 19 November 2007. The reversal of the financial impact of the gain on disposal is a reduction in Other income of $144.5 million and a reduction in Income tax benefit/expense of $23.0 million. Transaction costs of $6.5 million associated with the disposal were also reversed decreasing Other operating expenses from continuing activities by this amount.
   b) On 2 July 2007, as part of the RCA/Regis merger, MCAG disposed of its interest in RCA and acquired a non-controlling interest in the Regis Group. The reversal of the non-recurring gain on disposal has reduced Other income by $39.6 million. Transaction costs of $5.4 million associated with the disposal were also reversed resulting in a decrease in Other operating expenses from continuing activities of this amount.
   c) The reversal of MCAG's share of ZIG's results for the period from 1 July 2007 to 19 November 2007 reduced MCAG's share of net profits/(losses) of associates accounted for using the equity method by $1.6 million.

2. Adjustments for other significant non-recurring items relate to the following:
   a) Reversal of the financial impact of the potential acquisition of Universal Weather and Aviation, a transaction that was announced on 21 November 2007 but did not proceed. Reversal of the associated transaction costs and fair value gains reduced Other operating expenses from continuing activities by $2.9 million and reduced Other income by $1.0 million.
   b) Other operating expenses from continuing activities were further reduced by $6.2 million by the reversal of one-off transaction ($4.3 million) and restructuring costs ($1.9 million) primarily incurred by Red Bee Media and AIR-serv. Costs of $1.9 million relate to restructuring as Red Bee Media completes its separation from its former owner, the BBC.
   c) The $4.3 million reduction in Share of net losses of associates accounted for using the equity method reflects the reversal of MCAG's share of one-off costs incurred by Regis Group and European Directories in the half year ended 31 December 2007. These costs primarily relate to: the integration of three portfolios of aged care centres in Regis Group following the merger with RCA in July 2007 ($1.8 million); costs incurred in connection with a potential restructure of European Directories' debt facilities that did not proceed ($1.3 million); and other non-recurring transaction and project costs incurred by European Directories ($1.2 million).

9.2.3 Adjusted historical proportionate EBITDA for MAIG

The following table sets out MAIG's proportionate EBITDA for the half year ended 31 December 2007 adjusted to exclude significant non-recurring items that occurred in the six months to 31 December 2007. The adjustments to exclude significant non-recurring items have been made to provide an indication of MAIG's historic proportionate EBITDA for the half year ended 31 December 2007. These adjustments are consistent in nature with those made to the adjusted historical income statement for a MAIG security holder set out above.

The proportionate EBITDA for the half year ended 31 December 2007 was extracted from MCAG's Management Information Report for the half year ended 31 December 2007.

	Unaudited MIR half-year ended 31 December 2007	Impact of disposals of Zig Inge Group and Retirement Care Australia (unaudited)	Other significant non-recurring items (unaudited)	Unaudited half-year ended 31 December 2007 before significant non-recurring items
	$millions	$millions	$millions	$millions
		Note 1	Note 2	
Proportionate Asset EBITDA	126.6	(3.7)	8.1	131.0
Corporate expenses	(24.5)	11.9	3.3	(9.3)
Proportionate EBITDA (3)	**102.1**	**8.2**	**11.4**	**121.7**

1. Adjustments to reflect the impact of disposals of ZIG and RCA comprise the following:
   a) Proportionate Asset EBITDA has been reduced by $3.7 million to exclude EBITDA generated from MCAG's 49% interest in ZIG for the period from 1 July 2007 to 19 November 2007.
   b) Corporate expenses have been decreased by $11.9 million to reverse transaction costs associated with the disposal of MCAG's investment in ZIG ($6.5 million) and transaction costs arising from the merger of RCA and Regis ($5.4 million).
2. The adjustments for other significant non-recurring items comprise the following:
   a) Proportionate Asset EBITDA was increased by $8.1 million to reflect the reversal of MCAG's share of non-recurring transaction and restructuring costs incurred in Red Bee Media ($3.7m), AIR-serv ($0.1m), Regis Group ($1.8 million) and European Directories ($2.5 million). The nature of these costs is detailed in the notes to the adjusted historic income statement, above.
   b) Corporate expenses have been reduced by $3.3m to reverse transaction costs associated with the potential acquisition of Universal Weather and Aviation that did not proceed ($2.9m) and other non-recurring transaction costs incurred at the fund level ($0.4m).
3. EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation. Proportionate EBITDA is calculated as the aggregation of the EBITDA of entities in which MCAG has invested in the relevant proportion that MAIG will hold interests resulting in control or significant influence.

9.2.4 Adjusted historical balance sheet for MAIG

The following table sets out MAIG's summarised historical balance sheet as extracted from MCAG's Interim Financial Report for the half-year ended 31 December 2007. The historical balance sheet has been adjusted to reflect significant known events that occurred subsequent to 31 December 2007 as if they had occurred on 31 December 2007.

	Interim financial report for the half-year ended 31 December 2007 (reviewed)	Impact of post-balance sheet date events (unaudited)	Unaudited Half-year ended 31 December 2007 adjusted for post-balance sheet date events
		Note 1	
	$millions	$millions	$millions
Cash and cash equivalents	350.8	(125.1)	225.7
Receivables	64.9	-	64.9
Investments accounted for using the equity method	530.3	-	530.3
Property, plant and equipment	190.6	-	190.6
Deferred tax assets	55.2	-	55.2
Intangible assets	723.0	-	723.0
Other assets	38.7	-	38.7
Total assets	**1,953.5**	**(125.1)**	**1,828.4**
Payables and provisions	124.4	-	124.4
Current tax liabilities	23.7	-	23.7

	Interim financial report for the half-year ended 31 December 2007 (reviewed)	Impact of post-balance sheet date events (unaudited)	Unaudited Half-year ended 31 December 2007 adjusted for post-balance sheet date events
Interest bearing liabilities	691.0	-	691.0
Deferred tax liabilities	69.6	-	69.6
Derivative financial instruments	18.0	-	18.0
Total liabilities	**926.7**	**-**	**926.7**
Net assets	**1,026.8**	**(125.1)**	**901.7**

1. Adjustments for post-balance sheet date events are to reflect the following significant known transactions that occurred subsequent to 31 December 2007:
   a) MCAG commenced a buy-back of MCAG stapled securities up to a value of $50.1 million on 7 January 2008 that was completed on 6 March 2008. Cash has been reduced by $50.1 million to reflect payments made to security holders and the associated brokerage costs.
   b) MCAG paid a special distribution of 30 cents per stapled security on 7 April 2008. Cash has been reduced by $75m to reflect payments made to security holders.

There was no Income Statement or proportionate EBITDA impact of these transactions.

9.3 Unaudited MAIG Pro-forma financial information

The pro-forma financial information set out below has been prepared to illustrate the potential impact on the unaudited MAIG adjusted historical financial information set out above had the Schemes been implemented as at 1 July 2007.

9.3.1 Basis of preparation

The unaudited pro forma financial information set out below is derived from the adjusted historical financial information for a MAIG Securityholder shown in Section 9.2 above. Further adjustments have been made to reflect the potential accounting entries that would have been recorded had the Schemes been implemented as at 1 July 2007. Each of these adjustments is set out in the notes to the tables below.

The pro forma financial information has been prepared in accordance with the accounting policies and basis of preparation set out in MCAG Interim Financial Report for the half year ended 31 December 2007 and the MCAG Management Information Report for the half year ended 31 December 2007.

The indicative adjustments set out below reflect assumptions that are subject to risks and uncertainties and may result in the actual results being significantly different than the pro forma position disclosed below. The key assumptions are in respect of the acquisition accounting adjustments where the acquisition date of MCAG has been deemed to be 30 June 2007 and the fair values of the Portfolio Investments that will be held by MAIG are deemed to be the values implied by the offer price of $3.40 per MCAG stapled security. These assumptions have been adopted for illustrative purposes and may differ from the acquisition accounting entries that are made on implementation of the Schemes. At the acquisition date, MAIG will allocate the cost of acquiring MCAG by recognising MCAG's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in Australian Accounting Standards at their fair values at that date. MAIG has twelve months from the acquisition date to finalise the initial accounting for the acquisition.

9.3.2 Unaudited pro forma income statement

	Unaudited half-year ended 31 December 2007 before significant non-recurring items	Impact of revised management fee arrangements (unaudited)	Unaudited pro forma for the half year ended 31 December 07 before significant non-recurring items
	$millions	$millions	$millions
		Note 1	
Revenue from continuing activities	247.3	-	247.3
Other income	4.6	-	4.6
Total revenue and income from continuing activities	**251.9**	**-**	**251.9**
Share of net profits/(losses) of associates accounted for using the equity method	(6.6)	-	(6.6)
Management fees	(6.4)	0.8	(5.6)
Other operating expenses from continuing activities	(300.6)	-	(300.6)
Operating expenses from continuing activities	(307.0)	0.8	(306.2)

	Unaudited half-year ended 31 December 2007 before significant non-recurring items	Impact of revised management fee arrangements (unaudited)	Unaudited pro forma for the half year ended 31 December 07 before significant non-recurring items
Profit/(loss) from continuing activities before income tax	**(61.7)**	**0.8**	**(60.9)**
Income tax benefit/(expense)	10.2	-	10.2
Profit/(loss) for the period	**(51.5)**	**0.8**	**(50.7)**
Profit/(loss attributable to:			
• MCAG Securityholders	(37.1)	0.8	(36.3)
• Other minority interests	(14.4)	-	(14.4)
	(51.5)	**0.8**	**(50.7)**

1. The impact of the revised management fee arrangements is calculated as the difference between the management fees that were paid/payable by MCAG for the period from 1 July 2007 to 31 December 2007, and the management fees that would have been paid/payable for the same period under the advisory agreement that applies to MAIG from implementation of the Schemes. The impact of the revised arrangements has reduced management fees by $0.8 million.

   Actual management fees paid/payable by MCAG for the half year to 31 December 2007 were $6.4 million. The fees were calculated as 1.5% of the Net Investment Value (NIV). The NIV is derived from the weighted average market capitalisation of MCAG over the last 15 trading days of a quarter plus external borrowings and commitments less cash and cash equivalents. The weighted average market capitalisation of MCAG for the quarters ended 30 September 2007 and 31 December 2007 was based on volume weighted average prices (VWAP) of $3.62 and $3.50 respectively. The VWAP took into account that ZIG was part of MCAG's portfolio of investments until 19 November 2007. The basis of calculation of MCAG's management fees prior to implementation of the Schemes is set out in Section 7.9.

   Management fees that would have been paid/payable by MAIG had the scheme been implemented on 1 July 2007 were $5.6 million. The basis of calculation of MAIG's management fees following implementation of the Schemes is set out in Section 7.10.

9.3.3 Unaudited pro forma Proportionate EBITDA

	Unaudited MIR half-year ended 31 December 2007 before significant non-recurring items	Impact of revised management fee arrangements (unaudited)	Unaudited pro forma for the half-year ended 31 December 2007 before significant non-recurring items
	$millions	$millions	$millions
		Note 1	
Proportionate Asset EBITDA	131.0	-	131.0
Corporate expenses	(9.3)	0.8	(8.5)
Proportionate EBITDA	**121.7**	**0.8**	**122.5**

1. The reversal of the impact of the revised management fee arrangements reduced Corporate expenses by $0.8 million. The basis of calculation is as set out in footnote 1 to Section 9.3.2 above.

9.3.4 Unaudited summarised pro forma balance sheet

	Unaudited half-year ended 31 December 2007 adjusted for unaudited post-balance sheet date events	Impact of revised management fee arrangements (unaudited)	Acquisition accounting adjustments (unaudited)	Unaudited pro forma for the half year ended 31 December 07
		Note 1	Note 2	
	$millions	$millions	$millions	$millions
Cash and cash equivalents	225.7	0.8	-	226.5
Receivables	64.9	-	-	64.9
Investments accounted for using the equity method	530.3	-	(30.0)	500.3
Property, plant and equipment	190.6	-	-	190.6
Deferred tax assets	55.2	-	-	55.2
Intangible assets	723.0	-	(34.5)	688.5

	Unaudited half-year ended 31 December 2007 adjusted for unaudited post-balance sheet date events	Impact of revised management fee arrangements (unaudited)	Acquisition accounting adjustments (unaudited)	Unaudited pro forma for the half year ended 31 December 07
Other assets	38.7	-	-	38.7
Total assets	**1,828.4**	**0.8**	**(64.5)**	**1,764.7**
Payables and provisions	124.4	-	-	124.4
Current tax liabilities	23.7	-	-	23.7
Interest bearing liabilities	691.0	-	-	691.0
Deferred tax liabilities	69.6	-	-	69.6
Derivative financial instruments	18.0	-	-	18.0
Total liabilities	**926.7**	**-**	**-**	**926.7**
Net assets	**901.7**	**0.8**	**(64.5)**	**838.0**

1. The reversal of the impact of the revised management fee arrangements has increased cash and cash equivalents by $0.8 million. The basis of calculation is set out in note 1 to Section 9.3.2 above.
2. The acquisition accounting adjustments provide an indication of the potential impact of the acquisition of MCAG by MAIG. The indicative impact is a decrease in total and net assets of $64.5 million. This amount represents a write down of Investments accounted for using the equity method ($30.0 million) and Intangible assets (goodwill: $34.5 million).

   The adjustments were calculated as the excess of the carrying value at 30 June 2007 over the fair value of the respective assets. The write down to fair value of controlled Portfolio Investments ($34.5 million) is recognised as a reduction in goodwill. The net write down to the fair value of Portfolio Investments over which MCAG has significant influence is recognised as a reduction in Investments accounted for using the equity method. The calculation of these adjustments is based on the following assumptions that have been made for illustrative purposes:
   - The Implementation Date, and date MCAG was acquired by MAIG, has been deemed to be 30 June 2007.
   - The fair values of Portfolio Investments that will be held by MAIG at the Implementation Date are deemed to be the values implied by the offer price of $3.40 per MCAG stapled security. The fair value of each Portfolio Investments is consistent with the Allocated Cost Base for each.

   There is no impact on the pro forma income statement or pro forma proportionate EBITDA of these adjustments as they are assumed for these purposes to have occurred before 1 July 2007.

10. MAIG SCRIP - BOARD AND CORPORATE GOVERNANCE

10.1 Directors of MAIG stapled entities

Company	Jurisdiction	Current Directors	Years Experience at Macquarie Group
MAIL	Bermuda - tax resident in Australia	1. Francis Kwok (Aus)	11
		2. Timothy Stiel (Aus)	7
		3. Gregory Osborne (Aus)	16
		4. Ben Perham (US)	11
MAIIL	Bermuda	1. Francis Kwok (Aus)	11
		2. Nick van Gelder (Sin)	10
		3. Ben Perham (US)	11
		4. Ede Conyers (Ber)	Not applicable
MCLML (the current responsible entity of MAIT)	Australia	1. Timothy Stiel (Aus)	7
		2. Francis Kwok (Aus)	11
		3. John Roberts (Aus)	17
		4. Greg Ward (Aus)	12

All of the directors of the above MAIG stapled entities are Macquarie Group executives apart from the Bermuda resident Ede Conyers. It is the intention of MAIG that if the Scrip Alternative becomes available and MAIG remains a registered managed investment scheme, independent directors will be appointed to some of the MAIG boards shortly after implementation of the Schemes. MAIG has not yet identified the persons who would be invited to join the MAIG boards as independent directors in those circumstances, but would select candidates according to their experience, capability and independence. The MAIG boards may change over time to ensure consistency of management throughout MAIP and MAIG including the appointment of representatives from the current MCAG management team.

10.2 Directors profiles

Profiles for each of the directors are set out below.

Francis Kwok

Frank joined Macquarie in 1997 and is the Global Chief Operating Officer for Macquarie Capital Funds. Prior to his current role, Frank was Chief Financial Officer of Macquarie Airports. Frank has economics and law degrees from the University of Sydney.

Timothy Stiel

Timothy Stiel joined Macquarie in 2001 and leads the team responsible for the taxation and structuring of the listed and unlisted funds managed by Macquarie Capital Funds. Tim is a member of the Institute of Chartered Accountants and has a Commerce degree from the University of NSW and masters degrees in economics from Macquarie University and taxation law from Sydney University.

Gregory Osborne

Gregory Osborne has 22 years' experience in the banking and finance industry.

Gregory joined Macquarie in 1992 after working for Security Pacific Australia Limited for eight years. Prior to that, Gregory worked for Price Waterhouse for four years, where he practised as a Chartered Accountant specialising in the finance and insurance industries.

Gregory is the Chief Executive Officer of Macquarie Specialised Asset Management Limited ("MSAM") and has held this position since 2000. MSAM is the manager and responsible entity for the Macquarie Global Infrastructure Fund series, which includes Macquarie Global Infrastructure Fund I, II and III (GIF I, GIF II, and GIF III respectively). MSAM and its subsidiaries also manage a number of other unlisted infrastructure vehicles developed for Korean, Swiss, Japanese and Australian institutional and high net worth investors. As a consequence, Gregory has been responsible for the management, direction, acquisitions and divestments of all funds managed by MSAM.

Ben Perham

Ben joined Macquarie in 1997 and has been actively involved in developing Macquarie's private equity investments and funds management businesses. Ben is a member of the Investment Committee for Macquarie Global Opportunity Partners. He is based in Macquarie's New York office.

Nick van Gelder

Nick joined the Macquarie Group in 1997 and has been instrumental in building up the Macquarie Capital Funds division in Korea and has recently relocated to Singapore. In recent years, Nick has worked on the establishment of numerous funds including the listed Macquarie Korean Infrastructure Fund and the Zonescorp Infrastructure Fund (based in Abu Dhabi) and is working on Macquarie's fund initiatives across Asia and the Middle East.

John Roberts

John joined Macquarie in 1991 and is both joint head of Macquarie Capital Advisers and directly responsible for Macquarie Capital Funds. John is currently a director or alternate director of a number of Macquarie funds including Macquarie Infrastructure Group, Macquarie Airports, Macquarie Communications Infrastructure, DUET Group and Macquarie Media Group. John has a law degree from the University of Canterbury, New Zealand.

Greg Ward

Greg joined Macquarie in 1996 and was appointed Chief Financial Officer in January 1998. He is also a member of Macquarie's Executive Committee.

Greg is a fellow of the Institute of Chartered Accountants and holds a Master of Economics and is an Associate of the Securities Institute of Australia. Greg has more than 20 years experience in finance and financial services.

Ede Conyers

Ede Conyers has over 20 years offshore fund administration and company management experience. Ede is one of the principal founders and an Executive Director and Chief Executive Officer of ISIS Fund Services Ltd, a fund administration company established and licensed in Bermuda in 2007 to provide comprehensive fund administration services to investment managers with both offshore and onshore funds and other cross border structures. Until May 2007, Ede was General Manager of Citigroup Fund Services (Bermuda) Ltd. Prior to setting up Citigroup Bermuda in 1997, Ede held the position of General Manager of International Corporate Management of Bermuda Limited, a wholly-owned subsidiary of Bermuda Commercial Bank Limited, specialising in offshore fund administration and exempt company management.

10.3 Corporate Governance

10.3.1 MAIG's approach to corporate governance

This statement outlines MAIG's main proposed corporate governance practices.

MAIG is part of the stable of Macquarie Group managed vehicles. Accordingly, in setting the corporate governance framework the MAIG boards will also undertake to comply with the Macquarie Group Funds Management Activity policy. This policy been devised by Macquarie Group to safeguard the interests of investors in the investment vehicles, which at times may conflict with those of the Macquarie Group sponsors of the vehicles.

The key elements are:

- Conflicts of interest arising between Macquarie managed vehicles and its related parties should be managed appropriately and, in particular:
  - Related party transactions should be identified clearly and conducted on arm's length terms
  - Related party transactions should be tested by reference to whether they meet market standards
  - Decisions about transactions between Macquarie managed vehicles and Macquarie Group or its affiliates should be made by parties independent of Macquarie
- The funds management business should be resourced appropriately. In particular:
  - There is a separate Macquarie Capital Funds division and staff in this area should be dedicated to the funds management business, rather than to advisory or other activities of Macquarie Group
  - All recommendations to the boards of Macquarie managed vehicles should be reviewed or prepared by Macquarie Capital Funds staff
  - Each listed Macquarie managed vehicle that invests in operating assets or businesses should have its own managing director or chief executive officer
  - Chinese walls operate to separate the Macquarie Group's corporate advisory and equity capital markets business from Macquarie Capital Funds

10.3.2 Specific issues concerning MAIG related party transactions

Macquarie Capital is the preferred financial adviser to MAIG and as a result Macquarie Group companies and managed entities may undertake various transactions with, and perform various services (such as financial advisory, underwriting, FX hedging) for MAIG from time to time. All dealings between MAIG and Macquarie Group will be on an arm's length basis. Arm's length terms and fees are payable from time to time for these services and transactions on a deal-by-deal basis and are approved solely by MAIT RE's, MAIL's or MAIIL's (as the case may be) independent directors. Macquarie executive directors do not vote or, unless invited to do so by the independent directors, participate in discussion on related party matters.

See Section 11.3 for information on the Related Party Transactions.

10.3.3 Compliance committee

Under the Corporations Act managed investments regime, MAIT RE as the responsible entity of MAIT is required to register a compliance plan with ASIC. The compliance plan outlines the measures that must be followed to ensure compliance with the Corporations Act and MAIT Constitution. Under the Corporations Act, a compliance committee is required if less than half of the responsible entity board are independent. Accordingly, MAIT RE will appoint a compliance committee (though it has sought an extension from ASIC so that a compliance committee is only required at the time of the Schemes implementation).

Compliance officers will be appointed for MAIT and they will be responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and compliance reporting arrangements are in place to enable observance of the compliance plan.

The independent directors must satisfy the independence criteria set out in s601JB(2) of the Corporations Act. Independent directors are required to certify their compliance with these requirements on an annual basis and otherwise notify MAIT RE if they cease to satisfy the criteria.

10.3.4 Compliance plan

In accordance with the Corporations Act requirements outlined in Section 10.3.3 above, the responsible entity has prepared and lodged with ASIC a compliance plan for MAIT.

The compliance plan sets out the measures that the responsible entity must apply in its capacity as responsible entity when operating MAIT to ensure compliance with the Corporations Act and the MAIT Constitution. It prescribes the observance of certain procedures with respect to matters such as the valuation of trust assets, adequacy of records, unit price calculation and withdrawal, investment and borrowing, income calculation and payment, and treatment of fees.

10.3.5 Custodian

The responsible entity has appointed Trust Company Limited as custodian of MAIT's assets. The custodian holds the assets of MAIT as directed by the responsible entity. It is not the role of the custodian to protect the rights and interests of the MAIG Securityholders.

10.3.6 MAIG ongoing disclosure requirements

The ongoing disclosure requirements for MAIG will depend on the final number of MAIG Securityholders.

If MAIG has 100 or more securityholders, MAIT (but not MAIL or MAIIL which, as foreign companies, are not subject to the disclosing entity provisions in the Corporations Act) will be a "disclosing entity" under the Corporations Act and therefore it will be subject to continuous disclosure requirements, and annual and interim reporting obligations.

If MAIG is not a "disclosing entity" it will not be subject to continuous disclosure requirements. This means that it will not be required to lodge with ASIC, as soon as practicable, documents containing information of which it is aware that is not generally available and which could have a material effect on the price or value of the MAIG Securities.

However, regardless of whether it is a "disclosing entity", if MAIG Securities are issued under the Scrip Alternative, MAIG will provide MAIG Securityholders with:

- audited annual financial reports; and
- annual tax information.

Under Bermuda law, MAIL and MAIIL are required to provide financial statements to their securityholders for each relevant period including:

- a statement of results of operations;
- a statement of retained earnings or deficit;
- a balance sheet as at the end of the period;
- a statement of changes in financial position or cash flows;
- any notes to the financial statements (which shall include a description of the generally accepted accounting principles used in the preparation of the financials); and
- any other information required by the Companies Act and the Constitutions of MAIL and MAIIL.

The MAIG Manager will hold an annual meeting of investors to review and discuss MAIG's investment performance.

10.3.7 AFSL obligations

As the holder of an AFSL, the responsible entity also has obligations under its licence and under the Corporations Act. Those obligations include ensuring that financial services are provided honestly, efficiently and fairly and that it has adequate arrangements in place for the management of conflict of interests that may arise in relation to its activities under its licence. Further details of the conflicts policy are set out below.

10.3.8 Potential conflicts of interest

Corporate structure

For further information see Section 5 and Section 10.

Investment opportunities

The Corporations Act imposes a specific duty on the responsible entity, as an AFSL holder, to manage conflicts of interest. MAIT RE is located within Macquarie Capital Funds which operates within its own "Chinese walls" separate from other Macquarie Group businesses. Macquarie Capital Funds manages, through various Macquarie Group entities or joint ventures, a number of listed entities and also a number of infrastructure funds worldwide with various mandates to invest in infrastructure assets.

Macquarie Group will from time to time identify possible investment opportunities that it may offer to Macquarie managed funds. Within Macquarie Capital Funds, protocols have been established to determine which Macquarie Capital Funds managed funds should have priority with respect to investments. Importantly, MAIG will not have any priority over any Macquarie Group entity or any other funds managed now or in the future by Macquarie Group in relation to any investment opportunities. MAIG may have the opportunity to co-invest with existing and future Macquarie Capital Funds managed funds where available.

Macquarie Capital Personnel and Management

In discharging its duties to MAIG, the MAIG Managers will use resources provided to them by the Macquarie Group. These resources will include non-exclusive use of personnel employed primarily within Macquarie Capital and made available under resourcing arrangements to the MAIG Managers. Such personnel and resources have also been provided to other funds managed by Macquarie Capital management companies on a non-exclusive basis.

Further, MAIG may invest in assets in which other Macquarie Capital managed funds may also have invested. The same Macquarie Capital personnel may manage such investments on behalf of MAIG and such other Macquarie Capital managed funds, including MAIPGPL which is the adviser to MAIIL and also the general partner of MAIP, which is the ultimate parent entity of MAIG. These arrangements will be monitored to avoid situations where the same personnel are acting both on MAIG's behalf and on behalf of any other Macquarie Capital managed fund in circumstances where MAIG's interests and the interests of such other fund may not be aligned.

Macquarie's stake in MAIG

As Macquarie Capital (through MIAPL) will hold a stake in MAIG (including via MAIPIHL) there may be a potential conflict of interest with other MAIG Securityholders.

Board representation

The directors of the MAIG Managers and MAIG may, from time to time, include directors who are also on the boards of other Macquarie Capital managed funds. Where a director has a conflict of interest between their general law and statutory duties on the one hand, and that director's duties to the other Macquarie Capital managed fund on the other hand, that director will not participate in the discussion or vote in respect of such matters. In any event, all recommendations being considered by the MAIG boards in respect of which a Macquarie Group entity is interested will be subject to the approval of the independent directors as appropriate.

Chinese walls

To reduce the incidence of conflicts of interest, to protect the confidentiality of information, and to reduce the risk of possible insider trading, all funds and assets managed by Macquarie Capital Funds management companies are separated from other Macquarie Group businesses by Chinese walls and Macquarie Capital staff are subject to strict confidentiality requirements.

MAIG may enter into agreements with a Macquarie Group entity to purchase investments from a Macquarie Group entity, engage the services of a Macquarie Group entity or for other purposes. Macquarie Group staff responsible for decision making will not have any involvement in respect of recommendations being made to the MAIG boards in respect of such transactions.

Confidential information

The MAIG Managers may from time to time be in possession of information which is confidential and sensitive to MAIG and its operations. The MAIG Managers will put in place safeguards to identify and limit access to MAIG's confidential information to a select group of personnel within Macquarie Capital. People who have access to such information will be required to keep such information confidential and not disclose or otherwise use the information to the detriment of MAIG.

The MAIG Managers and personnel within Macquarie Capital may also have access to information generally in respect of Macquarie Capital managed funds which may not, because of obligations owed by them or associates to another entity, be disclosed to MAIG but which may be relevant to MAIG or which may limit MAIG's ability to enter into transactions with respect to certain of its investments due to such personnel having or being deemed to have material non-public information in regard to the investment. These limits on MAIG's ability to transact may not be in the best interests of investors.

11. RELATED PARTY TRANSACTIONS

11.1 Overview

The MAIG proposal involves Macquarie Capital (which is an operating group within the Macquarie Group) together with the Consortium leading a proposal to acquire MCAG, which is managed by MCAML (a member of the Macquarie Group).

MCAML and its directors and officers owe a range of duties and obligations in connection with the management of MCAG. Macquarie Capital (through various members of the Macquarie Group) has provided services in connection with the MAIG Proposal and has entered into a number of arrangements with the Consortium to effect the MAIG Proposal (see Section 11.3 below). In light of these factors, the Independent Directors of MCAG have established (and Macquarie Capital has agreed to comply with) a number of procedures and protocols to address the potential conflicts of interest that arise in the context of the MAIG Proposal. These procedures and protocols are outlined below in Section 11.2.

In addition to these procedures and protocols, the Independent Directors commissioned the Independent Expert, Deloitte, to review certain related party transactions including fee arrangements involving Macquarie Capital that are ancillary to the MAIG Proposal (the "Related Party Transactions").

The Independent Expert has opined in a report to the IBC that nothing has come to the Independent Expert's attention that causes it to believe:

- the Related Party Transactions are not on arm's length, commercial terms or that the fee arrangements are not consistent with or at least no more favourable to Macquarie Group than the fee arrangements of comparable funds; and
- that the Related Party Transactions have a bearing on the Independent Expert's conclusion that the Schemes are fair and reasonable and in the best interests of Non-Associated MCAG Securityholders in the absence of a superior proposal.

11.2 Procedures and protocols

The MAIG Proposal gives rise to potential conflicts of interest. Recognising the potential for this conflict to arise, the MCAG Board established protocols and procedures to ensure that consideration of any proposal was subject to appropriate controls.

The procedures and protocols managed any potential conflicts in the following ways:

- The MCAG Board established the IBC comprising all the independent directors of the three MCAG entities, jointly representing the entities in the stapled structure.
- Following establishment of the IBC, Mr Rowan Ross, Mr John Roberts and Mr Michael Carapiet, each of whom is or considers himself associated with the Macquarie Group, excluded themselves from being present at, participating in, or voting on, any board consideration of, or negotiation in relation to, proposals affecting the control of MCAG, including the MAIG Proposal. Accordingly, the IBC took responsibility for the negotiation of the terms of the MAIG Proposal, and the decision to enter into the Scheme Implementation Agreement and commit MCAG to propose the Schemes. This decision was one made by the IBC in accordance with the authority delegated to it by the MCAG Board.
- The protocols agreed between MCAG and Macquarie Capital provide that where certain members of the MCAG management team are also employed by the Macquarie Group, the MCAG management would give priority to the MCAG Securityholders if a conflict arose between the interests of Macquarie Capital and MCAG Securityholders. However, it was agreed that certain members of the MCAG management team would not assist the IBC in the event a competing proposal is received by MCAG.
- The IBC appointed separate legal advisers in Australia and Bermuda to act on behalf of MCAG in relation to negotiation of the proposal and preparation of the Scheme Implementation Agreement, Scheme Booklet and other ancillary documentation relating to the Schemes.

11.3 Ancillary transactions

As part of facilitating the proposal, Macquarie Capital is advising MAIP and has entered into other arrangements as part of the MAIG Proposal.

Prior to implementation of the Schemes, Macquarie Capital (through MIAPL) will invest approximately $150 million into MAIPIHL. The investment is equivalent to the Cash Consideration and Distribution Macquarie Capital receives under the MAIG Proposal in respect of the 17.9% of MCAG Securities it holds. MIAPL will also receive MAIPIHL scrip in consideration for the Red Bee Transfer (see Section 5.5), which is valued on the same parameters as MCAG's Red Bee Media stake, at $52 million. Each of these transactions is conditional upon the Schemes becoming Effective. As a result of these transactions Macquarie Capital (through MIAPL) will hold a minimum of 25.3% of MAIPIHL.

MAIPGPL, a member of the Macquarie Group within Macquarie Capital, is the general partner of MAIP, the entity which (through MAIPIHL) holds 99.8% of MAIG. The Consortium will contribute approximately USD650 million to MAIP and USD150 million to MGOP, an unlisted private equity fund managed by Macquarie Capital.

Macquarie Capital will receive fees for managing (through its related parties) MAIP and MGOP.

In addition to the transactions and arrangements referred to above, related parties of Macquarie Capital will also constitute the MAIG Manager and it will receive base management fees and performance fees in respect of that role.

12. TAX IMPLICATIONS

KPMG

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The Directors
Macquarie Capital Alliance Group

Our ref 2421674_7.DOC

The Directors
Macquarie Advanced Investment Company Pty Limited

Dear Directors

Tax letter for MCAG Securityholders

We have been requested to provide income tax advice for inclusion in the Scheme Booklet in relation to the Scheme under which Macquarie Advanced Investment Group ("MAIG") propose to acquire stapled securities in Macquarie Capital Alliance Group ("MCAG").

The purposes of this letter is to provide Australian income tax advice for MCAG Securityholders in relation to:

- The receipt of the capital distribution from Macquarie Capital Alliance Trust ("MCAT");
- The disposal of their MCAG Securities under the MAIG Proposal; and
- The Australian income tax implications of distributions from MAIG for those MCAG Securityholders who elect to take MAIG Securities.

This advice is applicable to:

- Australian residents who hold their MCAG Securities on capital account for Australian income tax purposes (ie the advice does not apply to Australian residents who hold the MCAG Securities on revenue account or as trading stock); and
- Foreign residents who hold their MCAG Securities on capital account and do not hold their MCAG securities through an Australian permanent establishment.

We note that a Class Ruling has been requested from the Australian Taxation Office ("ATO") on 9 July 2007 confirming the availability of scrip for scrip rollover relief for MCAG Securityholders receiving MAIG scrip and the treatment of the pre-sale distribution as a return of capital that will reduce the capital gains tax ("CGT") cost base of the units in MCAT. The ATO have stated that they will issue a final ruling within 28 to 90 days of receiving the Class Ruling request.

1. Disclaimer

This opinion has been prepared for inclusion in this Scheme Booklet and should be read in conjunction with the remainder of this Scheme Booklet. In providing our views, we have relied upon facts as set out in the Scheme Booklet that have not been independently verified by KPMG.

The following summary is based upon the legislation and established interpretation of legislation as at the date of this Scheme Booklet, but is not intended to be an authoritative or complete statement of the law relevant to the circumstances of each MCAG Securityholder. MCAG Securityholders should seek independent professional advice in relation to their own particular circumstances.

As KPMG does not undertake to update this advice for any changes in the Australian tax law after the date of this letter, it is the responsibility of the MCAG Securityholders to take further advice, if they are to rely on our advice at a later date.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

2. Background

Under the terms of the proposal, MCAG Securityholders will be offered a choice between:

- All cash consideration of $3.40 per MCAG Security, consisting of a combination of up to $0.40 as a distribution of capital from MCAT plus $3.00 to $3.40 cash from MAIG; or
- A scrip alternative. MCAG Securityholders will receive a distribution of capital of up to $0.40 from MCAT and will receive:
  - 1 share in Macquarie Advanced Investment Limited ("MAIL") for each share in Macquarie Capital Alliance Limited ("MCAL")
  - 1 share in Macquarie Advanced Investment International Limited ("MAIIL") for each share in Macquarie Capital Alliance International Ltd ("MCAIL"); and
  - 1 unit in Macquarie Advanced Investment Trust ("MAIT") for each unit in MCAT.

The scrip alternative is subject to a pro-rata scaleback if demand exceeds 20%, such that some MCAG Securityholders may receive a combination of cash and scrip.

We understand that, as part of the arrangement:

- Macquarie Advanced Investment Company Pty Limited ("MAIC"), a 100% wholly owned subsidiary of MAIL will offer to acquire MCAL shares.
- MAIC will offer to acquire MCAT units as nominee for MAIT.
- MAIC will offer to acquire MCAIL shares as nominee for MAIIL.

3. Tax implications

3.1 Return of capital distribution

The capital distribution by MCAT (of up to $0.40) should not be assessable income for MCAG investors holding their investment on capital account.

The return of capital will trigger CGT Event E4 for investors holding their interest on capital account. As such, the return of capital will reduce the investors CGT cost base of the units in MCAT.

Where the amount of the capital distribution exceeds the tax cost base of the interest in MCAT the investor will derive a capital gain equal to the excess. Any capital gain will be eligible for the CGT discount where the interest has been held for greater than 12 months.

A Class Ruling has been requested from the ATO confirming this treatment of the pre-sale distribution.

3.2 Escrow

Where a MCAG Securityholder chooses the scrip alternative, the capital distribution will be held in escrow by Macquarie Advanced Investment Management Limited to be used at the discretion of MAIG for follow-on investments and working capital.

Any interest payable to Securityholders in relation to the Escrow Amount should be included in the assessable income of resident beneficiaries.

Interest payable to non-resident beneficiaries will be subject to a final withholding tax at a rate of 10%.

3.3 CGT implications – resident Securityholders receiving cash consideration

Although the MCAG securities are stapled and traded as such (ie cannot be traded separately), for Australian income tax purposes each MCAL share, MCAIL share and MCAT unit are separate CGT assets.

MCAG Securityholders who receive cash for the disposal of their securities will trigger CGT Event A1 upon transfer of their securities to MAIG.

A capital gain is made in respect of the disposal of a share / unit where the capital proceeds for the share / unit exceed the cost base of the share / unit, and a capital loss is incurred where the capital proceeds for the share / unit are less than the reduced cost base of the share / unit.

The capital proceeds will be equal to the cash consideration received per security. The Cash Consideration (being $3.40 less the Distribution) is being provided by each entity as follows:

- $0.27 cash for each MCAL share by MAIC;
- $1.21 cash for each MCAIL share by MAIIL; and
- $1.92 less the capital distribution (being a return of capital by MCAT of up to $0.40) for each MCAT unit by MAIT.

The MCAG Securityholders' CGT cost base in the MCAG securities should broadly be the amount paid to acquire the securities plus any incidental costs incurred upon acquisition or disposal. The cost base will be reduced by any tax-deferred distributions or returns of capital received by the MCAG Securityholder until the MAIG Proposal implementation date, including the capital distribution forming part of the Scheme consideration.

Where the MCAG securities were acquired as a stapled security, to determine the cost base attributable to each security, the consideration paid to acquire the stapled securities should be apportioned between the MCAL share, MCAIL share and MCAT unit on a reasonable basis.

The MCAG Securityholders' reduced cost base (relevant in determining whether there is any capital loss on disposal of the securities) should be the same as the cost base with a reduction in the cost base of the units in MCAT for any 'tax-free amounts' received, if any, in relation to the units in MCAT.

MCAG Securityholders who are individuals, trusts or complying superannuation entities may be entitled to the CGT discount where they have held the relevant securities for more than 12 months. The discount is 50% for individuals and trusts and 331/3% for complying superannuation entities. Companies are generally not entitled to a CGT discount.

Capital losses incurred in an income year may be offset against capital gains derived in the same income year. Capital losses should be applied against gross capital gains (ie prior to applying any CGT discount). It would generally be beneficially to allocate capital losses to capital gains not subject to a CGT discount before allocating capital losses to capital gains eligible for the CGT discount.

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Where there are insufficient capital gains in an income year to offset any capital losses, the excess capital losses can be carried forward and used to offset capital gains derived in subsequent income years (subject to certain loss tests for companies).

3.4 CGT implications – non-resident MCAG Securityholders receiving cash consideration

Broadly, non-residents should only be subject to the Australian CGT provisions where the MCAG securities constitute taxable Australian property.

The MCAL share, MCAIL share and MCAT unit will only constitute taxable Australian property where:

- The MCAG securities have been used by the non-resident in carrying on a business in Australia through a permanent establishment; or
- Both the following conditions are satisfied:
  - The foreign resident, together with their associates, owns 10% or more of the relevant MCAG entity at the time of disposal, or at any time in a 12-month period during the two years that preceded the time of disposal; and
  - At the time of disposal, more than 50% of the market value of MCAL, MCAIL or MCAT's assets comprise taxable Australian real property (ie real property situated in Australia).

We understand from our discussions with management that the shares in MCAL, MCAIL and units in MCAT should not constitute taxable Australian property because of the 50% test. As such, non-residents who hold their investment on capital account and do not hold their investment through an Australian permanent establishment should not be subject to Australian capital gains tax on disposing of the securities.

3.5 Capital gains tax implications – resident MCAG Securityholders receiving scrip in MAIG

Where MCAG Securityholders choose to receive shares in MAIL and MAIIL in consideration for shares in MCAL and MCAIL respectively, and units in MAIT in consideration for units in MCAT, the exchange of shares and units should prima facie constitute a disposal for CGT purposes.

Any capital gain/loss should be calculated in line with our previous comments, however the capital proceeds for:

- the disposal of shares in MCAL will be equal to the market value of the shares received in MAIL (being $0.27 for each MAIL share);
- the disposal of shares in MCAIL will be equal to the market value of the shares received in MAIIL (being $1.21 for each MAIIL share); and
- the disposal of units in MCAT will be equal to the market value of the units received in MAIT (being $1.92 less the capital distribution (of up to $0.40) for each MAIT unit).

MCAG Securityholders may elect CGT rollover relief to enable a deferral of a capital gain derived upon disposal of the relevant security.

In order for rollover relief to be available in respect of the units in MCAT, MCAT and MAIT must be 'fixed trusts' as defined in the relevant tax legislation. There is a technical argument that MCAT and MAIT are unlikely to constitute 'fixed trusts' based on a strict interpretation of the relevant requirements. However, the Commissioner has the ability to exercise his discretion to treat a trust as a fixed trust having regard to a number of factors. We would expect that the ATO would treat MCAT and MAIT as fixed trusts.

A Class Ruling has been requested from the ATO confirming the availability of the rollover for eligible MCAG Securityholders. We would expect the ATO to grant the Class Ruling.

CGT rollover will not be available on a security if the investor makes a capital loss on that security. In this regard, an investor may rollover a capital gain on some of the MCAG securities and claim the capital loss on the others.

Where a MCAG Securityholder elects for the scrip-for-scrip rollover to apply, any capital gain arising from the disposal of a MCAL share, MCAIL share and MCAT unit should be disregarded. The cost base and reduced cost base of the replacement MAIG securities would be the rolled over cost base and reduced cost base of the relevant MCAG securities.

Where there is a pro-rata scaleback on the scrip for scrip arrangement, such that the capital proceeds consist of cash consideration as well as shares/units in MAIL, MAIIL and MAIT, the MCAG Securityholder will be able to rollover the capital gain attributable to the scrip consideration. CGT rollover relief will not be available to the extent that capital gains are attributable to the cash consideration received from MAIG.

3.6 Capital gains tax implications – non-resident Securityholders receiving scrip in MAIG

As discussed above, non-residents holding their investments on capital account not through an Australian permanent establishment should only be subject to the Australian CGT provisions where the MCAG securities constitute taxable Australian property.

We understand from our discussions with management that the shares in MCAL, MCAIL and units in MCAT should not constitute taxable Australian property. As such, non-resident MCAG Securityholders holding their investments on capital account not through an Australian permanent establishment will not be able to elect roll-over, however any capital gain derived on the arrangement should not be taxable.

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3.7 Distributions from the MAIG entities to MCAG investors electing scrip

Australian resident Securityholders

Australian resident investors will be taxed on the following amounts at their marginal tax rates:

- Unfranked dividends paid by MAIL;
- Dividends paid by MAIIL; and
- Unfranked dividends, interest and other income distributed by MAIT.

Securityholders receiving franked dividends are required to include in their assessable income the grossed up franked dividends received from MAIL or distributed by MAIT (ie by adding on the franking credits to the dividend received).

The Securityholder is entitled to an offset for the amount of the credits, provided the "45-day-rule" is satisfied. Broadly, the Securityholder must have held the relevant securities at risk for at least 45 days unless the Securityholder is an individual whose total tax offset entitlement does not exceed $5,000 for the income year.

Australian resident Securityholders are required to double any discounted capital gains distributed by MAIT to determine their capital gains derived. Any undiscounted capital gains distributed are also included in the securityholders' capital gains.

As noted above, Securityholders who are individuals, trusts or complying superannuation entities may be entitled to the CGT discount on a discounted capital gain distributed where they have held the units in MAIT for more than 12 months. The discount is 50% for individuals and trusts and 331/3% for complying superannuation entities.

Any capital losses available are applied against the gross capital gains before applying any available CGT discount.

Foreign tax credits may be available for any withholding tax paid on distributions by MAIIL or on any foreign tax credits on foreign income distributed by MAIT.

Foreign resident Securityholders

Unfranked dividends paid by MAIL to non-residents are subject to dividend withholding tax of 30%. However, the rate may be reduced to 15% for Securityholders resident in a country with a Double Tax Treaty with Australia (eg New Zealand and the United Kingdom). We note for completeness that the China Double Tax Treaty will not apply to reduce the withholding tax rate applicable to unfranked dividends paid to Hong Kong residents (refer Taxation Rulings TR 97/19).

Franked dividends paid to non-residents are exempt from dividend withholding tax.

Similarly, unfranked dividends distributed by MAIT will be subject to dividend withholding tax of 30% unless reduced to 15% by an applicable Double Tax Treaty and franked dividends are exempt from dividend withholding tax.

Where MAIT distributes Australian sourced interest income (including dividends on redeemable preference shares deemed to be interest) to non-residents, withholding tax at 10% would apply. Australian withholding tax should not be payable on foreign sourced interest (refer Income Tax Ruling IT 2680) or foreign sourced dividend income distributed by MAIT.

MAIT would be required to withhold tax at 30% on any capital gain on taxable Australian property or other Australian sourced income distributed to non-residents. Under the current legislation, such a withholding tax is not a final tax and non-resident investors can lodge an Australian income tax return to claim a refund of any overpaid tax (for example, if the Securityholder has any deductible expenditure to offset its Australian assessable income).

For completeness, we note that it has been announced that from the 30 June 2010 year, the withholding tax will be a final tax and the rate will reduce to 7.5%.

Non-residents are not taxed upon the distribution of capital gains on non-taxable Australian property. Similarly, non-residents are not subject to Australian income tax on any distributions from MAIIL.

Yours faithfully

Gary Howard

Gary Howard

Partner

13. ADDITIONAL INFORMATION

13.1 Scheme Implementation Agreement

The Scheme Implementation Agreement was entered into by MCAG and the Bidder on 14 June 2008. A copy of the Scheme Implementation Agreement has been lodged with ASX and is available on both the ASX website (www.asx.com.au) and MCAG's website (www.macquarie.com/mcag). A summary of the key provisions is included in Annexure B to this Scheme Booklet.

13.2 Interests in MCAG held by MCAG Directors

The MCAG Directors and the number of MCAG Securities in which they have a relevant interest as at the date of this Scheme Booklet are set out in the table below:

Rowan Ross	343,492
Robin Crawford	654,770
Ken Moss	59,037
Michael Carapiet	300,000
Kim Carter	Nil
Anthony Nagel	Nil
Rodney Birrell	Nil
John Roberts (alternate director)	336,223

13.3 Interests in MAIG held by MCAG Directors

No MCAG Director holds any interest in MAIG.

13.4 Interests in contracts of MAIG held by MCAG Directors

There are no contracts or arrangements between any MCAG Director and MAIG.

13.5 Agreements or arrangements with MCAG Directors

There is no agreement or arrangement made between any MCAG Director and any other person, including MAIG, in connection with or conditional upon the outcome of the Schemes.

13.6 Other interests of Directors of MCAG

No MCAG Director has any other interest, whether as a director, member or creditor of MCAG or otherwise, material to the Schemes.

13.7 Payments and other benefits to directors, secretaries or executive officers of MCAG

No payment or other benefit is proposed to be made or given to a Director, secretary or executive officer of MCAG or any related body corporate of MCAG as compensation for loss of, or as consideration for or in connection with their retirement from, office in MCAG or any of its related bodies corporate.

13.8 MCAG's Substantial Securityholders

The substantial holders of MCAG Securities as at the date of this Scheme Booklet are as follows:

	('000)	
Macquarie Group Limited	51,242	20.8%[22]
Deutsche Bank Group	26,853	10.9%
IOOF Holdings Limited	21,834	8.9%
Indus Capital Partners	13,768	5.6%
USS Asia Fund	12,957	5.3%
Credit Suisse Holdings (Australia) Limited	12,705	5.2%

MCAG has relied on the substantial holder notices provided to it up to the date of this Scheme Booklet, which are available on the ASX website, to compile the above table. Information in regard to substantial holdings arising, changing or ceasing before this time or in respect of which the relevant announcement is not available on the ASX website is not included above.

13.9 Information disclosed to ASX and documents lodged with ASIC

MCAG is a disclosing entity for the purposes of the Corporations Act and as such is subject to periodic reporting and continuous disclosure obligations. Publicly disclosed information about all listed entities, including MCAG, is available on the ASX website at www.asx.com.au.

MCAG is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by MCAG may be obtained from, or inspected at, ASIC offices.

MCAG will provide free of charge, to any MCAG Securityholder who requests it before the Effective Date, a copy of:

- the audited financial report of MCAG and its controlled entities for the year ended 30 June 2007 (being the annual financial report most recently lodged with ASIC before this Scheme Booklet was lodged with ASIC);
- the reviewed half year financial report of MCAG and its controlled entities for the six month period to 31 December 2007;
- the Scheme Implementation Agreement; and
- each announcement to ASX made by MCAG after lodgement with ASIC of the annual report referred to above and before the Scheme Meetings. The following is a list of all such announcements lodged since 25 September 2007 and before the date of this Scheme Booklet.

22 Comprising 19.97% held by Macquarie Group entities and 0.86% by Partners Group AG (an associate of one of the Consortium members). See Section 13.13 of this Scheme Booklet for details.

Recent ASX announcements

23/06/2008	Ceasing to be a substantial holder in MCQ
20/06/2008	Letter to Securityholders attaching ASX release
18/06/2008	Change in substantial holding – Amendment from MQG
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Becoming a substantial holder
17/06/2008	Change in substantial holding from MQG
16/06/2008	MQG: MQG Notes Macquarie Capital Alliance Group Proposal
16/06/2008	MCAG Scheme Implementation Agreement
16/06/2008	MCAG Independent Directors recommend take-private proposal
15/04/2008	Change in substantial holding
11/04/2008	Appendix 3Y - x 4
11/04/2008	Appendix 3X
11/04/2008	Appendix 3Z
11/04/2008	Change of Director
11/04/2008	Substantial Shareholder Notice Correction - MCQ
10/04/2008	Change in substantial holding from MQG
07/04/2008	Becoming a substantial holder
04/04/2008	Change in substantial holding
04/04/2008	Becoming a substantial holder from CGF
03/04/2008	Notice of change of interests of substantial holder from IFL
01/04/2008	Change in substantial holding
01/04/2008	Change in substantial holding
31/03/2008	Change in substantial holding from IFL
31/03/2008	Change in substantial holding from IFL
31/03/2008	Investment by European Directories in Dutch operation
25/03/2008	Change in substantial holding
20/03/2008	European Directories- Online Investor Presentation
19/03/2008	Buy-back monthly cancellation notice
18/03/2008	Interim Report
07/03/2008	Appendix 3F- Final buy-back notice
07/03/2008	Appendix 3E- Daily buy-back notice
06/03/2008	MCAG Distribution Reinvestment Plan
06/03/2008	Appendix 3E- Daily buy-back notice
06/03/2008	Change in substantial holding
05/03/2008	Appendix 3E- Daily buy-back notice
04/03/2008	Ceasing to be a substantial holder
04/03/2008	Appendix 3E- Daily buy-back notice
03/03/2008	Appendix 3E- Daily buy-back notice
29/02/2008	Buy-back monthly cancellation notice
29/02/2008	Appendix 3E- Daily buy- back notice
28/02/2008	Appendix 3E - Daily buy-back notice
27/02/2008	Appendix 4D and Interim Financial Reports expressed as $`000
27/02/2008	Management Information Report
27/02/2008	Interim Results Media Release
27/02/2008	Interim Results Presentation
27/02/2008	Appendix 4D and Half Yearly Financial Reports
22/02/2008	Change in substantial holding
21/02/2008	Becoming a substantial holder
12/02/2008	Ceasing to be a substantial holder
11/02/2008	Universal Weather and Aviation Investment Not to Proceed
06/02/2008	Special Distribution
06/02/2008	Appendix 3E - Daily buy-back notice
05/02/2008	Appendix 3E - Daily buy-back notice
04/02/2008	Appendix 3E - Daily buy-back notice
01/02/2008	Buy - back - Monthly cancellation notice
01/02/2008	Appendix 3E - Daily buy-back notice
31/01/2008	Appendix 3E - Daily buy-back notice
30/01/2008	Appendix 3E - Daily buy-back notice
29/01/2008	Appendix 3E - Daily buy-back notice
25/01/2008	Appendix 3E - Daily buy-back notice
24/01/2008	Appendix 3E - Daily buy-back notice
23/01/2008	Appendix 3E - Daily buy-back notice
22/01/2008	Appendix 3E - Daily buy-back notice
21/01/2008	Appendix 3E - Daily buy-back notice
18/01/2008	Appendix 3E - Daily buy-back notice
17/01/2008	Appendix 3E - Daily buy-back notice
16/01/2008	Appendix 3E - Daily buy-back notice
15/01/2008	Appendix 3E - Daily buy-back notice
14/01/2008	Daily buy-back notice
11/01/2008	Appendix 3E - Daily buy-back notice
10/01/2008	Appendix 3E - Daily buy-back notice
09/01/2008	Appendix 3E - Daily buy-back notice
08/01/2008	Appendix 3E - Daily buy-back notice
20/12/2007	Confirmation of Debt Profiles
14/12/2007	Change to Director Holdings in MCAG Securities
06/12/2007	Change to Director and CEO Holdings in MCAG Securities
06/12/2007	Notification Letter On-Market Buy-Back
05/12/2007	De Telefoongids Discussions
28/11/2007	MCAIL Bye-Laws Amendments Approved at 2007 AGM
28/11/2007	MCAG 2007 AGM Results
28/11/2007	MCAG 2007 AGM Presentation
28/11/2007	MCAG Annual General Meeting 28 November 2007
27/11/2007	MCAG Buyback - Appendix 3D and MCAT Supplemental Deed
22/11/2007	Notice of initial substantial holder from IFL
21/11/2007	Appendix 3C
21/11/2007	Investment in Universal and On Market Buyback
21/11/2007	Analyst Presentation
19/11/2007	Completion of the Zig Inge Group Sale
19/11/2007	Sale of the Zig Inge Group and Special Distribution Guidance
15/11/2007	Becoming a substantial holder from MQG
31/10/2007	Investor Overview Presentation
25/09/2007	Notice of Annual General Meeting/Proxy Form
25/09/2007	Annual Report to shareholders

13.10 Consents

a) The following parties have given, and have not withdrawn, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

 i) KPMG as tax advisers to MCAG;
 ii) Minter Ellison as legal advisers to MCAG;
 iii) Computershare Investor Services Pty Limited as the MCAG security registry;
 iv) Trust Company Limited as the custodian of MAIT's assets; and
 v) MCLML as the Escrow Trustee; and
 vi) Deloitte Corporate Finance Pty Limited as Independent Expert.

b) KPMG has given, and has not withdrawn, their written consent to the inclusion of the tax letter in Section 12 of this Scheme Booklet for MCAG Securityholders and the references to that letter in the form and context in which they are included in this Scheme Booklet.

c) Deloitte Corporate Finance Pty Limited has given, and has not withdrawn, its written consent to:

 i) the inclusion of the Independent Expert's Report and the references to that report; and
 ii) the references to its report to the IBC on the Related Party Transactions,

 in the form and context in which they are included in this Scheme Booklet.

d) The Bidder has given, and has not withdrawn, its written consent to the inclusion of the Bidder Information and the references to that information in the form and context in which they are included in this Scheme Booklet.

e) MCLML has given, and has not withdrawn, its written consent to the inclusion of the Escrow Information and the references to that information in the form and context in which they are included in this Scheme Booklet.

f) Each party referred to in this Section 13.10:

 i) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which this Scheme Booklet is based other than a statement included in this Scheme Booklet with the consent of that party; and
 ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than as described in this Scheme Booklet with the consent of that party.

13.11 Supplementary Information

MCAG will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date:

a) a material statement in this Scheme Booklet is false or misleading;

b) a material omission from this Scheme Booklet;

c) a significant change affecting a matter in this Scheme Booklet; or

d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known at the date of lodgement with ASIC.

Depending on the nature of the timing of the changed circumstances and subject to obtaining any relevant approvals, MCAG may circulate and publish any supplementary document by:

a) placing an advertisement in a prominently placed newspaper which is circulated generally throughout Australia;

b) posting the supplementary document on MCAG's website, www.macquarie.com/mcag; or

c) posting the supplementary document to all Securityholders.

13.12 Other

13.12.1 Other material information

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the other information that is contained in the annexures to this Scheme Booklet, in the opinion of the MCAG Board there is no other information that is material to the making of a decision by a MCAG Securityholder whether or not to vote in favour of the Resolutions to approve the Schemes, being information that is known to any MCAG Director and which has not been previously disclosed to Securityholders.

13.12.2 Material changes since full year 30 June 2007 audited financial statements

The last annual financial statements presented to MCAG Securityholders in general meeting and sent to MCAG Securityholders were the audited financial statements for the year ended 30 June 2007 as lodged with the ASX on 30 August 2007. So far as is known by MCAG Directors, the only material changes to the financial position of MCAG since the date of those annual financial statements are as set out in this Scheme Booklet. These include:

 i) the MCAG financial statements for the half-year ended 31 December 2007 (set out in Section 3.6.1 and 3.6.3 of this Scheme Booklet and lodged with the ASX on 27 February 2008);
 ii) the post 31 December 2007 balance sheet date events as outlined in note 1 of the adjusted historical balance sheet for MAIG in Section 9.2.4 (being the $50.1m buy-back that was completed on 6 March 2008 and the 30 cent per MCAG Security distribution paid on 7 April that reduced MCAG's cash by $75m) and as reflected in the unaudited 31 December 2007 balance sheet adjusted for post-balance sheet date events in Section 9.2.4;
 iii) the impairment of asset valuations that has occurred since 31 December 2007 as outlined in the Independent Directors' Letter in this Scheme Booklet, from the $4.28 per security Directors' Valuation as at 31 December 2007 (after adjusting for the 30 cent special distribution paid in April 2008) to the $3.40 Cash Offer price and supported by the Independent Expert's valuation range of $3.19 to $3.62 per MCAG Security (set out in Annexure A);
 iv) the proportionate revenue and EBITDA for each of MCAG's Portfolio Investments and including fund level expenses and management fees for the 6 months to 31 December 2007 set out in Section 3.6.2; and

v) forecast proportionate revenue and EBITDA for each of MCAG's existing Portfolio Investments and fund level expenses and management fees for the 12 months to 30 June 2008 as provided in the Independent Expert's Report in Annexure A, in section 3.4.1 of the Independent Expert's Report.

13.12.3 ASIC relief

ASIC has indicated it will grant the following exemptions and modifications in connection with this Scheme Booklet and the MAIG Proposal:

i) an exemption from Parts 6D.2 and 6D.3 and sections 1012A, 1012B and 1012C of the Corporations Act, to the extent that any offer or issue of MAIG Securities pursuant to this Scheme Booklet would otherwise require disclosure under those provisions;
ii) a modification of subsections 707(3), 707(4), 1012C(6) and 1012C(7) of the Corporations Act, to the extent that the on-sale of MAIG Securities issued as Scheme Consideration might otherwise require disclosure under those provisions if a Scheme Participant acquired them for the purpose of on-sale (or would otherwise be taken to have acquired them for that purpose under those provisions);
iii) an exemption from Part 7.9 of the Corporations Act, to the extent that the MAIG Proposal might otherwise be considered an unsolicited offer to purchase MCAG Securities subject to that Part;
iv) an exemption from the requirement to hold an Australian financial services licence for the giving of any general financial product advice contained in this Scheme Booklet;
v) a modification of item 7 of section 611 of the Corporations Act, to permit Scheme Participants (other than the Bidder and its associates) to vote on the Acquisition Resolution at the Trust Scheme Meeting; and
vi) exemptions in respect of the requirement to prepare a product disclosure statement and the requirement to register a managed investment scheme, in relation to the Escrow Arrangements described in Section 4.6.

13.12.4 Fees

Each of the persons named in Section 13.10(a) of this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

13.12.5 Status of regulatory conditions

Implementation of the Schemes is subject to the Bidder receiving approvals from certain regulatory authorities, as set out in paragraph 2(a) of Annexure B. The Bidder has applied for Australian foreign investment approval under FATA and is awaiting the outcome of that application. The Bidder has received antitrust approval from the U.S. Federal Trade Commission, in respect of its acquisition of an indirect controlling interest in AIR-serv, if the Schemes are implemented. The Bidder has also received the approval of the Bermuda Monetary Authority for the acquisition of MCAIL Shares.

13.13 Bidder's interest in MCAG Securities

As at the date of this Scheme Booklet, the Bidder and its associates together have relevant interests in 48,464,120 MCAG Securities, being 19.70% of the total number of MCAG Securities on issue. Accordingly, the Bidder and its associates have voting power of 19.70% in MCAG. This comprises a holding of 44,017,295 MCAG Securities by Macquarie Capital (through MCAML) and relevant interests in a further 4,446,825 MCAG Securities held by other Macquarie Group entities (including those mentioned in Section 13.14).

Although it is not considered an associate of the Bidder, Partners Group AG (an associate of one of the Consortium members) has informed MCAG that it holds 2,122,984 MCAG Securities (approximately 0.86% of the total on issue). MCAG is not aware of any other interest in MCAG Securities held by any Consortium member or associates of any Consortium member.

13.14 Acquisitions of MCAG Securities by the Bidder or its associates

During the period of four months prior to the date of this Scheme Booklet, associates of the Bidder have held MCAG Securities and other interests in MCAG Securities.

During the period 1 March 2008 to the date of this Scheme Booklet, the Bidder and its associates acquired a total of 1,695,556 MCAG Securities at a price per MCAG Security in the range $2.10 to $3.25 and borrowed a total of 790,000 MCAG Securities at a price per security in the range $2.28 to $2.44:

- Macquarie Bank Limited borrowed a total of 790,000 MCAG Securities at a price per security in the range $2.28 to $2.44, acquired (by way of an off market transfer) a total of 1,626,555 MCAG Securities at a price per security in the range $2.10 to $3.25, and currently holds a relevant interest in 2,082,317 MCAG Securities;
- Macquarie Private Portfolio Management Limited bought a total of 1,260 MCAG Securities at a price per security in the range $2.50 to $2.60, and currently holds a relevant interest in 5,490 MCAG Securities;
- Macquarie Group Services Australia Pty Ltd bought a total of 40,644 MCAG Securities at a price per security of $2.21, and currently holds a relevant interest in 2,359,018 MCAG Securities; and
- Macquarie Capital Alliance Management Limited acquired (by way of dividend reinvestment) a total of 27,097 MCAG Securities at a price per security of $2.21, and currently holds a relevant interest in 44,017,295 MCAG Securities.

Except as specified above, during the period of four months prior to the date of this Scheme Booklet, neither the Bidder nor any of its associates held MCAG Securities or had any other interest in MCAG Securities.

13.15 Pre-Schemes benefits

In the four months prior to the date of this Scheme Booklet, neither the Bidder nor any of its associates have provided any benefit, or agreed to provide any benefit, to a person to induce them to vote in favour of the MAIG Proposal or to dispose of their MCAG Securities, other than the agreement under the Deed Poll for the Bidder to pay the Scheme Consideration under the Schemes if they become effective.

14. GLOSSARY OF ENTITES REFERRED TO IN THIS SCHEME BOOKLET

The regulatory structure for a stapled security group can be complicated by the number of companies and trusts involved and the entities, such as advisers, managers and responsible entities, which are appointed to assist in their management.

This Section sets out a glossary of entities that are referred to throughout this Booklet.

To assist in identifying a number of the entities relevant to the Schemes, you should also have regard to the structure diagram that has been included at Section 5.

14.1 Existing Group - Macquarie Capital Alliance Group or MCAG

MCAG mean Macquarie Capital Alliance Group comprising MCAL, MCAIL and MCAT.

MCAL means Macquarie Capital Alliance Limited ABN 96 112 594 662, an Australian public company.

MCAIL means Macquarie Capital Alliance International Limited ARBN 113 880 783, a Bermuda exempted company.

MCAML means Macquarie Capital Alliance Management Limited ABN 94 105 777 704 (AFSL Number 236894), which is the responsible entity of MCAT, manager to MCAL and adviser to MCAIL. MCAML is a wholly owned subsidiary of Macquarie Group.

MCAT means Macquarie Capital Alliance Trust ARSN 112 638 212, an Australian registered managed investment scheme.

14.2 Registry of MCAG

Registry means the manager from time to time of the Register, being Computershare Investor Services Pty Limited.

14.3 Entities in which MCAG has invested

AIR-serv (60% owned), which owns and services tyre inflation machines in the United States, Canada, the United Kingdom and The Netherlands.

European Directories (39% owned), a directory services business in Europe.

Red Bee Media (65% owned), a media services business in the United Kingdom.

Regis Group (46% owned), which owns and operates aged care centres in Australia.

Zig Inge Group (sold in November 2007), a retirement village builder and manager in Australia.

14.4 The Bidder

MAIC or the **Bidder** means Macquarie Advanced Investment Company Pty Limited ACN 131 467 411.

14.5 Entities relevant to the MAIG Proposal if the Scrip Alternative is elected

MAIG means Macquarie Advanced Investment Group which comprises MAIL, MAIIL and MAIT. Securities in MAIG will be stapled prior to implementation of the Schemes.

MAIL means Macquarie Advanced Investment Ltd., a Bermuda mutual fund company.

MAIIL means Macquarie Advanced Investment International Ltd., a Bermuda mutual fund company.

MAIT means Macquarie Advanced Investment Trust ARSN 132 016 534, an Australian registered managed investment scheme.

MCLML means Macquarie Capital Loans Management Limited ABN 18 077 595 012 (AFSL Number 241106), a wholly owned subsidiary of the Macquarie Group which is the current responsible entity of MAIT.

MAIML means Macquarie Advanced Investment Management Limited ACN 131 476 910 (Provisional AFSL Number 326792), the entity which will take over MCLML's role as responsible entity of MAIT once it has received an AFSL.

14.6 Entities which will have an indirect interest in MAIG (and who will indirectly fund the MAIG Proposal)

Macquarie Group means, as the context requires, Macquarie Group Limited ACN 122 169 279 or that company and its subsidiaries (as that term is defined in the Corporations Act).

MAIPIHL means MAIP International Holdings Ltd.

MAIP means Macquarie Advanced Investment Partners LP.

New Investors or the **Consortium** means investment vehicles managed by AlpInvest Partners N.V., HarbourVest Partners, Pantheon Ventures, Partners Group, Paul Capital Partners, Portfolio Advisors and Procific.

Macquarie Capital is an operating group within the Macquarie Group. Macquarie Capital will hold its interest in MAIG through MIAPL (which is a wholly owned subsidiary of Macquarie Group).

14.7 Entities which will provide services to the MAIG Structure

MIASPL means Macquarie International Advisory Services Pty Limited ACN 127 735 960, a wholly owned subsidiary of the Macquarie Group.

MAIPGPL means Macquarie Advanced Investment Partners G.P. Ltd., a wholly owned subsidiary of the Macquarie Group who is the adviser to MAIIL and the general partner of MAIP.

14.8 Other Entities referred to in this Scheme Booklet

Independent Expert means Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.

MGOP means Macquarie Global Opportunities Partners, an existing unlisted private equity fund managed by Macquarie Capital, in which the Consortium have also agreed to invest.

MIAPL means Macquarie Investments Australia Pty Limited ABN 28 069 416 977.

15. GLOSSARY AND INTERPRETATION

In this document:

Acquisition Resolution means 'Resolution 2' set out in the Notice of Trust Scheme Meeting at Annexure H.

Additional Amount has the meaning given in Section 4.6 of this Scheme Booklet.

Adviser Portion has the meaning given in Section 7.4 of this Scheme Booklet.

Advisory Agreement means the agreement dated 14 June 2008 under which MAIPGPL agrees to provide advisory services to MAIIL (as varied from time to time).

AFSL means Australian financial services licence.

Allocated Cost Base means for each Portfolio Investment:

a) the deemed acquisition cost base for the Portfolio Investment as set out below:
   i) European Directories: $385.6 million;
   ii) Red Bee Media: $119.9 million;
   iii) AIR-serv: $101.7 million; and
   iv) Regis: $129.7 million; plus
b) the aggregate amount of capital invested in the Portfolio Investments by MCAG between the date on which MAIT was constituted and the Effective Date; plus
c) the aggregate amount of capital invested in the Portfolio Investment by MAIG on or after the Effective Date.

Amendment Resolution means 'Resolution 1' set out in the Notice of Trust Scheme Meeting at Annexure H.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

Bidder Information means the information contained in the following parts of this Scheme Booklet:

i) the second sentence in the fifth paragraph and the first sentence of the sixth paragraph (excluding the words "an Independent Board Committee ("IBC") was formed to consider the proposal") in the Letter from the Independent Directors;
ii) in the Section "What you will receive under the MAIG Proposal", under the heading "About the Scrip Alternative", the third and fourth sentences of the first paragraph. the fourth paragraph, the second footnote in the fifth paragraph and the last eight bullet points (excluding the words "The distribution of capital under the Scrip Alternative will not be received by MCAG Securityholders, rather" from the second bullet point);
iii) in the Section "Why you might vote in favour of the MAIG Proposal", the second bullet point under the heading "The $3.40 offer follows a rigorous process and consideration of several alternatives";
iv) in the Section "Why you might vote against and disadvantages of the MAIG Proposal", the second and third bullet points under the heading "Scrip Alternative may not be available and is different to MCAG Securities";
v) In Section 1, question 3, the second sentence of question 18, the second and fourth sentences in the second paragraph of question 19 and the second sentence of question 21 of the "Frequently Asked Questions";
vi) the last sentence of Section 4.2 (other than any escrow information);
vii) Section 4.11;
viii) the last sentence of Section 4.21;
ix) Section 5, except for the first paragraph of Section 5.3.1, the first and second sentences and the table in Section 5.3.2 and the second paragraph and the last sentence of the first bullet point in the third paragraph in Section 5.4;
x) Sections 6, 7, 8, 9 (excluding the last paragraph in Section 9.2.1) and 10;
xi) the first paragraph and the second sentence of the second paragraph of Section 11.1;
xii) Section 11.3;
xiii) Section 13.12.3(vi) and the second, third and fourth sentences in Section 13.12.5;
xiv) the first paragraph of Section 13.13, Sections 13.14, 13.15, 14.4, 14.5, 14.6 and 14.7 and the definitions of Advisory Agreement, MAIG Manager, MAIG Proposal (final sentence only), MAIG Security, Management Services Agreement and MAIT Constitution in Section 15.

Bermuda Court means the Supreme Court of Bermuda.

Business means any or all of the businesses carried on by MCAG.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.

Cash Amount has the meaning given in paragraph 1.1 of Annexure B of this Scheme Booklet.

Cash Consideration means for each MCAG Security held by a Scheme Participant at the Record Date, $3.40 less the Distribution.

Cash Election means an election by a Scheme Participant to receive the Cash Consideration.

Cash Offer means the offer of the Cash Consideration under the MAIG Proposal, plus the Distribution.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Companies Act means the Companies Act 1981 of Bermuda.

Conditions Precedent means the conditions precedent set out in paragraph 2 of the summary of the Scheme Implementation Agreement at Annexure B.

Consortium means investment vehicles managed by AlpInvest Partners N.V., HarbourVest Partners, Pantheon Ventures, Partners Group, Paul Capital Partners, Portfolio Advisors and Procific.

Contributed Capital has the meaning given in Section 7.3 of this Scheme Booklet.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of New South Wales.

Deed Poll means the document at Annexure C which has been executed by the Bidder.

Directors' Valuation means the MCAG Directors' valuations of MCAG's investments, expressed as a value per MCAG Security, published to ASX from time to time (most recently on 27 February 2008).

Distribution means a special distribution:

a) in respect of which guidance is to be announced by MCAG between 8.00am and 5.00pm on the date 2 Business Days before the MCAL Share Scheme Meeting;
b) being a return of capital to be declared by MCAT on the day after the Effective Date;
c) having a record date being the Scheme Record Date; and
d) expected to be paid immediately before the transfer of the MCAG Securities to the Bidder on the Implementation Date, to Scheme Participants who receive the Cash Consideration, or in the case of Scheme Participants (if any) who receive the Scrip Consideration, to the Escrow Trustee on their behalf,

the amount of which is to be calculated, per Security, as $0.40 less the EDSA Gouden Gids Acquisition Per Security Amount and less the Portfolio Company Equity Investment Per Security Amount.

EBITDA means earnings before interest, tax, depreciation and amortisation.

EDSA Gouden Gids Acquisition Per Security Amount has the meaning given in paragraph 1.1 of Annexure B of this Scheme Booklet.

Effective means, when used in relation to the Schemes, all of the following events taking place:

a) the order of the Court made under section 411(4)(b) in relation to the MCAL Share Scheme coming into effect pursuant to section 411(10) of the Corporations Act; and
b) the order of the Bermuda Court made under section 99(2) in relation to the MCAIL Share Scheme coming into effect pursuant to section 99(3) of the Companies Act; and
c) the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective, which is expected to be on or about 26 August 2008.

Election means a Cash Election or a Scrip Election.

Election Date means 7.00pm Tuesday, 26 August 2008 (the last time and date for MCAG Securityholders to make an Election).

Election Form means the blue form enclosed with this Scheme Booklet for the use of MCAG Securityholders in making an election between the Cash Consideration or the Scrip Alternative.

Eligible MCAG Securityholders means, in relation to any Resolution, MCAG Securityholders entitled to vote on the Resolution, which excludes those identified in the 'Voting Exclusions' statement in the relevant Notice of Scheme Meeting.

Escrow Account has the meaning given in Section 4.6 of this Scheme Booklet.

Escrow Amount means, in relation to those Scheme Participants who receive the Scrip Consideration, the amount of the Distribution multiplied by the number of MAIG Securities issued to them as Scrip Consideration.

Escrow Arrangements means the arrangements described in Section 4.6 of this Scheme Booklet.

Escrow Information means the information contained in the following parts of this Scheme Booklet:

i) In Section 4.2, the words "to be held in escrow for follow-up investments and working capital under the Escrow Arrangements described below in Section 4.6" in the second bullet point;
ii) Section 4.6 (other than the sentence "The taxation implications of the Escrow Arrangements are considered in Section 12 of this Scheme Booklet."); and
iii) Annexure G.

Escrow Trust Deed means the deed governing the holding of the Escrow Amounts by the Escrow Trustee.

Escrow Trustee means the MAIT RE.

EUR means euros.

Fee Allocation Agreement means the agreement of that name between the responsible entity of MAIT and the Manager dated 14 June 2008.

First Judicial Advice means confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) that MCAG would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the MCAT Constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by the MCAT Constitution and section 601GC of the Corporations Act.

GBP means British pounds sterling.

Implementation Date means the fifth Business Day after the Scheme Record Date, which is expected to be 9 September 2008.

Independent Board Committee or **IBC** means the committee of the board of directors of MCAG comprising the Independent Directors.

Independent Directors means Robin Crawford, Ken Moss, Anthony Nagel, Rodney Birrell and Kim Carter.

Independent Expert means Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.

Independent Expert's Report means the report prepared by the Independent Expert to be provided to the Independent Directors and MCAG Securityholders providing an opinion as to whether the Schemes are fair and reasonable and in the best interests of Non-Associated MCAG Securityholders.

Ineligible Overseas MCAG Securityholder means a Scheme Participant who is an Overseas MCAG Securityholder and:

i) whose address as shown in the Register at the Scheme Record Date is not in New Zealand or Hong Kong;
ii) who is not a UK Exempt Investor; and
iii) who has not been the subject of a determination by MCAG and the Bidder that it is lawful and not unduly onerous or impractical to issue that Overseas MCAG Securityholder with MAIG Securities if the Schemes become Effective and the Scrip Alternative becomes available.

Macquarie Capital Advisers means a division of Macquarie Capital.

Macquarie Capital Funds means a division of Macquarie Capital.

MAIG Manager means MIASPL as manager of MAIL, MAIT RE as responsible entity of MAIT and MAIPGPL as adviser to MAIIL, as the context requires.

MAIG Proposal means the proposed acquisition of the MCAG Securities by MAIG pursuant to the Schemes. The bidding entity is Macquarie Advanced Investment Company Pty Limited, a subsidiary of Macquarie Advanced Investment Limited. The bidding entity will acquire the units in Macquarie Capital Alliance Trust and the shares in Macquarie Capital Alliance International Limited as nominee for Macquarie Advanced Investment Trust and Macquarie Advanced Investment International Limited respectively.

MAIG Security means one MAIL Share, one MAIIL Share and one MAIT Unit, all of which are stapled to one another.

MAIG Securityholder means each person who is registered as the holder of MAIG Securities.

MAIT Constitution means the constitution establishing MAIT dated on or about 14 June 2008 (as amended from time to time).

MAIT RE means, at the date of this Scheme Booklet, MCLML (AFSL Number 241106), or upon MAIML being granted an AFSL and replacing MCLML as the responsible entity of MAIT, MAIML (Provisional AFSL Number 326792).

Management Services Agreement means the agreement dated 14 June 2008 under which MIASPL agrees to provide management services to MAIL and the responsible entity of MAIT (as varied from time to time).

Manager Portion has the meaning given in Section 7.4 of this Scheme Booklet.

MCAG Board means the board of directors of MCAG.

MCAG Director means a director of MCAG.

MCAG Material Adverse Change has the meaning given in paragraph 1.1 of Annexure B of this Scheme Booklet.

MCAG Security means one MCAL Share, one MCAIL Share and one MCAT Unit, all of which are stapled to one another.

MCAG Securityholder (or **Securityholder**) means each person who is registered in the Register as the holder of MCAG Securities.

MCAIL Share means one fully-paid ordinary share issued in the capital of MCAIL.

MCAIL Share Scheme means the scheme of arrangement pursuant to section 99 of the Companies Act proposed between MCAIL and the MCAIL Shareholders, the form of which is contained in Annexure E, together with any alterations or conditions made or required by the Bermuda Court and approved in writing by the Bidder and MCAG.

MCAIL Share Scheme Meeting means the meeting of the MCAIL Shareholders convened by the Bermuda Court in relation to the MCAIL Share Scheme pursuant to section 99(1) of the Companies Act.

MCAIL Shareholder means a person who is registered in the Register as the holder of MCAIL Shares.

MCAL Share means one fully-paid ordinary share issued in the capital of MCAL.

MCAL Share Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between MCAL and the MCAL Shareholders, the form of which is contained in Annexure D, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by the Bidder and MCAG.

MCAL Share Scheme Meeting means the meeting of the MCAL Shareholders convened by the Court in relation to the MCAL Share Scheme pursuant to section 411(1) of the Corporations Act.

MCAL Shareholder means a person who is registered in the Register as the holder of MCAL Shares.

MCAT Constitution means the constitution establishing MCAT dated 24 January 2005 (as amended from time to time).

MCAT Unit means one fully-paid ordinary unit in MCAT.

MCAT Unitholder means a person who is registered in the Register as the holder of MCAT Units.

Minimum Aggregate Acceptance has the meaning set out in Section 4.3 of this Scheme Booklet.

Nominee has the meaning given in Section 4.8 of this Scheme Booklet.

Non-Associated MCAG Securityholders means MCAG Securityholders who are not associated with the Bidder.

Notices of Scheme Meetings means:

a) the notice convening the MCAL Share Scheme Meeting;
b) the notice convening the MCAIL Share Scheme Meeting; and
c) the notice convening the Trust Scheme Meeting,

together with the Proxy Forms for those meetings.

Overseas MCAG Securityholder means a Scheme Participant whose address as shown in the Register at the Scheme Record Date is a place outside Australia and its external territories.

Portfolio Company Equity Investment Per Security Amount has the meaning given in paragraph 1.1 of Annexure B of this Scheme Booklet.

Portfolio Investments means the interests that MCAG or MAIG (as applicable) holds in:

a) the European Directories group ("**European Directories**");
b) the Red Bee Media group ("**Red Bee Media**");
c) the AIR-serv group ("**AIR-serv**"); and
d) the Regis group ("**Regis**").

Prescribed Occurrence has the meaning given in paragraph 1.1 of Annexure B of this Scheme Booklet.

Proxy Form means the forms, so titled, enclosed with this Scheme Booklet.

RE Portion has the meaning given in Section 7.4 of this Scheme Booklet.

Red Bee Transfer has the meaning given in Section 5.5 of this Scheme Booklet.

Register means the stapled security register of MCAG kept pursuant to the Corporations Act.

Registry means the manager from time to time of the Register.

Related Entities means, in relation to a party, an entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is controlled by that party.

Related Party Transactions has the meaning given in Section 11.1 of this Booklet.

Resolutions means the Share Scheme Resolutions and the Trust Scheme Resolutions.

Scaleback has the meaning set out in Section 4.4 of this Scheme Booklet.

Scheme Booklet means this document, including:

a) the MCAL Scheme of Arrangement;
b) the MCAIL Scheme of Arrangement;
c) the Supplemental Deed;
d) the Independent Expert's Report;
e) the summary of the Scheme Implementation Agreement;
f) the Deed Poll; and
g) the Notices of Scheme Meetings (together with the relevant Proxy Forms).

Scheme Consideration means, depending on the election or deemed election made by a Scheme Participant:

a) the Cash Consideration; or
b) the Scrip Consideration; or
c) (if a Scaleback applies) a combination of the above,

for each Security held by a Scheme Participant at the Scheme Record Date.

Scheme Implementation Agreement means the scheme implementation agreement between MCAG and MAIG dated 14 June 2008, a summary of which is at Annexure B.

Scheme Meetings means the:

a) MCAL Share Scheme Meeting;
b) MCAIL Share Scheme Meeting; and
c) the Trust Scheme Meeting.

Scheme Participant means each MCAG Securityholder as at 5:00pm on the Scheme Record Date.

Scheme Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such earlier date (after the Effective Date) as the parties may agree in writing, and expected to be 2 September 2008.

Schemes means the Share Schemes and the Trust Scheme.

Scrip Alternative means the offer of the Scrip Consideration under the MAIG Proposal.

Scrip Consideration means one MAIG Security for each MCAG Security held by a Scheme Participant at the Scheme Record Date.

Scrip Election means an election by a Scheme Participant who is not an Ineligible Overseas MCAG Securityholder to receive the Scrip Alternative.

Scrip Securityholders has the meaning given in Section 4.6 of this Scheme Booklet.

Second Bermuda Court Date means the first day on which an application made to the Bermuda Court for an order pursuant to section 99(2) of the Companies Act approving the MCAIIL Share Scheme is heard, or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard, which is expected to be on or about 22 August 2008.

Second Court Date means the first day on which an application made to the Court for:

a) an order pursuant to section 411(4)(b) of the Corporations Act approving the MCAL Share Scheme; and
b) the Second Judicial Advice,

is heard, or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard, which is expected to be on or about 25 August 2008.

Second Bermuda Court Hearing means the hearing by the Bermuda Court of the Second Bermuda Court Date application.

Second Court Hearing means the hearing by the Court of the Second Court Date application.

Second Judicial Advice means confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) that, subject to Unitholders passing the Trust Scheme

Resolutions, MCAML as the responsible entity of MAIT would be justified in acting upon the Trust Scheme Resolutions and in doing all things and taking all necessary steps to put the Trust Scheme into effect.

Share Scheme Meetings means:

a) the meeting of the MCAL Sharehol and Jders convened by order of the Court in relation to the MCAL Share Scheme pursuant to section 411(1) of the Corporations Act; and
b) the meeting of the MCAIL Shareholders convened by the Bermuda Court in relation to the MCAIL Share Scheme pursuant to section 99(1) of the Companies Act,

and includes any adjournment of either or both of those meetings.

Share Scheme Resolutions means the resolutions of the:

a) MCAL Shareholders to approve the MCAL Share Scheme as set out in the Notice of MCAL Share Scheme Meeting at Annexure H; and
b) MCAIL Shareholders to approve the MCAIL Share Scheme as set out in the Notice of MCAIL Share Scheme Meeting at Annexure H.

Share Schemes means the MCAL Share Scheme and the MCAIL Share Scheme.

Specified Macquarie Executives means Michael Carapiet, Michael Cook (the MCAG Chief Executive Officer), Nicholas Moore, John Roberts, Rowan Ross and Macquarie Capital Funds staff that work directly with MCAG.

Stapling Deed means the deed dated 14 June 2008 between MAIL, MAIIL and MAIT RE to staple the shares in MAIL, the shares in MAIIL and the units in MAIT to one another.

Sunset Date means 14 December 2008.

Supplemental Deed means a deed poll in the form of Annexure F of this Scheme Booklet.

Total Distributions has the meaning given in Section 7.3 of this Scheme Booklet.

Trust Scheme means the arrangement under which the Bidder as nominee for MAIT acquires all of the MCAT Units from Unitholders facilitated by amendments to the MCAT Constitution as set out in the Supplemental Deed, subject to the requisite Unitholder approvals.

Trust Scheme Meeting means the meeting of the Unitholders convened by MCAML pursuant to clause 17.1 of the MCAT Constitution to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the Amendment Resolution and the Acquisition Resolution.

UK Exempt Investor means a Scheme Participant whose address as shown in the Register on the Scheme Record Date is in the United Kingdom and that person:

i) is an 'investment professional' as defined in Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (Order) being a person having professional experience in matters relating to investments including (among others) a United Kingdom Financial Services Authority 'authorised person' or a person whose ordinary activities involve him in carrying on 'controlled activities' (including but not limited to dealing in securities, arranging deals in investments, managing investments and advising on investments) for the purposes of a business carried on by him; or

ii) falls within any of the categories of persons described in Articles 49(2)(a) to (d) of the Order as a 'high net worth entity' being (among other things):

   (A) a body corporate which has, or is a member of the same group as an undertaking which has, a called up share capital of either (i) not less than £500,000 but only if the body corporate has more than 20 members or is a subsidiary or an undertaking which has more than 20 members or (ii) not less than £5 million;

   (B) any unincorporated association or partnership which has net assets of not less than £5 million; or

   (C) a 'high value trust' where the aggregate value of the cash and assets which form part of the trust's assets (before deducting the amount of its liabilities) is £10 million or more or has been £10 million or more at any time during the year immediately preceding the date on which the Schemes were first communicated to that person.

Unitholder means each person who is registered in the Register as the holder of MCAT Units and Unitholders means all of them.

USD means dollars in the currency of the United States of America.

wholly owned subsidiary of a body corporate ("first body corporate") means any body corporate all of the shares of which are owned directly or indirectly (through one or more bodies corporate) by the first body corporate.

Deloitte.

Macquarie Capital Alliance Group

Independent expert's report

16 July 2008

Financial services guide

Deloitte Corporate Finance Pty Limited
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16 July 2008

1.1.1 What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document whose purpose is to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127). The use of "we", "us" or "our" is a reference to Deloitte Corporate Finance Pty Limited as the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

1.1.2 Information about us

We have been engaged by the independent directors of Macquarie Capital Alliance Limited, Macquarie Capital Alliance International Limited and Macquarie Capital Alliance Management Limited as responsible entity of Macquarie Capital Alliance Trust to give general financial product advice in the form of a report to be provided to you in connection with an offer that has been made by Macquarie Group Limited and a consortium of investors to acquire all the stapled securities in Macquarie Capital Alliance Group. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance Pty Limited is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com.au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

The financial product advice in our report is provided by Deloitte Corporate Finance Pty Limited and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

1.1.3 What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide financial product advice in respect of:
  - debentures, stocks or bonds to be issued or proposed to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities.
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:
  - debentures, stocks or bonds issued or to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities.

1.1.4 Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement (PDS) or offer document provided by the issuer of the financial product. The purpose of the PDS is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS will include details such as the risks, benefits and costs of acquiring the particular financial product.

1.1.5 How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Deloitte Corporate Finance Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is A$400,000, excluding GST, and will also be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

1.1.6 What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer
Practice Protection Group
Deloitte Corporate Finance Pty Limited
PO Box N250
Grosvenor Place
Sydney NSW 1220

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service (FICS). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service
PO Box 579
Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808
Fax: +61 3 9621 2291
Internet: http://www.fics.asn.au

On 1 July 2008, the Banking and Financial Services Ombudsman, Insurance Ombudsman Services and FICS will merge to become the Financial Ombudsman Service (FOS). We have applied for participation in the dispute resolution scheme to be operated by FOS. Complaints may be submitted to FOS from 1 July 2008 at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Internet: http://www.fos.org.au
Email: info@fos.org.au

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia (ICAA). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box 3921
Sydney NSW 2001
Telephone: +61 2 9290 1344
Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at:
http://www.icaa.org.au/about/index.cfm.

The Australian Securities and Investments Commission (ASIC) regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: infoline@asic.gov.au
Internet: http://www.asic.gov.au/asic/asic.nsf

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The Independent Directors
Macquarie Capital Alliance Limited
Macquarie Capital Alliance International Limited
Macquarie Capital Alliance Management Limited as responsible entity of Macquarie Capital Alliance Trust
Level 11
1 Martin Place
Sydney NSW 2000

16 July 2008

Dear Directors

Independent expert's report

Introduction

Macquarie Capital Alliance Group (MCAG) is a triple stapled security structure with direct investments in four discrete businesses (the MCAG Assets) and consists of three entities:

- Macquarie Capital Alliance Limited (MCAL), an Australian public company
- Macquarie Capital Alliance Trust (MCAT), an Australian registered managed investment scheme
- Macquarie Capital Alliance International Limited (MCAIL), a company registered under the laws of Bermuda.

We refer to the stapled securities as the 'MCAG Securities'.

Macquarie Capital Alliance Management Limited (MCAML), a wholly-owned subsidiary of Macquarie Group Limited (MQG), is the manager of MCAL, responsible entity of MCAT and adviser to MCAIL.

On 16 June 2008 MCAG announced that it had entered into a Scheme Implementation Agreement with Macquarie Advanced Investments Group (MAIG) in relation to a proposal to acquire all the stapled securities of MCAG by way of two inter-conditional schemes of arrangement and a trust scheme (collectively 'the Proposed Schemes') involving the three entities that comprise the MCAG stapled security, being MCAL, MCAT and MCAIL. The Proposed Schemes are subject to approval by MCAG securityholders who are not associated with MQG and its subsidiaries (Non-Associated Securityholders).

Under the terms of the Proposed Schemes, MCAG securityholders will be offered a choice between:

- all cash consideration of A$3.40. This will be paid out of existing MCAG cash reserves and as cash consideration from MAIG
- a scrip alternative (the Scrip Alternative). Subject to minimum aggregate acceptance and scaleback provisions, MCAG securityholders will receive, for each MCAG security held:
    - one stapled security in MAIG (MAIG Security), which will hold MCAG's existing portfolio of assets
    - up to A$0.40 as a distribution of capital from MCAG, subject to certain escrow provisions.

The board of MCAG has prepared a scheme booklet containing the detailed terms of the Proposed Schemes (the Scheme Booklet) and an overview of the Proposed Schemes is provided in Section 1 of our detailed report.

Purpose of the report

The directors of MCAG that are unrelated to MQG (the Independent Directors) have requested Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) to prepare an independent expert's report (IER) advising whether the Proposed Schemes are in the best interests of MCAG's Non-Associated Securityholders.

This IER has been prepared pursuant to section 411 of the Corporations Act 2001 (Cth) (Corporations Act), to assist Non-Associated Securityholders in their consideration of the Proposed Schemes. We have prepared this report having regard to Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) (Part 3) and the relevant ASIC Regulatory Guides.

This report is to be included in the Scheme Booklet to be sent to all securityholders of MCAG (Securityholders) and has been prepared for the exclusive purpose of assisting Non-Associated Securityholders in their consideration of the Proposed Schemes. The report should not be used for any other purpose.

The Independent Directors have also requested that we provide a separate report to them advising them whether the proposed related party transactions involving MCAG, MAIG and other MQG related entities, as detailed at section 11 of the Scheme Booklet, have any impact on our conclusions that the Proposed Schemes are in the best interests of the Non-Associated Securityholders.

Basis of evaluation

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid under the Corporations Act (Chapter 6). The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act (Section 640), which falls within Chapter 6, requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. In our view, where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

Under ASIC Regulatory Guide 111, which provides guidance in respect of the content of expert reports, a control transaction such as the Proposed Schemes is:

- fair, when the value of the consideration is equal to, or greater than, the value of the securities subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company, including a control premium
- reasonable, if it is fair, or despite not being fair, after considering other significant factors, Non-Associated Securityholders should accept the offer under the proposed scheme, in the absence of any higher bids. Our analysis of these reasonableness factors is set out in Section 6.2.

To assess whether the Proposed Schemes are in the best interests of Non-Associated Securityholders, we have adopted the test of whether the Proposed Schemes are either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Summary and conclusion

In our opinion the Proposed Schemes are fair and reasonable and therefore in the best interests of Non-Associated Securityholders.

The Proposed Schemes are fair

A comparison of the current fair market value of a security in MCAG with the consideration is set out in Table 1 below.

Table 1: Evaluation of fairness

	Section	Low (A$)	High (A$)
Estimated fair market value of an MCAG Security	6.1	3.19	3.62
Cash consideration to be received pursuant to the Proposed Schemes[1]		3.40	3.40
Estimated value of a MAIG Security under the Scrip Alternative[1,2]		2.23	2.53

Source: Deloitte Corporate Finance analysis

Notes:

1 Securityholders should have regard to the comments below in relation to the relative attributes of each form of consideration.

2 Important qualifications in relation to the estimated value of a MAIG Security are set out below.

The cash consideration offered by MAIG, being the default option, is within the range of our estimate of the fair market value of an MCAG Security. Our valuation range of an MCAG Security reflects a control value for securities that are publicly traded in an informed and relatively liquid market.

Whilst cash consideration is the default option, MCAG Securityholders are also being offered the opportunity to elect to receive MAIG Securities through the Scrip Alternative. However, the Scrip Alternative may not be available (it is subject to holders owning 5% or more of MCAG Securities in aggregate electing this option). If available the MAIG Securities will not be quoted on the Australian Securities Exchange (ASX) and there are limits on the quantum of non-cash consideration under the Proposed Schemes (there will be a pro-rata scale back if demand exceeds 20% of MCAG Securities in aggregate). It is also noted in the Scheme Booklet that as there is no guarantee that the Scrip Alternative will eventuate, when considering whether to vote in favour of the Proposed Schemes, an MCAG Securityholder should not do so in the expectation that the Scrip Alternative will eventuate.

In estimating the value of a MAIG Security under the Scrip Alternative, we have considered the following:

- the inability of securityholders, who elect to participate in the Scrip Alternative, to readily realise the securities in MAIG (i.e. the MAIG securities will not be listed on a stock exchange and MAIG does not currently envisage putting in place a mechanism to allow securityholders to readily buy and/or sell their securities). Where two investments are relatively comparable, investors tend to place more value on the investment that is more liquid. Accordingly, it is common to apply a value discount to an unlisted security. In practice, liquidity discounts range between 10% and 30%
- the inability of securityholders to access the cash retained in escrow for some time, potentially up to 5 years. The value of the Scrip Alternative includes A$0.40 that will be received as a distribution of capital from MCAG. This cash will be maintained in escrow to fund follow-on investments in existing portfolio companies or the working capital requirements of MAIG. The remainder of the escrow amount, if any, will be released from escrow to the relevant MCAG Securityholders no later than five years after the implementation date of the Proposed Schemes. MCAG Securityholders who elect to receive the Scrip Alternative will not have any control over the timing of the release of funds from escrow

- the possibility of increased management fees associated with MAIG. These are ultimately subject to uncertainties in relation to the timing and realisation of the portfolio investments. The fee structure for MAIG is different to the fee structure for MCAG and the performance fee hurdle calculations will be reset to operate from the date of implementation of the Proposed Schemes. Existing Securityholders, accepting the Scrip Alternative, may bear additional fees because the base value used in measuring the performance fee for MAIG is below that set for MCAG. The value impact is not quantifiable as the MCAG performance fee structure is based on future security price performance while the MAIG performance fee structure is based on future distributions from MAIG.

Based on the liquidity and other factors detailed above, we believe that a value discount of not less than 30%, being the top end of the liquidity discount range quoted, is likely to apply to a MAIG Security. Based on our estimated fair market value of an MCAG Security set out in Table 1 above, the estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security.

As noted above, the cash consideration is the default option. The Scrip Alternative is being provided to those MCAG Securityholders, who, notwithstanding the above analysis, wish to retain an interest in the underlying MCAG Assets. In this context, notwithstanding that the estimated value of a MAIG Security is below our range of the fair market value of an MCAG Security, as the cash consideration is within the range of our estimate of the fair market value of an MCAG Security and is the default option, it is our opinion that the Proposed Schemes are fair.

An individual MCAG Securityholder's decision as to whether or not to elect to receive the Scrip Alternative would be influenced by the preference to retain an interest in MCAG's Assets and the taxation consequences associated with each alternative.

Valuation of a security in MCAG

We have estimated the fair market value of MCAG by aggregating the estimated fair market value of the underlying components of MCAG on a sum-of-the-parts basis and deducting the present value of the management fees that are payable to MCAML under long term contractual arrangements.

In undertaking the sum-of-the-parts analysis we have estimated the fair market value of each of the MCAG Assets separately as summarised in the table below.

Table 2: Selection of valuation methodologies

Investment	Primary approach	Secondary approach
EDSA	Capitalisation of maintainable earnings	Discounted cash flow
Red Bee	Discounted cash flow	Capitalisation of maintainable earnings
Regis Group	Discounted cash flow	Capitalisation of maintainable earnings
AIR-serv	Discounted cash flow	Capitalisation of maintainable earnings

Source: Deloitte Corporate Finance analysis

We define fair market value as the amount at which the MCAG Securities would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices, to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of MCAG has not been premised on the existence of a special purchaser.

The estimated fair market value of a security in MCAG is between A$3.19 and A$3.62 as set out in the table below.

Table 3: Estimated fair market value of a security in MCAG

	Reference	Low (A$m)	High (A$m)
Estimated fair market value of MCAG's interest in:			
EDSA	5.2.16	308	382
Red Bee	5.3.12	110	125
AIR-serv	5.4.12	101	114
Regis Group	5.5.12	203	207
Estimated fair market value of the MCAG Assets		**722**	**828**
Add: MCAG fund level net cash	5.6.1	99	99
Less: Capitalised management fees[1]	5.6.2	(37)	(37)
100% equity value of MCAG		**785**	**890**
Number of securities on issue ('000s)		245,959	245,959
Value of MCAG per security (A$)		**3.19**	**3.62**

Source: Deloitte Corporate Finance analysis

Notes:

1 This refer to the present value of the management fees that are payable by MCAG to MCAML. The value benefits derived from the management services are included in our valuation of each of the MCAG Assets.

The Proposed Schemes are reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Schemes are reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Schemes.

Advantages of the Proposed Schemes

The likely advantages to Securityholders if the Proposed Schemes are approved include:

No more attractive alternative is currently available, or is likely to become available, to Securityholders

On 27 February 2008, MCAG announced that it was exploring a range of strategic alternatives and options to crystallise value for Securityholders. These options included both a sell-off of individual assets as well as exploring the potential for a whole-of-fund solution.

As part of this process, MCAG management conducted an extensive process that included approaching approximately 20 institutional investors which specialise in secondary or late stage private equity investments to determine their interest in taking MCAG private. The Board sought to develop a whole-of-fund solution as this retains the value of the existing debt packages. Following the process, a syndicate of secondary private equity investors formed and are participating in the Proposed Schemes.

Further details of the sale process are set out in section 4.1 of the Scheme Booklet.

There have been no alternative offers forthcoming for the MCAG Securities. The prospect of a superior competing proposal is considered unlikely given:

- the significant premium of the MAIG offer to the MCAG Security price prior to the announcement of the MAIG offer (analysed further below)
- clauses in the shareholder agreements of each of MCAG's portfolio investments, which give the co-investors in those portfolio investments pre-emptive rights to acquire MCAG's interest, or as an alternative, tag-along rights to divest the co-investor's interest in the portfolio investment to the bidder

- clauses in the debt agreements of the portfolio investments (except Regis Group), which give lenders the option to require the existing business level debt packages to be repaid in the event of a change in control of any of the major investors, including a change in the manager of MCAG.

The Board has sought to retain the value of the existing business level debt packages. At the time of the respective acquisitions, each of the businesses negotiated favourable gearing levels, interest rates and terms compared to the arrangements that are likely to be negotiated in the current market. The refinancing of the debt packages are not triggered by the Proposed Schemes and the resultant benefit of these circumstances is unlikely to be available under an alternative offer.

We note that the Board considered the possibility of individual asset sales but concluded that there were significant risks associated with achieving the fair value of the respective investments due to continuing uncertainty surrounding capital and credit markets and, in the context of a change of control, the ability of the businesses to retain their preferential debt packages.

The Board also considered that maintaining the operation of MCAG in its existing form was unlikely to be satisfactory for MCAG Securityholders given the response of the security price to recent capital management initiatives. Given the continued deterioration in credit market conditions, the Board also considered it unlikely that any benefit would be obtained from engaging in a recapitalisation of any of the assets.

Further details regarding this issue are set out in section 4.1 of the Scheme Booklet.

Securityholders are receiving a significant premium to MCAG's security price prior to the announcement of the Proposed Schemes

The consideration offered of A$3.40 equates to:

- a premium of 62% to the last closing price of the MCAG Securities as at 13 June 2008 of A$2.10
- a premium of 53% to the three month volume weighted average price (VWAP) of the MCAG Securities of A$2.22.

It is difficult to predict where the MCAG Security price might settle in the absence of the MAIG proposal or speculation regarding an alternative proposal. However, if the Proposed Schemes are not implemented, it is likely that the MCAG Securities will trade at a price significantly below the cash consideration offered of $3.40 per security.

The Proposed Schemes allow a Securityholder to realise an investment in MCAG at the present time – Cash consideration option only

The Proposed Schemes allow a Securityholder to realise an investment in MCAG at the present time. The Proposed Schemes remove the uncertainty around the timing and the quantum of the proceeds to be received if the MCAG Assets were to be realised in a piecemeal manner. In the past three years, Securityholders have received two cash distributions each of 30 cents.

Ability to participate in any potential upside associated with the MCAG Assets - Scrip Alternative only

Securityholders have been given the opportunity to invest in MAIG by accepting the Scrip Alternative (to the extent available), which will provide existing MCAG Securityholders with the option to retain an economic exposure to MCAG's underlying investments. The rights attaching to the MAIG Securities will substantially mirror the rights currently attaching to the MCAG Securities, albeit that the MAIG Securities will not be quoted on the ASX and accordingly would have a significantly lower level of liquidity.

Under the Scrip Alternative, MCAG securityholders will receive, for each MCAG security held, up to A$0.40 as a distribution of capital from MCAG. The A$0.40 represents each MCAG Securityholder's interest in the net cash at the MCAG fund level. The cash will be maintained in escrow to fund follow-on investments in existing portfolio companies or the working capital requirements of MAIG. The remainder of the escrow amount, if any, will be released from escrow to the relevant MCAG Securityholders no later than five years after the implementation date of the Proposed Schemes. MCAG Securityholders who elect to receive the Scrip Alternative will not have any control over the timing of the release of funds from escrow.

Disposal of the MCAG Securities

Securityholders will not be required to pay brokerage or stamp duty on the transfer of their MCAG Securities.

Disadvantages of the Proposed Schemes

The likely disadvantages to Securityholders if the Proposed Schemes are approved include:

Inability to participate in upside growth potential of the MCAG Assets - Cash consideration option only

Whilst the Proposed Schemes allow Securityholders to exit their investment in MCAG at a significant premium to MCAG's security price prior to their announcement, MCAG Securityholders electing to receive the cash consideration will not be able to participate in the future growth of MCAG if the Proposed Schemes are approved. This upside growth potential may be amplified because of the extent of the existing business level debt packages. It is possible that the value of MCAG Securities may increase over time to a level above the consideration now offered.

Inability to participate in synergy benefits associated with the Truvo NL acquisition if MCAG Securityholders elect to receive the cash consideration - Cash consideration option only

Securityholders electing to receive the cash consideration will not derive the expected benefits from the proposed acquisition by EDSA of Truvo NL in the event the transaction should proceed. Based on previous MCAG announcements, it is likely that the transaction will be earnings accretive to MCAG.

Taxation

Implementation of the Proposed Schemes may trigger tax consequences for MCAG Securityholders earlier than would have otherwise been the case. The taxation consequences of the Proposed Schemes for Securityholders will depend on the personal taxation and financial circumstances of each Securityholder. Some Australian resident MCAG Securityholders may be entitled to capital gains tax rollover relief on the scrip portion of the Scrip Alternative (to the extent available).

The above comments in respect of taxation impacts are general in nature and do not constitute tax advice. Accordingly, MCAG Securityholders should consult their tax advisers in relation to their personal circumstances.

General tax implications of the Proposed Schemes are discussed in section 12 of the Scheme Booklet.

Scrip in MAIG will not be as liquid as the current MCAG Securities - Scrip Alternative only

The securities in MAIG will not be as liquid as the current MCAG Securities because MAIG Securities will not be quoted on the ASX. As the investments owned by MAIG are sold over time, the proceeds from those sales will be returned to MAIG Securityholders by distributions or returns of capital

Less of an ability to influence the future direction of MAIG – Scrip Alternative only

The interests and motivations of the securityholders in MAIG and MCAG may not be aligned. The Non-Associated Securityholders accepting the Scrip Alternative will, both individually and collectively, have less influence over the direction of MAIG as compared to MCAG.

Fee structure – Scrip Alternative only

The fee structure for MAIG is different to the fee structure for MCAG and the performance fee hurdle calculations will be reset to operate from the date of implementation of the Proposed Schemes. Existing Securityholders, accepting the Scrip Alternative, may bear additional fees because the base value used in measuring the performance fee for MAIG is below that set for MCAG. The value impact is not quantifiable as the MCAG performance fee structure is based on future security price performance while the MAIG performance fee structure is based on future distributions from MAIG.

Other considerations

Foreign exchange risk

The fair market value of MCAG is sensitive to fluctuations in the A$ exchange rate. The Australian dollar has experienced significant appreciation against the US dollar and other major currencies in recent times. If Non-Associated Securityholders have an expectation that the Australian dollar will return to lower levels, their assessment of the Proposed Schemes may differ from that set out above. By way of example, if the Australian dollar were to depreciate by ten percent against the Euro, this would increase the low and high end of our valuation range by approximately 4% in A$ terms.

The intentions of the Independent Directors and the major Securityholders

It is the intention of the Independent Directors to unanimously recommend acceptance of the Proposed Schemes, in the absence of a superior proposal, on the basis that the offer represents fair value and is in the best interests of Non-Associated Securityholders.

MQG intends to receive the all cash offer for its MCAG stapled securities and will invest into MAIP International Holdings Limited (MAIPIH), the parent company of MAIG, an amount equal to the cash it will receive for its 17.9% holding (through MCAML) in MCAG. MQG will also receive MAIPIH scrip as consideration for the sale to MAIPIH of its 23% investment in Red Bee. As a result of these transactions, MQG will hold a minimum 25% interest in MAIPIH.

MQG will not inject any new capital into the proposed take-private transaction of MCAG. If the Gouden Gids or another transaction is completed prior to the scheme implementation date, MQG will contribute its pro-rata share of the transaction value, subject to a maximum contribution of $0.40 per security.

Break fees

A cost reimbursement of up to $8.0 million (representing the actual costs incurred by MAIG) will be payable by MCAG to MAIG under certain circumstances if the Proposed Schemes do not proceed, including if the Independent Directors withdraw their recommendation, the Scheme Implementation Agreement is terminated in certain circumstances or a competing transaction is announced, but excluding if the Independent Expert finds that the Proposed Schemes are not in the best interests of Securityholders.

Consideration of special value

It is our opinion that the Proposed Schemes deliver the benefits of favourable business level debt packages to MAIG, however, these benefits are currently enjoyed by MCAG Securityholders. In this sense, there is no special value being derived by MAIG. We note, however, that the value associated with the favourable business level debt packages may not accrue to any other bidder under a competing proposal.

Opinion

In our opinion the Proposed Schemes are fair and reasonable and therefore in the best interests of Non-Associated Securityholders.

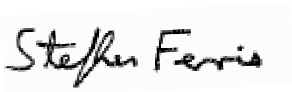
An individual Securityholder's decision in relation to the Proposed Schemes may be influenced by his or her particular circumstances. If in doubt the Securityholder should consult an independent adviser.

In our opinion, the proposed related party transactions involving MCAG, MAIG and other MQG related entities, have no impact on our conclusion that the Proposed Schemes are in the best interests of the Non-Associated Securityholders.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Stephen Ferris

Director

Tapan Parekh

Director

Note: All amounts presented are subject to rounding.

Contents

Appendices

1 Details of the Proposed Schemes

1.1 Background to the offer

Legal structure

On 16 June 2008 MCAG announced that it had entered into a Scheme Implementation Agreement with MAIG in relation to a proposal to acquire all the stapled securities of MCAG by way of inter-conditional schemes of arrangement and a trust scheme (collectively 'the Proposed Schemes'). The Proposed Schemes are subject to approval by Non-Associated Securityholders.

The proposal has been made by MAIG, whose investors are Macquarie Advanced Investment Partners (MAIP) and Macquarie Capital (a division of MQG). MAIP is a new unlisted private equity fund managed by Macquarie Capital on behalf of a number of investors, as detailed in section 5.4.1 of the Scheme Booklet.

MAIG consists of three stapled entities:

- Macquarie Advanced Investment Limited (MAIL), a Bermudian Mutual Fund Company
- Macquarie Advanced Investment Trust (MAIT), an Australian unit trust (and, if there is participation in the Scrip Alternative, a registered managed investment scheme); and
- Macquarie Advanced Investment International Limited (MAIIL), a Bermudian Mutual Fund Company.

MAIL and MAIIL will acquire the shares in MCAL and MCAIL respectively, while MAIT will hold the units in MCAT.

Sale process

On 27 February 2008, MCAG announced that it was exploring a range of actions to maximise value for Securityholders. These options included both a sell-off of individual assets as well as exploring the potential for a whole-of-fund solution.

As part of this process, MCAG management conducted an extensive process that included approaching approximately 20 institutional investors which specialise in secondary or late stage private equity investments to determine their interest in taking MCAG private. The Board sought to develop a whole-of-fund solution as this retains the value of the existing debt packages. Following the process, a syndicate of secondary private equity investors formed and are participating in the Proposed Schemes.

The consideration offered by MAIG is A$3.40 for every MCAG stapled security held. MAIG will acquire all the securities under:

- the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between MCAL and the MCAL shareholders (the MCAL Share Scheme), subject to the approval of the holders of the MCAL shares and the Supreme Court of New South Wales (Court)
- the scheme of arrangement pursuant to section 99 of the Bermuda Companies Act 1981 (Companies Act) proposed between MCAIL and the MCAIL shareholders (the MCAIL Share Scheme), subject to the approval of the holders of the MCAIL shares and the Supreme Court of Bermuda
- the arrangement by which MAIG acquires all of the MCAT units from MCAT unitholders (the Trust Scheme), subject to the requisite MCAT unitholder approvals.

Further details of the process are set out in section 4 of the Scheme Booklet.

Consideration

Under the terms of the Proposed Schemes, MCAG Securityholders will be offered a choice between:

- all cash consideration of A$3.40. This will be paid out of existing MCAG cash reserves and as cash consideration from MAIG
- a Scrip Alternative. Subject to minimum aggregate acceptance and scaleback provisions, MCAG securityholders will receive, for each MCAG security held:

- one stapled security in MAIG (MAIG Security), which will hold MCAG's existing portfolio of assets
- up to A$0.40 as a distribution of capital from MCAG, subject to certain escrow provisions.

The Scrip Alternative will only become available if holders owning more than 5% of MCAG securities in aggregate elect this option. There will be a pro-rata scale back if demand for MAIG securities exceeds 20%. Under the Scrip Alternative (to the extent available), an amount of up to $0.40 (which equates to the proposed distribution component of the cash consideration to be paid to MCAG Securityholders accepting the cash consideration offer) will be maintained in escrow to fund follow-on investments in existing portfolio companies or the working capital requirements of MAIG. The remainder of the escrow amount, if any, will be released from escrow to the relevant MCAG Securityholders no later than five years after the implementation date of the Proposed Schemes.

1.2 MAIG's intentions

If the Proposed Schemes are approved and become effective, then on the implementation date, which is expected to be on or about 9 September 2008, the MCAL shares, the MCAIL shares and the MCAT units held by Securityholders will be transferred to MAIG and MAIG will seek to de-list MCAG from the ASX. MAIG will become the holder of all MCAG Securities and, accordingly, MCAG will become a wholly-owned subsidiary of MAIG.

If the Proposed Schemes are implemented, MAIG's current intentions are to:

- continue to retain a Macquarie entity as the responsible entity, adviser and manager. However, these arrangements will be entered into by way of new agreements at the MAIG level as opposed to at the MCAG level
- maintain the business of MCAG in owning and managing a portfolio of unlisted investments. As the investments owned by MAIG are sold over time, the proceeds from those sales will be returned to MAIG securityholders by distributions or returns of capital.

1.3 Approval process

Share Schemes

The MCAL Share Scheme and the MCAIL Share Scheme resolutions must be approved by:

- a majority in number (more than 50%) of the non-associated shareholders of the MCAL shares or MCAIL shares (as relevant) present and voting at the relevant scheme meeting (either in person or by proxy)
- at least 75% of the votes cast by non-associated shareholders of MCAL or MCAIL (as relevant) entitled to vote on the relevant share scheme resolution.

Trust Scheme

The Trust Scheme is an arrangement pursuant to which all of the units in MCAT are transferred to MAIG. This transfer requires the non-associated MCAT unitholders to approve two separate resolutions:

- an amendment to the MCAT constitution, approved by special resolution passed by at least 75% of the total number of votes cast on the resolution at the Trust Scheme meeting, to authorise all actions necessary or desirable for the transfer of MCAT units to MAIG to be made
- the acquisition by MAIG of all the MCAT units pursuant to an ordinary resolution of the MCAT unitholders. This requires the resolution to be passed by more than 50% of the total number of votes cast on the resolution at the Trust Scheme meeting by non-associated MCAT unitholders

If the resolutions are approved by the requisite majorities, MCAT will apply for judicial advice from the Supreme Court of New South Wales to the effect that it is justified in acting upon the resolutions.

Conditions precedent

A number of conditions need to be satisfied or waived before the Proposed Schemes can be implemented, including:

- Court approval
- approval of the Bermuda Court
- shareholder and unitholder approvals at the relevant meetings
- termination of the existing MCAML management agreements

Details of the conditions precedent are set out in clause 2.1 of the Scheme Implementation Agreement, which is appended to the Scheme Booklet at Annexure B.

2 Scope of the report

2.1 Purpose of the report

The Independent Directors have requested Deloitte Corporate Finance to prepare an IER advising whether the Proposed Schemes are in the best interests of MCAG's Non-Associated Securityholders.

This IER has been prepared pursuant to section 411 of the Corporations Act, to assist Non-Associated Securityholders in their consideration of the Proposed Schemes. We have prepared this report having regard to Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) and the relevant ASIC Regulatory Guides. We further note that ASIC policy is that the directors of a company should satisfy their obligation to provide securityholders with an analysis of a proposal under Item 7 of section 611 of the Corporations Act by commissioning an IER.

This report is to be included in the Scheme Booklet to be sent to all MCAG Securityholders and has been prepared for the exclusive purpose of assisting Non-Associated Securityholders in their consideration of the Proposed Schemes. The report should not be used for any other purpose.

2.2 Basis of evaluation

2.2.1 Guidance

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

In our determination as to whether the Proposed Schemes are fair and reasonable and therefore in the best interests of the Non-Associated Securityholders, we have had regard to common market practice and to Regulatory Guide 111 issued by ASIC in relation to independent expert's reports.

2.2.1.1 ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to:

- takeover bids
- schemes of arrangement
- compulsory acquisitions or buy-outs
- acquisitions approved by security holders under item 7 of Section 611
- selective capital reductions
- related party transactions
- transactions with persons in a position of influence
- demergers and demutualisations of financial institutions
- buy-backs.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition or increase of a controlling stake in a company which could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of Section 611 and selective capital reduction or selective buy back under Chapter 2J.

In respect of such control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or despite not being fair, after considering other significant factors, Non-Associated Securityholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer. Our analysis of these reasonableness factors is set out in Section 6.2.

To assess whether the Proposed Schemes are in the best interests of Non-Associated Securityholders, we have adopted the test of whether the Proposed Schemes are either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

2.2.2 Fairness

ASIC Regulatory Guide 111 defines an offer in respect of a control transaction as being fair if the value of the offer price is equal to, or greater than, the value of the securities being the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Schemes are fair by comparing the value of the consideration being offered pursuant to the Proposed Schemes with the value of an MCAG Security. We assessed the value of an MCAG Security by estimating the current value of MCAG as a whole, on a control basis, and dividing this value by the number of securities on issue.

The MCAG Securities have been valued at fair market value, which we have defined as the amount at which the securities would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices, to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations have not been premised on the existence of a special purchaser.

2.2.3 Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, securityholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Schemes we have considered the following significant factors in addition to determining whether the Proposed Schemes are fair:

- the likely price and market liquidity of MCAG stapled securities in the absence of the Proposed Schemes
- the likelihood of an alternative offer for the MCAG Securities
- other implications for Non-Associated Securityholders of rejecting the Proposed Schemes.

2.2.4 Individual circumstances

We have evaluated the Proposed Schemes for Non-Associated Securityholders as a whole and have not considered the effect of the Proposed Schemes on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Schemes from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours in relation to the fairness and reasonableness of the Proposed Schemes. If in doubt investors should consult an independent adviser.

2.3 Limitations and reliance on information

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 6.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

3 Profile of MCAG

The following section provides an overview of MCAG. Section 4 of this report provides further analysis of each of MCAG's assets and their respective industries.

3.1 Overview of MCAG

MCAG invests in unlisted investment opportunities in a diverse range of industries. MCAG's investments typically have a medium term investment horizon, with the majority of its current investments two years into the investment cycle. MCAG's management works with senior management of an investee on specific strategic projects to help the investee entity grow profitably, improve operating and asset efficiency and identify and execute any strategic acquisition and divestment opportunities.

MCAG's current investments are discussed below:

- **European Directories (EDSA)** – a geographically diversified directory group in Europe with market leadership positions in six countries and a presence in three others. An MCAG-led consortium, European Directories S.A., acquired 100% of YBR Group in July 2005 for €1.825 billion. In November 2005, TDC Forlag was acquired as a bolt-on acquisition for €650 million. Since then, a number of acquisitions have been made. MCAG currently holds a 39% share in EDSA
- **Red Bee Media (Red Bee**) – Europe's leading specialist in the delivery and promotion of digital media, offering the complete range of services required to promote, playout and provide access to broadcast content across various forms of media. A consortium led by MCAG acquired 100% of Red Bee for £166 million on a debt and cash free basis in July 2005. MCAG holds a 65% interest in Red Bee
- **AIR-serv** – a company which owns and operates more than 67,000 tyre inflation, jet wash and vacuum vending machines under long-term concession agreements with petrol station and convenience store chains across the US, Canada, the UK and continental Europe. An MCAG-led consortium acquired 100% of AIR-serv on 7 July 2006 for US$420 million on a debt free basis. MCAG holds a 60% share in AIR-serv
- **Regis Group** – a private aged-care operator in Australia with more than 3,600 beds across 41 facilities. In July 2007, Retirement Care Australia Holdings Limited (RCA) merged with Regis Group. MCAG holds a 46% share in Regis Group.

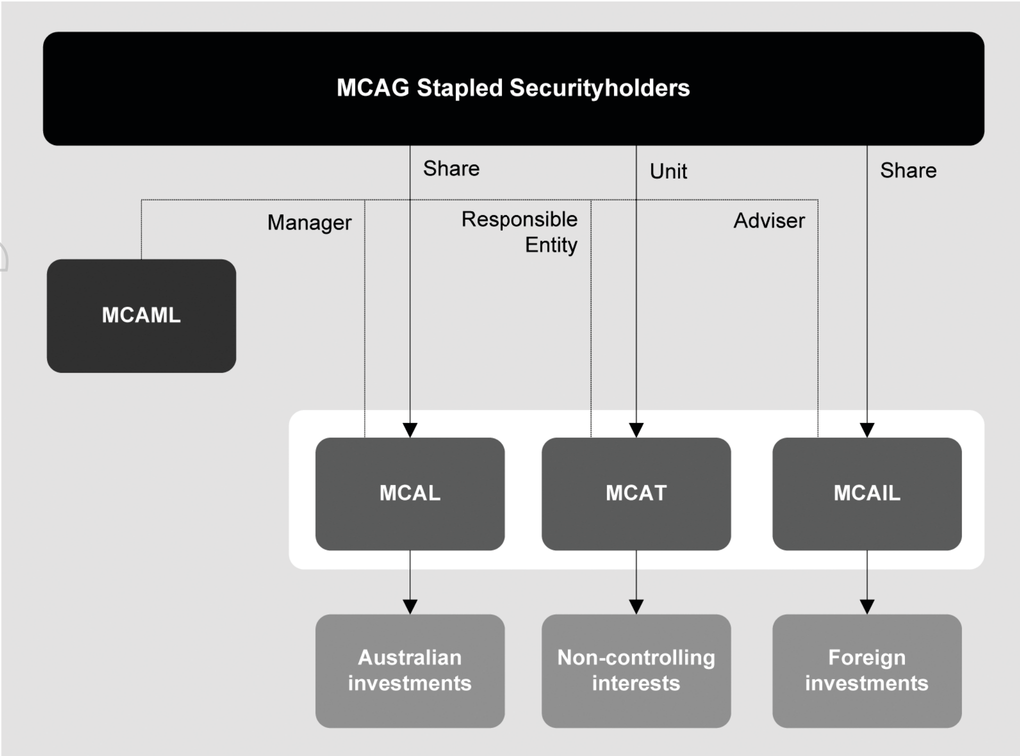
3.2 Capital structure and Securityholders

MCAG is listed on the ASX as a triple stapled security comprising the following:

- a share in an Australian public company, MCAL
- a unit in an Australian registered managed investment scheme, MCAT
- a share in a company registered under the laws of Bermuda, MCAIL.

MCAML, a wholly-owned subsidiary of MQG, is the manager of MCAL, responsible entity of MCAT and adviser to MCAIL. We set out the simplified corporate structure below.

Figure 1: MCAG simplified corporate structure



Source: MCAG

MCAG had 245,959,183 stapled securities on issue as at the date of this report. Details of MCAG's substantial stapled Securityholders are as follows:

Table 4: Substantial stapled Securityholders as lodged with the ASX as at 13 June 2008

Securityholders	Number of Securities ('000)	(%)
MQG[1]	49,052	19.9
Deutsche Bank Group	26,853	10.9
IOOF Holdings Limited	21,834	8.9
Indus Capital Partners, LLC	17,150	7.0
USS Asia Fund	12,957	5.3
Challenger Financial Services Group Limited	12,844	5.2
Credit Suisse Holdings (Australia) Limited	12,705	5.2
Substantial Securityholders	**153,595**	**62.4**
Other Securityholders	92,564	37.6
Total	**245,959**	**100.0**

Source: ASX, MCAG

Note:

1. Including 44,107,295 securities held by MCAML and 1,947,496 by management pursuant to section 608 of the Corporations Act.

MQG increased its stake in MCAG from its initial holding of 10% by purchasing additional securities on-market, re-investing some of the management fees that it received from MCAG and participating in the distribution and dividend reinvestment plan (DRP). The MCAG board and management are also significant holders of MCAG Securities, which were purchased either through the initial public offering, on-market, or were received through participation in the DRP.

Since listing MCAG has paid two separate special distributions of 30 cents each per MCAG Security. The first distribution was paid in April 2007 following Red Bee's refinancing whilst the second distribution was paid in April 2008 funded from the proceeds of the sale of the Zig Inge Group (ZIG).

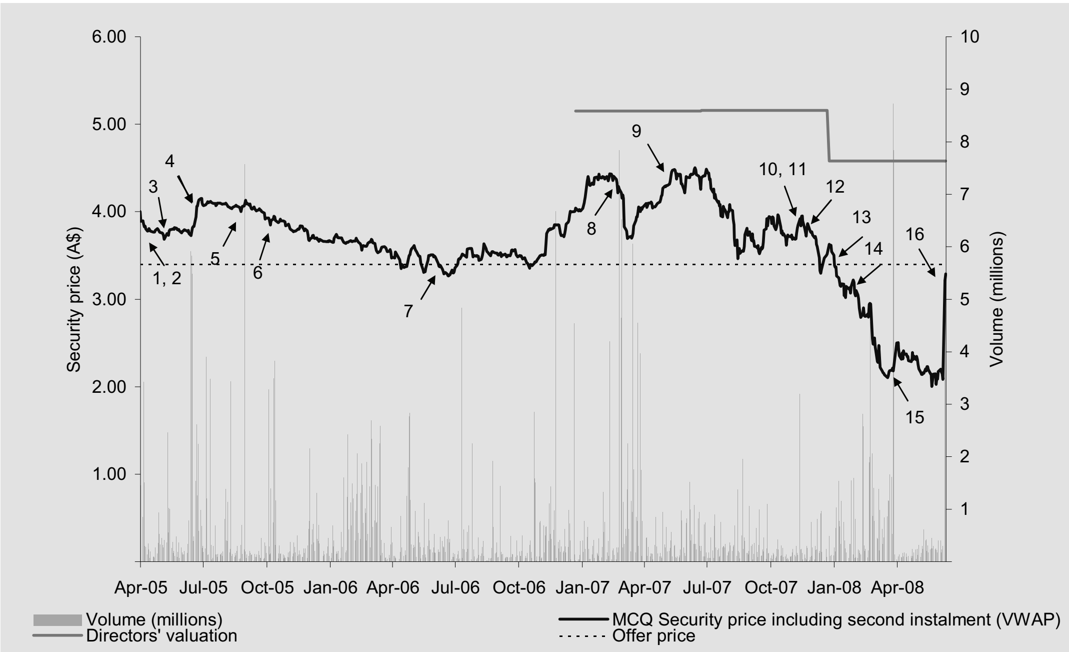
In January 2008, MCAG commenced an on-market buyback of MCAG Securities up to a maximum value of A$50 million. The buyback was completed in early March 2008 resulting in the purchase of approximately 17 million MCAG Securities. At the completion of the buyback, and taking into consideration the two special distributions which have been paid to Securityholders of 60 cents per security in total, approximately A$200 million of capital has been returned to investors.

3.3 Trading history and directors' valuations

At the 2006 annual general meeting, the directors of MCAG undertook to provide six monthly valuations of the MCAG Assets. The directors' valuations are based on methodologies set out in the International Private Equity and Venture Capital Valuation Guidelines.

The results of the publicly available valuations together with the security trading history of MCAG for the 40 months since April 2005 are provided in the figure below.

Figure 2: MCAG Security trading and directors' valuations history



Source: Bloomberg, MCAG company announcements

Note:

1. The directors' valuations have not been adjusted for special distributions.

The following significant events occurred during the 40 month period covered by the chart above:

1. On 6 April 2005, MCAG announced that it had acquired a 95% interest in RCA. RCA subsequently completed the acquisition of 12 aged care centres from the Moran Health Care Group in December 2005
2. On 7 April 2005, MCAG was admitted to the official list of the ASX. Investors subscribed for 250 million securities at an offer price of A$4.00 per security, payable in two instalments. The first instalment of A$2.00 was payable upon application and a further A$2.00 was payable on 4 April 2006
3. On 16 May 2005, MCAG announced that EDSA entered into an agreement to acquire 100% of the YBR Group, a leading European directories business, for €1,825 million (A$3,030 million). The acquisition was completed in July 2005

4. On 27 June 2005, MCAG announced that Creative Broadcast Services, a consortium led by MCAG, had entered into an agreement with the British Broadcast Corporation (BBC) to acquire 100% of BBC Broadcast Limited (renamed Red Bee) for £166 million (A$392 million). The acquisition was completed in July 2005
5. On 31 August 2005, MCAG announced that it had acquired a 49% interest in ZIG for A$100 million. The acquisition was completed in October 2005
6. On 17 October 2005, MCAG announced that EDSA had agreed to acquire TDC Forlag A/S (TDC Directories), a leading Nordic directories business, for €650 million (A$1,040 million). The acquisition was completed in November 2005
7. On 16 June 2006, MCAG announced that an MCAG-led consortium had agreed to acquire 100% of ASI Holding Corp (trading as AIR-serv), the largest owner and operator of tyre inflation vending equipment across North America and the United Kingdom (UK), for an acquisition price of US$420 million (A$570 million). The acquisition was completed in July 2006
8. On 28 February 2007, MCAG reported a net loss for the six months to 31 December 2006 of A$16.7 million. MCAG also announced a special distribution of 30 cents per stapled security to be paid on 5 April 2007
9. On 16 May 2007, MCAG announced the signing of a merger implementation agreement with the Regis Group that resulted in the merger of Regis Group and RCA. Following successful completion of the merger, MCAG owned 46% of the equity in the merged entity. The merger was completed in July 2007
10. On 19 November 2007, MCAG announced the signing of an agreement to sell ZIG for an enterprise value of A$641 million to the Retirement Villages Group (RVG). MCAG also provided guidance that it intended to make a special distribution of 30 cents per stapled security by the end of March 2008
11. On 21 November 2007, MCAG announced that an MQG-led consortium signed an agreement to acquire a 45% interest in Universal Weather and Aviation, the leading provider of flight support services to the international business and private jet market. MCAG also announced that it intended to undertake an on-market buyback of up to a maximum of A$50 million to commence in January 2008. In February 2008, MCAG announced that the MQG-led consortium and Universal Weather and Aviation had agreed not to proceed with the proposed transaction
12. On 5 December 2007, MCAG announced that EDSA was in preliminary discussions to acquire Truvo NL, publisher of Gouden Gids. Gouden Gids is also a major player in the Netherlands directory market
13. On 7 January 2008, MCAG's buyback commenced. The buyback was completed on 6 March 2008
14. On 6 February 2008, MCAG declared a special distribution of 30 cents per stapled security consistent with the guidance provided in November 2007 following the sale of ZIG
15. On 31 March 2008, MCAG announced that EDSA intended to acquire Truvo NL, subject to regulatory approval
16. On 16 June 2008, MCAG announced that it had entered into a Scheme Implementation Agreement with MAIG in relation to a proposal to acquire all the stapled securities of MCAG by way of the Proposed Schemes.

3.4 MCAG financial summary

3.4.1 Financial performance

MCAG publishes both statutory accounts and proportional earnings information, which sets out results based on MCAG's actual ownership share of each business and before the impact of non-cash amortisation charges.

Statutory accounts

The audited financial results of MCAG for the 12 month periods ended 30 June 2006 and 30 June 2007 as well as the reviewed financial results for the six month period to 31 December 2007 are summarised in the table below.

Table 5: Financial performance (consolidated)[2]

	Audited June 2006 (A$m)	Audited June 2007 (A$m)	Reviewed December 2007 (A$m)
Revenue	252	477	241
Interest income	26	10	7
Other income[1]	3	7	190
Operating expenses	(247)	(411)	(238)
Share of net losses of associates[2]	(32)	(15)	(9)
Operating profit	**1**	**69**	**190**
Depreciation	(20)	(51)	(29)
Amortisation	(6)	(36)	(15)
Finance costs	(33)	(66)	(46)
Tax benefit	6	23	(13)
Profit from discontinued operations	(10)	1	-
Total profit/(loss)	**(60)**	**(61)**	**87**

Source: MCAG Financial Report 30 June 2007, MCAG Interim Financial Report 31 December 2007

Notes:

1. Other income in the six months to 31 December 2007 includes a A$144 million gain on the disposal of ZIG and a A$40 million gain following the merger of Regis Group and RCA (which is accounted for as an associate).
2. Where MCAG has a controlling interest, the results of the controlled entity are included in the consolidated financial statements with the portion attributable to minority investors recognised as an outside equity interest. Where MCAG has significant influence over an entity, MCAG includes its share of the after tax result in the consolidated financial statements.

We note the following in respect of MCAG's statement of financial performance:

- the depreciation charge relates to Red Bee, AIR-serv and RCA (2006 only). The amortisation expense relates largely to customer contracts that were recognised for accounting purposes upon completion of the AIR-serv and Red Bee acquisitions
- with the exception of the profits made on the disposal of MCAG's investments, MCAG has historically been in a loss-making position. This is primarily driven by significant depreciation and amortisation charges, as well as the share of losses from the investment in EDSA. EDSA's losses are impacted by significant amortisation charges.

Proportional financial results

Proportional financial results for the 12 month periods ended 30 June 2006 and 30 June 2007 as well as the forecast results for the 12 month period to 30 June 2007 are summarised in the table below. The information is reviewed by management, but is not audited.

Table 6: Proportional financial results

	Management Reviewed June 2006 (A$m)	Management Reviewed June 2007 (A$m)	Management Forecast June 2008 (A$m)
European Directories	328	412	428
Red Bee Media	157	204	207
AIR-serv	-	98	91
Regis (previously RCA)	97	122	95
Zig Inge Group	16	27	8
Proportional Revenue	**599**	**864**	**830**
European Directories	104	139	151
Red Bee Media	14	28	24
AIR-serv	-	29	25
Regis (previously RCA)	(3)	11	9
Zig Inge Group	8	13	4
Proportional EBITDA (pre fund expenses)	**123**	**220**	**213**
Fund level expenses (including management fees)	(18)	(19)	(30)
Proportional EBITDA (post fund expenses)	**105**	**201**	**183**

Source: MCAG Management Information Report June 2006, MCAG Management Information Report June 2007 and MCAG

Note:

1. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

3.4.2 Financial position

The audited statements of financial position of MCAG as at 30 June 2006 and 30 June 2007 as well as the reviewed financial position as at 31 December 2007 are summarised in the table below.

Table 7: Financial position (consolidated)[1]

	Audited June 2006 (A$m)	Audited June 2007 (A$m)	Reviewed December 2007 (A$m)
Cash	163	134	351
Receivables	72	76	65
Property, plant and equipment	260	191	191
Intangibles	496	764	723
Investments in associates	550	537	530
RCA assets held for sale	-	304	-
Other assets	25	89	94
Total assets	**1,566**	**2,095**	**1,954**
Payables and provisions	253	136	124
Interest bearing liabilities	275	713	691
Liabilities directly associated with RCA assets held for sale	-	227	-
Other liabilities	22	77	111
Total liabilities	**549**	**1,153**	**927**
Net assets	**1,016**	**942**	**1,027**

Source: MCAG Financial Report 30 June 2007, MCAG Interim Financial Report 31 December 2007

Note:

1. Where MCAG has a controlling interest, the assets and liabilities of the controlled entity are included in the consolidated financial statements with the portion attributable to minority investors recognised as an outside equity interest. Where MCAG has significant influence over an entity, MCAG accounts for the asset as an associate.

We note the following in respect of MCAG's statement of financial position:

- cash comprises cash and cash equivalents that are available to MCAG and its consolidated subsidiaries
- intangibles currently relate to customer contracts and goodwill relating to the acquisition of AIR-serv and Red Bee
- investments in associates comprised investments in EDSA and Regis Group of A$414 million and A$116 million, respectively, as at 31 December 2007
- the RCA assets classified as held for sale at June 2007 relate to the merger of RCA and Regis Group. As the transaction was announced pre-year end and completed post-year end, it is accounted for as an asset held for sale. In the December 2007 financial statements Regis Group was accounted for as an associate as MCAG does not have a controlling interest
- other assets relate to prepayments, derivatives and deferred tax assets relating to tax losses and timing differences that are attributable to MCAG and its subsidiaries
- interest bearing liabilities relate primarily to secured and subordinated loans used for the acquisition of the MCAG Assets and working capital requirements. The debt is primarily held at the MCAG Assets level
- other liabilities include derivatives and deferred and current tax liabilities of MCAG and its subsidiaries.

MCAG has forecast a net surplus cash position of approximately A$99 million as at 30 June 2008. The forecast cash balance is after allowing for the tax that will be payable on the disposal of ZIG but before consideration of the cash outflow that may result from the proposed Gouden Gids acquisition. The forecast cash balance does not include the cash balances held at the MCAG Assets level. MCAG's fund level forecast cash balance is treated as a surplus asset in our valuation analysis.

4 Overview of MCAG Assets

The following sections provide an analysis of each of MCAG's Assets and their respective industries.

4.1 Profile of EDSA

4.1.1 Principal activities and background

EDSA is a pan-European directory services group, operating in printed directories, online and mobile searches and directory assistance.

On 1 July 2005, EDSA, a consortium led by MCAG, acquired YBR Group for a total consideration of €1.825 billion on a debt and cash free basis. YBR Group was established in 2004 through a three-way merger of De Telefoongids, Fonecta and Mediatel. In November 2005, EDSA acquired TDC Directories from TDC for a total consideration of €650 million (comprising debt and equity).

4.1.2 Industry overview

4.1.2.1 Structure of industry

The directories business model is based on providing advertisers with an effective way to locate customers through print, online and other channels.

Directories are largely used by small to medium enterprises (SMEs) as they provide SMEs with direct access to users in a defined geographic area. Advertisers pay for placing listings in the directory. Directories compete against other advertising media (such as newspapers) on the basis of price and effectiveness. Revenue growth is largely driven by underlying GDP growth, in addition to up-selling opportunities.

In most European countries, the dominant player in each market is largely due to a historical relationship with incumbent, state-owned telecom operators. Typically, there are only one or two other leading players in each market.

'Online local search' is playing an increasingly important role for industry participants. However, the level of penetration of online media is highly divergent across markets.

Market trends suggest that in the medium to long term, print revenue will decline and online revenue will increase. The migration from print to online media has posed a challenge to those businesses which have historically struggled to gain market share due to brand recognition challenges and the level of capital expenditure investment required.

The divergent level of online media in European countries represents a future growth opportunity for EDSA.

4.1.2.2 Key demand drivers and critical success factors

The directories industry is subject to the following critical success factors:

- **leading brand** – leading directory brands are preferred by SMEs who require the widest possible exposure to potential customers. EDSA is the market leader in six of the countries in which it operates and has a strong presence in the remainder
- **sales force –** an experienced sales force with in-depth localised knowledge that can attract content and thus drive revenue growth is vital for this industry. EDSA has approximately 2,200 dedicated sales staff spread across all of the regions in which it operates. The sales force is able to source extensive and deep content and ensure it is kept up to date
- **significant up-front investment –** significant lead times required to source, print and market directories necessitates a significant up-front investment
- **economies of scale and scope** – critical mass is required for advertising revenue to defray the major costs of printing and distribution and also to finance the development and introduction of new products
- **database** – a comprehensive and accurate customer database is vital and cannot be easily replicated. EDSA has the advantage of established databases developed over many years

- **relationship with incumbent telecommunications provider** – EDSA has a historical relationship with a number of incumbent telecom providers and this provides substantial brand power
- **high rate of retention** – EDSA has an 80% to 90% customer retention rate, reducing the opportunity for new participants to enter the market
- **high return on investment** – SMEs consider this is a critical key performance indicator for assessing different media and directory offers.

4.1.3 Services, products, customers and suppliers

EDSA owns market leading directories businesses in the Netherlands, Finland, Denmark, Austria, the Czech Republic, Slovakia and Gibraltar and has a strong presence in Sweden and Poland.

On a group basis, EDSA is Europe's fourth largest directory services group based on EBITDA and fifth largest based on revenue. The company has more than 4,100 employees, including 2,200 dedicated sales staff, and services around 770,000 advertisers in the SME markets.

Product offerings largely comprise the following services:

- printed directories
- online and mobile searches
- directory assistance.

Core product offerings are print (60%) and online (25%), with remainder being directory assistance, mobile, CD-ROMs, sat nav and other channels. Key financial and other information by country of operation is summarised in the following table.

Table 8: Summary of key financial information

Country	Brand	% of local market share	Directory revenue December 2007 (€m)	EBITDA December 2007 (€m)	Service offering
Netherlands	De Telefoongids	50%-55%[1]	176	95	White Pages, classified pages and also directory services through internet, CD-ROM, DA, SMS and mobile internet.
Finland	Fonecta	60%-65%	159	55	Broad product range with particular expertise in directory assistance services.
Denmark	De Gule Sider	40%-50%	106	40	Local print directories, top ten website and a data sales business.
Austria	Herold	70%-80%	74	27	Yellow and White Pages, website and directory enquiries service provided in partnership with Telecom Austria.
Sweden	Lokaldelen	15%-20%	78	19	Locally focused print directories and online search. Also operates an external advertising services business.
Czech Republic and Slovakia	Mediatel	50%-60%	49	12	Publishes under the well known Zlatè Stránky brand and has an online offering.
Poland	Polskie Ksiazki Telefoniczne	45%-55%	14	2	Regional guides as well as national and regional directory CD-ROMs. Poland also has content available online.
Other		n/a	-	(13)	
Total			**657**	**238**	

Source: MCAG management

Note:

1. The market share of De Telefoongids has been estimated by Deloitte based on directory revenue from the MCAG Interim Results Presentation 27 February 2008
2. Gibraltar is excluded from the above analysis because of the small scale of operations in that jurisdiction.
3. n/a – not available

4.1.4 Growth prospects

4.1.4.1 Industry expectations

Growth in print media is expected to stagnate and slowly decrease in the medium to long term. Organic growth in the industry will mainly be driven by online media or new product offerings. This is confirmed across markets by industry analysts and European peers.

The following trends are anticipated in the European directories industry:

- consolidation of the market within and across geographic regions
- increased partnerships between directory publishers and other media providers
- bundling of product offerings across platforms
- a move towards services being offered on a ‘pay for performance’ basis, measured with call and URL tracking and provided across multiple platforms – print, online, search, mobile search and voice.

4.1.4.2 Company expectations

The company’s expectations are consistent with the industry trends identified above.

The company expects growth in each of its core product offerings in each market in which it operates. EDSA appointed a new management team in Denmark to resolve operational issues impeding growth in that market.

While moderate EBITDA growth is being targeted for print, EDSA anticipates higher growth in online driven by usage increases and scale benefits through the adoption of common platforms across jurisdictions. EDSA is also anticipating revenue and EBITDA growth from new products that it has identified that leverage existing capabilities.

During March 2008, EDSA announced its intention to acquire Truvo NL, publisher of Gouden Gids. Gouden Gids is a major player in the Netherlands print directory market and holds an estimated 40%-45% market share. The combined entity is expected to generate significant synergy benefits and will be earnings accretive.

The purchase price offered by EDSA for Truvo NL implies an enterprise value of €290 million, including deferred consideration of €10 million. The transaction will be funded by EDSA through a new debt facility of €152 million and an equity rights issue. MCAG has advised that it will take up 40% (approximately €30 million) of its rights issue entitlement, which will reduce MCAG’s equity interest in EDSA to 34%.

The transaction remains subject to approval by the Dutch competition authority. The regulator’s decision is expected during the quarter ended September 2008. EDSA will consider further acquisitions, where these increase core strengths and provide revenue and costs synergies.

4.1.5 Competitive position

The markets in which EDSA operates are highly concentrated, with the top two players holding over 80% of market share in each jurisdiction. EDSA is the market leader in most of those markets. Details of the key competitors in each market are set out in the table below.

Table 9: Key competitors

Market	Key competitor	Competitor market share[1]	Comments
Netherlands[2]	Truvo (Gouden Gids)	40%-45%	Number two player in the Netherlands.
Finland	Eniro	30%-35%	Provides both print and online platforms.
Denmark	Eniro	20%-30%	Local print and online platforms, having acquired the market's number three participant, Krak.
Austria	Weiss	5%-10%	EDSA is the only truly national directories publisher.
Sweden	Eniro	75%-80%	Eniro is the leader in regional directories and online product offerings in Sweden, having entered into an alliance with Google.
Czech Republic and Slovakia	Seznam	25%-30%	Seznam is a leading player in the Czech online market.
Poland	Eniro	45%-55%	Focused on large cities with a significant presence in B2B.

Source: MCAG management estimates

Notes:

1. Share of print directory market.
2. Information relating to the Netherlands market has been estimated by Deloitte based on directory revenue from the Truvo 'Delivering value in local search and advertising' presentation 22-24 January 2008

The table below sets out the strengths, weaknesses, opportunities and threats (SWOT) for EDSA.

Table 10: SWOT analysis

Strengths	Weaknesses
• geographically diversified operations • leader in its markets (except Sweden and Poland) • experienced management team and a sales force of over 2,200 with in-depth localised knowledge • high customer retention rate – approximately 80% - 90% • over 60% of customers have bundled products • highly diversified SME customer base, reducing impact of recessionary conditions • leading brand and deep accurate databases which undergo constant reviews to ensure accuracy	• significant competitors in its largest markets • reliance on staff with localised knowledge • dependence on declining print revenue growth
Threats	**Opportunities**
• increased competitive intensity from online search engines • failure to manage the transition from print to online media	• expand into adjacent products and geographies and increased penetration of online services through organic growth and acquisition • continued up-selling of print and online media

Source: Deloitte Corporate Finance analysis

4.1.6 Capital structure

EDSA is an unlisted company whose shareholders include MCAG (39%), Caisse de Depot et Placement du Quebec (27%), MQG and related entities (14%), Pall Mall Directories (11%) and other parties (8%). In terms of board representation, under the current shareholders agreement, MCAG has the right to appoint two directors on a board of five.

There is a ratchet mechanism on an exit event whereby management receive a percentage of the profits realised on exit (referred to as 'sweet equity'). This depends on the pre-sweet equity internal rate of return (IRR) realised by the institutional investors on exit. Based on our valuation range, it is unlikely that the sweet equity ratchet mechanism will be triggered.

EDSA's forecast net debt as at 30 June 2008 is €1,905 million as shown in the table below.

Table 11: Forecast net debt as at 30 June 2008

Facility type	Balance outstanding (€m)	Margin/coupon	Expiry
Senior A	346	2.25%	June 2012
Senior B	383	2.50%	June 2013
Senior C	384	3.00%	June 2014
Second lien	125	4.50%	December 2014
Mezzanine	373	9.50%[2]	June 2015
PIK (coupon)	243	15.74%	June 2016
Working capital and acquisition facility	82	2.25%	June 2012
Total debt outstanding	**1,936**		
Less cash	(50)		
Less marked to market value of hedges	(1)		
Forecast net debt	**1,885**		
Pro-forma adjustments	20[1]		
Forecast pro-forma net debt	**1,905**		

Source: MCAG management

Notes:

1. Relates to the acquisition of Ditel in Poland.
2. This is comprised of 4.75% margin and 4.75% PIK.

The debt facilities contain standard financial covenants including cash cover (cash flow to debt service), senior interest cover (EBITDA/senior interest), interest cover (EBITDA/finance costs), debt cover (net debt/EBITDA) and a maximum capex amount.

The debt facilities also contain change of control provisions that would result in a mandatory repayment if MCAG sells its investment to a non-MQG affiliated or managed buyer. The change of control provision would also be triggered if MQG ceases to be the manager of MCAG. Although we understand that the Proposed Schemes will not trigger the change of control provisions, we have considered this issue in our assessment of the fair market value of MCAG's investment in EDSA.

4.1.7 Financial summary

4.1.7.1 Financial performance

The table below sets out the audited financial performance of EDSA for the 12 months ended 31 December 2006 and 31 December 2007, the reviewed financial performance for the six months ended 30 June 2007 and the forecast financial performance for the six months ending 30 June 2008.

Table 12: Financial performance

	Audited December 2006 12 months (€m)	Audited December 2007 12 months (€m)	Reviewed June 2007 6 months (€m)	Forecast June 2008 6 months (€m)
Trading revenue	645	657	283	296
Revenue growth (%)	*n/a*	*2*	*n/a*	*5*
EBITDA	**209**	**238**	**92**	**90**
Margin (%)	*32*	*36*	*33*	*30*
Depreciation	(8)	(8)	n/a	n/a
Amortisation	(116)	(125)	n/a	n/a
EBIT	**84**	**106**	**n/a**	**n/a**
Margin (%)	*13*	*16*	*n/a*	*n/a*

Source: EDSA Internal Consolidated Financial Statements and MCAG management

Note:

1. n/a – not available.

We note the following in respect of EDSA's statements of financial performance:

- the 2006 result includes revenue of €28.5 million from the French call centre operations sold during that year. If the revenue from these operations is excluded from the 2006 result, revenue grew by 6.6% between 2006 and 2007, which exceeds industry growth
- strong growth achieved in Sweden (10.6%), Austria (10.5%) and Finland (6.5%) was offset by small declines in Slovakia and Denmark during the 2007 financial year
- the 2006 figures include €9.6 million in non-recurring redundancy and IT separation costs whilst the 2007 figures include €4.5 million in restructuring and other one-off costs associated with group wide initiatives
- EBITDA and EBIT margins increased by 4.0% and 3.0%, respectively, between the 2006 and 2007 financial years as a result of increased revenues and improved efficiency through implementation of best practice and group procurement practices
- due to timing of publications EDSA typically achieves 60% to 70% of its earnings in the second half of the year (six months to December). Directories published in the first half of the year are usually smaller (local) books with lower margins, whereas the larger books with higher margins are published in the second half of the year. Growth in revenue and earnings has historically been generated in the latter half of the year. In 2007, 95% of EBITDA growth was generated in the second half of the financial year.

EBITDA (and hence EBIT) presented in Table 12 above is affected by the non-recurring redundancy costs, IT separation costs and restructuring costs referred to above. EDSA removes these items to present a normalised pro-forma level of EBITDA, as shown in Table 13 below.

Table 13: Adjusted EBITDA

	Audited December 2006 12 months (€m)	Audited December 2007 12 months (€m)	Reviewed June 2007 6 months (€m)	Forecast June 2008 6 months (€m)
Reported EBITDA	**209**	**238**	**92**	**90**
Non-recurring charges	10	5	1	4
Adjusted EBITDA	**219**	**243**	**93**	**94**
Margin (%)	*33*	*37*	*33*	*31*

Source: MCAG

4.1.7.2 Financial position

The table below sets out the audited financial positions of EDSA as at 31 December 2006 and 31 December 2007.

Table 14: Financial position

	Audited December 2006 (€m)	Audited December 2007 (€m)
Cash	70	96
Receivables	85	109
Inventories	2	2
Other current assets	83	91
Total current assets	**241**	**299**
Goodwill	1,608	1,615
Other intangible assets	1,172	1,123
Property, plant and equipment	19	18
Other non-current assets	14	11
Total non-current assets	**2,813**	**2,767**
Payables	30	35
Provisions	28	26
Other current liabilities	161	182
Total current liabilities	**219**	**243**
Interest bearing liabilities	2,220	2,356
Other non-current liabilities	410	370
Total non-current liabilities	**2,630**	**2,726**
Net assets	**205**	**96**

Source: EDSA Internal Consolidated Financial Statements

We note the following in respect of EDSA's statement of financial position:

- other current assets comprise working capital balances, including prepayments, receivables from related parties, accrued income and derivative assets
- other intangible assets include trademarks of approximately €534 million and customer relationships of approximately €518 million. These amounts are net of impairment charges and accumulated amortisation as at 31 December 2007
- other current liabilities relate to a variety of working capital balances, including deferred revenue, accrued expenditure and customer advance payments
- other non-current liabilities include deferred tax adjustments of $86 million
- interest bearing liabilities includes shareholder loans and convertible loan notes.

4.2 Profile of Red Bee

4.2.1 Principal activities and background

Red Bee provides playout and media services to a variety of television (TV) broadcasters and content owners located predominantly in the UK.

A consortium led by MCAG acquired Red Bee in July 2005 for a total consideration of £166 million on a debt and cash free basis (excluding transaction costs). This represented 11.7 times pro forma historical adjusted EBITDA for the year ended 31 March 2005. Total equity invested at that time was £115 million, of which MCAG contributed £75 million. In February 2007, Red Bee undertook a refinancing to raise £171 million of new debt to refinance £77 million of existing debt and return £68 million to shareholders (MCAG's share was £44 million), with the remainder retained as cash reserves and transaction expenses.

Red Bee is organised around three divisions, details of which are set out below.

Playout and Media Services (PaMS)

The PaMS division, which accounted for 48% of 2007 revenue, provides playout services. This is the process by which content (e.g. TV programs, trailers or advertisements) is transformed from individual tapes or digitised formats to a continuous stream of content ready for transmission. The PaMS division incorporates the following businesses:

- 'traditional playout services' on behalf of TV companies which accounts for over 90% of PaMS revenues. Traditional playout services are characterised by long-term contracts and low customer churn because of the significant up-front investment requirements, including technical equipment
- 'New Services' focuses on the delivery of services over new platforms such as internet protocol TV (IPTV), mobile phones and video-on-demand (VoD). Red Bee considers itself well placed to take advantage of the significant revenue growth opportunities expected to come from new contracts with current and emerging broadcasters in this market segment.

Access Services

The Access Services division, which accounted for 22% of 2007 revenue, provides three main services to make TV programs more accessible to hearing and visually-impaired viewers, namely subtitling, sign language interpretation and audio description. As access services are now becoming compulsory across EU countries (to varying degrees by different countries and channels), the market has grown rapidly. Red Bee has developed a voice recognition based subtitling service, which has the advantage of a shorter delay on live broadcasts (around three seconds versus around ten seconds for manual input), giving the division an effective edge over competitors.

Creative

The Creative division, which accounted for 30% of 2007 revenue, comprises on-air promotion, channel branding and 360° content[1]. On-air promotions encompass trailers and other short forms of promotions for channels and programs from high-end productions to screen menus such as electronic program guides. Channel branding includes graphic design packages for TV channels, VoD and broadband. 360° content encompasses a broad range of TV content ranging from marketing videos to entire program series funded by advertisers as an alternative to conventional TV commercials. According to Red Bee management, the Creative division is equivalent in size to a UK top ten advertising agency and has a strong record of winning prestigious industry awards.

4.2.2 Industry overview

The broadcast services industry is responsible for collating, packaging and ordering content received from producers in a variety of formats into a single continuous stream which is ready to be passed to transmitters for broadcasting. Traditionally all of the activities in the broadcast value chain were carried out by large integrated broadcasters. A combination of regulation and increasing competitive intensity has led to a decoupling of these activities and increased focus on core competencies. As a result, broadcasters are increasingly outsourcing non-core activities such as playout and access services.

Recent growth in the choice of channels and platforms for accessing TV has resulted in fragmentation of the TV audience putting pressure on broadcasters to secure the most popular content in order to protect market share. Red Bee estimates the UK outsourced playout market at £103 million per annum, which is estimated to constitute approximately 52% of the overall UK playout market.

The complexity of playout services required by broadcasters varies significantly depending on the nature of the broadcast. Live content requires more sophisticated playout services than pre-recorded content. Transmission reliability requirements also affect the complexity of the playout services.

Provision of playout and, to a lesser extent, access services requires significant investment in a variety of broadcasting hardware. As a result, contracts tend to be between five to ten years in length to allow returns to be generated from this hardware. Playout services are generally subject to price deflation on a like-for-like basis, as a result of expected efficiency gains over a contract's life and ongoing cost deflation in the hardware used to provide these services.

4.2.2.1 Key demand drivers and critical success factors

The following factors are considered critical to success in the broadcast services industry:

- **capacity** – provision of playout services requires significant information technology (IT) capacity on which to store and manipulate content. It also requires broadcast rooms in which to arrange and monitor programs. Red Bee's current facilities were designed to accommodate growth and there is currently significant space and capacity for playout. The company therefore has the ability to undertake significant extra services as required
- **price** – buyers of broadcast services are relatively price sensitive, particularly for channels with fully pre-recorded and pre-scheduled programming where service level requirements are low. Red Bee generates economies of scale by using facilities, technology and staff across clients and managing peak broadcast workloads through the use of shifts
- **reliability** – because costs of failure are high, operators must provide a reliable service backed up by spare capacity and facilities. Red Bee has a strong reputation for reliability
- **service levels** – the breadth and range of different services provided is important as clients may buy multiple services from the same provider. Within playout services, content enhancement for online broadcast is becoming increasingly important. Red Bee has significant experience with high-service level contracts due to its experience with major broadcasters such as the BBC and Virgin Media, Inc. (Virgin Media)

[1] '360° content' refers to branded content which can be played across multiple platforms such as TV, IPTV and mobile phones.

- **relationships** – providers must be well connected as many contracts are awarded through established contacts/relationships. Red Bee has a very strong relationship with the BBC and continues to establish relationships with other major UK broadcasters.

4.2.3 Services, products, customers and suppliers

Although still dependent on the BBC for over 50% of its revenue, Red Bee has won contracts with major UK branded channels including Virgin Media, ITV, Channel 4 Television Corporation (Channel 4) and Channel 5 Broadcasting Limited (five).

Much of Red Bee's future revenues are secured through long-term contracts (many five to ten years in tenure) with the above customers. Contracted revenue and 'preferred' revenue (revenue from a customer where total spend under the contract is uncertain or Red Bee has preferred supplier status) is expected to represent more than half of total forecast revenue over the financial years ending 30 June 2008 and 30 June 2011. The key customers in each of Red Bee's divisions are shown in Table 15 below.

Table 15: Key customers by division

PaMS	Access Services	Creative
• BBC	• BBC	• BBC
• UKTV[1]	• Seven Network	• UKTV[1]
• Channel 4[2]	• Channel 4	
• Virgin Media	• UKTV[1]	
• five	• five	
• ESPN		

Source: Deloitte Corporate Finance analysis

Notes:

1. UKTV is affiliated to the BBC.
2. The Playout relationship with Channel 4 remains subject to finalisation of contractual terms.

Red Bee's largest contract is the BBC Framework Agreement which runs until 31 December 2015. This agreement is the overarching legal agreement between the BBC and Red Bee and contains provisions to be applied for the large majority of the services supplied by Red Bee to the BBC.

Red Bee does not have any major supplier dependencies other than those with the BBC. The BBC leases facilities at its broadcast centre to Red Bee from which the majority of its operations are run. Red Bee has 25 years remaining on its lease and the lease includes certain break points exercisable only at the discretion of Red Bee. The company is also currently in the process of separating its IT systems from those of the BBC and this process will be completed in the near future.

4.2.4 Growth prospects

4.2.4.1 Industry expectations

The following drivers are anticipated to shape the future growth of the broadcast services industry:

- **the future role of the BBC** – in October 2007, the BBC announced the 'Delivering Creative Future' initiative, a six year plan that lays out a series of measures designed to enable it to operate within a tighter budget but also to compete in the new media environment. Digital channels, BBC Three and BBC Four, will be continued contrary to expectations. Under the plan, the BBC intends to invest significantly in high definition (HD), on-demand and interactive programming which could increase the complexity and value of the playout services it requires, to the benefit of Red Bee
- **new broadcast markets** – most broadcast markets are not yet highly penetrated for the services which Red Bee offers. Red Bee has identified revenue opportunities in mature markets such as France and Germany, where broadcasters are expected to outsource more playout activities and increase the provision of access services. The company has also identified opportunities in newer markets such as China, where a broad range of content management and creative markets are expected to open up

- **technological advancements** – technological advancements and developments in the broadcasting services industry, such as HD TV and the introduction of new delivery techniques, such as the digital terrestrial platform (DTT), IPTV, VoD and mobile are likely to open up a number of opportunities in the industry.

4.2.4.2 Company expectations

Red Bee has a strong relationship with the BBC and plays an integral role in its operations. This places Red Bee in a favourable position to derive future contract work from the BBC.

Whilst management expects new media services to be a significant contributor to future earnings growth, it has moderated its earnings growth expectations in the short to medium term because of current market conditions, which have not opened up as many new media services opportunities as anticipated. Management is addressing this issue by strengthening its sales and marketing function, continuing diversification of its customer base, focusing on growth initiatives and by undertaking a review of its cost structure to improve efficiencies.

Red Bee's outlook is primarily driven by the following factors:

- **organic growth** – there is an increasing trend for broadcasters to outsource playout services due to the higher capital costs and complexity. As Red Bee is the UK's largest outsourced operator, it is more able to manage complex, multi-regional playout. The broadcast centre is currently operating at a high level of utilisation however some capacity remains to support additional contracts
- **international expansion** – subtitling regulation targets in Europe assist the growth in Access Services and other opportunities for international expansion through organic growth and acquisitions are possible
- **technological advancements** – although consumers are taking longer than originally anticipated to adopt new technologies, management expects revenue growth to be driven by an increasing uptake of new devices, which requires the roll-out of new media services.

4.2.5 Competitive position

Red Bee is currently the market leader in the UK playout and access services markets. Playout competitors tend to be a part of larger broadcasting groups and often focus on simple playout services with low service level requirements. In creative services it usually finds itself in competition with a wide variety of media agencies. None of Red Bee's competitors is present in more than one of its addressable service markets, although some competitors are able to bundle broadcast services with hardware or transmission capacity.

Details of the key competitors in the UK PaMS market are set out in the table below.

Table 16: Key competitors in the UK PaMS market

Competitor	Owner	Key customers	Comments
Technicolor Network Services (TNS)	Thomson	CNBC, Disney, Eurosport, ITV	• perceived to be strong on technical criteria, partly due to its association with its parent which manufactures hardware • potentially able to package services with deals on technology
EBS New Media	Independent	Zee TV, Simply Shopping	• focused on niche satellite channels
Ascent Media Group	Discovery Holding Co	five, Discovery	• international operator with extensive experience across broadcast services • able to package playout with a variety of creative and technical services
Arqiva	MCIG	Shop on TV	• UK transmission operators able to package playout services with transmission capacity

Source: MCAG management

Details of the key competitors in the UK and French access services markets (where major growth is expected) are set out in the table below.

Table 17: Key competitors in the UK and French access services markets

Competitor	Market	Owner	Key customers	Comments
ITFC	UK	Medici Group, LLC	ITV, RTE, Virgin Media	• provides subtitling to major motion picture studios
Independent Media Support	UK	Quoted on the London Stock Exchange's Alternative Investment Market (AIM)	BSkyB, five, Disney, Buena Vista	• focused on subtitling, signing and audio description • strong in language translation capabilities
Télétota	France	Independent	TF1, Canal+, M6	• subtitling is a supplementary service on top of editing, post-production etc.
Dubbing Brothers	France	Independent	M6, Canal+, TPS, Columbia	• subtitling is a supplementary service on top of editing, post-production etc.

Source: MCAG management

The table below sets out the SWOT for Red Bee.

Table 18: SWOT analysis

Strengths	Weaknesses
• geographically diversified operations • leader in the UK market in playout and access services, global leader in creative services • experienced management team • long term contracts giving rise to steady predictable cash flows • modern and extensive facilities with significant capacity • strong relationship with BBC • BBC brand association enables sales in new markets • state of the art hardware and software	• reliance on personnel with relationships with key customers • significant competitors in the creative services market • high overheads due to staff numbers and facilities • highly capital intensive • reliance on BBC
Threats	**Opportunities**
• lower/slower than expected uptake of new media services • commoditisation and price pressure in playout due to rapid improvements in technology • possibility of greater competitive intensity in access and creative services • greater control over UK TV channels by BSkyB, which currently executes playout in-house • increased cost control from BBC following 2007 licence fee settlement	• further expansion into new markets internationally and increased penetration of online services through organic growth and acquisition • subtitling regulations targets in Europe assist Access Services growth • new platforms: IPTV, VoD and HDTV • cross-selling opportunities e.g. selling Creative • ability to review its cost structure to improve efficiencies

Source: Deloitte Corporate Finance analysis

4.2.6 Capital structure

MCAG holds 65.3% of the shares in Creative Broadcast Services International Limited (CBSIL), a company registered in Bermuda which is the ultimate holding company of the Red Bee group. A wholly-owned subsidiary of MQG holds a further 28.3% shareholding in CBSIL with the remaining 6.4% held by a private investor. All the shares in CBSIL carry equal rights.

Through a series of intermediate holding companies, CBSIL has an indirect 100% shareholding interest in the operating companies of Red Bee.

Red Bee's forecast net debt as at 30 June 2008 is £161 million as shown in the table below.

Table 19: Forecast net debt at 30 June 2008

Facility type	Balance outstanding (£m)	Margin	Expiry
Senior term loan facility	125	2.75%	August 2013
Second lien facility	46	5.50%	February 2014
Capital expenditure facility	12	2.25%	August 2013
Total debt outstanding	**183**		
Less cash	(22)		
Forecast net debt	**161**		

Source: MCAG

The debt facilities contain standard financial covenants including cash cover (cash flow to debt service), interest cover (EBITDA/finance costs) and debt cover (net debt/EBITDA) and also benefit from an annual sweep of excess cash from 30 June 2009 onwards.

The debt facilities contain change of control provisions that would result in a mandatory repayment if MCAG sells its investment to a non-MQG affiliated or managed buyer. The change of control provision would also be triggered if MQG ceases to be the manager of MCAG. Although we understand that the Proposed Schemes will not trigger the change of control provisions, we have considered this issue in our assessment of the fair market value of MCAG's investment in Red Bee.

4.2.7 Financial summary

4.2.7.1 Financial performance

The table below sets out the audited financial performance of Red Bee for the 12 months ended 30 June 2006[2] and 30 June 2007 and the forecast financial performance for the 12 months ended 30 June 2008.

[2] Red Bee changed its financial year in the 2006 financial year from March to June and hence the audited 2006 accounts are for the 15 month period ended 30 June 2006. For comparability purposes, the table includes Red Bee's financial performance for the 12 month period ended 30 June 2006.

Table 20: Financial performance

	Reviewed June 2006 (£m)	Audited June 2007 (£m)	Forecast June 2008 (£m)
Trading revenue	**105**	**128**	**141**
Revenue growth (%)	*n/a*	*13*	*10*
Reported EBITDA	**10**	**17**	**16**
Margin (%)	*9*	*14*	*11*
Depreciation	(8)	(13)	n/a
Amortisation	(3)	(3)	n/a
EBIT	**(2)**	**1**	**n/a**
Margin (%)	*(1)*	*1*	*n/a*

Source: MCAG, Red Bee reporting asset pack, Red Bee consolidated financial statements

Notes:

1. n/a – not available.
2. Trading revenue in 2006 is only for the MCAG ownership – 11 months out of the year.

We note the following in respect of Red Bee's financial performance:

- revenue has grown at a compound annual growth rate (CAGR) of 8% per annum over the two years ended 30 June 2007
- PaMS revenues increased by 18% during the 12 months to 30 June 2007 due to the start of contracts for Virgin Media, BBC iPlayer and five
- Access Services revenues have risen steadily in recent years and are forecast to continue to do so as regulatory changes increase the level of access coverage across Europe
- Creative benefited from re-branding exercises at ITV in the year ended 30 June 2006 and BBC 1 in the year ended 30 June 2007. Further growth is being sought through 'big ticket' re-branding projects. However, its core revenue source remains the production of trailers
- the Access Services division earns the highest EBITDA margins driven by its current 'premium' voice recognition offering, with PaMS slightly lower and Creative significantly lower. The markets serviced by the Access Services division have been growing rapidly and capital requirements are lower than for playout. This upward trend in profitability is expected to continue
- EBITDA margins have improved as scale efficiencies have been achieved but ongoing investment requirements have resulted in a growing depreciation charge which has left EBIT at breakeven levels.

EBITDA (and hence EBIT) presented in Table 20 above is affected by several non-cash and non-recurring items. The non-cash charges comprise charges in relation to Red Bee's pension scheme[3] and its management incentive plan. The non-recurring charges relate primarily to restructuring costs and transaction expenses. For management reporting purposes, Red Bee removes these items to present a normalised pro-forma level of EBITDA, as shown in Table 21 below.

[3] This adjustment comprises the excess of Red Bee's pension expense, as calculated in accordance with relevant financial reporting standards, over and above cash contributions to its pension schemes.

Table 21: Adjusted EBITDA

	Reviewed June 2006 (£m)	Audited June 2007 (£m)	Forecast June 2008 (£m)
Reported EBITDA	**10**	**17**	**16**
Non-cash charges	3	4	3
Non-recurring charges	4	-	7
Adjusted EBITDA	**17**	**21**	**26**
Margin (%)	*16*	*16*	*18*

Source: MCAG

4.2.7.2 Financial position

The table below sets out the audited financial position of Red Bee as at 30 June 2007 and the reviewed financial position as at 31 December 2007.

Table 22: Financial position

	Audited June 2007 (£m)	Reviewed December 2007 (£m)
Cash	31	27
Receivables	32	32
Inventories	0	-
Other current assets	4	5
Total current assets	**66**	**63**
Property, plant and equipment	49	51
Goodwill	109	109
Intangibles	24	22
Other non-current assets	8	**-**
Total non-current assets	**190**	**182**
Payables	30	31
Provisions	(2)	-
Other non-current assets	(1)	-
Total current liabilities	**27**	**31**
Interest-bearing liabilities	169	176
Other non-current liabilities	15	4
Total non-current liabilities	**184**	**181**
Net assets	**45**	**34**

Source: MCAG, Red Bee reporting asset pack, Red Bee consolidated financial statements

We note the following in respect of Red Bee's statement of financial position:

- intangible assets comprises £22 million in relation to customer contracts and £109 million of goodwill as at 31 December 2007, most of which relates to the acquisition of Red Bee in July 2005
- in February 2007, Red Bee refinanced its then-existing debt facilities with new facilities totalling £219 million, of which £176 million had been drawn as at 31 December 2007. Further details of Red Bee's capital structure are contained in section 4.2.6.

4.3 Profile of AIR-serv

4.3.1 Principal activities and background

Founded in 1981, ASI Holding Corp (trading as AIR-serv) owns, installs and operates the world's largest portfolio of coin-operated vehicle tyre inflation, vacuum and jet wash machines under long term concession agreements with petrol stations and convenience stores across the United States (US), Canada, UK, the Republic of Ireland, the Netherlands, Luxembourg and Belgium.

In July 2006, an MCAG led consortium acquired 100% of ASI Holding Corp on a debt free basis for US$420 million. MCAG invested US$109 million for a 60% equity interest. In November 2007, the shareholders of Air-serv injected US$25 million (MCAG injected US$16 million) of equity into the business to facilitate expansion into Continental Europe.

Since July 2006, AIR-serv has undertaken a number of key acquisitions including the acquisition of Air Development, which had approximately 2,050 machines in Texas. AIR-serv also acquired Coin-Tel, a small US route based pay phone service provider in the 2007 financial year. This was followed by the acquisition of Savan Services in January 2008, an air service provider in the Netherlands with over 800 machines in the 2008 financial year. Savan Services is the only pay air provider of significance in Continental Europe and will serve as a base for AIR-serv to expand into Continental Europe.

4.3.2 Industry overview

As AIR-serv predominantly operates in the US, we have focused the following industry overview on this market.

Pay air service was first introduced at petrol stations in the US in the early 1980s and became the industry standard by the mid to late 1990s. Motorist acceptance of pay air reflects recognition of the benefits of increased reliability and access. The industry shift from free air to pay air also reflects a desire on the part of petrol station owners to transform a historical cost centre into a profit centre. Further, the transition of petrol stations to convenience store models has increased focus on core competencies, resulting in limited capacity to service air machines and consequent outsourcing by owners.

The total tyre inflation service market in the US consists of approximately 167,500 sites, of which AIR-serv holds a 29% market share. A detailed breakdown of both the US tyre inflation service market and the US outsourced pay air market are provided below.

Figure 3: US tyre inflation service market

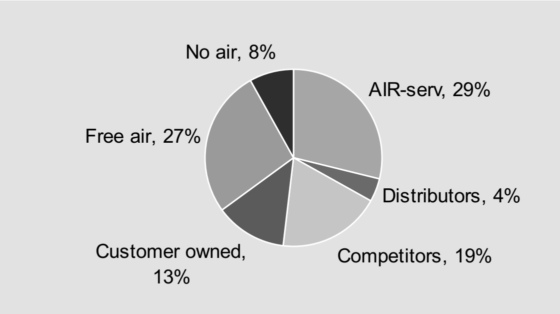
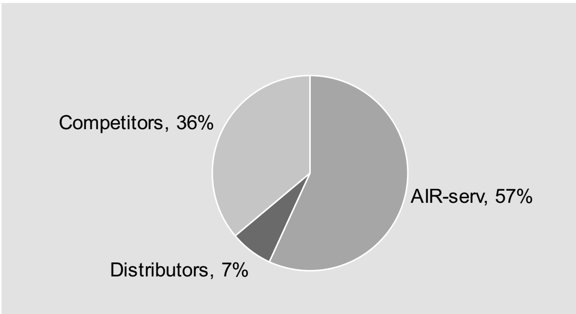


Figure 4: US outsourced pay air market



Source: MCAG management estimates

According to management, AIR-serv is approximately 15 times larger that the next largest operator in the US, with more machines than all other outsourced providers combined.

4.3.2.1 Key demand drivers and critical success factors

The demand for tyre inflation is influenced by a number of key drivers including:

- **the number of vehicles on the road** – according to the US Department of Transportation, the number of vehicle registrations has grown at a historical rate of approximately 2% per annum
- **consumer awareness of the need for tyre inflation** – consumers are becoming increasingly aware of the need for tyre inflation as air pressure monitors are a standard feature in all new vehicles sold in the US.
- **the number of miles travelled** – recently, distances travelled have fallen as a result of record fuel prices. The US Department of Transportation stated that the year ended December 2007 marked the first decline in miles travelled over the last 29 years.
- **the age of vehicles on the road** – typically older vehicles require more frequent tyre inflation
- **the number of petrol retail locations** – according to management, the number of petrol retail locations in the US has remained relatively constant since 2003
- **seasonality** – demand is usually lower in winter months as consumers travel less and access to machines is hindered by snow.

4.3.3 Services, products, customers and suppliers

AIR-serv owns, installs and operates over 67,000 vehicle tyre inflation, vacuum and jet wash machines as summarised in the table below:

Table 23: Number of AIR-serv machines (as of March 2008)

Region	Air	Vacuum	Jet wash
US	48,500	11,116[1]	-
UK	3,293	884	542
Canada	1,970	82	-
Netherlands and Luxembourg	820	-	-
Belgium	75	-	-

Source: MCAG

Note:

1. Approximately 11,000 machines are dual air and vacuum. These machines have been counted as one machine and are classified as air machines.

AIR-serv has a presence across all 48 continental US states and Hawaii with national network facilitating the service of national convenience store and petrol station chains. AIR-serv has a large customer base with no single customer contributing more than 7% of revenue. AIR-serv's top ten customers represented approximately 33% of US revenues in the 2007 financial year.

AIR-serv's customers range from national chains to individual store owners. Contracts are typically five years in length and provide AIR-serv with exclusive rights to place machines on site in exchange for revenue sharing arrangements with store operators. Annual churn for store owners is low and is mainly the result of either changes in store ownership or store closure.

4.3.4 Growth prospects

4.3.4.1 Industry expectations

The US tyre inflation industry, in terms of capacity, is estimated to grow at approximately 2% per annum in line with historical averages for the number of vehicles on the road and the number of miles travelled[4].

[4] US Department of Transportation.

We note that government initiatives in the US have recently resulted in a requirement for air pressure monitors to be placed in all new vehicles. Further, environmental concerns in Europe have resulted in government advertising campaigns promoting regular gauging of air tyre pressure. This is expected to increase the utilisation of the air tyre pressure machines. The industry is expected to continue its shift from the provision of free air to pay air.

Apart from machine utilisation, the other key dynamic in revenue growth is pricing, which can have a significant effect on revenue and profitability.

4.3.4.2 Company expectations

There is significant potential to grow the AIR-serv business within existing markets and through geographic expansion. AIR-serv's outlook is primarily driven by the following factors:

- **organic growth** – from continued conversion of remaining free air sites to pay air service or through implementation of free air usage caps with national accounts. A large number of clients within the US continue to offer free air machines at selected sites
- **growth through acquisitions** – an identified pipeline of air vending distributor and competitor consolidation opportunities remain
- **expansion into continental Europe** – major oil companies, which are existing customers of AIR-serv, either directly own or control a large number of the 42,000 free air machines in the continental European[5] air market. AIR-serv may be able to make use of its existing relationships with the major oil companies to expand the AIR-serv program into the region thereby facilitating significant route opportunities
- **growth in revenue per machine** – achieved through the potential restructuring of prices, including increases in headline prices and multiple pricing points
- **technological advancements** – mobile phone technology has been tested in the Netherlands and this technology may assist penetration of the Continental European market if it can be effectively rolled out.

4.3.5 Competitive position

The table below sets out the SWOT for AIR-serv.

[5] Continental Europe refers to Belgium, Netherlands, Luxembourg, France, Spain and Germany.

Table 24: SWOT analysis

Strengths	Weaknesses
• dominant market position – AIR-serv has 57% of pay air market share in the US and is approximately 15 times larger than the next biggest competitor in the US • only exclusive air/vacuum company with a proven national infrastructure to service national accounts • long-term customer relationships – the average length of relationship with top ten customers is almost eleven years. No national customer has been lost to date • no single customer accounts for more than 7% of US revenues and expiration of national contracts is staggered • experienced management team with extensive route based management experience	• declining utilisation in the US due to record fuel prices, increased free air usage following price increases and general economic downturn • AIR-serv's revenues are subject to seasonality impacts as people travel less in winter months and machines may be inaccessible • potential implementation of credit card and/or dollar bill acceptor machines may result in significant capital expenditures. The cost of implementation may be offset by reduced cash collection costs
Threats	**Opportunities**
• risk of increased commissions • fuel price increases	• relatively inelastic demand results in an ability to increase vending prices • establishing free air caps or removal of free air options from national accounts • expansion into Continental Europe through existing relationships with international oil companies • dollar bill receptor rollout – currently being trialled in North Carolina and Tennessee and/or credit card acceptor rollout

Source: Deloitte Corporate Finance analysis

4.3.6 Capital structure

AIR-serv shareholders include MCAG (60%), Westscheme Superannuation Fund (10%), Statewide Superannuation Fund (10%), MTAA Superannuation Fund (17%) and management.

In November 2007, the shareholders excluding management of AIR-serv injected US$25 million of equity into the business to facilitate expansion into Continental Europe, including the acquisition of Savan Services.

In addition to invested equity capital, AIR-serv has external debt facilities in place with forecast balance sheet debt as at 30 June 2008 amounting to US$264 million. We note the following in relation to these facilities:

- borrowings under the senior and subordinated credit facilities are collateralised by substantially all of AIR-serv's assets and require minimum debt service coverage ratios to be met
- there are interest rate swap agreements in place to hedge interest rate exposure under the senior credit facilities
- AIR-serv had an effective weighted average cost of debt at 31 December 2007 of 8%.

AIR-serv's forecast net debt as at 30 June 2008 is US$245 million as shown in the table below.

Table 25: Forecast net debt at 30 June 2008

Facility type	Balance outstanding (US$m)	Margin	Expiry
Senior credit facility	168	1.75%	June 2011
Subordinated credit facility	75	4.00%	January 2012
Senior – capital expenditure/acquisition facility	22		June 2011
Total debt outstanding	**264**		
Less cash	(14)[1]		
Debt service reserve account	(6)		
Forecast net debt	**245**		

Source: MCAG

Note:

1. Relates primarily to cash in machines.

The debt facilities contain standard financial covenants including cash cover (cash flow to debt service) and leverage ratios.

The debt facilities contain change of control provisions that would result in a mandatory repayment if MCAG sells its investment to a non-MQG affiliated or managed buyer. The change of control provision would also be triggered if MQG ceases to be the manager of MCAG. Although we understand that the Proposed Schemes will not trigger the change of control provisions, we have considered this issue in our assessment of the fair market value of MCAG's investment in AIR-serv.

4.3.7 Financial summary

4.3.7.1 Financial performance

The table below sets out the audited financial performance of AIR-serv for the 12 months ended 30 June 2007 and the forecast financial performance for the 12 months ending 30 June 2008.

Table 26: Financial performance

	Reviewed June 2007[1] (US$m)	Forecast June 2008 (US$m)
Revenue	**129**	**135**
Revenue growth (%)	*n/a*	*5*
EBITDA	**38**	**37**
Margin (%)	*30*	*28*
Depreciation	(15)	n/a
Amortisation	(24)	n/a
EBIT	**(1)**	n/a
Margin (%)	*(1)*	*n/a*

Source: MCAG, AIR-serv reporting asset pack

Notes:

1. Period from the date of acquisition, 7 July 2006, to 30 June 2007.
2. n/a - not available

We note the following in respect of AIR-serv's statement of financial performance:

- revenue is forecast to grow as a result of the assumption of new contracts, acquisitions and the Continental European expansion. Net organic machine growth is forecast at between 2.5% and 3.5% with assumed organic growth in Continental Europe of approximately 18% in four to five years
- AIR-serv expects a slight decline in EBITDA margin over the next few years due to a potential increase in competition
- amortisation expense relates to customer contracts and non-compete agreements recognised for accounting purposes following the AIR-serv acquisition.

EBITDA (and hence EBIT) presented in Table 26 above is affected by non-cash items. The largest non-cash charge relates to AIR-serv's management incentive plan. For management reporting purposes, AIR-serv removes these items to present a normalised pro-forma level of EBITDA, as shown in Table 27 below.

Table 27: Adjusted EBITDA

	Audited June 2007 (US$m)	Forecast June 2008 (US$m)
Reported EBITDA	**38**	**37**
Non-cash charges	1	1
Adjusted EBITDA	**39**	**38**
Margin (%)	*30*	*28*

Source: MCAG

4.3.7.2 Financial position

The table below sets out the audited financial position of AIR-serv as at 30 June 2007 and the reviewed financial position as at 31 December 2007.

Table 28: Financial position

	Reviewed June 2007 (US$m)	Reviewed December 2007 (US$m)
Cash	20	26
Receivables	4	3
Total current assets	**25**	**29**
Property, plant and equipment	64	65
Intangible assets	136	128
Goodwill	240	242
Other non-current assets	40	49
Total non-current assets	**480**	**484**
Payables	24	32
Total current liabilities	**24**	**32**
Interest-bearing liabilities	269	251
Other non-current liabilities	54	62
Total non-current liabilities	**324**	**313**
Net assets	**157**	**168**

Source: MCAG, AIR-serv reporting asset pack

We note the following in respect of AIR-serv's statement of financial position:

- cash and cash equivalents include estimated coinage contained within uncollected machines of approximately US$8 million. AIR-serv's cash collection policy targets a 95 day timeframe with high cash generating machines collected more frequently
- AIR-serv has completed over 20 acquisitions since 2004, leading to restricted cash, intangible assets, goodwill and amounts due to seller balances. Restricted cash relates to amounts held in escrow over AIR-serv's acquisitions whilst intangible assets include customer relationships, trade names and non-compete agreements
- AIR-serv operates on a negative working capital position as commissions are paid on a quarterly basis despite more frequent cash collection
- AIR-serv entered into a US$250 million credit agreement with an additional $75 million of subordinated debt in connection with the acquisition of ASI Holding Corp. in July 2006. Further details of AIR-serv's capital structure are contained in Section 4.3.6.

4.4 Profile of Regis Group

4.4.1 Principal activities and background

Formed in 1993, Regis Group operates in the aged care industry within Australia, focusing on facilities providing high levels of care to its residents. Regis Group operates 41 sites and more than 3,600 beds in all Australian states except Tasmania. The group has a significant development pipeline and expects to add a further 900 beds within the next three years.

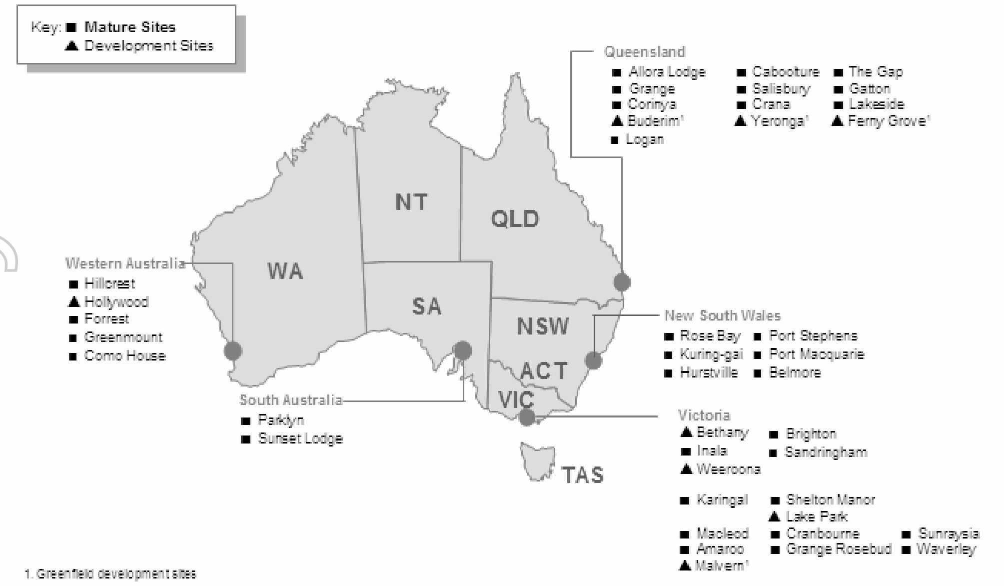
Regis Group has grown its business organically and through acquisitions to become the third largest private provider of aged care facilities in Australia. In July 2007, Regis Group successfully merged with RCA, a previous subsidiary of MCAG. Following its acquisition by MCAG, but prior to the merger, RCA completed the following significant acquisitions:

- 14 older style aged care centres from the Salvation Army for a consideration of A$63 million in July 2005 comprising 1,451 beds and 796 independent living units. Seven centres were subsequently sold in 2007
- 12 modern aged care facilities in areas with favourable demographics from the Moran Healthcare Group for a consideration of A$147 million comprising 1,010 beds.

The merger with Regis Group allowed RCA to internalise management of the operations along with increasing scale.

The figure below shows the mature and development sites within Regis Group's portfolio as at June 2008.

Figure 5: Overview of Regis Group's operations



Source: MCAG

4.4.2 Industry overview

The retirement care and accommodation industry focuses on providing care to individuals that have concerns regarding their health, mobility or current lifestyle. The average age of residents in these facilities is 83 years[6], with an average entry age of 75 years.

The industry is separated into three distinct sectors based on the level of care and accommodation provided:

- **residential aged care** – provides residents with the highest level of medical care on a continuous basis, generally in hostels or nursing homes
- **community care** – residents are generally in need of some medical attention but allows them to live in their own home
- **retirement villages** – focus on individuals that are independent and self-sufficient and are not in need of regular medical assistance.

The industry is serviced by religious, non-profit and for profit organisations, with the majority of facilities provided by religious and non-profit organisations.

At 30 June 2006, there were 151,737 permanent residents and 3,135 temporary residents in residential aged care which represented a national occupancy rate of 96%[7]. Much like the rest of the industry, the residential aged care segment, which Regis Group operates in, is dominated by non-profit and religious based operators, with for-profit operators accounting for roughly 27% of the market in 2006.

Residential aged care is highly regulated and licences are required from the Australian Government (either directly or through delegation by the State governments) for each bed within a facility. The Australian Government provides funding using the Aged Care Funding Instrument. Aged care residents can be split into two broad categories:

- **low care** – residents have low level of dependency, requiring a lower level of nursing care, accommodation is generally provided in hostels
- **high care** – residents have specific nursing/medical needs requiring more constant care and attention, accommodation is generally provided in nursing homes.

[6] Charter magazine – Ageing Australia: April 2008.
[7] Australian Institute of Health and Welfare – Older Australia at a Glance: November 2007

In 2004, for-profit organisations had 84.2% of their operations in the high care sector, whereas the not-for-profit organisations and religious organisations had 78.8% and 63.8%, respectively, of their operations in the low care sector[8]. While for-profit providers operate mostly high care facilities, these operators also attract the highest proportion of high value accommodation bonds because they are likely to offer extra services to cater for the profile of residents in their facilities. The provision of extra services enables aged care providers to levy accommodation bonds. This is only relevant for high care facilities as low care facilities ordinarily attract bonds.

Operators in the industry derive their revenue from Commonwealth government subsidies (substantial portion), daily care charges, accommodation charges and the provision of extra services. A majority of operating expenditure, typically up to 70%, is in the form of wages and salaries to permanent and temporary staff. Industry operators are faced with the risk of revenue received from government growing at a slow rate, for example at inflation, whereas wages and salaries are currently growing at a much faster rate. Refundable accommodation bonds may be levied on residents, who meet an asset threshold of A$34,500, receiving low care and on residents who receive extra services regardless of the level of care. The accommodation bonds, which are interest free, contribute to financing the capital costs of the accommodation. The operator may retain A$280 per month of the accommodation bond to a maximum of A$16,800. The accommodation bond may be made as a lump sum or as instalments and in the current market accommodation bonds average approximately A$100,000 to A$200,000.

4.4.2.1 Key demand drivers and critical success factors

Demand for services in the retirement care and accommodation industry is driven by:

- **demographic factors** – including the growth and ageing of the Australian population, life expectancy and the ability to access informal care from family
- **economic factors** – including the wealth of older people and their preferences for particular types of facilities and level of care and the level of public funding provided by the state and national governments

The success of aged care providers is determined by numerous factors including the ability to recruit and retain a skilled and flexible work force, access government subsidies, preserve the quality of facilities, maintain high levels of occupancy and optimise the operational cost structure.

4.4.3 Services, products, customers and suppliers

A detailed breakdown of the retirement care and accommodation industry, including the residential aged care segment in which Regis Group operates, is set out in Table 29.below

Table 29: Overview of the retirement care and accommodation industry

	Residential aged care[1]		Community care	Retirement village	
	High care	Low care	Home and community care	Serviced apartments	Independent living units
Accommodation	Nursing homes	Hostels	Home	Apartments	Units
Level of care	High		High	Low	None
Key risks	Government funding/ operational costs		Government funding/ operational costs	Property values	
Regularity of cash flows	Periodic		Periodic	With property turnover	
Regulation	High		High	Moderate	
Source of revenue	Government/residents		Government/residents	Residents	

Source: Deloitte Corporate Finance analysis

Note:

1. The level of service offered is dependent on the extra services provided by individual facilities.

[8] Review of Pricing Arrangements in Residential Aged Care - Hogan Review 2004

Regis Group has a substantial number of beds providing both low and high care levels, with some of its portfolio focusing on extra services. Within the aged care industry, low and high care extra service beds generally operate at higher EBITDA margins than the standard low and high care beds. Additionally, extra service beds allow Regis Group to charge an accommodation bond upon a resident's entry into the facility. Regis Group plans to dedicate 50% of its development portfolio to extra service beds.

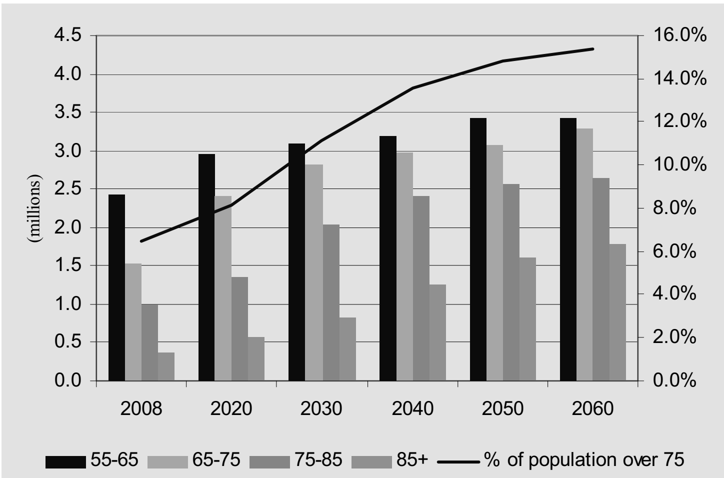
The mature portfolio comprises 1,204 low care beds, 1,766 high care beds and 459 extra service beds (both low and high care). The development portfolio will see the addition of more than 1,000 beds over a four to five year period increasing the total portfolio to over 4,500 beds. Approximately 30% of the additional beds will come from expansion projects at existing facilities with the remainder being new developments. Extra service beds are likely to comprise approximately 25% of the portfolio post-development.

4.4.4 Growth prospects

4.4.4.1 Industry expectations

According to the Australian Bureau of Statistics, the average age of the Australian population is expected to increase steadily over the next 50 years, with more than four million people expected to be over 75 years old in 2060, representing 15% of the projected Australian population. The projected ageing of the population for the next 50 years is set out below.

Figure 6: Projected ageing of the Australian population



Source: Australian Bureau of Statistics 2004

Note:

1. The population projections presented above assume a total fertility rate of 1.7 babies per woman from 2018 onwards; life expectancy increasing to 84.9 years for males and 88.0 years for women by 2050-51; and net overseas migration of 110,000 per year.

4.4.4.2 Company expectations

Regis Group's outlook shows a strong growth pattern which is primarily driven by the following factors:

- an earnings uplift attributable to the development portfolio coming online over the near term. This will equate to approximately a 30% increase in bed numbers which will drive an increase in revenue and accommodation bond cash inflows
- the group maintaining a diversified bed range between high and low care but looking to increase the level of extra service places that result in a higher contribution to earnings
- the realisation of merger synergies with the most significant gains being made in the rationalisation of head office costs and other operational efficiencies
- Regis Group is well placed to benefit from further industry consolidation. Regis Group has experienced management, excellent information technology systems and the capacity to acquire competitors should the opportunity arise

4.4.5 Competitive position

The table below sets out the SWOT for Regis Group.

Table 30: SWOT analysis

Strengths	Weaknesses
• scale with 41 facilities in 5 different states • management team has extensive experience in aged care, building and development • major portion of revenue is derived from government subsidies • residential facilities are located in good demographic areas • significant underlying land portfolio • licences are restricted and available only to approved providers	• highly capital intensive business • smaller presence in New South Wales, which has historically been the state with the highest average EBITDA per bed • labour intensive industry, with intense competition from non-profit organisations providing aged care • several mature sites do not currently have government approval to provide extra care services
Threats	**Opportunities**
• unfavourable reform of government subsidies • price competition on accommodation bonds • volatility in the credit markets may continue to increase the cost of capital and slow growth • changes in preferences for facilities • oversupply of aged care facilities with the granting of new aged care licences • labour shortages and wage inflation pressures • change in demographics of areas surrounding facilities • change in government policy focusing on home care rather than aged care facilities	• use of management expertise and relationships to expand services • optimise product diversity and service • acquisitions of small operators • possible change in regulation to allow aged care operators to charge accommodation bonds for standard high care facilities • realisation of further synergies and economies of scale from the merger

Source: Deloitte Corporate Finance analysis

4.4.6 Capital structure

Regis Group shareholders include MCAG (46%) and the original Regis Group shareholders (54%). These parties signed a shareholders agreement for the merger of RCA and Regis Group on 2 July 2007.

The shareholders agreement is in place to ensure shareholder interests are aligned and provides MCAG with board representation. MCAG has the ability to veto resolutions through the shareholder resolution quorum and approval requirements, provided for in the Regis Group shareholders agreement.

In addition to invested equity capital, Regis Group has external debt facilities in place with forecast balance sheet debt at 30 June 2008 amounting to A$322 million of which the following is noted:

- 100% of the 30 June 2008 outstanding debt matures in 2012 thus providing minimal refinancing risk to the business in the short term
- the current amount drawn down represents approximately 65% of total facility limits available, providing Regis Group with the ability to execute its development program. It also gives Regis Group the possibility to make future bolt on acquisitions
- interest payable on debt facilities is 1.40% over the base rate.

Regis Group's forecast net debt as at 30 June 2008 is $312 million as shown in the table below.

Table 31: Forecast net debt at 30 June 2008

Facility type	Balance outstanding (A$m)	Margin	Expiry
Senior credit facility	280	1.40%	June 2012
Capital expenditure facility	13	1.40%	June 2012
Development facility	29	1.40%[1]	June 2012
Total debt outstanding	**322**		
Less cash	(10)		
Forecast net debt	**312**		

Source: MCAG

1. If interest is capitalised, 1.55% is the applicable margin.

The debt facilities contain standard financial covenants including cash cover (cash flow to debt service), interest cover (EBITDA/finance costs), debt cover (net debt/cash EBITDA and net bond flow) and a loan to value ratio for the construction facility.

The debt facilities contain change of control provisions that would result in a review event that may result in a mandatory repayment if MCAG sells its investment. Although we understand that the Proposed Schemes will not trigger the change of control provisions, we have considered this issue in our assessment of the fair market value of MCAG's investment in Regis Group.

4.4.7 Financial summary

4.4.7.1 Financial performance

The table below sets out the forecast financial performance of Regis Group for the 12 months ending 30 June 2008.

Table 32: Financial performance

	Forecast June 2008 (A$m)
Revenue	**206**
Revenue growth (%)	*n/a*
EBITDA	**19**
Margin (%)	*9*
Net bond flow	28

Source: MCAG management

We note the following in respect of Regis Group's statement of financial performance:

- the 2007 forecast EBITDA includes the integration costs associated with the merger of Regis Group and RCA i.e. does not represent a normalised level of earnings. Management has not sought to normalise earnings given that this is the first year of operation for the merged entity
- the number of beds over this period has remained relatively constant with the main uplift from development facilities expected to take place in the 2008 and 2009 financial years
- growth in EBITDA margin is expected as a direct result of Regis Group's strategic move toward additional extra care services as well as the realisation of cost synergies associated with the merger of Regis Group and RCA. Land sales are expected to contribute to an increase in the EBITDA margin in 2010.

4.4.7.2 Financial position

The table below sets out the reviewed financial position of Regis Group as at 31 December 2007.

Table 33: Financial position

	Reviewed December 2007 (A$m)
Cash	17
Receivables	21
Total current assets	**38**
Property, plant and equipment	299
Intangible assets	65
Goodwill	165
Other non-current assets	37
Total non-current assets	**566**
Payables	24
Provisions	18
Other current liabilities	206
Total current liabilities	**248**
Interest-bearing liabilities	301
Total non-current liabilities	**301**
Net assets	**55**

Source: MCAG management

We note the following in respect of Regis Group's statement of financial position:

- intangible assets relate to bed licenses
- other current liabilities relate to resident related accommodation liabilities.

5 Valuation

5.1 Methodologies and approach

To estimate the fair market value of MCAG we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which deals with the content of expert reports. These are discussed below.

5.1.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the fair market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other valuation methods because they may not account for company specific factors.

5.1.2 Discounted cash flow methods

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

5.1.3 Asset based methods

Asset based methods estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to security holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

5.1.4 Selection of valuation methodologies

We have estimated the fair market value of MCAG by aggregating the estimated fair market value of the underlying components of MCAG on a sum-of-the-parts basis and deducting the present value of the management fees that are payable to MCAML under long term contractual arrangements. The assets of MCAG include investments in EDSA, Red Bee, AIR-serv, Regis Group and cash. The benefits that are derived from MCAML's expertise are captured within the discounted cash flows or maintainable earnings, as appropriate, upon which the valuations of the MCAG Assets are based.

In undertaking the sum-of-the-parts analysis we have estimated the fair market value of each investment separately as summarised in the table below.

Table 34: Selection of valuation methodologies

Investment	Primary approach	Secondary approach	Rationale
EDSA	Capitalisation of maintainable earnings	Discounted cash flow	• closely comparable companies • board approved business plan in place
Red Bee	Discounted cash flow	Capitalisation of maintainable earnings	• board approved business plan in place • broadly comparable listed companies
AIR-serv	Discounted cash flow	Capitalisation of maintainable earnings	• board approved business plan in place • broadly comparable listed companies
Regis Group	Discounted cash flow	Capitalisation of maintainable earnings	• board approved business plan in place. Furthermore, the development and mature portfolios exhibit different characteristics and risks • broadly comparable companies/transaction metrics

Source: Deloitte Corporate Finance analysis

In relation to EDSA, we consider that there are a sufficient number of comparable trading and transaction multiples to enable the use of a capitalisation of future maintainable earnings method as the primary valuation methodology. We have used the DCF method to cross-check our valuation using the capitalisation of future maintainable earnings method. In our opinion, the most appropriate primary methodology for the valuation of EDSA is the capitalisation of future maintainable earnings method.

We have adopted the DCF method as the primary valuation method for the three remaining assets because of the lack of truly comparable companies. We have used a capitalisation of future maintainable earnings approach as a cross-check to ensure that our conclusions under our primary valuation methodology are supported. The entities used in our benchmarking analysis of Red Bee, AIR-serv and Regis are only broadly comparable making the use of the capitalisation of future maintainable earnings method as a primary valuation method less appropriate than the DCF method.

5.2 Valuation of EDSA

We consider the current fair market value of MCAG's investment in EDSA to be in the range of €189 million to €235 million. Based on the €/A$ exchange rate as at 19 June 2008, this is in the range of A$308 million to A$382 million.

In determining this amount, we estimated the fair market value of MCAG's investment in EDSA using the capitalisation of maintainable earnings method, which we have cross checked with the discounted cash flow method.

These methods are discussed in Sections 5.2.1 to 5.2.14 below.

5.2.1 Capitalisation of maintainable earnings

The capitalisation of maintainable earnings method estimates fair market value by capitalising future earnings using an appropriate multiple which encapsulates the growth prospects and risks attaching to future earnings. To value EDSA using the capitalisation of maintainable earnings method requires the determination of the following:

- an estimate of future maintainable earnings
- an appropriate earnings multiple
- the value of any surplus assets
- the level of net debt outstanding
- consideration of any premiums or discounts appropriate to apply to the fair market value of EDSA or MCAG's effective interest in EDSA.

Our consideration of each of these factors is presented below.

We have considered the impact of the proposed acquisition of Truvo NL separately in section 5.2.15.

5.2.2 Future maintainable earnings

Future maintainable earnings represent the level of maintainable earnings that the existing operations could reasonably be expected to generate. We have selected EBITDA as an appropriate measure of earnings for EDSA because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows a better comparison with earnings multiples of other companies.

We have estimated future maintainable EBITDA to be €275 million. In determining future maintainable earnings we have considered, inter alia, the following information:

- historical earnings for the financial years ended 31 December 2006 and 31 December 2007
- EDSA board approved budgeted financial results for the financial year ending 31 December 2008, subsequently updated to include earnings attributable to the acquisitions of Ditel and First Impressions
- detailed business plan prepared by EDSA, in conjunction with MCAG management, which includes projections of nominal pre-tax cash flows up to and including the year ending 31 December 2013
- industry expectations regarding forecast revenue.

EDSA is projecting strong growth in revenue and EBITDA over the period to 2010. The industry is expecting CAGR in revenue of 5.5% for Europe over the period 2007 to 2012.

The projected growth in EBITDA can be attributed to both increases in turnover as well as margin improvements, brought about by changes in product mix, increases in sales force effectiveness, pricing optimisation, product packaging and bundling and development of new products. Continuing benefits of previously implemented efficiency programs, including group procurement and other cost initiatives, are also expected to improve margins.

EDSA management has projected moderate growth in the revenue and EBITDA of the print business notwithstanding the change in product mix, as the migration from a print to an online environment gathers pace in the short to medium term.

Further details of the assumptions and principles underlying the EDSA projections are set out in section 5.2.10.

5.2.3 Earnings multiple

We have determined an earnings multiple in the range of 9.0 to 9.5 times EBITDA. In selecting these earnings multiples we have considered:

- earnings multiples derived from share market prices of comparable listed companies
- prices achieved in mergers and acquisitions of comparable companies
- EDSA's growth expectations, as discussed in section 5.2.2 above
- the degree of influence that MCAG is able to exert over EDSA.

The earnings multiples and prices achieved in mergers and acquisitions of comparable companies are discussed separately below.

5.2.3.1 Market trading multiples

The share market valuations of listed comparable companies provide evidence of the earnings multiple that EDSA might attract if it was listed on a large stock exchange. The share price of a listed company represents the fair market value of a minority interest in that company.

We have compiled share market trading multiples for companies comparable to EDSA, as summarised in the following table.

Table 35: Earnings multiples – market trading

Company	Currency	Enterprise value (million)	EBITDA times (Historical)	EBITDA times (Current)	EBITDA times (Forecast)
European					
Yell Group Plc	£	4,649	6.9x	6.3x	6.2x
Eniro AB	Kr	15,544	7.3x	7.4x	7.1x
Seat Pagine Gialle SpA	€	4,162	7.5x	6.7x	6.4x
PagesJaunes	€	5,128	10.1x	9.7x	9.0x
Average European			**7.9x**	**7.5x**	**7.2x**
Non-European					
RH Donnelley Corporation	US$	10,498	7.7x	8.0x	8.7x
Yellow Pages Income Fund	C$	7,532	8.6x	8.1x	7.8x
Idearc Inc.	US$	9,394	6.7x	6.9x	7.5x
Average Non-European			**7.7x**	**7.6x**	**8.0x**
Combined Average			**7.8x**	**7.6x**	**7.5x**

Source: Bloomberg

Note:

1. Enterprise values were calculated by summing the market capitalisation at 31 May 2008 and the total of the net borrowings at each company's most recent reporting date. Earnings were taken from the last annual report or based on consensus earnings forecasts of brokers.

A description of the above companies is provided at Appendix 3. Specific comments regarding the multiples are listed below:

- the operations and earnings prospects of EDSA are most comparable to PagesJaunes. PagesJaunes, like EDSA, has a strong online business, has grown significantly in recent years and growth in EBITDA is expected to continue in the short term
- EDSA's projected short term growth in underlying EBITDA is expected to outpace that of the comparable listed companies, including PagesJaunes[9]. PagesJaunes trades at the higher end of the range of multiples identified above
- a number of the comparable companies identified have operations outside of Europe, including the USA (R.H. Donnelley Corporation and Idearc Inc.) and Canada (Yellow Pages Income Fund), and as such are exposed to a number of different opportunities and risks compared to EDSA
- Eniro AB's operations have significant geographic overlap with EDSA, being its key competitor in Finland, Denmark, Sweden and Poland, but has a considerably different growth outlook
- Yell Group Plc is a regulated company, thus is likely to trade at a lower multiple than EDSA. It has significant operations in the USA and the recent negative economic outlook in the US and UK markets has had a negative impact on its share price and multiples
- R.H. Donnelley Corporation and Seat Pagine Gialle SpA derive a smaller proportion of their revenues from online than EDSA.

5.2.3.2 Merger and acquisition multiples

The price achieved in recent mergers or acquisitions of companies in the directories industry provides corroborative evidence of an appropriate earnings multiple for EDSA.

We compiled merger and acquisition multiples for companies comparable to EDSA. These companies, together with their earnings multiples, are summarised in the following table.

[9] This is based on the consensus views of brokers.

Table 36: Earnings multiples – mergers and acquisitions

Target	Acquirer	Date	Currency	Enterprise value (m)	EBITDA times (historical)	EBITDA times (current)
Gouden Gids	EDSA	Pending	€	290	8.9x	n/a
INFOTE	Rhone Capital	Dec-07	€	293	14.0	n/a
Aliant Directory Services	Yellow Pages Income Fund	Apr-07	C$	330	8.9x	n/a
NZ Yellow Pages	CCMP Capital Asia, Teachers Private Capital	Mar-07	NZ$	2,165	13.2x	n/a
Telefonica Publicidad e Information SA	Yell Group	Jul-06	€	3,068	15.0x	n/a
PagesJaunes	KKR	Jun-06	€	6,133	13.2x	12.7x
TDC Directories	EDSA	Oct-05	€	650	10.7x	n/a
Findexa	Eniro	Sep-05	€	6,800	9.8x	10.4x
The YBR Group	EDSA	May-05	£	1,250	11.2x	n/a

Source: Mergermarket, Factiva, Annual reports

Note:

1. n/a – not available.

A description of the above companies and the calculation of acquisition earnings multiples are set out at Appendix 4. General comments regarding the multiples are listed below:

- the directories industry has recently experienced a re-rating, with industry wide market capitalisations and multiples falling. As a number of these transactions occurred more than 12 months ago, the prices achieved in these transactions may not be applicable today
- two of the completed transactions relate to acquisitions by EDSA
- EDSA recently announced that it would acquire Truvo NL in the Netherlands, subject to gaining regulatory approval. This transaction reflects current industry conditions in a market where EDSA already has a significant presence albeit on a smaller scale than EDSA.

The acquisition price of a company represents the fair market value of a controlling interest in that company. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

5.2.4 Selected multiple

Having regard to market trading multiples, the prices achieved in mergers and acquisitions of comparable companies and the growth expectations for EDSA, we have selected a multiple to apply to EDSA of 9.0 to 9.5 times EBITDA on a minority interest basis. Our selection of a multiple recognises that, although MCAG holds a minority interest, it has the ability to exercise significant influence over EDSA.

5.2.5 Surplus assets

Surplus assets are those assets owned by a company that are surplus to its main operating activities, such as unused property, loans or investments. Such assets should be valued separately from the main operating activities of the company, after adjusting operating results to remove the income or expense provided by the surplus assets. We have only identified one potential surplus asset for EDSA, being deferred tax assets.

As at 31 December 2007, EDSA held unrecognised deferred tax assets of approximately €268 million relating to carried forward tax losses. As there is significant uncertainty surrounding EDSA's ability to utilise the carried forward losses in the short to medium term, we have not attributed any value to the deferred tax assets for valuation purposes. The present value of any benefit is also unlikely to be significant in the context of the EDSA valuation.

5.2.6 Net debt

As at 30 June 2008, EDSA is projected to have pro-forma net debt of €1,905 million as set out in Table 11. Pro-forma net debt incorporates adjustments relating to the acquisition of Ditel in Poland.

5.2.7 Premium for control, minority and marketability discounts

Earnings multiples derived from market trading represent holdings for a minority interest or portfolio holding. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control. The owner of a controlling interest has the ability to control many aspects of a company that the owner of a minority interest does not.

The 39% equity interest in EDSA held by MCAG does not constitute control in its own right. As the multiple selected in section 5.2.4 is based on holdings for a minority interest, adjusted for MCAG's ability to exercise significant influence over EDSA, it is unnecessary to allow for any further value discount to recognise MCAG's minority interest in the company.

Where two investments are relatively comparable, investors tend to place more value on the investment which is more liquid. Accordingly, it is common to apply a discount to the value of an investment where there is likely to be restrictions upon its sale. In practice, liquidity discounts generally range between 10% and 30%.

In allowing for a marketability discount of 15% in our valuation of EDSA we have had regard to the following factors:

- the change of control provisions in the existing asset level debt packages which could trigger the repayment of EDSA debt in certain circumstances and the likelihood of EDSA securing replacement debt facilities
- the complexity of the MCAG capital structure
- the size of the asset
- the current volatility and turmoil in global equity and credit markets, which has made it more difficult to realise assets. Section 1 of Part B of the Scheme Booklet details the sales process undertaken by MCAG.

5.2.8 Valuation of EDSA: capitalisation of maintainable earnings

The value of EDSA derived from the capitalisation of maintainable earnings method is summarised below.

Table 37: Summary – capitalisation of maintainable earnings method

	Section		Low	High
Maintainable earnings (EBITDA)	5.2.2	(€m)	275	275
Earnings multiple	5.2.3	times	9.0x	9.5x
Enterprise value		**(€m)**	**2,475**	**2,613**
Surplus assets	5.2.5	(€m)	-	-
Forecast net debt	5.2.6	(€m)	(1,905)	(1,905)
Equity value (on a minority basis)		(€m)	**570**	**708**
Equity value of 39% holding		**(€m)**	**222**	**276**
Marketability discount (15%)	5.2.7	(€m)	(33)	(41)
Adjusted equity value of 39% holding		**(€m)**	**189**	**235**
Exchange rate at 19 June 2008			A$1=€0.6133	A$1=€0.6133
Equity value of 39% holding		**(A$m)**	**308**	**382**

Source: Deloitte Corporate Finance analysis

5.2.9 The discounted cash flow method

As a cross-check to the valuation range determined for 39% of the equity of EDSA using the capitalisation of maintainable earnings method, we have considered the discounted cash flow approach.

The discounted cash flow approach estimates market enterprise value by discounting a company's future cash flows to their net present value. To value EDSA using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows
- an estimate of the terminal value
- the value of any surplus assets
- the level of net debt outstanding
- consideration of any premiums or discounts appropriate to apply to the fair market value of MCAG's effective equity interest in EDSA.

Our consideration of each of these factors is presented below.

5.2.10 Future cash flows

The directors of EDSA have prepared a detailed business plan which includes projections of nominal post-tax cash flows up to and including the financial year ending 31 December 2010. MCAG management, in conjunction with EDSA management, has adjusted the business plan to allow for acquisitions that have been made by EDSA subsequent to its preparation.

We have undertaken an analysis of EDSA's adjusted projections which has included:

- limited procedures to check the mathematical accuracy of the projected cash flows (but neither a review nor an audit of the projections)
- reviewing the underlying assumptions

- comparing the historical results of EDSA with projections and discussing any major variances with MCAG management
- understanding the rationale and implications of updates made to the projections since their original preparation
- holding discussions with MCAG concerning the preparation of the projections and their views regarding the assumptions on which they are based
- attending a presentation held by EDSA management in which they presented the business plan and detailed their expectations of EDSA's future financial performance.

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Principles underlying the preparation of the projections were:

- revenue growth over the period 2008 to 2013 is generally consistent with industry CAGR expectations. Highest growth is anticipated during the period 2008 to 2010, with growth moderating thereafter. This reflects the realisation of benefits expected as a result of sales force related initiatives implemented by management
- growth will be driven by a continued penetration of the online operations, which are expected to account for 50% of industry wide turnover by 2010
- a 5% improvement in EBITDA margins is forecast over the period to 2013 (excluding the impact of the proposed acquisition of Truvo NL). This improvement is expected as a result of the continuation of EDSA's acquisitive strategy, coupled with a continued focus on cost savings and sales force efficiencies. The largest improvements in EBITDA margins are projected to occur in the smallest markets due to the economies of scale that can be achieved
- maintenance capital expenditure is forecast to decline in both actual terms and as a percentage of revenue throughout the projection period. The decline is consistent with the slowing of revenue growth towards the end of the projection period as the online business reaches maturity.

In our assessment of the implications of EDSA's cash flow projections to our estimate of the fair market value of EDSA, we have had regard to the following factors:

- the significant downward re-rating of the sector reflecting lower growth expectations for the industry
- the move from print to an online environment, which exposes the company to added risk of competition.

In undertaking our discounted cash flow analysis, we have therefore sensitised the cash flows by considering alternative growth scenarios to allow for the possibility that EDSA may not achieve its projected growth in revenue and earnings.

5.2.11 Discount rates

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate for EDSA in the range of 9.3% to 9.7% to discount the future cash flows to their present value.

In selecting this range we considered the following:

- the required rates of return on listed companies in a similar business
- the specific business and financing risks of EDSA
- EDSA's current cost of debt and the likely quantum and cost of funding that could be secured in the current market
- EDSA's debt capacity by reference to listed company gearing levels and current credit market conditions.

A detailed consideration of these matters is provided in Appendix 2.

5.2.12 Terminal value

The terminal value estimates the fair market value of the ongoing cash flows after the forecast period. We have estimated the terminal value based on the forecast cash flow in the terminal year, the discount rate and an estimate of the long-term cash flow growth rate.

We have estimated a nominal long-term growth rate of 2.0% having had regard to:

- the risk of competition, especially in the online context
- the expectation that print revenue will decline in the medium to long term.

A discount rate in the range of 9.3% to 9.7% and a terminal growth rate of 2.0% gives a terminal value in the range of €1,236 million to €1,330million.

5.2.13 Premium for control and minority and marketability discounts

We have estimated the fair market value of EDSA using the discounted cash flow method which estimates the fair market value of the business by discounting the estimated future cash flows to their present value. Generally investors are willing to pay a premium in order to have control over the cash flows of a company. This is referred to as a premium for control. As the discounted cash flow method discounts all projected future cash flows of an entity on a controlling interest basis, a premium for control (excluding buyer synergies) is implicitly incorporated within the value.

Based on studies of the premiums required to obtain control of companies, it is our opinion that control premiums generally range between 20% and 40% of the portfolio holding values, which implies minority discounts in the order of 15% to 30%. The minority discount is, inter alia, impacted upon by the size of the economic interest and the ability to control the strategic direction of the asset and its ultimate sale. Having regard to these matters, we have allowed for a discount of 10% for MCAG's minority holding in EDSA, which recognises that MCAG has significant influence over EDSA.

As set out in section 5.2.7, we also allow for a marketability discount of 15% in our valuation of EDSA.

5.2.14 Secondary approach: discounted cash flow method

The value of EDSA derived from the discounted cash flow method is summarised below.

Table 38: Summary – discounted cash flow method

	Section		Low	High
Present value of forecast cash flows	5.2.10	(€m)	1,442	1,462
Present value of terminal value	5.2.12	(€m)	1,236	1,330
Enterprise value		(€m)	**2,678**	**2,792**
Surplus assets	5.2.5	(€m)	-	-
Forecast net debt	5.2.6	(€m)	(1,885)	(1,885)
Equity value		**(€m)**	**793**	**907**
Equity value of 39% holding		**(€m)**	**309**	**354**
Minority and marketability discount (25%)		(€m)	(77)	(89)
Adjusted equity value of 39% holding		**(€m)**	**232**	**265**
Exchange rate at 19 June 2008			A$1=€0.6133	A$1=€0.6133
Equity value of 39% holding		**(A$m)**	**378**	**433**

Source: Deloitte Corporate Finance analysis

In assessing the difference in the fair value derived from the capitalisation of maintainable earnings and the discounted cashflow analysis, the following is noted:

- the discounted cash flow valuation is highly sensitive to the growth profile incorporated into the projections
- the directories industry has recently experienced a downward re-rating of trading multiples based on investor appetite and the immediate outlook for the industry
- the WACC applied to the cash flows would not appear to factor in the investor re-rating of both EDSA and the industry in general. For example, the observed betas for the comparable companies range from 0.9 to 1.6. These beta measures do not appear to factor in the gearing levels of the comparable companies and the changes taking place in the industry as it moves from print to an online environment.

The above values are sensitive to the discount rate and long-term growth rate assumed in the discounted cash flow valuation of EDSA.

The sensitivity of EDSA's enterprise value to changes in discount rates and long term growth rates is summarised in the table below.

Table 39: Sensitivity of enterprise value to changes in assumptions

	Terminal growth rate		
Discount rate	1.5%	2.0%	2.5%
9.0%	2,816	2,918	3,035
9.3%	2,702	2,792	2,897
9.7%	2,596	2,678	2,770
10.0%	2,499	2,572	2,655

Source: Deloitte Corporate Finance analysis

Having regard to our comments above, we are of the opinion that the value of EDSA derived using the discounted cashflow approach is not inconsistent with the value derived using the capitalisation of earnings approach.

The equity value of EDSA is highly sensitive to changes in the discount rate because of the current level of gearing. The selection of discount rates within a small range will, relatively speaking, result in a wide valuation range. The gearing level has a similar impact on the valuation range under the capitalisation of earnings approach.

5.2.15 Proposed acquisition of Gouden Gids

In March 2008, EDSA announced its intention to acquire Truvo NL, publisher of Gouden Gids (Golden Pages). Gouden Gids is a major player in the Netherlands directory market and holds an estimated 40%-45% market share. The combined entity is expected to generate significant synergy benefits and will be earnings accretive.

The purchase price offered by EDSA for Truvo NL implies an enterprise value of €290 million, including deferred consideration of €10 million. The transaction will be funded by EDSA through a new debt facility of €152 million and an equity rights issue. MCAG has advised that it will take up 40% (approximately €30 million) of its rights issue entitlement, which will reduce MCAG's equity interest in EDSA to 34%.

The transaction remains subject to approval by the Dutch competition authority. The regulator's decision is expected during the quarter ended September 2008. EDSA will consider further acquisitions, where these increase core strengths and provide revenue and costs synergies.

Pending regulatory approval, coupled with the synergy benefits largely being offset to MCAG securityholders as a result of the dilution in the equity holding in EDSA, we have not attributed any value to this proposed acquisition.

5.2.16 Valuation of MCAG's interest in EDSA: conclusion

The valuation of EDSA derived from the capitalisation and discounted cash flow methods is summarised in the following table.

Table 40: Valuation of EDSA

	Section	Low (A$m)	High (A$m)
Capitalisation of earnings	5.2.8	308	382
Discounted cash flow	5.2.14	378	433
Deloitte assessed fair market value of 39% of EDSA		**308**	**382**

Source: Deloitte Corporate Finance analysis

5.3 Valuation of Red Bee

We consider the current fair market value of MCAG's investment in Red Bee to be in the range of £53 million to £60 million. Based on the £/A$ exchange rate as at 19 June 2008, this is in the range of A$110 million to A$125 million.

We estimated the fair market value of MCAG's investment in Red Bee using the discounted cash flow method which we have cross checked with the capitalisation of maintainable earnings method.

These methods are discussed in Sections 5.3.1 to 5.3.11 below.

5.3.1 The discounted cash flow method

The discounted cash flow method estimates enterprise value by discounting a company's future cash flows to their net present value. To value Red Bee using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows
- an estimate of the terminal value
- the value of any surplus assets
- the level of net debt outstanding
- consideration of any premiums or discounts appropriate to apply to the fair market value of Red Bee or MCAG's effective interest in Red Bee.

Our considerations on each of these factors are presented below.

5.3.2 Future cash flows

The directors of Red Bee have prepared a detailed business plan which includes projections of nominal pre-tax cash flows up to and including the year ending 30 June 2011 which we have converted to post-tax cash flows. The business plan was prepared in December 2006 but has been updated at regular intervals to take account of developments since then. We have undertaken an analysis of Red Bee's projections which has included:

- limited procedures to check the mathematical accuracy of the projected cash flows (but neither a review nor an audit of the projections)
- reviewing the underlying assumptions
- understanding the rationale and implications of updates that have been made to the projections since their original preparation
- holding discussions with MCAG concerning the preparation of the projections and their views regarding the assumptions on which they are based
- attending a presentation held by Red Bee management in which they presented the business plan and detailed their expectations of Red Bee's future financial performance.

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Principles underlying the preparation of the projections were:

- over half of the revenues to 30 June 2011 are forecast to be derived from current long-term contracts, providing significant revenue visibility throughout the forecast period.
- PaMS growth is driven by new playout contract wins and the provision of 'new services' to both existing and new customers from opportunities expected to arise in the VoD, IPTV and mobile content markets
- Access Services growth reflects opportunities brought about by regulatory developments throughout Europe
- revenue growth is also expected to be driven by the industry trend towards increased outsourcing as well as the benefits of continued cross-selling between the three business units
- overall revenue growth up to the terminal period is 7% per annum
- EBITDA margins are forecast to continue to improve as a result of further scale benefits and further investments in 'state of the art' facilities and cost savings following an extensive review by external consultants.
- overall EBITDA margin up to the terminal period is 19%
- overall capital expenditure as a proportion of revenue up to the terminal period is 6%

In our assessment of the implications of Red Bee's cash flow projections to our estimate of the fair market value of Red Bee, we have had regard to the following factors:

- PaMS and Access Services benefit most from current long-term contracts. These protect core earnings but growth in these areas is forecast to come from outside the existing contracts. The contract durations are driven by the high levels of capital investment required (especially in PaMS) which restricts free cash flow at the start of the projection period
- there are pricing pressures in the sector as a result of the commoditisation of certain elements of the business and improved technology simplifying once-complex processes
- it is difficult for Red Bee to accurately assess the potential of new media areas which include IPTV, VoD, mobile content, HD TV and DTT. Red Bee envisages significant revenue growth in these areas in the long term. We consider projected revenues from existing markets to be more secure, although these new areas offer significant potential to Red Bee and its competitors
- growth in Access Services is driven by beneficial changes in the regulatory environment across key markets. The size of this opportunity is, as yet, still to be confirmed.

We consider the management growth projections within the new services business of the PaMS division to be less certain than contracted and identified revenues. Accordingly, we have considered a range of valuation sensitivities in estimating our discounted cash flow valuation range.

5.3.3 Discount rates

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate for Red Bee in the range of 10.7% to 11.1% to discount the future cash flows of Red Bee to their present value.

In selecting the discount rate we considered the following:

- the required rates of returns on listed companies in similar businesses
- analysis of the factors impacting Red Bee's market risk, i.e. the sensitivity of its core earnings/cash flows to broader market movements
- specific business and financing risks of Red Bee
- Red Bee's current cost of debt and the likely quantum and cost of funding that could be secured in the current market
- Red Bee's debt capacity by reference to listed company gearing levels and current credit market conditions.

A detailed consideration of these matters is provided in Appendix 2.

5.3.4 Terminal value

The terminal value estimates the fair market value of the ongoing cash flows after the forecast period. We have estimated the range of terminal values based on projected cash flows in the terminal year, the discount rate and an estimate of the long-term cash flow growth rate.

We have estimated a nominal long-term growth rate of 3.0% having had regard to:

- growth forecasts in the business over the projected period
- long term forecasts of inflation (the Bank of England's target inflation rate is 2.0% per annum)
- long term real growth expectations in the underlying UK economy (the Economist Intelligence Unit's current long term forecast for real GDP growth is 2.3% per annum).

Our estimated long-term growth rate is less than the long-term nominal GDP growth rate implied above reflecting the mature nature of Red Bee's business at the end of the forecast period.

A discount rate in the range of 10.7% to 11.1% and a terminal growth rate of 3.0% gives a terminal value in the range of £125 million to £136 million.

5.3.5 Surplus assets

We have not identified any surplus assets held by Red Bee. We understand that Red Bee has certain unused capacity in its playout facilities. However, we do not consider this unused capacity to represent a surplus asset as:

- some of the excess capacity has been sub-let on short-term contracts to third parties
- some of the excess capacity is earmarked for certain identified contracts that the business is currently bidding for
- the remainder is deemed necessary to support the growth forecast in the business plan.

5.3.6 Net debt

As at 30 June 2008, Red Bee is projected to have net debt of £161 million as set out in Table 19.

5.3.7 Premium for control and minority and marketability discounts

We have estimated the fair market value of Red Bee using the discounted cash flow method which estimates the fair market value of the business by discounting the estimated future cash flows to their present value. Generally, investors are willing to pay a premium in order to have control over the cash flows of a company. This is referred to as a premium for control. As the discounted cash flow method discounts all projected future cash flows of an entity on a controlling interest basis, a premium for control (excluding buyer synergies) is implicitly incorporated within the value. Accordingly, a separate premium for control has not been incorporated in our assessment of the fair market value of MCAG's controlling interest in Red Bee.

Where two investments are relatively comparable, investors tend to place more value on the investment which is more liquid. Accordingly, it is common to apply a discount to the value of an investment where there is likely to be restrictions upon its sale. In practice, liquidity discounts generally range between 10% and 30%.

In allowing for a marketability discount of 15% in our valuation of Red Bee we have had regard to the following factors:

- the change of control provisions in the existing asset level debt packages, which could trigger the repayment of Red Bee's debt in certain circumstances and the likelihood of Red Bee securing replacement debt facilities
- the complexity of the MCAG capital structure
- the size of the asset
- the current volatility and turmoil in global equity and credit markets, which has made it more difficult to realise assets. Section 1 of Part B of the Scheme Booklet details the sales process undertaken by MCAG.

5.3.8 Valuation of Red Bee: discounted cash flow method

The value of Red Bee derived from the discounted cash flow method is summarised in the table below.

Table 41: Summary – discounted cash flow method

	Section		Low	High
Present value of forecast cash flows	5.3.2	(£m)	132	134
Present value of terminal value	5.3.4	(£m)	125	136
Enterprise value		**(£m)**	**256**	**270**
Surplus assets	5.3.5	(£m)	-	-
Forecast net debt	5.3.6	(£m)	(161)	(161)
Equity value		**(£m)**	**95**	**109**
Equity value of 65.3% holding		**(£m)**	**62**	**71**
Marketability discount (15%)	5.3.7	(£m)	(9)	(11)
Adjusted equity value of 65.3% holding		**(£m)**	**53**	**60**
Exchange rate at 19 June 2008			A$1=£0.4821	A$1=£0.4821
Equity value of 65.3% holding		**(A$m)**	**110**	**125**

Source: Deloitte Corporate Finance analysis

The terminal value accounts for a significant proportion of the business value of Red Bee and therefore a significant proportion of the overall business value is based on cash flows after the explicit forecast period.

The above values are sensitive to the discount rate and long-term growth rate assumed in the discounted cash flow valuation of Red Bee.

The sensitivity of Red Bee's enterprise value to changes in discount rates and long term growth rates is summarised in the table below.

Table 42: Sensitivity of enterprise value to changes in assumptions

	Terminal growth rate		
Discount rate	2.5%	3.0%	3.5%
10.3%	274	284	296
10.7%	261	270	280
11.1%	249	256	265
11.5%	238	244	252

Source: Deloitte Corporate Finance analysis

5.3.9 Capitalisation of maintainable earnings

The capitalisation of maintainable earnings method estimates fair market value by capitalising future earnings using an appropriate multiple which encapsulates the growth prospects and risks attached to future earnings. We have used this as a supporting valuation approach given the limited number of directly comparable businesses against which to benchmark Red Bee. Specifically, we have compared valuation multiples implied by our discounted cash flow valuation of Red Bee against relevant market price statistics.

5.3.10 Market pricing data

We have considered the valuation multiples derived from the current share prices of listed companies we consider to be broadly comparable to Red Bee. We have also considered the multiples derived from recent transactions for broadly comparable companies.

5.3.10.1 Market trading multiples

The share market valuations of comparable listed companies provide evidence of the earnings multiples that Red Bee might attract, if it was listed on a large stock exchange. The share price of a listed company represents the fair market value of a minority interest in that company.

We have not identified any listed companies that we consider to be directly comparable (in terms of business activities) with Red Bee. According to our research, Red Bee's competitors are either private companies or divisions of larger, more diversified companies. Nevertheless, we have compiled share market trading multiples for companies we consider to be broadly comparable to Red Bee in that they operate in the TV broadcasting sector.

Relevant financial and valuation statistics are summarised in Appendix 3. General comments regarding the broadly comparable listed companies are listed below:

- **position within the industry** – the terrestrial and satellite broadcasters operate in different parts of the TV broadcasting value chain and, although involved in the provision of the same service (e.g. TV programs), they are affected by different industry structures and dynamics. This limits the applicability of their earnings multiples to valuing Red Bee
- **size** – most of the listed companies are considerably larger than Red Bee. In general, larger companies have higher earnings multiples than smaller companies
- **growth prospects** – earnings growth for the listed companies is generally forecast to be less than that forecast for Red Bee. In general, companies with higher growth prospects trade on higher multiples
- **investment** – the broadcasters have lower capital investment needs than Red Bee and the satellite operators. All other things being equal, companies with higher investment needs are likely to have lower earnings multiples than less capital intensive companies
- **contracts** – the earnings of the satellite operators and Red Bee are underpinned by long-term contracts, which support their capital investment needs. The satellite operators have longer term contracts than Red Bee and a greater proportion of their revenue is contracted

- **owners of playout competitors** – Discovery Holding Company (which owns Ascent) and Thomson (which owns TNS) both own key playout competitors. However, they also undertake a number of other activities and the playout operations of these companies comprise a small proportion of their operations. Accordingly, their valuation multiples are likely to be dominated by the more substantive parts of the business, rather than the playout operations
- **Independent Media Support (IMS)** – IMS is a pure-play access services competitor listed on AIM. With an enterprise value of £2 million, the company is considerably smaller than Red Bee. In addition, its shares trade infrequently and hence its earnings multiples are affected by the limited liquidity of its stock
- **Thomson** – Thomson's multiples are considerably lower than the other listed comparable companies. Thomson's share price and earnings multiples have fallen considerably over the past nine months due to poor financial performance.

Excluding Thomson, the broadly comparable listed companies are currently trading at between 6.6 times and 12.0 times 2008 EBITDA and between 6.0 times and 10.9 times 2009 EBITDA.

5.3.10.2 Merger and acquisition multiples

The price achieved in recent mergers or acquisitions of companies in the broadcast sector provides corroborative evidence of an appropriate earnings multiple for Red Bee.

We compiled merger and acquisition multiples for companies broadly comparable to Red Bee or operating in the broadcast industry, such as transmission companies. These companies, together with their earnings multiples, are summarised in Appendix 4.

General comments regarding the recent comparable transactions are listed below:

- **limited relevant data** – other than the original Red Bee transaction, we have not been able to obtain transaction multiples for companies directly comparable with Red Bee. The transactions for which we were able to obtain valuation information (other than Red Bee), involved transmission companies
- **transmission companies** – these businesses tend to be very capital intensive as they have to acquire and maintain vast quantities of land and buildings to house their transmission hardware which is located throughout the country. Their operations also generally fall under the remit of telecommunications regulators, such as Ofcom in the UK. Accordingly, although they operate in the same broadcast sector as Red Bee, the different industry structure and dynamics that affect the transmission companies limits the applicability of their transaction multiples in valuing Red Bee
- **original Red Bee transaction** – the MCAG-led consortium paid 11.7 times pro forma historical 2005 EBITDA in July 2005, which equated to a pro forma prospective 2006 EBITDA multiple of 9.7 times
- **other recent transactions** – we also noted the following transactions for which there was insufficient publicly available information for us to calculate multiples:
    - Arqiva's acquisition of BT's satellite broadcasting business in 2007
    - TDF's acquisition of SmartJog in 2006
    - Inmedia's acquisition of Cable and Satellite Transmission in 2005
    - Ascent Media Group's acquisition of London Playout Centre in 2004
    - Thomson's acquisition of Corinthian TV Facilities in 2004.

The acquisition price of a company represents the fair market value of a controlling interest in that company. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

5.3.11 Cross check: capitalisation of maintainable earnings

The table below presents the current year EBITDA multiples derived from our discounted cash flow valuation of Red Bee. In assessing EBITDA for comparison with the broadly comparable companies, we have excluded non-recurring and non-cash expenses, with the exception of the non-cash pension expense[10], in arriving at an adjusted EBITDA.

Table 43: EBITDA multiples implied from discounted cash flow method

		Current	
	Section	Low	High
Enterprise value (on a control basis) (£m)	**5.3.8**	**256**	**270**
Reported EBITDA (£m)	4.2.7	16	16
Add back non-cash charge adjustment (£m)	4.2.7	1	1
Add back non-recurring charge adjustment (£m)	4.2.7	6	6
Adjusted EBITDA (£m)		**23**	**23**
EBITDA multiple (on a control basis) (x)		**11.1**	**11.7**

Source: Deloitte Corporate Finance analysis

The table below sets out current and forecast multiples derived from broadly comparable companies and transactions.

Table 44: Comparable trading and transaction multiples

	Current EBITDA multiple		Forecast EBITDA multiple	
	Low	High	Low	High
Comparable listed companies (on a minority basis)[1]	6.6x	12.0x	6.0x	10.9x
	Mean: 9.5x		Mean: 8.5x	
Recent comparable transactions (on a control basis)	8.5x	19.3x	not applicable	
	Mean: 13.3x			

Source: Deloitte Corporate Finance analysis

Note:

1. Excludes Thomson.

The discounted cash flow valuation of Red Bee renders a current earnings multiple range which is broadly consistent with the earnings multiples exhibited by comparable listed companies or recent comparable transactions (refer to Table 43 and Table 44).

In light of the above, and having regard to forecast EBITDA multiples of comparable listed companies, we consider our assessment of the enterprise value of Red Bee based on the discounted cash flow method to be broadly supported by the capitalisation of earnings method.

5.3.12 Valuation of MCAG's interest in Red Bee: conclusion

Based on the discounted cash flow method, as supported by the capitalisation of maintainable earnings method, we assess the fair market value of MCAG's 65.3% interest in the equity of Red Bee to be between A$110 million and A$125 million.

[10] Comparable companies will include the full pension expense in their financial statements.

5.4 Valuation of AIR-serv

We consider the current fair market value of MCAG's investment in AIR-serv to be in the range of US$96 million to US$108 million. Based on the US$/A$ exchange rates as at 19 June 2008 this is in the range of A$101 million to A$114 million.

In determining this amount, we estimated the fair market value of MCAG's investment in AIR-serv using the discounted cash flow method which we have cross checked with the capitalisation of maintainable earnings method.

These methods are discussed in Sections 5.4.1 to 5.4.11 below.

5.4.1 The discounted cash flow method

The discounted cash flow method estimates market enterprise value by discounting a company's future cash flows to their net present value. To value AIR-serv using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows
- an estimate of the terminal value
- the value of any surplus assets
- the level of net debt outstanding
- consideration of any premiums or discounts appropriate to apply to the fair market value of AIR-serv or MCAG's effective interest in AIR-serv.

Our consideration of each of these factors is presented below.

5.4.2 Future cash flows

The directors of AIR-serv have prepared a detailed business plan which includes projections of nominal pre-tax cash flows up to and including the year ending 30 June 2011, which we have converted to post-tax cash flows. We have undertaken an analysis of AIR-serv's projections which has included:

- limited procedures to check the mathematical accuracy of the projected cash flows (but neither a review nor an audit of the projections)
- reviewing the underlying assumptions
- understanding the rationale and implications of updates that have been made to the projections since their original preparation
- holding discussions with MCAG concerning the preparation of the projections and their views regarding the assumptions on which they are based
- attending a presentation held by AIR-serv management in which they presented the business plan and detailed their expectations of its future financial performance.

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Principles underlying the preparation of the projections were:

- greater capital expenditure is incurred prior to 30 June 2011, reflecting the planned expansion into continental Europe and an allowance for new national contract wins
- overall capital expenditure as a proportion of revenue up to the terminal period is 10%

- as expansion plans are completed, the 'ramp-up' associated with new national contracts results in a significant spike in cash inflows. This activity normalises in 2012 when the expanded network is assumed to operate at a more consistent level with the existing continental European expansion expected to generate flow on benefits from the established route network and further penetration following national contract wins
- net organic machine growth in the US, reflecting the conversion of national accounts on a level consistent with historical experience and the inclusion of national account sites, currently serviced by competitors
- restructuring of prices, including increases in headline prices and multiple pricing points
- overall revenue growth up to the terminal period is 5% per annum
- allowance for an increase in operational costs, including commission payments
- overall EBITDA margin up to the terminal period is 31%.

In our assessment of the implications of AIR-serv's cash flow projections for our estimate of the fair market value of AIR-serv, we have had regard to the following factors:

- the possibility of restructuring of prices, including increases in headline prices and multiple pricing points
- the possibility that operational costs will increase over the projection period
- the number of vehicles on the road – according to the US Department of Transportation, the number of vehicle registrations has grown at a steady rate of 1.8% per annum for the past ten years
- the number of miles travelled – according to the US Department of Transportation, the number of miles travelled has grown at a historical rate of approximately 1.5% to 3.5% per annum. Compound annual growth rates have been increasing at a decreasing rate, reflecting a decline in distances travelled as a result of high fuel prices
- US GDP growth forecasts – according to the Economist Intelligence Unit, real GDP is forecast to grow by 0.8% in 2008 and 1.4% in 2009. The low forecasts have been attributed to the tight credit market and higher oil prices
- the US government has implemented legislation requiring all new vehicles sold in the US to have tyre pressure monitoring systems installed
- uncertainty surrounding the expansion in continental Europe.

Accordingly, we have considered a range of valuation sensitivities in estimating our discounted cash flow valuation range.

5.4.3 Discount rates

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate for AIR-serv in the range of 9.0% to 9.4%to discount the future cash flows of AIR-serv to their present value.

In selecting this range we considered the following

- the required rates of returns on listed companies in similar businesses
- analysis of the factors impacting AIR-serv's market risk, i.e. the sensitivity of its core earnings/cash flows to broader market movements
- specific business and financing risks of AIR-serv
- AIR-serv's current cost of debt and the likely quantum and cost of funding that could be secured in the current market
- AIR-serv's debt capacity by reference to listed company gearing levels and current credit market conditions

A detailed consideration of these matters is provided in Appendix 2.

5.4.4 Terminal value

The terminal value estimates the fair market value of the ongoing cash flows after the forecast period. We have estimated the range of terminal values based on forecast cash flow in the terminal year, the discount rate and an estimate of the long-term cash flow growth rate.

We have estimated a nominal long-term growth rate of 2.0% having had regard to:

- growth forecasts in the business over the projection period and the future continental European opportunities
- long term forecasts of inflation (the US inflation rate is forecast to be 2.0% to 30 June 2009 by the OECD)
- long term real growth expectations in the underlying US economy (the Economist Intelligence Unit's forecast for real GDP growth is 0.8% in 2008 and 1.4% in 2009).

A discount rate in the range of 9.0% to 9.4% and a terminal growth rate of 2.0% gives a terminal value in the range of US$249 million to US$269 million.

5.4.5 Surplus assets

We have not identified any surplus assets held by AIR-serv.

5.4.6 Net debt

As at 30 June 2008, AIR-serv is projected to have net debt of US$245 million as set out in Table 25.

5.4.7 Premium for control and minority and marketability discounts

We have estimated the fair market value of AIR-serv using the discounted cash flow method which estimates the fair market value of the business by discounting the estimated future cash flows to their present value. Generally investors are willing to pay a premium in order to have control over the cash flows of a company. This is referred to as a premium for control. As the discounted cash flow method discounts all projected future cash flows of an entity on a controlling interest basis, a premium for control (excluding buyer synergies) is implicitly incorporated within the value. Accordingly, a separate premium for control has not been incorporated in our assessment of the fair market values of MCAG's controlling interest in AIR-serv.

Where two investments are relatively comparable, investors tend to place more value on the investment which is more liquid. Accordingly, it is common to apply a discount to the value of an investment where there is likely to be restrictions upon its sale. In practice, liquidity discounts generally range between 10% and 30%.

In allowing for a marketability discount of 15% in our valuation of AIR-serv, we have had regard to the following factors:

- the change of control provisions in the existing asset level debt packages which could trigger the repayment of AIR-serv's debt in certain circumstances and the likelihood of AIR-serv securing replacement debt facilities
- the complexity of the MCAG capital structure
- the size of the asset
- the current volatility and turmoil in global equity and credit markets, which has made it more difficult to realise assets. Section 1 of Part B of the Scheme Booklet details the sales process undertaken by MCAG.

5.4.8 Valuation of AIR-serv: discounted cash flow method

The value of AIR-serv derived from the discounted cash flow method is summarised in the table below.

Table 45: Summary – discounted cash flow method

	Section		Low	High
Present value of forecast cash flows	5.4.2	(US$m)	183	187
Present value of terminal value	5.4.4	(US$m)	249	269
Enterprise value		(US$m)	**432**	**456**
Surplus assets	5.4.5	(US$m)	-	-
Forecast net debt	5.4.6	(US$m)	(245)	(245)
Equity value		(US$m)	**187**	**211**
Equity value of 60.4% holding		(US$m)	**113**	**127**
Marketability discount (15%)	5.4.7	(US$m)	(17)	(19)
Adjusted equity value of 60.4% holding		(US$m)	**96**	**108**
Exchange rate at 19 June 2008			A$1=US$0.9509	A$1=US$0.9509
Equity value of 60.4% holding		(A$m)	**101**	**114**

Source: Deloitte Corporate Finance analysis

The terminal value accounts for the majority of the business value of AIR-serv and therefore the majority of this value is based on cash flows after the explicit forecast period.

The above values are highly sensitive to the discount rate and long-term growth rate assumed in the discounted cash flow valuation of AIR-serv.

The sensitivity of AIR-serv's enterprise value to changes in discount rates and long term growth rates is summarised in the table below.

Table 46: Sensitivity of enterprise value to changes in assumptions

	Terminal growth rate		
Discount rate	**1.5%**	**2.0%**	**2.5%**
8.7%	460	482	507
9.0%	437	456	478
9.4%	415	432	451
9.7%	396	411	428

Source: Deloitte Corporate Finance analysis

5.4.9 Capitalisation of maintainable earnings

The capitalisation of maintainable earnings method estimates fair market value by capitalising future earnings using an appropriate multiple which encapsulates the growth prospects and risk attaching to future earnings. We have used this as a supporting valuation approach given the limited number of directly comparable businesses against which to benchmark AIR-serv. Specifically, we have compared valuation multiples implied by our discounted cash flow valuation of AIR-serv against relevant market price statistics.

5.4.10 Market pricing data

We have considered the valuation multiples derived from the current share prices of listed companies we consider to be broadly comparable to AIR-serv. We have also considered the multiples derived from recent transactions for broadly comparable companies.

5.4.10.1 Market trading multiples

The share market valuations of comparable listed companies provide evidence of earnings multiples AIR-serv might attract if it was listed on a large stock exchange. The share price of a listed company represents the fair market value of a minority interest in that company.

We have not identified any listed companies that we consider to be directly comparable (in terms of business activities) to AIR-serv. According to our research, AIR-serv's competitors are either private companies or else divisions of larger, more diversified companies. Nevertheless, we have compiled share market trading multiples for companies we consider to be broadly comparable to AIR-serv in that they operate vending or coin operated businesses.

Relevant financial and valuation statistics are summarised in Appendix 3. General comments regarding the broadly comparable listed companies are listed below:

- **size** – several of the listed companies are considerably larger than AIR-serv. In general, larger companies have higher earnings multiples than smaller companies
- **different operations** – of the broadly comparable companies identified, some of the comparable companies such as Aaron Rents and Photo-Me International, are also involved in the manufacture of products, unlike AIR-serv which acts as an operator of vehicle tyre inflation machines. As such, they may trade at substantially different multiples
- **different markets** – some of the comparable companies operate in different geographic regions, such as Consumers' Waterheater Income Fund (Canada) and Photo-Me International Plc (France, UK and Japan), and in different industries. These companies face different market conditions and may trade at substantially different multiples as a result
- **position within the industry** – where an operator has a strong national presence and established routes, this allows for greater economies of scale. Generally operators that have greater presence will trade at a higher earnings multiple
- **growth prospects** – development or expansion into new regions or an increase in the number of national contracts is an important area of growth for businesses and a strong contract pipeline can increase a company's earnings multiples.

The broadly comparable listed companies are currently trading at between 7.1 times and 10.3 times 2008 EBITDA and between 5.3 times and 9.8 times forecast 2009 EBITDA.

5.4.10.2 Merger and acquisition multiples

The price achieved in recent mergers or acquisitions of companies in the vending business or rental sector provides corroborative evidence of an appropriate earnings multiple for AIR-serv.

We compiled merger and acquisition multiples for companies broadly comparable to AIR-serv. These companies, together with their earnings multiples, are summarised in Appendix 4.

General comments regarding the recent comparable transactions are listed below:

- **limited relevant data** – the air tyre inflation industry is dominated by small private competitors that are not required to issue financial information. As a result we have not been able to obtain a sizeable population of transaction multiples for companies directly comparable with AIR-serv
- **industry** – the air tyre inflation industry landscape is changing due to acquisitions. Several transactions were identified prior to 2007, but because of industry consolidation these transaction are no longer considered as relevant
- **recent transactions** – the acquisition of Coinmach Services by Babcock & Brown in June 2007 for consideration of US$1,331 million implied a multiple of 8.0 times EBITDA. Coinmach Services has a similar business model to AIR-serv but operates laundry equipment throughout the US and has a considerably different growth profile

The acquisition price of a company represents the fair market value of a controlling interest in that company. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

5.4.11 Cross check: capitalisation of maintainable earnings

The table below presents the current EBITDA multiples derived from our discounted cash flow valuation of AIR-serv. We have added back non-cash charges to arrive at an adjusted EBITDA.

Table 47: EBITDA multiples implied from discounted cash flow method

		Current[1]	
	Section	Low	High
Enterprise value (on a control basis) (US$m)	**5.4.8**	**432**	**456**
EBITDA (US$m)	4.3.7.1	37	37
Add back non-cash charge adjustment (US$m)	4.3.7.1	1	1
Adjusted EBITDA (US$m)		**38**	**38**
EBITDA multiple (on a control basis) (x)		**11.4**	**12.0**

Source: Deloitte Corporate Finance analysis

Notes:

1. The current EBITDA is based on the forecast year ending 30 June 2008.

The table below sets out current and forecast multiples derived from broadly comparable companies and transactions.

Table 48: Comparable trading and transaction multiples

	Current EBITDA multiple		Forecast EBITDA multiple	
	Low	High	Low	High
Comparable listed companies (on a minority basis)	7.1x	10.3x	5.3x	9.8x
	Mean: 8.2x		Mean:7.0x	
Recent comparable transactions (on a control basis)	8.0x	12.3x	*Not applicable*	
	Mean: 9.5x			

Source: Deloitte Corporate Finance analysis

The discounted cash flow valuation of AIR-serv results in current earnings multiple that are generally in excess of the multiples exhibited by comparable listed companies or recent comparable transactions (refer to Table 47 and Table 48). We believe this to be a result of the following factors:

- the limited comparability of AIR-serv against the broadly comparable companies, which have different operations in diverse markets
- AIR-serv is a dominant player within its market and is approximately 15 times larger than the next largest competitor. The significant size of AIR-serv within its industry results in greater scale benefits
- AIR-serv has strong growth prospects both in the US and in Continental Europe. The potential use of new technologies for receiving payment also allows for further avenues for growth.

In light of the above, and having regard to forecast EBITDA multiples of comparable listed companies, we consider our assessment of the enterprise value of AIR-serv based on the discounted cash flow method to be broadly supported by the capitalisation of earnings method.

5.4.12 Valuation of MCAG's interest in AIR-serv: conclusion

Based on the discounted cash flow method, as supported by the capitalisation of maintainable earnings method, we assess the fair market value of MCAG's 60.4% interest in the equity of AIR-serv to be between A$101 million and A$114 million.

5.5 Valuation of Regis Group

We consider the current fair market value of MCAG's investment in Regis Group to be in the range of A$203 million to A$207 million.

In determining this amount, we estimated the fair market value of MCAG's investment in Regis Group using the discounted cash flow method which we have cross checked with the capitalisation of maintainable earnings method.

These methods are discussed in Sections 5.5.1 to 5.5.11 below.

5.5.1 The discounted cash flow method

The discounted cash flow method estimates market enterprise value by discounting a company's future cash flows to their net present value. To value Regis Group using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows
- an estimate of the terminal value
- the value of any surplus assets
- the level of net debt outstanding
- consideration of any premiums or discounts appropriate to apply to the fair market value of Regis Group or MCAG's effective interest in Regis Group.

Our consideration of each of these factors is presented below.

5.5.2 Future cash flows

The directors of Regis Group have prepared a detailed business plan which includes projections of nominal post-tax cash flows up to and including the year ending 30 June 2012. We have undertaken an analysis of Regis Group's projections which has included:

- limited procedures to check the mathematical accuracy of the projected cash flows (but neither a review nor an audit of the projections)
- reviewing the underlying assumptions
- understanding the rationale and implications of updates that have been made to the projections since their original preparation
- a broad analysis of assumptions such as occupancy rates, property growth rates, wage costs, accommodation bond turnover and inflation
- holding discussions with MCAG management concerning the preparation of the projections and their views regarding the assumptions on which they are based
- attending a presentation held by Regis Group management in which they presented the business plan and detailed their expectations of its future financial performance.

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

The cashflow model sets out a profitability and cashflow analysis on an individual site basis. The portfolio is separated into a mature stream and development stream. The mature stream represents facilities that are classified as operational at the commencement of the discreet cashflow period. The development portfolio represents facilities that are under development or refurbishment or where significant development is expected to commence in the short to medium term.

Principles underlying the preparation of the projections were:

- significant capital expenditure is incurred in the initial years of the projection period to allow development work to be undertaken
- accommodation bond inflows are forecast to produce sufficient cash inflows to recoup the capital expenditure costs incurred in completing the development portfolio
- as developments are completed, the 'ramp-up' associated with new residents entering facilities results in a significant spike in accommodation bond cash inflows. This activity levels out in 2012 when all facilities are assumed to operate under normalised occupancy conditions
- Regis Group's occupancy rates are broadly in line with published industry averages
- the existing development portfolio pipeline reaches a mature stage of operation by 30 June 2012 with total bed numbers reaching and remaining steady at 4,500 from 2011 onward.
- capital expenditure of over $150 million is planned for the development of new sites and extensions and refurbishments of existing sites. A large portion of this capital expenditure is expected to be recovered from the receipt of accommodation bonds
- accommodation bond cash inflows remain positive driven by increases in underlying property prices and demand for aged care accommodation. Property growth rates are supported by market analysts' publications
- there is steady growth in the EBITDA margin consistent with the move toward higher margin extra care services and realisation of merger synergies from the RCA and Regis Group merger
- overall EBITDA growth between 2012 and the terminal period is 4% per annum
- there is allowance for the proceeds from the realisation of surplus land that was part of the original RCA portfolio
- inflation rate expectations are broadly inline with the Reserve Bank of Australia's (RBA's) forecasts.

In our assessment of the implications of Regis Group's cash flow projections to our estimate of the fair market value of Regis Group, we have had regard to the following factors:

- expected growth in underlying property prices and bonds may be less than projected
- the possibility that all synergies expected from the merger of the Regis Group and RCA may not eventuate

Accordingly, we have considered a range of valuation sensitivities in estimating our discounted cash flow valuation range.

5.5.3 Discount rates

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate for Regis Group in the range of 11.2% to 11.4% to discount the future cash flows of Regis Group to their present value.

In selecting this range we considered the following:

- the required rates of returns on listed companies in similar businesses
- analysis of the factors impacting Regis Group's market risk, i.e. the sensitivity of its core earnings/cash flows to broader market movements
- specific business and financing risks of Regis Group
- the specific risks associated with both the mature and development portfolios

- Regis Group's current cost of debt and the likely quantum and cost of funding that could be secured in the current market
- Regis Group's debt capacity by reference to listed company gearing levels and current credit market conditions.

A detailed consideration of these matters is provided in Appendix 2.

5.5.4 Terminal value

The terminal value estimates the fair market value of the ongoing cash flows after the forecast period. We have estimated the terminal value based on forecast cash flows in the terminal year, the discount rate and an estimate of the long-term cash flow growth rate.

We have estimated a nominal long-term growth rate of 3% having had regard to:

- growth in the percentage of the population over the age of 75, which according to the ABS is to grow from around 6% in 2008 to around 15% in 2060
- predicted growth in residential property prices and the impact this will have on free cash flows from accommodation bonds
- long term forecasts for inflation (the RBA's target inflation rate is 3% per annum)
- long term real growth expectations in the underlying economy (the Economic Intelligence Unit's forecast for real GDP growth over the period to 2012 is between 2.4% and 2.9% per annum).

Our estimated long term growth rate is in line with the target rate of inflation and also takes into account the growth of the aged population.

A discount rate in the range of 11.2% to 11.4 and a terminal growth rate of 3.0% gives a terminal value in the range of A$319 million to A$324 million.

5.5.5 Surplus assets

We have not identified any surplus assets held by Regis Group. This excludes the land sales that have been accounted for in cash flows.

5.5.6 Net debt

As at 30 June 2008, Regis Group is projected to have net debt of A$312 million as set out in Table 31.

5.5.7 Premium for control and minority and marketability discounts

We have estimated the fair market value of Regis Group using the discounted cash flow method which estimates the fair market value of the business by discounting the estimated future cash flows to their present value. Generally investors are willing to pay a premium in order to have control over the cash flows of a company. This is referred to as a premium for control. As the discounted cash flow method discounts all projected future cash flows of an entity on a controlling interest basis, a premium for control (excluding buyer synergies) is implicitly incorporated within the value.

Based on studies of the premiums required to obtain control of companies, it is our opinion that control premiums generally range between 20% and 40% of the portfolio holding values, which implies minority discounts in the order of 15% to 30%. The minority discount is, inter alia, impacted upon by the size of the economic interest and the ability to control the strategic direction of the asset and its ultimate sale. Having regard to these matters, we have allowed for a discount of 5% for MCAG's minority holding in Regis Group, which reflects the extent of MCAG's influence, but not control, over Regis Group.

Where two investments are relatively comparable, investors tend to place more value on the investment which is more liquid. Accordingly, it is common to apply a discount to the value of an investment where there is likely to be restrictions upon its sale. In practice, liquidity discounts generally range between 10% and 30%.

In allowing for a marketability discount of 15% in our valuation of Regis Group we have had regard to the following factors:

- the change of control provisions in the existing asset level debt packages which could trigger the repayment of Regis Group's debt in certain circumstances and the likelihood of Regis Group securing replacement debt facilities
- the complexity of the MCAG capital structure
- the size of the asset
- the current volatility and turmoil in global equity and credit markets, which has made it more difficult to realise assets. Section 1 of Part B of the Scheme Booklet details the sales process undertaken by MCAG.

5.5.8 Valuation of Regis Group: discounted cash flow method

The value of Regis Group derived from the discounted cash flow method is summarised in the table below.

Table 49: Summary – discounted cash flow method

	Section		Low (A$m)	High (A$m)
Present value of forecast cash flows	5.5.2	(A$m)	545	549
Present value of terminal value	5.5.4	(A$m)	319	324
Enterprise value		(A$m)	**864**	**873**
Surplus assets	5.5.5	(A$m)	-	-
Forecast net debt	5.5.6	(A$m)	(312)	(312)
Equity value		(A$m)	**552**	**561**
Equity value of 46% holding		(A$m)	**254**	**258**
Minority/marketability discount (20%)	5.5.7	(A$m)	(51)	(52)
Adjusted equity value of 46% holding		(A$m)	**203**	**207**

Source: Deloitte Corporate Finance analysis

The terminal value accounts for a reasonably significant proportion of the business value of Regis Group and therefore a reasonably significant proportion of the selected enterprise value is based on cash flows after the explicit forecast period.

The above values are sensitive to the discount rate and long-term growth rate assumed in the discounted cash flow valuation of Regis Group.

The sensitivity of Regis Group's enterprise value to changes in discount rates and long term growth rates is summarised in the table below.

Table 50: Sensitivity of enterprise value to changes in assumptions

	Discount rate			Terminal growth rate	
Mature	Development	Overall	2.5%	3.0%	3.5%
10.1%	12.8%	11.1%	902	927	955
10.6%	13.6%	11.2%	852	873	897
10.6%	14.3%	11.4%	844	864	887
11.1%	15.1%	11.5%	800	818	837

Source: Deloitte Corporate Finance analysis

5.5.9 Capitalisation of maintainable earnings

The capitalisation of maintainable earnings method estimates fair market value by capitalising future earnings using an appropriate multiple which encapsulates the growth prospects and risks attached to future earnings. We have used this as a supporting valuation approach given the limited number of directly comparable businesses against which to benchmark Regis Group. Specifically, we have compared valuation multiples implied by our discounted cash flow valuation of Regis Group against relevant market price statistics.

5.5.10 Market price data

We have considered the valuation multiples derived from the current share prices of listed companies we consider to be broadly comparable to Regis Group. We have also considered the multiples derived from recent transactions for broadly comparable companies.

5.5.10.1 Market trading multiples

The share market valuation of comparable listed companies provides evidence of earnings multiples that Regis Group might attract if it was listed on a large stock exchange. The share price of a listed company represents the fair market value of a minority interest in that company.

We have not identified any listed companies that we consider to be directly comparable (in terms of business activities) with Regis Group. According to our research, Regis Group's competitors are either private companies or else divisions of larger, more diversified companies. Nevertheless, we have compiled share market trading multiples for companies we consider to be broadly comparable to Regis Group in that they operate in the retirement care, accommodation sector and development of such facilities.

Relevant financial and valuation statistics are summarised in Appendix 3. General comments regarding the comparable listed companies are listed below:

- **size** – several of the listed companies are considerably larger than Regis Group. In general, larger companies have higher earnings multiples than smaller companies
- **Federal government policy** – aged cared policy differs between most countries and plays a large role in both funding and regulation of the industry. This may have a substantial influence on the earnings multiples companies trade at. Specifically, there is a sizeable difference between New Zealand and Australian based EBITDA multiples
- **diversification** – of the comparable companies identified, most have a significant portion of their revenue base outside aged care. Many operate in industries such as retirement villages, commercial property, hospitals and development which may trade at substantially different multiples
- **position within the industry** – within the aged care industry there is a considerable difference between an operator's location, quality of facilities and focus on low, high or extra care services. Generally, operators providing a greater amount of extra care service in more affluent areas than their competitors will trade at a higher earnings multiple
- **growth prospects** – development of new facilities within the aged care industry is an important area of growth for operators and a strong development pipeline can increase a company's earnings multiples.

The broadly comparable listed companies are currently trading at between 7.8 times and 15.2 times 2008 EBITDA and between 6.5 times and 13.3 times forecast 2009 EBITDA.

5.5.10.2 Merger and acquisition multiples

The price achieved in recent mergers or acquisitions of companies in the retirement care and accommodation industry provides corroborative evidence of an appropriate earnings multiple for Regis Group.

We compiled merger and acquisition multiples for companies broadly comparable to Regis Group. These companies, together with their earnings multiples, are summarised in Appendix 4.

General comments regarding the recent comparable transactions are listed below:

- **limited relevant data** – the aged care industry is dominated by non-profit and small private competitors that are not required to issue financial information. As a result, we have not been able to obtain a sizeable population of transaction multiples for companies directly comparable with Regis Group
- **industry** – the aged care industry landscape is rapidly changing due to government regulation and acquisitions. Several transactions were identified prior to 2007 but because of new regulations and industry consolidation these transactions are no longer considered as relevant
- **acquisition price per bed** – a common industry metric is the acquisition price per bed. For the transactions we have identified the average acquisition price per bed is A$158,000. This industry metric is not an accurate valuation technique but a guide or a rule of thumb for acquisitions within the aged care industry. It is more applicable to the valuation of single homes as opposed to large multi-home operators such as Regis Group
- **Regis Group/RCA transaction –** the merger of RCA and Regis Group, the combination of the third and fourth largest for-profit providers of aged care in Australia, is the most relevant transaction in valuing Regis Group. This transaction completed at an implied EBITDA multiple of 37.9 times 2007 EBITDA for the group.

The acquisition price of a company represents the fair market value of a controlling interest in that company. The difference between the fair market value of a controlling interest and a minority interest is referred to as the premium for control.

5.5.11 Cross check: capitalisation of maintainable earnings

The table below presents the current EBITDA multiples derived from our discounted cash flow valuation of Regis Group.

Table 51: EBITDA multiples implied from discounted cash flow method

		Current[1]	
	Section	Low	High
Enterprise value (on a control basis) (A$m)	**5.5.8**	**864**	**873**
EBITDA (A$m)	4.4.7.1	19	19
EBITDA multiple (on a control basis) (x)		**45.4**	**45.9**
EBITDA (A$m)	4.4.7.1	19	19
Add back net bond flow (A$m)	4.4.7.1	28	28
Cash flow (A$m)		**47**	**47**
Cash flow multiple (on a control basis) (x)		**18.4**	**18.6**

Source: Deloitte Corporate Finance analysis

Note:

1. The current EBITDA is based on the forecast year ending 30 June 2008.

The table below sets out current and forecast multiples derived from broadly comparable companies and transactions.

Table 52: Comparable trading and transaction multiples

	Current EBITDA multiple		Forecast EBITDA multiple	
	Low	High	Low	High
Comparable listed companies (on a minority basis)	7.8x	15.2x	6.5x	13.3x
	Mean: 10.7x		Mean: 8.6x	
Recent comparable transactions (on a control basis)	10.8x	16.2x	*Not applicable*	
	Mean: 12.8x			

Source: Deloitte Corporate Finance analysis

The discounted cash flow valuation of Regis Group results in an EBITDA multiple and a cashflow multiple that is significantly in excess of the multiples exhibited by comparable companies or recent comparable transactions (refer to Table 51 and Table 52). We believe this to be a result of the following factors:

- development projects which are either in progress or will commence in the short to medium term. EBITDA will increase as these developments begin operating
- the costs incurred in relation to the integration of Regis Group and RCA.

Given the disparity between the Regis Group multiples and the comparable trading and transaction multiples, it is not possible to draw any meaningful conclusions from the multiples analysis set out above.

5.5.12 Valuation of MCAG's interest in Regis Group: conclusion

Based on the discounted cash flow method, we assess the fair market value of MCAG's 46% interest in the equity of Regis Group to be between A$203 million and A$207 million.

5.6 Sum of the parts analysis

When performing a sum of the parts valuation consideration needs to be given to the fair market value of MCAG's interest in the MCAG Assets as well as the surplus assets, net debt/cash and management fees at the MCAG fund level. We consider these points below.

5.6.1 MCAG surplus assets and net debt/cash

Based on discussions with MCAG management and an analysis of the 31 December 2007 financial report, MCAG does not have any surplus assets at valuation date. MCAG's net cash balance is projected to be A$99 million. According to MCAG management, the net cash balance is not expected to vary significantly between 30 June 2008 and the date on which the Proposed Schemes are implemented.

5.6.2 Capitalised management fees

The cost structure of MCAG encompasses a number of administrative overheads, including management fees. In analysing the fair market value of MCAG on a going concern basis, these costs need to be considered as the value benefits (but not the costs) derived from the management services are included in our valuation of each of the MCAG Assets.

MCAML currently receives a base management fee equal to 1.5% per annum of the net investment value of MCAG. The net investment value is based on:

- the average market capitalisation of MCAG over the last 15 trading days of a quarter, plus
- the amount of any external borrowings of the company, plus
- the aggregate of the amounts that the company has firmly committed to for future investment in investments other than cash equivalents, less
- the aggregate amount invested in cash and cash equivalents.

We have allowed for the base management fee in our valuation taking into account the following factors:

- MCAG's stated investment horizon of three to five years at the time of the prospectus and product disclosure statement published for the purposes of MCAG's initial public offer
- the current state of equity and debt markets, which impacts upon the likely realisation time frame for the investments
- the midpoint of our estimated fair market value of the MCAG Assets of $722 million to $828 million as per Table 53, which we consider a reasonable approximation of the current market capitalisation of MCAG
- the WACC for the MCAG Assets on a whole of portfolio basis of 10.1%.

Applying the above assumptions, we have calculated the present value of the base management fees to be $37 million, which reduces the value of the MCAG Securities by approximately 15 cents per security.

MCAML is also entitled to a performance fee where the return for a quarter is greater than zero and the performance of the MCAG Securities exceeds the performance of the S&P/ASX 200 Accumulation Index (Benchmark Index). The Performance Fee equals 20% of the return above the Benchmark Return for the quarter. The details of the basis of the calculation of the performance fee are set out in the Prospectus. Based on the current price of the MCAG Securities, the payment of performance fees is unlikely and therefore has not been considered in our valuation.

5.6.3 Premium for control

We have estimated the fair market value of the MCAG Securities by performing a sum of the parts valuation. In considering the value of each of the MCAG Assets, we have considered whether a premium for control is being paid at the MCAG Asset level.

In considering whether it is appropriate to apply a premium for control at the MCAG fund level, we have had regard to the following factors:

- our consideration of whether it is appropriate to incorporate a premium for control for each of the MCAG Assets
- the size and degree of geographic diversification of the portfolio comprising the MCAG Assets
- the costs that would be incurred in acquiring a similar portfolio of assets in contrast to acquiring the MCAG Securities
- the change of control provisions which could trigger repayment of debt by each of the MCAG Assets in certain circumstances.

On balance, having regard to the aforementioned factors, we have not incorporated a separate premium for control at the MCAG fund level in our assessment of the fair market value of the MCAG Securities.

5.6.4 Sum of the parts analysis

The sum of the fair market value of the MCAG Assets, net cash and capitalised management fees are summarised in the table below

Table 53: Summary of valuation findings

	Reference	Low (A$m)	High (A$m)
Estimated fair market value of MCAG's interest in:			
EDSA	5.2.16	308	382
Red Bee	5.3.12	110	125
AIR-serv	5.4.12	101	114
Regis Group	5.5.12	203	207
Estimated fair market value of the MCAG Assets		**722**	**828**
Add: MCAG fund level net cash	5.6.1	99	99
Less: Capitalised management fees	5.6.2	(37)	(37)
100% equity value of MCAG		**785**	**890**
Number of securities on issue ('000s)		245,959	245,959
Value of MCAG per security (A$)		**3.19**	**3.62**

Source: Deloitte Corporate Finance analysis

6 Evaluation and conclusion

6.1 Fairness

A comparison of the current fair market value of a security in MCAG with the consideration is set out in Table 1 below.

Table 54: Evaluation of fairness

	Section	Low (A$)	High (A$)
Estimated fair market value of an MCAG Security	6.1	3.19	3.62
Cash consideration to be received pursuant to the Proposed Schemes[1]		3.40	3.40
Estimated value of a MAIG Security under the Scrip Alternative[1,2]		2.23	2.53

Source: Deloitte Corporate Finance analysis

Notes:

1. Securityholders should have regard to the comments below in relation to the relative attributes of each form of consideration.
2. Important qualifications in relation to the estimated value of a MAIG Security are set out below.

The cash consideration offered by MAIG, being the default option, is within the range of our estimate of the fair market value of an MCAG Security. Our valuation range of an MCAG Security reflects a control value for securities that are publicly traded in an informed and relatively liquid market.

Whilst cash consideration is the default option, MCAG Securityholders are also being offered the opportunity to elect to receive MAIG Securities through the Scrip Alternative. However, the Scrip Alternative may not be available (it is subject to holders owning 5% or more of MCAG Securities in aggregate electing this option). If available the MAIG Securities will not be quoted on the Australian Securities Exchange (ASX) and there are limits on the quantum of non-cash consideration under the Proposed Schemes (there will be a pro-rata scale back if demand exceeds 20% of MCAG Securities in aggregate). It is also noted in the Scheme Booklet that as there is no guarantee that the Scrip Alternative will eventuate, when considering whether to vote in favour of the Proposed Schemes, an MCAG Securityholder should not do so in the expectation that the Scrip Alternative will eventuate.

In estimating the value of a MAIG Security under the Scrip Alternative, we have considered the following:

- the inability of securityholders, who elect to participate in the Scrip Alternative, to readily realise the securities in MAIG (i.e. the MAIG securities will not be listed on a stock exchange and MAIG does not currently envisage putting in place a mechanism to allow securityholders to readily buy and/or sell their securities). Where two investments are relatively comparable, investors tend to place more value on the investment that is more liquid. Accordingly, it is common to apply a value discount to an unlisted security. In practice, liquidity discounts range between 10% and 30%
- the inability of securityholders to access the cash retained in escrow for some time, potentially up to 5 years. The value of the Scrip Alternative includes A$0.40 that will be received as a distribution of capital from MCAG. This cash will be maintained in escrow to fund follow-on investments in existing portfolio companies or the working capital requirements of MAIG. The remainder of the escrow amount, if any, will be released from escrow to the relevant MCAG Securityholders no later than five years after the implementation date of the Proposed Schemes. MCAG Securityholders who elect to receive the Scrip Alternative will not have any control over the timing of the release of funds from escrow

- the possibility of increased management fees associated with MAIG. These are ultimately subject to uncertainties in relation to the timing and realisation of the portfolio investments. The fee structure for MAIG is different to the fee structure for MCAG and the performance fee hurdle calculations will be reset to operate from the date of implementation of the Proposed Schemes. Existing Securityholders, accepting the Scrip Alternative, may bear additional fees because the base value used in measuring the performance fee for MAIG is below that set for MCAG. The value impact is not quantifiable as the MCAG performance fee structure is based on future security price performance while the MAIG performance fee structure is based on future distributions from MAIG.

Based on the liquidity and other factors detailed above, we believe that a value discount of not less than 30%, being the top end of the liquidity discount range quoted, is likely to apply to a MAIG Security. Based on our estimated fair market value of an MCAG Security set out in Table 1 above, the estimated value of a MAIG Security is unlikely to exceed $2.23 to $2.53 per security.

As noted above, the cash consideration is the default option. The Scrip Alternative is being provided to those MCAG Securityholders, who, notwithstanding the above analysis, wish to retain an interest in the underlying MCAG Assets. In this context, notwithstanding that the estimated value of a MAIG Security is below our range of the fair market value of an MCAG Security, as the cash consideration is within the range of our estimate of the fair market value of an MCAG Security and is the default option, it is our opinion that the Proposed Schemes are fair.

An individual MCAG Securityholder's decision as to whether or not to elect to receive the Scrip Alternative would be influenced by the preference to retain an interest in MCAG's Assets and the taxation consequences associated with each alternative.

6.2 Reasonableness

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Schemes are reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Schemes.

Advantages of the Proposed Schemes

The likely advantages to Securityholders if the Proposed Schemes are approved include:

No more attractive alternative is currently available, or is likely to become available, to Securityholders

On 27 February 2008, MCAG announced that it was exploring a range of strategic alternatives and options to crystallise value for Securityholders. These options included both a sell-off of individual assets as well as exploring the potential for a whole-of-fund solution.

As part of this process, MCAG management conducted an extensive process that included approaching approximately 20 institutional investors which specialise in secondary or late stage private equity investments to determine their interest in taking MCAG private. The Board sought to develop a whole-of-fund solution as this retains the value of the existing debt packages. Following the process, a syndicate of secondary private equity investors formed and are participating in the Proposed Schemes.

Further details of the sale process are set out in section 4.1 of the Scheme Booklet.

There have been no alternative offers forthcoming for the MCAG Securities. The prospect of a superior competing proposal is considered unlikely given:

- the significant premium of the MAIG offer to the MCAG Security price prior to the announcement of the MAIG offer (analysed further below)
- clauses in the shareholder agreements of each of MCAG's portfolio investments, which give the co-investors in those portfolio investments pre-emptive rights to acquire MCAG's interest, or as an alternative, tag-along rights to divest the co-investor's interest in the portfolio investment to the bidder
- clauses in the debt agreements of the portfolio investments (except Regis Group), which give lenders the option to require the existing business level debt packages to be repaid in the event of a change in control of any of the major investors, including a change in the manager of MCAG.

The Board has sought to retain the value of the existing business level debt packages. At the time of the respective acquisitions, each of the businesses negotiated favourable gearing levels, interest rates and terms compared to the arrangements that are likely to be negotiated in the current market. The refinancing of the debt packages are not triggered by the Proposed Schemes and the resultant benefit of these circumstances are unlikely to be available under an alternative offer.

We note that the Board considered the possibility of individual asset sales but concluded that there were significant risks associated with achieving the fair value of the respective investments due to continuing uncertainty surrounding capital and credit markets and, in the context of a change of control, the ability of the businesses to retain their preferential debt packages.

The Board also considered that maintaining the operation of MCAG in its existing form was unlikely to be satisfactory for MCAG Securityholders given the response of the security price to recent capital management initiatives. Given the continued deterioration in credit market conditions, the Board also considered it unlikely that any benefit would be obtained from engaging in a recapitalisation of any of the assets.

Further details regarding the above issues are set out in section 4.1 of the Scheme Booklet.

Securityholders are receiving a significant premium to MCAG's security price prior to the announcement of the Proposed Schemes

The consideration offered of A$3.40 equates to:

- a premium of 62% to the last closing price of the MCAG Securities as at 13 June 2008 of A$2.10
- a premium of 53% to the three month volume weighted average price (VWAP) of the MCAG Securities of A$2.22.

It is difficult to predict where the MCAG Security price might settle in the absence of the MAIG proposal or speculation regarding an alternative proposal. However, if the Proposed Schemes are not implemented, it is likely that the MCAG Securities will trade at a price significantly below the cash consideration offered of $3.40 per security.

The Proposed Schemes allow a Securityholder to realise an investment in MCAG at the present time – Cash consideration option only

The Proposed Schemes allow a Securityholder to realise an investment in MCAG at the present time. The Proposed Schemes remove the uncertainty around the timing and the quantum of the proceeds to be received if the MCAG Assets were to be realised in a piecemeal manner. In the past three years, Securityholders have received two cash distributions each of 30 cents.

Ability to participate in any potential upside associated with the MCAG Assets - Scrip Alternative only

Securityholders have been given the opportunity to invest in MAIG by accepting the Scrip Alternative (to the extent available), which will provide existing MCAG Securityholders with the option to retain an economic exposure to MCAG's underlying investments. The rights attaching to the MAIG Securities will substantially mirror the rights currently attaching to the MCAG Securities, albeit that the MAIG Securities will not be quoted on the ASX and accordingly would have a significantly lower level of liquidity.

Under the Scrip Alternative, MCAG securityholders will receive, for each MCAG security held, up to A$0.40 as a distribution of capital from MCAG. The A$0.40 represents each MCAG Securityholder's interest in the net cash at the MCAG fund level. The cash will be maintained in escrow to fund follow-on investments in existing portfolio companies or the working capital requirements of MAIG. The remainder of the escrow amount, if any, will be released from escrow to the relevant MCAG Securityholders no later than five years after the implementation date of the Proposed Schemes. MCAG Securityholders who elect to receive the Scrip Alternative will not have any control over the timing of the release of funds from escrow.

Disposal of the MCAG Securities

Securityholders will not be required to pay brokerage or stamp duty on the transfer of their MCAG Securities.

Disadvantages of the Proposed Schemes

The likely disadvantages to Securityholders if the Proposed Schemes are approved include:

Inability to participate in upside growth potential of the MCAG Assets if MCAG Securityholders elect to receive the cash consideration - Cash consideration option only

Whilst the Proposed Schemes allow Securityholders to exit their investment in MCAG at a significant premium to the current security price of MCAG, MCAG Securityholders electing to receive the cash consideration will not be able to participate in the future growth of MCAG if the Proposed Schemes are approved. This upside growth potential may be amplified because of the extent of the existing business level debt packages. It is possible that the value of MCAG Securities may increase over time to a level above the consideration now offered.

Inability to participate in synergy benefits associated with the Truvo NL acquisition if MCAG Securityholders elect to receive the cash consideration - Cash consideration option only

Securityholders electing to receive the cash consideration will not derive the expected benefits from the proposed acquisition by EDSA of Truvo NL in the event the transaction should proceed. Based on previous MCAG announcements, it is likely that the transaction will be earnings accretive to MCAG.

Taxation

Implementation of the Proposed Schemes may trigger tax consequences for MCAG Securityholders earlier than would have otherwise been the case. The taxation consequences of the Proposed Schemes for Securityholders will depend on the personal taxation and financial circumstances of each Securityholder. Some Australian resident MCAG Securityholders may be entitled to capital gains tax rollover relief on the scrip portion of the Scrip Alternative (to the extent available).

The above comments in respect of taxation impacts are general in nature and do not constitute tax advice. Accordingly, MCAG Securityholders should consult their tax advisers in relation to their personal circumstances.

General tax implications of the Proposed Schemes are discussed in Section 12 of the Scheme Booklet.

Scrip in MAIG will not be as liquid as the current MCAG Securities - Scrip Alternative only

The securities in MAIG will not be as liquid as the current MCAG Securities because MAIG Securities will not be quoted on the ASX. As the investments owned by MAIG are sold over time, the proceeds from those sales will be returned to MAIG Securityholders by distributions or returns of capital

Less of an ability to influence the future direction of MAIG – Scrip Alternative only

The interests and motivations of the securityholders in MAIG and MCAG may not be aligned. The Non-Associated Securityholders accepting the Scrip Alternative will, both individual and collectively, have less influence over the direction of MAIG as compared to MCAG.

Fee structure – Scrip Alternative only

The fee structure for MAIG is different to the fee structure for MCAG and the performance fee hurdle calculations will be reset to operate from the date of implementation of the Proposed Schemes. Existing Securityholders, accepting the Scrip Alternative, may bear additional fees because the base value used in measuring the performance fee for MAIG is below that set for MCAG. The value impact is not quantifiable as the MCAG performance fee structure is based on future security price performance while the MAIG performance fee structure is based on future distributions from MAIG.

Other considerations

Foreign exchange risk

The fair market value of MCAG is sensitive to fluctuations in the A$ exchange rate. The Australian dollar has experienced significant appreciation against the US dollar and other major currencies in recent times. If Non-Associated Securityholders have an expectation that the Australian dollar will return to lower levels, their assessment of the Proposed Schemes may differ from that set out above. By way of example, if the Australian dollar were to depreciate by ten percent against the Euro, this would increase the low and high end of our valuation range by approximately 4% in A$ terms.

The intentions of the Independent Directors and the major Securityholders

It is the intention of the Independent Directors to unanimously recommend acceptance of the Proposed Schemes, in the absence of a superior proposal, on the basis that the offer represents fair value and is in the best interests of Non-Associated Securityholders.

MQG intends to receive the all cash offer for its MCAG stapled securities and will invest into MAIP International Holdings Limited (MAIPIH), the parent company of MAIG, an amount equal to the cash it will receive for its 17.9% holding (through MCAML) in MCAG. MQG will also receive MAIPIH scrip as consideration for the sale to MAIPIH of its 23% investment in Red Bee. As a result of these transactions, MQG will hold a minimum 25% interest in MAIPIH.

MQG will not inject any new capital into the proposed take-private transaction of MCAG. If the Gouden Gids or another transaction is completed prior to the scheme implementation date, MQG will contribute its pro-rata share of the transaction value, subject to a maximum contribution of $0.40 per security.

Break fees

A cost reimbursement of up to $8.0 million (representing the actual costs incurred by MAIG) will be payable by MCAG to MAIG under certain circumstances if the Proposed Schemes do not proceed, including if the Independent Directors withdraw their recommendation, the Scheme Implementation Agreement is terminated in certain circumstances or a competing transaction is announced, but excluding if the Independent Expert finds that the Proposed Schemes are not in the best interests of Securityholders.

Consideration of special value

It is our opinion that the Proposed Schemes deliver the benefits of favourable business level debt packages to MAIG, however, these benefits are currently enjoyed by MCAG Securityholders. In this sense, there is no special value being derived by MAIG. We note, however, that the value associated with the favourable business level debt packages may not accrue to any other bidder under a competing proposal.

6.3 Conclusion

Based on the foregoing, we are of the opinion that the Proposed Schemes are fair and reasonable.

Appendix 1: Glossary

Reference	Definition
α	Specific company risk premium
AFSL	Australian Financial Services Licence
AIM	Alternative Investment Market
AIR-serv	ASI Holding Corp
AMEX	American Stock Exchange
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUS	Australian Auditing Standards
β	Beta estimate
BBC	British Broadcast Corporation
Benchmark Index	S&P/ASX 200 Accumulation Index
CAGR	Compound annual growth rate
CAPM	Capital Asset Pricing model
CBSIL	Creative Broadcast Services International Limited
Channel 4	Channel 4 Television Corporation
Chapter 6	Chapter 6 of the Corporations Act
Companies Act	Companies Act 1987
Corporations Act	Corporations Act 2001 (Cth)
Court	Supreme Court of New South Wales
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
DRP	Distribution and Dividend Reinvestment Plan
DTT	Digital terrestrial platform
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDSA	European Directories
EMRP	Equity market risk premium
FICS	Financial Industry Complaints Service
five	Channel 5 Broadcasting Limited
FSG	Financial Services Guide
HD	High definition
ICAA	Institute of Chartered Accountants in Australia
IER	Independent expert's report
IMS	Independent Media Support
Independent Directors	The directors of MCAG that are unrelated to MQG
IPTV	Internet protocol television
IRR	Internal rate of return
IT	Information technology
K_d	Cost of debt capital
K_e	Cost of equity capital
LC	Local currency
MCAG	Macquarie Capital Alliance Group
MCAG Assets	The four discrete businesses in which MCAG holds direct investments
MAIG	Macquarie Advanced Investments Group, the new vehicle that will privatise MCAG by acquiring all the MCAG Securities
MAIG Security	One stapled security in MAIG
MAIIL	Macquarie Advanced Investment International Limited
MAIL	Macquarie Advanced Investment Limited
MAIP	Macquarie Advanced Investment Partners
MAIT	Macquarie Advanced Investment Trust
MCAG Securities	The stapled securities consisting of MCAL, MCAT and MCAIL
MCAIL	Macquarie Capital Alliance International Limited

Reference	Definition
MCAIL Share Scheme	The scheme of arrangement pursuant to section 99 of the Companies Act proposed between MCAIL and the MCAIL shareholders
MCAL	Macquarie Capital Alliance Limited
MCAL Share Scheme	The scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between MCAL and the MCAL shareholders
MCAML	Macquarie Capital Alliance Management Limited
MCAT	Macquarie Capital Alliance Trust
MQG	Macquarie Group Limited
n/a	Not available
NASDAQ	National Association of Securities Dealers Automated Quotation System
Non-Associated Securityholders	MCAG securityholders who are not associated with MQG and its subsidiaries
NYSE	New York Stock Exchange
PaMS	Playout and Media services
PDS	Product Disclosure Statement
Proposed Schemes	The proposed inter-conditional schemes of arrangement and trust scheme to acquire all the stapled securities of MCAG
R_f	Risk free rate
RBA	Reserve Bank of Australia
RCA	Retirement Care Australia Holdings Limited
Red Bee	Red Bee Media
RG111	Regulatory Guide 111
RVG	Retirement Villages Group
Scheme Booklet	The scheme booklet prepared by the board of MCAG containing the detailed terms of the Proposed Schemes
Scrip Alternative	The scrip alternative offered to MCAG Securityholders which comprises up to $0.40 as a distribution of capital by MCAG, plus one MAIG Security
Section 640	Section 640 of the Corporations Act
Securityholders	All securityholders of MCAG
SMEs	Small to medium enterprises
Sweet equity	The ratchet mechanism on an exit event whereby management receive a percentage of the profits realised on exit
SWOT	Strengths, weaknesses, opportunities and threats
TDC Directories	TDC Directories A/S
TNS	Technicolor Network Services
Trust Scheme	The arrangement by which MAIG acquires all of the MCAT units from MCAT unitholders
TV	Television
UK	United Kingdom
US	United States
Vintage	Vintage Holdings Limited
Virgin Media	Virgin Media, Inc
VoD	Video-on-demand
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
ZIG	Zig Inge Group

Appendix 2: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor. Discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC). The WACC can be derived using the following formula:

$$\boxed{WACC = \left(\frac{E}{V} * K_e \right) + \left(\frac{D}{V} * K_d (1 - t_c) \right)}$$

The components of the formula are:

K_e = cost of equity capital

K_d = cost of debt

t_c = corporate tax rate

E/V = proportion of company funded by equity

D/V = proportion of company funded by debt

The adjustment of K_d by (1- t_c) reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be the tax rate in the jurisdiction in which the MCAG Assets operate.

Cost of equity capital (K_e)

The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

We have used the Capital Asset Pricing Model (CAPM) to estimate the K_e for the MCAG Assets. The CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital and is determined using the following formula:

$$\boxed{K_e = R_f + \beta(R_m - R_f) + a}$$

The components of the formula are:

K_e = cost of equity capital

R_f = the risk free rate of return

R_m = the expected return on the market portfolio

β = beta, the systematic risk of a stock which can be objectively measured by the responsiveness of company returns to movements in returns earned on the market portfolio

α = specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

In determining R_f we have considered the 10 year bond yield in each market in which the MCAG Assets operate as follows:

Table 55: Risk free rate summary

	EDSA	Red Bee	AIR-serv	Regis Group
Country/market	European Union	United Kingdom	United States	Australia
Risk free measure	10 year Government Eurobond rate	10 year UK Gilt	10 year US Treasury Strip	10 year Australian Government Bond
Estimate at valuation date	4.6%	5.0%	4.4%	6.5%

Source: Deloitte Corporate Finance Analysis

The above estimates are widely used and accepted benchmarks for the risk free rate in each market. These rates represent a nominal rate and thus include inflation.

Equity market risk premium (EMRP)

The Equity Market Risk Premium ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the difference between the expected return on holding the market portfolio and the risk free rate. It is the excess return above the risk free rate that investors demand for their increased exposure to risk when investing in equity securities.

In selecting an appropriate EMRP to include in the estimation of the cost of equity a number of factors need to be considered:

- whether to use historical or prospective measures
- the use of arithmetic or geometric averaging for historical data
- time periods for use in historical analysis
- the relative tolerance for equity risk in each market in which the MCAG Assets operate.

Historical and prospective EMRP

In evaluating the EMRP, we have considered both the historically observed and estimates of the prospective EMRP. The most appropriate EMRP to use in our analysis is the prospective risk premium that investors are using to evaluate current investment opportunities. However, while being theoretically preferable, it is not possible to reliably measure the prospective EMRP.

The historically observed EMRP is typically used as a proxy for the prospective EMRP. The historical EMRP is estimated by comparing the historical returns on equities against the returns on risk free assets such as government bonds. The historical EMRP has the benefit of being capable of estimation from reliable data, however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

In the absence of any evidence suggesting that the prospective EMRP differs from the historic we have placed most emphasis on the historically observed risk premium in our analysis and choice of EMRP.

The historically observed EMRP in each jurisdiction in which the MCAG Assets operate is set out below.

Table 56: Asset EMRP

	EDSA	Red Bee	AIR-Serv	Regis Group
EMRP	5.0%	5.0%	5.0%	6.0%
Source	various	GIRY 2008[2]	various	AGSM[1]

Source: Deloitte Corporate Finance analysis
Notes:
1. Australian Graduate School of Management.
2. Global Investment Returns Yearbook 2008, February 2008, ABN Amro.

Arithmetic or geometric averaging of historical returns

Empirical studies seeking to measure the historical EMRP typically average the results using either an arithmetic or geometric averaging process. Geometric averaging assumes that returns are reinvested in later periods and will be less than the arithmetic average if the returns show some variance between periods.

We consider the arithmetic average equity risk premium to be more appropriate when discounting future cash flows. The geometric average is more appropriate when reporting past performance, since it represents the compound average return, but we believe that investors today would demand a higher premium than that calculated using a geometric average.

Time period for observations

In empirical studies seeking to measure the EMRP, it is necessary to select a time period over which observations are considered. In general a longer time period is preferred as a larger number of observations are available which narrows the confidence intervals for the observed EMRP. However, it is possible that the EMRP does not remain stable over time and therefore a shorter observation period could be used to incorporate the recent observed risk premium only. We base our analysis on time periods ranging from 30 to over 100 years depending on the availability of reliable information from the jurisdiction within which the MCAG Assets operate.

Selected EMRP

EDSA

In determining an appropriate EMRP to take account of the risk associated with holding a market portfolio of investments, we have considered the following:

- the consensus median EMRPs applied by various European research brokers on the comparable listed companies operating in Europe range between 4.0% and 6.0% with an average of 4.9%
- the Dimson, Marsh and Staunton study of February 2008 regarding EMRPs revealed that the historical geometric mean risk premium in Europe from 1900 to 2007 was 4.4% with an arithmetic mean of 6.9%. For the countries reported in this study in which EDSA has operations (Denmark, the Netherlands and Sweden), the geometric mean risk premium was 4.5% with an arithmetic mean of 6.4%

After consideration of the above factors we have selected an EMRP of 5.0% as appropriate for our valuation.

Red Bee

To determine an appropriate EMRP to account for the risk associated with holding a market portfolio of investments in the UK we have considered the following:

- Bloomberg calculates an implied UK EMRP of 4.6%
- the consensus median EMRPs applied by various UK research brokers is 4.4% as at 31 March 2008
- the Global Investment Returns Yearbook 2008, published by ABN Amro in February 2008, calculates a historical UK geometric mean EMRP from 1900 to 2007 at 4.1% with an arithmetic mean EMRP 5.4% over the same period
- the Equity Gilt Study 2008, published by Barclays Capital in February 2008, calculates the UK equities provided a real (geometric mean) return of 5.3% over the period 1900 to 2007 while gilts returned 1.1% in real terms over the same period, i.e. a geometric mean historical EMRP of 4.2%

After consideration of the above factors we have selected an EMRP of 5.0% to use within our valuation.

AIR-Serv

To determine an appropriate EMRP to account for the risk associated with holding a market portfolio of investments in the US we have considered the following:

- Bloomberg calculates an implied US EMRP of 7.1%
- the Dimson, Marsh and Staunton study of April 2006 regarding EMRPs revealed that the historical geometric mean risk premium in the US from 1900 to 2005 was 4.5% with an arithmetic mean of 6.5%
- historical research performed by Ibbotson Associates revealed that the historical equity risk premium between 1970 and 2007 was 5.0%
- historical research performed by Morning Star revealed that the long horizon historical equity risk premium between 1926 and 2007 was 7.1%, between 1970 and 2006 was 4.9% and between 1989 and 2006 was 6.9%.

After consideration of the above factors we have selected an EMRP of 5.0% to use within our valuation.

Regis Group

The recent study undertaken by the Centre for Research in Finance at the AGSM detailed a number of estimates for the EMRP. The EMRP calculated using arithmetic averaging of returns between January 1974 and June 2004, including October 1987, without adjusting for franking credits was 5.8%. On this basis, we have adopted 6.0% as the EMRP.

Beta estimate (β)

Description

The beta coefficient measures the systematic risk of a company in comparison to the market as a whole. A beta of greater than one indicates greater market related risk than average, while a beta of less than one indicates less risk than average.

The beta for an asset can be estimated by regressing the returns on any asset against returns on an index representing the market portfolio, over a reasonable time period.

Market evidence

In estimating an appropriate beta for the MCAG Assets we have considered the betas of listed comparable companies. These betas, which are presented below, have been calculated based on weekly returns, over a two year period, compared to the relevant country total return index.

Table 57: Analysis of betas for listed companies with comparable operations to the MCAG Assets

Company Name	Enterprise Value (m)	Gearing[1]	Levered Beta	Unlevered Beta
Directories industry - *EDSA*				
Yell Group Plc	£4,649	78.8%	1.35	0.39
Eniro AB	Kr15,544	64.6%	0.89	0.36
Seat Pagine Gialle SpA	€4,162	78.8%	1.64	0.53
PagesJaunes	€5,128	36.6%	0.85	0.62
Average		***64.7%***	***1.18***	***0.47***
Media - *Red Bee*				
ITV	£3,091	25.7%	0.79	0.59
RTL Group	€12,268	1.0%	0.68	0.67
TF1 – TV Francaise	€3,312	18.0%	0.83	0.68
British Sky Broadcasting	£11,259	15.5%	0.81	0.69
SES	€10,481	30.5%	0.78	0.54
Average		***18.1%***	***0.78***	***0.63***
Rental industry – *AIR-serv*				

Consumers' Waterheater Income Fund	C$1,114	45.0%	0.76	0.42
Coinstar Inc	US$1,140	6.7%	1.01	0.94
Bunzl Plc	£2,986	22.8%	0.76	0.59
Aaron Rents Inc	US$1,350	13.4%	1.22	1.06
Abm Industries Inc	US$960	-14.2%	1.09	1.13
Photo-Me International Plc[2]	£72	39.4.%	0.91	0.55
Mac-Gray Corp	US$335	58.2%	n/m	0.34
Average		***22.0%***	***0.97***	***0.83***
Aged care – *Regis Group*				
Aevum Limited	A$294	9.5%	0.94	0.85
B & B Communities	A$668	36.3%	1.13	0.72
FKP Properties	A$2,146	38.6%	1.10	0.67
Metlifecare Limited	NZ$541	17.8%	0.50	0.41
Ryman Healthcare Ltd	NZ$1,056	11.3%	1.02	0.91
Average		***23.0%***	***0.94***	***0.71***

Source: Analysts' reports, Bloomberg, Deloitte Corporate Finance

Notes:

1. Gearing = debt/enterprise value.
2. Photo-Me International has been deemed an outlier and thus excluded from calculation as it predominantly services the French, UK and Japanese markets and is a significant manufacturer of photographic development and printing equipment, which represents its highest growth opportunity.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as that of the MCAG Assets. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta

EDSA

In selecting an appropriate beta for EDSA we have considered the following:

- the unlevered betas for each of the comparable companies measured over monthly intervals over a five year period against the relevant local market index returns unlevered beta measures of between 0.36 to 0.62
- the levered betas for each of the comparable companies measured over monthly intervals over a five year period against the relevant local market index returns levered beta measures of between 0.85 to 1.64
- the standard deviation of the error (standard deviation) for each levered beta measure was significant in comparison to the standard deviation of comparable companies for MCAG's other assets. The standard deviation serves as a measure of uncertainty and is a gauge of precision of those measurements. If the standard deviation is high, lower confidence can be placed in the beta measure
- the comparable company that has the closest characteristics to that of EDSA is PagesJaunes, which is majority owned by private equity funds and has superior assets to that of the other listed comparable companies. The standard deviation for PagesJaunes of 0.22 is also significant
- PagesJaunes has a low gearing at the minority interest level, but KKR, its majority owner, is geared at its level
- EDSA is moving from a stable print based business to an online search-based firm where there is a greater degree of competition, which is likely to result in its beta moving to the market beta of one.

In light of the above comments, we have judgementally selected an unlevered beta of 0.70, a corporate tax rate of 27% (the average tax rate applicable to EDSA) and a debt to equity ratio of 35% to 65% (based on the debt to equity ratio of PagesJaunes). This results in a relevered beta of 0.97.

Red Bee

In selecting an appropriate beta for Red Bee we have considered the following:

- the unlevered beta for the companies that are comparable to Red Bee is in a range of 0.54 to 0.69, with an average of 0.63
- the average unlevered beta for European companies in the broadcast services and programming sector, sourced from Professor Damodaran[11]'s website, is 0.79 and the average for European television companies is 0.93
- the differences between the comparable listed companies and Red Bee, including the presence of creative services and new services which are both more risky than playout and access services.

We consider that Red Bee will have a higher beta than the comparable listed companies in its sector due to the growing non-playout business streams. Accordingly, we have used an unlevered beta of 0.85. Re-levering this beta based on a UK corporation tax rate of 28% and a debt to equity mix in line with Red Bee's comparable listed companies, results in a levered beta for Red Bee of 0.98.

AIR-Serv

In selecting an appropriate beta for AIR-Serv we have considered the following:

- the unlevered beta for the companies that are comparable to AIR-serv is in a range of 0.34 to 1.13 with an average of 0.77
- the differences between the comparable set of companies and AIR-serv, include size of operations, regions serviced, business models and the fact that these companies have non-vending related activities.

We consider that AIR-serv will have a similar but higher beta to the listed companies in its sector and have used an unlevered beta of 0.88. Re-levering this beta based on a US corporation tax rate of 39% and a debt to equity mix in line with AIR-serv's comparable listed companies, results in a levered beta for AIR-serv of 1.11.

Regis Group

In selecting an appropriate beta for Regis Group we have considered the following:

- the unlevered beta for the companies that are comparable to Regis Group is in a range of 0.41 to 0.91, with an average of 0.71
- the aged care industry is a relatively stable industry and generally weathers economic issues well
- the differences between the comparable set of companies and Regis Group include the regulatory environment, operations outside of aged care, size of operations, services offered and profile of patients
- a review of the aged care industry and its expected sensitivity to the general market index in the long term.

We consider that Regis Group will have a beta that is in line with the listed companies in its sector and have therefore assumed an unlevered beta of 0.73, a corporate tax rate of 30% and the debt to equity mix in line with Regis Group's comparable listed companies of 33%, giving a relevered beta of 0.90.

Selected betas

The table below sets out the selected betas.

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[11] Aswath Damodaran is Professor of Finance at New York University's Stern School of Business. His website contains considerable valuation-related information, which was last updated in January 2008.

Table 58: Selected betas

	EDSA	Red Bee	AIR-Serv	Regis Group
Selected beta	0.97	0.98	1.11	0.90

Source: Deloitte Corporate Finance analysis

Specific company risk premium (α)

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as depth and quality of management, reliance on one key individual or a few key management, reliance on key customers and reliance on key suppliers.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

There are several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that:

- on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium)
- on average, early stage companies or companies in their development stage have higher rates of return than mature companies.

Our consideration of these matters is discussed below.

Selection of specific company risk premium

EDSA

We have selected a specific company risk premium of 2.0% to 2.5%.

In determining this amount we have had regard to the following:

- EDSA is likely to be exposed to the risks associated with achieving significant revenue growth and EBITDA margin improvements throughout the forecast period given the general uncertainty in economic outlook for the countries in which EDSA operates
- there is the potential for lost business as the transition from print to online media accelerates
- the expansion of EDSA's online offerings and other new products are expected to drive future growth given the decline in its traditional market of print media. There is limited performance related financial information about its new product offerings available
- EDSA's success depends on attracting, hiring, training and retaining skilled personnel. EDSA's management team is one of the strongest senior management teams of any directory company.

Red Bee

We have selected a specific company risk premium of 2.0% to 2.5%.

In determining this amount we have had regard to the following:

- Red Bee's enterprise value will be significantly less than the enterprise values of the comparable companies
- the majority of Red Bee's current cash flows contain no additional risk over that represented by the market, with a significant proportion of PaMS and Access Services revenues being guaranteed by contract. However, the majority of growth is forecast in new markets, particularly mobile content, IPTV and VoD, or in competitive markets such as Creative Services, where we consider that there is additional risk over that reflected in the selected beta and EMRP

- Red Bee has exposure to key customers and rapid technological changes. For this reason, Red Bee is likely to be more exposed to a number of risks than companies operating in a more mature market
- Red Bee's success depends on attracting, hiring, training and retaining skilled personnel. The management team have been with the business through separation from the BBC.

AIR-Serv

We have selected a specific company risk premium range of 1.0% to 1.5%.

In determining this amount we have had regard to the following:

- AIR-serv's enterprise value is significantly less than the enterprise values of the comparable companies
- a portion of AIR-serv's business is in an early stage of development. Expansion into Continental Europe has commenced, with approximately 18% forecast organic growth in four to five years. For this reason, AIR-serv is likely to be more exposed to a number of risks than more mature companies
- whilst AIR-serv has been in existence for years , the expansion into Continental Europe takes its operations beyond its existing US market in which it has traditionally operated. There is limited performance-related financial information about the business in Continental Europe available
- AIR-serv's success depends on attracting, hiring, training and retaining skilled personnel. Most of the management team joined AIR-serv in 2003. AIR-serv has entered into employment agreements to secure the senior management's services.

Regis Group

We have selected a specific company risk premium range of 4.0% to 5.0% for the cashflow stream associated with the development portfolio and nil for the cashflow stream associated with the mature portfolio.

In determining these amounts we have had regard to the following:

- a portion of Regis Group's business is in an early stage of development. Approximately 900 beds are expected to be added in the next three years. For this reason, Regis Group is likely to be more exposed to a number of risks than more mature companies
- whilst Regis Group has been in existence for over 15 years, the company's recent merger with RCA changed the scale of the company's operations
- approximately 70% of Regis Group's funding comes from government subsidies. Funding changes are a significant risk to the company's cash flows given that the types and amount of funding differ between high, low and extra service care
- Regis Group's success depends on attracting, hiring, training and retaining skilled personnel. Regis Group has entered into employment agreements to secure the services of senior management
- whilst Regis Group's management team has extensive experience in the industry there is a risk that the business will not meet the forecast synergies expected on the merger of RCA and Regis.

Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity, Ke, as follows:

Table 59: K_e applied to valuation of Red Bee

	EDSA		Red Bee		AIR-Serv		Regis Group	
	Low	High	Low	High	Low	High	Mature	Dev[1]
Risk free rate (%)	4.6	4.6	5.0	5.0	4.4	4.4	6.5	6.5
EMRP (%)	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0
Beta	0.97	0.97	0.98	0.98	1.11	1.11	0.9	0.9
Specific company risk premium (%)	2.5	2.0	2.5	2.0	1.5	1.0	5.0	-
Cost of equity capital (Ke) (%)	**12.0**	**11.5**	**12.4**	**11.9**	**11.5**	**11.0**	**16.9**	**11.9**

Source: Deloitte Corporate Finance analysis

Note: Dev = Development

Cost of debt capital (K_d)

We have estimated the cost of debt for the MCAG Assets based on the below analysis.

Table 60: Cost of debt (midpoint)

	EDSA	Red Bee	AIR-Serv	Regis Group
Base rate (%)	4.9	5.7	3.9	7.4
Business credit margin (%)	2.6	3.0	3.5	2.0
Calculated cost of debt (%)	7.4	8.7	7.4	9.4
Selected cost of debt (%)	**7.4**	**8.7**	**7.4**	**9.4**

Source: Deloitte Corporate Finance/Bloomberg

Note:

1. Midpoint averages adopted in the table above

In arriving at the cost of debt for each of the MCAG Assets, we have considered the current and historic cost of debt, risk free rates, base rate margins as well as credit funding margins. We have also analysed short and long term funding rates.

Debt to equity mix

The table below summarises the selected debt to equity ratios for the MCAG Assets.

Table 61: Debt to equity of MCAG's businesses

	EDSA		Red Bee		AIR-Serv		Regis Group	
	Low	High	Low	High	Low	High	Mature	Dev[3]
Comparable company average debt/enterprise value	65%	65%	18%	18%	22%	22%	23%	23%
Selected debt/enterprise value	**35%**[1]	**35%**[1]	**20%**	**20%**	**30%**[2]	**30%**[2]	**25%**	**25%**

Source: Deloitte Corporate Finance analysis

Note:

1. In the current global credit markets there is uncertainty as to whether EDSA would be able to maintain its current level of debt funding. We have selected a more conservative debt to enterprise value ratio to reflect this risk.
2. A 30% debt to enterprise value mix has been selected for AIR-serv to reflect the company's target ratio.
3. Dev = Development.

Calculation of WACC

Based on the above, we have assessed the nominal post-tax WACC for each of the MCAG Assets to be:

Table 62: WACC applied to valuation of MCAG's businesses

	EDSA		Red Bee		AIR-serv		Regis Group[2]	
	Low	High	Low	High	Low	High	Mature	Dev[3]
Cost of equity capital	12.0%	11.5%	12.4%	11.9%	11.5%	11.0%	11.9%	16.4%
Cost of debt capital	7.4%	7.4%	8.7%	8.7%	7.4%	7.4%	9.4%	9.4%
Debt/enterprise value	35%	35%	20%	20%	30%	30%	25%	25%
Tax rate	27%	27%	28%	28%	39%[1]	39%[1]	30%	30%
Calculated WACC	**9.7%**	**9.3%**	**11.1%**	**10.7%**	**9.4%**	**9.0%**	**10.6%**	**14.0%**
Selected WACC	**9.7%**	**9.3%**	**11.1%**	**10.7%**	**9.4%**	**9.0%**	**10.6%**	**14.0%**

Source: Deloitte Corporate Finance analysis

Notes:

1. The tax rate applied in our WACC calculation for AIR-serv includes both Federal taxes (35%) and State taxes.
2. Regis Group's cost of equity relates to cashflow streams from the mature and development portfolios.
3. Dev = Development.

Appendix 3: Comparable entities

EDSA

Set out below is a list of entities operating within the directories industry whose operations are broadly comparable to EDSA and whose securities are listed on various stock exchanges

Table 63: Directories comparable entities – market trading

Company	Country	Enterprise value (LC'm)	Historical EBITDA multiple	Current EBITDA multiple	Forecast EBITDA multiple
European					
Yell Group Plc	UK	4,649	6.9x	6.3x	6.2x
Eniro AB	Sweden	15,544	7.3x	7.4x	7.1x
Seat Pagine Gialle SpA	Italy	4,162	7.5x	6.7x	6.4x
PagesJaunes	France	5,128	10.1x	9.7x	9.0x
Average European			**7.9x**	**7.5x**	**7.2x**
Non-European					
RH Donnelley Corporation	USA	10,498	7.7x	8.0x	8.7x
Yellow Pages Income Fund	Canada	7,532	8.6x	8.1x	7.8x
Idearc Inc	USA	9,394	6.7x	6.9x	7.5x
Average Non-European			**7.7x**	**7.6x**	**8.0x**
Combined Average			**7.8x**	**7.6x**	**7.5x**

Source: Thomson One Banker, company annual reports

Note:

1. LC – local currency.

Yell Group Plc

The Yell Group offers advertising through a range of media including printed directories, local and national newspapers and online directories. The group operates in the United Kingdom, Spain and the United States of America.

Eniro AB

Eniro is a directories business with operations in Sweden, Norway, Finland, Denmark, Poland and Germany.

Seat Pagine Gialle SpA

Seat is a directory business with operations in Italy, France, Spain, Germany, Belgium, the USA and the United Kingdom.

PagesJaunes

PagesJaunes is a directories business with operations in France, Spain, Belgium and Luxembourg. Along with its 'traditional' operations, it has been aggressively expanding into online and related media through organic growth and acquisitions.

R.H. Donnelley Corporation

The group's principal activity is to market yellow pages advertising in the United States. The group sells advertising for more than 170 yellow pages directories with a total circulation of over 15 million.

Yellow Pages Income Fund

The Yellow Pages Income Fund owns 97% of Yellow Pages Group LP. Yellow Pages Group LP markets and distributes directories and alphabetical pages, in addition to managing commercial online directories in Canada.

Idearc Inc.

The group's principal activity is to publish yellow and white pages directories in 35 states and the District of Columbia in the USA. The product offerings include Verizon Yellow Pages, Verizon White Pages and superpages.com.

Red Bee

Set out below is a list of entities operating within the media services industry whose operations are broadly comparable to Red Bee and whose securities are listed on various stock exchanges.

Table 64: Media services and broadcast playout comparable entities – EBITDA market trading

Company	Country	Enterprise value (LC'm)	EBITDA times (2007)	EBITDA times (2008)	EBITDA times (2009)
Broadcasters					
ITV plc	UK	3,091	8.9 x	9.2 x	8.3 x
RTL Group	Luxembourg	12,268	11.3 x	12.0 x	10.9 x
TF1 – TV Francaise	France	3,312	9.6 x	8.8 x	7.5 x
BskyB	UK	11,259	11.2 x	11.4 x	9.4 x
Discovery Holding Co.[1]	US	7,158	15.0 x	8.6 x	7.7 x
Satellite operators					
SES	Luxembourg	10,481	9.6 x	9.5 x	8.8 x
Inmarsat	UK	2,895	7.5 x	6.6 x	6.0 x
Eutelsat Communications	France	6,515	9.8 x	9.5 x	9.0 x
Other					
Thomson[2]	France	2,349	6.5 x	4.0 x	3.4 x
Independent Media Support	UK	2	13.0 x	n/a	n/a
Average			***10.7 x***	***9.5 x***	***8.5 x***
Median			***9.8 x***	***9.4 x***	***8.6 x***
Maximum			***15.0 x***	***12.0 x***	***10.9 x***
Minimum			***7.5 x***	***6.6 x***	***6.0 x***

Source: Thomson Financial, Deloitte Corporate Finance analysis

Notes:

1. The historical multiple for Discovery Holding Company has been calculated incorporating two-thirds of the earnings of Discovery Communications, however, in 2006 the company only held 50% of this subsidiary.
2. Thomson's share price and earnings multiples have fallen considerably over the past nine months due to poor financial performance. As such, Thomson has been excluded from calculation.
3. n/a: not available.

ITV

ITV's principal activity is producing and broadcasting TV programmes and channels primarily in the UK. The company produces much of the programming broadcast on its channels and is responsible for some of the most popular shows on UK television including 'Coronation Street', 'Emmerdale', 'I'm a Celebrity – Get Me Out of Here', 'Dancing on Ice' and 'Prime Suspect'. It also produces work for other channels such as 'The Street' and 'The Royle Family' for the BBC, 'Brainiac' for Sky and 'Countdown' and 'Longford' for Channel 4.

RTL Group

RTL's principal activity is the operation of TV and radio stations throughout Europe. The company operates 38 TV channels and 29 radio stations. It is also involved in the production of TV programmes covering a range of interests such as action, adventure, science fiction, game shows, documentaries, drama series, comedies and sports.

TF1 – TV Francaise

TF1 – TV Francaise's principal activity is the operation of television channels throughout Europe, broadcasting TV programmes over cable and satellite networks some of which is offered on a pay-per-view basis. The company also offers advertising space on its satellite channels and internet site, is involved in the publishing and distribution of video cassettes, and undertakes the co-production of French cinema, features and TV programmes.

British Sky Broadcasting

BSkyB's principal activity is operating pay TV broadcast in the UK and Ireland. It acquires programming to broadcast on its own channels and supplies certain of those channels to cable operators for them to re-transmit to their subscribers. It also makes three of its channels available via the UK free-to-air DTT platform under the brand Freeview. Sky's channels include Sky Movies, Sky Sports, Sky One and Sky News.

Discovery Holding Company

DHC's principal activity is to provide a wide variety of creative, media management and network services to major motion picture studios, independent producers, broadcast networks, programming networks, advertising agencies and other companies. The company's Creative Services division provides services necessary to complete the creation of original content, including feature films, mini-series, TV shows, music videos, promotional and corporate communications programming. The Networks Services division provides facilities necessary to assemble and distribute programming content for cable and broadcast networks. The company also holds a two-thirds interest in Discovery Communications, the owner of the Discovery stable of TV channels.

SES

SES's principal activity is to operate the satellite system for direct-to-home transmission of TV, radio, multimedia and internet services. These services are provided through Astra, Americom and New Skies Satellites through a broadcast satellite fleet that consists of 29 spacecraft positioned around the globe. The satellite services include TV and radio programming and broadcasting, the provision of data networking services and offshore communications solutions and several mobile broadband solutions. The company operates in Africa, South America, the Middle East and Asia.

Inmarsat

Inmarsat's principal activity is providing global mobile and transportable broadband communication services and solutions via satellite across its main maritime, aeronautical and land sectors. Principal services include safety and control communications, instant communications and high-speed data solutions. The company also provides a range of mobile data and voice services, including broadband data, telephony, fax, videoconferencing, e-mail and high-speed intranet and Internet access.

Eutelsat Communications

Eutelsat's principal activity is to provide satellite services for data and video transmission to the broadcast service, broadband service, telecoms and mobile communications market segments. The company also offers a direct-to-home service and it also extends its services to the cable head-ends. Some major clients include France Telecom, British Telecommunications, Deutsche Telecom and P&T Luxembourg.

Thomson

Thomson's principal activity is to manufacture, market and provide services to the digital technology industry. The company's Systems and Equipment segment produces and sells retail products such as TV, video, audio and DVD products. The Services segment provides services to the film and media industry, produces and distributes motion picture films, DVDs, CDs and video cassettes. The Technology segment includes research and development as well as patents and licensing. It also provides silicon solutions and software and technological solutions. Thomson's customers include Disney, Universal, Dreamworks, Paramount, TF1, Canal+, ABC, NBC, CNN, Fox, DIRECTV, Telefonica and France Telecom. It operates under the brand names Technicolor and Thomson throughout Europe, North America and Asia. Thomson owns TNS which undertakes playout operations in the UK.

Independent Media Support Group

Independent Media Support Group's principal activity is providing pre-recorded and real time subtitling, translation, audio description, signing and voice-over services, which it provides to broadcasters, film and DVD distributors, advertisers and their agencies. Clients include BSkyB, Channel 5, Disney, Buena Vista and S4C.

AIR-serv

Set out below is a list of entities operating within the consumer rentals industry whose operations are broadly comparable to AIR-serv and whose securities are listed on various stock exchanges.

Table 65: Vehicle tyre inflation services comparable entities – EBITDA market trading

Company	Country	Enterprise value (LC'm)	EBITDA times (2007)	EBITDA times (2008)	EBITDA times (2009)
Consumers' Waterheater Income Fund	Canada	1,114	7.4x	7.1x	7.0x
Coinstar	United States	1,140	9.7x	7.9x	6.1x
Bunzl	United Kingdom	2,986	11.5x	10.3x	9.8x
Aaron Rents	United States	1,350	7.7x	7.4x	6.6x
ABM Industries	United States	960	9.7x	n/a	5.3x
Photo-Me International	United Kingdom	72	1.5x	2.1x	1.8x
Mac-Gray	United States	335	15.9x	n/a	n/a
Average			***10.3x***	***8.2x***	***7.0x***
Median			***9.7x***	***7.6x***	***6.6x***
Maximum			***15.9x***	***10.3x***	***9.8x***
Minimum			***7.4x***	***7.1x***	***5.3x***

Source: Bloomberg, Deloitte Corporate Finance analysis

Notes:

1. n/a - not available.
2. Photo-Me International has been deemed an outlier and thus excluded from calculation as it predominantly services the French, UK and Japanese markets and is a significant manufacturer of photographic development and printing equipment, which represents its highest growth opportunity.

The Consumers' Waterheater Income Fund

The Consumers' Waterheater Income Fund is an open-ended investment trust. The trust was created to hold, indirectly, ownership of all installed water heaters and other portfolio assets leased by Enbridge Services Inc. to customers residing in Ontario, Canada.

Coinstar

Coinstar, Inc. owns and operates a network of self-service coin-counting machines in the United States. The company's Coinstar units provide consumers with a means of converting accumulated change into cash. Coinstar operates its units primarily in supermarket chains in the United States and is conducting trials of its units in the United Kingdom and Canada.

Bunzl

Bunzl plc is an international group that supplies business to business consumables. The group's products include food packaging products, cigarette filters, plastic caps and plugs for protecting engineering products, disposable cleaning items for the healthcare and hygiene sectors and Supa Strip self adhesive tear tape.

Aaron Rents

Aaron Rents, Inc. rents and sells office and residential furniture and accessories, consumer electronics and household appliances. The company also manufactures furniture, bedding and accessories. Aaron Rents has company-owned and franchised centres in the United States.

ABM Industries

ABM Industries Incorporated is a facility services contractor. The company provides air conditioning, engineering, janitorial, lighting, parking, security and other outsourced facility services to commercial, industrial and institutional customers in cities across North America.

Photo-Me International

Photo-Me International plc manufactures, sells, and operates coin-operated automatic photobooths. The company also manufactures photographic development and printing equipment, as well as operates copiers, express print services, and childrens' rides.

Mac-Gray

Mac-Gray Corporation supplies card and coin-operated laundry services in multiple housing facilities. The company also supplies MicroFridge combination refrigerator/freezer/microwave ovens to multiple housing facilities. In addition, Mac-Gray provides card and coin-operated reprographics equipment and services to the academic and public library markets.

Regis Group

Set out below is a list of entities operating within the aged care industry whose operations are broadly comparable to Regis Group and whose securities are listed on various stock exchanges.

Table 66: Aged care comparable entities – EBITDA market trading

Company	Country	Enterprise value (LC'm)	EBITDA times (2007)	EBITDA times (2008)	EBITDA times (2009)
Aevum Limited	Australia	294	11.4x	7.9x	6.5x
B & B Communities[1]	Australia	668	12.4x	7.8x	6.7x
FKP Properties	Australia	2,146	9.4x	8.8x	7.7x
Metlifecare Limited	New Zealand	541	14.4x	13.7x	8.9x
Ryman Healthcare Ltd	New Zealand	1,056	23.4x	15.2x	13.3x
Average			***14.2x***	***10.7x***	***8.6x***
Median			***12.4x***	***8.8x***	***7.7x***
Maximum			***23.4x***	***15.2x***	***13.3x***
Minimum			***9.4x***	***7.8x***	***6.5x***

Source: Bloomberg, Deloitte Corporate Finance analysis

Note:

1. Babcock and Brown Communities completed an acquisition which was partially funded by debt during the first half of the 2008 financial year. For consistency we have used the level of debt prior to the acquisition and removed any income from the acquisition.

We provide below a description of each of the above comparable entities.

Aevum Limited

Aevum Limited owns, manages, develops and operates retirement living and aged care facilities in Australia.

Babcock & Brown Communities Limited

Babcock & Brown Communities Limited manages, markets, constructs and develops retirement villages and other senior living facilities in Australia. The company offers pre-sold developments and sells units to residents and manages facilities on behalf of owners and residents.

FKP Property Group

FKP Property Group's activities include the development for resale of land subdivision, residential and commercial property along with commercial and residential building and construction. The company also develops and manages retirement villages and invests in and manages office and commercial properties along with providing funds management and other property services.

Metlifecare Limited

Metlifecare Limited provides private health care services through its ownership, operation and management of retirement villages, nursing homes and geriatric hospitals along with the marketing of services allied to these facilities throughout New Zealand.

Ryman Healthcare Limited

Ryman Healthcare Limited provides private health care services through its development, management and operation of retirement villages, nursing homes and geriatric hospitals.

Appendix 4: Comparable transactions

Comparable mergers and acquisitions

We have prepared in the table below mergers and acquisitions involving companies with operations which are broadly comparable to the MCAG Assets.

Table 67: Earnings multiples – mergers and acquisitions

Date	Target	Acquirer	Currency	Consideration (m)	EBITDA times (historical)
EDSA					
Pending	Gouden Gids	EDSA	€	290	8.9x
Dec-07	INFOTE	Rhone Capital	€	293	14.0x
Apr-07	Aliant Directory Services	Yellow Pages Income Fund	C$	330	8.9x
Mar-07	NZ Yellow Pages	CCMP Capital Asia, Teachers Private Capital	NZ$	2,165	13.2x
Jul-06	Telefonica Publicidad e Information SA	Yell Group	€	3,068	15.0x
Jun-06	Pages Jaunes	KKR	€	6,133	13.2x
Oct-05	TDC Directories	EDSA	€	650	10.7x
Sep-05	Findexa	Eniro	€	6,800	9.8x
May-05	The YBR group	EDSA	£	1,250	11.2x
Red Bee					
Nov-07	T-Systems Media & Broadcast	Telediffusion de France	€	850	8.5 x
Apr-07	National Grid Wireless	MCIG consortium	£	2,500	19.3 x
Oct-06	Telediffusion de France (60%)	Texas Pacific Group	€	5,517	15.9 x
Jul-05	Inmedia Communications	Arqiva	£	103	14.5 x
Jun-05	Red Bee	MCAG consortium	£	166	11.7 x[1]
Feb-05	NTL's broadcast business	MCIG consortium	£	*na*	12.1 x[2]
Nov-04	Crown Castle UK	National Grid Transco	£	1,288	13.3 x
Apr-04	Kingston Inmedia	Carlyle Group	£	34	10.1 x
AIR-Serv					
Jun-07	Coinmach Service	Babcock & Brown	US$	1,331	8.0x
Feb-07	Central Parking	KCPC Holdings	US$	847	12.3x
Aug-06	Rent-Way Inc.	Rent-A-Center	US$	567	9.5x[3]
May-04	American Coin Merchandising	Coinstar	US$	235	8.9x
Regis Group					
Jan-08	Domain Aged Care	Principal Healthcare Group	A$	300	n/a
Nov-07	Conform Health Group	Babcock & Brown Communities	A$	160	11.5x
Oct-07	DCA Aged Care Group	British United Provident Association Limited	A$	1,225	n/a
Sep-06	DCA Group Ltd - Amity	CVC	A$	306	10.8 x
Sep-06	Ramsay (Aged Care)	Domain	A$	67	n/a
Dec-05	Moran Healthcare Group	RCA/MCAG	A$	147	16.2x

Source: Deloitte Corporate Finance analysis, Mergermarket, SDC Platinum

Notes:

1. Red Bee's multiple is calculated based on adjusted 2005 EBITDA.
2. No historical figures were publicly available for NTL's broadcast business. However, press reports quoted a prospective EBITDA multiple of 12.1x.
3. As there was limited historical information available, Rent-Way Inc's multiple was calculated based on press reports quoting a forecast EBITDA for 2006 of $60 million.
4. n/a - not available.

EDSA

Gouden Gids proposed acquisition by EDSA

In March 2008, EDSA announced that it would acquire Truvo's Dutch subsidiary, Gouden Gids. EDSA's Dutch business (De Telefoongids) and Gouden Gids are the two largest directories businesses in the Netherlands. The proposed acquisition is subject to obtaining regulatory approval, works council consultation procedures, and certain other approvals. The deal aims to realise synergies between the two companies but Truvo will not be taking an equity interest in the enlarged business.

INFOTE acquired by Rhone Capital and Zarkona Trading

In December 2007, Rhone Capital LLC, the US based private equity firm, along with Zarkona Trading Ltd, the Greece based vehicle established to acquire new businesses in the region, agreed to acquire INFOTE, the Greek classified directory publisher, from Hellenic Telecommunications Organisation SA, the Greece based telecommunications group.

Aliant Directory Services acquired by Yellow Pages Income Fund

In April 2007, Yellow Pages Income Fund acquired a 87.14% stake in Aliant Directory Services from Bell Aliant for C$330 million. The balance of the interest was already owned by Yellow Pages Income Fund and Yellow Pages Group and its subsidiary was the managing partner of the business for the last 10 years.

NZ Yellow Pages acquired by CCMP Capital Asia and Teachers Private Capital

In March 2007, CCMP Capital Asia, the Hong Kong based private equity firm, and Ontario Teachers Pension Plan, the Canadian fund manager, acquired the directories business of Telecom New Zealand for NZ$2.165 billion in cash. The directories business comprised the directories (and online equivalent of) Yellow Pages, White Pages and Local Directories, along with overseas services for New Zealand and NZ Tourism online and NZ Retirement Guide.

Telefonica Publicidad e Information acquired by Yell Group

In July 2006, Yell Group plc, the UK based international directories, acquired the entire issued share capital of Telefonica Publicidad e Information SA, it's Spanish counterpart.

PagesJaunes acquired by KKR and Goldman Sachs Partners

In June 2006, Mediannuaire, a company controlled by Kohlberg Kravis Roberts & Co and Goldman Sach Partners, acquired 54% of Pages Jaunes SA, the France based directory business, and launched an offer for the remaining shares it did not already own. The deal was valued at €6,133 million.

TDC Directories acquired by EDSA

In October 2005, European Directories S.A. acquired TDC Forlag A/S, the Danish telephone directories publisher, for a total consideration of €650 million.

Findexa acquired by Eniro

In September 2005, Eniro AB, the listed Swedish telephone directory group, acquired its rival Findexa Limited, the listed Norwegian directory information and advertising services company, for EUR6.8 billion in a bid to boost its presence in Norway.

YBR Group acquired by EDSA

In May 2005, European Directories SA, a consortium led by MCAG and including Macquarie Bank Limited, Caisse de depot et placement du Quebec, Nikko Principal Investments Limited and clients of Macquarie Private Bank, entered into an agreement to acquire 100% of the Yellow Brick Road Group, the Dutch directory services provider, from 3i Group Plc, the UK based private equity firm and Veronis Suhler Stevenson, the US based private equity firm, for a consideration of £1.25 billion.

Red Bee

T-Systems Media and Broadcast acquired by Telediffusion de France

Telediffusion de France, a French provider of broadcasting and multimedia information services, acquired T-Systems Media & Broadcast GmbH, a German operator of connection networks and TV towers for broadcasting. T-Systems Media & Broadcast GmbH plans, creates, markets and operates specific services for customers in the broadcasting and media industries. Its portfolio comprises terrestrial broadcasting equipment and networks, as well as satellite transmission services.

NGW acquired by consortium led by MCIG

A MCIG consortium purchased National Grid Transco's mobile phone masts and transmissions division to make it the UK's largest operator in the field. MCIG investment Arqiva was already the UK's second largest mobile phone masts business.

Telediffusion de France acquired by consortium led by Texas Pacific Group

A consortium led by Texas Pacific acquired the French broadcast and telecommunication infrastructure group Telediffusion de France in a competitive process. Telediffusion de France is continental Europe's biggest owner of broadcast and telecoms masts and transmitters.

Inmedia Communications (formerly Kingston Inmedia) acquired by Arqiva

Arqiva acquired fellow broadcast services provider Inmedia Communications (formerly Kingston Inmedia), leaving it and BT Media and Broadcast as the major suppliers in the UK. Arqiva's strengths were traditionally in the UK terrestrial and satellite transmission business while Inmedia Communications had a stronger international client base in satellite services.

Red Bee (then BBC Broadcast) acquired by consortium led by MCAG

A MCAG consortium purchased BBC's non-core broadcast services unit in competition with other financial and trade buyers after the BBC decided to dispose of the business.

NTL Inc's broadcast business (now known as Arqiva) acquired by consortium led by MCIG

NTL Inc sold its TV and radio broadcasting business to a consortium led by MCIG following a competitive process involving 15 infrastructure and financial buyers. The company was subsequently renamed Arqiva.

Crown Castle UK acquired by National Grid Transco

UK utilities company National Grid Transco acquired Crown Castle UK, which included 2,500 communications towers and 4,000 rooftop sites to transmit TV and mobile phone signals. The business was initially established by the BBC but was sold in 1997 to Crown Castle International, which expanded the use of the masts to also carry mobile phone signals. National Grid Transco planned to use its existing electricity distribution infrastructure to host even more sites including the 3G mobile phone masts which require more dense populations of masts than 2G.

Kingston Inmedia (now known as Inmedia Communications) acquired by Carlyle Group

Private equity house Carlyle Group bought Kingston Communications' broadcast and internet services business Kingston Inmedia. Kingston Inmedia had invested heavily in its satellite and terrestrial infrastructure prior to the transaction. It included key national and international fibre routes, and two UK teleports with over 40 earth stations providing the ability to reach over 90% of the world's population. Kingston Inmedia had a number of international carrier, broadcast and enterprise clients. The company was subsequently renamed Inmedia Communications.

AIR-serv

Coinmach Service acquired by Babcock & Brown

Coinmach Service Corp, a New York outsourced laundry equipment services company, was acquired by Babcock & Brown, the Australian listed infrastructure asset management group.

Central Parking acquired by KCPC Holdings

Central Parking Corporation was acquired by KCPC Holdings, a company formed by affiliates of Kohlberg & Company, LLC, Lubert-Adler, L.P. and Chrysalis Capital Partners, L.P. Central Parking, a US based company, is a provider of parking and related services. Kohlberg, Chrysalis and Lubert-Adler are private equity firms.

Rent-Way acquired by Rent-A-Center

Rent-A-Center, headquartered in Texas, acquired Rent-Way Inc., a company with a Pennsylvania based headquarter. Rent-A-Center is a rental business that generally offers high-quality, durable goods such as major consumer electronics, appliances, computers and furniture and accessories under flexible rental purchase agreements that generally allow the customer to obtain ownership of the merchandise at the conclusion of an agreed upon rental period. Rent-Way Inc. offers quality, brand name home entertainment equipment, furniture, computers, major appliances and jewellery.

American Coin Merchandising acquired by Coinstar

Coinstar Inc., the listed US manufacturer of self-service coin counting machines, acquired ACMI Holdings Inc., the holding company of American Coin Merchandising Inc., a US owner and operator of coin-operated amusement vending equipment, from Wellspring Capital Management LLC and Cadigan Investment Partners Inc., the US private equity firms, for a cash consideration of US$235 million.

Regis Group

Domain Aged Care acquired by Principal Healthcare Group

Principal Healthcare Group acquired Domain Aged Care Group, the Australia based aged care services provider, from MFS Limited, the listed Australia based diversified financial services company, for an estimated consideration of A$300 million.

Conform Health Group Pty Limited acquired by Babcock & Brown Communities Group

Babcock & Brown Communities Group acquired Conform Health Group Pty Limited, the Australia based company providing nursing and aged care services, for total consideration of A$160 million on a debt free basis.

DCA Aged Care Group acquired by British United Provident Association Limited

British United Provident Association Limited acquired DCA Aged Care Group, the Australia and New Zealand based health and aged care businesses, which valued the Aged Care Group at A$1.2 billion.

Amity - DCA Group Limited acquired by CVC Asia Pacific Ltd

CVC Capital Partners Asia Pacific LP, the private equity arm of CVC Capital Partners, acquired DCA Group Limited, the Australian listed health care provider, for a consideration of A$1.8 billion. DCA Group Limited includes Amity Ltd, the Australian aged care business of DCA Group Limited.

Ramsay Care Limited – aged care assets acquired by Domain Aged Care Group

Domain Aged Care Group, the Australian aged care company, acquired the residential aged care business of Ramsay Health Care Limited, the listed Australian hospital operator, for a consideration of A$67 million.

Moran Health Care Group acquired by RCA

RCA, the Australian provider of health care and accommodation for the aged and a subsidiary of Macquarie Capital Alliance Group, acquired 12 aged care centres from the Moran Health Care Group, for a consideration of A$147 million.

Appendix 5: Sources of information

In preparing this report we have had regard to the following sources of information:

- Ageing Australia, Charter magazine, April 2008
- Australian Bureau of Statistics
- Commercial due diligence report prepared by AMR International Limited, 2 January 2007
- Confidential Information Memorandum in relation to the recapitalisation of Red Bee dated March 2007
- MCAG Asset Business Plans as at 2 April 2008
- MCAG Asset Presentations dated March 2008
- MCAG Asset websites
- MCAG Board Paper, Valuations at 31 December 2007
- MCAG Directors' Valuation review as at 21 May 2008
- MCAG internal valuation sensitivity calculations including projections to 2018
- MCAG interim report for the period ended 31 December 2007
- MCAG annual report for the year ended 30 June 2007
- MCAG annual results presentation for the year ended 30 June 2007
- MCAG management information report for the year ended 30 June 2007
- MCAG full year results presentation for the year ended 30 June 2006
- MCAG Asset Shareholder Agreements
- Older Australia at a Glance, Australian Institute of Health and Welfare, November 2007
- Post-acquisition legal due diligence report prepared by Travers Smith, 12 January 2007
- Preliminary letter of offer dated 14 September 2007
- Project Vintage Valuation Update dated 31 March 2008
- Project Vintage financial model, 14 April 2008
- Refinancing due diligence report prepared by PricewaterhouseCoopers, 15 February 2007
- Review of Pricing Arrangements in Residential Aged Care - Hogan Review 2004
- Technical due diligence report prepared by LogicaCMG UK Limited, 14 December2006
- Publicly available information on comparable companies and market transactions published by Thomson Financial, Bloomberg, Mergermarket, CorpFin and Factiva
- Other publicly available information, media releases and brokers reports on the MCAG Assets and their respective industries

In addition, we have had discussions and correspondence with certain MCAG directors and executives, the MCAG asset managers and management of the underlying businesses in relation to the above information and to current operations and prospects.

Appendix 6: Qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Macquarie Capital Alliance Limited, Macquarie Capital Alliance International Limited and Macquarie Capital Alliance Management Limited as responsible entity of Macquarie Capital Alliance Trust (collectively MCAG) and is to be included in the Scheme booklet to be given to Securityholders for approval of the Proposed Schemes. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Schemes outlined in the report and should not be used for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Schemes.

The report represents solely the expression of Deloitte Corporate Finance of its opinion as to whether the Proposed Schemes are fair and reasonable to Securityholders.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the information provided by the directors and executives of MCAG which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to MCAG management for confirmation of factual accuracy.

Furthermore, recognising that Deloitte Corporate Finance may rely on information provided by MCAG and its officers and/or associates, MCAG has agreed to make no claim against Deloitte Corporate Finance to recover any loss or damage which MCAG may suffer as a result of that reliance and also has agreed to indemnify Deloitte Corporate Finance against any claim arising out of the assignment to give this report, except where the claim has arisen as a result of any proven wilful misconduct by Deloitte Corporate Finance.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of MCAG personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor did they constitute a review in accordance with AUS 902 applicable to review procedures.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for MCAG included in this report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of MCAG referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Ferris B.Ec, F.Fin, CA, Tapan Parekh, BBus, MCom, CA, and Darryl Dorfan, B.Com, CA. Stephen Ferris and Tapan Parekh are Directors and Darryl Dorfan is a Manager of Deloitte Corporate Finance. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the Proposed Schemes which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte Corporate Finance will receive a fee of A$400,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Schemes.

About Deloitte

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ANNEXURE B: SUMMARY SCHEME IMPLEMENTATION AGREEMENT

1. Overview

This summary sets out the key terms of the Scheme Implementation Agreement (**SIA**) dated 14 June 2008 between MCAG and the Bidder. It should be read in conjunction with relevant defined terms in paragraph 2 of this Appendix 2 and the Glossary in Section 15 of the Scheme Booklet.

The SIA sets out the terms and conditions on which MAIG agrees to acquire (through the Bidder) all of the stapled securities issued by MCAG, pursuant to a Corporations Act scheme of arrangement in relation to MCAL, a Bermudian scheme of arrangement in relation to MCAIL and a trust scheme in relation to MCAT.

A copy of the SIA has been lodged with the ASX and is available on MCAG's website (www.macquarie.com/mcag) and the ASX website: www.asx.com.au.

Terms used in this summary have the same meaning as in the Glossary section of this Scheme Booklet unless otherwise defined in this summary or the context requires otherwise.

1.1 Definitions used in this summary

Advisory Agreement means the agreement dated 7 June 2005 under which MCAML agrees to provide management services to MCAIL.

Aggregate Distribution Amount means an amount equal to the Distribution multiplied by the number of Securities on issue at that Record Date.

Bid Security means a stapled security comprising:

a) one share in Macquarie Advanced Investment Limited;
b) one unit in Macquarie Advanced Investment Trust; and
c) one share in Macquarie Advanced Investment International Ltd.

Bidder Information means all information in relation to the Bidder that is required to be included in the Scheme Booklet to comply with applicable laws (and in particular with the Corporations Act, RG60, RG142 and the Listing Rules) relevant to that information.

Cash Amount means the amount of cash and cash equivalents (including marketable securities and investments having a maturity of 90 days or less) of MCAG and its subsidiaries excluding:

a) cash or cash equivalents held by any Portfolio Company or any subsidiary of a Portfolio Company; and
b) A$24,100,000.

Cash Consideration for each Security held by a Scheme Participant at the Record Date means $3.40 less the Distribution.

Commitment Deed means the commitment deed provided by each Investor to the Bidder, MAIP and MCAG dated on or around the date of the SIA.

Competing Transaction means any proposal by a third party (other than the Bidder or its related entities) in relation to a transaction or arrangement under which if the transaction or arrangement is completed:

a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in all or substantially all of the business conducted by MCAG, or MCAG's assets;
b) a person would acquire (whether directly or indirectly) control of MCAG within the meaning of section 50AA of the Corporations Act;
c) a person would acquire a relevant interest in, or voting power of, 50% or more of the Securities;
d) a person would otherwise acquire, or merge or amalgamate with, MCAG Group (or any member of MCAG Group);
e) MCAG would be required to abandon or otherwise fail to proceed with the Transaction, by whichever means; or
f) would result in a change of responsible entity of MCAT to a party unrelated to MCAG.

Conditions Precedent means the conditions precedent set out in paragraph 2.1 of this Annexure B.

Distribution means a special distribution:

a) in respect of which guidance is to be announced by MCAG between 8.00am and 5.00pm on the date 2 Business Days before the MCAL Share Scheme Meeting;
b) to be declared by MCAT on the day after the Effective Date;
c) having a record date being the Record Date; and
d) expected to be paid or applied on the Implementation Date,
e) the amount of which is to be calculated, per Security, as $0.40 less the EDSA Gouden Gids Acquisition Per Security Amount and less the Portfolio Company Equity Investment Per Security Amount.

EBITDA means proportional recurring earnings before interest, tax, depreciation and amortisation of MCAG excluding any write offs.

EDSA Gouden Gids Acquisition means the acquisition by European Directories SA (of which MCAG has a 39% holding) of the Dutch operations of Truvo, including the Gouden Gids directory, for approximately €290 million as announced to ASX on 31 March 2008.

EDSA Gouden Gids Acquisition Amount is A$53 million if consideration in respect of EDSA Gouden Gids Acquisition has been paid or is payable prior to the Implementation Date, or otherwise is zero.

EDSA Gouden Gids Acquisition Per Security Amount means the EDSA Gouden Gids Acquisition Amount divided by the number of Securities on issue at the Record Date.

Escrow Trustee means Macquarie Advanced Investment Management Limited (or another entity appointed as responsible entity for Macquarie Advanced Investment Trust from time to time) acting as trustee.

Excluded Liability means:

a) any claim against MCAG or any predecessor entity relating to any pre- Scheme Meeting Date investment or any pre-Scheme Meeting Date proposed investment by MCAG or any predecessor entity in an entity other than a Portfolio Company (including, without limitation, any claim associated with the sale of, or the failure to complete, any such investment); or
b) any other liability, known or unknown, contingent or otherwise, of MCAG or its subsidiaries (other than any such liability with respect to which a Portfolio Company or a subsidiary of a Portfolio Company is the primary obligor or is otherwise primarily responsible) that accrued prior to the Scheme Meeting Date (even if not payable until after the Scheme Meeting Date), solely to the extent that the quantum, or potential quantum, of liability incurred, or which may be incurred, by MCAG and its subsidiaries that continue after the Implementation Date in respect of such liabilities exceeds the sum of:
   i) the Scheme Meeting Date Cash; and
   ii) GST and interest receivables accrued prior to the Scheme Meeting Date to the extent that such GST and interest receivables are actually collected after the Scheme Meeting Date.

Exclusivity Period means the period from and including the date of the SIA to the earlier of the Effective Date and the date of termination of the SIA.

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

FTSE 100 means the FTSE 100 Index as reported by Bloomberg under the code 'UKX Index'.

Guidance Note 15 means **Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers** issued by the Takeovers Panel of Australia (as amended from time to time).

Implementation Date means the fifth Business Day after the Record Date.

Independent Directors means Robin Crawford, Ken Moss, Anthony Nagel, Rodney Birrell and Kim Carter.

Investor means the MAIP investors named in the SIA.

Listing Rules means the official listing rules of ASX.

Management Services Agreement means the agreement dated 17 February 2005 pursuant to which MCAML agrees to provide management services to MCAL (as amended from time to time).

MCAG Board means the boards of directors of MCAG.

MCAG Group means MCAIL, MCAL and MCAT.

MCAG Group Entity means each of MCAG, the Portfolio Companies, any Related Entity of MCAG or a Portfolio Company and any entity which either MCAG or a Portfolio Company controls or, in respect of an event which may constitute a Prescribed Occurrence, in relation to which MCAG or a Portfolio Company can control the occurrence of the relevant event.

MCAG Material Adverse Change means any event, occurrence or matter which occurs after the execution of this agreement in relation to MCAG or its business and which individually or when aggregated with all such events, occurrences or matters (after the execution of this agreement) results in any diminution or potential diminution in the value of:

a) the Net Asset Value of MCAG by an amount equal to $80.9 million or more; or
b) EBITDA for a period of 12 months by an amount equal to $33.0 million or more,

   other than:

   i) arising from any impairment of goodwill;
   ii) arising from any impairment to the value of MCAG's portfolio investments implied by the offer price under the Schemes of $3.40 per Security (compared to the carrying value of MCAG's portfolio investments as at 31 December 2007);
   iii) an event, occurrence or matter required to be done or procured by the MCAG Group pursuant to the SIA; or
   iv) any changes made by the relevant industry body to accounting policies applied by MCAG,
   v) provided that when calculating Net Asset Value or EBITDA for the purposes of determining whether a MCAG Material Adverse Change has occurred, any currency fluctuations between the date of the SIA and the point in time at which such determination is made shall be disregarded.

MCG means Macquarie Capital Group Limited ABN 54 096 705 109.

Net Asset Value means the difference between total assets and total liabilities of MCAG determined in accordance with generally accepted Australian accounting principles, the Australian equivalents to International Financial Reporting Standards and applicable accounting standards.

Portfolio Company means each of:

a) European Directories SA, a limited liability public company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg;
b) Creative Broadcast Services International Limited, a company incorporated under the laws of Bermuda;
c) Fairway Investment Holdings Pty Limited, a company incorporated under the laws of the Commonwealth of Australia; and
d) Macquarie AIR-serv Holdings Inc., a company incorporated under the laws of Delaware.

Portfolio Company Equity Investment Amount means any equity investment by MCAG in MCAG's Portfolio Companies that has been paid or is payable after the date of the SIA and prior to the Implementation Date.

Portfolio Company Equity Investment Per Security Amount means the Portfolio Company Equity Investment Amount divided by the number of Securities on issue at the Record Date.

Prescribed Occurrence means the occurrence of any of the following between the date of this agreement and 8.00am on the Second Court Date:

a) any MCAG Group Entity converting all or any of its securities into a larger or smaller number of securities;
b) any MCAG Group Entity resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
c) any MCAG Group Entity, directly or indirectly, declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, other than to MCAG or an entity wholly owned by MCAG, capital reduction or otherwise (for the avoidance of doubt, other than the Distribution or any interest payable on the redeemable preference shares in MCAL issued to MCAT);
d) any MCAG Group Entity:
   i) entering into a buy-back agreement; or
   ii) resolving to approve the terms of a buy-back agreement under the Corporations Act or under the relevant law of the jurisdiction in which the relevant MCAG Group Entity is incorporated;
e) any MCAG Group Entity:
   i) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option to any person;
   ii) issuing or agreeing to issue, securities or other instruments convertible into securities to any person,

   other than the issue of securities as a result of or pursuant to MCAG's distribution and dividend reinvestment plan.
f) any MCAG Group Entity making any change to its constitution;
g) appointment of a liquidator, provisional liquidator or administrator of any MCAG Group Entity;
h) appointment of a receiver or receiver and manager in relation to the whole, or a substantial part, of the property of any MCAG Group Entity;
i) any MCAG Group Entity executing a deed of company arrangement;
j) any MCAG Group Entity acquiring or disposing of or agreeing to acquire or dispose of, or offering, proposing, or announcing a bid, or tendering for any business, assets, entity or undertaking, with a value in excess of $50 million (except for EDSA Gouden Gids Acquisition);
k) any MCAG Group Entity creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over a material asset other than any amendments to the Westpac Facility to facilitate the Schemes substantially in accordance with the Term Sheet;
l) any MCAG Group Entity entering into any contract or commitment requiring, or amending or agreeing to amend any contract such that the amendment would require, total payments in excess of $50 million or which would have a material adverse effect on the Business as a whole;
m) any MCAG Group Entity entering into any new financing arrangement, agreement or instrument other than with members of the MCAG Group (irrespective of what form that accommodation takes), or amending the terms of any existing arrangement, agreement or instrument, pursuant to which financial indebtedness is, or may be, incurred, other than any amendments to the Westpac Facility to facilitate the Schemes substantially in accordance with the Term Sheet;
n) any MCAG Group Entity entering into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with existing policy as at the date of the SIA;
o) any MCAG Group Entity resolving that it be wound up or the making of an application or order for its winding up or dissolution other than where the application or order (as the case may be) is set aside within 14 days but, in any event, prior to the Second Court Date;
p) the Court making an order for the winding up of any MCAG Group Entity;

q) any MCAG Group Entity ceasing, or threatening to cease to, carry on the business conducted as at the date of this agreement;

r) any MCAG Group Entity being or becoming unable to pay its debts when they fall due within the meaning of the Corporations Act (or under the relevant law of the jurisdiction in which the relevant MCAG Group Entity is incorporated) or being otherwise presumed to be insolvent under the Corporations Act (or under the relevant law of the jurisdiction in which the relevant MCAG Group Entity is incorporated);

s) MCAG failing to issue a certificate between 8.00am and 5.00pm on the date 1 Business Day before the MCAL Share Scheme Meeting to the Bidder certifying that, as at the date of such certificate, there are no Excluded Liabilities in excess of $10 million; and

t) any MCAG Group Entity authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (s) above;

provided that a Prescribed Occurrence will not include a matter:

i) that is done in the ordinary course of business and consistent with past practice;

ii) that is required to be done or procured by MCAG pursuant to this agreement or the Schemes;

iii) the undertaking of which has been the subject of prior approval in writing by the Bidder; or

iv) that has been disclosed by MCAG to the Bidder in the SIA.

Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as MCAG and the Bidder may agree in writing.

Regulatory Authority means:

a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;

b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;

c) any regulatory organisation established under statute; and

d) includes, ASX and ASIC.

Reimbursement Fee means the actual costs (not including opportunity costs) reasonably incurred by or on behalf of the Bidder up to a maximum of $8 million.

Representatives means, in relation to an entity:

a) each of the entity's Related Entities; and

b) each of its directors, officers, employees, contractors, advisers (including legal, financial and other expert advisers) and agents and including in the case of MCAG, any person provided to perform services for MCAML under a resources agreement with any of MCG and its Related Entities, but excluding the Independent Expert.

RG60 means Regulatory Guide 60 issued by ASIC on 4 August 1999 (as amended from time to time).

RG142 means Regulatory Guide 142 issued by ASIC on 4 August 1999 (as amended from time to time).

Scheme Entity means:

a) in respect of the MCAL Share Scheme, MCAL;

b) in respect of the MCAIL Share Scheme, MCAIL;

c) in respect of the Trust Scheme, the trustee for the time being of MCAT being, as at the date of the SIA, MCAML.

Scrip Consideration for each Security held by a Scheme Participant at the Record Date means one Bid Security.

Security means a stapled security comprising one MCAL Share, one MCAIL Share and one MCAT Unit.

Securityholder means each person who is registered in the Register as the holder of Securities.

Share Scheme Meetings means the MCAIL Share Scheme Meeting and the MCAIL Share Scheme Meeting.

Share Schemes means the MCAL Share Scheme and the MCAIL Share Scheme.

Shareholder means a MCAL Shareholder and a MCAIL Shareholder, and **Shareholders** means all of them.

Subscription Agreement means each of the Subscription Agreements dated on or around the date of the SIA entered into between each of the Investors and Macquarie Advanced Investment Partners G.P. Ltd, the general partner of MAIP.

Superior Competing Transaction means a bona fide unsolicited Competing Transaction received by MCAG after the date of the SIA which the Independent Directors have determined, in good faith and acting reasonably after consultation with and the receipt of written advice from their external legal or financial advisers (if any), is:

a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction and the person making it; and

b) more favourable to Securityholders (as a whole) than the Transaction, taking into account all the terms and conditions of the Competing Transaction.

Term Sheet means the term sheet dated 6 June 2008 containing proposed amendments to the Westpac Facility provided by MCAG to the Bidder on the date of the SIA.

Transaction means the acquisition by Bidder of all of the Securities by means of the Schemes in accordance with the terms of the SIA.

Trust Scheme means the arrangement, in accordance with Guidance Note 15, under which Bidder acquires all of the MCAT Units from Unitholders facilitated by amendments to the MCAT Constitution as set out in the Supplemental Deed, subject to the requisite Unitholder approvals.

Unitholder means each person who is registered in the Register as the holder of MCAT Units, and **Unitholders** means all of them.

Westpac Facility means the financing facility provided to MCAG under the Facility Agreement between MCAML, MCAL, MCAIL, Macquarie Capital Alliance International (2) Limited and Westpac Banking Corporation dated 30 August 2007 and amended from time to time before the date of the SIA.

2. Conditions Precedent

2.1 The Schemes and the obligations of the Bidder under the Deed Poll are subject to the satisfaction of the following Conditions Precedent (unless, to the extent capable, waived by a party in accordance with the SIA) on or prior to the Second Court Date (or such other date as specified in the relevant Condition Precedent):

a) **Regulatory Approvals**:

i) FIRB: before 8.00am on the Second Court Date, the Treasurer of the Commonwealth of Australia either:

A) has provided written advice or confirmation which is unconditional or subject only to conditions acceptable to the Bidder (acting reasonably) stating that there is no objection to the Bidder acquiring the Securities pursuant to the Schemes; or

B) has become, or is, precluded (at the date of the SIA or at any time before the Transaction becomes Effective) from making an order in respect of the acquisition of the Securities by the Bidder pursuant to the Schemes,

under FATA;

b) **Antitrust approval**: before 8.00am on the Second Court Date, all applicable waiting periods (and any extensions to any such waiting periods), if any under any applicable foreign antitrust, competition or fair trade laws shall have expired or been otherwise terminated in respect of the Schemes;

c) **ASIC modification regarding Unitholder voting**: before the date of the Trust Scheme Meeting, ASIC has granted a modification of Item 7 of section 611 of the Corporations Act, allowing Unitholders to vote in favour of the Trust Scheme Resolution for the purpose of Item 7 of section 611 or indicated in writing that such a modification will not be required;

d) **ASIC relief regarding offer of MCAIL Shares**: before the date of dispatch of the Scheme Booklet, ASIC has granted relief from Chapter 6D, Division 5A of Part 7.9, and section 911A of the Corporations Act allowing for the offer of securities under the MCAIL Share Scheme; and

e) **Bermuda Monetary Authority approval**: approval of the Bermuda Monetary Authority of the acquisition of the MCAIL Shares by the Bidder pursuant to the MCAIL Share Scheme,

and those approvals are given either unconditionally or on conditions that are acceptable to the parties acting reasonably;

f) **Court approval**: the Court approves the MCAL Share Scheme in accordance with section 411(4)(b) of the Corporations Act and the Trust Scheme by granting the Judicial Advice;

g) **Bermuda Court approval**: the Bermuda Court approves the MCAIL Share Scheme in accordance with section 99(2) of the Companies Act;

h) **Shareholder approval**: before 8.00am on the Second Court Date, Shareholders approve both Share Schemes at the Share Scheme Meetings by the requisite majorities under the Corporations Act and the Companies Act (as applicable);

i) **Unitholder approval**: before 8.00am on the Second Court Date, Unitholders approve the Trust Scheme Resolutions at the Trust Scheme Meeting by the requisite majorities under the Corporations Act and in accordance with Guidance Note 15 (subject to any exemption or modification granted by ASIC);

j) **Restraining orders**: as at 8.00am on the Second Court Date, no temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition restraining or prohibiting the Schemes is in effect;

k) **Prescribed Occurrence**: no Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;

l) **MCAG Material Adverse Change**: no MCAG Material Adverse Change occurs between the date of this agreement and 8.00 am on the Second Court Date;

m) **Foreign Exchange Material Adverse Change**: as at 5.00pm on the third Business Day before the Second Court Date, the foreign exchange spot rate as reported by Bloomberg under the code 'AUDUSD Curncy' for AUD to USD is not greater than USD1.15 for AUD1;

n) **Director's recommendation**: before 8.00am on the Second Court Date, a majority of the Independent Directors do not:

   i) change or withdraw their recommendation to Securityholders as set out in the SIA; or

   ii) otherwise make any public statement that suggests that the Schemes are no longer so recommended;

o) **MCAG's representations and warranties**: the representations and warranties given by MCAG in the SIA are true and correct in all respects, in each case at the times set out in the SIA and a certificate confirming this is provided by MCAG to the Bidder by 8.00 am on the Second Court Date;

p) **Bidder's representations and warranties**: the representations and warranties given by the Bidder in the SIA are true and correct in all respects, in each case at the times set out in SIA and a certificate confirming this is provided by the Bidder to MCAG by 8.00 am on the Second Court Date;

q) **MCAG material breach**: before 8.00am on the Second Court Date, MCAG has not materially breached any provision of the SIA;

r) **Bidder material breach:** before 8.00am on the Second Court Date, the Bidder has not materially breached any provision of the SIA;

s) **termination of management agreements**: before 8.00am on the Second Court Date:

   i) MCAML and MCAIL agree to terminate the Advisory Agreement;

   ii) MCAML and MCAL agree to terminate the Management Services Agreement; and

   iii) each Scheme Entity agrees to terminate any other similar management arrangements,

   in each case without any payment or ongoing obligations other than the payment of any fees accrued up until the termination of such agreement, with effect from the Implementation Date;

t) **Decline in FTSE 100 Index**: in the period between the date of the SIA (14 June 2008) and 8.00am on the Second Court Date, the FTSE 100 Index at the close of trading on the London Stock Exchange on any ten consecutive trading days is not 22.5% or more below its level as at the close of trading on the last trading day of the London Stock Exchange before the date of the SIA;

u) **Distribution guidance**: between 8.00am and 5.00pm on the date 2 Business Days before the MCAL Share Scheme Meeting, MCAG makes an announcement to Securityholders regarding guidance as to the amount of the Distribution; and

v) **Cash for payment of Distribution**: between 8.00am and 5pm on the date 1 Business Day before the MCAL Share Scheme Meeting, MCAG delivers to the Bidder a certificate certifying that, on the date of such certificate, the Cash Amount is greater than or equal to the Aggregate Distribution Amount.

2.2 The Conditions Precedent in paragraphs 1.1(a), 1.1(f), 3.1(g), 1.1(h) and 3.1(i) cannot be waived.

2.3 The Condition Precedent in paragraph 1.1(j) is for the joint benefit of MCAG and the Bidder and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of MCAG and the Bidder.

2.4 The Conditions Precedent in paragraphs 3.1(k), 1.1(l), 3.1(m), 3.1(n), 3.1(o), 3.1(q), 1.1(s), 3.1(t), 3.1(u) and 3.1(v) are for the sole benefit of the Bidder and any breach or non-fulfilment of those Conditions Precedent may only be waived with the written consent of the Bidder.

2.5 The Conditions Precedent in paragraphs 3.1(p) and 1.1(r) are for the sole benefit of MCAG and any breach or non-fulfilment of those Conditions Precedent may only be waived with the written consent of MCAG.

2.6 A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to the SIA may, as between MCAG and the Bidder, do so in its absolute discretion.

2.7 Each party must use its reasonable endeavours to procure that:

   a) each of the Conditions Precedent in paragraphs 1.1(a), 1.1(f), (g), 1.1(h) and 1.1(i) is satisfied as soon as practicable after the date of this agreement or continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and

   b) there is no occurrence within the control of a party (as the context requires) or their Related Entities that would prevent the Conditions Precedent being satisfied.

3. Scheme Consideration

3.1 The Scheme Consideration for each Scheme Participant is either the Cash Consideration or the Scrip Consideration, depending on the election or deemed election of that Scheme Participant (provided that the Scrip Consideration may be subject to a Scaleback, in which case both Scrip Consideration and Cash Consideration may be provided to a Scheme Participant who has elected to receive the Scrip Consideration).

3.2 In addition to the Scheme Consideration, the Distribution is payable by MCAG on the Implementation Date as follows:

a) to Scheme Participants who receive the Cash Consideration; and

b) to the Escrow Trustee on behalf of Scheme Participants who receive the Scrip Consideration.

4. MCAG's obligations

a) **Scheme Booklet**: MCAG must prepare the Scheme Booklet to be dispatched to Securityholders and must provide drafts to and consult with the Bidder in this respect. This consultation includes obtaining the Bidder's consent to the inclusion of the Bidder Information in the Scheme Booklet.

b) **Independent Expert**: MCAG must also appoint an independent expert to provide a report for inclusion in the Scheme Booklet stating whether in its opinion the Share Schemes are in the best interests of Securityholders and the Trust Scheme is fair and reasonable.

c) **Scheme Meetings and Approval**: MCAG must convene the Scheme Meetings, make all necessary applications to the Court, including applications for Judicial Advice, and if the Securityholders approve the Schemes, apply for Court orders to approve the Schemes.

d) **MCAML Shares**: Before the Implementation Date, MCAG must procure that MCAL buys back all MCAML Shares in accordance with its constitution and the Corporations Act and procure that MCAIL redeems or buys back all MCAML Shares in accordance with its constitution.

e) **Ordinary course of business**: From the date of the SIA until the Implementation Date, MCAG must conduct its business in the ordinary course and must not do, or omit to do, anything that may result in a Prescribed Occurrence.

5. Bidder's obligations

5.1 Provide Scheme Consideration: If the Schemes become Effective, the Bidder must provide the Scheme Consideration to each Scheme Participant in accordance with the valid election of the Scheme Participant to receive either the Cash Consideration or the Scrip Consideration. To facilitate the payment of the Cash Consideration, the Bidder must procure before the Implementation Date the payment of the total Cash Consideration (in cleared funds) into a trust account operated by or on behalf of MCAG, in order for MCAG to pay the Cash Consideration to Scheme Participants who are to receive the Cash Consideration. The Bidder must also procure the issue of the Bid Securities to Scheme Participants who make a valid Scrip Election, prior to the transfer of their MCAG Securities to Bidder on the Implementation Date.

5.2 **Scheme Booklet**: The Bidder must provide appropriate information to be included in the Scheme Booklet and provide assistance as reasonably requested to enable the Independent Expert to prepare its report.

6. MCAG Board recommendation and reconstitution

6.1 The Independent Directors must:

a) unanimously recommend that the Securityholders approve the Schemes in the absence of Superior Competing Transaction and not withdraw such recommendation once made;

b) not make any public statement that suggests that the Schemes are no longer so recommended,

unless:

c) the Independent Expert opines that either of the Share Schemes is not in the best interests of Shareholders or the Trust Scheme is not fair and reasonable to Unitholders, including in any update to its report; or

d) the Independent Directors determine in good faith and acting reasonably, after receiving written advice from its external legal and financial advisers (if any), that continuing to comply with this paragraph would or would be likely to constitute a breach of a director's fiduciary or statutory obligations (including because any Competing Transaction constitutes a Superior Competing Transaction).

6.2 On the Implementation Date, after the Scheme Consideration has been paid to Scheme Participants, MCAG will procure that all directors on the MCAG Board resign and the nominees of the Bidder are appointed as directors of MCAG.

7. Termination rights

7.1 The SIA may be terminated in certain circumstances:

a) by either MCAG or the Bidder if:

i) the Transaction has not become Effective before 14 December 2008 (other than as a result of a breach by the terminating party of its obligations under the SIA);

ii) the required majorities of Shareholders do not approve the Share Schemes at the Share Scheme Meetings;

iii) the required majorities of Unitholders do not approve the Trust Scheme Resolutions at the Trust Scheme Meeting;

iv) at any time before 8.00am on the Second Court Date, a court or other Regulatory Authority has issued an order, decree or ruling or taken other action that permanently restrains or prohibits the Transaction and that order, decree, ruling or other action has become final and cannot be appealed; or

v) there is a breach of a Condition Precedent, and MCAG and Bidder cannot come to an agreement to allow the Transaction or an alternative transaction to proceed.

b) by the Bidder if:

i) at any time prior to 8.00am on the Second Court Date, MCAG is in material and unremedied breach of a provision of the SIA (other than a breach of a representation or warranty) after having received notice from the Bidder setting out the relevant circumstances of the breach and stating an intention to terminate the SIA;

ii) MCAG is in material breach of a representation or warranty in the SIA and the breach cannot be remedied before 8.00am on the Second Court Date; or

iii) a majority of the Independent Directors change or withdraw their recommendation of the Schemes, or otherwise make a public statement that indicates or suggests that the Schemes are no longer so recommended or that they support a Competing Transaction, unless the change or withdrawal is due to Bidder's material breach of the SIA;

iv) Bidder is entitled to demand payment of the Reimbursement Fee from MCAG (see below); or

v) a Prescribed Occurrence occurs.

c) by MCAG if:

i) at any time prior to 8.00am on the Second Court Date, the Bidder is in material and unremedied breach of a provision of the SIA (other than a breach of a representation or warranty) after having received notice from MCAG setting out the relevant circumstances of the breach and stating an intention to terminate the SIA;

ii) the Bidder is in material breach of a representation or warranty in the SIA and the breach cannot be remedied before 8.00am on the Second Court Date;

iii) a majority of the Independent Directors change or withdraw their recommendation of the Schemes in the circumstances set out in paragraphs 1.1(c) or 1.1(d) above.

8. Exclusivity

8.1 During the Exclusivity Period:

a) **No shop**: MCAG must ensure that neither it nor any of its Representatives directly or indirectly solicits, invites, facilitates or encourages any Competing Transaction, or communicates any intention to do any such things with a view to obtaining a Competing Transaction.

b) **Due diligence**: Subject to the fiduciary carve-out exception described below, MCAG must not without the prior written consent of the Bidder:

i) permit any party (other than the Bidder or its Representatives) to undertake due diligence investigations on any entity within Target for the purpose of obtaining, or which may reasonably be expected to lead to receipt of, a Competing Transaction; or

ii) make available to any person (other than to the Bidder, its Representatives or as permitted by this agreement) or permit any person (other than to the Bidder, its Representatives or as permitted by the SIA) to receive any confidential information relating to any entity within Target for the purpose of obtaining, or which may reasonably be expected to lead to receipt of, a Competing Transaction.

c) **Notification to Bidder**: Subject to the fiduciary carve-out exception described below, MCAG must:

i) notify the Bidder as soon as it becomes aware of any negotiations or discussions, approaches or attempts to initiate any negotiations or discussions regarding a Competing Transaction; and

ii) as soon as practicable, notify the Bidder if a third party makes any request to MCAG to provide confidential information of MCAG Group which may reasonably be expected to lead to a Competing Transaction.

8.2 **Fiduciary carve-out:** The restrictions in paragraph (g) do not apply to the extent that they restrict MCAG or the Independent Directors from taking or refusing to take, and the obligations in paragraph (h) do not apply to the extent that they require MCAG or the Independent Directors to take, any action with respect to a Competing Transaction which was not solicited, invited, encouraged, initiated or facilitated by MCAG provided that:

a) the Independent Directors believe (after receiving written advice from MCAG's external legal and financial advisers (if any)) that the Competing Transaction is a Superior Competing Transaction; or

b) the Independent Directors have determined in good faith and acting reasonably (after receiving written advice from MCAG's external legal and financial advisers (if any)), that failing to respond to that Competing Transaction would or would be likely to constitute or give rise to a breach of MCAG directors' fiduciary or statutory obligations.

9. Payment of costs / break fee

9.1 Subject to paragraph 9.2, MCAG must pay the Reimbursement Fee to the Bidder if:

a) the SIA is terminated by either the Bidder or MCAG due to a majority of the Independent Directors having changed or withdrawn their recommendation in relation to the Schemes, other than where the change or withdrawal follows an opinion from the Independent Expert that either of the Share Schemes is not in the best interests of Shareholders or that the Trust Scheme is not fair and reasonable to Unitholders;

b) the SIA is terminated by the Bidder due to MCAG's material unremedied breach of the SIA;

c) a Competing Transaction is announced or made or becomes open for acceptance prior to the Scheme Meeting (or termination of the SIA, whichever occurs first) and is completed within 12 months of the Scheme Meeting or termination, as the case may be; or

d) the SIA is terminated by the Bidder as a result of a Prescribed Occurrence.

9.2 MCAG is obliged to pay the Reimbursement Fee only to the extent that the performance of that obligation would not:

a) breach the legal, fiduciary or statutory duties of the MCAG Board;

b) constitute unacceptable circumstances as declared by the Takeovers Panel; or

c) be unlawful.

10. Bidder's limitation of liability

10.1 The Bidder has no liability to MCAG for any claim arising out of or in connection with the SIA, the Schemes or the Deed Poll (including, without limitation, any claim for a breach of Bidder's obligations to provide the Scheme Consideration) to the extent that:

a) the amount of the claim exceeds the amount (if any) which the Bidder has actually recovered from any Investor that has breached its obligations in a Commitment Deed in respect of the circumstances giving rise to the claim; or

b) MCAG actually recovers an amount from any Investor that has breached its obligations in a Commitment Deed under the terms of the Commitment Deeds in respect of the circumstances giving rise to the claim; or

c) the claim is for, arises out of or is connected with any consequential loss.

10.2 If MCAG makes a claim against the Bidder, the Bidder must use commercially reasonable efforts to seek recovery against any Investor that has breached its obligations in a Commitment Deed under the terms of the Commitment Deed and the Subscription Agreement.

ANNEXURE C: DEED POLL

Details

Date:	**15 July 2008**
Deed poll by:	
Name:	**Macquarie Advanced Investment Company Pty Limited ACN 131 467 411**
Short form name:	**Bidder**
Notice details:	**Level 11, 1 Martin Place, Sydney NSW 2000**
In favour of:	
Name:	**Each Scheme Shareholder**
Name:	**Each Scheme Unitholder**

Background

A On 14 June 2008, Macquarie Capital Alliance Limited ABN 96 112 594 662 (**MCAL**), Macquarie Capital Alliance International Limited ARBN 113 880 783 (a company incorporated in Bermuda) (**MCAIL**), Macquarie Capital Alliance Management Limited ABN 94 105 777 704 (as responsible entity of the Macquarie Capital Alliance Trust ARSN 112 638 212 (**MCAT**)) (collectively, **Target Group**) and Bidder entered into a scheme implementation agreement (**Scheme Implementation Agreement**).

B Under the Scheme Implementation Agreement, Bidder has agreed, subject to the satisfaction or waiver of certain conditions, to execute this deed poll.

C Bidder is each entering into this deed poll to covenant in favour of each Scheme Participant to perform Bidder's obligations under this deed and the Schemes, including the provision of Scheme Consideration pursuant to the Schemes.

Agreed terms

1 Defined terms & interpretation

1.1 Terms used in this deed poll have the same meaning as in the Scheme Implementation Agreement unless otherwise defined in this deed or the context requires otherwise.

MCAIL Scheme Share means each MCAIL Share held by a MCAIL Scheme Shareholder.

MCAIL Scheme Shareholder means each MCAIL Shareholder as at 5.00pm on the Record Date.

MCAL Scheme Share means each MCAL Share held by a MCAL Scheme Shareholder.

MCAL Scheme Shareholder means each MCAL Shareholder as at 5.00pm on the Record Date.

Scheme Shareholder means each person who is a Shareholder as at 5.00pm on the Record Date.

Scheme Unitholder means each person who is a Unitholder as at 5.00pm on the Record Date.

Scheme Units means all of the Units on issue as at the Record Date.

1.2 This deed poll is to be interpreted according to corresponding rules to those set out in clause 1.2 of the Scheme Implementation Agreement except that references to 'this agreement' clause 1.2 will be taken as being references to 'this deed poll'.

1.3 Bidder acknowledges that this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though those persons are not party to this deed poll.

2. Conditions Precedent and Termination

2.1 The obligations of Bidder under clause 3 are subject to the Schemes becoming Effective.

2.2 The obligations of Bidder under this deed poll to Scheme Participants will automatically terminate, and the terms of this deed poll will be of no further force or effect, if the Scheme Implementation Agreement is terminated in accordance with its terms.

2.3 If the obligations of Bidder under this deed poll are terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

a) Bidder is released from its obligations to further perform this deed poll; and

b) Scheme Participants retain the rights they have against Bidder in respect of any breach of this deed poll by Bidder which occurred before termination of this deed poll.

3. Compliance with Schemes Obligations

3.1 Subject to clause 2, in consideration for the transfer of their Securities to Bidder in accordance with the Schemes, Bidder covenants in favour of each Scheme Participant to do all those things Bidder is required to do under the Schemes, including the provision of the Scheme Consideration in accordance with the terms of the Schemes.

4. Warranties

4.1 Bidder represents and warrants in respect of itself that:

a) **incorporation**: it is a corporation validly existing under the laws of its place of incorporation;

b) **corporate power**: it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

c) **corporate authorisations**: it has taken all necessary corporate action to authorise the entry into of this deed poll and has taken or, if the conditions precedent referred to in clause 2.1 are satisfied or waived, will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

d) **binding obligations**: this deed poll is valid and binding upon it;

e) **solvency:** it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;

f) **no default:** this deed poll does not conflict with or result in the breach of or default under any provision of its constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which it is party or subject or of which it is bound.

5. Continuing Obligations

5.1 This deed poll is irrevocable and remains in full force and effect until Bidder has completely performed its obligations under this deed poll or the earlier termination of this deed poll under clause 2.

6. Further assurances

6.1 Bidder will do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this deed poll and the transactions contemplated by it.

7. Limitation on Bidder's liability for breach

7.1 Notwithstanding anything else contained in this deed poll, Bidder will have no liability to Target (in its own right or on behalf of any Scheme Participant) for any Claim arising out of or in connection with this deed poll, the Schemes or the Scheme Implementation Agreement (including, without limitation, any Claim for breach of Bidder's obligations to provide the Scheme Consideration under clauses 4.2 and 5.2(j) of the Scheme Implementation Agreement or any Claim for breach of representation or warranty in clause 7.3 of the Scheme Implementation Agreement) to the extent that:

a) the amount of the Claim exceeds the amount (if any) which Bidder has actually recovered from any Investor that has breached its obligations in a Commitment Deed in respect of the circumstances giving rise to the Claim; or

b) Target actually recovers an amount from any Investor that has breached its obligations in a Commitment Deed under the terms of the Commitment Deeds in respect of the circumstances giving rise to the Claim; or

7.2 the Claim is for, arises out of or is connected with any Consequential Loss.

7.3 In the event of a Claim being made by Target (in its own right or on behalf of any Scheme Participant) against Bidder arising out of or in connection with this deed poll, the Schemes or the Scheme Implementation Agreement (other than a Claim which Bidder has no liability for under clause 7.1, or in respect of which Bidder has no right of recovery under the terms of a Commitment Deed or Subscription Agreement), Bidder must use commercially reasonable efforts to seek recovery against one of more of the Investors under the terms of the Commitment Deeds and/or the Subscription Agreement.

8. Notices

8.1 A notice, consent or other communication (Notice) under this deed poll is only effective if it is:

a) in writing, signed by or on behalf of the person giving it;

b) addressed to the person to whom it is to be given (or, in the case of Bidder (and as relevant) to the Process Agent); and

c) either:

i) delivered or sent by pre-paid mail to that person's address; or

ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.

8.2 A Notice that complies with this clause 7 is regarded as given and received:

a) if it is delivered or sent by fax:

i) by 5.00pm (local time in the place of receipt) on a Business Day – on that day; or

ii) after 5.00pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day; and

b) if it is sent by mail:

i) within Australia – 3 Business Days after posting; or

ii) to or from a place outside Australia – 7 Business Days after posting.

8.3 Bidder's notice details are as set out in the Details section of this deed poll.

9. Remedies cumulative

9.1 Subject to clause 7, the rights, powers and remedies provided to Bidder and Scheme Participants in this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.

10. Variation

10.1 A provision in this deed poll may only be varied by Bidder if:

a) the variation is agreed to by Target and MCAML acting in its capacity as responsible entity of MCAT, which such agreement may be given or withheld without reference to or approval by any Shareholder or Unitholder being required; and

b) the Court (and the Bermuda Court in respect of the MCAIL Share Scheme) indicates that the amendment would not of itself preclude approval of the Share Schemes or provision of the First Judicial Advice or Second Judicial Advice.

10.2 Bidder will enter into a further deed poll in favour of the Scheme Shareholders and Scheme Unitholders giving effect to any such amendment.

11. No waiver

11.1 No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

12. Costs and stamp duty

12.1 All stamp duty that may be payable on or in connection with this deed poll and any instrument effected by, executed under or pursuant to this deed poll must be borne by Bidder. Bidder must indemnify each Scheme Participant on demand against any liability for those costs and that stamp duty.

13. Assignment

13.1 The rights and obligations of Bidder and each Scheme Participant under this deed poll are personal. They cannot be assigned, encumbered or otherwise dealt with and neither Bidder or any Scheme Participant may attempt, or purport, to do so without the prior written consent of Target, MCAML acting in its capacity as responsible entity of MCAT and Bidder.

14. Governing law and jurisdiction

14.1 This deed poll is governed by the laws of New South Wales. Bidder submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

ANNEXURE D: MCAL SHARE SCHEME

SCHEME OF ARRANGEMENT

Pursuant to section 411 of the Corporations Act

Between

Macquarie Capital Alliance Limited ABN 96 112 594 662 ("MCAL")

and

The holders of fully paid ordinary shares in MCAL

1. Defined terms & interpretation

The following definitions apply unless the context requires otherwise.

Aggregate Cash Consideration means the aggregate of all Cash Consideration and the Allocated Cash Consideration (as relevant) payable to Scheme Participants under the Schemes.

Aggregate Scrip Consideration means the aggregate of all Scrip Consideration or Scaleback Scrip Consideration (as relevant) to be issued to Scheme Participants under the Schemes.

Allocated Cash Consideration means a cash amount equal to the Cash Consideration multiplied by the number equal to the total number of Securities held by the Scheme Participant minus the total number of Bid Securities making up the Scaleback Scrip Consideration to be provided to that Scheme Participant.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market conducted by it.

Beneficial Interest means the beneficial interest of a Scheme Participant in an Escrow Amount under a Separate Trust.

Bermuda Court means the Supreme Court of Bermuda.

Bid Fund means the issuers of the Bid Securities or any of them as the context requires.

Bid Fund Investment Manager means Macquarie Advanced Investment Partners G.P. Limited, an exempted company incorporated in the Cayman Islands.

Bid Security means a stapled security comprising:

a) one share in Macquarie Advanced Investment Limited;
b) one unit in Macquarie Advanced Investment Trust; and
c) one share in Macquarie Advanced Investment International Ltd.

Bid Security Consideration Cap means 49,191,837.

Bidder means Macquarie Advanced Investment Company Pty Limited ACN 131 467 411.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.

Cash Consideration for each Security held by a Scheme Participant at the Record Date means $3.40 less the Distribution.

Cash Election means an election by a Scheme Participant to receive Cash Consideration for each Security held by that Scheme Participant at the Record Date in accordance with clauses 5.16 to 5.19.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Companies Act means the Companies Act 1981 of Bermuda.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement.

Constitution means the constitution adopted by MCAL on 25 January 2005 (as amended from time to time).

Corporations Act means the **Corporations Act 2001** (Cth).

Court means the Supreme Court of New South Wales.

Court Order means the order of the Court approving this MCAL Share Scheme under section 411(4)(b) of the Corporations Act or, as relevant, the order of the Bermuda Court approving the MCAIL Share Scheme made under section 99(2) of the Companies Act.

Deed Poll means the deed poll dated 15 July 2008 executed by Bidder in favour of Scheme Participants.

Distribution means a special distribution:

a) in respect of which guidance is to be announced by Target between 8.00am and 5.00pm on the date 2 Business Days before the MCAL Share Scheme Meeting;
b) to be declared by Trust on the day after the Effective Date;
c) having a record date being the Record Date; and
d) expected to be paid immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, or applied as set out in clauses 5.22 to 5.24,

the amount of which is to be calculated, per Security, as $0.40 less the EDSA Gouden Gids Acquisition Per Security Amount and less the Portfolio Company Equity Investment Per Security Amount.

EDSA Gouden Gids Acquisition means the acquisition by European Directories SA (of which Target has a 39% holding) of the Dutch operations of Truvo, including the Gouden Gids directory, for approximately €290 million as announced to ASX on 31 March 2008.

EDSA Gouden Gids Acquisition Amount is A$53 million if consideration in respect of EDSA Gouden Gids Acquisition has been paid or is payable prior to the Implementation Date, or otherwise is zero.

EDSA Gouden Gids Acquisition Per Security Amount means the EDSA Gouden Gids Acquisition Amount divided by the number of Securities on issue at the Record Date.

Effective means, when used in relation to the Schemes, all of the following events taking place:

a) the Court Order in relation to this MCAL Share Scheme coming into effect pursuant to section 411(10) of the Corporations Act;
b) the Court Order in relation to the MCAIL Share Scheme coming into effect pursuant to section 99(3) of the Companies Act; and
c) the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective.

Election Form means a form to be completed by Securityholders to record their election in relation to Scheme Consideration which forms part of the Scheme Booklet.

Escrow Amount has the meaning given to it in clause 5.23.

Escrow Sunset Date means the date five years after the Implementation Date.

Escrow Trustee means Macquarie Advanced Investment Management Limited (or another entity appointed as responsible entity for Macquarie Advanced Investment Trust from time to time) acting as trustee in accordance with clauses 5.23 to 5.24.

Explanatory Statements means:

a) the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this MCAL Share Scheme;
b) the explanatory statement pursuant to section 100(1)(a) of the Companies Act in relation to the MCAIL Share Scheme; and
c) the explanatory statement to be sent to Unitholders in relation to the Trust Scheme, in accordance with Guidance Note 15 and the relevant provisions of the Corporations Act, explaining the effect of the Trust Scheme and setting out information that is material to the making of a decision by Unitholders whether or not to vote in favour of the Trust Scheme,

copies of which will be included in the Scheme Booklet.

Further Capital Investment Requirement means an obligation to pay a further amount in respect of each Bid Security under the terms of issue of the Bid Securities as a result of:

a) the commitment of funds for investments in Portfolio Companies by the Bid Fund in accordance with the original investment policy of the Bid Fund; or
b) a need for further working capital in the Bid Fund.

Guidance Note 15 means **Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers** issued by the Takeovers Panel of Australia (as amended from time to time).

Implementation Date means the fifth Business Day after the Record Date.

Independent Expert's Report means the report prepared by a person to be appointed by Target as independent expert to prepare a report to be provided to Target, Shareholders and Unitholders providing an opinion as to whether each of the Share Schemes is in the best interests of Shareholders and as to whether the Trust Scheme is fair and reasonable to Unitholders.

Ineligible Overseas Securityholder means a Scheme Participant whose address as shown in the Register at the Record Date is a place outside Australia and its external territories, New Zealand and such other jurisdictions as Target and Bidder agree in writing.

MCAIL means Macquarie Capital Alliance International Limited, a company incorporated in Bermuda with registration number 36770.

MCAIL Register means the register of MCAIL Shareholders maintained by MCAIL pursuant to section 65 of the Companies Act.

MCAIL Scheme Share means each MCAIL Share held by a MCAIL Scheme Shareholder.

MCAIL Scheme Shareholder means each MCAIL Shareholder as at 5.00pm on the Record Date.

MCAIL Share means one fully paid ordinary share issued in the capital of MCAIL.

MCAIL Share Scheme means the scheme of arrangement pursuant to section 99 of the Companies Act between MCAIL and MCAIL Shareholders, under which Bidder acquires all of the MCAIL Shares from MCAIL Shareholders, together with any alterations or conditions made or required by the Bermuda Court and approved in writing by Bidder and Target.

MCAIL Share Scheme Meeting means the meeting of MCAIL Shareholders convened by the Bermuda Court in relation to the MCAIL Share Scheme pursuant to section 99(1) of the Companies Act, and includes any adjournment of such meeting.

MCAIL Shareholder means a person who is registered in the MCAIL Register as the holder of MCAIL Shares.

MCAL means Macquarie Capital Alliance Limited ABN 96 112 594 662.

MCAL Register means the register of MCAL Shareholders maintained by MCAL pursuant to Chapter 2C of the Corporations Act.

MCAL Scheme Share means each MCAL Share held by a MCAL Scheme Shareholder.

MCAL Scheme Shareholder means each MCAL Shareholder as at 5.00pm on the Record Date.

MCAL Share means one fully paid ordinary share issued in the capital of MCAL.

MCAL Share Scheme means this scheme of arrangement, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Bidder and Target.

MCAL Share Scheme Meeting means the meeting of MCAL Shareholders convened by order of the Court in relation to this MCAL Share Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

MCAL Shareholder means a person who is registered in the MCAL Register as the holder of MCAL Shares.

MCAML means Macquarie Capital Alliance Management Limited ABN 94 105 777 704.

Portfolio Company means each of:

- European Directories SA, a limited liability public company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg;
- Creative Broadcast Services International Limited, a company incorporated under the laws of Bermuda;
- Fairway Investment Holdings Pty Limited, a company incorporated under the laws of the Commonwealth of Australia; and
- Macquarie AIR-serv Holdings Inc., a company incorporated under the laws of Delaware.

Portfolio Company Equity Investment Amount means any equity investment by Target in Target's Portfolio Companies that has been paid or is payable after the date of the Scheme Implementation Agreement and prior to the Implementation Date.

Portfolio Company Equity Investment Per Security Amount means the Portfolio Company Equity Investment Amount divided by the number of Securities on issue at the Record Date.

Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Target and Bidder may agree in writing.

Register means the stapled security register of Target kept pursuant to the Corporations Act.

Registered Address means, in relation to a MCAL Shareholder, the address of the MCAL Shareholder as recorded in the MCAL Register.

Registry means Computershare Investor Services Pty Limited of Level 3, Carrington Street, Sydney NSW 2000.

Scaleback Scrip Consideration means the Scaleback Multiplier multiplied by the total number of Securities held by the Scheme Participant rounded up or down to the nearest whole number of Bid Securities (with fractional entitlements of 0.5 or less rounded down to the nearest whole number of Bid Securities).

Scaleback Multiplier means the Bid Security Consideration Cap divided by the total number of Securities in respect of which a Scrip Election has been made (such number to be rounded down to 8 decimal places). The Scaleback Multiplier cannot be equal to or greater than one.

Scheme Booklet means the information to be despatched to all Securityholders, and approved by the Court and the Bermuda Court, in connection with the Schemes, including the Share Schemes, the Explanatory Statements, the Independent Expert's Report, the Deed Poll, the Supplemental Deed, and notices convening the Share Scheme Meetings and the Trust Scheme Meeting together with the proxy forms for those meetings.

Scheme Consideration means, depending on the election or deemed election made by a Scheme Participant under clauses 5.1 to 5.10 for each Security held by a Scheme Participant at the Record Date:

a) the Cash Consideration;
b) the Scrip Consideration; or
c) (if applicable) the Scaleback Scrip Consideration and the Allocated Cash Consideration divided by the total number of Securities held by a Scheme Participant at the Record Date.

Scheme Entity means:

a) in respect of this MCAL Share Scheme, MCAL;

b) in respect of the MCAIL Share Scheme, MCAIL;

c) in respect of the Trust Scheme, Trustee.

Scheme Implementation Agreement means the agreement of that name dated 14 June 2008 executed by MCAIL acting in its own capacity, MCAL acting in its own capacity and Trustee acting in its capacity as responsible entity of Trust and Bidder.

Scheme Participant means each person who participates in both the MCAIL Share Scheme, this MCAL Share Scheme and the Trust Scheme by virtue of being a MCAIL Scheme Shareholder, a MCAL Scheme Shareholder and a Scheme Unitholder.

Scheme Transfer means, for each Scheme Participant, a proper instrument of transfer of their Securities for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all Securities.

Scheme Unitholder means each person who is a Unitholder as at 5.00pm on the Record Date.

Scheme Units means all of the Units on issue as at the Record Date.

Schemes means the Share Schemes and the Trust Scheme.

Scrip Consideration for each Security held by a Scheme Participant at the Record Date means one Bid Security.

Scrip Election means an election by a Scheme Participant who is not an Ineligible Overseas Securityholder to receive:

a) for each Security held by that Scheme Participant at the Record Date, Scrip Consideration; or

b) (if applicable) for the total number of Securities held by a Scheme Participant at the Record Date, the Scaleback Scrip Consideration and the Allocated Cash Consideration,

in accordance with clauses 5.20 and 5.21. For the avoidance of doubt, an election made by an Ineligible Overseas Securityholder purporting to be a Scrip Election is of no effect.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this MCAL Share Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Security means a stapled security comprising one MCAL Scheme Share, one MCAIL Scheme Share and one Scheme Unit.

Securityholder means each person who is registered in the Register as the holder of Securities.

Separate Trust means each trust established between the Escrow Trustee and a Scheme Participant under the escrow deed in accordance with clauses 5.22 to 5.24.

Share Scheme Meetings means the MCAL Share Scheme Meeting and the MCAIL Share Scheme Meeting.

Share Schemes means the MCAIL Share Scheme and this MCAL Share Scheme.

Shareholder means a MCAL Shareholder and a MCAIL Shareholder, and **Shareholders** means all of them.

Sunset Date means the date 6 months from the date of the Scheme Implementation Agreement.

Supplemental Deed means a deed poll under which Target will amend the Trust Constitution, the form of which is contained in Annexure 5 of the Scheme Implementation Agreement, with any alterations or conditions approved in writing by Bidder and Target.

Target means, together, MCAIL, MCAL and Trust (acting through Trustee in its capacity as responsible entity of Trust only), or any of them as the context requires. For the avoidance of doubt, no security in Trustee will become subject to the Schemes or any other transaction referred to in this agreement.

Target Group means MCAIL, MCAL and Trust.

Trust means Macquarie Capital Alliance Trust ARSN 112 638 212.

Trust Constitution means the constitution establishing Trust dated 24 January 2005 (as amended from time to time).

Trust Scheme means the arrangement, in accordance with Guidance Note 15, under which Bidder acquires all of the Units from Scheme Unitholders facilitated by amendments to the Trust Constitution as set out in the Supplemental Deed, subject to the requisite Scheme Unitholder approvals.

Trust Scheme Meeting means the meeting of Unitholders convened by Target pursuant to clause 17.1 of the Trust Constitution to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the resolutions of Unitholders to approve the Trust Scheme including:

a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Units by Bidder; and

b) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Trust Constitution as set out in the Supplemental Deed.

Trustee means the trustee for the time being of Trust being, as at the date of this deed, MCAML.

Unit means one fully paid ordinary unit in Trust.

Unitholder means each person who is registered in the Register as the holder of Units, and **Unitholders** means all of them.

1.2 In this MCAL Share Scheme, except where the context otherwise requires:

a) the singular includes the plural and vice versa, and a gender includes other genders;

b) another grammatical form of a defined word or expression has a corresponding meaning;

c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this MCAL Share Scheme, and a reference to this MCAL Share Scheme includes any schedule or annexure;

d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

e) a reference to A$, $A, dollar or $ is to Australian currency;

f) a reference to time is to Sydney, Australia time;

g) a reference to a party is to a party to this MCAL Share Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;

k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;

l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and

o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings are for ease of reference only and do not affect interpretation.

2. Preliminary

2.1 MCAL is a public company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at level 7, 1 Martin Place, Sydney, New South Wales, 2000.

2.2 The MCAL Shares are stapled to MCAIL Shares and Units on a one-for-one-for-one basis.

2.3 Target is admitted to the official list of ASX and the Securities are officially quoted on the financial market conducted by ASX.

2.4 As at the date of the Scheme Booklet, Securities, comprising 245,959,183 MCAL Shares, 245,959,183 MCAIL Shares and 245,959,183 Units, were on issue.

2.5 MCAIL is an exempted company limited by shares, incorporated in Bermuda. Its registered office is at 35 Crow Lane, East Broadway, Paget HM20 Bermuda.

2.6 Trustee is a public company limited by shares, incorporated in Australia and registered in New South Wales. Its registered office is at level 7, 1 Martin Place, Sydney, New South Wales, 2000.

2.7 Trustee is the responsible entity of Trust.

2.8 Bidder is a proprietary company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at Level 11, 1 Martin Place, Sydney, New South Wales, 2000.

2.9 MCAIL, MCAL, Trustee (as responsible entity for Trust) and Bidder have agreed, by executing the Scheme Implementation Agreement, to propose and implement the terms of and to perform their respective obligations under the MCAIL Share Scheme, this MCAL Share Scheme and the Trust Scheme.

2.10 Bidder has executed a Deed Poll pursuant to which Bidder has covenanted in favour of each Scheme Participant to do all those things Bidder is required to do under the Schemes, including the provision of the Scheme Consideration in accordance with the terms of the Schemes.

2.11 If this MCAL Share Scheme become Effective, MCAL undertakes in favour of each MCAL Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for MCAL Scheme Shareholders.

3. Conditions precedent

3.1 This MCAL Share Scheme is conditional on:

a) all of the Conditions Precedent having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;

b) the Scheme Implementation Agreement having not been terminated as at 8am on the Second Court Date; and

c) such other conditions imposed by the Court under section 411(6) of the Corporations Act as are acceptable to Bidder and Target.

3.2 The fulfilment of each condition in clause 3.1 is a condition precedent to the binding effect of this MCAL Share Scheme.

3.3 On the Second Court Date, Target must provide to the Court a certificate confirming whether or not all the conditions precedent to this MCAL Share Scheme have been satisfied or waived other than the condition in clauses 3.1(b) and 3.1(c) of the Scheme Implementation Agreement.

3.4 This MCAL Share Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the Sunset Date or such later date as the Court, with the consent of Bidder and Target, may order.

4. The MCAL Share Scheme

4.1 If this MCAL Share Scheme becomes Effective then:

a) all the MCAL Scheme Shares (together with all rights and entitlements attaching to the MCAL Scheme Shares) will be transferred to Bidder simultaneously with the transfer of all the MCAIL Scheme Shares and Scheme Units to Bidder under the MCAIL Share Scheme and Trust Scheme respectively;

b) MCAL will enter the name of Bidder in the MCAL Register in respect of all the MCAL Scheme Shares; and

c) Bidder will provide the Scheme Consideration to MCAL in accordance with clause 5,

in accordance with the provisions of this MCAL Share Scheme.

4.2 If this MCAL Share Scheme becomes Effective, it will:

a) bind MCAL and all Securityholders, including those who do not attend the MCAL Share Scheme Meeting, those who do not vote at that meeting and those who vote against this MCAL Share Scheme at that meeting; and

b) override the Constitution, to the extent of any inconsistency.

4.3 If the Court makes the Court Order, MCAL will lodge with ASIC office copies of that order as soon as practicable and by no later than 5.00pm on the first Business Day after the date on which the Court Order is made.

4.4 This MCAL Share Scheme will come into effect on the Effective Date.

4.5 On or before 12.00 noon on the Implementation Date, in consideration for the transfer of the Securities to Bidder, Bidder must provide or procure the provision of the Scheme Consideration in the manner required by clause 5.

4.6 On the Implementation Date, subject to Bidder paying the Scheme Consideration in accordance with clause 5 and Bidder providing MCAL with written confirmation of that payment:

a) all of the MCAL Scheme Shares together with all rights and entitlements attaching to the MCAL Scheme Shares as at that time will be transferred to Bidder without the need for any further act by any MCAL Scheme Shareholder (other than acts performed by MCAL (or its directors or officers) as attorney or agent of MCAL Scheme Shareholders under clause 8.2 and 8.3 or otherwise) and must be transferred to Bidder simultaneously with the transfer of all of the MCAIL Scheme Shares and Scheme Units under the MCAIL Share Scheme and Trust Scheme respectively; and

b) MCAL will procure the delivery to Bidder of transfers of all the MCAL Scheme Shares duly completed and executed on behalf of MCAL Scheme Shareholders in the form of Scheme Transfers which transfer all of the Securities to Bidder.

4.7 Bidder must immediately execute the transfers referred to in clause 4.6(b) as transferee and deliver the Scheme Transfers to MCAL for registration.

4.8 MCAL must, immediately following receipt of the transfers under clause 4.7 (in the form of Scheme Transfers in respect of the Securities), enter the name and address of Bidder in:

a) the MCAL Register in respect of all the MCAL Scheme Shares; and

b) the Register in respect of all Securities.

4.9 On the Implementation Date, after the payment of the Scheme Consideration to MCAL in accordance with clause 5, the MCAL Board will be reconstituted by:

a) the appointment of Bidder's nominees to the MCAL board of directors; and

b) the resignation from the MCAL board of directors of all persons who are not nominees of Bidder.

5. Scheme Consideration

5.1 Using the Election Form, each Securityholder will be requested to elect one of the following:

a) the Cash Election; or

b) the Scrip Election.

5.2 Subject to paragraph 5.8, any valid election will apply to all of the Securities of the Scheme Participant as at the Record Date.

5.3 A valid election may be made by a Scheme Participant by returning the election form before 7.00pm on the Effective Date in writing to an address to be specified by Target in the Explanatory Statement.

5.4 An Ineligible Overseas Securityholder may not make a Scrip Election.

5.5 Once made, a valid election by a Scheme Participant may be varied before 7.00pm on the Effective Date.

5.6 If a valid election is not made by a Scheme Participant prior to 7.00pm on the Effective Date, that Scheme Participant will be deemed to have elected to receive Cash Consideration in respect of all Securities held by that Scheme Participant.

5.7 For Scheme Participants making a Scrip Election, such Scheme Participants agree to become members of Macquarie Advanced Investment Limited and Macquarie Advanced Investment International Ltd and unitholders of Macquarie Advanced Investment Trust and contribute the full amount of the Distribution in accordance with clauses 5.22 to 5.24.

5.8 In the manner considered appropriate by Target (acting reasonably), a Scheme Participant that holds one or more parcels of Securities as trustee or nominee for, or otherwise on account of, another person, may make separate elections in relation to each of those parcels of Securities.

5.9 Target must ensure that, to the extent reasonably practicable, Scheme Participants that have acquired Securities after the date of the despatch of the Explanatory Statement and up until the Effective Date can receive an election form on request to Target.

5.10 In order to facilitate the issue of the Bid Securities, Target must provide, or procure the provision, to Bidder, or a nominee of Bidder, details of the final elections made by each Scheme Participant, on the Business Day after the Effective Date.

5.11 If a Scheme Participant does not make a valid Scrip Election (whether or not the Scheme Participant makes a Cash Election) or the provisions of clause 5.14 apply then the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

a) the Cash Consideration, which must be paid in the manner referred to in clauses 5.16 to 5.19; and

b) the Distribution, payable by Target immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date.

5.12 If a Scheme Participant makes a valid Scrip Election, then subject to clauses 5.13 and 5.14, the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

a) the Scrip Consideration, which is to be issued in the manner referred to in clauses 5.20 and 5.21; and

b) the Distribution, payable in accordance with clauses 5.22 and 5.24.

5.13 If, and only if, the valid Scrip Elections received from Scheme Participants would result in a number of Bid Securities in excess of the Bid Security Consideration Cap being required to be issued to Scheme Participants pursuant to clause 5.12, the Scheme Participant will be entitled to receive in lieu of the Scrip Consideration:

a) Allocated Cash Consideration, which is to be paid in the manner referred to in clauses 5.16 and 5.19; and

b) the Scaleback Scrip Consideration, which is to be issued in the manner referred to in clauses 5.20 and 5.21.

5.14 In the event that valid Scrip Elections are received from Scheme Participants in respect of less than 12,297,959 Securities, all Scheme Participants will receive Cash Consideration for each Security held by that Scheme Participant at the Record Date, which must be paid in the manner referred to in clauses 5.16 to 5.19, and no Scheme Participants will be entitled to receive any Scrip Consideration and clauses 5.22 to 5.24 will not apply.

5.15 The parties acknowledge and agree that the principle of clauses 5.11 to 5.15 is that Bidder will, under the Scheme, not issue an aggregate number of Bid Securities which is greater than the Bid Security Consideration Cap (other than to take into account any applicable rounding), and clause 5 of this deed is to be interpreted accordingly.

5.16 The obligations of Bidder to pay the Aggregate Cash Consideration will be satisfied by Bidder, before 12.00pm on the Implementation Date, depositing the Aggregate Cash Consideration into an account in the name of Target.

5.17 MCAL is to procure that such amount be held by Target on trust for the relevant Scheme Participants (except that any interest on the amount will be for the account of Bidder) for the purpose of sending the Scheme Consideration to the relevant Scheme Participants within five Business Days of the Implementation Date by:

a) where the Scheme Participant has nominated (by notice to MCAG or the Registry on or before the Record Date) a bank account with an Australian financial institution for the purpose of payment of the Scheme Consideration, then by depositing directly to that bank account, an amount (rounded up to the nearest whole cent); or

b) dispatching or procuring the dispatch to each relevant Scheme Participant by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of that Scheme Participant for an amount (rounded up to the nearest whole cent),

equal to:

c) in respect of Scheme Participants receiving Cash Consideration, the number of Securities held by that Scheme Participant multiplied by the Cash Consideration; or

d) in respect of Scheme Participants receiving Allocated Cash Consideration, the Allocated Cash Consideration.

5.18 In the case of joint holders of Securities, a cheque shall be payable and forwarded in the names of those joint holders.

5.19 In the event that the Target believes that a Scheme Participant is not known at the Scheme Participant's Registered Address, and no account has been notified in accordance with clause 5.17(a) or a deposit into such an account is rejected or refunded, the Target may credit the amount payable to the relevant Scheme Participant to a separate bank account of Target to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation. Target must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Target. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

5.20 In the case of a notice having been given to MCAL (or the Registry) of an order made by a court of competent jurisdiction:

a) which requires payment to a third party of a sum in respect of Securities held by a particular Scheme Participant, which would otherwise be payable to the particular Scheme Participant in accordance with paragraph 5.17 above, then MCAL shall procure that payment is made in accordance with that order; or

b) which would prevent Target from despatching payment to any particular Scheme Participant in accordance with paragraph 5.17 above, MCAL shall procure that Target (or Registry) retains an amount that would otherwise be payable to that Scheme Participant in accordance with clause 5.17(b) until such time as payment is permitted by law.

5.21 To facilitate the provision of the Aggregate Scrip Consideration payable to Scheme Participants that have made a valid Scrip Election, Bidder must procure that the Bid Fund:

a) on the Implementation Date, issues the applicable Bid Securities to each applicable Scheme Participant in accordance with the terms of this Scheme;

b) on the Implementation Date, enters in the Bid Security security register the name and address of each such Scheme Participant and the number of Bid Securities which that Scheme Participant is entitled to receive under this Scheme; and

c) on or within five Business Days after the Implementation Date dispatch to each such Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to each Scheme Participant to their address recorded in the Register on the Record Date, a holding statement for the Bid Securities issued to that Scheme Participant in accordance with this Scheme.

5.22 In the case of Securities held in joint names, holding statements for Bid Securities must be issued in the names of joint holders and sent to the holder whose name appears first in the Register on the Record Date.

5.23 Subject to clause 5.14, each Scheme Participant who has made a valid Scrip Election:

a) directs Target to, immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, pay the Distribution payable to that Scheme Participant (or, where clause 5.13 applies, that part of the Distribution equal to the Distribution per Security multiplied by the number of Bid Securities that the Scheme Participant is to receive under the Schemes) (**Escrow Amount)** to the Escrow Trustee, and such Escrow Amount is to be:

i) held by the Escrow Trustee on a Separate Trust for the Scheme Participant at a reasonable rate of interest and in accordance with the terms and conditions of the Escrow Deed governing the escrow arrangement; and

ii) paid to, or for the benefit of, the Scheme Participant as set out below;

b) appoints the Scheme Entity as the agent and attorney for the Scheme Participant and directs the Scheme Entity in that capacity to direct the Bid Fund Investment Manager to:

i) direct the Escrow Trustee to pay the net amount of all interest accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) to the Scheme Participant and to do so at least once in each period commencing on 1 July in any year and ending on 30 June in the following year;

ii) certify to the Escrow Trustee that all holders of Bid Securities are subject to a Further Capital Investment Requirement of a particular amount per Bid Security (**FCIR Amount**), to pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

$$\frac{\textit{FCIR Amount}}{\textit{Distribution per Security}} \times \textit{original amount of the Escrow Amount}$$

promptly to Bidder, or as directed by Bidder, on behalf of the Scheme Participant;

iii) if, from time to time, the Bid Fund Investment Manager certifies to the Escrow Trustee that a particular amount per Bid Security (**Return Amount**) from the remainder of the Escrow Amount should be paid to the Scheme Participant, pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

$$\frac{\textit{Return Amount}}{\textit{Distribution per Security}} \times \textit{original amount of the Escrow Amount}$$

promptly to the Scheme Participant; and

iv) if either:

A) the Bid Fund Investment Manager certifies to the Escrow Trustee that the remainder of the Escrow Amount should be paid to Scheme Participants; or

B) any part of the Escrow Amount is still held on the Escrow Sunset Date,

pay the remainder of the Escrow Amount then held by the Escrow Trustee and the net amount of all interest then accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) promptly to the Scheme Participant; and

v) undertakes to the Scheme Entity on its own behalf and as trustee for Bidder not to withdraw or amend the directions given to the Escrow Trustee under clauses 5.23(a) and 5.23(b).

5.24 The amount payable to the Escrow Trustee by a particular Scheme Entity in respect of an Escrow Amount will be a proportion of the Escrow Amount equal to the proportion of the Distribution paid or payable by that Scheme Entity.

5.25 It is the fundamental intention of Bidder and each Scheme Participant that:

a) each Separate Trust, the Beneficial Interest and the Escrow Amount to which each Separate Trust relates be kept distinct from each other Separate Trust, Beneficial Interest and Escrow Amount; and

b) there should be no pooling of any of the interests or property referred to in paragraph (a) nor should any one or more Separate Trusts constitute a managed investment scheme.

5.26 The Bid Securities to be allotted and issued by Bidder as part of the Scheme Consideration will be of equal ranking with all existing Bid Securities then on issue and will be allotted and issued free from all encumbrances.

5.27 Scheme Participants who receive Bid Securities issued by Bidder by way of Scheme Consideration accept those Bid Securities and agree to become a member of each of Macquarie Advanced Investment Limited, Macquarie Advanced Investment Trust and Macquarie Advanced Investment International Ltd and to be bound by the constitutions of such entities.

6. Dealings in MCAL Shares

6.1 For the purpose of establishing the persons who are MCAL Scheme Shareholders, dealings in MCAL Shares will only be recognised if:

a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the MCAL Register as the holder of the relevant MCAL Shares by the Record Date; and

b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry by the Record Date.

6.2 MCAL will register registrable transfers or transmission applications of the kind referred to in clause 6.1(b) by, or as soon as practicable after, the Record Date. The persons shown in the MCAL Register, and the number of MCAL Shares shown as being held by them, after registration of those transfers and transmission applications will be taken to be MCAL Shareholders, and the number of MCAL Shares held by them, on the Record Date.

6.3 MCAL will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of MCAL Shares received after the Record Date (or received prior to the Record Date not in registrable form).

6.4 MCAL will maintain or procure the maintenance of the MCAL Register in accordance with this clause 5.21. The MCAL Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 6.1(b) will solely determine the persons who are MCAL Scheme Shareholders and their entitlements to the Scheme Consideration.

6.5 From the Record Date and until registration of Bidder in respect of all MCAL Scheme Shares under clause 4.8, no MCAL Shareholder may deal with MCAL Shares in any way except as set out in this MCAL Share Scheme and any attempt to do so will have no effect.

6.6 On or before 9.00 am on the Implementation Date, MCAL must give to Bidder details of the names and addresses shown in the MCAL Register of all MCAL Scheme Shareholders and of the number of MCAL Scheme Shares held by each of them on the Record Date by giving Bidder details of the names and addresses shown in the Register of all MCAL Scheme Shareholders and of the number of MCAL Scheme Shares held by each of them on the Record Date.

7. Quotation of Securities

7.1 It is expected that the suspension of trading in the Securities on ASX will occur from the close of trading on the day on which Target notifies ASX that the Court has approved this MCAL Share Scheme under section 411(4)(b) of the Corporations Act.

7.2 On a date after the Implementation Date to be determined by Bidder, MCAL will apply for termination of the official quotation on ASX of the Securities and apply to have Target removed from the official list of ASX.

8. General

8.1 If the Court proposes to approve this MCAL Share Scheme subject to alterations or conditions, MCAL may, by its counsel or solicitors but subject to the prior written approval of Bidder, consent on behalf of all MCAL Scheme Shareholders to those alterations or conditions.

8.2 Each MCAL Scheme Shareholder:

a) agrees to the transfer of all of their MCAL Scheme Shares to Bidder in accordance with this MCAL Share Scheme;

b) agrees to the modification or variation (if any) of the rights attaching to their MCAL Scheme Shares arising from this MCAL Share Scheme;

c) without the need for any further act, irrevocably appoints MCAL and each of its directors and officers, jointly and severally, as that MCAL Scheme Shareholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to this MCAL Share Scheme, the MCAIL Share Scheme and the Trust Scheme, and the transactions contemplated by them; and

d) consents to MCAL doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this MCAL Share Scheme, the MCAIL Share Scheme and the Trust Scheme, and the transactions contemplated by them, including (without limitation) a proper instrument of transfer of its MCAL Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all MCAL Scheme Shares.

8.3 From the Implementation Date until MCAL registers Bidder as the holder of all MCAL Scheme Shares in the Register, each MCAL Scheme Shareholder is deemed to have appointed MCAL as its attorney and agent (and directed MCAL in such capacity) to appoint the Chairman of Bidder (or other nominee of Bidder) as its sole proxy and, where applicable, corporate representative to attend shareholder meetings of MCAL and MCAIL and unitholder meetings of the Trust, exercise the votes attaching to the MCAL Scheme Shares, the MCAIL Scheme Shares and the Scheme Units of which they are the registered holder and sign any MCAL Shareholders' resolution, MCAIL Shareholders' resolution or Unitholders' resolution, and no MCAL Scheme Shareholder, MCAIL Scheme Shareholder or Scheme Unitholder (as applicable) may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 8.3. MCAL undertakes in favour of each MCAL Scheme Shareholder that it will appoint the Chairman of Bidder (or other nominee of Bidder) as proxy or, where applicable, corporate representative for the relevant MCAL Scheme Shareholder, MCAIL Scheme Shareholder or Scheme Unitholder in accordance with this clause 8.3.

8.4 MCAL Scheme Shareholders are deemed to have warranted to MCAL in its own right and on behalf of Bidder that all their MCAL Scheme Shares (including any rights and entitlements attaching to those MCAL Scheme Shares) which are transferred to Bidder under this MCAL Share Scheme will, at the date they are transferred to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind (other than that they must be transferred together with the other securities comprising a Security) and that they have full power and capacity to sell and to transfer such MCAL Scheme Shares (including any rights and entitlements attaching to those securities).

8.5 Bidder will be beneficially entitled to the MCAL Scheme Shares transferred to it under this MCAL Share Scheme pending registration by MCAL of the name and address of Bidder in the Register as the holder of the MCAL Scheme Shares.

8.6 Where a notice, transfer, transmission application, direction or other communication referred to in this MCAL Share Scheme is sent by post to MCAL, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at MCAL's registered office.

8.7 MCAL must do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this MCAL Share Scheme and the transactions contemplated by it.

8.8 Bidder will pay the costs of this MCAL Share Scheme (including any stamp duty payable on the transfer by MCAL Scheme Shareholders of the MCAL Scheme Shares to Bidder).

8.9 The proper law of this MCAL Share Scheme is the law of New South Wales.

ANNEXURE E: MCAIL SHARE SCHEME

SCHEME OF ARRANGEMENT

Pursuant to section 99 of the Corporations Act 1981

Between

Macquarie Capital Alliance International Limited (MCAL)

and

The holders of fully paid ordinary shares in MCAIL

1. Defined terms & interpretation

1.1 The following definitions apply unless the context requires otherwise.

Aggregate Cash Consideration means the aggregate of all Cash Consideration and the Allocated Cash Consideration (as relevant) payable to Scheme Participants under the Schemes.

Aggregate Scrip Consideration means the aggregate of all Scrip Consideration or Scaleback Scrip Consideration (as relevant) to be issued to Scheme Participants under the Schemes.

Allocated Cash Consideration means a cash amount equal to the Cash Consideration multiplied by the number equal to the total number of Securities held by the Scheme Participant minus the total number of Bid Securities making up the Scaleback Scrip Consideration to be provided to that Scheme Participant.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market conducted by it.

Beneficial Interest means the beneficial interest of a Scheme Participant in an Escrow Amount under a Separate Trust.

Bermuda Court means the Supreme Court of Bermuda.

Bid Fund means the issuers of the Bid Securities or any of them as the context requires.

Bid Fund Investment Manager means Macquarie Advanced Investment Partners G.P. Limited, an exempted company incorporated in the Cayman Islands.

Bid Security means a stapled security comprising:

a) one share in Macquarie Advanced Investment Limited;

b) one unit in Macquarie Advanced Investment Trust; and

c) one share in Macquarie Advanced Investment International Ltd.

Bid Security Consideration Cap means 49,191,837.

Bidder means Macquarie Advanced Investment Company Pty Limited ACN 131 467 411.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales, Australia.

Bye-laws means the bye-laws of MCAIL (as amended from time to time).

Cash Consideration for each Security held by a Scheme Participant at the Record Date means $3.40 less the Distribution.

Cash Election means an election by a Scheme Participant to receive Cash Consideration for each Security held by that Scheme Participant at the Record Date in accordance with clauses 5.16 to 5.19.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Companies Act means the Companies Act 1981 of Bermuda.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement.

Corporations Act means the **Corporations Act 2001** (Cth) of Australia.

Court Order means the order of the Bermuda Court approving this MCAIL Share Scheme made under section 99(2) of the Companies Act or, as relevant, of the NSW Court approving the MCAL Share Scheme under section 411(4)(b) of the Corporations Act.

Deed Poll means the deed poll dated 15 July 2008 executed by Bidder in favour of Scheme Participants.

Distribution means a special distribution:

a) in respect of which guidance is to be announced by Target between 8.00am and 5.00pm on the date 2 Business Days before the MCAL Share Scheme Meeting;

b) to be declared by Trust on the day after the Effective Date;

c) having a record date being the Record Date; and

d) expected to be paid immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, or applied as set out in clauses 5.22 to 5.24,

the amount of which is to be calculated, per Security, as $0.40 less the EDSA Gouden Gids Acquisition Per Security Amount and less the Portfolio Company Equity Investment Per Security Amount.

EDSA Gouden Gids Acquisition means the acquisition by European Directories SA (of which Target has a 39% holding) of the Dutch operations of Truvo, including the Gouden Gids directory, for approximately €290 million as announced to ASX on 31 March 2008.

EDSA Gouden Gids Acquisition Amount means A$53 million if the consideration in respect of EDSA Gouden Gids Acquisition has been paid or is payable prior to the Implementation Date, or otherwise is zero.

EDSA Gouden Gids Acquisition Per Security Amount means the EDSA Gouden Gids Acquisition Amount divided by the number of Securities on issue at the Record Date.

Effective means, when used in relation to the Schemes, all of the following events taking place:

a) the Court Order in relation to the MCAL Share Scheme coming into effect pursuant to section 411(10) of the Corporations Act;

b) the Court Order in relation to this MCAIL Share Scheme coming into effect pursuant to section 99(3) of the Companies Act; and

c) the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective.

Election Form means a form to be completed by Securityholders to record their election in relation to Scheme Consideration which forms part of the Scheme Booklet.

Escrow Amount has the meaning given to it in clause 5.23.

Escrow Sunset Date means the date five years after the Implementation Date.

Escrow Trustee means Macquarie Advanced Investment Management Limited (or another entity appointed as responsible entity for Macquarie Advanced Investment Trust from time to time) acting as trustee in accordance with clauses 5.22 to 5.24.

Explanatory Statements means:

a) the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to the MCAL Share Scheme;

b) the explanatory statement pursuant to section 100(1)(a) of the Companies Act in relation to this MCAIL Share Scheme; and

c) the explanatory statement to be sent to Unitholders in relation to the Trust Scheme, in accordance with Guidance Note 15 and the relevant provisions of the Corporations Act, explaining the effect of the Trust Scheme and setting out information that is material to the making of a decision by Unitholders whether or not to vote in favour of the Trust Scheme,

copies of which will be included in the Scheme Booklet.

Further Capital Investment Requirement means an obligation to pay a further amount in respect of each Bid Security under the terms of issue of the Bid Securities as a result of:

a) the commitment of funds for investments in Portfolio Companies by the Bid Fund in accordance with the original investment policy of the Bid Fund; or

b) a need for further working capital in the Bid Fund.

Guidance Note 15 means **Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers** issued by the Takeovers Panel of Australia (as amended from time to time).

Implementation Date means the fifth Business Day after the Record Date.

Independent Expert's Report means the report prepared by a person to be appointed by Target as independent expert to prepare a report to be provided to Target, Shareholders and Unitholders providing an opinion as to whether each of the Share Schemes is in the best interests of Shareholders and as to whether the Trust Scheme is fair and reasonable to Unitholders.

Ineligible Overseas Securityholder means a Scheme Participant whose address as shown in the Register at the Record Date is a place outside Australia and its external territories, New Zealand and such other jurisdictions as Target and Bidder agree in writing.

MCAIL means Macquarie Capital Alliance International Limited, a company incorporated in Bermuda with registration number 36770.

MCAIL Register means the register of MCAIL Shareholders maintained by MCAIL pursuant to section 65 of the Companies Act.

MCAIL Scheme Share means each MCAIL Share held by a MCAIL Scheme Shareholder.

MCAIL Scheme Shareholder means each MCAIL Shareholder as at 5.00pm on the Record Date.

MCAIL Share means one fully paid ordinary share issued in the capital of MCAIL.

MCAIL Share Scheme means this scheme of arrangement, together with any alterations or conditions made or required by the Bermuda Court and approved in writing by Bidder and Target.

MCAIL Share Scheme Meeting means the meeting of MCAIL Shareholders convened by the Bermuda Court in relation to this MCAIL Share Scheme pursuant to section 99(1) of the Companies Act, and includes any adjournment of such meeting.

MCAIL Shareholder means a person who is registered in the MCAIL Register as the holder of MCAIL Shares.

MCAL means Macquarie Capital Alliance Limited ABN 96 112 594 662.

MCAL Register means the register of MCAL Shareholders maintained by MCAL pursuant to Chapter 2C of the Corporations Act.

MCAL Scheme Share means each MCAL Share held by a MCAL Scheme Shareholder.

MCAL Scheme Shareholder means each MCAL Shareholder as at 5.00pm on the Record Date.

MCAL Share means one fully paid ordinary share issued in the capital of MCAL.

MCAL Share Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between MCAL and MCAL Shareholders, under which Bidder acquires all of the MCAL Shares from the MCAL Shareholders, together with any alterations or conditions made or required by the NSW Court under section 411(6) of the Corporations Act and approved in writing by Bidder and Target.

MCAL Share Scheme Meeting means the meeting of MCAL Shareholders convened by order of the NSW Court in relation to the MCAL Share Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

MCAL Shareholder means a person who is registered in the MCAL Register as the holder of MCAL Shares.

MCAML means Macquarie Capital Alliance Management Limited ABN 94 105 777 704.

NSW Court means the Supreme Court of New South Wales.

Portfolio Company means each of:

a) European Directories SA, a limited liability public company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg;

b) Creative Broadcast Services International Limited, a company incorporated under the laws of Bermuda;

c) Fairway Investment Holdings Pty Limited, a company incorporated under the laws of the Commonwealth of Australia; and

d) Macquarie AIR-serv Holdings Inc., a company incorporated under the laws of Delaware.

Portfolio Company Equity Investment Amount means any equity investment by Target in Target's Portfolio Companies that has been paid or is payable after the date of the Scheme Implementation Agreement and prior to the Implementation Date.

Portfolio Company Equity Investment Per Security Amount means the Portfolio Company Equity Investment Amount divided by the number of Securities on issue at the Record Date.

Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Target and Bidder may agree in writing.

Register means the stapled security register of Target kept pursuant to the Corporations Act.

Registered Address means, in relation to a MCAIL Shareholder, the address of the MCAIL Shareholder as recorded in the MCAIL Register.

Registry means Computershare Investor Services Pty Limited of Level 3, Carrington Street, Sydney NSW 2000.

Scaleback Scrip Consideration means the Scaleback Multiplier multiplied by the total number of Securities held by the Scheme Participant rounded up or down to the nearest whole number of Bid Securities (with fractional entitlements of 0.5 or less rounded down to the nearest whole number of Bid Securities).

Scaleback Multiplier means the Bid Security Consideration Cap divided by the total number of Securities in respect of which a Scrip Election has been made (such number to be rounded down to 8 decimal places). The Scaleback Multiplier cannot be equal to or greater than one.

Scheme Booklet means the information to be despatched to all Securityholders, and approved by the NSW Court and the Bermuda Court, in connection with the Schemes, including the Share Schemes, the Explanatory Statements, the Independent Expert's Report, the Deed Poll, the Supplemental Deed, and notices convening the Share Scheme Meetings and the Trust Scheme Meeting together with the proxy forms for those meetings.

Scheme Consideration means, depending on the election or deemed election made by a Scheme Participant under clauses 5.1 to 5.10 for each Security held by a Scheme Participant at the Record Date:

a) the Cash Consideration;

b) the Scrip Consideration; or

(if applicable) the Scaleback Scrip Consideration and the Allocated Cash Consideration divided by the total number of Securities held by a Scheme Participant at the Record Date.

Scheme Entity means:

a) in respect of the MCAL Share Scheme, MCAL;
b) in respect of this MCAIL Share Scheme, MCAIL;
c) in respect of the Trust Scheme, Trustee.

Scheme Implementation Agreement means the agreement of that name dated 14 June 2008 executed by MCAIL acting in its own capacity, MCAL acting in its own capacity and Trustee acting in its capacity as responsible entity of Trust and Bidder.

Scheme Participant means each person who participates in both this MCAIL Share Scheme, the MCAL Share Scheme and the Trust Scheme by virtue of being a MCAIL Scheme Shareholder, a MCAL Scheme Shareholder and a Scheme Unitholder.

Scheme Transfer means, for each Scheme Participant, a proper instrument of transfer of their Securities for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all Securities.

Scheme Unitholder means each person who is a Unitholder as at 5.00pm on the Record Date.

Scheme Units means all of the Units on issue as at the Record Date.

Schemes means the Share Schemes and the Trust Scheme.

Scrip Consideration for each Security held by a Scheme Participant at the Record Date means one Bid Security.

Scrip Election means an election by a Scheme Participant who is not an Ineligible Overseas Securityholder to receive:

a) for each Security held by that Scheme Participant at the Record Date, Scrip Consideration; or
b) (if applicable) for the total number of Securities held by a Scheme Participant at the Record Date, the Scaleback Scrip Consideration and the Allocated Cash Consideration,

in accordance with clauses 5.20 to 5.21. For the avoidance of doubt, an election made by an Ineligible Overseas Securityholder purporting to be a Scrip Election is of no effect.

Second Court Date means the first day on which an application made to the Bermuda Court for an order pursuant to section 99(2) of the Companies Act approving this MCAIL Share Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Security means a stapled security comprising one MCAL Scheme Share, one MCAIL Scheme Share and one Scheme Unit.

Securityholder means each person who is registered in the Register as the holder of Securities.

Separate Trust means each trust established between the Escrow Trustee and a Scheme Participant under the escrow deed in accordance with clauses 5.22 to 5.24.

Share Scheme Meetings means the MCAL Share Scheme Meeting and the MCAIL Share Scheme Meeting.

Share Schemes means this MCAIL Share Scheme and the MCAL Share Scheme.

Shareholder means a MCAL Shareholder and a MCAIL Shareholder, and **Shareholders** means all of them.

Sunset Date means the date 6 months from the date of the Scheme Implementation Agreement.

Supplemental Deed means a deed poll under which Target will amend the Trust Constitution, the form of which is contained in Annexure 5 of the Scheme Implementation Agreement, with any alterations or conditions approved in writing by Bidder and Target.

Target means, together, MCAIL, MCAL and Trust (acting through Trustee in its capacity as responsible entity of Trust only), or any of them as the context requires. For the avoidance of doubt, no security in Trustee will become subject to the Schemes or any other transaction referred to in this agreement.

Target Group means MCAIL, MCAL and Trust.

Trust means Macquarie Capital Alliance Trust ARSN 112 638 212.

Trust Constitution means the constitution establishing Trust dated 24 January 2005 (as amended from time to time).

Trust Scheme means the arrangement, in accordance with Guidance Note 15, under which Bidder acquires all of the Units from Scheme Unitholders facilitated by amendments to the Trust Constitution as set out in the Supplemental Deed, subject to the requisite Scheme Unitholder approvals.

Trust Scheme Meeting means the meeting of Unitholders convened by Target pursuant to clause 17.1 of the Trust Constitution to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the resolutions of Unitholders to approve the Trust Scheme including:

a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Units by Bidder; and
b) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Trust Constitution as set out in the Supplemental Deed.

Trustee means the trustee for the time being of Trust being, as at the date of this deed, MCAML.

Unit means one fully paid ordinary unit in Trust.

Unitholder means each person who is registered in the Register as the holder of Units, and **Unitholders** means all of them.

1.2 In this MCAIL Share Scheme, except where the context otherwise requires:

a) the singular includes the plural and vice versa, and a gender includes other genders;
b) another grammatical form of a defined word or expression has a corresponding meaning;
c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this MCAIL Share Scheme, and a reference to this MCAIL Share Scheme includes any schedule or annexure;
d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
e) a reference to A$, $A, dollar or $ is to Australian currency;
f) a reference to time is to Sydney, Australia time;
g) a reference to a party is to a party to this MCAIL Share Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
j) a word or expression defined in the Companies Act has the meaning given to it in the Companies Act;
k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and

o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings are for ease of reference only and do not affect interpretation.

2. Preliminary

2.1 MCAL is a public company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at level 7, 1 Martin Place, Sydney, New South Wales, 2000.

2.2 The MCAL Shares are stapled to MCAIL Shares and Units on a one-for-one-for-one basis.

2.3 Target is admitted to the official list of ASX and the Securities are officially quoted on the financial market conducted by ASX.

2.4 As at the date of the Scheme Booklet, Securities, comprising 245,959,183 MCAL Shares, 245,959,183 MCAIL Shares and 245,959,183 Units, were in issue.

2.5 MCAIL is an exempted company limited by shares, incorporated in Bermuda. Its registered office is at 35 Crow Lane, East Broadway, Paget HM20 Bermuda.

2.6 Trustee is a public company limited by shares, incorporated in Australia and registered in New South Wales. Its registered office is at level 7, 1 Martin Place, Sydney, New South Wales, 2000.

2.7 Trustee is the responsible entity of Trust.

2.8 Bidder is a proprietary company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at Level 11, 1 Martin Place, Sydney, New South Wales, 2000.

2.9 MCAIL, MCAL, Trustee (as responsible entity for Trust) and Bidder have agreed, by executing the Scheme Implementation Agreement, to propose and implement the terms of and to perform their respective obligations under this MCAIL Share Scheme, the MCAL Share Scheme and the Trust Scheme.

2.10 Bidder has executed a Deed Poll pursuant to which Bidder has covenanted in favour of each Scheme Participant to do all those things Bidder is required to do under the Schemes, including the provision of the Scheme Consideration in accordance with the terms of the Schemes.

2.11 If this MCAIL Share Scheme become Effective, MCAIL undertakes in favour of each MCAIL Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for MCAIL Scheme Shareholders.

3. Conditions precedent

3.1 This MCAIL Share Scheme is conditional on:

a) all of the Conditions Precedent having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;

b) the Scheme Implementation Agreement having not been terminated as at 8am on the Second Court Date; and

c) such other conditions imposed by the Bermuda Court as are acceptable to Bidder and Target.

3.2 The fulfilment of each condition in clause 3.1 is a condition precedent to the binding effect of this MCAIL Share Scheme.

3.3 On the Second Court Date, Target must provide to the Bermuda Court a certificate confirming whether or not all the conditions precedent to this MCAIL Share Scheme have been satisfied or waived other than the condition in clauses 3.1(b) and 3.1(c) of the Scheme Implementation Agreement.

3.4 This MCAIL Share Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the Sunset Date or such later date as the Bermuda Court, with the consent of Bidder and Target, may order.

4. The MCAIL Share Scheme

4.1 If this MCAIL Share Scheme becomes Effective then:

a) all the MCAIL Scheme Shares (together with all rights and entitlements attaching to the MCAIL Scheme Shares) will be transferred to Bidder simultaneously with the transfer of all the MCAL Scheme Shares and Scheme Units to Bidder under the MCAL Share Scheme and Trust Scheme respectively;

b) MCAIL will enter the name of Bidder in the MCAIL Register in respect of all the MCAIL Scheme Shares; and

c) Bidder will provide the Scheme Consideration to MCAIL in accordance with clause 5,

in accordance with the provisions of this MCAIL Share Scheme.

4.2 If this MCAIL Share Scheme becomes Effective, it will:

a) bind MCAIL and all Securityholders, including those who do not attend the MCAIL Share Scheme Meeting, those who do not vote at that meeting and those who vote against this MCAIL Share Scheme at that meeting; and

b) override the Bye-laws, to the extent of any inconsistency.

4.3 If the Bermuda Court makes the Court Order, MCAIL will lodge with the Registrar of Companies in Bermuda a copy of that order as soon as practicable and by no later than 5.00pm on the first Business Day after the date on which the Court Order is made.

4.4 This MCAIL Share Scheme will come into effect on the Effective Date.

4.5 On or before 12.00 noon on the Implementation Date, in consideration for the transfer of the Securities to Bidder, Bidder must provide or procure the provision of the Scheme Consideration in the manner required by clause 5.

4.6 On the Implementation Date, subject to Bidder paying the Scheme Consideration in accordance with clause 5 and Bidder providing MCAIL with written confirmation of that payment:

a) all of the MCAIL Scheme Shares together with all rights and entitlements attaching to the MCAIL Scheme Shares as at that time will be transferred to Bidder without the need for any further act by any MCAIL Scheme Shareholder (other than acts performed by MCAIL (or its directors or officers) as attorney or agent of MCAIL Scheme Shareholders under clauses 8.2 to 8.3 or otherwise) and must be transferred to Bidder simultaneously with the transfer of all of the MCAL Scheme Shares and Scheme Units under the MCAL Share Scheme and Trust Scheme respectively; and

b) MCAIL will procure the delivery to Bidder of transfers of all the MCAIL Scheme Shares duly completed and executed on behalf of MCAIL Scheme Shareholders in the form of Scheme Transfers which together with MCAL and the Trust, transfer all of the Securities to Bidder.

4.7 Bidder must immediately execute the transfers referred to in clause 4.6(b) as transferee and deliver the Scheme Transfers to MCAIL for registration.

4.8 MCAIL must, immediately following receipt of the transfers under clause 4.7 (in the form of Scheme Transfers in respect of the Securities), enter the name and address of Bidder in:

a) the MCAIL Register in respect of all the MCAIL Scheme Shares; and

b) the Register in respect of all Securities.

4.9 On the Implementation Date, after the payment of the Scheme Consideration to MCAIL in accordance with clause 5, the MCAIL Board will be reconstituted by:

a) the appointment of Bidder's nominees to the MCAIL board of directors; and

b) the resignation from the MCAIL board of directors of all persons who are not nominees of Bidder.

5. Scheme Consideration

5.1 Using the Election Form, each MCAIL Scheme Shareholder, being a Securityholder will be requested to elect one of the following:

a) the Cash Election; or

b) the Scrip Election.

5.2 Subject to paragraph 5.8, any valid election will apply to all of the Securities of the Scheme Participant as at the Record Date.

5.3 A valid election may be made by a Scheme Participant by returning the election form before 7.00pm on the Effective Date in writing to an address to be specified by Target in the Explanatory Statement.

5.4 An Ineligible Overseas Securityholder may not make a Scrip Election.

5.5 Once made, a valid election by a Scheme Participant may be varied before 7.00pm on the Effective Date.

5.6 If a valid election is not made by a Scheme Participant prior to 7.00pm on the Effective Date, that Scheme Participant will be deemed to have elected to receive Cash Consideration in respect of all Securities held by that Scheme Participant.

5.7 For Scheme Participants making a Scrip Election, such Scheme Participants agree to become members of Macquarie Advanced Investment Limited and Macquarie Advanced Investment International Ltd and unitholders of Macquarie Advanced Investment Trust and contribute the full amount of the Distribution in accordance with clauses 5.22 to 5.24.

5.8 In the manner considered appropriate by Target (acting reasonably), a Scheme Participant that holds one or more parcels of Securities as trustee or nominee for, or otherwise on account of, another person, may make separate elections in relation to each of those parcels of Securities.

5.9 Target must ensure that, to the extent reasonably practicable, Scheme Participants that have acquired Securities after the date of the despatch of the Explanatory Statement and up until the Effective Date can receive an election form on request to Target.

5.10 In order to facilitate the issue of the Bid Securities, Target must provide, or procure the provision, to Bidder, or a nominee of Bidder, details of the final elections made by each Scheme Participant, on the Business Day after the Effective Date.

5.11 If a Scheme Participant does not make a valid Scrip Election (whether or not the Scheme Participant makes a Cash Election) or the provisions of clause 5.14 apply then the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

a) the Cash Consideration, which must be paid in the manner referred to in clauses 5.16 to 5.19; and

b) the Distribution, payable by Target immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date.

5.12 If a Scheme Participant makes a valid Scrip Election, then subject to clauses 5.13 and 5.14, the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

a) the Scrip Consideration, which is to be issued in the manner referred to in clauses 5.20 and 5.21; and

b) the Distribution, payable in accordance with clauses 5.22 to 5.24.

5.13 If, and only if, the valid Scrip Elections received from Scheme Participants would result in a number of Bid Securities in excess of the Bid Security Consideration Cap being required to be issued to Scheme Participants pursuant to clause 5.12, the Scheme Participant will be entitled to receive in lieu of the Scrip Consideration:

a) Allocated Cash Consideration, which is to be paid in the manner referred to in clauses 5.16 to 5.19; and

b) the Scaleback Scrip Consideration, which is to be issued in the manner referred to in clauses 5.20 and 5.21.

5.14 In the event that valid Scrip Elections are received from Scheme Participants in respect of less than 12,297,959 Securities, all Scheme Participants will receive Cash Consideration for each Security held by that Scheme Participant at the Record Date, which must be paid in the manner referred to in clauses 5.16 to 5.19, and no Scheme Participants will be entitled to receive any Scrip Consideration and clauses 5.22 to 5.24 will not apply.

5.15 The parties acknowledge and agree that the principle of clauses 5.11 to 5.15 is that Bidder will, under the Scheme, not issue an aggregate number of Bid Securities which is greater than the Bid Security Consideration Cap (other than to take into account any applicable rounding), and clause 5 of this deed is to be interpreted accordingly.

5.16 The obligations of Bidder to pay the Aggregate Cash Consideration will be satisfied by Bidder, before 12.00pm on the Implementation Date, depositing the Aggregate Cash Consideration into an account in the name of Target.

5.17 MCAIL is to procure that such amount be held by Target on trust for the relevant Scheme Participants (except that any interest on the amount will be for the account of Bidder) for the purpose of sending the Scheme Consideration to the relevant Scheme Participants within five Business Days of the Implementation Date by:

a) where the Scheme Participant has nominated (by notice to MCAG or the Registry on or before the Record Date) a bank account with an Australian financial institution for the purpose of payment of the Scheme Consideration, then by depositing directly to that bank account, an amount (rounded up to the nearest whole cent); or

b) dispatching or procuring the dispatch to each relevant Scheme Participant by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of that Scheme Participant for an amount (rounded up to the nearest whole cent).

equal to:

c) in respect of Scheme Participants receiving Cash Consideration, the number of Securities held by that Scheme Participant multiplied by the Cash Consideration; or

d) in respect of Scheme Participants receiving Allocated Cash Consideration, the Allocated Cash Consideration.

5.18 In the case of joint holders of Securities, a cheque shall be payable and forwarded in the names of those joint holders.

5.19 In the event that the Target believes that a Scheme Participant is not known at the Scheme Participant's Registered Address, and no account has been notified in accordance with clause 5.17(a) or a deposit into such an account is rejected or refunded, the Target may credit the amount payable to the relevant Scheme Participant to a separate bank account of Target to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation. Target must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Target. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

5.20 In the case of a notice having been given to MCAIL (or the Registry) of an order made by a court of competent jurisdiction:

a) which requires payment to a third party of a sum in respect of Securities held by a particular Scheme Participant, which would otherwise be payable to the particular Scheme Participant in accordance with paragraph 5.17 above, then MCAIL shall procure that payment is made in accordance with that order; or

b) which would prevent Target from despatching payment to any particular Scheme Participant in accordance with paragraph 5.17 above, MCAIL shall procure that Target (or Registry) retains an amount that would otherwise be payable to that Scheme Participant in accordance with clause 5.17(b) until such time as payment is permitted by law.

5.21 To facilitate the provision of the Aggregate Scrip Consideration payable to Scheme Participants that have made a valid Scrip Election, Bidder must procure that the Bid Fund:

a) on the Implementation Date, issues the applicable Bid Securities to each applicable Scheme Participant in accordance with the terms of this Scheme;

b) on the Implementation Date, enters in the Bid Security security register the name and address of each such Scheme Participant and the number of Bid Securities which that Scheme Participant is entitled to receive under this Scheme; and

c) on or within five Business Days after the Implementation Date dispatch to each such Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to each Scheme Participant to their address recorded in the Register on the Record Date, a holding statement for the Bid Securities issued to that Scheme Participant in accordance with this Scheme.

5.22 In the case of Securities held in joint names, holding statements for Bid Securities must be issued in the names of joint holders and sent to the holder whose name appears first in the Register on the Record Date.

5.23 Subject to clause 5.14, each Scheme Participant who has made a valid Scrip Election:

a) directs Target to, immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, pay the Distribution payable to that Scheme Participant (or, where clause 5.13 applies, that part of the Distribution equal to the Distribution per Security multiplied by the number of Bid Securities that the Scheme Participant is to receive under the Schemes) (**Escrow Amount**) to the Escrow Trustee, and such Escrow Amount is to be:

   i) held by the Escrow Trustee on a Separate Trust for the Scheme Participant at a reasonable rate of interest and in accordance with the terms and conditions of the Escrow Deed governing the escrow arrangement; and

   ii) paid to, or for the benefit of, the Scheme Participant as set out below;

b) appoints the Scheme Entity as the agent and attorney for the Scheme Participant and directs the Scheme Entity in that capacity to direct the Bid Fund Investment Manager to:

   i) direct the Escrow Trustee to pay the net amount of all interest accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) to the Scheme Participant and to do so at least once in each period commencing on 1 July in any year and ending on 30 June in the following year;

   ii) certify to the Escrow Trustee that all holders of Bid Securities are subject to a Further Capital Investment Requirement of a particular amount per Bid Security (**FCIR Amount**), to pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

$$\frac{\textit{FCIR Amount}}{\textit{Distribution per Security}} \times \textit{original amount of the Escrow Amount}$$

   promptly to Bidder, or as directed by Bidder, on behalf of the Scheme Participant;

   iii) if, from time to time, the Bid Fund Investment Manager certifies to the Escrow Trustee that a particular amount per Bid Security (**Return Amount**) from the remainder of the Escrow Amount should be paid to the Scheme Participant, pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

$$\frac{\textit{Return Amount}}{\textit{Distribution per Security}} \times \textit{original amount of the Escrow Amount}$$

   promptly to the Scheme Participant; and

   iv) if either:

      A) the Bid Fund Investment Manager certifies to the Escrow Trustee that the remainder of the Escrow Amount should be paid to Scheme Participants; or

      B) any part of the Escrow Amount is still held on the Escrow Sunset Date,

   pay the remainder of the Escrow Amount then held by the Escrow Trustee and the net amount of all interest then accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) promptly to the Scheme Participant; and

c) undertakes to the Scheme Entity on its own behalf and as trustee for Bidder not to withdraw or amend the directions given to the Escrow Trustee under clauses 5.23(a) and 5.23(b).

5.24 The amount payable to the Escrow Trustee by a particular Scheme Entity in respect of an Escrow Amount will be a proportion of the Escrow Amount equal to the proportion of the Distribution paid or payable by that Scheme Entity.

5.25 It is the fundamental intention of Bidder and each Scheme Participant that:

a) each Separate Trust, the Beneficial Interest and the Escrow Amount to which each Separate Trust relates be kept distinct from each other Separate Trust, Beneficial Interest and Escrow Amount; and

b) there should be no pooling of any of the interests or property referred to in paragraph (i) nor should any one or more Separate Trusts constitute a managed investment scheme.

5.26 The Bid Securities to be allotted and issued by Bidder as part of the Scheme Consideration will be of equal ranking with all existing Bid Securities then on issue and will be allotted and issued free from all encumbrances.

5.27 Scheme Participants who receive Bid Securities issued by Bidder by way of Scheme Consideration accept those Bid Securities and agree to become a member of each of Macquarie Advanced Investment Limited, Macquarie Advanced Investment Trust and Macquarie Advanced Investment International Ltd and to be bound by the constitutions of such entities.

6. Dealings in MCAIL Shares

6.1 For the purpose of establishing the persons who are MCAIL Scheme Shareholders, dealings in MCAIL Shares will only be recognised if:

a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the MCAIL Register as the holder of the relevant MCAIL Shares by the Record Date; and

b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry by the Record Date.

6.2 MCAIL will register registrable transfers or transmission applications of the kind referred to in clause 6.1(b) by, or as soon as practicable after, the Record Date. The persons shown in the MCAIL Register, and the number of MCAIL Shares shown as being held by them, after registration of those transfers and transmission applications will be taken to be MCAIL Shareholders, and the number of MCAIL Shares held by them, on the Record Date.

6.3 MCAIL will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of MCAIL Shares received after the Record Date (or received prior to the Record Date not in registrable form).

6.4 MCAIL will maintain or procure the maintenance of the MCAIL Register in accordance with this clause 5.21. The MCAIL Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause

6.1(b) will solely determine the persons who are MCAIL Scheme Shareholders and their entitlements to the Scheme Consideration.

6.5 From the Record Date and until registration of Bidder in respect of all MCAIL Scheme Shares under clause 4.8, no MCAIL Shareholder may deal with MCAIL Shares in any way except as set out in this MCAIL Share Scheme and any attempt to do so will have no effect.

6.6 On or before 9.00 am on the Implementation Date, MCAIL must give to Bidder details of the names and addresses shown in the MCAIL Register of all MCAIL Scheme Shareholders and of the number of MCAIL Scheme Shares held by each of them on the Record Date by giving Bidder details of the names and addresses shown in the Register of all MCAIL Scheme Shareholders and of the number of MCAIL Scheme Shares held by each of them on the Record Date.

7. Quotation of Securities

7.1 It is expected that the suspension of trading in the Securities on ASX will occur from the close of trading on the day on which Target notifies ASX that the Bermuda Court has approved this MCAIL Share Scheme under section 99(2) of the Companies Act.

7.2 On a date after the Implementation Date to be determined by Bidder, MCAIL will apply for termination of the official quotation on ASX of the Securities and apply to have Target removed from the official list of ASX.

8. General

8.1 If the Bermuda Court proposes to approve this MCAIL Share Scheme subject to alterations or conditions, MCAIL may, by its counsel or solicitors but subject to the prior written approval of Bidder, consent on behalf of all MCAIL Scheme Shareholders to those alterations or conditions.

8.2 Each MCAIL Scheme Shareholder:

a) agrees to the transfer of all of their MCAIL Scheme Shares to Bidder in accordance with this MCAIL Share Scheme;

b) agrees to the modification or variation (if any) of the rights attaching to their MCAIL Scheme Shares arising from this MCAIL Share Scheme;

c) without the need for any further act, irrevocably appoints MCAIL and each of its directors and officers, jointly and severally, as that MCAIL Scheme Shareholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to this MCAIL Share Scheme, the MCAL Share Scheme and the Trust Scheme, and the transactions contemplated by them; and

d) consents to MCAIL doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this MCAIL Share Scheme, the MCAL Share Scheme and the Trust Scheme, and the transactions contemplated by them, including (without limitation) a proper instrument of transfer of its MCAIL Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all MCAIL Scheme Shares.

8.3 From the Implementation Date until MCAIL registers Bidder as the holder of all MCAIL Scheme Shares in the Register, each MCAIL Scheme Shareholder is deemed to have appointed MCAIL as its attorney and agent (and directed MCAIL in such capacity) to appoint the Chairman of Bidder (or other nominee of Bidder) as its sole proxy and, where applicable, corporate representative to attend shareholder meetings of MCAIL and MCAL and unitholder meetings of the Trust, exercise the votes attaching to the MCAIL Scheme Shares, the MCAL Scheme Shares and the Scheme Units of which they are the registered holder and sign any MCAIL Shareholders' resolution, MCAL Shareholders' resolution or Unitholders' resolution, and no MCAIL Scheme Shareholder, MCAL Scheme Shareholder or Scheme Unitholder (as applicable) may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 8.3. MCAIL undertakes in favour of each MCAIL Scheme Shareholder that it will appoint the Chairman of Bidder (or other nominee of Bidder) as proxy or, where applicable, corporate representative for the relevant MCAIL Scheme Shareholder, MCAL Scheme Shareholder or Scheme Unitholder in accordance with this clause 8.3.

8.4 MCAIL Scheme Shareholders are deemed to have warranted to MCAIL in its own right and on behalf of Bidder that all their MCAIL Scheme Shares (including any rights and entitlements attaching to those MCAIL Scheme Shares) which are transferred to Bidder under this MCAIL Share Scheme will, at the date they are transferred to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind (other than that they must be transferred together with the other securities comprising a Security) and that they have full power and capacity to sell and to transfer such MCAIL Scheme Shares (including any rights and entitlements attaching to those securities).

8.5 Bidder will be beneficially entitled to the MCAIL Scheme Shares transferred to it under this MCAIL Share Scheme pending registration by MCAIL of the name and address of Bidder in the Register as the holder of the MCAIL Scheme Shares.

8.6 Where a notice, transfer, transmission application, direction or other communication referred to in this MCAIL Share Scheme is sent by post to MCAIL, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at MCAIL's registered office.

8.7 MCAIL must do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to this MCAIL Share Scheme and the transactions contemplated by it.

8.8 Bidder will pay the costs of this MCAIL Share Scheme (including any stamp duty payable on the transfer by MCAIL Scheme Shareholders of the MCAIL Scheme Shares to Bidder).

8.9 The proper law of this MCAIL Share Scheme is Bermuda law.

ANNEXURE F: SUPPLEMENTAL DEED

Date:

Parties:

Name:	**Macquarie Capital Alliance Management Limited** in its capacity as responsible entity of Macquarie Capital Alliance Trust
ABN:	94 105 777 704
Short form name:	**Trustee**

Background

a) Trustee is a public company limited by shares, incorporated in Australia and registered in New South Wales. Its registered office is at level 7, 1 Martin Place, Sydney, New South Wales 2000.

b) Trustee is also the responsible entity of Macquarie Capital Alliance Trust ARSN 112 638 212 (Trust) established under a trust deed dated 24 January 2005 (Trust Deed).

c) Trust has been registered by the Australian Securities and Investments Commission (ASIC) as a managed investment scheme pursuant to section 601EB of the Corporations Act 2001 (Cth) (Corporations Act).

d) Units are Stapled to MCAIL Shares and MCAL Shares on a one-for-one-for-one basis and the Stapled Securities are officially quoted on the financial market conducted by ASX. As at the date of this deed, 245,959,183 stapled securities, comprising 245,959,183 Units, 245,959,183 MCAIL Shares and 245,959,183 MCAL Shares, were on issue.

e) Macquarie Advanced Investment Company Pty Limited ACN 131 467 411 (Bidder) is a company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at level 11, 1 Martin Place, Sydney, New South Wales 2000.

f) Trustee (acting in its capacity as responsible entity of Trust), MCAIL, MCAL and Bidder agreed, by executing a Scheme Implementation Agreement dated 14 June 2008, to propose and implement the Trust Scheme and the Share Schemes.

g) The Trust Deed must be amended to facilitate the Trust Scheme.

h) Section 601GC(1)(a) of the Corporations Act provides that the Trust Deed may be modified by special resolution of Unitholders.

i) Clause 24 of the Trust Deed provides that Trustee may, by supplemental deed, give effect to a resolution to amend the Trust Deed.

j) At a meeting held on [•] 2008 convened in accordance with the Corporations Act and clause 17.1 of the Trust Deed, Unitholders approved the Trust Scheme Resolutions, including a special resolution to make the amendments to the Trust Deed contained in this deed.

k) Pursuant to section 601GC(2) of the Corporations Act, Trustee must lodge a copy of this deed with ASIC and the amendments to the Trust Deed contained in this deed cannot take effect until a copy of this deed is lodged with ASIC.

Agreed terms

1. Defined terms & interpretation

1.1 Terms used in this deed have the same meaning as in the Trust Deed unless otherwise defined in this deed or the context requires otherwise.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market conducted by it.

Bermuda Court means the Supreme Court of Bermuda.

Bidder means Macquarie Advanced Investment Company Pty Limited ACN 131 467 411.

Companies Act means the Companies Act 1981 of Bermuda.

Court means the Supreme Court of New South Wales.

Effective means, when used in relation to the Schemes, all of the following events taking place:

a) this deed taking effect pursuant to section 601GC(2) of the Corporations Act;

b) the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the MCAL Share Scheme coming into effect pursuant to section 411(10) of the Corporations Act; and

c) the order of the Bermuda Court made under section 99(2) of the Companies Act in relation to the MCAIL Share Scheme coming into effect pursuant to section 99(3) of the Companies Act.

Effective Date means the date on which the Schemes become Effective.

MCAIL Share means one fully paid ordinary share issued in the capital of MCAIL.

MCAIL Share Scheme means the scheme of arrangement pursuant to section 99 of the Companies Act between MCAIL and holders of MCAIL Shares, under which Bidder acquires all of the MCAIL Shares, subject to any alterations or conditions made or required by the Bermuda Court and approved in writing by Bidder and MCAIL.

MCAIL means Macquarie Capital Alliance International Limited, a company incorporated in Bermuda with registration number 36770.

MCAL Share means one fully paid ordinary share issued in the capital of MCAL.

MCAL Share Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between MCAL and holder of MCAL Shares, under which Bidder acquires all of the MCAL Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Bidder and MCAL.

MCAL means Macquarie Capital Alliance Limited ABN 96 112 594 662.

Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Target and Bidder may agree in writing.

Scheme Unitholder means each person who is a Unitholder as at 5.00pm on the Record Date.

Schemes means the Share Schemes and the Trust Scheme.

Share Schemes means the MCAIL Share Scheme and the MCAL Share Scheme.

Target means MCAIL, MCAL and Trust.

Trust Scheme means the arrangement facilitated by the amendments to the Trust Deed contained in this deed under which Bidder acquires all of the Units from Unitholders.

Trust Scheme Resolutions means the resolutions of Unitholders to approve the Trust Scheme set out in the notice of meeting of Unitholders dated [•] 2008, including:

a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Units by Bidder; and

b) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Trust Deed as set out in this deed.

Unit means one fully paid ordinary unit in Trust.

Unitholder means each person who is registered as the holder of Units, and Unitholders means all of them.

1.2 Clause 31.2 of the Trust Deed applies to this deed as if set out in this deed.

2. Lodgement with ASIC

Trustee must lodge a copy of this deed with ASIC on the same day as MCAIL and MCAL lodges with ASIC an office copy of the order of the court approving the Share Schemes under section 411(4)(b) of the Corporations Act.

3. Amendments to the Trust Deed

With effect on and from the Effective Date, the Trust Deed is amended as follows:

a) in clause 31.1, by inserting the following definitions in alphabetical order:

Aggregate Cash Consideration means the aggregate of all Cash Consideration and the Allocated Cash Consideration (as relevant) payable to Scheme Participants under the Schemes.

Aggregate Scrip Consideration means the aggregate of all Scrip Consideration or Scaleback Scrip Consideration (as relevant) to be issued to Scheme Participants under the Schemes.

Allocated Cash Consideration means a cash amount equal to the Cash Consideration multiplied by the number equal to the total number of Securities held by the Scheme Participant minus the total number of Bid Securities making up the Scaleback Scrip Consideration to be provided to that Scheme Participant.

Beneficial Interest means the beneficial interest of a Scheme Participant in an Escrow Amount under a Separate Trust.

Bermuda Court means the Supreme Court of Bermuda.

Bid Fund means the issuers of the Bid Securities or any of them as the context requires.

Bid Fund Investment Manager means Macquarie Advanced Investment Partners G.P. Limited, an exempted company incorporated in the Cayman Islands.

Bid Security means a stapled security comprising:

a) one share in Macquarie Advanced Investment Limited;

b) one unit in Macquarie Advanced Investment Trust; and

c) one share in Macquarie Advanced Investment International Ltd.

Bid Security Consideration Cap means 49,191,837.

Bidder means Macquarie Advanced Investment Company Pty Limited ACN 131 467 411.

Cash Consideration for each Security held by a Scheme Participant at the Record Date means $3.40 less the Distribution.

Cash Election means an election by a Scheme Participant to receive Cash Consideration for each Security held by that Scheme Participant at the Record Date in accordance with clause 32.3(a).

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Court means the Supreme Court of New South Wales.

Deed Poll means the deed poll dated 15 July 2008 executed by Bidder in favour of Scheme Participants.

Distribution means a special distribution:

a) in respect of which guidance is to be announced by Target between 8.00am and 5.00pm on the date two Business Days before the MCAL Share Scheme Meeting;

b) to be declared by Trust on the day after the Effective Date;

c) having a record date being the Record Date; and

d) expected to be paid immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, or applied as set out in clause 32.6,

the amount of which is to be calculated, per Security, as $0.40 less the EDSA Gouden Gids Acquisition Per Security Amount and less the Portfolio Company Equity Investment Per Security Amount.

Effective means, when used in relation to the Schemes, all of the following events taking place:

a) the supplemental deed making amendments to this deed to facilitate the Trust Scheme, including the insertion of clause 32, taking effect pursuant to section 601GC(2) of the Corporations Act;

b) the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the MCAL Share Scheme coming into effect pursuant to section 411(10) of the Corporations Act; and

c) the order of the Bermuda Court made under section 99(2) of the Companies Act in relation to the MCAIL Share Scheme coming into effect pursuant to section 99(3) of the Companies Act.

EDSA Gouden Gids Acquisition means the acquisition by European Directories SA (of which Target has a 39% holding) of the Dutch operations of Truvo, including the Gouden Gids directory, for approximately €290 million as announced to ASX on 31 March 2008.

EDSA Gouden Gids Acquisition Amount is A$53 million if consideration in respect of EDSA Gouden Gids Acquisition has been paid or is payable prior to the Implementation Date, or otherwise is zero.

EDSA Gouden Gids Acquisition Per Security Amount means the EDSA Gouden Gids Acquisition Amount divided by the number of Securities on issue at the Record Date.

Effective Date means the date on which the Schemes become Effective.

Escrow Amount has the meaning given to it in clause 32.6(a)(i).

Escrow Sunset Date means the date five years after the Implementation Date.

Escrow Trustee means Macquarie Advanced Investment Management Limited (or another entity appointed as responsible entity for Macquarie Advanced Investment Trust from time to time) acting as trustee in accordance with clause 32.6.

Implementation Date means the fifth Business Day after the Record Date.

Ineligible Overseas Securityholder means a Scheme Participant whose address as shown in the Register at the Record Date is a place outside Australia and its external territories, New Zealand and such other jurisdictions as Target and Bidder agree in writing.

MCAIL means Macquarie Capital Alliance International Limited, a company incorporated in Bermuda with registration number 36770.

MCAIL Scheme Share means each MCAIL Share held by a MCAIL Scheme Shareholder.

MCAIL Scheme Shareholder means each MCAIL Shareholder as at 5.00pm on the Record Date.

MCAIL Share means one fully paid ordinary share issued in the capital of MCAIL.

MCAIL Share Scheme means the scheme of arrangement pursuant to section 99 of the Companies Act between MCAIL and MCAIL Shareholders under which Bidder acquires all of the MCAIL Shares from MCAIL Shareholders, together with any alterations or conditions made or required by the Bermuda Court and approved in writing by Bidder and Target.

MCAIL Share Scheme Meeting means the meeting of MCAIL Shareholders convened by the Bermuda Court in relation to the MCAIL Share Scheme pursuant to section 99(1) of the Companies Act, and includes any adjournment of such meeting.

MCAIL Shareholder means a person who is registered in the Register as the holder of MCAIL Shares.

MCAL means Macquarie Capital Alliance Limited ABN 96 112 594 662.

MCAL Scheme Share means each MCAL Share held by a MCAL Scheme Shareholder.

MCAL Scheme Shareholder means each MCAL Shareholder as at 5.00pm on the Record Date.

MCAL Share means one fully paid ordinary share issued in the capital of MCAL.

MCAL Share Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between MCAL and MCAL Shareholders, under which Bidder acquires all of the MCAL Shares from MCAL Shareholders, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Bidder and Target.

MCAL Share Scheme Meeting means the meeting of MCAL Shareholders convened by order of the Court in relation to the MCAL Share Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

MCAL Shareholder means a person who is registered in the Register as the holder of MCAL Shares.

Portfolio Company means each of:

a) European Directories SA, a limited liability public company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg;
b) Creative Broadcast Services International Limited, a company incorporated under the laws of Bermuda;
c) Fairway Investment Holdings Pty Limited, a company incorporated under the laws of the Commonwealth of Australia; and
d) Macquarie AIR-serv Holdings Inc., a company incorporated under the laws of Delaware.

Portfolio Company Equity Investment Amount means any equity investment by Target in Target's Portfolio Companies that has been paid or is payable after the date of the Scheme Implementation Agreement and prior to the Implementation Date.

Portfolio Company Equity Investment Per Security Amount means the Portfolio Company Equity Investment Amount divided by the number of Securities on issue at the Record Date.

Record Date means 5.00pm on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Target and Bidder may agree in writing.

Register means the stapled security register of Target kept pursuant to the Corporations Act.

Registered Address means, in relation to a Securityholder, the address of the Securityholder as recorded in the Register.

Registry means Computershare Investor Services Pty Limited of Level 3, Carrington Street, Sydney NSW 2000.

Scaleback Scrip Consideration means the Scaleback Multiplier multiplied by the total number of Securities held by the Securityholder rounded up or down to the nearest whole number of Bid Securities (with fractional entitlements of 0.5 or less rounded down to the nearest whole number of Bid Securities).

Scaleback Multiplier means the Bid Security Consideration Cap divided by the total number of Securities in respect of which a Scrip Election has been made (such number to be rounded down to 8 decimal places). The Scaleback Multiplier cannot be equal to or greater than one.

Scheme Consideration means, depending on the election or deemed election made by a Scheme Participant under clause 4.3 of the Scheme Implementation Agreement for each Security held by a Scheme Participant at the Record Date:

a) the Cash Consideration;
b) the Scrip Consideration; or
c) (if applicable) the Scaleback Scrip Consideration and the Allocated Cash Consideration divided by the total number of Securities held by a Scheme Participant at the Record Date.

Scheme Entity means:

a) in respect of the MCAL Share Scheme, MCAL;
b) in respect of the MCAIL Share Scheme, MCAIL;
c) in respect of the Trust Scheme, Trustee.

Scheme Implementation Agreement means the agreement of that name dated 14 June 2008 executed by MCAIL acting in its own capacity, MCAL acting in its own capacity and Trustee acting in its capacity as responsible entity of Trust and Bidder.

Scheme Participant means each person who participates in both the MCAIL Share Scheme, the MCAL Share Scheme and the Trust Scheme by virtue of being a MCAIL Scheme Shareholder, a MCAL Scheme Shareholder and a Scheme Unitholder.

Scheme Security means one MCAIL Scheme Share, one MCAL Scheme Share and one Scheme Unit.

Scheme Transfer means, for each Scheme Participant, a proper instrument of transfer of their Scheme Securities for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Securities.

Scheme Unitholder means each person who is a Unitholder as at 5.00pm on the Record Date.

Scheme Units means all of the Units on issue as at the Record Date.

Schemes means the Share Schemes and the Trust Scheme.

Scrip Consideration for each Security held by a Scheme Participant at the Record Date means one Bid Security.

Scrip Election means an election by a Scheme Participant who is not an Ineligible Overseas Securityholder to receive:

a) for each Security held by that Scheme Participant at the Record Date, Scrip Consideration; or
b) (if applicable) for the total number of Securities held by a Scheme Participant at the Record Date, the Scaleback Scrip Consideration and the Allocated Cash Consideration,

in accordance with clause 4.5 of the Scheme Implementation Agreement. For the avoidance of doubt, an election made by an Ineligible Overseas Securityholder purporting to be a Scrip Election is of no effect.

Security means a stapled security comprising one MCAL Scheme Share, one MCAIL Scheme Share and one Scheme Unit.

Securityholder means each person who is registered in the Register as the holder of Securities.

Separate Trust means each trust established between the Escrow Trustee and a Scheme Participant under the escrow deed in accordance with clause 32.6.

Share Scheme Meetings means the MCAIL Share Scheme Meeting and the MCAL Share Scheme Meeting.

Share Schemes means the MCAIL Share Scheme and the MCAL Share Scheme.

Supplemental Deed means a deed poll under which Target will amend the Trust Deed, the form of which is contained in Annexure 5 of the Scheme Implementation Agreement, with any alterations or conditions approved in writing by Bidder and Target.

Target means, together, MCAIL, MCAL and Trust (acting through Trustee in its capacity as responsible entity of Trust only), or any of them as the context requires. For the avoidance of doubt, no security in Trustee will become subject to the Schemes or any other transaction referred to in this agreement.

Target Group means MCAIL, MCAL and Trust.

Trust Scheme means the arrangement facilitated by the amendments to this deed, including the insertion of clause 32, under which Bidder acquires all of the Units from Scheme Unitholders.

Trust Scheme Meeting means the meeting of Unitholders held on [•] 2008 convened by Target pursuant to clause 17.1 of this deed to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the resolutions of Unitholders set out in the notice of meeting of Unitholders dated [•] 2008, including:

a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Units by Bidder; and
b) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to this deed as set out in the supplemental deed.

Unitholder means each person who is registered in the Register as the holder of Units, and Unitholders means all of them.

b) by inserting a new clause 32 as set out below:

32 Trust Scheme

32.1 Dealings in Units

a) For the purpose of establishing the persons who are Scheme Unitholders, dealings in Units will only be recognised if:

i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Units by the Record Date; and

ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry by the Record Date.

Trustee will register registrable transfers or transmission applications of the kind referred to in clause 32.1(a)(ii) by, or as soon as practicable after, the Record Date. The persons shown in the Register, and the number of Units shown as being held by them, after registration of those transfers and transmission applications will be taken to be the Scheme Unitholders, and the number of Units held by them, on the Record Date.

Trustee will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Units received after the Record Date (or received prior to the Record Date not in registrable form).

Trustee will maintain or procure the maintenance of the Register in accordance with this clause 32.1. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 32.1(a)(ii) will solely determine the persons who are Scheme Unitholders and their entitlements to the Scheme Consideration.

From the Record Date and until registration of Bidder in respect of all Scheme Units under clause 32.7(c), no Scheme Unitholder may deal with Units in any way except as set out in this clause 32 and any attempt to do so will have no effect.

On or before 9.00 am on the Implementation Date, Trustee must give to Bidder details of the names and addresses shown in the Register of all Scheme Unitholders and of the number of Scheme Units held by each of them on the Record Date by giving Bidder details of the names and addresses shown in the Register of all Scheme Unitholders and of the number of Scheme Units held by each of them on the Record Date.

32.2 Election mechanism

a) Using the Election Form, each Securityholder will be requested to elect one of the following:

i) the Cash Election; or

ii) the Scrip Election.

b) Subject to paragraph (h), any valid election will apply to all of the Securities of the Scheme Participant as at the Record Date.

c) A valid election may be made by a Scheme Participant by returning the election form before 7.00pm on the Effective Date in writing to an address to be specified by Target in the Explanatory Statement.

d) An Ineligible Overseas Securityholder may not make a Scrip Election.

e) Once made, a valid election by a Scheme Participant may be varied before 7.00pm on the Effective Date.

f) If a valid election is not made by a Scheme Participant prior to 7.00pm on the Effective Date, that Scheme Participant will be deemed to have elected to receive Cash Consideration in respect of all Securities held by that Scheme Participant.

g) For Scheme Participants making a Scrip Election, such Scheme Participants agree to become members of Macquarie Advanced Investment Limited and Macquarie Advanced Investment International Ltd and unitholders of Macquarie Advanced Investment Trust and contribute the full amount of the Distribution in accordance with clause 32.6.

h) In the manner considered appropriate by Target (acting reasonably), a Scheme Participant that holds one or more parcels of Securities as trustee or nominee for, or otherwise on account of, another person, may make separate elections in relation to each of those parcels of Securities.

i) Target must ensure that, to the extent reasonably practicable, Scheme Participants that have acquired Securities after the date of the despatch of the Explanatory Statement and up until the Effective Date can receive an election form on request to Target.

j) In order to facilitate the issue of the Bid Securities, Target must provide, or procure the provision, to Bidder, or a nominee of Bidder, details of the final elections made by each Scheme Participant, on the Business Day after the Effective Date.

32.3 Scheme Consideration

a) If a Scheme Participant does not make a valid Scrip Election (whether or not the Scheme Participant makes a Cash Election) or the provisions of clause 32.3(d) apply then the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

i) the Cash Consideration, which must be paid in the manner referred to in clause 32.4; and

ii) the Distribution, payable by Target immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date.

b) If a Scheme Participant makes a valid Scrip Election, then subject to clauses 32.3(c) and (d), the Scheme Participant will be entitled to receive for each Security held by that Scheme Participant at the Record Date:

i) the Scrip Consideration, which is to be issued in the manner referred to in clause 32.5; and

ii) the Distribution, payable in accordance with clause 32.6.

c) If, and only if, the valid Scrip Elections received from Scheme Participants would result in a number of Bid Securities in excess of the Bid Security Consideration Cap being required to be issued to Scheme Participants pursuant to clause 32.3(b), the Scheme Participant will be entitled to receive in lieu of the Scrip Consideration:

i) Allocated Cash Consideration, which is to be paid in the manner referred to in clause 32.4; and

ii) the Scaleback Scrip Consideration, which is to be issued in the manner referred to in clause 32.5.

d) In the event that valid Scrip Elections are received from Scheme Participants in respect of less than 12,297,959 Securities, all Scheme Participants will receive Cash Consideration for each Security held by that Scheme Participant at the Record Date, which must be paid in the manner referred to in clause 32.4, and no Scheme Participants will be entitled to receive any Scrip Consideration and clause 32.6 will not apply.

e) The parties acknowledge and agree that the principle of this clause 32.3 is that Bidder will, under the Scheme, not issue an aggregate number of Bid Securities which is greater than the Bid Security Consideration Cap (other than to take into account any applicable rounding), and clause 32 is to be interpreted accordingly.

32.4 Cash Consideration

a) The obligations of Bidder to pay the Aggregate Cash Consideration will be satisfied by Bidder, before 12.00pm on the Implementation Date, depositing the Aggregate Cash Consideration into an account in the name of Target.

b) MCAL is to procure that such amount be held by Target on trust for the relevant Scheme Participants (except that any interest on the amount will be for the account of Bidder) for the purpose of sending the Scheme Consideration to the relevant Scheme Participants within five Business Days of the Implementation Date by:

i) where the Scheme Participant has nominated (by notice to MCAG or the Registry on or before the Record Date) a bank account with an Australian financial institution for the purpose of payment of any dividends or distribution or the Scheme Consideration, then by depositing directly to that bank account, an amount (rounded up to the nearest whole cent); or

ii) dispatching or procuring the dispatch to each relevant Scheme Participant by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of that Scheme Participant for an amount (rounded up to the nearest whole cent),

equal to:

iii) in respect of Scheme Participants receiving Cash Consideration, the number of Securities held by that Scheme Participant multiplied by the Cash Consideration; or

iv) in respect of Scheme Participants receiving Allocated Cash Consideration, the Allocated Cash Consideration.

c) In the case of joint holders of Securities, a cheque shall be payable and forwarded in the names of those joint holders.

d) In the event that the Target believes that a Scheme Participant is not known at the Scheme Participant's Registered Address, and no account has been notified in accordance with clause 32.4(b)(i) or a deposit into such an account is rejected or refunded, the Target may credit the amount payable to the relevant Scheme Participant to a separate bank account of Target to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation. Target must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Target. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

e) In the case of a notice having been given to MCAL (or the Registry) of an order made by a court of competent jurisdiction:

i) which requires payment to a third party of a sum in respect of Securities held by a particular Scheme Participant, which would otherwise be payable to the particular Scheme Participant in accordance with paragraph (b) above, then MCAL shall procure that payment is made in accordance with that order; or

ii) which would prevent Target from despatching payment to any particular Scheme Participant in accordance with paragraph (b) above, MCAL shall procure that Target (or Registry) retains an amount that would otherwise be payable to that Scheme Participant in accordance with paragraph (b) until such time as payment is permitted by law.

32.5 Scrip Consideration

a) To facilitate the provision of the Aggregate Scrip Consideration payable to Scheme Participants that have made a valid Scrip Election, Bidder must procure that the Bid Fund:

i) on the Implementation Date, issues the applicable Bid Securities to each applicable Scheme Participant in accordance with the terms of this Scheme;

ii) on the Implementation Date, enters in the Bid Security security register the name and address of each such Scheme Participant and the number of Bid Securities which that Scheme Participant is entitled to receive under this Scheme; and

iii) on or within five Business Days after the Implementation Date dispatch to each such Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to each Scheme Participant to their address recorded in the Register on the Record Date, a holding statement for the Bid Securities issued to that Scheme Participant in accordance with this Scheme.

b) In the case of Securities held in joint names, holding statements for Bid Securities must be issued in the names of joint holders and sent to the holder whose name appears first in the Register on the Record Date.

32.6 Escrow of Distribution for Scheme Participants making Scrip Election

a) Subject to 32.3(d), each Scheme Participant who has made a valid Scrip Election:

i) directs Target to, immediately before the payment of the Scheme Consideration to Scheme Participants and the transfer of Securities to Bidder on the Implementation Date, pay the Distribution payable to that Scheme Participant (or, where 32.3(c) applies, that part of the Distribution equal to the Distribution per Security multiplied by the number of Bid Securities that the Scheme Participant is to receive under the Schemes) (Escrow Amount) to the Escrow Trustee, and such Escrow Amount is to be:

A) held by the Escrow Trustee on a Separate Trust for the Scheme Participant at a reasonable rate of interest and in accordance with the terms and conditions of the Escrow Deed governing the escrow arrangement; and

B) paid to, or for the benefit of, the Scheme Participant as set out below;

ii) appoints the Scheme Entity as the agent and attorney for the Scheme Participant and directs the Scheme Entity in that capacity to direct the Bid Fund Investment Manager to:

A) direct the Escrow Trustee to pay the net amount of all interest accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) to the Scheme Participant and to do so at least once in each period commencing on 1 July in any year and ending on 30 June in the following year;

B) certify to the Escrow Trustee that all holders of Bid Securities are subject to a Further Capital Investment Requirement of a particular amount per Bid Security (FCIR Amount), to pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

promptly to Bidder, or as directed by Bidder, on behalf of the Scheme Participant;

C) if, from time to time, the Bid Fund Investment Manager certifies to the Escrow Trustee that a particular amount per Bid Security (Return Amount) from the remainder of the Escrow Amount should be paid to the Scheme Participant, pay, from (but not exceeding) the remainder of the Escrow Amount then held by the Escrow Trustee, an amount equal to:

promptly to the Scheme Participant; and

D) if either:

i) the Bid Fund Investment Manager certifies to the Escrow Trustee that the remainder of the Escrow Amount should be paid to Scheme Participants; or

ii) any part of the Escrow Amount is still held on the Escrow Sunset Date,

pay the remainder of the Escrow Amount then held by the Escrow Trustee and the net amount of all interest then accrued on the Escrow Amount (after deduction of the Scheme Participant's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) promptly to the Scheme Participant; and

iii) undertakes to the Scheme Entity on its own behalf and as trustee for Bidder not to withdraw or amend the directions given to the Escrow Trustee under clauses 32.6(a)(i)(A) and 32.6(a)(i)(B).

b) The amount payable to the Escrow Trustee by a particular Scheme Entity in respect of an Escrow Amount will be a proportion of the Escrow Amount equal to the proportion of the Distribution paid or payable by that Scheme Entity.

c) It is the fundamental intention of Bidder and each Scheme Participant that:

i) each Separate Trust, the Beneficial Interest and the Escrow Amount to which each Separate Trust relates be kept distinct from each other Separate Trust, Beneficial Interest and Escrow Amount; and

ii) there should be no pooling of any of the interests or property referred to in paragraph (i) nor should any one or more Separate Trusts constitute a managed investment scheme.

32.7 Transfers to Bidder

a) On or before 12.00pm on the Implementation Date, subject to Bidder satisfying its obligations to pay the Scheme Consideration in the manner contemplated by clauses 32.3 and 32.4 and providing Trustee with written confirmation of that payment:

i) all of the Scheme Units together with all rights and entitlements attaching to the Scheme Units as at that time will be transferred to Bidder or its nominee without the need for any further act by any Scheme Unitholder (other than acts performed by Trustee (or its directors or officers) as attorney or agent of the Scheme Unitholders under clause 32.8 or otherwise) and must be transferred to Bidder simultaneously with the transfer of all of the MCAIL Scheme Shares and MCAL Scheme Shares to Bidder under the Share Schemes; and

ii) Trustee will procure the delivery to Bidder of transfers of all the Scheme Units to Bidder duly completed and executed on behalf of the Scheme Unitholders in the form of Scheme Transfers which transfer all of the Scheme Securities to Bidder.

b) Bidder must immediately execute the transfers referred to in clause 32.7(a)(ii) as transferee by executing the Scheme Transfers as transferee and delivering the Scheme Transfers to Trustee for registration.

c) Trustee must, immediately following receipt of the transfers under clause 32.7(b) (in the form of Scheme Transfers in respect of the Scheme Securities), enter the name and address of Bidder in the Register in respect of all the Scheme Units.

32.8 Covenants by Trustee and Unitholders

a) Each Scheme Unitholder and Trustee must do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Trust Scheme and the transactions contemplated by it.

b) Each Scheme Unitholder:

i) agrees to the transfer of all of their Scheme Units to Bidder in accordance with this clause 32;

ii) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 32;

iii) without the need for any further act, irrevocably appoints Trustee and each of its directors and officers, jointly and severally, as that Scheme Unitholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to the Trust Scheme, the MCAL Share Scheme and the MCAIL Share Scheme, this clause 32, and the transactions contemplated by them;

iv) consents to Trustee doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Trust Scheme, the MCAL Share Scheme and the MCAIL Share Scheme, this clause 32 and the transactions contemplated by them; and

v) appoints Trustee to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Unitholder.

c) From the Implementation Date until Trustee registers Bidder as the holder of all Scheme Units in the Register, each Scheme Unitholder is deemed to have appointed Trustee as its attorney and agent (and directed Trustee in such capacity) to appoint the Chairman of Bidder (or other nominee of Bidder) as its sole proxy and, where applicable, corporate representative to attend unitholder meetings of Trust and shareholder meetings of MCAL and MCAIL, exercise the votes attaching to the Scheme Units, MCAL Scheme Shares and the MCAL Scheme Shares of which they are the registered holder and sign any Unitholders' resolution, MCAL Shareholders' resolution or MCAIL Shareholders' resolution, and no Scheme Unitholder, MCAL Scheme Shareholder or MCAIL Scheme Shareholder (as applicable) may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 32.8(c). Trustee undertakes in favour of each Scheme Unitholder that it will appoint the Chairman of Bidder (or other nominee of Bidder) as proxy or, where applicable, corporate representative for the relevant Scheme Unitholder, MCAL Scheme Shareholder or MCAIL Scheme Shareholder in accordance with this clause 32.8(c).

32.9 Status of Scheme Units

a) The Scheme Unitholders are deemed to have warranted to Trustee in its own right and on behalf of Bidder that all their Scheme Units (including any rights and entitlements attaching to those Units) which are transferred to Bidder under this clause 32 will, at the date they are transferred to Bidder, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in this Trust Deed (other than that they must be transferred together with the other securities comprising a Security), and that they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those securities).

b) Bidder will be beneficially entitled to the Scheme Units transferred to it under this clause 32 pending registration by Trustee of the name and address of Bidder in the Register as the holder of the Scheme Units.

32.10 Effect of clause 32

This clause 32:

a) binds Trustee and all Scheme Unitholders, including those who do not attend the Trust Scheme Meeting, those who do not vote at that meeting and those who vote against the Trust Scheme Resolutions at that meeting; and

b) overrides the other provisions of this deed to the extent of any inconsistency.

32.11 Trustee's limitation of liability

Subject to the Corporations Act, Trustee will not have any liability of any nature whatsoever beyond the assets of Trust to Unitholders arising, directly or indirectly, from Trustee doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Trust Scheme.

4. Governing law

This deed will be governed by the laws of the State of New South Wales.

ANNEXURE G: SUMMARY OF ESCROW TRUST DEED

Escrow Trust Deed

Separate Trusts

The Escrow Amounts will be held on a separate trust for each Scrip Securityholder by the Escrow Trustee. Each Scrip Securityholder consents to their Escrow Amount being held in the same bank account as other Scrip Securityholders' Escrow Amounts, provided that the Escrow Trustee maintains a ledger containing details of each Scrip Securityholder, their Escrow Amount, and payments (including interest) made to and from the Escrow Account (the Escrow Account Ledger) to show the Escrow Amount attributable to each Scrip Securityholder.

Each separate trust will commence on the date of the Escrow Trust Deed and will end on the date before the 80th anniversary of the Escrow Trust Deed unless terminated earlier as described below.

Escrow Account

Before the Effective Date, the Escrow Trustee will open an at call interest bearing deposit account with Westpac Banking Corporation and will notify Scrip Securityholders of the name, BSB, branch number and account number of the Escrow Account. The Escrow Amount will be paid on the direction of Scrip Securityholders into the Escrow Account.

Each Scrip Securityholder will bear its pro-rata share of all fees and expenses of the Escrow Trustee and any amount incurred by the Escrow Trustee in connection with the establishment, maintenance and operations of the Escrow Account, the relevant terms and conditions of the Westpac Banking Corporation that apply to the Escrow Account and the Escrow Trust Deed.

Interest

Any interest accruing on the Escrow Account (after deduction of the Scrip Westpac Banking Corporation's pro-rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) will be paid to each Scrip Securityholder pro-rata in accordance with their proportionate share of the aggregate Escrow Amounts.

The Escrow Trustee has an absolute discretion whether to pay any interest to the relevant Scrip Securityholders if the costs of making such payments are disproportional to the amount of interest due to be payable to the Scrip Securityholders.

Distributions

The Escrow Trustee will determine, in its absolute discretion, the income of each separate trust for each year ending 30 June. Unless the Escrow Trustee determines otherwise prior to 30 June each year, the income of each separate trust will be the net income of that trust calculated in accordance with the Income Tax Assessment Act 1936.

Each Scrip Securityholder will be presently entitled at the end of 30 June each year to the income of the separate trust in the proportion that the amount received during the year or the amount to which they are entitled for the year bears to the income of the separate trust.

Payment to and out of the Escrow Account

Each Scrip Participant appoints MCAG as its agent and attorney and directs MCAG to direct MAIPGPL to:

- direct the Escrow Trustee to pay the net amount of all interest accrued on the Escrow Amount (after deduction of the Scrip Securityholder's pro rata share of all reasonable costs, expenses and outgoings of the Escrow Trustee) to the Scrip Securityholder at least once in each financial year;
- certify to the Escrow Trustee that all holders of MAIG Securities are subject to further capital contributions of a particular amount per MAIG Security and direct the Escrow Trustee to pay from the Escrow Amount then held by the Escrow Trustee a prescribed amount per MAIG Security to the Bidder as a call for further capital contribution; and
- if MAIPGPL certifies to the Escrow Trustee that a particular amount per MAIG Security should be paid to the Scrip Securityholder, pay that amount to the Scrip Securityholder from the remainder of the Escrow Amount; and
- any part of the Escrow Amount that is still held in the Escrow Account on the fifth anniversary after the Implementation Date to be repaid to the Scrip Securityholders.

Transfer of Bid Security

If a Scrip Securityholder transfers, sells or otherwise disposes of all or some of its MAIG Securities before the fifth anniversary after the Implementation Date, the Scrip Securityholder must transfer the Escrow Amount to the transferee of MAIG Securities pursuant to a deed of assignment and notify the Escrow Trustee of such a transfer and provide a copy of the executed deed of assignment.

Upon receipt of the notice of transfer and executed deed of assignment, the Escrow Trustee will update the Escrow Account Ledger and will hold the Escrow Account on trust for the transferee.

Retirement and removal of the Escrow Trustee

The Escrow Trustee may retire as escrow trustee by giving to the Scrip Securityholders at least 30 days' notice.

The Escrow Trustee must retire as escrow trustee immediately:

- upon request of the Bidder;
- upon request of the Scrip Securityholders if the Escrow Trustee commits any breach of trust which is not remedied within 20 Business Days of being requested to be remedied by Scrip Securityholders;
- if the Escrow Trustee ceases to hold an appropriate Australian financial services licence under the Corporations Act; and
- if an administrator, provisional liquidator, liquidator, receiver, manager or receiver and manager is appointed in respect of the Escrow Trustee or any of the Escrow Trustee's assets.

Upon the retirement of the Escrow Trustee, the Bidder may by deed appoint a new escrow trustee.

Liability of the Escrow Trustee

The Escrow Trustee is not liable to pay or satisfy any obligations under the Escrow Trust Deed except to the extent it is indemnified by the Bidder and provided that the Escrow Trustee has not acted fraudulently, negligently or in breach of trust.

Each party to the Escrow Trust Deed and each Scrip Securityholder may enforce their rights against the Escrow Trustee arising from non-performance of its obligations only to the extent the Escrow Trustee is indemnified by the Bidder, provided that the Escrow Trustee has not acted fraudulently, negligently or in breach of trust.

If any party to the Escrow Trust Deed or the Scrip Securityholders do not recover all money owing to them arising from non-performance of the obligations by the Escrow Trustee they may not recover the shortfall by bringing proceedings against the Escrow Trustee in its personal capacity or applying to have the Escrow Trustee put into administration or wound up or applying to have a receiver or similar person appointed to the Escrow Trustee, provided that the Escrow Trustee has not acted fraudulently, negligently or in breach of trust.

No act or omission by the Escrow Trustee will constitute fraud, negligence or wilful default of the Escrow Trustee to the extent to which the act or omission was caused or contributed by the Escrow Trustee acting in accordance with any direction or request of a Scrip Securityholder or in accordance with an instruction or reliance by the Escrow Trustee on any materials upon which the Escrow Trustee is entitled to rely or any failure of any other party or a Scrip Securityholder or any other person to fulfil their obligations relating to a separate trust or any other act or omission of any other party or a Scrip Securityholder or any other person.

Termination

The Escrow Trust Deed will be terminated automatically if prior to the Effective Date the Scheme Implementation Agreement is terminated.

The Escrow Trust Deed may be terminated upon the expiration of five Business Days after the balance of all Escrow Accounts held by the Escrow Trustee has been paid.

ANNEXURE H: NOTICES OF SCHEME MEETINGS

Notice of MCAL Share Scheme Meeting

Macquarie Capital Alliance Limited ABN 96 112 594 662

Notice is hereby given that by an order of the Supreme Court of New South Wales (Court) made on 17 July 2008 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (Corporations Act), a meeting of the holders of ordinary shares in Macquarie Capital Alliance Limited ABN 96 112 594 662 (MCAL) will be held at Sheraton on the Park, 161 Elizabeth Street, Sydney on 20 August 2008 at 10.00am.

The Court has also directed that Ken Moss act as Chairman of the meeting or failing him Robin Crawford, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

Business of the meeting - Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

'That, subject to and conditional on:

a) the MCAIL Share Scheme being sanctioned by the Supreme Court of Bermuda ("Bermuda Court") under section 99(2) of the Companies Act 1981 (Bermuda) (with or without modification as approved by the Bermuda Court) and a copy of the order of the Bermuda Court sanctioning the MCAIL Share Scheme being lodged with the Registrar of Companies in Bermuda; and

b) the Unitholders passing the Trust Scheme Resolutions and the Court confirming that MCAML would be justified in acting upon the Trust Scheme Resolutions and in doing all things and taking all steps necessary to put the Trust Scheme into effect,

pursuant to and in accordance with section 411 of the Corporations Act, the arrangement proposed between MCAL and the holders of its fully paid ordinary shares, designated the 'MCAL Share Scheme', the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of MCAL Share Scheme Meeting forms part), is agreed to, with or without modification as approved by the Court.'

Leanne Pickering
Company Secretary

Dated 17 July 2008

Explanatory Statement

To enable you to make an informed decision on the Resolution, further information on the MCAL Share Scheme is set out in the Scheme Booklet, of which this Notice of MCAL Share Scheme Meeting forms part. Terms used in this Notice of MCAL Share Scheme Meeting have the same meaning as set out in the Glossary in Section 15 of the Scheme Booklet.

These notes should be read in conjunction with the Notice of MCAL Share Scheme Meeting and the Scheme Booklet.

Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Resolution must be approved by:

a) a majority in number of the holders of MCAL Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the MCAL Scheme Meeting; and

b) at least 75% of the votes cast on the Resolution.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, MCAL Shares will be taken to be held by the persons who are registered as members at 7.00pm on 18 August 2008. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the MCAL Share Scheme Meeting.

Voting at the meeting

You may vote in person at the meeting or appoint a proxy or attorney to attend and vote for you. MCAL Shareholders, their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the MCAL Share Scheme Meeting and bring a form of personal identification (such as a driver's licence).

a) Jointly held shares

If MCAL Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the register will be counted.

b) Corporate shareholders

To vote at the meeting (other than by proxy or attorney), a corporation that is a MCAL Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act. The representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

c) Voting by proxy

A MCAL Shareholder entitled to attend and vote at the meeting is also entitled to vote by proxy. The proxy form is enclosed with this document. A proxy need not be a holder of MCAL Shares. If you are entitled to cast two or more votes at the MCAL Share Scheme Meeting you may appoint up to two proxies to attend and act for you at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes (disregarding fractions).

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the MCAL Share Scheme Meeting.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Please note that proxy forms must be received at the registered office of MCAL or the address listed below no less than 48 hours prior to the commencement of the MCAL Share Scheme Meeting.

d) Voting by attorney

Powers of attorney must be received by the Registry, or at the registered office, by no later than 10.00am on 18 August 2008 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting).

An attorney will be admitted to the MCAL Share Scheme Meeting and given a voting card upon providing at the point of entry to the MCAL Share Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude an MCAL Shareholder from attending in person and voting at the MCAL Share Scheme Meeting if the MCAL Shareholder is entitled to attend and vote.

Lodgement of proxies and queries

Proxy forms, powers of attorney and authorities should be sent to MCAL at the address specified on the enclosed reply paid envelope or to the address or facsimile specified below:

Post:	Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia
Facsimile:	(+61 3) 9473 2118
Delivery:	Computershare Sydney, Level 2, 60 Carrington Street, Sydney NSW 2000, Australia

Holders of MCAL Shares should contact the Registry at the above address or the Securityholder information helpline on 1300 139 717 (from within Australia) or +61 3 9415 4387 (from outside Australia) with any queries.

Court approval

If the Resolutions are approved at the Share Scheme Meetings and the Trust Scheme Meeting by the requisite majorities, the implementation of the MCAL Share Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court. MCAL intends to apply to the Court for orders to give effect to the MCAL Share Scheme if the Resolutions are so approved.

Notice of MCAIL Share Scheme Meeting

Macquarie Capital Alliance International Limited
ARBN 113 880 783

Notice is hereby given that by an order of the Supreme Court of Bermuda (Court) made on 15 July 2008 pursuant to section 99(1) of the Companies Act 1981 (Bermuda) (Companies Act), a meeting of the holders of ordinary shares in Macquarie Capital Alliance International Limited ARBN 113 880 783 (MCAIL) will be held at Sheraton on the Park, 161 Elizabeth Street, Sydney on 20 August 2008 at 10.00am or as soon as the MCAL Share Scheme Meeting is concluded or adjourned.

The Court has also directed that Anthony Nagel act as Chairman of the meeting or failing him Rowan Ross, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

Business of the meeting - Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 99(2) of the Companies Act:

'That, subject to and conditional on:

a) the MCAL Share Scheme being approved by the Supreme Court of New South Wales under section 411(4)(b) of the Corporations Act 2001 (Cth) (with or without modification as approved by the Supreme Court of New South Wales) and an office copy of the order of the Supreme Court of New South Wales approving the MCAL Share Scheme being lodged with the Australian Securities and Investments Commission; and

b) the Unitholders passing the Trust Scheme Resolutions and the Supreme Court of New South Wales confirming that MCAML would be justified in acting upon the Trust Scheme Resolutions and in doing all things and taking all steps necessary to put the Trust Scheme into effect,

pursuant to and in accordance with section 99 of the Companies Act, the arrangement proposed between MCAIL and the holders of its fully paid ordinary shares, designated the 'MCAIL Share Scheme', the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of MCAIL Share Scheme Meeting forms part), is agreed to, with or without modification as approved by the Court.'

Donna Phillips
Company Secretary
Dated 17 July 2008

Explanatory Statement

To enable you to make an informed decision on the Resolution, further information on the MCAIL Share Scheme is set out in the Scheme Booklet, of which this Notice of MCAIL Share Scheme Meeting forms part. Terms used in this Notice of MCAIL Share Scheme Meeting have the same meaning as set out in the Glossary in Section 15 of the Scheme Booklet.

These notes should be read in conjunction with the Notice of MCAIL Share Scheme Meeting and the Scheme Booklet.

Majority required

In accordance with section 99(2) of the Companies Act, the Resolution must be approved by:

i) a majority in number of the holders of MCAIL Shares present and voting (either in person, by proxy, under power of attorney or, in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and

ii) at least 75% of the votes cast on the Resolution.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, MCAIL Shares will be taken to be held by the persons who are registered as members at 7.00pm on 18 August 2008. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the MCAIL Share Scheme Meeting.

Voting at the meeting

You may vote in person at the meeting or appoint a proxy or attorney to attend and vote for you. MCAIL Shareholders, their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the MCAIL Share Scheme Meeting and bring a form of personal identification (such as a driver's licence).

a) Jointly held shares

If MCAIL Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the register will be counted.

b) Corporate shareholders

To vote at the meeting (other than by proxy or under power of attorney), a corporation that is a MCAIL Shareholder must appoint a person to act as its representative. The appointment must comply with the Constitution of MCAIIL. The representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

c) Voting by proxy

A MCAIL Shareholder entitled to attend and vote at the meeting is also entitled to vote by proxy. The proxy form is enclosed with this document. A proxy need not be a holder of MCAIL Shares.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the MCAIL Share Scheme Meeting.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Please note that proxy forms must be received at the registered office of MCAIL or the address listed below no less than 48 hours prior to the commencement of the MCAIL Share Scheme Meeting.

d) Voting under power of attorney

Powers of attorney must be received by the Registry, or at the registered office, by no later than 10.00am on 18 August 2008 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting).

An attorney appointed under a power of attorney will be admitted to the MCAIL Share Scheme Meeting and given a voting card upon providing at the point of entry to the MCAIL Share Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a MCAIL Shareholder from attending in person and voting at the MCAIL Share Scheme Meeting if the MCAIL Shareholder is entitled to attend and vote.

Lodgement of proxies and queries

Proxy forms, powers of attorney and authorities should be sent to MCAIL at the address specified on the enclosed reply paid envelope or to the address or facsimile specified below:

Post:	Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia
Facsimile:	(+61 3) 9473 2118
Delivery:	Computershare Sydney, Level 2, 60 Carrington Street, Sydney NSW 2000, Australia

Holders of MCAIL Shares should contact the Registry at the above address or the Securityholder information helpline on 1300 139 717 (from within Australia) or +61 3 9415 4387 (from outside Australia) with any queries.

Court approval

If the Resolutions are approved at the Share Scheme Meetings and the Trust Scheme by the requisite majorities, the implementation of the MCAIL Share Scheme (with or without modification) will be subject, among other things, to the subsequent sanction of the Court. MCAIL intends to apply to the Court for an order to give effect to the MCAIL Share Scheme if the Resolutions are so approved. The Court hearing for approval of the MCAIL Share Scheme is currently scheduled for Friday 22 August 2008 but is subject to change.

Notice of Trust Scheme Meeting

Macquarie Capital Alliance Management Limited
ACN 105 777 704

Notice is hereby given that a meeting of holders of units in the Macquarie Capital Alliance Trust ARSN 112 638 212 (MCAT) as confirmed by an order of the Supreme Court of New South Wales (Court) made on 17 July 2008 pursuant to section 63 of the Trustee Act 1925 (NSW) will be held at Sheraton on the Park, 161 Elizabeth Street, Sydney on 20 August 2008 at 10.00am or as soon after as the MCAIL Share Scheme Meeting is concluded or adjourned.

Ken Moss will act as Chairman of the meeting or failing him Robin Crawford.

Business of the meeting – Resolutions

Resolution 1 – Trust Deed Amendment Resolution: To consider, and if thought fit, to pass the following resolution, as a special resolution, in accordance with section 601GC(1)(a) of the Corporations Act:

'That, subject to and conditional on:

a) the MCAL Share Scheme being approved by the Court under section 411(4)(b) of the Corporations Act 2001 (Cth) ("Corporations Act") (with or without modification as approved by the Court) and an office copy of the order of the Court approving the MCAL Share Scheme being lodged with the Australian Securities and Investments Commission ("ASIC");

b) the MCAIL Share Scheme being sanctioned by the Supreme Court of Bermuda ("Bermuda Court") under section 99(2) of the Companies Act 1981 (Bermuda) ("Companies Act") (with or without modification as approved by the Bermuda Court) and a copy of the order of the Bermuda Court sanctioning the MCAIL Share Scheme being lodged with the Registrar of Companies in Bermuda; and

c) Resolution 2 in this Notice of Trust Scheme Meeting being passed,

the Constitution of MCAT be amended with effect on and from the Effective Date as set out in the Supplemental Deed for the purpose of giving effect to the Trust Scheme and the responsible entity of MCAT be authorised to execute and lodge with ASIC a copy of the Supplemental Deed.'

Resolution 2 – Acquisition Resolution: To consider and if thought fit, to pass the following resolution as an ordinary resolution:

'That, subject to, and conditional on:

a) the MCAL Share Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without modification as approved by the Court) and an office copy of the order of the Court approving the MCAL Share Scheme being lodged with the Australian Securities and Investments Commission;

b) the MCAIL Share Scheme being sanctioned by the Bermuda Court under section 99(2) of the Companies Act (with or without modification as approved by the Bermuda Court) and a copy of the order of the Bermuda Court sanctioning the MCAIL Share Scheme being lodged with the Registrar of Companies in Bermuda; and

c) Resolution 1 in this Notice of Trust Scheme Meeting being passed and an executed copy of the Supplemental Deed being lodged with ASIC before, or at the same time as the office copy of the orders of the Court approving the MCAL Share Scheme is lodged with ASIC,

the Trust Scheme (as described in the Scheme Booklet of which this Notice of Trust Scheme Meeting forms part) be approved and, in particular, the acquisition by Macquarie Advanced Investment Company Pty Limited ACN 131 467 411 of a relevant interest in all the MCAT Units existing as at the Scheme Record Date pursuant to the Trust Scheme be approved for the purposes of item 7 section 611 of the Corporations Act.'

By order of the Board of Macquarie Capital Alliance Management Limited

(the responsible entity of MCAT)

Leanne Pickering
Company Secretary

Dated 17 July 2008

Explanatory Statement

To enable you to make an informed decision on the Resolutions, further information on the Trust Scheme is set out in the Scheme Booklet, of which this Notice of Trust Scheme Meeting forms part. Terms used in this Notice of Trust Scheme Meeting have the same meaning as set out in the Glossary in Section 15 of the Scheme Booklet.

These notes should be read in conjunction with the Notice of Trust Scheme Meeting and Scheme Booklet.

Majority required

Resolution 1 will not be passed unless at least 75% of the votes entitled to be cast on the resolution are cast in favour of the resolution.

Resolution 2 will not be passed unless more than 50% of the votes entitled to be cast on the resolution are cast in favour of the resolution.

Entitlement to vote

The responsible entity of MCAT has determined that for the purposes of the Trust Scheme Meeting, MCAT Units will be taken to be held by the persons who are registered as members at 7.00pm on 18 August 2008. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Trust Scheme Meeting.

Voting Exclusions

Any votes cast in favour of Resolutions 1 and 2 by Macquarie Advanced Investment Company Pty Limited or its associates will be disregarded.

In accordance with section 253E of the Corporations Act, the responsible entity of MCAT and its associates are not entitled to vote their interest on any resolution at a meeting of MCAT Unitholders if they have an interest in the resolution or matter other than as a member of MCAT.

Voting at the meeting

You may vote in person at the meeting or appoint a proxy or attorney to attend and vote for you. MCAT Unitholders, their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Trust Scheme Meeting and bring a form of personal identification (such as a diver's license).

a) Jointly held units

If MCAT Units are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the register will be counted.

b) Corporate unitholders

To vote at the meeting (other than by proxy or attorney), a corporation that is a MCAT Unitholder must appoint a person to act as its representative. The appointment must comply with section 253B of the Corporations Act. The representative must bring to the meeting evidence of his or her appointment including any authority under which it is signed.

c) Voting by proxy

A MCAT Unitholder entitled to attend and vote at the meeting is also entitled to vote by proxy. The proxy form is enclosed with this document. A proxy need not be a holder of MCAT Units. If you are entitled to cast two or more votes at the Trust Scheme Meeting you may appoint up to two proxies to attend and act for you at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes (disregarding fractions).

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Trust Scheme Meeting.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Please note that proxy forms must be received at the registered office of MCAML or the address listed below no less than 48 hours prior to the commencement of the Trust Scheme Meeting.

d) Voting by attorney

Powers of attorney must be received by the Registry, or at the registered office, by no later than 10.00am on 18 August 2008 (or if the meeting is adjourned, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting).

An attorney will be admitted to the Trust Scheme Meeting and given a voting card upon providing at the point of entry to the Trust Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude an MCAT member from attending in person and voting at the Trust Scheme Meeting if the MCAT member is entitled to attend and vote.

Lodgement of proxies and queries

Proxy forms, powers of attorney and authorities should be sent to MCAT at the address specified on the enclosed reply paid envelope or to the address or facsimile specified below:

Post:	Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia
Facsimile:	(+61 3) 9473 2118
Delivery:	Computershare Sydney, Level 2, 60 Carrington Street, Sydney NSW 2000, Australia

Holders of MCAT Units should contact the Registry at the above address or the Securityholder information helpline on 1300 139 717 (from within Australia) or +61 3 9415 4387 (from outside Australia) with any queries.

Judicial Advice

If the Resolutions are approved at the Trust Scheme Meeting by the requisite majorities, the implementation of the Trust Scheme will be subject, among other things, to the subsequent confirmation by the Court, under section 63 of the Trustee Act 1925 (NSW) that, MCAML would be justified in acting upon the Resolutions and in doing all things and taking all necessary steps to put the Trust Scheme into effect. MCAG intends to apply to the Court on behalf of the responsible entity of MCAT for orders to give effect to the Trust Scheme if the Resolutions are so approved.

CORPORATE DIRECTORY

Macquarie Capital Alliance Group
No. 1 Martin Place
Sydney NSW 2000
Telephone (Australia): 1800 215 868
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Email:mcag@macquarie.com
www.macquarie.com/mcag

Responsible Entity for Macquarie Capital Alliance Trust, manager for Macquarie Capital Alliance Limited and adviser for Macquarie Capital Alliance International Limited: Macquarie Capital Alliance Management Limited

Directors

MCAL

Rowan Ross (Chairman)
Robin Crawford
Anthony Nagel
Ken Moss

MCAML

Rowan Ross (Chairman)
Robin Crawford
Anthony Nagel
Ken Moss
Michael Carapiet

MCAIL

Kim Carter (Chairman)
Rowan Ross
Rodney Birrell
Anthony Nagel

Secretaries

Christine Williams (MCAL and MCAML only)
Leanne Pickering (MCAL and MCAML only)
Dennis Leong (MCAML only)
Donna Phillips (MCAIL only)

Chief Executive Officer

Michael Cook

Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000
Australia
Telephone (Australia): 1300 139 717
Telephone (international): +61 3 9415 4387
Facsimile: (612) 8234 5050

Legal Adviser

Minter Ellison
Aurora Place, 88 Phillip Street
Sydney NSW 2000

MAIG

Macquarie Capital Loans Management Limited
as responsible entity of Macquarie Advanced Investment Trust
No. 1 Martin Place
Sydney NSW 2000