



**30 June 2009**

**ASX Code : MCK**

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## **MacarthurCook Limited-Target's Statement**

Please find attached a copy of MacarthurCook Limited's Target's Statement in response to a Bidder's Statement issued by AIMS Securities Holdings Pty Ltd.

This Target's Statement will be sent to shareholders today.

### **For further information, contact:**

**Mr Craig Dunstan**  
Managing Director  
MacarthurCook Limited  
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Chief Executive Officer (Australia and America)  
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### **About MacarthurCook:**

*MacarthurCook Limited (MCK) is an Australian Securities Exchange (ASX) listed company with offices in Australia and Singapore, specialising in the investment management of direct property, real estate securities and mortgage assets.*

*MacarthurCook manages over A\$1.1 billion on behalf of over 21,000 investors as at 31 May 2009. MacarthurCook is a quality endorsed company (ISO 9001:2008 international standard accreditation), and is the investment manager for MacarthurCook Industrial REIT, MacarthurCook Industrial Property Fund, MacarthurCook Office Property Trust, MacarthurCook Mortgage Fund, Advance Mortgage Fund, MacarthurCook Property Securities Fund, Advance Property Securities Fund and the RMR Asia Pacific Real Estate Fund.*

*The MacarthurCook Property Securities Fund is listed on the ASX and the Singapore Securities Exchange. The MacarthurCook Industrial Property Fund is listed on the ASX. The MacarthurCook Industrial REIT is listed on the Singapore Securities Exchange. The RMR Asia Pacific Real Estate Fund is listed on the American Stock Exchange.*

## MACARTHURCOOK LIMITED – TARGET’S STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ ALL OF THE DOCUMENT. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR INVESTMENT, FINANCIAL, TAXATION OR OTHER PROFESSIONAL ADVISER.



**The Board of MacarthurCook Limited  
unanimously recommends that you**

# REJECT

**the takeover offer by AIMS Securities Holdings Pty Ltd.**

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE MACARTHURCOOK SHAREHOLDER INFORMATION LINE ON 1300 655 197 (IF IN AUSTRALIA) OR +613 9660 4555 (IF OUTSIDE AUSTRALIA).

Financial Adviser

CREDIT SUISSE 

Legal Adviser

Allens Arthur Robinson 

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## Important Notices

### Nature of this Document

This is the Target's Statement dated 30 June 2009 given by MacarthurCook Limited (MacarthurCook) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the AIMS Bidder's Statement.

### ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement. A copy of this Target's Statement has also been provided to the ASX. Neither the ASX nor any of its officers takes any responsibility for the content of this Target's Statement.

### Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in Section 11. Section 11 also sets out some rules of interpretation which apply to this Target's Statement.

### Disclaimer Regarding Forward Looking Statements

This Target's Statement contains statements in the nature of forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Shareholders should note that forward-looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from implied values or anticipated results, performance or achievements expressed or implied in those forward-looking statements. These risks, variables and other factors include matters specific to the real estate sector and the funds management sector, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of MacarthurCook Shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of MacarthurCook.

None of MacarthurCook, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance or achievements expressed or implied in forward-looking statements contained in this Target's Statement will be achieved, and you are cautioned not to place undue reliance on these statements. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

### No Account of Personal Circumstances

The information in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs.







It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. If you are in any doubt in relation to these matters, you should consult your investment, financial, taxation or other professional adviser before making a decision whether to accept the Offer.

### MacarthurCook Shareholder Information

If you have any questions, please contact the MacarthurCook Shareholder information line on 1300 655197 (if in Australia) or +613 9660 4555 (if outside Australia). Further information relating to MacarthurCook and the AIMS Offer can be obtained from MacarthurCook's website at [www.macarthurcook.com.au](http://www.macarthurcook.com.au).

## 1. What you need to do

### TO REJECT THE OFFER simply do nothing

-  **Your Board of Directors unanimously recommends that you REJECT the AIMS Offer.**
  
-  **To REJECT the AIMS Offer, you should not act on the documentation sent to you by AIMS and take no action.**
  
-  **Read this Target's Statement. It contains your Board's recommendation to REJECT the Offer and provides reasons for this recommendation.**
  
-  **However, the Board acknowledges that there are inherent risks in the strategy they have set for MacarthurCook. These risks are set out in Sections 3.3 and 8. If you believe that these risks outweigh the potential benefits of remaining a MacarthurCook Shareholder then you may consider accepting the AIMS Offer.**
  
-  **You should seek appropriate independent advice prior to deciding whether to accept or reject the AIMS Offer.**
  
-  **If you have any questions, please call the MacarthurCook Shareholder Information Line on 1300 655 197 (if in Australia) or +61 3 9660 4555 (if outside Australia).**

### Key dates

<b>AIMS Offer Opening Date</b>	<b>15 June 2009</b>
<b>Date of this Target's Statement</b>	<b>30 June 2009</b>
<b>Close of the AIMS Offer (unless extended)</b>	<b>7pm Sydney time, 17 July 2009</b>

## 2. Chairman's letter



30 June 2009

Dear Shareholder,

***REJECT AIMS Securities Holdings Pty Ltd's Offer***

On 21 May 2009, AIMS Securities Holdings Pty Ltd (***AIMS***) announced a takeover offer for your company at \$0.30 cash per MacarthurCook share. On 24 June 2009, their offer was increased to \$0.35 per share (***AIMS Offer***).

This document contains your Board's formal response to the AIMS Offer.

**Your Board unanimously recommends that you REJECT the AIMS Offer.** The Board has been carefully assessing the various options before it, including the AIMS Offer. While acknowledging that this presents an opportunity for shareholders to sell their shares, your Board believes that the AIMS Offer is opportunistic and denies shareholders the opportunity to participate in MacarthurCook's established business platform and potential upside given:

- MacarthurCook's established position in the Australian and Asian property funds management market;
- MacarthurCook's key strategic partnerships in Australia, Asia and the United States;
- The business opportunities being developed by MacarthurCook, if realised, are expected to result in an increase in assets under management and revenue in both Asia and Australia;
- The strength of the current management team;
- MacarthurCook's listed property securities investments are currently trading at a significant discount to net tangible asset backing; and
- The offer comes at a low point in the midst of a global financial crisis.

You should be aware that all of your Directors own shares in MacarthurCook and intend to reject the current AIMS Offer in respect of all their shares.

However, the Board acknowledges the risk that its proposed strategies may not be fully realised. If you are concerned about these risks, you may consider accepting the AIMS Offer. The Board recommends that any shareholder considering accepting the AIMS Offer wait until close to the end of the offer period on 17 July 2009. If you accept the AIMS Offer, you will not be able to accept a higher offer should such an offer emerge.

**The Board encourages you to read both the Bidder's Statement and the Target's Statement in full, having regard to your individual investment timeframe and risk appetite. You should seek appropriate independent advice prior to deciding to reject the AIMS Offer.**

If you have any questions with respect to the AIMS Offer, please call the MacarthurCook Shareholder Information Line on 1300 655 197 (if in Australia) or +61 3 9660 4555 (if outside Australia). Your Board will keep you informed of any material developments in relation to the AIMS Offer.

Yours sincerely,



**Richard Haddock**  
Chairman

### **3. Why you should REJECT the Offer**

#### **3.1. Summary of key reasons to REJECT the Offer**

The Board recommends that you **REJECT** the AIMS Offer for the following key reasons:

- a.** The Offer does not reflect the value of MacarthurCook
- b.** The Offer is opportunistically timed
- c.** MacarthurCook has a strong track record in growing assets under management
- d.** MacarthurCook has responded to the difficult market conditions, and is executing a plan to consolidate its financial position and to enable it to take advantage of current and future growth opportunities
- e.** The Directors intend to **REJECT** the current Offer
- f.** The Offer may jeopardise material MacarthurCook contracts
- g.** There may be further adverse consequences of AIMS not acquiring 100% ownership of MacarthurCook
- h.** AIMS has not provided a strategic plan for MacarthurCook
- i.** A superior proposal may emerge before the Offer closes

However, there are also risks associated with rejecting the Offer which are set out in Sections 3.3 and 8.

## 3.2. Reasons to REJECT the Offer

### (a) The Offer does not reflect the value of MacarthurCook

- Your Board believes that there are a number of sources of value for MacarthurCook that, on an aggregate basis, are in excess of the AIMS Offer.

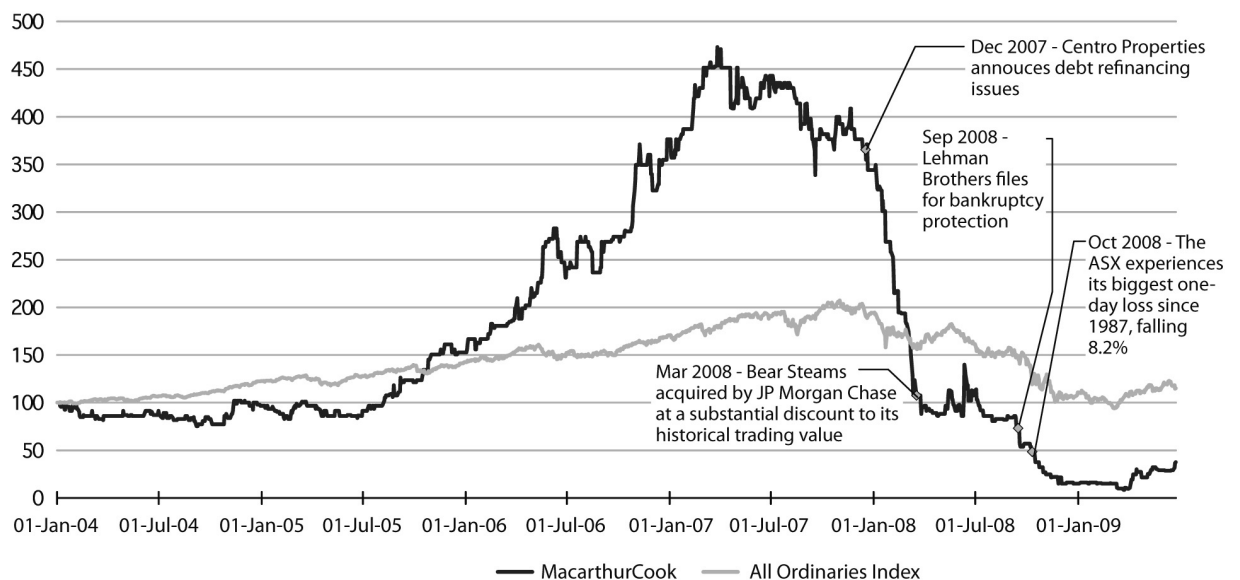
<b>MacarthurCook has an international funds management platform</b>	<ul style="list-style-type: none"> <li>■ MacarthurCook commenced its funds management business in 2003 and has grown into a manager of over \$1.1 billion in total assets under management (as at 31 May 2009), across 3 continents and a range of funds and clients.</li> <li>■ It has a: <ul style="list-style-type: none"> <li>- Strategic and established position in the Australian and also the important Asian property funds management market;</li> <li>- Experienced and capable management; and</li> <li>- Number of key strategic partnerships.</li> </ul> </li> </ul>
<b>There are a number of current growth opportunities</b>	<ul style="list-style-type: none"> <li>■ There are a number of opportunities currently before MacarthurCook that, if realised, are expected to result in an increase in total assets under management and revenue in Asia and/or Australia.</li> <li>■ The future initiatives being pursued include (but are not limited to): <ul style="list-style-type: none"> <li>- A capital raising by MacarthurCook by 31 October 2009;</li> <li>- Refinancing of MI-REIT in 2009;</li> <li>- A new circa \$100 million fund/mandate in FY2010;</li> <li>- Significant capital raisings in MI-REIT in FY2011; and</li> <li>- Launch of a new fund of significant size in Asia in FY2011.</li> </ul> </li> <li>■ See Section 6.3 for further details outlining MacarthurCook's future growth opportunities and Sections 3.3 and 8 for details on the risks associated with those growth opportunities.</li> </ul>
<b>The value of MacarthurCook's investments</b>	<ul style="list-style-type: none"> <li>■ MacarthurCook has investments in a number of listed and unlisted property funds.</li> <li>■ The market value of these investments is approximately \$0.19 per share as at 24 June 2009. These investments are valued at a combined 71% discount to current net tangible assets of \$0.66 per share. See Section 7.6 for further details on MacarthurCook's investments.</li> <li>■ The current discount to net tangible assets represents an historical low (the maximum discount to net tangible assets for the Australian REIT sector between 1970 and 2009 was approximately 49% and the discount is expected to reduce over time).</li> </ul>
<b>A plan is currently being implemented to address MacarthurCook's funding needs and short to medium term liabilities</b>	<ul style="list-style-type: none"> <li>■ The Board recognises that MacarthurCook has a need to raise additional funds to recapitalise its balance sheet and address short to medium term liabilities.</li> <li>■ MacarthurCook is exploring a range of opportunities to improve MacarthurCook's balance sheet and profitability, and reasonably believes that a number of these will be implemented successfully. These include capital raisings both at the corporate and fund level, further cost management, new mandates, launching new funds and potential acquisitions.</li> </ul>

- Although the Board believes the Offer does not reflect the value of MacarthurCook, there are significant risks associated with a number of the planned initiatives. Should a number of these future initiatives not materialise, MacarthurCook's value is likely to be reduced significantly.

**(b) The Offer is opportunistically timed**

- Your Board believes the AIMS Offer is opportunistic and is timed at a low point of MacarthurCook’s trading history, amidst poor overall market conditions.
  - MacarthurCook was planning a capital raising which had been discussed with AIMS prior to AIMS launching its bid.
  - MacarthurCook is in the process of seeking refinancing for some of its funds, particularly MI-REIT which has been impacted by the uncertainty associated with the AIMS offer.
  
- In March 2009 MacarthurCook’s share price was trading at historical lows of approximately \$0.08. This was driven by a number of factors including the scarcity and cost of capital to fund growth following the global financial crisis. The graph below illustrates MacarthurCook’s strong historical performance prior to the global financial crisis, and some key events during the crisis, and their impact on the MacarthurCook Share price.

**MacarthurCook’s relative share price performance and some selected events during the global financial crisis**



Source: Bloomberg  
 Note: Last data point is 24 June 2009

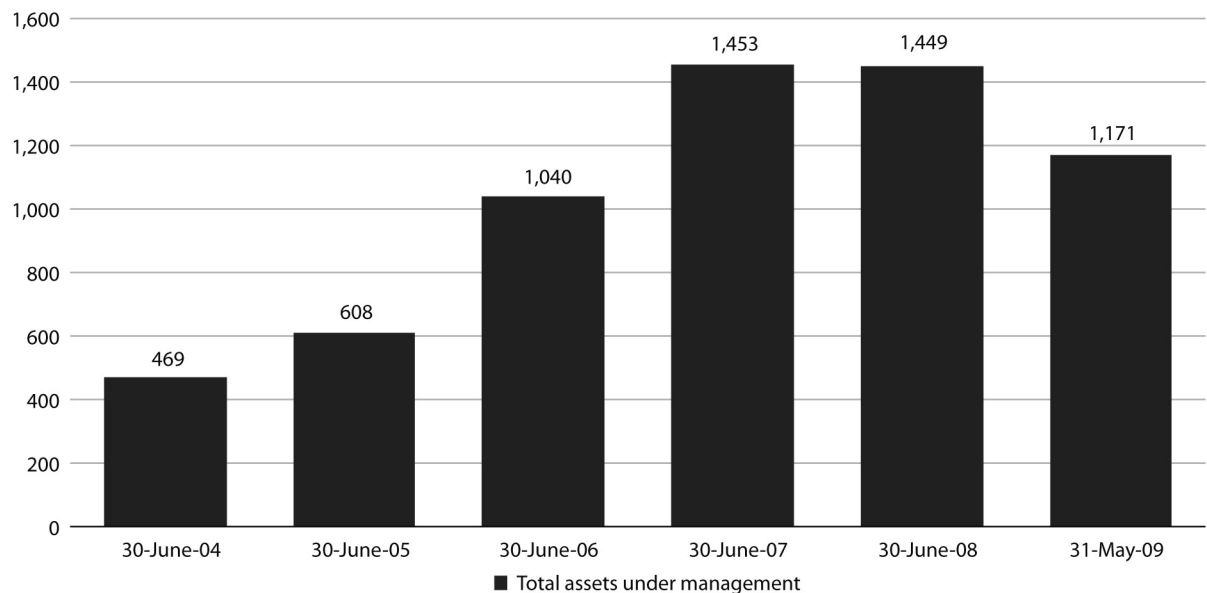


**(c) MacarthurCook has a strong track record in growing assets under management**

- From its commencement in 2003 total assets under management have grown to over \$1.1 billion as at 31 May 2009.
- MacarthurCook has the proven capacity and expertise to identify, structure and execute new fund opportunities in Australia and Asia, with international investor support.
- MacarthurCook has formed a number of strategic alliances for the purpose of assisting it to grow its business. Details of the strategic alliances are set out in Section 6.5.
- Since 30 June 2008 total assets under management have declined by 19% to over \$1.1 billion on 31 May 2009. However, the Board considers that remaining assets under management will be relatively resilient, primarily as a consequence of a high proportion of funds not being subject to redemptions, and diversification across direct real estate, real estate securities and mortgage asset classes.

**The size of MacarthurCook's total assets under management**

(A\$ in millions)

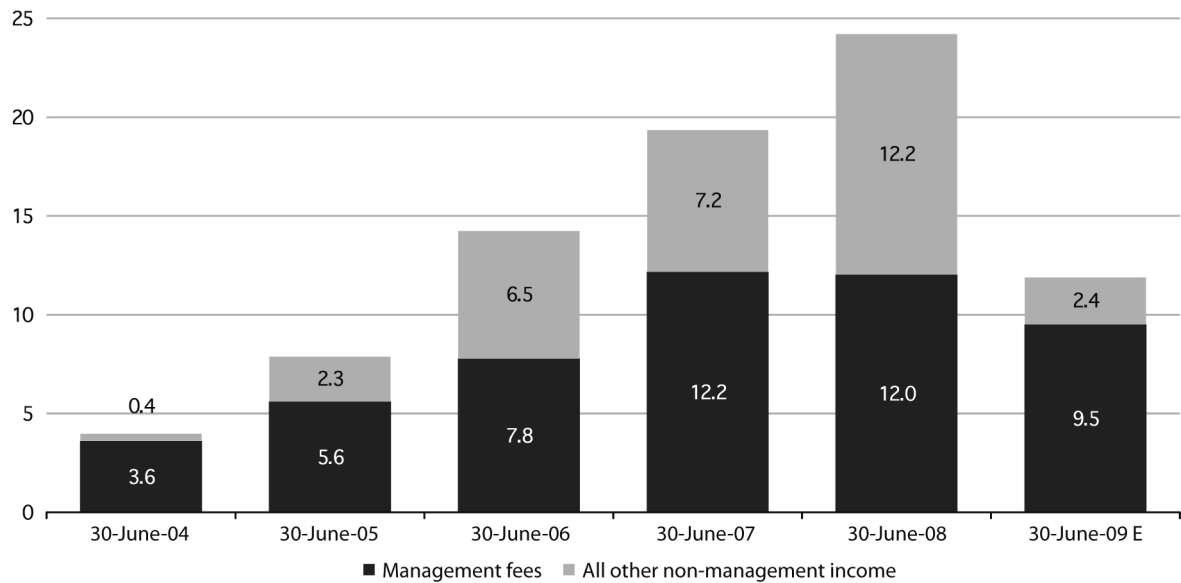


Source: MacarthurCook

- Revenue has grown from \$4 million as at June 2004, MacarthurCook's first full year of operations, to an anticipated \$11.9 million by 30 June 2009.
- Since the onset of the global financial crisis transaction fees have been heavily impacted. However, base management fee income has been relatively resilient (as a consequence of the resilience of MacarthurCook's total assets under management).

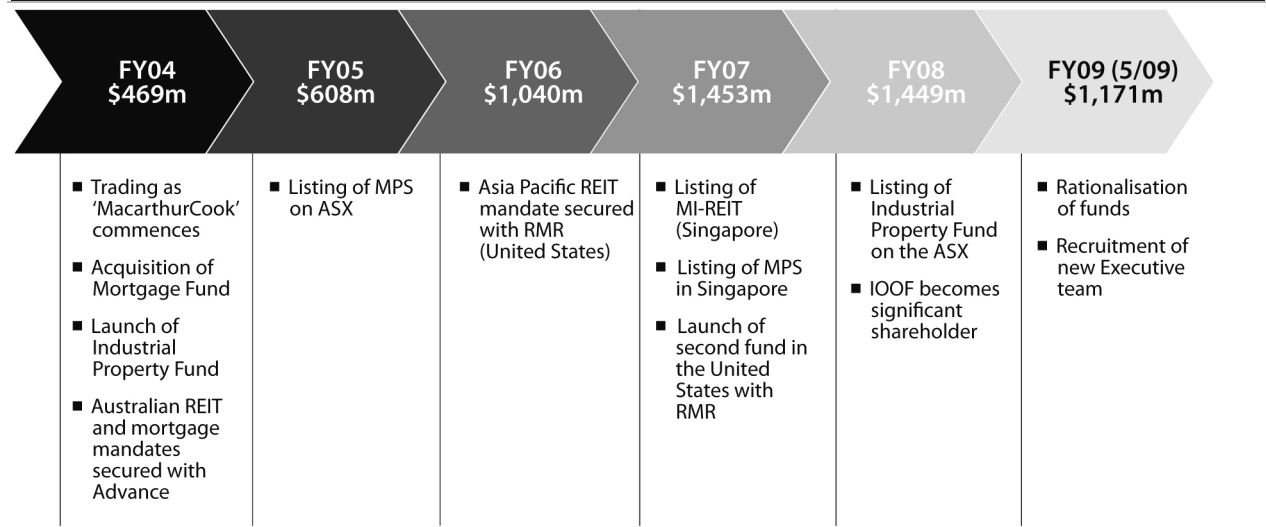
**MacarthurCook's revenue profile**

(A\$ in millions)



Source: MacarthurCook

**MacarthurCook has developed a track record in launching and acquiring funds and in growing assets under management**



**(d) MacArthurCook has responded to the difficult market conditions, and is executing a plan to consolidate its financial position and to enable it to take advantage of current and future growth opportunities**

- In recent times, MacArthurCook has undertaken a range of initiatives to strengthen its financial position and its underlying business platform, despite the difficult economic and industry environment in 2008 and 2009. In particular:
  - **Cost reductions** – Ongoing operational expenses have been reduced since 30 June 2008 and MacArthurCook remains focused on continued tight cost control;
  - **Strategic review of funds** – 2 funds have been wound up in FY2009, with 3 more small funds under strategic review;
  - **Management team** – Since early 2008, the management team has been strengthened with several key appointments in both Australia and Asia to further enable MacArthurCook to manage the current difficult conditions, and capitalise on growth opportunities as markets improve;
  - **Business opportunities** – MacArthurCook has engaged a number of parties regarding new business opportunities. All opportunities are rigorously assessed, and some of these opportunities are currently being explored further with a view to building and growing the business in its key regions in Australia and Asia. The Board believes that there is a realistic expectation that some of these will be brought to fruition;
  - **Strategic alliances** – MacArthurCook continues to work with existing strategic partners as well as seeking new alliance partners that can complement MacArthurCook's business and assist with future growth;
  - **Capital raising** – The Board recognises the need for additional capital, and is currently exploring a capital raising for MacArthurCook as set out in Section 7.3;
  - **Renegotiated debt facility** – MacArthurCook successfully refinanced its existing debt facility for a further 2 year term to 31 July 2011. The Board refers you to Section 7.2 for a summary of the key terms and conditions associated with this new debt facility.

**(e) The Directors intend to REJECT the current Offer**

- Each of the Directors, who represent a total of 13.9% of MacArthurCook Shares, has indicated that they intend to REJECT the Offer on its current terms.

**(f) The Offer may jeopardise material MacArthurCook contracts**

- MacArthurCook, through its subsidiary MCKIM, has been acting as sub-advisor to RMR under an investment mandate that generated approximately \$220,000 in fees over the last 12 months. Upon AIMS acquiring more than 25% of MacArthurCook on 26 June 2009, this mandate automatically terminated pursuant to the agreement and US law, and has been replaced by an interim arrangement. If the trustees of the fund wish to continue the mandate with MacArthurCook, approval is required from the investors in the fund. The mandate arrangements between the fund and MacArthurCook are under review pending resolution of the AIMS Offer.
- Certain other material contracts have change of control provisions which may be triggered if AIMS acquires MacArthurCook or a majority of MacArthurCook shares. These include:
  - the financing arrangements of MacArthurCook, MI-REIT, and other MacArthurCook Funds; and
  - certain share transfer restrictions affecting IOOF Holding Limited's share holding in MacArthurCook.
- Restraints contained in the Managing Director's terms of employment cease to apply in certain circumstances, including if AIMS becomes entitled to more than 40% of MacArthurCook Shares. See section 10.2 for further details of material contracts.

**(g) There may be further adverse consequences of AIMS not acquiring 100% ownership of MacarthurCook**

- The Shares could become illiquid and infrequently traded and shareholders may not be able to readily trade their Shares and the ASX market price may no longer be a reliable indicator of reasonable value. There is also a risk that MacarthurCook Shares may be de-listed, if sufficient liquidity is not maintained.
- Certain key members of MacarthurCook’s management team may resign or be terminated by AIMS which could have adverse implications for MacarthurCook’s relationships, AFSIs and future performance.
- A more detailed discussion of these risks is set out in Section 8.

**(h) AIMS has not provided a strategic plan for MacarthurCook**

- The AIMS Bidder’s Statement states that at the end of the Offer Period AIMS will, to the extent they gain control, “conduct an immediate review of MacarthurCook’s operations and assets on a financial and strategic level” and at present it has “reviewed information that is publicly released about MacarthurCook”. The Board believes that AIMS has not provided you sufficient detail around its proposed plan for the future of MacarthurCook, particularly given the publicly announced recapitalisation requirements of MacarthurCook and MI-REIT. These are key issues inherent in any strategic plan for MacarthurCook going forward, which could lead to a significant deterioration of value to Shareholders if left unaddressed.

**(i) A superior proposal may emerge before the Offer closes**

- The Board is constantly seeking and assessing opportunities to add value to MacarthurCook’s business and for the benefit of Shareholders.
- Prior to, and since the AIMS Offer, the Board has been in discussions with a number of parties regarding potential transactions, including potential acquisitions by MacarthurCook, sales of assets and entry of new investors on the MacarthurCook share register. The Board continues to progress these discussions and seek potential higher offers for MacarthurCook in order to work towards a potentially superior outcome to the AIMS Offer.

**3.3. Risk factors associated with rejecting the Offer**

- The Board believes that it is reasonable to reject the AIMS Offer given the existing business, its funds management platform in Australia and Asia, and the opportunities currently before the Board. However, Shareholders should consider their individual investment timeframe and risk appetite and seek appropriate advice in assessing whether to accept or reject the AIMS Offer.
- At the time of writing this Target’s Statement, successful execution of the planned initiatives is not certain, and therefore the Board acknowledges there are a number of risks associated with rejecting the AIMS Offer.
- The Board strongly encourages you to read and consider Section 8, which outlines some of the risks of rejecting the Offer. These risks include, but are not limited to:
  - General risk factors;
  - Company specific risk factors;
  - Risk factors relating to the AIMS Offer.
- In forming its view to reject the Offer, the Board has considered a range of matters and has factored in the following important assumptions (which may or may not occur) concerning MacarthurCook’s future business growth:
  - A capital raising by MacarthurCook by 31 October 2009;
  - Refinancing of MI-REIT in 2009;
  - A new circa \$100 million fund/mandate in FY2010;
  - Significant capital raisings in MI-REIT in FY2011; and
  - Launch of a new fund of significant size in Asia in FY2011.

- If you were to accept the Offer, your Board recommends that you not accept until near the end of the Offer Period on 17 July 2009 to allow you to take advantage of any superior proposal that may emerge. Shareholders who wish to accept the Offer should, however, seek their own advice on when and how to sell their Shares.

### 3.4. What does AIMS not tell you in its Bidder's Statement?

The Board believes there are several factors that AIMS has not adequately explained in its Bidder's Statement which may be important to your decision.

What AIMS has not told you	Comment
<b>How and when AIMS intends to recapitalise MacArthurCook</b>	■ MacArthurCook indicated to AIMS its requirement to recapitalise the balance sheet prior to AIMS launching its Offer. MacArthurCook's funding requirements are discussed in Section 7. AIMS has not provided guidance in its Bidder's Statement on how it intends to recapitalise MacArthurCook's balance sheet in the event its bid succeeds.
<b>What are AIMS' intentions in relation to the recapitalisation of MI-REIT?</b>	■ The Bidder's Statement does not address how AIMS intends to recapitalise MI-REIT. MI-REIT currently comprises approximately 40% of MacArthurCook's assets under management. MI-REIT's funding requirements are discussed in more detail in Section 7.8.
<b>AIMS has not provided details on how it intends to combine its operations with MacArthurCook's</b>	■ On page 16 of the Bidder's Statement AIMS states that it expects to realise cost synergies by combining MacArthurCook's operations with AIMS Financial Group's operations but has provided no guidance on how this will occur in practice or what impact this will have on Shareholders or the MacArthurCook business.
<b>There is no mention in the Bidder's Statement about AIMS' property funds management track record</b>	■ The AIMS Bidder's Statement states that AIMS Funds Management is presently "developing" an Australian and Chinese real estate opportunities fund as well as a Chinese biotechnology fund. There is no mention in the Bidder's Statement about its property funds management track record.

## 4. Answers to frequently asked questions

This Section answers some frequently asked questions about the AIMS Offer. It is not intended to address all relevant issues for MacArthurCook Shareholders. This Section should be read together with all other parts of the Target's Statement.

Question	Answer
<b>Who is AIMS?</b>	AIMS was incorporated in May 2009 for the sole purpose of acquiring MacArthurCook Shares and making the Offer. AIMS is a member of the AIMS Financial Group which comprises a group of companies which are ultimately controlled by Mr George Wang. AIMS has set out a summary of the principal activities of the AIMS Financial Group in section 2.3 of its Bidder's Statement.
<b>What is the Bidder's Statement?</b>	The AIMS Bidder's Statement contains information on the Offer for your MacArthurCook Shares. The law requires AIMS to send it to you.
<b>What is a Target's Statement?</b>	This booklet comprises a Target's Statement. MacArthurCook is required by law to produce the Target's Statement in response to the AIMS Offer. The Target's Statement contains information to help you decide whether to accept the Offer for your Shares.
<b>What is the consideration under the Offer?</b>	AIMS has made a \$0.35 cash offer for each of your MacArthurCook Shares.
<b>What choices do I have as a Shareholder?</b>	As a MacArthurCook Shareholder you can: <ul style="list-style-type: none"> <li>■ <b>REJECT</b> AIMS' Offer by doing nothing. Your Board recommends that you <b>REJECT</b> the AIMS Offer;</li> <li>■ Sell your MacArthurCook Shares on market (unless you have previously accepted the AIMS Offer and have not validly withdrawn your acceptance); or</li> <li>■ Accept the AIMS Offer.</li> </ul>
<b>What does your Board recommend?</b>	The Board unanimously recommends that you <b>REJECT</b> the Offer for the reasons explained in this Target's Statement. If, however, you are a short term Shareholder or are considering selling your MacArthurCook Shares during the Offer Period, you should consider which of selling on market (after allowing for brokerage) or accepting the Offer provides a higher price.
<b>What do the Directors intend to do with their MacArthurCook Shares?</b>	The Directors intend to do nothing and <b>REJECT</b> the current AIMS Offer.
<b>What happens if I do not accept the Offer?</b>	AIMS has stated in its Bidder's Statement that if it does not acquire 100% of MacArthurCook under the Offer, but becomes entitled to proceed with compulsory acquisition, it does not intend to do so (although it reserves the right to do so). If AIMS acquires less than 90% of issued Shares, or if they acquire more than 90% and do not move to compulsory acquisition, you will remain the holder of your MacArthurCook Shares if you do not accept the Offer.
<b>Will I be forced to sell my Shares?</b>	You cannot be forced to sell your Shares unless AIMS gets acceptances giving it more than 90% voting power in MacArthurCook. Then (and subject to some other legal requirements), AIMS will be entitled to proceed to compulsory acquisition of Shares held by MacArthurCook Shareholders who did not accept the Offer, in which case you will receive the same payment for your Shares that you would have received under the Offer. More information about this is contained in Section 5.4.
<b>Does the Offer include MacArthurCook Options?</b>	No, nor does the Offer extend to MacArthurCook Shares issued during the Offer Period as a result of the exercise of MacArthurCook Options.

Question	Answer
<b>When does the Offer close?</b>	The AIMS Offer is currently scheduled to close at 7pm Sydney time on 17 July 2009, but the Offer can be extended in certain circumstances in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. See Section 5.2 for details of the circumstances in which the Offer Period can be extended.
<b>When do I have to make a decision?</b>	<p>If you wish to follow your Board's unanimous recommendation and <b>REJECT</b> the AIMS Offer, you do not need to do anything. Do not act on the documents sent to you by AIMS.</p> <p>If you wish to accept the AIMS Offer, you need to do so before its scheduled closing date. If you decide to accept the Offer, your Board recommends that you not accept until near the end of the Offer Period to accommodate the possibility of a superior proposal emerging. The AIMS Offer must remain open for at least one month.</p> <p>AIMS may extend the Offer in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances. See Section 5.2 for details of the circumstances in which the Offer Period can be extended.</p> <p>The Board will keep you informed if there are any material developments in relation to the Offer. Shareholders are also encouraged to monitor the MacarthurCook website at <a href="http://www.macarthurcook.com.au">www.macarthurcook.com.au</a> or ASX website at <a href="http://www.asx.com.au">www.asx.com.au</a>, for any updates on the Offer.</p>
<b>How do I REJECT the AIMS Offer?</b>	To <b>REJECT</b> AIMS' Offer, you should do nothing. Do not act on the documents sent to you by AIMS.
<b>How do I accept the Offer?</b>	You should follow the instructions set out in the AIMS Bidder's Statement.
<b>What are the consequences of accepting the Offer now?</b>	<p>If you have already validly accepted the Offer on or prior to 19 June 2009, payment of your consideration should have already been sent to you (by 26 June 2009).</p> <p>Otherwise, if you validly accept the Offer, AIMS has said that payment of your consideration will be sent to you within 5 Business Days after AIMS' receives your valid acceptance in accordance with the instructions set out in its Bidder's Statement.</p> <p>In addition, if you validly accept the Offer, you will:</p> <ul style="list-style-type: none"> <li>■ Give up your right to sell or otherwise deal with your Shares. In particular, you will be unable to accept any competing offer, vote your Shares or receive dividends; and</li> <li>■ Be unable to withdraw your acceptance.</li> </ul>
<b>What are the risks associated with rejecting the AIMS Offer?</b>	The Board believes that there are risks associated with rejecting the Offer. The Board strongly encourages you to read Sections 3.3 and 8 which outlines the risks of rejecting the Offer in more detail.
<b>Why has the Board not commissioned an Independent Expert's Report?</b>	The Board is not required to commission an Independent Expert's Report under the current circumstances and has concluded that there is no material benefit in engaging an independent expert on this occasion.
<b>What if AIMS increases its price after I have accepted the Offer?</b>	If you accept the AIMS Offer and AIMS subsequently raises its Offer price, you will receive the higher price.
<b>If I accept the Offer now, can I withdraw my acceptance?</b>	As the AIMS Offer is unconditional, you will be unable to withdraw your acceptance if you decide to accept that Offer. Please refer to Section 5.3 for further details.
<b>Can I accept the Offer for only some of my Shares?</b>	Not unless you hold the Shares as trustee or nominee for, or otherwise on account of, another person.

Question	Answer
<b>What happens if the Offer price is increased?</b>	If AIMS increases its Offer price, your Board will carefully consider the revised Offer and advise you of any change to its recommendation.
<b>What are the conditions of the Offer?</b>	The Offer is unconditional.
<b>What are the tax implications of accepting the Offer?</b>	A general outline of the tax implications for certain Australian resident MacarthurCook Shareholders of accepting the Offer is set out in Section 7 of the AIMS Bidder's Statement. As the outline is of a general nature only, you should not rely on that outline as advice on your own affairs. It does not deal with the position of certain MacarthurCook Shareholders. You should seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept the AIMS Offer for your MacarthurCook Shares. See Section 10.6 for further information.
<b>Who should I call if I have questions?</b>	You can contact the MacarthurCook Shareholder Information Line on 1300 655 197 (if in Australia) or +61 3 9660 4555 (if outside Australia) or you can speak to your financial or other professional adviser.



## 5. Other important information about the Offer

### 5.1. The AIMS Offer

On 15 May 2009, AIMS announced its intention to make the Offer, being an offer to MacarthurCook Shareholders to acquire all of the MacarthurCook Shares.

On 29 May 2009, AIMS sent to MacarthurCook a copy of a replacement bidder's statement. This replaced an original bidder's statement that had been served on MacarthurCook by AIMS on 21 May 2009.

On 19 June 2009, AIMS sent to MacarthurCook a copy of a supplementary bidder's statement. This declared that its Offer was free of defeating conditions.

On 24 June 2009, AIMS sent to MacarthurCook a copy of a further supplementary bidder's statement. This increased the Offer price from \$0.30 to \$0.35.

The replacement bidder's statement as supplemented by the subsequent supplementary bidder's statements referred to above contains the AIMS Offer, and is referred to in this Target's Statement as the ***Bidder's Statement***.

#### (a) Offer price

The AIMS Offer is to acquire all of your MacarthurCook Shares, including any rights attaching to those Shares, for \$0.35 per Share. The AIMS Offer does not extend to any MacarthurCook Shares that are issued to you during the period from the Register Date to the end of the Offer Period as a result of the conversion of, or exercise of the rights attached to, any MacarthurCook Options. The Offer is unconditional.

Unless you hold some of your Shares as a trustee or nominee for, or otherwise on account of, another person (in which case, see section 9.20(c) of the Bidder's Statement for further details), you may only accept the Offer in respect of all of your Shares – you cannot accept the Offer in respect of only some of your Shares.

#### (b) Offer Period and acceptance

The Offer is open for acceptance from 15 June 2009 until 7pm Sydney time on 17 July 2009, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act (see Section 5.2 for details of the circumstances in which the Offer Period can be extended). If you choose to accept the Offer, then your acceptance must be received by AIMS before the end of the Offer Period. Instructions on how to accept the Offer are set out in the Bidder's Statement and on the acceptance form which accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

If your Shares are in a CHESS Holding and you want to accept the Offer, you should give instructions to your broker in sufficient time before the end of the Offer Period to allow your broker to initiate your acceptance under the CHESS system. If your Shares are in an issuer sponsored holding and you want to accept the Offer, you should complete and deliver the acceptance form in sufficient time so that it is received by AIMS before the end of the Offer Period.

#### (c) Withdrawal of the Offer

AIMS may not withdraw the Offer if you have already accepted it. Before you accept the Offer, AIMS may withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

## 5.2. Extension of the Offer Period

AIMS may (but is not obliged to) extend the Offer Period at any time up to the end of the relevant scheduled closing time.

AIMS must extend the Offer Period if, within the last seven days of the Offer Period, AIMS increases the consideration offered or AIMS' voting power in MacarthurCook increases to more than 50%. If that happens, the Offer must be extended so it ends 14 days after that event.

## 5.3. Effect of accepting the Offer and rights of withdrawal

If you accept the AIMS Offer, you will give up your rights to sell or otherwise deal with your Shares. In particular, you will be unable to accept any subsequent competing offer or vote your Shares. Once made, an acceptance of the AIMS Offer cannot be withdrawn. Before you consider accepting the Offer, you should read the effect of acceptance set out in Sections 9.5 and 9.6 of the Bidder's Statement (see pages 26 to 27 of the Bidder's Statement). Those sections describe the rights attached to your MacarthurCook Shares that you will be giving up, the representations and warranties that you will be making and irrevocable authorities and appointments that you will be granting AIMS, if you accept its Offer.

If AIMS improves the Offer price, all MacarthurCook Shareholders who accept the AIMS Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved consideration.

## 5.4. Compulsory acquisition

### (a) Post bid compulsory acquisition

AIMS has stated in its Bidder's Statement that if, as a result of its Offer, it becomes entitled to compulsorily acquire the outstanding MacarthurCook Shares under Part 6A.1 of the Corporations Act, it does not presently intend to proceed with such compulsory acquisition. However, it has still reserved its right to do so.

AIMS will be entitled to acquire compulsorily any outstanding MacarthurCook Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, AIMS (taken together with its associates):

- Has a relevant interest in at least 90% (by number) of MacarthurCook Shares; and
- Has acquired at least 75% (by number) of MacarthurCook Shares for which it has made an Offer.

If the compulsory acquisition thresholds are met, AIMS will have one month from the end of the Offer Period within which to give compulsory acquisition notices to MacarthurCook Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. Shareholders have statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for MacarthurCook Shares. Shareholders should be aware that, if their Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

### (b) General compulsory acquisition

If AIMS does not compulsorily acquire any outstanding MacarthurCook Shares under Part 6A.1 of the Corporations Act, or is not entitled to do so because it has not reached the 90% threshold, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act at a later point in time. In that case, AIMS will have a period of six months from that time to exercise general compulsory acquisition rights, which requires the acquisition to take place at a price which equals or exceeds the 'fair value' of the shares. If Shareholders holding more than 10% of MacarthurCook Shares object to the acquisition, AIMS would need to approach the court for orders to the effect that the acquisition should proceed.

### **(c) Compulsory buy-out rights**

If AIMS (taken together with its associates) has a relevant interest in at least 90% of MacarthurCook Shares at the end of the Offer Period and it does not exercise or is not entitled to exercise the compulsory acquisition rights described above, AIMS must offer to acquire the remaining MacarthurCook Shares and MacarthurCook Options. The terms of the offer must be set out in a notice given during or within one month after the end of the Offer Period and the offer must be accepted within one month after the notice has been given.

## **5.5. Operations and assets**

AIMS has stated in its Bidder's Statement that, if it acquires 90% or more of MacarthurCook Shares, it intends to conduct an immediate review of MacarthurCook's operations and assets on both a strategic and financial level to evaluate:

- MacarthurCook's performance, profitability and prospects (on an asset-by-asset basis);
- Whether particular operations and assets of MacarthurCook demonstrate a strategic fit with those of AIMS consistent with AIMS' reasons for making its Offer (as set out in Section 4.2 of the Bidder's Statement); and
- MacarthurCook's projected ongoing capital requirements to continue as a going concern and whether a further capital raising is required.

According to its Bidder's Statement, AIMS' key objective will be to ascertain which assets are to be retained and which (if any) are to be disposed of, and to ascertain whether improvements can be made to MacarthurCook's operations.

It should be noted that if AIMS acquires less than 90% of the MacarthurCook Shares, it intends to procure that the MacarthurCook Board implements these objectives to the extent possible and appropriate.

## **5.6. Employees**

AIMS has stated that the status of MacarthurCook's existing employees will be considered as part of the review referred to in Section 5.5. In particular, AIMS would evaluate the need to maintain a head office in Melbourne, and whether certain roles within that office should become redundant.

## 6. Profile of MacArthurCook

### 6.1. MacArthurCook's business strategy

MacArthurCook is a specialist international real estate investment management company with over \$1.1 billion of real estate, real estate securities and mortgage assets under management.

With an established platform in Asia and Australia, MacArthurCook's strategic focus is on continuing to introduce international investors to real estate and real estate securities investments in the Asia Pacific region.

In doing so, MacArthurCook will leverage its specialist expertise and the expertise and regional presence of its successful and respected alliance partners in Asia, the United States and Australia. It will continue to seek other alliance partners to introduce further investors to investments in the Asia Pacific region.

The Asian property market has traditionally presented relatively high levels of growth, strong underlying demographics, mass urbanisation and the increased introduction of laws allowing real estate investment trusts to be created. The Board expects that Asian real estate is likely to remain an attractive investment class into the future.

MacArthurCook is also focused on strengthening its business model by:

- Increasing its management fee annuity income streams and reducing its reliance on transaction fee income;
- Strengthening the balance sheets of its funds;
- Developing high quality alliance relationships; and
- Continuing to attract and retain high quality management and staff.

MacArthurCook remains focused on strengthening its financial position by:

- Managing its cost base;
- Reducing debt and other liabilities;
- Strategically reviewing its smaller funds; and
- Strengthening its core funds and positioning them for greater economies of scale.

### 6.2. MacArthurCook's positioning for the future

The global financial crisis has created challenging economic and industry conditions that have impacted MacArthurCook and its competitors. The lack of availability of capital and debt rationing has halted growth in 2008 and 2009 and adversely impacted revenue. Transaction fees have reduced to low levels and management and investment income has declined, although MacArthurCook's total assets under management has remained relatively resilient.

In response to this, MacArthurCook has undertaken a range of initiatives to strengthen its financial position, its underlying business platform and to position MacArthurCook for the future.

Initiatives include the following:

- **Cost reductions** – Ongoing operational expenses have been reduced since 30 June 2008 and MacArthurCook remains focused on continued tight cost control;
- **Strategic review of funds** – 2 funds have been wound up in FY2009, with 3 more small funds under strategic review;
- **Management team** – Since early 2008, the management team has been strengthened with several key appointments in both Australia and Asia to further enable MacArthurCook to manage the current difficult conditions, and capitalise on growth opportunities as markets improve;
- **Business opportunities** – MacArthurCook has engaged a number of parties regarding new business opportunities. All opportunities are rigorously assessed, and some of these opportunities are currently

being explored further with a view to building and growing the business in its key regions in Australia and Asia. The Board believes that there is a realistic expectation that some of these will be brought to fruition;

- **Strategic alliances** – MacarthurCook continues to work with existing strategic partners as well as seeking new alliance partners that can complement MacarthurCook’s business and assist with future growth;
- **Capital raising** – The Board recognises the need for additional capital, and is currently pursuing a capital raising for MacarthurCook as set out in Section 7.3;
- **Renegotiated debt facility** – MacarthurCook successfully refinanced its existing debt facility for a further 2 year term to 31 July 2011. The Board refers you to Section 7.2 for a summary of the key terms and conditions associated with this new debt facility.

Current trading conditions are undoubtedly the most challenging MacarthurCook has experienced. Notwithstanding this, with an established business model and an international platform which includes Australia, Asia and the United States, the Board believes that when markets improve MacarthurCook will be well positioned for the future to create strong value for Shareholders.

### 6.3. MacarthurCook’s future growth initiatives

MacarthurCook is actively pursuing growth initiatives that it believes will have the potential to significantly improve future revenues and profitability.

New growth initiatives being pursued include:

- Launching new funds focussed on investing in Asian real estate;
- Expansion of its existing funds, generating new assets under management and associated revenues (including transaction fees);
- Entering into new ventures with existing strategic partners; and
- Securing new strategic partnerships.

MacarthurCook is actively seeking new business opportunities in Asia and Australia in addition to seeking to grow its core funds. New funds and mandates would generate annuity style management fees for the business and in the case of direct property funds may provide the opportunity to earn transaction fees.

At the time of writing this Target’s Statement, successful execution of the planned initiatives is not certain and therefore the Board acknowledges there are a number of risks associated with rejecting the AIMS Offer. The Board strongly encourages you to read and consider Section 8, which outlines some of the risks of rejecting the Offer.

In addition to the growth opportunities identified above, MacarthurCook is actively seeking new mandates in the following areas:

- Australian real estate securities;
- Asian real estate securities;
- Asia Pacific real estate securities;
- Australian direct property;
- Asian direct property; and
- Mortgages.

## 6.4. MacarthurCook's funds

MacarthurCook's funds can be grouped into 3 categories:

- **Real estate funds:** MacarthurCook manages 4 funds located in Australia and Asia that invest in real estate. The underlying assets of these funds are industrial, commercial, and retail properties. This represents approximately 62% of MacarthurCook's revenues in the half year to 31 December 2008;
- **Real estate securities funds:** MacarthurCook is a recognised real estate securities fund manager with a focus on Australian and Asian markets. This represents approximately 17% of MacarthurCook's revenues in the half year to 31 December 2008; and
- **Mortgage funds:** MacarthurCook is the investment manager for the MacarthurCook Mortgage Fund and Advance Mortgage Fund. This represents approximately 20% of MacarthurCook's revenues in the half year to 31 December 2008.

Fund name	Fund structure	Fund description	Fund size* (\$A m)
<b>Real estate funds</b>			
MacarthurCook Industrial REIT (code MI-REIT)	Listed on the Singapore Securities Exchange	The fund owns 21 industrial properties in Singapore and Japan. The fund has a gearing level of 42.1%.	477
MacarthurCook Industrial Property Fund (code MIF)	Listed on the Australian Securities Exchange	The fund owns 11 industrial properties in Australia. The fund has a gearing level of 57%.	151
MacarthurCook Office Property Trust	Unlisted	The fund owns 2 office properties in Australia. One property is under contract of sale for \$22 million, which is included in the total assets under management figure until settlement occurs. The fund has a gearing level of 55.9%.	40
MacarthurCook Retail Property Trust	Unlisted	The fund owns 2 retail properties in Australia. One property is under contract of sale for \$10.5 million, which is included in the total assets under management figure until settlement occurs. The fund has a gearing level of over 100%.	36
<b>Total</b>			<b>704</b>
<b>Real estate securities funds</b>			
MacarthurCook Property Securities Fund (codes MPS and MacCookPSF)	Listed on the Australian and Singapore Securities Exchanges	The fund invests in a wide range of unlisted and listed property securities. The fund has a gearing level of 31.3%.	142
RMR Asian Real Estate Securities Mandate (code RAF US)	Listed on the American Stock Exchange	The mandate is to invest in a range of Asian listed real estate securities. This fund has more recently been merged with the RMR fund listed below.	75
RMR Asia Pacific Real Estate Securities Mandate (code RAP US)	Listed on the American Stock Exchange	The mandate is to invest in a range of Asian and Australian listed real estate securities.	27
Advance Property Securities Fund	Unlisted	This fund invests in a range of Australian listed real estate securities.	17

Fund name	Fund structure	Fund description	Fund size* (\$A m)
MacarthurCook Diversified Property Income Fund	Unlisted	The fund invests in a range of MacarthurCook funds. This fund has no gearing.	1
<b>Total</b>			<b>262</b>
<b>Mortgage funds</b>			
MacarthurCook Mortgage Fund	Unlisted	The fund invests in a wide range of mortgages. This fund has no gearing.	151
Advance Mortgage Fund	Unlisted	The fund invests in commercial mortgages.	54
<b>Total</b>			<b>205</b>
<b>Total assets under management</b>			<b>1,171</b>

\* Fund size under management and gearing as at 31 May 2009

## 6.5. MacarthurCook's strategic partners

The following table sets out a summary of MacarthurCook's strategic alliance partners:

Strategic partner	Description	Relationship
RMR Advisors Inc. (RMR)	RMR, the advisor to the RMR Asia Pacific Real Estate Fund, was founded in 2003 and is focused on investing in real estate securities, including REITs and other high dividend paying common stocks. The RMR Group manage in excess of US\$10 billion of property total assets under management as at 31 March 2009, measured by market capitalisation.	MacarthurCook is the appointed investment manager of a fund listed on the American Stock Exchange that invests in Asian real estate securities: the RMR Asia Pacific Real Estate Fund. The fund leverages off MacarthurCook's extensive knowledge of Asian Pacific real estate markets and RMR's access to United States investment markets. See Section 10.2(d) regarding the termination implications.
United Engineers Limited (UEL)	Formed in 1912, UEL was Singapore's first listed company. With its rich engineering heritage, the Group has played an integral role in the physical and economic transformation of Singapore.	The Manager of the pan-Asian MI-REIT is MacarthurCook Investment Managers (Asia) Limited. The Manager, in turn, is owned by MacarthurCook Limited (92.5%) and United Engineers Development Pte Ltd (7.5%), a wholly owned subsidiary of United Engineers Limited.
Atlas Partners Japan Ltd (APJ)	APJ provides global institutional investors with assets and fund management services for Japanese real estate and private equity investments.	APJ assists MacarthurCook to manage its Japanese-based direct property interests. This includes sourcing attractive investment opportunities, conducting analysis and due diligence, negotiating with other relevant parties, then presenting and discussing investment opportunities. For those properties acquired, APJ undertakes ongoing asset management activities.

Strategic partner	Description	Relationship
IOOF Holdings limited (IOOF)	IOOF is an Australian financial services provider, specialising in investment and superannuation management and administration. IOOF has recently merged with Australian Wealth Management and now manages over \$87 billion in assets under management, administration, advice and supervision, as at 30 April 2009.	IOOF has advised MacarthurCook that its strategic alliance is on hold pending resolution of the AIMS Offer and the recapitalisation of MacarthurCook.
Advance Asset Management Limited	Advance is the specialist investment arm of the St George Group which is part of the Westpac Banking Corporation. Advance believes that no single investment manager can consistently outperform across all sectors and market conditions, and so partners with a range of boutique and specialist investment managers.	MacarthurCook is the appointed manager for the Advance Mortgage Fund and the Advance Property Securities Fund.



## 7. Financial update and recent developments in the MacarthurCook business

### 7.1. December 2008 results and upcoming 2009 full financial year results

The last published financial statements of MacarthurCook were half year accounts as at 31 December 2008, which were independently reviewed by MacarthurCook's auditors and released to ASX on 27 February 2009.

#### (a) Consolidated Income Statement

(A\$ in millions)	Half-year ended 31 December 2008 actual
Revenue and other income	6.0
Expenses and other items	(7.2)
<b>EBITDA</b>	<b>(1.2)</b>
Depreciation and amortisation	(0.1)
Finance expenses	(0.4)
<b>Operating loss</b>	<b>(1.7)</b>
Non-cash impairment loss	(8.1)
Increase in value of put-option liabilities	(2.4)
Pre tax loss	(12.2)
Income tax benefit	0.7
<b>Loss after tax</b>	<b>(11.5)</b>

Since the release of the half-year accounts on 27 February 2009, trading conditions have continued to be challenging. However, MacarthurCook's financial performance has improved over the second half of the financial year with a pre-tax operating result close to break-even for the six months. MacarthurCook estimates that revenue will be in the order of \$11.9 million for the full year ended 30 June 2009 and that the full year post tax loss will be approximately the same as reported for the half-year to 31 December 2008, before any adjustments for the impact of market forces on the carrying values of investments, put-option liabilities and goodwill which are outlined in Sections 7.4 to 7.5 below.

#### (b) Consolidated Balance Sheet

At 31 December 2008, the MacarthurCook Consolidated Balance Sheet reported current liabilities of \$14.9 million compared to current assets of \$7.9 million. This excess of current liabilities over current assets was a result of three of MacarthurCook's liabilities being considered current in nature. In the past six months, MacarthurCook has renegotiated the terms of its corporate banking facility and the OPT put option, and MacarthurCook has received an offer from United Engineers Developments Pte Ltd to defer the put option liability (see Sections 7.2, 7.4 and 7.5). Subject to certain conditions being met, this should result in a significant portion of the liabilities being re-classified as non-current liabilities by 31 December 2009.

#### (c) Cash flow

MacarthurCook released its quarterly Appendix 4C statement of cash flows on 30 April 2009. The operating cash position has been improved in recent months as a result of reductions in operating costs. In this regard, staff reductions have recently been made, and further savings on rent and other operating costs have been identified and are being implemented. MacarthurCook owns investments in a range of listed funds which may

be available for sale if required to generate cash. The Board expects cash flow will also be improved as a result of the proposed capital raising.

## 7.2. Borrowings and debt refinancing

In its Appendix 4C for the quarter ended 31 March 2009, MacarthurCook advised that it was in advanced discussions with its bankers to extend its current banking arrangements beyond the current facility expiry date of 31 August 2009. On 17 June 2009, MacarthurCook executed a final letter of offer to refinance its existing bank facilities for a further 2 year term to 31 July 2011.

Other key features of the extended banking facility are as follows:

- It includes a fully drawn cash advance facility of \$6.7 million at the start date of 31 July 2009 plus a \$0.5 million overdraft facility;
- It is a condition of the new facility that Shareholders approve an equity or convertible note issue by 31 August 2009 and that funds are received by 31 October 2009. Failure to do so is an event of default; and
- The facility is to be reduced progressively to approximately \$4 million by the end of the term. In addition, a proportion of the proceeds of any equity or convertible note issue, up to a total of \$1.3 million, will be required to reduce the facility, the reduction varying according to the amount raised.

A total amount of at least \$960,000 is required to be repaid in the year ended 30 June 2010. It is expected that the facility will be classified as a current liability as at 30 June 2009 until the capital raising condition is met. Once a capital raising is completed and assuming it is completed before 31 October 2009, bank borrowings as at 31 December 2009 would be split between current liabilities and non-current liabilities.

## 7.3. Proposed capital raising

MacarthurCook identified the need for a capital raising several months before AIMS launched its Offer. On 17 June 2009, MacarthurCook announced its intention to undertake a capital raising of approximately \$5 million, and is exploring an appropriate capital raising structure. Whilst the Board is exploring a convertible note offer, a pro-rata rights issue of shares to Shareholders is currently favoured.

The purpose of the capital raising is to:

- Reduce bank debt;
- Reduce put option liabilities; and
- Provide additional working capital for the business.

A reduction of debt and put option liabilities will assist considerably in assuring MacarthurCook's future and will allow it to be better placed for future growth and to take advantage of current and future opportunities. In its Replacement Bidder's Statement AIMS has not explained how it intends to recapitalise the MacarthurCook business or whether it would participate in any capital raising.

## 7.4. MacarthurCook Office Property Trust put option

On 9 November 2007, MacarthurCook granted a put option to a third party over 5,873,759 units in MacarthurCook Office Property Trust (**OPT put option**). At 31 December 2008, the put option was classified as a current liability in the amount of \$3.1 million, valued using the Black Scholes method, based on the terms of the put option at that date. On 2 April 2009, MacarthurCook entered into an agreement with the holder of the MacarthurCook Office Property Trust put option to defer the beginning of the put option exercise period from 1 July 2009 to 1 October 2010 on terms including that MacarthurCook purchase units to the value of \$200,000 per quarter for five quarters in the period from July 2009 to August 2010. As a result, the liability will be split between a forward purchase contract and a put option. The total carrying value at 30 June 2009 is expected to

be approximately \$3.2 million, split between current and non-current liabilities of approximately \$0.4 million and \$2.8 million respectively.

## 7.5. UE put option

On 19 April 2007, United Engineers Developments Pte Ltd (**UE**) acquired a 7.5% stake in the management company of MI-REIT. UE has the right to sell its shareholding to MacarthurCook until March 2012 at a contracted price determined by reference to the net assets of MI-REIT. MacarthurCook has received an offer from UE to defer the exercise of the put option until on or after October 2010. The fee in relation to this deferral would be S\$115,000.

## 7.6. Investments

The MacarthurCook Group holds investments in several of the listed and unlisted funds that it manages. The total carrying value of investments at 24 June 2009 of \$5.1 million includes \$1.0 million of MI-REIT units remaining from the units acquired on 21 May 2009 as a performance fee in relation to management of the fund. This compares to a carrying value of \$4.3 million at 31 December 2008. The market prices of the investments decreased after 31 December 2008 but in recent months have improved from historical lows to levels close to those at 31 December 2008, but the units are still trading at a substantial discount to the net tangible asset values of the funds.

The MI-REIT investment is the group's most significant holding and its unit price has increased from S\$0.25 at 31 December 2008 to S\$0.31 at 24 June 2009. The investments will be revalued at market prices as at 30 June 2009, for purposes of inclusion in the 2009 financial statements.

The market value of these investments is approximately \$0.19 per MacarthurCook Share as at 24 June 2009. These investments are valued at a combined 71% discount to current net tangible assets of the respective funds. The total net tangible assets of the investments equates to \$0.66 per MacarthurCook Share. The current discount to net tangible assets represents an historical low (the maximum discount to net tangible assets for the Australian REIT sector between 1970 and 2009 was approximately 49% and the discount is expected to reduce over time).

### MacarthurCook investments

(A\$ in millions)

Name of investment fund	31 May 2009 Net tangible assets value	24 June 2009 market value	31 December 2008 market value
MPS	2.5	0.6	0.7
MI-REIT (Singapore)	10.2	3.0	1.7
MIF	4.7	1.2	1.6
OPT	0.3	0.3	0.3
<b>Total</b>	<b>17.7</b>	<b>5.1</b>	<b>4.3</b>

## 7.7. Impact on goodwill

MacarthurCook's balance sheet at 31 December 2008 included goodwill of \$10.2 million and other intangible assets of \$4.2 million.

The AIMS takeover bid and the planned future initiatives will potentially impact the Board's view regarding the carrying value of goodwill and intangible assets. At this stage, no adjustment has been made to the carrying value of these assets since 31 December 2008. This position will be finalised as part of the year end accounting process and will be influenced by the outcome of the AIMS Offer and other discussions. The Board currently expects a write down of goodwill of up to \$3 million.

## **7.8. MI-REIT funding requirements**

The Board of MCKIM (Asia) is considering various options to meet the future funding requirements of MI-REIT. At 31 May 2009, MI-REIT had interest-bearing borrowings of S\$224.4 million which are due for repayment by 31 December 2009, as well as an existing capital commitment of S\$91 million in relation to a property under construction which MCKIM (Asia) expects will need to be financed in the last calendar quarter of 2009.

MCKIM (Asia) has been actively engaging with potential financiers and the Board currently believes that sufficient funding sources are available to meet the ongoing and future requirements of MI-REIT.

Some parties who were otherwise interested in participating in the MI-REIT refinancing, and providing the necessary additional funding, have either withdrawn or deferred their interest given the uncertainties inherent in and possible outcomes of the AIMS Offer. Notwithstanding this, discussions with various parties are continuing.

MI-REIT's current banking facilities have been extended to 31 December 2009 subject to certain conditions including achieving satisfactory progress in its endeavours to refinance and raise sufficient additional funds.

If MI-REIT's funding requirements are not met as required, this would cast significant doubt on the ability of MI-REIT to continue as a going concern and have severe consequences for MacarthurCook.

## **7.9. MPS has a current need to refinance**

MPS' loan facility of \$44.5 million expires on 31 July 2009. As responsible entity of MPS, MCKFM is negotiating an extension of the term with MPS' banker. A decision by the banker to not extend would have a significant impact on the fund and in turn potentially impact the management fees earned by the MacarthurCook Group.

## 8. Risk factors

### General risk factors

#### (a) Economic environment

Economic conditions in Australia, Asia and globally affect MacarthurCook's business and financial condition. Any protracted slow down in economic conditions or adverse changes in such factors as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies) and employment rates among others, are outside the control of MacarthurCook and the Directors and may result in materially adverse impacts on the business and its operating results. A number of external factors may cause clients and potential clients to reduce, delay, or cancel investing in MacarthurCook's products, including:

- Stock market losses, poor investment returns or volatility;
- A weakening or down turn of the financial services and funds management industries;
- Fluctuations, disruptions or instability in the financial services industry or global or domestic economies; and
- Changes to Federal Government guarantees for deposits with deposit taking institutions.

#### (b) Market risk

MacarthurCook is exposed to market risk in the form of interest rates and exchange rates which it seeks to manage, occasionally using derivative instruments (such as swaps and forwards) to do so. The policies adopted in the management of market risk will impact the returns for MacarthurCook. Funds managed by other MacarthurCook Group entities are also exposed to market risk. The management of those risks may impact the performance of those funds and in turn the management fees earned by the MacarthurCook Group.

#### (c) Competition

The funds management industry within Australia and internationally is strongly competitive. Competitive pressures could result in fee reductions, reduced margins or loss of market share, any of which could adversely affect MacarthurCook's business.

#### (d) Taxation

Changes to tax legislation and regulation, or their interpretation, may adversely affect the value of an investment in Shares and may affect Shareholders differently.

#### (e) Accounting standards

The profits of MacarthurCook are subject to the determination of profit under applicable accounting standards. Changes in accounting standards or in the interpretation of those accounting standards may impact adversely on MacarthurCook and/or increase the costs associated with MacarthurCook's business. Such changes may adversely affect MacarthurCook's financial condition, for example by reducing MacarthurCook's earnings and in turn its capacity to pay dividends.

#### (f) Acts of terrorism and breakout of international hostilities

Acts of terrorism or an outbreak of international hostilities may adversely affect the demand for MacarthurCook's products and adversely impact MacarthurCook's financial condition. This, or an associated sentiment change with respect to the share market in a market in which MacarthurCook invests, could have a negative impact on the value of an investment in MacarthurCook.

## **Company specific risk factors**

### **(a) Assets under management**

As the majority of MacarthurCook's income is derived as fees related to the management of the funds by MacarthurCook Group Members, the investment performance of these funds is important to the ongoing earnings of MacarthurCook. Significant or prolonged underperformance could have an impact on MacarthurCook's financial performance.

Section 10.2(d) provides further detail in relation to a mandate which was automatically terminated as a result of the AIMS Offer, and has been replaced by an interim arrangement. If the mandate does not continue, there would be a reduction in total assets under management and fee income.

### **(b) Investment risk**

MacarthurCook has an investment in a range of funds managed by MacarthurCook subsidiaries. Correspondingly, the performance of these funds will impact the returns for MacarthurCook.

### **(c) MacarthurCook capital requirements**

MacarthurCook has bank debt and put option liabilities, as detailed in Sections 7.2, 7.4 and 7.5.

MacarthurCook's existing bank facility has been refinanced for a further two year term to 31 July 2011, including a condition that the MacarthurCook Shareholders approve an equity or convertible note issue by 31 August 2009 and that subscriptions be received by 31 October 2009. Failure to do so is an event of default which could result in the termination of the new facility.

Meeting the commitments for the two put options is reliant on improvements in profitability and/or capital raisings. Failure of either of these factors will expose MacarthurCook to significant ongoing risks and is likely to result in a significant reduction in shareholder value. See Sections 7.4 and 7.5 for further details.

### **(d) MacarthurCook operating performance**

MacarthurCook expects to post an operating loss and negative operating cash flow for FY2009. The Board expects a modest increase in total assets under management in FY2010, and a potentially significant increase in total assets under management in FY2011. However, should these increases in total assets under management not be realised or these operating losses otherwise addressed, there is a risk of a significant fall in shareholder value.

### **(e) MI-REIT (Asia) has a current need to refinance and raise additional funds**

The MCKIM (Asia) Board is currently considering various options regarding the refinance and raising of additional funds for MI-REIT. It believes that this is achievable and will add considerable additional value to the MacarthurCook business.

If MI-REIT does not complete these transactions, this will expose MacarthurCook to considerable ongoing risk and significantly reduce the value of its Asian operations.

MCKIM (Asia) has been actively engaging with potential financiers and the Board currently believes that sufficient funding sources are available to meet the ongoing and future requirements of MI-REIT.

See Section 7.8 for further details.

### **(f) Loss of rental income within total assets under management**

The direct property funds that MacarthurCook manages have exposure to a variety of entities that lease or otherwise occupy the properties owned by these funds. A default by a major lessee or defaults across a number of leases, or failure to secure new leases on acceptable terms, could give rise to valuation declines and earnings

volatility within these funds and negatively impact MacarthurCook's business. The current financial crisis has the potential to materially increase this risk.

**(g) Returns from property and property securities**

MacarthurCook has an investment in a range of MacarthurCook Funds, which include unlisted direct property funds, listed real estate investment trusts and a listed property securities fund.

The returns from these investments, which include distributions and potentially capital gains or losses, will be impacted by a number of factors and may fluctuate from time to time due to market and other conditions.

For investments in unlisted direct property funds, the returns from these funds will be impacted by factors such as rent, rent arrears, occupancy levels, demand for property and property yields. In addition, they will be impacted by factors such as debt and capital management.

Property valuations represent only the analysis and opinion of qualified experts as at a certain date, and they are not guarantees of present or future values. The valuation of a property may be materially higher than the amount that can be obtained from the sale of a property in certain circumstances, such as under a distressed or liquidation sale.

The returns from investments in listed real estate investment trusts will also be impacted by a number of factors. In addition to the factors mentioned above, real estate investment trusts will be impacted based on changes in the performance of equity and property securities markets both in Australia and globally, changes in distributions and interest rates and investor preferences for particular sectors and asset classes.

The returns from the investment in the listed property securities fund, also has a number of influencing factors. In addition to those factors mentioned above, the returns are significantly influenced by the performance of the underlying third party fund managers.

**(h) Contract risk**

Members of the MacarthurCook Group have entered into contracts which are important to the future of MacarthurCook's business. Those contracts that are considered to be material to the effect of the AIMS Offer on MacarthurCook are described in more detail in Section 10.2. The termination of any of these contracts (for failure to perform or otherwise) may have a material adverse affect on MacarthurCook.

**(i) MPS has a current need to refinance**

MPS' loan facility of \$44.5 million expires on 31 July 2009. As responsible entity of MPS, MCKFM is negotiating an extension of the term with MPS' banker. A decision by the banker to not extend would have a significant impact on the fund and in turn potentially impact the management fees earned by the MacarthurCook Group.

**(j) Removal as responsible entity or manager**

Any MacarthurCook Group entity which acts as the responsible entity, manager or investment advisor of a MacarthurCook Fund may resign, retire or be disqualified or removed from that position, depending on the procedures and investor approvals required under law and the constituent documents of that MacarthurCook Fund. If this occurs, this would result in a loss of fee income and may also damage the reputation and growth prospects of the MacarthurCook Group.

**(k) Reliance on key personnel**

MacarthurCook's performance is dependent on the efforts and abilities of its executive team and senior management. Loss of key personnel may adversely affect the business performance of MacarthurCook, the valuation of MacarthurCook's business or the MacarthurCook Share price.

**(l) Reputation**

Any damage to the reputation of MacArthurCook or its brand could have a material adverse impact on its business.

**(m) Compliance and regulatory risks**

Any MacArthurCook Group entity which holds an AFSL, or other similar licence in a foreign jurisdiction, may fail to comply with the law of the requirements of that licence. This could result in the licence being revoked and that MacArthurCook Group entity being unable to provide financial services within Australia or the relevant foreign jurisdiction. MacArthurCook seeks to mitigate against this risk by the maintenance of various internal compliance policies.

Future legislation changes may also increase costs and constrain operations.

**(n) Litigation and legal action**

MacArthurCook and other members of the MacArthurCook Group may be exposed to potential litigation from investors, regulators, employees, business associates and companies. To the extent that these risks are not covered by insurance policies, litigation, or the cost of responding to actual or potential litigation, could have a material adverse impact on MacArthurCook's financial position and earnings and the Share price.

**(o) Technical failure**

MacArthurCook relies on its information technology and telecommunication systems for its businesses to operate efficiently. Failure in these systems, lack of system capacity, inappropriate or unauthorised access and unsuccessful systems interaction are all risks to MacArthurCook's business operations.

**Risk factors relating to the outcome of the AIMS Offer**

Maintaining your investment in MacArthurCook may attract the following risks, depending on the outcome of the AIMS Offer.

**(a) MacArthurCook Share price may fall in the short term**

In the absence of market improvement or successful implementation of the opportunities currently being pursued by the Board, the MacArthurCook Share price may fall below current levels.

**(b) Superior proposal may not emerge**

Following the approach by AIMS, the Board has continued to explore various proposals that may include alternative offers for MacArthurCook. The risk remains that MacArthurCook may not receive another proposal and that current opportunities may not be finalised.

**(c) Termination payments**

AIMS has stated in its Bidder's Statement that it will need to evaluate the status of MacArthurCook's existing employees if it gains control. The Bidder's Statement does not identify any specific employees it would replace or remove.

If AIMS were to gain control of MacArthurCook and terminated the employment of senior executives of MacArthurCook, some of those persons would be entitled to receive payments on termination in accordance with the terms of their existing employment contracts. If AIMS terminated all of the senior executive team after gaining control, payments of up to \$2.3 million in aggregate would be payable.



**(d) Compulsory acquisition**

If you choose not to accept the AIMS Offer and AIMS subsequently exercises compulsory acquisition rights, you are likely to be paid later than those MacarthurCook Shareholders who accept the AIMS Offer. In addition, AIMS has stated in its Bidder's Statement that it does not intend to exercise any compulsory acquisition rights it may acquire (although it reserves its right to do so).

**(e) Minority Shareholders if change of control to AIMS**

If AIMS acquires more than 50% but not all of the MacarthurCook Shares, there may be a number of consequences for those Shareholders who remain as MacarthurCook Shareholders, including the following:

■ **Illiquid market**

- The number of MacarthurCook Shares traded on the ASX could be significantly reduced, thereby potentially lessening the value of the shareholding of minority MacarthurCook Shareholders. MacarthurCook Shares could become an illiquid and infrequently traded share, and as such, the ASX market price may no longer be a reliable indicator of value. In this circumstance, MacarthurCook Shares may also be delisted.

■ **Conduct of business**

- If AIMS acquires control of MacarthurCook, it will have enhanced capacity to influence the manner in which the business is conducted. AIMS' intentions for MacarthurCook are described in Section 4 of the Bidder's Statement, but those intentions may change, particularly as a result of the review which AIMS states that it will undertake. Changes to the business which are implemented by AIMS may mean that you subsequently choose to dispose of your MacarthurCook Shares at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.

■ **Market risk**

- Those minority Shareholders would continue to be exposed to the ongoing risks associated with owning MacarthurCook Shares. These risks include, but are not limited to:
  - Financing and capital investment risk; and
  - Movements in the equity markets, particularly during the current uncertain environment.

## 9. Directors' recommendation and interests

### 9.1. Recommendation

As at the date of this Target's Statement, the MacarthurCook Directors are:

Name	Position
Richard Haddock	Non-executive Chairman
Craig Dunstan	Managing Director
Geoff Coffey	Non-executive Director
Hugh Gurner	Non-executive Director
Jane Tongs	Non-executive Director

The Directors recommend that you should reject the AIMS Offer, for the reasons set out in Section 3.

In considering whether you wish to follow that recommendation, you should:

- Read the whole of this Target's Statement;
- Consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- Obtain independent financial and taxation advice if you believe that is necessary.

You should also consider the following:

- If you hold MacarthurCook Shares as a short term investment, and you decide that you wish to sell your Shares now, you should consider either accepting the Offer or selling your Shares on the ASX, if the ASX price (less brokerage costs) is above the Offer price at the time; and
- If you decide to retain your MacarthurCook Shares, you should consider the risks associated with an investment in MacarthurCook which operates in a highly competitive market. MacarthurCook is no exception. You can expect that the price of MacarthurCook Shares will fluctuate, and may even fall below the Offer price, depending on MacarthurCook's operating performance, issues which face the markets in which it operates, and changes in sentiment regarding its prospects. Further information on the risks associated with holding MacarthurCook Shares are described in Section 8.

### 9.2. Intentions of the Directors

The Directors intend to reject the current Offer in respect of the MacarthurCook Shares held by them, or on their behalf.

MacarthurCook Directors and the entities associated with them may choose to deal in MacarthurCook Shares at any time, subject to the requirements of the Corporations Act and the MacarthurCook Securities Trading Policy. A recommendation given by a Director in connection with the Offer should not be taken to imply that the Director will not choose to deal with his or her existing holding (or that of any entity associated with him or her, or over which he or she has control) or will acquire or refrain from acquiring further MacarthurCook Shares in response to the Offer.

### 9.3. Additional considerations for employees of MacarthurCook

AIMS has stated that the status of MacarthurCook's existing employees will be considered as part of the review referred to in Section 5.5. In particular, AIMS would evaluate the need to maintain a head office in Melbourne, and whether certain roles within that office should become redundant.

#### **9.4. Relevant interests in marketable securities of MacarthurCook and AIMS**

The marketable securities that MacarthurCook has on issue are 26,905,681 MacarthurCook Shares and 2,691,172 MacarthurCook Options.

The number, description and amount of marketable securities of MacarthurCook in which each Director has a relevant interest are as follows:

<b>Director</b>	<b>MacarthurCook Shares</b>	<b>MacarthurCook Options</b>
Richard Haddock	323,416	-
Craig Dunstan	2,287,697	1,834,150
Geoff Coffey	25,000	-
Hugh Gurner	1,098,500	-
Jane Tongs	12,000	-

#### **9.5. Dealings in marketable securities of MacarthurCook**

No MacarthurCook Director as transferred or has agreed to transfer any beneficial interest in any marketable securities of MacarthurCook under a sale, purchase or agreement for sale or purchase of such securities within the four month period prior to the date of this Target's Statement.

#### **9.6. Interests in securities of AIMS**

None of the Directors has any relevant interest in any marketable securities of AIMS or any of its related bodies corporate.

#### **9.7. Dealings in marketable securities of AIMS**

No MacarthurCook Director provided or agreed to provide, or received or agreed to receive, consideration for any marketable securities of AIMS or any of its related bodies corporate under a sale, purchase or agreement for sale or purchase of such securities within the four month period preceding the date of this Target's Statement.

#### **9.8. Conditional agreements**

No MacarthurCook Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

#### **9.9. Interests of Directors of MacarthurCook in any contract with AIMS**

No Director has an interest in any contract entered into with AIMS or any of its related bodies corporate.

## 9.10. Payments and benefits

Other than as noted below, as a result of the Offer, no benefit (other than a benefit which can be given without member approval under the Corporations Act) has been or will be given to a person:

- (a) In connection with the retirement of a person from a board or managerial office in MacarthurCook or a related body corporate of MacarthurCook; or
- (b) Who holds, or has held a board or managerial office in MacarthurCook or a related body corporate, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of MacarthurCook.

## 9.11. Insurance and indemnities

Each Director has signed a Deed of Indemnity and Right of Access to Documents with MacarthurCook under which each such person is protected to the maximum extent permitted by law against:

- Any liability incurred by the person as an officer of MacarthurCook or another relevant company (unless that liability arises out of conduct involving a lack of good faith on the part of the Director); and
- Any liability incurred in connection with proceedings brought against the person as an officer of MacarthurCook or another relevant company (and decided in favour of that person),

other than any liability owed to MacarthurCook or any of its related bodies corporate. Each director of the other members of the MacarthurCook Group has executed a Deed of Indemnity and Right of Access to Documents on the above terms.

The standard form Deed of Indemnity and Right of Access to Documents for Directors also permits the Director access to board papers and documents, and imposes on MacarthurCook certain obligations to procure insurance cover for the benefit of the Director in respect of liabilities incurred by the Director as a Director of MacarthurCook or another relevant company.

In addition, under the MacarthurCook Constitution, MacarthurCook indemnifies, to the extent permitted by law, each Director and other officer of MacarthurCook acting as a Director on similar terms as described above.

MacarthurCook is the policyholder of a group directors' and officers' insurance policy. This policy would not cover events occurring after any change of control of MacarthurCook. This policy expires on 14 July 2009 and MacarthurCook is in the process of negotiating a renewal of that policy. Initial feedback from the insurers indicates that a 3 month extension of the policy is likely to be granted at a significant reduction in cover, until the AIMS Offer is resolved and the recapitalisation of MacarthurCook is completed. MacarthurCook is also exploring proposals with other insurers.

Under the terms of the Deeds of Indemnity and Right of Access to Documents, MacarthurCook is legally obliged to procure that each Director is insured for a period of 12 years from the date on which he or she ceases to be a Director. MacarthurCook must also ensure that the terms on which each Director is insured are not materially less favourable to that person than those in force at the time the person ceased to be a Director and in force from time to time for current Directors during the period of insurance. MacarthurCook intends to discharge this obligation by arranging 'run-off' insurance cover which will enable claims to be notified to insurers under the current policies during an extended claims notification period of 12 years after the end of the current policy period.

## **10. Additional information**

In making a decision whether to accept the Offer, MacarthurCook Shareholders should also carefully consider the following matters.

### **10.1. MacarthurCook capital structure**

MacarthurCook's issued capital comprises 26,905,681 ordinary shares and 2,691,172 options to subscribe for ordinary shares. MacarthurCook is required to issue an additional 460,000 options to employees at strike prices between \$1.20 and \$3.00 to fulfil obligations under existing employment contracts entered into when their employment commenced.

### **10.2. Potential impact of AIMS Offer on MacarthurCook's financial arrangements and material contracts**

MacarthurCook has identified the following contracts that have been entered into by MacarthurCook or any of its subsidiaries which MacarthurCook considers to be material in the context of MacarthurCook or the MacarthurCook group taken as a whole, that contain change of control provisions which may be triggered if AIMS acquires MacarthurCook or a majority of MacarthurCook Shares as a result of its Offer.

The making of the AIMS Offer has not, of itself, triggered any of these provisions. Whether or not a change in control will occur as a result of the AIMS Offer is not certain. If AIMS acquires a majority of MacarthurCook Shares (either as a result of its Offer or otherwise), the consequences under each contract will depend on the wording of the relevant clause and the attitude of the other party or parties to the relevant contract to the exercise of any rights they may have under that contract. If such rights are triggered and are validly exercised, the impact on MacarthurCook's business will depend on the nature of the rights (eg whether the contract can be terminated or provisions of the contract reviewed), the outcome of any negotiations which may be entered into by MacarthurCook, access to alternative providers and the materiality or otherwise of the contracts to MacarthurCook's business at the time.

The relevant provisions of these contracts are summarised below.

Please also see Section 10.2(d) for details of an investment mandate under which MCKIM acts as sub-advisor which has been automatically terminated as a result of AIMS' acquisition of over 25% of MacarthurCook.

#### **(a) Financing arrangements**

As previously disclosed (and as described in more detail in Section 7.2), MacarthurCook refinanced its debt facilities on 17 June 2009 for a further two year term to 31 July 2011. The new facilities are for a maximum of \$6.7 million. A change of control in MacarthurCook would trigger a right of review, entitling the lender to review its commitment to make available the finance facilities. In particular, the lender would be entitled to terminate the facilities on 30 days' notice.

In addition, under MI-REIT's financing arrangements, any change in the chief executive officer or managing director of MCKIM (Asia) or MCKPM (both subsidiaries of MacarthurCook) would require the prior approval of MI-REIT's lenders.

Under the current financing arrangements of the MacarthurCook Office Property Trust, the MacarthurCook Retail Property Trust, the MacarthurCook Mortgage Fund and the MacarthurCook Industrial Property Fund, a change of control of MacarthurCook is likely to trigger a right to terminate the facilities.

### **(b) Australian Financial Services Licences**

The following MacarthurCook entities each hold an AFSL:

- MacarthurCook Fund Management Limited (AFSL No. 258057);
- MacarthurCook Investment Managers Limited (AFSL No. 225337); and
- MacarthurCook Real Estate Funds Limited (AFSL No. 318261).

The Managing Director, Mr Craig Dunstan, is the key person listed in each of these AFSLs. The Chief Executive Officer (Australia and America), Mr Simon Grant, is a responsible manager listed in each of these AFSLs. The Head of Real Estate, Mr Russell Bullen, is a responsible manager listed in the AFSLs of MCKFM and MREF.

Any change of any key person or responsible manager listed in any of the AFSLs held by members of the MacarthurCook Group would require the approval of ASIC.

### **(c) MCKIM (Asia) – Singapore Capital Markets Licence**

MCKIM (Asia) is the manager of the MI-REIT, and has applied for a Singapore Capital Markets Licence in that capacity. MCKIM (Asia) is currently operating under an exemption. Under that exemption, and once the licence is granted, any replacement of any director or the chief executive officer of MCKIM (Asia) would require the approval of the Monetary Authority of Singapore, and would be required to satisfy the 'fit and proper' criteria specified under the Securities and Futures Act of Singapore.

### **(d) Mandates**

MacarthurCook, through its subsidiary MCKIM, has been acting as sub-advisor to RMR under an investment mandate that generated approximately \$220,000 in fees for MCKIM over the last 12 months. Under the RMR agreement and US law, the RMR agreement terminates on any party acquiring 25% or more of MacarthurCook. Upon AIMS acquiring more than 25% of MacarthurCook on 26 June 2009, this mandate automatically terminated and has been replaced by an interim arrangement. If the trustees of the fund wish to continue the mandate with MacarthurCook, approval is required from the investors in the fund. The mandate arrangements between the fund and MacarthurCook are under review pending resolution of the AIMS Offer.

### **(e) IOOF alliance and placement agreements**

As previously disclosed, under arrangements entered into between MacarthurCook and IOOF Holdings Limited (IOOF) in June 2008, IOOF was issued 3,450,000 MacarthurCook Shares. Under those arrangements, IOOF is restricted from selling those MacarthurCook Shares until 13 June 2010. Those restrictions cease to apply if:

- A takeover offer is made for all of the MacarthurCook Shares and a majority of the Board recommends the offer to MacarthurCook Shareholders; or
- A third party acquires more than 50% of the voting power in MacarthurCook.

Accordingly, if AIMS acquires a relevant interest in more than 50% of MacarthurCook, these disposal restrictions would no longer apply.

In addition, certain restrictions under those arrangements on IOOF's ability to acquire more MacarthurCook Shares terminate upon a takeover offer being made for all MacarthurCook Shares. Accordingly, it is likely that these restrictions have been terminated as a result of AIMS making its Offer.

IOOF has advised MacarthurCook that its strategic alliance is on hold pending resolution of the AIMS Offer and the recapitalisation of MacarthurCook.

### 10.3. MacArthurCook Securities Trading Policy

MacArthurCook's Share Trading Policy regulates dealings by Directors, officers and employees, in shares, options and other securities issued by MacArthurCook. In certain circumstances this policy also applies to contractors and consultants.

This policy has been formulated to ensure that employees are aware of the legal restrictions on trading in MacArthurCook securities while a person is in possession of unpublished price-sensitive information. It is also intended to minimise any misunderstandings or suspicions that staff are trading while in possession of unpublished price-sensitive information.

Consistent with the legal prohibitions on insider trading, all employees are prohibited from trading in MacArthurCook's shares, options or other securities issued while in possession of unpublished price-sensitive information. Price-sensitive information is that which a reasonable person would expect to have a material effect on the price or value of MacArthurCook securities.

Directors, officers and employees are encouraged to be long-term holders of MacArthurCook's securities. MacArthurCook discourages short-term trading in MacArthurCook's securities.

The Directors have an obligation under the Listing Rules to notify the ASX within five business days of any dealing in MacArthurCook's securities, which results in a change in the relevant interests of the Director. As contemplated by the Listing Rules, each Director has agreed to provide notice of such dealings to MacArthurCook within five business days of any such dealing to enable MacArthurCook to comply with its corresponding obligation to notify the ASX. MacArthurCook monitors this obligation to ensure that Directors comply with the Listing Rules and ASIC regulatory requirements.

Specific controls over the trading by Directors, officers and employees in MacArthurCook's securities are:

- A register of holdings is maintained by the Company Secretary of MacArthurCook of all holdings by Directors, officers and employees;
- All trades by Directors, officers and employees are approved in writing beforehand. Trades by Directors shall be approved by the Chairman. Trades by the Chairman shall be approved by the Chairman of the Risk, Audit & Compliance Committee or another Independent Director. Trades by officers and employees shall be approved by the Managing Director;
- Directors, officers and employees in possession of price-sensitive information about MacArthurCook will not be able to trade any securities issued by MacArthurCook until such information is in the public domain or is no longer deemed price-sensitive.

Information released to the ASX is not considered to be generally public until a reasonable time has elapsed following an announcement to allow the market to absorb the contents of the announcement. As such, Directors, officers and employees will not trade in the period before a market announcement is made for as long as price-sensitive information is known, and for two days thereafter. For reporting of financial results under the ASX's periodic disclosure requirements, the period restricted before the announcement is six weeks.

### 10.4. Impact on MacArthurCook employee incentive plans

The table below sets out the number of MacArthurCook Shares and MacArthurCook Options, which have been issued under the employee incentive plans operated by MacArthurCook and as at the date of this Target's Statement, remain outstanding.

Plan description	MacArthurCook Shares	MacArthurCook Options
MacArthurCook Limited Performance Share Plan	-	-
MacArthurCook Exempt Share Plan	32,868	-
MacArthurCook Limited Option Plan	-	2,691,172*

\*An additional 460,000 options are to be issued as discussed in Section 10.1.

The Offer extends to MacArthurCook Shares held under these plans but does not extend to any MacArthurCook Options or to any MacArthurCook Shares issued during the Offer Period as a result of the exercise of MacArthurCook Options held under the plans. Each plan contains restrictions on the capacity of holders to accept the Offer, which are described below.

### **Performance Share Plan**

The Board may determine that Shares offered may not be disposed of or dealt with until the participant's employer ceases to be a Related Company of MacArthurCook. No such determination has been made by the Board.

### **Exempt Share Plan**

The Board may determine that Shares offered may not be disposed of or dealt with until the participant's employer ceases to be a Related Company of MacArthurCook. No such determination has been made by the Board.

### **Option Plan**

Upon the Board determining that a change of control has occurred in relation to MacArthurCook, it may at its discretion and subject to such terms and conditions as it determines resolve that the vesting conditions applicable to unvested options be waived.

## **10.5. Impact on arrangements with AIMS**

If AIMS acquires control of MacArthurCook but not full ownership, future transactions between the members of AIMS and MacArthurCook which are entered into after that date will be related party transactions for the purposes of the Listing Rules and the Corporations Act. Transactions under which a financial benefit is given by a member of MacArthurCook to a member of AIMS will need to be on terms which are at least as favourable to MacArthurCook as arm's length terms, or the transactions will need to be approved by disinterested Shareholders. Under the Listing Rules, any transfers of assets between AIMS and MacArthurCook where the consideration payable or the value of the relevant assets is more than 5% of MacArthurCook shareholders' funds will need to be approved by disinterested Shareholders.

## **10.6. Taxation**

### **(a) MacArthurCook Shareholders**

Section 7 of the Bidder's Statement provides information on Australian income tax, capital gains tax and GST consequences for MacArthurCook Shareholders of disposing of their Shares in return for cash.

MacArthurCook Shareholders should not solely rely on Section 7 of the Bidder's Statement and the Directors strongly advise Shareholders to obtain their own tax advice on the taxation implications of taking up the Offer based on their own specific circumstances.

### **(b) MacArthurCook taxation – carry forward Australian tax losses**

In addition to the information in Section 7 of the Bidder's Statement, Shareholders should be aware of the following taxation implications. At 30 June 2008, MacArthurCook has \$201,997 of carry forward revenue losses and \$304,616 of carry forward capital losses that have not been brought to account as deferred tax assets. It is expected that the quantum of revenue tax losses will increase in the year ended 30 June 2009 to an amount of greater than \$2 million and it is expected that capital losses will be relatively stable.



A company is able to carry forward and utilise tax losses to offset future assessable income if it meets

- The continuity of ownership test (**COT**); or, failing that,
- The same business test (**SBT**).

Broadly, the COT requires that shares carrying more than 50% of all voting, dividend and capital rights be beneficially owned by the same persons at all times during the ownership test period. A company satisfies the SBT if it carries on the same business in the year of the loss recoupment as is carried on immediately before the change of ownership.

In the past year, there have been significant movements within the share register of MacArthurCook. If there are any further significant movements within the share register, there is a risk that the COT will not be satisfied, either for the year ended 30 June 2009 or in future. The Bidder's Statement indicates that AIMS will conduct a review of the operations, assets, structure and employees of MacArthurCook if it obtains greater than 50% ownership. Any changes to the business emanating from this review could impact the ability of MacArthurCook to satisfy the SBT.

Even if the COT or the SBT is satisfied, the rate at which the tax losses can be recouped will be dependent on whether or not MacArthurCook joins a tax consolidated group. As indicated in Section 7.3, MacArthurCook is considering a capital raising. An increase in its share capital will impact the rate at which MacArthurCook's tax losses can be recouped, irrespective of whether the AIMS Offer succeeds.

## 10.7. Litigation

MacArthurCook is not a party to any litigation.

## 10.8. Potential claims

The global financial crisis has resulted in significant pressure on property and property securities funds generally, including the MacArthurCook Funds.

MacArthurCook and other members of the MacArthurCook Group may be exposed to potential claims from investors, regulators, employees, business associates and companies.

In this market, there have been some dissatisfied investors who have indicated that they may make a claim. On the information currently available to it, the Board believes that there is no material exposure to any such claims.

## 10.9. Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- Be named in this Target's Statement in the form and context in which they are named;
- The inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- The inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named as	Reports or Statements
Allens Arthur Robinson	Legal adviser	N/A
Credit Suisse (Australia) Limited	Financial adviser	N/A

Each of the above persons:

- Does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or the ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- Fairly representing a statement by an official person; or
- From a public official document or published book, journal or comparable publication.

Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

Any MacarthurCook Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to Class Order 01/1543 may obtain a copy free of charge by contacting the MacarthurCook Shareholder information line on 1300 655 197 (if in Australia) or +613 9660 4555 (if outside Australia).

## 10.10. Continuous disclosure

MacarthurCook is a 'disclosing entity' under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require MacarthurCook to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, MacarthurCook has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of MacarthurCook Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au).

In addition, MacarthurCook will make copies of the following documents available for inspection at its head office at Level 4, 30 Collins Street, Melbourne, Victoria (between 9am and 5pm on Business Days). The documents are also available on MacarthurCook's website [www.macarthurcook.com.au](http://www.macarthurcook.com.au).

A copy of the following may be requested to be provided free of charge by contacting the Shareholder information line on 1300 655 197 (if in Australia) or +613 9660 4555 (if outside Australia):

- MacarthurCook 2008 Annual Report and 31 December 2008 Half Year Report;
- MacarthurCook Constitution;
- Any continuous disclosure document lodged by MacarthurCook with the ASX between the lodgement of its 2008 Annual Report on 19 September 2008 and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to MacarthurCook may be obtained from, or inspected at, an ASIC office.

## 10.11. Other information

This Target's Statement is required to include all the information MacarthurCook Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- Only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- Only if the information is known to any of the MacarthurCook Directors.

The Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- The information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- The information contained in MacarthurCook 2008 Annual Report and 31 December 2008 Half Year Report;
- The information contained in MacarthurCook releases to the ASX prior to the date of this Target's Statement;
- The information contained in this Target's Statement, including the annexures to this Target's Statement; and
- The information contained in the MacarthurCook results for the half year ended 31 December 2008.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the MacarthurCook Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- The nature of the MacarthurCook Shares;
- The matters MacarthurCook Shareholders may reasonably be expected to know;
- The fact that certain matters may reasonably be expected to be known to the professional advisers of MacarthurCook Shareholders; and
- The time available to MacarthurCook to prepare this Target's Statement.

## 11. Interpretation and authorisation

### 11.1. Defined terms

In this Target's Statement, the following words have these meanings unless a contrary intention appears:

**AFSL** means Australian Financial Services Licence.

**AIMS** means AIMS Securities Holdings Pty Ltd.

**AIMS Bidder's Statement** or **Bidder's Statement** means the Bidder's Statement dated 29 May 2009 lodged by AIMS in relation to the Offer, as amended by the Second Supplementary Bidder's Statement dated 19 June 2009 and the Third Supplementary Bidder's Statement dated 24 June 2009.

**ASIC** means the Australian Securities & Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532), the body that administers the CHESS system in Australia.

**ASTC Settlement Rules** means the settlement rules of ASTC.

**ASX** means the securities market conducted by ASX Limited (ABN 98 008 624 691).

**Bidder** means AIMS Securities Holdings Pty Ltd (ACN 137 063 113).

**Business Day** means a day on which banks are open in Sydney excluding Saturdays, Sundays and public holidays.

**CGT** means Australian capital gains tax.

**CHESS** means the Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** or **MacarthurCook Director** means a director of MacarthurCook.

**FY** means financial year, so that, for example, **FY2008** means the financial year ended 30 June 2008.

**GST** has the meaning given in section 1951 of the A New Tax System (Goods and Services) Tax Act 1999 (Cth).

**Listing Rules** means the listing rules of the ASX.

**MacarthurCook** means MacarthurCook Limited (ACN 64 009 110 463).

**MacarthurCook Board** or **Board** means the board of directors of MacarthurCook.

**MacarthurCook Funds** means those funds managed or advised by members of the MacarthurCook Group as at the date of this Target's Statement.

**MacarthurCook Group** means MacarthurCook and its subsidiaries as at the date of this Target's Statement.

**MacarthurCook Option** means an option to subscribe for Shares granted by MacarthurCook and existing from time to time.

**MacarthurCook Share** or **Share** means an ordinary share in the capital of MacarthurCook.

**MacarthurCook Shareholder** or **Shareholder** means a person who is registered as the holder of a MacarthurCook Share in the MacarthurCook register of members.

**MCKFM** means MacarthurCook Fund Management Limited (ACN 004 956 558).

**MCKIM** means MacarthurCook Investment Managers Limited (ACN 099 054 074).

**MCKIM (Asia)** means MacarthurCook Investment Managers (Asia) Limited incorporated and operating in Singapore.

**MCKPM** means MacarthurCook Property Management Pte Ltd incorporated and operating in Singapore.

**MIF** means MacarthurCook Industrial Property Fund (ARSN 104 606 573).

**MI-REIT** means MacarthurCook Industrial REIT.

**MPS** means MacarthurCook Property Securities Fund (ARSN 111 442 150).

**MREF** means MacarthurCook Real Estate Funds Limited (ACN 126 766 167).

**Offer** or **AIMS Offer** means the takeover offer by AIMS to acquire all of the ordinary shares in MacarthurCook on the terms and conditions set out in the Bidder's Statement.

**Offer Period** means the period within which the Offer is open for acceptance.

**OPT** means MacarthurCook Office Property Trust (ARSN 114 263 688).

**REIT** means retail estate investment trust.

**related bodies corporate** has the meaning given to that term in the Corporations Act.

**Relevant Interest** has the meaning given in the Corporations Act.

**Register Date** means the date set by AIMS under section 633(2) of the Corporations Act, being 25 May 2009.

**Target's Statement** means this statement.

## 11.2. Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise.

- (a) A reference to time is a reference to Eastern Standard Time.
- (b) A gender includes all genders.
- (c) The singular includes the plural and vice versa.
- (d) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be.
- (e) A reference to any legislation or to any provision of any legislation includes any modifications or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (f) A reference to a person includes a corporation, an unincorporated body or other entity and conversely.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (h) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) Headings used in this Target's Statement are for ease of reference only and shall not affect the meaning or interpretation of this Target's Statement.
- (k) A reference to a Section is to a section of this Target's Statement.
- (l) Where a word is defined, its other grammatical forms have a corresponding meaning.
- (m) A\$, \$ or cent is a reference to the lawful currency of Australia.
- (n) S\$ is a reference to the lawful currency of Singapore.

### **11.3. Authorisation**

This Target's Statement has been approved by a resolution passed by the MacarthurCook Board.

Each of the Directors voted in favour of the resolution authorising this Target's Statement.

**Dated:** 30 June 2009

**Signed** for and on behalf of MacarthurCook Limited



**Richard Haddock**  
Chairman

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