

## BABCOCK & BROWN

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ASX Release

18 June 2007

### BABCOCK & BROWN COMMUNITIES LODGES OFFER DOCUMENT

International investment and advisory firm Babcock & Brown (ASX: BNB) announced today that, Babcock & Brown Responsible Entity No. 1 Limited (to be renamed Babcock & Brown Communities Investor Services Limited) as responsible entity for the Babcock & Brown Communities Trust, together with Primelife Corporation Limited (to be renamed Babcock & Brown Communities Limited) has lodged a combined Product Disclosure Statement and Prospectus ("BBC Offer Document") in relation to the proposed Babcock & Brown Communities Group ("BBC") with the Australian Securities and Investments Commission for the issue of new stapled securities in BBC ("Offer").

Rob Topfer, Global Head of Corporate Finance at Babcock & Brown said, "As it will be the largest "pure play" owner, operator and developer of senior living communities listed on the ASX, we believe BBC is a very attractive opportunity for investors that will provide stable and diversified income streams, attractive returns, a solid platform for growth and a unique exposure to a growing part of the residential property market.

"Babcock & Brown is a committed long term investor in the senior living sector and will continue to hold approximately 10% of BBC following listing, reinforcing the alignment of interests with other BBC investors."

#### Details of the Offer

The Offer comprises:

- a Main Offer to selected individuals and entities, domestic institutional investors and selected overseas institutional investors and selected brokers;
- a Priority Offer to eligible Primelife shareholders and eligible Primelife noteholders; and

Sydney  
Melbourne  
Brisbane  
Auckland  
Vancouver  
San Francisco  
San Diego  
Dallas  
Houston  
Toronto  
New York  
Greenwich  
Dublin  
Madrid  
London  
Paris  
Luxembourg  
Mian  
Munich  
Rome  
Vienna  
Johannesburg  
Dubai  
Kuala Lumpur  
Singapore  
Hong Kong  
Perth  
Tokyo

## BABCOCK & BROWN

- a Resident and Employee Offer to eligible residents of BBC villages and BBC employees.

There is no general public offer.

Under the Main Offer, new stapled securities will be offered at \$1.15 to raise at least \$300 million, which amount has been underwritten, and up to a maximum of \$400 million.

Under the Priority and Resident and Employee Offers new stapled securities will be offered at \$1.10 to raise up to \$75 million, which amount has been fully underwritten.

The total stapled securities on issue following the capital raising will be at least 493.3 million and up to a maximum of 648.5 million resulting in an implied market capitalisation of between \$567 and \$742 million.

### Key Dates

All Offers open (excluding the Institutional Offer)	27 June 2007
All Offers close (excluding the Institutional Offer)	20 July 2007
Institutional Offer opens	9.00am on 25 July 2007
Institutional Offer closes	5.00pm on 25 July 2007
Expected commencement of trading of New Stapled Securities (deferred settlement basis)	3 August 2007
Expected despatch of holder statements for Stapled Securities and refunds if required	9 August 2007
Stapled Securities commence normal trading on ASX	10 August 2007

Please see attached the BBC Offer Document.

### ENDS

#### Further Information:

Kelly Hibbins  
Babcock & Brown  
kelly.hibbins@babcockbrown.com  
+61 2 9229 1866

#### About Babcock & Brown

Babcock & Brown is a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management

## **BABCOCK & BROWN**

of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Stock Exchange.

Babcock & Brown operates from 28 offices across Australia, North America, Europe, Asia, United Arab Emirates and Africa and has in excess of 1000 employees worldwide. Babcock & Brown has five operating divisions including real estate, infrastructure and project finance, operating leasing, structured finance and corporate finance. The company has established a funds management platform across the operating divisions that has resulted in the creation of a number of focused investment vehicles in areas including real estate, renewable energy and infrastructure.

For further information about Babcock & Brown please see our website: [www.babcockbrown.com](http://www.babcockbrown.com)

Monday, 18 June 2007

The Manager  
Company Announcements Platform  
Australian Stock Exchange Limited

Dear Sir/Madam,

**Primelife Corporation Limited – Lodgment of combined Prospectus & Product Disclosure Statement in relation to a proposed capital raising of up to \$475 million**

Primelife Corporation Limited (ASX Code: PLF) ("Primelife") advises that on 15 June 2007 it, together with Babcock & Brown Responsible Entity No. 1 Limited ACN 080 737 042 (to be renamed Babcock & Brown Communities Investor Services Limited) as responsible entity for the Babcock & Brown Communities Trust ARSN 124 896 733 ("BBCT") lodged with the Australian Securities & Investments Commission a combined Prospectus & Product Disclosure Statement to raise up to \$475 million by the issue of Primelife shares stapled to units in BBCT.

The proposed capital raising is an inter-conditional element of the "Restructure Proposal" previously announced by Primelife on 30 May 2007 and 15 June 2007.

A copy of the Prospectus & Product Disclosure Statement is attached to this announcement, together with an Appendix 3B for the quotation for the Primelife share proposed to be issued under the Prospectus & Product Disclosure Statement.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Gregor Dixon".

**Gregor Dixon**  
Company Secretary

**Primelife Corporation Limited**  
ABN 16 010 622 901  
Level 2, 210 Kings Way  
South Melbourne Vic 3205

**T** +61-3-8699-3300  
**F** +61-3-8699 3399  
**W** [www.primelife.com.au](http://www.primelife.com.au)



# PROSPECTUS & PRODUCT DISCLOSURE STATEMENT

Issued by:  
Prinellia Corporation Limited  
ABN is 010 622 901 (proposed to be  
renamed "Babcock & Brown Communities  
Limited")

and  
Babcock & Brown Responsible Entity  
No. 1 Limited ABN 33 080 737 042,  
AFSL 258933 (proposed to be renamed  
Babcock & Brown Communities Investor  
Services Limited) as Responsible Entity  
for Babcock & Brown Communities Trust  
(ARSN 124 896 733)



Financial Adviser



Joint Lead Managers



Co-Lead Managers



# Opportunity to invest in ASX's largest "pure play" owner, operator and developer of Senior Living communities



Combination of Babcock & Brown, an experienced Senior Living adviser and investment manager and Primelife, an experienced operational manager

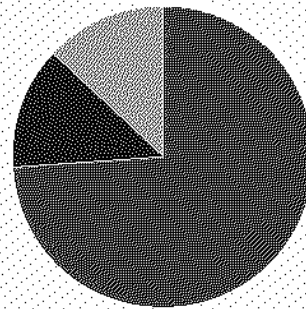
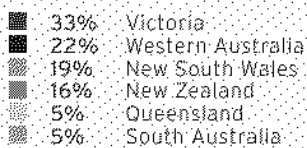
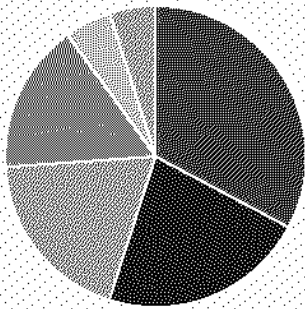
(clockwise from top left) Harbourside Village Mindarie, Annesley Bowral, Coastal Waters and Waterford Park.

Cover (clockwise from top) Waterford Valley Lakes, Harbourside Village Mindarie, Elliot Gardens, Waterford Park and Annesley Bowral.

# Babcock & Brown Communities Group

National Operating Platform

Continuum of Care



Industry leader with 6,262 retirement living units across 44 villages and 941 aged care beds across 17 facilities

Substantial land-bank and development pipeline across 18 sites

BBCG well positioned to take advantage of growth opportunities in the sector

# Important notice

## PROSPECTUS AND PRODUCT DISCLOSURE STATEMENT

To the extent that this Offer relates to the issue of a BBCT Unit, this document is a product disclosure statement within the meaning of section 761A of the Corporations Act for the purposes of Part 7.9 of the Corporations Act, issued by BBCIS in its capacity as Responsible Entity of BBCT. To the extent that this Offer relates to the issue of a BBCL Share, this document is a prospectus within the meaning of section 9 of the Corporations Act for the purposes of Part 6D.2 of the Corporations Act, issued by Primelife.

This prospectus and product disclosure statement (together referred to as the "Offer Document") is dated 15 June 2007 and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. Primelife and BBCIS take joint responsibility for this Offer Document.

An application will be made, within seven days from the date of this Offer Document first, by BBCIS for BBCT to be admitted to the Official List of ASX and second, by Babcock & Brown Communities Group ("BBCG") for the quotation on ASX of the New Stapled Securities issued under this Offer Document. Each New Stapled Security comprises one fully-paid ordinary share in Primelife Corporation Limited ABN 16 010 622 901 (proposed to be renamed "Babcock & Brown Communities Limited") ("Primelife" or "BBCL") and one fully-paid unit in Babcock & Brown Communities Trust (ARSN 124 896 733) ("BBCT"), which are stapled together and cannot be traded or dealt with separately ("Stapled Securities").

Neither ASX nor ASIC takes any responsibility for the contents of this Offer Document. The fact that ASX may admit BBCT to the Official List and quote the Stapled Securities is not to be taken in any way as an indication of the merits of BBCG. No Stapled Securities will be allotted, issued or sold on the basis of this Offer Document after the expiry date of 15 July 2008.

## RESTRUCTURE PROPOSAL

This Offer Document contains important information about the Restructure Proposal. However, this Offer Document is not an explanatory statement in relation to the Restructure Proposal. An Explanatory Memorandum in relation to the Restructure Proposal was lodged by Primelife with ASIC and ASX on 15 June 2007 ("Explanatory Memorandum"). That document is available from Primelife at Level 2, 210 Kings Way, South Melbourne, Victoria and on [www.primelife.com.au](http://www.primelife.com.au). The Scheme Meeting and General Meeting, the subject of the Restructure Proposal, is expected to be held on 19 July 2007.

The Explanatory Memorandum is not incorporated in nor does it form part of this Offer Document.

The Offer is conditional on the Scheme becoming Effective. If the Scheme does not become Effective:

- on or before 14 August 2007 (or a later date agreed to by the Joint Lead Managers), the Underwriters of the Main Offer have the right to terminate their obligations under the Main Offer Underwriting Agreement (see Section 12.9.7 for details of this and other termination rights of the Underwriters); and
- on or before the date that is three months after the date of this Offer Document, then Stapled Securities cannot be issued and the Offer will not proceed (see Section 2.10 for details of what occurs if Stapled Securities issued under this Offer Document are not quoted on ASX within three months after the date of this Offer Document).

## NO ADVICE

This Offer Document is not investment advice. You should seek your own financial advice. Before deciding whether to invest, you should read this Offer Document in its entirety. In particular, in considering the prospects of BBCG, you should consider the assumptions underlying the forecast financial information and the risk factors that could affect the financial performance of BBCG. The information in this

Offer Document is general only and does not take into account your individual objectives, financial situation and needs. Consequently, you should carefully consider whether the Offer is a suitable investment for you in light of your individual objectives, financial situation and needs (including taxation issues). If you are unsure you should seek professional advice from your accountant, stockbroker, lawyer, Australian financial services licensee, authorised representative or other professional adviser before deciding whether to invest. No person is authorised to give any information or to make any representation in relation to the Offer described in this Offer Document other than as contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied on as having been authorised by Primelife and/or the Responsible Entity.

## SELLING RESTRICTIONS

The Stapled Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Stapled Securities (if issued) may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) unless the Stapled Securities are registered under the Securities Act or offered and sold in compliance with an exemption from the registration requirements of the Securities Act and any applicable state security laws. Accordingly, the Stapled Securities are being offered and sold only outside the United States in compliance with Regulation S.

The Stapled Securities have not been approved or disapproved by the United States Securities and Exchange Commission or any other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained within this Prospectus. Any

presentation to the contrary is a criminal offence in the United States.

## DEFINITIONS AND PHOTOGRAPHS

Defined terms and abbreviations (including common industry terms) used in this Offer Document are explained in the Glossary (Section 13).

The assets depicted in photographs and diagrams in this Offer Document are not assets of BBCG unless otherwise stated, nor are they products or services provided by BBCG. Diagrams in this Offer Document are illustrative only and are not drawn to scale.

## FINANCIAL AMOUNTS

All financial amounts contained in the Offer Document are expressed in Australian dollars unless otherwise stated.

## ELECTRONIC OFFER DOCUMENT

This Offer Document is available in electronic form and can be found on the Primelife website at [www.primelife.com.au](http://www.primelife.com.au) from the beginning of the exposure period (referred to below). The Offer constituted by this Offer Document in electronic form is available only to persons (other than U.S. Persons) receiving this Offer Document in electronic form within Australia during the Offer Period. Eligible persons having received a copy of this Offer Document in its electronic form may, during the Offer Period, obtain a paper copy of the Offer Document (free of charge) by telephoning the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST). Applications for Stapled Securities may only be made as set out in this Offer Document and may require an Application Form which accompanies this Offer Document as downloaded together with the entire Offer Document from the Primelife website at [www.primelife.com.au](http://www.primelife.com.au) during the Offer Period. The Corporations Act prohibits any person from passing on to any other person an Application Form unless it is attached to a hard copy of this Offer Document or the complete and



unaltered electronic version of this Offer Document. Persons who receive the electronic Offer Document should ensure that they download and read the entire Offer Document.

#### **EXPOSURE PERIOD**

The Corporations Act prohibits BBCG from processing Applications in the seven day period after the date of lodgement of the Offer Document. This exposure period may be extended by ASIC by a further seven days. *No offer of Stapled Securities is being made during the exposure period.*

Applications will only be processed after the expiry of the exposure period. No preference will be conferred on Applications received in the exposure period.

This Offer Document will be made generally available during the exposure period at the following internet site [www.primelife.com.au](http://www.primelife.com.au).

#### **UP-TO-DATE INFORMATION**

Information relating to the Offer may change from time to time. Where this information is not of a kind that is required to be included in a supplementary prospectus and product disclosure statement, this information may be updated and made available on our website at [www.primelife.com](http://www.primelife.com) or, by way of paper copy free of charge, by contacting the BBCG Offer Information Line

on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST). Where updated information about the Offer requires the issue of a supplementary prospectus and/or supplementary product disclosure statement in accordance with the Corporations Act, a supplementary offer document will be issued.

#### **FORWARD LOOKING STATEMENT**

This Offer Document includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. Factors which may affect future financial performance include, among other things, those identified in Sections 7, 8 and 9 of this Offer Document. The assumptions on which prospective financial information is based may prove to be incorrect or may be affected by matters not currently known to, or considered material by, Primelife or the Responsible Entity.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Primelife, the Responsible Entity, their officers, any person named in this Offer Document or any person involved in the preparation of this Offer Document makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, nor guarantees the performance of BBCG or its Stapled Securities or the payment of a particular rate of return on Stapled Securities. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Offer Document reflect views held only as at the date of this Offer Document.

#### **NO COOLING OFF**

Applicants have no cooling off rights in relation to Stapled Securities for which they apply. This means you cannot withdraw your Application once it has been made other than as permitted in the Corporations Act.

#### **PRIVACY**

If you apply for Stapled Securities, you will be asked to provide personal information to BBCG, directly and/or via the Registry. BBCG and its Registries collect, hold and use that personal information to assess and process your Application, provide facilities and services to you as an investor and undertake appropriate administration. Access to the information may also be provided to BBCG's agents, contractors and third party service providers to whom we outsource services such as mailing functions, Registry and accounting on the condition that they only use and disclose that information for BBCG's benefit and observe their obligations under the Privacy Act. If you do not provide us with the information requested, we may not be able to process your Application or administer your holding of Stapled Securities.

Once you become a holder of Stapled Securities, the Corporations Act requires information about you (including your name, address and details of the Stapled Securities you hold) to be included in BBCG's public register. This information must continue to be included in BBCG's public register if you cease to hold Stapled Securities.

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## Important dates<sup>1</sup>

Date of Offer Document

15 June 2007

All Offers open (excluding the Institutional Offer)

27 June 2007

All Offers close (excluding the Institutional Offer)

20 July 2007

Institutional Offer opens

9.00am on 25 July 2007

Institutional Offer closes

5.00pm on 25 July 2007

Expected commencement of trading of New  
Stapled Securities (deferred settlement basis)

3 August 2007

Expected despatch of holder statements for  
Stapled Securities and refunds if required

10 August 2007

Stapled Securities commence normal trading  
on ASX

13 August 2007

<sup>1</sup> ASIC may extend the exposure period by up to seven days, in which case all of the Offers (excluding the Institutional Offer) will likely open seven days later. No offer of Stapled Securities is being made during the exposure period.

These dates are indicative only and may change. BBCG has the right, in consultation with the Financial Adviser and the Underwriters, to amend these dates without notice, including, subject to the Corporations Act and ASX Listing Rules, to close any of the Offers early, to extend the closing date of any of the Offers, to accept late Applications either generally or in particular cases or to withdraw any of the Offers at any time prior to the Allotment Date. If any of these dates are changed, subsequent dates may also change. You are encouraged to submit your Application as soon as possible after the relevant Offer opens.

# Key Offer information

## OFFER SUMMARY

<b>Price per Stapled Security</b>	<b>\$</b>
Main Offer Price	\$1.15
Priority Offer and Resident and Employee Offer Price	\$1.10

<b>Key investment details of the Capital Raising</b>	<b>Main Offer</b>	<b>Priority Offer</b>	<b>Resident and Employee Offer</b>
Offer size	\$300 million - \$400 million	\$50 million	\$25 million
Stapled Securities available	260.9 million - 347.8 million	45.5 million	22.7 million

	<b>Maximum<sup>1</sup></b>	<b>Minimum<sup>2</sup></b>
Total number of Stapled Securities on issue following the Capital Raising	648.5 million	493.3 million
Market capitalisation on Allotment Date (based on the Main Offer Price) <sup>3</sup>	\$742 million	\$567 million
Net debt <sup>4</sup>	\$206 million	\$375 million
Enterprise value <sup>5</sup>	\$948 million	\$942 million
Gearing (net debt as a percentage of Adjusted Gross Assets)	20%	37%

1 Based on Maximum Capital Raising Amount of \$475 million.

2 Based on Minimum Capital Raising Amount of \$300 million (all having been received under Main Offer).

3 Adjusted for Stapled Securities issued at \$1.10.

4 Net debt as per BBCG pro forma 31 December 2006 balance sheet adjusted for expected cash flow movements relating to the business and the Restructure Proposal up to the Allotment Date.

5 Comprises market capitalisation plus net debt.

<b>Forecast financial information</b>	<b>FY08 Period<sup>6</sup></b>
Distribution per Stapled Security	8.4 cents
Annualised distribution yield <sup>7</sup>	8.0%
Tax deferred %	100%
Pro forma 2008 EBITDA <sup>8</sup>	\$81.2 million
Enterprise value/EBITDA multiple (times) <sup>9</sup>	11.7x

6 Period from Allotment Date (expected to be 3 August 2007) to 30 June 2008.

7 Annualised yield based on Main Offer Price and on period from Allotment Date (expected to be 3 August 2007) to 30 June 2008.

8 Pro forma forecast EBITDA for the year ended 30 June 2008 (see Section 7).

9 Based on estimated enterprise value at Allotment Date (at Maximum Capital Raising Amount) and pro forma forecast EBITDA for the year ended 30 June 2008 (see Section 7).

All financial forecasts have been prepared by BBCG. No assurances can be given about the payment of distributions, the level of franking, the payout ratio or the extent to which distributions will be tax deferred for any period. See Sections 7.5 and 7.6 for further information about the assumptions on which the Directors' Forecasts are based and sensitivities to changes in key assumptions. See Section 8 for details of the risks associated with an investment in Stapled Securities.

The minimum investment in BBCG under this Offer Document is 1,500 Stapled Securities.

## ENQUIRIES

Potential investors are advised to read this Offer Document in its entirety. Before deciding whether to invest, you should seek professional advice from your stockbroker, accountant or financial adviser about your individual objectives, financial situation and needs. If you have any questions about the Offer or how to complete the Application Form, you should call the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST) or alternatively contact your stockbroker, accountant or financial adviser.

# Chairman's letter

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a Securityholder in Babcock & Brown Communities Group (BBCG).

BBCG represents the consolidation of three significant Senior Living businesses, Primelife, the PrimeLiving Trust and the Fini Portfolio, into Australia's largest listed "pure play" Senior Living business and provides an exciting opportunity for investors to be part of an industry leading investment platform.

BBCG offers a unique opportunity to invest in an integrated Senior Living business that is expected to deliver a combination of an attractive income yield with strong growth potential from its portfolio of 61 established and 18 developing Senior Living communities across Australia and New Zealand.

BBCG expects to pay an annualised distribution yield of 8%, based on the Main Offer Price of \$1.15, in the FY08 Period (8.4% based on the Priority Offer and Resident and Employee Offer Price of \$1.10). These distributions are expected to be fully tax deferred. BBCG will have total pro forma assets of \$1.8 billion (pro forma 31 December 2006) and total forecast pro forma revenue of approximately \$169 million in FY08 (see Section 7).

BBCG is expected to benefit from increasing demand for Senior Living products and services in Australia and New Zealand driven by an ageing population and a growing acceptance of Senior Living communities as these markets mature. BBCG will be well positioned for growth, both organically, through its fully-owned development pipeline of 2,110 Retirement Village units and 171 Aged Care beds, and through targeted accretive acquisitions.

BBCG will be managed by Babcock & Brown and will benefit from its considerable experience in the Senior Living sector and its global investment origination, execution and capital raising expertise. BBCG will also benefit from the operational expertise within the Primelife and Fini businesses.

Babcock & Brown will be a cornerstone investor in BBCG and intends to hold approximately 10% of BBCG at listing. This investment will be held in voluntary escrow for 12 months and, together with the performance-based nature of the Management Arrangements, represents a strong alignment of interest between Securityholders and the Manager of BBCG.

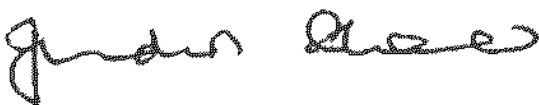
BBCG will use the proceeds of the Offer to recapitalise the combined business and fund the acquisition of the Fini Portfolio, a premium portfolio of seven Retirement Villages in Western Australia, sourced by Babcock & Brown.

The Offer is part of a Restructure Proposal announced by Primelife and Babcock & Brown on 30 May 2007 and is subject to approval by Primelife Shareholders and the Court.

This Offer Document contains detailed information about BBCG. I encourage you to read it carefully before making an investment decision.

The Directors look forward to welcoming you as a Securityholder of BBCG.

Yours sincerely,



PROFESSOR JUDITH SLOAN  
Chairman-elect  
Babcock & Brown Communities Group

# Unique Senior Living investment

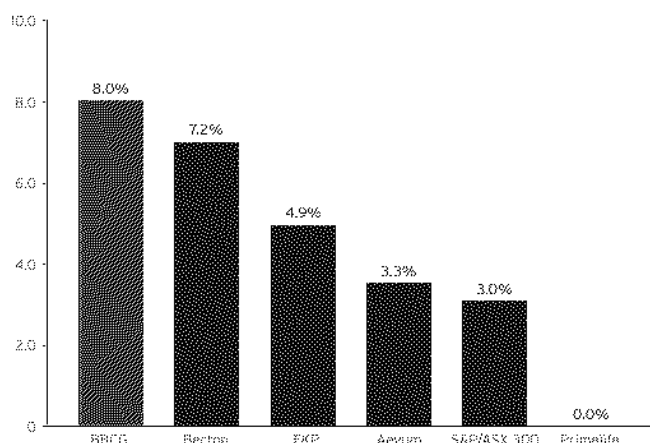
## Attractive Forecast Yield

- Annualised distribution yield of 8.0% in the FY08 Period - approximately 8.4% based on Priority Offer and Resident and Employee Offer Price
- Distribution growth of 9% per annum required for payment of full Base Fee in FY09 and FY10
- Expected to be 100% tax deferred for at least the next three years

## Australia's largest "pure play" Senior Living business

- BBCG to be largest "pure play" owner, operator and developer of Senior Living communities listed on ASX
- Substantial portfolio of 61 Senior Living communities with 18 under development
- Portfolio diversified across all Australian mainland states and into New Zealand

### FORECAST DISTRIBUTION YIELD - FY08

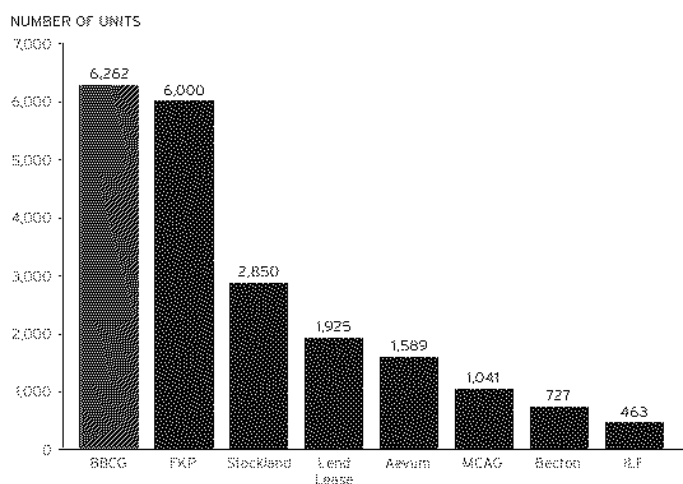


Source: Bloomberg consensus estimates, IRESS as at 14 June 2007

Notes:

1. BBCG 8% yield represents an annualised distribution yield for the FY08 period. All other yield percentages reflect forecast yields for the 12 months ending 30 June 2008. For further details of BBCG's forecasts, distributions and related assumptions please refer to Section 7. No assurances can be given about the payment of distributions, the level of franking, the payout ratio or the extent to which distributions will be tax deferred for any period.
2. S&P/ASX 300 represents an FY07 historical yield as at 31 May 2007 (calculated on a monthly basis).

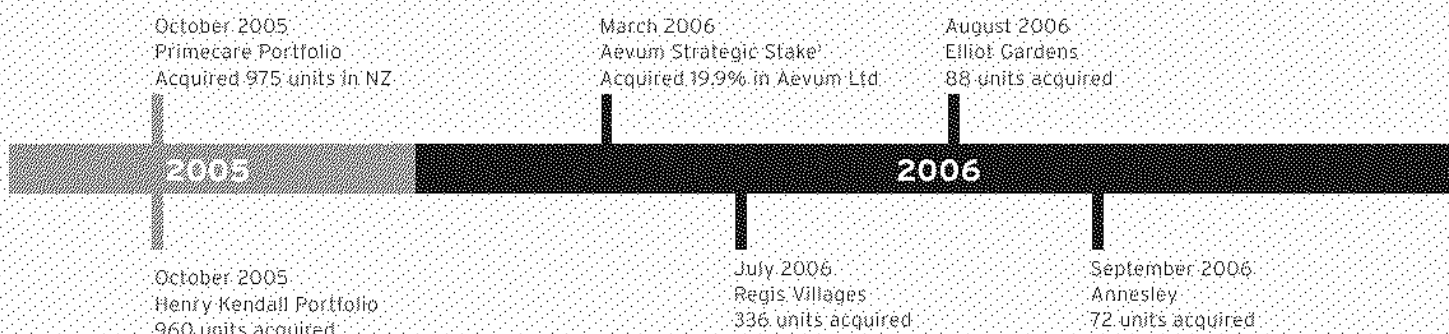
### RETIREMENT VILLAGES UNITS WITH DMF EXPOSURE



Note: Aevum is the only other "pure play" Senior Living business listed on ASX.

Source: Company announcements and Management

### BABCOCK & BROWN ORIGINATED TRANSACTIONS IN THE SENIOR LIVING SECTOR



Notes:

1. The Aevum Strategic Stake (currently representing approximately 16.2% of Aevum shares) will not be directly held by BBCG. However, BBCG will own 25.3% of the stake via an off-market vehicle.
2. The Ryman Strategic Stake will not be included in BBCG, 12.6% represents a relevant interest.
3. Secured via a call option.

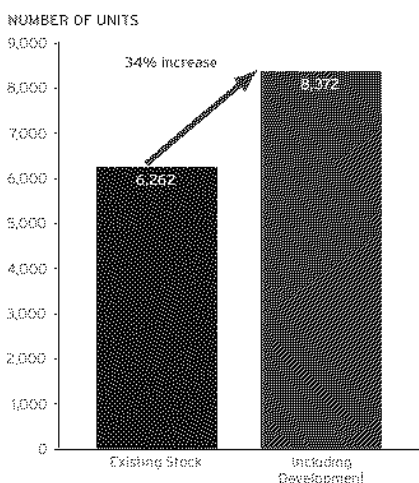
**Strong growth prospects**

- Embedded organic growth through owned development pipeline of 2,110 Retirement Village units
- Acquisition opportunities in a highly fragmented market
- BBCG uniquely placed to establish first truly national Senior Living platform

**Stable and diversified income streams from integrated business model**

- Integrated business to earn revenue at each stage of the Senior Living continuum
- Annuity-style DMF income from managing Retirement Village portfolio
- Development profit from first-time sales of Retirement Village units
- Stable and largely government-funded Aged Care revenue

**RETIREMENT VILLAGE UNITS**

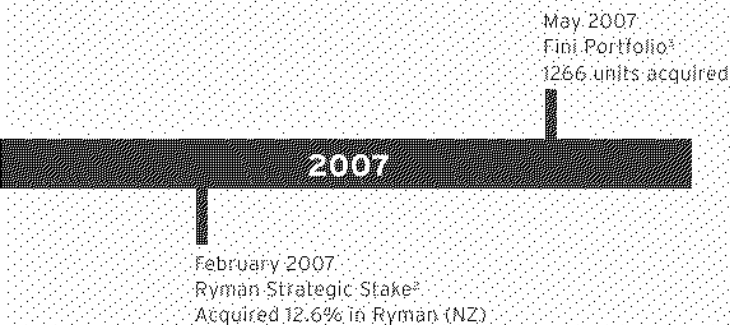


**Unique exposure to residential property market**

- Favourable industry dynamics for Senior Living due to ageing population
- Significant development of additional facilities required to meet growing demand
- BBCG shares in capital growth of properties through Deferred Management Fees (DMF)
- Traditionally a cottage industry inaccessible to the wider investment market

**Benefiting from Babcock & Brown's investment expertise**

- Babcock & Brown has significant investment experience in the Senior Living sector, originating and executing eight transactions in the last two years with a total value in excess of \$500 million, on a proprietary basis
- Access to Babcock & Brown's global investment origination, execution and advisory services
- Babcock & Brown manages over \$44 billion of assets, including eight ASX-listed funds



# Favourable industry dynamics for the Australian Senior Living sector

## Senior Living market growth

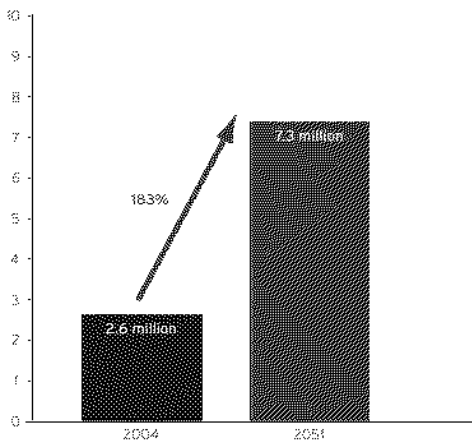
- Demand for Senior Living driven by rapidly ageing Australian population
- Over 65s is Australia's fastest growing age group - naturally increasing target market
- Australian Bureau of Statistics projects number of people over 65 to more than double by 2051

## Significant consolidation opportunities in highly fragmented Senior Living market

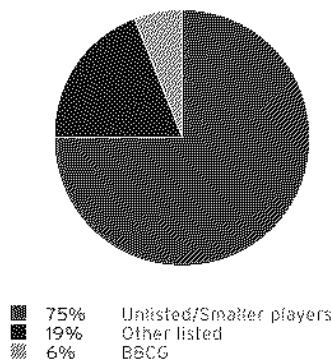
- No dominant players in highly fragmented Senior Living market
- BBCG will be well positioned to lead industry consolidation through access to Babcock & Brown's transaction origination, structuring and execution capabilities

## RETIREMENT LIVING

POPULATION AGED 65+ (MILLION)



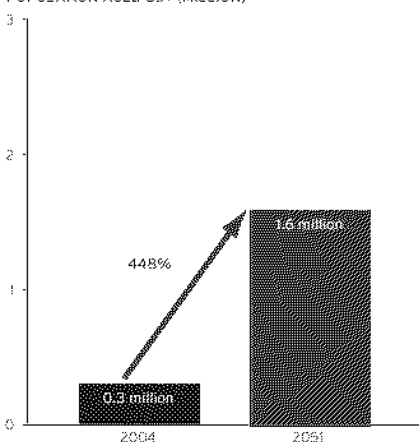
## RETIREMENT VILLAGES - ESTIMATED MARKET SHARE



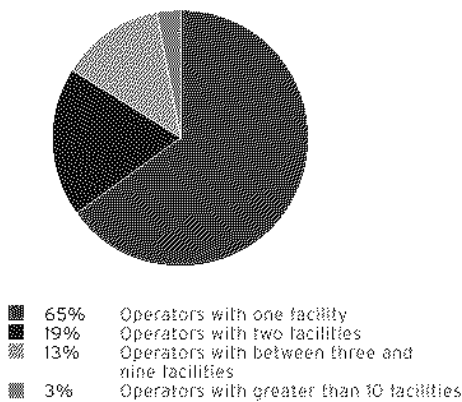
Source: Based on management estimate of market size (85,000 units) and company announcements

## AGED CARE

POPULATION AGED 85+ (MILLION)



## AGED CARE MARKET FRAGMENTATION - FOR-PROFIT SECTOR



Note: For-profit sector estimated to account for 35% of total Aged Care sector. Percentages based on number of operators.

Source: SCRGSP, Report on Government Services 2004, Productivity Commission, Canberra

Source: Australian Bureau of Statistics (cat. no. 3222.0 Population Projections, Australia, 2004-2101 Series B, Table 5.4)

Note: Projections assumptions (Series B) used by ABS include: total fertility rate of 1.7, net overseas migration of 110,000 per annum, life expectancy of 84.9 years for males and 88.0 for females.



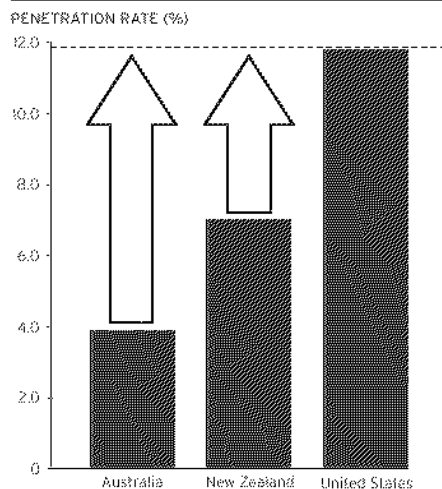
**Penetration rates to rise as Senior Living market matures**

- Senior Living is an emerging market in Australia and New Zealand
- Current penetration rates are approximately 4% in Australia
- BBCG expects these rates to increase towards mature market rates, such as United States at 12%
- Driven by demographic factors, improved product and increased social acceptance of Retirement Living

**Need for further investment in Senior Living**

- Current stock of Senior Living insufficient to meet increasing demand
- BBCG to benefit through substantial development pipeline across 18 sites
- Access to development opportunities through Babcock & Brown’s global property network
- Development sales add to annuity pool of DMF income

**COMPARABLE COUNTRY PENETRATION RATES**



Source: Management estimates based on industry data

Important: The charts on this and preceding pages of "Investment highlights" are prepared on the assumption that the Fini Acquisition Proposal proceeds. As at the date of this Offer Document, the Directors have no reason to believe that the Fini Acquisition Proposal will not proceed. The Fini Portfolio is identified separately in Table 4.2 and further described in Section 6.2.5. Section 7.12 provides pro forma financial information for BBCG excluding the Fini Portfolio. Regardless of whether or not the Fini Portfolio is acquired, all of the "investment highlights" set out above and described further in this Offer Document are endorsed by the Directors. Please refer to Sections 6.2.5, 8.6.1, 12.9.5 and 12.9.6 for a description of the factors affecting whether or not the Fini Acquisition Proposal will proceed.



Parklands Villa Ellenbrook

# Key risks<sup>1</sup>

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## **PROPERTY MARKET FLUCTUATIONS**

The value of, and returns from, BBCG's property assets may fluctuate depending on property market conditions and growth rates. The demand for property as an asset class may change over time and can be influenced by general economic factors such as interest rates and stock market cycles.

## **DEVELOPMENT RISK**

If development costs escalate beyond those anticipated or a project is delayed due to factors beyond the control of BBCG, returns from development activities may be adversely impacted. If future appropriate planning consents are not obtained, proposed revenue generating developments may not proceed as anticipated.

## **INABILITY TO ACHIEVE ANTICIPATED SALES**

A delay in selling developments completed by BBCG (whether caused by construction delays and/or difficult market conditions) or a failure to achieve expected sales prices may impact the earnings, cash flows and distributions of BBCG. In addition, BBCG will realise DMF income on resale of a Retirement Village unit when a resident departs. If resales do not occur as expected, because either the average resident length of stay increases or because of difficult market conditions, cash flows and distributions may be impacted.

## **RESIDENT PREFERENCES AND OBSOLESCENCE**

Resident preferences for Retirement Village assets are subject to change. Current preferences are no indication of future preferences. Although there is currently strong demand for a lifestyle based product, there is no assurance that this preference will be sustained in the future. Any current preference accommodated by BBCG may not suit future Retirement Village residents.

Over time, BBCG may need to redevelop its existing Retirement Villages as basic resident requirements change and product becomes obsolete. This could adversely impact future costs and cash flows. BBCG does not currently have any plans to undertake any significant redevelopment at any of its existing Retirement Villages.

## **REGULATORY AND REPUTATIONAL RISK**

Retirement Village and Aged Care industries are subject to government legislation; Retirement Villages at a state level and Aged Care at a federal level. DMF contract structures for Retirement Villages may be altered by legislation, possibly impacting DMF income. Non-compliance in Aged Care operating standards can lead to sanctions, closure of operations, impacting revenues at that facility with resultant damage to the corporate brand and reputation.

## **MANAGEMENT FEES**

The fees payable by BBCG to the Manager under the Management Agreements and the fees, if any, payable to Babcock & Brown under the Preferred Financial Advisory Agreement, will reduce BBCG's earnings and potentially impact its ability to pay distributions. The fees payable to the Manager are specified in the Management Agreements and are not subject to periodic review. The fees payable under the Preferred Financial Advisory Agreement are based on market rates at the time of individual engagements under that agreement and must be approved by the Independent Directors. Please refer to Section 9 for an overview of fee arrangements and to Section 12.9.3 for a summary of the Management Agreements and the Preferred Financial Advisory Agreement.

## **MANAGEMENT ARRANGEMENTS RISK**

### **(I) DISINCENTIVE FOR FUTURE TAKEOVER**

The Management Agreements are for a 10 year period, subject to Securityholder approved extensions. If ASX policy changes to permit a longer term, this 10 year term will automatically be increased without Securityholder approval to the maximum permitted term, not exceeding 25 years. This automatically extended term (if applicable) will be subject to further Securityholder approved extensions of the same extended length. The Preferred Financial Advisory Agreement is also for a minimum term of 10 years. BBCG has limited rights to terminate either the Management Agreements or the Preferred Financial Advisory Agreement. Those agreements will continue if there is a change in control of BBCG or if the Responsible Entity is replaced (noting that Babcock & Brown (and its associates) can vote on any resolution relating to the replacement of the Responsible Entity). This is likely to act as a disincentive to any future takeover, as any new owner would not necessarily be able to appoint their own manager or manage BBCG's assets themselves.

In addition, the Responsible Entity is entitled under the BBCT Constitution to a fee of 2% per annum of the value of the aggregate of the gross assets of BBCT and the gross assets of any entity stapled to BBCT. However, the Responsible Entity intends to exercise its right under the BBCT Constitution to waive the fee referred to above such that it is paid a fee of \$500,000 per annum, increased (but not decreased) for CPI. If the Management Agreements are terminated, the fee payable to the Responsible Entity will automatically revert to the 2% per annum amount referred to above.

**(II) APPOINTMENT OF KEY EXECUTIVES**

The Chief Executive Officer, Chief Financial Officer and General Manager Corporate (Key Executives) of BBCG will be appointed and remunerated by the Manager and not by BBCG, although the Manager is entitled to a fixed annual contribution towards those costs.

**(III) POWER OF THE MANAGER**

Under the Management Agreements, all matters to be approved by the BBCG Board must be recommended by the Manager. All recommendations to BBCG will be prepared by the staff managing BBCG and all reasonable information and analysis supporting the recommendation to BBCG will be reviewed or prepared by the staff managing BBCG. However, the BBCG Board is under no obligation to act on any recommendation of the Manager and may seek its own independent advice.

**(IV) POTENTIAL CONFLICTS OF INTEREST**

There is the potential for conflicts of interest between the Manager and BBCG. Similarly, there is the potential for conflicts of interest between BBCG and those Directors of BBCG who are connected with the Manager and, in the case of the Chief Executive Officer, employed by the Manager (or a related Babcock & Brown entity). The potential for these conflicts arises because the Manager and BBCG share common directors and other office holders. The Management Agreements specify that the primary obligation of the Manager is to BBCG and details of the corporate governance principles under which BBCG will operate are set out in Section 4.10. In addition, the Chief Executive Officer cannot be removed by the Manager without the agreement of the Independent Directors.

**FOREIGN INVESTMENT REGULATION OF BBCG**

On listing, there is a risk that BBCG may become an Australian urban land corporation/trust estate for the purposes of the *Foreign Acquisitions and Takeovers Act 1975 (FATA)* and related foreign investment policy. If that occurs, FATA would regulate the future acquisition of Stapled Securities by foreign persons. This may impact the demand for Stapled Securities.

**FINI PORTFOLIO ACQUISITION**

The option to acquire the Fini Portfolio expires on 14 August 2007, unless extended. The option contains a condition precedent for the benefit of the vendors relating to the receipt of certain tax advice and rulings. If the tax ruling is not received by 14 August 2007, the parties to the option have committed to either extend the option period or renegotiate the acquisition structure consistent with the agreed purchase price. It is possible the Fini Acquisition Proposal could be delayed or terminated in circumstances where it is not possible to agree an alternate acquisition structure.

**INTEGRATION RISKS**

As part of the Restructure Proposal, BBCG will acquire two significant portfolios of Retirement Village assets, being the balance of PLT and the Fini Portfolio. As with any acquisition, there are integration risks.

# Offer details

	<b>Are you/will you be a(n)?</b>	<b>You can apply through:</b>	<b>Offer opens</b>	<b>Offer closes</b>	<b>Offer price<sup>1</sup></b>	<b>For Offer details see Section:</b>
1	Individual or entity who has received an invitation to participate in the Foundation Offer	Foundation Offer	27 June	20 July	\$1.15	Section 2.4
2	Domestic or selected overseas Institutional Investor invited to participate in the Institutional Offer	Institutional Offer	25 July	25 July	\$1.15	Section 2.5
3	Client of the selected Brokers who received a Broker Firm allocation	Broker Firm Offer	27 June	20 July	\$1.15	Section 2.6
4	Primelife Shareholder or PLFGA Noteholder	Priority Offer	27 June	20 July	\$1.10	Section 2.8
5	BBCG Employee or a Resident of a BBCG Retirement Village	Resident and Employee Offer	27 June	20 July	\$1.10	Section 2.9

Note:

<sup>1</sup> Price per Stapled Security subscribed for under the relevant Offer.

There will be no general public offer.

# Section 1

## Key questions



# Section 1

## Key questions

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Set out below are summary answers to some questions which you may have in relation to the Offer. This information should be read in conjunction with the remainder of this Offer Document.

Question	Answer	Section
<b>Who is the Issuer of Stapled Securities under the Offer?</b>	<ul style="list-style-type: none"> <li>• BBCL to the extent that the Offer relates to the issue of BBCL Shares and the Responsible Entity to the extent the Offer relates to the issue of BBCT Units</li> </ul>	4
<b>What is the Offer?</b>	<ul style="list-style-type: none"> <li>• The Offer is for New Stapled Securities in BBCG</li> <li>• The Offer comprises a Foundation Offer, an Institutional Offer, a Broker Firm Offer, a Priority Offer and a Resident and Employee Offer</li> <li>• The Foundation Offer, the Institutional Offer and the Broker Firm Offer of New Stapled Securities (referred to as the Main Offer) will be at the Main Offer Price of \$1.15 per New Stapled Security to raise at least \$300 million and up to a maximum of \$400 million</li> <li>• The Priority Offer and Resident and Employee Offer of New Stapled Securities will be at the Priority Offer and Resident and Employee Offer Price of \$1.10 per Stapled Security to raise up to \$75 million</li> <li>• There is no general public offer</li> </ul>	2
<b>What are the Stapled Securities?</b>	<ul style="list-style-type: none"> <li>• Stapled Securities comprise one BBCL Share and one BBCT Unit, stapled together such that the share and the unit will only be traded on ASX as a single Stapled Security</li> <li>• Stapled Securities cannot be traded separately for as long as they remain stapled</li> </ul>	6
<b>Who can participate in the Offer?</b>	<ul style="list-style-type: none"> <li>• Under the Foundation Offer - individuals and entities who receive an invitation from B&amp;B Underwriter to apply for New Stapled Securities pursuant to the Foundation Offer</li> <li>• Under the Institutional Offer - domestic Institutional Investors or selected overseas Institutional Investors who receive an invitation to participate</li> <li>• Under the Broker Firm Offer - clients of selected brokers</li> <li>• Under the Priority Offer - eligible Primelife Shareholders and PLFGA Noteholders who are entitled to participate in the Priority Offer</li> <li>• Under the Resident and Employee Offer - Eligible Residents of BBCG Retirement Villages and Eligible Employees of BBCG who receive an invitation to apply pursuant to the Resident and Employee Offer</li> <li>• This Offer Document is not registered under the securities laws of any jurisdiction outside Australia and the Offer is not being made in any place where, or to any person to whom, it would not be lawful to make such an Offer</li> <li>• The Offer will be made in New Zealand pursuant to the Securities Act 1978 (NZ) and the Securities Regulations 1983 (NZ), and in reliance on the Securities Act (Australian Issuers) Exemptions Notice 2002 (NZ) and the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003 (NZ). A New Zealand Investment Statement has been prepared in connection with the Offer to be made to New Zealand residents</li> </ul>	2

Question	Answer	Section
<b>Where can I get an Application Form?</b>	<ul style="list-style-type: none"> <li>• Broker Firm Offer: an Application Form is located at the end of this Offer Document</li> <li>• Foundation Offer: eligible Foundation Offer Applicants may request an Offer Document together with an Application Form by contacting the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST)</li> <li>• Priority Offer: eligible Priority Offer Applicants may request an Offer Document together with an Application Form by contacting the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST) or by visiting <a href="http://www.primelife.com.au">www.primelife.com.au</a></li> <li>• Resident and Employee Offer: eligible Resident and Employee Offer applicants may request an Offer Document together with an Application Form by contacting the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST)</li> <li>• New Zealand residents should refer to the New Zealand Investment Statement for details on how to apply for Stapled Securities</li> </ul>	2
<b>What are the conditions of the Offer?</b>	<ul style="list-style-type: none"> <li>• The Offer is conditional on the Scheme becoming Effective. If the Scheme does not become Effective:               <ul style="list-style-type: none"> <li>- on or before 14 August 2007 (or a later date agreed to by the Joint Lead Managers), the Underwriters of the Main Offer have the right to terminate their obligations under the Main Offer Underwriting Agreement (see Section 12.9.7 for details of this and other termination rights of the Underwriters);</li> <li>- on or before the date that is three months after the date of this Offer Document, then Stapled Securities cannot be issued and the Offer will not proceed (see Section 2.10 for details of what occurs if Stapled Securities issued under this Offer Document are not quoted on ASX within three months after the date of this Offer Document)</li> </ul> </li> <li>• The Offer is conditional on BBCG having received minimum applications of \$300 million in aggregate under the Offer (including any applications received, if and to the extent required, from the Underwriters and/or the Priority Offer and Resident and Employee Offer Underwriters)</li> </ul>	6
<b>What are the tax implications of the Offer?</b>	<ul style="list-style-type: none"> <li>• Securityholders who are Australian tax residents will be subject to Australian tax on their share of the taxable income of BBCT and on dividends received from BBCL. Distributions from BBCT could include tax deferred amounts. For further information see the Taxation Report in Section 11</li> <li>• Investors should obtain their own tax advice prior to deciding whether to invest in BBCG Stapled Securities</li> </ul>	11

# Section 1

## Key questions

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Question	Answer	Section
<b>What are the proceeds of the Offer going to be used for?</b>	<ul style="list-style-type: none"> <li>• Funds raised under the Offer will primarily be used to:               <ol style="list-style-type: none"> <li>(a) repay debt within Primelife and PLT and to redeem PLT preferred units;</li> <li>(b) complete the acquisition of the Fini Portfolio for \$188 million (including transaction costs); and</li> <li>(c) to pay the costs of the Offer and the Restructure Proposal</li> </ol> </li> </ul>	2.3
<b>Is the Offer underwritten?</b>	<ul style="list-style-type: none"> <li>• The Main Offer is underwritten for an aggregate amount of \$300 million</li> <li>• The Priority Offer is fully underwritten</li> <li>• The Resident and Employee Offer is fully underwritten</li> <li>• The underwriting of the Main Offer, the Priority Offer and the Resident and Employee Offer are subject to certain termination events set out in Sections 12.9.7 and 12.9.8 respectively</li> </ul>	12.9
<b>What are the costs of the Offer and the Restructure Proposal?</b>	<ul style="list-style-type: none"> <li>• The costs of the Offer and the Restructure Proposal (including underwriting, origination, legal, accounting, taxation and other advisory and miscellaneous expenses) total approximately \$31 million to \$36 million depending on the size of the Capital Raising and will be paid out of the proceeds of the Offer</li> </ul>	9
<b>What is the allocation policy of the issuers?</b>	<ul style="list-style-type: none"> <li>• The allocation policy under each component of the Offer is set out in Section 2</li> </ul>	2
<b>Who is the Responsible Entity?</b>	<ul style="list-style-type: none"> <li>• Babcock &amp; Brown Responsible Entity No. 1 Limited, which is a subsidiary of Babcock &amp; Brown</li> </ul>	4.8.1.1



Question	Answer	Section
<b>Who is the Manager and what is its role?</b>	<ul style="list-style-type: none"> <li>• The Manager is Babcock &amp; Brown Communities Management Pty Ltd.</li> <li>• The roles to be undertaken by the Manager include:               <ul style="list-style-type: none"> <li>- investing and managing the portfolio of assets owned by BBCG;</li> <li>- providing investment, consultation, advisory and management services generally in relation to authorised investments and the asset portfolio;</li> <li>- identifying appropriate risk management policies and procedures in respect of the asset portfolio and reporting on the adequacy and effectiveness of those policies and procedures on a regular basis to the BBCG Board;</li> <li>- performing or procuring the performance of all reasonable accounting, tax, corporate secretarial, information technology, reporting and compliance services for BBCG;</li> <li>- managing investor and public relations;</li> <li>- making recommendations to the BBCG Board on any matter which requires the approval of the BBCG Board, including preparing reasonable supporting information and analysis;</li> <li>- implementing BBCG Board decisions; and</li> <li>- other services to assist BBCIS in performing its role as Responsible Entity</li> </ul> </li> <li>• The Manager will also provide services to BBCG in relation to the acquisition and disposal of authorised investments. The Manager will provide its services to BBCG through the Management Agreements</li> <li>• The Manager (and not BBCG) will appoint and remunerate the Key Executives. This has the potential to create conflicts of interest. Examples of potential conflicts that may arise and how these are proposed to be dealt with by BBCG under its corporate governance framework are provided in Section 4.10</li> </ul>	4.8.1.2
<b>What is the management structure?</b>	<ul style="list-style-type: none"> <li>• Primelife and BBCIS, as the Responsible Entity of BBCT, will each enter into a Management Agreement with the Manager, whereby the executive management and operations of BBCG will be carried out by the Manager on behalf of BBCL and the Responsible Entity of BBCT</li> <li>• The Management Agreements provide BBCG with ongoing access to the investment and management expertise and resources of Babcock &amp; Brown</li> </ul>	4.8.1

# Section 1

## Key questions

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Question	Answer	Section
<b>What are the fees payable to the Manager and the Responsible Entity?</b>	<ul style="list-style-type: none"> <li>• The Manager's Base Fee is calculated as 0.5% of the Adjusted Gross Assets of BBCG less the Responsible Entity fee. The Base Fee is payable to the Manager quarterly in arrears from the working capital of BBCL and the assets of BBCT</li> <li>• Payment of Base Fees in the first three years to 30 June 2010 is subject to certain performance-based targets being achieved (refer to Section 9.3.4.1)</li> <li>• The Manager is also entitled to receive an Incentive Fee based on 20% of the outperformance (if any) of the S&amp;P/ASX 300 Accumulation Index. The maximum Incentive Fee payable for a financial year will be limited to 1% of Adjusted Gross Assets</li> <li>• The Manager may also receive fees in connection with the origination and disposal of assets for BBCG, calculated at the rate of 1.5% of the investment value of the relevant assets</li> <li>• The Manager may request that any fees are payable in Stapled Securities. Any such request must be approved by the Independent Directors at the relevant time</li> <li>• The Manager is entitled to be reimbursed by BBCG for all costs, charges, expenses and taxes paid on behalf of BBCG or incurred in the performance of its functions. In addition, the Manager will be entitled to an agreed contribution by BBCG to certain expenses incurred by the Manager in acting as the Manager under the Management Agreements, including paying the remuneration of the Key Executives (Manager Expense Amount). The Manager Expense Amount is \$500,000 per annum increasing by annual changes in CPI and adjusted in the first year on a pro rata basis for the period from the Allotment Date to 30 June 2008</li> <li>• The Responsible Entity is entitled under the BBCT Constitution to a fee of 2.0% per annum of the value of the aggregate of the gross assets of BBCT and the gross assets of any entity stapled to BBCT. However, for so long as the Manager is the manager of BBCG, the Responsible Entity intends to exercise its right under the BBCT Constitution to waive the fee referred to above such that it is paid a fee of \$500,000 per annum, increased (but not decreased) for CPI during the term of the Management Agreements</li> </ul>	9
<b>Who is the Preferred Financial Adviser? What is its role and how is it remunerated?</b>	<ul style="list-style-type: none"> <li>• Babcock &amp; Brown Australia will be appointed as BBCG's Preferred Financial Adviser for a term of at least 10 years. The role of Preferred Financial Adviser is separate from the role of the Manager and involves Babcock &amp; Brown Australia providing financial advisory and investment banking services, if required by BBCG. These services include:               <ul style="list-style-type: none"> <li>- mergers and acquisition advice;</li> <li>- advice on equity and debt advisory services and raisings;</li> <li>- divestment and acquisition advice; and</li> <li>- general financial and commercial advice</li> </ul> </li> <li>• If such services are sought by BBCG, the Preferred Financial Advisory Agreement gives Babcock &amp; Brown Australia a first and last right of refusal to provide such services. Fees will be agreed with the Independent Directors at the time the services are sought, reflecting reasonable market terms</li> </ul>	12.9.3.2

Question	Answer	Section
<b>Do the Management Agreements create a disincentive to remove the Responsible Entity or takeover BBCG?</b>	<ul style="list-style-type: none"> <li>• The Management Agreements to be entered into by Primelife and BBCIS, as the Responsible Entity of BBCT, with the Manager have a term of 10 years unless terminated earlier by Primelife or the Responsible Entity (as the case may be) or the Manager or extended by approval of Securityholders. However, if ASX policy changes to permit a longer term, this 10-year term will automatically be increased without the need for Securityholder approval to the maximum permitted term, not exceeding 25 years. This automatically extended term will be subject to further Securityholder approved extensions of the same length</li> <li>• Under the Management Agreements: <ul style="list-style-type: none"> <li>- the Manager is responsible for the appointment and paying the remuneration of the Key Executives;</li> <li>- the Chief Executive Officer of BBCG may only be removed by agreement between the Manager and the Independent Directors; and</li> <li>- all matters to be approved by the BBCG Board must be recommended by the Manager</li> </ul> </li> <li>• There is a potential for conflicts of interest to arise between the Manager and BBCG. Examples of potential conflicts that may arise and how these are proposed to be dealt with by BBCG under its corporate governance framework is provided in Section 4.10</li> <li>• Primelife and the Responsible Entity have only limited rights to terminate the Management Agreements. Section 12.9.3.1 contains a summary of the Management Agreements, including the termination provisions</li> <li>• The Management Agreements will continue even if there is a change of control of Primelife or if the Responsible Entity is removed and a new responsible entity is appointed for BBCT. In these circumstances, the fees payable under the Management Agreements (if any) would continue to be paid</li> <li>• Accordingly, a person considering appointment as responsible entity of BBCT or taking over BBCG is likely to have a disincentive to do so, as they would not necessarily be able to appoint their own manager or manage BBCG's assets themselves</li> <li>• The restrictions on termination of the Management Agreements may have an adverse effect on the price of Stapled Securities if BBCG does not perform as expected</li> <li>• In addition, the terms of the Preferred Financial Advisory Agreement could restrict a potential acquirer's ability to appoint a financial adviser other than Babcock &amp; Brown</li> </ul>	8.6.10

# Section 1

## Key questions

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Question	Answer	Section
<b>Will BBCG pay distributions?</b>	<ul style="list-style-type: none"> <li>• BBCG expects to pay an annualised distribution yield of 8% (8.4 cents), based on the Main Offer Price, in the FY08 Period</li> <li>• Distributions to Securityholders are expected to be payable half-yearly in arrears in March and September in respect of the preceding six months ending 31 December and 30 June. The first distribution to Securityholders is expected to be paid in March 2008 in respect of the period from the Allotment Date to 31 December 2007</li> <li>• No assurance can be given about the payment of distributions, the level of franking, the payout ratio or the extent to which distributions will be tax deferred for any period as these matters depend on the generation of profits and cash from operations and investments and the future financial and taxation position of BBCG</li> </ul>	4.5.1
<b>What will occur if the Restructure Proposal does not proceed?</b>	<ul style="list-style-type: none"> <li>• Application Monies received will be returned in full without interest to Applicants</li> </ul>	
<b>What is the dispute resolution procedure to deal with complaints?</b>	<ul style="list-style-type: none"> <li>• The Responsible Entity provides a complaint handling and dispute resolution process for Securityholders through the Financial Industry Complaints Service (FICS), an external complaints resolution body, of which the Responsible Entity is a member</li> </ul>	
<b>Is there a cooling off period?</b>	<ul style="list-style-type: none"> <li>• Applicants have no cooling off rights in relation to Stapled Securities for which they apply because cooling off rights do not apply where the financial product is to be quoted on ASX</li> <li>• Once the Stapled Securities are quoted on ASX, you can offer your Stapled Securities for sale</li> </ul>	
<b>How can further information be obtained?</b>	<ul style="list-style-type: none"> <li>• By speaking to your accountant, stockbroker, lawyer, Australian financial services licensee, authorised representative or other professional adviser</li> <li>• By calling the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia)</li> <li>• The BBCG Offer Information Line will be open from 8.30am to 5.30pm (AEST) Monday to Friday from the date this Offer Document is lodged with ASIC until the Offer closes</li> <li>• During the Offer Period, a paper copy of this Offer Document will be provided free of charge to any person in Australia who requests a copy by contacting the BBCG Offer Information Line on 1800 881 047 (within Australia) or +61 2 8280 7923 (outside Australia) or from your Broker</li> </ul>	
<b>Contact details</b>	For further contact details, see the Corporate Directory on the inside back cover of this Offer Document	Inside back cover

# Section 2

## Details of the Offer



# Section 2

## Details of the Offer

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### 2.1 BACKGROUND TO THE OFFER

The Offer is an important component of the Restructure Proposal (refer to Section 6 for more detail).

The Restructure Proposal has five elements as follows:

- Primelife acquiring the balance of the ordinary ownership interests it does not own in PrimeLiving Trust and the balance of the interests it does not own in the Development Joint Venture with Babcock & Brown;
- BBCT Units being issued to Primelife Shareholders and stapled to Primelife Shares (to be renamed BBCL Shares) on a one for one basis so that Primelife Shares and BBCT Units will be bought and sold on ASX as a single stapled security referred to as BBCG Stapled Securities;
- BBCG entering into the Management Arrangements;
- the raising of at least \$300 million and up to \$475 million of new capital through the issue of New Stapled Securities (Capital Raising), with the proceeds used to repay debt within Primelife and the PrimeLiving Trust (PLT) and acquire the Fini Portfolio; and
- immediately following the completion of the Capital Raising, BBCG undertaking the acquisition of the Fini Portfolio.

The first four elements are inter-conditional and require the approval of Primelife Shareholders and PLFGA Noteholders and each must be successfully completed before the Restructure Proposal can be implemented. The acquisition of the Fini Portfolio is expected to proceed following completion of the first four elements. See Section 6 for further detail on the Restructure Proposal.

The proceeds of the Offer will be used to repay debt within Primelife and PLT, to redeem PLT preferred units and to complete the acquisition of the Fini Portfolio. The minimum required Capital Raising for the Restructure Proposal to proceed is \$300 million. Underwriting arrangements have been put in place for \$375 million.

### 2.2 THE OFFER

This Offer Document invites applications for New Stapled Securities. Each Stapled Security comprises one BBCT Unit and one BBCL Share. The Offer will seek to raise between \$300 million and \$475 million. The Offer comprises a minimum of approximately 260.9 million New Stapled Securities and up to approximately 416.0 million New Stapled Securities. The Offer will represent approximately 64% of the total Stapled Securities on issue following completion of the Offer (based on the Maximum Capital Raising Amount).

The Offer comprises:

- a Foundation Offer open to investors selected by B&B Underwriter;
- an Institutional Offer open to Institutional Investors in Australia and New Zealand and certain other international jurisdictions excluding the United States. Determination of which additional jurisdictions, if any, are eligible for inclusion will be, subject to Section 2.5, at the sole discretion of BBCG in conjunction with the Underwriters and will only be in jurisdictions in which it is lawful for the Offer to be made;
- the Broker Firm Offer open to Eligible Retail Investors who are invited by their Broker to apply;
- the Priority Offer open to eligible Primelife Shareholders and PLFGA Noteholders; and
- the Resident and Employee Offer open to residents of Retirement Villages that will form part of BBCG and to employees of entities that will form part of BBCG.

There is no general public offer.

The Main Offer comprises the Foundation Offer, the Institutional Offer and the Broker Firm Offer.

The Offer is conditional on the Scheme becoming Effective. If the Scheme does not become Effective:

- on or before 14 August 2007 (or a later date agreed to by the Joint Lead Managers), the Underwriters of the Main Offer have the right to terminate their obligations under the Main Offer Underwriting Agreement (see Section 12.9.7 for details of this and other termination rights of the Underwriters);
- on or before the date that is three months after the date of this Offer Document, then Stapled Securities cannot be issued and the Offer will not proceed (see Section 2.10 for details of what occurs if Stapled Securities issued under this Offer Document are not quoted on ASX within three months after the date of this Offer Document).

New Stapled Securities issued under the Main Offer will be issued at \$1.15 each. The Main Offer will seek to raise between \$300 million and \$400 million.

New Stapled Securities issued under the Priority Offer and the Resident and Employee Offer will be issued at the Priority Offer and Resident and Employee Offer Price of \$1.10 per Stapled Security (representing a 4.3% discount to the Main Offer Price). These offers will seek to raise up to \$50 million and \$25 million respectively. In the event that there are oversubscriptions in the Priority Offer and a shortfall in subscriptions in the Resident and Employee Offer, BBCG, may, at its absolute discretion, satisfy this excess demand with Stapled Securities available under the Resident and Employee Offer.

ABN AMRO Rothschild, J.P. Morgan Australia Limited and Macquarie Equity Capital Markets Limited (together the "Joint Lead Managers"), Tricom Equities Limited and B&B Underwriter have underwritten the Main Offer for an aggregate amount of \$300 million. Subject to the terms of the Underwriting Agreement, the Underwriters will subscribe for any shortfall in applications for Stapled Securities so that the Minimum Capital Raising Amount is raised under the Main Offer.

The Priority Offer and the Resident and Employee Offer have been fully underwritten by the Priority Offer and Resident and Employee Offer Underwriters.

Material terms of the Underwriting Agreement and the Priority Offer and Resident and Employee Offer Underwriting Agreement (including the circumstances in which the respective underwriters may terminate their obligations) are set out in Sections 12.9.7 and 12.9.8 respectively.

The Offer will be managed by the Joint Lead Managers. All Stapled Securities under the Offer will be issued subject to disclosures in this Offer Document and the New Zealand Investment Statement, as applicable, and will rank equally with each other.

The ownership structure of BBCG at completion of the Offer will be as follows:

**TABLE 2.1: SECURITYHOLDING STRUCTURE POST OFFER**

Securityholder	Assuming Minimum Capital Raising Amount <sup>1</sup>		Assuming Maximum Capital Raising Amount <sup>2</sup>	
	Number of Securities (million)	%	Number of Securities (million)	%
Primelife Shareholders - existing holding <sup>3</sup>	155.9	31.6%	155.9	24.1%
Primelife Shareholders - Priority Offer <sup>4</sup>	0.0	0.0%	41.1	6.3%
Babcock & Brown <sup>5</sup>	49.3	10.0%	64.8	10.0%
MFS <sup>6</sup>	27.5	5.6%	27.5	4.2%
Other new BBCG Stapled Securityholders <sup>7</sup>	260.6	52.8%	359.1	55.4%
<b>Total</b>	<b>493.3</b>	<b>100.0%</b>	<b>648.5</b>	<b>100.0%</b>

Notes:

1 Represents a raising of \$300 million under the Main Offer.

2 Represents a raising of \$475 million, with \$400 million raised under the Main Offer, \$50 million under the Priority Offer and \$25 million under the Resident and Employee Offer.

3 Primelife Shareholders' entitlement to BBCG Stapled Securities from their Primelife Shares under the Restructure Proposal.

4 Assuming pro-rata participation in the Priority Offer by Primelife Shareholders, including Babcock & Brown, under the Maximum Capital Raising Amount. No participation assumed under the Minimum Capital Raising Amount.

5 Represents Babcock & Brown's entitlement to BBCG Stapled Securities from their Primelife Shares under the Restructure Proposal together with Babcock & Brown's participation in the Priority Offer (pro-rata entitlement) and the Main Offer for an amount required to bring its interest in BBCG Stapled Securities to 10% (approximately \$18 million under the Maximum Capital Raising Amount, approximately \$0.4 million under the Minimum Capital Raising Amount).

6 Represents MFS' entitlement to BBCG Stapled Securities from their Primelife Shares under the Restructure Proposal (assuming no participation by MFS in the Offer).

7 Excluding Babcock & Brown and assuming no participation in the Main Offer or Resident and Employee Offer by existing Primelife Shareholders.

# Section 2

## Details of the Offer

### 2.3 USE OF OFFER PROCEEDS

The total gross proceeds of the Offer are expected to be between \$300 million and \$475 million.

**TABLE 2.2: SOURCES AND APPLICATION OF FUNDS**

SOURCES	Minimum Capital	Maximum Capital
	Raising Amount	Raising Amount
	\$m	\$m
Gross proceeds under the Offer	300	475
<b>Total</b>	<b>300</b>	<b>475</b>
APPLICATIONS	\$m	\$m
Fini Portfolio acquisition (including transaction costs) <sup>1</sup>	188	188
Net repayment of existing Primelife and PrimeLiving Trust debt and preferred units <sup>2</sup>	81	251
Costs of the Offer and Restructure Proposal <sup>3</sup>	31	36
<b>Total</b>	<b>300</b>	<b>475</b>

Notes:

- 1 Assumes the Fini Acquisition Proposal is implemented.
- 2 Net repayment at Minimum Capital Raising Amount reflects repayment of all PrimeLiving Trust preferred units financed in part by additional new debt draw downs of approximately \$33 million. At Maximum Capital Raising Amount, all of the PrimeLiving Trust preferred units and portions of other debt in Primelife and PrimeLiving Trust are repaid (refer to Section 7.3).
- 3 Refer to Section 9 for further detail on costs of the Offer and the Restructure Proposal.

### 2.4 FOUNDATION OFFER

#### 2.4.1 WHO CAN APPLY IN THE FOUNDATION OFFER?

The Foundation Offer is open to investors who are selected by B&B Underwriter, principally comprising persons who have previously co-invested with Babcock & Brown and/or have invested in other Babcock & Brown funds. To apply under the Foundation Offer, a Foundation Offer Applicant must have received an invitation from B&B Underwriter. All Stapled Securities under the Foundation Offer will be issued at the Main Offer Price.

#### 2.4.2 HOW TO APPLY IN THE FOUNDATION OFFER?

Application procedures for investors under the Foundation Offer will be advised by B&B Underwriter.

BBCG reserves the right to reject any Application Form which is not correctly completed or which is submitted by a person whom it believes may be an ineligible Applicant or to waive or correct any errors made by a Foundation Offer Applicant in completing an Application Form.

Application Monies received under the Foundation Offer will be held in a special purpose account until Stapled Securities are issued to successful Foundation Offer Applicants. Any interest earned on Application Monies pending allocation or payment of a refund will become an asset of BBCG and, as such, no interest will be payable on Application Monies received.

Applications in the Foundation Offer must be for a minimum of 1,500 Stapled Securities.

#### 2.4.3 OPENING AND CLOSING DATE FOR THE FOUNDATION OFFER

The Foundation Offer opens at 9.00am on 27 June 2007 and closes at 5.00pm (AEST) on 20 July 2007. BBCG reserves the right without notice to alter the timetable, including extending the Closing Date or closing the Foundation Offer early.

#### 2.4.4 ACCEPTANCE OF APPLICATIONS

An Application under the Foundation Offer is an offer by the Applicant to BBCG to apply for all or any of the Stapled Securities specified in the Application Form at the Main Offer Price on the terms and conditions set out in this Offer Document (including any supplementary or replacement Offer Document) and the Foundation Offer instructions. To the extent permitted by law, the offer by a Foundation Offer Applicant is irrevocable.



#### **2.4.5 ALLOCATION POLICY UNDER THE FOUNDATION OFFER**

Details of allocation policy under the Main Offer, including the Foundation Offer, are set out in Section 2.7. There can be no assurance that any Foundation Offer Applicant will be allocated any Stapled Securities or the number of Stapled Securities for which it has applied.

#### **2.5 INSTITUTIONAL OFFER**

##### **2.5.1 WHO CAN APPLY IN THE INSTITUTIONAL OFFER?**

BBCG will invite Institutional Investors in:

- Australia and New Zealand; and
- certain other international jurisdictions excluding the US. Determination of which additional jurisdictions, if any, are eligible for inclusion will be at the sole discretion of BBCG in conjunction with the Joint Lead Managers and will only be in jurisdictions in which it is lawful for the Offer to be made.

##### **2.5.2 HOW TO APPLY IN THE INSTITUTIONAL OFFER?**

The Institutional Offer will be conducted by a bookbuild process managed by the Joint Lead Managers and Tricom. Full details of how to participate, including bidding instructions, will be provided to invitees by the Joint Lead Managers and Tricom.

Institutional Offer participants can only bid for Stapled Securities through the Joint Lead Managers or Tricom, at the Main Offer Price.

##### **2.5.3 CLOSING DATE FOR THE INSTITUTIONAL OFFER**

Bids must be received between 9.00am and 5.00pm (AEST) on 25 July 2007, unless these times and dates are varied (which may occur without prior notice) by BBCG in conjunction with the Joint Lead Managers.

Bids may be amended or withdrawn at any time up to the Closing Time for the Institutional Offer. Any bid not withdrawn by that time is an irrevocable offer by the relevant bidder to apply for the Stapled Securities bid for (or such lesser number as may be allocated) at the Main Offer Price, on the terms and conditions in any bidding instructions provided by the Joint Lead Managers and Tricom to participants.

##### **2.5.4 ACCEPTANCE OF APPLICATIONS**

Bids can be accepted or rejected by BBCG in whole or in part, in its discretion, without further notice to the bidder. Acceptance of a bid will give rise to a binding contract.

##### **2.5.5 ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER**

Details of the allocation policy under the Main Offer, including the Institutional Offer, are set out in Section 2.7. There can be no assurance that any Institutional Offer bidder will be allocated any Stapled Securities, or the number of Stapled Securities for which it has bid.

In addition, the Institutional Offer allocation policy will be influenced by the following factors:

- the number of Stapled Securities bid for by particular bidders;
- the aggregate number of Stapled Securities bid for by Institutional Investors;
- the timeliness of the bid by particular bidders; and
- any other factors that the Joint Lead Managers consider appropriate, in consultation with BBCG, in their sole discretion.

#### **2.6 BROKER FIRM OFFER**

##### **2.6.1 WHO CAN APPLY IN THE BROKER FIRM OFFER?**

The Broker Firm Offer is open only to Australian or New Zealand resident Retail Investors who have received a firm allocation from their Broker.

##### **2.6.2 HOW TO APPLY IN THE BROKER FIRM OFFER?**

Broker Firm Offer Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Application Forms must be completed in accordance with the instructions set out on the Application Form.

# Section 2

## Details of the Offer

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If you elect to participate in the Broker Firm Offer, your Broker will act as your agent in submitting your Application Form and Application Monies to the Registry (which receives them on behalf of BBCG). It will be your Broker's responsibility to ensure that your Application Form and Application Monies are received by the Registry by 5.00pm (AEST) on the Closing Date.

BBCG, the Registry and the Joint Lead Managers take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Monies.

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Stapled Securities are issued to successful Broker Firm Applicants. Any interest earned on Application Monies pending allocation or payment of a refund will become an asset of BBCG and, as such, no interest will be payable on Application Monies received.

Applications in the Broker Firm Offer must be for a minimum of 1,500 Stapled Securities.

### **2.6.3 OPENING AND CLOSING DATE FOR THE BROKER FIRM OFFER**

The Broker Firm Offer opens on 27 June 2007 and closes at 5.00pm (AEST) on 20 July 2007. BBCG reserves the right to alter the timetable, including extending the Closing Date or closing the Broker Firm Offer early.

### **2.6.4 ACCEPTANCE OF APPLICATIONS**

The Joint Lead Managers, in consultation with BBCG and Tricom, reserve the right to treat any Applications in the Broker Firm Offer in excess of 100,000 Stapled Securities, or which are from persons whom they believe may be Institutional Investors, as bids in the Institutional Offer, or to reject them.

BBCG reserves the right to reject any Application Form which is not correctly completed or which is submitted by a person whom it believes may be an ineligible Applicant or to waive or correct any errors made by an Applicant in completing an Application Form.

### **2.6.5 ALLOCATION POLICY UNDER THE BROKER FIRM OFFER**

Details of the allocation policy under the Main Offer, including the Broker Firm Offer are set out in Section 2.7.

Firm stock which has been allocated to Brokers for allocation to their Australian and New Zealand resident Retail Investors will be issued to Broker Firm Applicants nominated by those Brokers. It will be a matter for Brokers as to how they allocate firm stock among their Retail Investors, and they (and not BBCG or the Joint Lead Managers) will be responsible for ensuring that Retail Investors who have received a firm allocation from them receive the relevant Stapled Securities.

Broker Firm Applicants will be able to confirm their firm allocations through the Broker from whom they received those allocations. However, if you sell Stapled Securities before receiving an initial statement of your holding, you do so at your own risk, even if you have obtained details of your holding from a Broker.

### **2.7 ALLOCATION POLICY UNDER THE MAIN OFFER**

The allocation of Stapled Securities under the Main Offer will be determined by the Joint Lead Managers in consultation with BBCG and Tricom except that:

- the B&B Underwriter will determine the allocation of B&B Underwritten Securities to B&B Nominated Investors;
- the allocation must result in Babcock & Brown holding 10% of the Stapled Securities on issue immediately following completion of the Offer and the Restructure Proposal; and
- B&B Underwriter may determine the allocation of New Stapled Securities in excess of the Minimum Capital Raising Amount up to the value of \$20 million.

Further details of the allocation policy under the Main Offer are set out in Sections 2.4.5, 2.5.5 and 2.6.5.

### **2.8 PRIORITY OFFER**

#### **2.8.1 WHO CAN APPLY IN THE PRIORITY OFFER?**

The Priority Offer is only open to Australian and New Zealand resident Retail Investors and Institutional Investors who are registered in the Primelife Share Register or PLFGA Note register (as the case may be) as being the holder of at least 500 Primelife Shares or 500 PLFGA Notes at 5.00pm (AEST) on 17 July 2007.

### 2.8.2 HOW TO APPLY IN THE PRIORITY OFFER?

Applications under the Priority Offer can be made either by:

Applying online if you are a resident of Australia through Primelife's website at [www.primelife.com.au](http://www.primelife.com.au). To apply online, payment of Application Monies must be made by BPAY<sup>®</sup>;

It is very important that you enter the Biller Code and Customer Reference Number ("CRN") correctly. The CRN is unique to the BBCL Shareholder who has been provided with a personalised form and must not be used for Applications in other names. Please also note your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY<sup>®</sup> that may vary between bank, credit union or building society.

OR

Completing and lodging the personalised Priority Offer Application Form accompanying this Offer Document.

Applications in the Priority Offer must be made on the personalised Application Form and must be accompanied by a cheque, bank draft or money order for the Application Monies. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian currency and be made payable to "BBCG Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payments will not be issued.

Applications not submitted on a personalised Application Form may be treated as an Application in the Foundation Offer and will not receive any priority or it may be rejected.

Applicants under the Priority Offer should send or deliver their completed Application Forms, together with the cheque, bank draft or money order for the Application Monies to the Registry as set out below:

**Postal Address**  
 Link Market Services  
 Locked Bag A14  
 Sydney South NSW 1235

**Delivery Address**  
 Link Market Services Limited  
 Level 12  
 680 George Street  
 Sydney NSW 2000

Application Monies received under the Priority Offer will be held in a special purpose accounts until Stapled Securities are issued to successful Priority Offer Applicants. Any interest earned on Application Monies pending allocation or payment of a refund will become an asset of BBCG and, as such, no interest will be payable on Application Monies received.

Applications in the Priority Offer must be for a minimum of 1,500 Stapled Securities.

### 2.8.3 CLOSING DATE FOR THE PRIORITY OFFER

The Priority Offer opens on 27 June 2007 and closes at 5.00pm (AEST) on 20 July 2007. BBCG reserves the right to alter the timetable, including extending the Closing Date or closing the Priority Offer early.

### 2.8.4 ACCEPTANCE OF APPLICATIONS

BBCG, in consultation with the Joint Lead Managers, reserves the right to reject any Application Form which is not correctly completed or which is submitted by a person who it believes is ineligible to participate in the Priority Offer, or to waive or correct any errors made by the Applicant in completing their Application.

### 2.8.5 ALLOCATION POLICY UNDER THE PRIORITY OFFER

The Priority Offer is not an entitlement offer. Allocations under the Priority Offer will be at the discretion of BBCG. An amount of up to \$50 million has been reserved for allocation under the Priority Offer. Applications must be for a minimum of 1,500 Stapled Securities and, subject to the number of applicants, each applicant will be entitled to be allocated that minimum allocation. Once this minimum amount has been allocated to each Applicant, the allocation policy for the remainder of the Priority Offer will be influenced by:

- the number of Primelife Shares and/or PLFGA Notes held by the Applicant;
- the number of Stapled Securities being applied for by the Applicant under this Offer Document;
- the aggregate number of Stapled Securities applied for by Priority Offer Applicants;
- the timeliness of the Application; and
- any other factors that BBCG considers appropriate, in consultation with the Joint Lead Managers, in its sole discretion.

Any excess Applications in the Priority Offer can, at the absolute discretion of BBCG, be applied to a shortfall (if any) in the Resident and Employee Offer.

# Section 2

## Details of the Offer

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### **2.9 RESIDENT AND EMPLOYEE OFFER**

#### **2.9.1 WHO CAN APPLY IN THE RESIDENT AND EMPLOYEE OFFER?**

The Resident and Employee Offer is only open to existing residents at 30 June 2007 of Retirement Villages that will form part of the BBCG portfolio and permanent (whether full or part time) employees at 30 June 2007 of entities that will form part of BBCG.

#### **2.9.2 HOW TO APPLY IN THE RESIDENT AND EMPLOYEE OFFER**

Resident and Employee Offer Applicants should have received a personalised Application Form with this Offer Document. Application Forms must be completed in accordance with the instructions set out on the Application Form.

Applications in the Resident and Employee Offer must be made on the personalised Application Form and must be accompanied by a cheque, bank draft or money order for the Application Monies. Cheques, bank draft, money orders must be drawn on an Australian financial institution in Australian currency and be made payable to "BBCG Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payments will not be issued.

Applications not submitted on a personalised Application Form may be treated as an Application in the Foundation Offer and will not receive any priority or may be rejected.

Applicants under the Resident and Employee Offer should send or deliver their completed Application Forms, together with the cheque, bank draft or money order for the Application Monies to the Registry as set out below:

**Postal Address**  
Link Market Services  
Locked Bag A14  
Sydney South NSW 1235

**Delivery Address**  
Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000

Application Monies received under the Resident and Employee Offer will be held in a special purpose account until Stapled Securities are issued to successful Resident and Employee Offer Applicants. Any interest earned on Application Monies pending allocation or payment of a refund will become an asset of BBCG and, as such, no interest will be payable on Application Monies received.

Applications in the Resident and Employee Offer must be for a minimum of 1,500 Stapled Securities.

#### **2.9.3 CLOSING DATE FOR THE RESIDENT AND EMPLOYEE OFFER**

The Resident and Employee Offer opens at 9.00am on 27 June 2007 and closes at 5.00pm (AEST) on 20 July 2007. BBCG reserves the right to alter the timetable, including extending the Closing Date or closing the Resident and Employee Offer early.

#### **2.9.4 ACCEPTANCE OF APPLICATIONS**

BBCG, in consultation with the Joint Lead Managers, reserves the right to reject any Application Form which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Resident and Employee Offer, or to waive or correct any errors made by the Applicant in completing their Application.

#### **2.9.5 ALLOCATION POLICY UNDER THE RESIDENT AND EMPLOYEE OFFER**

Allocations under the Resident and Employee Offer will be at the discretion of BBCG. An amount of \$25 million has been reserved for allocation under the Resident and Employee Offer.

Applications in the Resident and Employee Offer must be for a minimum of 1,500 Stapled Securities. BBCG will endeavour to satisfy in full each Application of up to 5,000 Stapled Securities, subject to total allocations not exceeding \$25 million. However, BBCG cannot guarantee that Applicants will be allocated the number of Stapled Securities for which they have applied.

### **2.10 ASX LISTING**

Application will be made to ASX no later than seven days after the date of this Offer Document for admission of BBCG to the Official List and quotation on ASX of the Stapled Securities issued under this Offer Document.

If BBCT is not admitted to the Official List or the Stapled Securities issued under this Offer Document are not admitted to quotation on ASX within three months after the date of this Offer Document (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest). ASX takes no responsibility for this Offer Document or the investment to which it relates. Admission to the Official List and quotation of the Stapled Securities on ASX are not to be taken as an endorsement by ASX of BBCG.

### 2.11 COMMENCEMENT OF TRADING

It is expected that trading on ASX of the New Stapled Securities issued under this Offer Document will commence on a deferred settlement basis on or about 3 August 2007. It is expected that trading of the Stapled Securities on ASX on a normal settlement basis will commence on or about 13 August 2007.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Stapled Securities. Applicants or bidders who sell Stapled Securities before they receive an initial statement of holding do so at their own risk. BBCG, the Joint Lead Managers and the Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Stapled Securities before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or by the BBCG Offer Information Line or a Broker or otherwise.

### 2.12 BROKERAGE AND COMMISSION

No brokerage or commission is payable by Applicants on application for, or the transfer or issue of, Stapled Securities under the Offer (as the case may be).

### 2.13 RIGHT TO VARY OR WITHDRAW OFFER

BBCG, in consultation with the Joint Lead Managers, has the right to vary any of the dates set out in this Offer Document relating to the Offer, without notice to any recipient of the Offer Document or any Applicant. This includes, although is not limited to, varying the length of the Offer. Subject to the terms of the Underwriting Deed, BBCG is entitled to withdraw the Offer at any time prior to the issue of Stapled Securities under the Offer.

### 2.14 SELLING STAPLED SECURITIES AND CHESSE

BBCG will apply to participate in ASX's Clearing House Electronic Sub-register System ("CHESSE"), in accordance with the Listing Rules and the ASTC Settlement Rules. CHESSE is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in a paperless form.

When the Stapled Securities become CHESSE Approved Securities, holdings will be registered in one of two sub-registers, an electronic CHESSE sub-register or an issuer sponsored sub-register. The Stapled Security of a Securityholder who is a participant in CHESSE or a person sponsored by a participant in CHESSE will be registered on the CHESSE sub-register. All other Stapled Securities will be registered on the issuer sponsored sub-register.

Following completion of the Offer, Securityholders will be sent an initial statement of holding that sets out the number of Stapled Securities that have been allocated. This statement will also provide details of a Securityholder's Holder Identification Number ("HIN") or, where applicable, the Securityholder Reference Number ("SRN") of issuer sponsored holders.

Securityholders will subsequently receive statements showing any changes to their securityholding. Certificates will not be issued.

### 2.15 ELECTRONIC OFFER DOCUMENT

This Offer Document may be viewed online at [www.primelife.com.au](http://www.primelife.com.au) or [www.babcockbrown.com](http://www.babcockbrown.com).

Applicants using one of the Application Forms attached to the electronic version of this Offer Document must be a resident of Australia. The electronic version of this Offer Document is not available to persons outside Australia. In particular, it is not available in the United States or to U.S. Persons.

Persons who access the electronic version of this Offer Document should ensure that they download and read the entire Offer Document. A paper copy of this Offer Document will be provided free of charge to any person who requests a copy by contacting the Registry, by mail or on the BBCG Offer Information Line on 1800 881 047 (toll free within Australia) or +61 2 8280 7923 (outside Australia) during the Offer Period.

### 2.16 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Stapled Securities that are subject to the Offer or otherwise to permit a public offering of the Stapled Securities, in any jurisdiction outside Australia and New Zealand. The Stapled Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Stapled Securities (if issued) may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons unless the Stapled Securities are registered under the Securities Act or offered and sold in compliance with an exemption from the registration requirements of the Securities Act and any applicable state security laws. Accordingly, the Stapled Securities are being offered and sold only outside the United States in compliance with Regulations S.

# Section 2

## Details of the Offer

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The Stapled Securities have not been approved or disapproved by the United States Securities and Exchange Commission or any other regulatory authority in the United States, nor have the foregoing authorities approved this Offer Document or confirmed the accuracy or determined the adequacy of the information contained within this Offer Document. Any presentation to the contrary is a criminal offence in the United States.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. BBCG and the Joint Lead Managers reserve the right not to accept bids of Applications from any particular jurisdiction.

No person is authorised to provide any information or make any representations other than those contained in this Offer Document and, if given or made, such information or representations will not be relied on as having been authorised by BBCG, the Joint Lead Managers or any other person, nor will any such persons have any liability or responsibility.

### **2.17 TAXATION**

Investors wishing to apply for Stapled Securities in the Offer should give consideration to the tax implications of any such investment. Different taxation circumstances will apply to different investors, depending on factors such as whether the investor is a resident or a non-resident of Australia or whether the investor is a corporate shareholder or complying superannuation entity. For these classes of investors, the taxation outcomes will be different under situations including, but not limited to, taxation of capital gains, distributions and withholding tax. Accordingly, potential Securityholders are advised to seek their own professional taxation advice before investing in BBCG. See Section 11 for further information.

### **2.18 ENQUIRIES**

If you require assistance to complete the Application Form or require additional copies of this Offer Document, you should contact the BBCG Offer Information Line on 1800 881 047 (toll free within Australia) or +61 2 8280 7923 (outside Australia). If you are unclear in relation to any matter or are uncertain as to whether BBCG is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

# Section 3

## Senior Living industry overview



# Section 3

## Senior Living industry overview

### 3.1 INTRODUCTION

The Senior Living industry involves the provision of accommodation and/or care to those individuals aged over 55 in a Retirement Village or Aged Care facility. The industry is undergoing significant change and expansion largely driven by the ageing population and the increased participation of the private sector, where family networks, charity and government welfare previously dominated. The landscape for development and investment is changing, with attractive investment returns now a reality and rapid growth and consolidation at the forefront of the market.

The provision of accommodation and care for persons over 55 years of age can be categorised into two broad segments:

- Retirement Living; and
- Aged Care.

### 3.2 KEY INDUSTRY DRIVERS

#### 3.2.1 COMMON DRIVERS

##### 3.2.1.1 The ageing population

The BBCG Board expects ageing of the Australian population to drive strong demand for products and services provided by the Senior Living industry. This demographic shift naturally increases the size of the target market, as outlined in the following Australian Bureau of Statistics (ABS) projections:

**TABLE 3.1: DEMOGRAPHIC GROWTH OF ADDRESSABLE TARGET MARKET IN AUSTRALIA**

Target Market	Age Group	Estimated Population (million)		% Increase	
		2004	2051	Total	% p.a.
Overall Senior Living	55+	4.7	10.7	129% ↑	1.8%
Retirement Living	65+	2.6	7.3	183% ↑	2.2%
Aged Care	85+	0.3	1.6	448% ↑	3.7%

Source: Australian Bureau of Statistics (cat. no. 3222.0 Population Projections, Australia, 2004-2101, Series B, Table 5.4)

Note: Projections assumptions (Series B) used by ABS include: Total fertility rate of 1.7, net overseas migration of 110,000 per annum, life expectancy of 84.9 years for males and 88.0 for females.

The ABS projections illustrated in Table 3.1 show that, assuming penetration rates remain constant, Australia's current stock of Retirement Living residencies and Aged Care places will need to increase in line with growth of approximately 183% and 448% of the target markets respectively by 2051 to accommodate projected demand. The projected demand for Retirement Living becomes significantly higher if current market penetration rates increase, as discussed further in Section 3.2.2.2.

The over 65s age group is the fastest growing segment of the population and this growth is projected to continue in the future, as shown in Figure 3.1. The ageing of the population is driven by many factors, including increased life expectancy, declining fertility and various social and economic factors.

Increasing demand will provide opportunities for businesses operating across the entire Senior Living continuum, from developers and managers of Retirement Villages to providers of Aged Care services.





# Section 3

## Senior Living industry overview

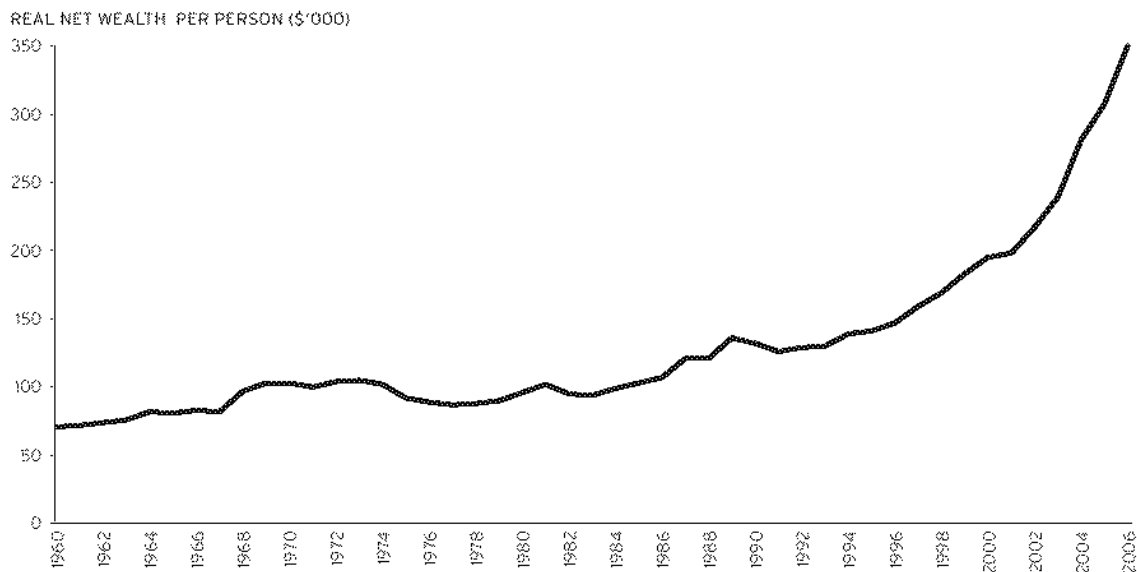
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### 3.2.2 RETIREMENT LIVING SPECIFIC DRIVERS

#### 3.2.2.1 Growing personal wealth

Growing personal wealth is expected to contribute to a greater number of people entering Retirement Living due to lifestyle benefits. The average Australian retiree today has a higher level of personal wealth than those of previous generations. This wealth will enable them the flexibility to pursue a greater number of Retirement Living choices.

FIGURE 3.2: AUSTRALIAN REAL NET PRIVATE WEALTH GROWTH



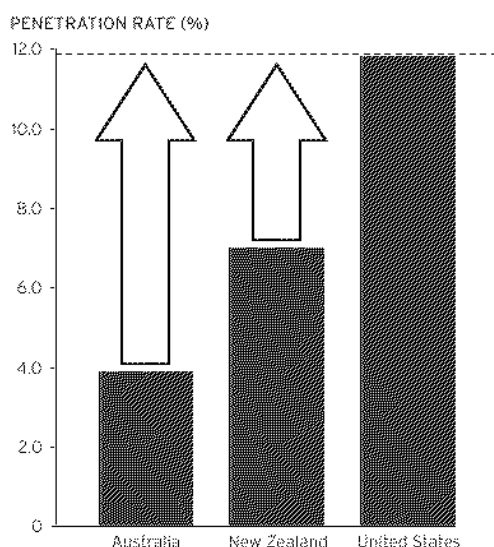
Source: Economic Roundup Summer 2007, The Treasury, 2 February 2007

A large portion of personal wealth is locked up in the value of retirees' property. The increasing value of these properties and the ongoing evolution of superannuation arrangements are expected to provide greater access to funds on retirement which is anticipated to drive Retirement Living unit pricing, service demand and development.

#### 3.2.2.2 Growing market penetration

Although the proportion of over 65s entering Retirement Living communities has increased in recent years in both Australia and New Zealand, current penetration rates remain significantly below more mature markets like the United States. As shown in Figure 3.3, these rates are presently estimated to be approximately 4% in Australia and 7% in New Zealand, compared to 12% in the United States.

**FIGURE 3.3: COMPARATIVE COUNTRY PENETRATION RATES**



Source: Management estimates based on industry data

As the Australian and New Zealand Retirement Living markets mature, penetration rates are expected to increase towards those seen in more mature markets. Factors which are expected to contribute to this increase include:

- increased life expectancy;
- targeted marketing campaigns to reverse past beliefs and increase acceptance of Retirement Living as a lifestyle choice;
- introduction of new and contemporary products/designs;
- lower marriage rates;
- limited availability of informal care networks;
- smaller families; and
- greater female workforce participation.

As noted in Section 3.2.1.1, Australia's ageing population, combined with efforts to increase market penetration rates, are expected to increase the demand for Retirement Living further. This effect is illustrated in Table 3.3, which shows that if penetration rates reach 12%, as currently experienced in the United States, by 2051, Australia's current stock of Retirement Living residencies will need to increase by approximately 750% to accommodate projected demand.

**TABLE 3.3: PROJECTED GROWTH IN AUSTRALIAN RETIREMENT VILLAGE RESIDENTS AS PENETRATION RATES MATURE**

Year	2004	2051	2051	2051
Penetration rate	4.0%	4.0%	8.0%	12.0%
Residents	102,756	291,176	582,352	873,528
Total Growth, %	2004 to 2051		183%	750%
Growth p.a., %	2004 to 2051		2.2%	4.7%

Source: Australian Bureau of Statistics (cf. no. 3222.0 Population Projections, Australia, 2004-2101, Series B, Table 5.4) and Management  
 Note: Projections assumptions (Series B) used by ABS include: Total fertility rate of 1.7, Net overseas migration of 110,000 per annum, life expectancy of 84.9 years for males and 88.0 for females.

# Section 3

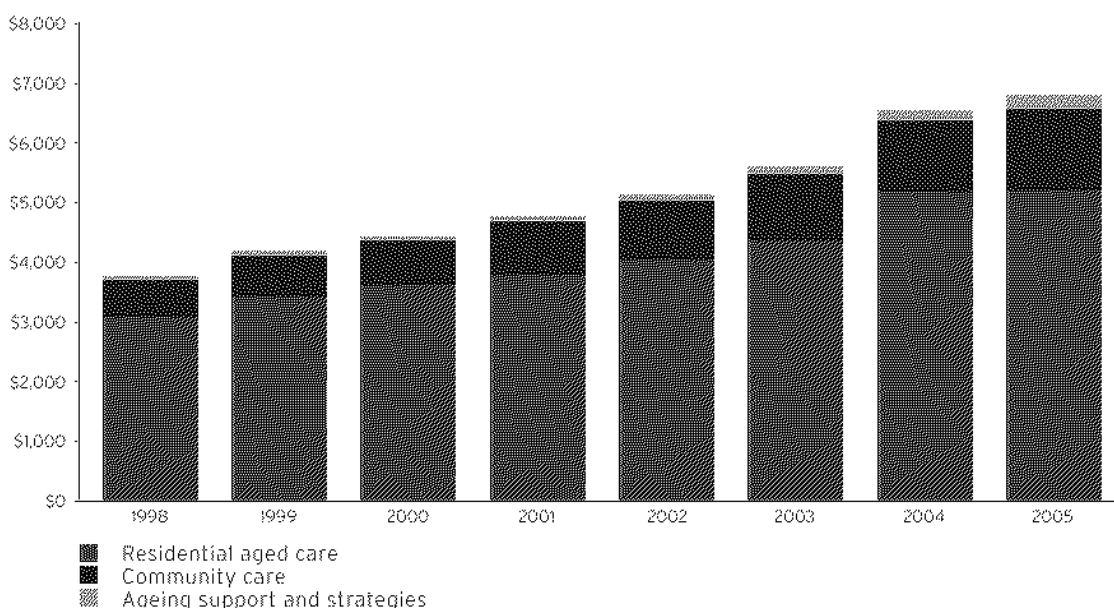
## Senior Living industry overview

### 3.2.3 AGED CARE SPECIFIC DRIVERS

#### 3.2.3.1 Federal Government

The key driver of the Aged Care industry is Federal Government policy, which impacts both funding and regulation. The Federal Government is committed to private sector participation in the industry as a means of relieving the burden on the public sector, and in particular public hospitals, of providing long-term, non-acute care for the frail and elderly. This commitment is expected to increase as the resources and cost of caring for the elderly escalate in the future due to Australia's ageing population. The increase in government Aged Care funding in recent years is shown in Figure 3.4 below.

FIGURE 3.4: AGED CARE SECTOR FUNDING PER PERSON OVER 65 YEARS OF AGE (FY98-FY05)



Source: Australian Government Department of Health and Ageing

### 3.3 TYPES OF SENIOR LIVING

#### 3.3.1 RETIREMENT LIVING

##### 3.3.1.1 Product offering

The Retirement Living sector provides residential accommodation facilities for those aged 55 years or over. However, the average age of incoming residents is typically considerably higher and for BBCG villages is over 70 years of age. Retirement Living communities are not homogenous and can vary significantly depending on the target market. Product offerings vary in the level of services provided, the type of accommodation offered and their proximity to major urban centres.

Retirement Living communities can broadly be categorised as either a lifestyle product or a traditional product. Lifestyle products typically have a greater emphasis on recreation facilities and activities and will naturally attract a younger and more active demographic.

The accommodation products offered typically fall into one of the following two categories:

- Independent Living Unit and Independent Living Apartments (together ILUs); and
- Assisted Living/Serviced Apartments (together SAs).

ILUs are designed for residents who wish to maintain an independent lifestyle while enjoying the benefits of living in a retirement community, such as a secure environment, companionship and appropriate facilities and services, including 24 hour emergency assistance.

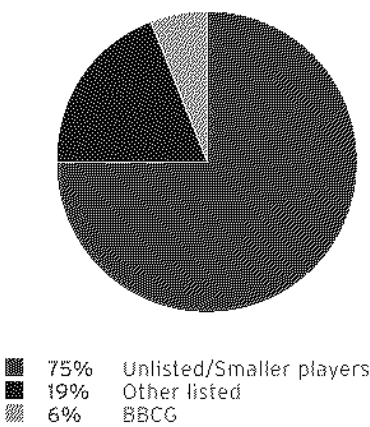
SAs are designed for those people who want to retain as independent a lifestyle as possible but require some assistance on a day-to-day basis. This style of accommodation provides residents with further services such as cooking, cleaning and laundry.

**3.3.1.2 Market structure and competitive landscape**

Payment for Retirement Living is generally 100% funded by the resident, with little government involvement. Approximately 40% of the industry is run by the “for profit” private sector, with the remainder provided by churches and other community groups. It is estimated that there are approximately 85,000 Retirement Villages units in Australia.

The sector’s early development as a cottage industry means the market is still highly fragmented with no player controlling more than 7% of the market and the listed players controlling approximately 25%.

**FIGURE 3.5: AUSTRALIAN RETIREMENT VILLAGES - ESTIMATED MARKET SHARE**



Source: Based on management estimate of market size (85,000 units) and company announcements

Given the fragmented nature of the industry, an opportunity exists for the first operator able to establish a truly national platform. BBCG, which will operate in all five mainland states of Australia as well as New Zealand, will be uniquely placed to be that operator.

A national platform with scale would bring the following significant advantages to an operator:

- economies of scale which bring management and operational synergies;
- increased stability of earnings and cash flows from a large diversified portfolio of DMF assets;
- ability to drive industry consolidation on a national level;
- pricing power - if critical mass in a particular geographical area can be established;
- brand recognition - a nationally recognised Retirement Living brand would be a first in the market and would represent a significant competitive advantage; and
- ability to be at the forefront of future industry regulation initiatives.

**3.3.1.3 Regulatory regime**

The Australian Retirement Living sector is governed by individual state legislation which has a strong focus on consumer protection. On an operational level, the industry is largely self-regulating through the Retirement Village Association (RVA). One of the core developments by the RVA has been the implementation of a national Accreditation Scheme for Retirement Villages to raise standards and achieve greater consistency across the industry in regards to core services. If successful, accreditation is granted for a three-year term.

The increasing prevalence of industry regulation provides opportunities to establish a consistent platform across a greater number of villages, giving operators of a larger number of villages an advantage, as compliance costs can be spread across a larger asset base.

# Section 3

## Senior Living industry overview

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### 3.3.1.4 Economics

Integrated Retirement Village operators can generate financial returns in three stages of a village's lifecycle. These are discussed below.



#### Development of Retirement Villages:

- As with mainstream residential development, development profits are derived from the process of developing and constructing a village and selling completed units to the first-time residents
- Although highly dependent on the developer, a development profit margin of 10% - 20% can typically be achieved. BBCG's target profit margin on any new development is 15% or greater
- However, unlike typical property development, the first-time resident enters a deferred management fee (DMF) contract with the operator, which allows the operator to receive a fee when the resident leaves the village. A similar contract is entered into with all future occupants of the unit
- Hence, an integrated developer, owner and operator of Retirement Villages is able to generate immediate returns via a development profit, while also being entitled to future DMF income from the unit. This is unique to the Retirement Living industry.

#### Deferred management fee (DMF) income:

- While other fee structures exist, the DMF structure is the most common in the Retirement Living industry in Australia and New Zealand. All of BBCG's Retirement Villages are operated under this structure
- The contracts may differ from village to village but are typically characterised by the following:
  - the DMF is accrued over the tenure of the resident but only received by the operator on the departure of the resident;
  - the quantum of the fee is typically linked to value of a resident's unit and the resident's period of occupancy;
  - a typical DMF could include an annual fee of 3.0% for each year of occupancy (up to a maximum of 12 years) based on the initial purchase price and a share of the capital gain realised on sale of 36%;
  - there is no standard DMF contract across the industry. Refer to Section 4.6.1.1 for the most common DMF contracts in the BBCG portfolio; and
  - the DMF contract also deals with obligations for costs relating to the refurbishment and resale of the unit. These can be borne by either the resident, the operator or shared.
- The amount of DMF income realised from a village will therefore depend on the exact nature of the resident contracts and the capital growth of units over time, while the amount of DMF income realised as cash in any one period will also depend on the number of resident departures in that period, as the DMF is only payable on departure and resale of the unit
- In addition to a DMF, residents of Retirement Villages must make contributions to meet the costs of operating the village (including salary of village staff), akin to a strata levy. A mature Retirement Village should not require the operator to contribute to operating costs at the village level

#### Management fee income:

- Some Retirement Village managers operate villages on behalf of third party owners
- Management fees for this service are typically linked to the number of units under management, the value of assets under management or the amount of DMF income
- Management fees are a small part of BBCG's business

#### Re-development opportunities:

- Profits can be derived from the redevelopment of established Retirement Villages. This can become a high proportion of revenue for some village owners as many new residents are prepared to pay more for a higher standard of accommodation or improved lifestyle options
- Given the age profile and quality of BBCG Retirement Villages this is not expected to be a major revenue driver for BBCG in the near term

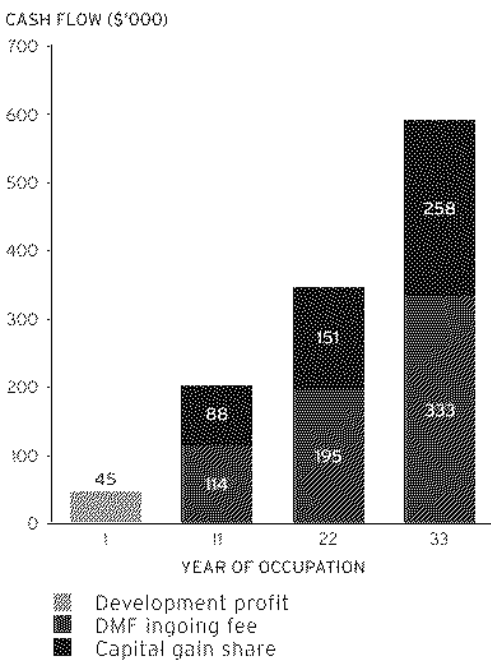
**3.3.1.5 A DMF Example**

Consider the following example, which shows the economics to an integrated developer, owner and operator of Retirement Villages, such as BBCG:

- A Retirement Village unit is developed and sold for \$345,000 to the first-time resident
- A development profit margin of 15% is realised (i.e. the unit cost \$300,000 to develop and construct)
- The DMF contract entered into by residents in the village allows the operator to retain from each departing resident as a DMF;
  - 3% of the purchase price of the unit per year of occupancy (up to a maximum of 12 years); and
  - 36% of any capital gain realised on resale of the unit (resale price less initial purchase price).
- The capital growth of units in the village is 5.0% per annum over the life of the village
- Residents stay for 11 years (which is typical of the industry average).

Figure 3.6 shows the cash income to an integrated Retirement Village developer, owner and operator from the unit in the above example from the first three occupants.

**FIGURE 3.6: DMF ECONOMICS - CASH FLOW**



Source: Management

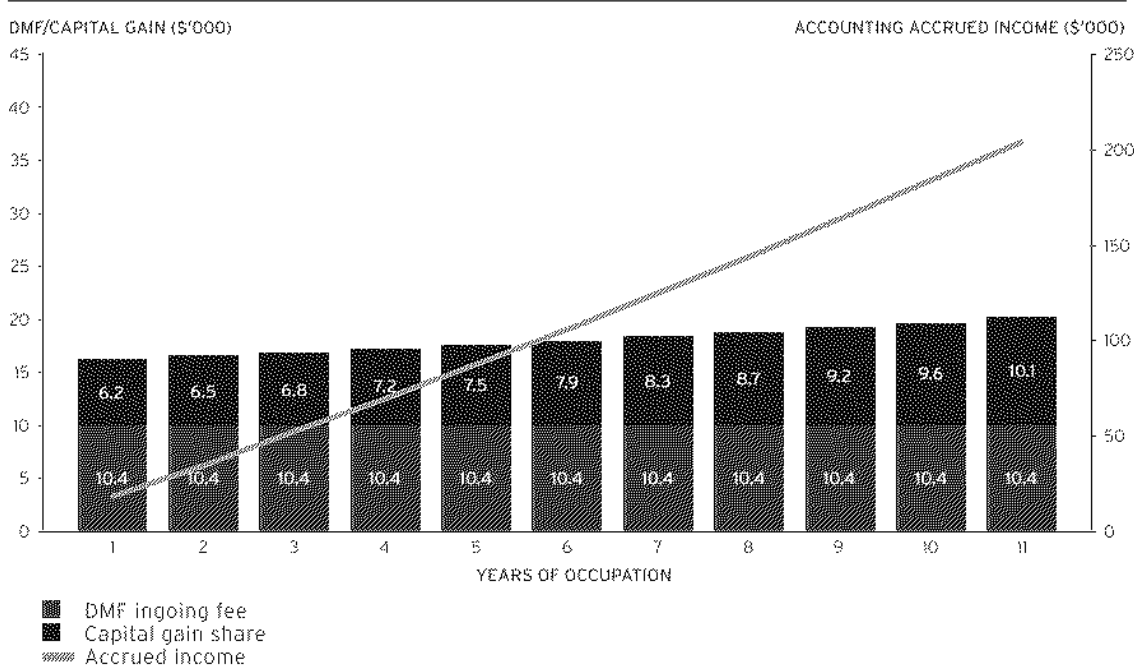
**3.3.1.6 Accounting for DMFs**

While Figure 3.6 above shows the DMF cash income, from an accounting perspective, DMF income is accrued over the tenure of the resident according to the terms of the contract and based on estimates of capital growth and length of stay. Figure 3.7 illustrates this method of accrual accounting for the first resident in the DMF example outlined above. Note, the accounting income accrued at the time of departure in year 11 (approximately \$202,000) equals the cash amount received in Figure 3.6.

# Section 3

## Senior Living industry overview

FIGURE 3.7: ACCOUNTING FOR DMF



Source: Management

### 3.3.1.7 Occupancy structures

There are various occupancy structures in Retirement Living communities in Australia and New Zealand, typically driven by tax and stamp duty considerations. Table 3.4 provides a brief overview of common occupancy structures. However, it is important to note that under each of the occupancy structures the economic interest of the operator typically remains unchanged. This is the case for BBCG with respect to the varying occupancy structures within its portfolio.

TABLE 3.4: COMMON OCCUPANCY STRUCTURES

Occupancy regime	Characteristics
Loan and Licence Agreements (LLA)	The village operator retains ownership of the village accommodation units and the resident pays an entry contribution before occupying a unit.
Leasehold	The operator retains an interest in the village real estate subject to those leases registered to the residents. The operator grants each resident a lifetime lease of their accommodation unit for which the resident pays the operator the initial price of the unit.
Strata Title	The freehold to the unit is conveyed to the resident. A strata Retirement Village requires residents to enter into a management agreement for the provision of services and facilities that meet the needs of older people.

### 3.3.2 AGED CARE

Aged Care involves the provision of accommodation and personal and nursing care to the elderly. In 2005-2006, the industry provided care to over 200,000 persons. The Federal Government provides most of the recurrent funding for residential Aged Care services, totalling \$5.2 billion in 2004-2005. This is forecast to increase to \$10.0 billion by 2010-2011. State and Territory governments provide most of the remaining service revenue, with the balance of income coming from residents.

#### 3.3.2.1 Product offering

Aged Care in Australia is divided into two broad categories:

- Low care facilities (formerly known as hostels) provide accommodation and personal care, such as help with dressing and showering, together with occasional nursing care; and
- High care facilities (previously known as nursing homes) provide care for people who often need continuous nursing care.



Some Aged Care facilities have extra service status, whereby they provide a higher standard of accommodation or non-care services at additional cost. However, extra service status does not mean a higher standard of nursing care.

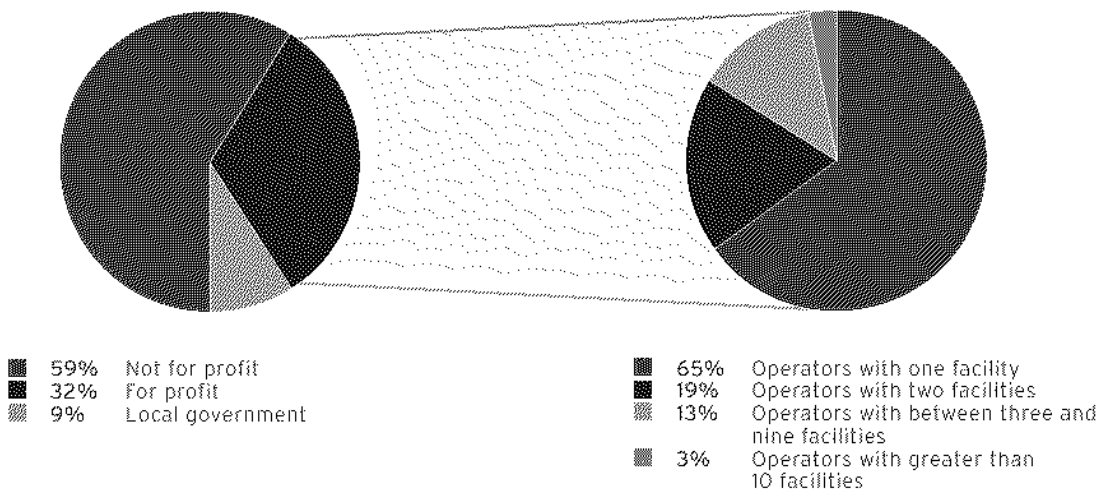
**3.3.2.2 Market structure and competitive landscape**

The Federal Government regulates the Aged Care industry, including approving providers who can operate Aged Care facilities and controlling the supply of new residential Aged Care places. Bed licences are allocated at no charge once a year by the Commonwealth in a competitive process. Key criteria for successful applications include a proven track record of Aged Care provision and the ability to make the allocated places operational within two years within certain areas. Organic growth is therefore largely limited to this annual allocation process, which also limits the geographic expansion of providers, due to allocation of new places generally being in certain areas which are undersupplied. As a result, rapid growth in the Aged Care sector is generally achieved by acquisition.

Similarly to Retirement Living, the Aged Care market in Australia is highly fragmented with no dominant player. As at 30 June 2006, 60% to 65% of the market was comprised of not for profit and local government operators. The for profit, privately operated segment, which accounts for the remaining 30% to 35% of the market, is particularly fragmented with approximately 85% of operators owning only one or two facilities and only 3% of operators owning more than 10 facilities.

**FIGURE 3.8: AGED CARE MARKET STRUCTURE**

**FIGURE 3.9: AGED CARE MARKET FRAGMENTATION - FOR-PROFIT SECTOR<sup>1</sup>**



Source: SCRGSF, Report on Government Services 2004, Productivity Commission, Canberra

Note:

<sup>1</sup> Percentages based on number of operators.

**3.3.2.3 Regulatory regime**

The Commonwealth Government has significant influence over the Aged Care industry through the operations of the *Aged Care Act 1997* (Cth). Aged Care operators are required to obtain Approved Provider status from the government and are subject to rigorous accreditation and certification standards, which are monitored by the Commonwealth Department of Health and Ageing and the Aged Care Standards and Accreditation Agency, to ensure that both building and care standards are maintained.

Residents need to be assessed by the government's Aged Care Assessment Teams (ACATs) in order to gain admittance to residential Aged Care.

The Federal Government also regulates much of the revenue earned by providers, both the subsidies paid by the government itself as well as that paid directly by the resident. This is discussed in more detail below.

**3.3.2.4 Economics**

The Australian Aged Care sector is largely government funded. In addition to government funding, providers also have access to interest free capital in the form of accommodation bonds paid by residents in low care and "extra services" facilities. Furthermore, "extra services" residents pay additional fees, which are largely unregulated, but must be approved by the government.

# Section 3

## Senior Living industry overview

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The provision of Aged Care is management and resource intensive. The key to achieving above-industry returns in Aged Care is effective cost management, while ensuring compliance with government-mandated Aged Care standards and without compromising quality of care.

- Key revenue drivers - maintaining high occupancy, optimising the resident care category mix, accounting for and claiming all available subsidies
- Key cost drivers - achieving scale efficiencies (both in terms of optimal facility size and operation of multiple facilities) and operating efficiencies (by introducing industry-best operating, staffing, IT and purchasing procedures and systems)

Labour costs are the largest expense and account for at least 60% to 70% of an operator's cost base. Other significant costs include catering, chemicals (for cleaning and laundry) and sanitary products.

The government is encouraging the concept of "ageing in place", which sees residents entering a low care bed and moving through the Resident Classification Scale (RCS) categories to high care (as their care needs increase) without actually moving to a designated high care facility. This is beneficial for both the resident and provider as the resident is able to remain within a facility they are familiar with while the provider receives higher government care subsidies commensurate with the increased level of care being provided in addition to being able to retain the accommodation bond. Providers are required to meet further building and certification requirements to offer "ageing in place".

### **Aged care funding can be divided into three categories:**

#### *Commonwealth subsidies*

The basic Commonwealth care subsidy is based on the Resident Classification Scale (RCS). Residents are assessed and allocated a RCS score from one to eight. The lower the number, the higher the degree of care required. Current RCS subsidy rates (per day) vary from \$0 for category eight residents to \$122.77 for category one residents. These rates are adjusted for inflation twice annually. As at June 2006, the average subsidy was \$39,425 per annum for high care beds and \$12,472 per annum for low care beds<sup>1</sup>.

In addition, the Commonwealth Government provides other subsidies, such as payroll tax subsidies and enteral feeding (tube feeding) supplements.

#### *Resident fees and charges*

Aged Care residents are required to pay a basic daily care fee of approximately \$38 (\$31 for pensioners). The Commonwealth Government supplements pensioner care fees to ensure they are at par with non-pensioner payments.

Residents are means-tested and those with private incomes above a certain threshold are also required to pay an income-tested fee which proportionally offsets the RCS subsidy provided by the government.

#### *Accommodation payments*

Residents with assets above a certain level are required to make an accommodation payment as a contribution towards the cost of their accommodation. These payments take two forms, being an accommodation charge if they are in high care or an accommodation bond for low care.

Accommodation bonds are lump sum amounts of money paid by residents in low care (or extra services). Bond prices are dictated by market forces and there is no legislative maximum. The average accommodation bond levied on a new resident in 2005-2006 was \$141,690. The bond must be refunded (less a specified retention amount which is equal to \$3,282 per annum for residents who have entered a facility since July 2006) at the end of the resident's stay.

Approved providers can generate income from accommodation bonds through the retention amount, any interest earned if the bond proceeds are invested, as well as capital appreciation realised when the bond is taken over by the next resident. They may also use bonds (subject to strict prudential requirements) for working capital purposes and to reduce debt.

### **3.3.2.5 Review of pricing policy**

In 2002, the government announced a Review of Pricing Arrangements in residential Aged Care. The main task of the review was to examine the long term prospects of residential aged care services with a particular focus on future arrangements for private and public funding, performance improvement within the industry and long term financing.

Following the completion of the review in 2004, the 2004-2005 Federal Budget included many of its recommendations in its Aged Care policy.

On 11 February 2007, the Federal Government announced a \$1.5 billion Aged Care funding reform in a final follow up to the 2004 review. The reforms specifically targeted investment in high care places and community care packages.

<sup>1</sup> As of 20 March 2008, a new Aged Care Funding Instrument (ACFI) will be introduced which will gradually replace the existing RCS funding system. The ACFI is planned to have fewer funding categories and intended to better target available funding towards the highest care needs, particularly residents with dementia, challenging behaviours and those with complex health and care needs.

# Section 4

## Profile of BBCG



# Section 4

## Profile of BBCG

### 4.1 INTRODUCTION

BBCG will be the largest “pure play” owner, operator and developer of Senior Living communities listed on ASX, with a total of 6,262 Retirement Village units and 941 Aged Care beds under management. In addition to these existing assets, BBCG will also own a significant land-bank with an identified development pipeline of 2,110 Retirement Village units and 171 residential Aged Care beds, the majority of which are expected to be sold over the next six years.

BBCG will have total pro forma assets of \$1.8 billion (pro forma 31 December 2006) and total forecast pro forma revenue of approximately \$169 million for the year ending 30 June 2008. BBCG expects to pay an annualised distribution yield of 8% for the FY08 Period (based on the Main Offer Price of \$1.15).

### 4.2 VISION AND INVESTMENT STRATEGY

BBCG’s vision is to become Australia and New Zealand’s leading owner, operator and developer of Senior Living communities. BBCG intends to realise this vision through combining Primelife’s significant industry knowledge and operational platform with the financial and investment expertise of Babcock & Brown. BBCG will seek to grow its portfolio of Retirement Villages and Aged Care facilities both organically by developing its significant land-bank and by pursuing accretive acquisition opportunities arising from the fragmented nature of the industry.

The BBCG Board believes that BBCG will be well positioned to be one of the primary consolidators within the sector, due to its ability to identify and execute sound investment opportunities, efficiently fund acquisitions, ensure smooth transition of ownership and successfully integrate employees, residents, systems, processes and cultures.

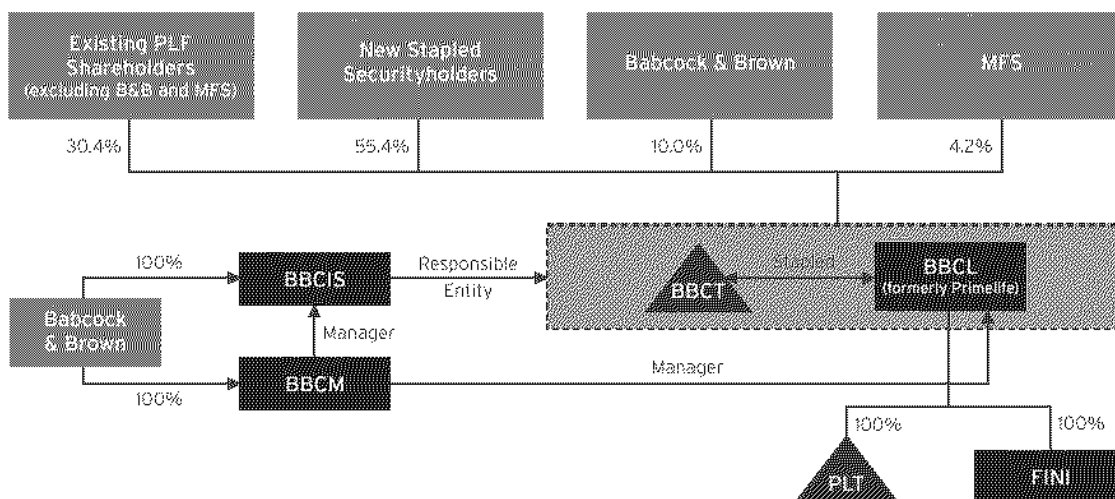
Although it is expected that BBCG’s operations will be focused in the short to medium term on the Australian and New Zealand markets, future growth opportunities outside these jurisdictions which meet BBCG’s investment criteria may be considered.

It is also expected that although initially BBCG’s operations will be focused on the Senior Living sector, future growth opportunities in community living outside this sector which meet BBCG’s investment criteria may be considered.

### 4.3 STRUCTURE OF BBCG

The structure of BBCG on completion of the Restructure Proposal will be as shown in Figure 4.1.

FIGURE 4.1: BBCG STRUCTURE ON COMPLETION OF RESTRUCTURE PROPOSAL



The BBCG ownership percentages in Figure 4.1 are based on a Capital Raising of \$475 million and assume:

1. Babcock & Brown participates in the Capital Raising for an amount of Stapled Securities required to bring its ownership interest to 10%, approximately \$18.0 million;
2. Existing Primelife Shareholders participate in the Priority Offer for an amount of \$50 million, at the Priority Offer and Resident and Employee Offer Price of \$1.10; and
3. Residents of BBCG Retirement Villages and BBCG Employees participate in the Resident and Employee Offer for an amount of \$25 million, at the Priority Offer and Resident and Employee Offer Price of \$1.10.

As an existing Primelife Shareholder and PLFGA Noteholder, Babcock & Brown will apply for Stapled Securities under the Priority Offer. In the event of excess demand under the Priority Offer, Babcock & Brown will only subscribe for a pro rata share of the Priority Offer based on Babcock & Brown's interests in Primelife Shares and PLFGA Notes immediately before the Scheme Meeting.

Section 6.2.5 outlines the possibility that the Fini acquisition will not proceed if a successful tax ruling is not obtained by the vendors of the Fini Portfolio. The Directors have no reason to believe the tax ruling will not be obtained. Neither the Restructure Proposal nor the Capital Raising are conditional on the Fini Portfolio acquisition. If the Fini Portfolio acquisition does not proceed the Fini Portfolio will not form part of the BBCG portfolio and the gearing of BBCG will be reduced. Financial information for BBCG exclusive of the Fini Portfolio is included in Section 7.12.

#### **4.4 KEY INVESTMENT STRENGTHS OF BBCG**

##### **4.4.1 "PURE PLAY" EXPOSURE TO A SECTOR WITH FAVOURABLE DEMOGRAPHICS**

BBCG will be the largest "pure play" owner, operator and developer of Senior Living communities listed on ASX and one of the largest in Australia and New Zealand.

Demand for services provided by the Senior Living industry is expected to increase strongly, driven primarily by the continued ageing of the Australian population. This demographic shift naturally increases the size of the target market.

Senior Living is still an emerging sector in Australia and New Zealand with less than 4% of all seniors living in these communities in Australia and 6.9% in New Zealand. This is significantly lower than the penetration rates in mature markets like the United States at 12%. Penetration levels are expected to continue to increase towards the levels seen in mature markets, further increasing demand for Senior Living.

##### **4.4.2 UNIQUE EXPOSURE TO THE RESIDENTIAL PROPERTY MARKET**

Senior Living, and in particular Retirement Villages, provides investors with a unique exposure to the residential property market. This comes primarily via deferred management fees, which typically entitle the operator to share in the capital gain of the units, and development profits from the construction and sale of new units. In addition, the Retirement Village sector is characterised by strong demand and limited supply due to the rapidly ageing Australian population.

##### **4.4.3 CONSOLIDATION OPPORTUNITIES IN A HIGHLY FRAGMENTED MARKET**

The current market for Senior Living is highly fragmented with no single dominant player. BBCG will be well positioned to lead industry consolidation via access to Babcock & Brown's transaction origination, structuring and execution and capital raising capabilities. BBCG will also be uniquely placed to be the first operator to establish a truly national platform, with operations already spanning five states of Australia as well as New Zealand.

##### **4.4.4 COMBINATION OF PRIMELIFE'S OPERATIONAL EXPERTISE WITH BABCOCK & BROWN'S INVESTMENT EXPERTISE**

BBCG will benefit from the combination and integration of Primelife and Babcock & Brown's management teams. Primelife's operational expertise will be retained, while at a corporate level BBCG will be managed by Babcock & Brown. Babcock & Brown has significant investment management experience with over \$44 billion of assets under management, including eight ASX-listed funds. BBCG will also benefit from the use of the Babcock & Brown brand while retaining Primelife as a valuable operating brand.

##### **4.4.5 ATTRACTIVE RETURNS WITH A SOLID PLATFORM FOR GROWTH**

BBCG is forecast to pay an annualised distribution yield of 8% in the FY08 Period. BBCG also has attractive growth prospects, both organically, through its identified and owned development pipeline of 2,110 Retirement Village units, and acquisition opportunities in a highly fragmented market.

Payment of full Base Fees to the Manager in the FY08 Period is dependent on achievement of forecast EBITDA and distributions and payment of full Base Fees to the Manager in FY09 and FY10 is conditional on achieving distribution growth of 9% per annum, supported by equivalent growth in EBITDA. Distributions are expected to be 100% tax deferred for at least the next three years.

##### **4.4.6 STABLE AND DIVERSIFIED INCOME STREAMS FROM AN INTEGRATED BUSINESS MODEL**

BBCG will operate an integrated business model, allowing it to provide services, and earn revenue, at each stage of the Senior Living continuum:

- development of Senior Living facilities ~ development profit from first-time sales of units;
- ownership and management of Retirement Villages ~ annuity style DMF income across the portfolio; and
- operation of Aged Care facilities ~ stable and largely government-funded revenue.

# Section 4

## Profile of BBCG

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### **4.5 IMPORTANT INFORMATION ABOUT BBCG**

#### **4.5.1 DISTRIBUTION POLICY**

Distributions to Securityholders are expected to be payable half-yearly in arrears in March and September for the preceding six month periods ending 31 December and 30 June. The first distribution to Securityholders is expected to be paid in March 2008 for the period from the date Stapled Securities are allotted under the Scheme and the Capital Raising to 31 December 2007.

Unless otherwise determined by the Responsible Entity, BBCT will distribute all of its taxable income and capital receipts in respect of each six month period. Further details of the tax treatment of distributions to Securityholders are provided in Ernst & Young's taxation report in Section 11. Investors should, however, seek their own independent tax advice as to their own position.

Until such time as the net profit after tax is greater than 90% of the operating cash flow, the distribution policy of BBCG will be to distribute the net cash proceeds from free operating cash flows less debt servicing and such sums as the Directors determine as prudent to retain to meet acquisitions, working capital, development or maintenance capital expenditure requirements of the business. However, the Boards are under no obligation to make a distribution.

The Boards can give no assurance for the FY08 Period or for any future period regarding the payment of distributions or the extent of payout ratios, as actual events might differ from the assumptions used in assessing the anticipated ability of BBCG to pay distributions.

No assurance can be given about the payment of distributions, the level of franking or the extent to which distributions will be tax deferred for any period as these matters depend on the generation of profits and cash from the operations and investments and the future financial and taxation position of BBCG.

Forecast distributions for BBCG are contained in Section 7.4. As noted in Section 9, the vesting of full Base Fees otherwise payable to the Manager in the FY08 Period, FY09 and FY10 is based on the achievement of certain EBITDA and cash distribution targets.

The forecasts included in this Offer Document exclude any special or one-off distributions. In the future, the Directors may consider making special or one-off distributions dependent on a variety of currently unidentified special or one-off events.

BBCG intends to establish a Distribution Reinvestment Plan (DRP) which will allow Securityholders to reinvest their distributions in BBCG. The DRP is expected to be active during the Forecast Period.

#### **4.5.2 GEARING AND INTEREST RATE POLICY**

BBCG will target a long-term gearing ratio of between 30% and 40%. BBCG may exceed this range from time to time to facilitate strategic acquisitions and/or fund development projects. Gearing is defined as total interest bearing debt divided by Adjusted Gross Assets.

Following completion of the Capital Raising and the refinancing noted in Section 4.5.4, BBCG will implement a hedging strategy with a target range of between 50% and 80% of interest bearing debt, having regard to the interest rate climate at that time.

#### **4.5.3 FOREIGN EXCHANGE HEDGING POLICY**

As at the date of this Offer Document, all assets that will be under the ownership or control of BBCG are located in either Australia or New Zealand. BBCG will have New Zealand dollar denominated debt sufficient to create a natural hedge with the New Zealand assets, to the extent practicable. Accordingly, there is currently no intention to enter into hedging of capital or distributions. However, in the future if BBCG engages in further offshore acquisitions or perceive there to be a foreign exchange risk in capital or distributions, BBCG may introduce foreign exchange hedging (using foreign exchange forward contracts or other suitable instruments) of the expected foreign currency denominated net income of BBCG to insulate against movements in exchange rates, both favourable and unfavourable.

#### **4.5.4 BBCG DEBT REFINANCING**

The proceeds of the Capital Raising will be used to repay debt within Primalife and PLT, to redeem PLT preferred units and to fund the purchase of the Fini Portfolio of Retirement Villages (approximately \$188 million including transaction costs) subject to the vendors electing to receive \$20 million of the sale consideration in the form of Stapled Securities. It is expected that the majority of the remaining debt facilities will be refinanced. The aim of the refinancing will be to rationalise these facilities under a single BBCG corporate facility. This is expected to have the following benefits:

- reduced average cost of debt; and
- increased capital allocation flexibility compared to existing project specific or facility specific lines.

Discussions with debt providers are advanced and, on the basis of these discussions, it is expected that BBCG will be able to attract debt financing at an attractive rate compared to existing facilities.

**4.6 BBCG ASSET OVERVIEW**

After completion of the Restructure Proposal, BBCG will hold the following assets:

**4.6.1 RETIREMENT LIVING COMMUNITIES**

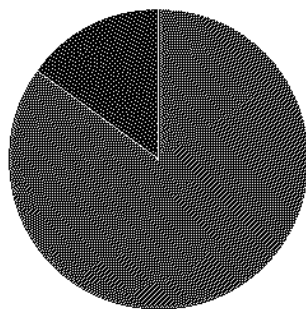
BBCG will manage a portfolio of 44 Retirement Villages, comprising 6,262 units and provide care and accommodation to over 7,500 residents. Within the portfolio, 27 Retirement Villages will be owned by BBCG, representing approximately 4,459 units. Eleven Villages will be owned by external third party landlords and leased to BBCG under long term lease agreements. Under these agreements, BBCG retains full exposure to the DMF income stream from these villages. For the remaining six villages, BBCG will manage the facilities on behalf of third-party owners on a profit-share basis.

Included in the above numbers is one 80 unit Retirement Village in Western Australia (WA Village) which is the subject of an agreed term sheet and is expected to be purchased in August 2007.

BBCG will also own a development pipeline of 2,110 Retirement Village units which are forecast to be completed and sold largely over the next six years, organically increasing the number of units under BBCG management to over 8,300. See Section 4.6.2 for further details on BBCG’s development business.

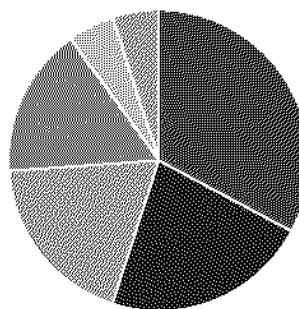
Figures 4.2 to 4.4 illustrate the composition of the Retirement Village portfolio by type of accommodation provided, geographic diversity and BBCG ownership interest.

**FIGURE 4.2: RETIREMENT VILLAGE PORTFOLIO BY ACCOMMODATION TYPE**



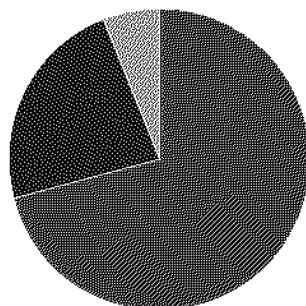
85% ILUs  
15% SAs

**FIGURE 4.3: RETIREMENT VILLAGE PORTFOLIO BY GEOGRAPHIC LOCATION**



33% Victoria  
22% Western Australia  
19% New South Wales  
16% New Zealand  
5% Queensland  
5% South Australia

**FIGURE 4.4: RETIREMENT VILLAGE PORTFOLIO BY OWNERSHIP INTEREST**



71% Fully owned  
23% Leased  
6% Profit share

# Section 4

## Profile of BBCG

### 4.6.1.1 DMF fee structure - BBCG portfolio

Table 4.1 shows some of the most common DMF contracts to be included in the BBCG portfolio. Types of DMF contracts can vary markedly from village to village and state to state. For example, the average contract in New Zealand allows the operator to share in a greater portion of the capital gain than that in Australia.

**TABLE 4.1: MOST COMMON DMF CONTRACTS IN BBCG PORTFOLIO**

% of Total by						
Type	Number of Contracts	Value of Units	Accrual Period (Years)	Max DMF (%)	DMF Basis	Share of Capital Gain
1	12%	14%	12	36%	Outgoing	-
2	6%	7%	8	20%	Ingoing	100%
3	5%	6%	8	35%	Outgoing	-
4	5%	3%	1	25%	Ingoing	75%
5	5%	3%	4	20%	Ingoing	100%
6	4%	3%	10	30%	Ingoing	-
7	7%	9%	10	25%	Outgoing	-
8	6%	5%	1	-	Ingoing	50%
<b>Top 8</b>	<b>49%</b>	<b>49%</b>				
<b>Weighted Average of Top 8 Contracts</b>				<b>26%</b>		<b>35%</b>
<b>Weighted Average of All Contracts</b>				<b>25%</b>		<b>33%</b>

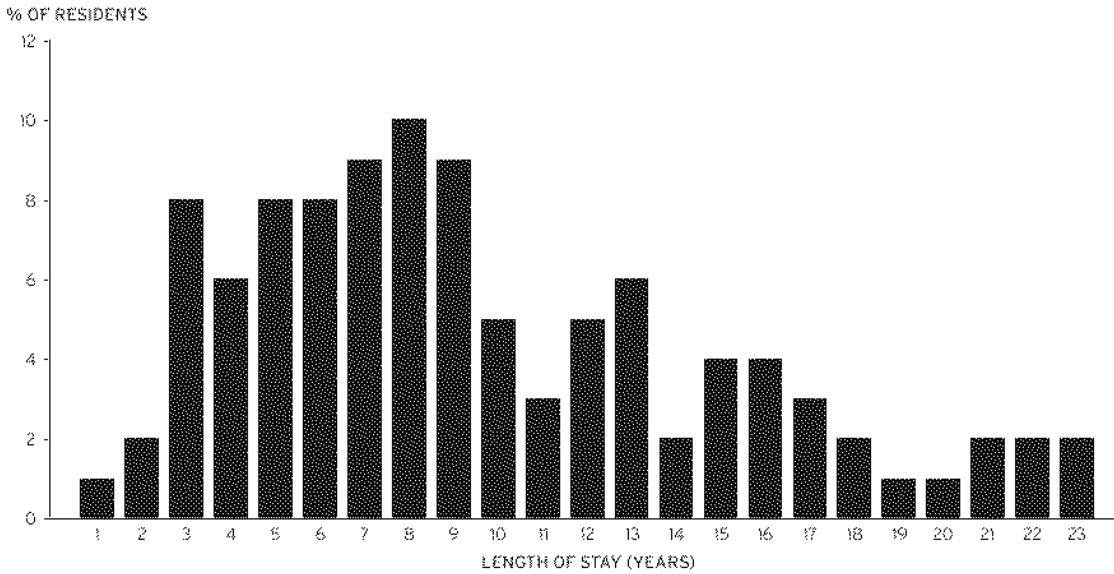
The terms of the contracts are usually a carry-over from those entered into by the first residents at the time the village was established. BBCG will have over 50 contract types across its portfolio and will seek to standardise contracts to reduce administrative costs and improve its DMF economics where the existing contracts have below market fee structures.

### 4.6.1.2 Portfolio length of stay profile

Although forecasting individual resident length of stay is inherently uncertain, BBCG estimates that its average length of resident stay across the Australian part of its portfolio will be 11 years for ILUs and five years for SAs. For the New Zealand part of the portfolio, an average length of stay of eight years is assumed for ILUs and five years for SAs, in line with historical experience in that market. These assumptions are based on past experience in the portfolio and are consistent with industry standard assumptions. Compared to mature villages, initial turnovers in younger villages are typically less frequent and allowance has been made for this in forecasting turnovers across the portfolio. Figure 4.5 shows the distribution of average stay based on the last 200 departures from Primelife's portfolio as at 31 March 2007. The average length of stay across this sample is 9.1 years.



FIGURE 4.5: LENGTH OF STAY PROFILE



Source: Management

**4.6.1.3 Portfolio summary**

The BBCG portfolio following completion of the Restructure Proposal and acquisition of the Fini Portfolio will comprise 24 owned, managed or profit share villages from within the existing Primelife portfolio, 12 owned villages from within the PLT portfolio and seven owned villages from within the Fini Portfolio. The portfolio is detailed in Table 4.2.

# Section 4

## Profile of BBCG

**TABLE 4.2: BBCG RETIREMENT LIVING COMMUNITIES**

Village	State	Operating structure	Age of village	Number of units	Average unit value (\$'000)	Facility occupancy %	Average resident age years	Independent valuation (\$'000) <sup>4</sup>
<b>Primelife</b>								
Waterford Park <sup>1</sup>	VIC	Owned	1.3	47	415	100%	76	670
Camberwell Green <sup>3</sup>	VIC	Owned	3.5	36	320	90%	86	1,440
Lexington Gardens <sup>1</sup>	VIC	Owned	6.6	291	180	95%	77	11,110
Waterford Valley Lakes <sup>1</sup>	VIC	Owned	5.3	184	430	96%	73	18,270
Trowella Gardens <sup>1</sup>	VIC	Owned	3.4	37	260	100%	79	650
Woodland Park <sup>1</sup>	VIC	Owned	1.2	36	380	100%	71	320
Evelyn Ridge <sup>3</sup>	VIC	Owned	1.2	33	340	100%	75	320
Port Phillip <sup>3</sup>	VIC	Managed <sup>6</sup>	13.8	162	244	94%	81	-
Tannoch Brae <sup>1</sup>	VIC	Managed <sup>6</sup>	11.0	106	220	95%	79	-
Koorootang Court <sup>3</sup>	VIC	Managed <sup>6</sup>	22.8	121	186	90%	82	-
Meadowvale <sup>3</sup>	VIC	Managed <sup>6</sup>	22.3	203	160	88%	80	-
View Bank Gardens <sup>1</sup>	VIC	Managed <sup>6</sup>	20.6	52	280	96%	81	-
Heathglen <sup>1</sup>	VIC	Managed <sup>6</sup>	17.2	114	215	97%	80	-
Cumberland View <sup>1</sup>	VIC	Managed <sup>6</sup>	25.4	234	230	94%	82	-
The Village Williamstown <sup>3</sup>	VIC	Managed <sup>6</sup>	9.9	141	319	93%	80	-
Riverwood <sup>1</sup>	NSW	Managed <sup>6</sup>	21.8	130	200	92%	81	-
Glen Woodley <sup>3</sup>	SA	Leased	15.2	74	273	96%	82	-
Vermont <sup>3</sup>	SA	Leased	17.5	118	166	96%	82	-
Goodwin Close <sup>2</sup>	VIC	Profit Share	5.9	64	170	52%	87	-
Greenvue <sup>2</sup>	VIC	Profit Share	3.5	72	200	96%	87	-
Claremont Terrace <sup>3</sup>	VIC	Profit Share	6.3	78	268	78%	85	-
The Beaumont <sup>1, 7</sup>	WA	Profit Share	4.3	55	420	100%	76	-
Martha's Point <sup>1</sup>	VIC	Profit Share	0.9	62	425	100%	78	-
Brighton <sup>1</sup>	VIC	Profit Share	2.0	17	445	100%	79	-
<b>Total/Weighted Average</b>			<b>12.9</b>	<b>2,467</b>	<b>250</b>	<b>93%</b>	<b>79</b>	<b>32,780</b>

Village	State	Operating structure	Age of village	Number of units	Average unit value (\$'000)	Facility occupancy %	Average resident age years	Independent valuation (\$'000) <sup>4</sup>
<b>PLT</b>								
Henry Kendall - Bayside <sup>1</sup>	NSW	Owned	9.9	250	340	95%	76	19,850
Henry Kendall - Coastal Waters <sup>1</sup>	NSW	Owned	4.9	76	320	100%	75	3,210
Henry Kendall - Wyoming <sup>3</sup>	NSW	Owned	21.9	652	233	87%	79	42,380
Primecare - Mayfair <sup>3</sup>	NZ	Owned	15.3	168	290	99%	83	24,602
Primecare - Parklane <sup>3</sup>	NZ	Owned	18.6	156	285	97%	83	22,743
Primecare - Knightsbridge <sup>2</sup>	NZ	Owned	7.7	245	318	99%	79	33,743
Primecare - Ocean Shores <sup>3</sup>	NZ	Owned	12.1	208	304	95%	81	34,867
Primecare - Peninsula Club <sup>2</sup>	NZ	Owned	19.6	198	317	100%	79	29,000
Regis - Allora Gardens <sup>2</sup>	Qld	Owned	8.8	240	330	100%	75	24,780
Regis - Eaglemount <sup>1</sup>	Qld	Owned	5.7	96	280	99%	73	6,570
Elliot Gardens <sup>1</sup>	SA	Owned	4.5	88	300	100%	68	3,080
Annesley Bowral <sup>1</sup>	NSW	Owned	6.2	72	625	93%	78	18,450
<b>Total/Weighted Average</b>			<b>14.1</b>	<b>2,449</b>	<b>300</b>	<b>95%</b>	<b>78</b>	<b>263,276</b>
<b>Fini Portfolio</b>								
Mindarie - Harbourside <sup>1</sup>	WA	Owned	5.9	153	472	95%	70	24,832
Ellenbrook - The Pines <sup>1</sup>	WA	Owned	6.9	139	354	95%	75	14,287
Woodvale - Timberside <sup>1</sup>	WA	Owned	12.9	140	349	95%	81	19,079
Woodlands - Parkland <sup>9</sup>	WA	Owned	22.9	240	264	94%	84	24,195
Booragoon - Parkland <sup>3</sup>	WA	Owned	20.9	185	377	95%	83	31,460
Bibra Lake - Lakeside <sup>1</sup>	WA	Owned	20.9	288	294	95%	81	28,923
Mandurah - Parkland <sup>1</sup>	WA	Owned	20.9	121	283	95%	79	14,903
<b>Total/Weighted Average</b>			<b>17.1</b>	<b>1,266</b>	<b>333</b>	<b>95%</b>	<b>80</b>	<b>157,678</b>
<b>Other</b>								
WA Village <sup>4, 5</sup>	WA	Owned	5.8	80	323	95%	76	7,600
<b>Portfolio Total/Weighted Average</b>			<b>14.1</b>	<b>6,262</b>	<b>288</b>	<b>94%</b>	<b>79</b>	<b>461,334</b>

Notes:

- 1 ILUs only.
- 2 SAs only.
- 3 Has both ILUs and SAs.
- 4 As at 1 March 2007 for the Fini Portfolio and as at 31 December 2006 for other assets. Details of valuers are set out in Table 4.3.
- 5 WA Village is a single village which is the subject of an agreed acquisition term sheet. Final due diligence, with a view to completing the acquisition in August 2007, is ongoing.
- 6 Managed under management agreements with features of a lease with Primelife entitled to full DMF exposure.
- 7 Expected to be fully owned from FY08.

BBCG has an option to acquire the Fini Portfolio until 14 August 2007 and intends to exercise this option following implementation of the remainder of the Restructure Proposal. For further information on the Fini Acquisition Proposal, see Section 6.2.5.

# Section 4

## Profile of BBCG

### 4.6.1.4 Retirement Village valuations

BBCG's owned Retirement Villages were valued at 31 December 2006 by a panel of independent valuers. These individual village values are shown in Table 4.2 and are summarised in Table 4.3.

**TABLE 4.3: INDEPENDENT VALUATIONS OF BBCG'S FULLY-OWNED RETIREMENT VILLAGES**

Portfolio	Independent Valuation (\$'000)	Discount Rates %	Valuation Basis	Independent Valuer
Primelife	32,780	12.0% - 14.0%	Single Village	Ernst & Young
PLT	263,276	11.5% - 14.0%	Single Village	Ernst & Young, CBRE
Fini Portfolio	157,678	10.0%	Portfolio	Colliers International
Other	7,600	12.0%	Single Village	Colliers International
<b>Total</b>	<b>461,334</b>			

For accounting purposes, the Primelife and PLT portfolios were valued on a single village basis, rather than as a portfolio of Retirement Village assets.

From an economic value perspective, a portfolio is worth more than the sum of the individual parts due to the significant advantages of owning a portfolio of Retirement Village assets compared to a single asset. These advantages include reduced volatility of DMF cash flows and economies of scale. Independent research, conducted by Ernst & Young and commissioned by Primelife, indicates that recent portfolio transactions including some development component have traded at a range of 10% to 12%. Portfolios comprising modern facilities in well-located metropolitan and coastal locations trade at the bottom end of this range. Portfolios of mature assets with no development component may trade below this range. Accounting standards require the portfolio premium on acquisition to be treated as goodwill on BBCG's balance sheet, rather than as Investment Property.

Table 4.4 provides a reconciliation of the independent village valuations in Table 4.3 to the relevant items on the BBCG pro forma balance sheet at 31 December 2006.

**TABLE 4.4: RECONCILIATION OF INDEPENDENT VALUATIONS TO BBCG PRO FORMA BALANCE SHEET AT 31 DECEMBER 2006**

All amounts in \$'000s

Balance Sheet	BBCG Pro forma Balance Sheet 31 December 2006 <sup>1</sup>	Independent Valuations	Values
Investment Property	1,311,163	Retirement Villages	461,334
(-) Resident Loans	820,300	Other Assets Carried at Valuation <sup>2</sup>	13,723
(-) Deferred revenue adjustment	15,806		
<b>Net Investment Property</b>	<b>475,057</b>	<b>Retirement Village Assets</b>	<b>475,057</b>

Notes:

1 See Section 7.7.

2 \$8.3 million of these assets are supported by independent valuations.

Table 4.5 shows a sensitivity analysis of the value of BBCG's entire portfolio of fully-owned Retirement Villages at different portfolio discount rates.

**TABLE 4.5: SENSITIVITY ANALYSIS OF THE VALUE OF BBCG'S FULLY-OWNED RETIREMENT VILLAGES**

Discount rate	9.0%	10.0%	11.0%
Valuation (\$'000)	631,748	558,292	501,064

BBCG will also manage 11 Retirement Villages which are leased from third-party landlords. These are long-term arrangements under which BBCG will have full entitlement to the DMF earnings and cash flows in return for fixed lease payments to the landlord, typically growing annually at the rate of CPI. These Retirement Village assets are not accounted for as Investment Property on the balance sheet but are reflected as a receivable for DMFs of approximately \$67.6 million in the BBCG pro forma balance sheet. Consistent with accounting requirements, this value only encompasses entitlement to DMFs from the existing residents, rather than all future expected DMF cash flow from these villages.

**4.6.2 DEVELOPMENT**

BBCG will have an identified development pipeline of 2,110 ILUs across 18 Retirement Village development projects and 171 Aged Care beds. The development pipeline is a mixture of greenfield sites and some expansion opportunities at existing communities. The pipeline has an estimated gross realisable sales value of approximately \$836 million and is anticipated to be largely realised over the next six years.

BBCG's target will be to develop and sell 300 Retirement Living units per annum, beginning with the 2008 year. Based on BBCG's current development pipeline, over 85% of this target for the next five years and 100% of this target for 2008 and 2009 will come from currently identified projects, at which most of the necessary approvals and planning are in place, and in most cases at least first stage sales have been made.

In addition to its existing pipeline, BBCG intends to actively regenerate its development pipeline by prudently growing its land-bank as existing projects continue to sell.

With the exception of potential projects sourced via the Babcock & Brown network, the development function of BBCG will be entirely internal to BBCG. The development function involves the sourcing, planning and design of each project. The development division will leverage off Primelife's existing team of 17 experienced development professionals.

BBCG will outsource construction of its development opportunities. Contracts will be awarded on a fixed price basis for discrete stages of each development to reputable construction companies with a strong track record in the development of Senior Living facilities. BBCG will leverage off Primelife's existing strong relationships with quality builders in the construction sector, particularly in the Victorian market place.

All sales and marketing will be performed in house. BBCG will have a team of 29 sales and marketing professionals, including at least one representative based on site at each of the major development projects. Remuneration of the sales and marketing team is appropriately structured to provide high incentives for high performance.

**4.6.2.1 BBCG existing development pipeline**

Table 4.6 sets out BBCG's existing development pipeline on a project by project basis. The Table identifies the scale of each project (by number of units and sales value), expected project duration, as well as current stage of the project and status of community facilities.

It is important to note that Retirement Village developments are undertaken on a staged basis, whereby discrete stages are built and largely sold prior to the commencement of further stages. Importantly, it will be BBCG's strategy to construct the community facilities as early as practicable in the project life as the existence of these facilities at early stages of the development has a demonstrably positive effect on sales rates and prices within the development.

# Section 4

## Profile of BBCG

**TABLE 4.6: RETIREMENT VILLAGE DEVELOPMENT PIPELINE**

Project	State	Total units on completion	"Pipeline" - units to be sold	Project stage	Status of community facilities	Expected year of completion	Average sale price - "pipeline" (\$'000)	Gross sales value (\$'000)
<b>Primelife</b>								
Berwick - Woodlands Park	VIC	257	247	2 of 7	Commenced	2013	426	105,222
Geelong - Tannoch Brae	VIC	114	26	Completed	Completed	2008	264	6,864
Griffith - Trowella Garden	NSW	146	139	2 of 6	Completed	2013	259	36,001
Knox - Waterford Park	VIC	168	150	3 of 6	Planning	2011	461	69,150
Mt Evelyn - Evelyn Ridge	VIC	122	115	2 of 6	Commenced	2011	424	48,760
Point Cook - Catalina Waters	VIC	269	269	Planning	Planning	2016	420	112,980
Springvale - Lexington	VIC	294	34	Completed	Completed	2009	222	7,548
Springvale - Lexington (future stages)	VIC	220	220	Planning	Planning	2015	360	79,200
The Beaumont <sup>1</sup>	WA	54	3	Completed	Completed	2008	425	1,275
Camberwell Green	VIC	46	16	Completed	Completed	2009	266	4,256
Claremont Terrace	VIC	80	19	Completed	Completed	2010	261	4,959
Martha's Point	VIC	125	110	2 of 7	Commenced	2009	426	46,860
Wodonga	VIC	178	178	Planning	Planning	2015	360	64,080
<b>Total/Weighted Average</b>		<b>2,073</b>	<b>1,526</b>	-	-	-	<b>385</b>	<b>587,155</b>
<b>PLT</b>								
Henry Kendall - Bayside	NSW	250	5	Completed	Completed	2008	348	1,740
Henry Kendall - Coastal Waters	NSW	293	231	1 of 11	Planning	2013	494	114,114
Bowral - Gibraltar Park	NSW	66	66	Planning	Planning	2011	683	45,012
Port Elliot - Elliot Gardens	SA	203	122	5 of 7	Completed	2011	329	40,138
<b>Total/Weighted Average</b>		<b>812</b>	<b>424</b>	-	-	-	<b>474</b>	<b>201,004</b>
<b>Fini Portfolio</b>								
Ellenbrook 2	WA	160	160	1 of 5	Commenced	2012	300	48,000
<b>Portfolio Total/Weighted Average</b>		<b>3,045</b>	<b>2,110</b>	-	-	-	<b>396</b>	<b>836,159</b>

Note:

1 Expected to be fully owned from FY08.

**4.6.3 AGED CARE**

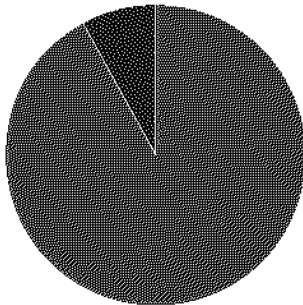
BBCG will operate 17 Aged Care facilities in three states with 15 in Victoria, one in New South Wales and one in South Australia, comprising 941 beds and providing care to approximately 860 people. Primelife currently has a further 67 beds at the Orden facility, for which bed licences are in place, which are not currently in use. As a result of negotiations with a joint venture party, these beds are expected to become operational in July 2007, bringing total beds under management to 1,008. The current development pipeline is expected to add a further 171 Aged Care beds.

BBCG will undertake several initiatives to improve the profitability of its Aged Care business above industry standard levels, most of which are currently in the process of being introduced by Primelife:

- increase occupancy across the portfolio from a current level of 93% (April 2007) to above 95% by the end of FY08, which will be the target level for an established facility;
- revenue-increasing information technology systems - systems designed to more accurately record and claim all government subsidies BBCG is entitled to (for example, hand-held devices for nurses to record the services being provided to residents);
- ageing in place - keeping residents in the facility as they move from low care to high care as a means of increasing overall revenue from the bed licences available;
- staffing efficiencies - predictive rostering automates the process of allocating staff to work shifts to ensure better alignment between current care needs and actual staffing levels; and
- leveraging the considerable scale of BBCG's Aged Care business to generate further operating and purchasing efficiencies.

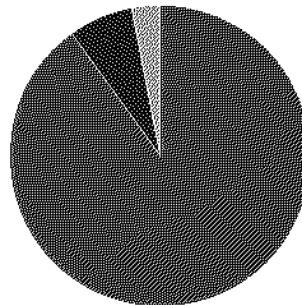
Figures 4.6 to 4.8 illustrate the composition of the Aged Care portfolio by care level, geographic diversity and ownership interest.

**FIGURE 4.6: AGED CARE PORTFOLIO BY CARE LEVEL**



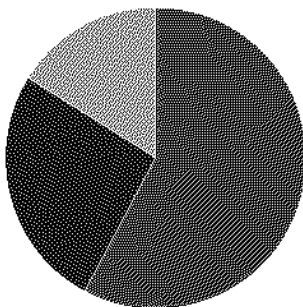
92% Low care  
8% High care

**FIGURE 4.7: AGED CARE PORTFOLIO BY GEOGRAPHIC DIVERSITY**



90% Victoria  
7% South Australia  
3% New South Wales

**FIGURE 4.8: AGED CARE PORTFOLIO BY OWNERSHIP INTEREST**



58% Leased  
26% Fully owned  
16% Profit share

# Section 4

## Profile of BBCG

### 4.6.3.1 Portfolio summary

**TABLE 4.7: AGED CARE FACILITIES**

Facility	State	Operating structure	Age of facility	Number of beds	Number of bonds	Average bond value (\$'000)	Facility occupancy %	Average resident age years
Montclair	VIC	Owned	5.0	36	31	312	94%	85
Highwood Court	VIC	Owned	5.7	75	54	252	95%	87
Avonlea	VIC	Owned	7.4	70	44	198	93%	82
Lexington Gardens	VIC	Owned	4.1	60	40	172	100%	83
Trevi Court	VIC	Leased	5.8	51	29	199	94%	83
Tannoch Brae	VIC	Leased	12.0	50	37	127	98%	88
Bayside	VIC	Managed <sup>2</sup>	8.1	40	27	173	95%	86
Ridell Gardens	VIC	Leased	3.0	51	33	207	94%	85
Glendale <sup>1</sup>	VIC	Managed <sup>2</sup>	18.3	135	85	128	95%	84
Riverwood	NSW	Managed <sup>2</sup>	13.6	29	18	145	83%	88
Little Para	SA	Leased	4.2	62	26	130	98%	83
Cumberland <sup>1</sup>	VIC	Managed <sup>2</sup>	18.3	30	11	128	100%	86
Orden on Glendale <sup>3</sup>	VIC	Managed <sup>2</sup>	0.9	38	16	231	74%	83
Summerwood Hostel <sup>1</sup>	VIC	Leased	3.7	61	26	147	48%	82
Villa del Sole	VIC	Profit Share	7.8	52	35	159	98%	84
Claremont Terrace	VIC	Profit Share	5.8	56	43	256	98%	85
Medina Manor	VIC	Profit Share	5.5	45	17	175	91%	83
<b>Total/Weighted Average</b>			<b>7.7</b>	<b>941</b>	<b>572</b>	<b>186</b>	<b>91%<sup>4</sup></b>	<b>84</b>

Notes:

- 1 Indicates facilities with high-care beds.
- 2 Managed under management agreements with features of a lease.
- 3 It is expected that a further 67 beds will become operational in July 2007.
- 4 Weighted average occupancy March 2007.

### 4.7 BBCG REVENUE AND EARNINGS

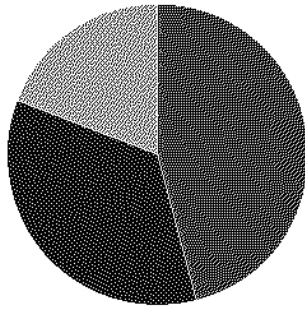
BBCG will have a well-balanced mix of complementary revenue streams, with exposure to:

- deferred management fees (DMF) - an annuity income stream with unique exposure to the residential property market. The sale of units from BBCG's development pipeline will further add to the DMF pool;
- Aged Care revenue - stable, largely government-funded revenues;
- Aged Care accommodation bonds - interest-free source of capital with exposure to growth in residential property prices;
- development revenues - from a less competitive, higher margin sector of the residential property market. Revenue from when the unit is first sold to the resident further add to the annuity-style pool of DMF income; and
- other miscellaneous income related to the management of Senior Living communities and Retirement Living development projects.

BBCG revenue and EBITDA composition based on pro forma FY08 forecasts are set out in detail in Section 7 and summarised in Figures 4.9 and 4.10.

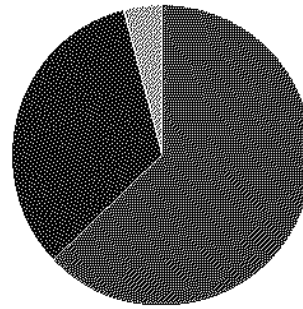


**FIGURE 4.9: BBCG PRO FORMA FY08 FORECAST REVENUE COMPOSITION**



- 46% Retirement villages
- 35% Development and construction
- 19% Aged care

**FIGURE 4.10: BBCG PRO FORMA FY08 FORECAST EBITDA COMPOSITION (PRE-CORPORATE COSTS AND LEASE PAYMENTS)**



- 63% Retirement villages
- 33% Development and construction
- 4% Aged care

**4.8 RELATIONSHIP WITH BABCOCK & BROWN**

**4.8.1 MANAGEMENT OF BBCG**

**4.8.1.1 Responsible Entity**

The Responsible Entity of BBCT is BBCIS, which is a subsidiary of Babcock & Brown.

A responsible entity is a public company licensed to operate a registered managed investment scheme. Under the Corporations Act, the responsible entity of a scheme is required to take full responsibility for operating the scheme.

The responsible entity of BBCT is obliged to operate BBCT in accordance with the BBCT Constitution, BBCT's Compliance Plan and the Corporations Act.

The Responsible Entity is entitled, under the BBCT Constitution to a fee of 2% per annum of the value of the assets of BBCT (excluding hedging instruments) and the gross assets of all entities stapled to BBCT. However, the Responsible Entity will waive this amount in lieu of \$500,000 per annum (increased but not decreased annually for changes in the CPI) as long as the Manager continues to manage BBCG. In addition, the Responsible Entity is entitled to be reimbursed out of the assets of BBCT for all expenses incurred by it in relation to the proper performance of its duties in respect of BBCT.

The Responsible Entity will also be required to pay fees to the Manager for the management services provided to BBCT in accordance with the Management Agreements (described further in Section 12.9.3). These fees will be charged to BBCT. They will be payable in conjunction with fees paid by BBCL and are described in more detail in Section 9.

Responsibility for corporate governance and the workings of BBCT and BBCL will rest with the boards of BBCIS and BBCL respectively.

# Section 4

## Profile of BBCG

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### 4.8.1.2 Manager

The Manager of BBCG will be BBCM, which is a subsidiary of Babcock & Brown. The roles to be undertaken by the Manager include:

- investing and managing the portfolio of assets owned by BBCG;
- providing investment, consultation, advisory and management services generally in relation to authorised investments and the asset portfolio;
- identifying and implementing appropriate risk management policies and procedures in respect of the asset portfolio and reporting on the adequacy and effectiveness of those policies and procedures on a regular basis to the Boards;
- performing or procuring the performance of all reasonable accounting, tax, corporate secretarial, information technology reporting and compliance services for BBCG;
- managing investor and public relations;
- making recommendations to the Boards on any matter which requires the approval of those Boards including preparing reasonable supporting information and analysis;
- implementing BBCG Board decisions; and
- other services to assist BBCIS in performing its role as Responsible Entity.

The Manager will also provide services to BBCG in relation to the acquisition and disposal of authorised investments. The Manager will provide its services to BBCG through the Management Agreements. In performing the above services, the Manager must comply with the prevailing BBCG statement of business positioning, the Stapling Deed, and any written policies and directions of BBCG which do not contravene any law or the relevant Management Agreements and are not inconsistent with the statement of business positioning or the Stapling Deed.

The term of the Management Agreements is 10 years unless terminated earlier by BBCL or the Responsible Entity or the Manager or extended pursuant to the Management Agreements. If ASX policy changes to permit a longer term, this 10 year term will automatically be increased without the need for Securityholder approval to the maximum permitted term, not exceeding 25 years. At any time after the commencement of the Management Agreements, Securityholder approval may be sought to renew the term for another term of the same length as the term during which approval is sought, to commence on the date of the relevant Securityholder approval. BBCL and the Responsible Entity have only limited rights to terminate the Management Agreements. The Management Agreements may be terminated by BBCL or the Responsible Entity at any time where the Manager is in breach of the relevant Management Agreement and has not been able to correct the breach within 90 days of receipt of written notice to rectify the breach.

The Manager is to be remunerated through payment of the Base Fee which will be paid by BBCG. All of the Base Fee in the FY08 Period and 50% of the Base Fee in each of FY09 and FY10 are dependent on the achievement of certain financial targets. In certain circumstances, an Incentive Fee may also be payable to the Manager. Separate fees are payable to the Manager in relation to the origination and disposal of authorised investments.

The Manager will also be reimbursed by BBCG for costs including those relating to the performance of its functions under the Management Agreements.

The Manager will be responsible for the employment and remuneration of the Chief Executive Officer, Chief Financial Officer and General Manager Corporate of BBCG.

A summary of the Management Fees is set out in Section 9.

In addition to the above, if the Restructure Proposal is implemented, Babcock & Brown Australia will be appointed as the Preferred Financial Adviser for a term of at least 10 years. The role of Preferred Financial Adviser is separate from the role of the Manager and involves the provision of financial advisory and investment banking services, if required by BBCG. These services include:

- mergers and acquisition advice;
- advice on equity and debt advisory services and raisings;
- divestment and acquisition advice; and
- general financial and commercial advice.

If such services are sought by BBCG, the Preferred Financial Adviser has a first and last right of refusal to provide such services. Fees will be agreed with the Independent Directors at the time the services are sought, reflecting reasonable market terms.

Please refer to Section 12.9.3 for further details of the Management Arrangements.

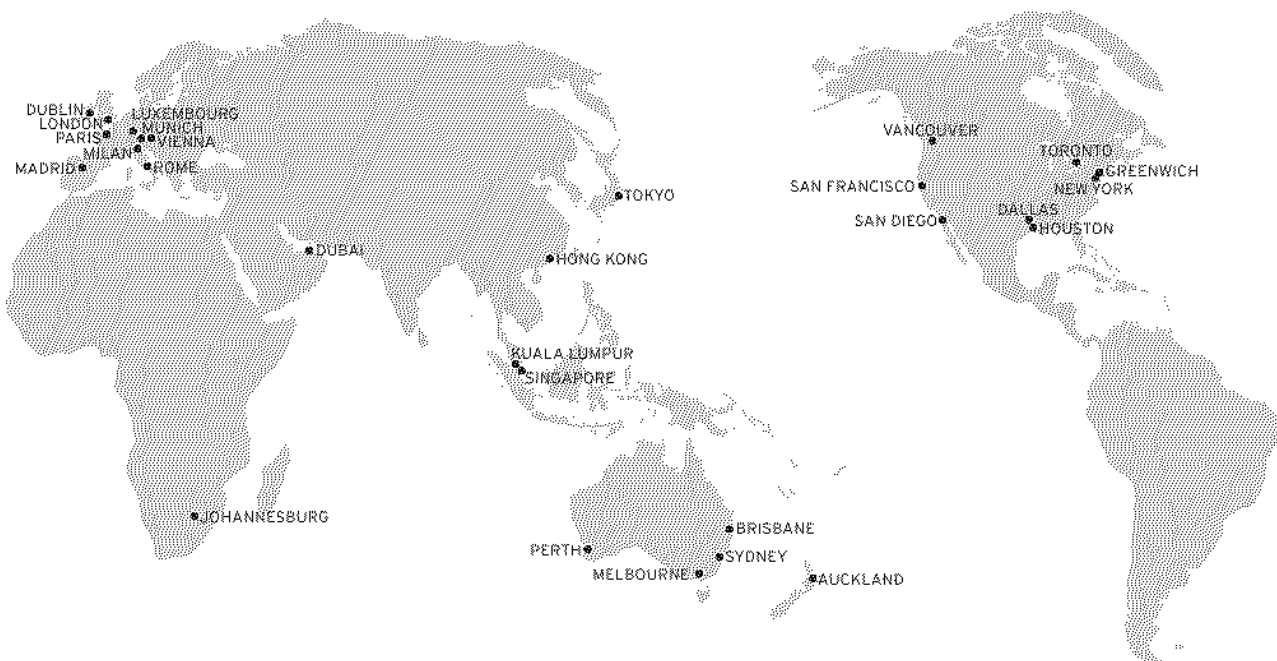
**4.9 BABCOCK & BROWN**

**4.9.1 INTRODUCTION**

Babcock & Brown is a global investment and advisory firm with longstanding capabilities in the origination, syndication and management of a broad range of investments. Babcock & Brown was founded in 1977 and was listed on ASX in October 2004.

Babcock & Brown operates from 28 offices across Australia, the United States, Europe, the Middle East, Asia and Africa and has more than 1,000 employees worldwide. Babcock & Brown has five operating divisions being real estate, infrastructure and project finance, operating leasing, structured finance and corporate finance.

**FIGURE 4.11: BABCOCK & BROWN'S GEOGRAPHIC PROFILE**

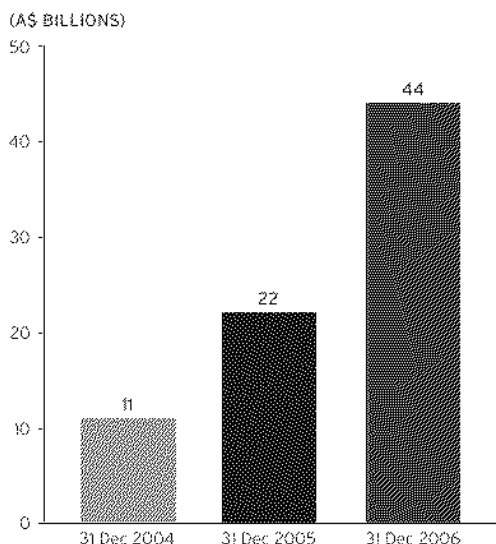


Babcock & Brown has established a specialised funds and assets under management platform that sits across its five operating divisions. The specialised funds are both listed and unlisted. They are managed by the Babcock & Brown Group within a formally implemented corporate governance framework, details of which are set out in Section 4.10. Babcock & Brown currently manages in excess of \$44 billion of assets across its entire asset management platform, including 10 exchange-listed funds, eight of which are listed on ASX, one on the London Stock Exchange and one on the Singapore Stock Exchange.

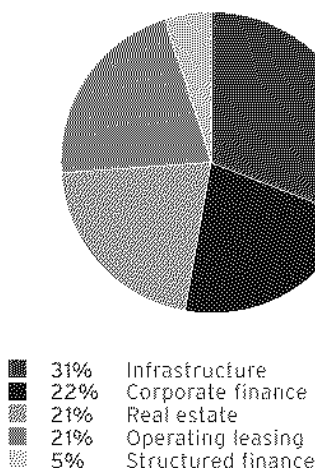
# Section 4

## Profile of BBCG

**FIGURE 4.12: BABCOCK & BROWN ASSETS UNDER MANAGEMENT GROWTH**



**FIGURE 4.13: BABCOCK & BROWN ASSETS UNDER MANAGEMENT BY DIVISION**



### 4.9.2 BABCOCK & BROWN LISTED ENTITIES

The following entities, with the exception of Everest Babcock & Brown Alternative Investments, are managed by Babcock & Brown Group companies and are listed on ASX or international exchanges:

**TABLE 4.8: BABCOCK & BROWN LISTED ENTITIES**

Babcock & Brown Infrastructure (ASX:BBI)	A diversified infrastructure investment fund
Babcock & Brown Capital Limited (ASX:BCM)	A private equity investment company
Babcock & Brown Japan Property Trust (ASX:BJT)	A property trust investing in Japan
Babcock & Brown Environmental Investments Limited (ASX:BEI)	An environmental investment business
Babcock & Brown Wind Partners (ASX:BBW)	A diversified wind energy assets fund
Babcock & Brown Residential Land Partners (ASX:BLP)	A diversified portfolio of Australian residential land development projects
Babcock & Brown Power (ASX:BBP)	A diversified portfolio of electricity generation assets
Everest Babcock & Brown Alternative Investments (ASX:EBI) <sup>1</sup>	A diversified portfolio of alternative investments
Babcock & Brown Structured Finance Fund (SGX:BABB)	A diversified portfolio of structured finance investments
Babcock & Brown Public Partnerships (LSE:BBPP)	A diversified portfolio of Public-Private Partnership (PPP) investments

Note:

<sup>1</sup> Babcock & Brown owns 26.3% of the manager.

### 4.9.3 BABCOCK & BROWN VOTING POWER IN BBCG

On completion of the Capital Raising, Babcock & Brown's voting power in BBCG is expected to be approximately 10%. This holding may increase to 13.5% if Babcock & Brown's underwriting commitment is called under the Main Offer Underwriting Agreement. Babcock & Brown has agreed that its holding in BBCG, up to 10%, will be voluntarily escrowed for a period of 12 months. Babcock & Brown intends to be a long-term substantial Securityholder in BBCG.

### 4.9.4 FINANCIAL ADVISORY SERVICES

Babcock & Brown has significant experience in originating, structuring and advising on transactions in the Senior Living sector and has originated and executed all the acquisitions made by PLT since its establishment. Please refer to the Investment Highlights Section at the beginning of this Offer Document for a list of transactions originated and executed by Babcock & Brown in the Senior Living sector in the last two years.

To further strengthen the relationship between Babcock & Brown and BBCG, and to gain access to the investment origination, structuring and execution skills of Babcock & Brown, BBCG has appointed Babcock & Brown Australia as its Preferred Financial Adviser. This arrangement is further described in Section 12.9.3.2. This financial advisory arrangement is separate to the Manager's role in providing services to BBCG in relation to the origination and disposal of authorised investments. Separate fees are payable by BBCG for origination and disposal services. The fees payable for these services are referred to in Section 9.

#### **4.9.5 INTERACTION WITH BABCOCK & BROWN AND OTHER BABCOCK & BROWN FUNDS**

Babcock & Brown's vision is for BBCG to become Australia and New Zealand's leading owner, operator and developer of Senior Living communities. This growth is intended to be achieved organically by developing BBCG's significant land-bank and by pursuing accretive acquisitions of both development sites and existing Senior Living communities.

Babcock & Brown intends that BBCG will be its principal Senior Living investment vehicle in Australia and New Zealand. Given the significant opportunities in Australia and New Zealand, it is expected that BBCG's operations will predominantly focus on these markets in the short to medium term. However, growth outside these jurisdictions may be considered in the future.

Babcock & Brown may from time to time act as financial adviser to, have an investment in or be a developer of a new Senior Living community. Where Babcock & Brown has an investment in or develops a Senior Living community, the intention would be to offer BBCG a first right to acquire such Senior Living communities in the event of disposal, subject to any pre-existing commitments. However, BBCG will have no exclusive right to participate in opportunities originated or identified by the Manager or the Babcock & Brown Group.

### **4.10 BBCG CORPORATE GOVERNANCE**

#### **4.10.1 GENERAL**

The Babcock & Brown Group has adopted a corporate governance framework around its specialised funds platform. This includes a number of key principles to ensure the independence of each of its specialised funds. These principles are outlined below. Unless stated, BBCG intends to comply with these principles.

- BBCG, which will be publicly listed on ASX, will report on its corporate governance framework and adopt, where considered appropriate, the best practice recommendations contained in ASX's corporate governance guidelines, other than the exceptions noted in this Section.
- Other than the exceptions noted in this Section, BBCG will adopt most of ASX Principles of Good Corporate Governance and Best Practice Recommendations (ASX Guidelines) and will report on its compliance with these in its Annual Report, the first of which will be for the period ending 30 June 2008.
- A majority of Directors of the Boards will be independent and appropriately qualified. The definition of independent is the definition set out in ASX Guidelines. The chairman (Professor Sloan), Mr Andrew Love and Mr Graeme Martin are considered Independent Directors of BBCG. BBCG will depart from ASX Guidelines at the time of listing by not having an outright majority of Independent Directors on the BBCG Board. The proposed Boards consider the current composition of the Boards and in particular the equality of independent and non-Independent Directors to be appropriate given that the independent chairman has a casting vote.
- Where the chairman of a Babcock & Brown fund is an executive, a lead Independent non-executive director is appointed. There is no need for this appointment at this stage as the chairman, Professor Sloan, is not a Babcock & Brown Group executive.
- BBCG will have its own Chief Executive Officer whose primary responsibility will be to oversee the operations and management of BBCG. BBCG will have a separate Manager. The Management Agreements explicitly states that the Manager must act in the best interests of the investors of BBCG.
- The management of BBCG will be carried out by Key Executives who will report to the Chief Executive Officer of BBCG with respect to their responsibilities and who understand that their primary duty in performing such responsibilities is to the investors of BBCG. These staff will be seconded by Babcock & Brown to the Manager and will be dedicated to the management of BBCG. BBCG's Board will develop specific key performance indicators for the senior management providing services to them.
- The Boards will monitor the performance of the Manager and the employees of the Manager providing services to BBCG and there will be an established process for the provision of feedback on their performance. The Manager will provide periodic reports to the Boards confirming that it has complied with its obligations under the Management Agreements.
- The Independent Directors of the Boards will be given the opportunity to provide formal input to Babcock & Brown on the performance of the Manager as a whole and the key employees of Babcock & Brown who perform services for them. This input is to be taken into account in determining the proposed remuneration of those key employees, as it relates to their services to BBCG, and the Independent Directors are to be consulted on that proposed remuneration.

# Section 4

## Profile of BBCG

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- The Chief Executive Officer of BBCG may only be removed by agreement between the independent non-executive directors of BBCG and Babcock & Brown, unless the Chief Executive Officer has accepted an alternative role within Babcock & Brown or has resigned from Babcock & Brown or whose employment with Babcock & Brown has been terminated for cause by Babcock & Brown.
- Under the Management Agreements, all matters to be approved by the Boards must be recommended by the Manager. All recommendations to BBCG will be prepared by the staff managing BBCG and all information and analysis supporting the recommendation to BBCG will be reviewed or prepared by the staff managing BBCG. The Boards are under no obligation to act on any recommendation of the Manager but cannot act without one.
- The Boards will have the right to seek independent professional advice (including legal, accounting and financial advice) at the expense of BBCG on any matter connected with the discharge of their duties. Therefore, Directors of the Boards have, if they require, access to information relevant to investment and management decisions that is free from material conflicts of interest.
- For a particular transaction (including any investment opportunity that Babcock & Brown may offer to BBCG), the team of staff and advisers assisting with the development of the proposal (transaction team) will report to the Chief Executive Officer of BBCG in connection with that opportunity. The members of the transaction team will also understand that their primary duty in performing such responsibilities is to the investors of BBCG. For transactions that involve other Babcock & Brown entities, there will be separate transaction teams acting for BBCG and the related entity.
- Related party transactions with Babcock & Brown Group members will be clearly identified and governed by rules requiring that they be undertaken on arm's length terms. BBCG will adopt a conflicts of interest policy that sets out the principles and processes for managing conflicts of interest that may arise from time to time between BBCG, the Manager and Babcock & Brown.
- Only the Independent Directors of BBCG will make decisions about transactions that involve any member of the Babcock & Brown Group. Babcock & Brown executives who are Directors of the Boards will not vote on related party matters.
- Any fees to be paid to members of the Babcock & Brown Group which introduce transactions or otherwise provide services to BBCG will require approval by the independent non-executive directors of BBCG. It is intended that a framework for the setting of fees to be paid to members of the Babcock & Brown Group which introduce transactions or otherwise provide services to BBCG be developed (where such framework is not already in place) and be approved by the Boards. Fee schedules and mandate terms and conditions for transactions or services conducted by the Babcock & Brown Group are based on market conditions and must be on arm's length terms.
- BBCG does not have an exclusive right to participate in investment opportunities originated or identified by the Manager or the Babcock & Brown Group. As between funds managed by the Babcock & Brown Group, in determining whether BBCG is offered an opportunity, the Babcock & Brown Group will have regard to the following principles:
  - whether the opportunity is within BBCG's investment objectives and policy; and
  - whether BBCG is able to finance the investment at that time and at what cost.
- Where the Babcock & Brown Group is offering an investment opportunity to one or more of the funds managed by the Babcock & Brown Group and that opportunity is of interest to and within the investment objectives and policy of BBCG and other Babcock & Brown managed entities, the Babcock & Brown Group will determine whether and to whom to offer the opportunity after taking into account each entity's investment strategy, policy and objectives and each entity's willingness to acquire less than all of the investment. BBCG will decide whether or not to accept any investment opportunity offered to it by the Babcock & Brown Group.
- The external auditor of BBCG will not be the auditor of Babcock & Brown or any of its subsidiaries.
- Both the BBCG and the BBCIS Boards will adopt formal charters that clearly state:
  - the responsibilities of the Board including the specific matters reserved for determination by the Board;
  - the roles and responsibilities of the chairman, lead Independent Director (if applicable) and the Chief Executive Officer; and
  - those matters delegated to the Manager (Boards charter) and to management of the Manager (Manager Board charter).

- Each employee of Babcock & Brown who performs services for BBCG is subject to the Babcock & Brown Group's risk management and other policies and BBCG adopts, where appropriate, policies consistent with those maintained by Babcock & Brown.
- In addition, the Boards will adopt the Babcock & Brown Limited Code of Conduct (Code of Conduct). The Code of Conduct applies to all Babcock & Brown Group staff which includes the specialised funds staff. The objectives of the Code of Conduct are to ensure that:
  - high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Babcock & Brown Group;
  - employees are aware of their responsibilities to the Babcock & Brown Group under their contract of employment and always act in an ethical and professional manner; and
  - all persons dealing with the Babcock & Brown Group, whether it be employees, shareholders, suppliers, clients or competitors can be guided by the stated values and practices of the Babcock & Brown Group.
- BBCG's Independent Directors are offered the opportunity to meet with the Independent Directors of Babcock & Brown without executive management, at least annually.
- BBCG will make publicly available all relevant constituent documents such as charters, policies and constitutions, and a summary of their Management Arrangements.

#### **4.10.2 CORPORATE DISCLOSURE**

The BBCL and BBCIS Boards will establish policies designed to ensure that BBCL and the Responsible Entity meet all applicable standards of disclosure pursuant to ASX Listing Rules. All material disclosed to ASX will also be promptly displayed on BBCG's website. In addition, BBCG will include on its website details of its corporate governance regime and a corporate governance statement will be included in BBCG's first annual report.

#### **4.10.3 AUDIT, RISK & COMPLIANCE COMMITTEE**

To assist in the execution of their responsibilities, the BBCL and BBCIS Boards will each establish an Audit, Risk & Compliance Committee. Each committee will report to their respective Board to assist Directors in carrying out their obligations. The Boards, via their respective Audit, Risk & Compliance Committees, are committed to the management of risk throughout the operations of BBCG. Following establishment of the Audit, Risk & Compliance Committees, it is planned that Andrew Love, Professor Sloan and Graeme Martin will be appointed by each Board to be the members of each committee, with Andrew Love being appointed chairman of each committee.

The Audit, Risk & Compliance Committees will consider any matter relating to the affairs of BBCL and BBCIS respectively (including their external audit) that the committees consider relevant in order to carry out their functions. In addition, the Audit, Risk & Compliance Committees will examine any other matters referred to them by the relevant Board.

#### **4.10.4 COMPLIANCE PLAN**

In accordance with Part 5C.4 of the Corporations Act relating to registered managed investment schemes, BBCIS has prepared a Compliance Plan for BBCT that has been lodged with ASIC. The Compliance Plan for BBCT describes the procedures that the Responsible Entity will apply in operating the scheme to ensure compliance with the Corporations Act and the Constitution of BBCT. In accordance with Part 5C.5 of the Corporations Act, while at least half of the Directors of the Responsible Entity are external directors, the Act does not require, and the Board of BBCIS does not currently propose, to appoint a separate compliance committee. In the event that less than half of the Directors of the Responsible Entity are external, a compliance committee will be established. In BBCG's case, three of the six Directors are external and the chairman has a casting vote so no compliance committee is proposed. In the absence of a compliance committee, the Board of BBCIS and its Audit, Risk & Compliance Committee will monitor compliance with the Compliance Plan for BBCT.

#### **4.10.5 DEALING IN STAPLED SECURITIES**

The BBCL and BBCIS Boards will approve a code of conduct for dealing in Stapled Securities by the management, senior executives and the Directors. This code will specify the periods during which the purchase and sale of Stapled Securities may occur by such persons and set out a notification procedure concerning any such transactions. The Audit, Risk & Compliance Committees will monitor compliance with this policy.

# Section 4

## Profile of BBCG

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### **4.10.6 CUSTODIAN**

BBCIS has appointed Babcock & Brown Asset Holdings Pty Ltd as Custodian of the assets of BBCT. The Custodian holds the assets of BBCT as directed by BBCIS. The Custodian acts only on the instructions of BBCIS.

### **4.10.7 ONGOING REPORTING TO SECURITYHOLDERS**

BBCG's policy will be to provide timely and accurate information to all stakeholders, including Securityholders and regulators. Under the terms of the Stapling Deed, BBCL and BBCIS are obliged to notify and co-operate with each other in relation to the Stapled Securities, exchange relevant information and co-ordinate the release of announcements to ASX and financial reporting.

Securityholders will receive an annual report and concise financial statements and a half-yearly update. These reports will keep Securityholders informed of BBCG's performance and operations. Further, each of BBCL and BBCT will be a disclosing entity and will therefore be subject to regular reporting and disclosure obligations. Copies of any documents relating to BBCG lodged with ASIC may be obtained from, or inspected at, an ASIC office.

Systems will be put in place to enable Securityholders to elect to obtain automated notification of all ASX announcements by BBCG. Newsletters may be sent to Securityholders from time to time.



# Section 5

## Board and senior management



# Section 5

## Board and senior management

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### **5.1 BBCG BOARD AND MANAGEMENT**

#### **5.1.1 BBCG BOARD**

As a stapled entity, the Boards collectively refers to the BBCL Board and the BBCIS Board as Responsible Entity of BBCT. The BBCL board will comprise six Directors. The BBCL Board will include all of the current Directors of Primelife. Collectively, the BBCL Board has key experience in the areas of Senior Living, banking and finance, property, accounting and law.

The BBCIS Board currently comprises Messrs Phil Green, Michael Maxwell and Robert Topfer and Ms Deborah Kelly. On completion of the Restructure Proposal Messrs Green and Maxwell and Ms Kelly will resign from the BBCIS Board and will be replaced with the same persons who will be members of the new BBCL board.

The Boards (collectively the BBCL board and BBCIS Board) will comprise the following members:

##### **5.1.1.1 Professor Judith Sloan, Chairman (Non-Executive)**

Professor Sloan is a Commissioner of the Productivity Commission, Commissioner of the Australian Fair Pay Commission and a Director of Santos Limited and is also a member of the Lowy Institute for International Policy. She has held a number of academic appointments, including Professor of Labour Studies and Director of the National Institute of Labour Studies at the Flinders University of South Australia. Her previous appointments include Chair of SGIC Limited, Deputy Chair of the Australian Broadcasting Corporation, and Director of Mayne Group Limited, SGIO Insurance Limited and South Australian Ports Corporation. Professor Sloan has been a member of the Primelife Board since May 2006.

##### **5.1.1.2 Mr John Martin, Managing Director**

Mr Martin joined Primelife in December 2004 as General Counsel and General Manager Corporate and moved into the role of Managing Director in October 2006. He has also been the company's representative director on PrimeLiving Trust since September 2005. John has extensive experience as an executive manager, corporate lawyer and company director including being a former executive director and current non-executive director of an ASX listed biotechnology company, Proteome Systems. John was a former executive and corporate partner of Allen Allen & Hemsley where he specialised in mergers and acquisitions and fundraising.

##### **5.1.1.3 Mr Robert Topfer, Non-Executive Director**

Mr Topfer joined the Primelife Board of Directors in December 2003. Mr Topfer is a senior executive of Babcock & Brown, where he is Global Head, Corporate Finance Group. He has over 17 years of high level experience in corporate finance, including structured equity and debt raisings, delivering large projects and takeovers. Mr Topfer was a founding partner of Atanaskovic Hartnell and formerly a partner of Allen Allen & Hemsley. Mr Topfer is also a Director of Babcock & Brown Capital Limited and Eircom Group Limited.

##### **5.1.1.4 Mr Andrew Love, Non-Executive Director**

Mr Love joined the Primelife Board of Directors in July 2005. Mr Love is a Senior Partner with Ferrier Hodgson. Mr Love has had over 30 years' experience in corporate recovery and reconstruction. He has had experience at the public company level in the energy, mining and exploration, mortgage securitisation and international public sectors. Mr Love is currently Chairman and Non-Executive Director of ROC Oil Company Limited, a Director of the Museum of Contemporary Art Sydney, Deputy Chairman of Riversdale Mining Ltd and, prior to its takeover in 2004, a Non-Executive Director of Principal Real Estate Investors (Australia) Limited.

**5.1.1.5 Mr Graeme Martin, Non-Executive Director**

Mr Martin joined the Primelife Board of Directors in June 2005. Mr Martin is currently National Consultant, Healthcare and Retirement Living, Colliers International. Mr Martin is a former Managing Director of Colliers International Valuation and Consultancy, past National President and a Life Fellow of the Australian Property Institute, and former executive member of the Commonwealth Association of Surveying and Land Economy. He has had some 35 years' experience in providing professional advice to the Aged Care, retirement and hospital industry sectors.

**5.1.1.6 Mr Andrew Schwartz, Non-Executive Director**

Mr Schwartz joined the Primelife Board in May 2007. Mr Schwartz is Babcock & Brown's Head of Property for the Asia Pacific region including Australia. He has more than 20 years' experience in high end value asset financing, cross border real estate financing, project financing, acquisition and advisory work. He has been involved in numerous transactions involving both the private and government sectors. Prior to joining Babcock & Brown in 1997, he was employed by AIDC Ltd (a government owned financier), where he was Director - Risk, and prior to that Mr Schwartz was a Senior Manager at Bank of America.

**5.1.2 BBCG MANAGEMENT****5.1.2.1 Ms Joanna Wakefield, Chief Financial Officer**

Ms Wakefield joined Babcock & Brown from Stockland in 2006 and has worked on secondment as CFO of Primelife since that time. During her three years at Stockland, she was initially responsible for the corporate finance area and then took on the role of General Manager Treasury & Tax. Prior to Stockland, Ms Wakefield spent five years at Colonial First State Property in various senior finance roles. Ms Wakefield has also worked at Perpetual and Lend Lease.

Ms Wakefield has a Bachelor of Business Accounting/Computing and is a CPA and also holds an MBA.

**5.1.2.2 Mr Gregor Dixon, General Manager Corporate**

Mr Dixon commenced with Primelife as Corporate Investor Relations Manager in September 2003 and was appointed Company Secretary in December 2004 and then General Manager, Corporate Services in October 2006. Prior to joining Primelife, Mr Dixon held various corporate and investor relations positions with AWB Limited, WMC Limited and Crown Limited. Mr Dixon has been responsible for overseeing various corporate governance, investment community and stakeholder management issues.

Mr Dixon has a Bachelor of Arts and Bachelor of Business Management from Monash University. Mr Dixon also has a Graduate Diploma in Applied Finance and Investment from Finsia and a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia.

**5.1.2.3 Mr Gavin Boyd, General Manager Development**

Prior to joining Primelife in December 2005, Mr Boyd was a Director of the Buxton Group, a successful property and construction business. He was directly responsible for the Property and Retirement Living divisions on a national basis, which involved acquisitions, finance, project delivery, sales and marketing. Prior to this, Mr Boyd spent time with Macquarie Bank in the Property Finance area and eight years with Australand (formerly Walker Corporation). Mr Boyd has been responsible for numerous residential, commercial and industrial projects such as the Sebel of Melbourne, Scala Apartments and Parkwest Industrial Estate.

Mr Boyd has a Bachelor of Construction Economics from RMIT and practised as a quantity surveyor for 10 years.

# Section 5

## Board and senior management

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### **5.1.2.4 Ms Pam Barry, General Manager Aged Care**

Ms Barry joined Primelife in February 2006 from Affinity Health (Mayne Health) where she had a career spanning 15 years. Ms Barry's experience includes having managed hospitals including Chief Executive Officer of Melbourne Private and Frances Perry House and corporate roles including the management of multi sites such as medical centres. Ms Barry's last role was National Director of Nursing for the Affinity Hospitals.

Ms Barry is a Registered Nurse and has a graduate diploma in management.

### **5.1.2.5 Mr Mark Mitchell, Chief Information Officer**

Mr Mitchell has had more than 25 years experience in information technology in a broad range of industries. Prior to joining Primelife in January 2006, he held the position as General Manager at Electronics for Imaging Inc in the United States, managing software development, delivery and consulting to major corporations. Previous positions have also included eight years as Chief Information Officer of PMP Limited and a further eight years as Information Technology Manager for Macpherson Limited.

# Section 6 Restructure Proposal



# Section 6

## Restructure Proposal

The Offer is an integral element of the Restructure Proposal. However, if any of the other components of the Restructure Proposal fail to proceed, the Offer itself will no longer proceed. The Offer is conditional on the Scheme becoming Effective. If the Scheme does not become Effective:

- on or before 14 August 2007 (or a later date agreed to by the Joint Lead Managers), the Underwriters of the Main Offer have the right to terminate their obligations under the Main Offer Underwriting Deed (see Section 12.9.7 for details of this and other termination rights of the Underwriters); and
- on or before the date that is three months after the date of this Offer Document, then Stapled Securities cannot be issued and the Offer will not proceed (see Section 2.10 for details of what occurs if Stapled Securities issued under this Offer Document are not quoted on ASX within three months after the date of this Offer Document).

The key approvals and key conditions required for the Restructure Proposal to proceed are summarised in Sections 6.3 and 6.4.

### 6.1 INTRODUCTION

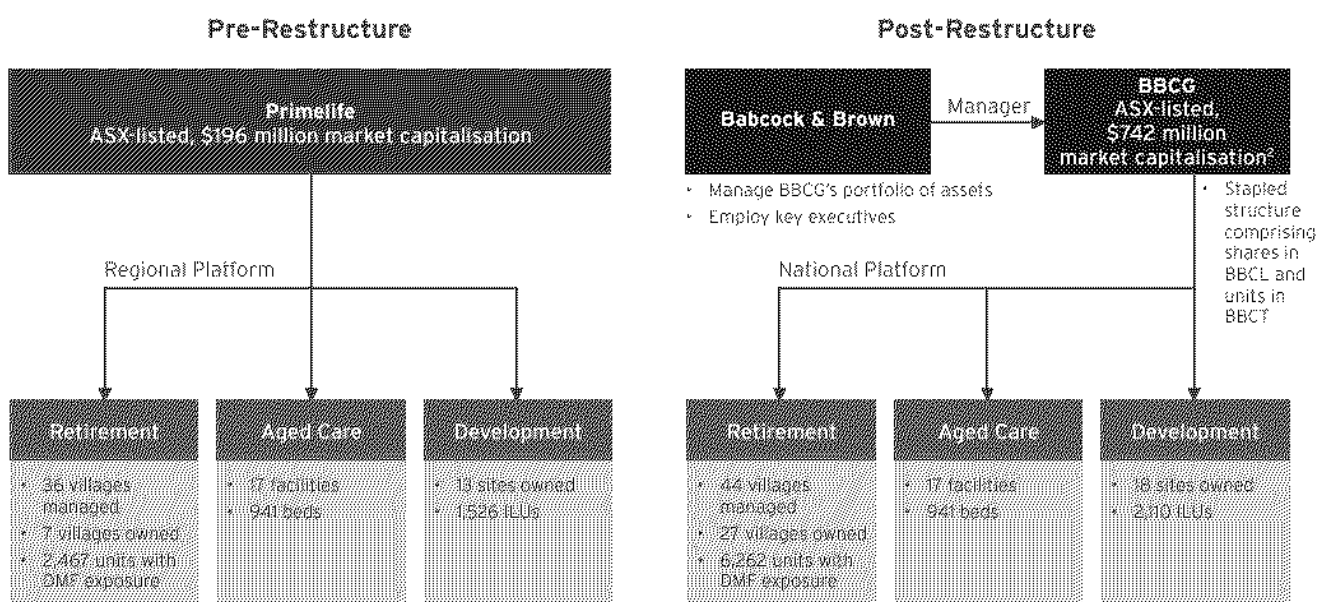
Primelife is an integrated owner, manager and developer of Senior Living facilities throughout Australia and New Zealand. Primelife currently owns seven Retirement Villages and four Aged Care facilities. Primelife also manages a further 29 Retirement Villages and 13 Aged Care facilities for third parties. In total, Primelife provides care and accommodation for approximately 7,000 seniors.

The PrimeLiving Trust (PLT) was established in September 2005 by Babcock & Brown Australia CPI Pty Ltd (B&B CPI), Primelife and MFS Investment Nominees Pty Ltd (MFS). PLT is involved in the business of acquiring and owning Retirement Villages in Australia and New Zealand. The current ordinary unitholders of PLT and their interests (direct and indirect) in PLT are B&B CPI (49.3%), Primelife (25.3%) and MFS (25.3%). In addition to holding units in PLT, Primelife manages all of the assets of PLT.

B&B CPI is a subsidiary of Babcock & Brown, a global investment and advisory firm. As at the date of this Offer Document, Babcock & Brown has a relevant interest in 13.3% of Primelife Shares.

On 30 May 2007, Primelife and Babcock & Brown announced a proposal to create a specialised investment vehicle in the Senior Living sector. The Restructure Proposal involves consolidating Primelife, PLT and the Fini Portfolio sourced by Babcock & Brown, into a newly created stapled investment vehicle to be named Babcock & Brown Communities Group (BBCG). BBCG will be the largest "pure play" owner, operator and developer of Senior Living assets listed on ASX.

FIGURE 6.1: PRE- AND POST-RESTRUCTURE PROPOSAL



Notes:

1 At Main Offer Price.

2 Market capitalisation based on Maximum Capital Raising Amount.

## 6.2 THE RESTRUCTURE PROPOSAL AT A GLANCE

The Restructure Proposal comprises five elements:

- the Consolidation Proposal;
- the Stapling Proposal;
- the Management Arrangements;
- the Capital Raising; and
- the Fini Acquisition Proposal.

The first four elements are interdependent and each must be successfully accomplished before the Restructure Proposal can be implemented. The Fini Acquisition Proposal is expected to proceed once the first four elements have been implemented.

### 6.2.1 CONSOLIDATION PROPOSAL

The Consolidation Proposal comprises both the PLT Acquisition Proposal and the JV Restructure Proposal. The PLT Acquisition Proposal involves Primelife seeking shareholder approval to acquire the 74.7% of the ordinary ownership interests it does not own in PLT and the 66.6% of the shares in the trustee of PLT that it does not own for approximately 57.4 million Primelife Shares. The value of these shares is approximately \$66 million calculated at the Main Offer Price. Of this consideration, B&B CPI will be entitled to 60.6% and MFS to 39.4%. The JV Restructure Proposal involves the acquisition by Primelife of Babcock & Brown Retirement Ventures Pty Limited, which currently has rights to participate in 55% of Primelife's future development activities commenced before December 2009, for approximately 4.4 million Primelife Shares. The value of these shares is \$5 million calculated at the Main Offer Price, and represents a discounted value of Babcock & Brown's entitlement to estimated future development profits from the joint venture, as agreed between Primelife and Babcock & Brown. The new Primelife Shares issued as consideration for these acquisitions will be eligible to participate in the Stapling Proposal.

### 6.2.2 STAPLING PROPOSAL

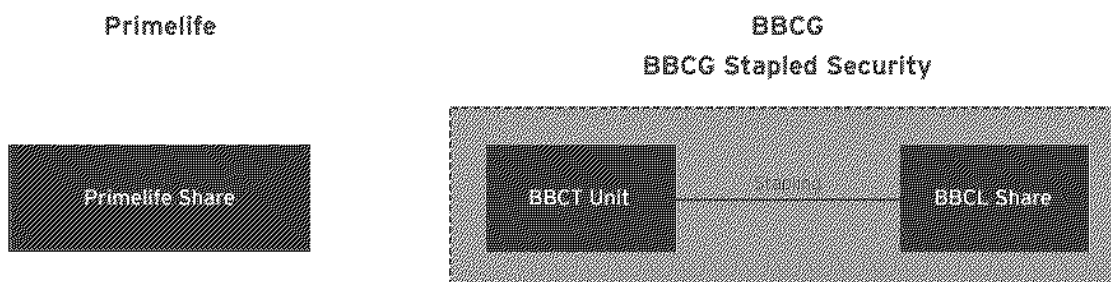
The Stapling Proposal involves Primelife seeking shareholder and Court approval to staple Primelife Shares to BBCT Units to form BBCG Stapled Securities. Each BBCG Stapled Security will comprise one Primelife Share and one BBCT Unit, with the effect that Primelife and BBCT will form a single economic group. BBCT was established on 27 April 2007 as a registered managed investment scheme, with BBCIS as its Responsible Entity. It has not traded since that date.

If all of the conditions and approvals for the Restructure Proposal are satisfied or waived (as applicable), Primelife Shareholders will be entitled to a pro rata share of an equal return of capital by Primelife equal to the product of \$0.43 and the total number of all Scheme Shares (being approximately \$100 million). This pro rata amount will not be paid to Primelife Shareholders but will be applied, on their behalf under the Scheme, to acquire one BBCT Unit for each Primelife Share they hold as at the Record Date. The BBCT Units will then be stapled to the Primelife Shares on a one-for-one basis. Primelife Shareholders are not required to pay any money for the BBCT Units. Stapled Securities will trade and be quoted on ASX as if they were one security.

*For example, if you hold 1,000 Primelife Shares on the Record Date, you will hold 1,000 Stapled Securities after the Restructure Proposal is implemented, comprising your existing 1,000 Primelife Shares and 1,000 new BBCT Units which will be stapled to your Primelife Shares.*

Figure 6.2 displays how a securityholding will change following the completion of the Restructure Proposal.

**FIGURE 6.2: ELIGIBLE PRIMELIFE SHAREHOLDERS CHANGE IN HOLDING**



# Section 6

## Restructure Proposal

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Foreign Scheme Shareholders will have their Primelife Shares transferred to the Sale Nominee. Primelife Shares will then be stapled to the BBCT Units to be issued to the Sale Nominee. The resulting Stapled Securities will then be sold and the net proceeds remitted to the Foreign Scheme Shareholders.

### 6.2.3 MANAGEMENT ARRANGEMENTS

Primelife and BBCIS, as the Responsible Entity of BBCT, will each enter into a management agreement with the Manager. If all of the conditions and approvals for the Restructure Proposal are satisfied or waived (as applicable), the effect of the Management Agreements is that most of the executive management and operations of BBCG will be carried out by the Manager on behalf of Primelife and BBCIS. The Management Agreements provide BBCG with ongoing access to the worldwide resources and knowledge base of Babcock & Brown, with the security of a long-term management arrangement.

Under the Management Agreements, the Manager will act as manager of BBCG for a term of 10 years subject to earlier termination or Securityholder approved extensions of the term. If ASX policy changes to permit a longer term, this 10 year term will automatically be increased, without the need for Securityholder approval, to the maximum permitted term, not exceeding 25 years. At any time after the commencement of the Management Agreements, Securityholder approval may be sought to renew the term for another term of the same length as the term during which approval is sought, to commence on the date of the relevant Securityholder approval. It is intended that the Manager will initially employ three key executives being John Martin, Joanna Wakefield and Gregor Dixon, the current Chief Executive Officer, Chief Financial Officer and General Manager Corporate of Primelife respectively (the Key Executives). In addition, the Manager will have the following responsibilities:

- investing and managing the portfolio of assets owned by BBCG;
- providing investment, consultation, advisory and management services generally in relation to authorised investments and the asset portfolio;
- identifying and implementing appropriate risk management policies and procedures in respect of the asset portfolio and reporting on the adequacy and effectiveness of those policies and procedures on a regular basis to the Boards;
- performing or procuring the performance of all reasonable accounting, tax, corporate secretarial, information technology, reporting and compliance services for BBCG;
- managing investor and public relations;
- making recommendation to the BBCG Board on any matter which requires the approval of the BBCG Board including preparing reasonable supporting information and analysis;
- the implementation of Boards decisions; and
- other services to assist BBCIS in performing its role as Responsible Entity.

In return for these services, the Manager will be entitled to be paid the Base Fee and, depending on the performance of BBCG, Incentive Fees. The Manager may also be entitled to fees for origination and disposal services, fees for any non-designated services provided and break fees. The Manager has agreed to waive part of its Base Fee if specified performance targets are not met in the three year period to 30 June 2010. The Manager has agreed to receive 100% of any Base Fee payable for the period ending 30 June 2008, and 50% in the years ending 30 June 2009 and 2010, in the form of Stapled Securities, subject to the approval by the Independent Directors of BBCG at the relevant time. For further details on fees, please refer to Section 9.

In addition to the above, if the Restructure Proposal is implemented, Babcock & Brown Australia will be appointed as the Preferred Financial Adviser for a term of at least 10 years. The role of Preferred Financial Adviser is separate from the role of the Manager and involves the provision of financial advisory and investment banking services, if required by BBCG. These services include:

- mergers and acquisition advice;
- advice on equity and debt advisory services and raisings;
- divestment and acquisition advice; and
- general financial and commercial advice.

If such services are sought by BBCG, the Preferred Financial Adviser has a first and last right of refusal to provide such services. Fees will be agreed with the Independent Directors at the time the services are sought, reflecting reasonable market terms (see further Section 9.3.7).

Please refer to Section 12.9.3 for a summary of the Management Arrangements, including the termination provisions. In addition, Section 8.6.10 identifies possible risks and disadvantages associated with the duration of the Management Agreements and BBCG's limited termination rights.



#### 6.2.4 CAPITAL RAISING

The Capital Raising will seek to raise up to \$475 million which will comprise:

- the Main Offer of \$300 million to \$400 million of New Stapled Securities at \$1.15 each, of which \$300 million has been underwritten;
- the Priority Offer of \$50 million, of which \$50 million has been underwritten; and
- the Resident and Employee Offer of up to \$25 million, of which \$25 million has been underwritten.

The Capital Raising will take place in accordance with this Offer Document. The proceeds of the Capital Raising will primarily be used to repay debt within Primelife and PLT, to redeem PLT preferred units and to complete the acquisition of the Fini Portfolio. The minimum required Capital Raising is \$300 million (Minimum Capital Raising Amount). The issue of \$300 million of Stapled Securities has been underwritten under the Main Offer. The issue of \$50 million of Stapled Securities has been underwritten under the Priority Offer and the issue of \$25 million of Stapled Securities has been underwritten under the Resident and Employee Offer. The terms and conditions of these underwriting agreements are summarised in Sections 12.9.7 and 12.9.8. The maximum capital raising amount is \$475 million (Maximum Capital Raising Amount).

The Capital Raising is conditional on the Scheme becoming Effective. If the Scheme does not become Effective:

- on or before 14 August 2007 (or a later date agreed by the Joint Lead Managers), the Underwriters of the Main Offer have the right to terminate their obligations under the Main Offer Underwriting Deed; and
- on or before the date that is three months after the date of this Offer Document, Stapled Securities cannot be issued under this Offer Document and the Capital Raising will not proceed.

#### 6.2.5 THE FINI ACQUISITION PROPOSAL

The Fini Portfolio comprises 1,266 existing Retirement Village units across seven mature Retirement Villages with a further 160 units under construction at a new site. The addition of this high-quality, highly complementary portfolio will further diversify BBCG's portfolio into the high growth Western Australian market.

The Fini Portfolio will be acquired from independent third-party vendors for \$180 million excluding transaction costs, a price which is supported by an independent valuation performed by Colliers International Consultancy & Valuation Pty Ltd as at 1 March 2007. As part of the purchase agreement, the vendors have an option to elect to receive \$20 million of their consideration in the form of BBCG Stapled Securities at the Priority Offer and Resident and Employee Offer Price. If that option is exercised, these Stapled Securities will be in addition to those issued under the Capital Raising.

The Fini Acquisition Proposal involves BBCG acquiring the shares of a wholly-owned Babcock & Brown subsidiary, Babcock & Brown Communities WA No.1 Pty Ltd, which holds an option to acquire the Fini Portfolio. There will be nominal consideration for the acquisition of this subsidiary. Further details on the terms of the Fini Acquisition Proposal are provided in Sections 12.9.5 and 12.9.6.

Assuming the remainder of the Restructure Proposal has been implemented, BBCG will exercise the option and use the proceeds from the Capital Raising to complete the Fini Portfolio acquisition. Total transaction costs for the Fini Portfolio acquisition are expected to be approximately \$8 million. These costs include taxation and stamp duty, advisory fees and an origination, advisory and guarantee fee payable to Babcock & Brown.

The option to acquire the Fini Portfolio expires on 14 August 2007, unless extended. The option contains a condition precedent for the benefit of the vendors relating to the receipt of certain tax advice and rulings. If the tax ruling is not received by 14 August 2007, the parties to the option have committed to either extend the option period or renegotiate the acquisition structure consistent with the agreed purchase price. It is possible the Fini Acquisition Proposal could be delayed or terminated in circumstances where it is not possible to agree an alternate acquisition structure.

#### 6.2.6 INTERDEPENDENCE

The first four elements of the Restructure Proposal are interdependent and each must be successfully accomplished before the Restructure Proposal can be implemented. The Fini Acquisition Proposal is expected to proceed once the other four elements have been implemented.

Although the acquisition of the Fini Portfolio contributes to many of the expected benefits of the Restructure Proposal, the Independent Directors support the Restructure Proposal regardless of whether that acquisition proceeds. The Independent Directors believe that the consolidation of Primelife and PLT in a well capitalised stapled investment vehicle will itself provide a sufficient basis to create a platform from which Primelife Shareholders would benefit.

# Section 6

## Restructure Proposal

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The Independent Expert has concluded that, in the absence of a superior proposal, on balance, the Restructure Proposal (whether with or without the Fini Acquisition Proposal), and accordingly the Scheme, is in the best interests of Primelife Shareholders.

### 6.3 APPROVALS FOR THE RESTRUCTURE PROPOSAL

Implementation of the Restructure Proposal requires:

- the approval of the Scheme by Primelife Shareholders at the Scheme Meeting;
- the approval of the seven Supporting Resolutions by Primelife Shareholders at the General Meeting;
- the approval of the Noteholder Resolutions by PLFGA Noteholders at the Noteholders Meeting; and
- the approval of the Scheme by the Court.

The Scheme Meeting and the General Meeting will be held on 19 July 2007 at the Ballroom, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW, commencing respectively at 10.00am and 11.00am (or in the case of the General Meeting, as soon as reasonably practicable after the Scheme Meeting has concluded or been adjourned, whichever time is later). The Noteholders Meeting will also be held on 19 July 2007 at the Ballroom, Sheraton on the Park, 161 Elizabeth Street, Sydney NSW, commencing at 2.00pm or as soon as reasonably practicable after the General Meeting has concluded or been adjourned (whichever time is later).

### 6.4 KEY CONDITIONS

In addition to the approvals noted in Section 6.3, implementation of the Restructure Proposal is subject to the satisfaction or waiver (as applicable) of a number of other conditions, including the following:

- applications under the Capital Raising in respect of at least \$300 million being accepted by Primelife and the Responsible Entity subject only to the Scheme becoming Effective. Underwriting Deed has been entered into for an amount in excess of this Minimum Capital Raising Amount;
- the Implementation Agreement not being terminated by any party prior to the Second Court Hearing Date;
- obtaining all necessary regulatory approvals;
- obtaining approval from ASX for the admission to the Official List of BBCG and for the quotation of Stapled Securities; and
- no regulatory authority or judicial entity or authority takes any action or makes any preliminary or final order by the Second Court Hearing Date which restrains or prohibits the implementation of the Restructure Proposal or any transaction contemplated by the Restructure Proposal.

The full conditions are set out in the Implementation Agreement, a summary of which is provided in Section 12.9.1. Each of the conditions must be satisfied by 8.00am on the Second Court Hearing Date, otherwise either Primelife or Babcock & Brown has the right to terminate the Implementation Agreement by notice, in which case the Restructure Proposal including the Capital Raising will not proceed.

### 6.5 STATUS OF CONDITIONS, TERMINATION RIGHTS AND EXCLUSIVITY

Under the Implementation Agreement, Primelife, Babcock & Brown and other parties have agreed to perform various steps and to assume certain obligations to give effect to the Restructure Proposal, subject to the satisfaction or waiver of a number of conditions which must be fulfilled on or before 31 January 2008. The performance of these steps and the discharge of these obligations is also subject to no circumstances arising that would entitle a party to terminate the Implementation Agreement. In addition, the Implementation Agreement contains exclusivity provisions restricting Primelife from soliciting or encouraging a competing transaction to the Restructure Proposal.

Please refer to the summary of the Implementation Agreement in Section 12.9.1 for an outline of the conditions to which the Restructure Proposal is subject, its termination rights and exclusivity provisions.

As at the date of this Offer Document, the Boards are not aware of any circumstances which would:

- cause any of the conditions not to be satisfied;
- could result in termination of the Implementation Agreement; or
- lead to Primelife pursuing a competing transaction in preference to the Restructure Proposal.

# Section 7

## Financial information



# Section 7

## Financial information

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The following financial information has been presented (collectively, the financial information) assuming that the Restructure Proposal is implemented and \$300 million, the Minimum Capital Raising Amount, is raised:

- pro forma forecast consolidated income statements for the years ending 30 June 2007 and 30 June 2008 (together with the pro forma cash flow statements and the forecast distributable cash, the forecast financial information);
- pro forma forecast cash flow statements for the years ending 30 June 2007 and 30 June 2008, and pro forma forecast distributable cash for the year ending 30 June 2008;
- pro forma consolidated balance sheet as at 31 December 2006 (the pro forma balance sheet); and
- accounting policies, assumptions and notes relevant to the above.

The financial information has been reviewed by PricewaterhouseCoopers Securities Ltd whose Investigating Accountant's Report is included in Section 10.

The financial information has been prepared on the basis of the material best estimate assumptions set out in Section 7.5 and is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

As the entities to be combined as part of the Restructure Proposal have previously operated under different corporate and capital structures, have conducted a number of acquisitions since 30 June 2006, and as PLT was not in operation for the full year to 30 June 2006, it is not considered to be meaningful or appropriate to include historical pro forma income statements.

The forecast financial information and other statements in this document which constitute forward looking statements involve known and unknown risks, uncertainties and other important factors which may materially impact on actual outcomes, many of which are outside the control of BBCG. These factors may cause the actual results, performance or achievements of BBCG to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forecasts or forward looking statements. Such risks, uncertainties and other important factors include, among other things, those matters set out in Section 8.

The financial information has been presented in an abbreviated form. It does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the *Corporations Act 2001*.

### 7.1 BASIS OF PREPARATION

The financial information presented in this Section reflects the Minimum Capital Raising Amount of \$300 million at the Main Offer Price of \$1.15. Section 7.11 compares the Minimum Capital Raising Amount of \$300 million to the Maximum Capital Raising Amount of \$475 million and the associated impact on the financial information.

#### 7.1.1 ACQUISITIONS

The forecast financial information has been prepared as if the Restructure Proposal, including the funding and management structure, was in place from 1 July 2006. Pro forma adjustments have been made in arriving at the financial information to reflect the following assumptions:

- the Restructure Proposal, related transactions and management structure was implemented on 30 June 2006;
- all PLT acquisitions made during the first half of FY07 are assumed to have been made on 30 June 2006;
- the Fini Portfolio and WA Village are acquired on 30 June 2006; and
- the refinancing of the existing debt structure has been assumed to be in place from 1 July 2006 in calculating Interest Expense.

Further pro forma adjustments have been made for the year ended 30 June 2007 as follows:

- removal of costs associated with Key Executives. These costs will be borne by the Manager;
- adjustments for the resolution of outstanding Managed Investment Schemes (MIS) to exclude the one-off impact of resolution and to adjust the results to assume that the treatment post resolution has been in effect from 1 July 2006;
- adjustments to assume that acquisitions made part way through FY07 had been made on 1 July 2006; and
- adjustment for other one-off, non-recurring items and changes to accounting estimates (FY07 and FY08).

See Section 7.9 for a reconciliation from the Primelife results for the six months ended 31 December 2006 to the forecast financial information for the year ended 30 June 2007 and a summary of the related pro forma adjustments.

## 7.2 BBCG PRO FORMA FORECAST CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDING 30 JUNE 2007 AND 30 JUNE 2008

Table 7.1 presents two years of BBCG forecast consolidated pro forma income statements, for the Financial Years ending 30 June 2007 and 30 June 2008. Refer below for a discussion of the expected forecast results for the year ending 30 June 2008.

**TABLE 7.1: BBCG PRO FORMA FORECAST CONSOLIDATED FORECAST INCOME STATEMENTS FOR THE YEARS ENDING 30 JUNE 2007 AND 30 JUNE 2008**

	Pro forma forecast year ending 30 June 2007 (\$'000)	Pro forma forecast year ending 30 June 2008 (\$'000)
<b>REVENUES</b>		
Deferred management fees	63,672	72,088
Other Retirement Living income	9,186	5,736
<b>Subtotal Retirement Living</b>	<b>72,858</b>	<b>77,824</b>
Development sales revenue	21,753	35,532
Construction income	16,378	2,903
Land sales	7,900	20,520
<b>Subtotal development and construction</b>	<b>46,031</b>	<b>58,955</b>
Aged Care revenue - government funded	17,311	19,036
Aged Care revenue - resident funded	9,527	10,834
Other Aged Care revenue	2,704	2,695
<b>Subtotal Aged Care</b>	<b>29,542</b>	<b>32,565</b>
<b>Total revenues</b>	<b>148,431</b>	<b>169,344</b>
<b>EBITDA</b>		
Retirement Living	62,418	66,895
Development and construction	13,066	34,939
Aged Care	3,239	4,396
Corporate costs <sup>1</sup>	(12,517)	(11,442)
Lease payments	(13,204)	(13,554)
<b>Total EBITDA</b>	<b>53,002</b>	<b>81,234</b>
Depreciation and amortisation	(3,557)	(2,752)
<b>EBIT</b>	<b>49,445</b>	<b>78,482</b>
Interest expense <sup>2</sup>	(30,702)	(29,559)
Taxation expense	(3,135)	(13,836)
<b>Net profit after tax</b>	<b>15,608</b>	<b>35,087</b>

Notes:

1 No Base Fee or Incentive Fee has been recognised in either FY07 or FY08. Refer Sections 7.6, 9.3.4 and 9.3.5 for further details.

2 The pro forma income statement for FY08 assumes that interest will no longer be capitalised to the cost of developments but will be expensed as incurred on the basis that the existing development specific debt balances are refinanced with a corporate facility. Capitalisation is therefore not considered appropriate.

# Section 7

## Financial information

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### 7.2.1 FORECAST RESULTS FOR THE YEAR ENDING 30 JUNE 2008

The statutory reported result for BBCG for the year ending 30 June 2008 will reflect the results of Primelife for the entire year and the results of PLT, the Fini Portfolio and WA Village from the dates on which they are acquired. This adjustment is expected to reduce Net Profit After Tax by \$2.1 million.

Further, the result needs to be adjusted for transaction costs of \$8.4 million that relate to the Restructure Proposal, rather than the Capital Raising, that will be expensed in FY08 (resulting in a decrease of Net Profit After Tax by \$5.8 million). This will have no impact on forecast distributions as these costs are being funded from the proceeds of the Capital Raising.

### 7.2.2 MANAGEMENT DISCUSSION AND ANALYSIS

#### 7.2.2.1 Retirement Living

Deferred Management Fees relate to both owned facilities and those which are leased from third parties. The key factors that impact financial performance in Retirement Living are resident turnover rates (average length of stay) and capital growth of units. A typical deferred management fee contract provides for an annual retainer for a fixed period (e.g. 3% per annum of purchase price for a period of 12 years) plus a share of the capital gain realised on turnover. Although cash is only received as the resident departs, revenue is recognised on an annual accrual basis, based on estimates of capital growth and resident turnover. The \$8.4 million uplift in Deferred Management Fees which contributes to the \$4.5 million increase in EBITDA between FY07 and FY08 reflects capital growth and new units forecast to come online from the development pipeline, see development discussion below.

BBCG also manages some facilities that it leases from third parties. The nature of the income derived from these facilities is essentially the same as for those owned by BBCG. However, under AIFRS the forecast DMF to be received from leased facilities is discounted to net present value, whereas no discount applies to owned facilities.

Where a resident in a leased village leaves before the assumed average length of stay of 11 years, there is an immediate benefit of the difference between the accrued amount (calculated on a discounted basis and an assumed length of stay of 11 years) and the actual Deferred Management Fees received. This uplift forecast for FY07 is \$2.4 million and in FY08 is \$2.1 million.

Other Retirement Living income is made up of Investment Property Revaluations recorded for the six months ended 31 December 2006, management fees from managing facilities on behalf of third parties, expense reimbursements and share of losses from joint ventures. No Investment Property Revaluations have been forecast for the six months ending 30 June 2007 or for FY08 as there is no reasonable basis on which to do so.

#### 7.2.2.2 Development & Construction

Development Sales Revenue primarily comprises the first time profit when a unit is first transferred to a resident together with an estimate of the present value of Deferred Management Fees which will be derived from that unit in the future (fair value). While under construction these units are recorded at cost on the balance sheet. Once the unit is transferred to a resident it is transferred to Investment Property and restated to fair value. When a resident first occupies a unit a sale is not recognised for accounting purposes as the risks and rewards of ownership of the underlying property are deemed to remain with BBCG under the DMF structure. For the purposes of this Offer Document "sales" of units refers to when the first resident becomes entitled to occupy the completed unit.

Development Sales Revenue is dependent on the number of units sold, the margin received on those unit sales and the estimate of the future value of Deferred Management Fees. The increase in both revenue and EBITDA from FY07 to FY08 primarily reflects an increase in forecast unit sales from 190 for FY07 to 339 for FY08 across 18 development sites. This is due to the increase in unit sales from Primelife's developments following heavy infrastructure investment in prior periods and an increase in sales from PLT and Fini sites from 46 units to 124 units.

Construction Income is received when BBCG acts as development manager for a third party. This aspect of the development division's income is being phased out and hence the drop in revenue from \$16.4 million to \$2.9 million.

From time to time BBCG will sell parcels of surplus land from which income is also derived. The EBITDA impact in FY07 from Land Sales is \$3.5 million and for FY08 is \$5.6 million.

#### 7.2.2.3 Aged Care

The key factors that impact performance of the Aged Care business are occupancy, the level of care provided to residents and costs, primarily salaries and wages. Occupancy for Aged Care is particularly important because of the minimum fixed costs necessary to operate an Aged Care facility. As the level of care increases so does the subsidies received from the government. In addition, as the level of care increases an increased level of costs, particularly direct care costs and labour costs, is required.

The increase in Aged Care forecast revenue and EBITDA reflects new beds coming online at the Orden and Sunbury facilities. Occupancy in FY07 to date has been approximately 93%. Forecast occupancy for FY08 will initially drop

due to new beds coming online, but is forecast to be up to 95% by the end of the Financial Year. The increase in occupancy reflects ongoing active efforts to fill vacant beds and an improved "ageing in place" strategy.

Other Aged Care Revenue includes interest earned on unpaid accommodation bonds receivable before the incoming resident sells their house or ILU. This equates to approximately \$0.7 million per annum.

#### 7.2.2.4 Corporate Costs

As discussed in Section 6.2.3, the Key Executives will be employed by Babcock & Brown. Babcock & Brown will also provide other services such as investor and public relations, accounting, compliance and company secretarial. The decrease in Corporate Costs reflects the anticipated reduction in costs from this proposal. Following the implementation of the Restructure Proposal Corporate Costs will include Base Fees and may also include Incentive Fees, to the extent these become payable. Refer to Section 9 for further information on these fees.

#### 7.2.2.5 Lease Payments

The Lease Payments included in Table 7.1 apply to both Retirement Living (\$6.7 million in 2007 and in \$6.9 million 2008) and Aged Care (\$6.5 million in 2007 and \$6.6 million in 2008). The Lease Payments typically increase by CPI each year under the lease agreements.

### 7.3 FORECAST PRO FORMA CASH FLOW FOR THE YEARS ENDING 30 JUNE 2007 AND 30 JUNE 2008 AND FORECAST PRO FORMA DISTRIBUTABLE CASH FOR THE YEAR ENDING 2008

Table 7.2 sets out a reconciliation of BBCG pro forma forecast EBITDA to pro forma forecast net cash flow for the two years ending 30 June 2007 and 30 June 2008, together with forecast cash available for distribution by BBCG to BBCG Stapled Securityholders.

**TABLE 7.2: FORECAST DISTRIBUTABLE CASH FLOWS FOR THE YEARS ENDING 30 JUNE 2007 AND 30 JUNE 2008**

	Pro forma forecast year ending 30 June 2007 (\$'000)	Pro forma forecast year ending 30 June 2008 (\$'000)
EBITDA	53,002	81,234
Revaluations	(6,887)	-
DMF cash timing differences	(36,479)	(37,387)
Aged Care accommodation bonds	10,491	4,519
Development and construction	(70,653)	25,635
Other	(5,982)	4,152
<b>Total operating cash flow</b>	<b>(56,508)</b>	<b>78,153</b>
Capital expenditure - Aged Care	(3,863)	(6,255)
Capital expenditure - corporate	(4,437)	(1,652)
<b>Total investing cash flow</b>	<b>(8,300)</b>	<b>(7,907)</b>
Interest expense	(30,702)	(29,559)
Net increase/(decrease) in debt	96,000	4,695
<b>Total financing cash flow</b>	<b>65,298</b>	<b>(24,864)</b>
<b>Distributable cash flow</b>	<b>490</b>	<b>45,382</b>
Pro forma forecast distributions	-	(45,382)
<b>Net cash flow</b>	<b>490</b>	<b>-</b>

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### **7.3.1 DIFFERENCE BETWEEN ACCOUNTING EARNINGS (EBITDA) AND PRO FORMA OPERATING CASH FLOWS**

#### **7.3.1.1 Revaluations and DMF timing differences**

As noted in Section 7.2.2.1, although income is accrued over the term of a resident's occupancy, cash is only received on their departure when the next resident occupies the unit. Some of BBCG's villages are in the early phases of their lifecycle and actual turnover of residents has not reached the long-term averages. Cash received is therefore less than accounting income at these villages.

In addition, under accounting standards, retirement villages are treated as Investment Property and are required to be fair valued at each reporting date. Any revaluation gains are required to be recognised as accounting earnings, however no cash is realised at that point. The Revaluations in Table 7.2 relate to Revaluations made to Investment Property for the six months ended 31 December 2006.

#### **7.3.1.2 Aged Care bonds**

As noted in Section 3.3.2, approved Aged Care providers are entitled to obtain resident Accommodation Bonds on low care beds under the *Aged Care Act 1997* (Cth). As there is a liability to repay bonds, bond cash flows are not recognised as income. Bond cash flows reflect new bonds on beds which first come online in the Forecast Period and net flows from replacement bonds (bond repayments when a resident departs and new bonds when a new resident enters).

Under the *Aged Care Act 1997* (Cth), approved providers are required to self regulate a prudential level of cash and funding, to ensure bonds can be repaid as residents depart. Primelife currently maintains a minimum level of \$10 million in cash and available borrowings for such prudential purposes and this will continue under BBCG.

#### **7.3.1.3 Development & Construction**

Development & Construction cash flow reflects the full amount of actual cash proceeds from first-time residents net of construction costs for the period.

Development profits include an estimate of the present value of future Deferred Management Fees which will be derived from a unit when the first resident occupies the unit. This amount will only be realised in cash over the life of the unit.

In FY07 a large construction investment was made in infrastructure and community centres, in the initial stages of development projects as well as completion of units to ensure sufficient stock for the future expected demand. This follows a period of limited infrastructure investment in FY05 and FY06. This level of construction will reduce in FY08 and expenditure will be mainly focused on constructing units.

#### **7.3.1.4 Other**

Other includes prepayments and other non-cash items.

#### **7.3.1.5 Capital expenditure**

There is a rolling maintenance program in Aged Care to ensure all facilities remain attractive to new residents. During 2008 two Aged Care facilities, Sunbury and Lilydale, will be redeveloped to accommodate additional beds granted in the last ACAR round of bed allocations by the government.

Primelife is undergoing a company-wide IT upgrade. In 2007 a clinical care solution was piloted at four Aged Care facilities. This pilot program is now complete and will be rolled out to all Aged Care facilities in FY08. There is also a general ledger upgrade and reporting and procurement systems being implemented.

#### **7.3.1.6 Debt**

In March 2007 Primelife issued \$25 million of convertible notes, \$10 million of which was used to repay an existing margin loan. The balance has been used for working capital in the business. As discussed above, the turnaround in development from a period of heavy construction to a period focused on sales is also reflected in the repayment of debt in 2008.

In FY08, it is assumed that the existing PLFGA Notes will be replaced with new debt when they expire in January 2008.

#### **7.3.1.7 Taxation**

No tax is forecast to be paid in the medium term due to the carry forward of substantial tax losses.

The ATO issued Taxation Ruling 94/24 effective 1 July 1994 to detail how various generic arrangements concerning the acquisition, development, operation and sale of retirement villages should be treated for income tax purposes. Broadly, the ruling provided that expenditure incurred by a village owner on the acquisition or development of a village was deductible in the year in which the expenditure was incurred.



On the income side all proceeds received on “sale” of a Retirement Village were required to be included in the village owner’s assessable income, as was the receipt of any lump sum from a resident on the granting of occupancy rights. The ruling further provided that any amount payable by the owner to an outgoing resident would be deductible in the year the owner incurred the obligation to make the payment.

As discussed previously Primelife has been in a period of heavy construction and most of this construction was subject to 94/24. These benefits will reverse over time under BBCG as these projects are completed and the units sold.

**7.3.2 FORECAST DISTRIBUTIONS FOR FY08 PERIOD**

As the Restructure Proposal is expected to be implemented on or about 1 August 2007 (Allotment Date), BBCG Securityholders will only be entitled to distributions from that date. The forecast distribution amount to be paid for the period between the Allotment Date and 30 June 2008 (FY08 Period) is \$41.5 million.

**7.4 DISTRIBUTION POLICY**

Depending on the availability of profit and funds for distribution, Securityholders may receive distributions. Distributions are payable in September and March, following the announcement of results for the full and half Financial Year.

The forecast distributions for BBCG are set out in Table 7.3.

**TABLE 7.3: BBCG DISTRIBUTION AND FRANKING CREDIT INFORMATION**

	FY08 Period distribution
Distribution per Stapled Security	\$0.084
% tax deferred	100%
Level of franking	0%
Annualised cash yield based on the Main Offer Price of \$1.15	8.0%

BBCG gives no assurance that the forecast financial information will be achieved, or that distributions will be made to BBCG Stapled Securityholders during the Forecast Period, or following the Forecast Period. The forecast financial information contained in this Section of the Offer Document may vary from actual financial results, and these variations may be material. This is due to the fact that the financial performance of BBCG and its ability to make distributions will be influenced by factors potentially beyond the control of BBCG. Details of the forecast financial information and the material best estimate assumptions on which it is based together with the sensitivities and associated risk factors are set out in Sections 7.5 and 7.6.

The extent to which distributions are tax deferred is not guaranteed and the level of tax deferral of distributions forecast for the Forecast Period should not be taken as a guide to future levels of tax deferral.

**7.4.1 DISTRIBUTION REINVESTMENT PLAN**

The Boards intend to implement a distribution reinvestment plan (DRP), on terms to be determined by the Boards for cash distributions paid by BBCG to be reinvested by way of subscription for Stapled Securities. The details, along with an election form, will be distributed to Securityholders prior to the first distribution.

**7.5 MATERIAL BEST ESTIMATE ASSUMPTIONS FOR FORECAST FINANCIAL INFORMATION**

The forecast financial information for BBCG has been prepared on the basis of the material best estimate assumptions set out below. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not a representation that the assumptions will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the forecast financial information, and that this may have a positive or negative effect on BBCG’s actual financial performance, distributable cash or distributions. Securityholders are advised to review the key assumptions in this Section in conjunction with the sensitivity analysis in Section 7.6 and the key risks set out in Section 8.

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### 7.5.1 GENERAL ASSUMPTIONS

The following general assumptions have been made for both Financial Years:

- no significant changes in prevailing economic conditions and the rate of economic growth in Australia or New Zealand;
- no significant industrial, contractual, political or other disturbances impacting BBCG and the continuity of its operations;
- no significant changes in statutory, legal or regulatory requirements that would have a material effect on BBCG's operations;
- no material change in Australian Accounting Standards (including AIFRS), Statements of Accounting Concepts or other mandatory professional reporting requirements, including the Urgent Issues Group Consensus Views and the *Corporations Act 2001*, which may have a material effect on BBCG's financial results during the Forecast Period;
- no change in taxation legislation which will have a material impact on BBCG's financial results during the Forecast Period;
- forecasts do not take into account any acquisitions or divestitures during the Forecast Period other than those disclosed in this Offer Document relating to the Restructure Proposal and Offer;
- no material change in any current contracts; and
- no material change in the inflation rate (CPI) of Australia and New Zealand for the years ending 30 June 2007 and 30 June 2008 respectively.

### 7.5.2 ASSUMPTIONS RELATING SPECIFICALLY TO THE RESTRUCTURE PROPOSAL

The following assumptions relate specifically to the Restructure Proposal:

- Primelife acquires all of the ordinary units in PLT it does not own and all the shares in the trustee of PLT it does not own as at 1 July 2006;
- transaction costs relating to debt finance are capitalised and amortised using the effective interest rate method over the period of the debt under AIFRS;
- transaction costs relating to equity raised are deducted from the equity proceeds under AIFRS;
- transaction costs not related to debt or equity are capitalised into the cost of the investment or expensed, as appropriate, as part of the Restructure Proposal under AIFRS; and
- funds received from Capital Raising will be used to repay debt within Primelife and PLT and to redeem PLT preferred units and part fund the Fini Portfolio acquisition.

### 7.5.3 FY07 PRO FORMA ADJUSTMENTS

The forecast financial information for FY07 has been prepared on the assumption that:

- the results of acquisitions made during the Financial Year have been included for the full year;
- no transaction costs associated with the Restructure Proposal have been included;
- the resolution of the MIS schemes that are expected to be resolved in the Forecast Period are assumed to have occurred before 1 July 2006;
- one-off costs related to legal proceedings for the resolution of MIS and employee litigation have been excluded; and
- any other one-offs which are considered non-recurring have been excluded and any changes to accounting estimates have been assumed to be in place from 1 July 2006.

See Section 7.9 for further details of these adjustments.

### 7.5.4 OTHER SPECIFIC ASSUMPTIONS

Unless stated otherwise, all assumptions are the same for FY07 and FY08.

#### 7.5.4.1 Retirement Living

- Average length of stay and capital growth rates assumed, based on historic and market data and having regard to recent independent valuations:
  - New Zealand - all villages
    - ILUs 8 years
    - SAs 5 years
    - Capital growth 4.50%
    - Exchange rate \$1.145

- Fini Portfolio
  - Turnover 11 years
  - Capital growth 6.25% to 8.50%, based on independent valuations
  - CPI 3.50%, used for operating costs
  - Wages growth 5.50%, based on current market rates
- All other villages
  - ILUs
    - Turnover 11 years
    - Capital growth 5.00%
  - SAs
    - Turnover 5 years
    - Capital growth 4.00% (mixed ILU and SA)
- No material change in resident contracts have been assumed across all BBCG's villages during the Forecast Period; and
- Independent valuations were performed by Colliers for the Fini Portfolio and WA Village (as at 1 March 2007), CBRE for all New Zealand villages (as at 31 December 2006) and Ernst & Young for all other villages (as at 31 December 2006).

#### 7.5.4.2 Development

- Unit sales numbers, sales prices and building costs have been forecast based on the stage of each facility, historical sales and the identified development pipeline. Management's forecast unit sales numbers and prices have been prepared with regard to independent research prepared by Ernst & Young.
- Building costs are initially forecast using quantity surveyor estimates and then refined based on the final approved DA by the project development manager. Where construction takes place over more than a 12 month period, CPI adjustments are made as appropriate based on the underlying contract.
- A weighted average capital growth rate of 3.5% has been assumed for the purposes of calculating the first-time development profit.

#### 7.5.4.3 Aged Care

- RCS levels have been forecast by each facility manager based on the respective resident profiles as at 31 December 2006. The resulting average RCS level is 4.68 and this has been held constant across the Forecast Period.
- A 1.0% increase in funding by the government has been assumed based on historical increases.
- Salaries and wages assumed to increase by 3.0% in October each year consistent with the Primelife Aged Care EBA. The level of staff is based on rosters at December 2006 plus an allowance for increasing staff for facilities in the ramp-up phase.
- Bond cash flows are forecast using the current profile of bonded residents and rates by facility.

#### 7.5.4.4 Other

- CPI assumed at 3.0%.
- All operating costs (including salaries and wages) increase by CPI, unless specific increases or decreases were identified relating to new positions and any expected savings.
- There is no increase in the amount of workers compensation, payroll tax, superannuation that is levied.
- A level of cost reduction has been assumed as some functions will be undertaken by the Manager in return for its management fee.
- Remaining debt post the Restructure Proposal is refinanced at a rate of 7.50%, excluding convertible notes on issue.

### 7.6 SENSITIVITY ANALYSIS

The forecast financial information is sensitive to key assumptions used in preparing the forecasts. The sensitivity analysis in Table 7.4 demonstrates the potential impact of possible changes in key assumptions on forecast distributable cash available to BBCG Stapled Securityholders and BBCG NPAT. The impact is shown as a positive/(negative) adjustment to the forecast distributable cash and NPAT in the year ending 30 June 2008.

The sensitivity analysis in Table 7.4 should be considered in conjunction with the accompanying discussion of the sensitivity analysis. Care should be taken in interpreting this sensitivity analysis. The analysis treats each change in the specific assumption in isolation to the others, whereas in many cases changes may be inter-dependent, with

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associated changes having cumulative or mitigating impacts. The sensitivity also does not take into account any potential mitigating action which might be taken by management. In particular some of the upside scenarios may crystallise the payment of Base Fees.

The analysis presented is no indication of the likely level of variation that could occur in relation to each assumption. Proportional variations of the changes presented may not result in a proportional change to the forecast impact.

**TABLE 7.4: POTENTIAL INCREASE/(DECREASE) IN PRO FORMA FORECAST BBCG NPAT AND DISTRIBUTABLE CASH AVAILABLE TO BBCG STAPLED SECURITYHOLDERS ARISING FROM POSSIBLE CHANGES IN KEY ASSUMPTIONS**

Assumption	Change in assumption	Year ending 30 June 2008 (\$'000)	
		Pro forma NPAT	Pro forma distributable cash
		35,087	45,382
<b>RETIREMENT LIVING</b>			
Average capital growth rate of units, % per annum	+0.5%	2,306	1,343
	-0.5%	(2,287)	(1,343)
Average length of stay, years	+1	(1,190)	(3,300)
	-1	752	4,119
<b>DEVELOPMENT &amp; CONSTRUCTION</b>			
Unit sales	+1.5%	253	1,828
	-1.5%	(253)	(1,828)
Building costs	+1%	(859)	(855)
	-1%	859	855
Sales price	+1%	1,000	1,219
	-1%	(1,000)	(1,219)
<b>AGED CARE</b>			
Average occupancy %	+3.5%	653	933
	-3.5%	(653)	(933)
Average RCS level	+5%	(666)	(952)
	-5%	666	952
<b>GENERAL</b>			
Interest rates, % per annum	+50 bps	(1,294)	(1,849)
	-50 bps	1,294	1,849

- There will be an EBITDA impact to Retirement Living and development if the Fini Portfolio acquisition is not completed (see Section 6.2.5). In such circumstances there would also be a reduction in interest Expense and therefore BBCG's ability to meet the forecast distribution will not be materially affected. See Section 7.12 for further information on the financial impact if the Fini Portfolio acquisition does not take place.
- As part of the Fini Portfolio acquisition an option has been given to the vendor to receive \$20 million of the purchase consideration in the form of BBCG Stapled Securities at the Priority Offer and Resident and Employee Offer Price. Should this option be exercised BBCG will repay \$20 million more in debt and issue 18.2 million more Stapled Securities. The financial impact will be approximately \$0.1 million given an assumed distribution yield of 8% versus an assumed cost of debt of 7.50%.
- No Base Fee is payable to the Manager for FY08 if actual EBITDA (before Management Fees) achieved is equal to or less than \$81.2 million or the distribution per Stapled Security is less than \$0.084 (FY08 Period Distribution). If the EBITDA (before Management Fees) achieved is greater than \$85.8 million the full Base Fee for the FY08 Period will be payable. If an amount of EBITDA (before Management Fees) between \$85.8 million and \$81.2 million is achieved, the Base Fee payable will be equal to the amount by which \$81.2 million is exceeded. While there has been no assumption as to revaluation uplifts in FY08 for Investment Property in the forecast pro forma income statements, there is a possibility that when the fair value estimates are performed at the reporting periods in FY08 there will be Revaluations included in EBITDA. To the extent that this occurs the EBITDA (before Management Fees) could be higher than \$81.2 million. See Section 9 for further discussion on the fee arrangements.

**7.7 BALANCE SHEET**

Table 7.5 sets out the pro forma consolidated balance sheet for BBCG at 31 December 2006, assuming the Minimum Capital Raising Amount. Refer to Section 7.10 for the basis of preparation and refer to Section 7.11 for a balance sheet comparison to the Maximum Capital Raising Amount.

**TABLE 7.5: BBCG PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

	Pro forma as at 31 December 2006 (\$'000)
Cash and cash equivalents	37,608
Receivables	26,742
DMF receivable	6,775
Inventory	44,945
Other	1,204
<b>Current Assets</b>	<b>117,274</b>
Receivables	3,068
DMF receivable	60,976
Other financial assets	10,256
Equity accounted investments	6,654
Property, plant and equipment	212,212
Investment property	1,311,163
Deferred tax asset	48,373
Intangibles	62,526
Other	1,460
<b>Non-current Assets</b>	<b>1,716,688</b>
<b>Total Assets</b>	<b>1,833,962</b>
Resident loans	820,300
Accommodation bonds	60,525
Payables	42,366
Borrowings	41,900
Other	3,988
<b>Current Liabilities</b>	<b>969,079</b>
Borrowings	327,900
Deferred tax liability	56,740
Other	24,865
<b>Non-current Liabilities</b>	<b>409,505</b>
<b>Total Liabilities</b>	<b>1,378,584</b>
<b>Net Assets</b>	<b>455,378</b>
Contributed equity	364,566
Reserves	11,582
Retained profit/(loss)	(128,084)
Minority interest	207,314
<b>Equity</b>	<b>455,378</b>

An explanation of the pro forma adjustments made to the pro forma balance sheet are detailed in Section 7.10.

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### **7.8 SIGNIFICANT POLICIES AND NOTES TO THE PRO FORMA FINANCIAL INFORMATION**

#### **7.8.1 SIGNIFICANT POLICIES AND NOTES APPLICABLE TO THE FINANCIAL INFORMATION**

The financial information presented has been prepared in accordance with AIFRS, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The accounts are presented in accordance with the historical cost convention unless otherwise stated. The accounting policies adopted in preparing the financial information are set out in the Primelife Corporation Limited 30 June 2006 financial statements.

However, to reflect the impact of the Restructure Proposal, the following additional policies have also been used.

##### **7.8.1.1 Acquisition accounting**

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured at the fair value of the assets given, equity instruments issued or liabilities assumed at date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. The excess of cost of acquisition over fair value of the identifiable assets acquired is recognised as goodwill.

The following acquisitions are assumed to take place:

- 74.7% of PLT not currently owned by BBCG;
- 55% share of the Development Joint Venture with Babcock & Brown not currently owned by BBCG; and
- the Fini Portfolio and WA Village.

The above acquisitions will be recorded at fair value. For PLT the fair value adjustments included in the pro forma balance sheet for the PLT acquisition reflect the estimated fair values of the assets and liabilities prepared by PLT in a manner consistent with PLT's usual valuation processes.

The fair value adjustments for the Fini Portfolio and WA Village have been based on external valuations commissioned as part of the acquisition.

Where appropriate the valuations commissioned support a portfolio premium which is recorded as goodwill in intangible assets.

The fair value adjustment for the Development Joint Venture is based on a negotiated position between the joint venture parties whereby Babcock & Brown have discounted their future entitlement to development profits from the Primelife development pipeline.

The final determination of fair values will be subject to BBCG completing a fair value assessment at the time of completion of each acquisition. Any change in the recorded fair value of the assets and liabilities as a result of this assessment will be matched by a corresponding decrease or increase in intangible assets. Any amortisation will be reflected in the BBCG consolidated income statement and there will be no impact on the forecast distributable cash of BBCG.

##### **7.8.1.2 Consolidation and stapling arrangements**

UIG 1002 "Post-Date-of-Transition Stapling Arrangements" requires one of the stapled entities of the structure to be identified as the parent entity for the purposes of preparing consolidated financial reports. In accordance with this requirement, BBCL has been identified as the parent of the consolidated group comprising BBCL and its controlled entities, deemed to include BBCT (shown as minority interest).

### **7.9 RECONCILIATION OF PRO FORMA CONSOLIDATED FORECAST RESULTS FOR FY07**

BBCG expected reported results will be different to the pro forma consolidated results provided in Section 7.2. The reconciliation of audited results for the six months to 31 December 2006 for Primelife Corporation Limited and the expected reported results for the six months to 30 June 2007 is reconciled to the BBCG pro forma FY07 forecast NPAT in Table 7.6.

**TABLE 7.6: RECONCILIATION OF THE PRO FORMA CONSOLIDATED FORECAST RESULTS FOR BBCG FOR FY07**

	Actual six month period to 31 December 2006 (\$'000)	Forecast six month period to 30 June 2007 (\$'000)	Forecast FY07 (\$'000)
Primelife net (loss)/profit after tax	(2,219)	3,069	850
Changes to accounting estimates	(4,098)		(4,098)
MIS adjustments and costs		(2,553)	(2,553)
Amended lease Aged Care	(1,353)		(1,353)
Executive restructure		1,016	1,016
Other non-recurring adjustments	757	2,047	2,804
<b>Pro forma Primelife net (loss)/profit after tax</b>	<b>(6,913)</b>	<b>3,579</b>	<b>(3,334)</b>
74.7% of PLT forecast result		7,403	7,403
Costs borne by the Manager and other cost reductions		1,980	1,980
WA Village		568	568
Fini Portfolio		8,991	8,991
<b>Pro forma consolidated net (loss)/profit after tax of BBCG</b>	<b>(6,913)</b>	<b>22,521</b>	<b>15,608</b>

**7.9.1 PRO FORMA ADJUSTMENTS**

The pro forma adjustments made to the audited Primelife 31 December 2006 Net Profit After Tax are:

- change to accounting estimate: relates to the one-off impact of changing the average length of stay from 12 to 11 years. This adjustment is assumed to take place on 1 July 2006;
- amended lease: to remove the one-off benefit of changes to the Glendale Aged Care lease agreement;
- executive restructure: this is the net reduction in costs relating to four senior executives who departed during FY07 and the two executives that replaced them; and
- other non-recurring adjustments: These relate to the elimination of the one-off impact of a GST provision, the loss of GST input tax credits and a loss on a joint venture which is not expected to reoccur.

**7.9.2 ADJUSTMENTS FOR RESOLUTION OF MIS SCHEMES**

In the pro forma result it is assumed that any MIS schemes resolutions due to occur in the forecast period have occurred before 1 July 2006. Eight of Primelife's MIS schemes (relating to Madden Grove, Studley Park, Highwood Court, Port Albert, Red Bluff, Lexington and Claremont Terrace) have either settled or are subject to legally binding resolutions for which settlement is expected before 30 June 2007. These resolutions result in a disposal of the underlying investment by Primelife for a net book gain of \$4.1 million, after tax. The above adjustment reflects the reversal of this gain. The resolution of two additional schemes has yet to be commenced. Provisions for expected outcomes have been made.

**7.9.3 OTHER ADJUSTMENTS**

The balance of the adjustments to reflect the Restructure Proposal including:

- the acquisition of the remaining 74.7% of PLT;
- the acquisitions of the Fini Portfolio and WA Village; and
- the arrangements with Babcock & Brown regarding the Key Executives and other services provided.

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### **7.10 BBCG CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

Table 7.7 sets out the BBCG pro forma consolidated balance sheet at 31 December 2006, reflecting adjustment of Primelife's audited balance sheet at that date for the subsequent conversion and issue of PLFGA Notes and the resolution of certain MIS schemes prior to 30 June 2007 and assuming the Restructure Proposal was effective 31 December 2006.

The impact on the BBCG pro forma balance sheet and forecast results from the issue of \$475 million of BBCG Stapled Securities (Maximum Capital Raising Amount) is discussed in Section 7.11.

The accounting policies used in preparing the BBCG pro forma consolidated balance sheet are set out in Section 7.8.

#### **7.10.1 ADJUSTMENTS FOR CONVERSION AND ISSUE OF NOTES**

The Primelife Convertible Notes (PLFGB), 20.2 million in number and valued at \$20.2 million, were converted into 16.2 million Primelife ordinary shares on 10 January 2007 and a fully fungible issue of \$25 million PLFGA Convertible Notes was made on 16 March 2007.

#### **7.10.2 ADJUSTMENTS FOR RESOLUTION OF MIS SCHEMES**

As described above, eight of the MIS schemes have or are expected to settle prior to 30 June 2007. With the exception of Lexington II (to be recognised as an Investment Property) and Claremont Terrace (to be recognised as an investment accounted for using the equity method of \$1.2 million), these resolutions result in a disposal of the underlying investment by Primelife.

As detailed in the column below the resolution of the MIS schemes results in an increase in net assets of \$8.0 million with an increase in the relevant Retirement Village and Aged Care balance sheet items (Investment Property, Resident Loans, Property Plant & Equipment and Accommodation Bonds) as these villages and Aged Care facilities are recorded on BBCG's balance sheet.

#### **7.10.3 ADJUSTMENTS FOR ACQUISITIONS**

- PLT - the acquisition of 74.7% of PLT and of PLT management for the issue of approximately \$66 million of BBCL Shares. On acquisition of PLT goodwill is created of \$39.5 million which is supported by the portfolio premium for PLT.
- Fini - the acquisition of the Fini Villages for \$188 million, including acquisition costs of \$8.2 million.
- WA Village - the acquisition of WA Village for \$8.2 million, including acquisition costs.
- Development Joint Venture - the acquisition of 55% of the Development Joint Venture for \$5 million of BBCL Shares.
- BBCG will hold an equity accounted investment, which holds a 16.2% stake in Aevum. The value of the equity accounted investment is approximately \$5 million. It is assumed this will be funded by debt.

#### **7.10.4 ADJUSTMENTS FOR BBCG STAPLING**

- The creation of BBCT as a subsidiary of Primelife and the return of \$100 million of capital by BBCL in the form of BBCT units.
- The stapling of BBCL Shares and BBCT Units to form BBCG Stapled Securities.

#### **7.10.5 ADJUSTMENTS FOR CAPITAL RAISING**

- The offer of \$300 million of BBCG Stapled Securities (Minimum Capital Raising Amount).
- The payment of \$31.7 million in transaction costs associated with the Minimum Capital Raising Amount. Of these costs \$8.6 million was expensed and adjusted against retained earnings with the balance being offset against equity.



**TABLE 7.7: BBCG PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

	Primelife audited 31 December 2006 (\$'000)	Conversion and issue of notes (\$'000)	Resolution of MIS schemes (\$'000)	Adjustments for the Restructure Proposal (\$'000)	Adjustments for stapling (\$'000)	Adjustments for Capital Raising (\$'000)	BBCG Pro forma as at 31 December 2006 (\$'000)
Cash and cash equivalents	9,900	25,000	(7,487)	10,195			37,608
Receivables	33,375		(5,747)	(886)			26,742
DMF receivable	6,775						6,775
Inventory	45,807		(1,046)	184			44,945
Other	1,171			33			1,204
<b>Current Assets</b>	<b>97,028</b>	<b>25,000</b>	<b>(14,280)</b>	<b>9,526</b>	<b>-</b>	<b>-</b>	<b>117,274</b>
Receivables	2,353			715			3,068
DMF receivable	60,976						60,976
Other financial assets	10,256						10,256
Equity accounted investments	12,394		1,192	(6,932)			6,654
Property, plant and equipment	122,416		18,514	71,282			212,212
Investment property	119,044		52,424	1,139,695			1,311,163
Deferred tax asset	48,373						48,373
Intangibles	10,161			52,365			62,526
Other	589			871			1,460
<b>Non-current Assets</b>	<b>386,562</b>		<b>72,130</b>	<b>1,257,996</b>			<b>1,716,688</b>
<b>Total Assets</b>	<b>483,590</b>	<b>25,000</b>	<b>57,850</b>	<b>1,267,522</b>	<b>-</b>	<b>-</b>	<b>1,833,962</b>
Resident loans	87,630		40,509	692,161			820,300
Accommodation bonds	53,306		7,219				60,525
Payables	30,452		(7,794)	19,708			42,366
Borrowings	62,114	(20,214)					41,900
Other	3,988						3,988
<b>Current Liabilities</b>	<b>237,490</b>	<b>(20,214)</b>	<b>39,934</b>	<b>711,869</b>	<b>-</b>	<b>-</b>	<b>969,079</b>
Borrowings	100,907	25,000	9,066	461,204		(268,277)	327,900
Deferred tax liability	54,080			2,660			56,740
Other	6,040		803	18,022			24,865
<b>Non-current Liabilities</b>	<b>161,027</b>	<b>25,000</b>	<b>9,869</b>	<b>481,886</b>	<b>-</b>	<b>(268,277)</b>	<b>409,505</b>
<b>Total Liabilities</b>	<b>398,517</b>	<b>4,786</b>	<b>49,803</b>	<b>1,193,755</b>	<b>-</b>	<b>(268,277)</b>	<b>1,378,584</b>
<b>Net Assets</b>	<b>85,073</b>	<b>20,214</b>	<b>8,047</b>	<b>73,767</b>	<b>-</b>	<b>268,277</b>	<b>455,378</b>
Contributed equity	211,124	20,214		72,256	(100,000)	160,971	364,566
Retained earnings and reserves	(126,051)		8,047	1,511		(8)	(116,502)
Minority interest				-	100,000	107,314	207,314
<b>Equity</b>	<b>85,073</b>	<b>20,214</b>	<b>8,047</b>	<b>73,767</b>	<b>-</b>	<b>268,277</b>	<b>455,378</b>

# Section 7

## Financial information

### 7.11 IMPACT OF MAXIMUM CAPITAL RAISING AMOUNT ON BBCG FINANCIAL INFORMATION

The preceding financial information in this Section 7 of the Offer Document assumes that \$300 million is raised under the Offer (Minimum Capital Raising Amount). Up to \$475 million may be raised under the Offer (Maximum Capital Raising Amount). This Section sets out the impact on the financial information should the proceeds of the Offer reach the Maximum Capital Raising Amount.

BBCG intends to use the additional \$175 million raised under the Maximum Capital Raising Amount to repay external debt and BBCG expects that the financial information will differ under the Maximum Capital Raising Amount only for interest and tax expenses and interest payments. Accordingly, the pro forma forecast EBIT and operating and investing cash flows are not expected to materially differ under either Capital Raising amount.

Table 7.8 sets out the impact of the Maximum Capital Raising Amount on BBCG pro forma forecast Net Profit After Tax for the year ending 30 June 2008. This reflects the reduced interest charges based on lower debt levels and the corresponding impact on Taxation Expense.

**TABLE 7.8: IMPACT OF MAXIMUM CAPITAL RAISING AMOUNT ON BBCG PRO FORMA CONSOLIDATED FORECAST INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2008**

	Pro forma forecast year ending 30 June 2008 (\$'000)
EBIT	78,482
Interest expense	(16,398)
Taxation expense	(17,784)
<b>Net profit after tax</b>	<b>44,300</b>

Table 7.9 sets out the impact of the Maximum Capital Raising Amount on BBCG pro forma forecast net cash flows for the year ending 30 June 2008, and forecast distributions for the period ending 30 June 2008. This reflects the reduced interest payments associated with lower debt levels.

**TABLE 7.9: IMPACT OF MAXIMUM CAPITAL RAISING AMOUNT ON FORECAST NET CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2008 AND FORECAST DISTRIBUTIONS FOR THE YEAR ENDING 30 JUNE 2008**

	Pro forma forecast year ending 30 June 2008 (\$'000)
Interest expense	(16,398)
Net increase/(decrease) in debt	5,807
<b>Total financing cash flow</b>	<b>(10,591)</b>
Distributable cash flow	59,655
Forecast distributions	(59,655)
<b>Net cash flow</b>	<b>-</b>

As the Restructure Proposal is expected to be implemented on or about 1 August 2007 (Allotment Date), BBCG Securityholders will only be entitled to distributions from that date. An estimate of the actual distribution amount to be paid for the period between the Allotment Date and 30 June 2008 (FY08 Period) is \$54.6 million.

Table 7.10 sets out the pro forma consolidated balance sheet as at 31 December 2006 as described in Section 7.10 and at the same date assuming the Maximum Capital Raising Amount. The basis of preparation under the Maximum Capital Raising Amount is as outlined in Section 7.10 except:

- \$475 million capital is raised under the Maximum Capital Raising Amount (increasing equity by \$175 million);
- associated transaction costs of \$4.6 million are incurred; and
- remaining excess funds are used to reduce debt by \$170.4 million.

**TABLE 7.10: BBCG PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006**

	Pro forma as at 31 Dec 2006 (\$'000) Minimum Capital Raising Amount	Pro forma as at 31 Dec 2006 (\$'000) Maximum Capital Raising Amount
Current assets	117,274	117,274
Non-current assets	1,716,688	1,716,688
<b>Total assets</b>	<b>1,833,962</b>	<b>1,833,962</b>
Current liabilities	969,079	969,079
Non-current liabilities	409,505	239,105
<b>Total liabilities</b>	<b>1,378,584</b>	<b>1,208,184</b>
Net assets	455,378	625,778
Equity	455,378	625,778

#### 7.11.1 SECURITIES ON ISSUE

At the Main Offer Price of \$1.15 per BBCG Stapled Security for the Minimum Capital Raising Amount, the number of Stapled Securities on issue is assumed to be 493.3 million and for the Maximum Capital Raising Amount 648.5 million (assuming \$75 million is raised at a \$0.05 discount to the Main Offer Price).

#### 7.12 IMPACT ON THE FINANCIAL INFORMATION OF EXCLUDING THE FINI PORTFOLIO ACQUISITION

Detailed in this Section is the following financial information for BBCG assuming that all the steps outlined to undertake the Restructure Proposal are implemented except for the acquisition of the Fini Portfolio:

- pro forma forecast income statement for the years ending 30 June 2007 and 30 June 2008;
- pro forma forecast cash flows for the years ending 30 June 2007 and 30 June 2008; and
- pro forma balance sheet at 31 December 2006.

# Section 7

## Financial information

**TABLE 7.11: BBCG PRO FORMA FORECAST INCOME STATEMENT EXCLUDING THE ACQUISITION OF THE FINI PORTFOLIO**

	Pro forma forecast year ending 30 June 2007 (\$'000)	Pro forma forecast year ending 30 June 2008 (\$'000)
<b>REVENUES</b>		
Deferred management fees	50,367	57,104
Other Retirement Living income	8,433	4,954
<b>Subtotal Retirement Living</b>	<b>58,800</b>	<b>62,058</b>
Development sales revenue	21,340	31,236
Construction income	16,378	2,903
Land sales	7,900	18,020
<b>Subtotal development and construction</b>	<b>45,618</b>	<b>52,159</b>
Aged Care revenue - government funded	17,311	19,036
Aged Care revenue - resident funded	9,527	10,834
Other Aged Care revenue	2,704	2,695
<b>Subtotal Aged Care</b>	<b>29,542</b>	<b>32,565</b>
<b>Total revenues</b>	<b>133,960</b>	<b>146,782</b>
<b>EBITDA</b>		
Retirement Living	50,122	53,559
Development and construction	12,653	30,920
Aged Care	3,239	4,396
Corporate costs	(12,517)	(11,442)
Lease payments	(13,204)	(13,554)
<b>Total EBITDA</b>	<b>40,293</b>	<b>63,879</b>
Depreciation and amortisation	(3,557)	(2,752)
<b>EBIT</b>	<b>36,736</b>	<b>61,127</b>
Interest expense	(16,738)	(15,398)
Taxation expense	(3,512)	(13,561)
<b>Net profit after tax</b>	<b>16,486</b>	<b>32,168</b>

**TABLE 7.12: BBCG PRO FORMA FORECAST DISTRIBUTABLE CASH FLOWS EXCLUDING THE ACQUISITION OF THE FINI PORTFOLIO**

	Pro forma forecast year ending 30 June 2007 (\$'000)	Pro forma forecast year ending 30 June 2008 (\$'000)
<b>EBITDA</b>	<b>40,293</b>	<b>63,879</b>
Revaluations	(6,887)	-
DMF cash timing differences	(30,328)	(30,965)
Aged Care accommodation bonds	10,491	4,519
Development and construction	(58,728)	20,680
Other	(5,982)	1,652
<b>Total operating cash flow</b>	<b>(51,141)</b>	<b>59,765</b>
Capital expenditure - Aged Care	(3,863)	(6,255)
Capital expenditure - corporate	(4,437)	(1,652)
<b>Total investing cash flow</b>	<b>(8,300)</b>	<b>(7,907)</b>
Interest expense	(16,738)	(15,398)
Net increase/(decrease) in debt	77,000	8,922
<b>Total financing cash flow</b>	<b>60,262</b>	<b>(6,476)</b>
<b>Distributable cash flow</b>	<b>821</b>	<b>45,382</b>
Forecast distributions	-	(45,382)
<b>Net cash flow</b>	<b>821</b>	<b>-</b>

Refer to Section 7.4 for further details on the actual forecast distribution expected to be paid for the FY08 Period.

The reduction in interest costs associated with the lower debt level would offset the contribution made by the Fini Portfolio to cash flows and therefore no impact on distributions is expected.

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**TABLE 7.13: BBCG PRO FORMA BALANCE SHEET EXCLUDING THE ACQUISITION OF THE FINI PORTFOLIO AS AT 31 DECEMBER 2006**

	Pro forma as at 31 Dec 2006 (\$'000)
Cash and cash equivalents	37,608
Receivables	26,742
DMF receivable	6,775
Inventory	44,944
Other	1,204
<b>Current Assets</b>	<b>117,273</b>
Receivables	3,067
DMF receivable	60,976
Other financial assets	10,256
Equity accounted investments	6,654
Property, plant and equipment	183,088
Investment property	1,040,718
Deferred tax asset	48,373
Intangibles	54,242
Other	1,461
<b>Non-current Assets</b>	<b>1,408,835</b>
<b>Total Assets</b>	<b>1,526,108</b>
Resident loans	708,610
Accommodation bonds	60,525
Payables	35,366
Borrowings	41,900
Other	3,988
<b>Current Liabilities</b>	<b>850,389</b>
Borrowings	139,816
Deferred tax liability	56,740
Other	23,785
<b>Non-current Liabilities</b>	<b>220,341</b>
<b>Total Liabilities</b>	<b>1,070,730</b>
<b>Net Assets</b>	<b>455,378</b>
Contributed equity	364,566
Reserves	11,582
Retained profit/(loss)	(128,084)
Minority interest	207,314
<b>Equity</b>	<b>455,378</b>

Given the Restructure Proposal is not contingent on the Fini Portfolio acquisition, the amount of equity raised remains the same.

# Section 8 Risks



# Section 8

## Risks

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### **8.1 INTRODUCTION**

There are a number of factors, both specific to BBCG and of a general nature, which may affect the operating and financial performance of BBCG, its investment returns and the value of its Stapled Securities.

This Section describes some of the risks associated with an investment in BBCG. Each of the risks outlined below could, if they eventuate, have a material adverse impact on BBCG's operating and financial performance and its ability to pay distributions. Potential investors should note that this list of risks is not exhaustive and should be considered in conjunction with other information disclosed in this Offer Document.

Prior to deciding whether to invest in BBCG, potential investors should read the entire Offer Document. Potential investors should specifically consider the factors contained in this Section in order to fully appreciate the risks associated with an investment in BBCG. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, solicitor or other professional adviser before deciding whether to invest in BBCG through the Offer.

### **8.2 RESTRUCTURE PROPOSAL**

The Implementation Agreement imposes obligations on relevant parties to implement the Restructure Proposal. The agreement is subject to a number of conditions and approvals. In particular, regulatory approvals, including from the Foreign Investment Review Board (FIRB), ASIC and ASX, are required before the Restructure Proposal can be implemented. Primelife Shareholders must approve the Restructure Proposal by the requisite majorities. Further, the Restructure Proposal will not proceed, even if approved by Primelife Shareholders, if PLFGA Noteholders fail to pass certain resolutions or if the Court fails to approve the Scheme, as required by the Corporations Act. As an inter-dependent component of the Restructure Proposal, the Offer will not proceed if the Restructure Proposal does not proceed for any of the above reasons.

Potential investors should be aware that the Capital Raising, despite being a condition of the Restructure Proposal, will not proceed if the other inter-conditional elements of the Restructure Proposal do not proceed.

### **8.3 GENERAL MARKET RISK**

Potential investors should be aware that the market price of BBCG Stapled Securities and the future distributions made to Securityholders will be influenced by a number of factors that are common to most listed investments.

At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and local stock markets;
- changes in economic conditions including inflation and interest rates;
- access to debt and capital markets;
- changes in government fiscal, monetary and regulatory policies; and
- the demand for listed stapled securities.

In addition, the market price of BBCG Stapled Securities may be impacted if the Senior Living sector in general underperforms relative to the rest of the market.

### **8.4 RISKS SPECIFIC TO RETIREMENT VILLAGES AND DEVELOPMENT**

#### **8.4.1 PROPERTY MARKET FLUCTUATIONS**

Like all entities with an exposure to property, the value of, and returns from, BBCG's property assets may fluctuate depending on property market conditions and growth rates. The demand for property as an asset class changes over time and can be influenced by general economic factors such as interest rates and stock market cycles.

As people typically move into a Retirement Village following the sale of their family home, there is a risk that a general downturn in the property market may limit potential residents' ability to sell their home and relocate into a BBCG Retirement Village.



#### 8.4.2 POTENTIAL ILLIQUIDITY

Property assets, in particular Senior Living assets, are by their nature illiquid investments. Therefore, it may not be possible for BBCG to dispose of assets in a timely manner. To the extent that BBCG invests in properties for which there may only be a limited number of potential investors, the realisable value of those assets may be less than the full value indicated by BBCG's expectations of future cash flows from the relevant properties.

#### 8.4.3 DEVELOPMENT RISK

Part of BBCG's strategy is to identify, analyse and invest in property development projects. Property development projects have a number of inherent risks in addition to those associated with acquisitions generally, including:

- a risk that appropriate planning consents are not obtained or, if obtained, are not properly adhered to;
- a risk that development costs escalate beyond those originally anticipated;
- a risk of project delays due to factors beyond the control of BBCG, the Manager and any property development manager who may be appointed to manage the development project;
- a risk that any property development manager and/or subcontractor appointed to implement a property development project does not perform their role to a satisfactory standard or acts or fails to act in breach of contract;
- a risk that competing property development projects adversely affect the overall return achieved by any property development projects undertaken by BBCG, because they provide competitive alternatives for potential purchasers and potential lessees;
- a risk that market conditions change during any development; and
- a risk that planning consents are not obtained or not as originally planned.

Although some of these risks can be mitigated, it is not possible to remove entirely the risks inherent in property development projects.

#### 8.4.4 INABILITY TO ACHIEVE ANTICIPATED SALES

BBCG will derive development revenue from the first-time sale of Retirement Village units. A delay in selling developments completed by BBCG (whether caused by construction delays and/or difficult market conditions) or a failure to achieve expected sales prices may impact the earnings, cash flows and distributions of BBCG.

BBCG will ultimately realise its DMF income on resale of a Retirement Village unit when a resident departs. If resales do not occur as expected either because the average resident length of stay increases or because of difficult market conditions when a resident departs, cash flows and distributions may be impacted.

#### 8.4.5 RESIDENT PREFERENCES AND OBSOLESCENCE

Resident preferences for Retirement Village assets are subject to change. Current preferences are no indication of future preferences. Although there is currently strong demand for a lifestyle based product, there is no assurance that this preference will be sustained in the future. Any current preference accommodated by BBCG may not suit future Retirement Village residents.

Over time, BBCG may need to redevelop its existing villages as basic resident requirements change and product becomes obsolete. This could adversely impact future costs and cash flows. BBCG does not currently have any plans to undertake any significant redevelopment at any of its existing villages.

#### 8.4.6 REGULATORY RISK

Retirement Villages and resident contracts relating to the villages are regulated by relevant state based legislation. DMF structures are largely determined by that legislation and local market conditions. Any further regulation of DMF structures or of the operation of Retirement Villages generally has the potential to adversely impact future revenues and cash flows.

# Section 8

## Risks

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### **8.5 RISKS SPECIFIC TO AGED CARE**

#### **8.5.1 OCCUPANCY**

As the costs of managing an Aged Care facility are largely fixed in the short term, occupancy is a key driver of financial outcomes in the Aged Care sector. There is no assurance that occupancy levels at Aged Care facilities will follow historical occupancy trends at BBCG's Aged Care facilities (they may be higher, remain static or be lower). Fluctuating occupancy levels have a direct impact on the returns of BBCG.

#### **8.5.2 COMPLIANCE RISK**

The Aged Care industry is focused strongly on ensuring the adequacy and appropriateness of resident care. Operators must be granted approved provider status by the Federal Department of Health and Ageing and are subject to regular audits and unannounced facility inspections. Failure to adhere to appropriate standards may result in loss of approved provider status. An operator is not allowed to operate any Aged Care facilities if they lose their approved provider status.

#### **8.5.3 REPUTATIONAL RISK**

In addition to the compliance risk notes in Section 8.5.2, closure of a facility and the potential loss of approved provider status due to inadequate or inappropriate care may lead to criminal or civil penalties and sanctions under the *Aged Care Act 1997* (Cth). Any such penalty or sanction could have a sustained direct and/or indirect impact on BBCG's business. However, the Boards and management team are very aware of their obligations and responsibilities to residents and have successfully operated Aged Care facilities for nine years.

#### **8.5.4 OPERATIONAL RISK**

Any deficiencies in the standard of care provided by BBCG to residents in its Aged Care facilities may cause the closure of the relevant facility and/or reduced occupancy and bond levels, as a result of regulatory action or adverse publicity.

#### **8.5.5 REGULATION RISK**

The Federal Department of Health and Ageing set the standards for resident acuity and required concessional levels. It also funds approximately 75% of Aged Care revenue. Any change in the categorisation of resident acuity or concessional or funding arrangements may adversely impact the financial performance of BBCG Stapled Securities.

#### **8.5.6 ACCESS TO QUALIFIED STAFF**

The ongoing successful operation of BBCG's Aged Care facilities will depend on access to appropriately qualified Aged Care and nursing staff. Retaining and attracting qualified Aged Care and nursing staff will be important to BBCG's operations.

### **8.6 GENERAL BUSINESS RISK**

#### **8.6.1 FINI ACQUISITION PROPOSAL**

The option to acquire the Fini Portfolio expires on 14 August 2007. If the Restructure Proposal has not been implemented by this date, BBCG will be unable to proceed with the acquisition of the Fini Portfolio unless the vendors of the Fini Portfolio agree to an extension of the option exercise period. In these circumstances, it is likely that a subsidiary of Babcock & Brown will exercise the option. There is a risk that the conditions precedent for the Restructure Proposal are satisfied and the Restructure Proposal proceeds, despite BBCG being unable to acquire the Fini Portfolio after 14 August 2007.

The Fini Acquisition Proposal is also subject to the vendors of the Fini Portfolio receiving certain tax advice and rulings. If this is not received by a date 10 Business Days before 14 August 2007 (Cut Off Date) then the vendors must either:

- (a) extend the Cut Off Date for a period agreed as necessary to enable the ruling to be obtained; or
- (b) renegotiate the structure of the transaction in good faith so the revised structure is acceptable to the parties.

Although the BBCG Board have no reason to believe that the tax advice or rulings will not be obtained, it is possible that the Fini Acquisition Proposal could be delayed or terminated in circumstances where it is not possible to agree an alternate acquisition structure.

Even if the Fini Portfolio is acquired by BBCG, integration of those assets into BBCG's operations carries certain risks. The Fini Portfolio constitutes seven mature Retirement Villages and one Retirement Village development in Western Australia. Integration complexities include geographic location, information technology systems, employee administration and marketing. If the Fini Portfolio is not integrated in an orderly and timely manner, BBCG may not realise expected scale, synergy and other benefits. To minimise this risk, detailed implementation plans will be created.

Primelife currently manages PLT and there are therefore minimal integration risks associated with the transfer of ownership of that portfolio to BBCG.

### **8.6.2 FUTURE ACQUISITIONS**

BBCG intends to pursue acquisitions of Senior Living assets. Such acquisitions involve a number of risks inherent in assessing the value of those assets. Although BBCG will undertake appropriate due diligence to assess these risks, unexpected problems and latent liabilities or contingencies may still emerge.

There is a risk that any acquired assets may fail to perform in line with expectations and adverse financial consequences may result for BBCG. BBCG will also face the operational and financial risks commonly encountered with such an acquisition strategy, including continuity and integration of operations and employees, dissipation of BBCG's management resources and potential impairment of relationships with employees and other stakeholders of the acquired entities as a result of changes in ownership and management. Moreover, during a period following an acquisition, the operating results of BBCG may decrease compared to results prior to the transaction.

### **8.6.3 COMPETITION**

BBCG will face competition from other Australian and New Zealand industry participants in the Senior Living sector, as well as the threat of new competitors. The existence or escalation of such competition may give rise to a material adverse financial impact for BBCG which could adversely affect BBCG's income and distributions.

### **8.6.4 FUNDING RISK**

Changes in the availability and cost of current and future borrowings may impact BBCG's earnings.

### **8.6.5 TAX**

Changes in income tax, capital gains tax, GST or stamp duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation and other tax authorities, particularly in regard to investment in income producing property, may adversely affect BBCG's profitability and cash flow. Any changes to the tax regime applicable to BBCT or the ability of BBCT to make tax deferred distributions may adversely affect the tax treatment of distributions received by Securityholders. There is also a risk that the Australian Commissioner of Taxation may take the view that certain activities of BBCT fall outside "eligible investment business" activities, with the consequence that BBCT may be taxed as a corporate for those years when such activities are carried on.

### **8.6.6 HUMAN RESOURCES**

The loss of key personnel who have particular expertise in the management of BBCG or Senior Living communities may influence future earnings.

As a large employer in the Senior Living sector and particularly in Aged Care, BBCG will be required to ensure that its employees are appropriately trained for the tasks they are required to perform. Inadequate training or supervision, a lack of appropriate policies and procedures or a failure of employees to adhere to those policies could result in financial cost, other penalties and reputation damage to BBCG. Further acquisitions may increase this risk.

# Section 8

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In addition, changes to standard pay rates or union activity may impact the costs of operating Senior Living communities.

### **8.6.7 ACCOUNTING STANDARDS**

The impact of international financial reporting requirements on the future reported earnings of BBCG and changes to AIFRS could adversely affect BBCG's reported earnings performance in any given period and its financial position from time to time.

### **8.6.8 UNEXPECTED CAPITAL EXPENDITURE**

Senior Living facilities require ongoing maintenance and refurbishment. The size of the expenditure on these activities may increase beyond those figures budgeted and lead to reduced earnings and distributions to investors. At present most of BBCG's Retirement Villages have these costs effectively borne by the residents, however this may change in the future, either through regulation or market forces.

In addition, building code regulations may change, requiring additional capital expenditure which may not be fully reimbursed by residents. At present, all assets comply with 2007 building code regulations and to the *Aged Care Act 1997* (Cth).

### **8.6.9 MANAGEMENT FEES**

If the Restructure Proposal proceeds, the Management Agreements and the fees, if any, payable to Babcock & Brown Australia under the Preferred Financial Advisory Agreement will impose a cost on BBCG, which may reduce its earnings and potentially its ability to pay distributions. However, a portion of the Manager's Base Fee in the first three years is linked to the performance of BBCG, which means that if BBCG does not achieve the stated performance hurdles, that proportion of the Base Fee is not paid. In addition, as part of the Management Agreements, the Manager will be responsible for meeting the costs associated with employing the Key Executives of BBCG. The Manager is entitled to an annual contribution from BBCG towards the Manager's costs, including the costs associated with employing the Key Executives of BBCG (Manager Expense Amount). The Manager Expense Amount is \$500,000 per annum, indexed annually to CPI. The full cost of the Key Executives is currently incurred by Primelife. Fees are specified in the Management Agreements and are not subject to periodic review. Fees under the Preferred Financial Advisory Agreement are to be based on market rates at the time of individual engagements under that agreement and must be approved by the Independent Directors. Please refer to Section 9 for further information on the fees and costs payable to the Manager.

### **8.6.10 MANAGEMENT ARRANGEMENTS RISK**

#### **(i) Disincentive for future takeover**

The Management Agreements are for a 10-year period subject to Securityholder approved extensions. If ASX policy changes to permit a longer term, this 10-year term will automatically be increased without the need for Securityholder approval to the maximum permitted term, not exceeding 25 years. This automatically extended term (if applicable) will be subject to further Securityholder approved extensions of the same extended length. At any time after the commencement of the Management Agreements, Securityholder approval may be sought to renew the term for another term of the same length as the term during which approval is sought, to commence on the date of the relevant Securityholder approval. BBCG has only limited rights of termination. The Management Agreements will continue and related fees would continue to be paid even if there is a change in control of BBCG or if BBCIS is removed and a new responsible entity is appointed. Consequently, a person considering appointment as responsible entity of BBCT or taking over BBCG is likely to have a disincentive to do so as they would not necessarily be able to appoint their own manager or manage BBCG's assets themselves (noting that Babcock & Brown (and its associates) can vote on any resolution relating to the replacement of the Responsible Entity). The restrictions on termination of the Management Agreements may have an adverse effect on the price of BBCG Stapled Securities. Further details of the Management Agreements are set out in Section 12.9.3.

In addition, the Responsible Entity is entitled under the BBCT Constitution to a management fee of 2.0% per annum of the value of the aggregate of the gross assets of BBCT and the gross assets of any entity stapled to BBCT. However, the Responsible Entity intends to exercise its right under the BBCT Constitution to waive the fee referred to above such that it is paid a fee of \$500,000 per annum, increased (but not decreased) for CPI.

In the event that the Management Agreements are terminated, the fee payable to the Responsible Entity will automatically revert to the 2.0% per annum amount referred to above.

(ii) **Appointment of Key Executives**

The CEO, CFO and General Manager Corporate (Key Executives) of BBCG will be appointed and remunerated by the Manager and not by BBCG.

(iii) **Delegated power of the Manager**

Under the Management Agreement, all matters to be approved by the BBCG Board must be recommended by the Manager. All recommendations to BBCG will be prepared by the staff managing BBCG and all information and analysis supporting the recommendation to BBCG will be reviewed or prepared by the staff managing BBCG. However, the BBCG Board is under no obligation to act on any recommendation of the Manager and may seek its own independent advice.

(iv) **Potential conflicts of interest**

Following the implementation of the Restructure Proposal, there is the potential for conflicts of interest to arise between the Manager and BBCG; e.g. where Babcock & Brown is involved in selling assets to or acquiring assets from BBCG. Similarly, there is the potential for conflicts of interest to arise between BBCG and those Directors of BBCG who are connected with the Manager including, in the case of the Chief Executive Officer, employed by the Manager (or a related Babcock & Brown entity).

The potential for these conflicts arises because the Manager and BBCG share common directors and other officeholders who are associated with entities within the Babcock & Brown Group. BBCG intends to manage and mitigate the risk of these and other potential conflicts as follows:

- the Management Agreements specify that the primary obligation of the Manager is to BBCG and, accordingly, the Manager is required to act in the best interests of BBCG;
- the corporate governance principles under which BBCG will operate are set out in Section 4.10. For example, the Independent Directors will be required to approve any related party transactions and BBCG's Chief Executive Officer cannot be removed by the Manager without the agreement of the Independent Directors; and
- ASX Listing Rules will require Securityholder approval for any material related party transactions.

#### **8.6.11 OCCUPATIONAL HEALTH AND SAFETY**

By their nature, BBCG's intended business operations will involve a large number of employees and will involve interaction with Senior Living residents on a day-to-day basis. This gives rise to the possibility of incidents that could impact the health and safety of both employees and residents. BBCG must ensure that occupational health and safety guidelines are adhered to and must take a proactive approach to ensuring that standards are in place to maintain the wellbeing of employees and residents. Failure to do so could result in financial and other penalties for breach of regulations, medical costs attributable to any incidents and loss of reputation as both an employer or for potential residents.

#### **8.6.12 RISK DISCLOSURE IN RELATION TO URBAN LAND CORPORATION/TRUST ESTATE**

BBCG considers that immediately following the successful implementation of the Restructure Proposal (including the issue of Stapled Securities under the Capital Raising but not including the Fini Acquisition Proposal), it will not be an Australian urban land corporation/trust estate for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (FATA) and related foreign investment policy. However, having regard to Babcock & Brown Communities' stated operations, BBCG may become an Australian urban land corporation/trust estate in the very near future (perhaps even immediately following the acquisition of the Fini Portfolio). Primelife Shareholders should be aware of the potential for FATA to regulate the future acquisition of Stapled Securities should BBCG become an Australian urban land corporation/trust estate in the future. In general terms, if this was to occur, foreign persons may not be able to acquire any Stapled Securities without first obtaining prior written approval from the Treasurer which may impact on the demand, or likely demand, for Stapled Securities.

# Section 8

## Risks

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### **8.6.13 OTHER RISKS**

Unforeseen environmental issues may affect any of the BBCG's properties or property interests. BBCG is not currently aware of any material environmental exposures.

Force majeure events such as earthquakes, volcanoes, cyclones, floods and/or acts of terrorism may affect BBCG's assets and insurance may not or fully cover those acts or events.

### **8.6.14 DISPUTES AND LITIGATION RISKS**

#### **8.6.14.1 Disputes**

In the course of its operations, BBCG may be involved in disputes and litigation. The extent of such disputes and litigation cannot be ascertained as at the date of this Offer Document, but a risk exists that material or costly disputes or litigation could affect the value of the assets or income of BBCG.

#### **8.6.14.2 Litigation issues**

Primelife is involved in a number of legal disputes, many of which relate to the period when it was managed by its founder and former Chief Executive Officer who left the company in October 2003. All proceedings are in the process of being resolved. Over the last Financial Year, Primelife has been successful in resolving a number of outstanding legacy disputes in a satisfactory manner.

The resolution of all disputes is handled in a commercial manner and with the benefit of experienced external legal advice.

Since April 2005, Primelife has settled proceedings brought by ASIC relating to Primelife's association with allegedly non-compliant managed investment schemes established by promoters between 1998 and 2002 to invest in the development and ownership of 23 Retirement Village and Aged Care facilities operated by Primelife.

As at the date of this Offer Document, schemes relating to 18 of the 23 facilities have been wound up or resolved on terms acceptable to Primelife, with schemes relating to two facilities currently subject to winding up orders by the Federal Court. It is anticipated that the remaining schemes relating to three facilities will be finalised in this calendar year.

# Section 9

## Fees and other costs



# Section 9

## Fees and other costs

### 9.1 CONSUMER ADVISORY WARNING

The following warning is required by law.

**DID YOU KNOW?**  
 Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.  
 For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (e.g. reduce it from \$100,000 to \$80,000).  
 You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.\*

**TO FIND OUT MORE**  
 If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

\* Not applicable. None of the fees and costs associated with an investment in BBCG are negotiable.

### 9.2 FEES AND COSTS TEMPLATE

This Section 9 shows fees and other costs that you may be charged if the Restructure Proposal proceeds. These fees and costs may be deducted from your money, from the returns on your investment or from fund assets as a whole.\*

Information about taxes is set out in Section 11.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
<b>Establishment fee:</b> The fee to open your investment	Estimated to be 4.9% of BBCG's market capitalisation at Main Offer Price, assuming Maximum Capital Raising Amount (5.4% if Minimum Capital Raising Amount is achieved)  For example, \$2,464 per \$50,000 invested in BBCG Stapled Securities after the Restructure Proposal  Existing Primelife Shareholders are not required to remit any money to participate in the Restructure Proposal	Paid to third parties, including Babcock & Brown, the Underwriters, legal and financial advisers and the Independent Expert in cash from the gross proceeds of the Offer on or about the Allotment Date
<b>Contribution fee:</b> The fee on each amount contributed to your investment	Not applicable	Not applicable
<b>Withdrawal fee:</b> The fee on each amount you take out of your investment	Not applicable	Not applicable
<b>Termination fee:</b> The fee to close your investment	Not applicable	Not applicable

\* Fees and costs will only be deducted from the assets of BBCG as a whole.



Type of fee or cost	Amount	How and when paid
<b>Management costs:</b> The fees and costs for managing your investment	Subject to Section 9.3.4.1, estimated to be 0.8% - 1.0% <sup>1</sup> (assuming the Maximum Capital Raising Amount) of BBCG's market capitalisation for the 12 month period from Allotment Date (1.0% - 1.2% <sup>1</sup> if Minimum Capital Raising Amount is achieved). This assumes the full Base Fee is payable  For example \$378 - \$482 per \$50,000 invested in Stapled Securities after the Restructure Proposal	Paid to BBCIS, BBCM and relevant third parties from the assets of BBCL or BBCT (as the case may be) when the amount is due  Refer to Section 9.3 for more information on the range of management costs
Service fees	Nil	Not applicable
Investment switching fee	Not applicable	Not applicable
The fee for changing investment options	Not applicable	Not applicable

**Notes:**

Where amounts are payable by BBCG, typically either each of BBCL and the Responsible Entity are jointly and severally liable for such amounts or each of them is liable in the proportion referable to the level of service or benefit provided to each of them.

<sup>1</sup> Assumes, for illustrative purposes only, a 1% outperformance in relation to the calculation of the Incentive fee and assumes market capitalisation is calculated at the Main Offer Price.

### 9.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

#### 9.3.1 ESTABLISHMENT FEE

Set out below is a breakdown of the establishment fee described in the Fees and Costs Template above. The establishment fee for BBCG is estimated to be 4.9% of BBCG's market capitalisation at the Main Offer Price, assuming the Maximum Capital Raising Amount is achieved (5.4% if the Minimum Capital Raising Amount is achieved). The establishment fee comprises the following costs and fees associated with the Restructure Proposal and the establishment of BBCG:

Fee	Amount	Recipient	How and when paid
Financial advisory fees relating to the Restructure Proposal and the Offer	\$9.5 million being approximately 1.0% of the enterprise value of BBCG at the completion of the Restructure Proposal	Babcock & Brown	In cash from gross proceeds of Offer
Offer underwriter's fees	Approximately \$16.3 million if the Maximum Capital Raising Amount is achieved (\$10.5 million if Minimum Capital Raising Amount is achieved)	Underwriters (including Babcock & Brown), and Priority Offer and Resident and Employee Offer Underwriters	In cash from gross proceeds of Offer
Other Offer and Restructure Proposal related transaction costs	Approximately \$10.7 million <sup>1</sup>	Various, including the Independent Expert, ASX, lawyers, accountants, printers, independent valuers, taxation and stamp duty authorities and other providers of professional services	In cash from gross proceeds of Offer

Notes: Where amounts are payable by BBCG, typically either each of BBCL and the Responsible Entity are jointly and severally liable for such amounts or each of them is liable in the proportion referable to the level of service or benefit provided to each of them.

<sup>1</sup> \$5.6 million of these costs will only be incurred if the Restructure Proposal proceeds. If the Restructure Proposal does not proceed \$3.0 million will be borne by Primelife with the balance borne by Babcock & Brown.

The establishment fee amounts are generally one-off in nature and have therefore not been included in the management costs for BBCG. These amounts will be expensed and paid by BBCG on or about the Allotment Date and will not be incurred on an ongoing basis.

# Section 9

## Fees and other costs

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In addition to the establishment fees in the above Table, approximately \$8 million of transaction costs are expected to be incurred in relation to the purchase of the Fini Portfolio. These costs include taxation and stamp duty, advisory fees and an approximately \$3 million origination, advisory and guarantee fee payable to Babcock & Brown.

### 9.3.2 MANAGEMENT COSTS

Set out below is a breakdown of the management costs described in Section 9.2. The management costs for BBCG are estimated to be between 0.8% and 1.0% (assuming Maximum Capital Raising Amount) of BBCG's market capitalisation for the 12 month period from Allotment Date (1.0% to 1.2% if Minimum Capital Raising Amount is achieved). Note, this assumes the full Base Fee is payable (refer to Section 9.3.4.1 for conditionality of Base Fees). The amount is presented as a range to account for an estimate of the Incentive Fee that may be payable (see Section 9.3.5). Fees will generally be paid on a pro rata basis for partial periods where they occur.

Note, for clarity of disclosure, unless stated otherwise, the Management Costs outlined in this Section 9 of the Offer Document are calculated based on a 12 month period beginning at Allotment Date.

### 9.3.3 RESPONSIBLE ENTITY FEE (INCLUDED IN MANAGEMENT COSTS)

The Responsible Entity is entitled under the BBCT Constitution to a management fee of 2.0% per annum of the value of the aggregate of the gross assets of BBCT and the gross assets of any entity stapled to BBCT.

The Responsible Entity intends to exercise its right under the BBCT Constitution to waive the fee referred to above such that it is paid a fee of \$500,000 per annum, increased (but not decreased) for CPI. For so long as the Management Agreements remain in place and until the Responsible Entity gives three months notice to ASX, the Responsible Entity will continue to waive its rights to full payment of its fee under the BBCT Constitution in this manner, in light of the services to be performed by the Manager under the Management Agreements. The management fee is payable to the Responsible Entity quarterly in arrears from the assets of BBCT.

Subject to the Corporations Act, the Responsible Entity is also entitled to be reimbursed from the assets of BBCT for any expenses it incurs in the proper performance of its duties in respect of BBCT. These amounts may be paid in cash at the relevant time from the assets of, or as an expense of, BBCT. The BBCT Constitution is summarised in Section 12.10.2.1.

### 9.3.4 BASE FEE (INCLUDED IN MANAGEMENT COSTS)

The Manager is entitled to receive Base Fees for services provided under the Management Agreements. The fee is equal to 0.5% per annum of the Adjusted Gross Assets (AGA) of BBCG, which is split between BBCL (80%) and BBCT (20%) under the Management Agreements less, in the case of BBCT only, the Responsible Entity fee. The Base Fee is payable to the Manager quarterly in arrears from the working capital of BBCL and the assets of BBCT, except for the period from Allotment Date to 30 June 2008, which fee will be paid at the end of this period.

Subject to Section 9.3.4.1, the Base Fee is estimated to be \$1,151,464 for the quarter ending 31 December 2007. This estimate is based on the following assumptions underlying the AGA of BBCG:

AGA (for the quarter) =

- the amount of the total assets of BBCG as that amount is specified in its last consolidated accounts given to ASX under the Listing Rules; less
- the amount of the total residential loans of BBCG as that amount is specified in its last consolidated accounts given to ASX under the Listing Rules.

For the quarter ending 31 December 2007, the amounts above are assumed to be as per the BBCG pro forma consolidated balance sheet as at 31 December 2006, as shown in Section 7.7 of this Offer Document.

AGA (for the quarter) = \$1,013,622,000

Base Fee (for the quarter)

= 0.5% x \$1,013,622,000 x 92/365 = \$126,027 (being the quarterly component of the Responsible Entity fee payable to the Manager)

= \$1,151,464

The Manager may also be entitled to further fees for services it provides to BBCL or BBCT which are beyond the normal scope of its services under the Management Agreements. Such fees will be at market rates for the respective service.

### 9.3.4.1 Conditionality of Base Fees

#### (i) FY08 Period

The Manager has agreed to make 100% of its Base Fee entitlement in respect of the FY08 Period conditional on achieving the following two performance targets:

- (a) Cash distribution target - annualised distribution yield of 8.0% for the FY08 Period (based on the Main Offer Price); and
- (b) Pro forma EBITDA (before Management Fees) target - being an amount of at least \$81.2 million.

If either of these targets are not achieved, the Base Fee for the period is zero. Further, the full amount of the Base Fee will only be received if the amount of EBITDA (before Management Fees) achieved exceeds the target in (b) above by the full amount of the Base Fee entitlement, or greater. Otherwise, the amount of the Base Fee received will be equal to the amount that the EBITDA (before Management Fees) achieved exceeds the target in (b).

Refer to the Table below for hypothetical examples of how the Base Fee is calculated with respect to the EBITDA (before Management Fees) target, assuming the cash distribution target is achieved.

#### BASE FEE - FY08 PERIOD

Base Fee assumptions		All \$ amounts in \$ million, unless otherwise stated		
Assumed Adjusted Gross Assets (AGA)	A	\$1,014		
Base Fee% of AGA	B	0.50%		
Days managed, FY08 Period	C	334		
<b>Total Base Fee</b>	<b>A x B x C/365</b>	<b>\$4.6</b>		
		Example 1	Example 2	Example 3
Conditional component of Base Fee %		100%	100%	100%
Conditional component of Base Fee		\$4.6	\$4.6	\$4.6
<b>EBITDA (before Management Fees) target</b>				
EBITDA (before Management Fees) achieved		\$70.0	\$87.0	\$85.0
Conditional component payable		\$0.0	\$4.6	\$3.8
<b>Total Base Fee payable</b>		<b>\$0.0</b>	<b>\$4.6</b>	<b>\$3.8</b>

#### (ii) Financial Years ending 30 June 2009 and 2010

The Manager has agreed to make 50% of its Base Fee entitlement (Conditional Component) in respect of the Financial Years ending 30 June 2009 and 30 June 2010 conditional on achieving the following two performance targets:

- (a) Cash distribution target - distribution yield of 8.7% for the Financial Year ended 30 June 2009 and 9.5% for the Financial Year ended 30 June 2010 (based on the Main Offer Price); and
- (b) EBITDA (before Management Fees) target - being an amount greater than \$81.2 million for the Financial Year ended 30 June 2009 and \$88.5 million for the Financial Year ended 30 June 2010.

If either of these targets are not achieved for a Financial Year, the Conditional Component of the Base Fee for that Financial Year is zero. Further, the full amount of the Conditional Component will only be received if the amount of EBITDA (before Management Fees) achieved exceeds the target in (b) by 9%, or greater. Otherwise, the amount of the Conditional Component received will be calculated on a pro rata basis.

Refer to the Tables below for hypothetical examples of how the Base Fee is calculated with respect to the EBITDA (before Management Fees) target, assuming the cash distribution target is achieved. It is assumed that the total Base Fee amount is calculated as per the FY08 Period above (except for number of days managed, which is 365 in FY09 and FY10).

# Section 9

## Fees and other costs

### BASE FEE - FY09 PERIOD

All \$ amounts in \$ million, unless otherwise stated	Example 1	Example 2	Example 3
Conditional component of Base Fee %	50%	50%	50%
Conditional component of Base Fee	\$2.5	\$2.5	\$2.5
Unconditional component of Base Fee	\$2.5	\$2.5	\$2.5
<b>EBITDA (before Management Fees) target</b>			
EBITDA (before Management Fees) achieved	\$80.0	\$90.0	\$85.0
Conditional component payable	\$0.0	\$2.5	\$1.3
Unconditional component payable	\$2.5	\$2.5	\$2.5
<b>Total Base Fee payable</b>	<b>\$2.5</b>	<b>\$5.0</b>	<b>\$3.8</b>

### BASE FEE - FY10 PERIOD

All \$ amounts in \$ million, unless otherwise stated	Example 1	Example 2	Example 3
Conditional component of Base Fee %	50%	50%	50%
Conditional component of Base Fee	\$2.5	\$2.5	\$2.5
Unconditional component of Base Fee	\$2.5	\$2.5	\$2.5
<b>EBITDA (before Management Fees) target</b>			
EBITDA (before Management Fees) achieved	\$85.0	\$98.0	\$92.0
Conditional component payable	\$0.0	\$2.5	\$1.1
Unconditional component payable	\$2.5	\$2.5	\$2.5
<b>Total Base Fee payable</b>	<b>\$2.5</b>	<b>\$5.0</b>	<b>\$3.6</b>

The hypothetical examples set out above are provided for illustrative purposes only and do not purport to represent the likely Base Fee payable by BBCG to the Manager or the likely performance of BBCG.

In addition, any unvested component of the Base Fees for the three periods from Allotment Date to 30 June 2010 will vest if the cumulative annual growth rate in annualised distribution yield (based on Main Offer Price) and EBITDA (before Management Fees) between the forecasts for the Financial Year ended 30 June 2008, as set out in Section 7, and actual results for the Financial Year ended 30 June 2010 is 9% or greater.

Any future acquisitions not contemplated in this Offer Document may affect the achievement of these targets. For this reason, the results of new acquisitions not contemplated in this Offer Document can only be taken into account in determining whether the EBITDA (before Management Fees) conditions have been satisfied to the extent the acquisition is accretive compared to an EV/EBITDA benchmark of 11.7 times.

Further, the Manager has agreed to be paid 100% of the Base Fees, if any, for the Financial Year ending 30 June 2008 and 50% of the Base Fees for the Financial Years ending 30 June 2009 and 30 June 2010 in the form of Stapled Securities, subject to approval by the Independent Directors of BBCG at the relevant time.

The targets outlined in this Section assume completion of the Fini Acquisition Proposal. If the Fini Acquisition Proposal does not proceed, the EBITDA (before Management Fees) targets are adjusted accordingly.

**9.3.5 INCENTIVE FEE (INCLUDED IN MANAGEMENT COSTS)**

The Manager is entitled at the end of each Financial Year (Incentive Fee Period) to receive an Incentive Fee of up to 20% of the amount of the excess (if any) of the Stapled Security Return over the Benchmark Return for that year. The maximum Incentive Fee payable for a Financial Year will be limited to 1% of Adjusted Gross Assets. An Incentive Fee (I) for a particular Financial Year will only be payable where the Accrued Incentive Fee (P), calculated using the following formula, results in a positive number:

$$P = 20\% * (SSR - BR + S - D)$$

The Incentive Fee (I) payable is subject to an Incentive Fee Cap (M) for any Financial Year such that

$$I = \text{the lesser of } P \text{ and } M$$

where:

M is 1% of Adjusted Gross Assets

SSR is the Stapled Security Return for that year

BR is the Benchmark Return for that year

S is any carried forward surplus calculated as being equal to the higher of:

- zero; and
- a number calculated by dividing the sum of the excess (if any) of the Accrued Incentive Fee (P) over the Incentive Fee Cap (M) by 20% for each of the prior years, but limited to not more than three prior years immediately preceding the relevant year, such sum adjusted for any deficit carried forward from previous years.

D is any carried forward deficit (expressed as a positive number) calculated as being equal to the higher of:

- zero; and
- the sum of the Benchmark Return minus the sum of the Stapled Security Return for each of the prior years since the previous Incentive Fee (if any) was paid, but limited to not more than three prior years immediately preceding the relevant year, such sum adjusted for any surplus carried forward from previous years.

The Stapled Security Return is calculated as the percentage movement in the Stapled Security Accumulation Index over that Financial Year multiplied by BBCG's Equity Value. BBCG's Equity Value, for purposes of the Incentive Fee calculation, is defined to be the product of the price of Stapled Securities at the end of the immediately prior Financial Year and the number of Stapled Securities outstanding at the end of the Financial Year. The Stapled Security Accumulation Index will be formulated by the Manager to measure the change in the value of Stapled Securities (assuming BBCG distributions are reinvested in Stapled Securities and adjusted for any Stapled Security consolidations, bonuses and rights issues).

The Benchmark Return is calculated as being equal to the percentage movement in the Benchmark Index over that Financial Year multiplied by BBCG's Equity Value. The Benchmark Index will initially be the S&P/ASX 300 Accumulation Index. To the extent BBCG is no longer included in the S&P/ASX 300 Accumulation Index, or gains inclusion in other indices, the Benchmark Index may be changed by the Manager in consultation with the BBCG Board.

The calculation of the movement in the Stapled Securities Accumulation Index and the Benchmark Index respectively over the Financial Year will be calculated using the trading data over the last 20 trading days in the relevant Financial Year.

Any shortfall between the Stapled Security Return and Benchmark Return or any surplus of the Accrued Incentive Fee over the Incentive Fee paid will be carried forward for up to three years and will continue on a rolling basis.

The first calculation of the Incentive Fee will be made in respect of the period from the Allotment Date to 30 June 2008. In this case, the calculation of the movement in the Stapled Security Accumulation Index will be calculated by reference to the Main Offer Price and the total number of Stapled Securities on issue following the Offer, and the calculation of the movement in the Benchmark Index will be calculated by reference to the closing values over the last 20 days trading prior to the Allotment Date.

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The Incentive Fee is payable to the Manager in cash annually in arrears from the assets of BBCL. However, the Manager has agreed to be paid 100% of the Incentive Fee, if any, which becomes payable in the Financial Year ending 30 June 2008 and 50% of the Incentive Fee, if any, which becomes payable in the Financial Years ending 30 June 2009 and 30 June 2010 in the form of Stapled Securities, subject to approval by the Independent Directors of BBCG at the relevant time.

The hypothetical examples set out below are provided for illustrative purposes only and do not purport to represent the likely Incentive Fee (if any) payable by BBCG to the Manager or the likely performance of the price of the Stapled Securities or relevant indices. The examples below have been prepared on the basis of the Maximum Capital Raising Amount.

Note that, in preparing the financial information in Section 7, it has been assumed that BBCG will neither underperform nor outperform the indices, with the result that, for purposes of the BBCG forecast financial information, it is assumed no Incentive Fee will be payable. The payment of an Incentive Fee to BBCM has not been assumed as there is no reasonable basis on which to forecast it.

Assumptions	Example 1	Example 2
	Incentive Fee Period 1	Incentive Fee Period 2
Number of Stapled Securities outstanding at end of Incentive Fee Period	648,466,966	648,466,966
Average closing price of Stapled Securities at end of immediately prior Incentive Fee Period	\$1.15	\$1.21
A BBCG Equity Value	\$745,737,011	\$784,645,029
B Average closing Stapled Security Accumulation Index over the last 20 trading days of the immediately prior Incentive Fee Period	115	129
C Average closing Stapled Security Accumulation Index over the last 20 trading days of the Incentive Fee Period	129	139
E Average closing Benchmark Index over the last 20 trading days of the immediately prior Incentive Fee Period	6,100	6,405
F Average closing Benchmark Index over the last 20 trading days of the Incentive Fee Period	6,405	7,046
D Deficit carried forward	\$0	\$0
S Surplus carried forward	\$0	\$2,815,425
G Adjusted Gross Assets	\$1,013,662,000	\$1,013,662,000

Assumptions	Example 1	Example 2
	Incentive Fee Period 1	Incentive Fee Period 2
Stapled Security Return (SSR) for the Incentive Fee Period	$= A \times (C - B)/B$ $= \$745,737,011 \times (129 - 115)/115$ $= \$90,785,375$	$= A \times (C - B)/B$ $= \$784,645,029 \times (139 - 129)/129$ $= \$60,825,196$
Benchmark Return (BR) for the Incentive Fee Period	$= A \times (F - E)/E$ $= \$745,737,011 \times$ $(6,405 - 6,100)/6,100$ $= \$37,286,851$	$= A \times (F - E)/E$ $= \$784,645,029 \times$ $(7,046 - 6,405)/6,405$ $= \$78,525,755$
Above Benchmark Return for Incentive Fee Period	$= SSR - BR$ $= \$90,785,375 - \$37,286,851$ $= \$53,498,525$	$= SSR - BR$ $= \$60,825,196 - \$78,525,755$ $= -\$17,700,559$
Deficit to be carried forward to next Incentive Fee Period	\$0	\$14,885,135
Accrued Incentive Fee for the Incentive Fee Period	$= 20\% \times (SSR - BR + S - D)$ $= 20\% \times (\$53,498,525 + \$0 - \$0)$ $= \$10,699,705$	$= 20\% \times (SSR - BR + S - D)$ $= 20\% \times (-\$17,700,559 +$ $\$2,815,425 - \$0)$ $= -\$2,977,027$ $= \$0$ (since negative result)
Incentive Fee Cap for the Incentive Fee Period	$= 1\% \times (\text{Adjusted Gross Assets})$ $= 1\% \times \$1,013,662,000$ $= \$10,136,620$	$= 1\% \times (\text{Adjusted Gross Assets})$ $= 1\% \times \$1,013,662,000$ $= \$10,136,620$
Incentive Fee for the Incentive Fee Period	$= \text{Lesser of Accrued Incentive Fee and Incentive Fee Cap}$ $= \$10,136,620$	$= \text{Lesser of Accrued Incentive Fee and Incentive Fee Cap}$ $= \$0$
Excess, if any, of Accrued Incentive Fee above Incentive Fee Cap	$= \$563,085$	$= \$0$
Surplus to be carried forward to next Incentive Fee Period	$= \text{Excess divided by } 20\%$ $= \$563,085/20\%$ $= \$2,815,425$	$= \text{Excess divided by } 20\%$ $= \$0/20\%$ $= \$0$

# Section 9

## Fees and other costs

Assumptions	Example 3	Example 4
	Incentive Fee Period 3	Incentive Fee Period 4
Number of Stapled Securities outstanding at end of Incentive Fee Period	648,466,966	648,466,966
Average closing price of Stapled Securities at end of immediately prior Incentive Fee Period	\$1.21	\$1.27
A BBCG Equity Value	\$784,645,029	\$823,553,047
B Average closing Stapled Security Accumulation Index over the last 20 trading days of the immediately prior Incentive Fee Period	139	157
C Average closing Stapled Security Accumulation Index over the last 20 trading days of the Incentive Fee Period	157	177
E Average closing Benchmark Index over the last 20 trading days of the immediately prior Incentive Fee Period	7,046	7,680
F Average closing Benchmark Index over the last 20 trading days of the Incentive Fee Period	7,680	8,448
D Deficit carried forward	\$14,885,135	\$0
S Surplus carried forward	\$0	\$0
G Adjusted Gross Assets	\$1,013,662,000	\$1,013,662,000
Stapled Security Return (SSR) for the Incentive Fee Period	$= A \times (C - B)/B$ $= \$784,645,029 \times (157 - 139)/139$ $= \$101,608,709$	$= A \times (C - B)/B$ $= \$823,553,047 \times (177 - 157)/157$ $= \$104,911,216$



Assumptions	Example 3	Example 4
	Incentive Fee Period 3	Incentive Fee Period 4
Benchmark Return (BR) for the Incentive Fee Period	$= A \times (F - E)/E$ $= \$784,645,029 \times (7,680 - 7,046)/7,046$ $= \$70,602,462$	$= A \times (F - E)/E$ $= \$823,553,047 \times (8,448 - 7,680)/7,680$ $= \$82,355,305$
Above Benchmark Return for Incentive Fee Period	$= SSR - BR$ $= \$101,608,709 - \$70,602,462$ $= \$31,006,247$	$= SSR - BR$ $= \$104,911,216 - \$82,355,305$ $= \$22,555,911$
Deficit to be carried forward to next Incentive Fee Period	\$0	\$0
Accrued Incentive Fee for the Incentive Fee Period	$= 20\% \times (SSR - BR + S - D)$ $= 20\% \times (\$31,006,247 + \$0 - \$14,885,135)$ $= \$3,224,222$	$= 20\% \times (SSR - BR + S - D)$ $= 20\% \times (\$22,555,911 + \$0 - \$0)$ $= \$4,511,182$
Incentive Fee Cap for the Incentive Fee Period	$= 1\% \times (\text{Adjusted Gross Assets})$ $= 1\% \times \$1,013,662,000$ $= \$10,136,620$	$= 1\% \times (\text{Adjusted Gross Assets})$ $= 1\% \times \$1,013,662,000$ $= \$10,136,620$
Incentive Fee for the Incentive Fee Period	$= \text{Lesser of Accrued Incentive Fee and Incentive Fee Cap}$ $= \$3,224,222$	$= \text{Lesser of Accrued Incentive Fee and Incentive Fee Cap}$ $= \$4,511,182$
Excess, if any, of Accrued Incentive Fee above Incentive Fee Cap	= \$0	= \$0
Surplus to be carried forward to next Incentive Fee Period	$= \text{Excess divided by } 20\%$ $= \$0/20\%$ $= \$0$	$= \text{Excess divided by } 20\%$ $= \$0/20\%$ $= \$0$

# Section 9

## Fees and other costs

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### 9.3.6 OTHER AMOUNTS INCLUDED IN MANAGEMENT COSTS

Type of fee or cost	Amount	How and when paid
Custodian fee	0.0125% of the total assets of BBCT Estimated at \$27,500 per annum based on assets of \$220 million (reflects the Minimum Capital Raising Amount) and \$36,250 per annum based on assets of \$290 million (reflects the Maximum Capital Raising Amount)	Payable to the Custodian quarterly in cash out of the assets of BBCT
Manager Expense Amount and Reimbursement of out-of-pocket expenses	The Manager will be entitled to a Manager Expense Amount of \$500,000 in the first year in respect of expenses. This annual amount is subject to CPI increases and periodic increases approved by the BBCG Board to reflect increased actual or estimated expenses. The fee for the first year will be calculated on a pro rata basis from the Allotment Date. In addition, the Manager is entitled to be reimbursed for various out-of-pocket expenses	Payable to the Manager at the relevant time out of the assets of BBCT or out of working capital of BBCL

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### 9.3.7 OTHER FEES

The following fees may infrequently be incurred by BBCG and are not reflected in the management costs for BBCG:

Type of fee or cost	Amount	How and when paid
Break fees – the fee payable in connection with the termination of a committed investment	One third of the net value of any break, termination or similar fees received by BBCG in connection with an investment or proposed investment	Payable to the Manager at the relevant time from the fees received by the relevant BBCG entity
Financial advisory fees under Preferred Financial Advisory Agreement	<p>Fees will be negotiated at the time based on reasonable market terms and will be approved by the Independent Directors of BBCG</p> <p>The amount of any fees payable to Babcock &amp; Brown Australia will be influenced by the nature of the transaction and the precise scope of Babcock &amp; Brown Australia's mandate on that transaction. As at the date of this Offer Document, it is not possible to specify with any certainty the nature of the transactions that BBCG may undertake that would attract the operation of the Preferred Financial Advisory Agreement, when those transactions would be undertaken and the fees payable to Babcock &amp; Brown Australia</p> <p>By way of a hypothetical example only, if BBCG is involved in a transaction such as a group debt restructure having a value of \$100 million and if Babcock &amp; Brown Australia's advisory fee is between 1% and 5% of transaction value (assuming that this range is consistent with the then prevailing market rate), the value of the fee payable to Babcock &amp; Brown Australia under the Preferred Financial Advisory Agreement would be between \$1 million and \$5 million</p>	Payable to Babcock & Brown in cash, at the time the relevant services are provided, out of the assets of BBCG
Manager Origination and Disposal fees under Management Agreements	1.5% of the purchase price (including any debt assumed) on acquisition of an asset or 1.5% of the sales proceeds (including any debt assumed by the purchaser) on sale of an asset	Payable to BBCM in cash, at the time the acquisition or disposal occurs, out of the assets of BBCG

# Section 9

## Fees and other costs

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### 9.3.8 GST

If the Responsible Entity is or becomes liable to pay GST on fees or expenses not described in this Offer Document as GST inclusive, it is entitled to be reimbursed out of the assets of BBCT for the amount of GST. BBCL or the Responsible Entity, as applicable, may not be entitled to full input tax credits or reduced input tax credits for any GST on fees or expenses and therefore the actual costs to BBCL or the Responsible Entity, as applicable, may be more than the fee amounts disclosed.

### 9.3.9 EXAMPLE OF FEES AND COSTS FOR BBCG

Example of annual fees and costs for an investment in BBCG		Balance of \$50,000
Contribution Fees	Nil	Not applicable
Management Costs	0.8% to 1.0%* of BBCG's market capitalisation for the 12 month period from Allotment Date (1.0% to 1.2%* if the Minimum Capital Raising Amount is achieved)	For every \$50,000 you have in BBCG you will be charged \$378 - \$482 each year
EQUALS Cost of fund		If you had an investment of \$50,000 at the Allotment Date, you would be charged fees of: \$378 - \$482

Notes:

\* Assumes for illustrative purposes only a 1% outperformance in relation to the calculation of the Incentive Fee and assumes market capitalisation is calculated at the Main Offer Price.

The actual costs of an investment in BBCG may differ from the above example.

# Section 10 Investigating accountant's report



# Section 10

## Investigating accountant's report



**PRICEWATERHOUSECOOPERS SECURITIES LTD**  
**FINANCIAL SERVICES GUIDE**  
**This Financial Services Guide is dated 15 June 2007**

PricewaterhouseCoopers  
Securities Ltd  
ACN 003 311 617  
ABN 54 003 311 617  
Holder of Australian Financial  
Services Licence No 244572

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### 1 About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Primelife Corporation Limited and Babcock & Brown Communities Responsible Entity No. 1 Limited ABN 33 080 737 042 as Responsible Entity for Babcock & Brown Communities Trust ("BBCG") to provide a report in the form of an Investigating Accountant's Report in relation to the Pro Forma Historical and Pro forma Forecast Financial Information (the "Report") for inclusion in the Offer Document dated 15 June 2007.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

### 2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

### 4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### 5 Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are based on hourly rates and disclosed in Section 12.8 of the Offer Document.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

### 6 Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of Primelife Corporation Limited and Primeliving Trust.

### 7 Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("FICS"), an external complaints resolution service. You will not be charged for using the FICS service.

### 8 Contact Details

PwC Securities can be contacted by sending a letter to the following address:  
Clara Cutajar/Peter Fekete, Tower 2 Darling Park,  
201 Sussex Street, Sydney, NSW, 1171.

PricewaterhouseCoopers  
Securities Ltd  
ACN 003 311 617  
ABN 54 003 311 617  
Holder of Australian Financial  
Services Licence No 244572

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**PRIVATE AND CONFIDENTIAL**

PrimeLife Corporation Limited (the "Company")  
210 Kings Way  
South Melbourne VIC 3205

Babcock & Brown Communities Responsible Entity No. 1 Limited ABN 33 080 737 042 (the "Responsible Entity")  
As Responsible Entity for Babcock & Brown Communities Trust (the "Trust")  
210 Kings Way  
South Melbourne VIC 3205

Attention: The Boards of Directors

15 June 2007

**Subject: Investigating Accountant's Report on BBCG Financial Information**

Dear Sirs

We have prepared this report on the pro forma historical and pro forma forecast financial information of Babcock & Brown Communities Group ("BBCG") for inclusion in a Prospectus/Product Disclosure Statement dated on or about 15 June 2007 (Offer Document) relating to the issue of Stapled Securities in BBCG.

Expressions defined in the Offer Document have the same meaning in this report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the *Corporations Act 2001* (Cwth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

**SCOPE**

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following information:

- (a) the pro forma balance sheet of BBCG as at 31 December 2006 which assumes completion of the contemplated transactions disclosed in Section 7.10 of the Offer Document (the pro forma transactions), (the BBCG Historical Financial Information).
- (b) pro forma forecast income statements of BBCG for the two years ending 30 June 2007 and 30 June 2008; and
- (c) pro forma forecast cash flows of BBCG for the two years ending 30 June 2007 and 30 June 2008, and pro forma forecast distributable cash of BBCG for the year ending 30 June 2008 (together with the income statements, the BBCG Forecast Financial Information),

(collectively, the BBCG Financial Information).

This Report has been prepared for inclusion in the Offer Document. We disclaim any assumption of responsibility for any reliance on this Report or on the BBCG Financial Information to which it relates for any purposes other than for which it was prepared.

# Section 10

## Investigating accountant's report

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### **SCOPE OF REVIEW OF BBCG HISTORICAL FINANCIAL INFORMATION**

The BBCG Historical Financial Information set out in Section 7.7 of the PDS has been extracted from:

- the audited financial statements of Primelife Corporation Limited and Primeliving Trust which were audited by PricewaterhouseCoopers, who issued unmodified audit opinions on the financial statements.
- the financial information from the management accounts of Fini and WA Village which were reviewed by PricewaterhouseCoopers Securities Ltd.

The BBCG Historical Financial Information incorporates such adjustments as the Directors of the Company and Responsible Entity considered necessary to reflect the operations of BBCG going forward. The Directors of the Company and Responsible Entity are responsible for the preparation of the BBCG Historical Financial Information, including determination of the adjustments.

We have conducted our review of the BBCG Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited balance sheets of Primelife Corporation Limited and Primeliving Trust at 31 December 2006, and an analytical review of the balance sheets of Fini and WA Village at 31 December 2006
- a review of work papers, accounting records and other documents
- a review of the assumptions used to compile the pro forma balance sheet
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by BBCG disclosed in Section 7.8 of the Offer Document and the requirements of the Constitution, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **REVIEW STATEMENT ON BBCG HISTORICAL FINANCIAL INFORMATION**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma balance sheet has not been properly prepared on the basis of the pro forma transactions
- the pro forma transactions do not form a reasonable basis for the pro forma balance sheet
- the BBCG Historical Financial Information, as set out in Section 7.7 of the Offer Document does not present fairly the pro forma balance sheet of BBCG as at 31 December 2006

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by BBCG disclosed in Section 7.8 of the Offer Document and the requirements of the Constitution.



#### **SCOPE OF REVIEW OF BBCG FORECAST FINANCIAL INFORMATION**

The Directors of the Company and Responsible Entity are responsible for the preparation and presentation of the BBCG Forecast Financial Information, including the best estimate assumptions, which include the pro forma transactions, on which they are based.

Our review of the best estimate assumptions underlying the BBCG Forecast Financial Information was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the BBCG Forecast Financial Information. These procedures included discussion with the Directors of the Company and Responsible Entity and management of BBCG and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the BBCG Forecast Financial Information and whether, in all material respects, the BBCG Forecast Financial Information is properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of BBCG disclosed in Section 7.8 of the Offer Document and the Constitution of the Trust (the Constitution) so as to present a view of BBCG which is consistent with our understanding of BBCG's past, current and future operations.

The BBCG Forecast Financial Information has been prepared by the Directors of the Company and the Responsible Entity to provide investors with a guide to BBCG's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of BBCG Forecast Financial Information. Actual results may vary materially from the BBCG Forecast Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 8 of the Offer Document.

Our review of the BBCG Forecast Financial Information that is based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the BBCG Forecast Financial Information included in the Offer Document.

#### **REVIEW STATEMENT ON THE BBCG FORECAST FINANCIAL INFORMATION**

Based on our review of the BBCG Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the BBCG Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 7.5 of the Offer Document do not provide a reasonable basis for the preparation of the BBCG Forecast Financial Information;
- (b) the BBCG Forecast Financial Information is not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by BBCG disclosed in Section 7.8 of the Offer Document and the requirements of the Constitution of the Trust dated 13 April 2007 (the Constitution); or
- (c) the BBCG Forecast Financial Information is unreasonable.

# Section 10

## Investigating accountant's report

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The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of BBCG. If events do not occur as assumed, actual results and distributions achieved by BBCG may vary significantly from the BBCG Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the BBCG Forecast Financial Information, as future events, by their very nature, are not capable of independent substantiation.

### **SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company or Trust have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

### **INDEPENDENCE OR DISCLOSURE OF INTEREST**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

### **FINANCIAL SERVICES GUIDE**

We have included our Financial Services Guide as Appendix 1 to our Report. The Financial Services Guide is designed to assist retail clients in their use of any financial products advice in our Report.

Yours faithfully

A handwritten signature in black ink that reads "Clara Cutajar".

CLARA CUTAJAR

Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink that reads "Peter Fekete".

PETER FEKETE

Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

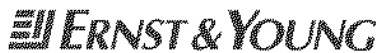
# Section 11 Taxation report



# Section 11

## Taxation report

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# 1 Eagle Street  
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# Tel 61 7 3011 3333  
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PO Box 7878  
Waterfront Place  
Brisbane QLD 4001

MRH:BJS:BRC

15 June 2007

The Directors  
Babcock & Brown Communities Limited  
Level 2  
210 Kings Way  
SOUTH MELBOURNE VIC 3205

The Directors  
BBC Investor Services Limited  
(as trustee for Babcock & Brown Communities Trust)  
Level 2  
210 Kings Way  
SOUTH MELBOURNE VIC 3205

Dear Directors

### **TAXATION REPORT - INDEPENDENT INCOME TAX OPINION**

We have been requested to provide our independent income tax opinion (**Opinion**) regarding the income tax consequences of the Offer detailed in the Prospectus and Product Disclosure Statement (**PDS**). Our Opinion has been provided as part of the PDS for the purpose of assisting potential investors in Babcock & Brown Communities Group (**BBCG**) Stapled Securities (**BBCG Stapled Securities**) to understand the relevant income tax implications of the Offer.

Unless otherwise expressed in this Opinion, capitalised terms have the meanings set out in the PDS.

### **SCOPE OF THIS OPINION**

Our advice is general in nature and the individual circumstances of each investor in BBCG Stapled Securities may affect the taxation implications of the Offer. This Opinion and the information contained in it, is not, and is not intended to be, taxation advice to any investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances. We disclaim all liability (other than liability that may arise pursuant to section 729 or section 1022B of the *Corporations Act 2001* (Cth)) to any investor or other party for all costs, loss, damage or liability that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of our Opinion or the provision of our Opinion to the investor or other party or the reliance on our Opinion by the investor or other party.

We provide our Opinion on the basis that the underlying facts and assumptions are fair and reasonable and the representations made to us by representatives of Babcock & Brown Communities Limited (**BBCL**) and BBC Investor Services Limited are correct.

The Opinion set out below is primarily relevant for Australian tax resident investors holding their investment on capital account. Different outcomes will arise for investors who are non-tax residents of Australia, as well as investors investing on revenue account. We recommend that those investors seek professional taxation advice in relation to the Offer.

The summary of Australian income tax implications set out below is based on established judicial and administrative interpretations of the *Income Tax Assessment Act 1997* (Cth) (the *ITAA 1997*) and the *Income Tax Assessment Act 1936* (Cth) (the *ITAA 1936*) as at the date of this Opinion. While we have had regard to proposed changes to the tax law to the extent possible in the preparation of this Opinion, we do not undertake to update our Opinion in respect of any future changes to the tax law.

Taxation is only one of the matters that must be considered when making a decision on a financial product. Ernst & Young is not licensed to provide financial product advice under the Corporations Act. Under the Corporations Act, this Opinion is not required to be provided to you by the holder of an Australian Financial Services Licence. You should consider taking advice from the holder of an Australian Financial Services Licence before making a decision on a financial product.

## THE OFFER

The terms of the Offer are set out in detail in the PDS and we refer you to this document for more detail in relation to the Offer.

For completeness (and as detailed in the PDS), we understand that, preliminary to the Offer, a number of structuring steps will occur to initially create the BBCG (Restructure Proposal).

As a result of the Restructure Proposal, ordinary shares in BBCL (BBCL Shares) and ordinary units in the Babcock & Brown Communities Trust (BBCT Units) will be stapled and traded as a combined security on ASX (i.e. BBCG Stapled Securities).

This Opinion does not directly address the tax consequences arising from the Restructure Proposal steps. This Opinion relates to information for investors on the general tax consequences of acquiring, holding and selling BBCG Stapled Securities.

## (A) INVESTMENT IN BBCG STAPLED SECURITIES TAXATION IMPLICATIONS OF INVESTING IN BBCG

As a consequence of accepting the Offer, each investor will hold BBCG Stapled Securities. Each stapled security will comprise one BBCT Unit and one BBCL Share.

As the BBCT Units and BBCL Shares will be stapled together (i.e. traded together), the listed market price is generally quoted for the combined BBCG Stapled Securities.

However, for income tax purposes, each BBCT Unit and BBCL Share should, in our view, be considered separately.

## INVESTMENT IN BBCT TAXATION OF TRUST DISTRIBUTIONS FROM BBCT

Trust income assessed in the hands of a presently entitled beneficiary or trustee retains the same character as that which the income had when derived by the trust. Accordingly, where BBCT's net income includes dividends and capital gains, that income (including any available franking credits) should flow through to the presently entitled beneficiaries.

For income tax purposes, a unitholder of BBCT should include in its assessable income its share of the net income of BBCT.

In the event that the net income of BBCT (as determined for income tax purposes) is different to the amount that is considered distributable income by the Responsible Entity of BBCT for the purposes of the Trust Deed, different tax consequences may occur for BBCT unitholders.

To the extent that the distributable income of BBCT exceeds the net income for tax purposes, the excess (the non-assessable part), commonly referred to as a "tax deferred amount", should prima facie not be included in the investor's assessable income. However, depending on the nature of the non-assessable distribution, CGT implications may arise (as discussed below). We understand that the Responsible Entity will inform investors of the tax deferred components of any amount distributed in accordance with customary industry practices in this regard.

## INCOME TAX TREATMENT OF BBCT

Under the general taxation rules relating to trusts, Australian tax resident beneficiaries are liable to taxation on that portion of the trust's net (taxable) income to which they are presently entitled. Generally, if there is a portion of the net income of the trust to which no beneficiary is presently entitled, the trustee (Responsible Entity) of the trust may be liable to taxation on that income at the highest individual marginal tax rate (currently 45%) plus the Medicare levy (currently 1.5%).

We have been advised that it is intended that all required steps will be taken to ensure that the investors are, at all relevant times, considered to be presently entitled to a relevant proportion of the net income (if any) of BBCT.

Consequently, in respect of Australian tax resident beneficiaries who are not under a legal disability, the Responsible Entity should not be liable to taxation in respect of any portion of the net income of BBCT. Rather, each investor should include in its assessable income, for a relevant year of income, that portion of the net income of BBCT to which it is presently entitled. This is so, even where an investor receives a distribution of net income after the end of the year of income to which it is attributable.

We understand that the Responsible Entity will advise each unitholder of the portion of the net income of BBCT that the unitholder is presently entitled to in respect of each year of income, after the end of each year of income.

It is noted for completeness that any tax losses generated by BBCT must remain within BBCT and cannot be distributed to investors for application against their individual taxable income. Any such tax losses may be carried forward and applied to reduce any future taxable income of BBCT, subject to BBCT satisfying the relevant tax loss carry forward requirements.

# Section 11

## Taxation report

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### **TAXATION OF BBCT UNDER CORPORATE TAX MODEL**

In certain circumstances, specified unit trusts can be subject to tax broadly under a corporate tax model. In these circumstances, the trustee (Responsible Entity) of the unit trust pays tax on the net income of the trust like a company, rather than the beneficiaries paying tax on their present entitlement. Trust distributions are then treated for Australian income tax purposes as dividends.

Having regard to the relevant provisions of the public trading trust and the corporate unit trust provisions, it is our view that BBCT should not be subject to Australian income tax under the above noted corporate tax model. However, we note that the public trading trust provisions need to be considered on an ongoing basis and as such it will be important to monitor the activities of BBCT to ensure these provisions do not apply in the future.

### **AUSTRALIAN CGT IMPLICATIONS FOR UNITHOLDERS OF BBCT**

#### **CGT IMPLICATIONS ON RECEIPT OF TAX DEFERRED AND CAPITAL DISTRIBUTIONS FROM BBCT**

Any tax deferred distributions (including distributions of trust capital) received by a unitholder in BBCT that holds their Stapled Securities on capital account will trigger a "CGT Event" and should reduce that investor's CGT cost base in their BBCT Units by the amount of the tax deferred distribution. Any such cost base reduction is triggered at the end of the income year in which the distribution is received, or where another CGT event occurs prior to that time (such as the disposal of the investor's BBCT Stapled Securities), the cost base reduction is triggered just before that other CGT event.

If and when the sum of the tax deferred or capital distributions exceed an investor's cost base in BBCT Units, a prima facie capital gain equal to the excess may arise. Any such prima facie capital gain may be discounted for CGT purposes.

#### **Discount of Capital Gain**

Provided a unitholder in BBCT has held their BBCT Units for at least 12 months prior to the time of the CGT Event, any net capital gain realised by a unitholder in BBCT may be discounted. No indexation is taken into account in calculating the net capital gain for these purposes. The discount is taken into account after applying any available capital losses a unitholder in BBCT may have against the capital gain eligible for the discount.

CGT discount treatment broadly only applies in respect of securities held by individuals, trustees of trusts, and trustees of superannuation funds. No such discount is available for corporate unitholders or corporate shareholders.

Where the CGT discount is available, individual unitholders in BBCT (either holding their BBCT Units directly or indirectly through a trust) may reduce their net capital gain by 50%. For trustees (Responsible Entities) of superannuation funds, the net capital gain may be reduced by 33 $\frac{1}{3}$ %.

### **INVESTMENT IN BBCL**

#### **INCOME TAX TREATMENT OF BBCL**

The taxable income of BBCL and its wholly-owned Australian tax resident subsidiaries should be subject to income tax at the corporate tax rate (currently 30%).

#### **TAXATION OF DIVIDENDS FROM BBCL**

Investors will potentially receive distributions of profits from BBCL in future income periods. Such distributions will generally be viewed as the provision of dividends for income tax purposes, depending on the particular arrangement being contemplated at the time.

BBCL will maintain a franking account and provide all documentation usually associated with the payment of dividends.

Such dividends will be either franked (either fully or in part) or unfranked. BBCL will be able to frank dividends where it has available franking credits and satisfies the specific rules relating to the franking of dividends. Generally, franking credits are created through the payment of Australian corporate tax and the receipt of franked dividends.

A distribution statement will be provided by BBCL advising investors of the franked and unfranked components of any dividends paid. The taxation treatment of a BBCL dividend received by investors will vary depending on the type of investor. Set out below is a summary of how different types of Australian tax resident investors should treat a dividend received from BBCL.

#### **Australian Tax Resident Individuals**

Dividends received by such investors should be included in their Australian assessable income, together with the amount of any franking credit attached to the dividend. A franking credit will be "attached" to the dividend to the extent that the dividend received is franked.

The franking credit attached to the dividend will generally (subject to certain holding period rules described below) be allowed as a credit against the tax payable on a Shareholder's total taxable income (i.e. a tax offset). In some circumstances, the tax offset may result in a tax refund being payable to the investor.

#### **Australian Tax Resident Companies**

The taxation treatment of a dividend received by an Australian tax resident company is the same as that described above for an Australian tax resident individual. However, the tax offset generated from the franking credits received cannot give rise to a refund. In certain circumstances the amount of the franking offset in excess of the tax payable by the company may be carried forward into future income years as a revenue loss.

#### **Australian Tax Resident Trusts**

The comments below relate to Australian tax resident beneficiaries who are not under a legal disability. If the beneficiary is not an Australian tax resident, or is under a legal disability, we recommend you seek independent professional taxation advice.

Distributions in the form of dividend income should either be included in the trustee's, or the beneficiary's assessable income, as the case may be. Distributions in the form of dividend income ultimately received by Australian tax resident beneficiaries of trusts are eligible for a tax offset equal to the beneficiary's share of franking credits attached to the distribution represented by dividend income. The tax treatment of the dividend then depends on the legal identity of the beneficiary as an individual, a company or a trust.

If the trust has a net loss or does not have net income, the tax offset is effectively lost. However, if the trust has at least \$1 of net income, all of the tax offset should be able to be utilised by the beneficiaries presently entitled to that net income.

In certain circumstances, the trustee may be required to make a family trust election to enable a beneficiary to obtain a tax offset from franking credits attached to dividends paid to the trust. We recommend that you seek advice from your professional adviser in this regard.

Where the trustee is subject to tax, it is also entitled to a proportion of the franking credits on distributions received indirectly in the same way as if the trustee were an individual (as discussed above).

#### **Australian Tax Resident Superannuation Funds**

The taxation treatment of a dividend received by an Australian tax resident superannuation fund is the same as that described above for an Australian tax resident individual.

Superannuation funds receive full tax offsets (which can be offset against the fund's tax liability) notwithstanding that part of the fund's franked distribution income may be exempt. Excess offsets should be refundable.

#### **45-DAY HOLDING RULE**

In certain circumstances, an investor's entitlement to the benefit of the imputation credit tax offset may be denied where specific "holding period" rules relating to the underlying investment are not satisfied. The holding period rules broadly require the shareholder to hold the shares in respect of which a dividend has been paid, at risk, for a minimum period of 45 days during the relevant period. The application of those rules will depend on the specific investor's circumstances and are beyond the scope of this Opinion. However, these rules should not apply to long-term investments or to an individual investor whose total entitlement to franking credits does not exceed \$5,000 in relation to a year of income.

#### **DISPOSAL OF BBCG STAPLED SECURITIES - AUSTRALIAN RESIDENT INVESTORS**

For Australian CGT purposes, each BBCG Stapled Security is considered to comprise two separate assets, being a BBCL Share and a BBCT Unit.

A prima facie capital gain will arise where the sale proceeds received on disposal exceed an investor's cost base in the relevant portion (being each BBCL Share and each BBCT Unit) of the BBCG Stapled Security. A capital loss should arise where the investor's reduced cost base of the relevant portion of the BBCG Stapled Security exceeds the sale proceeds.

As the BBCG Stapled Security cannot be acquired or traded separately, a reasonable apportionment of the cost base, reduced cost base and sale proceeds between each BBCL Share and BBCT Unit will be required on disposal.

When an investor disposes of BBCG Stapled Securities, regard should be had to any cost base reductions or adjustments which have occurred (e.g. tax deferred distributions from BBCT). These potential adjustments have been noted above.

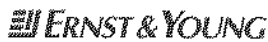
#### **DISCOUNT OF CAPITAL GAIN**

When BBCG Stapled Securities are disposed of, the CGT discount may apply. Please refer to our comments above.

# Section 11

## Taxation report

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### WITHHOLDING TAX OBLIGATIONS

Investors are not obliged to quote their tax file number (TFN) or Australian Business Number (ABN) to BBCL or the Responsible Entity of BBCT. However, if an investor does not quote their ABN, TFN or claim an exemption, the payer of any distributions (either BBCL or the Responsible Entity of BBCT) will be obliged to withhold tax from any distribution at the highest individual marginal rate (currently 45%) plus the Medicare levy (currently 1.5%).

For completeness, no such withholding is generally required in respect of wholly tax deferred distributions including returns of capital made to Australian tax resident investors. However, we note that there may be circumstances in which withholding is required in relation to tax deferred distributions paid to non-Australian tax resident investors. We have not considered these circumstances in detail as this Opinion primarily addresses the implications for Australian tax resident investors only.

### DISCOUNTED OFFERS - PRIORITY, RESIDENT AND EMPLOYEE OFFERS

We are of the view that the discount on the offers made to eligible investors under the Priority Offer and under the Resident and Employee Offers should not be taxable to those investors. Instead, the reduced acquisition price should form part of the CGT cost base of BBCG Stapled Securities for these investors and will be taken into account in assessing any future capital gain or capital loss on disposal.

In the recent High Court decision of *Commissioner of Taxation v McNeil* [2007] HCA 5, the High Court held (by majority) that a taxpayer was assessable on the market value of sell-back rights issued by St George Bank. The comments made by the High Court were broad-ranging in assessing the value of sell-back rights upfront as ordinary assessable income to the shareholder. The Australian Taxation Office (ATO) applied McNeils Case in Class Ruling 2007/42 as authority to tax upfront the market value of renounceable rights issued by a company to shareholders because the renounceable rights issued were able to be identified as property and traded.

In our view the decision in McNeils Case should be limited to renounceable rights which can be identified as property and traded. In the case of the Priority Offer and the Resident and Employee Offer, relevant investors are merely able to participate in the capital raising at a discounted price. Neither the Priority Offer or the Resident and Employee Offer provide the relevant investors any separately identifiable property that can be traded. On this basis we are of the view that McNeils Case should be distinguishable in respect to the Priority Offer and the Resident and Employee Offers. It is our view that that the provision of the discount under the Priority Offer and the Resident and Employee Offer should not give rise to upfront assessable income to investors.

We note for completeness that we understand that the implications of McNeils Case is currently the subject of consultation and clarification by the Federal Government. It is possible that legislative action may be taken by the Federal Government to ensure that the receipt renounceable rights which can be identified as property and traded is not a taxable event, but no official comments have been released at the time of writing.

We also note for completeness that the Priority Offer and Resident and Employee Offer Price (i.e. the discounted price offered to investors under the Priority, Resident and Employee Offers) will form part of the CGT cost base of BBCG Stapled Securities received by investors under those Offers. This lower CGT cost base (compared with the Main Offer Price) will generally increase the capital gain or reduce the capital loss ultimately realised by such investors on a future disposal of BBCG Stapled Securities.

### DEDUCTIBILITY OF INTEREST ASSOCIATED WITH THE ACQUISITION OF BBCG STAPLED SECURITIES

Generally, any interest cost incurred in acquiring income producing investments is tax deductible where the income derived is assessable or the asset is held in the course of a business of deriving assessable income.

In practical terms, this would ordinarily involve a reasonable expectation that, over the period the investment may be held, the assessable amount of dividends and trust distributions which will be derived from the investment will exceed the total deductions in respect of that investment.

Any interest costs incurred by investors in acquiring BBCG Stapled Securities should be deductible to the extent that the reasonable expectation referred to above is present.

Investors should seek specific professional taxation advice in relation to their specific circumstances.

Yours faithfully

ERNST & YOUNG



# Section 12

## Additional information and material contracts



# Section 12

## Additional information and material contracts

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### **12.1 NATURE OF OFFER DOCUMENT**

To the extent that this Offer Document relates to the issue of a BBCT Unit, this document is a product disclosure statement, within the meaning of section 761A of the Corporations Act for the purposes of Part 7.9 of the Corporations Act and issued by BBCIS in its capacity as Responsible Entity of BBCT. To the extent that this Offer Document relates to the issue of a BBCL Share, this document is a prospectus within the meaning of section 9 of the Corporations Act and for the purposes of Part 6D.2 of the Corporations Act, issued by BBCL.

### **12.2 BBCL IS A DISCLOSING ENTITY**

As at the date of this Offer Document BBCL is a disclosing entity (as defined in section 111AC of the Corporations Act) and, as such, to the extent that this Offer relates to the issue of a BBCL Share, this Offer Document complies with the prospectus content rules for continuously quoted securities contained in section 713 of the Corporations Act. ASIC has declared that, for the purposes of this Offer Document, the effect of the stapling of BBCL Shares to BBCT Units does not prevent BBCL availing itself of the prospectus content provisions in section 713 of the Corporations Act for the purposes of this Offer Document.

As a disclosing entity BBCL is subject to regular reporting and disclosure obligations. Specifically, like all listed companies and subject to an exception for confidential and incomplete information, BBCL is required to continuously disclose any information to the market which a reasonable person would expect to have a material effect on the price or value of BBCL securities.

ASX maintains files containing publicly disclosed information about all listed companies. The BBCL file is available for inspection at ASX during normal business hours.

BBCL is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by BBCL may be obtained from, or inspected at, an ASIC Office.

BBCL will provide free of charge, to any person who requests it during the Offer Period, a copy of:

- the annual financial report of BBCL for the 12 months ended 30 June 2006 (being the annual report most recently lodged with ASIC before this Offer Document was lodged with ASIC);
- the half-year financial report for the six months ended 31 December 2006 lodged with ASIC by BBCL on 28 February 2007; and
- any continuous disclosure notice given to ASX by BBCL after lodgement with ASIC of the annual financial report referred to above and before lodgement of this Offer Document with ASIC.

If you would like to receive a copy of any of these documents or publications, please contact Primelife on +61 3 8699 3300.

Copies of all documents lodged with ASIC by BBCL can be inspected at the registered office of BBCL during normal business hours.

A list of the announcements made by BBCL on ASX between 25 October 2006 and 14 June 2007 is set out below:

14/06/2007	Timetable and combined trading for PLFGAs and PLFGCs
05/06/2007	Open Briefing. Primelife. On Restructure & Outlook
30/05/2007	BNB ann: Proposal for Babcock & Brown Communities Group
30/05/2007	Babcock and Brown Communities
30/05/2007	Trading Halt
28/05/2007	Change in Directors/Appendix 3X & Appendix 3Z
18/05/2007	Clarification of AFR Article
18/05/2007	Trading Halt
29/03/2007	Change of Director's Interest Notice
09/03/2007	Placement & Appendix 3B
06/03/2007	Port Albert and Glendale schemes to be wound up
02/03/2007	JV Retains Ownership of Claremont Terrace
28/02/2007	Market Presentation for Half-Year Results
28/02/2007	Half Yearly Report and Half-Year Accounts
21/02/2007	Change in substantial holding
14/02/2007	Primelife acquires Lexington Gardens
12/02/2007	Change in substantial holding from BNB
19/01/2007	Change of Director's Interest Notice
17/01/2007	Ceasing to be a substantial holder from WBC
11/01/2007	Appendix 3B
09/01/2007	Change in substantial holding
09/01/2007	Final conversion of PLFGB Notes into ordinary shares
22/12/2006	Madden Grove Scheme to be Wound Up
21/12/2006	Appendix 3B - Conversion of PLFGB Converting Notes
15/12/2006	Change of Share Registry address
15/12/2006	Acquires Point Cook Development Site
14/12/2006	Convertible Note Interest Payment PLFGA
06/12/2006	Suspension from Official Quotation - Conv. Notes PLFGB
30/11/2006	Capitalisation of PLFGB Interest Payment
28/11/2006	Successful in all Supreme Court Proceedings
28/11/2006	Trading Halt
24/11/2006	Results of Annual General Meeting
24/11/2006	AGM 2006 - Managing Director's Presentation
24/11/2006	Chairman's Address to Shareholders
08/11/2006	Red Bluff Investor Syndicate to be wound up
03/11/2006	Acquires Avonlea Grange Aged Care Facility
25/10/2006	Notice of Annual General Meeting
25/10/2006	Annual Report

None of the information referred to in this Section is incorporated by reference into this Offer Document or is otherwise included with this Offer Document.

# Section 12

## Additional information and material contracts

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### 12.3 ASX WAIVERS

ASX has granted waivers or provided confirmations in relation to the operation of the following Listing Rules as they apply to the Restructure Proposal:

- waivers from conditions 7 and 8 of Listing Rule 1.1 and condition 2 of Listing Rule 2.1 in relation to BBCT such that those listing conditions may be satisfied jointly by Primelife and BBCT;
- waiver from Listing Rule 6.23.4 in relation to the Options to the extent their terms need to be amended to allow for the issue of Stapled Securities (instead of Primelife Shares) on their exercise;
- waiver from Listing Rule 6.24 in respect of clause 1 of Appendix 6A to the extent necessary that the rate and amount of dividend or distribution need not be advised to ASX when announcing a dividend or distribution or record date on condition that an estimated dividend or distribution rate is advised to ASX at the time of the announcement and the actual rate is advised to ASX as soon as it is known;
- confirmation that Listing Rule 7.1 and 7.17 do not apply to the proposed issue of BBCT Units pursuant to the Scheme;
- confirmation that Listing Rule 7.1 does not apply to the issue of BBCT Units under the Capital Raising;
- confirmation that Listing Rules 7.15 and 7.17 do not apply to the Capital Raising;
- waiver from Listing Rule 8.10 to permit Primelife and BBCT to refuse to register, respectively, a transfer of Primelife Shares or BBCT Units unless the transfer document for the corresponding Stapled Security is provided;
- waiver from Listing 10.1 in relation to intra-group transactions between Primelife and BBCT as a result of implementation of the Stapling Proposal;
- waiver from Listing Rules 7.1 and 10.11 in relation to the issue of any Stapled Securities to the Manager under the Management Agreements in lieu of cash payments subject to certain conditions; and
- confirmation that Listing Rule 11.1 does not apply to the Restructure Proposal.

### 12.4 ASIC RELIEF

ASIC has confirmed that it has granted or will grant the following modifications and exemptions in relation to the operation of the Corporations Act as if applies to the Restructure Proposal:

- confirmation of the application of ASIC Class Order 04/671 (Disclosure for on-sale of securities and other financial products) in relation to the sale of Stapled Securities issued under the Scheme;
- relief from the disclosure requirements in Chapter 6D and/or Part 7.9 of the Corporations Act in relation to:
  - ~ the issue of BBCT Units to PLFGA Noteholders who convert their PLFGA Notes and receive Stapled Securities; and
  - ~ the on-sale restrictions in sections 707(3) and 1012C(3) of the Corporations Act in relation to any on-sale of those Stapled Securities issued on conversion of the PLFGA Notes and exercise of Primelife Options;
- relief to the effect that Primelife is able:
  - ~ to issue a transaction specific prospectus under section 713 of the Corporations Act in relation to the Primelife Shares issued under the Capital Raising; and
  - ~ with the lodgement of appropriate sections 708A and 1012DA "cleansing notices", to permit the on-sale of Stapled Securities within 12 months of their issue;
- relief regarding Chapter 2E and Part 5C.7 of the Corporations Act relating to potential related party transactions between Primelife and BBCT which may occur as a result of the Stapling Proposal;
- relief from Part 5C.7 of the Corporations Act in relation to the Management Arrangements between the Manager and BBCIS;
- relief to allow BBCIS as the Responsible Entity of BBCT and its officers to consider the interests of holders of Stapled Securities as a whole, and not simply as holders of BBCT Units;
- relief from section 601GA(1)(a) of the Corporations Act in relation to the allocation of the issue price of Stapled Securities between BBCT Units and Primelife Shares;
- relief from the application of Part 7.9 and Chapter 5C of the Corporations Act in relation to the sale of Stapled Securities to be conducted by the Sale Nominee in respect of Stapled Securities attributable to Foreign Scheme Shareholders; and
- relief from section 606 of the Corporations Act in relation to Babcock & Brown entities temporarily acquiring voting power above 20% in Primelife during the implementation of the Restructure Proposal.

## 12.5 RELATED BODIES CORPORATE OF BABCOCK & BROWN

The Responsible Entity of BBCT is a subsidiary of Babcock & Brown Limited ABN 53 108 614 955.

Babcock & Brown Communities Management Pty Ltd ABN 28 120 387 313 will be the Manager of each of BBCL and BBCT pursuant to separate management agreements. The Manager is a subsidiary of Babcock & Brown.

Babcock & Brown Australia will be the Preferred Financial Adviser of BBCL and the Responsible Entity.

Neither the Responsible Entity nor any member of the Babcock & Brown Group (including Babcock & Brown Australia and the Manager) guarantee the performance of BBCG or its Stapled Securities or the payment of a particular rate of return on the Stapled Securities.

The Responsible Entity, the Manager (as the Manager of each of Primelife and BBCT) and Babcock & Brown Australia (as Financial Adviser), are each entitled to fees for acting in these roles (see Section 9).

Babcock & Brown and its related bodies corporate, together with their officers and directors, may hold Stapled Securities in BBCG from time to time.

## 12.6 INTERESTS OF DIRECTORS

Other than set out below or elsewhere in this Offer Document:

- no Director or proposed Director of BBCL or BBCIS, nor any firm in which such Director is a partner, holds or held at any time during the last two years any interest in:
  - the formation or promotion of BBCL or BBCT; or
  - property acquired or to be acquired by BBCL or BBCT in connection with:
    - the formation or promotion of BBCL or BBCT; or
    - the Offer; or
  - the Offer;
- no amount has been paid or agreed to be paid to any Director of BBCL or BBCIS, or to any firm in which such Director is a partner:
  - either to induce them to become or qualify as a Director; or
  - for services provided in connection with either:
    - the formation or promotion of BBCL or BBCT; or
    - the Offer.

## 12.7 DIRECTORS' INTERESTS AND FEES

### 12.7.1 DIRECTORS OF BBCL

#### 12.7.1.1 Directors' fees

The BBCL Constitution provides that the Directors are entitled to remuneration in aggregate not exceeding the annual aggregate maximum sum (currently \$650,000 per annum) determined from time to time by BBCL in general meeting. If a Director performs additional or special services, BBCL may remunerate that Director. A Director is also entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of BBCL or otherwise in connection with the business of BBCL. Under the BBCL Constitution, the remuneration of an executive or managing director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or percentage of, operating revenue. Details of fees paid to Primelife Directors are set out in the annual and half-year financial reports referred to in Section 12.2.

#### 12.7.1.2 Directors' securityholdings

The Directors of BBCL are not required under Primelife's Constitution to hold any BBCL Shares. As at the date of this Offer Document the interests of Primelife Directors in Primelife Shares, Primelife Options and PLFGA Notes are as follows:

Director's Name	Number of Primelife Shares	Number of Primelife Options	Number of PLFGA Notes
Judith Sloan	0	0	0
John Martin	0	400,000	0
Robert Topfer	0	0	0
Andrew Love	30,000	0	0
Graeme Martin	95,043	0	0
Andrew Schwartz	50,000	0	0
<b>Total</b>	<b>175,043</b>	<b>400,000</b>	<b>0</b>

# Section 12

## Additional information and material contracts

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### **12.7.2 DIRECTORS OF BBCIS**

The constitution of the Responsible Entity provides that the remuneration of the Directors of the Responsible Entity may be fixed from time to time by the Directors.

The BBCIS Board currently comprises Messrs Phil Green, Michael Maxwell and Robert Topfer and Ms Deborah Kelly. On completion of the Restructure Proposal Messrs Green and Maxwell and Ms Kelly will resign from the BBCIS Board and will be replaced with the same persons who will be members of the new BBCL Board.

The directors and officers of BBCL and BBCIS may acquire Stapled Securities under the Offer (either directly or indirectly).

### **12.8 OTHER INTERESTS**

#### **12.8.1 RESPONSIBLE ENTITY**

Other than set out below or elsewhere in this Offer Document, no amount has been paid or agreed to be paid to BBCIS in its capacity as Responsible Entity of BBCT to procure interests in BBCT or for services under the BBCT Constitution. The fees payable to the Responsible Entity pursuant to the BBCT Constitution are set out in Section 9.3.3.

#### **12.8.2 MANAGER**

BBCM, in its capacity as Manager for BBCG, will earn management fees as set out in Sections 9.3.4, 9.3.5, 9.3.6 and 9.3.7, the amount of which will depend in part on the growth and performance of BBCG.

#### **12.8.3 LAWYERS**

Minter Ellison has acted as legal advisers to BBCL in relation to the Restructure Proposal, the preparation of the Offer Document, advising on Australian legal matters, listing of the Stapled Securities on ASX and certain Australian due diligence enquiries. BBCG estimates that it will pay approximately \$900,000 (excluding disbursements and GST) in aggregate for the above services. Further fees may be paid to Minter Ellison in relation to other matters for BBCG in accordance with normal time based charges.

Chang, Pistilli & Simmons has acted as legal adviser to Babcock & Brown and the Responsible Entity in relation to the Restructure Proposal, the preparation of the Offer Document, advising on Australian legal matters, listing of the Stapled Securities on ASX and certain Australian due diligence enquiries. BBCG estimates that if the Restructure Proposal proceeds it will pay approximately \$920,000 (excluding disbursements and GST) in aggregate for the above services. Further fees may be paid Chang, Pistilli & Simmons in relation to other matters for BBCG in accordance with normal time based charges.

#### **12.8.4 FINANCIAL ADVISER**

Babcock & Brown Australia Pty Ltd has provided financial advisory services in respect of the Offer and the Restructure Proposal. BBCG estimates that these fees will be \$9.5 million.

#### **12.8.5 JOINT LEAD MANAGERS**

Each of ABN AMRO Rothschild, J.P. Morgan Australia Limited and Macquarie Equity Capital Markets Limited has agreed to act as Joint Lead Managers and underwriters to the Main Offer. B&B Underwriter has agreed to act as underwriter to the Main Offer. BBCG estimates that it will pay \$9.2 million to \$12.9 million for these services, dependent on the size of the Capital Raising.

ABN AMRO Rothschild, J.P. Morgan Australia Limited, Macquarie Equity Capital Markets Limited and B&B Underwriter and/or their respective affiliates may receive an allocation of Stapled Securities in the Institutional Offer to their respective principal trading accounts, on the same terms as other investors who acquire Stapled Securities in the Institutional Offer.

#### **12.8.6 CO-LEAD MANAGERS**

Tricom Equities Limited has agreed to act as a Co-Lead Manager and underwriter to the Main Offer.

BBCG estimates that it will pay \$1.4 million to \$2.0 million for these services, dependent on the size of the Capital Raising.

Commonwealth Securities Limited has agreed to act as a Co-Lead Manager to the Offer. The cost of these services is expected to be \$550,000 and will be met by the Joint Lead Managers.

#### **12.8.7 PRIORITY OFFER AND RESIDENT AND EMPLOYEE OFFER UNDERWRITERS**

Each of Dakota and Tricom has agreed to act as underwriters to the Priority Offer and Resident and Employee Offer. BBCG will pay up to \$750,000 for these services (refer to Section 12.9.8).

Dakota and Tricom and/or their respective affiliates may receive an allocation of Stapled Securities in the Priority Offer and Resident and Employee Offer to their respective principal trading accounts, on the same terms as other investors who acquire Stapled Securities in the Priority Offer and Resident and Employee Offer.

### 12.8.8 INVESTIGATING ACCOUNTANT

PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant to the Offer and has prepared an Investigating Accountant's Report in relation to the pro forma historical and pro forma forecast financial information for inclusion in this Offer Document.

BBCG estimates that it will pay approximately \$200,000 for these services (exclusive of GST).

### 12.8.9 TAXATION ADVISER

Ernst & Young has acted as taxation adviser to BBCG in relation to the Offer and has prepared the Taxation Report for investors for inclusion in this Offer Document. BBCG estimates that it will pay approximately \$25,000 for these services (exclusive of GST).

### 12.8.10 AUDITORS

PricewaterhouseCoopers will be appointed auditors.

## 12.9 SUMMARY OF MATERIAL DOCUMENTS

### 12.9.1 SUMMARY OF THE IMPLEMENTATION AGREEMENT

#### 12.9.1.1 Background

Primelife, Babcock & Brown Australia, BBCIS as Responsible Entity of BBCT and MFS have entered into the Implementation Agreement. The Restructure Proposal cannot be implemented unless various steps are taken, consents and approvals obtained and transactions effected in the appropriate sequence. The Implementation Agreement sets out the terms and conditions on which the parties agree to implement the Restructure Proposal.

The Implementation Agreement was executed on 30 May 2007.

#### 12.9.1.2 Conditions

Implementation of the Restructure Proposal under the Implementation Agreement is subject to the satisfaction or waiver, on or before 31 January 2008, of certain conditions (Conditions Precedent) being, materially:

- (a) **FIRB approval:**the transactions in the Restructure Proposal entered into by Babcock & Brown (as a "foreign person") are not objected to under FATA;
- (b) **ASIC and ASX approvals:**ASIC and ASX issue or provide such consents, waivers, approvals, or do such other acts that are necessary or expedient to implement the Restructure Proposal as jointly determined by Primelife and Babcock & Brown Australia;
- (c) **Quotation of Stapled Securities:** ASX approves BBCT for admission to the Official List of ASX and grants approval for the quotation of Stapled Securities subject to the usual conditions;
- (d) **Government approvals:** all other approvals required by any government or administrative body, agency or entity which are necessary to implement the Restructure Proposal as determined jointly by Primelife and Babcock & Brown are obtained;
- (e) **Consent of PLT unitholders:**relevant entities connected with PLT and its unitholders provide their consents to the Restructure Proposal, the taking of steps in relation to the Restructure Proposal and the implementation of the Restructure Proposal;
- (f) **Third party consents:**all other third party consents necessary for implementation of the Restructure Proposal as jointly determined by Primelife and Babcock & Brown are received;
- (g) **PLFGA Note consents:**such approvals are obtained of the Restructure Proposal from PLFGA Noteholders and the trustee for the PLFGA Notes as are required in the context of the Unsecured Convertible Note Trust Deed dated 6 August 2004 (as amended) including to enable the conversion of PLFGA Notes into Stapled Securities instead of Primelife Shares;
- (h) **Primelife Shareholder approvals:** the approval by Primelife Shareholders of the Scheme and their passing of the Supporting Resolutions by the requisite majorities;
- (i) **Capital Raising:**receipt by Primelife and BBCT of irrevocable commitments to apply for Stapled Securities (including under the Underwriting Deeds summarised in Sections 12.9.7 and 12.9.8) in an aggregate amount of not less than \$300 million for the purposes of the Capital Raising which commitments are capable of acceptance by Primelife and BBCIS, subject to approval of the Scheme by the Court;
- (j) **Transaction documents:**the execution by all parties of the transaction documents required for the Restructure Proposal, other than the Fini Acquisition Proposal;
- (k) **No restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Restructure Proposal is in effect at 8.00am on the Second Court Hearing Date;

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- (l) **No material adverse change:** no material adverse change is discovered, announced, disclosed or otherwise known to Primelife or Babcock & Brown Australia between the date of the Implementation Agreement and 8.00am on the Second Court Hearing Date including:
- (i) (*insolvency events*) Babcock & Brown Australia, BBCIS, B&B CPI, a material entity of the PLT group or a member of the Primelife Group becomes insolvent or becomes subject to insolvency related processes;
  - (ii) (*fall in Primelife Share price*) the closing price recorded for Primelife Shares on ASX falling more than 10% below the closing price for such shares recorded on ASX on the last Business Day before the date of the Implementation Agreement on which Primelife Shares were traded and such securities continue to trade more than 10% below such price for three consecutive Business Days;
  - (iii) (*underwriting termination event*) a matter, circumstance or event has given rise to a right of termination under the Underwriting Deed and such right has been exercised;
  - (iv) (*other materially adverse matters*) a matter, circumstance or event (other than as is known prior to the date of the Implementation Agreement or is required for the Restructure Proposal) that individually or when aggregated with other matters, circumstances or events:
    - A. has prevented the satisfaction of a condition precedent set out in this Section;
    - B. resulted in Primelife or PLT being unable to carry on its business in substantially the same manner as it is carried on at the date of the Implementation Agreement;
    - C. has diminished the gross assets or increased the gross liabilities of the Primelife Group by more than 15%; or
    - D. is reasonably likely to have an effect referred to in sub-paragraph (A), (B) or (C) above; and
- (m) **No prescribed occurrences:** after execution of the Implementation Agreement and before 8.00am on the Second Court Hearing Date (other than as contemplated for the Restructure Proposal or with consent) none of a list of matters occurs in relation to a material entity in either the Primelife or PLT groups including the distribution of a dividend, matters which impact on its capital structure or the terms of its securities or its constitution, which grant additional rights to acquire its securities, or encumber or dispose of or create an agreement to dispose of material assets or make or offer to make a material commitment.

The parties agree to use their best endeavours to procure that the Conditions Precedent are satisfied by the Quit Date and must assist each other to satisfy their respective obligations in relation to the Conditions Precedent and in obtaining Court approval, substantially in accordance with a timeline and a list of steps (Transaction Steps). The Transaction Steps contemplate that the Restructure Proposal will be finally implemented on or around 10 August 2007. Primelife and Babcock & Brown Australia must use their reasonable endeavours to procure that the proposal documentation, the Explanatory Memorandum and the Capital Raising disclosure documents are prepared and issued, and the implementation steps are undertaken, in accordance with applicable laws. The parties also agree to co-operate, provide information to each other and to establish a due diligence system for the purpose of the Explanatory Memorandum and disclosure documents required for the Capital Raising.

### 12.9.1.3 Termination events

The Implementation Agreement may be terminated in certain circumstances.

Primelife or Babcock & Brown Australia each have a right to terminate (Terminating Party) the Implementation Agreement by notice if:

- (n) (**No implementation**) implementation of the Restructure Proposal does not occur on or before the Quit Date (other than as a result of a breach by the Terminating Party of its obligations under the Implementation Agreement);
- (o) (**Material breach**) another party is in material breach of its obligations under the Implementation Agreement and has not rectified that breach within 10 Business Days (or any shorter period ending at 5.00pm on the day before the date of the Second Court Hearing Date) after it is given notice by the Terminating Party specifying that breach and requiring it to be rectified;
- (p) (**Resolutions not passed**) the resolution proposed at the Scheme Meeting or any Supporting Resolution or a resolution proposed at the meeting of the holders of PLFGA Notes is not passed by the required majorities;
- (q) (**No Court approval**) approval of the Scheme by the Court is not received so as to enable implementation of the Restructure Proposal before the Quit Date;
- (r) (**Material adverse change**) a matter referred to under Section 12.9.1.2(i) has occurred;



- (s) **(Action by the Court or government agency)** the Court or any government agency takes any action, refuses to take any action or makes a preliminary or final order or decree (or commences or threatens to do so) which prevents implementation of the Restructure Proposal or satisfaction of a Condition Precedent;
- (t) **(Failure of Condition Precedent)** a Condition Precedent is not capable of being satisfied or has not been satisfied or waived on or before the Condition Date;
- (u) **(No court approval)** court approval cannot be obtained on or before the Condition Date;
- (v) **(No quotation)** receipt by Primelife and BBCT of the conditional consent of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of the directors of Primelife and BBCIS, are unsatisfactory, or the failure to receive, on or before the Condition Date, conditional consent in writing of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of those directors, are satisfactory;
- (w) **(Independent Expert)** the Independent Expert changes or withdraws its conclusion that the Scheme is in the best interests of Primelife Shareholders or that each Supporting Resolution on which he has opined is fair and reasonable to Primelife Shareholders who are eligible to vote on such resolutions at the General Meeting; or
- (x) **(Prescribed occurrences)** a prescribed occurrence (see Section 12.9.1.2(m)) occurs in relation to PLT.

Babcock & Brown Australia may terminate the Implementation Agreement if any Independent Director of Primelife makes a public statement in writing that they do not support the Restructure Proposal or if a prescribed occurrence (see Section 12.9.1.2(m) above) occurs in relation to Primelife.

Primelife may terminate the Implementation Agreement if a bona fide Superior Proposal is agreed and announced by Primelife after the date of the Implementation Agreement. A Superior Proposal is more fully explained in Section 12.9.1.4.

The parties may terminate the Implementation Agreement by agreement at any time before Court approval of the Scheme.

Where a party has a right to terminate the Implementation Agreement and that right arises before the Second Court Hearing Date, the party's right to terminate ceases at 8.00am on the Second Court Hearing Date.

#### **12.9.1.4 Competing transactions**

Under the Implementation Agreement, each party must not, itself or through or by a controlled entity or representative, and must ensure that PLT Management Pty Ltd (as trustee of PLT) does not directly or indirectly, solicit, invite, encourage or initiate any enquiries, negotiations or discussions, or communicate with any intent to do any such thing, with a view to obtaining or making any expression of intent, offer or proposal that constitutes or may reasonably be expected to lead to a competing transaction. A competing transaction is:

- a transaction which, if completed, would mean a person other than a member of the Babcock & Brown group would directly or indirectly:
  - acquire all or a substantial part of the assets or business of the Primelife Group of the PLT group;
  - acquire a relevant interest in or become the holder of more than 20% of Primelife's capital or interests or of the capital of, or interests in any of the members PLF group;
  - acquire control of Primelife;
- a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving Primelife and its controlled entities; or
- a transaction involving the formation of a dual listed company structure, stapled security structure, any other form of synthetic merger, or any form of a swap transaction having the same or substantially the same effect as a takeover bid, or scheme of arrangement in respect of Primelife and its controlled entities.

However, the Implementation Agreement does not prohibit Primelife from considering and responding to an unsolicited proposal that may lead to a competing transaction where the Independent Directors acting in good faith and to satisfy what they consider to be their fiduciary and statutory duties. If Primelife receives a proposal in relation to a bona fide competing transaction which is more favourable to Primelife Shareholders than the Restructure Proposal, it must give notice of that competing transaction to Babcock & Brown Australia. Babcock & Brown Australia then has the opportunity to propose changes to the Restructure Proposal and if it does so, the Independent Directors must review such counterproposal in good faith to determine whether it is at least as favourable to Primelife Shareholders as the competing transaction. If the Babcock & Brown Australia counterproposal is determined by the Independent Directors to be at least as favourable to Primelife Shareholders as the competing transaction, then Primelife and Babcock & Brown Australia must enter into arrangements to amend or replace the Restructure Proposal to provide for the counterproposal (Matching Rights Provisions).

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Primelife must not enter into a transaction for a competing transaction unless it is a Superior Proposal as follows:

- the proposal is a bona fide competing transaction, is fully funded and reasonably capable of being valued and completed, taking into account all aspects of the competing transaction and the persons proposing it;
- the Independent Directors, acting in good faith and otherwise in accordance with their duties as Directors, determine that the competing transaction is at least as favourable to Primelife Shareholders as the Restructure Proposal; and
- the Independent Directors have satisfied any other obligations in the Implementation Agreement to notify Babcock & Brown of the competing transaction (see above).

### 12.9.1.5 Implementation

In the Implementation Agreement, the parties agree the substantial terms of the transaction documentation and the Transaction Steps (including a timetable for the steps of the Restructure Proposal). Primelife agrees to implement various steps in the Restructure Proposal, subject to satisfaction of Conditions Precedent and each of Babcock & Brown Australia and BBCIS agree to implement or procure implementation of certain steps. MFS consents to the Restructure Proposal for itself and its relevant related bodies corporate. MFS agrees to procure performance of its relevant related bodies corporate and to join with Babcock & Brown Australia and Primelife in procuring the performance of PLT.

From the date of the Implementation Agreement until the date of implementation of the Restructure Proposal or the date the Implementation Agreement is terminated (Non-Solicitation Period):

- Primelife to conduct its business in the ordinary and usual course (except as contemplated by the Restructure Proposal) and undertake no material transaction (except as contemplated by the Restructure Proposal) without the approval of Babcock & Brown Australia; and
- all parties must procure that the business of PLT is conducted in the ordinary and usual course (except as contemplated by the Restructure Proposal) and that it undertakes no material transaction during this time (except as contemplated by the Restructure Proposal) without the approval of Primelife and Babcock & Brown Australia.

Primelife must ensure that the Primelife Board does not change the unanimous recommendation in favour of the Restructure Proposal as announced (a termination event) unless:

- the Independent Expert concludes that either the Scheme is not in the best interests of Primelife Shareholders or one or more of the Supporting Resolutions is not fair and reasonable to Primelife Shareholders who are eligible to vote at the General Meeting; or
- subject to the Matching Rights Provisions referred to in Section 12.9.1.4, another proposal emerges satisfying the criteria of a Superior Proposal.

### 12.9.1.6 Costs

The parties agree to an allocation of the costs of the Restructure Proposal to BBCG if it is successful and between Primelife and Babcock & Brown Australia if it is unsuccessful.

### 12.9.2 SUMMARY OF PLT ACQUISITION AGREEMENT

Primelife has agreed with PLT, its unitholders and the shareholders of PLT Management Pty Limited (PLT Management) to acquire all of the assets of PLT and its controlled entities (PLT group).

This acquisition will be effected by a restructure of trust arrangements within the PLT group, the acquisition of an interest in particular assets held by the PLT group and subsequently an acquisition of all of the issued units in PLT and the issued shares in PLT Management.

In consideration for these transfers, Primelife will issue a total of 57,433,913 Primelife Shares to the following sellers (each a Seller):

Babcock & Brown Australia CPI Pty Limited (CPI) - 34,794,783; and

MFS Treasury Limited and MFS Investment Nominees Pty Limited - 22,639,130.

The Sellers have agreed to abide by any escrow restrictions imposed on these Primelife Shares and the BBCT Units subsequently issued to them in respect of these Primelife Shares. If ASX does not classify these Stapled Securities as restricted securities, the Sellers will enter into a voluntary escrow restriction on all of these Stapled Securities for a period of 12 months, in the case of CPI and for a period of six months, in the case of MFS Treasury Limited and MFS Investment Nominees Pty Limited subject to an overall cap on escrowed securities held by those Parties and their associates equal to 10% of the BBCG Stapled Securities.

Each Seller will give warranties to Primelife regarding their capacity, authorisation and ability to sell the capital structure of PLT Management and the unit structure of PLT. Since Primelife is the asset manager for the PLT group and its subsidiary, Prime Life Management Services Pty Limited, acts as manager of each of the PLT group Retirement Villages and so has an understanding of the financial and operating position of the PLT group; the Sellers will not be providing detailed warranties on these matters.

Completion of these transfers is conditional on receipt of all Primelife Shareholder, PLFGA Noteholder, regulatory and court approvals necessary to implement the Restructure Proposal. Execution of these agreements will take place prior to the Scheme Meeting and completion will take place prior to the Implementation Date.

As a result of the issue of Primelife Shares under these agreements, the Sellers will be Scheme Shareholders and so will participate in the Scheme and the Stapling Proposal.

On completion, the shareholders agreement and the unitholders agreement governing the relationship between the Sellers, Primelife and PLT Management will be terminated and each of the Sellers, PLT Management and Primelife will release each other, each of their related entities and officers from any liability under or in relation to those agreements.

### **12.9.3 SUMMARY OF MANAGEMENT ARRANGEMENTS**

#### **12.9.3.1 Management Agreement**

##### **Appointment of BBCM as Manager**

BBCM will enter into Management Agreements with each of Primelife and the Responsible Entity (each a relevant BBCG Entity) for the provision of services to BBCG.

Under the terms of the Management Agreements, BBCM will make recommendations to Primelife and BBCIS (as Responsible Entity of BBCT) in respect of prospective investments and management of BBCG and will provide management services to BBCG.

BBCM will be appointed Manager for a term of 10 years unless the Management Agreements are terminated or extended as set out below. If ASX policy changes to permit a longer term, this 10 year term will be increased to the maximum permitted term, not exceeding 25 years. At any time after the commencement of the Management Agreements, Securityholder approval may be sought to renew the term for another term of the same length as the term during which approval is sought, to commence on the date of the relevant Securityholder approval. The performance by the Manager is subject to the overall supervision of the Boards.

The Management Agreements are conditional on the Scheme becoming Effective prior to 31 January 2008 unless the condition is waived by the relevant BBCG entity.

The services provided by the Manager may include:

- investing and managing the portfolio of assets owned by BBCG;
- reviewing and monitoring the portfolio of assets owned by BBCG and regularly conferring with BBCG regarding the investment and management of the portfolio;
- providing investment, consultation, advisory and management services generally in relation to authorised investments and the asset portfolio;
- identifying and implementing appropriate risk management policies and procedures in respect of the asset portfolio and reporting on the adequacy and effectiveness of those policies and procedures on a regular basis to the respective Boards;
- if requested by BBCG, procuring the appointment of a member of the core management team as BBCG's nominee on the board of directors of any investee entity, seconding any member of the core management team to any investee entity, and/or facilitating the involvement of a member of the core management team in the management of an investee entity on an interim basis;
- in conjunction with other resources of BBCG and its controlled entities, facilitate compliance with the *Aged Care Act 1997* (Cth);
- recommending to BBCG the amount of any dividend or distribution (including a payment of a capital nature) that should be paid by BBCG in any relevant period;
- assisting with the implementation of Board decisions;
- providing a registered office for BBCG and office space and facilities for the Boards;
- performing or procuring the performance of all reasonable accounting, tax, audit, IT, legal and compliance (including corporate secretarial) services for BBCG;
- either itself or through a custodian, opening, closing, operating and managing BBCG's bank accounts, including making deposits and withdrawals;

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- supervising financial audits of BBCG by an external auditor as required;
- managing investor and public relations including administration of and compliance with BBCG's continuous disclosure obligations; and
- making recommendations (together with reasonable supporting information and analysis) to the Boards in respect of any matter which requires approval of the Boards.

The Manager is authorised by BBCG to do all things necessary or incidental to perform the services.

The Manager also makes available to BBCG, at the Manager's cost, the core management team of Chief Executive Officer, Chief Financial Officer and General Manager Corporate, who will initially be Mr John Martin, Ms Joanna Wakefield and Mr Gregor Dixon respectively. The Manager is entitled to an annual contribution from BBCG towards the Manager's costs, including the costs associated with employing the Key Executives of BBCG (Manager Expense Amount). The Manager Expense Amount is \$500,000 per annum, indexed annually to CPI.

In addition to the services referred to above, the Manager will provide the following services in relation to the acquisition and disposal of authorised investments:

- identifying, investigating, evaluating and advising on investment opportunities for BBCG, including any opportunities identified by BBCG; and
- exploring opportunities for BBCG to dispose of its investments and advising on such disposal opportunities.

However, the Manager is not restricted from pursuing itself or offering to a third party any investment opportunities related to, amongst other matters, the Aged Care and Retirement Living sector.

The Manager is appointed on an exclusive basis, however the Manager may provide similar services to other persons.

In performing the services, the Manager must comply with the then adopted statement of business positioning, the Stapling Deed and any written policy and directions of BBCG which do not contravene any law or the relevant Management Agreement and are not inconsistent with the statement of business positioning or the Stapling Deed.

The Manager must provide quarterly reports which include an operations report, investment report, strategy report and financing report, as well as a half yearly report confirming that it has complied in all material respects with its obligations under the relevant Management Agreement or, where it has failed to comply, the reasons for such non-compliance.

In performing the services, the Manager must:

- act honestly and in good faith in the interests of holders of Stapled Securities;
- show the degree of care, diligence and skill that would reasonably be required of a manager investing and managing BBCG's portfolio;
- act with all due care and skill;
- comply with all applicable laws;
- promptly notify BBCG of any directions provided to it by BBCG which have not been complied with and the reason for non-compliance;
- comply with all reasonable requests from BBCG's auditor for information or assistance in relation to the portfolio or BBCG's financial statements; and
- not accept any benefits in the nature of soft dollar receipts.

The Manager may not undertake certain transactions with related parties of BBCG or above certain financial thresholds without the Board's prior consent which must not be unreasonably withheld or delayed.

The Manager may obtain assistance from time to time from professional advisers, specialist consultants and other experts as the Manager considers reasonably necessary in providing the services.

Neither Primelife nor BBCT may make decisions in relation to matters the subject of the Manager's services unless the matter has been the subject of a recommendation by the Manager or failure by the Manager to decide or to act would, in the opinion of the Directors, be likely to breach the duties of the Directors, as directors or any law. The Directors may not direct the Manager to make a decision or take action in relation to a matter unless the matter has been the subject of a recommendation by the Manager or failure to decide or to act would, in the opinion of the Directors, be likely to breach the duties of the Directors, as directors or any law.

BBCG will agree to indemnify the Manager and its delegates and their officers, employees and agents against losses, liabilities, costs, charges and/or expenses incurred by them in connection with the agreement except where the losses, liabilities, costs, charges and/or expenses are caused by the gross negligence, fraud or dishonesty of, or wilful breach of the Management Agreements by the indemnified person. The parties to the Management Agreements will also provide warranties for the benefit of each other.

### Fees

The Manager will be entitled to be paid Base Fees and Incentive Fees under the Management Agreements. The Manager will also enter into a Side Letter Agreement with BBCG. The Side Letter Agreement provides that a component of the Base Fee is subject to the achievement of performance targets up to 30 June 2010. These fees are described in detail in Section 9. The Base Fee which is due to the Manager in relation to the Management Agreement between the Manager and the Responsible Entity is reduced by any fee paid to the Responsible Entity pursuant to the BBCT Constitution for so long as the Manager is a related party of the Responsible Entity. In addition to the Base Fees and the Incentive Fees, BBCG will pay to the Manager fees in relation to origination and disposal services. These fees have been agreed between BBCG and the Manager having regard to arm's length market fees for similar services in the Australian market. The Manager will also be entitled to additional fees as agreed with BBCG for any services provided in addition to those designated in the Management Agreements. Further details about these fees are contained in Section 9.

The Manager will be entitled to recover \$500,000 per annum as a base manager expense amount. The Side Letter Agreement provides that the base manager expense amount will be subject to the achievement of performance targets until 30 June 2008. The Manager will also be entitled to recover certain costs paid by it on behalf of BBCG and certain taxes and fees at market rates for providing any non-designated services. The Manager will have the right to receive one third of the net value of any break, termination or similar fees received in connection with any investment or proposed investment. These amounts are detailed in Section 9.

### Term

The term of each Management Agreement is 10 years unless terminated or extended in accordance with the agreement. Termination rights are set out below. However, if ASX policy permits a longer term, the term will automatically increase without Securityholder approval to the maximum permitted term not exceeding 25 years. This term will be subject to further Securityholder approved extensions of the same length.

At any time following commencement of the Management Agreements, the Manager may request that BBCG or each BBCG entity call a meeting of its Securityholders to consider and, if appropriate, approve a resolution renewing the term of the Management Agreements for a further Term with such Term to commence on the date of the resolution. If requested to do so, BBCG must call a meeting and it must despatch any material reasonably requested by the Manager provided that the material is not misleading or deceptive (including by omission) in any material respect. The Manager may request that BBCG call a meeting of its Securityholders more than once in relation to renewing the term of the Management Agreements in the manner set out above.

If the Securityholders approve the resolution extending the term, the term of the Management Agreements will be for a further 10 years from the date of the resolution. The Management Agreements provide that Securityholders can approve the resolution extending the term more than once.

If the Securityholders do not approve the resolution extending the term, the Management Agreements will continue until the completion of the term last approved by Securityholders.

### Termination

The Manager has the right to terminate the Management Agreements on six months' notice and will be appointed as Manager for a term of 10 years, unless extended as set out above or terminated earlier as follows.

The relevant BBCG entity may terminate a Management Agreement to which it is a party immediately on written notice if:

- a material breach by the Manager of the relevant Management Agreement occurs and is not remedied within a 90 day period of receipt of written notice to do so;
- any necessary licence, permit or authorisation held by the Manager or its delegate is materially breached, suspended or revoked or otherwise made subject to conditions which prevent it from performing its services and this is not remedied within 90 days;
- Babcock & Brown and/or its controlled entities in aggregate cease to hold or own (directly or indirectly) more than 50% of the issued share capital of the Manager; or
- an insolvency event occurs in respect of the Manager and the Manager is not replaced by a suitable Babcock & Brown entity within 15 days.

The Manager may terminate a Management Agreement immediately on written notification if:

- the relevant BBCG entity ceases to be admitted to the Official List;
- a material breach by the relevant BBCG entity of the relevant Management Agreement occurs and is not remedied within 90 days after receipt of written notice to do so;

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- an insolvency event occurs in respect of the relevant BBCG entity; and
- a person, other than an associate of Babcock & Brown, acquires a relevant interest (as that term is defined in section 9 of the Corporations Act) in 30% or more of the securities of the relevant BBCG entity.

If a Management Agreement is terminated, the relevant BBCG entity must promptly change its name, and procure that its subsidiaries and affiliates promptly change their names, so that they do not include the words "Babcock", "Brown" or "Babcock & Brown" and change any associated branding. Termination of the Management Agreements may trigger rights of other parties under other agreements.

### **12.9.3.2 Preferred Financial Advisory Agreement**

From time to time, Primelife or BBCIS as Responsible Entity may seek financial advisory or investment banking services. With this in mind, Primelife and BBCIS (as Responsible Entity for BBCT) will enter into a Preferred Financial Advisory Agreement with Babcock & Brown Australia. Under the agreement, Babcock & Brown Australia will confirm its willingness and ability to act as financial adviser and provide investment banking services to BBCG. Babcock & Brown Australia will undertake to make itself available and ensure it has suitable resources to provide these services to BBCG. In consideration for such undertakings, BBCG has given Babcock & Brown Australia a first and last right of refusal regarding the provision of financial advisory and investment banking services to BBCG.

The Preferred Financial Advisory Agreement is separate to the Manager's role in providing acquisition and disposal services to BBCG under the Management Agreements.

The fees payable for any service under the Preferred Financial Advisory Agreement are described in Section 9.

The Preferred Financial Advisory Agreement may be terminated by Babcock & Brown Australia by six months' written notice to BBCG and by BBCG after the 10th anniversary of the agreement where, following the expiration of such 10 year period, BBCG reasonably believes that Babcock & Brown Australia no longer possesses sufficient resources to provide the services, it has given written notice of that view to Babcock & Brown Australia, Babcock & Brown Australia is unable to address the concerns materially within 30 days of receipt of notice and BBCG gives not less than six months' written notice of termination.

BBCG has agreed to indemnify Babcock & Brown and its related bodies corporate, officers, partners, employees and agents to the extent permitted by law for any claim, loss, liability, costs and expenses as a result of proceedings, penalties and fines arising out of the engagement of Babcock & Brown Australia as financial adviser, any transactions contemplated by the engagement or performing the services contemplated by the engagement other than where these arise because of their bad faith, gross negligence, failure to adequately manage a conflict of interest or material breach of the terms of the agreement.

### **12.9.4 RESTRUCTURE FINANCIAL ADVISORY MANDATE**

Primelife has appointed Babcock & Brown Australia as its exclusive financial adviser in relation to the Restructure Proposal and certain other transactions preparatory or related to the Restructure Proposal.

The fees payable for the services provided under this agreement are described in Section 9.

The agreement terminates on in the first date on which BBCG commences trading on ASX or by written notice from one party to the other.

Primelife has agreed to indemnify Babcock & Brown Australia and its officers, employees, partners and agents for any claim, loss, liability, cost and expense as a result of all prosecutions, penalties, fines and proceedings as a result of engaging Babcock & Brown Australia. Babcock & Brown Australia's liability is limited to circumstances where it is has been finally judicially determined that any such loss primarily resulted from an indemnified person's bad faith, gross negligence, failure to adequately manage a conflict of interest or a material breach of the terms of the agreement.

### **12.9.5 OPTION AGREEMENT FOR FINI PORTFOLIO**

On 10 May 2007, in consideration for a nominal payment of \$2.00, Babcock & Brown Communities WA No.1 Pty Limited (Buyer) entered into two Call Option Deeds granting the Buyer the right to require the 14 owners (Sellers) of the Fini Villages retirement business and assets (Business) to sell the Business to the Buyer (or a Babcock & Brown entity nominated by the Buyer).

The options are exercisable simultaneously between the period of 2 July 2007 and 14 August 2007 (Exercise Period) and are conditional on the Sellers receiving the necessary income tax advice, including, but not limited to, receipt of satisfactory tax rulings in relation to two entities that will be acquired by the Buyer.

If the Buyer intends to exercise the options, it must give the Sellers a prior notice of its intention (Notice of Intention) to do so no later than five Business Days before the last day of the Exercise Period. Exchange of the transaction agreements (which have already been negotiated and are attached to the Call Option Deeds) and delivery of the Business under the transaction must occur simultaneously within five Business Days of the Notice of Intention. The main obligations of the parties (e.g. warranties, adjustments to purchase price, etc.) are set out in an Interdependency Agreement entered into between the Buyer and all of the Sellers. Specific assets are sold under individual sale agreements entered into between the Buyer and the relevant owners of the assets as contemplated by the Interdependency Agreement.

The purchase price for the Business is approximately \$180 million (Purchase Price) and is subject to certain adjustments. The Sellers may elect to receive the Purchase Price entirely in cash or a combination of cash and \$20 million worth of stapled securities (Securities) in Babcock & Brown Communities (Fund) to be issued at the Priority Offer and Resident and Employee Offer Price. The Buyer is only obliged to procure the issue of Securities if:

- the Fund is in existence and listed on the date the options are exercised (Completion Date);
- the Buyer has nominated the Fund as its nominee or the Buyer is wholly-owned by the Fund on the Completion Date; and
- all securities laws are complied with.

The assets of the Business also include 12 villas at Mandurah and 35 villas at Mindarie (valued at approximately \$20 million in aggregate) that are currently under development (Unsold Villas). Although the Buyer will acquire the Sellers' rights relating to the Unsold Villas (i.e. deferred management fees) on the Completion Date, the Sellers will retain control over their initial sale to residents and are entitled to receive the sale proceeds, subject to the gross sale proceeds of the villas not being more than 3% lower than their current aggregated estimated value of approximately \$20 million. The Buyer will have the option on the Completion Date to borrow from the Sellers an interest free amount that corresponds to the value of the Unsold Villas. The loan will be reimbursed by the Buyer as and when an Unsold Villa is sold. The loan will be secured by a mortgage over the Buyer's interests in the Unsold Villas.

If the tax advice and rulings sought by the Sellers are not received by the end of the Call Option Period, the parties have agreed either to extend the Call Option Period or to renegotiate the structure of the transaction in good faith such that the purchase price under any revised structure is consistent with the Purchase Price.

A security deposit of \$10 million has been provided by the Buyer that is refundable if the Sellers do not deliver the Business to the Buyer on exercise of the options. The security deposit will be forfeited by the Buyer if the options are not exercised.

The Sellers are restricted from soliciting and entertaining any other offers for the Business during the Call Option Period.

The Sellers have undertaken to operate the Business in the ordinary course until the Completion Date. Furthermore, each Seller has given a number of warranties in respect of the relevant part of the Business which they are selling, including in relation to title of the assets, authority to enter into the transaction agreements, enforceability of the transaction agreements and commitments to residents (including certainty of the deferred management fees). Warranty claims relate to four baskets of assets and are subject to certain limits, including minimum thresholds and time limitations (i.e. six years for tax warranty claims and 31 December 2008 for all other warranty claims).

The Sellers' obligations have been guaranteed by Adriano Fini, which guarantee remains effective as long as a Seller has obligations under the transaction agreements. The Buyer's obligations have been guaranteed by B&B CPI, which guarantee is released on the Completion Date.

#### **12.9.6 BABCOCK & BROWN COMMUNITIES WA NO.1 PTY LIMITED SHARE SALE AGREEMENT**

B&B CPI and Babcock & Brown DCS Pty Limited (DCS) own all of the issued capital of Babcock & Brown Communities WA No.1 Pty Limited. B&B CPI and DCS have agreed to enter into a share sale agreement with Primelife under which CPI and DCS will transfer all of their shares in Babcock & Brown Communities WA No.1 Pty Limited to Primelife in consideration for cash consideration of \$100.

B&B CPI and DCS will give warranties to Primelife regarding their capacity, authorisation, ability to sell the shares and the capital structure of Babcock & Brown Communities WA No.1 Pty Limited to Primelife.

Completion of this sale is conditional on receipt of all Primelife Shareholder, PLFGA Noteholder, regulatory and court approvals necessary to implement the Restructure Proposal. It is expected that execution of this sale agreement will take place prior to the Scheme Meeting and completion will take place shortly after the Implementation Date.

As described in Section 12.9.5, B&B CPI has guaranteed the performance of the obligations of Babcock & Brown Communities WA No.1 Pty Limited under the Fini Option Agreement and associated transaction agreements.

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If Babcock & Brown Communities WA No.1 Pty Limited defaults in its obligations under the Fini Transaction Documents, a demand on B&B CPI has been made under its guarantee in an amount of \$1,000,000 or more, and completion of the Fini Transaction Documents has not occurred, B&B CPI and DCS may exercise an option to reacquire all of the issued shares in Babcock & Brown Communities WA No.1 Pty Limited for total consideration of \$100. Primelife must also indemnify B&B CPI and DCS against any loss it may suffer as a result of any breach of its obligations under the Fini Transaction Documents that results in a successful claim under the guarantee provided by B&B CPI to the Fini parties.

### 12.9.7 SUMMARY OF UNDERWRITING DEED IN RESPECT TO THE MAIN OFFER

Primelife and BBCIS entered into an Underwriting Deed dated 30 May 2007 (which was varied on 15 June 2007) with Babcock & Brown Australia, the Joint Lead Managers, Tricom and the B&B Underwriter under which:

- each Joint Lead Manager (comprising ABN AMRO Rothschild, JPMorgan and MECM) agrees to manage the Capital Raising;
- Tricom agrees to act as a Co-Lead Manager to the Capital Raising;
- the Underwriters (being each Joint Lead Managers and Tricom) agree to, in the proportions specified below, to severally underwrite 243,478,261 Stapled Securities to be offered for issue under the Main Offer, equating to \$280,000,000:

ABN AMRO Rothschild	28.57%
JP Morgan	28.57%
MECM	28.57%
Tricom	14.29%
- B&B Underwriter has agreed to underwrite 17,391,304 Stapled Securities to be offered for issue under the Foundation Offer, the Institutional Offer and the Broker Firm Offer, equating to \$20,000,000;
- only applications in excess of the B&B Underwriter's commitment received from a B&B Nominated Investor under the Main Offer does not count towards relieving the 243,478,261 Stapled Securities to be underwritten by the Underwriters;
- the fees payable to the Underwriters and to B&B Underwriter under the Underwriting Deed are set out in Section 9; and
- the Underwriting Deed will terminate if the Second Court Hearing does not occur by 14 August 2007.

An Underwriter or B&B Underwriter may terminate its obligations under the Underwriting Deed if any of the following events occurs on or before 8.00am on the Second Court Hearing Date and the Underwriter gives a notice of termination on or before 8.00am on the Second Court Hearing Date:

- BBCG not having implemented and completed (other than the obligation on BBCG to exercise continued due diligence up until the Issue Date) the due diligence program on or before the Lodgement Date;
- the due diligence report not having been delivered to the BBCG Board and the Underwriters on or before the Lodgement Date; or the contents of the due diligence report disclosing or referring to any matter or thing which, in the reasonable opinion of an Underwriter, has or would be likely to have a material adverse effect on the success of the Offer or which could give rise to a liability of an Underwriter under any law or regulation if the Offer were to proceed;
- the Offer Document in a form approved by the Underwriters not being lodged with ASIC on or before the Lodgement Date;
- ASX waivers and ASIC modifications not having been obtained on or before the Lodgement Date or being withdrawn before the Issue Date;
- the Consolidation Proposal is or becomes, terminated, void, avoided, illegal, invalid, unenforceable or materially limited in effect or have become incapable of completion due to the non-satisfaction of a condition precedent or otherwise;
- the Fini Acquisition Proposal is or becomes, terminated, void, avoided, illegal, invalid, or incapable of completion in accordance with its terms;
- the Implementation Agreement not having been duly entered into by the parties to the Implementation Agreement by the date immediately following the date of the Underwriting Deed, the Implementation Agreement not remaining in full force and effect up until 8.00am on the Second Court Hearing Date or the conditions precedent in the Implementation Agreement not having been satisfied or waived (with the consent of the Underwriters, acting reasonably) on or before the Second Court Hearing Date (but not including the condition precedent in the Implementation Agreement for the minimum amount under the Capital Raising to have been raised);
- the Underwriters and B&B Underwriter not having received a certificate required to be given, or the content of a certificate which is required to be furnished by BBCG is found to be untrue, incorrect or misleading;



- ASIC gives notice of an intention to hold a hearing or issues an order or an interim order under certain provisions of the Corporations Act in relation to the Offer Document or gives notice of an intention to prosecute BBCG, or any of its Directors, in each case, which such notice or order is not withdrawn or dismissed within three Business Days (or by 8.00am on the Second Court Hearing Date if earlier) after it was made;
- ASX states in writing that unconditional approval (or conditional approval, provided such condition is customary or would not, in the reasonable opinion of the Joint Lead Managers, have a material adverse effect on the success or settlement of the Offer) by ASX to BBCT's admission to the official list of ASX or official quotation of the Stapled Securities will not be given, or such approval is not granted before the Issue Date (or such later date agreed in writing by the Joint Lead Managers in their absolute discretion) or is withdrawn on or before 8.00am on the Second Court Hearing Date;
- any person (other than the terminating party) whose consent to the issue of the Offer Document is required by the Corporations Act refuses to give their consent or having previously consented to the issue of the Offer Document withdraws such consent;
- \*any event specified in the timetable is delayed without the prior written consent of the terminating party, such consent not to be unreasonably withheld or delayed in the manner specified in the Underwriting Deed;
- BBCG withdraws the Offer Document, any supplementary offer document or the whole or any part of the Main Offer without the consent of the Joint Lead Managers;
- the Offer Document omits any material information required by the Corporations Act, contains a statement which is materially misleading or deceptive or otherwise fails to comply with the Corporations Act;
- an insolvency event occurs;
- the S&P/ASX 200 index published by ASX closes at a level that is 10% or more below its level at market close on the date immediately preceding the date of the Underwriting Deed, and remains at or below that level for a period of three consecutive Business Days (or as at 8.00am on the Second Court Hearing Date if earlier);
- a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited, in each case, the effect of which is such as to make it, in the reasonable opinion of the terminating party reached in good faith, impracticable to market the Offer or to enforce contracts to issue and allot or purchase the Offer Securities or is reasonably likely to materially and adversely affect the success or settlement of the Offer;
- \*a representation or warranty made or given by BBCG under the Underwriting Deed proves to be, or has been, or becomes, untrue or incorrect or BBCG fails to perform or observe any of its obligations under the Underwriting Deed;
- \*any material contract (including the Implementation Agreement) summarised in the Offer Document is terminated (whether by breach or otherwise), rescinded, altered or amended in a material respect without the prior written consent of the Joint Lead Managers (which consent shall not be unreasonably withheld or delayed) or any such contract is found to be void or voidable or, if any of those material contracts are not signed by the Lodgement Date, it is agreed that any of them will not be signed or will be signed in a form which is materially different from the summary;
- \*without the prior written consent of the Joint Lead Managers, which consent shall not be unreasonably withheld or delayed, either the capital or the constitution of a Stapled Entity is altered in any material respect except for amendments to facilitate the Staping Proposal (as contemplated in the Offer Document) or the Main Offer, the form of which has been approved by the Joint Lead Managers, such approval not to be unreasonably withheld or delayed;
- \*a contravention in a material respect by BBCG of any provision of its constitution, of the Corporations Act or any requirement of ASX or any other applicable law (except to the extent that compliance with any applicable law has been waived, or an exemption or modification granted, by a government agency having authority to do so, provided the Underwriters have been notified of such waiver, exemption or modification);
- \*a Director of BBCG is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action against the Director in his or her capacity as a Director of BBCG or announces that it intends to take any such action; a Director of BBCG is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act; or a change in the board of directors of BBCG occurs or Gregor Dixon or Gavin Boyd ceases to be employed by BBCG or within the business conducted by BBCG, or Joanna Wakefield ceases to be employed by Babcock & Brown Limited (or a controlled entity of Babcock & Brown Limited) each without the consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed);
- BBCG or any officer of BBCG is charged in relation to fraudulent, misleading or deceptive conduct whether or not in connection with the Offer;

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- an application is made for the winding up, deregistration or administration of BBCG that is not withdrawn or dismissed within three Business Days (or by the Second Court Hearing Date if earlier);
- \*hostilities not presently existing commence (whether or not war has been declared) or a major escalation in existing hostilities occurs (whether or not war has been declared) involving any one or more of Australia, the United States of America, any member state of the European Union, Japan, Russia, the Peoples Republic of China, Indonesia or North Korea or a significant terrorist act is perpetrated anywhere in the world;
- \*there is an adverse change in the assets, liabilities, profits, losses, financial position or prospects of BBCG taken as a whole from those disclosed in the Offer Document;
- \*there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Deed), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or has a material adverse effect on the taxation treatment of the Offer Securities; or
- there occurs a new circumstance that has arisen since the Offer Document was lodged that means that the Offer Document is defective within the meaning of section 1021B of the Corporations Act or results in the lodgement of a supplementary or replacement Offer Document pursuant to section 719 of the Corporations Act.

An Underwriter or B&B Underwriter may only terminate the Underwriting Deed on the occurrence of one of the events listed above with an asterisk (\*) if, in the reasonable opinion of that Underwriter or B&B Underwriter (as the case may be), the event is likely to have a material adverse effect on BBCG or the Offer, or is likely to lead to a contravention by, or liability in respect of, that Underwriter or B&B Underwriter of the Corporations Act or any other applicable law.

Primelife and BBCIS give various representations and warranties under the Underwriting Deed including that the Offer Document complies with all applicable laws, including the Corporations Act (as varied by any modification or exemption given by ASIC) and the Listing Rules, and that the Stapled Securities offered under the Offer will be validly issued or transferred and free of encumbrances.

The Underwriting Deed imposes various obligations on BBCG, including that BBCG will apply for BBCT to be admitted to the Official List of ASX and for the Stapled Securities to be granted official quotation on ASX, and will use their best endeavours to procure that BBCT is admitted to the Official List of ASX and official quotation is granted to the Stapled Securities by the Issue Date.

BBCL and BBCIS indemnify each of the Underwriters, Tricom and B&B Underwriter subject to certain limited exclusions and each of their related bodies corporate and each of their directors, officers, employees and advisers (Indemnified Parties) from and against all losses directly or indirectly suffered by, or claims made against an Indemnified Party arising out of or in connection with the appointment of a Lead Manager, Tricom or B&B Underwriter as referred to in the Underwriting Deed or in relation to the Main Offer.

BBCL and BBCIS have agreed that no claim may be made by it against any Indemnified Party except in relation to matters where, and to the extent that that relevant loss is judicially determined to have primarily resulted from the gross negligence, fraud, wilful misconduct of, or wilful default by, the Indemnified Party.

### **12.9.8 SUMMARY OF THE PRIORITY OFFER AND RESIDENT AND EMPLOYEE OFFER UNDERWRITING DEED**

Primelife and BBCIS entered into a Priority Offer and Resident and Employee Offer Underwriting Deed in relation to the Priority Offer and Resident and Employee Offer under the Capital Raising dated 15 June 2007 with Dakota and Tricom (the Priority Offer and Resident and Employee Offer Underwriters) under which:

- the Priority Offer and Resident and Employee Offer Underwriters agree to, in the proportions specified below, severally underwrite 68,181,818 Stapled Securities to be offered for issue under the Priority Offer and Resident and Employee Offer, equating to \$75 million:
  - Dakota 66.67%
  - Tricom 33.33%
- each Priority Offer and Resident and Employee Offer Underwriter undertakes to Primelife and BBCIS not to assign, transfer, sub-underwrite or otherwise deal with its rights or obligations under the Priority Offer and Resident and Employee Offer Underwriting Deed prior to the first date on which the Stapled Securities issued under the Priority Offer and Resident and Employee Offer are able to be traded on ASX without the consent of Primelife and BBCIS. Primelife and BBCIS may withhold their consent in their absolute and unfettered discretion.

The Priority Offer and Resident and Employee Offer Underwriters are entitled to be paid a Priority Offer and Resident and Employee Offer Underwriting Fee calculated as follows:

- in the circumstances where the Priority Offer and Resident and Employee Offer Underwriter is not required to apply for any Stapled Securities pursuant to the Priority Offer and Resident and Employee Offer Underwriting Deed, the Priority Offer and Resident and Employee Offer Underwriting Fee will be \$750,000 representing 1% of the amount raised under the Priority Offer and Resident and Employee Offer;
- in the circumstances where the Priority Offer and Resident and Employee Offer Underwriter is required to apply for Stapled Securities pursuant to the Priority Offer and Resident and Employee Offer Underwriting Deed, the Priority Offer and Resident and Employee Offer Underwriting Fee will be 1% of the amount raised under the Priority Offer and Resident and Employee Offer other than Application Monies received from the Priority Offer and Resident and Employee Offer Underwriters pursuant to the Priority Offer and Resident and Employee Offer Underwriting Deed.

In addition to the Priority Offer and Resident and Employee Offer Underwriting Fee, Primelife and BBCIS must on receipt of notice pay to each Priority Offer and Resident and Employee Offer Underwriter all reasonable costs, expenses and disbursements of the Priority Offer and Resident and Employee Offer Underwriter in relation to the Priority Offer and Resident and Employee Offer and all reasonable legal costs and disbursements incurred by the Priority Offer and Resident and Employee Offer Underwriter in relation to the preparation and execution of the Priority Offer and Resident and Employee Offer Underwriting Deed.

A Priority Offer and Resident and Employee Offer Underwriter may terminate its obligations under the Priority Offer and Resident and Employee Offer Underwriting Deed if any of the following events occur on or before 5.00pm on the closing date of the Priority Offer and Resident and Employee Offer and the Priority Offer and Resident and Employee Offer Underwriter gives a notice of termination on or before 5.00pm on the closing date of the Priority Offer and Resident and Employee Offer:

- the Underwriting Deed to the Main Offer is terminated in accordance with its terms;
- Primelife and BBCIS withdraw the Offer Document;
- Primelife and BBCIS withdraw the Priority Offer and Resident and Employee Offer; or
- the Priority Offer and Resident and Employee Offer Underwriters not having received a certificate required to be given under the Priority Offer and Resident and Employee Offer Underwriting Deed.

Each Priority Offer and Resident and Employee Offer Underwriter acknowledges and agrees that:

- any right of termination and all other rights of an Underwriter under the Underwriting Deed to the Main Offer are to be exercised at the sole discretion of each such Underwriter;
- the Underwriters to the Main Offer are not obliged to consult with any Priority Offer and Resident and Employee Offer Underwriter as to any matter under the Underwriting Deed in any way, including in particular the exercise of rights of termination;
- if the Underwriters to the Main Offer choose not to terminate their respective obligations under the Underwriting Deed to the Main Offer in circumstances where they are entitled to do so (or they choose not to exercise any other right they may have) each Priority Offer and Resident and Employee Offer Underwriter will nevertheless be bound by such election and will not be permitted to terminate its respective obligations under the Priority Offer and Resident and Employee Offer Underwriting Deed.

Primelife and BBCIS give various representations and warranties under the Underwriting Deed including that the Offer Document complies with all applicable laws, including the Corporations Act (as varied by any modification or exemption given by ASIC) and the Listing Rules, and that the Stapled Securities offered under the Priority Offer and Resident and Employee Offer will be validly issued or transferred and free of encumbrances.

The Underwriting Deed imposes various obligations on BBCG, including that BBCG will apply for BBCT to be admitted to the Official List of ASX and for the Stapled Securities to be granted official quotation on ASX, and will use their best endeavours to procure that BBCT is admitted to the Official List of ASX and official quotation is granted to the Stapled Securities by the Allotment Date.

BBCL and BBCIS indemnify each of the Priority Offer and Resident and Employee Offer Underwriters subject to certain exclusions and each of their related bodies corporate and each of their directors, officers, employees and advisers (Indemnified Parties) from and against all losses directly or indirectly suffered by, or claims made against an Indemnified Party arising out of or in connection with the appointment of a Priority Offer and Resident and Employee Offer Underwriter or in relation to the Offer.

BBCL and BBCIS have agreed that no claim may be made by it against any Indemnified Party except in relation to matters where, and to the extent that that relevant loss primarily resulted from the gross negligence, fraud, wilful misconduct of, misleading and deceptive conduct of, or wilful default by, the Indemnified Party.

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### **12.9.9 DEVELOPMENT JOINT VENTURE**

Primelife, Multiplex Over 55s Living Pty Limited ABN 67 111 929 527 (MOL) and Babcock & Brown Retirement Ventures Pty Limited ABN 76 111 937 225 (Babcock & Brown RV) entered into a joint venture agreement establishing an unincorporated joint venture between them on 14 December 2004 (Joint Venture). MOL subsequently assigned its interest in the Joint Venture to Babcock & Brown RV.

The Joint Venture was created to develop new Retirement Villages and Aged Care facilities. The interests of the parties in the unincorporated joint venture are as set out below:

- Primelife: 45%
- Babcock & Brown RV: 55%

The Joint Venture operates for a term of five years, beginning on 14 December 2004, unless it is terminated by unanimous agreement or on Primelife or Babcock & Brown RV acquiring the other's interest.

Under the Joint Venture agreement Primelife and Babcock & Brown RV are required to introduce all projects that involve the development of Retirement Villages or Aged Care facilities in which they have any opportunity to participate, and Babcock & Brown RV is required to introduce all projects where it is the sponsor, originator or promoter of a Retirement Village or Aged Care facility.

It is intended that for each development being undertaken by the Joint Venture a separate development agreement will be entered into. Each participant has a first right to provide certain services in respect of each development. Primelife has the first right to provide selling, marketing, operational management services for the development. Babcock & Brown RV has the first right to provide arrangement services for debt and financial advisory services.

The Joint Venture agreement also contemplates that once a development has been completed and a minimum of 90% of the units or beds in that development have been sold, leased or licensed, the Joint Venture will sell that development to Primelife at current market value as determined by two valuers.

### **12.10 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO STAPLED SECURITIES**

The rights and liabilities attaching to BBCG Stapled Securities are the rights and liabilities attaching to BBCL Shares and BBCT Units. The following sets out the sources of some of those rights and liabilities.

#### **12.10.1 SUMMARY OF STAPLING DEED**

BBCIS as the Responsible Entity and Primelife have entered into the Stapling Deed. The Stapling Deed sets out the terms and conditions governing the relationship between BBCIS and Primelife in respect of the Stapled Securities. Aspects of that relationship dealt with in the Stapling Deed include the following:

##### **12.10.1.1 Stapling**

Primelife Shares and BBCT Units will remain stapled unless a special resolution of Securityholders approves unstapling, Stapling becomes unlawful or prohibited by ASX or unless one of Primelife or BBCT becomes insolvent or commences to wind up.

Primelife and BBCIS may also determine to staple their securities to the securities of another entity in accordance with the Listing Rules, the Corporations Act and their constitutions.

##### **12.10.1.2 Co-operation and consultation**

Primelife and BBCIS agree to co-operate to give effect to the Stapling Deed and to ensure that they both comply with their obligations under the Listing Rules, co-ordinate their disclosures, adopt consistent accounting policies and valuation policies, take a consistent approach on investments and keep each other properly informed of their investment policies. They also agree to co-operate so as to hold their Securityholder meetings concurrently or consecutively, agree on capital issues, consult before taking action which could effect the value of Stapled Securities, co-ordinate their announcements of dividends and distribution policies, retain the same auditor and, to the extent possible, have substantially the same boards of directors and perform their duties under the Stapling Deed in order to enhance the market value of Stapled Securities.

##### **12.10.1.3 Dealing in Stapled Securities**

Primelife Shares and BBCT Units may only be issued or transferred as part of Stapled Securities. Although both Primelife and BBCT will remain as separate legal entities and be separately admitted to the Official List of ASX their securities will be jointly quoted on ASX as Stapled Securities. A Primelife Share may not be transferred without the BBCT Unit to which it is stapled. A Primelife Share cannot be issued without being stapled to a BBCT Unit.

BBCT must at all times be maintained as an Australian unit trust registered as a managed investment scheme under the Corporations Act with its main class of units quoted on ASX.

**12.10.1.4 Financial benefits**

Subject to certain limitations, Primelife and BBCIS each agree that, if requested, and if it is reasonably capable of so doing, it will enter into agreements or arrangements to provide financial accommodation to the other of them, or other persons (whether or not members of BBCG), provide guarantees, securities, undertakings and pledges in connection with such financial accommodation and enter into joint borrowings.

**12.10.1.5 Allocation of the issue price**

Primelife and BBCIS must agree the proportion of the issue price of a Stapled Security to be allocated to each of the Stapled Primelife Share and the BBCT Unit. The allocation of this amount must be determined on the basis of fair value by agreement between Primelife and BBCIS prior to the relevant issue, redemption or buyback of a Stapled Security as contemplated by the BBCT Constitution.

Where Stapled Securities are issued partly-paid, Primelife and BBCIS must agree the basis of issue, in particular, the basis of calls on those securities. Similarly, if options are issued the allocation of the issued price of the Stapled Security on exercise must be allocated. The proportion allocated must be consistent for each BBCT Unit and Primelife Share which is issued, redeemed or brought back at the same time.

If Primelife and BBCIS are unable to reach agreement on the allocation of the issue price between a Stapled Primelife Share and a BBCT Unit then the matter is referred to an experienced independent accountant to determine the allocation based on fair market value, having regard to the respective net tangible asset backing of BBCT Units and Primelife Shares at the relevant time and other factors which the independent accountant believes should be taken into account.

**12.10.1.6 Registers**

Primelife and BBCIS must maintain or procure the maintenance of a register of Stapled Securities including the appointment of a common registrar.

**12.10.1.7 Duties**

When carrying out their duties Primelife and BBCIS may consider the interests of the holders of Stapled Securities as a whole, not only the interest of unitholders in BBCT or Primelife Shareholders, considered separately.

**12.10.1.8 Dispute resolution**

If there are disagreements about Stapling issues BBCIS and Primelife must use their best endeavours to resolve them and to negotiate in good faith before instituting proceedings.

**12.10.1.9 Limitation of liability of BBCIS**

The liability of BBCIS is limited to the extent to which the liabilities can be satisfied out of the property of BBCT and for which BBCIS is actually indemnified for the liability, Primelife may only sue BBCIS in its capacity as Responsible Entity for BBCT. The liability of BBCIS is not limited in the above manner where there is a reduction in the extent of its indemnification out of the assets of BBCT as a result of its fraud, negligence or its breach of trust.

**12.10.2 BBCL AND BBCT CONSTITUTIONS**

**12.10.2.1 BBCT Constitution**

BBCT is a managed investment scheme which has been registered by ASIC in accordance with Chapter 5C of the Corporations Act. It has been established in the form of a unit trust. The Responsible Entity of BBCT is BBCIS.

Provisions of the Corporations Act, the Listing Rules, trust law and the general law, affect the manner in which the BBCT Constitution is interpreted and the rights and obligations of BBCIS and Unitholders. A general summary of certain provisions of the BBCT Constitution is set out below. This summary is not intended to be exhaustive. Investors should seek their own advice when trying to establish their rights in specific circumstances.

Provisions of the Corporations Act and the Listing Rules and modifications and waivers issued under them affect the manner in which the BBCT Constitution is interpreted and the rights and obligations of the Responsible Entity and the members under it. These modifications and waivers are summarised earlier in this Section.

The BBCT Constitution is dated 13 April 2007. A copy of the BBCT Constitution will be provided free of charge to any person who requests a copy by contacting the BBCG Offer Information Line during the period of the Offer.

**Terms and conditions of BBCT Units**

Subject to the stapling provisions, the Corporations Act, and ASX Listing Rules, the issue of BBCT Units (including partly-paid Units) is under the control of BBCIS as Responsible Entity.

The BBCT Constitution contains provisions dealing with the rights and interests of Unitholders, which includes rights to receive distributions, attend meetings and register complaints.

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### Stapling provisions

The BBCT Constitution provides for the stapling of Units with securities of one or more other entities such that BBCT Units and such securities can only be issued, transferred or otherwise dealt with as part of Stapled Securities.

While the BBCT Units are stapled, the Responsible Entity and Unitholders must use every reasonable endeavour to ensure the Stapled Securities are dealt with in a manner consistent with stapling.

### Partly-paid Units

The Responsible Entity has the power to issue partly-paid BBCT Units. If a Unitholder does not pay an uncalled amount when due, the Responsible Entity may determine that the BBCT Unit (together with any attached securities) is forfeited and sold and may, subject to ASX Listing Rules and the constitutions, suspend rights and entitlements in connection with the BBCT Unit and the attached securities, if the Unit is stapled.

### Transfers of Units

While stapling applies, Stapled Securities are transferable and BBCT Units may be transferred in accordance with the BBCT Constitution and any method of transfer required or permitted by the Corporations Act and ASX Listing Rules. The Responsible Entity will only register a transfer of a BBCT Unit if the relevant securities to which the BBCT Unit is stapled are also to be transferred simultaneously. The Responsible Entity must refuse to register a transfer which is in breach of a restriction agreement (as defined by ASX Listing Rules).

### Unitholder meetings

BBCIS may convene a Unitholder meeting at any time and must do so if required by the Corporations Act. A quorum is at least two Unitholders present in person or by representative or proxy (excluding a meeting to consider an extraordinary resolution).

The Corporations Act governs voting at a Unitholders' meeting. However, subject to the Corporations Act, a resolution is normally decided by a show of hands unless a poll is demanded or unless a special resolution is proposed. On a poll, each Unitholder present has one vote for each dollar of value of Units held.

### Distributions

The Responsible Entity may determine the distributable income. The Responsible Entity may determine that the distributable income for the year is equal to the taxable income of BBCT but in any event an amount not less than zero.

Unitholders are entitled to distributions in proportion to the number of BBCT Units held by them at the end of the relevant distribution period (adjusted if any Units are partly-paid).

### Winding up

The Responsible Entity may terminate BBCT in accordance with the BBCT Constitution. Otherwise, BBCT may terminate in accordance with the law. Following termination, the Responsible Entity must realise assets. After allowance for all liabilities and meeting all expenses, the Responsible Entity must distribute any remaining amount to Unitholders in proportion to the number of BBCT Units held by the Unitholder at termination (adjusted if any BBCT Units are partly-paid).

### Rights of the Responsible Entity and fees

The BBCT Constitution contains provisions dealing with the powers of BBCIS as Responsible Entity of BBCT, including powers to invest in assets, borrow and enter into contracts. BBCIS also has rights to receive fees as described in Section 9.3.3. BBCIS is further to be reimbursed from BBCT for all expenses incurred by it in properly performing its duties.

Subject to the Corporations Act, the BBCT Constitution allows BBCIS (and its associates) to deal with itself in a different capacity and to deal with any other stapled entity or an associate or a Unitholder. BBCIS may reject an application for Units in whole or in part without giving any reason.

### Liability of Responsible Entity and Unitholders

The BBCT Constitution contains provisions addressing the liability of the Responsible Entity and the Unitholders. The BBCT Constitution states that a Unitholder's liability is limited to the amount, if any, which remains unpaid in relation to their Units, but the courts are yet to determine the effectiveness of provisions of this kind. The BBCT Constitution also provides that the Responsible Entity and each of its directors are not personally liable to a Unitholder or any other person in connection with the office of Responsible Entity or being a director of the Responsible Entity except to the extent that the Corporations Act imposes such liability.

### **12.10.2.2 BBCL Constitution**

BBCL is an Australian public company registered under the Corporations Act.

Provisions of the Corporations Act and the Listing Rules affect the manner in which the BBCL Constitution is interpreted and the rights and obligations of BBCL and the directors and BBCL Shareholders. A general summary of the rights attaching to BBCL Shares and certain provisions of the BBCL Constitution is set out below. This summary is not intended to be exhaustive and is qualified by the BBCL Constitution, the Corporations Act, the Listing Rules, the ASTC Settlement Rules (or other applicable operating rules) and the general law.

A copy of the proposed BBCL Constitution to be adopted when the Scheme becomes Effective will be provided free of charge to any person who requests a copy by contacting Primelife on +61 3 8699 3300 during the period of the Offer.

#### **Share capital and variation of rights**

Subject to the stapling provisions, the Corporations Act and the Listing Rules, the issue of BBCL Shares (including partly-paid shares and redeemable preference shares) is under the control of the Directors. The BBCL Board has the power to grant to any person an option over BBCL Shares or pre-emptive rights at any time and for such consideration as they determine.

The directors may allot or issue any BBCL Share on the basis that the issue price is payable by instalments.

Whenever the capital of BBCL is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class, or with the written consent of the holders of at least three quarters of the shares of that class on issue.

The rights and interests of Shareholders include rights to receive dividends, receive notice of and attend meetings and participate in a winding up.

#### **BBCL Stapled Securities Issues**

The BBCL Constitution provides for the stapling of each BBCL Share to a BBCT Unit to form a Stapled Security, and for the possibility of future stapling of further securities.

Each BBCL Share will remain stapled for so long as those shares remain on issue or until the Directors determine an unstapling date.

#### **Liability for calls, interest and forfeiture**

If a BBCL Shareholder fails to pay a call or instalment in respect of any BBCL Shares on the payment date appointed, the Directors may give notice to that BBCL Shareholder requiring payment of that sum, together with any interest that has accrued.

If, after receiving a valid notice, the call or instalment of a call remains unpaid, the Directors may by resolution forfeit the relevant BBCL Shares. A forfeiture includes all dividends and distributions declared or to be made in respect of those forfeited BBCL Shares and not actually paid or distributed before the forfeiture.

The Directors must sell, cancel or dispose of forfeited BBCL Shares subject to compliance with the Corporations Act and Listing Rules.

#### **General Meetings**

General meetings of BBCL are to be held in accordance with the Corporations Act, and each BBCL Shareholder will be entitled to receive a notice of a general meeting in accordance with the Corporations Act.

While Stapling applies, the Directors may convene meeting of BBCL Shareholders in conjunction with a meeting of BBCT unitholders.

#### **Voting**

Subject to any special rights or restriction for the time being attached to any class of BBCL Shares and to the BBCL Constitution, at any general meeting, each BBCL Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid BBCL Share on a poll, or with respect to partly-paid BBCL Shares, the proportion of the aggregate amount paid on such partly-paid BBCL Shares to the aggregate purchase price.

Voting at any meeting of BBCL Shareholders is by a show of hands (unless a poll is demanded). The quorum required for a meeting of BBCL Shareholders is 10 members representing in person or by proxy, attorney or representative, holding or representing the holders of at least 5% of the BBCL Shares on issue.

# Section 12

## Additional information and material contracts

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### Directors

The BBCL Constitution also deals with the rights and obligations of directors and executive officers of BBCL, including:

- the appointment, election, removal and retirement of directors;
- the appointment of executive officers;
- the remuneration of Directors;
- the powers and duties of Directors;
- meetings and written resolutions of Directors; and
- the rights of Directors and executive officers to be indemnified (subject to statute) against all liabilities incurred as an officer of BBCL, including all reasonable legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity, and the right of BBCL to maintain insurance in respect of this indemnity.

At each annual general meeting, the greater of the number determined by the Directors, one-third of the Directors or two (whichever is the greatest number) must retire from office. The Managing Director does not have to do so. Retiring Directors are eligible for re-election.

Questions arising at a meeting of directors are to be decided by a majority vote. The chairman of the meeting has a casting vote provided that the chairman is an Independent Director (within ASX's guidelines).

### Dividends

Dividends are divisible amongst the BBCL Shareholders in proportion to the amount paid on the BBCL Shares held by them. The Directors may deduct from a dividend payable to a member all sums presently payable by the member to BBCL on account of calls or otherwise in relation to BBCL Shares.

### Winding up

If BBCL is wound up, the liquidator may with the sanction of a special resolution divide among the BBCL Shareholders all or any of BBCL's assets, and for that purpose, the liquidator may determine how he or she will carry out the division between the BBCL Shareholders.

If at the time of winding up part of the issue price of BBCL Shares remains unpaid, holders of those BBCL Shares can be liable to contribute to the payment of BBCL's debts and liabilities and the costs, charges and expenses of the winding up to the amount of the issue price unpaid.

### Non-marketable parcels of BBCL Shares

The Directors may cause the sale of any BBCL Shares held by a BBCL Shareholder which comprise less than a marketable parcel (under ASX Listing Rules).

The BBCL Constitution sets out a procedure that must be followed for this to occur and allows individual holders to opt out of the application of the procedure to them.

### Transfer

Subject to the Constitution, the Corporations Act, ASX Listing Rules and the following paragraph, BBCL Shares are freely transferable. The BBCL Shares are transferable by an instrument of transfer in the usual common form or any other form approved by the Directors and must be executed by the transferor and transferee.

A written transfer instrument must be:

- executed by the transferor (where the Corporations Act permits) and stamped by the transferor's broker;
- unless the Directors decide otherwise in the case of a fully-paid Share, executed by the transferee or (where the Corporations Act permits) by the transferee's broker; and
- in the case of a partly-paid BBCL Share, accompanied or endorsed by an instrument executed by the transferee or by the transferee's broker to the effect that the transferee agrees to accept the BBCL Share subject to the terms and conditions on which the transferor held them, to become a member and to be bound by the Constitution.

BBCL may participate in any computerised or electronic system for market settlement, securities transfer and registration in accordance with the Corporations Act, ASX Listing Rules and the ASTC Settlement Rules. If BBCL does so, BBCL Shares may be transferred in any manner required or permitted by ASX Listing Rules and the ASTC Settlement Rules.

The Directors:

- may refuse to register any transfer of BBCL Shares or other securities, if ASX Listing Rules permit BBCL to do so; and
- must refuse to register any transfer where BBCL is, or the Directors are, required to do so by ASX Listing Rules.



Where Stapling applies, no transfer of a BBCL Share will be registered unless the Stapled BBCT Unit and any other relevant attached security is also transferred simultaneously to the same transferee.

### 12.10.3 COMPLIANCE PLAN

In accordance with Part 5C.4 of the Corporations Act relating to registered schemes, BBCIS has prepared a compliance plan for BBCT that has been lodged with ASIC. The compliance plan for BBCT describes the procedures that the Responsible Entity will apply in operating BBCT to ensure compliance with the Corporations Act and the BBCT Constitution. In accordance with Part 5C.5 of the Corporations Act, while at least half of the directors of the Responsible Entity are "external" directors, the Act does not require, and the board of BBCIS does not currently propose, to appoint a separate compliance committee. In the event that less than half of the directors of the Responsible Entity are "external" directors, a compliance committee will be established. In the absence of a compliance committee, the board of BBCIS and its Audit, Risk & Compliance Committee will monitor compliance with the compliance plan for BBCT.

### 12.10.4 CUSTODY ARRANGEMENT

Pursuant to the Custodian Agreement BBCIS as Responsible Entity has appointed the Custodian to act as custodian of the assets of BBCT.

BBCIS must provide information to the Custodian to enable it to perform its obligations and copies of any communications with ASIC where this might affect the Custodian as well as notify of any changes to BBCT.

The Custodian must hold legal title to the assets of BBCT for BBCIS and deal with the assets as BBCIS instructs. The Custodian must also maintain insurance at its own cost, hold all title documents in a secure place, provide access to the Responsible Entity to records relating to the asset portfolio of BBCT held by the Custodian, maintain back-up facilities, provide reports to the Responsible Entity on a regular basis reflecting any transactions and in accordance with any ASIC policies and maintain proper internal control and compliance systems.

The Custodian is entitled to a fee of 0.0125% per annum of the total assets of BBCT payable quarterly.

The agreement also sets out each party's rights to indemnification.

### 12.11 CONSENTS AND DISCLAIMERS

The following parties have given and have not, before the time of registration of this Offer Document by ASIC, withdrawn their written consent to be named in this Offer Document in the form and context in which they are named:

- Minter Ellison as legal adviser to Primelife;
- Grant Samuel Corporate Finance Pty Limited as financial adviser to Primelife;
- Ernst & Young as taxation adviser to BBCG;
- PricewaterhouseCoopers Securities Ltd as the Investigating Accountant;
- Macquarie Equity Capital Markets Limited, ABN AMRO Rothschild and JPMorgan Australia Limited as Joint Lead Managers and underwriters to the Main Offer;
- Commonwealth Securities Limited and Tricom as Co-Lead Managers and, in the case of Tricom, underwriter to the Main Offer;
- ABN AMRO Rothschild, JPMorgan Australia Limited, Macquarie Equity Capital Markets Limited and B&B Underwriter as underwriters of the Main Offer;
- Babcock & Brown Group in the form and context in which it is named;
- Chang, Pistilli and Simmons as legal adviser to Babcock & Brown and BBCIS;
- Dakota and Tricom as Underwriters to the Priority Offer and Resident and Employee Offer; and
- Macquarie Securities (Australia) Limited as the Sale Nominee.

The following persons have consented respectively to the statements described opposite their respective names being included in this Offer Document in the form and context in which these statements are respectively included:

- Babcock & Brown - only in relation to a statement set out in Section 4.9 of this Offer Document;
- Ernst & Young - Taxation Report in Section 11. All statements in this Offer Document said to be based on the Taxation Report;
- PricewaterhouseCoopers Securities Ltd - Investigating Accountant's Report in Section 10. All statements in this Offer Document said to be based on the Investigating Accountant's Report;
- Ernst & Young - independent valuer of certain of Primelife's and PLT's Retirement Village assets in Section 4.6.1.4 and author of certain research in relation to valuation of Retirement Villages and all related statements in this Offer Document said to be based on those Retirement Village valuations;
- CBRE - independent valuer of certain of PLT's Retirement Village assets in Section 4.6.1.4 and all related statements in this Offer Document said to be based on those Retirement Village valuations;

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- Colliers International Consultancy & Valuation Pty Ltd - independent valuer of WA Village and Fini Portfolio of Retirement Village assets in Section 4.6.1.4 and all related statements in this Offer Document said to be based on those Retirement Village valuations; and
- KPMG Corporate Finance (Aust) Pty Ltd - Independent Expert referred to in Section 6.2.6.

Each of the above named persons:

- does not make, or purport to make, any statement in this Offer Document or any statement on which a statement in this Offer Document is based other than as expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Offer Document, other than a reference to its name and, in the case of:
  - PricewaterhouseCoopers Securities Ltd, Ernst & Young, CBRE, Colliers International Consultancy & Valuation Pty Ltd and KPMG Corporate Finance (Aust) Pty Ltd, any statement or report which has been included in this Offer Document with the consent of that party;
  - Babcock & Brown; only in relation to a statement in Section 4.9 of this Offer Document for which it takes sole responsibility but, for the avoidance of any doubt whatsoever, does not assume any responsibility for the accuracy or completeness for any other part of this Offer Document; and
- has not authorised or caused the issue of this Offer Document.

### 12.12 PRIVACY

If you apply for Stapled Securities, you will be asked to provide personal information to BBCG, directly and/or via the Registry. BBCG and its Registries collect, hold and use that personal information to assess and process your Application, provide facilities and services to you as an investor and undertake appropriate administration. Access to the information may also be provided to BBCG's agents, contractors and third party service providers to whom we outsource services such as mailing functions, Registry and accounting on the condition that they only use and disclose that information for BBCG's benefit and observe their obligations under the Privacy Act. If you do not provide us with the information requested, we may not be able to process your Application or administer your holding of Stapled Securities.

Once you become a holder of Stapled Securities, the Corporations Act requires information about you (including your name, address and details of the Stapled Securities you hold) to be included in BBCG's public register. This information must continue to be included in BBCG's public register if you cease to hold Stapled Securities.

Under the Privacy Act, you may request access to your personal information held by or on behalf of BBCG by contacting the Registry as set out in the Corporate Directory of this Offer Document. In most cases you can gain access to the personal information that we hold about you. We aim to ensure that the personal information we retain about you is accurate, complete and up-to-date. To assist us with this, please contact us if any of the details you have provided change.

BBCG's privacy policy is available at [www.primelife.com.au](http://www.primelife.com.au).

### 12.13 COSTS OF THE OFFER AND RESTRUCTURE PROPOSAL

BBCG will incur expenses relating to the Offer and Restructure Proposal. The total expenses of the Offer and Restructure Proposal (including underwriting, origination, legal, accounting, taxation and other advisory and miscellaneous expenses) total approximately \$31 million to \$36 million depending on the size of the Capital Raising and will be paid out of the proceeds of the Offer.

### 12.14 NO CERTIFICATES

The Stapled Securities will be traded on CHESS and accordingly will be issued in uncertificated form. Accordingly, no certificates will be issued to Stapled Securityholders. The Stapled Securities will be noted in the register maintained by the Registry.

### 12.15 CHESS AND THE REGISTRY

ASX has implemented automation of the transfer and settlement system for transitions in securities quoted on its stock market under which transfers are effected in a paperless form and certificates are not issued or required. This system is called the Clearing House Electronic Sub-register System (CHESS). ASTC, wholly-owned subsidiary of ASX, part operates CHESS in accordance with the Listing Rules and the ASTC Settlement Rules. BBCL and BBCIS intend to apply for the Stapled Securities to be eligible to participate in CHESS.

When the Stapled Securities become ASTC Approved Securities, holdings will be registered in one of two sub-registers. The Stapled Securities of a Stapled Securityholder who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS sub-register.

All other Stapled Securities will be registered on the issuer sponsored sub-register.

Under the CHES system, on issue of the Stapled Securities, the Stapled Securityholder will be provided with a holding statement (similar to a bank statement) setting out the number of the Stapled Securities issued to (or subsequently transferred to or by) each Stapled Securityholder. The holding statement will also advise the Stapled Securityholder of the Holder Identification Number (HIN). A holding statement will be provided to Stapled Securityholders on a monthly basis whenever there is a change in the holding.

#### **12.16 COMPLAINTS**

The BBCT Constitution contains provisions which govern the procedures for dealing with complaints by Stapled Securityholders, as holders of a Unit in BBCT. BBCIS, the Responsible Entity of BBCT, will implement procedures to properly consider and deal with any complaints received from Securityholders.

BBCIS's staff who receive written or verbal complaints will attempt to resolve them promptly in accordance with BBCIS's complaint handling processes.

Complaints should be put in writing and either:

- emailed to [compliance.manager.au@babcockbrown.com](mailto:compliance.manager.au@babcockbrown.com); or
- sent to Level 23, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

Please mark your correspondence with, "Notice of Complaint to Compliance Manager".

The Securityholder should provide BBCIS with all relevant information that BBCIS may require to properly deal with, and resolve the complaint. BBCIS will send the Securityholder an acknowledgement of receipt of the complaint.

BBCIS will use reasonable endeavours to deal with and resolve a complaint within a reasonable time from the date of receipt of the complaint and inform the Securityholder by notice in writing of its decision in relation to the complaint and the remedies (if any) available to the Securityholder.

#### **12.17 FOREIGN SELLING RESTRICTIONS**

The Offer to which this Offer Document relates is available to persons (other than U.S. Persons) receiving the Offer Document (electronically or otherwise) in Australia and New Zealand. This Offer Document does not constitute an Offer in any place where, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Offer Document outside the Commonwealth of Australia and New Zealand may be restricted by law and any person who comes into possession of it should seek advice on it and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Stapled Securities have not been and will not be registered under the United States Securities Act 1933, as amended ("US Securities Act") or the laws of any State of the United States, and may not be offered or sold within the United States or to or for the account or benefit of a U.S. Person (as defined in Regulation S of the US Securities Act), except under an exemption from the registration requirements of the US Securities Act or applicable US state securities laws or in a transaction not subject to such registration requirements. The Stapled Securities are being offered solely outside the United States in reliance on Regulation S of the US Securities Act and will not be offered or sold to, or for the benefit or account of, a U.S. Person.

#### **12.18 LITIGATIONS AND CLAIMS**

As far as the directors of BBCL and BBCIS are aware, except as disclosed elsewhere in this Offer Document, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which BBCL or BBCIS is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of BBCL or BBCIS.

#### **12.19 NO COOLING OFF RIGHTS**

Cooling off rights do not apply to an investment pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your application once it has been delivered.

#### **12.20 INVESTMENT DECISIONS**

BBCG will comply with its obligations at law in relation to the selection, retention or realisation of any investment, including any such obligations relating to labour standards or environmental issues. BBCG will also comply with the normal standards of corporate governance and corporate behaviours observed by other publicly listed entities, but will not otherwise be bound by any specific social, environmental, labour standards or ethical agenda in the selection, retention or realisation of any investment.

#### **12.21 STAMP DUTY**

No stamp duty will be payable on the issue of Stapled Securities pursuant to this Offer.

# Section 12

## Additional information and material contracts

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### **12.22 GOODS AND SERVICES TAX**

Under current Australian law, goods and services tax will not be payable in respect of any issue of transfer of Stapled Securities.

### **12.23 GOVERNING LAW**

This Offer Document and the contracts that arise from the acceptance of the Applications are governed by the law of Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

### **12.24 EXPIRY DATE**

The expiry date is 15 July 2008. No Stapled Securities will be offered on the basis of this Offer Document after the expiry date.

### **12.25 DIRECTORS' CONSENTS TO LODGEMENT**

The issue of this Offer Document has been authorised by each of the directors of Primelife and each of the Directors and proposed Directors of BBCIS. Each of these Directors and proposed Directors has consented to the lodgement of this Offer Document with ASIC and its issue, and has not withdrawn that consent. The existing Directors of BBCIS are Philip Green, Michael Maxwell, Robert Topfer and Deborah Kelly.

# Section 13 Glossary



# Section 13

## Glossary

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This Glossary contains terms specific to the Capital Raising and the Offer Document.

<b>ABN AMRO Rothschild</b>	ABN AMRO Rothschild, a joint venture between ABN AMRO Equity Capital Markets Australia Limited ABN 17 000 757 111 and NM Rothschild & Sons Limited ARBN 121 247 345
<b>ABS</b>	Australian Bureau of Statistics
<b>Adjusted Gross Assets</b>	the amount of the total assets less resident loans of BBCG as those amounts are specified in its last consolidated accounts given to ASX under the Listing Rules. Until such time as BBCG lodges its first consolidated accounts with ASX, these amounts will be specified in BBCG's pro forma balance sheet as at 31 December 2006 (see Section 7.7)
<b>AEST</b>	Australian Eastern Standard Time
<b>Aged Care</b>	the provision of accommodation and a varying degree of living assistance to the elderly. Living assistance ranges from high care (full assistance required) to low care (where lesser assistance is required) services. Aged Care does not include Retirement Living
<b>AIFRS</b>	Australian equivalents to International Financial Reporting Standards
<b>Allotment Date</b>	on or about 3 August 2007, subject to change (but assumed to be 1 August 2007 for the purpose of all worked examples and calculations in this Offer Document)
<b>Applicant</b>	a person who has made an Application pursuant to this Offer Document
<b>Application</b>	an application to apply for Stapled Securities under this Offer Document
<b>Application Form</b>	means an application form included in or accompanying this Offer Document
<b>Application Monies</b>	the money received from Applicants in respect of their Applications under this Offer Document
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market conducted by it
<b>B&amp;B CPI</b>	Babcock & Brown Australia CPI Pty Ltd ABN 34 115 060 332
<b>B&amp;B Nominated Investor</b>	any of the following persons: <ul style="list-style-type: none"> <li>(a) Babcock &amp; Brown Limited;</li> <li>(b) any Related Body Corporate of Babcock &amp; Brown Limited;</li> <li>(c) any fund that is managed solely or jointly by Babcock &amp; Brown Limited or any Related Body Corporate of Babcock &amp; Brown Limited;</li> <li>(d) any Everest Entity being: <ul style="list-style-type: none"> <li>(i) Everest Babcock &amp; Brown Limited ABN 42 112 480 145;</li> <li>(ii) Everest Babcock &amp; Brown Alternative Investment Management Limited ABN 42 112 480 145;</li> <li>(iii) Everest Capital Limited ABN 86 092 753 252;</li> <li>(iv) Everest Babcock &amp; Brown Alternative Investment Trust ARSN 112 129 218;</li> <li>(v) any Related Body Corporate of any of the abovementioned entities;</li> <li>(vi) any fund that is managed solely or jointly by any of the above mentioned entities; and</li> <li>(vii) any person who is introduced to the Offer by, or an Application made through, any of the abovementioned entities</li> </ul> </li> <li>(e) any entity in which any of the abovementioned entities has at least a 10% relevant interest (as that term is given its meaning in the Corporations Act) or at least a 10% economic interest; and</li> <li>(f) a person who is employed by Babcock &amp; Brown Limited or any Related Body Corporate of Babcock &amp; Brown Limited under an employment agreement (whether as a permanent, fixed term or casual employee, and whether employed on a fulltime or a part-time basis; and is not on leave without pay (unless it is maternity or parental leave, sick leave or study leave) or an employee living outside Australia</li> </ul>

<b>B&amp;B Underwriter</b>	Babcock & Brown Securities Pty Ltd ABN 69 003 080 840
<b>B&amp;B Underwritten Securities</b>	the New Stapled Securities offered to B&B Nominated investors underwritten by B&B Underwriter under the Underwriting Deed
<b>Babcock &amp; Brown or Babcock &amp; Brown Group</b>	Babcock & Brown Limited ABN 53 108 614 955 (ASX:BNB), Babcock & Brown Australia Pty Ltd ABN 49 002 348 521 and/or other controlled entities but excluding the Responsible Entity as the context requires
<b>Babcock &amp; Brown Australia</b>	Babcock & Brown Australia Pty Ltd ABN 49 002 348 521
<b>Base Fee</b>	the base fee payable under the Management Agreements based on Adjusted Gross Assets, as summarised in Section 9.3.4
<b>BBCG Equity Value</b>	for the purpose of the Incentive Fee calculation, means the product of the price of Stapled Securities at the end of the immediately prior Financial Year and the number of Stapled Securities at the end of the Financial Year
<b>BBCG or Group</b>	BBCL (currently Primelife) and BBCT operating as Babcock & Brown Communities Group under the Stapling Deed and the Management Agreements subject to the Restructure Proposal being implemented
<b>BBCG Offer Information or Line</b>	a telephone line to call to enquire about the Offer, being 1800 881 047 (within Australia) +61 2 8280 7923 (outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST)
<b>BBCG Stapled Security or Stapled Security</b>	one BBCL Share (currently Primelife Share) and one BBCT Unit in their legal capacity as separate securities but which are listed for quotation on ASX and traded together following Stapling in accordance with the new BBCL Constitution, the BBCT Constitution and the Stapling Deed
<b>BBCIS</b>	Babcock & Brown Responsible Entity No. 1 Limited ABN 33 080 737 042 (which it is proposed will change its name to Babcock & Brown Communities Investor Services Limited) only in its capacity as Responsible Entity of BBCT
<b>BBCIS Board</b>	the board of BBCIS as constituted from time to time
<b>BBCL</b>	Babcock & Brown Communities Limited (being the proposed name of Primelife if the Restructure Proposal is approved and implemented)
<b>BBCL Board</b>	the board of BBCL as constituted from time to time
<b>BBCL Constitution</b>	the constitution of BBCL as amended from time to time
<b>BBCL Share</b>	if the Restructure Proposal is approved and implemented, a fully paid ordinary share in the capital of BBCL (currently a Primelife Share)
<b>BBCL Shareholder</b>	if the Restructure Proposal is approved and implemented, any person who is registered in the BBCL Share Register as the holder of a BBCL Share
<b>BBCL Share Register</b>	if the Restructure Proposal is approved and implemented, the register of members of BBCL to be maintained in accordance with section 168(1) of the Corporations Act
<b>BBCM</b>	Babcock & Brown Communities Management Pty Limited ABN 28 120 387 313 (as Manager of BBCG if the Restructure Proposal is implemented)
<b>BBCT</b>	Babcock & Brown Communities Trust ARSN 124 896 733
<b>BBCT Constitution</b>	the constitution of BBCT comprised in the trust deed entered into by BBCIS as Responsible Entity of BBCT on 13 April 2007 as amended from time to time
<b>BBCT Unit</b>	a fully paid unit in BBCT
<b>Benchmark Return</b>	the percentage movement in the Benchmark Index (initially the S&P/ASX 300 Accumulation Index) over a Financial Year multiplied by BBCG's Equity Value (as defined in Section 9.3.5)
<b>Boards or BBCG Board</b>	the Boards of Directors of BBCL and BBCT collectively
<b>Broker Firm Applicant</b>	an Applicant who has been offered an allocation of Stapled Securities under the Broker Firm Offer

# Section 13

## Glossary

<b>Broker Firm Offer</b>	the invitation under this Offer Document to Australian resident retail clients of the Brokers who receive a firm allocation of Stapled Securities
<b>Broker Firm Offer Application Form</b>	the Application Form in relation to the Broker Firm Offer provided by a Broker to an Australian retail client of that Broker which is included in or accompanying this Offer Document
<b>Brokers</b>	Brokers who are offered a firm allocation under the Broker Firm Offer
<b>Business Day</b>	a weekday on which Australian banks are open for business in Melbourne, Australia
<b>Capital Raising or Offer</b>	the offer and issue of Stapled Securities to raise between \$300 million and \$475 million, comprising the: <ul style="list-style-type: none"> <li>• Main Offer;</li> <li>• Priority Offer; and</li> <li>• Resident and Employee Offer</li> </ul>
<b>Capital Reduction</b>	the proposed equal reduction of Primelife's issued share capital under Part 2J.1 of the Corporations Act by an aggregate amount of the product of \$0.43 and the total number of all Scheme Shares
<b>CBRE</b>	CB Richard Ellis Pty Ltd ABN 57 057 373 574
<b>CHESS</b>	the Clearing House Electronic Sub-register System for the electronic securities operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532
<b>Close of Trading</b>	close of trading on ASX on the Effective Date
<b>Closing Date</b>	the date the Offer closes, being: <ol style="list-style-type: none"> <li>(a) 20 July 2007, in respect of the Broker Firm Offer, the Priority Offer, the Foundation Offer and the Resident and Employee Offer; or</li> <li>(b) 25 July 2007, in respect of the Institutional Offer,</li> </ol> in each case, these dates may be varied (e.g. brought forward or backward) without prior notice by BBCG and the Joint Lead Managers
<b>Co-Lead Managers</b>	the Co-Lead Managers to the Capital Raising, being Tricom Equities Limited ABN 92 067 161 755 and Commonwealth Securities Limited ABN 60 067 254 399
<b>Consolidation Proposal or Consolidation Transactions</b>	the PLT Acquisition Proposal and the JV Restructure
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth)
<b>Court</b>	the Supreme Court of Victoria
<b>CPI</b>	Consumer Price Index
<b>Custodian</b>	Babcock & Brown Asset Holdings Pty Ltd ABN 58 002 332 345
<b>Dakota</b>	Dakota Corporation Limited ABN 73 100 570 401
<b>Director</b>	a director of Primelife (the Directors as at the date of this Offer Document are the persons specified in Section 5.1.1 of this Offer Document) or, as the context requires, a director of BBCL
<b>DMF</b>	Deferred Management Fees received in relation to ownership or management of Retirement Villages
<b>Dollar or \$</b>	the lawful currency for the time being of the Commonwealth of Australia
<b>DPS</b>	dividend per share or distribution per security (as applicable)
<b>EBIT</b>	earnings before interest and tax
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>Effective</b>	when used in relation to the Scheme or the Restructure Proposal, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act



<b>Effective Date</b>	when used in relation to the Scheme, the date on which the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act comes into effect pursuant to section 411(10) of the Corporations Act, which currently is expected to be on or about 30 July 2007
<b>Eligible Employees</b>	persons who are in the opinion of BBCG permanent (whether full or part-time) employees at 30 June 2007 of entities that will form part of BBCG
<b>Eligible Residents</b>	persons who are registered occupants of a Retirement Village at 30 June 2007 that is or will form part of the BBCG portfolio
<b>Eligible Retail Investors</b>	an Australian resident retail client (who is not a U.S. Person) of a Broker who has received an invitation from a Broker to apply under the Broker Firm Offer
<b>EPS</b>	earnings per share or earnings per security (as applicable)
<b>Explanatory Memorandum</b>	the explanatory memorandum lodged with ASX on 15 June 2007 relating to the Restructure Proposal
<b>FATA</b>	<i>Foreign Acquisitions and Takeovers Act 1975 (Cth)</i>
<b>Financial Adviser</b>	Babcock & Brown Australia Pty Ltd
<b>Financial Period</b>	a period of 12 months starting 1 July and ending on 30 June in the next calendar year
<b>Fini Acquisition Proposal</b>	the proposed acquisition by BBCL of the Fini Portfolio immediately following the completion of the Capital Raising
<b>Fini Portfolio</b>	the portfolio of 1,266 existing Retirement Living units in Western Australia across seven mature Retirement Villages with a further 160 units under construction at a new site, sourced by Babcock & Brown
<b>FIRB</b>	Foreign Investments Review Board
<b>Forecast Period</b>	the period from the Implementation Date until 30 June 2008, inclusive
<b>Foreign Scheme Shareholder</b>	a Scheme Shareholder, other than a U.S. Person, whose address in the Primelife Share Register is a place outside Australia and its external territories, unless the Responsible Entity is satisfied before the Effective Date that it is not precluded from lawfully issuing BBCT Units to the Scheme Shareholder either unconditionally or after compliance with conditions which the board of directors of the Responsible Entity in its sole discretion regards as acceptable and not unduly onerous
<b>Foundation Offer</b>	that component of the Main Offer comprising an invitation by B&B Underwriter to selected individuals and entities to apply for Stapled Securities under the Offer Document
<b>Foundation Offer Applicant</b>	means an Applicant under the Foundation Offer
<b>FY or Financial Year</b>	the financial year ended or ending 30 June (as the context requires)
<b>FY08 Period</b>	the period from Allotment Date to 30 June 2008
<b>General Meeting</b>	the general meeting of Primelife Shareholders to be held on or about 19 July 2007 to consider and vote on the Supporting Resolutions
<b>GST</b>	Goods and Services Tax
<b>ILU</b>	Independent Living Units and Independent Living Apartments within a Retirement Village
<b>Implementation Agreement</b>	the agreement of that name between Primelife, Babcock & Brown, BBCIS and MFS dated 30 May 2007 under which each party undertakes specific obligations to give effect to the Restructure Proposal
<b>Implementation Date</b>	the date that the Restructure Proposal is to be implemented according to its terms. The Implementation Date is expected to be on or about 10 August 2007
<b>Incentive Fee</b>	the fee based on outperformance, if any, of BBCG Stapled Securities in relation to a benchmark, as summarised in Section 9.3.5
<b>Independent Directors</b>	in relation to Primelife or BBCG, as the context requires, Professor Judith Sloan, Mr Andrew Love and Mr Graeme Martin

# Section 13

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Independent Expert or KPMG	KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215
Independent Expert Report	the report of the Independent Expert expressing an opinion on whether the Scheme is in the best interests of Scheme Shareholders and whether the Consolidation Proposal is fair and reasonable to the non-associated Primelife Shareholders
Institutional Investor	an investor to whom offers or invitations in respect of Stapled Securities may be made without the need for a disclosure document under Chapter 6D or Part 7.9 of the Corporations Act
Institutional Offer	that component of the Main Offer comprising an invitation to Institutional Investors in Australia and a number of overseas jurisdictions to apply for Stapled Securities under the Offer Document
Institutional Offer Applicants	means an Applicant under the Institutional Offer
Investigating Accountant	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617
Issue	the allocation of Stapled Securities under the Offer
Joint Lead Managers	ABN AMRO Rothschild, JPMorgan Australia Limited and Macquarie Equity Capital Markets Limited
JPMorgan	JPMorgan Australia Limited ABN 52 002 888 011
JV Restructure Proposal	the proposed acquisition by Primelife of Babcock & Brown Retirement Ventures Pty Limited
Key Executives	the three key executives to be employed by the Manager, being John Martin, Joanna Wakefield and Gregor Dixon, the current Chief Executive Officer, Chief Financial Officer and General Manager Corporate of Primelife respectively
Lead Managers	means the Joint Lead Managers or each of them as the context requires
Listing Rules	ASX Listing Rules as applied by ASX Limited from time to time
Lodgement Date	the date the Offer Document was lodged with ASIC under Chapter 6D and Part 7.9 of the Corporations Act, being 15 June 2007
Main Offer	that component of the Capital Raising comprising an offer of \$300 million to \$400 million of Stapled Securities at \$1.15 each under the Institutional Offer, the Broker Firm Offer and the Foundation Offer
Main Offer Price	the issue price of New Stapled Securities under the Main Offer, being \$1.15 per Stapled Security
Management Agreements	the Management Agreements that each of Primelife and BBCIS, as the responsible entity of BBCT, will each enter into with the Manager to provide management services to BBCT, including the Preferred Financial Advisory Agreement
Management Arrangements	the Management Agreements and the Preferred Financial Advisory Agreement
Management Fees	includes the Base Fee, Incentive Fee, Responsible Entity fee and any other fees payable to Babcock & Brown or third parties in connection with the management of BBCT
Manager	BBCM, a subsidiary of Babcock & Brown
Maximum Capital Raising Amount	\$475 million
MECM	Macquarie Equity Capital Markets Limited ABN 60 001 374 572
MFS	MFS Limited ABN 90 107 863 436
Minimum Capital Raising Amount	the minimum subscription level of \$300 million required under (in aggregate) all the Offers if the capital raising is, subject to the other conditions of the Offer, to proceed
New Stapled Securities	Stapled Securities to be issued under this Offer Document

<b>New Zealand Investment Statement</b>	the investment statement for the purposes of the Securities Act 1978 (NZ) in respect of the Offer to New Zealand residents
<b>Noteholders Meeting</b>	the meeting of PLFGA Noteholders to be held on or about 19 July 2007 to consider and vote on the resolutions described in the Explanatory Memorandum
<b>Noteholder Resolutions</b>	the resolutions as described in the Explanatory Memorandum for Noteholders to consider at the Noteholders Meeting
<b>Offer Document</b>	this combined prospectus and product disclosure statement to be issued by Primelife and the Responsible Entity in relation to the Capital Raising
<b>Offer Period</b>	the period starting on 27 June 2007 and ending on 20 July 2007 in relation to each Offer unless extended by BBCG (excludes Institutional Offer)
<b>PLFGA Noteholders or Noteholders</b>	holders of PLFGA Notes
<b>PLFGA Notes</b>	convertible unsecured notes issued by Primelife under the Unsecured Convertible Note Trust Deed dated 6 August 2004, as amended by a Deed of Appointment and Amendment between Primelife, Tricom and Sandhurst Trustee Limited ABN 92 067 161 755 dated 15 September 2005
<b>PLT</b>	the PrimeLiving Trust created by a trust deed dated 21 September 2005 entered into by PLT Management Pty Limited ABN 23 116 147 383
<b>PLT Acquisition Proposal</b>	the proposal under which Primelife will acquire for consideration to the value of \$66 million all of the shares in PLT Management Pty Limited not held by Primelife and the 74.7% of the ordinary ownership interests it does not directly or indirectly own in PLT
<b>Preferred Financial Adviser</b>	Babcock & Brown Australia ABN 49 002 348 521
<b>Preferred Financial Advisory Agreement</b>	the agreement between Babcock & Brown Australia, Primelife and BBCIS as responsible entity of BBCT in relation to the provision of financial advisory and investment banking services to BBCG
<b>Primelife or PLF</b>	Primelife Corporation Limited ABN 16 010 622 901 (to be renamed BBCL if the Restructure Proposal is implemented)
<b>Primelife Board</b>	the Board of Directors of Primelife as at the date of this Prospectus
<b>Primelife Group</b>	Primelife and its subsidiaries
<b>Primelife Option or Option</b>	an option to acquire by way of issue a Primelife Share issued under the Primelife senior management share option plan
<b>Primelife Share</b>	a fully paid ordinary share in the capital of Primelife (to become a BBCL Share on implementation of Restructure Proposal)
<b>Primelife Share Register</b>	the register of members of Primelife maintained in accordance with section 168(1) of the Corporations Act
<b>Primelife Shareholder</b>	any person who is registered in the Primelife Share Register as the holder of a Primelife Share
<b>Priority Offer</b>	that component of the Capital Raising comprising an offer of up to \$50 million of Stapled Securities to persons who are: <ul style="list-style-type: none"> <li>• recorded in the Primelife register of members as Primelife Shareholders as at 7.00pm (AEST) on 17 July 2007; or</li> <li>• recorded in the Primelife register of PLFGA Noteholders as at 7.00pm (AEST) on 17 July 2007</li> </ul>
<b>Priority Offer and Resident and Employee Offer Price</b>	the issue price of Stapled Securities under the Priority Offer and the Resident and Employee Offer, being \$1.10 per Stapled Security
<b>Priority Offer and Resident and Employee Offer Record Date</b>	7.00pm (AEST) on 17 July 2007

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<b>Priority Offer and Resident and Employee Offer Underwriters</b>	the underwriters to the Priority Offer and the Resident and Employee Offer, being Dakota and Tricom, severally
<b>Priority Offer and Resident and Employee Offer Underwriting Deed</b>	the underwriting deed entered into on 15 June 2007 between the Priority Offer and Resident and Employee Offer Underwriters, Primelife and BBCIS
<b>Priority Offer and Resident and Employee Offer Underwriting Fee</b>	the fee to which the Priority Offer and Resident and Employee Offer Underwriters are entitled to under the Priority Offer Underwriting Agreement
<b>Priority Offer Applicants</b>	the invitation under this Offer Document to Australian or New Zealand resident Retail Investors or Institutions who are Primelife Shareholders or PLFGA Noteholders as at 7.00pm on 17 July 2007
<b>Priority Offer Application Form</b>	the Application Form in relation to the Priority Offer which is included in or accompanying this Offer Document
<b>Quit Date</b>	31 January 2008 or such later date as Babcock & Brown Australia and Primelife agree in writing
<b>Record Date</b>	the date for determining entitlements to participate in the Stapling Proposal, being 5.00pm (AEST) on the fifth Business Day (or such as other Business Day as Primelife and the Responsible Entity agree) following the date on which the Scheme becomes Effective. The Record Date is expected to be 5.00pm (AEST) on or about 6 August 2007
<b>Registry</b>	Link Market Services Limited ABN 54 083 214 537
<b>Regulation S</b>	Regulation S made for the purposes of The Securities Act of 1933 (US)
<b>Related Body Corporate</b>	has the meaning given to that term in section 50 of the Corporations Act
<b>Resident and Employee Offer</b>	that component of the Capital Raising comprising an offer of up to \$25 million of Stapled Securities to residents of Retirement Villages that are expected to form part of BBCG on 30 June 2007 and/or to employees of entities that are expected to form part of BBCG (including employees of BBCG controlled entities) on 30 June 2007, in each case as if the Scheme were Effective as at 30 June 2007
<b>Resident and Employee Offer Application Form</b>	the Application Form in relation to the Resident and Employee Offer which is included in or accompanying this Offer Document
<b>Responsible Entity</b>	BBCIS, only in its capacity as the responsible entity of BBCT
<b>Restructure Financial Advisory Mandate</b>	the agreement between Babcock & Brown Australia and Primelife to engage Babcock & Brown Australia to act as facilitator to the Restructure Proposal
<b>Restructure Proposal</b>	the Consolidation Proposal, the Stapling Proposal, the Management Arrangements, the Capital Raising and the Fini Acquisition Proposal collectively
<b>Retail Investor</b>	means an investor who is not an Institutional Investor
<b>Retirement Living</b>	the provision of residential accommodation facilities for persons aged 55 years or over and/or the industry concerned with this, as the context requires
<b>Retirement Village</b>	the facility typically used to provide residential accommodation facilities for persons aged 55 years or over in the Retirement Living industry
<b>SA</b>	Assisted living/serviced apartments within a Retirement Village
<b>Sale Nominee</b>	Macquarie Securities (Australia) Limited ABN 58 002 832 126, being the person nominated by Primelife to sell or facilitate the transfer of the Stapled Securities attributable to Foreign Scheme Shareholders, on their behalf, under the terms of the Scheme
<b>Scheme or Scheme of Arrangement</b>	the proposed members' scheme of arrangement between Primelife and its shareholders under Part 5.1 of the Corporations Act to give effect to the Stapling Proposal, subject to any modifications or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by Primelife and Babcock & Brown
<b>Scheme Meeting</b>	the meeting of Primelife Shareholders to be held on or about 19 July 2007 to consider and vote on the Scheme
<b>Scheme Share</b>	a Primelife Share on issue as at the Record Date

<b>Scheme Shareholder</b>	a registered holder of Primelife Shares as at the Record Date
<b>Second Court Hearing Date</b>	the final date on which the application to the Court for the Court to approve the Scheme under section 411(4)(b) of the Corporations Act is heard
<b>Securityholder</b>	a holder of a BBCG Stapled Security
<b>Senior Living</b>	the provision of accommodation and/or care to those individuals aged over 55 in a Retirement Village or Aged Care facility
<b>Side Letter Agreement</b>	the agreement between BBCM, Primelife and BBCIS as responsible entity of BBCT in relation to Base Fees and expense amounts pursuant to the Management Agreements
<b>Stapled or Stapling</b>	in the case of two or more securities, being quoted on ASX together so that one such security may not be dealt with without the other or others being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each such stapled security
<b>Stapled Security or BBCG Stapled Security</b>	one BBCL Share (currently Primelife Share) and one BBCT Unit in their legal capacity as separate securities but will be listed for quotation on ASX and traded together following Stapling in accordance with the proposed new BBCL Constitution, the BBCT Constitution and the Stapling Deed
<b>Stapled Security Accumulation Index</b>	means an index which will be formulated by the Manager to measure the change in the value of Stapled Securities (assuming BBCG distributions are reinvested in Stapled Securities and adjusted for any Stapled Security consolidations, bonuses and rights issues)
<b>Stapling Deed</b>	the deed of that name between Primelife and the Responsible Entity including the Loan Agreement, as summarised in Section 12.10.1
<b>Stapling Deed Resolution</b>	the proposed ordinary resolution, set out as resolution 2 in the Notice of General Meeting
<b>Stapling Proposal</b>	the proposed stapling of BBCL to BBCT Units under the Scheme, the Capital Reduction and the Stapling Deed, to form Stapled Securities
<b>Stapled Security Return</b>	the movement in the Stapled Security Accumulation Index over a Financial Year multiplied by BBCG's Equity Value (as defined in Section 9.3.5)
<b>Supporting Resolutions</b>	the resolutions to be considered and voted on at the General Meeting, comprising the Consolidation Proposal Resolution, the Stapling Deed Resolution, the Capital Reduction Resolution, the Change of Name Resolution, the Constitution Replacement Resolution, the Management Arrangements Resolution and the Capital Raising Resolution
<b>Term</b>	the term of the Management Agreements which is: (a) 10 years from the commencement date of the Management Agreements; or (b) such longer period from the commencement date as ASX policy permits consistent with the structure and operations of BBCG remaining appropriate for a listed entity, but not exceeding 25 years,  as renewed from time to time with the approval of Securityholders for periods of the length of the term during which approval for renewal is obtained
<b>Tricom</b>	Tricom Equities Limited ABN 92 067 161 755
<b>Underwriters</b>	the underwriters to the Main Offer, being the Joint Lead Managers, Tricom and B&B Underwriter, severally
<b>Underwriting Deed</b>	the Underwriting Deed entered on 30 May 2007 between the Underwriters, Primelife and the Responsible Entity to underwrite the Minimum Capital Raising Amount, as varied by an amending deed dated 15 June 2007

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United States	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
U.S. Person	<p>has the following meaning given to that term under Regulation S of the US Securities Act:</p> <ul style="list-style-type: none"> <li>(a) any natural person resident in the United States;</li> <li>(b) any partnership or corporation organised or incorporated under the laws of the United States;</li> <li>(c) any estate of which any executor or administrator is a U.S. person;</li> <li>(d) any trust of which any trustee is a U.S. person;</li> <li>(e) any agency or branch of a foreign entity located in the United States;</li> <li>(f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;</li> <li>(g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and</li> <li>(h) any partnership or corporation if: <ul style="list-style-type: none"> <li>(1) organised or incorporated under the laws of any foreign jurisdiction; and</li> <li>(2) formed by a U.S. person principally for the purpose of investing in securities not registered under the US Securities Act of 1933, unless it is organised or incorporated, and owned, by accredited investors (as defined by in section 230.501(a) of that Act) who are not natural persons, estates or trusts, but not the following who are not U.S. persons: <ul style="list-style-type: none"> <li>(i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States;</li> <li>(j) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if: <ul style="list-style-type: none"> <li>(1) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and</li> <li>(2) the estate is governed by foreign law.</li> </ul> </li> <li>(k) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settler if the trust is revocable) is a U.S. person;</li> <li>(l) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;</li> </ul> </li> <li>(m) any agency or branch of a U.S. person located outside the United States if: <ul style="list-style-type: none"> <li>(1) the agency or branch operates for valid business reasons; and</li> <li>(2) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and</li> </ul> </li> <li>(n) The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans.</li> </ul> </li> </ul>
US Securities Act	the US Securities Act of 1933 as amended
WA Village	WA Village, as referred to in Sections 4 and 7, is a single village which is the subject of an agreed acquisition term sheet. Final due diligence, with a view to completing the acquisition in August 2007, is ongoing

# Corporate directory

## **DIRECTORS OF PRIMELIFE AND PROPOSED DIRECTORS OF ABCL**

Judith Sloan (Chairman)  
John Martin (Managing Director)  
Robert Topfer (Non-Executive Director)  
Andrew Love (Non-Executive Director)  
Graeme Martin (Non-Executive Director)  
Andrew Schwartz (Non-Executive Director)

## **CAUTIONARY STATEMENT OF ABCL**

Gregor Dixon

## **MANAGED ENTITY**

Babcock & Brown Responsible Entity No. 1 Limited  
Level 23, The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## **DIRECTORS OF PRIME**

Philip Green  
Michael Maxwell  
Robert Topfer  
Deborah Kelly

## **PRIME LIFE GROUP**

Primelife Corporation Limited  
Level 2  
210 Kings Way  
South Melbourne VIC 3205

## **PRIMELIFE WEBSITE**

[www.primelife.com.au](http://www.primelife.com.au)

## **SPEAK TO US NOW**

1800 881 047 or +61 2 8280 7923

## **FINANCIAL ADVISOR TO PRIMELIFE**

Grant Samuel Corporate Finance Pty Limited  
Level 6  
1 Collins Street  
Melbourne VIC 3000

## **INVESTMENT REGULATORS**

PricewaterhouseCoopers Securities Ltd  
201 Sussex Street  
Sydney NSW 1171

## **EXTERNAL ADVISORS**

Ernst & Young  
1 Eagle Street  
Brisbane QLD 4000

## **AGENTS**

Link Market Services  
Level 12  
680 George Street  
Sydney NSW 2000

## **FINANCIAL ADVISOR TO ABCL**

Babcock & Brown Australia Pty Limited  
Level 23, The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## **CONTRACT MANAGERS**

ABN AMRO Rothschild  
ABN AMRO Tower  
88 Phillip Street  
Sydney NSW 2000

J.P. Morgan Australia Limited  
Level 32, Grosvenor Place  
225 George Street  
Sydney NSW 2000

Macquarie Equity Capital Markets Limited  
Level 9  
No. 1 Martin Place  
Sydney NSW 2000

## **COMMONWEALTH SECURITIES**

Commonwealth Securities Limited  
Level 18  
363 George Street  
Sydney NSW 2000

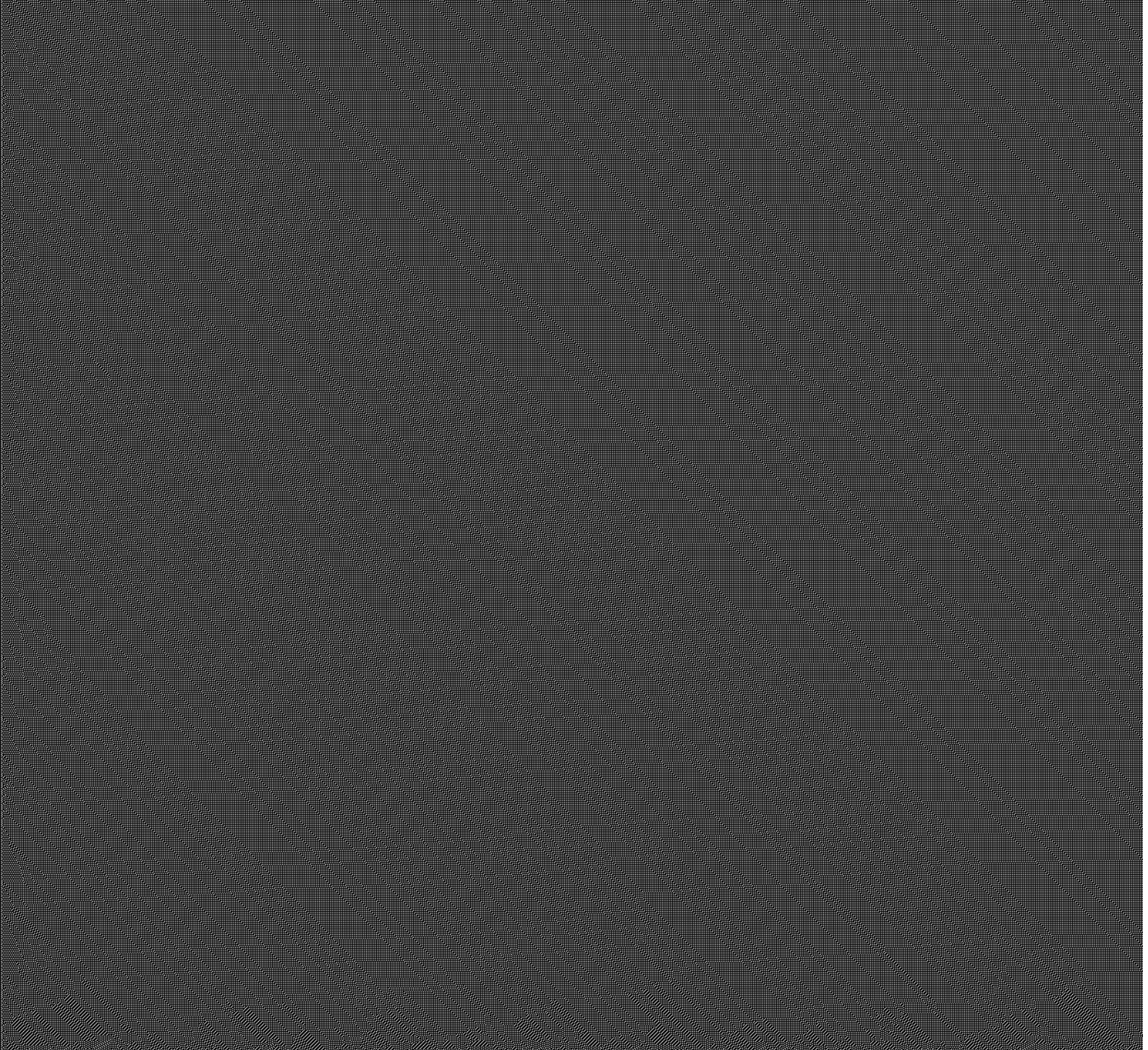
Tricom Equities Limited  
Level 27, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## **LEGAL ADVISOR TO PRIMELIFE**

Minter Ellison  
Level 23, South Rialto Towers  
525 Collins Street  
Melbourne VIC 3000

## **LEGAL ADVISOR TO BABCOCK & BROWN AND THE RESPONSIBLE ENTITY**

Chang, Pistilli & Simmons  
Level 13, Plaza Building, Australia Square  
95 Pitt Street  
Sydney NSW 2000



(left to right) Annesley Bowral, Waterford Valley Lakes, Harbourside Village Mindarie and Waterford Park

