



ALLCO EQUITY PARTNERS LIMITED ACN 111 554 360
Registered Office: Level 8 350 Collins Street, Melbourne, VIC 3000

Sydney Office: Level 24, Gateway, 1 Macquarie Place Sydney NSW 2000

ALLCO EQUITY PARTNERS

1 September 2005

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

BY ELECTRONIC LODGMENT

AEP Financial Services Holdings Pty Ltd ACN 114 762 551 ("AEP") - proportional takeover bid for Baycorp Advantage Limited ACN 080 662 568 - second supplementary bidder's statement

In accordance with section 647(3)(b) of the Corporations Act, we attach a copy of AEP's second supplementary bidder's statement dated 1 September 2005.

David Neufeld
Company Secretary
AEP Financial Services Holdings Pty Ltd

This document is AEP's Second Supplementary Bidder's Statement ("**Second Supplementary Statement**") and is dated 1 September 2005. It supplements and is to be read together with the replacement Bidder's Statement dated 10 August 2005 that was sent to Baycorp shareholders. AEP's First Supplementary Bidder's Statement incorporated the replacement Bidder's Statement dated 10 August 2005.



AEP FINANCIAL SERVICES HOLDINGS PTY LTD

ACN 114 762 551

a wholly owned subsidiary of

ALLCO EQUITY PARTNERS LIMITED

ACN 111 554 360

1 September 2005

AEP RESPONDS TO BAYCORP TARGET'S STATEMENT

Attached are:

- a message to Baycorp Shareholders from AEP headed "NOW IS THE TIME FOR BAYCORP SHAREHOLDERS TO ACT";
- a media release headed: "AEP TO DECLARE BAYCORP BID UNCONDITIONAL AT 35 PER CENT ACCEPTANCE IN CONJUNCTION WITH SHAREHOLDER SUPPORT FOR BOARD SHAKE-UP" together with two attachments to that release;
- a circular headed: "THE BAYCORP SHAREHOLDER ALLIANCE FACILITY", together with two forms headed "Appointment of Facility Agent" and "Shareholder Proxy".

Each of the attached documents forms part of this Second Supplementary Statement and all such documents should be read together as a whole.

Robert Moran

Director

AEP Financial Services Holdings Pty Ltd

A copy of this Second Supplementary Statement was approved by resolution of the directors of AEP, sent to Baycorp, lodged with ASIC and sent to the ASX on 1 September 2005. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Statement. This Second Supplementary Statement prevails to the extent of any inconsistency with the replacement Bidder's Statement dated 10 August 2005. The Glossary in section 13 of the replacement Bidder's Statement applies to this Second Supplementary Statement, including all documents attached to this Second Supplementary Statement (which form part of this Second Supplementary Statement) unless the context otherwise requires.



NOW IS THE TIME FOR BAYCORP SHAREHOLDERS TO ACT*

AEP's offer is scheduled to close on 16 September. No alternative offer has emerged. Now is the time for Shareholders to make a simple choice:

You can choose to leave in place the existing Baycorp Board which has a history of over promising and under delivering. The existing Baycorp Board has:

- ▶ Overseen significant shareholder value destruction
- ▶ Failed to deliver on promises of earnings growth
- ▶ Had an inconsistent corporate strategy over a number of years
- ▶ Shown a lack of transparency with Shareholders other than in a reactive manner
- ▶ Failing to implement an effective capital management plan

OR

You can support AEP's Offer for a reinvigorated Baycorp:

- ▶ AEP is offering an attractive price of **\$3.50 per share** for half of your Shares
- ▶ For the half of the Shares that you retain, AEP is proposing a capital return of **\$1.18 per share** and the opportunity to share in the upside of a reinvigorated Baycorp under AEP's shareholder driven leadership
- ▶ AEP is now also proposing a major Board shake-up at the next Baycorp general meeting, which will include a minimum of 2 independent directors

To assist fellow Shareholders, AEP has created a facility that allows institutional Shareholders to support the Board shake-up with 100% of your Shares if you accept AEP's Offer.

ACCEPT AEP'S OFFER NOW AND SUPPORT THE BOARD SHAKE-UP

* A message to Baycorp Shareholders from AEP Financial Services Holdings Pty Limited ACN 114 762 551



SUPPORT A REINVIGORATED BAYCORP - THE BAYCORP SHAREHOLDER ALLIANCE FACILITY

The Baycorp Shareholder Alliance Facility enables institutional Shareholders to support the proposed AEP initiatives through acceptance instructions and a proxy for their Shareholding

- ▶ Institutional Shareholders can lodge acceptance instructions for 50% of their Shares and also provide a proxy to support AEP's new Baycorp Board nominees for 100% of their Shares
- ▶ Acceptance instructions will be acted on if the Offer is declared **unconditional**
- ▶ AEP's offer is scheduled to close on 16 September.
- ▶ AEP will declare the Offer **unconditional**^{*} when AEP's existing Shareholding interests (17%) plus acceptances exceed 35% and together with proxies exceeds 50%
- ▶ Once AEP's Offer goes **unconditional**, all accepting Baycorp Shareholders will be paid on a timely basis (T+7)

The acceptances and proxy votes will be used to support AEP's Board nominees at Baycorp's next general meeting.

The new Board members will seek to implement AEP's proposed \$1.18 per Share capital return as soon as possible, and work towards realising Baycorp's full potential for the benefit of all Shareholders.

ACCEPT AEP'S OFFER NOW AND SUPPORT THE BOARD SHAKE-UP

^{*} If AEP is satisfied that no defeating conditions have been or are likely to be breached or, if any conditions have been breached, AEP has waived the breaches. Please refer to the accompanying circular headed "THE BAYCORP SHAREHOLDER ALLIANCE FACILITY" under the heading "AEP WILL DECLARE THE OFFER UNCONDITIONAL IF SUFFICIENT SUPPORT RECEIVED" for a complete description of the circumstances and basis on which AEP will declare the Offer free of all defeating conditions.



BAYCORP'S BOARD CONTINUES TO PROMISE GROWTH BUT HAS FAILED TO DELIVER FOR FAR TOO LONG

- ▶ The Baycorp Target's Statement brings Shareholders no closer to realising value
- ▶ Despite a prolonged strategic review period of over 12 months, Baycorp has only been able to respond to AEP's Offer with inferior or copied initiatives, including:
 - A significantly lower capital return to Shareholders
 - Strategy reversal on Receivables Management
 - Strategy reversal on International expansion
 - More promised "synergies" in the future, in the same areas which were identified and promised at the time of the merger in 2001 and still not delivered
- ▶ Baycorp's Board has once again relied upon a theoretical valuation of Baycorp
 - The valuation report provided at the time of the merger estimated earnings of 17.6 cents per share for 2001. By 2005 these estimates have still not been achieved
 - The latest valuer has acknowledged that Baycorp's share price could fall below \$3.50 in the absence of the AEP Offer

**ACCEPT AEP'S OFFER NOW AND
SUPPORT THE BOARD SHAKE-UP**



THE CHOICE IS SIMPLE:

MORE OF THE SAME

OR

**A REINVIGORATED BAYCORP
UNDER AEP LEADERSHIP**

ACCEPT NOW

The accompanying circular headed THE BAYCORP SHAREHOLDER ALLIANCE FACILITY sets out information on how Institutional Shareholders can participate in the Facility. For assistance with completing the required forms, please contact:

Andrew Lim
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Facsimile: +612 9254 1086
Email: aepacceptances@deloitte.com.au

Other Contact details

Institutional Shareholders
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Retail Shareholders
Offer Information Line
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Outside Australia and New Zealand: +61 3 9415 4286



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ALLCO EQUITY PARTNERS

Media Release

AEP to declare Baycorp bid unconditional at 35 per cent acceptance in conjunction with shareholder support for board shake-up

-- Opportunity to fast track proposed \$1.18 capital return to Baycorp Shareholders

Sydney, 1 September: Allco Equity Partners' wholly owned subsidiary, AEP Financial Services Holdings Pty Ltd (AEP) announced today that it would declare its proportional Offer for Baycorp Advantage Ltd (Baycorp) unconditional once it achieves 35 per cent acceptance in conjunction with proxy support for a board shake-up to accelerate the proposed \$1.18 per Share capital return to Baycorp Shareholders.

Having reviewed Baycorp's Target's Statement, AEP believes that decisive action is required now to overturn four years of ineffectual leadership. AEP also rejects the Lonergan valuation commissioned by Baycorp's Board as "wishful".

AEP proposes to effect constructive change at Baycorp through the following steps:

- Changing the composition of the Baycorp Board at the forthcoming Baycorp general meeting through the nomination of 4 new Board members and removal of 5 existing Baycorp Board members;
- Introducing the Baycorp Shareholder Alliance Facility which will allow institutional Shareholders to show their intention to vote in favour of AEP's proposed changes to the Board at the forthcoming Baycorp general meeting by lodging proxies; and
- AEP will declare its Offer as **unconditional**¹ when AEP's existing Shareholding interests plus acceptances exceed 35% and together with proxies exceed 50%.

AEP believes that while potential further value can be created for Baycorp Shareholders, this is only likely to be achieved by a revitalised Board led by an activist shareholder in AEP.

In the Target's Statement, directors admit to not knowing "if a superior offer will arise" and concede that, in the absence of the AEP offer, the Baycorp share price may trade below the \$3.50 offer price.

¹ If AEP is satisfied that no defeating conditions have been or are likely to be breached or, if any conditions have been breached, AEP has waived the breaches. Please refer to the Attachment A to this release headed "AEP WILL DECLARE THE OFFER UNCONDITIONAL IF SUFFICIENT SUPPORT RECEIVED" for a complete description of the circumstances and basis on which AEP will declare the Offer free of all defeating conditions.

Mr David Coe, Chairman of Allco Equity Partners, said: "Now the Target's Statement is out, it is clear Shareholders have a simple choice. They can choose to support the existing leadership which has over promised and under delivered, or they can support AEP's offer for a reinvigorated Baycorp.

"We want to begin our program for change at Baycorp immediately, including having our proposed capital return put to Shareholders for approval as soon as possible.

"AEP has already arranged for financing to fully fund the proposed \$1.18 per Share capital return and has obtained a draft Australian Tax Office (ATO) ruling confirming the Australian tax treatment of the return as outlined in the AEP Bidder's Statement.

"The Baycorp Target's Statement proposes initiatives largely copied from AEP's offer and which are inconsistent with the Baycorp leadership's disclosed strategy up to the time of the AEP offer.

"Baycorp's proposals appear hurried and contradictory despite claiming to have been working on their plans for more than 12 months. The lack of transparency around this company has been astounding. AEP will ensure the market understands the strategy and successes of Baycorp.

Mr Coe said: "The Target's Statement contains little new information and only confirms AEP's view that under the existing Board, Shareholders are unlikely to enjoy Baycorp's full potential."

AEP also rejects the Lonergan valuation commissioned by the Baycorp Board as wishful. AEP notes that prior to its Offer, the market had valued the Shares below \$3.00.

AEP is offering \$3.50 for half the Shares owned by Baycorp Shareholders. This was the highest price at which the Shares had traded for nearly three years up to the time of the announcement of the AEP offer on 25 July. AEP also proposes a return of capital of \$1.18 for the remaining Shares held by Shareholders.

Mr Peter Yates, Managing Director of Allco Equity Partners, said: "Given the current Baycorp directors' response to our proposed \$1.18 per Share capital return, it is apparent that Shareholders will not be given the opportunity to consider the return unless the composition of the Board is changed.

"By reconstituting the Baycorp Board at the next general meeting to include AEP's nominees, Shareholders can fast track the opportunity to consider the capital return at the earliest possible time.

"We appreciate that since our bid at this stage remains conditional, some institutional Shareholders who may be supportive of our Offer may not be in a position to accept at this time.

“As a result and after discussions with some major Shareholders, we have established the Baycorp Shareholder Alliance Facility which is designed to enable institutional Shareholders to translate their support for our bid and a major shake-up of the Baycorp Board into early consideration of the capital return by all Shareholders.

“In light of statements made in the Target’s Statement, we have written to the Board of Baycorp to see if they will agree to an orderly transition of the board if we achieve our desired level of support, or whether they will make shareholders wait until the next general meeting.” Mr Yates said.

In order to facilitate changes to the Baycorp Board, AEP has lodged today with Baycorp:

- Nominations of Peter Yates, Greg Woolley, Robert Moran, and Don Conway as directors of Baycorp²; and
- Notice of intention to move resolutions to remove Glenn Barnes, Murray John Wells, Michael Coomer, Ralph Sorice and Rosanne Meo as directors of Baycorp

Mr Yates said: “We consider the Board has not done enough to realise Baycorp’s potential and we are keen to have Shareholders decide for themselves whether our \$1.18 capital return should be implemented. We believe the leadership of Baycorp needs to be changed and our proposals are intended to empower Shareholders to express their views at the forthcoming general meeting.

“We have introduced the Baycorp Shareholder Alliance Facility, thus delivering greater certainty of outcomes for Baycorp Shareholders wanting to support AEP’s initiatives to drive the change needed to deliver tangible value in Baycorp today and in the future.

“We already have a 17.1% relevant interest in Baycorp. AEP will declare its Offer unconditional³ when AEP’s existing Shareholding interests plus acceptances exceed 35% and together with proxies exceed 50%.

“These are achievable thresholds given the level of institutional investor disquiet with Baycorp’s response to our Offer.

“Investors can support our shake-up of the Board, fast-track consideration of our \$1.18 per Share capital return and deliver certainty for the future of Baycorp under AEP’s pro-active leadership.

“We believe the choice for Baycorp Shareholders is both simple and compelling: more of the same or a reinvigorated Baycorp under AEP leadership.

² Profiles of each of these proposed directors are set out in Attachment B to this release.

³ Where AEP is satisfied that no defeating conditions have been or are likely to be breached or, if any conditions have been breached, AEP has waived the breaches. Please refer to the accompanying attachment headed “AEP WILL DECLARE THE OFFER UNCONDITIONAL IF SUFFICIENT SUPPORT RECEIVED” for a complete description of the circumstances and basis on which AEP will declare the Offer free of all defeating conditions.

“The AEP Offer is scheduled to close on 16 September 2005, so now is the time to act to change Baycorp’s leadership and create a brighter outlook for the future through the activist AEP team,” Mr Yates said.

Contact details:

AEP

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Attachment A:

AEP WILL DECLARE THE OFFER UNCONDITIONAL IF SUFFICIENT SUPPORT RECEIVED

AEP's Offer is scheduled to close on 16 September 2005. The Offer may be extended no later than 8 September 2005 unless, on or prior to that date, the Offer is declared free of all defeating conditions set out in Section 11.7 of the Offer.

AEP will declare the Offer free of all defeating conditions set out in Section 11.7 of the Offer if and when:*

- the number of Shares in which AEP has a relevant interest (including by actual acceptances of the Offer) together with the number of Shares the subject of unwithdrawn Acceptance Instructions held by the Facility Agent (**AEP's Holding**) exceeds 35% of the total issued Shares; and
- AEP's Holding together with duly executed, unrevoked and duly exercisable Proxies over Residual Shareholdings held by the Facility Agent exceed 50% of the total issued Shares; and
- AEP is satisfied at that time that the defeating conditions of the Offer have not been breached (or, if breached, AEP has waived the breaches) and are unlikely to be breached during the Offer Period.

Proxies over Residual Shareholdings is the balance remaining after deducting from the Shares the subject of Shareholder Proxies the number of Shares of each Institutional Shareholder which are the subject of an actual acceptance or an Acceptance Instruction. Other capitalised terms used in this attachment have the meaning given to them in AEP's Bidder's Statement dated 10 August 2005 and the circular issued by AEP attached to AEP's Second Supplementary Bidder's Statement dated 1 September 2005 headed "The Baycorp Shareholder Alliance Facility".

In stating its intention to declare the Offer free of all defeating conditions in the circumstances described above, AEP is relying on each and every statement in Baycorp's target's statement dated 30 August 2005, including (without limitation) the financial information and forecasts, and the accuracy and completeness of the discussion in section 7.3(f) of the target's statement (headed "Likelihood of Conditions being satisfied") in identifying all matters to the knowledge of the Baycorp directors which may result in any of such defeating conditions not being satisfied. To the extent that the discussion in section 7.3(f) of the target's statement indicates that some of the defeating conditions may not be satisfied, on the assumption that that discussion is accurate and complete (and that Baycorp does not commit to capital expenditure in the so called "B³ Program" beyond the limits specified in Section 11.7(d)(iv)(D) of the Offer), AEP will declare the Offer free of the defeating conditions in the above circumstances notwithstanding the matters raised in that discussion.

* AEP may declare the Offer free of its defeating conditions in other circumstances, and reserves its right to do so.

Attachment B:
PROFILES OF AEP'S PROPOSED DIRECTORS OF BAYCORP

Peter Yates - Master of Science (mgt) (Stanford), B.Comm (Melb), MAICD, CFTP

Peter Yates is the Managing Director of Allco Equity Partners and the Chief Executive Officer of AEPM. Until May 2004, Peter was Chief Executive Officer and Managing Director of Publishing and Broadcasting Limited (PBL), Australia's largest media and entertainment company. Within the PBL group of companies, he was Chairman of e-corp Ltd, ninemsn Pty Ltd and Ticketek Pty Ltd, a director of Crown Ltd and Foxtel Management Pty Ltd, and a member of the PBL investment committee. Prior to joining PBL in 2001, Peter had a long career in the investment banking industry including 15 years with Macquarie Bank, where he specialised in public company mergers and acquisitions, as well as large scale structured financing. Peter has also worked for Morgan Stanley in Australia and Booz Allen & Hamilton in Tokyo. He is a member of the board of Asialink, the Royal Children's Hospital Foundation (Victoria) and is co-Chairman of the Financial Management Association of Australia Ltd. He is also a member of the Australian Graduate School of Management Advisory Council and the Stanford Sloan Alumni Advisory Board.

Greg Woolley - B.Com, LLB (Hons)

Greg is the Chief Executive Officer and a director of the LJCB Investment Group. Prior to joining LJCB Investment Group, Greg practised in mergers and acquisitions with Macquarie Bank's corporate finance group. Greg serves on the boards of Alleasing Management Pty Limited and STW Communications Group Limited, an ASX listed marketing communications company. He is also a director of the Museum of Contemporary Art in Sydney. He is the chairman of the Allco Equity Partners investment committee and was the founding Managing Director of Allco Group's principal investments joint venture with LJCB Investment Group.

Robert Moran - B.Ec, LLB (Hons)

Robert Moran is a principal of the Allco Group and an Executive Director of AEPM. He has been instrumental in the principal investing activities of the Allco Group for the last five years. Robert has a strong background in mergers, acquisitions, initial public offerings and disposals of businesses in various sectors including receivables management. Robert is currently a board member of Portfolio Management Group, a Sydney based receivables management company. Prior to joining the Allco Group, Robert practised in corporate and commercial law as a partner of Blake Dawson Waldron and Rosenblum & Partners. He has been involved in a large number of capital raisings and both contested and negotiated M&A transactions, including public company takeovers.

Don Conway - BCA

Don Conway has been an Executive Director at Allco Equity Partners since 2004 and has been involved in many varied roles in the investment sector over the last 30 years. Don has been a fund manager, corporate banker, corporate treasurer, corporate adviser, listed company and trust director, and a senior executive with a principal investor. Don was an executive with Baycorp Advantage from September 2002 until January 2004 working on investor relations and merger and acquisition activities. He has also worked on transactions in the United Kingdom, France, USA, China, Hong Kong, Thailand, New Zealand and Australia.



AEP FINANCIAL SERVICES HOLDINGS PTY LTD
ACN 114 762 551
a wholly owned subsidiary of

ALLCO EQUITY PARTNERS LIMITED
ACN 111 554 360

1 September 2005

THE BAYCORP SHAREHOLDER ALLIANCE FACILITY

AEP has established the Baycorp Shareholder Alliance Facility (the **Facility**). It is open only to Shareholders who are within the definition of "wholesale client" in section 761G of the Corporations Act and who own 50,000 or more Shares (**Institutional Shareholders**). (Shareholders who are not Institutional Shareholders will not be disadvantaged by being unable to participate in the Facility – see below.)

The Facility allows Institutional Shareholders to lodge with an agent, Deloitte Corporate Finance Pty Ltd ACN 003 833 127 (**Facility Agent**):

- **Acceptance Instructions**, being either an Acceptance Form or a direction to the Institutional Shareholder's custodian to accept the Offer, to be acted on by the Facility Agent when AEP's Offer is declared free of all defeating conditions (see the attached form headed "APPOINTMENT OF FACILITY AGENT"); and
- a **Shareholder Proxy**, being a proxy in favour of the Chairman of the next general meeting of Baycorp at which changes to the board of Baycorp proposed by AEP (see below) are considered, directing the Chairman to vote in favour of those changes (see the attached form headed "SHAREHOLDER PROXY").

Acceptance Instructions

The Facility Agent will hold each Acceptance Instruction as collection agent (and only in that capacity) for the Institutional Shareholder who lodged it. The Facility Agent will not have a relevant interest in any of the Shares in respect of which an Acceptance Instruction relates and will not thereby become an associate of the Institutional Shareholder.

A notice (**Confirmation Notice**) will be given by AEP to the Facility Agent if the Offer is declared free of all defeating conditions set out in Section 11.7 of the Offer. The Confirmation Notice cannot be given in any other circumstances. The Confirmation Notice will not be given later than 7 days before the end of the Offer Period.

When the Confirmation Notice is given by AEP to the Facility Agent, the Facility Agent will immediately deliver:

- Acceptance Forms to the Australian registry address specified in the form (or the New Zealand registry address for Institutional Shareholders whose Shares are held on Baycorp's New Zealand branch register); and
- custodian directions to the relevant custodians, requiring the custodians to accept the Offer.

Institutional Shareholders are able to withdraw their Acceptance Instructions at any time prior to the Facility Agent receiving the Confirmation Notice.

Shareholder Proxies

AEP has lodged with Baycorp:

- nominations of Peter Yates, Greg Woolley, Robert Moran and Don Conway (**AEP nominees**) for election as directors of Baycorp, together with their consents to nomination; and
- a notice of intention to move resolutions to remove Glenn Barnes, Roseanne Meo, Michael Coomer, Ralph Sorice and Murray John Wells as directors of Baycorp.

A Shareholder Proxy signed by an Institutional Shareholder (or its custodian or other nominee) irrevocably appoints the Chairman of the next general meeting of Baycorp at which the above changes to the board of Baycorp are considered as proxy to vote all of the Institutional Shareholder's Shares (or any proportion of them specified by the Institutional Shareholder in the Shareholder Proxy) held at the record date to determine entitlements to vote at the meeting. The Shareholder Proxy will direct the Chairman to vote in favour of resolutions to appoint the AEP nominees as directors of Baycorp, and to remove (or vote against the re-election of) the existing directors referred to above.

These resolutions are required to be put by Baycorp for consideration by Shareholders at the next general meeting of Baycorp, which is expected to be the Annual General Meeting (**AGM**) of Baycorp, in accordance with the Constitution of Baycorp and the Listing Rules of ASX (in relation to the election of directors) and section 203D of the Corporations Act (in relation to the resolutions for the removal of certain existing directors). Baycorp has announced that the AGM will be held on 26 October 2005.

If the Offer is declared free of all defeating conditions and AEP is registered as the holder of the Shares the subject of an Institutional Shareholder's acceptance (being 50% of the Shares of the Institutional Shareholder) by the record date, a Shareholder Proxy will continue to authorise the Chairman to vote the remaining Shares owned by the Institutional Shareholder (or the proportion thereof specified by the Institutional Shareholder in the Shareholder Proxy) as at the record date.

Only registered holders of Shares may appoint proxies. Accordingly, an Institutional Shareholder whose Shares are held by a custodian or other nominee will need to have the custodian or other nominee sign the Shareholder Proxy, or have the Shares transferred into its own name.

Shareholders may only appoint two proxies for a meeting of Shareholders. Accordingly if the Shareholder Proxy is lodged, the Institutional Shareholder will be able to appoint one other proxy only. If a Shareholder wishes to appoint a proxy in addition to the Shareholder Proxy, the proportion of Shares which may be voted by each of the Chairman and the other proxy should be specified in each case.

Information to ASX

The Facility Agent will inform AEP of the number of Shares which are the subject of Acceptance Instructions and Shareholder Proxies before 8.30am on each business

day. AEP will notify the following information to ASX by 9.30am on that business day if there has been a movement of a least 1% (as compared to the last such notification) in the aggregate of:

- the number of Shares in which AEP has a relevant interest (including by actual acceptances of its Offer); and
- the number of Shares which are the subject of unwithdrawn Acceptance Instructions; and
- the number of Shares the subject of Proxies over Residual Shareholdings (as defined below),

together with a break-down of the aggregate of each category. The **Proxies over Residual Shareholdings** is the balance of Shares remaining after deducting from the Shares the subject of duly executed, unrevoked and duly exercisable Shareholder Proxies the number of Shares of each Institutional Shareholder which are the subject of an actual acceptance or an unwithdrawn Acceptance Instruction.

Shareholders who are not Institutional Shareholders

Shareholders who are not Institutional Shareholders will have at least 7 days to accept the Offer after the Offer is declared free of its defeating conditions, and are free to vote their Shares in support of the above resolutions at the relevant general meeting of Baycorp. Shareholders who are not Institutional Shareholders will therefore not miss out on anything by being unable to participate in the Baycorp Shareholder Alliance Facility.

AEP WILL DECLARE OFFER UNCONDITIONAL IF SUFFICIENT SUPPORT RECEIVED

AEP's Offer is scheduled to close on 16 September 2005. The Offer may be extended no later than 8 September 2005 unless, on or prior to that date, the Offer is declared free of all defeating conditions set out in Section 11.7 of the Offer.

AEP will declare the Offer free of all defeating conditions set out in Section 11.7 of the Offer if and when:¹

- the number of Shares in which AEP has a relevant interest (including by actual acceptances of the Offer) together with the number of Shares the subject of unwithdrawn Acceptance Instructions held by the Facility Agent (**AEP's Holding**) exceeds 35% of the total issued Shares; and
- AEP's Holding together with duly executed, unrevoked and duly exercisable Proxies over Residual Shareholdings held by the Facility Agent exceed 50% of the total issued Shares; and
- AEP is satisfied at that time that the defeating conditions of the Offer have not been breached (or, if breached, AEP has waived the breaches) and are unlikely to be breached during the Offer Period.

¹ AEP may declare the Offer free of its defeating conditions in other circumstances, and reserves its right to do so.

In stating its intention to declare the Offer free of all defeating conditions in the circumstances described above, AEP is relying on each and every statement in Baycorp's target's statement dated 30 August 2005, including (without limitation) the financial information and forecasts, and the accuracy and completeness of the discussion in section 7.3(f) of the target's statement (headed "Likelihood of Conditions being satisfied") in identifying all matters to the knowledge of the Baycorp directors which may result in any of such defeating conditions not being satisfied. To the extent that the discussion in section 7.3(f) of the target's statement indicates that some of the defeating conditions may not be satisfied, on the assumption that that discussion is accurate and complete (and that Baycorp does not commit to capital expenditure in the so called "B³ Program" beyond the limits specified in Section 11.7(d)(iv)(D) of the Offer), AEP will declare the Offer free of the defeating conditions in the above circumstances notwithstanding the matters raised in that discussion.

AEP WILL PROVIDE FOR EARLY PAYMENT IF OFFER DECLARED UNCONDITIONAL

If AEP declares the Offer free of its defeating conditions, Shareholders will be paid the consideration for their Shares earlier than provided for under the Offer.

Each Shareholder who has accepted the Offer prior to the date it has been declared free of its defeating conditions will be paid the consideration due under the Offer within approximately 7 days of that date.

Each Shareholder who accepts the Offer after the unconditional date will be paid the consideration due under the Offer within approximately 7 days after their acceptance has been processed.

SEND TO	Deloitte Corporate Finance Pty Limited
ATTN:	Andrew Lim
FAX NO:	+612 9254 1086
ADDRESS:	225 George Street SYDNEY NSW 2000
EMAIL:	aepacceptances@deloitte.com.au

APPOINTMENT OF FACILITY AGENT BAYCORP SHAREHOLDER ALLIANCE FACILITY

On lodgement with Deloitte Corporate Finance Pty Ltd ACN 003 833 127 (**Facility Agent**) of this duly completed and executed Appointment of Facility Agent form and a duly completed and executed acceptance form (**Acceptance Form**) in respect of 50% of the Shares which the shareholder described below (**Shareholder**) holds or beneficially owns in Baycorp Advantage Limited (**Baycorp Shares**) or, where applicable, a duly completed and executed direction to the Shareholder's custodian (**Custodian**) to accept the Offer in respect of the Baycorp Shares (**Custodian Direction**), the Shareholder appoints the Facility Agent as a bare trustee to hold the Acceptance Form and/or Custodian Direction (as appropriate) as collection agent only, subject to the terms of appointment set out below (**Terms**) and to deal with it in the manner provided by the Terms.

The Shareholder may also lodge with the Acceptance Form or Custodian Direction a duly completed and executed Shareholder Proxy form (**Proxy Form**), together with a certified copy of any power of attorney under which it is executed. If so, the Shareholder appoints the Facility Agent as a bare trustee also to hold the Proxy Form as collection agent only, subject to the Terms and to deal with it in the manner provided by the Terms.

Beneficial Institutional Shareholder details:

Shareholder's legal name _____
 Total number of Baycorp Shares _____
 presently owned by Shareholder [Note: must be at least 50,000 shares]
 Number of Baycorp Shares _____
 the subject of the Offer [Note: 50% of total shares]
 HIN/SRN/CSN for Shareholding (if available) _____
 Shareholder contact person _____
 Address _____
 Telephone number (____) _____
 Fax number (____) _____
 Email address _____

Custodian details (where applicable):

Custodian's legal name _____
 Custodian contact person _____
 Address _____
 Telephone number (____) _____
 Fax number (____) _____
 Email address _____

Signed for and on behalf of:

Beneficial shareholder name: _____
 ABN / ACN (where applicable): _____

Signature:

Date: _____ 2005
 Name: _____
 Title: _____

TERMS OF APPOINTMENT

1. These Terms of Appointment (*Terms*) relate to the Baycorp Shareholder Alliance Facility (*Facility*) that has been arranged by AEP Financial Services Holdings Pty Ltd ACN 114 762 551 (*AEP*) in respect of the takeover offer (*Offer*) dated 16 August 2005 by AEP for 50% of each Shareholder's shares in Baycorp Advantage Limited (*Baycorp*). Unless otherwise defined in these Terms, capitalised expressions used in these Terms which are defined in AEP's replacement Bidder's Statement dated 10 August 2005 have the same meaning in these Terms.
2. The Shareholder directs the Facility Agent to deliver:
 - (a) the Acceptance Form to Computershare Investor Services Pty Limited; and/or
 - (b) the Custodian Direction to the Custodian (as appropriate),as soon as reasonably possible after the Facility Agent receives written confirmation from AEP, in the form of a notice from AEP (*Confirmation Notice*) stating that AEP has declared the Offer free of all defeating conditions set out in Section 11.7 of the Offer.
3. If the Shareholder has also lodged a Proxy Form, if AEP declares the Offer free of all defeating conditions set out in Section 11.7 of the Offer, the Shareholder directs the Facility Agent to deliver the Proxy Form to Baycorp as soon as reasonably possible after the date which is 5 days prior to the date of the meeting referred to in the Proxy Form.
4. The Facility Agent must return the Acceptance Form or Custodian Direction and (if applicable) Proxy Form to the Shareholder promptly upon receipt of written notification from:
 - (a) the Shareholder at any time prior to the Facility Agent receiving the Confirmation Notice from AEP; or
 - (b) AEP terminating its arrangements with the Facility Agent in respect of the Facility.
5. The Shareholder warrants that:
 - (a) it is the absolute legal and beneficial owner of the Baycorp Shares or, where the Custodian is the legal owner of the Baycorp Shares, the Shareholder is the beneficial owner of the Baycorp Shares;
 - (b) it is a wholesale client (as defined in section 761G of the Corporations Act) and owns at least 50,000 Baycorp Shares;
 - (c) the Baycorp Shares are free of all Encumbrances;
 - (d) it has authority to enter into the arrangements and provide the warranties the subject of these Terms;
 - (e) in respect of the Acceptance Form (if applicable), the Acceptance Form has been duly completed and executed and, in the case of CHESS Holdings, when it is delivered to Computershare Investor Services Pty Limited, the Shareholder will take all necessary action in order to ensure the relevant Broker or Non-Broker Participant immediately initiates acceptance of the Offer;
 - (f) in respect of the Custodian Direction (if applicable), the Custodian Direction has been duly completed and executed and when delivered to the Custodian, it will compel the Custodian to immediately accept the Offer for the Baycorp Shares subject to its compliance procedures (in respect of which the Shareholder will take all necessary action in order to ensure the Custodian immediately accepts the Offer);
 - (g) in respect of the Proxy Form (if applicable), the Proxy Form has been duly completed and executed, and any relevant certified power of attorney has been provided with the Proxy Form and is true and correct and no notice of revocation has been received;

- (h) if it purchases a legal and beneficial interest or beneficial interest in additional Baycorp Shares, it will notify the Facility Agent of the additional number of Baycorp Shares acquired in writing within 24 hours; and
 - (i) it will give the Facility Agent written notice in accordance with paragraph 4 above revoking the direction referred to in paragraph 2 and (if applicable) paragraph 3 if the Shareholder intends to dispose of, Encumber or otherwise create any third party interest whatsoever in respect of any of the Baycorp Shares or, where the Baycorp Shares are held by the Custodian, the Custodian is changed or the Shareholder becomes registered as the holder of the Baycorp Shares.
- 6. The Shareholder acknowledges, and by accepting the Acceptance Form, Custodian Direction and (if applicable) Proxy Form, the Facility Agent agrees, that the Facility Agent does not have any duties, obligations, rights or powers in relation to the Baycorp Shares or the bare trust referred to in these Terms other than as expressly set out in these Terms and that nothing in the arrangement described in these Terms creates in the Facility Agent a relevant interest (as defined in the Corporations Act), or legal or equitable interest (including any proprietary interest), or association between the Facility Agent and the Shareholder in, or in relation to, any of the Baycorp Shares which are the subject of the Acceptance Form, Custodian Direction and (if applicable) Proxy Form held by the Facility Agent or otherwise in, or in relation to, the Acceptance Form, Custodian Direction and (if applicable) Proxy Form held by the Facility Agent.
- 7. The Facility Agent does not accept and the Shareholder releases the Facility Agent from any responsibility in relation to its appointment as Facility Agent including for ensuring that the Confirmation Notice from AEP is delivered, or that it is delivered in time to effect acceptance of the Offer in respect of Baycorp Shares.
- 8. The Facility Agent:
 - (a) does not accept and the Shareholder releases the Facility Agent from any responsibility if there is any defect in the completion, execution or implementation of the Acceptance Form, Custodian Direction or (if applicable) Proxy Form by the Shareholder or by the Custodian, which would render the Acceptance Form or Custodian Direction (or any acceptance form provided by the Custodian in relation to Baycorp Shares) ineligible for acceptance or, in respect of the Proxy Form, which would render it ineffective and the Proxy unable to vote in accordance with it; and
 - (b) is not responsible for any stamp duty or other duties payable in respect of these Terms or the Shareholder's instructions as contemplated by these Terms and any such duties will be payable by the Shareholder.

SHAREHOLDER PROXY

Pursuant to section 249X and section 250A of the Corporations Act 2001 (Cth)

[insert registered holder name] _____ (Registered Holder) of
[insert registered holder address] _____,

being a member of Baycorp Advantage Limited ACN 080 662 568 (*Baycorp*) and entitled to vote and attend general meetings of Baycorp hereby appoints the Chairman of the meeting as its proxy (*Proxy*) to act generally on its behalf and to vote in accordance with the Voting Directions set out below at the next general meeting of Baycorp which considers resolutions to appoint or elect persons nominated by AEP Financial Services Holdings Pty Limited ACN 114 762 551 as directors of Baycorp and/or to remove or consider the appointment, re-appointment, election or re-election of existing directors of Baycorp (and at any adjournment of that meeting).

Voting Directions

The Registered Holder directs that the Proxy vote:

- in favour of any resolution to appoint or elect Peter Yates as a director of Baycorp
- in favour of any resolution to appoint or elect Greg Woolley as a director of Baycorp
- in favour of any resolution to appoint or elect Robert Moran as a director of Baycorp
- in favour of any resolution to appoint or elect Don Conway as a director of Baycorp
- in favour of any resolution to remove, and against any resolution to appoint, re-appoint, elect or re-elect, Glenn Barnes as a director of Baycorp
- in favour of any resolution to remove, and against any resolution to appoint, re-appoint, elect or re-elect, Michael Coomer as a director of Baycorp
- in favour of any resolution to remove, and against any resolution to appoint, re-appoint, elect or re-elect, Rosanne Meo as a director of Baycorp
- in favour of any resolution to remove, and against any resolution to appoint, re-appoint, elect or re-elect, Ralph Sorice as a director of Baycorp
- in favour of any resolution to remove, and against any resolution to appoint, re-appoint, elect or re-elect, Murray John Wells as a director of Baycorp

Optional: The Proxy may exercise the Registered Holder's voting rights in relation to a specified percentage of the Registered Holder's Shares:

_____ %

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf.

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Sole Director and Sole Company Secretary Director
Please refer to the completion guidelines overleaf.

Director/Company Secretary

Date: 2005

How to complete this Proxy Form

1 **Registered Holder name**

Please insert your name as it appears in Baycorp's share register.

2 **Registered Holder address**

Please insert your address as it appears in Baycorp's share register. Please note that you cannot change your address or ownership of your Shares using this form.

3 **Votes on items of Business**

All your Shares will be voted in accordance with your Voting Directions overleaf unless you indicate that this Proxy Form relates to only a portion of your voting rights by inserting the percentage of Shares you wish the Proxy to vote in the box overleaf marked "Optional".

Your Shares for the purposes of the meeting will be determined by Baycorp. Baycorp will specify that all Shares that are quoted securities as at a specified time and date prior to the meeting (being not more than 48 hours before the meeting) will be taken, for the purposes of the meeting, to be held by the persons who held them at that time. This date and time will be set out in Baycorp's notice of meeting.

4 **Appointment of a second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll.

To appoint a second proxy you must indicate on each proxy form the percentage or number of voting rights which you wish that proxy to exercise. To specify this percentage in respect of this Proxy Form, please insert the percentage of Shares you wish this Proxy to vote in the box overleaf marked "Optional". If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 **Signing instructions**

You must sign the form as follows in the space provided:

- | | |
|--------------------|--|
| Power of attorney: | To sign under a power of attorney, attach a certified copy of the power of attorney to this form when you return it. |
| Companies: | This form must be signed by either 2 Directors or a Director and a Company Secretary. Alternatively, where the company has a Sole Director and, pursuant to the Corporations Act, there is no Company Secretary, or where the Sole Director is also the Sole Company Secretary, that Director may sign alone. Delete titles as applicable. |