Centuria Capital Group (CNI)
ASX Announcement

Centuria

AUGUSTA CAPITAL INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THE CENTURIA OFFER

SYDNEY (14 July 2020)

Centuria Capital Group (ASX:CNI or "Centuria") announces:

- **Augusta Capital Limited (NZX: AUG or "Augusta") released its Target Company Statement in response to Centuria's full takeover offer for Augusta (Centuria Offer)**
- **Augusta's Independent Directors unanimously recommend that Augusta shareholders accept the Centuria Offer in the absence of a superior offer**
- **Centuria to issue 28,695,596 stapled securities on 15 July 2020 to Augusta shareholders who have accepted the Centuria Offer, to take Centuria's holding in Augusta to 66%**

New Zealand based Augusta has released its Target Company Statement (**TCS**) in response to the Centuria Offer.

The Augusta Independent Directors Committee has unanimously recommended that, in the absence of a superior offer, Augusta shareholders should accept the Centuria Offer for all their Augusta shares. The TCS also includes an independent assessment of the merits of the Offer prepared by Calibre Partners (formerly known as KordaMentha).

A copy of the TCS is attached. The TCS is also available on the NZX website (www.nzx.com, NZX code: AUG) and the Augusta website (https://augusta.co.nz/investor-centre/augusta-capital/2020-takeover/).

Centuria seeks acceptances to the Centuria Offer to take Centuria's shareholding in Augusta to 90% or more to enable it to merge the businesses efficiently and create an A$8.9 billion Trans-Tasman funds management platform.

Joint CEO John McBain said "Augusta has a commanding market position in the New Zealand funds management arena with significant exposure to the industrial sector and are currently marketing a diversified healthcare fund, both sectors being highly complementary to Centuria's existing strategy. Locally, we have new listed and unlisted fund plans being finalised at present to offer our investors attractive relative returns."

The Centuria Offer is scheduled to close at 11.59pm (New Zealand time) on 10 August 2020 but the offer period may be further extended at Centuria's discretion.

The Australian Securities and Investments Commission (**ASIC**) has granted Centuria relief from the on-sale provisions of the Corporations Act, the effect of which is that Centuria does not need to issue a cleansing notice in order for the Centuria stapled securities issued as consideration under the Centuria Offer to be traded on the ASX. The fact that ASIC has granted this relief should not be taken as a reflection of ASIC's views on any other aspect of the Centuria Offer.

Announcement authorised by John McBain, Joint CEO.

– Ends –

For more information or to arrange an interview, please contact:

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Centuria

About Centuria Capital Group

Centuria Capital Group (CNI) is an ASX-listed specialist investment manager with AU$7.2 billion of assets under management. We offer a range of investment opportunities including listed and unlisted real estate funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

www.centuria.com.au

Disclaimer

This announcement contains selected summary information and does not purport to be all-inclusive, comprehensive or to contain all of the information that may be relevant, or which a prospective investor may require in evaluations for a possible investment in CNI. It should be read in conjunction with CNI's periodic and continuous disclosure announcements which are available at http://www.centuria.com.au/

This announcement is provided for general information purposes only. It should not be relied upon by the recipient in considering the merits of CNI or the acquisition of securities in CNI.

Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this announcement, including obtaining investment, legal, tax, accounting and such other advice as necessary or appropriate.

This announcement may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters ('Forward Statements'). No independent third party has reviewed the reasonableness of any such statements or assumptions. No member of CNI represents or warrants that such Forward Statements will be achieved or will prove to be correct or gives any warranty, express or implied, as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement contained in this announcement.

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Augusta Capital Limited Target Company Statement

Target Company Statement in relation to a full takeover offer by Centuria New Zealand Holdings Limited, a wholly owned subsidiary of Centuria Capital Group.

Date: 13 July 2020

This is an important document and requires your urgent attention. If you have any questions in respect of the document or the offer, you should seek advice from your financial or legal advisor.

The Independent Directors unanimously recommend that, in the absence of a superior offer, you

ACCEPT THE OFFER

for all your shares in Augusta.

Financial Advisor

CAMERON PARTNERS

Legal Advisor

CHAPMAN TRIPP

AUGUSTA

Te Ara

Contents

Part 1: Chairman's Letter

13 July 2020

Dear fellow Augusta Shareholder

The Independent Directors of Augusta unanimously recommend that, in the absence of a superior proposal, you accept Centuria's offer for all your shares in Augusta.

You will have recently received an offer from Centuria New Zealand Holdings Limited ("Centuria") to acquire all of your shares in Augusta Capital Limited ("Augusta"). The offer is made up of NZ$0.22 in cash and 0.392 Centuria shares[1] per Augusta share (the "Offer").

It is important that shareholders understand, that given the consideration for the Offer includes Centuria shares, the value of the Offer is not a fixed number. If you accept the Offer, movements in Centuria's share price and in the NZD/AUD exchange rate between now and when you accept it may change the value you receive for your Augusta shares.

For example, as at 10 July 2020 (being the last practicable date before the date of this letter), implied offer price outcomes are[2]:

- **NZ$0.95 per Augusta share based on the 10-day volume-weighted average price ("VWAP") for Centuria's shares; and**
- **NZ$0.91 per Augusta share based on the closing Centuria share price.**

For the purpose of assessing the merits of the Offer, the Independent Directors have used the average of these implied offer price outcomes which equates to NZ$0.93 per Augusta share ("Implied TCS Offer Price").

Augusta's response to the Offer has been managed by the committee of Independent Directors of the Augusta Board ("Independent Directors Committee") comprising Paul Duffy (Independent Chairman), Mark Petersen and Kevin Murphy. None of the members of the Independent Directors Committee have any association with Centuria.

1. A Centuria share is a fully paid ordinary share in Centuria Capital Limited that is stapled to a fully paid share in the Centuria Capital Fund (together the Centuria Capital Group). Centuria shares are traded on the Australian Stock Exchange in Australian dollars. Centuria shares are referred to as Centuria Stapled Securities in the Centuria Offer Document.

2. As at 10 July 2020 (being the last practicable date before the date of this letter), the closing Centuria share price was A$1.67, the 10-day volume-weighted average price was A$1.76 and the NZD/AUD exchange rate was 0.9448.

"

The Independent Directors have carefully considered the Offer and unanimously recommend that, in the absence of a superior offer, you accept the Offer for all your shares in Augusta.

This document is the Target Company Statement of Augusta which has been prepared by the Independent Directors Committee in compliance with requirements of the Takeovers Code. It sets out information about the Offer, the recommendation of the Independent Directors Committee, the rationale for this recommendation and what action you should take in relation to the Offer. The document also includes all information requiring disclosure under Schedule 2 of the Takeovers Code and an independent assessment of the merits of the Offer prepared by Calibre Partners (formerly known as KordaMentha).

On 8 July 2020, Centuria declared the Offer unconditional and as at 8 July, it announced that it had received acceptances, which together with its existing 23.3% shareholding, amounted to 65.9% of Augusta's shares.

In forming its view in relation to the merits of the Offer, the Independent Directors Committee has carefully considered a range of factors including the value being offered, the fact that Centuria has secured a significant controlling level of ownership, and risks to shareholders from receiving payment for your Augusta shares mostly in Centuria shares.

The Independent Directors Committee **unanimously recommends that, in the absence of a superior offer, you ACCEPT the Offer for all your shares in Augusta. Key reasons for this recommendation are as follows:**

1. The Implied TCS Offer Price is above the midpoint of the valuation range of Augusta established by the Independent Adviser
2. The Implied TCS Offer Price provides a significant premium to the trading price prior to the announcement of the Offer
3. The Implied TCS Offer Price remains attractive compared to the prior offer made by Centuria earlier in the year after adjusting for the recent capital raise and market related performance issues
4. The Offer provides shareholders the opportunity to participate in a larger, more diversified company
5. Centuria has declared the Offer unconditional and, even in the absence of any further acceptances, will own at least 65.9% of Augusta. The Offer could close with Centuria owning a significant controlling stake but less than 90% of Augusta, reducing liquidity for shareholders and providing uncertainty regarding Augusta's future business strategy and dividend policy
6. If the Offer were to close with Centuria owning less than 90% of Augusta, Augusta will remain listed on the NZX. However, the Augusta share price may trade materially lower than the Implied TCS Offer Price
7. A competing offer is unlikely given Centuria's shareholding of 23.3% provides a blocking stake to any compulsory acquisition and an additional 42.6% of other shareholders have already accepted the Offer
8. The risks inherent in a scrip-heavy Offer are outweighed by the benefits

I encourage you to read this Target Company Statement carefully, including the Independent Adviser's Report on the Offer and recommend you seek any financial, legal, taxation and other professional advice that you require before making a decision whether to accept the Offer. Instructions on how to accept the Offer can be found in the Centuria Offer Document. The Offer is scheduled to close at 11.59pm (New Zealand time) on 10 August 2020 but the offer period may be further extended at Centuria's discretion up to a final date of 21 September 2020.

On behalf of the Board and management of Augusta, I thank you for your support as a shareholder. We believe accepting the Offer is in the best interest of all Augusta shareholders and as noted above, the Independent Directors Committee unanimously recommend that you accept the Offer for all your Augusta shares.

Your Independent Directors will continue to keep you updated on all material developments in relation to the Offer. Announcements are available on the NZX website (www.nzx.com, NZX code: AUG) and the Augusta website (https://augusta.co.nz/investor-centre/augusta-capital/2020-takeover/).

If you have any queries about the Offer which are not addressed by the information that is provided to you, please email us at takeover@augusta.co.nz.

Yours sincerely

Paul Duffy
Chairman and Chair of the
Independent Directors Committee
Augusta Capital

Part 2: The Independent Directors' Recommendation

The Independent Directors unanimously recommend that, in the absence of a superior offer, you ACCEPT the Offer for all your Augusta shares. The reasons for this recommendation are set out to the right.

1.

The Implied TCS Offer Price is above the midpoint of the valuation range of Augusta established by the Independent Adviser

The Independent Adviser, Calibre Partners (formerly KordaMentha), has determined an underlying value range for Augusta of between NZ$0.85 and $1.00 per share (midpoint of NZ$0.925). The Implied TCS Offer Price is above the midpoint of this range.

Calibre Partners also make the following comment regarding the Offer: "*In our opinion, unless a superior proposal is forthcoming, the positives of accepting the Offer outweigh the negatives*". The Independent Directors Committee agrees with the view of Calibre Partners.

2.

The Implied TCS Offer Price provides a premium to the trading price prior to the announcement of the Offer

The Implied TCS Offer Price of $0.93 per share represents a 36% premium to the Augusta share price on 12 June (the trading day immediately prior to the receipt of the Takeover Notice) and a 32% premium to the volume-weighted average price (VWAP) of Augusta Shares over the 30-day period prior to this date.

3.

The Implied TCS Offer Price remains attractive compared to the prior offer made by Centuria earlier in the year after adjusting for the recent capital raise and market related performance issues

As you will be aware, earlier in the year, Augusta entered into a Bid Implementation Agreement with Centuria where Centuria was to make an offer at $2.00 per share that included an all-cash option. The Independent Directors Committee undertook to recommend that offer. Unfortunately, the arrival of COVID-19 meant that offer did not go ahead. Since that time, Augusta has undertaken a $45 million capital raise at $0.55/share to strengthen its balance sheet. Adjusting the earlier offer for the dilutionary impact of the capital raise would suggest an equivalent offer now of $1.30 per share[3]. However, due to the impact of COVID-19, Augusta has seen a material reduction in earnings, has recorded write-downs and one-off costs of approximately $30 million, and has seen a modest decline in funds under management. While the Independent Directors are confident that Augusta could return to pre-COVID-19 levels of performance and growth expectations over time, they are also of the view that the Offer fairly reflects these prospects.

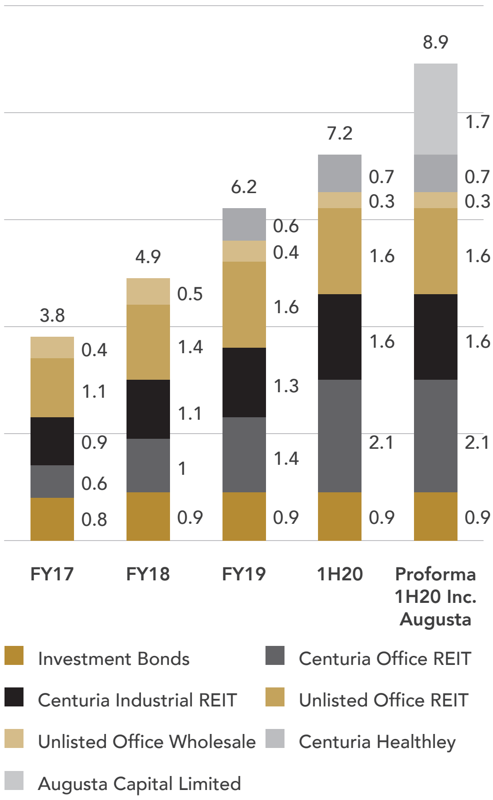
3. The offer contemplated in the Bid Implementation Agreement was $2.00 per share with 90 million shares outstanding (including performance rights shares) giving a total equity value of $180 million. Augusta raised a net $43 million by issuing 81.7 million new shares. This gives an equivalent market value of $223 million and 171.7 million shares or $1.30 per share.

4.

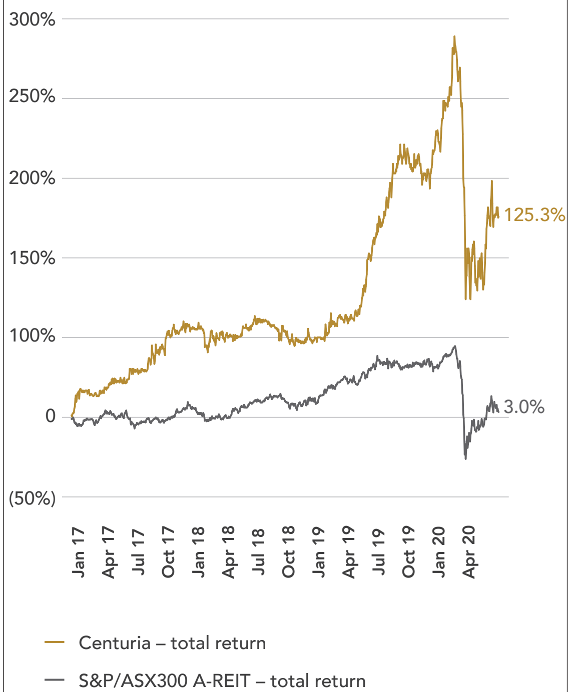
The Offer provides shareholders the opportunity to participate in a larger, more diversified company

If the Offer is successful, it will bring together two complementary real estate platforms with greater asset and sector diversification and will open new distribution channels across Australia and New Zealand. By retaining shares in Centuria, Augusta shareholders will retain an exposure to this enlarged entity. The enlarged group would represent one of Australasia's leading funds management platforms with assets under management increasing to NZ$9.5 billion post completion. While past performance is no guarantee of future performance, Centuria has a strong track record in delivering securityholder returns and growing assets under management.

Centuria assets under management growth (A$bn)



Relative Centuria Share price performance



Source: Centuria, FactSet, S&P

5.

The Offer could close with Centuria owning a significant controlling stake but less than 90% of Augusta

On 8 July 2020, Centuria declared the Offer unconditional and as at 8 July, it announced that it had received acceptances, which together with its existing 23.3% shareholding amount to 65.9% of Augusta's shares. If the Offer closes with Centuria reaching less than 90%, Augusta will remain listed and Centuria will have a significant controlling level of ownership. In addition to being exposed to the post-Offer share price (see point 6 below), this presents risks for Augusta shareholders such as the following:

- Centuria may have control over Augusta's business plan, capital structure, dividend policy and the Board. However, this will need a shareholder vote by way of a special resolution (75% of shareholders) to change the current Constitution of Augusta, which requires a majority of Augusta directors to be independent. NZX Listing Rules on Board composition, which require at least two independent directors, would still apply if this change was made
- Centuria is free to compete directly in the New Zealand market. Shareholders would be exposed to this happening while Centuria also controlled Augusta
- Subject to final acceptance levels, there are likely to be lower levels of liquidity in Augusta's shares after the Offer, meaning shareholders may be less likely to be able to sell their shares at a price acceptable to the shareholder

6.

The Augusta share price may trade materially lower than the Implied TCS Offer Price if the Offer were to close with Centuria owning less than 90% of Augusta and Augusta remaining listed on the NZX

The Independent Directors Committee cannot predict what the Augusta share price will be in the event the Offer is not successful. However, the Augusta share price immediately prior to the announcement of the Offer was $0.685 and increased by 30% following the announcement of the Offer. In the absence of a superior proposal emerging, the Augusta share price will likely fall from current levels if the Offer closes with Centuria reaching less than 90% acceptances.

7.

A competing offer is unlikely

Centuria and Augusta first announced an intention to make an offer on 29 January 2020. Since that time, Augusta has received no approaches from any party seeking to make a competing proposal. Further, Centuria's shareholding of 23.3% provides a blocking stake to any compulsory acquisition and an additional 42.6% of other shareholders (including Mark Francis and Bryce Barnett, who are long term executives and founders of Augusta) have accepted the Offer as at 8 July 2020.

8.

The risks inherent in a scrip-based Offer are outweighed by the benefits

It is important that shareholders understand, that given the consideration for the Offer includes Centuria shares, the value of the Offer is not a fixed number. If you accept the Offer, movements in Centuria's share price and in the NZD/AUD exchange rate between now and when you accept it may change the value you receive for your Augusta shares.

For example, as at 10 July 2020 (being the last practicable date before the date of this Target Company Statement), implied offer price outcomes are:

- NZ$0.95 per Augusta share based on the 10-day VWAP for Centuria's shares; and
- NZ$0.91 per Augusta share based on the closing Centuria share price.

For the purpose of assessing the merits of the Offer, the Independent Directors have used the average of these implied offer price outcomes which equates to NZ$0.93 per Augusta share.

Centuria's share price has been impacted by COVID-19, decreasing from a high of A$2.76 per share in February 2020. Centuria's shares traded between A$1.44 and A$2.02 per share in the three months prior to the Offer being made. In the week prior to 10 July, the share price fell from A$1.78 to A$1.67. Centuria's share price may have been recently affected by renewed concerns in Australia regarding COVID-19 and potentially a market expectation of shares received in this Offer being sold. A price of A$1.715 per Centuria share, which is used to determine the Implied TCS Offer Price, sits within the middle of both the three month range and the range of the last week.

The table below presents a potential range of value outcomes across NZD/AUD exchange rates and Centuria share prices.

Potential implied Offer prices for your Augusta shares

	Centuria share price					
NZD/AUD exchange rate	A$1.60	A$1.65	A$1.70	A$1.75	A$1.80	A$1.85
0.92	$0.90	$0.92	$0.94	$0.97	$0.99	$1.01
0.93	$0.89	$0.92	$0.94	$0.96	$0.98	$1.00
0.94	$0.89	$0.91	$0.93	$0.95	$0.97	$0.99
0.95	$0.88	$0.90	$0.92	$0.94	$0.96	$0.98
0.96	$0.87	$0.89	$0.91	$0.93	$0.96	$0.98
0.97	$0.87	$0.89	$0.91	$0.93	$0.95	$0.97

Furthermore, if you wish to sell your shares in Centuria, there may be brokerage payable by you.

Despite these risks, the Independent Directors Committee believes the merits outlined above outweigh the risks and recommend that you **ACCEPT the Offer**, in the absence of a superior proposal.

Part 3: Takeovers Code Disclosures

1. Date

This target company statement (the *Target Company Statement*) is dated 13 July 2020.

2. Offer

(a) The Offer is a full takeover offer by Centuria Capital Group, via its wholly owned subsidiary Centuria New Zealand Holdings Limited (*Centuria*) to purchase all of the fully paid ordinary shares in Augusta (the *Shares*) for NZ$0.22 in cash and 0.392 of a Centuria Stapled Security per Share (the *Offer*).

(b) A Centuria Stapled Security means a fully paid ordinary share in Centuria Capital Group comprising a fully paid ordinary share in Centuria Capital Limited (ACN 095 454 336) stapled to a fully paid unit in the Centuria Capital Fund (ARSN 613 856 358) whose responsible entity is Centuria Funds Management. The terms of the Offer are set out in the offer document dated 29 June 2020, which has been sent to all shareholders in Augusta (the *Augusta Shareholders*) by Centuria (the *Offer Document*).

3. Target Company

(a) The name of the target company is Augusta Capital Limited (*Augusta*) (NZX: AUG).

(b) The postal address of Augusta is:
PO Box 37953
Parnell 1151
Auckland
New Zealand

(c) Augusta's website is at: https://augusta.co.nz/

(d) The contact email address of Augusta is enquiries@augusta.co.nz.

4 Directors of Augusta

The names of the directors of Augusta are:

- Paul John Duffy (Independent Chairman);
- Mark Edward Francis (Managing director);
- Kevin James Murphy (Independent non-executive director); and
- Robert Mark Petersen (Independent non-executive director).

5 Ownership of equity securities of Augusta

(a) Schedule 1 to this Target Company Statement sets out the number, designation, and the percentage of any class of equity securities of Augusta held or controlled by each director or senior manager of Augusta and their associates. Except as set out in Schedule 1, no director or senior manager of Augusta or their associates holds or controls any securities of Augusta.

(b) The senior managers of Augusta for the purposes of this Target Company Statement are:

   (i) Joel Lindsey (Chief Operating Officer);

   (ii) Simon Woollams (Chief Financial Officer);

   (iii) Adelle McBeth (Head of Operations);

   (iv) Luke Fitzgibbon (General Counsel and Company Secretary); and

   (v) Bryce Barnett (Executive Director of Augusta Funds Management Limited).

(c) Schedule 2 to this Target Company Statement sets out the number, designation, and the percentage of any class of equity securities of Augusta held or controlled by any other person holding or controlling 5% or more of any class of equity securities of Augusta, to the knowledge of Augusta. Except as set out in Schedule 2, no other person is known by Augusta to hold or control 5% or more of any class of equity securities of Augusta.

(d) Schedule 3 to this Target Company Statement sets out the number of equity securities of Augusta:

   (i) that have, during the two year period ending on the date of this Target Company Statement, been issued to the directors and senior managers of Augusta or their associates; or

   (ii) in which the directors and senior managers of Augusta or their associates have, during the two year period ending on the date of this Target Company Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement,

   together with the price at which any such equity securities were issued or provided.

6 Trading in Augusta's equity securities

(a) No director or senior manager of Augusta or their associates have acquired or disposed of any of Augusta's equity securities during the 6 month period ending on 10 July 2020 (being the latest practicable date before the date of this Target Company Statement), except as set out in Schedule 3 and Schedule 4.

(b) Details of the acquisition or disposition of Shares during the six month period ending on 10 July 2020 (being the latest practicable date before the date of this Target Company Statement) by any person holding or controlling 5% or more of the Shares are set out in Schedule 4. Except as set out in Schedule 4, to the knowledge of Augusta, no person holding or controlling 5% or more of the equity securities of any class of Augusta has acquired or disposed of equity securities of Augusta during that six month period.

7 Acceptance of Offer

The directors and senior managers listed in the table below have advised that they (or their associates) have accepted the Offer in respect of the number of Shares held or controlled by them listed in that table.[4]

Name	Description	Number of Shares
Mark Francis	Managing Director	20,957,844
Joel Lindsey	Chief Operating Officer	235,581
Simon Woollams	Chief Financial Officer	477,339
Adelle McBeth	Head of Operations	55,755
Luke Fitzgibbon	General Counsel and Company Secretary	255,110
Bryce Barnett	Executive Director, Augusta Funds Management Limited	5,451,361

8 Ownership of equity securities of Centuria

Neither Augusta, nor any director or senior manager of Augusta or any of their associates, holds or controls any equity securities of Centuria or any related company of Centuria (*Centuria* Shares).

9 Trading in equity securities of Centuria

Neither Augusta, nor any director or senior manager of Augusta or any of their associates, has acquired or disposed of any Centuria Shares during the 6 month period before 10 July 2020 (being the latest practicable date before the date of this Target Company Statement).

10 Arrangements between Augusta and Centuria Capital Group

(a) On 20 June 2018, Centuria Funds Management and Augusta entered into a confidentiality agreement under which each party agreed to keep confidential information disclosed to each other in respect of a potential transaction.

(b) On 29 January 2020, Centuria Platform Investments Pty Limited, Centuria Funds Management, Centuria Capital Limited and Augusta entered into a bid implementation agreement (*BIA*) in connection with the proposed takeover offer by Centuria announced on 29 January 2020 (which, for the avoidance of doubt, does not relate to the current Offer). Among other matters, the terms of the BIA included that:

(i) Centuria agreed to send a takeover notice to Augusta in accordance with rule 41 of the Takeovers Code;

(ii) Centuria agreed to make a takeover offer on agreed offer terms set out in the BIA; and

(iii) Centuria and Augusta agreed to use reasonable endeavours and commit necessary resources to implement the takeover offer contemplated by the BIA.

(c) The full BIA was disclosed to NZX by Augusta on 29 January 2020, and can be found at the NZX website, www.nzx.com under the NZX code 'AUG'. On 26 March 2020, the BIA was terminated in accordance with its terms, as a result of a material adverse event occurring.

(d) On 15 June 2020, Augusta received a takeover notice pursuant to rule 41 of the Takeovers Code from Centuria, in respect of this Offer, advising of Centuria's intention to make a full takeover offer.

(e) Except as set out in paragraphs 10(a),10(b), 10(c) and 10(d) , no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made between Centuria or any of its associates and Augusta or any related company of Augusta with, in anticipation of, or in response to, the Offer.

11 Relationship between Centuria, and directors and senior managers of Augusta

(a) The following directors and senior managers of Augusta have entered into Director and Senior Manager Lock-Up Agreements (which became unconditional on 8 July or 10 July 2020). These directors and senior managers hold in aggregate 15.97%:

(i) Mark Francis (associated interests holding 12.2% of the Shares).

(ii) Joel Lindsey (associated interests holding 0.14% of the Shares).

(iii) Simon Woollams (associated interests holding 0.28% of the Shares).

(iv) Adelle McBeth (associated interests holding 0.03% of the Shares).

(v) Luke Fitzgibbon (associated interests holding 0.15% of the Shares); and

(vi) Bryce Barnett (associated interests holding 3.17% of the Shares).

(b) The material terms of the Director and Senior Manager Lock-Up Agreements with Mark Francis and Bryce Barnett (the *Holders*) signed on 15 June 2020 are:

(i) Centuria agreed that it will send a takeover notice to Augusta in compliance with rule 41 of the Takeovers Code within one working day of the Lock-Up Agreement being signed.

(ii) Centuria agreed that it will make the Offer in accordance with rules 43 and 43B of the Takeovers Code.

(iii) Centuria agreed to make the Offer on the terms, and subject to the conditions, attached to the

4. Schedule 3 to this Target Company Statement sets out further details of the Shares held by certain directors or senior managers of Augusta.

Director and Senior Manager Lock-Up Agreements.

(iv) Nothing in the Director and Senior Manager Lock-Up Agreements affects the rights of Centuria to waive or invoke any condition or other right included in the Offer terms and conditions in accordance with the Takeovers Code.

(v) Subject to the Offer being made by Centuria in accordance with the Director and Senior Manager Lock-Up Agreements, the relevant Holder agreed to accept the Offer in respect of its Shares by no later than the date which is two working days after the date of despatch of the Offer, as notified by Centuria under rule 45 of the Takeovers Code or, if later, then on the working day on which the Offer is received by the relevant Holder, by signing or procuring the signing of the Acceptance Form accompanying the relevant Offer Document and returning it in accordance with the terms of the Offer or by accepting the Offer using the online acceptance facility at www.augustatakeover.co.nz.

(vi) The relevant Holder will procure that its associate, Mark Francis or Bryce Barnett (as applicable) enter into a new employment agreement, in substantially the same form as entered on 29 January 2020 (subject to any amendments approved by Centuria), if requested by Augusta to do so.

(vii) The relevant Holder agreed that it will not sell, transfer, grant or permit an encumbrance over, or otherwise dispose of any interest in, or control over, and of the relevant Holder's Shares.

(viii) The relevant Holder agreed that it would not invite, seek, solicit, encourage, initiate or otherwise facilitate any other person to acquire an interest or control over the relevant Holder's Shares, or to make, propose or announce:

(A) any direct or indirect acquisition of an interest in, or the right to acquire or have a direct or indirect economic interest in, any other person's Shares;

(B) any direct or indirect acquisition of, or the right to acquire or have a direct or indirect economic interest in, all or a material part of the business and/or assets of Augusta and its subsidiaries;

(C) a transfer of control of Augusta or a material part of the business of Augusta and its subsidiaries;

(D) otherwise an acquisition of, or merger with, Augusta; or

(E) any other transaction which could reasonably be expected to be inconsistent with the Offer or result in Centuria abandoning or failing to proceed with the Offer,

whether by way of an on-market or off-market purchase of Augusta Shares, stand in the market, takeover offer, scheme of arrangement, capital reduction, buy-back of Shares, sale or purchase of assets, Share issue (or the issue or grant of options, convertible securities, performance rights or other rights or entitlements to Shares) or other recapitalisation, joint venture, insolvency proceeding, dual-listed company structure (or other synthetic merger) or other transaction or arrangement (a *Prohibited Transaction*).

(ix) The relevant Holder agreed that it will not provide any information of any nature to a third party for the purposes of encouraging or facilitating, or allowing that third party to consider, a Prohibited Transaction.

(x) The relevant Holder agreed that it will not make any public statement supporting or endorsing a Prohibited Transaction.

(xi) The relevant Holder agreed that it will not do any act, matter or thing which is, or which may reasonably be expected to be, inconsistent with the Augusta Shareholder's obligations under subparagraphs (vii) or (viii).

(xii) Nothing in the Lock-Up Agreement prevents:

(A) the relevant Holder from exercising voting rights attaching to any Augusta Shares;

(B) the relevant Holder from accepting the Offer in accordance with the Lock-Up Agreement;

(C) the relevant Holder from transferring its Shares to Centuria in accordance with the Offer;

(D) any act, matter or thing undertaken by the relevant Holder with Centuria's prior written approval; or

(E) any individual who represents the relevant Holder on the board of, or who is an officer of, Augusta from doing any act, matter or thing in his capacity as a director or officer of Augusta, provided that the relevant act, matter or thing does not result in a breach of law by Augusta.

(xiii) The relevant Holder is entitled to terminate its Lock-Up Agreement if:

(A) Centuria does not comply with its obligations under subparagraphs (i) and (ii);

(B) the Offer, when made, does not comply with subparagraph (iii).

(xiv) The Lock-Up Agreement will automatically terminate if:

(A) Centuria withdraws the Offer in accordance with the Takeovers Code; or

(B) the Offer lapses for any reason, including if one of the conditions of the Offer is not satisfied by the condition date (being the latest practicable date that Centuria can declare the Offer unconditional in accordance with the Offer Document) and the Offer lapses in accordance with the Takeovers Code.

(c) The material terms of the Director and Senior Manager Lock-Up Agreements with Mark Francis, Bryce Barnett, Joel Lindsey, Simon Woollams, Adelle McBeth and Luke Fitzgibbon (the *Holders*) signed on 3 July 2020 are:

(i) The relevant Holder will accept the Offer for all new ordinary Shares that are issued to the relevant Holder within 24 hours of those shares being issued.

(ii) The relevant Holder would retain all voting control of the Shares until those Shares are transferred to Centuria under the Offer.

(d) Except as set out in paragraph (a), no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Centuria or any associates of Centuria, and any of the directors or senior managers of Augusta or of any related company of Augusta (including any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to the Offer.

(e) None of the directors or senior managers of Augusta are also directors or senior managers of Centuria or any related companies of Centuria.

12 Agreements between Augusta, and directors and senior managers of Augusta

(a) Except as set out in paragraphs 12(b) and 13(b), no agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between Augusta (or any related company of Augusta) and any of the directors or senior managers or their associates of Augusta or any related company of Augusta, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

(b) Regarding Augusta's arrangement with senior managers around its long term incentive scheme, Augusta provides the following additional context:

(i) In connection with the proposed takeover offer by Centuria announced on 29 January 2020 (the *Initial Proposed Takeover*), Augusta varied the terms of the 2016, 2017, 2018 and 2019 tranches of its performance rights plan and issued 2,183,145 Shares pursuant to this plan (*Initial LTI Shares*).

(ii) Following the termination of the bid implementation agreement in relation to the Initial Proposed Takeover, Augusta acquired and cancelled the Initial LTI Shares for nil consideration.

(iii) Centuria issued a takeover offer for the Offer on 29 June 2020. In connection with the Offer and in order to reinstate the Initial LTI Shares, the Board issued new shares in the same number and to the same senior managers as the Initial LTI Shares, for nil consideration.

13 Interests of directors and senior managers of Augusta in contracts of Centuria (or a related company of Centuria)

(a) The directors and senior managers of Augusta set out in paragraph 11(a) have entered into Director and Senior Manager Lock-Up Agreements.

(b) With respect to the Director and Senior Manager Lock-Up Agreements entered into by Rockridge Trustee Company Limited and Mark Francis and Kawaroa Trustee Limited, the Shareholder (as that term is defined in the applicable lock-up agreement) will procure that Mark Francis and Bryce Barnett (as applicable) will enter into a new employment agreement, in substantially the same form as entered on 29 January 2020 (subject to any amendments approved by Centuria), if requested by Augusta to do so.

(c) Except as set out in paragraphs 13(a) and (b), no director or senior manager of Augusta or their associates has any interest in any contract to which Centuria, or any related company of Centuria, is a party.

13A Interests of Augusta's substantial security holders in material contracts of Centuria (or a related company of Centuria)

(a) Except as set out below, no person who, to the knowledge of the directors or the senior managers of Augusta, holds or controls 5% or more of any class of equity securities of Augusta, has an interest in any material contract to which Centuria, or any related company of Centuria, is a party.

(b) Centuria itself holds 5% or more of Augusta's ordinary shares and inherently has an interest in all contracts to which Centuria, or any related company of Centuria, is a party.

14 Additional information

(a) In the event that a shareholder accepts the Offer or Centuria secures more than 90% acceptances and compulsorily acquires all remaining Shares, there may be negative tax consequences if a New Zealand shareholder continues to hold Centuria shares received as part of the consideration. Key considerations are outlined below, but shareholders should seek their own specialist advice.

(i) If a New Zealand shareholder applies a Foreign Investment Fund (*FIF*) exemption to its investment in Centuria, any distributions received would be subject to New Zealand tax. In effect the tax liability arising is equivalent to an unimputed dividend. Where the FIF regime applies, the New Zealand tax liability would depend on the method used to calculate taxable income. This may result in profits being attributed prior to receiving a distribution and present a cash flow disadvantage.

(ii) A foreign tax credit for Australian withholding taxes applied to a distribution from Centuria should be available subject to the personal circumstances of the New Zealand shareholder. However Australian franking credits are not available as a foreign tax credit. Any unutilised foreign tax credits will be forfeited unlike an imputation credit and New Zealand resident withholding tax.

(iii) Holding shares in Centuria may also create tax filing obligations for New Zealand shareholders that may not currently have an obligation.

(b) In the opinion of the directors of Augusta, no additional information, within the knowledge of Augusta, is required to make the information in Centuria's Offer Document correct or not misleading.

15 Recommendation

(a) The board of directors of Augusta has appointed certain directors to the Independent Director Committee to attend to all matters associated with the Offer. The Independent Director Committee comprises Paul Duffy, Mark Petersen and Kevin Murphy. None of the members of the Independent Director Committee have any association with Centuria.

(b) The recommendation of the Independent Director Committee and the reasons for that recommendation are set out in Part 2 of this Target Company Statement. In reaching this recommendation, the Independent Director Committee has carefully considered a full range of expert advice available to it (including the Independent Adviser's Report).

(c) Augusta director, Mark Francis (Managing Director) has a conflict of interest in respect of the Offer due to his employment by Augusta and the Shares held by him or his associates. As noted above, Mark Francis and Rockridge Trustee Company Limited entered into a Director and Senior Manager Lock-Up Agreement under which they agreed to accept the Offer. The Offer was declared unconditional on 8 July 2020 with payment of the consideration for the Shares to occur on 15 July 2020. Given his conflict of interest, Mark Francis is therefore not a member of the Independent Director Committee and abstains from making any recommendation as to whether to accept or reject the Offer.

16 Actions of Augusta

(a) Except as set out in paragraph 10, there are no material agreements or arrangements (whether legally enforceable or not) of Augusta and its related companies entered into as a consequence of, in response to, or in connection with, the Offer.

(b) There are no negotiations underway as a consequence of, or in response to, or in connection with, the Offer that relate to or could result in:

(i) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Augusta or any of its related companies; or

(ii) the acquisition or disposition of material assets by Augusta or any of its related companies; or

(iii) an acquisition of equity securities by, or of, Augusta or any related company of Augusta; or

(iv) any material change in the equity securities on issue, or policy relating to distributions, of Augusta.

17 Equity securities of Augusta

(a) Augusta currently has 171,725,717 Shares on issue. Subject to the NZX Listing Rules and Augusta's constitution, the rights of Augusta Shareholders in respect of capital, distributions and voting are as follows:

(i) the right to an equal share with other Augusta Shareholders in dividends authorised by the Board;

(ii) the right to an equal share with other Augusta Shareholders in the distribution of surplus assets on liquidation of Augusta;

(iii) the right to participate in certain potential further issues of equity securities by Augusta; and

(iv) the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of Augusta Shareholders on any resolution, including a resolution to:

- appoint or remove a director or auditor;
- alter Augusta's constitution;
- approve a major transaction;
- approve an amalgamation of Augusta; and
- put Augusta into liquidation.

18 Financial information

(a) Every person to whom the Offer is made is entitled to obtain from Augusta a copy of Augusta's most recent annual report (being the annual report for the period ended 31 March 2020) by making a written request to Augusta at enquiries@augusta.co.nz.

(b) A copy of the annual report is also available from Augusta's website at https://augusta.co.nz/investor-centre/augusta-capital/annual-and-interim-reports.

(c) There have been a number of changes in the financial or trading position, or prospects, of Augusta since its annual report, a number of which were included in the investor presentation prepared for the equity raise announced to NZX on 5 May 2020, which is available at https://www.nzx.com/announcements/352659.

(d) The following material changes have occurred since the annual report for the period ended 31 March 2020:

(i) Augusta announced a $45 million capital raising on 5 May 2020 and final settlement (which was in respect of Shares issued under the retail component of the entitlement offer) was 26 May 2020. The proceeds were used to strengthen Augusta's balance sheet and to repay $25 million of bank debt with ASB as well as repaying a further overdraft with ASB.

(ii) On 3 May 2020, Augusta signed a waiver letter with its funder ASB Bank. This letter included specific future loan covenant waiver relief, an amendment to the investment facility LVR covenant, an extension of the warehouse facility to 30 June 2021 as well as a waiver of any current or future breach of the general terms within the respective loan agreements in relation to agreed and relevant circumstances arising from COVID-19.

(iii) The agreement for sale and purchase of the Anglesea Medical Centre was varied so that the settlement date is 30 September 2020. Augusta is progressing a re-launch of the Augusta Property Fund with the intention that the Augusta Property Fund acquires the Anglesea Medical Centre. Augusta expects to register a product disclosure statement in respect of the Augusta Property Fund in the week commencing 13 July 2020.

(iv) Further construction costs are to be incurred at the Cook Street, Auckland and Man Street, Queenstown developments, totalling approximately $3 million, to complete sufficient work to ensure the building is watertight. Construction will then be deferred until funding is able to be obtained to complete the development.

(v) A variation to the agreement to lease with Jucy Snooze for Cook Street is currently being negotiated.

(vi) The Asset Plus share price has declined from $0.39 per share on 31 March to $0.365 per share on 10 July 2020.

(e) The following information about the assets, liabilities, profitability and financial affairs of Augusta could reasonably be expected to be material to the making of a decision by Augusta Shareholders to accept or reject the Offer:

(i) Augusta was unable to settle on the Albany Lifestyle Centre which has resulted in the loss of the $4.5 million deposit already paid. This has resulted in an impact to P&L and cash flow through the loss of fees from the planned establishment and ongoing management of the Augusta Property Fund, sunk offer fees of $2.3 million and an inability to recycle the $2.75 million deposit on the Anglesea Medical Centre. While Augusta is not a counterparty to the acquisition contract for the Albany Lifestyle Centre, there is a risk that Augusta (or its associated entities) may be subject to further claims in relation to the proposed acquisition. This could include claims for loss of value, interest and other costs, less ongoing rental income received by the vendor and the deposit funded by Augusta. The vendor has a duty to mitigate its loss; and

(ii) a change of control of Augusta without the prior consent of Augusta's bank, ASB, will result in an event of review under Augusta's bank facility agreement. On and at any time after an event of review, ASB may require that the parties enter into negotiations with a view to agreeing terms on which the facilities may continue to be made available. If there is no agreement within 60 days, ASB may take various actions, including requiring repayment of the facilities in full. Augusta will work with ASB and Centuria to provide relevant background information to obtain all necessary approvals to keep the current facilities in place.

(f) Other than as set out elsewhere in this Target Company Statement, or as contained in the Independent Adviser's Report:

(i) there have been no known material changes in the financial or trading position or prospects of Augusta since its annual report for the period ended 31 March 2020; and

(ii) there is no other information about the assets, liabilities, profitability and financial affairs of Augusta that could reasonably be expected to be material to the making of a decision by Augusta Shareholders to accept or reject the Offer.

19 Independent advice on merits of Offer

(a) Calibre Partners (formerly known as KordaMentha), as independent adviser, has prepared a report on the merits of the Offer as required by Rule 21 of the Takeovers Code. A copy of Calibre Partner's full report is attached to this Target Company Statement as Appendix 1.

(b) The Independent Adviser's Report includes:

(i) a statement of the qualifications and expertise of Calibre Partners; and

(ii) a statement that Calibre Partners has no conflict of interest that could affect its ability to provide an unbiased report.

19A Different classes of securities

There is only one class of securities in Augusta (namely Shares), so no independent adviser's report is required under Rule 22 of the Takeovers Code.

20 Asset valuation

None of the information provided in this Target Company Statement refers to a valuation of any asset of Augusta.

21 Prospective financial information

(a) None of the information provided in this Target Company Statement refers to prospective financial information of Augusta.

(b) The Independent Adviser's Report refers to prospective financial information of Augusta. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser's Report.

(c) For the purposes of responding to Centuria's Offer, the Independent Directors Committee reviewed and approved for release to Calibre Partners Augusta management's financial projections for the financial years ending 31 March 2021 to 2025 in order to facilitate the Independent Adviser's Report and this Target Company Statement. Management's financial projections for the financial years ending March 2021 to 2025 were prepared as at 25 June 2020. While all due care has been taken with its preparation and review, as with all forward looking statements, no assurance can be given that actual performance or results will meet or exceed Augusta management's projections for the financial years ending March 2021 to 2025. At this early stage of Augusta's financial year, there are many uncertainties which could materially impact Augusta's financial results. For the avoidance of any doubt, the management's financial projections do not constitute a forecast.

22 Sales of unquoted equity securities under Offer

Augusta has no unquoted equity securities currently on issue, including any that are the subject of the Offer.

23 Market prices of quoted equity securities under Offer

(a) The closing price on the NZX Main Board of Shares on:

   (i) 10 July 2020, being the latest practicable working day before the date on which this Target Company Statement is sent to Augusta Shareholders, was NZ$0.90; and

   (ii) 12 June 2020, being the last day on which the NZX was open for business before the date on which Augusta received Centuria's takeover notice, was NZ$0.685.

(b) The highest and lowest closing market price of Shares on the NZX Main Board and the relevant dates during the 6 months before the date on which Augusta received Centuria's takeover notice (being 15 June 2020) were as follows:

   (i) highest closing market price was NZ$2.175 (on 20 February 2020); and

   (ii) lowest closing market price was NZ$0.64 (on 19 May 2020).

(c) There was, in the six month period prior to the date of this Target Company Statement, an issue of equity securities of Augusta by way of a placement to institutional investors, together with a 1 for 1.9 pro-rata non-renounceable accelerated entitlement offer to eligible retail and institutional shareholders, as announced to NZX on 5 May 2020 (the *Equity Raise*). The Equity Raise was fully underwritten and raised approximately NZ$45 million. This Equity Raise may have affected the market price of Augusta shares referred to in this paragraph 23.

(d) Except as set out in paragraph 23(c), there were, in the six month period prior to the date of this Target Company Statement, no other issues of equity securities or changes in the equity securities on issue that could have affected the market prices referred to in this paragraph 23.

(e) There is no other information about the market price of Shares that would reasonably be expected to be material to the making of a decision by Augusta Shareholders to accept or reject the Offer.

24 Other information

In preparing this Target Company Statement, Augusta has relied on the completeness and accuracy of information provided by or on behalf of various persons, including Centuria.

25 Approval of this Target Company Statement

The contents of this Target Company Statement have been approved by the Independent Director Committee, which has been delegated with authority by the Board to do so. As disclosed in paragraph 15(c) above, the other director of Augusta (Mark Francis) is not a member of the Independent Director Committee because Mark Francis has a potential conflict of interest in respect of the Offer. As a result, he has not participated in the decision making process as to whether to accept or reject the Offer.[5]

26 Interpretation

In this Target Company Statement:

ASX means the Australian Securities Exchange operated by ASX Limited;

Augusta means Augusta Capital Limited (NZX: AUG);

Board means the board of directors of Augusta;

Centuria means Centuria New Zealand Holdings Limited (Company Number 7868548);

Centuria Funds Management means Centuria Funds Management Limited (ACN 607 153 588) as responsible entity of the CNI Fund;

Centuria Capital Group means the ASX listed stapled entity consisting of Centuria Capital Limited (ABN 095 454 336) and the CNI Fund (ASX:CNI);

CNI Fund means Centuria Capital Fund (ASRN 613 856 358) whose responsible entity is Centuria Funds Management;

Director and Senior Manager Lock-Up Agreements means the lock-up agreements or lock-up letters (as applicable) between Centuria and the Director and Senior Manager Lock-Up Holders dated 15 June 2020 and 3 July 2020] (respectively);

Director and Senior Manager Lock-Up Holders means the following parties:

(a) Rockridge Trustee Company Limited and Mark Edward Francis as trustees of the Rockridge Investment Trust; and

(b) Kawaroa Trustees Limited;

(c) Mark Edward Francis;

(d) Bryce Barnett;

(e) Simon Woollams;

(f) Luke Fitzgibbon;

(g) Joel Lindsey; and

(h) Adelle McBeth;

5. Mark Francis has signed this Target Company Statement in his capacity as Managing Director of Augusta, as required by the Takeovers Code.

Independent Adviser's Report means the independent adviser's report provided by Calibre Partners under Rule 21 of the Takeovers Code and set out in Appendix 1 to this Target Company Statement;

Independent Director Committee has the meaning given to it in paragraph 15 of this Target Company Statement;

Lock-Up Agreements means the lock-up agreements dated 15 June 2020 and the lock-up letters (as applicable) between Centuria and the Lock-Up Holders;

Lock-Up Holders means the following parties:

(a) Rockridge Trustee Company Limited and Mark Edward Francis as trustees of the Rockridge Investment Trust; and

(b) Kawaroa Trustees Limited;

(c) Mark Edward Francis;

(d) Bryce Barnett;

(e) Michael Walter Daniel, Michael Murray Benjamin and Nigel Geoffrey Ledgard Burton;

(f) Phillip Michael Hinton, Robyn Kay Hinton and Stephen David Eichstaedt;

(g) Reeve Anton Barnett;

(h) Lacey Ellen Barnett;

(i) John Kirkland Morrow, Jane Elizabeth Morrow and Michael Walter Daniel;

(j) Morrow Equity Management Limited;

(k) John Kirkland Morrow;

(l) Cypress Capital Limited;

(m) Tim Barry;

(n) David Bayley;

(o) Leveraged Equities Finance Limited (CIML Peninsula Trading and Dillon Capital Trading Accounts);

(p) Foster Capital NZ Limited;

(q) Anthony Charles Mark Warner and Pamela Annette Warner;

(r) ANZ New Zealand Investments Limited;

(s) Salt Funds Management Limited;

(t) Simon Woollams;

(u) Luke Fitzgibbonn;

(v) Joel Lindsey;

(w) Stephen Brown-Thomas;

(x) Adelle McBeth; and

(y) Mint Asset Management Limited;

NZ$ or $ means New Zealand dollars;

NZX Main Board means the main board equity securities exchange operated by NZX;

NZX means NZX Limited;

Offer has the meaning given to it in paragraph 2 of this Target Company Statement;

Offer Document means the offer document dated 29 June 2020 which has been sent to all Augusta Shareholders by Centuria;

Shares means the ordinary shares in Augusta;

Takeovers Act means the Takeovers Act 1993;

Takeovers Code means the Takeovers Regulations 2000 as amended including by any applicable exemption granted by the Takeovers Panel under the Takeovers Act; and

Takeovers Panel means the takeovers panel established under the Takeovers Act.

27 Certificate

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Augusta under the Takeovers Code.

Paul Duffy
Independent Chairman
and Director

Kevin Murphy
Independent Director

Mark Petersen
Independent Director

Mark Francis
Managing Director

Simon Woollams
Chief Financial Officer

Schedule 1:
Ownership of equity securities of Augusta by directors or senior managers and their associates (Paragraph 5)

Name	Number of equity securities held or controlled	Type of equity security	Percentage of total number of equity securities of class[4]
Directors of Augusta			
Mark Francis[1]	20,957,844	Ordinary shares	12.204%
Paul Duffy[2]	282,695	Ordinary shares	0.165%
Senior managers of Augusta			
Bryce Barnett[3]	5,451,361	Ordinary shares	3.174%
Simon Woollams	477,339	Ordinary shares	0.278%
Joel Lindsey	235,581	Ordinary shares	0.137%
Adelle McBeth	55,755	Ordinary shares	0.032%
Luke Fitzgibbon[5]	255,110	Ordinary shares	0.149%

Notes:

1 Rockridge Trustee Company Limited and Mark Edward Francis (the *Rockridge Trustees*) are the trustees of a trust of which Mark Edward Francis is a beneficiary. The Rockridge Trustees are the registered holders of 15,503,299 Shares and control a further 5,454,545 Shares held by Leveraged Equities Finance Limited.

2 JB Were (NZ) Nominees Limited is a registered holder of the Shares holding as a custodian on behalf of a trust of which Paul Duffy is a trustee and a beneficiary.

3 Kawaroa Trustees Limited is the registered holder of the Shares and is the trustee of a trust of which Bryce Robert Barnett is a beneficiary.

4 All percentages have been rounded to three decimal places.

5 Shares held by Luke Jared Fitzgibbon and Sarah Kathryn Fitzgibbon jointly.

Schedule 2:
Holders or controllers of more than 5% of any class of equity securities of Augusta (Paragraph 5)

Name	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities of class[1]
Rockridge Trustee Company Limited and Mark Edward Francis	20,957,844	Ordinary shares	12.204%
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited (*ANZ Investments*)[2]	24,094,651	Ordinary shares	14.031%
Accident Compensation Corporation (*ACC*)[3]	5,806,527	Ordinary shares	3.381%
Centuria New Zealand Holdings Limited[4]	39,445,824	Ordinary shares	23.266%

Notes:

1 All percentages have been rounded to three decimal places.

2 ANZ Investments is not the registered holder of the Shares. ANZ Investments has a relevant interest in the Shares arising only from the powers of investment contained in the investment management contracts as it has a qualified power to control the exercise of the right to vote attached to the financial products and a qualified power to acquire or dispose of the financial products.

3 ACC is not the registered holder of the Shares. ACC is beneficial owner of the Shares.

4 Centuria has interests in other Shares in respect of which the holder of those Shares has agreed to accept the Offer under a Lock-Up Agreement (where the acceptance has been received), or there have been acceptances of the Offer in respect of Shares that are not the subject of a Lock-Up Agreement. This provides Centuria with a qualified power to acquire these other Shares and a qualified power to control the disposition of these Shares. Subject to settlement occurring, Centuria will become the registered holder and beneficial owner of the Shares.

Schedule 3:
Equity securities issued to Augusta's directors and senior managers or in which Augusta's directors and senior managers have obtained a beneficial interest under any employee share scheme or other remuneration arrangement in the past two years (paragraph 5)

Name	Position	Number of equity securities	Designation of equity security	Price for which equity securities were issued or provided
FY2019				
Mark Francis[1]	Managing Director	383,771	Performance share rights	Nil[2]
Bryce Barnett[3]	Executive Director	193,132	Performance share rights	Nil[2]
Simon Woollams	Chief Financial Officer	193,132	Performance share rights	Nil[2]
Joel Lindsey	Chief Operating Officer	94,073	Performance share rights	Nil[2]
Luke Fitzgibbon[4]	General Counsel and Company Secretary	139,602	Performance share rights	Nil[2]
FY2020				
Mark Francis	Managing Director	278,770	Performance share rights	Nil[2]
Bryce Barnett[3]	Executive Director	111,508	Performance share rights	Nil[2]
Simon Woollams	Chief Financial Officer	111,508	Performance share rights	Nil[2]
Adelle McBeth	Head of Operations	55,755	Performance share rights	Nil[2]
Joel Lindsey	Chief Operating Officer	111,508	Performance share rights	Nil[2]
Luke Fitzgibbon[4]	General Counsel and Company Secretary	111,508	Performance share rights	Nil[2]
Mark Francis[2]	Managing Director	883,299[5,11]	Ordinary shares	Nil[2]
Bryce Barnett[3]	Executive Director	451,361[6,11]	Ordinary shares	Nil[2]
Simon Woollams	Chief Financial Officer	451,361[7,11]	Ordinary shares	Nil[2]
Adelle McBeth	Head of Operations	55,755[8,11]	Ordinary shares	Nil[2]
Joel Lindsey	Chief Operating Officer	205,581[9,11]	Ordinary shares	Nil[2]
Luke Fitzgibbon[4]	General Counsel and Company Secretary	255,110[10,11]	Ordinary shares	Nil[2]
FY2021				
Simon Woollams	Chief Financial Officer	25,978	Ordinary shares	$0.55
Mark Francis[1]	Managing Director	759,903[5,11]	Ordinary shares	Nil[2]
Bryce Barnett	Executive Director	402,002[6,11]	Ordinary shares	Nil[2]
Simon Woollams	Chief Financial Officer	402,002[7,11]	Ordinary shares	Nil[2]
Adelle McBeth	Head of Operations	55,755[8,11]	Ordinary shares	Nil[2]
Joel Lindsey	Chief Operating Officer	205,581[9,11]	Ordinary shares	Nil[2]
Luke Fitzgibbon[4]	General Counsel and Company Secretary	255,110[10,11]	Ordinary shares	Nil[2]

Notes:

1 The Shares are held by Rockridge Trustee Company Limited and Mark Edward Francis, of which Mark Edward Francis is a beneficiary.

2 The performance rights and subsequent issuance of Shares on vesting of the performance rights were issued to participating employees at nil cash cost under an employee long-term incentive scheme and are considered to be part of a participant's overall employee remuneration.

3 The Shares are held by Kawaroa Trustees Limited, of which Bryce Robert Barnett is a beneficiary.

4 Shares held by Luke Jared Fitzgibbon and Sarah Kathryn Fitzgibbon jointly.

5 The total number of equity securities includes all ordinary shares issued to Mark Edward Francis or associate during the financial year ending 31 March 2020 (being 123,396 ordinary shares issued 23 September 2019, and 759,903 ordinary shares issued 31 January 2020). 759,903 ordinary shares were acquired by Augusta and cancelled on 26 May 2020. 759,903 new ordinary shares were then issued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

6 The total number of equity securities includes all ordinary shares issued to Bryce Robert Barnett or associate during the financial year ending 31 March 2020 (being 49,359 ordinary shares issued 23 September 2019, and 402,002 ordinary shares issued 31 January 2020). 402,002 ordinary shares were acquired by Augusta and cancelled on 26 May 2020. 402,002 new ordinary shares were then issued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

7 The total number of equity securities includes all ordinary shares issued to Simon William James Woollams during the financial year ending 31 March 2020 (being 49,359 ordinary shares issued 23 September 2019, and 402,002 ordinary shares issued 31 January 2020). 402,002 ordinary shares were acquired by Augusta and cancelled on 26 May 2020. 402,002 new ordinary shares were then issued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

8 55,755 ordinary shares issued to Adelle McBeth on 31 January 2020, and were acquired by Augusta and cancelled on 26 May 2020. 55,755 new ordinary shares were then issued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

9 205,581 ordinary shares issued to Joel Lindsey on 31 January 2020, and were acquired by Augusta and cancelled on 26 May 2020. 205,581 new ordinary shares were then issued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

10 255,110 ordinary shares issued to Luke Fitzgibbon on 31 January 2020, and were acquired by Augusta and cancelled on 26 May 2020. These 255,110 ordinary shares were then reissued on 10 July 2020, subject to entering into a Director and Senior Manager Lock-Up Agreement (refer to Note 11 below).

11 Shares were acquired by Augusta and cancelled on 26 May 2020. These Shares were originally issued under Augusta's Long Term Incentive Plan in connection with the announcement of a proposed takeover of Augusta by Centuria Platform Investments Pty Limited in January 2020. Following the termination of the bid implementation agreement with Centuria Platform Investments Pty Limited on 26 March 2020, those Shares were required to be transferred back to Augusta for nil consideration. New Shares in respect of Augusta's Long Term Incentive Plan were however issued on 10 July 2020, subject to each director or senior manager entering into a Director and Senior Manager Lock-Up Agreement in respect of those Shares.

Schedule 4:
Acquisitions or disposals of Shares during the previous six months by persons holding 5% or more of the Shares and directors and senior managers (paragraph 6)[1]

Acquisition or disposal	Number of equity securities acquired or disposed of	Designation of equity security	Date	Consideration per equity security or weighted average consideration per equity security
Centuria New Zealand Holdings Limited				
Acquisition	17,502,051	Ordinary shares	6 May 2020	$0.55
Acquisition	17,219,642	Ordinary shares	12 May 2020	$0.55
Acquisition	4,724,131	Ordinary shares	26 May 2020	$0.55
Rockridge Trustee Company Limited and Mark Edward Francis *(Rockridge Trustees)*				
Acquisition	759,903	Ordinary shares	31 January 2020	Nil[3]
Acquisition	5,454,545[2]	Ordinary shares	12 May 2020	$0.55
Disposal	759,903	Ordinary shares	26 May 2020	Nil[3]
Acquisition	759,903	Ordinary shares	10 July 2020	Nil[3]
Accident Compensation Corporation				
Disposal	14,891	Ordinary shares	Week beginning 6 January 2020	$1.60[4]
Disposal	52,322	Ordinary shares	Week beginning 13 January 2020	$1.60[4]
Disposal	26,145	Ordinary shares	Week beginning 20 January 2020	$1.65[4]
Disposal	12,788	Ordinary shares	28 January 2020	$1.66
Acquisition	30,001	Ordinary shares	Week beginning 27 January 2020	$1.95[4]
Acquisition	300,000	Ordinary shares	26 March 2020	$0.98
Acquisition	1,129,449	Ordinary shares	Week beginning 30 March 2020	$0.83[4]
Acquisition	200,000	Ordinary shares	20 April 2020	$0.90
Acquisition	5,025,359	Ordinary shares	Week beginning 4 May 2020	$0.55
Disposal	300,000	Ordinary shares	Week beginning 4 May 2020	$0.76[4]
Disposal	179,438	Ordinary shares	Week beginning 11 May 2020	$0.69[4]
Acquisition	373,826	Ordinary shares	Week beginning 18 May 2020	$0.55
Disposal	72,888	Ordinary shares	Week beginning 25 May 2020	$0.70[4]
Disposal	12,858	Ordinary shares	2 June 2020	$0.72
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited (in aggregate)				
Acquisition	1,322,000	Ordinary shares	Week beginning 23 March 2020	$0.89[4]
Acquisition	200,000	Ordinary shares	9 April 2020	$0.83
Acquisition	10,198,731	Ordinary shares	Week beginning 5 May 2020	$0.55
Acquisition	758,663	Ordinary shares	Week beginning 22 May 2020	$0.55
Acquisition	544,915	Ordinary shares	Week beginning 15 June 2020	$0.92[4]
Acquisition	96,210	Ordinary shares	Week beginning 22 June 2020	$0.89[4]
Joel Mark Woodliffe Lindsey				
Acquisition	629	Ordinary shares	13 May 2020	$0.69
Acquisition	14,371	Ordinary shares	14 May 2020	$0.69
Acquisition	15,000	Ordinary shares	14 May 2020	$0.66
Paul John Duffy[5]				
Acquisition	200,000	Ordinary shares	11 May 2020	$0.76
Acquisition	70,000	Ordinary shares	13 May 2020	$0.70
Acquisition	12,695	Ordinary shares	18 May 2020	$0.65

Notes:

1 This information is based on information known to Augusta on 10 July 2020 (being the latest practicable date before the publication of the Target Company Statement). In respect of directors and senior managers, this information is in addition to that information contained in Schedule 3.

2 The Rockridge Trustee's, through Leveraged Equities Finance Limited, were issued 5,454,545 Shares pursuant to the institutional component of the Equity Raise. The Rockridge Trustees have the power to control the exercise of the right to vote attaching to the Shares.

3 These shares were issued to the Rockridge Trustee's on vesting of the performance rights that were issued to participating employees at nil cash cost under an employee long-term incentive scheme and are considered to be part of a participant's overall employee remuneration.

4 The consideration is the weighted average consideration per security for multiple on-market transactions in the specified week.

5 JB Were (NZ) Nominees Limited is a registered holder of the Shares holding as a custodian on behalf of a trust of which Paul Duffy is a trustee and a beneficiary.

Appendix 1: Independent Adviser's Report

calibre partners

Augusta Capital Limited

Independent adviser's report in relation to the Takeover Offer by Centuria Capital Group

July 2020

STATEMENT OF INDEPENDENCE

Calibre Partners (previously known as KordaMentha) confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Calibre Partners has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Table of contents

1. Executive summary

1.1 Introduction

Augusta Capital Limited (**Augusta**) is a New Zealand incorporated company listed on the NZX Main Board. Augusta is one of New Zealand's largest property funds management specialists, and actively manages $1.8 billion of assets throughout New Zealand and Australia.

Augusta was founded in 2001 by its Managing Director, Mark Francis. It has evolved from its origins as a single-asset property syndicator and now participates in the management of multi-asset funds (listed and unlisted), in addition to funding and developing properties. Augusta targets opportunities with robust, long-term investment fundamentals spanning multiple sectors of the economy.

On 15 June 2020, Augusta announced that it had received a takeover notice from Centuria New Zealand Holdings Limited, a subsidiary of Centuria Capital Group (**Centuria**), outlining its intentions to acquire all of its fully paid ordinary shares (**Augusta Shares**). Centuria currently owns 23.3% of the shares on issue. Centuria later made a formal takeover offer on 29 June 2020 (**the Offer**). The cash component of the Offer was subsequently increased by 2 cents per Augusta Share on 2 July 2020.

Centuria is an ASX-listed company (ASX: CNI) that is headquartered in Sydney, Australia. It is a specialist fund manager with approximately AU$7.2 billion of assets under management (**AUM**). Centuria provides a range of products and services to its investors, with its business centred around property funds management and investment bonds.

Centuria has advised that the key reasons for the Offer are to increase Centuria's scale and relevance, and to diversify into the New Zealand real estate market. The proposed transaction would complement Centuria's existing expertise in office and industrial real estate, and the combined group would benefit from greater asset diversification and new Trans-Tasman investment opportunities. Potential revenue and cost synergies may also be available to the combined group.

1.2 The Offer

Consideration

Pursuant to the terms of the Offer, Augusta shareholders who accept the Offer will receive:

1. NZ$0.22 in cash per Augusta Share; plus
2. 0.392 Centuria stapled securities per Augusta Share.[1]

Centuria stapled securities are quoted on the ASX in Australian Dollars. Based on the 10-day volume-weighted average price (**VWAP**) of Centuria stapled securities as at 10 July 2020 of AU$1.76 per security and an assumed NZD/AUD exchange rate of 0.9448, the implied offer price is NZ$0.95 per Augusta Share (**Implied Offer Price**).[2]

Augusta shareholders who accept the Offer will be exposed to factors that change the price of Centuria's securities and the NZD/AUD exchange rate. The actual consideration received by Augusta shareholders could therefore be more, or less, than the Implied Offer Price of NZ$0.95 per Augusta Share. For example, the closing Centuria security price was AU$1.67 at 10 July 2020, which implies a lower offer price of NZ$0.91 per share.

[1] The Takeovers Panel has granted an exemption so that Centuria securities do not have to be offered to Augusta shareholders with a registered address outside of New Zealand and Australia. Therefore, foreign shareholders who accept the Offer will receive NZ$0.22 plus the net proceeds from the sale of 0.392 Centuria securities for each share for which they accept the Offer.

[2] The VWAP is measured over 10 business days (two weeks) and has been converted into New Zealand Dollars using an exchange rate sourced from the Reserve Bank of New Zealand website.

Share commitments

As at 8 July 2020, Augusta shareholders with a combined interest of 42.6% of the Augusta Shares have entered into lock-up agreements or otherwise accepted the Offer. Together with the Augusta Shares it already holds, Centuria has already secured a 65.9% interest in the shares on issue.

Terms and conditions

All terms and conditions of the Offer have either been satisfied or waived by Centuria, and Centuria declared the Offer unconditional on 8 July 2020.

Accepting or rejecting the Offer

Shareholders may decide to not accept the Offer. However, if 90% or more of shareholders decide to accept the Offer, Centuria may exercise its right under the Takeovers Code to acquire all remaining shares in Augusta.

1.3 Potential outcomes

The possible outcomes of the Offer are:

- **Centuria receives sufficient acceptances to control at least 90% of the voting rights in Augusta**

  If Centuria receives sufficient acceptances to hold or control at least 90% of the voting rights in Augusta, then Centuria would have the ability to compulsorily acquire the remaining shares in Augusta. Centuria would have full control over Augusta and would be able to merge Augusta into its own business.

  All shareholders who accept the Offer would receive cash of $0.22 per Augusta Share they own. In addition, shareholders from Australia or New Zealand would receive securities in Centuria, while foreign shareholders would receive the net proceeds from the sale of Centuria securities.

  In the event of a compulsory acquisition, the remaining shareholders would receive the same consideration as those who accepted the Offer.

- **Centuria receives acceptances to control between 50% and 90% of the Augusta voting rights**

  If Centuria receives sufficient acceptances to hold or control between 50% and 90% of the voting rights in Augusta, then Augusta will remain a listed company, albeit one that is controlled by Centuria.

  All shareholders who accept the Offer would receive cash of $0.22 per Augusta Share they own. In addition, shareholders from Australia or New Zealand would receive securities in Centuria, while foreign shareholders would receive the net proceeds from the sale of Centuria securities.

  Shareholders who reject the Offer would retain their shares in Augusta. All else being equal, we consider that the listed price of Augusta Shares would recede from current levels in this scenario.

1.4 COVID-19

New Zealand had its first confirmed case of COVID-19 on 28 February 2020.

In response to the COVID-19 pandemic, the New Zealand Government introduced a four-level alert system on 21 March 2020 to manage the outbreak within New Zealand, with each level having additional restrictions on activities and the movement of people.

The New Zealand Government implemented Alert Level 4 lockdown restrictions at 11.59pm on Wednesday, 25 March 2020 and these restrictions were in place for approximately five weeks. New Zealand subsequently had a period of two weeks with Alert Level 3 restrictions and then almost four weeks under Alert Level 2 restrictions.

New Zealand is currently at Alert Level 1. While day-to-day lockdown restrictions have been lifted, international travel is still prohibited.

COVID-19, the lockdown restrictions and an expected deterioration in general economic conditions have had a significant impact on the share prices of listed companies in New Zealand and overseas. Many share prices experienced significant falls during March 2020 and at the time of this Independent Adviser's Report (**Report**), the share prices for many companies have partially recovered but remain volatile.

COVID-19 has had a significant impact on Augusta's business and its FY20 results. Examples of outcomes caused by COVID-19 include:

- The termination of a Bid Implementation Agreement (**BIA**) between Augusta and Centuria, under which Centuria was to acquire 100% of Augusta's shares at a price of $2.00 per share.
- The withdrawal of the Augusta Property Fund offer and an inability to launch the Augusta Tourism Fund.
- The cancellation of a $100 million rights issue by Asset Plus Limited (**Asset Plus**).
- The termination of the Albany Lifestyle Centre sale and purchase agreement and forfeiture of a $4.5 million deposit.
- The deferral of works on two tourism developments owned by Augusta.
- A net loss after tax of $27 million in FY20, caused by write-downs to the fair value of investment property and lost offeror and underwriting fees.
- An immediate need to raise equity to strengthen Augusta's balance sheet.

Our valuation of Augusta, as set out in this Report, was last updated on 10 July 2020. The valuation is based on financial information, including a forecast, provided by Augusta management in June 2020. Management has considered the inputs to its forecast and advised us that the projections reflect its best view as to Augusta's future financial performance. Nevertheless, management also considers there is uncertainty about economic conditions over the next few years, which makes it difficult to forecast Augusta's financial performance

Centuria's security price has also been impacted by COVID-19, decreasing significantly from a high of AU$2.76 per security in February 2020. Centuria has not released financial statements since the emergence of COVID-19, but has paid a final distribution to its securityholders for FY20.

Given the uncertain economic conditions at present and current volatility in share prices, shareholders should remember that this Report was finalised on 10 July 2020 and does not take account of unforeseen events that occurred after that date.

1.5 Key issues to be considered by shareholders

For shareholders deciding whether to accept or reject the Offer, key issues to be considered include:

- The Implied Offer Price of NZ$0.95 sits above the midpoint of our assessed valuation range of $0.85 to $1.00 per Augusta Share. This value range was determined on 10 July 2020. Our assessment is based on the value of acquiring 100% of Augusta and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, we would expect the Augusta Shares to trade on the NZX in the absence of a takeover offer.

- The Implied Offer Price is at a 38.7% premium to the share price of $0.685 per share, being the last close price on 14 June 2020, just prior to Centuria giving notice that it would make a takeover offer.

- Augusta shareholders who accept the Offer will be exposed to factors that change the price of Centuria's securities and the NZD/AUD exchange rate. The actual consideration received by Augusta shareholders could therefore be more, or less, than the Implied Offer Price of NZ$0.95 per Augusta Share. For example, the closing Centuria security price was AU$1.67 at 10 July 2020, which implies a lower offer price of NZ$0.91 per share. This implied price is near the midpoint of our assessed valuation range.

- Augusta incurred a net loss after tax of $27 million in FY20. Its financial performance was materially impacted by COVID-19 and taking significant impairment losses on its properties and investments. Augusta has forecast a recovery over the next few years. However, this is dependent on Augusta sourcing new transaction opportunities and underwriting capital for its projects. Augusta considers that it will be difficult to source underwriting capital and it has a limited ability to use its own balance sheet to underwrite projects without raising further equity.

- Due to the impact that the current economic environment has had on its balance sheet, Augusta raised $45 million of additional equity in May 2020. Given the economic uncertainty caused by COVID-19, further equity may need to be raised by Augusta in the future.

- Shareholders who accept the Offer will receive $0.22 in cash and 0.392 Centuria securities for each Augusta Share they own.[3] This means that shareholders who accept will own shares in a business that operates in the same industry as Augusta, but with a stronger balance sheet and the opportunity to extract synergies from the combination of the two businesses.

- As at 8 July 2020, Centuria has received acceptances of the Offer that, when combined with the shares it already owns, means Centuria will hold at least 65.9% of the Augusta Shares. Based on this, we consider there is a high likelihood that Centuria will achieve a shareholding of greater than 75%. This would allow Centuria to control the dividend policy and capital structure (ordinary resolutions), as well as approving transactions with a value of more than 50% of Augusta's assets (special resolutions).

- There is no need for Augusta shareholders to accept the Offer early and shareholders do not need to do anything in relation to the Offer until near its closing date. However, as the Offer has been declared unconditional, shareholders will receive their consideration earlier if they accept the Offer sooner.

- At the time of this Report going to print, there has been no superior alternative proposal to the Implied Offer Price of NZ$0.95 per share. There is nothing preventing another party from announcing its interest in acquiring Augusta. However, given the lock-up agreements and acceptances to date, and Centuria's existing shareholding, any new offer would require the support of Centuria to be successful.

In our opinion, unless a superior proposal is forthcoming, the positives of accepting the Offer outweigh the negatives. The Implied Offer Price is within our assessed valuation range.

The above should be read in conjunction with our analysis of the merits of the Offer, as set out in Section 9 of this Report.

[3] Augusta shareholders outside of Australia and New Zealand who accept the Offer will receive the net proceeds from the sale of an equivalent number of Centuria securities, rather than the Centuria securities.

Accepting or rejecting the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders and we note that the proposed consideration may vary between shareholders given their respective tax positions. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2. Background

2.1 Pre-Offer

On 29 January 2020, Augusta announced that it had entered into a BIA with Centuria. At the time, Centuria intended to make a takeover offer for 100% of Augusta's shares at a price of $2.00 per share, with Augusta shareholders having an option to take consideration in either cash or Centuria scrip. Centuria later terminated the BIA on 26 March 2020 due to the impacts of COVID-19.

On 5 May 2020, Augusta announced plans to raise $45 million of equity to strengthen its balance sheet, repay debt and restore financial flexibility in response to COVID-19. A placement of $12.4 million to certain institutional investors and a $32.6 million 1 for 1.9 pro-rata accelerated entitlement offer were both successfully completed later in May 2020 at an issuance price of $0.55 per share. Centuria acquired a 23.3% shareholding through participating in the equity raising.

2.2 The Offer

On 15 June 2020, Centuria issued a takeover notice to acquire the remaining shares it does not already own. Centuria subsequently made a formal takeover offer for the Augusta Shares on 29 June 2020, which is to be funded via a mix of Centuria scrip and existing cash reserves. The cash component of the Offer was subsequently increased by 2 cents per Augusta Share on 2 July 2020.

Pursuant to the terms of the Offer, Augusta shareholders who accept the Offer will receive:

1. NZ$0.22 in cash per Augusta Share; plus
2. 0.392 Centuria stapled securities per Augusta Share.[4]

The Implied Offer Price is NZ$0.95 per Augusta Share, which is based on a VWAP for Centuria stapled securities as at 10 July 2020 of AU$1.76 per security and an assumed NZD/AUD exchange rate of 0.9448.[5]

The Offer was subject to several key conditions but all of these have now either been satisfied or waived by Centuria. The Offer was declared unconditional on 8 July 2020.

As at 8 July 2020, the Offer is supported by Augusta's founding shareholders (Mark Francis and Bryce Barnett) and other shareholders who, together with Centuria's existing shareholding, represent 65.9% of Augusta's total shares on issue.

Shareholders may decide to not accept the Offer. However, if 90% or more of Augusta's shareholders decide to accept the Offer, Centuria may exercise its right under the Takeovers Code to acquire all remaining shares in Augusta.

2.3 Profile of Centuria

Centuria formed in 2007 when the Over Fifty Group joined with Century Funds Management, which was founded by John McBain and Jason Huljich. Centuria's funds management platform includes Centuria Property Funds, which specialises in listed and unlisted property funds, and Centuria Investment Bonds. The company uses in-house expertise to identify, transact and manage investment funds in these sectors.

Listed real estate funds

- Centuria Office REIT (ASX: COF): An ASX-listed office REIT that is included in the S&P/ASX300 Index. It owns a portfolio of office real estate currently valued at AU$2.1 billion, with assets located throughout Australia.

[4] The Takeovers Panel has granted an exemption so that Centuria securities do not have to be offered to Augusta shareholders with a registered address outside of New Zealand and Australia. Therefore, foreign shareholders who accept the Offer will receive NZ$0.22 plus the net proceeds from the sale of 0.392 Centuria securities for each share for which they accept the Offer.

[5] Shareholders who accept the Offer will be exposed to factors that change the price of Centuria's securities and the exchange rate. The actual consideration received by Augusta shareholders could therefore be more, or less, than the Implied Offer Price.

- Centuria Industrial REIT (ASX: CIP): A large pure-play industrial REIT that is included in the S&P/ASX200 Index. It owns a portfolio of industrial real estate assets located throughout Australia, which are valued at approximately AU$1.6 billion.

Unlisted real estate funds

- Centuria Unlisted Funds: On behalf of an extensive number of retail, high net worth and wholesale investors, Centuria currently manages approximately AU$1.9 billion of assets across a range of closed-ended funds and the open-ended Centuria Diversified Property Fund.

- Centuria Heathley: Formed in 1977, Heathley Limited has established and managed over 50 investment funds for its investors. Centuria acquired a 63.06% interest in Heathley Limited in 2019, forming Centuria Heathley. This is a fund manager that specialises in healthcare real estate and is focused on cost-effective models across the healthcare chain.

Investment bonds

Centuria Investment Bonds: Centuria currently manages AU$0.9 billion of investment bonds that provide investors with an opportunity to make tax-effective investments outside superannuation. Centuria has two investment bond products, being Centuria LifeGoals and Centuria Investment Bonds.

2.4 Purpose of this Report

Augusta is subject to the Takeovers Code.

A committee of independent directors (**IDC**), consisting of Paul Duffy, Mark Petersen and Kevin Murphy, was formed by the Board to manage Augusta's response to Centuria's Offer.

The IDC has engaged Calibre Partners to prepare this Report to inform Augusta's shareholders on the merits of the Offer. Our appointment has been approved by the Takeovers Panel. Shareholders should read the Target Company Statement issued by Augusta in conjunction with this Report.

Rule 21 of the Takeovers Code requires the independent adviser to report on the merits of an offer. The term 'merits' has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term 'merits', the Takeovers Panel has interpreted the word to include both positives and negatives in respect of a transaction.

Accepting or rejecting the Offer is a matter for individual shareholders based on their own views as to value and future market conditions, as well as their risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely between shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

2.5 Other

The sources of information we have had access to and relied upon are set out in Appendix 1.

This Report should be read in conjunction with the statements and declarations set out in Appendix 2, regarding our independence, qualifications, general disclaimer and indemnity, as well as restrictions on the use of this Report.

References to '$', 'NZ$', 'NZD' or dollars are to New Zealand Dollars and references to 'AU$' or 'AUD' are to Australian Dollars, unless specified otherwise. References to financial years or 'FY' mean financial years ended 31 March for Augusta and Asset Plus, and financial years ended 30 June for Centuria.

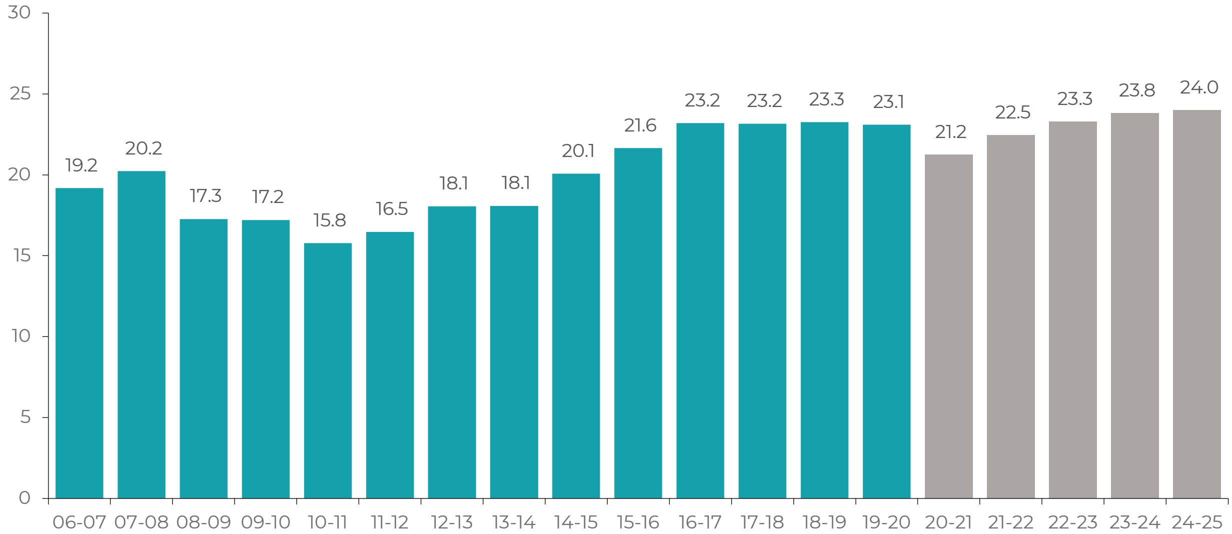
Tables may not add due to rounding.

3. Industry

3.1 Overview

Figure 1 shows the total revenues for New Zealand commercial property operators since 2006-07 and includes forecasts to 2024-25. Revenues are measured in real dollars for years ended 31 March.

Figure 1: Revenue for commercial property operators ($ billion)



Source: IBISWorld report, Commercial Property Operators in New Zealand report, dated May 2020

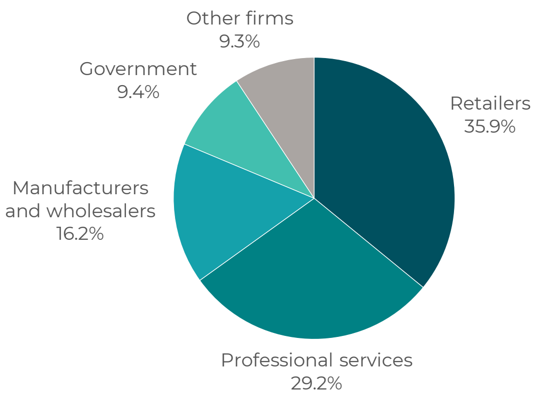
Commercial property operators experienced a decline in revenue between 2007-08 and 2010-11, a period that included the Global Financial Crisis (**GFC**) and the collapse of many New Zealand finance companies. Revenues declined by 22% in real terms over this period.

Industry revenue growth was strong between 2010-11 and 2018-19, increasing at an average of 5% per annum. During this period, growth was supported by strong economic conditions and an increasing New Zealand population.

Industry revenue was broadly flat between 2018-19 and 2019-20. The 2019-20 period included March 2020 when the New Zealand Government first implemented COVID-19 lockdown restrictions. Industry revenue is forecast to decline by 8% in 2020-21 and recover to pre-COVID levels by 2022-23.

Figure 2 shows the relative contribution to property operators' revenue (forecast 2020-21).

Figure 2: Revenue by market segment



Source: IBISWorld, Commercial Property Operators in New Zealand report, dated May 2020

3.2 Commercial property types

Commercial real estate includes properties in the office, retail, industrial and tourism sectors. Augusta provides investment services across all of these property types.

Office properties

Office properties cater to professional services firms, government departments and other organisations.

In recent years, the Auckland and Wellington office markets have had relatively low vacancy rates and there has been upward pressure on rents as growth in demand has outpaced the provision of new supply.

The economic impact of COVID-19 will likely see office vacancy rates increase from their current lows. This effect may be enhanced due to the fact some businesses are anticipated to continue with remote working arrangements, which could constrain future demand for office space.

However, there are some mitigating factors. In Auckland, occupation is dominated by entities that are less likely to be impacted by COVID-19, such as IT businesses, financial services providers and government departments. This is particularly so at the prime end of the market.

Retail properties

The retail sector includes properties like shopping centres and large-format stores.

Retail businesses have been hit hard by the COVID-19 lockdown and border restrictions, with a vast majority of operators experiencing cashflow pressures. New Zealand electronic card spending during April 2020 was 44% down when compared with April 2019.[6] Since then, the total value of electronic spending improved in May 2020 but it was still down by $1 billion (or 13%) compared with May 2019.

Supermarkets have been a major exception to the decline in retail spending, and experienced increased sales during the COVID-19 lockdown period.

Industrial properties

Industrial properties include warehouses, distribution centres, factories, logistics facilities and storage centres. Yields in the sector are influenced by factors such as the competitiveness of New Zealand's trade-oriented businesses, consumer expenditure and the supply of available properties.

When compared to the other property types, industrial property is expected to be more resilient to the impacts of COVID-19. However, industrial properties are still likely to be affected by any downturn in the general economy.

In the short term, some transport, warehousing and postal services were positively affected by the lockdown restrictions, as consumers shifted to online and 'click and collect' services.

Tourism properties

There has been an emphasis on developing hotels and other infrastructure to support New Zealand's tourism sector over the last decade, particularly in places such as Auckland, Queenstown and Rotorua. However, COVID-19 and the border restrictions have had a significant impact on accommodation businesses, with many closing while the restrictions remain in place. Some hotels are currently being used as quarantine facilities for people entering the country.

[6] Colliers International, New Zealand Research Report, dated June 2020

3.3 Key performance drivers

Augusta has two distinct operating segments, being ‘Funds Management’ and ‘Investment Assets’.

Augusta’s core focus is the funds management business, which generates fee income for its services but does not take a direct ownership interest in properties. Funds management fees include both recurring fees for the management of funds and one-off transaction fees. Augusta’s recurring management fees are expected to be resilient to changes in general economic conditions, whereas transaction fees are more at risk.

The Investment Assets segment includes properties under development and co-investments in funds managed by Augusta.

Economic activity

In recent years, before COVID-19, strong economic conditions encouraged many companies to expand, increasing demand for commercial property. Despite growth in commercial property development, stronger demand growth created a supply shortage in many areas. This has resulted in low vacancy rates throughout major cities in New Zealand and Australia and has placed upward pressure on rents for office, retail, and other commercial property spaces (such as factories and warehouses). Most commercial property operators charge fees as a percentage of rent and have benefited from rising rents over the past five or more years.

The global outbreak of COVID-19 is expected to have a material impact on the performances of commercial property operators in the current year. The New Zealand Government introduced lockdowns in response to COVID-19, restricting the activity of businesses deemed to be non-essential. This affected most commercial property spaces.

The slowdown in economic activity is expected to negatively impact commercial property operators, as tenants are finding it difficult to meet their rental obligations. There is expected to be an increase in the number of business failures this year, which could lead to an increase in vacancy rates and a softening of demand for commercial property.

Tenant demand

The industry's success largely depends on rental income and occupancy rates. Property fund managers often calculate fees as a share of rental income, meaning that rising rents typically improve industry revenue provided that property owners continue to use industry services. Rental incomes are a function of tenant demand and the supply of commercial property.

Tenant demand has increased over the past five or more years. Strong economic conditions, fuelled by low unemployment a high degree of business confidence and positive consumer sentiment have supported industry demand conditions. Many tenants have moved to larger premises or sought out additional property, including expanding into other cities. Demand growth over the past five or more years has placed upward pressure on rents, particularly in the office and industrial sectors.

Businesses have increasingly favoured different types of properties over the past five years. For example, tenants in the office sector have tended to prefer open-plan, high-end and more energy-efficient office spaces over this period. This trend has placed upward pressure on rents for ‘Premium’ and ‘Grade A’ properties, making these properties highly sought after and lucrative for investors in the industry.

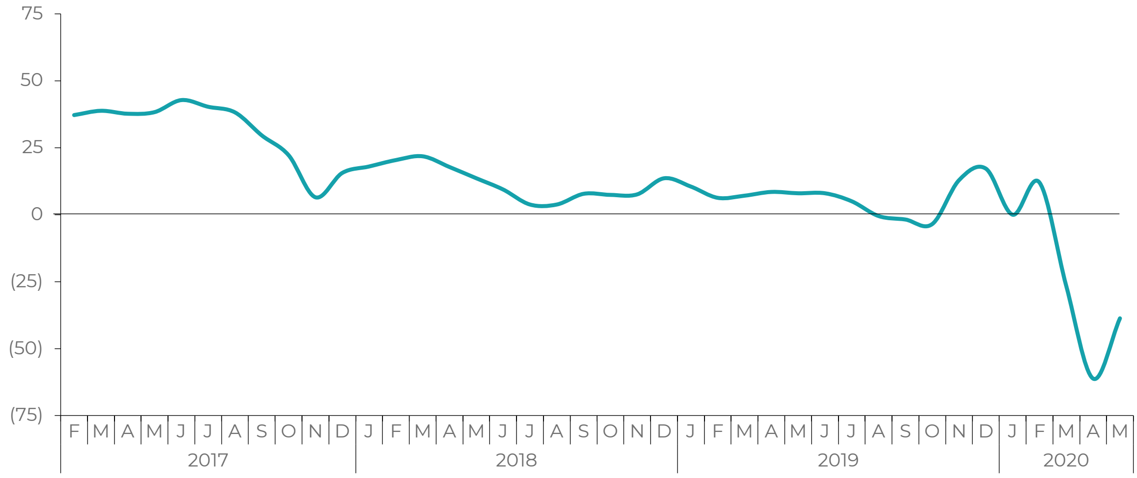
As noted above, some businesses are likely to continue with remote working arrangements, which could further constrain demand for commercial office space.

Business confidence

Business confidence is the level of optimism or pessimism amongst New Zealand business owners, which is an important factor that can impact on Augusta's operations. When businesses are confident about their future prospects, they are more likely to upgrade or expand their premises. This generally leads to an increase in the amount of space used and the volume of property transactions completed, which boosts demand for commercial property and industry services. Conversely, weak business confidence tends to discourage companies from expanding, which can negatively affect demand and industry revenues.

ANZ undertakes a monthly business outlook survey. One measure of confidence that is surveyed is the 'Own Activity Outlook', which measures how respondents expect their own firms to perform in the immediate future. Figure 3 shows the results for this survey since February 2017.

Figure 3: Own Activity Outlook (% expecting increase less % expecting decrease)



Source: ANZ New Zealand Business Outlook reports

The Own Activity Outlook measure dropped significantly between February 2020 and April 2020, from positive 12.0% to negative 61.2%. This decline coincided with the emergence of COVID-19 in New Zealand and implementation of lockdown restrictions. The measure improved in May 2020 but remained weak at negative 38.7%. The decline between February and April 2020 occurred across all the sectors measured by ANZ (retail, manufacturing, agriculture, construction and services).

Interest rates and investor demand

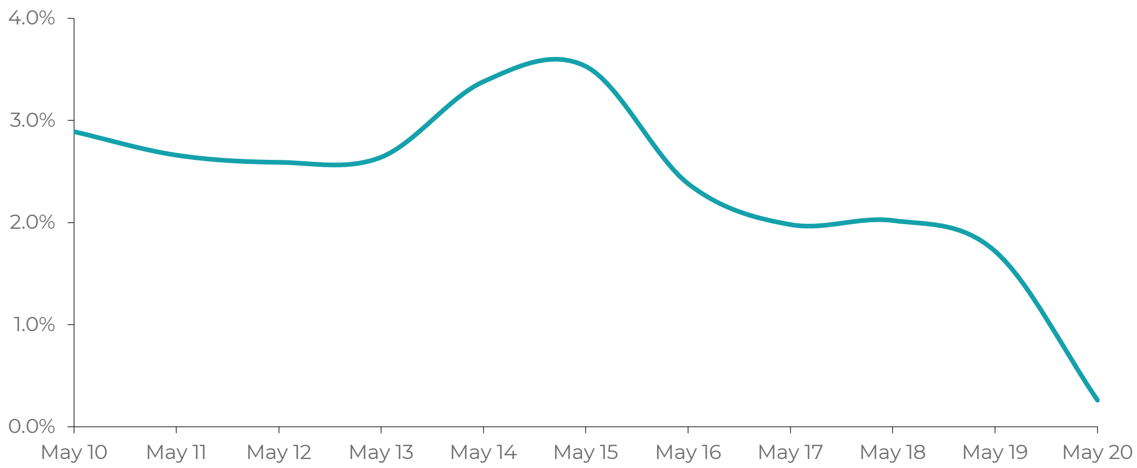
Investors have been attracted to commercial property over the past five or more years, particularly as low returns have been available on some other types of investments, both domestically and abroad. Commercial property is often more attractive to investors than residential property, due to its longer-term leases and higher yields.

The Official Cash Rate (**OCR**) has also been at unprecedented low levels, making it easier for investors to obtain low-cost financing for commercial property acquisitions.

These factors have supported more commercial property investment and contributed to higher valuations in recent times.

Figure 4 below shows the 90-day bank bill rates over the last decade.

Figure 4: 90-day bank bill rates



Source: Reserve Bank of New Zealand

Interest rates are very low and are expected to remain low for an extended period of time, as the Reserve Bank of New Zealand has implemented measures to ensure there is liquidity in financial markets. This includes easing the OCR to a record low of 0.25% and purchasing central and local government bonds.

All else being equal, low interest rates should be supportive to Augusta's operations as investors seek out investments that provide higher expected returns.

Development and the supply of investment properties

There has been greater development activity in major commercial areas over recent years, although developers have also experienced challenging conditions while trying to start new projects. Many developers have struggled to acquire suitable land and sites to construct commercial property, particularly large-scale industrial properties such as warehouses and factories. Developers have also faced a shortage of construction and engineering workers, which has often caused project delays and construction cost escalation. These factors have restricted growth in the supply of commercial property over the past five or more years and have placed upward pressure on rents.

In Auckland, which is an important location for Augusta, overall property supply is expected to increase in 2020 with the completion of Commercial Bay, 155 Fanshawe Street and 10 Madden Street, together adding 63,000 sq.m.[7] Based on current developments underway, there will be an above-average volume of retail and accommodation space due to be delivered over the next 12 months in the Auckland and Queenstown markets.[8] However, due to COVID-19, there is a high likelihood that new development and transaction activity will soften in the foreseeable future.

Competition for good assets has been very strong and is likely to intensify if the available supply of investment properties is further limited as a result of COVID-19.

Assets under management

A key focus of Augusta and similar participants in the industry is growth in AUM.

Growth in AUM is possible when investors' confidence, ability and appetite to invest are strong. Higher expected yields on investment also attract more capital to real estate assets.

There is currently a high degree of uncertainty as to the impact of COVID-19 on the property industry and its AUM. While a weak economy is likely to reduce new development activity, a low interest rate environment may encourage investors to target commercial property in an attempt to improve financial returns and protect against inflation.

Property valuations

Property valuations are relevant to Augusta to the extent the company has a direct ownership of any assets or itself invests in property funds. Property valuations are also important for the calculation of management fees, which are sometimes based off a percentage of a fund's assets' valuation. There is currently much uncertainty surrounding valuations and to date there has been limited transactional evidence following the COVID-19 lockdown restrictions to inform changes to property prices. Professional property valuers have recently been revising downwards the value of some property types in their recent appraisal reports, particularly retail assets.

[7] Bayleys, Auckland Office Market Update report, dated 2020

[8] Reserve Bank of New Zealand, Financial Stability Report, dated May 2020

4. Augusta overview

4.1 Background and history

Augusta is a diverse manager of unlisted single and multi-asset property funds. It has grown significantly throughout its history and now actively manages 65 properties across the office, retail, industrial and tourism sectors on behalf of more than 3,900 retail and wholesale investors. Augusta currently has $1.8 billion of AUM and is focused on investing in high-quality real estate to provide favourable and stable returns to its investors. The scale and diversity of its offerings have continued to expand over time as it has grown its AUM.

Augusta has developed a secondary market platform that provides liquidity and enables investors to monitor, acquire additional or divest of their holdings. Approximately 80% of the units for sale on the secondary market platform are sold and settled within the month they are listed. Most of the remaining units are typically sold and settled within a period of 45 days.

COVID-19 has had a significant impact on Augusta's operations and performance. Management has taken decisive action to address the impacts by adapting its strategy and raising $45 million of equity to strengthen the balance sheet, repay debt and restore financial flexibility. Management's immediate focus has been on the existing portfolio of managed properties and preserving investors' equity. Augusta also plans to delay some development activity and retain property assets until market conditions improve, and is reducing its overheads and deferring non-essential expenditures. The Board has decided not to pay a fourth quarter dividend to shareholders.

Augusta's long-term business model and investment thesis remain unchanged. Management remains focused on sourcing new deals for its investors and bringing new fund offerings to market at the appropriate time.

Figure 5: Timeline of key events

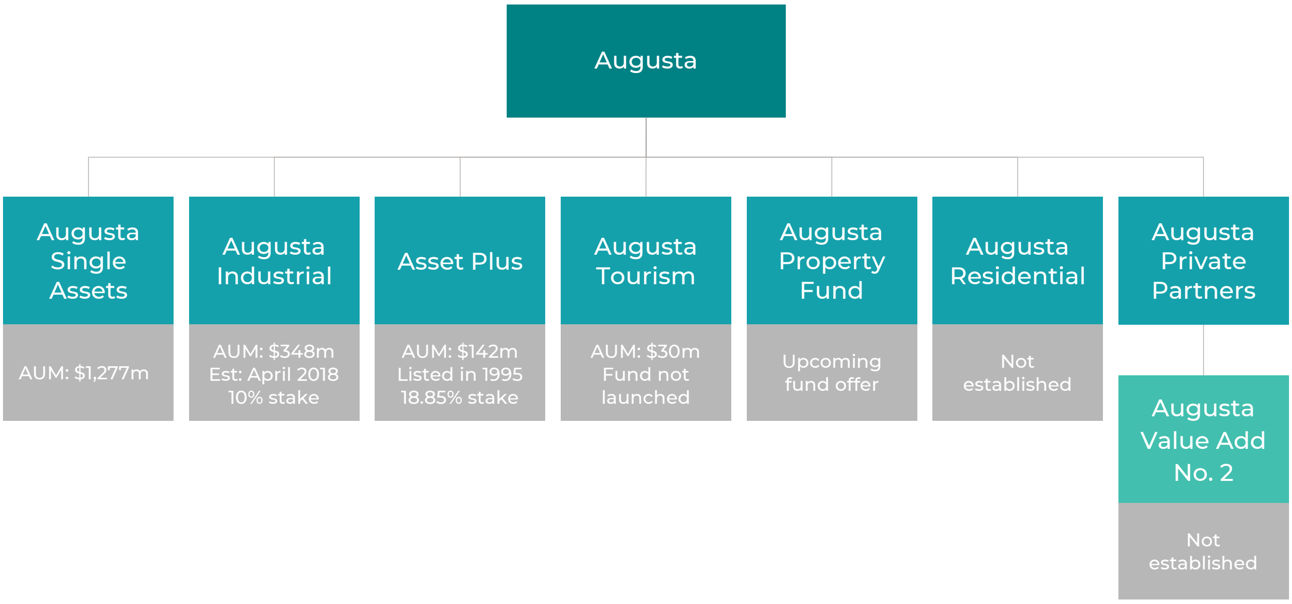
2001	Augusta is founded as Private Property Investment Group with two staff and a home office. Its first acquisition was a small industrial building for refurbishment and re-leasing.
2003	Augusta purchases its first property for syndication (Vertex Pacific Building in Hamilton). The purchase price was $3.4 million. The $1.85 million equity raise was one of Augusta's most difficult.
2006	Kermadec Property Fund lists on the New Zealand Stock Exchange (**NZX**), raising $61.3 million equity capital. Kermadec Property Fund later merges with Augusta (see below).
2008	Augusta completes syndication of 587 Great South Road (first syndicated deal since start of GFC).
2012	Augusta (the private company) and Kermadec Property Fund (the public company) merge. Kermadec Property Fund is renamed as Augusta Capital Limited and Augusta became a listed property funds manager.
2014	Augusta acquires KCL Property Limited, its largest competitor. A strategic alliance is established with Bayleys for all future funds management initiatives.
2016	Augusta obtains a Financial Markets Conduct Act Licence and launches Augusta Value Add Fund No.1, its first wholesale fund.
2018	Augusta acquires the rights to manage NPT Limited (now Asset Plus).
2019	Augusta delivers a record financial result in FY19.
2020	Centuria acquires a 23.3% shareholding in Augusta through participating in a $45 million equity raising and subsequently makes a takeover offer for the 76.7% of shares it does not already own. COVID-19 has had a significant impact on the global economy.

4.2 Augusta funds

Augusta's aim is to be New Zealand's premier property fund manager. Its business model is evolving and diversifying, but there remains a continued strategic focus on funds management and achieving growth.

Augusta manages a range of listed and unlisted property funds for investors. Figure 6 presents a summary of Augusta's fund structure and descriptions of each part of the group follow below.

Figure 6: Augusta fund structure[9]



Augusta Single Assets

Augusta has specialised in single-asset property syndication for many years and now manages real estate assets for more than 3,900 investors. The company carries out commercial property syndicates in accordance with the Financial Markets Conduct Act 2013.

Augusta's single-asset funds provide direct investment opportunities to smaller investors in commercial, large-format retail and industrial property. The day-to-day management and maintenance of the properties is managed on behalf of the investors by Augusta Funds Management, a subsidiary of Augusta and a specialist in commercial property syndication.

The number of investors required for each single-asset fund is generally determined by the amount of equity needed to purchase the property, divided by the price of each unit being offered in the fund. Unit prices are typically $50,000 and investors are welcome to purchase multiple units in the property. Each unit of the property holds its own title.

Distributions are paid to investors on a monthly basis and investors are kept informed about their investments via regular reports, newsletters and annual meetings.

Augusta offers a secondary sales market, whereby investors who wish to sell their interests can do so. Augusta Funds Management facilitates secondary market sales by first notifying the syndicate of the available interests and, if necessary, the full database of investors. Augusta Funds Management provides background information to the investors wishing to sell, in order for them to price their interests.

[9] This diagram shows the funds managed by Augusta. Augusta Capital Limited holds interests in some funds and Augusta Funds Management Limited (a wholly-owned subsidiary of Augusta Capital Limited) manages the funds.

Augusta plans to continue launching new single-asset funds in New Zealand and Australia, as well as actively managing its existing portfolio and divesting properties that it considers are suitable for sale. As at June 2020, Augusta Single Assets managed 48 properties and had almost $1.3 billion of AUM.

Augusta Industrial

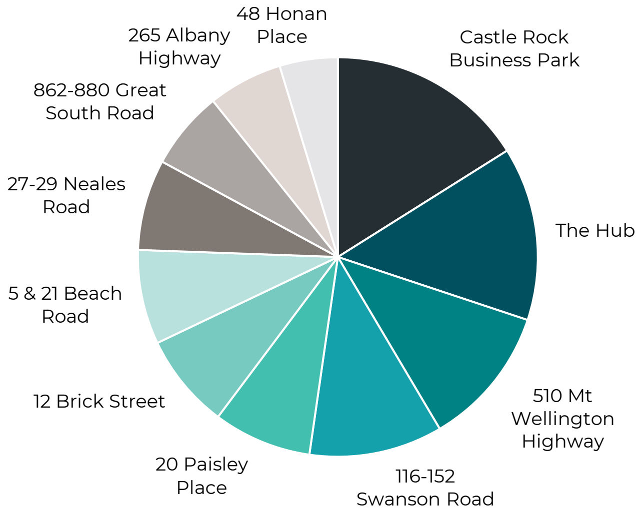
Augusta Industrial Fund Limited was established by Augusta Funds Management in April 2018 and operates under the brand 'Augusta Industrial'.

Augusta Industrial is an open-ended, unlisted property fund. Its purpose is to give investors an opportunity to invest in a portfolio of selected industrial properties that provide both tenant and location diversification within this sector of the New Zealand property market. The minimum investment for its previous capital raisings was $10,000.

Augusta Industrial initially acquired four properties for total consideration of approximately $114 million. This fund has since added seven further assets, increasing the total portfolio value to almost $350 million. 27-29 Neales Road in East Tamaki and 48 Honan Place in Avondale were acquired during FY20.

Augusta Industrial has now secured eleven properties, which are located across three cities (Auckland, Wellington and Christchurch) and are occupied by 49 different tenants (including Toll, Repco, Linfox, Fujitsu, Fletcher Steel and Macpac). The total portfolio had a fair value of $343.4 million as at 31 March 2020. Figure 7 shows the relative fair value of each property in the portfolio. Castle Rock Business Park and The Hub are in Christchurch and Wellington respectively, while all other properties are located in Auckland.

Figure 7: Augusta Industrial investment properties



Source: Augusta Industrial financial statements for 2020

Augusta Industrial entered into an agreement to sell a portion of land (4,550 sq.m) at 862-880 Great South Road, with the sale proceeds used to repay debt. The land sale settled on 29 April 2020 for $4.48 million, resulting in a taxable gain on sale of $1.35 million.

Management considers that Augusta Industrial has a lower risk profile than Augusta Single Assets. Its portfolio currently has a 99.5% occupancy rate and the fund targets lower gearing levels in comparison to single-asset vehicles. Both investors' capital and income streams are less at risk of the fluctuations that single-asset investments can be exposed to.

A key objective of Augusta Industrial is to deliver sustainable and stable monthly income to investors, as well as the potential for capital growth. Augusta co-invests in Augusta Industrial and is its cornerstone shareholder with a 10% stake.

Asset Plus

Asset Plus is listed on the NZX Main Board and has been operating across New Zealand for more than 20 years. The company was previously named NPT Limited.

Augusta took over the rights to manage Asset Plus's property portfolio in March 2018 and is also the company's largest shareholder with an interest of 18.85%.

Asset Plus's strategy has transitioned since Augusta Funds Management took responsibility for its management. Under Augusta's management, Asset Plus now focuses on a 'Yield Plus Growth' investment strategy, targeting long-term returns above the benchmark return threshold detailed by the NZX Property Sector Index. Other strategic priorities now include:

- Progressing value-add opportunities within the existing portfolio
- Exiting non-core assets as appropriate
- Closing the share price gap to net tangible assets (**NTA**)
- Continuing to investigate opportunities to transform Asset Plus.

The first step in implementing its new strategy was taken with the acquisition of 35 Graham Street in Auckland in June 2019, for a purchase price of $58 million. Asset Plus had planned to undertake a full redevelopment of this property with the intention of holding it as a long-term investment.

Asset Plus then divested the Heinz Watties property in Hastings in December 2019 and acquired bare land at 6-8 Munroe Lane in Albany for the purpose of constructing a 15,100 sq.m office building, with Auckland Council as the main tenant. Auckland Council has committed to a 15-year lease term to occupy two thirds of the office space, subject to the satisfaction of a funding and shareholder approval condition.

On 10 March 2020, Asset Plus announced a $100 million capital raising via an underwritten 1.235 for 1 pro-rata rights issue. The purpose of the capital raising was to fund the Munroe Lane development and to undertake the development of 35 Graham Street as planned. Augusta was supportive of the proposed capital raising.

On 18 March 2020, the Board of Asset Plus decided to withdraw the $100 million rights issue and terminate the underwriting agreement it had with Jarden, in response to the impacts of COVID-19 on capital markets and the trading price of Asset Plus's shares. COVID-19 made the capital raising untenable at the time and therefore it has been deferred until market conditions stabilise.

Asset Plus has secured an extension to the Munroe Lane funding condition until the end of July 2020 and there is a further right to extend (at both parties' discretion) until the end of October 2020. Asset Plus is currently in discussions with Auckland Council on this matter, but agreement is yet to be reached. Progression of the development's design continues in accordance with the project timetable and the required resource consent was granted in late May 2020.

A decision on the Graham Street development is yet to be made by the Asset Plus Board. Consideration is being given to the scale of the proposed development and given current market conditions, a smaller scale redevelopment may become the preferred option. Asset Plus will provide further updates to NZX when appropriate.

Asset Plus reported a net loss after tax of $14.7 million for FY20, down from a $3.8 million profit in the previous year. The unfavourable result was led by a $19 million unrealised loss on the fair value of its property portfolio, primarily as a consequence of COVID-19. NTA decreased to $0.57 per share at 31 March 2020, down from $0.69 a year earlier.

Table 1 summarises the revaluations of Asset Plus's investment properties, measured at 31 March 2020. The independent property valuers have identified a material level of valuation uncertainty in their latest appraisals and noted that values could change quickly and significantly in response to subsequent events.

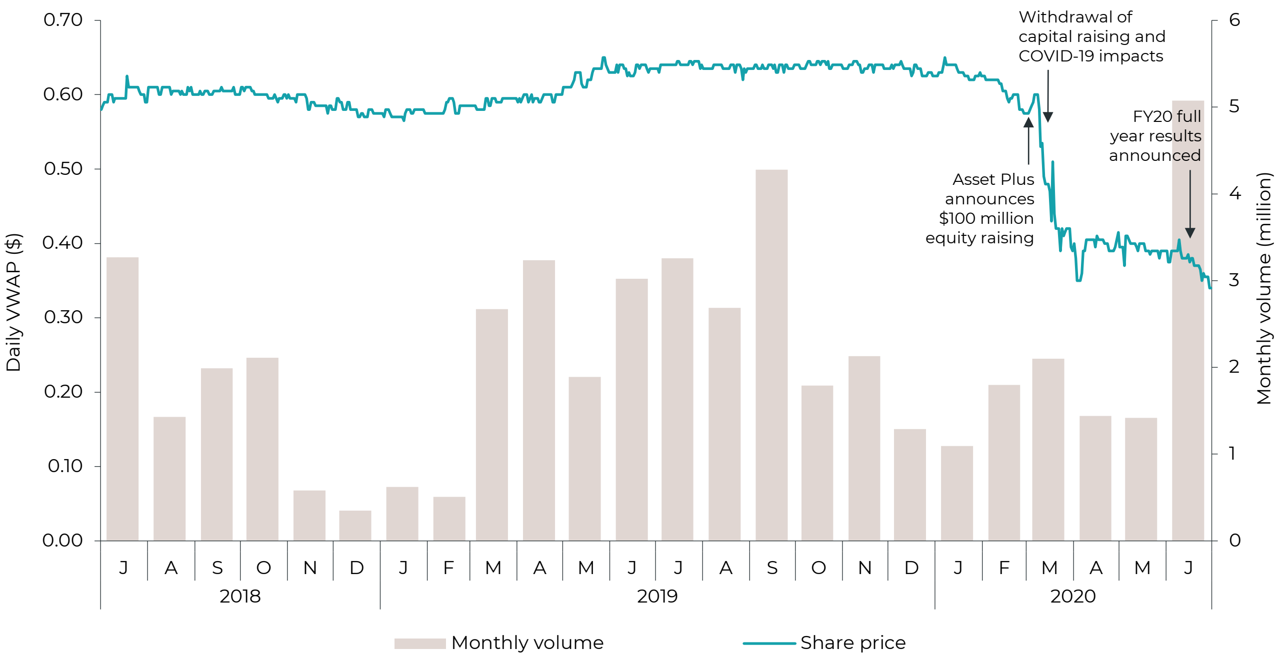
Table 1: Asset Plus investment properties ($ million)

	Final valuations Mar 19	Acquisitions	Capex and other movements	Fair value movements	Final valuations Mar 20
35 Graham Street	–	58.6	–	(8.4)	50.1
Eastgate	54.6	–	1.2	(5.3)	47.0
22 Stoddard Road	39.5	–	–	(5.0)	37.5
6-8 Munroe Lane	–	7.3	–	–	7.5
Total investment properties	94.1	65.9	1.2	(18.7)	142.1

Source: Asset Plus results presentation for the year ended 31 March 2020

Since the capital raising was first announced, Asset Plus's share price has decreased from $0.53 per share on 10 March 2020 to $0.365 per share at the end of 10 July 2020. Figure 8 presents the price and volume of shares traded in Asset Plus since July 2018.

Figure 8: Asset Plus share price and volume



Source: S&P Capital IQ and Calibre Partners analysis

The Asset Plus Board has elected not to pay a final quarter dividend for the year ended 31 March 2020. Dividends will remain subject to quarterly review and are expected to be reinstated once there is more clarity about future trading conditions.

Augusta, in its role as manager of the Asset Plus portfolio, is actively working with tenants to navigate the uncertain economic climate and preserve value in the longer term. It remains committed to securing growth opportunities for Asset Plus and will continue to deliver its strategy transformation.

Augusta Tourism

Augusta acquired two initial tourism assets in 2018, being 54 Cook Street in Auckland and 17-19 Man Street in Queenstown.

The 54 Cook Street property was purchased from Augusta Value Add Fund No.1 for $15.9 million. Augusta intends to reposition this asset from an office building into a Jucy Snooze hotel under a 20-year lease agreement. Redevelopment works were due to complete in September 2020 but have been deferred due to current market conditions and the impacts of COVID-19. $9.9 million in development expenditure was incurred up to 31 March 2020.

The Man Street property was acquired for $12.8 million with the intention of developing a 5-star luxury hotel to be operated by Radisson Collection under a 15-year hotel management agreement. $6.9 million of development expenditure was incurred up to 31 March 2020, but construction work on this project has since ceased too.

Furthermore, Augusta Lakeview Holdings Limited (a wholly-owned subsidiary of Augusta) is a 25% partner in a joint venture established with NFF QT Development Unit Trust (**Ninety Four Feet**). The partnership has entered into an agreement with the Queenstown Lakes District Council to develop a wide range of property assets on a staged basis, with construction estimated to take more than 10 years. The development agreement was conditional on Overseas Investment Office consent, which has now been granted. Augusta has committed to invest up to $14 million to fund Stages 1 and 2 of the development and had spent $0.9 million at 31 March 2020. It is expecting to incur a further $2 million to $3 million of development costs during FY21 and FY22.

Management planned to launch the Augusta Tourism Fund in FY20, as a fund to offer investors 'bricks-and-mortar' exposure to the New Zealand tourism sector and to capitalise on a shortage of hotel accommodation in this country. Its long-term objective was to create a $500m+ portfolio of assets to cater to both domestic and international demand in locations such as Auckland, Rotorua, Wellington and Queenstown. This offering has not been launched and therefore no fees have been realised by Augusta from the establishment of the fund. The development assets that were intended to seed the Augusta Tourism Fund (i.e. 54 Cook Street and 17-19 Man Street) now remain on Augusta's balance sheet. The equity raising completed in May 2020 has allowed Augusta to hold these properties until market conditions improve and become conducive to realising value for these assets.

Augusta Property Fund

Augusta plans to launch an open-ended, unlisted property fund with a strategy to invest in a diversified portfolio of quality properties. The Augusta Property Fund aims to provide retail investors with access to a variety of property assets (e.g. healthcare, commercial and industrial) in strong performing locations.

Originally, the Augusta Property Fund was to include the following assets:

- **Albany Lifestyle Centre (Auckland):** A large-format retail hub with 12 established tenants, including Mitre 10 Mega.
- **Anglesea Medical Centre (Hamilton):** A private healthcare complex on a 2.4 hectare site, which has 28 tenants.

The original offer was withdrawn on 27 March 2020 due to COVID-19 and all money raised was returned to investors. This has resulted in the following financial impacts on Augusta:

- No fees being realised from the planned establishment (estimated at $3.8 million).
- Costs incurred in preparation for the fund's launch were not recoverable in FY20 ($2.3 million).
- The Albany Lifestyle Centre sale and purchase agreement was cancelled by the vendor and a $4.5 million deposit paid by Augusta has been forfeited.
- A $2.75 million deposit paid for the Anglesea Medical Centre has not yet been recycled, with settlement for this asset now deferred to 30 September 2020. If settlement does not occur, Augusta's liability is capped at a maximum of $1.74 million in addition to the deposit that has already been paid.

Augusta intends to reopen the Augusta Property Fund offer in July 2020, with the Anglesea Medical Centre as its initial asset. The business is now progressing work to offer the property for investment again and the minimum investment required to participate will be $10,000.

Augusta Residential

Multi-family residential, a sub-sector of the build-to-rent asset class, is popular in overseas markets such as North America, Japan and Europe. The narrowing of the yield spread between commercial and residential real estate, and the limited supply and tightly-held nature of investment grade commercial property, make this sector increasingly more appealing as an investment proposition in Australia and New Zealand too.

Multi-family residential refers to a multi-unit residential apartment building or medium-density housing being owned by a single entity. Individual dwellings are rented to residents, typically on the open market.

Multi-family residential property is viewed as attractive to institutional investors due to its following characteristics:

- **Stable income profile:** Rental income is stable due to the relatively inelastic demand for housing.
- **Attractive risk-adjusted returns:** Total returns are less volatile than other property classes.
- **Portfolio diversification:** Allows diversification across sectors and geographies to spread risk.
- **Inflation hedging:** Residential property is often considered an effective hedge against inflation.

Augusta is contemplating a number of investment options in this sector, with a view to launching one of New Zealand's first dedicated residential funds. Opportunities are currently under review and the timing of this offering is unknown.

Augusta Private Partners

Augusta Private Partners is structured to house a variety of higher risk and reward investment opportunities.

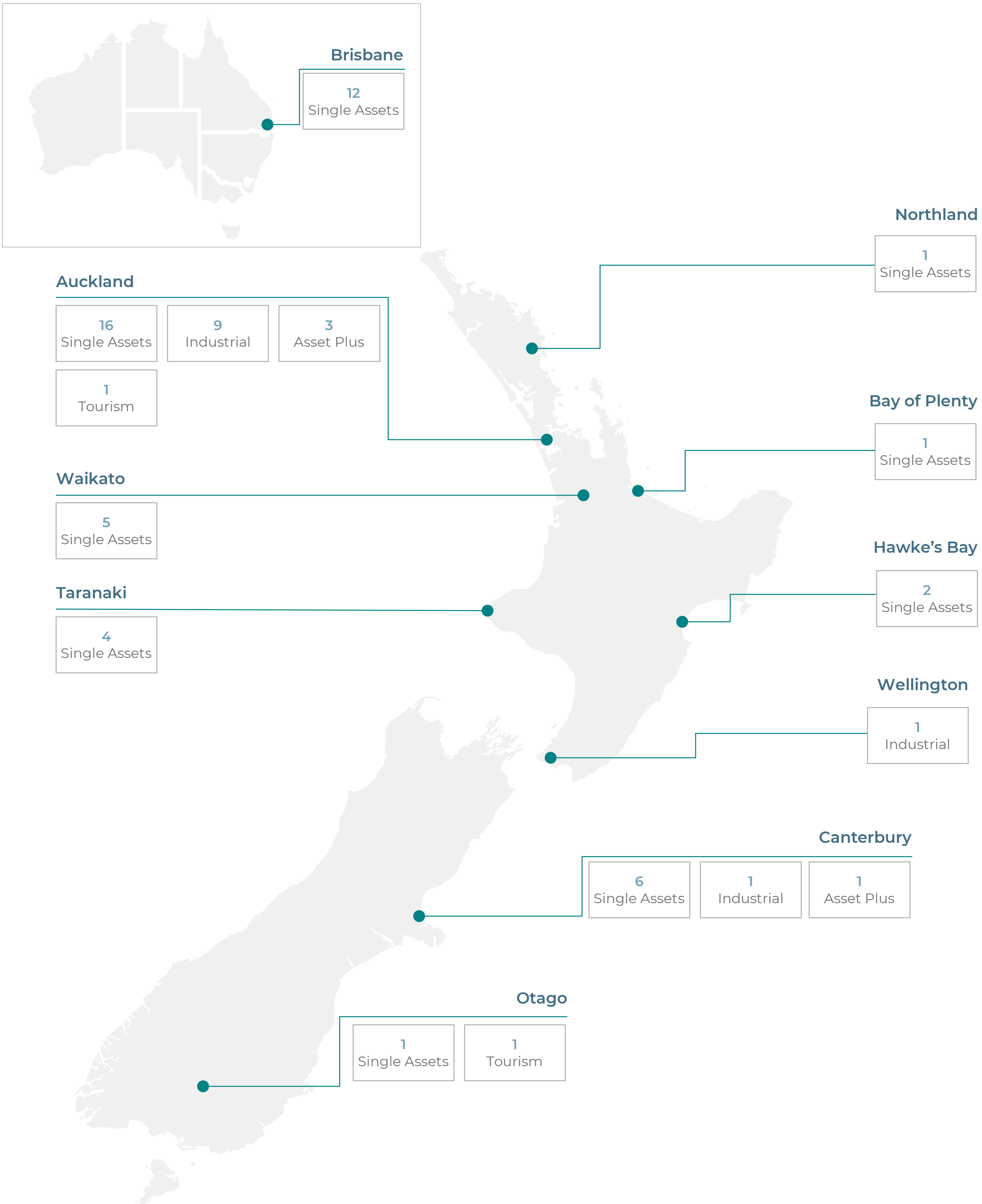
The first fund, Value Add No.1, was established in April 2016 and closed in April 2019, generating an internal rate of return of 11.75%.

Value Add No.2 would follow the same strategy as Value Add No.1, which involves identifying development opportunities and acquiring assets that offer value-add upside. The fund would be structured on terms similar to Value Add No.1 and offered to wholesale investors only, based around a five-year investment horizon. Augusta would co-invest in Value Add No.2 and retain a 10% stake in the fund. This opportunity is currently under review and its timing is uncertain.

4.3 Geographic coverage and portfolio mix

Augusta currently manages a total of 65 properties. Of the total, 53 properties are in New Zealand with 29 of those based in Auckland. The other 12 properties are in Brisbane and are held by single-asset syndicates.

Figure 9: Augusta managed properties



In terms of portfolio mix, the tables below present breakdowns of Augusta's properties and AUM by location, sector and type of fund. AUM amounts are based on the valuations known to management as at 26 June 2020.

Table 2: Portfolio split by location

Location	AUM $ million	Number of properties
Northland	26	1
Auckland	1,144	29
Waikato	62	5
Bay of Plenty	9	1
Taranaki	54	4
Hawke's Bay	46	2
Wellington	48	1
Canterbury	220	8
Otago	12	2
Brisbane	175	12
Total	**1,796**	**65**

Source: Augusta management information

Auckland makes the greatest contribution to Augusta's portfolio, both in terms of AUM and the number of properties. Christchurch and Brisbane are the next most significant markets for Augusta.

Table 3: Portfolio split by industry

Industry	AUM $ million	Number of properties
Industrial	705	33
Office	610	8
Retail	436	21
Tourism	45	3
Total	**1,796**	**65**

Source: Augusta management information

Most of Augusta's properties are either industrial or retail assets. The office sector also makes a significant contribution to AUM given the scale of office assets under its management.

Table 4: Portfolio split by fund

Fund	AUM $ million	Number of properties
Single Assets (New Zealand)	1,102	36
Single Assets (Australia)	175	12
Augusta Industrial	348	11
Asset Plus	142	4
Augusta Tourism	30	2
Total	**1,796**	**65**

Source: Augusta management information

Single-asset property syndication is the primary focus and specialisation of Augusta, although the company continues to diversify its offering. More than 70% of its properties and AUM are held by single-asset vehicles.

4.4 Funds management operations

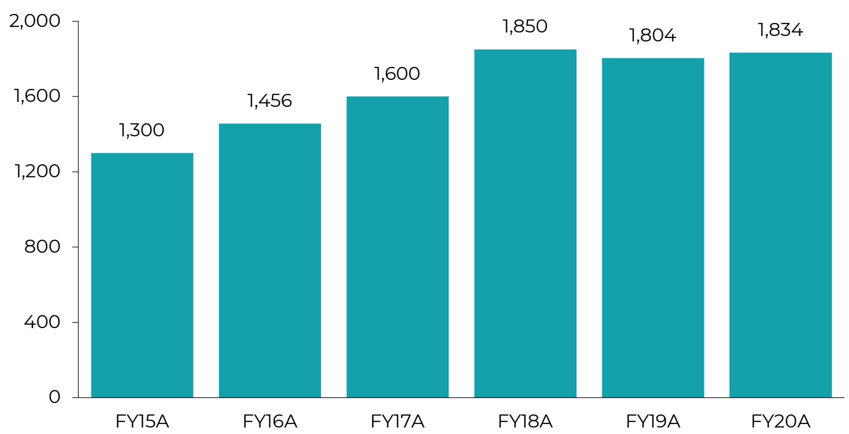
Augusta's operations are centred around property funds management. The Funds Management segment of its business undertakes a wide range of activities including capital raising and underwriting, managing property developments, acquisitions and divestments, and the day-to-day monitoring and maintenance of existing properties in its portfolio.

The revenue reported in the Funds Management segment consists of management fees, transactional income and offeror and underwriting fees. Each of these revenue streams is described below:

- **Management fees:** Augusta's primary revenue stream, which includes funds and property management fees earned for performing services related to asset management, financial management, treasury, compliance and legal matters.
- **Transactional income:** Additional revenue from leasing, project and development management, sales, refinancing and the facilitation of secondary market sales.
- **Offeror and underwriting fees:** Income is derived for services rendered in the establishment of new offers, which includes negotiating the acquisition of property, raising capital, financing arrangements and related services. Underwriting fees are earned by underwriting a specified value of an offer to ensure the transaction of a property can be completed, irrespective of the amount raised from investors.

Revenue for this segment is positively correlated with the AUM it is responsible for. Augusta has generally achieved growth in both AUM and funds management revenues in recent years, although no fund offerings were completed during FY20 and deal fees (i.e. offeror and underwriting fees) were nil in that year.

Figure 10: Augusta AUM ($ million)



Source: Augusta annual report for 2020

Augusta's intangible assets and goodwill are fully allocated to the Funds Management segment. At 31 March 2020, Augusta reported total intangible assets and goodwill of approximately $20 million. This comprised $10.9 million of goodwill acquired in business combinations, $8.6 million in respect of Augusta's management rights held over the various funds and properties (as defined within contractual agreements) and $0.5 million of CRM software.

4.5 Investment assets

Augusta's other operating division is the Investment Assets segment, which includes directly-owned investment properties and co-investments in Augusta funds.

The Investment Assets segment generates revenue from rent and investment income:

- **Net rental revenue:** This income is received from tenants who lease properties that are directly owned by Augusta, now measured in accordance with NZ IFRS 16 Leases (previously NZ IAS 17).
- **Investment revenue:** This income includes dividends, distributions and interest income from financial assets owned by Augusta. This includes investment income from Asset Plus and Augusta Industrial.

Augusta's strategy has transitioned away from direct investment in assets and towards a specialist and diversified funds management model. However, Augusta co-invests in its own funds and still holds development properties at 54 Cook Street in Auckland and 17-19 Man Street in Queenstown. The fair values of Augusta's development properties and property assets held for sale are shown in Table 5.

Table 5: Development properties and property assets held for sale ($ million)

	Fair value Mar 19	Transfers to/(from)	Capital expenditure	Revaluations	Fair value Mar 20
54 Cook Street	–	16,184	8,744	(6,100)	18,828
17-19 Man Street	–	13,416	6,270	(9,795)	9,891
Total development properties	**–**	**29,600**	**15,014**	**(15,895)**	**28,719**
54 Cook Street	17,105	(16,184)	–	–	921
17-19 Man Street	13,416	(13,416)	–	–	–
Total property assets held for sale	**30,521**	**(29,600)**	**–**	**–**	**921**

Source: Augusta annual report for 2020

17-19 Man Street and the majority of 54 Cook Street were reclassified as development properties in FY20, as they no longer met the criteria for property assets held for sale. Augusta has agreed to sell part of the land at 54 Cook Street to Auckland Council for $0.9 million and only this portion is currently recognised as a property asset held for sale on the balance sheet.

The carrying values of the development assets reflect the directors' valuations of the two properties, which were previously assessed as-if-complete valuations against cost-to-complete forecasts. The directors revalued these assets down by $15.9 million in FY20 to recognise the impact of COVID-19 and the highly uncertain outlook for the property market. The full impact of COVID-19 on property valuations cannot be known until more time has passed and the market begins to stabilise.

The fair values of Augusta's investments in associates as at 31 March 2020 are shown in Table 6.

Table 6: Investments in associates ($ million)

	Fair value Mar 19	Capital returned	Revaluations	Fair value Mar 20
Asset Plus	18,164	–	(6,258)	11,906
Augusta Industrial	23,770	(4,770)	(570)	18,430
Total investment in associates	**41,934**	**(4,770)**	**(6,828)**	**30,336**

Source: Augusta annual report for 2020

The fair value of Augusta's shareholding in Asset Plus is determined by the market price of its shares on the NZX. The value of Augusta's investment in Augusta Industrial is measured based on the carrying value of that fund's NTA.

The value of investments in associates decreased by $11.6 million between March 2019 and March 2020. This included a $6.3 million unrealised loss on revaluation of Augusta's investment in Asset Plus.

5. Financial overview

5.1 Financial performance

Table 7 summarises Augusta's actual financial performance for FY17 to FY20. The financials are based on Augusta's audited financial statements.

Table 7: Historical financial performance ($ 000)

	FY17	FY18	FY19	FY20
Net management fees	3,755	4,191	5,183	6,015
Transactional income	1,948	2,132	4,133	3,537
Offeror and underwriting fees (deals)	6,659	5,152	7,984	–
Investment revenue	658	1,769	1,754	2,310
Net rental revenue	6,070	5,650	2,983	(19)
Other	(45)	–	–	–
Total net revenue	**19,045**	**18,894**	**22,037**	**11,843**
Personnel costs	(5,411)	(5,926)	(7,130)	(7,494)
Professional fees	(582)	(437)	(720)	(1,294)
Director fees	(299)	(294)	(347)	(413)
Auditors remuneration	(160)	(148)	(144)	(131)
Deal costs written off	–	–	–	(2,311)
Other administration costs	(1,515)	(1,761)	(2,020)	(1,967)
EBITDA	**11,078**	**10,328**	**11,676**	**(1,767)**
Depreciation and amortisation	(171)	(304)	(225)	(740)
EBIT	**10,907**	**10,024**	**11,451**	**(2,507)**
Net interest expense	(2,164)	(2,773)	(1,501)	(382)
Total operating profit/(loss)	**8,743**	**7,251**	**9,950**	**(2,889)**
Fair value gain/(loss) on investment in associates	780	(1,792)	421	(6,828)
Recycle of available for sale asset reserve	–	(2,175)	–	–
Contingent consideration discount adjustments	(11)	–	–	–
Interest rate swap gain/(loss) realised	550	(15)	442	–
Fair value loss on development property	–	–	–	(15,895)
Fair value gain on sale of property held for sale	4,121	799	–	–
Gain on sale of property assets held for sale	(19)	108	520	–
Deposits written off	–	–	–	(4,525)
Derecognition of intangible assets	(828)	(486)	(1,648)	(345)
Transaction costs	(1,414)	(663)	(635)	(940)
FX gain/(loss) realised	(6)	(71)	(51)	48
NPBT	**11,916**	**2,956**	**8,999**	**(31,374)**
Tax expense	(1,732)	(1,921)	(2,054)	4,324
NPAT	**10,184**	**1,035**	**6,945**	**(27,050)**

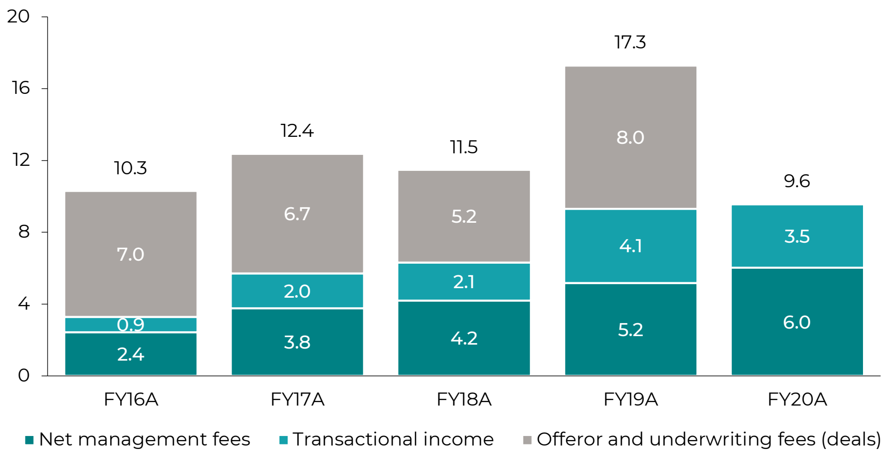
Source: Augusta annual reports

Net revenue

Total net revenue reached a record high of $22.0 million in FY19, up by $3.1 million from FY18. Conversely, net revenue decreased by 46% in the following year to $11.8 million.

Figure 11 presents a breakdown of Funds Management revenue for each of the last five years.

Figure 11: Funds management revenue ($ million)



Source: Augusta annual reports

Augusta achieved strong growth in each of net management fees, transactional income and deal fees in FY19. Revenue for the Funds Management segment totalled $17.3 million in this year.

Base management fees increased by $1.0 million in FY19, as both a multi-stage launch of the Augusta Industrial Fund and the transition of Asset Plus's management agreement contributed to this year.

Transactional income increased by $2.0 million (an uplift of 94%) in the same year. A total of 65 transactions were delivered, including divestments of the Finance Centre Carpark and Finance Centre Podium assets for a combined $41 million. Transactional income also included a $1.1 million performance fee related to the Value Add No.1 fund that closed.

Net income from deal fees increased to almost $8 million in FY19 (an uplift of 55%). Four fully subscribed offers were completed during the year, through which $255 million of external equity was raised. These offers were:

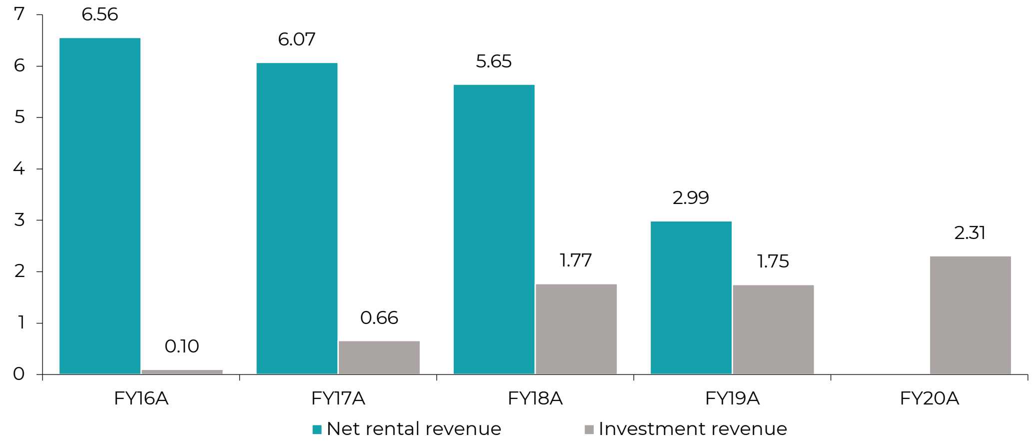
- Augusta Industrial Stage 1.0
- Augusta Industrial Stage 2.0
- St Georges Bay Road in Auckland
- Gympie Road in Kedron, Brisbane.

Augusta did not successfully complete any fund offerings during FY20 and therefore no deal fees were realised last year. The company was unable to deliver the Augusta Property Fund and Augusta Tourism Fund offerings, primarily due to issues caused by COVID-19. Management estimates that Augusta would have earned approximately $7.5 million in deal fees had both of these transactions been completed. Although these offerings have been impacted, management continues to focus on new fund initiatives and plans to relaunch the Augusta Property Fund in July this year.

Transactional income was also down in FY20 due to lower sales fees and the prior year including a performance fee on the wind-up of the Value Add Fund No.1. However, base management fees increased further on the back of continued growth in Augusta Industrial.

Figure 12 presents a breakdown of Investment Assets revenue for each of the last five years.

Figure 12: Investment assets revenue ($ million)



Source: Augusta annual reports

Augusta's rental income has been in steady decline in recent years, reflecting the company's shift away from the direct ownership of assets. It decreased by $2.7 million in FY19 due to Augusta completing its staged exit of the Finance Centre by the end of March 2019. The company no longer had direct ownership of any rent-generating properties by FY20.

Investment revenue has increased materially in recent periods due to Augusta's investments in both Asset Plus and Augusta Industrial. Augusta acquired its shareholding in Asset Plus at the beginning of FY18, hence the significant uplift in investment income observed in that year. Growth in FY20 reflects increased investment in Augusta Industrial.

Corporate and administration costs

Augusta has had year-on-year increases in corporate overheads in recent history. Personnel costs are the largest contributor to these expenses and have almost doubled since FY16. The company has continued to invest in its staff and has grown headcount from 19 people in 2014 (prior to the KCL Property acquisition) to 40 people today. Bayleys provides external property and facilities management services to the company.

Other administration costs include office rent as well as expenses related to marketing and sponsorship, IT, telecommunications, travel and related office functions. Deal costs written off relates to the due diligence activity and establishment costs of the Augusta Property Fund offer, which was withdrawn on 27 March 2020. Augusta, as the offeror, was required to pay for all costs associated with this offer.

In its financial reporting, Augusta allocates approximately 75% of its corporate overheads and finance costs to the Funds Management segment and 25% to the Investment Assets segment.

Table 8: Corporate and administration costs ($ 000)

	FY16	FY17	FY18	FY19	FY20
Personnel costs	4,172	5,411	5,926	7,130	7,494
Professional fees	655	582	437	720	1,294
Director fees	305	299	294	347	413
Auditors remuneration	149	160	148	144	131
Depreciation and amortisation	383	171	304	225	740
Deal costs written off	–	–	–	–	2,311
Other administration costs	1,498	1,515	1,761	2,020	1,967
Total administration costs	**7,162**	**8,138**	**8,870**	**10,586**	**14,350**

Source: Augusta annual reports

Augusta has implemented a number of cost-saving initiatives in response to COVID-19, which are projected to reduce overheads by up to 20% in FY21. These initiatives include:

- A 10% reduction to director fees and senior management salaries for a period of six months.
- A 10% reduction to the remuneration of other staff for three months, or a decrease in hours worked.
- A freeze on salary levels and staff recruitment for new positions.

Augusta also received a wage subsidy of $0.3 million from the New Zealand Government in April 2020.

Management has forecast corporate overheads to be around $10 million in FY22, provided operating conditions have normalised by this period.

Earnings summary

Earnings before interest and tax (**EBIT**) ranged between $10.0 million and $11.5 million over the period FY17 to FY19, but an EBIT loss of $2.5 million was reported in FY20.

Augusta's FY20 result reflects that:

- No offeror and underwriting fees were earned because no deals were completed during FY20.
- Net rental revenue was effectively nil following the disposal of the Finance Centre Carpark and Finance Centre Podium.
- Deal costs of $2.3 million were written off due to termination of the Augusta Property Fund offer.

A net loss after tax of $27.1 million was incurred in FY20. In addition to the impacts on EBIT described above, the following expenses were also recognised in Augusta's statement of financial performance:

- $15.9 million unrealised loss on the combined value of the 54 Cook Street and 17-19 Man Street developments.
- $6.8 million loss on revaluation of Augusta's investments in Asset Plus and Augusta Industrial.
- $4.5 million deposit write-off in relation to the terminated Albany Lifestyle Centre transaction.
- $0.9 million of transaction costs related to Centuria's earlier bid for Augusta and the terminated BIA.

5.2 Financial position

Table 9 shows Augusta's financial position as at 31 March between 2017 and 2020 (based on audited financial statements), and as at 31 May 2020 (based on unaudited management accounts).

Table 9: Historical financial position ($ 000)

	Mar 17	Mar 18	Mar 19	Mar 20	May 20
Cash and cash equivalents	6,079	4,900	4,850	–	13,715
Receivables and prepayments	1,747	3,876	3,615	2,145	1,285
Taxation receivable	153	–	–	1,799	640
Deposits paid	–	3,174	–	2,770	2,770
Interest rate swaps	1,357	–	–	–	–
Property assets held for sale	93,285	84,300	30,521	921	921
Investments in associates	15,555	21,924	41,934	30,336	30,336
Intangible assets and goodwill	17,605	21,662	20,183	20,031	19,983
Development properties and joint ventures	–	–	–	29,647	30,946
Property, plant and equipment	1,040	1,014	935	1,356	1,228
Deferred taxation	–	–	–	3,259	3,392
Right-of-use assets	–	–	–	2,934	2,934
Total assets	**136,821**	**140,850**	**102,038**	**95,198**	**108,149**
Bank overdraft	–	–	–	(1,033)	–
Payables, accruals and employee benefits	(2,212)	(1,558)	(2,002)	(4,463)	(60)
Taxation payable	–	(650)	(1,574)	–	–
Interest rate swaps	(1,514)	(1,528)	–	–	–
Borrowings	(35,000)	(42,400)	(11,000)	(31,000)	(6,000)
Deposits received	(9,600)	(8,200)	–	–	–
Deferred taxation	(2,745)	(2,248)	(1,046)	–	–
Long term lease liabilities	–	–	–	(3,021)	(3,310)
Other liabilities	(102)	(81)	(290)	(288)	–
Total liabilities	**(51,173)**	**(56,665)**	**(15,912)**	**(39,806)**	**(9,370)**
Net assets	**85,648**	**84,185**	**86,126**	**55,392**	**98,779**

Source: Augusta annual reports and management information

Key points to be considered when reviewing Augusta's balance sheet include the following:

- Property assets held for sale has steadily declined over time, reflecting Augusta's change in strategy away from direct ownership of assets and further towards a diversified funds management model. Moreover, the development properties at 54 Cook Street and 17-19 Man Street were reclassified in FY20, as they no longer meet the criteria for property assets held for sale. These assets, other than the land being sold to Auckland Council, are currently recognised within 'Development properties and joint ventures' on the balance sheet.
- Augusta's investment in the Lakeview joint venture is also included as part of 'Development properties and joint ventures'. Augusta's capital contribution to the project has been minimal to date, but it is committed to invest up to $14 million into Stages 1 and 2 of the development over multiple years. Ninety Four Feet will fund the balance.
- Investments in associates represents the fair values of Augusta's investments in Asset Plus and Augusta Industrial. In FY20, these investments were revalued downwards by $6.8 million and $4.8 million of capital was also returned. Investments in associates decreased by $11.6 million as a result.
- Intangible assets and goodwill comprises goodwill acquired in business combinations ($10.9 million), the value of Augusta's management contracts ($8.6 million) and CRM software ($0.5 million).
- Augusta successfully raised $45 million of equity in May 2020, at a price of $0.55 per share. The proceeds have been used to repay more than $25 million of existing debt, reducing the outstanding balance to $6.0 million at 31 May 2020. Augusta has also negotiated a partial covenant waiver to 31 March 2021 with its lender, ASB Bank, as well as an extension to the warehouse facility such that no ongoing debt facilities will expire during FY21. Cash and cash equivalents of $13.7 million were still available as at 31 May 2020.

Table 10 summarises the debt facilities currently available to Augusta.

Table 10: Current debt facilities ($ 000)

	Maturity	Limit	Drawn	Undrawn
Funds Management facility[10]	30 November 2021	–	–	–
Investment Asset facility	30 November 2021	9,000	–	9,000
Warehouse facility	30 June 2021	6,000	6,000	–
Total debt facilities		**15,000**	**6,000**	**9,000**

Source: Augusta management information

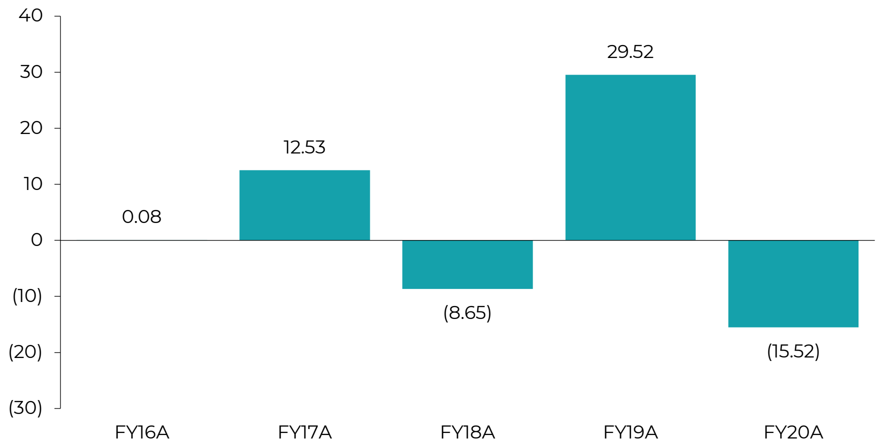
[10] The Funds Management facility has now been fully repaid, but its limit can be increased up to $15 million in the future, subject to the lender's discretion.

5.3 Capital expenditure and commitments

Figure 13 shows Augusta's net investing cash flows for the last five years. Amounts have been both positive and negative over this period and reflect the net effects of Augusta's property investment and divestment activities.

Aside from its core activities, Augusta has been focused on technology improvements to support its growth strategy. The company has undertaken a number of digital transformation initiatives over the previous 12 months, with the implementation of a new CRM system, Salesforce, being the largest programme of work. Management has indicated that technology projects will continue in FY21 as they look for further opportunities to automate Augusta's operations and improve investor, staff and shareholder outcomes. FY21 technology costs (both operating and capital expenses) are forecast to be $0.9 million.

Figure 13: Net investing cash flows ($ million)



Source: Augusta annual reports

Augusta had capital commitments of $9.6 million at 31 March 2020. In addition, the company has committed up to a further $13.1 million of capital expenditure to its joint venture partnership with Ninety Four Feet.

Subsequent events that may impact on future capital expenditure or other spend include the following:

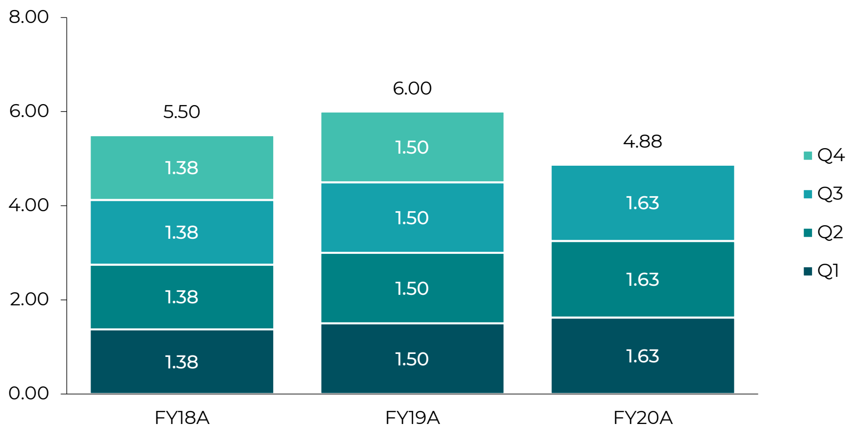
- The Anglesea Medical Centre sale and purchase agreement was varied on 14 May 2020 and now requires settlement of the property by 30 September 2020. As noted in Section 4.2 above, there is also a potential liability to Augusta should settlement not be reached. This contingent liability is capped at a maximum of $1.74 million in addition to the $2.75 million deposit already paid.
- During April 2020, it was agreed with the main contractors at both 54 Cook Street and 17-19 Man Street that the development works would cease in the near term. Augusta estimates that around $3 million of further capital expenditure needs to be spent prior to the cessation of these projects.
- On 8 June 2020, the Lakeview partnership obtained the requisite approvals under the Overseas Investment Act 2005 for the development agreement with Queenstown Lakes District Council. As a result, the development is now unconditional and can proceed as planned.

Augusta also has plans to upgrade its head office in Auckland. However, this is considered to be a non-essential project and has been put on hold for the foreseeable future.

5.4 Dividends

Augusta has historically paid quarterly dividends to its shareholders. Augusta's interim and final dividend payments between FY18 and FY20 are shown below. All dividends were fully imputed.

Figure 14: Augusta dividends (New Zealand cents per share)



Source: Augusta management information

In each of the first three quarters of FY20, Augusta paid dividends of 1.625 cents per share. However, the Augusta Board decided not to pay the final quarterly dividend in FY20, due to the impacts of COVID-19 and the elevated level of uncertainty in the current environment. Future dividend payments will be determined by the Board having regard to a sustained recovery in profitability.

The Implied Offer Price will be reduced by any future dividends or distributions declared by Augusta in respect of the period commencing after 15 June 2020.

Asset Plus has not paid a final quarter dividend due to the impact of COVID-19, which is forecast to have a detrimental effect on Augusta's investment revenue in FY21. Asset Plus's dividend remains subject to quarterly review but is expected to be reinstated once there is more certainty around future trading conditions.

6. Share ownership and price history

6.1 Augusta share register

Augusta had 169,542,572 shares on issue and more than 1,000 registered shareholders as at 9 July 2020. Table 11 shows the top 20 named shareholders as at that date, which together hold 83.3% of the shares on issue.

Table 11: Share register as at 9 July 2020

	Shareholder	Shares	Percentage
1	Centuria New Zealand Holdings Limited	39,445,824	23.26%
2	ANZ Custodial Services New Zealand Limited	23,990,311	14.14%
3	Rockridge Trustee Company Limited and Mark Edward Francis	14,743,396	8.69%
4	Accident Compensation Corporation	10,939,977	6.45%
5	Forsyth Barr Custodians Limited	7,089,345	4.18%
6	HSBC Nominees (New Zealand) Limited	6,894,540	4.06%
7	Leveraged Equities Finance Limited	6,371,147	3.76%
8	Kawaroa Trustee Limited	5,049,359	2.98%
9	Michael Walter Daniel & Nigel Geoffrey Burton & Michael Murray Benjamin	3,000,000	1.77%
10	HSBC Nominees (New Zealand) Limited	2,931,026	1.73%
11	Citibank Nominees (NZ) Ltd	2,930,013	1.73%
12	New Zealand Permanent Trustees Limited	2,569,573	1.51%
13	Custodial Services Limited	2,333,795	1.38%
14	BNP Paribas Nominees (NZ) Limited	2,312,353	1.36%
15	Phillip Michael Hinton & Robyn Kay Hinton & Stephen David Eichstaedt	1,983,232	1.17%
16	New Zealand Depository Nominees	1,956,060	1.15%
17	Mint Nominees Limited	1,949,989	1.15%
18	Cogent Nominees Limited	1,818,204	1.07%
19	Cypress Capital Limited C/- Peter Francis	1,522,640	0.90%
20	Tea Custodians Limited	1,450,463	0.86%
Top 20 shareholders		**141,281,247**	**83.33%**
Remaining shareholders		28,261,325	16.67%
Total		**169,542,572**	**100.00%**

Source: Link Market Services, which looks through shares held by New Zealand Central Securities Depository as a bare trustee custodian

Augusta issued 2,183,145 new shares in respect of Augusta's 'Long Term Incentive Plan' on 10 July 2020, subject to each director or senior manager entering into a Director and Senior Manager Lock-Up Agreement in respect of those shares.

Table 12 shows the most recent substantial product holder (**SPH**) interests notified to NZX. The shareholdings differ from those in Table 11 due to timing and differences between legal interests and those that need to be disclosed as substantial interests.

Table 12: Substantial product holders as at 8 July 2020

Entity	Date of notice	Shares	Percentage
Centuria New Zealand Holdings Limited	8 July 2020	111,668,189	65.86%
ANZ New Zealand (aggregated as related bodies corporate)	1 July 2020	24,094,651	14.21%
Rockridge Trustee Company Limited and Mark Edward Francis[11]	2 July 2020	20,197,941	11.91%
Accident Compensation Corporation	3 April 2020	10,939,977	6.45%

Source: SPH notices released as NZX announcements

As at 8 July 2020, Augusta shareholders with a combined interest of 42.6% of the Augusta Shares have entered into lock-up agreements or otherwise accepted the Offer. Included in this amount are shares held by Augusta's founding shareholders, Mark Francis and Bryce Barnett, who together hold 14.9% of the shares on issue.

Together with the Augusta Shares it already holds, Centuria has already secured a 65.9% interest in the shares on issue.

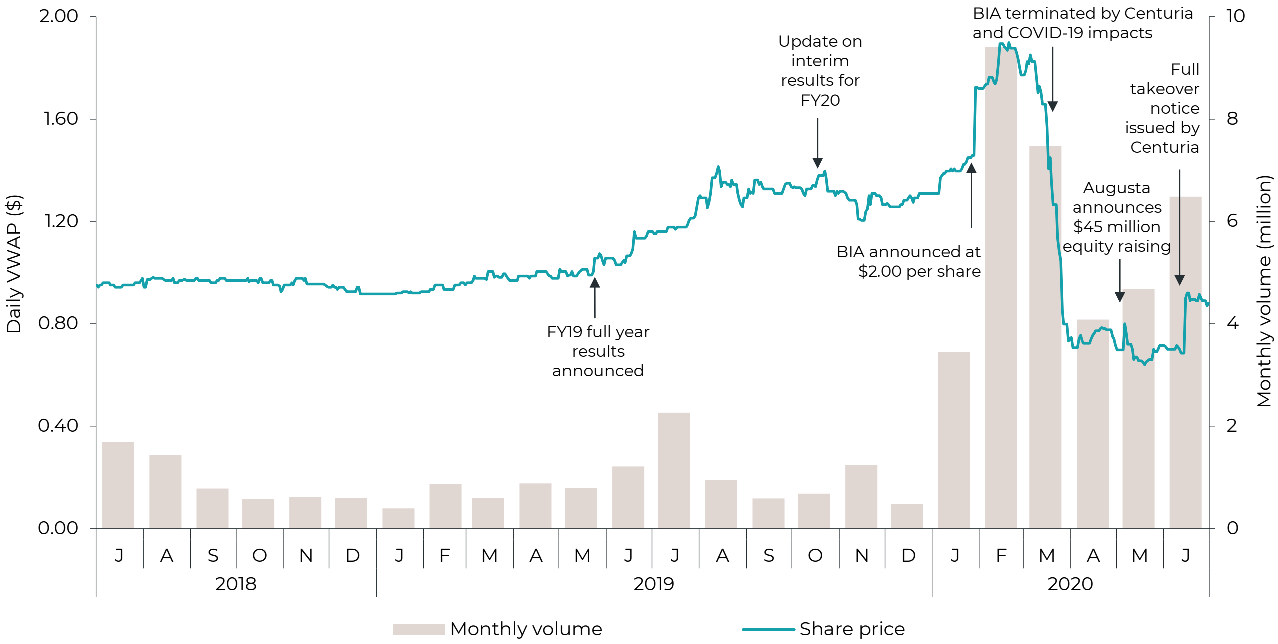
Other than the shareholders named in Table 12, Augusta's shares are widely held by retail and institutional investors.

[11] The Rockridge Trustees are the registered holders of 14,743,396 shares in Augusta and control a further 5,454,545 shares held by Leveraged Equities Finance Limited. The Rockridge Trustees have agreed to accept the Offer in respect of both parcels of shares.

6.2 Augusta share price performance

Figure 15 presents the price and volume of shares traded in Augusta since July 2018.

Figure 15: Augusta Share price and volume[12]



Source: S&P Capital IQ and Calibre Partners analysis

Augusta's share price peaked at $1.91 per share during February 2020 after the BIA with Centuria was announced. The share price declined sharply with the onset of COVID-19 and has been below $1.00 per share since late March 2020.

Table 13: Share prices and volumes at 14 June 2020

	Share price ($ adjusted for equity raise)			Volume (million)	Proportion of issued capital
	Low	High	VWAP		
One month	0.64	0.74	0.69	4.74	2.8%
Three months	0.64	1.62	0.75	16.27	9.6%
Twelve months	0.64	1.91	1.26	39.19	23.1%

Source: S&P Capital IQ and Calibre Partners analysis

Approximately 39.2 million shares traded in the 12 months to 14 June 2020, just prior to Augusta's announcement that it had received a takeover notice from Centuria. Shares traded between $0.64 and $1.91 per share over this period. The Implied Offer Price of NZ$0.95 per share represents a:

- Premium of 38.7% to the share price of $0.685 on 14 June 2020.
- Premium of 37.7% to the VWAP of $0.69 in the month ended 14 June 2020.
- Premium of 26.7% to the VWAP of $0.75 in the three months ended 14 June 2020.
- Discount of 24.6% to the VWAP of $1.26 in the twelve months ended 14 June 2020.

[12] Share prices have been adjusted for the $45 million equity raising completed in May 2020.

7. Valuation

7.1 Valuation approach

Standard of value

We have estimated the 'fair market value' of Augusta. Fair market value is the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, both acting at arm's length.

Business interest being valued

Our valuation is based on the acquisition of the whole of Augusta and accordingly incorporates a premium for control.

All else being equal, a controlling interest in shares is typically more valuable than an interest without control. This is because a non-controlling interest has limited influence over important business decisions, such as declaring dividends and determining the investment strategy. Accordingly, the value we have assessed exceeds the level at which, under normal market conditions, we would generally expect shares in Augusta would trade on the share market.

Valuation techniques to be employed

There are four valuation methodologies that are commonly used for valuing businesses:

1. Discounted cash flow (**DCF**) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rule of thumb.

Each of these methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of businesses involved. These valuation methodologies are explained in greater detail at Appendix 3.

We have adopted a sum-of-the-parts approach to value Augusta. Specifically, we have estimated the value of Augusta's funds management business, which requires minimal net assets, and then added the value of its property and fund investments.

We have adopted the DCF methodology to estimate the fair market value of Augusta's funds management business. We consider this approach appropriate because it can capture the short-term impacts of COVID-19 and the general economic environment at the present time. We have also considered EV/EBIT (**EBIT multiples**) and EV/AUM (**AUM multiples**).

Financial projections

Any valuation, by its very nature, must attribute a current value that reflects the expected future financial performance of the subject business. Consequently, information regarding the expected future performance (such as financial projections) is vital to the valuation exercise.

Augusta has prepared financial projections for the 5-year period FY21–FY25 (**Forecast**). The Forecast was finalised in June 2020 and is management's best estimate of Augusta's future financial performance. Augusta expects to face challenging conditions over the next two years because of COVID-19, the lockdown restrictions and general economic conditions. However, Augusta expects that its longer-term financial performance will recover and improve thereafter.

7.2 Discounted cash flow

7.2.1 Key assumptions and valuation parameters

Valuation date: We have adopted a valuation date of 30 June 2020, although we use Augusta's balance sheet as at 31 May 2020. Management has advised that there have been no material changes to Augusta's funds management operations, investment assets or capital structure between 31 May 2020 and 30 June 2020.

Discount rate: We have determined a discount rate range of 9.0%–10.0% for Augusta's funds management business. The discount rate is based on our assessment of a post-tax, nominal weighted average cost of capital (**WACC**) for Augusta's funds management operations. Our assessment is detailed at Appendix 4.

Forecast cash flows: The DCF valuation is based on Augusta's financial projections to 31 March 2025. The forecast applies to Augusta's funds management operations. The principal assumptions that underpin the Forecast are:

- Assets under management increases at a compound annual growth rate (**CAGR**) of 12% over the forecast period. This includes:
  - The launch of the Augusta Property Fund in FY21, which is assumed to grow to $300 million AUM by FY25.
  - The Asset Plus developments at 35 Graham Street and 6-8 Munroe Lane progressing as originally planned.
  - Continued growth of Augusta Industrial.
- Net recurring management fees are expected to increase from 0.31% to 0.36% of AUM between FY21 and FY25.
- Transaction income and deal fees increase from $6.0 million to $11.1 million between FY21 and FY25. The projections include $1.5 million of underwriting fees each year.
- Corporate overheads are expected to return to $10 million in FY22 and steadily increase thereafter. This requires the cost saving measures described at Section 5.1 to be achieved.
- Net working capital movements are assumed to be nil.

Terminal value assumption: Terminal value is calculated by assuming the terminal year's unlevered free cash flows increase into perpetuity at a terminal growth rate (**TGR**). We have adopted a TGR range of 1.5% to 2.0% for Augusta's funds management operations.

Investment assets: Augusta's investments in associates, development properties and the Lakeview joint venture are all measured at their carrying values on the balance sheet at 31 May 2020. The fair values of these assets have been reassessed by third parties since the onset of COVID-19. We have further updated the value of Augusta's shareholding in Asset Plus to $11.1 million to reflect Asset Plus's closing share price of $0.365 per share on 10 July 2020.

Net cash: Augusta had $7.7 million of net cash as at 31 May 2020.

Deposit receivable: Management expects to settle on the Anglesea Medical Centre and recycle its $2.75 million deposit.

Tax receivable/benefit: $0.6 million of provisional tax is refundable to Augusta during FY21. In addition, management has indicated that the write-off of the Albany Lifestyle Centre deposit is tax deductible and it expects to receive a future tax benefit from offsetting future profits.

7.2.2 DCF valuation

Table 14 summarises our DCF valuation of Augusta. Using the DCF methodology, we estimate the equity value of Augusta at between $0.94 and $1.05 per Augusta Share.

Table 14: DCF valuation ($ million, except where specified otherwise)

	Low	High
Present value of FY21–FY25 cash flows	20.5	21.0
Terminal value	65.2	82.4
Funds management value	**85.7**	**103.4**
Investment in Augusta Industrial	18.4	18.4
Investment in Asset Plus	11.1	11.1
Development properties and JV	30.9	30.9
Property assets held for sale	0.9	0.9
Enterprise value	**147.1**	**164.8**
Net cash	7.7	7.7
Deposit receivable	2.8	2.8
Tax receivable/benefit	1.9	1.9
Equity value	**159.5**	**177.2**
Shares on issue (million)[13]	169.5	169.5
Share value ($ per share)	**0.94**	**1.05**

Source: Calibre Partners analysis

We have determined the low end of our valuation range based on a 1.5% TGR and 10% discount rate for the funds management operations. We have determined the high end based on a 2.0% TGR and 9% discount rate.

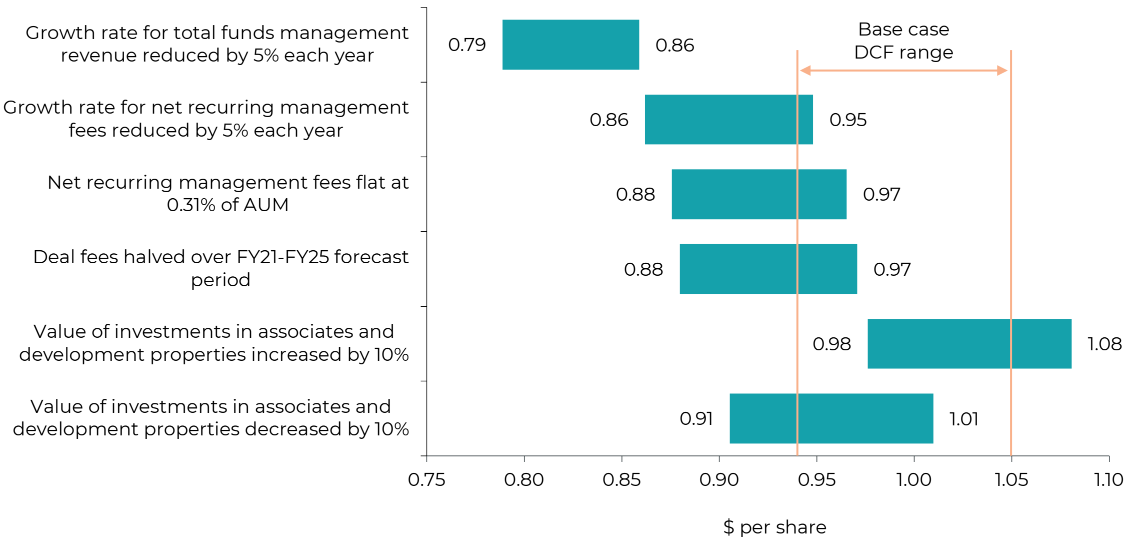
The DCF valuation is heavily dependent on the terminal value, with more than 75% of the value of the funds management business being associated with earnings after FY25.

[13] The number of shares for valuation purposes excludes 2.2 million performance rights that were converted to shares as a result of the transaction.

7.2.3 Sensitivity analysis

We have therefore considered some alternative scenarios in the DCF, as shown in Figure 16.

Figure 16: DCF sensitivity analysis



Earnings risk

Augusta has forecast income returning to a level consistent with FY19 in a few years and then further growth. In particular, Augusta has forecast strong growth in AUM, which adds to both deal fees (as the growth is achieved) and recurring management fees (once the AUM is established).

We consider there are risks around Augusta's ability to achieve its projected AUM and fee revenue growth, particularly in the current economic environment. We have undertaken DCF scenarios in which:

- The CAGR for Augusta's funds management revenue is reduced by 5% (from 18% to 13%). This is the total revenue from all funds management sources (recurring management fees, transaction income and deal fees). This change in growth rate is only applied after FY21, a year in which Augusta has forecast a partial recovery in management fees following a low in FY20.
- The CAGR associated with Augusta's recurring management fees (which form part of Augusta's total funds management revenue) is reduced by 5% (from 14% to 9%). This scenario reflects the risks associated with Augusta growing its AUM.
- Net recurring management fees as a percentage of AUM are static at 0.31%. This is in contrast with Augusta's forecast of recurring management fees increasing to 0.36% of AUM.
- The fees from new deals is reduced by half over the five-year forecast period (but not in the terminal value). This scenario reflects the timing risks associated with Augusta returning to a normal level of transaction activity.

Property price risk

Approximately 35% of the value of Augusta is associated with its investments and property assets. This includes development properties (54 Cook Street and 17-19 Man Street), on which Augusta took a $15.9 million impairment in FY20 based on valuations by its directors (refer Section 4.5). Following discussions with management, we consider there are both upside and downside risks associated with the value of Augusta's investment assets.

We have therefore considered the impact of both increasing and reducing the value of Augusta's investment assets (investments in associates and development properties) in our scenario analysis.

7.3 EBIT and AUM multiples

7.3.1 Approach

Augusta's core business is its funds management business, which generates fee income for its services but does not take a direct ownership in any properties and has approximately nil net operational assets. This fee income is not reflected on Augusta's balance sheet and therefore conventional balance sheet measures such as NTA fail to recognise the value of these particular operations.

We have therefore assessed the value of Augusta's funds management business, on a standalone basis, using earnings and AUM multiples, and have added this to its NTA to calculate an adjusted net asset value (**Adjusted NAV**).

Augusta's investments in the development properties and Augusta Industrial have been revalued by other parties since the onset of COVID-19, and the revised fair value assessments are reflected in Augusta's balance sheet at 31 May 2020. The value of Augusta's shareholding in Asset Plus is determined by the market price of its shares on the NZX.

Management has advised us that no material changes to Augusta's funds management operations, investment assets or capital structure have occurred since May 2020.

7.3.2 Funds management value

To undertake a capitalisation of earnings valuation, it is necessary to determine an appropriate earnings multiple to be applied to an estimate of earnings. In this case, an EBIT multiple is to be applied to the EBIT of Augusta's funds management business.

For a valuation based on Augusta's AUM, an appropriate AUM multiple needs to be applied to the $1.8 billion that Augusta has under management.

The multiples are typically determined by benchmarking the entity being valued against the sale and purchase of shares in comparable companies. Transaction evidence is sourced from:

- Multiples based on the current share prices of comparable listed companies.
- Multiples based on recent transactions of comparable companies.

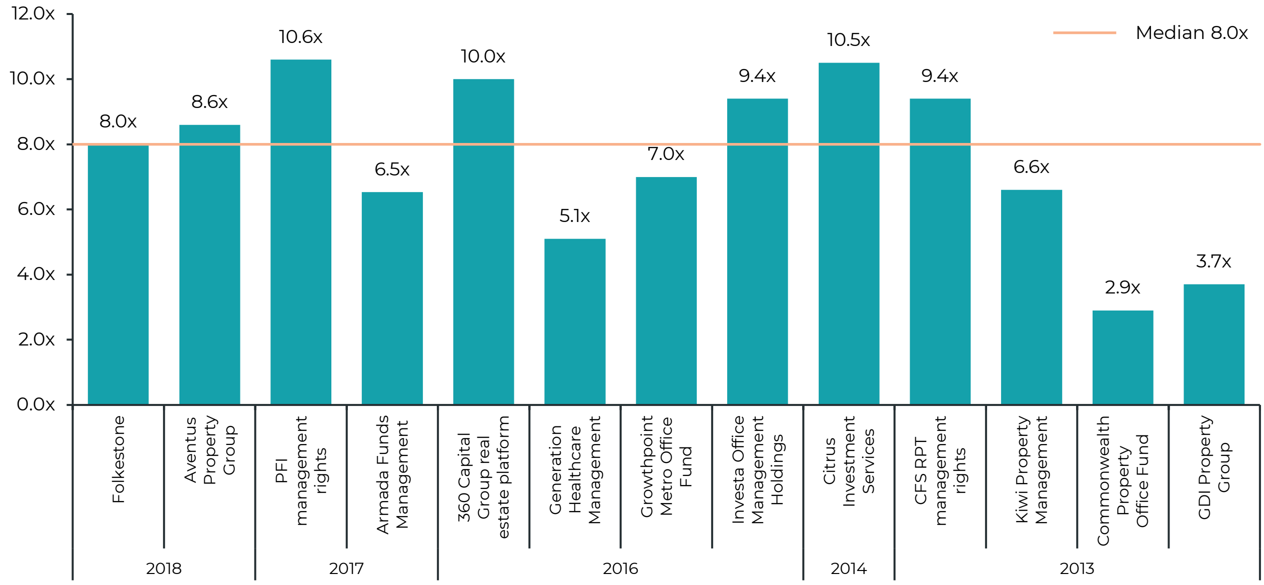
We have analysed transactions involving New Zealand and Australian companies that provide funds management services to investors in the commercial property industry.

We have focused our attention on companies with operations that are strongly weighted towards their funds management activities, as this is Augusta's core focus area and speciality. The selected companies operate in comparable markets and are likely to be impacted by similar industry drivers and macroeconomic factors affecting commercial real estate.

Comparable transaction multiples

Figure 17 show EBIT multiples implied by transactions of broadly comparable businesses and assets. We have considered both acquisitions of majority interests and internalisations of property management agreements since late 2013.

Figure 17: Comparable transactions – EBIT multiples



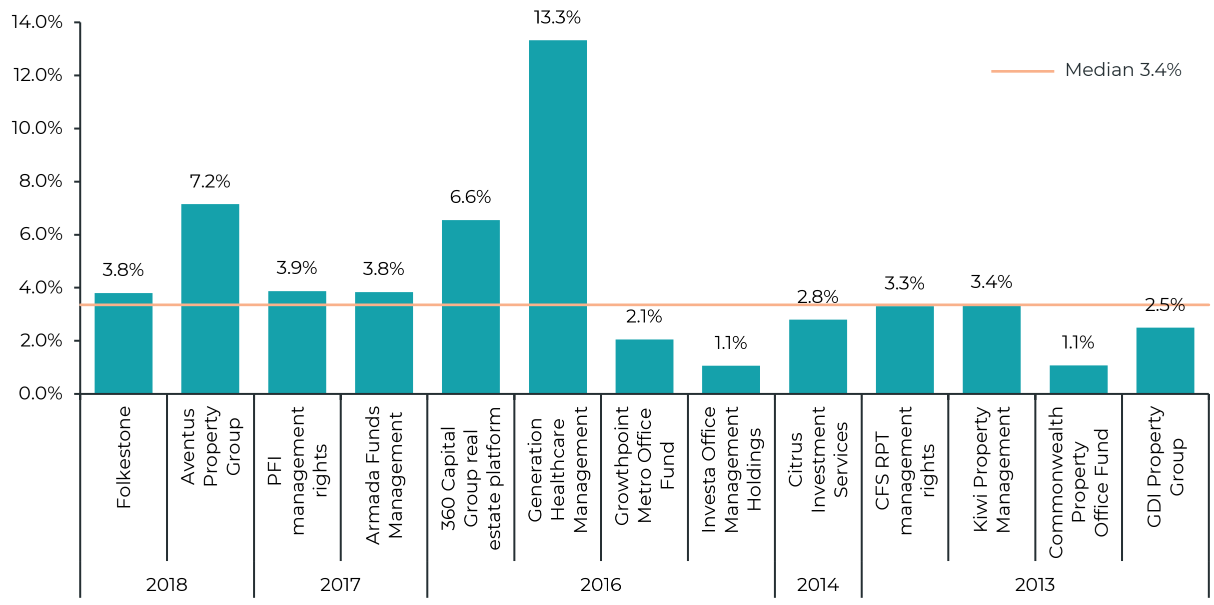
Source: S&P Capital IQ, company reports, independent reports, equity research reports and Calibre Partners analysis

The following points are relevant when considering the above transaction multiples:

- The comparable transactions implied EBIT multiples in a wide range of approximately 2.9x to 10.6x, with an overall median of 8.0x.
- The Commonwealth Property Office Fund and GDI Property Group transactions implied EBIT multiples of 2.9x and 3.7x, respectively. Both transactions are two of the oldest in our dataset.
- Excluding transactions from before 2015, the median EBIT multiple is 8.3x.

Figure 18 presents the AUM multiples implied by the same set of transactions.

Figure 18: Comparable transactions – AUM multiples



Source: S&P Capital IQ, company reports, independent reports, equity research reports and Calibre Partners analysis

The following points are relevant when considering the above AUM multiples:

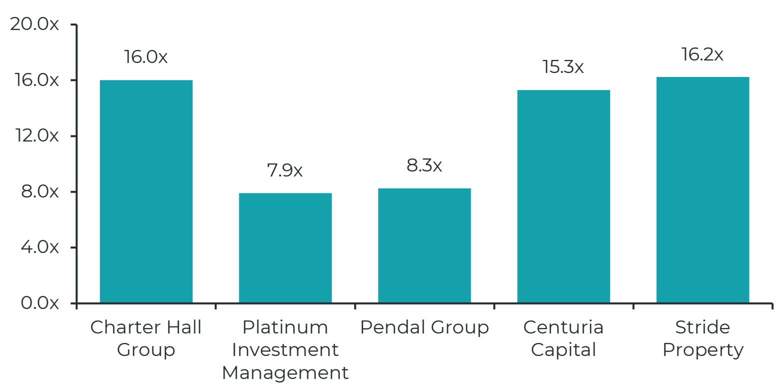
- The acquisition of Generation Healthcare Management by NorthWest Healthcare in June 2016 implied an AUM multiple of 13.3%. No other transactions in our dataset implied a ratio above 10%.
- The overall median AUM multiple is 3.4%.

Further details of our analysis, including descriptions of the transactions, are included in Appendix 5.

Comparable trading multiples

We have also considered EBIT multiples for a few broadly comparable companies listed on the NZX and ASX that have significant funds management operations. The companies are summarised in Figure 19 and further details are set out in Appendix 6.

Figure 19: Comparable listed companies – FY19 EBIT multiples



Source: S&P Capital IQ, company reports and Calibre Partners analysis

The following points are relevant when considering the above trading multiples:

- We have assessed EBIT multiples based on the current enterprise values of the comparable companies, relative to their FY19 EBIT. We have adopted this approach, rather than use FY20 earnings (where available) because of the distortionary impacts COVID-19 has had on many of the EBIT multiples. Nevertheless, care needs to be taken when using FY19 earnings, as the impact of COVID-19 on the values of Augusta and the comparable companies may be different.
- For the comparable listed companies, the EBIT multiples have been assessed based on their whole earnings and enterprise values (i.e. both their funds management and non-funds management operations). Earnings multiples that apply to funds management operations are typically lower than those related to the ownership of property. Therefore, where the comparable companies own property, the earnings multiples are higher than we consider should be applied to Augusta's funds management business (when valued separately from its investment assets).
- All companies in our dataset are significantly larger in size than Augusta. All else being equal, larger businesses tend to have higher earnings multiples than smaller businesses. This is certainly the case for property funds management companies, as very large corporates such as Goodman Group often generate higher incremental earnings from AUM growth than smaller participants. As such, we have excluded Goodman Group and some other large businesses from Figure 19.
- Platinum Investment Management and Pendal Group are the closest to being 'pure-play' funds management businesses. This makes them useful benchmarks when valuing Augusta's funds management operations. However, these companies generally invest in non-property investments so are not directly comparable to Augusta.
- Stride Property Group is the only other listed company in New Zealand that specialises in property funds management. However, it is a well-diversified competitor that generates only one third of its total revenue from funds management services.
- The comparable trading multiples are based on prices assessed for small, minority parcels of shares. The multiples therefore do not include a control premium that would typically apply to a 100% shareholding.

Selection of multiple ranges

We have adopted an EBIT multiple range of 8.0x to 10.0x for Augusta's funds management business after considering:

- The median EBIT multiple implied by our set of comparable transactions is 8.0x.
- Excluding the older transactions from before 2015, the comparable transactions have earnings multiples that are generally between 6.5x and 10.5x EBIT, with a median of 8.3x EBIT.
- Platinum Investment Management and Pendal Group have earnings multiples of 7.9x and 8.3x EBIT respectively. Of the listed comparable companies, these are the only two that have pure-play funds management operations. However, these companies generally manage non-property investments.
- The comparable trading multiples are based on prices assessed for small minority parcels of shares. Therefore, the multiples set out above do not include a control premium that would typically apply to a 100% shareholding.
- A discount rate of between 9.0% and 10.0%, combined with a growth rate of between 1.5% and 2.0%, implies an EBIT multiple of between 8.5x and 10.3x.

We have selected an AUM multiple range between 3% and 4% based on the comparable transaction evidence detailed in Figure 18 and Appendix 5.

Funds management EBIT

Augusta generated $6.7 million of EBIT from its funds management operations in FY19, but incurred a loss of $4.8 million from these activities in FY20. We have allocated 100% of Augusta's corporate overheads to the funds management business in our EBIT calculations, as none of these expenses are otherwise captured in our valuation. The fair value assessments of Augusta's investment assets have given no consideration to its head office costs.

Management anticipates that the market and Augusta's performance will recover to pre-COVID-19 levels by FY22 or shortly thereafter. For this reason, and the fact our comparable trading multiples were derived based on FY19 EBIT results, we have adopted $6.7 million as the EBIT of Augusta's funds management business in our capitalisation of earnings valuation.

We note that Augusta's ability to achieve this EBIT level in the next 1-2 years is heavily dependent on the rate at which New Zealand's economy recovers from the COVID-19 pandemic. We consider that many factors will be outside of management's control.

Valuation summary

Table 15 summarises our funds management valuation based on our assessed EBIT multiple range. We calculate this to be between $53.6 million and $67.0 million.

Table 15: Funds management valuation – EBIT multiple ($ million)

	Low	High
Funds management EBIT	6.7	6.7
EBIT multiple	8.0x	10.0x
Funds management value	**53.6**	**67.0**

Source: Calibre Partners analysis

Table 16 summarises our funds management valuation based on our assessed AUM multiple range. Under this approach, we calculate a value between $53.9 million and $71.8 million.

Table 16: Funds management valuation – AUM multiple ($ million)

	Low	High
AUM	1,796	1,796
AUM multiple	3.0%	4.0%
Funds management value	**53.9**	**71.8**

Source: Calibre Partners analysis

7.3.3 Augusta NTA

Our funds management valuation is added to Augusta's NTA to calculate an Adjusted NAV for the company.

NTA has been measured at 31 May 2020 based on Augusta's unaudited balance sheet. However, we have updated the carrying value of Augusta's investment in Asset Plus to reflect its closing share price of $0.365 per share on 10 July 2020. We have also excluded the right-of-use assets and offsetting lease liabilities. On this basis, we include Augusta's NTA at $78.4 million in our Adjusted NAV calculations.

7.3.4 Adjusted NAV per share

Table 17 presents our calculation of Augusta's Adjusted NAV, combining our funds management valuation based on EBIT multiples with NTA measured at $78.4 million. Under this approach, we assess Augusta's Adjusted NAV at between $0.78 and $0.86 per share.

Table 17: Adjusted NAV – EBIT multiple ($ million, except where specified otherwise)

	Low	High
Cash and cash equivalents	13.7	13.7
Investment in Augusta Industrial	18.4	18.4
Investment in Asset Plus	11.1	11.1
Development properties and joint ventures	30.9	30.9
Property assets held for sale	0.9	0.9
Book value of other net assets	9.3	9.3
Borrowings	(6.0)	(6.0)
NTA	**78.4**	**78.4**
Funds management value	53.6	67.0
Adjusted NAV	**132.0**	**145.4**
Shares on issue (million)	169.5	169.5
Adjusted NAV per share ($)	**0.78**	**0.86**

Source: Calibre Partners analysis

Table 18 presents the same calculation, albeit the value of Augusta's funds management business reflects our AUM multiples range. Under this approach, we assess Augusta's Adjusted NAV at between $0.78 and $0.89 per share.

Table 18: Adjusted NAV – AUM multiple ($ million, except where specified otherwise)

	Low	High
Cash and cash equivalents	13.7	13.7
Investment in Augusta Industrial	18.4	18.4
Investment in Asset Plus	11.1	11.1
Development properties and joint ventures	30.9	30.9
Property assets held for sale	0.9	0.9
Book value of other net assets	9.3	9.3
Borrowings	(6.0)	(6.0)
NTA	**78.4**	**78.4**
Funds management value	53.9	71.8
Adjusted NAV	**132.3**	**150.2**
Shares on issue (million)	169.5	169.5
Adjusted NAV per share ($)	**0.78**	**0.89**

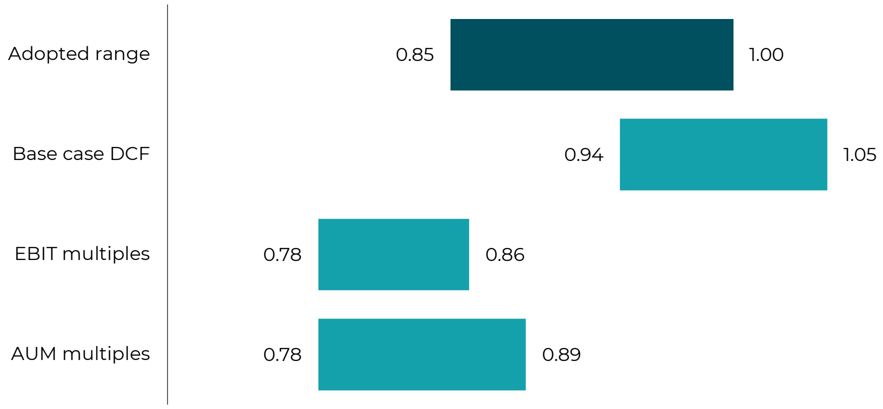
Source: Calibre Partners analysis

7.4 Augusta valuation assessment

We estimate the value of Augusta's equity at between $0.85 and $1.00 per share. The valuation is for the full underlying value of Augusta assuming 100% of the company were available to be acquired and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, Calibre Partners would expect the Augusta Shares to trade on the NZX in the absence of a takeover offer or acquisition scheme similar in nature to the Offer.

The value under each methodology and our assessed valuation range are illustrated in Figure 20.

Figure 20: Augusta valuation summary ($ per share)



Source: Calibre Partners analysis

7.5 Potential synergies

Centuria has publicly stated that revenue and cost synergies may be available to new and existing Centuria securityholders from the takeover of Augusta.

Centuria's sizeable balance sheet creates the potential to unlock new investment opportunities for the combined group that are not feasible for Augusta in its current position. In particular, Augusta's capacity to underwrite new offers and generate underwriting fees is expected to be materially enhanced once it is a subsidiary of Centuria. There is also potential for some corporate overheads to be reduced through the avoidance of duplication and the rationalisation of certain IT systems.

Centuria has mentioned that other benefits of the takeover would include:

- Increased scale and relevance – Centuria's AUM would expand by 24% to AU$8.9 billion.
- The combination of two complementary real estate platforms – both parties have established track records in office and industrial real estate and would benefit from greater asset diversification.
- Diversification into New Zealand real estate and improved access to Trans-Tasman investors and opportunities.

Although Centuria has identified some potential revenue and cost synergies, it has not quantified those in publicly available documentation. It is likely that any synergies would be better understood after Centuria's post-acquisition review of Augusta's business. For the purposes of our analysis of the Offer, we have been unable to quantify any potential impacts of synergies from Centuria's proposed acquisition of Augusta. We have been provided with no additional analysis that would suggest the synergies available to Centuria would be materially higher or lower than those typically observed in other sales of broadly comparable businesses.

8. Centuria overview

8.1 Background

Centuria formed in 2007 when the Over Fifty Group joined with Century Funds Management, which was founded by John McBain and Jason Huljich.

Centuria's funds management platform includes Centuria Property Funds, which specialises in listed and unlisted property funds, and Centuria Investment Bonds. The company uses in-house real estate expertise to identify, transact and manage investment funds in these sectors.

Further details about Centuria's real estate funds (both listed and unlisted) and investment bonds are included in Section 2.3.

8.2 Financial overview

Financial performance

Table 19 presents some key performance metrics for Centuria over the period FY16 to FY19. Centuria has a balance date of 30 June.

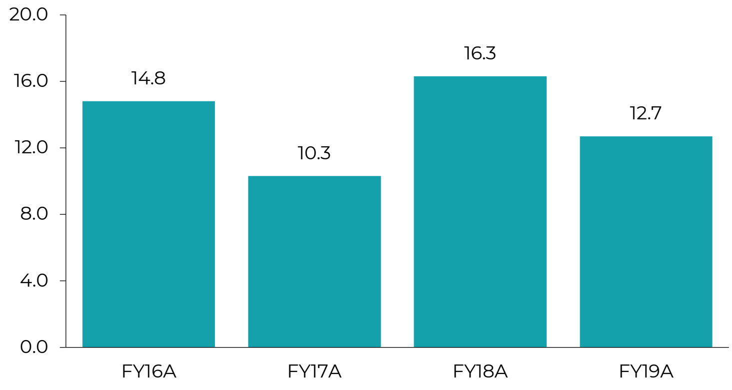
Table 19: Key performance metrics

	FY16	FY17	FY18	FY19
Statutory profit after tax (AU$ 000)	12,303	17,323	54,765	50,795
Operating profit after tax (AU$ 000)	11,344	15,489	45,087	45,706
Security price at start of year (AU$)	0.93	1.05	1.23	1.40
Security price at end of year (AU$)	1.05	1.23	1.40	1.77
Interim dividend (AU cps)	2.25	2.30	4.10	4.25
Final dividend (AU cps)	3.00	5.20	4.10	5.00
Special non-cash dividend (AU cps)	–	17.27	–	7.80
Statutory basic earnings per security (AU cps)	15.80	11.50	19.80	14.20
Operating basic earnings per security (AU cps)	14.80	10.30	16.30	12.70

Source: Centuria annual report for 2019

Centuria's profitability increased threefold in FY18 and remained very strong in the following year. Operating profit increased to more than AU$45 million per annum in both of the past two years, reflecting significant growth in property funds management fees and co-investment income, as well as larger-than-expected performance fees of above AU$20 million in both periods. Operating earnings per Centuria security reached 16.3 cents in FY18, as is shown in Figure 21 below.

Figure 21: Operating earnings per security (Australian cents per security)



Source: Centuria annual report for 2019

Financial position

Centuria's balance sheet at 31 December 2019 is shown in Table 20.

Table 20: Financial position (AU$ 000)

	Dec 19
Cash and cash equivalents	127,712
Receivables	74,948
Financial assets	857,792
Investment properties held for sale	23,500
Investment properties	163,201
Intangible assets	191,678
Other assets	25,424
Total assets	**1,464,255**
Payables	52,695
Borrowings	268,937
Benefit funds policyholder's liability	334,731
Call/Put option liability	16,356
Lease liability	19,247
Other liabilities	40,130
Total liabilities	**732,096**
Net assets	**732,159**

Source: Centuria interim report for 2020

The book value of Centuria's net assets was AU$732.2 million at 31 December 2019. This comprised:

- Approximately AU$1.5 billion of assets, which included AU$857.9 million of finance assets[14] and AU$127.7 million of cash on hand.
- Approximately AU$0.7 billion of liabilities, which included a AU$334.7 million liability to benefit fund policyholders and AU$268.9 million of borrowings.

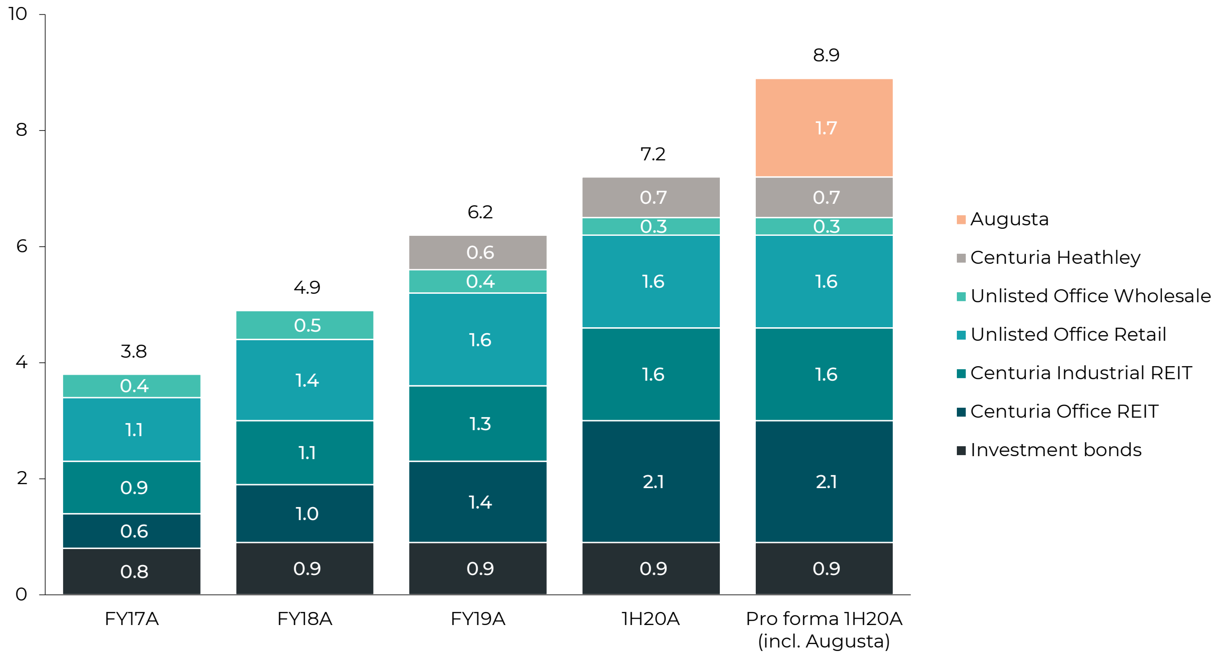
[14] Financial assets comprises investments in trusts, shares and other financial instruments measured at fair value, as well as loan receivables.

Assets under management

Centuria has consistently achieved strong growth in AUM. It has increased AUM from AU$3.8 billion to AU$7.2 billion between 30 June 2017 and 31 December 2019 (growth of approximately 90%).

The takeover of Augusta would expand Centuria's AUM by a further 24% to AU$8.9 billion.

Figure 22: Centuria AUM profile (AU$ billion)



Source: Centuria takeover offer presentation, dated 15 June 2020

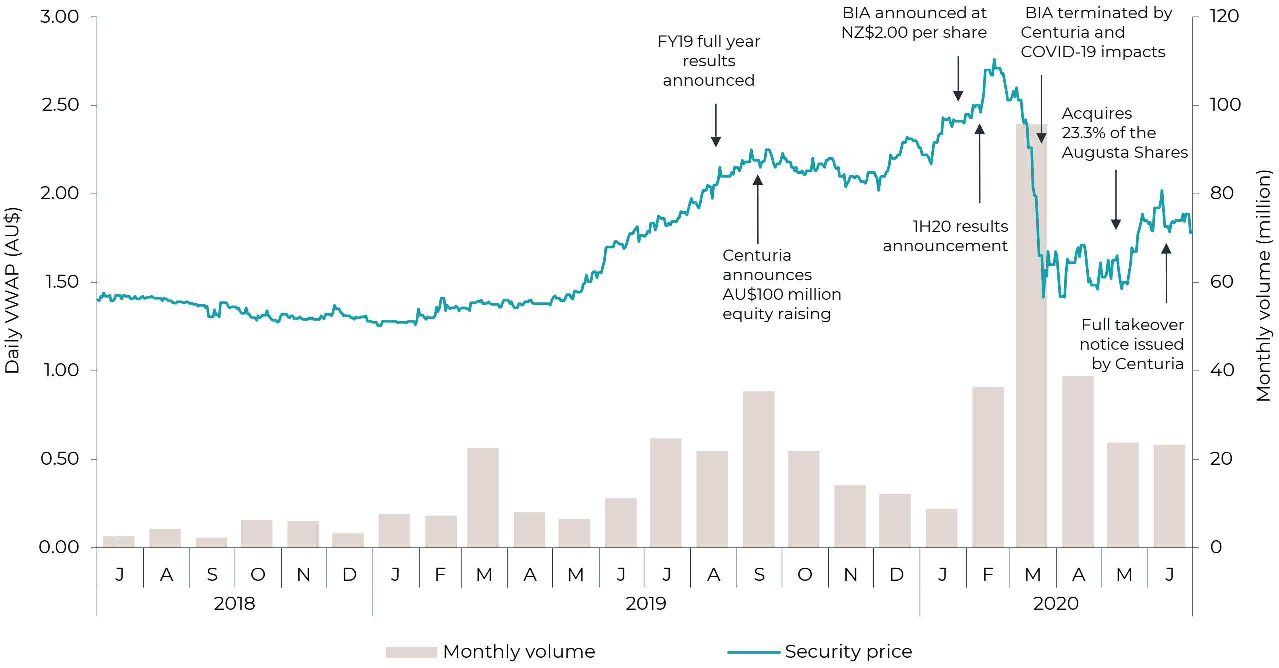
8.3 Centuria security price performance

As most of the proposed consideration will be in the form of Centuria stapled securities, Augusta shareholders may want to consider Centuria and the value and liquidity of its securities when deciding whether to accept or reject the Offer.

Augusta shareholders who accept the Offer will be exposed to factors that change the price of Centuria's securities and the NZD/AUD exchange rate. The actual consideration received by Augusta shareholders could therefore be more, or less, than the Implied Offer Price of NZ$0.95 per Augusta Share, which has been calculated based on the VWAP of Centuria securities as at10 July 2020 of AU$1.76 per security and an assumed NZD/AUD exchange rate of 0.9448. We have analysed the market price of Centuria's securities over recent history, to determine whether or not a price of AU$1.76 per security is indicative of their fair market value.

Figure 23 presents the price and volume of securities traded in Centuria since July 2018.

Figure 23: Centuria security price and volume



Source: S&P Capital IQ and Calibre Partners analysis

The price of Centuria's securities had been trending upwards since the middle of 2019 and peaked in February 2020 following the company's BIA and interim financial results announcements. Centuria's security price has also been impacted by COVID-19, decreasing from a high of AU$2.76 in February 2020 to AU$1.67 per security on 10 July 2020. Centuria has not released financial statements since the emergence of COVID-19, but has paid a final distribution to securityholders for FY20.

Table 21: Security prices and volumes at 10 July 2020

	Security price (AU$)			Volume (million)	Proportion of issued capital
	Low	High	VWAP		
Ten day	1.65	1.91	1.76	9.15	1.9%
One month	1.65	2.01	1.82	23.66	4.9%
Three months	1.44	2.02	1.71	73.74	15.3%
Twelve months	1.36	2.76	2.06	353.05	73.1%

Source: S&P Capital IQ and Calibre Partners analysis

Centuria's securities have traded at between AU$1.44 and AU$2.02 per security in the three months since the emergence of COVID-19 and between AU$1.65 and AU$2.01 in the month leading up to our valuation of Augusta. A price of AU$1.76 per Centuria security, which is used to determine the Implied Offer Price, sits within both of these price ranges.

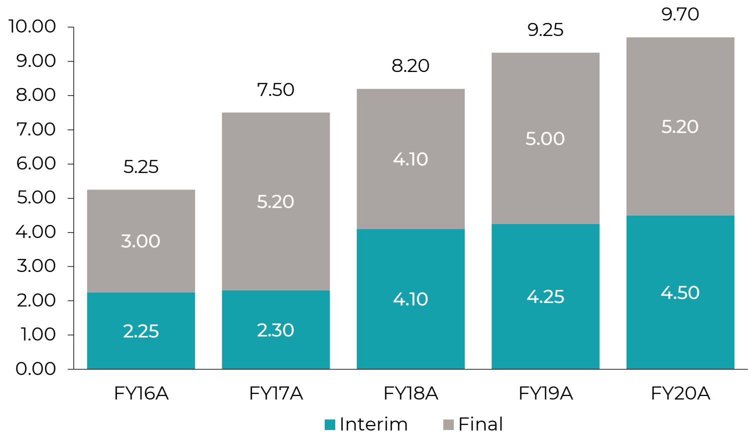
Approximately 353 million Centuria securities traded in the 12 months to 10 July 2020. This is equivalent to 73.1% of its current securities on issue, which indicates the stock has a relatively high level of liquidity. Market prices for securities that have high levels of liquidity generally better reflect all publicly available information regarding the performance, future prospects and key risks of those listed companies, making them a reliable proxy for their value. Given that shareholders who accept the Offer will receive a minority parcel of securities in Centuria, the relevant value for those securities will be their traded price on the ASX, rather than a valuation of 100% of Centuria, which would include a premium for control. Centuria, as an ASX-listed company, is required to keep the market informed of key events and developments that could have a material effect on the value of its securities, in a timely manner. Centuria has made a number of ASX announcements in recent months, including notices, investor presentations and variations related to the Offer, as well as releases on Centuria's final distribution to securityholders for FY20. On 29 June 2020, Centuria announced that, on that date, it was in compliance with its Australian continuous disclosure obligations and financial reporting obligations. Centuria also informed the market that there was no "excluded information" at that date, as defined in a Financial Markets Conduct Exemption Notice dated 19 March 2020. Centuria has not released financial statements since the onset of COVID-19.

The impact of the Offer on Centuria's financial performance and position depends on the extent to which Augusta shareholders accept the Offer, the revenue and cost synergies that can be extracted from the combination of the two businesses and other factors related to the transaction.

8.4 Centuria distributions and securityholder returns

Centuria has regularly paid interim and final distributions to its securityholders that are 100% franked. Figure 24 shows all distributions made between FY16 and FY20, which have increased each year.

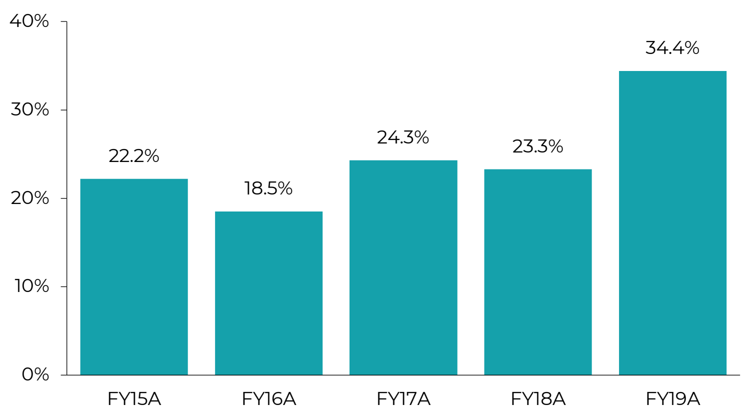
Figure 24: Centuria distributions (Australian cents per security)



Source: Centuria website

Centuria has generated total annual returns of between 18.5% and 34.4% for its securityholders since FY15, as is shown in Figure 25 below.

Figure 25: Centuria total securityholder returns



Source: Centuria annual report for 2019

9. Merits of the Offer

The Takeovers Code requires the independent adviser to form an opinion as to the merits of the proposed transaction and, in doing so, to take into consideration issues wider than just a valuation.

The term 'merits' has no definition in either the Takeovers Code or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term 'merits', the Takeovers Panel has interpreted the word 'merits' to include both positives and negatives in respect of a transaction. We have adopted that approach in preparing this Report.

9.1 Augusta's recent performance

Augusta incurred a net loss after tax of $27 million in FY20. Its financial performance was materially impacted by COVID-19 and taking significant impairment losses on its properties and investments. Even before the impact of impairments, Augusta had a net operating loss (before tax) of approximately $2.9 million in the same period.

Due to the impact that the current economic environment has had on its balance sheet, Augusta raised $45 million of additional equity in May 2020. Given the economic uncertainty caused by COVID-19, further equity may need to be raised by Augusta in the future.

Augusta earned nil offeror and underwriting fees in FY20. In prior years, these fees had made a significant contribution to Augusta's earnings. Augusta has forecast a recovery in this income over the next few years. However, this is dependent on Augusta sourcing new transaction opportunities and underwriting capital for its projects. Augusta considers that it will be difficult to source underwriting capital and it has a limited ability to use its own balance sheet to underwrite projects without raising further capital.

9.2 Valuation of Augusta

Shareholders who accept the Offer will receive $0.22 in cash and 0.392 Centuria securities for each Augusta Share they own.[15]

Based on a 10-day VWAP for Centuria securities of AU$1.76 and an exchange rate of 0.9448, the Implied Offer Price is NZ$0.95 per Augusta Share.

We assess the full underlying value of Augusta at between $0.85 and $1.00 per share, as set out in Section 7.4. This value range was determined on 10 July 2020. The Implied Offer Price of NZ$0.95 per share is above the midpoint of our assessed value range.

Augusta shareholders who accept the Offer will be exposed to factors that change the price of Centuria's securities and the NZD/AUD exchange rate. The actual consideration received by Augusta shareholders could therefore be more, or less, than the Implied Offer Price of NZ$0.95 per Augusta Share. For example, the closing Centuria security price was AU$1.67 at 10 July 2020, which implies a lower offer price of NZ$0.91 per share. This implied price is near the midpoint of our assessed valuation range.

Our assessment is based on the value of acquiring 100% of Augusta and therefore includes a premium for control. The value exceeds the price at which, based on current market conditions, we would expect the Augusta Shares to trade on the NZX in the absence of a takeover offer.

We have adopted our valuation range after considering the DCF, EBIT multiples and AUM multiples methodologies. Of the three approaches, we consider the DCF methodology to be the best guide to Augusta's value, given the impact COVID-19 has had on the earnings of Augusta and the comparable companies. However, we consider the other approaches also represent useful benchmarks of value.

[15] Augusta shareholders outside of Australia and New Zealand who accept the Offer will receive the net proceeds from the sale of an equivalent number of Centuria securities, rather than the Centuria securities.

9.3 Potential outcomes of the Offer

There are several possible outcomes for shareholders from the Offer:

- **Centuria receives sufficient acceptances to control at least 90% of the voting rights in Augusta**

  If Centuria receives sufficient acceptances to hold or control at least 90% of the voting rights in Augusta, then Centuria would have the ability to compulsorily acquire the remaining shares in Augusta. Centuria would have full control over Augusta and would be able to merge Augusta into its own business.

  All shareholders who accept the Offer would receive cash of $0.22 per Augusta Share they own. In addition, shareholders from Australia or New Zealand would receive securities in Centuria, while foreign shareholders would receive the net proceeds from the sale of Centuria securities.

  In the event of a compulsory acquisition, the remaining shareholders would receive the same consideration as those who accepted the Offer.

- **Centuria receives acceptances to control between 50% and 90% of the Augusta voting rights**

  If Centuria receives sufficient acceptances to hold or control between 50% and 90% of the voting rights in Augusta, then Augusta will remain a listed company, albeit one that is controlled by Centuria.

  All shareholders who accept the Offer would receive cash of $0.22 per Augusta Share they own. In addition, shareholders from Australia or New Zealand would receive securities in Centuria, while foreign shareholders would receive the net proceeds from the sale of Centuria securities.

  Shareholders who reject the Offer would retain their shares in Augusta. All else being equal, we consider that the listed price of Augusta Shares would recede from current levels in this scenario.

  Centuria would have effective control over Augusta. The Companies Act, Takeovers Code, NZX Listing Rules and Independent Directors on Augusta's Board would provide some level of protection to minority shareholders. However, Centuria could appoint new directors to the Board and, because of its majority shareholding, would control the outcome of any ordinary resolution put to Augusta shareholders. Centuria would be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase of its shareholding in Augusta, and would also be prohibited from voting on any 'Material Transaction' that is related to Centuria. Material Transaction is defined in the NZX Listing Rules and includes, but is not limited to, transactions that have a value greater than 10% of average market capitalisation.

  After the Offer is complete, Centuria's shareholding in Augusta would be greater than 50%, which would allow Centuria to control the dividend policy and capital structure.

  As at 8 July 2020, Centuria has received acceptances of the Offer that, when combined with the shares it already owns, means Centuria will hold at least 65.9% of the Augusta Shares. Based on this, we consider there is a high likelihood that Centuria will achieve a shareholding of greater than 75%. However, if Centuria achieves a shareholding less than 75%[16] then the remaining shareholders will still be able to exert influence on certain substantive matters which, under the Companies Act, require approval by special resolutions, such as the liquidation of Augusta or a transaction with a value of more than 50% of Augusta's assets.

  After 12 months from the closing of the Offer, Centuria would be entitled to acquire an additional 5% shareholding in Augusta per annum under the 'creep' provisions of the Takeovers Code. On or before 31 October 2020, Centuria could also increase its shareholding in Augusta under the Takeovers Code (Facilitation of Capital Raising in Response to COVID-19) Exemption Notice 2020, in the event Augusta undertakes another allotment of shares.

[16] We note that 75% is the legal threshold. However, given this is dependent on the number of shareholders who vote on certain substantive matters, in practice this could be a lower percentage.

9.4 Centuria

New Zealand and Australian shareholders who accept the Offer will receive Centuria securities. Shareholders would be able to hold or sell the Centuria securities they receive as compensation.

Shareholders would maintain an interest in Augusta, via Centuria, but would also be exposed to Centuria's existing operations. Centuria is similar to Augusta, but larger and with a stronger balance sheet and a much greater focus on the Australian property market.

Centuria intends to operate and manage the assets of Augusta in broadly the same manner as they are currently being operated, and to investigate opportunities to actively grow the business alongside Augusta's management team.

Centuria has publicly stated that revenue and cost synergies may be available to new and existing Centuria securityholders from the takeover of Augusta. In addition, Centuria's sizeable balance sheet creates the potential to unlock new investment opportunities for the combined group that are not feasible for Augusta in its current position. In particular, the capacity to underwrite new offers and generate underwriting fees is expected to be materially enhanced. There is also potential for some corporate overheads to be reduced through the avoidance of duplication and the rationalisation of certain IT systems.

Should Centuria end up with a shareholding between 50% and 90% then this may reduce the synergies and benefits that would otherwise be available to a merged Centuria and Augusta.

9.5 Likelihood of a price increase

Centuria has already increased the cash component of the Offer price by 2 cents per share and has waived the 90% acceptance condition and declared the Offer unconditional.

It is possible that the remaining Augusta shareholders demand a higher price to accept the Offer. The likelihood of Centuria increasing its price will be driven by whether it is comfortable with a shareholding between 50% and 90% and how close acceptances get to 90%.

If Centuria is comfortable owning a majority stake in a listed entity and acceptances do not get close to 90%, then we consider Centuria is unlikely to increase the Offer price further, given it has already secured 65.9% of Augusta. However, should Centuria get close to 90% of the Augusta Shares and an increase in price would secure a full takeover, then it may be incentivised to increase its price.

Should Centuria increase the Offer price, then all accepting shareholders would receive the higher price, regardless of when they accepted.

9.6 Follow-on offers

Should Centuria achieve a shareholding of less than 90%, then there is potential for follow-on takeover offers. The Takeovers Code allows serial offers without timing or pricing restrictions. Centuria would be free to offer more or less than the current Implied Offer Price of NZ$0.95 per Augusta Share. There is no certainty that any follow-on takeover offers would eventuate.

9.7 Prospect of alternative takeover offers

Centuria will achieve control and have a shareholding in Centuria that is greater than 50%. While Centuria holds such a shareholding, any future takeover offer would need the support of Centuria to succeed.

We therefore consider it very unlikely that an alternative offer would be made for Augusta as any party wishing to acquire more than 20% of the Augusta Shares would either require Centuria to sell its newly acquired shareholding or need approval from shareholders, which could be blocked by Centuria.

There is no need for Augusta shareholders to accept the Offer early and shareholders do not need to do anything in relation to the Offer until close to its closing date. However, as the Offer has been declared unconditional, shareholders will receive their consideration earlier if they accept the Offer sooner.

9.8 Prospect of an investor acquiring a strategic shareholding less than 20%

It is possible that an investor could acquire a strategic shareholding of less than 20% of Augusta without making a takeover offer or needing Centuria to accept. A shareholding of greater than 10% could be considered a blocking stake because it would prevent Centuria from achieving the 90% shareholding necessary to compulsorily acquire Augusta under the Takeovers Code. It is possible that any acquisition of a strategic shareholding could be made at a premium to the Implied Offer Price. There is no certainty that any party will acquire a strategic shareholding and we consider the probability of this occurring is low.

9.9 Tax

Taxation consequences will vary widely across shareholders and we note that the proposed consideration may vary between shareholders given their respective tax positions. Shareholders will need to consider these consequences and, if appropriate, consult their own professional advisers.

Shareholders should consider Section 14(a) of the Target Company Statement, which indicates that there may be negative tax consequences for New Zealand shareholders who accept the Offer and then continue to hold the Centuria securities received as part of the consideration. Shareholders who are uncertain of their tax position should seek appropriate advice.

Appendix 1: Sources of information

Documents relied upon

Key information sources we have used and relied on, without independent verification, in preparing this Report include the following:

- Annual reports for Augusta, Centuria and Asset Plus
- Presentations by Augusta, Centuria and Asset Plus
- NZX and ASX announcements for Augusta, Centuria and Asset Plus
- Augusta forecast for the 5-year period FY21–FY25
- Augusta Industrial financial statements for 2020
- Centuria interim report for 2020
- Centuria website
- IBISWorld report, Commercial Property Operators in New Zealand report, dated May 2020
- Colliers International, New Zealand Research Report, dated June 2020
- ANZ New Zealand Business Outlook reports
- Bayleys, Auckland Office Market Update report, dated 2020
- Reserve Bank of New Zealand
- New Zealand Treasury
- S&P Capital IQ
- Link Market Services
- Equity research reports.

We have also had discussions with Augusta's management in relation to the nature of Augusta's business operations and the known risks and opportunities for the company in the foreseeable future.

Reliance upon information

In forming our opinion, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Augusta and its advisers. We have no reason to believe any material facts have been withheld.

We have evaluated that information through analysis, enquiry and examination for the purposes of forming our opinion, but we have not verified the accuracy or completeness of any such information. We have not carried out any form of due diligence or audit on the accounting or other records of Augusta. We do not warrant that our enquiries would reveal any matter that an audit, due diligence review or extensive examination might disclose.

Appendix 2: Qualifications and declarations

Qualifications

Calibre Partners (previously known as KordaMentha in New Zealand) is an independent New Zealand Chartered Accounting practice. The firm has established its reputation nationally through the provision of professional financial consultancy services with a corporate advisory and insolvency emphasis, and because we have no business advisory, audit or tax divisions, we avoid potential conflicts of interest that may otherwise arise. This allows Calibre Partners to regularly act as an independent adviser and prepare independent reports.

The persons responsible for preparing and issuing this Report are Grant Graham (BCom, CA), Hamish Don (BCom (Hons)) and Shaun Hayward (BCom, BProp, CFA). All have significant experience in providing corporate finance advice on mergers, acquisitions and divestments, advising on the value of shares and undertaking financial investigations.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Calibre Partners' opinion as to merits of the proposed transaction. Calibre Partners expressly disclaims any liability to any Augusta securityholder that relies, or purports to rely on, this Report for any other purpose and to any other party who relies, or purports to rely on, this Report for any purpose.

This Report has been prepared by Calibre Partners with care and diligence and the statements and opinions given by Calibre Partners in this Report are given in good faith and in the belief, on reasonable grounds, that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Calibre Partners or any of its officers or employees for errors or omissions however arising (including as a result of negligence) in the preparation of the Report, provided that this shall not absolve Calibre Partners from liability arising from an opinion expressed recklessly or in bad faith.

Indemnity

Augusta has agreed that, to the extent permitted by law, it will indemnify Calibre Partners and its partners, employees and officers in respect of any liability suffered or incurred as a result of, or in connection with, the preparation of the Report. This indemnity does not apply in respect of any negligence, misconduct or breach of law. Calibre Partners has also agreed to indemnify Calibre Partners and its partners, employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person, except where Calibre Partners or its partners, employees and officers are guilty of negligence, misconduct or breach of law, in which case Calibre Partners shall reimburse such costs.

Independence

Calibre Partners and the persons responsible for preparation of this Report do not have at the date of this Report, and have not had, any shareholding in, or other relationship, or conflict of interest with Augusta that could affect their ability to provide an unbiased opinion in relation to this transaction. Calibre Partners will receive a fee for the preparation of this Report. This fee is not contingent on the success or implementation of the transaction or any transaction complementary to it. Calibre Partners and the persons responsible for preparation of this Report have no direct or indirect pecuniary interest or other interest in this transaction. We note for completeness that a draft of this Report was provided to Augusta and its advisers, solely for the purpose of verifying the factual matters contained in this Report. While minor changes were made to the drafting, no material alteration to any part of the substance of this Report, including the methodology or conclusions, were made as a result of issuing the draft.

Consent

Calibre Partners consents to the issuing of the Report, in the form and context in which it is included, in the information to be sent to Augusta shareholders. Neither the whole nor any part of the Report, nor any reference thereto, may be included in any other document without the prior written consent of Calibre Partners as to the form and context in which it appears.

Appendix 3: Valuation methodologies

There are four methodologies commonly used for valuing businesses:

1. Discounted cash flow (DCF) analysis
2. Capitalisation of earnings
3. Estimate of proceeds from an orderly realisation of assets
4. Industry rules of thumb.

Each of these valuation methodologies is appropriate in different circumstances. A key factor in determining which methodology is appropriate is the actual practice commonly adopted by purchasers of the type of business involved.

Discounted cash flow

It is a fundamental principle that the value of an asset or business is represented by its expected future cash flows, discounted to present value at a rate that reflects the risk inherent in those cash flows. This approach, referred to as the DCF methodology, is particularly suited to situations where a business is in a growth phase or requires significant additional investment to achieve its projected earnings.

The DCF methodology requires considerable judgement in estimating future cash flows and the valuer generally places significant reliance on medium to long-term projections prepared by management. The DCF valuation methodology can also be very sensitive to changes in underlying assumptions. Notwithstanding these limitations, DCF valuations are appropriate where current earnings are not representative of reasonable expectations of future earnings.

Capitalisation of earnings

The capitalisation of earnings methodology requires an assessment of the maintainable earnings of the business and the selection of an appropriate capitalisation rate, or earnings multiple. This methodology is most appropriate where there is a long history of relatively stable returns and capital expenditure requirements are neither large nor irregular. In practice, it is often difficult to obtain accurate forecasts of future cash flows and therefore the capitalisation of earnings methodology is often used as a surrogate for the DCF methodology.

Realisation of assets

The realisation of assets approach is based on an estimate of the proceeds from an orderly sale of assets. This methodology is more commonly applied to businesses that are not going concerns. The valuation result reflects liquidation values and typically attributes no value to any goodwill associated with ongoing trading.

Industry rules of thumb

In some industries, businesses are valued using well established 'rules of thumb'. Generally, these rules of thumb are used as a cross-check for other valuation methodologies.

Appendix 4: Weighted average cost of capital

We have estimated the post-tax, nominal WACC for the funds management business to be between 9.0% to 10.0%.

WACC has been determined as follows:

$$WACC = R_d(1-T_c)\frac{D}{D+E} + R_e\frac{E}{D+E}$$

where:

- R_d = Pre-tax cost of debt and is not applied in our calculation
- T_c = Corporate tax rate = 28%
- D / (D + E) = Target gearing (where E represents market capitalisation) = 0%. Augusta's Funds Management facility has been fully repaid and currently has a nil limit. All outstanding borrowings and available debt facilities now relate to the Investment Assets segment.
- R_e = Cost of equity = 9.0% to 10.0%

We have determined the cost of equity using the Brennan-Lally specification of the Capital Asset Pricing Model, which uses the following formula:

$$R_e = R_f(1-T_i) + \beta_e[R_m - R_f(1-T_i)] + SCRP$$

where:

- R_f = Risk free rate = 2.84%, which is consistent with the New Zealand Treasury's long-term forecast for this input
- T_i = Investors' effective tax rate on interest, dividends and capital gains = 28%
- β_a = Asset beta = a range of 0.80 to 0.90, based upon a review of the betas of comparable companies and equity research reports
- β_e = Equity beta = β_a (1+D/E) = a range of 0.80 to 0.90
- R_m - Rf (1- Ti) = Expected excess return, after investor taxes, on the market portfolio of equity investments = 7.5%
- SCRP = Specific company risk premium = 1%. COVID-19 has created much uncertainty about the outlook for the commercial property industry and the economy in general. It is currently very difficult to determine how important factors such as property values, development activity and investor appetite will change over the medium term following the pandemic. We consider it appropriate to make an adjustment to WACC to recognise this additional risk.

Appendix 5: Comparable transactions

Table A1 presents EBIT and AUM multiples for transactions of similar companies in Australia and New Zealand. Descriptions of the transactions follow the table.

Table A1: Comparable company transactions

Date	Target	Acquirer	Location	Type	EBIT multiple	AUM multiple
Aug 18	Folkestone	Charter Hall Group	AUS	Acquisition	8.0x	3.8%
Aug 18	Aventus Property Group	Aventus Holdings	AUS	Internalisation	8.6x	7.2%
Jun 17	PFI management rights	Property For Industry	NZ	Internalisation	10.6x	3.9%
May 17	Armada Funds Management	Moelis Australia	AUS	Acquisition	6.5x	3.8%
Nov 16	360 Capital Group	Centuria Capital Group	AUS	Acquisition	10.0x	6.6%
Jun 16	Generation Healthcare	NorthWest Healthcare	AUS	Acquisition	5.1x	13.3%
Apr 16	Growthpoint Metro	Growthpoint Properties	AUS	Acquisition	7.0x	2.1%
Feb 16	Investa Office Management	Investa Property Group	AUS	Internalisation	9.4x	1.1%
Nov 14	Citrus Investment Services	Arena REIT	AUS	Internalisation	10.5x	2.8%
Dec 13	CFS RPT mgmt rights	CFS Retail Property Trust	AUS	Internalisation	9.4x	3.3%
Dec 13	Kiwi Property Management	Kiwi Property Group	NZ	Internalisation	6.6x	3.4%
Dec 13	Commonwealth Property	Dexus Property Group	AUS	Acquisition	2.9x	1.1%
Nov 13	GDI Property Group	Internalisation by GDI	AUS	Internalisation	3.7x	2.5%
Median					8.0x	3.4%

Source: S&P Capital IQ, company reports, independent reports, equity research reports and Calibre Partners analysis

Folkestone Limited – Charter Hall Group

Charter Hall Group entered into a scheme implementation agreement to acquire Folkestone Limited on 22 August 2018. Folkstone is an Australian property fund manager and developer with listed and unlisted funds. The acquisition of Folkestone allowed Charter Hall Group to expand into Australia's early learning property sector.

Aventus Property Group – Aventus Holdings

Aventus Holdings entered into a share sale agreement to acquire the management rights of Aventus Property Group on 10 August 2018. The acquisition internalised the management function of Aventus Retail Property Fund within Aventus Holdings. Following the internalisation, Aventus Holdings assumed management of an integrated platform of large-format retail centres across Australia valued at approximately AU$1.9 billion.

PFI management rights – Property For Industry

Property For Industry successfully internalised its management function in June 2017. The internalisation meant that Property For Industry terminated the management agreement with Property For Industry Management, the external management company that had held the original agreement since late 1994.

Armada Funds Management – Moelis Australia

Moelis Australia acquired specialist real estate fund manager, Armada Funds Management, in May 2017 to be operated under the brand Moelis Armada Real Estate Asset Management. Armada Funds Management is based in Sydney and was established in 2006. At the time of the transaction, it had approximately AU$800 million in assets under management.

360 Capital Group real estate platform – Centuria Capital Group

Centuria entered into a share sale agreement to acquire 100% of the issued share capital of 360 Capital Investment Management from 360 Capital Property Group in November 2016. The acquisition of the real estate platform aligned with Centuria's strategy of growing recurring revenues and increasing its level of co-investment in managed funds.

Generation Healthcare Management – NorthWest Healthcare

NorthWest Healthcare acquired Generation HealthCare Management from APN Property Group in June 2016. The acquisition allowed Toronto-based NorthWest Healthcare to strengthen its healthcare real estate management platform in Australia and New Zealand. The target undertook management services for Generation Healthcare REIT, a listed healthcare real estate investment entity with approximately AU$439 million assets under management at the time of the transaction.

Growthpoint Metro Office Fund – Growthpoint Properties Australia

In April 2016, Growthpoint Properties Australia made a proposal to acquire Growthpoint Metro Office Fund's management platform and rights over certain properties from Centuria for consideration of AU$9 million. Growthpoint Metro Office Fund was an externally-managed A-REIT owning several business park office properties across Sydney, Melbourne and Brisbane, with approximately AU$440 million in assets under management at 30 June 2016.

Investa Office Management Holdings – Investa Property Group

Investa Property Group entered into a binding agreement to acquire Investa Office Management Holdings for AU$92 million on 22 February 2016. The acquisition included Investa Office Management's funds and property management rights of approximately AU$8.5 billion of assets across a portfolio of 39 prime grade office buildings in Australia's major office markets.

Citrus Investment Services – Arena REIT

On 4 November 2014, Arena REIT signed the implementation agreement to acquire Citrus Investment Services and internalise its management function for AU$10.7 million. The transaction involved funds management rights plus net asset adjustments of approximately AU$0.8 million in relation to all other operating assets and liabilities of the management business.

CFS RPT management rights – CFS Retail Property Trust

CFS RPT signed an implementation agreement to internalise its management rights for approximately AU$480 million on 18 December 2013. At the time, CFS RPT managed three wholesale funds and 12 asset management partnerships with AU$13.9 billion in assets under management.

Kiwi Property Management – Kiwi Property Group

Kiwi Property Group agreed to acquire the management rights of Kiwi Property Management on 11 November 2013. In December 2013, Kiwi Income Property Trust unitholders voted just short of 100% in favour of internalising the management contract for consideration of $70.6 million. At the time of internalisation, Kiwi Property Management had AUM of $2.1 billion.

Commonwealth Property Office Fund – Dexus Property Group

On 13 December 2013, Dexus Property Group announced that it had signed an implementation agreement to acquire the management of Commonwealth Property Office Fund for AU$41 million. At the time of the acquisition, Commonwealth Property Office Fund had approximately AU$3.7 billion in office property assets under management.

GDI Property Group – Internalisation by GDI

On 25 November 2013, GDI Property Group announced that on completion of its ASX listing offer, GDI Property Group would be an internally-managed property and funds management group with capabilities in ownership, management refurbishment, leasing and syndication of office properties. At the date of the announcement, GDI Property Group held approximately AU$742 million assets under management, which included properties across Perth, Sydney, Adelaide and Brisbane.

Appendix 6: Comparable listed companies

Table A2 presents EBIT and AUM multiples for publicly listed companies that provide property funds management services. Descriptions of the comparable companies follow the table.

Table A2: Comparable listed companies

Company	Country	Market capitalisation $ million[17]	% Funds management revenue	FY19 EBIT multiple
Charter Hall Group	AUS	4,787	69%	16.0x
Platinum Investment Management	AUS	2,185	99%	7.9x
Pendal Group	AUS	1,876	100%	8.3x
Centuria Capital Group	AUS	936	72%	15.3x
Stride Property	NZ	599	34%	16.2x
Median				**15.3x**

Source: S&P Capital IQ, company reports and Calibre Partners analysis

Charter Hall Group

Charter Hall Group is a fully integrated property investment and funds management group with approximately AU$38.9 billion in funds under management. Charter Hall manage a portfolio of over 1,100 properties, spanning from industrial properties, retail centres, premium office buildings and, most recently, early learning centres across Australia.

Platinum Investment Management

Platinum Investment Management, founded in 1994, is an Australian funds manager that specialises in investing in international equities. Platinum currently manages approximately AU$18 billion, typically invested in consumer, healthcare and technology sectors.

Pendal Group

With AU$101.4 billion in funds under management, Pendal Group is one of Australia's largest pure investment managers. Pendal Group launches and manages equity, fixed income, multi-assets and balanced funds. Pendal Group currently has a market capitalisation of approximately AU$2 billion.

Centuria Capital Group

Centuria is an ASX-listed property funds manager with AU$7.2 billion in assets under management primarily invested in Australia. Centuria operates through property funds management, investment bonds management and co-investment segments. Centuria was incorporated in 2000 and is headquartered in Sydney, Australia.

Stride Property

Stride Property is a real estate investment firm specialising in co-investment and investments in commercial, retail and industrial real estate properties. Investment properties comprise freehold land, leasehold land, buildings and improvements that are held either to earn rental income or for capital appreciation, or both. Stride Property seeks to invest in New Zealand and is based in Auckland, New Zealand.

[17] Market capitalisation is presented in New Zealand Dollars based on an NZD/AUD exchange rate of 0.9393.

Appendix 7: Glossary of key terms

Term	Definition
$ or NZ$ or NZD	New Zealand Dollars
1H20	First six months of the 2020 financial year
Asset Plus	Asset Plus Limited
ASX	Australian Securities Exchange
AU$ or AUD	Australian Dollars
Augusta	Augusta Capital Limited
Augusta Shares	Augusta Capital Limited's fully paid ordinary shares
AUM	Assets under management
AUM multiple	Enterprise value divided by assets under management (EV/AUM)
BIA	Bid Implementation Agreement
CAGR	Compound average growth rate
Capex	Capital expenditure
Centuria	Centuria Capital Group and Centuria New Zealand Holdings Limited
cps	Cents per share
CRM	Customer relationship management
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBIT multiple	Enterprise value divided by earnings before interest and tax (EV/EBIT)
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
Forecast	Financial projections for the period FY21 to FY25
FY	Financial year(s) ended 31 March for Augusta and Asset Plus, and 30 June for Centuria
GFC	Global Financial Crisis
IDC	Independent Directors Committee of Augusta Capital Limited
Implied Offer Price	NZ$0.95 per share, based on a Centuria security VWAP and exchange rate on 10 July 2020
NAV	Net asset value
Ninety Four Feet	NFF QT Development Unit Trust
NPAT	Net profit after tax
NPBT	Net profit before tax
NTA	Net tangible assets
NZX	New Zealand Stock Exchange or NZX Limited
OCR	Official Cash Rate
Offer	Full takeover offer by Centuria to acquire all remaining shares in Augusta
REIT	Real estate investment trust
Report	Independent Adviser's Report, prepared in accordance with Rule 21 of the Takeovers Code
SPH	Substantial product holder
sq.m	Square metres
TGR	Terminal growth rate
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital

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