

PROSPECTIVE FINANCIAL STATEMENTS

Basis of preparation

These are the final prospective financial statements of Fred Thomas Property Investment Limited for the periods ended 31 March 2018, 2019 and 2020. They have been prepared in compliance with FRS-42 "Prospective Financial Statements" and NZ GAAP as they apply to prospective financial statements and have been subject to an assurance engagement by BDO Auckland (whose report can be found on the Disclose Register). These should be read in conjunction with the notes on pages 4-7.

The accounting policies assumed in the prospective financial statements reflect the policies expected to be adopted in the actual annual financial statements.

If you do not understand this financial information, you can seek advice from a financial advisor or an accountant.



Director

19/7/17

Date



Director

19/7/17

Date

Fred Thomas Property Investment Limited Prospective Statement of Comprehensive Income For the period ended 31 March	Note	2018 10 Months (Note 1- Trading for 7 Months) \$	2019 12 Months \$	2020 12 Months \$
Revenue				
Rental Income		2,551,133	4,418,184	4,417,154
Operating Expenses Recovered		407,609	694,470	732,786
Management Expenses Recovered		19,311	34,097	35,120
Other Income		17,500	35,000	35,000
Total Revenue		2,995,553	5,181,751	5,220,060
Expenses				
Accountancy		8,333	12,750	13,005
Audit Fee		12,000	12,240	12,485
Acquisition Costs		898,490	-	-
Operating Expenses		474,296	837,472	862,596
Properties Management Fees		34,300	57,184	58,079
Valuation Fee		9,000	9,180	9,364
Total Expenses		1,436,419	928,826	955,529
Surplus before Interest		1,559,134	4,252,925	4,264,532
Finance Costs		705,002	1,241,243	1,279,431
Total Comprehensive Income for the period attributable to shareholders and IRD		854,132	3,011,682	2,985,101

Fred Thomas Property Investment Limited Prospective Statement of Changes in Equity For the period ended 31 March		2018 10 Months (Note 1: Trading for 7 Months) \$	2019 12 Months \$	2020 12 Months \$
Opening Share Capital		-	33,055,229	33,055,229
Investors' Capital Contribution		33,650,000		
Share Issue Costs		(594,771)		
Closing Share Capital		33,055,229	33,055,229	33,055,229
Opening Retained Earnings		-	(735,831)	(449,799)
Total Comprehensive Earnings		854,132	3,011,682	2,985,101
Distribution to Shareholders		(1,589,963)	(2,725,650)	(2,725,650)
Closing Retained Earnings		(735,831)	(449,799)	(190,348)
Equity at Beginning of Period			32,319,398	32,605,430
Equity at End of Period		32,319,398	32,605,430	32,864,881

Fred Thomas Property Investment Limited Prospective Statement of Cash Flows For the period ended 31 March	Note	2018	2019	2020
		10 Months	12 Months	12 Months
		(Note 1- Trading for 7 Months) \$	\$	\$
Cash Flows from Operating Activities				
Cash Provided from:				
Rental Receipts		2,540,692	4,235,834	4,302,159
Operating Expenses Recovered		407,609	694,470	732,786
Management Fees Recovered		19,312	34,097	35,120
Other Income		17,500	35,000	35,000
Net GST Received		52,921	(24,194)	946
Total Cash Received		3,038,034	4,975,207	5,106,011
Cash was Applied to:				
Interest – Bank Loan		705,002	1,241,219	1,279,359
Accounting Fee		5,833	12,700	12,954
Audit Fee		-	12,000	12,240
Operating Expenses		474,296	837,472	862,596
Properties Management Fees		34,299	57,184	58,079
Valuation Fees		-	9,000	9,180
Acquisition Expenses		898,490	-	-
Total Cash Disbursed		2,117,920	2,169,575	2,234,408
Net Cash Inflow from Operating Activities		920,114	2,805,632	2,871,603
Cash Flows from Investing Activities				
Cash Flow was Applied to:				
Purchase of Investment Properties		(60,850,000)	(114,975)	(153,375)
Net cash (outflow) from investing activities		(60,850,000)	(114,975)	(153,375)
Cash Flows from Financing Activities				
Cash provided from:				
Shares Issued		33,650,000		
Secured Bank loan		28,900,000		
Total Cash Applied		62,550,000		
Cash was Applied to:				
Distribution to Investors		1,589,963	2,725,650	2,725,650
Share Issue Costs		594,771	-	
Total Cash Disbursed		2,184,734	2,725,650	2,725,650
Net Cash Inflow/(Outflow) from Financing Activities		60,365,266	(2,725,650)	(2,725,650)
Net Increase (Decrease) in Cash Held		435,380	(\$34,993)	(\$7,422)
Cash and Cash Equivalents at Start of Period			435,380	400,387
Cash and Cash Equivalents at End of Period		435,380	400,387	392,965

Fred Thomas Property Investment Limited Prospective Statement of Financial Position as at 31 March	Note	2018	2019	2020
Assets				
Cash at Bank		435,380	400,387	392,965
Tenancy Incentives		10,440	192,790	307,785
Investment Properties		60,850,000	60,964,975	61,118,350
Total Assets		61,295,820	61,558,153	61,819,100
Liabilities				
GST Payable		52,922	28,715	29,674
Accounts Payable		23,500	24,008	24,546
Secured Term Liabilities		28,900,000	28,900,000	28,900,000
Total Liabilities		28,976,422	28,952,723	28,954,220
Net Assets		32,319,398	32,605,429	32,864,880
Represented by :				
Shareholders' Equity		32,319,398	32,605,430	32,864,881

Notes and Assumptions for the years ending 31 March 2018, 2019 and 2020

Basis of preparation

The purpose of the prospective financial statements is to assist subscribers in assessing the viability of and return on funds invested. The Product Disclosure Statement ('PDS') and the prospective financial information contained in it may not be appropriate for any other purpose.

The company is incorporated and domiciled in New Zealand.

The company will be a commercial property investor that owns land and buildings at 2-4 Fred Thomas Drive, Takapuna, Auckland. The registered office of the Manager is situated at B3, 17 Corinthian Drive, Albany, Auckland.

The prospective financial statements were authorised for issue on 19 July 2017 being the date of the Product Disclosure Statement. The Manager is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Assumptions

1 Settlement

The Issuer will settle the purchase of the Property not later than its contracted date of 31 August 2017. The prospective financial information has been prepared for the periods ended 31 March 2018, 2019 and 2020. As the Issuer was incorporated on 29 May 2017, the first accounting period recorded is for the 10 month period from 29 May 2017 to 31 March 2018, but will represent only 7 months of trading.

2 Property Valuation

The valuation by Jones Lang LaSalle, Auckland, as at 2 May 2017 was \$60,850,000 (the 'valuation'). The purchase valuation figure of \$60,850,000, together with capital expenditure incurred (Assumption 14), is also assumed to be the fair value on the date of purchase of the Property and at 31 March 2018, 2019 & 2020 and that there is no increase in the fair value of the Property over the forecast period. The valuation received is for potential acquisition, first mortgage purposes and financial reporting purposes.

3 Rental Receipts

Rent receipts will be in accordance with the various lease agreements including rent reviews. No provision for Bad Debts has been made, on the basis of the financial strength of the Tenants. A number of leases either have a right of renewal or expire during the period. For such leases it has been assumed that they are renewed at the same rate as prior but that there is a rent free incentive period given of between 3 and 4 months. For each lease which expires an underwrite for up to 24 months has been received and it is assumed that tenants are in place at the end of the underwrite period. A 3 month rent free incentive period is assumed as is the cost of letting agents' fees. The total amount of the incentive and letting agents fees are disclosed below together with the associated impact on the statement of comprehensive income caused by the straight lining of these costs over an estimated lease term of 4 years. There is also a specific capital expenditure allowance for refurbishments made in respect of leases which expire in the period (Note 14). A summary of the allowances against full rental receipts is summarised in the table below:

	No. of Leases	Annual rent and opex.	Gross Incentives and Letting Costs	Impact on Comprehensive Income
FY18	1	61,085	11,137	696
FY19	3	636,687	199,102	16,752
FY20	4	820,790	188,002	73,008
		\$1,518,562	\$398,241	\$90,456

4 Shareholder Distributions

Distributions to shareholders and IRD are based on an 8.10% annual return on initial funds invested in line with the PDS. Due to the acquisition costs in the period to 31 March 2018, the issuer forecasts a profit of \$854,132 before distribution to shareholders of \$1,589,963. Distribution for these periods will be partly paid from capital contributed. Cumulative cash will be retained for each of the 3 years, being \$435,380; \$400,387; and \$392,965 respectively. Part of this cash includes \$206,740, being a forecast refund of GST from the payment of Acquisition and Share Issue Costs

5 Acquisition and Share Issue Costs

That the investors' funds will be used to pay for the Acquisition and Share Issue Costs, as detailed in the table below:

Fred Thomas Property Investment Limited	\$
Funds Received	
Subscriptions from investors (673 parcels of \$50,000 each)	33,650,000
Bank Loan comprising	28,900,000
Total	\$ 62,550,000
Use of Funds	
Purchase Price	60,850,000
Issue Expenses	1,700,000
Total	\$ 62,550,000

Total Estimated costs of offer and issues	
Bank Loan - Application Fees	112,000
Interest Paid on Deposit Funds.	2,990
Bank Loan - Legal Fees	14,485
Accountants fee - Financial Forecast Review	25,000
Brokerage Fees	200,000
Legal Fees	165,000
Statutory Fees	2,900
Marketing	164,150
Offerors' Fee	760,500
Special Reports	25,000
Valuation Fees	21,235
GST on Set-up Costs (claimed back from IRD)	206,740
Total	\$ 1,700,000

Costs have been based on quotes received.

6 Tax

The Issuer plans to register as a PIE and therefore, the Issuer itself will not be subject to tax. Instead, the Issuer will attribute income to the investor and, where applicable, deduct tax at the individual investor's prescribed investor rate ("PIR") before it is paid to the investor. The Issuer will pay the tax deducted to the Inland Revenue.

7 Cash at bank

The cash at bank will be retained as a contingency for future:

- Building maintenance
- Capital expenditure (as outlined in Note 14)
- Rises in interest rates
- Lease vacancies
- Tenancy considerations

8 Interest

The interest rate on the Bank borrowings has been assumed to be at a floating rate of 4.20% for the first reporting period (year ended 31 March 2018) and at an average of 4.29% and 4.43% for the 2019 and 2020 years respectively. The interest expense and cash flow is based on:

- no principal repayments during the term of the loan
- no recourse to Investors.

This is based on current indications from the China Construction Bank, subject to variation at the time of the loan being drawn and assumes the conditions precedent in the offer are fulfilled.

9 Loan Funds

The level of bank borrowings will be \$28,900,000, being 47.49% of the cost of the Property of \$60,850,000. An indicative offer and has been received from the CCB. The loan will be secured by a registered first mortgage over the Property, a first registered general security interest over the assets of the Company and an assignment of the lease agreements for the Property.

Interest Rate Cover and Gearing (Loan to Value) Ratio are non-GAAP information which the Directors have included as they consider they are useful to investors. Interest Rate Cover measures the adequacy of the company's profits relative to interest payments on its loan and Gearing Ratio is a measure of the extent to which the property is funded by lenders versus shareholders. A reconciliation of this information to the GAAP information is noted below:

	31/3/2018	31/3/2019	31/3/2020
Interest Rate Cover	2.21	3.43	3.33
(being EBITDA/interest)	(\$1,559,134/\$705,002)	(\$4,252,925/\$1,241,243)	(\$4,264,532/ \$1,279,431)
Gearing Ratio	47.2%	46.9%	46.7%
(being total interest-bearing liabilities/total assets)	(\$28,900,000/\$61,295,820)	(\$28,900,000/\$61,558,153)	(\$28,900,000/\$61,819,100)

10 Related Parties

The management fees payable to the Manager will be \$57,184 plus GST for the first full year (2019), which is based on an annual management fee charge of 1.35% per annum on the net rental received from the Property. In addition, the Manager will be paid an annual accountancy fee of \$10,000, payable monthly in arrears and an annual fee of \$2,500 in relation to end of financial year audit preparation, with both fees being adjusted by the CPI movement each year. On settlement the manager will be paid \$760,500 plus GST as an arranger's fee.

11 Contingent Liabilities

There will be no contingent liabilities as at 31 March 2018, 2019 or 2020.

12 Operating Environment and Taxation

There will be no material changes in the economic environment, legal requirements or the current tax regulations and the Company qualifies as a Portfolio Investment Entity ("PIE").

13 Issue of Shares

That all 673 share parcels of \$50,000 shares are issued for \$33,650,000 The Investors as holders of Shares will be entitled to receive distributions as declared from time to time and are entitled to one vote per interest at meetings of the Company (but cannot elect directors) and rank equally with regard to the Company's residual assets.

14 Capital Expenditure

An allowance of \$Nil, \$114,975 and \$153,375 for each of the 2018, 2019 and 2020 years respectively has been provided for, based on an assessment of \$75 per square metres for **each individual tenancy** for which the lease will terminate during the 2 years and 7 months forecast period and it is considered that those **tenancies** will need refurbishment at that time. In comparison to this assumption, the Valuation assessment provided for capital expenditure of \$434,784 for a full 36 month period based on a refurbishment rate of \$75-\$100 per square metre **for all tenancies** where leases will be terminated during this period.

It has also been assumed that:

- a) No general capital expenditure has been forecast during the 2018 and 2019 years. However, the Valuation estimates a cost of \$20,000 should be made available for this purpose in 2020 and this has been included in the Sensitivity Analysis section of the prospective financial information
- b) the condition of the roofs will withstand their 10 year warranty period, providing annual maintenance is completed
- c) that no expenditure will be required to upgrade the methane measuring equipment situated at the property
- d) that all relevant Codes of Compliance Certificates have been received for work completed by the vendor on the property and that other outstanding CCCs apply to previous tenants works which were not proceeded with

Statement of accounting policies

The prospective financial statements here are for the reporting entity Fred Thomas Property Investment Limited.

The Company will be an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and will report as a Tier 1 for Profit entity. The prospective financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements and comply with FRS-42 Prospective Financial Statements. The accounting policies and disclosures adopted in these prospective financial statements reflect those required by the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities.

The actual annual financial statements for the Company will be prepared in accordance and comply with NZ IFRS and also International Financial Reporting Standards. The accounting policies adopted in the prospective financial statements reflect the policies expected to be adopted in the actual annual financial statements.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies which are intended to be adopted by the Directors as the Issuer's accounting policies.

Specific Accounting Policies

- (a) **Revenue Recognition:** Revenue includes rental income and recovered outgoings from the Property held by the Issuer. Rental income from operating leases is recognised in income on a straight - line basis over the lease term. When the Issuer provides incentives to its Tenant, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.
- (b) **Investment Properties:** The acquisition of the investment property and the associated leases is considered a business combination. Investment Property fair value will be determined annually by external valuers in accordance with financial reporting standards. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.
- (c) **Receivables:** Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off during the period in which they are identified.
- (d) **Payables:** Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. As accounts payable do not accrue interest and are generally paid within 30 days of recognition, they are stated at the invoice amount.
- (e) **Goods and Services Tax (GST):** The prospective financial statements have been prepared using GST exclusive figures with the exception of receivables and payables which are stated GST inclusive.
- (f) **Income Tax:** As a PIE, the Issuer itself is not liable for income tax. The Issuer's taxable income is instead apportioned amongst its shareholders based on the number of Shares they hold and their prescribed investor rates.
- (g) **Share Issue Costs:** Share issue costs associated with respect to raising equity are deducted from the equity proceeds.
- (h) **Finance Expenses:** Finance expenses comprise interest on borrowings and is accounted for using the effective interest rate.
- (i) **Changes in Accounting Policies:** There are no changes in the accounting policies anticipated in the first three reporting periods.

Sensitivity analysis

Prospective financial information is inherently subject to business, economic and competitive uncertainty, and accordingly actual results are likely to vary from prospective financial information and this variation could be material. A summary of the likely effects of variation in certain of these assumptions on the forecast of Cash Surplus is detailed below.

The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes. Care should be taken in interpreting the information set below.

The approach taken in respect of the sensitivities has been to determine those variables most likely to materially affect results in the 2018, 2019 and 2020 Financial Year.

Movements in assumptions are shown occurring in 2018, 2019 and 2020 Financial Year. Each movement in an assumption is calculated and presented in isolation from possible movements in other assumptions, which is not likely to be the case. It is more likely that more than one assumption may move at any point in time, giving rise to compounding or offsetting effects. Furthermore, the sensitivity analysis does not take into account any potential mitigating actions that Directors may take.

Capital Expenditure Sensitivity

No general capital expenditure has been forecast and specific refurbishment capital expenditure has been forecast as per note 14. If the capital expenditure is in line with the valuation assumptions the sensitivities are shown below.

An estimate for capital expenditure and refurbishment allowance related to re-leasing of tenancies has been provided for in the cash flow projections of \$114,875 in 2019 and \$153,375 in 2020 (Note 14). This forecast is subject to variation in both the type and duration of costs.

Tenancy Risk Sensitivity

Exposure to tenancy risk is in the normal course of the Issuer's business. The forecast assumes that rent receipts are according to the lease agreements and that there is an allowance of 3-4 months rent in respect of incentives relating to leases subject to rights of renewal and 3 months rent plus letting agents fees in respect of leases which terminate in the period. Changes in the lease agreements will have an impact on the Cash Surplus.

Interest Rate Risk Sensitivity

Exposure to interest rate risk is in the normal course of the Issuer's business. The funding offer from the CCB provides for a floating rate for the three year period of the loan. However the type of facility agreed to on settlement may vary. The Issuer projects that the interest rate strategy implemented will be in accordance with the Reserve Bank of New Zealand's forecast that the OCR rate will increase from its current level of 1.75% to 2.16% at the end of the 2020 financial year. At the date of this PDS, CCB's applicable margin is 2.3%. If the Issuer does not fix or fixes at a different rate than the 4.20% assumed, the sensitivities are shown below.

Investment Property Sensitivity

The Investment property is valued at fair value. The change in value is not part of the cash flow. However it does have an impact on the Statement of Comprehensive Income and reserves. The value of these assets is sensitive to changes in assumptions (over the long term), including future tenancy risk, discount rate applied and projected operation and capital expenditure. The value of this asset may increase or decrease depending on changes in the applicable assumptions.

Investor Return Sensitivity

Returns are based on one or more hypothetical but realistic assumptions. The actual results may differ from the prospective financial information if there are fluctuations in the various factors contributing to the Issuer's prospects. The resulting variance may be material.

Forecast Sensitivities

Description	Sensitivity applied	Impact on Forecast Cash surplus 31 March 2018	Impact on Forecast Cash surplus 31 March 2019	Impact on Forecast Cash surplus 31 March 2020
Forecast Cash on Hand at end of period	Base Forecast	\$435,380	\$400,387	\$392,965
Allowance for capital expenditure and fit-out costs in relation to future leasing	Additional provision to equate to the Valuer's assumptions	(\$34,197)	(\$12,942)	(\$119,275)
Provision for general capital expenditure	As provided for in the Valuer's Report	Nil	Nil	(\$20,000)
Tenancy Risk	A further 3 months lease and letting-up allowance	Nil	(\$29,140)	(\$193,998)
Delay in Purchase Settlement	Settlement of property purchase is delayed 2 weeks	(\$33,276)	Nil	Nil
Variation in Debt Expense and Equity Distribution	The short term funding from CCB is drawn for the full 4 month period. Difference between 4.90% & 8.10%	\$33,067	Nil	Nil
Change in Interest Rate based on floating rates applicable for each year	Rate of + or - 1%	+ - \$179,735	+ - \$289,000	+ - \$289,000
Investor Return	Projected distribution rate per annum reduced by 0.5% (to 7.6%)	\$105,060	\$168,250	\$168,250

Results may not occur as expected and the variations may be material. Accordingly, neither the Issuer, its directors, Maat nor any other person provides any assurance that the prospective financial information will be achieved and Investors are cautioned not to place undue reliance on the prospective financial information.

**INDEPENDENT ASSURANCE REPORT ON THE PROSPECTIVE FINANCIAL STATEMENTS OF
FRED THOMAS PROPERTY INVESTMENT LIMITED ("THE COMPANY")**

To the Directors of Fred Thomas Property Investment Limited

We have performed a reasonable assurance engagement in respect of the prospective financial statements comprising the prospective statement of financial position, prospective statement of comprehensive income, prospective statement of changes in equity, and the prospective statement of cash flows of the Company, together with their related assumptions, accounting policies and other explanatory information as set out on pages 2 to 10 for the period ending 31 March 2018 and years ending 31 March 2019 and 31 March 2020.

This report is prepared for inclusion on the Disclose Register in conjunction with the prospective financial statements and for no other purpose.

Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the prospective financial statements in accordance with FRS-42 Prospective Financial Statements, including the assumptions upon which they are based.

Our Responsibilities

We are responsible for expressing an opinion on the Company's prospective financial statements for the period ending 31 March 2018 and years ending 31 March 2019 and 31 March 2020.

We conducted our procedures in accordance with International Standards on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised) ("ISAE (NZ) 3000 (Revised)") issued by the External Reporting Board ("the XRB"). We also complied with the requirements of Professional and Ethical Standard 1 (Revised) and Professional and Ethical Standard 3 (Amended).

Our engagement was conducted to provide reasonable assurance that the prospective financial statements:

- so far as the accounting policies and calculations are concerned have been compiled, in all material respects, in accordance with FRS-42 Prospective Financial Statements (FRS-42) issued by the XRB;
- have been properly compiled on the basis of the assumptions; and
- have been presented on a basis consistent with the accounting policies intended to be adopted by the Company.

Scope of our procedures

In order to achieve reasonable assurance, ISAE (NZ) 3000 (Revised) requires that we:

- Identify and assess the risk of material misstatements (whether due to fraud or error) within the prospective financial statements; and
- Design and perform procedures to respond to the assessed risk of material misstatements to support our conclusion.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the prospective financial statements in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of

expressing a conclusion as to the effectiveness of the internal control over the preparation and presentation of the prospective financial statements.

Our procedures included the following:

- Understanding the processes used in preparing the prospective financial statements;
- Performing procedures to ensure the prospective financial statements were compiled in accordance with the assumptions and the stated accounting policies; and
- Consideration of the overall presentation of the prospective financial statements, including the assumptions and accounting policies, in accordance with the requirements of FRS-42 Prospective Financial Statements.

Prospective financial statements relate to events and actions that have not yet occurred and may not occur. Actual results during the prospective periods may vary materially from the prospective financial statements, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated. We do not confirm, guarantee or express an opinion as to whether the actual results will approximate those included in the prospective financial statements.

Independence

We have no other relationship with, or interest in, the Company other than our capacity as independent assurance providers.

Opinion on the prospective financial statements

In our opinion, the prospective financial statements, set out on pages 2 to 10 for the period ending 31 March 2018 and for the years ending 31 March 2019 and 31 March 2020, have been:

- compiled, in all material respects, in accordance with FRS-42 Prospective Financial Statements (FRS-42);
- properly compiled on the basis of the assumptions; and
- presented on a basis consistent with the accounting policies as set out on pages 8 to 10 which are intended to be adopted by the Company.

Restriction on use

This report has been prepared for the Directors. We disclaim any assumption of responsibility for any reliance on this report or the amount included in the prospective financial statements for any purpose other than that for which they were prepared and to any other party other than the Directors.



BDO Auckland
19 July 2017
Auckland
New Zealand