

UK
COMMERCIAL
PROPERTY
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NEWSLETTER
SEPTEMBER 2004



building your wealth...



Directors TJ. Kearns and Declan Kennedy
The Augusta UK Commercial Property Fund plc

This Newsletter introduces The Augusta UK Commercial Property Fund plc, ahead of the official launch of the Fund's Prospectus and the opening of the Fund.

Dear Investor,

Welcome to the first Augusta newsletter.

I have made a career out of raising money for the award-winning, collective, co-operative ownership of assets in the forestry sector, and created a group of companies that together now comprise the single largest private landowner in Ireland.

Having spent the past three years researching other asset classes which could also benefit from applying the same business model, my partners and I came to the conclusion that the UK commercial property market represents one of the best opportunities for medium term stable growth. This is due to the size of the market as well as its political and economic stability, but mostly because of the fact that leases are typically 15 years which gives the investor tremendous opportunity for real stable growth.

The management team and advisors in Augusta bring long experience in the UK market and a depth of expertise. Colliers CRE, a partner in Colliers International, one of

the largest property consultants in the world, have been appointed to source property and through the group's Irish associate, Colliers Jackson-Stops, will be managing and valuing the property assets. My co-Director, TJ Kearns is a Director with Colliers Jackson-Stops and has been involved in commercial property for 15 years. His property expertise will ensure that all elements of the property acquisition, management and eventual sale will maximise the value to you, the shareholders. Deloitte have been appointed as accountants and tax advisors and O'Donnell Sweeney will provide legal services to Augusta.

The Augusta UK Commercial Property Fund plc will shortly be launched. We plan to raise €4.5 million. The company will then leverage its own capital by borrowing up to 75% of the value of the property it purchases. This will create a total fund of more than stg£10 million, which will be used to acquire prime properties in the UK. Investment in the Augusta UK Commercial Property Fund plc will provide individual investors, companies and personal pension funds with an opportunity to participate

in the thriving UK commercial property market, the largest commercial property market in Europe and one of the most transparent and liquid markets in the world.

The company has been designed as a low risk, medium term, tax efficient investment. The attraction of this investment opportunity is its simplicity and tangibility - the fact that it is asset backed. For a once-off investment of €1,000 per share, the investor will be able to participate in one of the most stable, secure asset backed investments in Europe in a vehicle that is designed to minimise tax payable.

The Prospectus will be available shortly. In the meantime, if you've any questions, please call us on (01) 230 0858 or email us at info@augusta.ie or check our website www.augusta.ie

Declan Kennedy, FCCA
Managing Director,
The Augusta UK Commercial Property Fund plc.

Invest in the UK Property Market

Tremendous Opportunity
Simple access to dynamic UK Commercial Property market
Low risk, medium term
Tax efficient investment
Low level entry*

*minimum investment €1,000

HOW TO INVEST

Investors who wish to participate in the company subscribe for Preference shares in the company. The minimum investment is €1,000, which immediately differentiates the Augusta UK Commercial Property Fund plc from other similar property funds in the market. This low level of investment opens up UK commercial property investment to almost everybody, whilst at the same time maintaining the potential returns with other higher entry funds project.

After approximately eight years, profits made by the company will be distributed to the Preference Shareholders. The company will then be wound up allowing for the capital distribution of profits.

WHY PROPERTY?

Commercial property in the UK has attracted enormous interest from European investors over the last 5 years who sought an alternative to the volatile equities market. Although the bond market also offers greater security than equities, property is now widely accepted as an excellent medium to long-term alternative offering better returns and capital appreciation.

Property is asset backed with bricks and mortar

Another great advantage property has over other asset classes, especially in the current economic climate, is that an investor can borrow money with loan to values of up to 90% on a non-recourse basis. This minimises the risk to the investor's original stake. In addition, with

commercial property, the investor benefits from a secure income/dividend return in the form of rent paid quarterly in advance. This makes financing much easier and less risky. Over the holding period, the investor should benefit from additional rental and capital appreciation without any of the management or volatility problems suffered by other investment classes.

THE KEY ATTRACTIONS OF UK PROPERTY CAN BE SUMMARISED AS FOLLOWS:

Tenant Responsibility

- Full repairing and insuring (FRI) leases are the norm in the UK market. An FRI lease places all the cost and liability of repairing and insuring the property on the tenant. The FRI lease ensures that there are no deductions to the landlord's rental income.

Upward Only Rent Reviews

- Standard UK property leases allow for the rent to be reviewed to the open market rental value or the current rent, whichever is the higher. The rent reviews, typically every five years, allow the landlord to benefit from rental growth while protecting them from the adverse affects of rental decline.

Lease Length

- New leases of retail and office units are typically 15 years in duration, although it is not uncommon for properties to be let for terms of 20 or 25 years. It is the length of such leases and the related income which allow investors to finance purchases up to 90%.

Strength of Tenant Covenant

- All of the FTSE companies, be they retailers, service providers or manufacturers, have lease related liabilities. The Augusta UK Commercial Property Fund plc will place great importance on tenant covenants and will invest only in properties let to substantial tenants or UK Government bodies.

Liquidity

- Stg£31.5 billion of commercial property was transacted in 2003, representing approximately 10% of the value of the UK property market. This liquidity is a big attraction allowing all but the most difficult of properties to be sold at any given time at a market price.

Transaction Costs

- UK transaction costs are at a discount to the majority of Europe. Traditional purchaser's costs are 5.5% broken down as 4% Stamp Duty, 1% agent's fees and 0.5% solicitor's fees. There are areas in the UK designated as disadvantaged by the Inland Revenue and as such exempt from Stamp Duty. The Augusta Fund would be open to investing in suitable opportunities in these areas as the Fund's cash flow would be improved by not having to pay a lump sum of 4% on completion to the Inland Revenue.

Debt Finance

- The UK's banking industry is one of the most deregulated and competitive in the world. In recent years, more banks have entered the commercial property market, attracted to its asset-backed attributes and as a result margins have tightened. Borrowings allow an investor to increase their return on the equity.

WHY THE UK?

The UK has the oldest and most established property market in the world. It has the largest commercial property sector in Europe accounting for 27% (stg£31.5 billion) of all transactions in the European market in 2003. The quality and supply of stock across all sectors is difficult to match and has resulted in an influx of investment into the UK, including an estimated stg£2.5 billion of Irish money in 2003. This can be contrasted to Ireland where only €850 million was invested in 2003, due to a typical shortage of good quality stock, especially in the smaller lot sizes of €1 million - €10 million.

As a result of its size, the UK property market is very transparent with research information freely available that will assist in identifying and purchasing property.

In the UK market, longer lease terms are still the norm compared to European markets. Also, given the size and sophisticated nature of the UK market, strong tenant covenants are plentiful. With high building standards and stringent health and safety regulation, the quality of the building stock is also high compared to foreign markets.

2004 is the thirteenth year of uninterrupted growth in real GDP, a record unmatched by any other country in the OECD.

An additional advantage is the relatively low transaction costs prevailing in the UK market, compared to some European countries. Stamp duty is 4%. Given the transparency mentioned earlier in addition to the property registration system, the time taken to purchase a property is much shorter. Tax and investment legislation is also much simpler in the UK.

In relation to the overall economic situation, the UK continues to show encouraging data. In terms of economic growth, it is the best performing G7 country since 2000. In fact, 2004 is the thirteenth year of



Pacific Quay in Glasgow let to the Government with 21 years unexpired. The investment has recently been sold for stg£8.4 million reflecting an average yield of just over 6%. This property was exempt from Stamp Duty. The BBC are constructing a 400,000 sq ft broadcasting centre adjacent to the property which will boost demand for office space in the area and therefore rental growth.

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The commercial property sector is sharply differentiated from the residential market in the UK, which is much more volatile and sensitive to the vagaries of demand and supply, as well as being very sensitive to consumer confidence and interest rate movements. The commercial property sector is generally structured on the returns, or rent receivable, with growth in rental income being the driver for capital appreciation. Investment in commercial property is generally more stable because of security of income due to the prevalence of long term leases. Additionally, any interest rate rises in the short term should have a negligible impact on commercial property values, given that the impact of any such rises in interest rates has already been factored in by most retailers and businesses. The facility also exists for the company to hedge against interest rate risk through fixing interest rates on loans.



The UK retail market is dominated by multiple retailers such as Debenhams, Marks and Spencer, Dixons, Boots, and Next. These retailers trade from the majority of retailing centres in the UK. Boots trade from 1,389 locations in the UK, literally providing hundreds of opportunities for investment in property leased to a FTSE100 company.

THE UK COMMERCIAL PROPERTY MARKET

There is considerable potential for rental growth in the UK commercial property market, which should have a knock on effect on capital values.

Total property returns up to June 2004 were 15.4%. This compares with Equities at 16.9%. However, by careful stock selection Retail Property returns, for example, reached 19.1%.

Source IPD

INVESTMENT STRATEGY

Based on local expertise and professional advice, The Augusta UK Commercial Property Fund plc will seek to acquire commercial properties, drawn from the retail, including leisure, office or industrial sectors in carefully identified locations in the UK.

The company is designed to be as tax efficient as possible and to maximise the capital returns available by seeking relatively low leveraging ratios, coupled with the specific strategy of reducing bank debt where appropriate.

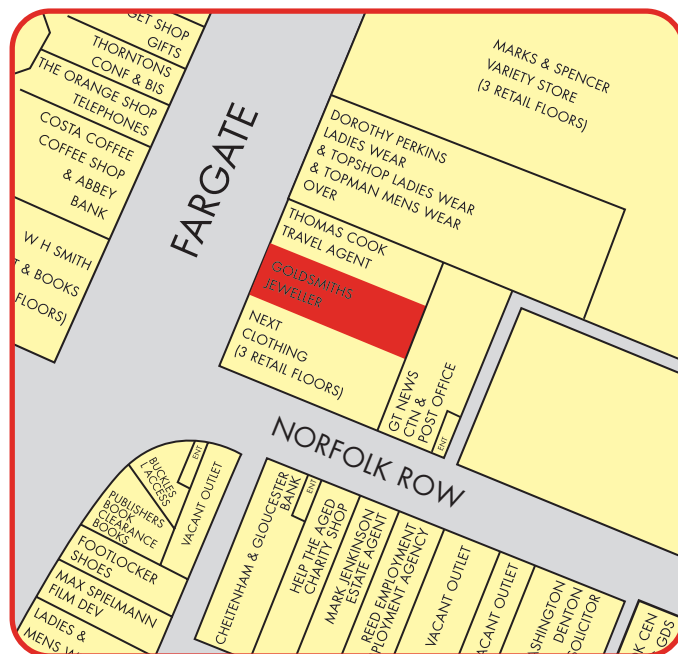
It may be possible to augment the returns available by proactive management of property. This may include, but is not limited to, applying for planning permission to increase the lettable area of a property or the renegotiation of leases.

Costs

The property management charges associated with The Augusta UK Commercial Property Fund plc are very competitive, representing 0.6% of assets under management. This rate compares favourably with other Irish property funds investing in the UK market, which typically charge between 1% and 1.5% of assets under management.

Incentives

As an incentive to the management companies, if the projected returns are exceeded, 20% of any such excess will be paid to the management companies as a bonus for out performing. This is to ensure that they are properly motivated in maximising your returns.



Sheffield is a strong retailing centre with a catchment population of 625,000. The property is let to Goldsmith Jewellers who trade from over 200 stores in the UK and reported a turnover of stg£158.2 million in 2003. The property which has good rental growth prospects was purchased for c. stg£3.6 million which reflected a yield of c.5.4%.

Tax Status of Investment

Rental income, after allowable costs and expenses, will be subject to UK income tax, currently 22%. Under current UK tax laws the companies not ordinarily resident in the UK will not be subject to Capital Gains Tax on the disposal of the UK property. Accordingly, given that a wholly owned Belgian subsidiary of The Augusta UK Commercial Property Fund plc will hold the property, no exposure to Capital Gains Tax should arise on the disposal of the property at the end of investment period, being approximately eight years. However, investors who are resident in Ireland for tax purposes, should be liable to Irish Capital Gains Tax, currently 20%, in respect of distributions from the The Augusta UK Commercial Property Fund plc.

ADDING VALUE FOR AUGUSTA INVESTORS



Colliers Jackson Stops, with its sister company in the UK, Colliers CRE, will manage the property portfolio for The Augusta UK Commercial Property Fund plc.

Colliers CRE is one of the top 10 surveying practices in the UK, with 650 staff and turnover in 2003 of stg£60 million. It currently manages stg£6 billion of property for clients and in 2003 were involved in property transactions totalling stg£3 billion in value. Its blue chip client list includes many of the UK's major corporates and institutional investors.

Its resources and expertise will be at The Augusta UK Commercial Property Fund plc's disposal. Colliers CRE is part of Colliers International, with 247 offices in 53 countries.

AUGUSTA ADVISORS:

Deloitte.



Contact Details:

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