

# Augusta Penrose Limited

Other material information

5 January 2021

## 1 GENERAL

This Other Material Information Document (*Document*) has been prepared to meet the requirements of section 57(1)(b) of the Financial Markets Conduct Act 2013 (*FMCA*) and clause 54 of Schedule 3 to the Financial Markets Conduct Regulations 2014 (*FMCR*) in relation to an offer of ordinary shares in Augusta Penrose Limited (*Augusta Penrose*), as set out in a product disclosure statement (*PDS*) dated on or around the date of this document available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> by searching "Augusta Penrose" under "search offers".

Terms capitalised but otherwise undefined in this document have the meanings given to them in the PDS. This Document must be read alongside the PDS. Any application for admission by an investor to acquire Shares in Augusta Penrose must be made on the application form (and be accompanied by the relevant identification documentation) contained in the PDS.

This document contains the following information:

- A description of the total estimated costs of the Offer and issue; and
- A summary of certain material contracts in relation to the Offer.

2 **TOTAL ESTIMATED COSTS OF THE OFFER AND ISSUE**

<b>Description of cost:</b>	<b>Amount paid, or agreed to be paid, by Augusta Penrose in connection with the Offer and issue of the Shares (including all benefits):</b>	<b>Cost paid to:</b>	<b>Reason for cost and description of services:</b>
Establishment fee	\$3,566,000	Augusta Funds Management Limited ( <i>Manager</i> )	The establishment fee is payable to the Manager for establishing Augusta Penrose, negotiating the acquisition of the Property, completing due diligence, negotiating banking arrangements and arranging the Offer.
Centuria Platform Investments Pty Limited underwrite fee	\$3,279,000	Centuria Platform Investments Pty Limited	The underwriting fees are payable to Centuria Platform Investments Pty Limited for underwriting the Offer.  This fee has been calculated at 3% of 109,300,000, being the amount underwritten.
Centuria's deposit Fee	\$586,192	Centuria Platform Investments Pty Limited	Centuria Platform Investments Pty Limited has paid a deposit in partial satisfaction of the consideration payable for the Property.
Brokerage fees	\$1,912,750	Bayleys Real Estate Limited	The brokerage fee is payable to Bayleys Real Estate Limited as the sole selling agent for the Offer.
Legal fees*	\$279,819	Chapman Tripp Harnos Horton Lusk	Legal fees are payable to Augusta Penrose's and the Manager's solicitors for the cost of legal due diligence on the Property, negotiation of the sale

Description of cost:	Amount paid, or agreed to be paid, by Augusta Penrose in connection with the Offer and issue of the Shares (including all benefits):	Cost paid to:	Reason for cost and description of services:
		HWL Ebsworth	and purchase of the Property, settlement of the Property, the cost of advising on the PDS, the Management Agreement, and Augusta Penrose's constitution, advising on Augusta Penrose's financing arrangements and compliance with the Financial Markets Conduct Act 2013, the trans-Tasman mutual recognition scheme and the Overseas Investment Act 2005.
Investigating accountant fee	\$40,000	Ernst & Young Strategy and Transactions Limited	Investigating accountant fees represent Ernst & Young Strategy and Transactions Limited's fee for providing a limited assurance engagement for the first two periods of prospective financial statements contained on the Offer Register.
Valuation fees	\$44,755	Jones Lang LaSalle Limited Bayleys Valuations Limited	The valuation fees are payable to Jones Lang LaSalle for preparing valuation reports for the Property and insurance.
Chattels valuation fee	\$13,000	Bayleys Valuations Limited	The valuation fees are payable to Bayleys Valuations Limited in connection with the chattel valuation obtained by the Manager for the chattels at the Property, required for the calculation of capital allowances and depreciation.

<b>Description of cost:</b>	<b>Amount paid, or agreed to be paid, by Augusta Penrose in connection with the Offer and issue of the Shares (including all benefits):</b>	<b>Cost paid to:</b>	<b>Reason for cost and description of services:</b>
Property due diligence report fee*	\$10,000	Glaeba (03) Pty Limited, trading as Environmental Earth Sciences VIC.	The due diligence report fees relates to the due diligence reports the Manager commissioned on the Property as part of the Manager's due diligence investigations.
Marketing fees, PDS design and printing	\$447,546	Bayleys Real Estate Limited Buffalo & Co (NZ) Limited Alliance Printers Limited	Marketing costs reflect the costs of both preparing and producing advertisements in relation to the Offer, publishing those advertisements, holding investor presentations on the Offer and the costs for designing and printing the PDS.
PDS liability insurance*	\$114,425	Brokerweb	PDS liability insurance costs are payable to Brokerweb for insuring Augusta Penrose against claims arising from the Offer and the PDS.
Bank fees	\$501,469	ASB Bank Limited Bank of New Zealand Kiwibank Limited	The bank fees are payable to ASB Bank Limited, Bank of New Zealand Limited and Kiwibank Limited in connection with documenting and negotiating Augusta Penrose Fund Limited's loan facility.
Incorporation and PDS registration fees	\$6,083	Financial Markets Authority	The incorporation, PDS registration fee and FMA levy are payable in connection with incorporating Augusta Penrose and the registration of the Offer on the Offer Register.
Registry fees*	\$51,300	Forms By Air Limited	The registry fees are payable in connection with the provision of share registry services.

Description of cost:	Amount paid, or agreed to be paid, by Augusta Penrose in connection with the Offer and issue of the Shares (including all benefits):	Cost paid to:	Reason for cost and description of services:
Bank legal fees*	\$30,000	Bank legal advisors	The bank fees are payable to the banks' legal advisors in connection with documenting and negotiating Augusta Penrose Limited's Loan Facility.
<b>Total</b>	<b>\$10,882,339</b>		

Note: The above fees are payable by Augusta Penrose Limited - none are chargeable to Shareholders directly. Where any of these costs have previously been paid by the Manager, it will be reimbursed for those costs by Augusta Penrose

\*These amounts, or a component of these amounts, are the Manager's best estimates, based on the experience and information known at the date of this PDS, but they may be subject to change based on the amounts invoiced to Augusta Penrose (and Shareholders will not be notified of such a change). All other amounts are fixed or maximum amounts and cannot be increased.

### 3 MATERIAL CONTRACTS

#### Lease

The deed of lease for the Property is between Visy Glass Property (NZ) Limited as tenant and Visy Glass Packaging Services Pty Limited as guarantor. The Landlord is Visy Glass Property (NZ) Limited (as at the date of this PDS) and Augusta Penrose from 25 February 2021.

The key terms of the Lease are:

<b>Tenant</b>	Visy Glass Operations (NZ) Limited.
<b>Guarantor</b>	Visy Glass Packaging Services Pty Limited. The Guarantor guarantees the Tenant's obligations under the Lease.
<b>Bank guarantee</b>	The Tenant is required to provide a bank guarantee to an amount equal to 12 months' rent (plus GST), commencing at \$9.2 million. The bank guarantee amount will increase each time rent has increased by 10% (every 4 years under the Lease).
<b>Term</b>	20 years.
<b>Commencement date</b>	25 February 2021
<b>Tenant rights of renewal</b>	Five rights of renewal of 10 years each.
<b>Initial annual rent</b>	\$8,000,000 plus GST.
<b>Rent review provisions</b>	<p>Fixed increases of 3% per annum on each anniversary of the initial commencement date, being 25 February 2021.</p> <p>The rent will be subject to a market review on each renewal date (ratcheted to the rent payable as at the expiry of the initial term of the Lease). This means the rent will be adjusted on each renewal date to reflect market rates at the time but cannot be lower than the rent payable in the 20<sup>th</sup> year of the Lease.</p>
<b>No rental abatement</b>	The Tenant must continue to pay rent and outgoings in full in the event it is unable to access the premises (and the premises are not damaged or destroyed preventing the use or occupation by the Tenant).
<b>Outgoings</b>	The Tenant must pay all outgoings (being the total amounts payable by the Landlord in connection with the ownership, operation, management, maintenance and administration of the Property). Outgoings includes costs such as electricity, water and rates. Where possible, the Tenant shall pay any outgoings directly to the relevant supplier or territorial authority and take all steps reasonably required by the Landlord to ensure that

	<p>any invoices are issued in the name of the Tenant and not the Landlord. Outgoings include Insurance premiums for property insurance and loss of rents and outgoings for up to 24 months. Augusta Penrose has elected to insure loss of rents and outgoings for 36 months, the difference in premiums between the 24 month and 36 month cover periods is not recoverable from the Tenant.</p>
<b>Repair and maintenance</b>	<p>The Lease excludes the Landlord from liability for the costs of any repair, maintenance or other work (whether structural or otherwise) in respect of the Property.</p> <p>The Tenant must keep the Property and the Tenant's property in good repair and condition, including all capital and structural works and all capital repair and replacement of the Landlord's property having regard to a premises condition report to be commissioned by the parties (subject to fair wear and tear). The Tenant will not be obliged to undertake any works that would improve the state of repair and condition of the Property and the Tenant's property.</p>
<b>Make good</b>	<p>Upon the expiry or earlier termination of the Lease, the Tenant must complete defined "Make Good Works". The Tenant's obligations here are limited to removing all rubbish and waste materials from the Property, leaving the buildings clean and tidy and otherwise consistent with the Tenant's repair and maintenance obligations in the Lease, safely removing all Tenant property to the extent it contains contamination or materials hazardous to human health (including asbestos), and completing any environmental remediation necessary to restore the Property to a standard suitable for "heavy industrial use" (see the paragraph below regarding contamination for further detail).</p>
<b>Contamination</b>	<p>During the term of the Lease the Tenant must comply with all environmental laws, which includes being liable to carry out any remediation works required by law. The Tenant indemnifies the Landlord against any liability associated with any historic contamination of the Property or any contamination caused by the Tenant during the term of the Lease.</p> <p>Following termination or expiry of the Lease, the Tenant's liability is limited to remediating the Property to the standard required by law for "heavy industrial use". However, the Tenant will be required to remediate the Property to a higher standard if it carries out a use on the Property other than "heavy industrial use" which triggers a higher remediation standard at law.</p>
<b>Seismic</b>	<p>During the term of the Lease, the default position is that the Tenant is liable for seismic strengthening works that may be required by law. However, the Lease contains a restriction on the Landlord from procuring a seismic assessment for the</p>

	<p>buildings constructed on the Property (unless requested by Auckland Council or another relevant authority, or if the Landlord is required to take any action pursuant to any statutory, regulatory or other legal requirement). If the Landlord breaches this obligation during the term of the Lease, then the Landlord (and not the Tenant) will be liable for undertaking any seismic strengthening works required in connection with the relevant seismic assessment. If seismic strengthening works are required by law following the expiry of the Lease, this will be the responsibility of Augusta Penrose, as the landlord.</p>
<p><b>Right of first refusal</b></p>	<p>The Lease contains a right of first refusal in favour of the Tenant. If the Landlord intends to dispose of the Property at any time during the term of the Lease, the Landlord must first give the Tenant a period of 21 working days to accept or reject the Landlord's offer to sell the Property.</p> <p>If the Tenant does not accept the offer within the 21 working day period the Landlord may sell the Property to a third party on terms not more materially favourable and at a price not less than that initially offered to the Tenant. If the Landlord intends to sell the Property on more favourable terms or at a price less than the consideration initially offered to the Tenant, then the Landlord must re-offer the Property to the Tenant (but the notice period is reduced to 10 working days in these circumstances).</p> <p>The right of first refusal provisions do not apply where the Landlord intends to transfer the Property to a related body corporate or other investment vehicle managed by Augusta Funds Management provided that the Landlord procures a deed of covenant from the incoming purchaser in favour of the Tenant under which the incoming purchaser agrees to observe and perform the Landlord's obligations under the right of first refusal provisions.</p>
<p><b>Damage or destruction</b></p>	<p>Augusta Penrose will maintain insurance of initially \$132,690,000 for material damage to the Property and loss of rent for 36 months. Insurance for material damage to the Property and loss of rent for 24 months is at the Tenant's cost. Following damage or destruction the Landlord is liable to reinstate.</p> <p>Either the Landlord or the Tenant has the ability to terminate the Lease by providing one month's written notice to the other party if:</p> <ul style="list-style-type: none"> <li>• the Landlord has not obtained all necessary approvals to undertake any necessary reinstatement works within 24 months of the date of a damage or destruction event; or</li> <li>• the Landlord has not achieved practical completion of any necessary reinstatement works within 30 months of the date of a damage or destruction event (although</li> </ul>

	<p>this date is capable of extension for a period of up to 12 months to account for any delays which are beyond the Landlord's reasonable control).</p> <p>The timeframes provided for the Landlord to complete reinstatement are longer than usual.</p> <p>If the Property is damaged or destroyed such that the Tenant cannot access, occupy or use the Property or any part of the Property, then the Tenant may reduce the payment of rent and outgoings by a fair proportion until the necessary reinstatement works are completed. Augusta Penrose's loss of rent insurance will provide for the shortfall for a period of up to 36 months.</p>
<p><b>Sale to a competitor</b></p>	<p>The Lease restricts the sale of the Property by the Landlord to a "competitor" of the Tenant. A breach of this restriction by the Landlord will entitle the Tenant to terminate the Lease. This restriction does not prevent the landlord from selling the Property to any real estate investment funds, real estate investment trusts or other real estate investment vehicles.</p>

Agreement for Sale and Purchase of the Property

Centuria and Augusta Penrose have entered into an agreement for the sale and purchase of the Property, dated 5 January 2021, under which Augusta Penrose agrees to purchase the Property from Centuria.

The purchase will take place on Settlement, anticipated to be 26 February 2021, for a purchase price of \$178,300,000 plus GST (if any). Augusta Penrose is also required to make an additional payment of \$586,192 plus GST (if any) to Centuria upon Settlement as a fee for Centuria having paid a deposit as partial satisfaction of the consideration payable for the Property.

Upon Settlement:

1. Centuria will assign the benefit of the warranties given to it by Visy Glass Property (NZ) Limited in the agreement for sale and purchase of the Property between Visy Glass Property (NZ) Limited and Centuria to Augusta Penrose. To the extent that any of these warranties are found to not be capable of assignment to Augusta Penrose, Centuria agrees that it will enforce the relevant warranties against Visy Glass Property (NZ) Limited (subject to Augusta Penrose indemnifying Centuria for its reasonable costs and expenses in doing so); and
2. Centuria will provide Augusta Penrose with an original copy (or certified copy if the original is unavailable) of the Lease, along with:
  - a. the bank guarantee to be provided by the Tenant in accordance with the terms of the Lease; and
  - b. an assignment of the benefit of the bank guarantee to be provided by the Tenant, in a form approved by Augusta Penrose (acting reasonably).

### Intercompany Loan Agreement

Centuria and Augusta Penrose have entered into an intercompany agreement which records the interest free loan between the parties.

The loan balance will be used by Augusta Penrose to fund the acquisition of the Property and is payable on demand.

### Underwriting Agreement

The Manager and Centuria have entered into an underwriting agreement, dated 5 January 2021. Centuria has agreed to:

- underwrite the minimum amount of \$109,300,000 to be raised under the Offer; and
- subscribe for all shortfall shares (being the difference between the 109,300,000 shares offered by Augusta Penrose and the number of shares actually applied for by investors in Augusta Penrose).

In consideration for agreeing to fully underwrite the Offer, Centuria will receive a fee of \$3.279 million (calculated at 3% of the amount to be underwritten of \$109,300,000).