Oyster Large Format Retail Fund

Prospective Financial Information

Prospective Financial Information

The prospective Financial Statements of Oyster Large Format Retail Fund (the "Fund") comprise the following Prospective Financial Information ("PFI") and other PFI information as at and for the 11 months ending 31 March 2022 and year ending 31 March 2023.

The Prospective Financial Statements comprise the following:

- Prospective statement of comprehensive income;
- Prospective statement of financial position;
- Prospective statement of changes in equity;
- Prospective statement of cash flows;
- Description of general and specific assumptions, and policies applied in preparing the PFI;
- Sensitivity analysis to prospective financial information; and
- Reconciliation of non-GAAP information.

This document should be read in conjunction with the Product Disclosure Statement ("PDS") dated 29 March 2021 and other information provided on the Register Entry (www.business.govt.nz/disclose, offer number OFR13407). Capitalised terms used but not defined in this document have the meanings given to them in the PDS.

Financial information is presented in New Zealand Dollars.

Basis of preparation and presentation

The PFI has been prepared in accordance with the requirements of Financial Reporting Standard 42: *Prospective Financial Statements*, as required by clause 53(1)(c) of Schedule 3 to the Financial Markets Conduct Regulations 2014 (the "Act").

The PFI, and underlying assumptions, have been prepared by management of Oyster Management Limited ("Oyster") and approved by Oyster's Board (the "Directors"), in its capacity as Manager of the Fund, specifically for the purposes of a Offer of units in the Fund (the "Offer").

The Directors have given due care and attention to the preparation of the PFI (including the assumptions underlying it) and authorised the PFI as at 29 March 2021 for the purpose stated above. The PFI may not be suitable for any other purpose. The PFI is based on the Directors assessment of events and conditions existing at the date of the PDS, the accounting policies and best estimate assumptions set out below.

PFI, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of the Fund and its Manager. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated.

Various risk factors and the management thereof may influence the success of the Fund's business – with specific reference to Section 7 "Risks to returns from Oyster Large Format Retail Fund" in the PDS. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. The Directors cannot and do not guarantee the achievement of the PFI.

Financial Periods

The PFI covers the following reporting periods:

- Prospective financial information for FY22 (11 months ending 31 March 2022); and
- Prospective financial information for FY23 (12 months ending 31 March 2023).

The Directors are responsible for and have authorised the issue of the PFI on 29 March 2021. There is no present intention to update the PFI or to publish PFI in the future, other than as required by regulations. The Fund will present a comparison of the PFI with actual financial results in its FY22 and FY23 annual reports, as required by Regulation 64 of the Financial Markets Conduct Regulations 2014.

Explanation of certain non-GAAP financial measures

Refer to the "Reconciliation of non-GAAP financial information" section for a description and reconciliation of each adjustment to GAAP financial information.

Prospective statement of comprehensive income

	Note	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Rental income from investment property	1.2.3	5,185,520	5,581,553
Accrual for fixed rental growth	1.2.3	138,550	85,620
Other income	1.2.3	191,403	187,205
Tenant contributions to property operating expenses	1.2.3	903,690	980,138
Total Revenue		**6,419,165**	**6,834,516**
Property operating expenses	1.2.3	(1,251,411)	(1,384,873)
Non-recoverable property expenses	1.2.3	-	(40,640)
Net property income		**5,167,752**	**5,409,903**
Administration expenses	1.2.3	(481,785)	(516,411)
Operating profit before financing costs		**4,685,967**	**4,892,592**
Finance expenses	1.2.3	(1,217,486)	(1,328,167)
Operating profit before fair value movements		**3,468,481**	**3,564,425**
Unrealised movement in the fair value of investment property	1.2.2	(601,417)	-
Operating profit before taxation		**2,867,065**	**3,564,425**
Income tax	1.2.18	-	-
Total profit for the period after taxation		**2,867,065**	**3,564,325**
Other comprehensive Income		-	-
Total comprehensive income for the period		**2,867,065**	**3,564,325**

These prospective financial statements should be read in conjunction with the accompanying notes.

Prospective statement of financial position

	Note	As at 31 March 2022 $	As at 31 March 2023 $
Current assets			
Cash and cash equivalents		4,142,788	4,294,209
Total current assets		**4,142,788**	**4,294,209**
Non-current assets			
Investment property	1.2.2	88,220,800	89,151,468
Total non-current assets		**88,220,800**	**89,151,468**
Total assets		**92,363,588**	**93,445,677**
Current liabilities			
Trade and other payables	1.2.6	275,498	279,355
GST payable	1.2.7	60,614	61,880
Distributions payable	1.2.8	217,708	217,708
Interest bearing liabilities (Amortisable borrowing costs)	1.2.9	(125,042)	(125,042)
Total current liabilities		**428,778**	**433,901**
Non-current liabilities			
Interest bearing liabilities (net of amortisable borrowing costs)	1.2.9	43,614,538	43,739,579
Total non-current liabilities		**43,614,538**	**43,739,579**
Total liabilities		**44,043,316**	**44,173,480**
Net assets		**48,320,272**	**49,272,197**
Equity			
Issued Capital		47,848,000	47,848,000
Retained Earnings/(accumulated losses)		472,272	1,424,197
Total equity		**48,320,272**	**49,272,197**

Director

Date: 29 March 2021

Director

Date: 29 March 2021

These prospective financial statements should be read in conjunction with the accompanying notes.

Prospective statement of changes in equity

	Note	Issued Capital	Retained Earnings/ (Deficit)	Total
		S	S	S
Equity as at 30 April 2021		**-**	**-**	**-**
Units issued	1.2.10	52,250,000	-	52,250,000
Offer establishment costs	1.2.16	(4,402,000)	-	(4,402,000)
Total comprehensive income for the period		-	2,867,065	2,867,065
Distributions paid to Investors	1.2.11	-	(2,394,792)	(2,394,792)
Equity as at 31 March 2022		**47,848,000**	**472,272**	**48,320,272**

Equity as at 01 April 2022		**47,848,000**	**472,272**	**48,320,272**
Units issued		-	-	-
Offer establishment costs		-	-	-
Total comprehensive income for the year		-	3,564,425	3,564,426
Distributions paid to Investors	1.2.11	-	(2,612,500)	(2,612,500)
Equity as at 31 March 2023		**47,848,000**	**1,424,197**	**49,272,197**

These prospective financial statements should be read in conjunction with the accompanying notes.

Prospective statement of cash flows

	Note	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Cash flows from operating activities			
Cash provided from:			
Rental receipts	**1.2.3**	5,185,520	5,581,553
Tenant contributions to property operating expenses		903,690	980,138
Other income		191,403	187,205
Net GST received/(paid)		60,614	1,265
Cash disbursed to:			
Administration expenses		(438,476)	(515,156)
Property operating expenses		(1,119,482)	(1,382,273)
Interest paid		(1,002,604)	(1,203,125)
Net cash flow from operating activities	**1.2.4**	**3,780,663**	**3,649,609**
Cash flows from investing activities			
Cash was applied to			
Purchase of investment property	**1.2.2**	(88,601,417)	-
Capital expenditure	**1.2.2**	(82,250)	(334,979)
Lease incentives and lease costs	**1.2.2**		(550,709)
Net cash flow used in investing activities		**(88,683,667)**	**(885,688)**
Cash flows from financing activities			
Cash provided from:			
Bank loan	**1.2.9**	43,750,000	-
Investor contributions	**1.2.10**	52,250,000	-
Cash disbursed to:			
Distributions paid to investors	**1.2.11**	(2,177,083)	(2,612,500)
Finance legal costs	**1.2.16**	(375,125)	-
Issue costs	**1.2.16**	(4,402,000)	-
Net cash provided from/(used in) financing activities		**89,045,792**	**(2,612,500)**
Net increase in cash and cash equivalents		**4,142,788**	**151,421**
Cash and cash equivalents at the beginning of the period		**-**	**4,142,788**
Cash and cash equivalents at the end of the period		**4,142,788**	**4,294,209**

These prospective financial statements should be read in conjunction with the accompanying notes.

NOTES AND ASSUMPTIONS FOR THE PERIODS ENDING 31 MARCH 2022 AND 31 MARCH 2023

The purpose of the prospective financial statements is to assist investors 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 Fund is established and domiciled in New Zealand.

The Fund is a commercial property investment fund that owns land and buildings located in New Zealand.

The registered office of the Fund is level 18, 55 Shortland Street, Auckland Central, Auckland 1010.

The prospective financial statements were authorised for issue on 29 March 2021. The Directors are responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. It is not intended to update the prospective financial information subsequent to issue.

1. Assumptions

The following general and specific assumptions have been adopted in preparing the PFI. The general and specific assumptions contained in this section should be read in conjunction with Section 7 "Risks to returns from Oyster Large Format Retail Fund" in the PDS.

1.1 General Assumptions in respect of the PFI

- General Environment – there will be no material change to the economic, including any impacts from COVID-19, political, legal or regulatory environment for the New Zealand market, in which the Fund operates.
- Markets operating in – the Fund will continue to operate only in New Zealand over the prospective periods.
- Competitive environment – there will be no material change to the competitive dynamics of the market in which the Fund operates, including any material change in competitor activity. It is assumed that no new entrants will materially change the competitive environment in which the Fund operates and no existing participant will leave the market.
- Industry conditions – there will be no change in the general industry structure, third party relationships, supply and the rental property or general employment conditions.
- Tenant and suppliers – existing contractual, business and operational relationships are assumed to continue throughout the prospective period. There will be no unanticipated loss of tenants, suppliers or agents.
- Disruption to operations – there will be no material disruption to operations such as natural disasters, mandated lockdowns due to COVID-19, fires or explosions and normal hazards associated with operating the Fund's business.
- Legal exposure – there will be no unexpected litigation or contractual disputes.
- Property / business acquisitions or disposals – there will be no material acquisitions or disposals by the Fund other than those detailed within the PFI.
- Interest rate environment – there will be no material and / or sudden changes to the interest rate environment.
- Financial Reporting Standards – there will be no change in the financial reporting standards or accounting interpretations which would have a material effect on the Fund.
- Management of the Fund – the Fund will be managed by Oyster, who will be sufficiently resourced to manage the Fund with no significant changes to key personnel involved in management of the Fund.
- CPI – is assumed to be 1.9%.
- Taxation - there will be no material change to the tax rates or laws (including in relation to corporate income tax and GST). It is assumed that there will be no change to the existing legislation regarding taxation of capital gains and that the Fund will depreciate the acquired assets for income tax purposes.

1.2 Specific Assumptions

1.2.1 Settlement

Pursuant to the sale and purchase agreement for the property being acquired by the Fund, settlement is expected to occur on 30 April 2021 for the property at 260 Oteha Valley Road, Albany, Auckland. For the purposes of the prospective financial statements, rental income has been recognised from 1 May 2021.

The property is assumed to be purchased by the Fund at a purchase price of $87,500,000.

It is assumed that $52,250,000 of additional equity is raised in the Offer and $43,750,000 of debt drawn to facilitate settlement and pay the associated Offer and acquisition costs. It is assumed that the penalty interest regime in the underwrite agreement will not be triggered.

	$
Investment, Offer and acquisition costs:	
Investment Property	87,500,000
Capitalised Offer and acquisition costs	1,101,417
Costs of raising equity	4,402,000
Financing costs	375,125
Fund working capital	2,621,458
Total investment, Offer and acquisitions costs	96,000,000
Funded by:	
Subscriptions from Investors or Underwrite	52,250,000
Term Loan	43,750,000
Total	96,000,000

1.2.2 Investment property

	As at 31 March 2022 $	As at 31 March 2023 $
Balance at the beginning of financial period	-	88,220,800
Purchase price of property	87,500,000	-
Transaction costs to purchase property	1,101,417	-
Capital expenditure	82,250	334,979
Lease Incentives, lease costs and fixed rental increases	138,550	595,689
Unrealised movement in the fair value of investment property	(601,417)	-
Balance at end of financial period	**88,220,800**	**89,151,468**

The investment property is revalued annually at 31 March. The revaluation in the period ending 31 March 2022 reflects the write off acquisition costs plus the movement in fixed rental accruals and adopting the most recent external valuation that was obtained during due diligence.

No further revaluations have been assumed through the prospective period due to the uncertainty in predicting the fair value movement aside from adjusting for the value of the fixed rental accrual, lease incentives, lease costs and capital expenditure.

General capital expenditure of $82,250 for the period ending 31 March 2022 and $334,979 for the year ending 31 March 2023 has been assumed in the PFI, this is based on property condition reports commissioned.

COVID-19 Impact and considerations

In March 2020, the World Health Organisation declared a global pandemic after the outbreak and spread of COVID-19. Following this on 25 March 2020, the New Zealand Government raised its Alert Level to 4, resulting in a nationwide lockdown. August 2020 saw the Auckland region return to Alert Level 3 and the remainder of the country return to Alert Level 2 for a two-week period. On 14 February 2021 the Auckland region returned to Alert Level 3 and the remainder of the country return to Alert Level 2 for a three day period. On 27 February 2021 the Auckland region returned to Alert Level 3 and the remainder of the country return to Alert Level 2 for a week.

The COVID-19 pandemic and associated restrictions have had a significant impact on the global and local economies. The valuers, Jones Lang Lasalle, note that the valuation was based on opinion of 'Market Value', incorporating an assumption of a willing buyer and seller, and with regards to the current market outlook. Given the circumstances of COVID-19, they had regard to a range of inputs and market evidence in coming to their opinion of Market Value adopted for the final valuation included in the prospective financial statements.

The valuers have highlighted in their valuation reports that due to the outbreak of COVID-19, there continues to be heightened uncertainty and unknown impact that COVID-19 may have on the real estate market in New Zealand.

1.2.3 Revenue and expenses

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Rental Income		
Rental income before fixed rental growth adjustment	5,185,520	5,581,553
Accrual for fixed rental growth*	138,550	85,620
Total rental income	**5,324,071**	**5,667,174**

*The contractual fixed rental growth in the lease will be recognised over the life of the lease and recorded on a straight-line basis over the remaining lease term as an increase or reduction in rental income.

Rental revenue is recognised evenly over the period of the lease as the Fund provides rental services to the tenant. The PFI reflects all fixed rent reviews occurring during the reporting periods ending 31 March 2022 and 31 March 2023.

For the periods ending 31 March 2022 and 31 March 2023 vacancy assumptions have been made for tenancies that are due to expire during the PFI period. Vacancy periods of 4.5 months have been assumed. These assumptions are based on the Manager's experience.

The vendor of 260 Oteha Valley Road, Albany has provided a 24 month rental and outgoings underwrite for one of the tenancies at the property that is vacant as at settlement.

The vendor has also provided a 24 month rental and outgoings underwrite from settlement for one tenancy that is assumed to expire 31 March 2022. The vendor underwrite will cover any vacany from expiry to re-lease upto 30 April 2023.

Other income for the periods ending 31 March 2022 and 31 March 2023 recognises the assumed signage and carpark rental.

It is also assumed there are no delays in receipt of debtors.

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Property operating expenses		
Utilities and rates	401,949	453,673
Insurance	224,010	250,484
Repairs & maintenance	148,442	158,055
Other expenses	222,788	247,931
Sinking fund contribution	5,540	6,007
Marketing	91,667	100,000
Property management fees	157,015	168,722
Total property operating expenses	**1,251,411**	**1,384,873**

Property operating expenses have been forecast based on a combination of assumptions. The assumptions include those identified during the due diligence process, and those based on quotes received.

Of the thirteen leases there are ten tenants with net leases which are responsible for the majority of operating costs including utilities, rates, insurance premiums, and certain maintenance obligations. The remaining three leases (which include the leases underwritten by the vendor) are on a gross lease basis.

The property management fee is payable to Oyster for property and facilities management services and is calculated as 2.5% of gross rental.

It is assumed that all operating cost payments will be made on time and that there are no creditors associated with these operating costs.

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Non recoverable property expenses		
Lease costs	-	4,140
Lease incentives	-	36,500
Total non recoverable property expenses	**-**	**40,640**

Non recoverable operating expenses have been forecast based on a combination of assumptions. The assumptions include those identified during the due diligence process. Lease incentives and lease costs in the year ending 31 March 2023 period have been assumed based on the lease expiry profile of the centre (with three lease expiries occurring within the period and one lease assumed to terminate).

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Administration expenses		
Valuation fees	17,000	17,340
Fund management fees	363,000	396,000
Accounting fee	12,500	12,750
Audit fees	8,160	8,323
Supervisor fees	28,625	29,198
Other administration expense	15,000	15,300
Annual bank agency fees	37,500	37,500
Total administration expenses	**481,785**	**516,411**

The Manager will charge the Fund management fee for services provided by the Manager related to managing and administering the Fund, a fee being the greater of an amount equivalent to the 0.45% of the aggregate capital value of the investment properties plus GST and the minimum fee ($390,000 from 1 April 2022) calculated and payable in monthly instalments.

Administration expenses have been based on contractual obligations, quotes received and/or estimates made using experience of managing similar Funds.

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Finance expenses		
Bank loan interest	1,102,865	1,203,125
Amortisation of borrowing costs	114,622	125,042
Total finance expenses	**1,217,486**	**1,328,167**

No principal repayments have been assumed (interest only) during the term of the loan. The interest expense is assumed as 2.75% during the PFI period.

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Auditor and non-audit service remuneration		
Financial statement audit	8,160	8,323
Investigating accountant for the prospective financial statements*	55,000	-
Total remuneration for audit and non-audit services	**63,160**	**8,323**

*The cost of the investigating accountant has been recognised directly in equity as an offer and acquisition cost.

1.2.4 Reconciliation of profit to net cash flow from operating activities

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Profit	2,867,065	3564,425
Adjustments for:		
Amortisation of borrowing costs	114,622	125,042
Accrual for fixed rental growth	(138,550)	(85,620)
Amortisation of lease incentives and lease commissions	-	40,640
Unrealised movement in the fair value of investment property	601,417	-
	3,444,553	**3,644,486**
Changes to assets and liabilities relating to operating activities:		
Increase in trade and other payables	275,498	3,857
Increase in GST payable	60,614	1,266
Net cash flow from operating activities	**3,780,665**	**3,649,610**

1.2.5 Trade and other receivables

It is assumed that there is no tenant default, and that there are no delays in receipt of debtors, therefore no trade receivables are assumed to arise at each period end.

1.2.6 Trade and other payables

	As at 31 March 2022 $	As at 31 March 2023 $
Trade and other payables		
Trade payables	175,238	179,094
Accrued interest	100,260	100,260
Total trade and other payables	**275,498**	**279,354**

Trade payables balances assume one-month credit terms with suppliers for accounting, audit, valuation and property operating expenses. One month of accrued interest is assumed to be outstanding at each period end.

1.2.7 Good 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 as GST inclusive. The net amount of GST recoverable from, or payable to, Inland Revenue, is shown in the prospective statement of financial position.

1.2.8 Distributions Payable

It is assumed there is one month outstanding at each period end as Distributions are paid monthly on the 10th of the month following.

1.2.9 Interest bearing liabilities

The loan facility will be equal to the term loan limit of $43,750,000 which will be drawn down on the settlement date of 30 April 2021.

The Fund has entered into a syndicated loan facility with ASB Bank Limited, Industrial and Commercial Bank of China Limited ("ICBC") and Kiwibank Limited.

The loan agreement is a 3 year loan facility from the date of drawdown and will be interest only. The borrower may apply to have the term extended by a year at each anniversary of the loan's commencement.

Borrowing cost are estimated at $375,125. These will be amortised over the three year period of the initial borrowings.

The interest rate is a combination of a fixed margin 2.50% (which is fixed for the term of the loan) plus the 90 day bank bill rate (which is floating for the term of the loan). The 90 day bank bill rate is assumed to be 0.25% for the period ending 31 March 2022 and 31 March 2023.

	As at 31 March 2022 $	As at 31 March 2023 $
Current interest bearing liabilities		
Balance at the beginning of the financial period	-	(125,042)
Loan	-	-
Amortisable borrowing costs	(125,042)	-
Balance at the end of the financial period	**(125,042)**	**(125,042)**
Non-current interest bearing liabilities		
Balance at the beginning of the financial period	-	43,614,538
Loan	43,750,000	-
Amortisable borrowing costs	(135,462)	125,041
Balance at the end of the financial period	**43,614,538**	**43,739,579**
Total Interest bearing liabilities	**43,489,496**	**43,614,537**

Loan Covenants

	As at 31 March 2022 $	As at 31 March 2023 $
Loan to value ratio – *not to be greater than*	55.0%	55.0%
Loan to value ratio	49.7%	49.7%
Interest cover ratio – *not to be less than*	2.00:1	2.00:1
Interest cover ratio	4.25:1	4.07:1
WALT -to be greater than	3.00	3.00
WALT	6.76	7.44

Loan Security

The loan will be secured by a registered mortgage over 260 Oteha Valley Road, Albany, Auckland and a first general security interest over the assets of the Fund.

1.2.10 Issued units

It is assumed that funds of $52,250,000 are raised by the issue of 1,045 parcels of 50,000 units in the Fund at an issue price of $50,000 per parcel under the PDS for the purposes of funding the acquisition of the investment property and associated Offer and acquisition costs and Fund working capital.

The holders of units will be entitled to receive distributions and are entitled to one vote per unit at meetings of the Fund and rank equally with regard to the Fund's residual assets.

1.2.11 Distributions

Distributions are forecast to be paid out of cash reserves from the operating activities of the Fund monthly in arrears at a rate of 5.0% per annum for the financial periods ending 31 March 2022 and 31 March 2023. These rates are disclosed as a percentage of the initial investment based on the forecast number of units on issue. The distribution policy is to distribute up to 100% of adjusted funds from operations (non-GAAP) which is outlined in the "Reconciliation of Non-GAAP Financial Information" section of the PFI. This policy may change over time.

The Manager's objective is to ensure the Fund continues as a going concern as well as to maintain optimal returns to the investors. As the market is constantly changing, the Manager will consider capital management initiatives, such as changing the level of distributions paid or providing funding for capital expenditure requirements.

The following gross distributions are included in the prospective financial statements for the periods ending 31 March 2022 and 31 March 2023.

	11 months ending 31 March 2022		12 months ending 31 March 2023	
	$	**$ per Unit Parcel**	**$**	**$ per Unit Parcel**
Gross Distributions declared (based on 100% of Adjusted Funds from Operations, see *Reconciliation of Non-GAAP information* for details)	**2,394,792**	**2,292**	**2,612,500**	**2,500**
Plus: Brought forward Distributions Payable (see 1.2.8)	-	-	217,708	208
Less: Carried forward Distributions Payable (see 1.2.8)	(217,708)	(208)	(217,708)	(208)
Cash Distributions paid in the period	**2,177,083**	**2,083**	**2,612,500**	**2,500**

1.2.12 Related parties

Oyster is the Manager of the Fund. The following is a schedule of the fees forecast to be paid to Oyster:

	11 months ending 31 March 2022 $	12 months ending 31 March 2023 $
Related party transactions recognised in property purchase costs:		
Acquisition fee*	1,000,000	-
Deposit fee	41,667	
	1,041,667	-
Related party transactions recognised in issue costs:		
Acquisition fee*	500,000	-
Brokerage fee	1,045,000	-

Underwrite fee	163,500	-
Accountancy fee	25,000	-
Legal set up cost	25,000	-
AML compliance fee	10,000	
	1,768,500	-
Related party transactions recognised in financing costs:		
Acquisition fee*	250,000	-
	250,000	-
Related party transactions recognised in property operating expenses and administration expenses:		
Property management fees	157,015	168,722
Fund management fees	363,000	396,000
Accountancy fees	12,500	12,750
	532,515	577,472
Total related party transactions	**3,592,682**	**577,472**

*Total acquisition fee $1,750,000 has been allocated across property purchase costs, issue costs and borrowing costs.

Oyster is providing an underwrite in respect of $5,450,000 of the total capital intended to be raised. The relevant underwriting fee to be charged by Oyster is $163,500 which represents 3% of the $5,450,000 provided by Oyster. As a result of the underwrite Oyster will subscribe for the balance of any unsubscribed units up to $5,450,000 on the close of the Offer period, and hence become an investor in the Fund.

The management fee structure is described in note 1.2.3.

No performance fee payable has been assumed in the PFI period.

Further details on the Offer and acquisition costs can be found in note 1.2.15.

1.2.13 Lessor operating lease

The Fund's properties have operating leases attached to them, under which the current contractual payments due to be received are as follows:

	$
01 April 2022 to 31 March 2023	5,560,467
01 April 2023 to 31 March 2027	18,435,901
From 01 April 2027	16,428,916
Total	**40,425,284**

The above rental income accounts for future rental reviews in respect of the existing leases for the initial terms. In addition, only current lease terms are included in the above table and it does not include rights of renewal in respect to the current leases.

1.2.14 Contingent liabilities

The Fund does not anticipate having any contingent liabilities as at 31 March 2022 and 31 March 2023.

1.2.15 Offer and acquisition costs

The Offer and acquisition costs for the Fund are tabled below:

Offer and acquisition costs	Property Purchase costs	Issue costs	Financing costs	Total
	$	$	$	$
Offer and acquisition cost payable to the Manager:				
Acquisition fee	1,000,000	500,000	250,000	**1,750,000**
Underwrite fee	-	163,500	-	**163,500**
Brokerage fee	-	1,045,000	-	**1,045,000**
Deposit fee	41,667	-	-	**41,667**
Legal setup costs	-	25,000	-	**25,000**
Accountancy	-	25,000	-	**25,000**
AML compliance fee	-	10,000	-	**10,000**
Offer and acquisition cost payable to Others:				
Alvarium Underwrite fee	-	1,872,000	-	**1,872,000**
Marketing	-	350,000	-	**350,000**
Legal setup costs - external	-	321,510	-	**321,510**
Investigating accountant	-	55,000	-	**55,000**
Property Due Diligence Reporting	19,000	-	-	**19,000**
Seismic Due Diligence	-	-	-	**-**
Bank fee	-	-	90,625	**90,625**
Bank Legal	-	-	34,500	**34,500**
Asset Valuation	22,000	-	-	**22,000**
Plant & Machinery Valuation	16,800	-	-	**16,800**
Supervisor's fee	-	5,000	-	**5,000**
Supervisor's legal fees	-	5,000	-	**5,000**
Directors & Officers and Professional Indemnity Insurance	-	19,300	-	**19,300**
PDS Registration Cost	-	5,690	-	**5,690**
Insurance Valuation	1,950	-	-	**1,950**
Total	**1,101,417**	**4,402,000**	**375,125**	**5,878,542**

Total Offer and acquisition costs are assumed to be $5,878,542. This includes acquisition, underwriting, brokerage, due diligence, legal, compliance and valuation fees as well as financing and marketing costs. The majority of these costs are deemed to be Offer costs directly related to equity raising, with the exception of $375,125 allocating to borrowing costs and $1,101,417 capitalised which are directly related to the acquisition of the properties. Borrowing costs are recognised as an asset on the statement of financial position and amortised over the term of the loan. The property acquisition costs are recognised in investment property (refer 1.2.2).

The Offer and acquisition costs are based on contractual obligations, quotes received and/or estimates made using experience of establishing similar Unit Trusts.

1.2.16 Capital and Operating Lease Commitments

The Fund does not anticipate having any capital or operating lease commitments as at 31 March 2022 and 31 March 2023.

It has been assumed that all capital works started in the period ending 31 March 2022 will be completed before 31 March 2022, and that all capital works in the year ended 31 March 2023 will be completed before 31 March 2023.

1.2.17 Taxation

The Fund is a Portfolio Investment Entity ("PIE"). In substance the Fund will withhold tax based on the Prescribed Investor Rates ("PIRs") of investors. The Fund's taxable income will be apportioned amongst its investors based on the number of units they hold and their PIRs.

It is assumed that the Fund will continue to qualify as a PIE for the prospective period.

1.2.18 Actual Results

Actual results may differ from the Prospective Financial Statements. The resulting variance may be material. The Prospective Financial Statements also do not include the potential impact of an independent property revaluation as at the reporting date which has the potential to be material but is a non-cash item. The Fund and Manager give no guarantee or assurance that the prospective financial information presented will be achieved.

2. Statement of Accounting Policies

Reporting entity

The prospective financial statements here are for the reporting entity Oyster Large Format Retail Fund.

Statement of Accounting Policies

The Fund 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 Practise in New Zealand (NZ GAAP) 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 orientated entities.

The actual annual financial statements for the Fund 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.

The accounting policies applied in preparing the PFI are outlined below.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by revaluation to fair value for certain classes of assets and liabilities as described in the accounting policies.

Investment property

Investment properties are initially recognised at cost, including transaction costs. At year end, investment property is measured at its fair value, which is determined by external valuers.

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.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable that a future economic benefit will flow to the Fund and costs can be reliably measured. All other repairs and maintenance costs are expensed as incurred.

Investment properties are derecognised either where they have been disposed of or when no future economic benefit is expected from its disposal. Any gains or losses on disposals of an investment property is recognised in the profit or loss in the period of disposal and is calculated as the difference between the net disposal proceeds and the carrying value of the property.

Revenue

The Fund recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Fund and when specific criteria have been met for each of the Fund's activities, as described below.

Rental income

Rental income from operating leases (net of any incentives given to lessees or other costs incurred to acquire lease contract) is recognised on a straight-line basis over the term of the relevant lease. When the Fund provides incentives to its tenants, the cost of incentives is initially recognised as an asset to the Fund and the cost is then recognised over the lease term on a straight line basis as a reduction in rental income.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Contribution to operating expenditure

The tenant's share of property operating costs which is recoverable is recognised on an accrual basis.

Finance expenses

Finance expenses consists of interest payable on borrowings which is recognised as an expense using the effective interest rate method. Finance expenses are recognised net of borrowing costs.

Goods and Services Tax (GST)

All amounts are shown exclusive of GST except for receivables and payables that are stated inclusive of GST.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial period which are unpaid as at balance date.

Borrowings

Borrowings are recognised initially at fair value, net of borrowing costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivatives

The Fund may use derivative financial instruments (interest rate swaps) to hedge its exposure to a variable interest rate risk on borrowings. Derivative financial instruments will be carried at fair value. Any resulting gain or loss on measurements is recognised in the profit or loss.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Offer and acquisition costs

Offer and acquisition costs are treated in a number of ways depending on the nature of the costs. Costs associated with respect to raising equity are deducted from equity proceeds. Costs associated with obtaining finance are capitalised and amortised over the initial period of the borrowings. Costs associated with purchasing the property are capitalised as part of the investment property asset.

Statement of cash flows

The statement of cash flows is presented on a direct basis. The following terms are used in the statement of cash flows:

(a) Cash and cash equivalents means cash on deposit with banks;

(b) Operating activities means the gross cash received from and paid in relation to the principal revenue producing activities and other that are not investing or financing activities;

(c) Investment activities means the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and

(d) Financing activities means the activities which result in changes in equity and debt capital structures, this includes the payment of distributions.

SENSITIVITY ANALYSIS TO PROSPECTIVE FINANCIAL INFORMATION

Prospective Financial Statements are inherently subject to business, economic and competitive uncertainty, and accordingly actual results are likely to vary from Prospective Financial Statements, and this variation could be material. A summary of the likely effects of variations in key assumptions on the Prospective Statement of Comprehensive Income and Prospective Statement of Financial Position are 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 below. The approach taken in respect of sensitivities has been to determine those variables most likely to materially affect results in the period ending 31 March 2022 and the year ending 31 March 2023.

Each movement in an assumption is calculated and presented in isolation from possible movement 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.

The tables below illustrate the impact on total comprehensive income and Net Assets due to movements in the key assumptions during the PFI periods. The below sensitivities do not take account of any risk management initiatives that the Fund may take should a change in the assumptions arise.

	$	$ per Unit Parcel
FY22 Impact		
Total comprehensive income for the period	**2,867,065**	**2,744**
Decrease in property valuations (-5%)	(4,430,890)	(4,240)
Increase in property valuations (+5%)	4,430,890	4,240
Increase in interest rates (+100 bps)	(401,042)	(384)
Decrease in interest rates (-100 bps)	401,042	384
Penalty interest	(2,106,000)	(2,015)
NTA	**48,320,272**	**46,239**
Increase in property valuations (+5%)	4,411,040	4,221
Decrease in property valuations (-5%)	(4,411,040)	(4,221)
Penalty interest	(2,106,000)	(2,015)
FY23 Impact		
Total comprehensive income for the year	**3,564,425**	**3,411**
Decrease in property valuations (-5%)	(4,473,175)	(4,281)
Increase in property valuations (+5%)	4,473,175	4,281
Increase in interest rates (+100 bps)	(437,500)	(419)
Decrease in interest rates (-100 bps)	437,500	419
Penalty interest	(4,212,000)	(4,031)
NTA	**49,272,197**	**47,150**
Increase in property valuations (+5%)	4,457,573	4,266
Decrease in property valuations (-5%)	(4,457,573)	(4,266)
Penalty interest	(4,212,000)	(4,031)

Notes

Interest rate sensitivity

Exposure to interest rate risk is in the normal course of operations. The interest rate sensitivity is calculated on the floating portion. It is assumed the bank margin remains fixed throughout the forecast period.

Property valuation sensitivity

The impact of an increase or decrease in property values is on the unrealised movement in the fair value of investment property and the impact on the Fund management.

Loss of tenant

The PFI assumes that there will be no tenant default in the FY22 and FY23 periods, however such a default is a risk with property investment. Taking into account the tenants at the property the impact of tenant default has not been included in the sensitivity table.

Penalty interest – Alvarium underwrite

The PFI assumes all equity is raised prior to settlement of the property, however if this is not the case the underwrite provided from Alvarium Investments (NZ) Limited will be utilised. There is penalty interest payable on the amount drawn down of 9% p.a on any amount not repaid 5 months after the drawdown. The impact of drawing down the full amount of the underwrite for the period of the PFI has been assumed however it is assumed that penalty interest will not be triggered.

COVID-19 lockdown and abatement provisions

The PFI assumes that in the FY22 and FY23 periods there will be no rental abatements given to tenants due to restrictions on tenants' access to their premises due to COVID-19 lockdowns. From reviewing the impact from past lockdowns, it is assumed that rental income from the property will not be materially impacted by a future lockdown. To provide a 50% rent & opex abatement in FY22 and FY 23 periods for all tenants for one week would cost the Fund $71,000 which equates to $67 per parcel.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

The Fund's distribution policy is to distribute up to 100% of Adjusted Operating Profit.

Adjusted Operating Profit is a non-GAAP financial measure adopted to assist the Fund in assessing the operating profit available for distribution. Adjusted Operating Profit represents total profit before tax, excluding revaluations, initial borrowing costs which were paid on establishment, fixed rental accrual (non-cash item) and may include surplus working capital.

The following table is a reconciliation between the total comprehensive income as per the Prospective Statement of Comprehensive Income, and the Adjusted Operating Profit as per the Fund's distribution policy.

	11 months ending 31 March 2022 $	**12 months ending 31 March 2023 $**
Reconciliation of Profit to Adjusted Operating Profit		
Prospective profit	2,867,065	3,564,425
Adjust for:		
Initial finance costs amortised	114,622	125,042
Accrual for fixed rental growth	(138,550)	(85,620)
Amortisation of lease costs and incentives	-	40,640
Unrealised movement in the fair value of investment property	601,417	-
Working capital retained	(1,049,761)	(1,031,986)
Adjusted Operating Profit	**2,394,792**	**2,612,500**

The Directors believe this non-GAAP disclosure is important as it is the consistent measure that the Directors will use when identifying future distribution levels.

A reconciliation of the total profit to the Adjusted Operating Profit is set out in the table above as the distribution paid to investors will be dependent on the operating cash profit generated. Items included are:

- The initial borrowing costs are fully paid on drawdown of the facilities but for accounting purposes are capitalised and amortised over the period of the loan facility.
- The unrealised movement in the fair value of investment property has been adjusted as this is a non-cash item.
- The fixed rental accrual has been adjusted for as this is a non-cash item.
- Amortisation of lease costs and incentives has been adjusted for as this is a non-cash item.
- Surplus working capital. The initial working capital balance will be established from funds following the Offer. During the PFI period surplus working capital will be retained by the Fund.

Building a better
working world

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The Board of Directors
Oyster Management Limited acting in their capacity as Manager of the
Oyster Large Format Retail Fund
Level 18, 55 Shortland Street
Auckland

29 March 2021

INVESTIGATING ACCOUNTANT'S INDEPENDENT LIMITED ASSURANCE REPORT ON PROSPECTIVE FINANCIAL INFORMATION

1. Introduction

We have prepared this Independent Limited Assurance Report (the "Report") in accordance with our engagement letter dated 22 February 2021, on the Prospective Financial Information of the Oyster Large Format Retail Fund (the "Fund") for inclusion in the Offer Register to be dated on 29 March 2021. The Independent Limited Assurance Report is to be issued in respect of an offer of units in the Fund (the "Offer") by Oyster Management Limited ("Oyster") in its capacity as Manager of the Fund.

Expressions defined in the Product Disclosure Statement ("PDS") and the Fund's Prospective Financial Information, including the reconciliation of non-GAAP to GAAP information, ("PFI") have the same meaning in this Report. This report is an Independent Limited Assurance Report and the scope is set out below.

2. Scope

Ernst & Young Strategy and Transactions Limited ("Ernst & Young Strategy and Transactions") has been requested to prepare this Report to review the prospective financial information of the Fund as set out on pages 2 to 15 of the PFI which comprises the:

- Prospective statements of comprehensive income for the 11 months ending 31 March 2022 and the year ending 31 March 2023;
- Prospective statements of financial position as at 31 March 2022 and 31 March 2023;
- Prospective statements of changes in equity for the 11 months ending 31 March 2022 and the year ending 31 March 2023;
- Prospective statements of cash flows for the 11 months ending 31 March 2022 and the year ending 31 March 2023; and
- Notes and assumptions to these prospective statements of comprehensive income, changes in equity, financial position and cash flows.

(hereafter, the "Prospective Financial Information").

The Prospective Financial Information is based on the assumptions as outlined on pages 6 to 15 of the PFI.

We disclaim any assumption of responsibility for any reliance on this Report or on the Prospective Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared. This Report should be read in conjunction with the PDS and the PFI.

3. Directors' Responsibility for the Prospective Financial information

The directors of Oyster (the "Directors") have prepared and are responsible for the preparation and presentation of the Prospective Financial Information. The Directors are also responsible for the determination of the assumptions that have a reasonable and supportable basis (as required in FRS-42 Prospective Financial Information issued in New Zealand) as set out on pages 6 to 15 of the PFI.

4. Our Responsibility

You have engaged Ernst & Young Strategy and Transactions to prepare a report which covers Prospective Financial Information as at and for the 11 months ending 31 March 2022 and the year ending 31 March 2023, including notes and assumptions, and reconciliation of GAAP and non GAAP information included in the Offer Register for the Offer which can be found at www.business.govt.nz/disclose, offer number OFR13407, referred to as "Prospective Financial Information"/ PDS.

Our responsibility is to express a conclusion as a result of our limited assurance engagement on the Prospective Financial Information in accordance with International Standard on Assurance Engagements (New Zealand) 3000, issued by the Council of the New Zealand Institute of Chartered Accountants, applicable to assurance engagements other than audits or reviews of historical financial information.

We have conducted an independent review of the Prospective Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that in all material respects:

a. The Directors' best-estimate assumptions do not provide a reasonable and supportable basis (as defined in FRS 42) for the preparation of the Prospective Financial Information;

b. The Prospective Financial Information was not prepared on the basis of the best-estimate assumptions;

c. The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Financial Reporting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted and disclosed in the Prospective Financial Information of the Fund as at and for the 11 months ending 31 March 2022 and the year ending 31 March 2023 on pages 15 to 16 of the PFI; and

d. The Prospective Financial Information is unreasonable.

The Prospective Financial Information has been prepared by the Directors to provide investors with a guide to the Fund's potential future financial performance, financial position and cashflows based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur.

There is a considerable degree of subjective judgement involved in the preparation of the Prospective Financial Information. Actual results may vary materially from this Prospective Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the risks set out in Section 7 of the PDS.

Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to form the conclusion set out below.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Prospective Financial Information.

5. Review conclusion on Prospective Financial Information

Based on our review of the Prospective Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the Prospective Financial Information, nothing has come to our attention which causes us to believe that:

- The Directors' best-estimate assumptions do not provide a supportable and reasonable basis (as defined in FRS 42) for the preparation of the Prospective Financial Information;
- The Prospective Financial Information was not prepared on the basis of the best-estimate assumptions;
- The Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Financial Reporting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted and disclosed in the Prospective Financial Information of the Fund as at and for the 11 months ending 31 March 2022 and the year ending 31 March 2023 on pages 15 to 16 of the PFI Supplementary Information; and
- The Prospective Financial Information is unreasonable.

The best-estimate assumptions, set out on pages 6 to 15 of the PFI are subject to significant uncertainties and contingencies often outside the control of the Fund and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by the

Fund may vary significantly from the Prospective Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Prospective Financial Information, as future events, by their very nature, are not capable of independent substantiation.

6. Restrictions on the Use of our Report

The report is made solely to the Directors of Oyster for inclusion in the Offer Register. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Directors for the conclusions we have formed.

We disclaim any assumption of responsibility for any reliance on this Report or the amounts included in the Prospective Financial Information to which this Report relates for any purpose other than the purpose for which it was prepared. In addition, we take no responsibility for, nor do we report on, any part of the PDS or information in the Offer Register not specifically mentioned in this report.

7. Independence or disclosure of interest

Ernst & Young Strategy and Transactions does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young Strategy and Transactions does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in the Due Diligence in connection with the Offer, for which normal professional fees are being received. We have no relationship or interest in the Fund other than the capacities described above.

Yours faithfully

ATaylor

Andrew Taylor

Ernst & Young Strategy and Transactions Limited