

ASHINGTON

PRIVATE EQUITY | ADVISORY | PROPERTY



Ashington
A Family Office

www.ashington.com.au

SERVICES

Private Equity Investment

Business Advisory Services

Property Investment & Development

Our philosophy is simple:
We **succeed** because of our ability to **research** and **recognise** opportunities and to operate with **shared values**, professional **integrity**, **ethics** and **efficiency**.

Contact Ashington

Kent Aughey, Managing Director
GPO Box 2870, Adelaide SA 5001
Ph (08) 8168 9200
kent@ashington.com.au
www.ashington.com.au



WHO IS ASHINGTON

Ashington was established in 1987 as a private family investment group and now provides financial management, investment management and high level wealth management services to the family group.

Private Equity Investment

Private Equity is provided on a medium to long term basis in exchange for an equity stake in the company, enabling the company to grow and develop. Ashington provides development and expansion capital in sound, growth oriented businesses in a broad range of industry sectors. We specialise in the SME sector with investments \$500K up to \$2M. This is a sector often overlooked by the major private equity firms but presents opportunities for Ashington, at board level, to really add value and achieve solid growth for the investee company. For equity needs in excess of \$2 million, we introduce other funding partners.

Business Advisory Services

Ashington provides a range of key business advisory solutions to a small number of business people and organisations. Working together, we help you step back from the day to day and look at the bigger picture to achieve sustainable business growth. Examples of our services include acquisitions and divestments, essential and strategic **marketing**, brand building, development and execution of your strategic business plans, capital raising, information memorandum, **property** acquisition, development and sale, health checks of your **financial procedures** and **human resources policies and procedures**, recruitment and IP management and security.

Property Investment & Development

Demand for quality property is constant and the experience and market knowledge of Ashington is utilised to find quality investment grade properties. We look across the traditional asset classes - commercial, industrial and retail - and those select few properties which meet our criteria are purchased within a syndicate. Ashington Investment Management sources the property, in the range of \$10M to \$20M, creates the syndicate, co-invests in the syndicate with other investors and provides the sound asset strategy and management for the term of the investment. Ashington also undertakes a development role and likewise with investment property, we form a syndicate to undertake the development, with Ashington managing the project and co-investing.

"We invest our own funds in these areas and our philosophy is simple; we succeed because of our ability to research and recognise opportunities and to operate with professional integrity, ethics and efficiency."

PROFILE



Kent J Aughey
FAICD, MREI, A Fin, FAIM, CPMgr
Managing Director
(1987 – present)
Ashington Group Holdings Pty Ltd

kent@ashington.com.au
www.ashington.com.au

As Managing Director, Kent's key role is focussed on:-

- Develop the vision and Group business
- Have responsibility for financial performance
- Liaise with the Board of Directors, Investors and Advisors
- Develop strategic alliances
- Motivate the team and monitor performance
- Actively manage investments and performance
- Maintain superior client service systems, quality control and marketing
- Oversee Risk Management and compliance

Kent is the founder of the Ashington Group, a Family Office providing financial management, investment management and high level wealth management services to his family group. At the same time he also manages the family's 60 hectare grazing property in the Barossa, which his mother still resides at, ensuring the property is sustained, for the enjoyment of future generations.

After many years working for his father in various businesses covering property, hospitality, agribusiness, financial markets and retail, Kent has had a hands-on insight to the challenges and opportunities facing family business entrepreneurs in South Australia.

Kent has been a passionate member of FBA for many years. He is a National Director of Family Business Australia and Chairman of the SA Chapter.

He is also a Foundation Fellow of the Australian Institute of Company Directors, an Individual Member of the Real Estate Institute of SA, Fellow of Australian Institute of Management and a member of the Australian Venture Capital Association, an Associated Member of the Financial Services Institute of Australasia and a Director of The Australian Dance Theatre.

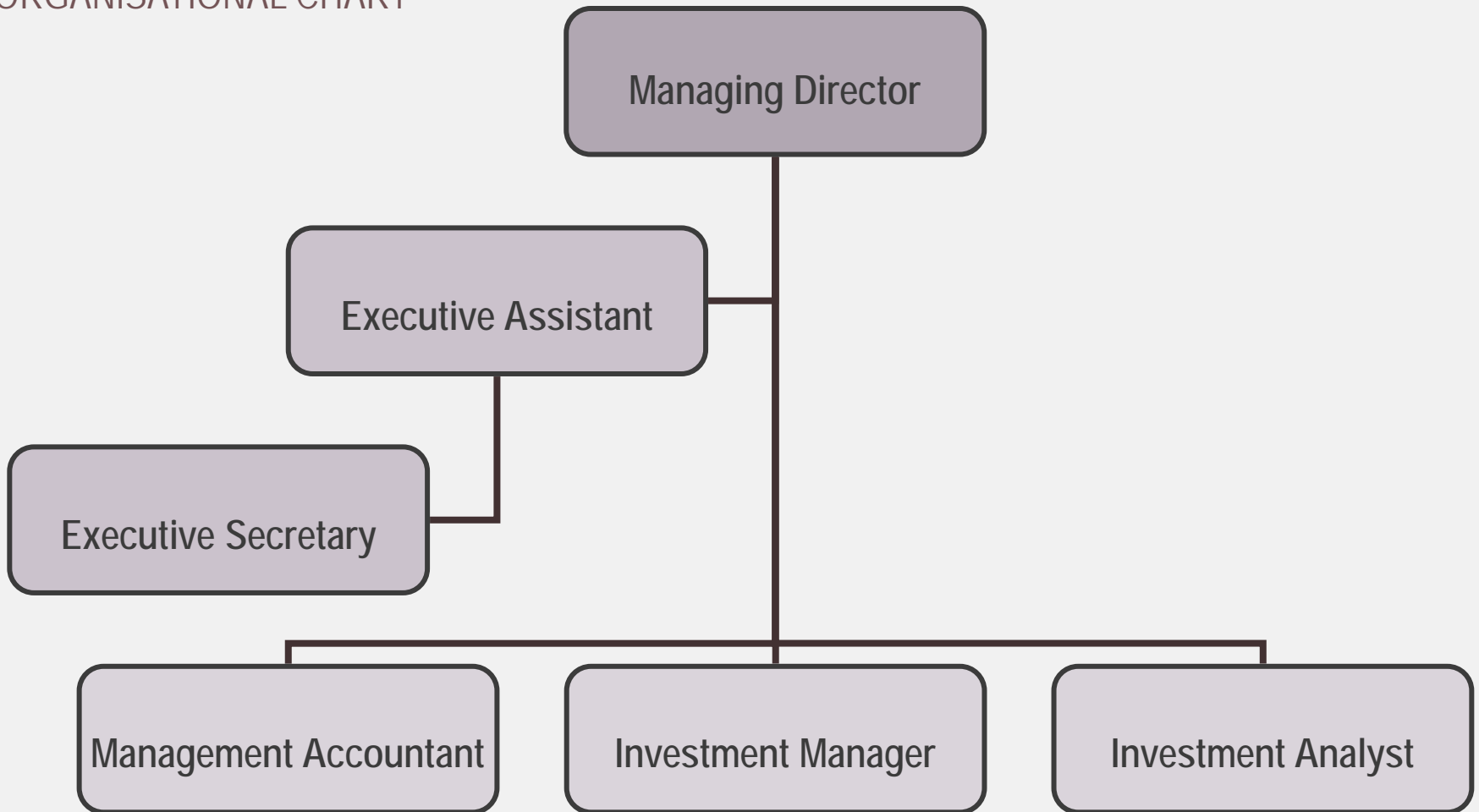
Kent's vision for 2010 and beyond is to remain part of a well respected and successful financial services company focused on the growth of Ashington by sourcing appropriate investment opportunities and increasing funds under management, professional non executive directorships and business development.

As a proud father of two children, with strong family commitments, Kent's limited spare time is spent socialising with friends whilst trying to be fit as well as healthy. Kent's motto is: *"Look after family and good friends, show loyalty and integrity in everything that you do and enjoy life to the full – you don't get a second chance!"*

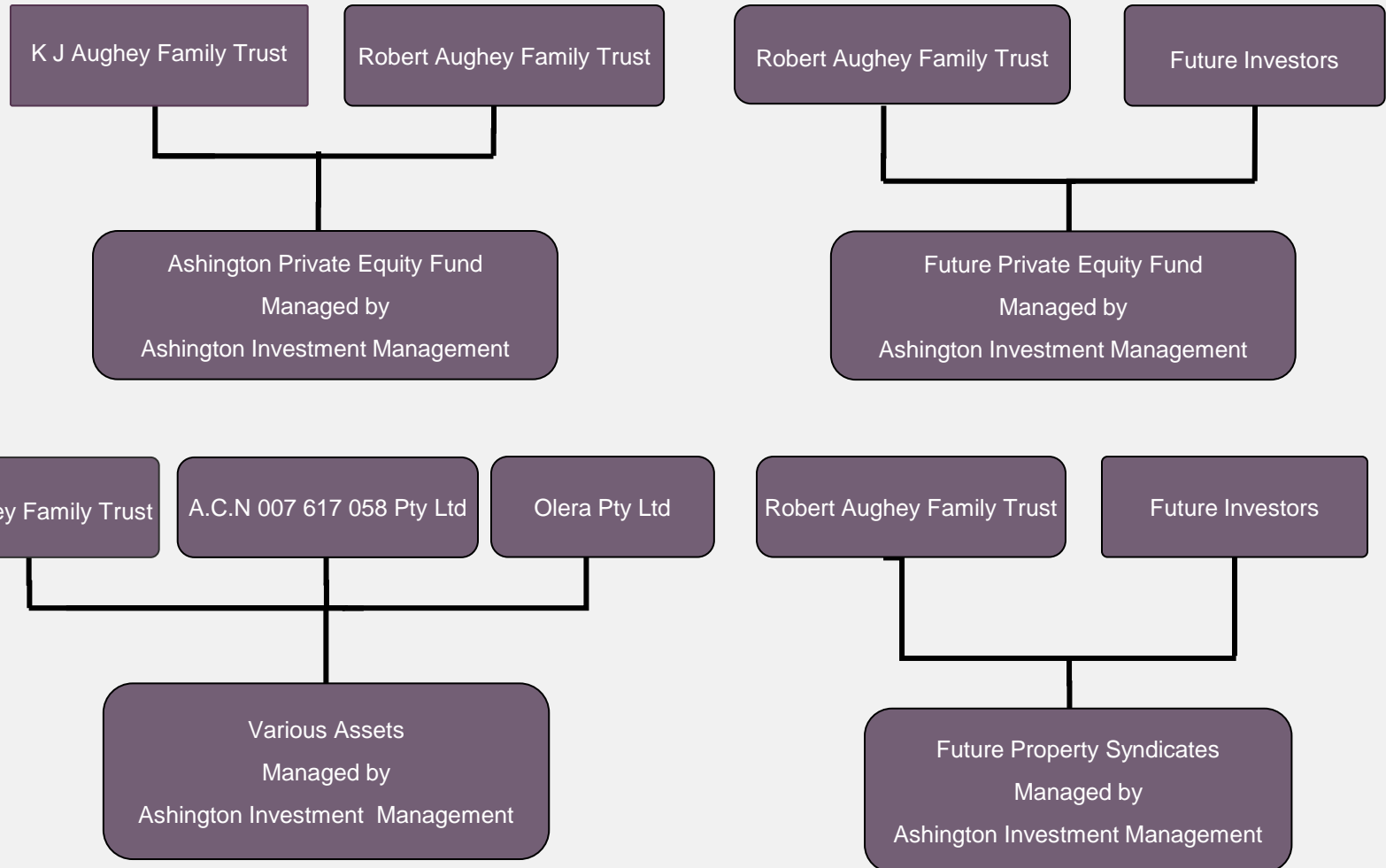
Organisational Chart



ORGANISATIONAL CHART



ASHINGTON INVESTMENT STRUCTURE



PROPERTY INVESTMENT MANDATE

Objective	<p>To secure a quality property asset to take advantage of any unique opportunities that may become available.</p> <p>This syndicate should be able to provide a substantially higher return than can be achieved with current deposit interest rates and an excellent opportunity for capital growth.</p>				
Investment Approach	<p>Ashington utilises its experience and market knowledge to find quality investment grade property across all the traditional asset classes – commercial, industrial and retail.</p>				
Investment Requirements	<ul style="list-style-type: none"> • Yield – 8.5% (minimum) + • Premium location – based in a capital city or major regional centre (SA / Vic) • Quality tenants • Low vacancy rate with long lease expiry timeframes • Potential for capital growth 				
Investment Sectors	<p>Commercial Property <i>"A" class office space within 3km of the CBD or in a major regional centre</i></p> <p>Retail <i>At least one major anchor with high traffic flow</i></p> <p>Industrial <i>Strategically located in an area with tight land supply and excellent access</i></p>				
Risk Profile	<p>Low</p>				
Performance	<p>The Fund concentrates on ongoing income yield with a long term capital growth component.</p>				
Key Features	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Target Fund Size</td> <td style="text-align: right;">\$10M - \$20M</td> </tr> <tr> <td>Maximum Gearing Ratio</td> <td style="text-align: right;">60%</td> </tr> </table>	Target Fund Size	\$10M - \$20M	Maximum Gearing Ratio	60%
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Maximum Gearing Ratio	60%				

LISTED EQUITIES INVESTMENT MANDATE

Objective	The Fund's primary ambition is to invest in high quality "blue chip" stocks that will grow in value over time and provide a steady flow of dividends.
Investment Approach	<p>The portfolio should be built around the following broad policies;</p> <ul style="list-style-type: none"> • Hold a maximum of 20 stocks within the portfolio diversified across the various asset classes. • Through leveraging a portfolio, accelerated returns are achievable in rising markets. The gearing ratio , if utilised, must not exceed 50%, providing a buffer in times of falling markets. • Reweighting is not a requirement but will be assessed on a case by case situation. • Options may be used in special circumstances but only in the case of a hedge &/or generating revenue and not speculation. • If a proposed investment is outside any written guidelines issued by the investment committee, the Manager must obtain prior approval before investing in or causing the company to acquire the proposed equity investment.
Risk Profile	Medium
Key Benefits	<ul style="list-style-type: none"> • Equities enable diversification among a number of sectors • Property and Equity have returned similar returns over a 25 year history (approx 14%pa – ASX sector performance report) • Unlike direct property investment there isn't any day to day management of equities • Dividends are primarily fully franked providing imputation credits to be distributed to beneficiaries • Equities are highly liquid with very low transactional costs
Investor Profile	<p>In selecting stocks we assess the following fundamentals;</p> <ul style="list-style-type: none"> • ASX 200 • Price to earnings ratios and price to cash flow • Diversification of industry sectors • Sound management • Conservative debt levels and maintainable dividend yield • Quality of business – we assess a company's revenue streams for stability and future growth • Recurring revenue streams – look to invest in companies which produce recurring earnings streams • Intrinsic value of the company including price to book value
Performance	Accumulation Fund based on capital growth and dividend income. Long term view and therefore performance should be assessed on a seven year plus time frame

PROPERTY ACQUISITION DUE DILIGENCE PROCEDURE

- Asbestos Register
- Asset Register
- Building Code Compliance
- Building Contracts (current)
- Building Specifications/Plans
- Business Name Registration
- Certificate of Title
- Construction Completion / Defects
- Corporate Structures
- Council Approvals – Planning / Building
- Council Zoning
- Depreciation Schedule
- Development Plan / Approval
- Market Rentals vs Rentals Achieved
- Easement Summary
- Environment Assessment Report
- Fire Safety Certification
- Form 1 Searches
- Insurance Details
- Land Contamination
- Leases and Guarantees
- Litigation
- Licenses and Agreements
- Maintenance Contracts and Agreements
- Outgoings Schedule
- Repairs & Maintenance
- Survey of lettable area
- Tenancy Fit Out Plans
- Tenancy Schedule
- Tenant Confidential Feedback
- Verbal Agreements
- Warranties & Guarantees

BUSINESS INVESTMENT DUE DILIGENCE PROCEDURE

Preliminary Assessment of the Key Criteria	<ul style="list-style-type: none"> • Confirming that the company meets the guidelines for Ashington. • Consistency with the company / industry / risk profile of Ashington investment strategy • Understanding the stakeholders and their aims. • Discussions with directors and management and analysis of their C.V's highlighting skills, experience and standing within their industry. • Evaluating past performance of company and standing within their industry. • Reviewing the company's business plan, marketing plan and HR organisational plan.
Detailed Due Diligence on Potential Investee	<p>This includes confirming that the company:-</p> <ul style="list-style-type: none"> • Operates in a clearly defined, sound and growing market. • Has capable and stable management • Has potential for significant growth and increased profits • Does not have any unforeseen problems likely to impact prospects negatively. • Is open to outside involvement, if it is not a publicly listed company. • Detailed review of licences, leases, contracts, agreements, insurances and compliance.
Structuring of Investment & Completion of Due Diligence	<ul style="list-style-type: none"> • The likely effect of the investment on the revenue, profitability and net asset value of the company. • Completion of a formal risk assessment including use of external experts as appropriate. • Evaluation of the investment in comparison to competing opportunities
Recommendation of the Board of the Ashington Group	<ul style="list-style-type: none"> • Formal recommendation from The Investment Team to the Board to undertake the investment.
Implementation of Unlisted Investment	<ul style="list-style-type: none"> • Preparation, finalisation and execution of necessary legal documentation setting terms of the investment. • Implementation of the investment
Confirmation & Implementation of Exit Strategy	<p>As the investment proceeds, the most appropriate strategy will be identified, in conjunction with the Board, and carried out in coordination with the business plan</p>

SUMMARY

Why we did it?

- With no single major operating business and with generational change, the logical step was to have the collective family group assets become investments, centrally managed in a professional, transparent manner.

Issues / Risks

- Costs to operate the family office
- Complexity of Taxation including CGT
- Sustainability of existing ownership structure
- Communication & perception to non active family members

Future Issues / Risks

- Economies of scales
- Relevance for stakeholders and their increasing number
- Keeping it together
- Future generational change
- Key person risk

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