

# Odin Investment Limited Supplementary Document

**This Supplementary Document supplements the Replacement PDS for an offer of parcels of B Shares dated 13 February 2020 (PDS)**

**This Supplementary Document is to be read together with the PDS. There are no other supplementary documents in relation to this offer.**



## **Issuer**

**Odin Investment Limited**

**28 April 2020**

## **Important Information**

This Supplementary Document together with the replacement PDS, dated 13 February 2020 gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this Offer on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) (Offer ref: 12814). Maat Consulting Limited has prepared this Supplementary Document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.

**THIS SECTION SUPPLEMENTS SECTION 1 'KEY INFORMATION SUMMARY' OF THE REPLACEMENT PDS.  
THE KEY INFORMATION SUMMARY HAS BEEN RESTATED IN ITS ENTIRETY**

**1 KEY INFORMATION SUMMARY**

***What is this?***

This is an Offer of B Shares ("Shares").

The Shares give you a stake in the ownership of Odin Investment Limited ("Odin" or the "Issuer")

You may receive a return if dividends are paid or Odin increases in value and you are able to sell your Shares at a higher price than you paid for them.

If Odin runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

***About Odin Investment Limited***

Odin has been established for the purpose of subscribing for subordinated convertible notes ("Notes") which have been issued by Magsons Hardware Limited ("Magsons"). The Notes are secured by a third ranking general security agreement held by Odin. Magsons will be the operator of the furniture superstore at 156-160 Central Park Drive, Waitakere, Auckland (the "Premises"), which will trade under the brand name 'Nido'. Commencement of trading by Magsons in a 'limited opening' was originally scheduled for early March 2020, with the store planned to be fully operational in June 2020. This has now been extended to a 'limited opening' expected in late May 2020 (assuming normal retail trading can resume by then), with the store currently planned to be fully operational in August 2020. The COVID-19 pandemic has had an impact on the ability of the Nido store to open as originally planned when the Replacement Product Disclosure Statement dated 13 February 2020 ("PDS") was issued for this investment.

A convertible note is a loan to a company which can be converted into shares in the company. Odin and Magsons have entered into three separate Convertible Note Agreements in respect of each tranche of Notes to be issued as described below. The executed Convertible Note Agreements can be found at <https://disclose-register.companiesoffice.govt.nz/> (Offer ref: 12814) under "Other material information". The agreements provide for the following:

- i) The Notes to be issued by Magsons to Odin in three separate tranches, in line with the three tranches of capital to be raised from Investors in Odin under this Offer (which will be used to subscribe for the Notes).
- ii) A term expiring on 31 March 2023 for each separate issue of Notes ("Term").
- iii) The option for Odin to convert some or all of the Notes to ordinary shares in Magsons at the end of the Term.
- iv) The option for Odin to redeem (i.e. require repayment of) some or all of the Notes at the end of the Term.
- v) Magsons to be valued by an independent party 90 days prior to the expiry of the Term, to ensure at the time of conversion the principal amount of the Notes is converted into shares in Magsons at an appropriate value.

At the end of the Term, Odin will hold a meeting of shareholders to determine whether the Notes should be converted to shares in Magsons, or redeemed. The ultimate decision on whether to redeem or convert the Notes will be made by the Odin directors.

The amount paid to Magsons for the issue of the Notes will be applied by Magsons' for its general business purposes, including for the initial establishment of the Nido store. Other than the subscription for the Notes, and the potential conversion into shares in Magsons, it is not intended that Odin will undertake any other business activity.

The 'B' shareholders in Odin will be Investors who submit their applications for Shares in accordance with the terms of this PDS and this Supplementary Document and have their application accepted.

Odin has been set up by Maat Consulting Limited ("Maat"), with two of Maat's employees appointed as directors. Further information on Odin and Maat is provided in Section 2 of the PDS "*The Issuer and what it does*".

Maat has previously raised capital for purposes related to the Magsons' business, including:

- a) In March 2019, Everest Central Investment Limited was established as the owner of the Premises and the landlord of Magsons. An equity offer was completed by Maat for the establishment of Central Park Property Investment Limited which has an 80% shareholding in Everest Central Investment Limited. The other 20% shareholder in Everest Central Investment Limited is Magsons Investments Limited.
- b) In December 2019, an equity offer was completed by Maat for the establishment of Central Assets Investment Limited which provided a \$6,250,000 term loan facility to Magsons for a 2-year period.

The sole director of both Magsons (the issuer of the Notes) and Magsons Investments Limited is Mr Vinod Kumar. The relationship between these companies is explained further in Section 2 of the PDS "*The Issuer and what it does*".

## Purpose of this Offer

The purpose of this Offer is for Odin to subscribe for the subordinated Notes pursuant to the Convertible Note Agreements. Those agreements will be entered into between Odin and Magsons once the level of subscriptions in Shares by Investors is known, after each tranche of the capital raising pursuant to this Offer.

Odin was seeking a minimum of \$2,500,000 in Tranche One. This was achieved on 25 February 2020, when the maximum subscriptions were received for Tranche One (\$3,500,000). Odin is now seeking further minimum subscriptions of \$2,500,000 in two further separate tranches of the Shares (Tranche Two and Tranche Three) to be issued pursuant to this Offer. There is also a right to accept up to a further \$1,000,000 of over subscriptions in each of the remaining two tranches. This capital is to be used by Odin for the purpose outlined above and the amount of the Notes issued by Magsons will match each tranche of Shares subscribed for by Investors. Odin will only subscribe for each of the issues of Notes if sufficient capital is raised to fund the amount required for each subscription.

The funds received by Magsons from the issue of the Notes are required by Magsons for its general business purposes because group funds available to the various companies in the Magsons group have been used to meet additional and unanticipated costs of completion of the Premises and establishment of the Nido business, and no bank funding has been available. The Directors understand that the trading banks approached by Magsons have not provided funding because Magsons has a risk profile which is outside the banks' current lending criteria.

Subject to Odin raising sufficient capital pursuant to this Offer, the Notes will be subscribed for in three separate Issues on the following dates, with the minimum and maximum for each Note subscription as per the table below:

Issue Date	Minimum Notes Value	Maximum Oversubscription Value	Maximum Notes Issued
25 February, 2020 (completed)	\$2,500,000	\$1,000,000	\$ 3,500,000
20 May, 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
20 June, 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
	<b>\$7,500,000</b>	<b>\$3,000,000</b>	<b>\$10, 500,000</b>

Odin and Magsons have entered into the following Agreements:

- Three separate Convertible Note Agreements for each tranche as described above.
- A third ranking General Security Agreement ("GSA"), whereby Odin takes security over all present and after acquired property of Magsons, as security for performance by Magsons of its obligations under the Convertible Note Agreements.
- A deed of priority and subordination between Central Assets Investments Limited (as first ranking security holder), Everest Central Investment Limited (as second ranking security holder), Odin (as third ranking security holder) and Magsons. The first and second ranking security holders have prior ranking security to the value of \$6,250,000 and \$10,000,000 respectively (plus 24 months interest and costs).

Further detail relating to the above agreements is set out in Section 2 of the PDS "*The Issuer and what it does*".

The Offer is not a 'managed investment scheme' offer for the purposes of the Financial Markets Conduct Act 2013 ("FMC Act"). This Offer is an equity investment in Odin under the FMC Act, whereby:

- the holders of the Shares will have the right to appoint and remove Directors;
  - Odin will not be bound by any form of management agreement; and
  - there is no FMA licensed manager or FMA licensed independent supervisor to govern Central's investment activities
- The purpose of the Offer is further described in Section 3 of the PDS "*Purpose of the Offer*".

## Key terms of the Offer

Description of securities	Offer of ordinary Shares in Odin (being B Shares offered in accordance with the Issuer's Constitution).
Date of lodgement of PDS and date of lodgement of this Supplementary Document	13 February 2020 (PDS) and 28 April 2020 (Supplementary)
Offer Opening Date	14 February 2020
Offer Closing Date	The Offer of Shares is made in three tranches and there will be three corresponding, independent Share allotments. The three closing dates for the minimum subscriptions to be allocated for fully paid Shares (relating to the three tranches) will be as follows: Tranche One: 2,500,000 Shares, with a closing date of 24 February 2020 (completed). Tranche Two: 2,500,000 Shares, with a closing date of 18 May 2020 (originally 18 March 2020) Tranche Three: 2,500,000 Shares, with a closing date of 16 June 2020 (originally 16 April 2020) NB: The allocation of subscriptions may vary for each tranche depending on the value of subscriptions (including oversubscriptions) received for each tranche.
Price of Shares	\$1.00 per Share

Minimum number of Shares per Investor	2 parcels of 50,000 (and thereafter in multiples of 50,000)
Maximum number of Shares per Investor	20% of the total number of Shares issued at any one time
Number of Shares being offered	The maximum number of Shares to be issued is 10,500,000
Percentage which initial subscription is to all Shares issued	33.3% (based on three equal tranches of subscriptions)

You can find more information about the use of proceeds from the Offer in Section 3 of the PDS "*Purpose of the Offer*" and more information about the terms of the Offer in Section 5 of the PDS "*Terms of the Offer*".

### ***How you can get your money out***

Odin does not intend to quote these Shares on a market licensed in New Zealand and there is no other established market for trading them. This means you may not be able to sell your Shares.

If you wish to sell your Shares, Maat will try to find a buyer from its own investment database.

There is no ability for you to redeem your Shares.

### ***Key drivers of returns***

Current and future aspects of Odin's business that have, or may have, the most impact on the financial performance of Odin and the key strategies and plans for the business are set out below.

Odin's sole asset will be, until the Maturity Date, the Notes issued by Magsons. After the Maturity Date, the following scenarios may occur:

- Odin may elect to convert all of the Notes into shares in Magsons. In this situation, Odin's sole asset will be its shareholding in Magsons.
- Odin may elect to redeem all of the Notes. In this situation, assuming Magsons is financially able to redeem all of the Notes, it is likely that Odin will be put into voluntary liquidation. Investors will be paid their share of the cash assets held by Odin after the repayment of any creditors. It is not expected that Odin will have any creditors.
- Odin may elect to partially convert the Notes into shares in Magsons, and to partially redeem the Notes. This is further explained in Section 3 of the PDS "*Purpose of the Offer*".

Investors will never have any direct shareholding in Magsons.

#### *Interest payments / dividends:*

The sole source of income of Odin prior to the Maturity Date will be interest paid by Magsons under the Convertible Note Agreement during the Term. The interest rate payable is 11% per annum. After the Maturity Date, the sole source of income of Odin will be dividends paid on shares in Magsons which are held by Odin. On receipt of either interest or dividends paid by Magsons to Odin, that income is intended to be paid to Investors by way of dividends. There may be no returns if Magsons is unable to pay Odin. The decision by Odin to declare dividends will be made by the Directors of Odin.

Magsons' ability to pay interest or dividends to Odin will depend upon the successful establishment and operation of Magsons' business, being the 'Nido' store to be opened at the Premises. Magsons has supplied Odin with details of the projected cash flow forecasts for its business for the period 1 April 2020 - 31 March 2025 and the financial performance for the year ended 31 March 2020, together with the Statement of Financial Position as at 31 March 2020. Those details (for the four years ended 31 March 2023) are set out in Section 2 of the PDS "*The Issuer and what it does*". These have been revised in light of the current Covid-19 emergency as this has affected Nido's ability to trade as originally planned.

#### *Repayment of debt after the Term and/or conversion of the Convertible Notes to shares in Magsons:*

In the event Odin elects to convert the Notes, the amount of Magsons shares to be acquired by Odin will be determined by reference to the value of Magsons at the time, although must not exceed 20% of the total shareholding in Magsons.

If Odin elects to redeem the Notes, repayment by Magsons will depend on its financial position or its ability to arrange refinancing of the Notes.

#### *Security value of Magsons' assets:*

If the business operated by Magsons is unsuccessful, and it is unable to pay interest and/or repay the Notes on redemption, the returns to Investors will depend on the ability of Odin to successfully enforce its security and recover monies owed (and the costs associated with enforcement) from the assets secured by the GSA.

The GSA is a third ranking GSA registered behind Central Assets Investment Limited and Everest Central Investment Limited, whose combined first ranking priority is \$16,250,000 plus 24 months interest and costs of enforcement. It will also rank behind any unpaid suppliers of goods to Magsons who have a security interest (including a retention of title) in the goods supplied and have protected that interest through registration on the Personal Property Securities Register.

Given the third ranking of the GSA, the Directors of Odin consider it unlikely that in an enforcement situation there will be assets of a sufficient realisable value to enable Odin to recover the amounts owed through its security. This enforcement situation will arise if Magsons is not able to maintain a financial performance level in the future which will allow it to reduce its start-up debt level and to cover business expenses including payments to suppliers.

Further information relating to the value of Odin's security under the GSA in an enforcement situation, is set out in Section 2 of the PDS "*The Issuer and what it does*" and Section 8 of the PDS "*Risks to Issuer's business and plans*" as varied by this Supplementary Document.

**Key strategies:**

- a) The Odin Directors have analysed Magsons' updated financial position as at 31 March 2020 and its forecasts for the 3 year period from 1 April 2020 to 31 March 2023, to determine that they are reasonable. These updated forecasts include provision for the payment of interest to Odin on a monthly basis and the repayment of the Notes to Odin by redemption on the Maturity Date. These forecasts are summarised in Section 2 of the PDS "*The Issuer and what it does*".
- b) The directors of Odin will have the right to receive monthly financial management accounts from Magsons and to be informed of key strategies of Magsons, in order for the Directors to act in the best interests of the Odin investors.

**Key risks affecting this investment**

Investments in shares are risky. You should consider if the degree of uncertainty about the Issuer's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. The Issuer considers that the most significant risk factors that would affect the value of the Shares are as set out below.

**a) *Insolvency/credit risk of Magsons and risk associated with third ranking subordinated security***

If Magsons is unable to pay the interest due during the Term of the Notes or becomes insolvent, there will be no dividends payable to Investors. While a failure to pay interest will trigger a right for Odin to require redemption of the Notes, it is unlikely if Magsons cannot pay interest that it will be able to redeem the Notes. If Odin then seeks to enforce the third ranking, subordinated security provided by the GSA, it is unlikely that there will be surplus funds available after repayment of the prior ranking secured creditors.

If Magsons defaults in required payments to other creditors, including the prior ranked secured parties mentioned above, those parties may take enforcement action against Magsons. That could result in Magsons ceasing trading and having no revenues by which to make required payments to Odin under the Notes.

In the above scenarios, Investors could suffer a significant loss.

**b) *Magsons' business fails to commence trading, is delayed or trading is slower than forecasted***

The success of Magsons is also dependent on the success of the Magsons group of companies as a whole. There is currently a heightened credit risk for the Magsons business group as much of its capital is tied up in start-up costs, including stock purchase, fitout and building related costs and funding related costs including a requirement for Magsons to put in place a \$2,000,000 bank guarantee in favour of the landlord of the premises, Everest Central Investment Limited. Currently there is no revenue in the Magsons group and there won't be until trading commences. Opening of the store has been further delayed due to Level 4 Alert Level restrictions imposed by the government as a result of the Covid 19 pandemic. Based on the government requirements at the date of this Supplementary Document, work to finish the building will be able to recommence as the Alert Level has reduced to Level 3. Trading from the premises will not be permitted until at least Alert Level 2, meaning that a limited opening date is unlikely to occur until late May 2020 at the earliest. Once trading from the premises is allowed, there may also be limits imposed on customer numbers within the store. It is not certain what limits will be imposed or how long they will remain in place.

These opening delays and any other limits on trading related to the Nido store will most likely affect Magsons' cash flow and therefore its ability to pay the required interest on the Notes in the short to intermediate term. This could also occur if trading at commencement is lower than forecast. Further, a failure of Magsons to commence trading completely will result in Magsons being unable to meet its obligations under the Convertible Note Agreements.

**c) *The funds received from the Notes issue are used for purposes other than their intended use***

There is a risk that the funds received from the Notes issue are applied by Magsons for purposes other than as approved by Odin. This will be an event of default under the terms of the Convertible Note Agreements and Odin may seek the repayment of the balance of the Notes issued. If Magsons is unable to repay the Notes, Investors will suffer a significant loss.

**Mitigation strategies**

This summary does not cover all of the risks of investing in Odin. You should also read Section 2 of the PDS "*The Issuer and what it does*" and Section 8 of the PDS "*Risks to the Issuer's business and plans*" as varied by this Supplementary Document.

**Where you can find the Issuer's Financial Information**

The financial position and performance of Odin are essential to an assessment of this offer. You should also read Section 7 of the PDS "*The Issuer's Financial Information*". Odin has been established to subscribe for the Notes issued by Magsons and therefore has no historical financial information. However, selected prospective financial information (including a summary of principal assumptions) has been provided.



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**THIS SECTION SUPPLEMENTS SECTION 1 ‘KEY INFORMATION SUMMARY’ OF THE REPLACEMENT PDS. THE KEY INFORMATION SUMMARY HAS BEEN RESTATED IN ITS ENTIRETY.....1**

**1 KEY INFORMATION SUMMARY .....1**

### THE FOLLOWING PARTS OF THE REPLACEMENT PDS ARE AMENDED AND SUPPLEMENTED BY THE PROVISIONS BELOW

#### **2 THE ISSUER AND WHAT IT DOES**

*In Section 2 the ISSUER AND WHAT IT DOES “Factors impacting on the Issuer’s business” is deleted in its entirety and replaced as follows:*

(1) “Financial performance of Magsons

**(1) Magsons’ responsibility to fund any construction costs above fixed price**

At the date of this Supplementary Document, there are expected to be 3 weeks remaining to complete the construction of the Premises (following a move to Alert Level 3 Covid-19 restrictions on 28 April 2020). At 13 February 2020 (the date of the PDS) it was expected that construction of the Premises would be completed three weeks after 13 February 2020 and there be a limited opening in March 2020 and a full opening in June 2020. The Covid 19 Level 4 lockdown has created further delays. The limited opening is now scheduled for late May 2020 and a full opening in August 2020. The limited opening will focus on sales in the downstairs area of the store. The cafe and children’s playground will not initially be available during the limited opening period. It is

expected that sales during the limited opening period will be approximately 68% less in May and 52% less in June when compared to trading at full capacity. It is forecast that Nido will not trade at full capacity until September.

It is estimated that the construction costs will have escalated to \$43m, an increase of \$5.2m (12.1%) over the original estimate of \$37.8m and a further increase of \$200,000 above the figure in the PDS. The total cost of the project is estimated to be \$64.2m, including the \$21.2m paid to Magson Investments Limited for the purchase of the land at 156-160 Central Park Drive, Waitakere, Auckland. The original projection was for a completed cost of \$59m.

Magsons Investments Limited (a related company of Magsons) will be responsible for funding the costs over and above the fixed price paid by Everest Central Investment Limited of \$59,000,000. This increase in the construction costs has had a negative impact on the financial position of Magsons, as funds that were earmarked for use for Magsons in set up of the business have instead been used by Magsons Investments Limited for completion of the development. As at the date of this Supplementary Document, Magsons has provided an undertaking that as at 30 April 2020 all creditors (except for some deferred and disputed creditors) will be current in relation to the construction of the building; for the supply of product for the commencement of trading; and for the payment of all other set-up costs in preparation for the commencement of trading. The amount owing to creditors under deferred payment arrangements at 31 March 2020 is \$1,796,561 plus GST and the amount owed to creditors which are in dispute is \$159,389 plus GST. Magsons has advised the directors of Odin that the payment and/or settlement of both of these sets of creditors is forecast to occur during the months of May and June 2020.

A copy of that undertaking can be found at <https://disclose-register.companiesoffice.govt.nz/> (Offer ref: 12814) under "Other material information".

## **(2) Magsons' financial performance and position**

The financial position of Magsons as at 31 March 2020 and its forecast positions for the years ending 31 March 2021, 2022 and 2023, is set out below. Magsons is a start-up business with no trading experience and therefore Maat has had to rely on projected financial performance, previous retail experience and independent reports to assist in assessing the feasibility of Magsons financial projections as the borrower. These have now been reworked to include the forecast impact on cashflow and turnover as a result of the late opening and potential slower trading due to Covid 19 restrictions.

The effect on Magsons of the Covid 19 restrictions has been a reduction of cash on hand for the 2020 year of \$1,169,956 and a reduction of equity of \$871,827 compared to the 13 February 2020 PDS. The cash on hand at 31 March 2021 has been re-forecast to increase by \$95,394, though total equity in Magsons is reduced by \$2,428,173 compared to the forecast in the 13 February 2020 PDS.

Given that the construction of the premises is not scheduled to be sufficiently completed until mid- May 2020, Magsons is scheduling for a limited opening in late May (assuming Covid-19 restrictions allow trading by then) and a full opening in August 2020. As Magsons has been in the process of 'setting up' for trading since 1 April 2019, it has incurred significant costs prior to commencement of trading. These costs have (and will be) met through a combination of capital introduced by Magsons, plus debt funding of \$6,250,000 already provided by Central Assets Investment Limited (with a first ranking security), and the current issue of Notes by Odin with a third ranking security.

Maat has reviewed the Magsons' projected financial statements for the years ending 31 March 2021, 2022 and 2023 for an assessment of the financial viability of Magsons as the tenant.

The effect on Magsons of the Covid 19 related delays has been a reduction in sales for the 2020 year of \$3,076,235 compared to the 13 February PDS. The sales for 2021 have been re-forecast to decrease by \$8,863,465 (58%) during the start-up period from late May 2020 to the end of July 2020, compared to the forecast in the 13 February PDS. The re-forecast financial performance for the whole of the 2021 year is for a decrease in sales of \$6,392,500 (11%) compared to the forecast included in the 13 February 2020 PDS.

This review included:

- a) An analysis of the assumptions used in Magsons' financial forecasts for the period 1 April 2020 to 31 March 2025 (now reworked for Covid 19 impacts on the business). From this analysis, Maat requested confirmation and clarification from Magsons as to the validity of assumptions, in particular in relation to the following:
  - i) Sales forecasts - the forecasts are based on several factors including information obtained from 2 independent reports from Property Economics and First Retail Group as detailed in the table below, the purchasing strategy of Magsons' and the sales mix of products;
  - ii) the increasing stock holdings (including base display stock);
  - iii) the programme for purchase of fixed assets (as per a schedule provided by Magsons);

- iv) the cost of increasing staff numbers from the 34 employed at the time of issuing the 13 February 2020 PDS to 47 at the time of preparing this Supplementary Document, and to 160-180 expected to be employed from end of September 2020;
- v) the interest expense paid to Odin on a monthly basis during the Term of the Notes, together with the repayment of the Notes on 31 March 2023;
- vi) the interest expense paid to Central Assets Investment Limited on a monthly basis during the two-year period of its loan, together with the repayment of the loan in full, from cash flow on 20 December 2021;
- vii) the repayment of the financing of the Dexion automated warehouse system over a two-year period ended 31 March 2022;
- viii) the provision for the costs of leasing vehicles and mobile plant for the warehouse;
- ix) the inclusion of a payment of \$2,000,000 for a rental bond prior to the commencement of trading in August 2020;
- x) the costs of employing consultants for various aspects of the business.

The achieving of the sales forecasts was identified by Maat as the greatest risk to the success of the business.

In gaining satisfaction that the forecasts used by Magsons were achievable when preparing the PDS, Maat referred to two independent reports received by Magsons which respectively supported the expected sales revenue and the positioning of Nido in the Auckland and New Zealand retail market.

- a) A report from Property Economics was commissioned by Magsons in 2015 which was updated in November 2018 and further updated in April 2020 to reflect the impact of Covid-19.

In commenting on the indicative economic market, the report commented that *"with any novel large retail concept, there is a 'honeymoon period' of strong interest due to the intrigue factor. After a period, the market settles down and adjusts, but its unique and comprehensive offer and environment will ensure it maintains an ability to attract customers from an extensive area for a sustained period. This has been seen by other large retail developments such as The Base and Sylvia Park, which still attract significant customers from outside their respective cities"*.

The updated April 2020 report commented that *"The full economic impacts of covid-19 are too early to determine at this point of time given the country is still in lockdown, the exact period of time the country will remain under various lockdown levels remains open to ongoing revision and many flow-on effects are unlikely to be realised until the years to come. However, it is well agreed by economic commentators that the country will take an economic 'hit' as a result of covid-19, albeit the extent and depth of the market correction remains unknown"*.

Commenting on the retail sector post covid-19, the report forecast that the retail market will become *"more competitive and price sensitive"*.

The report commented further on the advantages of Nido:

- 1) That Nido *"is bringing a new offering to the market. The thought is that the pre covid-19 style of store may no longer resonate with the public"*
- 2) Nido *"will offer a 'one stop shop' experience to the market not currently available in NZ"*
- 3) *"The ability of Nido to switch focus from consumer to trade transactions, yet still service both markets well due to its size, is likely to be a key benefit to Nido over the next few years and mitigates any sales impacts"*

In the closing summary, the report concluded that *"While Nido Living's store sales are likely to be softer than originally estimated, the likely closure of many competing furniture shops across Auckland over the next few years will likely provide Nido with the opportunity to recapture any fall in sales (from the estimate) within a short period of time"*.

The following table has not been updated by Property Economics as at April 2020. This summary includes the key conclusions in the Property Economics report as updated in January 2020 and is reproduced for reference:

Key Measurement	Population Growth		Increase		Households Growth		Increase	
	2018	2038	No.	%	2018	2038	No.	%

<b>Population &amp; Households</b>								
Primary Catchment Area								
West Auckland (50%)	237,050	331,470	<b>94,420</b>	<b>39.83</b>	79,150	114,460	<b>35,310</b>	<b>44.61</b>
Secondary Catchment Area								
Rest of Auckland (45%)	1.463m	1.891m	<b>428,000</b>	<b>29.26</b>	499,300	673,400	<b>174,100</b>	<b>34.87</b>
<b>Estimated sales per square metre of retail space (20,000 m<sup>2</sup>)</b>	<b>\$3000 - \$3500</b>							
<b>Estimated annual Sales</b>	<b>\$60m-\$70m</b>							

Further information can be found in the Property Economics report, which may be viewed at <https://disclose-register.companiesoffice.govt.nz/> (Offer ref: OFR12814) under "Other material information"

Having assessed the information in the original report and incorporated the views expressed by Property Economics in their post Covid-19 update, Magsons has based its financial modelling on a sales base as detailed in the following table:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
13 February 2020 PDS Sales Forecasts	\$53.5m	\$60.5m	\$65.2m
Post Covid-19 Sales Forecasts	\$47.18m	\$59.7m	\$65.67m

An analysis of the financial forecasts by Maat discloses that the 'break-even' financial performance provides for a reduction of 25% from these annual sales forecasts.

A further report was received, from the First Retail Group in March 2019, who assessed the store's Positioning and Competitor Impact, on which the report concluded:

### **Positioning**

*The proposed NIDO concept does not mirror any one retailer or anchor on a specific category. Instead it plans to deliver a synergistic, solution-set of products that people buy on a weekly, monthly or less frequent basis, along with services and shopping environments not available elsewhere. NZ consumers are tiring of the sameness in retail and increasingly craving new experiences & offers. NIDO'S proposed range differentiation would create a unique and defensible position by limiting comparison, while aspirational marketing themes and store experience strategies would create greater perceived value for consumers.*

**Competitor Outlook** (Likely impacts if a competitor of scale enters the marketplace)

*NIDO'S positioning and range is different to IKEA, however its target consumer demographic is similar. If IKEA opened in North or West Auckland, impact would likely be similar to that experienced by home improvement stores, when a competitor launches. This typically impacts trade up to 20% initially, then returns to regular levels within 12 months. In this case, impacts could be lessened as both IKEA and NIDO locating in the same area may create 'cluster value' – benefiting from each other's draw and attracting consumers from a wider catchment through combined convenience and proposition. If IKEA opened in South Auckland, we would anticipate the impact to be diffused given NIDO's broader offer, more frequent demand potential and geographical distance.*

*IKEA'S flat-pack, self-assembly model contrasts with the majority of NIDO's proposed range being completely built-up, but still available ex. stock. This could be a differentiating edge for the brand. IKEA'S limited opportunity to leverage scale in store numbers, or operational synergies of central warehousing in New Zealand may compromise their ability to deliver pricing comparative to their Australian business. More expensive products could challenge IKEA's value proposition and goodwill.*

*Given current progress on NIDO's site, the local brand will enjoy first-mover advantage – enabling it to engage its market, build recognition and develop goodwill ahead of others.*

A further report was received from First Retail Group, dated 22 April 2020, which presented their updated guidance on anticipated market conditions and acceptance of the NIDO concept and proposition as New Zealand reopens - post-COVID-19 closures.

Their report commented:

*"Given the extraordinary circumstances of the current economic and societal situation, there are no benchmarks to authoritatively assess how consumer confidence and spending will change"*

The report continued to focus on the positioning in the market for Nido's products and its own uniqueness of product range:

*"Pent up demand is likely to see an influx of consumers back into retail stores once level 3 restrictions lift.*

*It is broadly anticipated that there will be strong spending in the immediate period following reopening, although subsequent performance is uncertain and will be dependent on a range of factors including consumer confidence, employment trends and competitor activity.*

*In general, the homeware and home improvement sectors are expected to perform well as people have new-found appetite for transforming living environments. With reduced expenditure on hospitality and travel, this may see greater disposable spend on home projects.*

*Increased, ongoing home-based working and necessary changes in commercial environments are likely to support increasing demand for office furniture solutions. Immediacy and availability will help NIDO win a share of this developing market.*

*NIDO's unique home furnishings and inspirational merchandising formats create further differentiators for the brand".*

The report concluded with a summary of the perceived advantages of Nido:

*"The scale, experience and combination of offer that NIDO delivers is unique and unprecedented - placing it in an advantageous position.*

*Consumers have new-found appreciation and aspiration for their home environments which will likely refocus spending into these categories in the months ahead. NIDO's upcoming opening will align with these opportunities providing a confident launch – despite recognised uncertainties in the marketplace".*

Further information can be found in the Retail Property Group reports, which may be viewed at <https://disclose-register.companiesoffice.govt.nz/> (Offer ref: OFR 12814) under "Other material information".

A summary of the financial performance of Magsons for the year ended 31 March 2020 and the forecast financial performance for the selected 3-year period is recorded below. The second table records the original forecasts disclosed in the replacement PDS.



*Drone image of Nido taken March 2020*

Current Forecast, 28 April 2020					
Magsons Hardware Limited		Actuals (12 Months)	Prospective (12 Months)	Prospective (12 Months)	Prospective (12 Months)
		31/03/2020	31/03/2021	31/03/2022	31/03/2023
(Trading as 'Nido')	Note				
<b>Revenue</b>					
Sales	1	79,106	47,175,077	59,703,099	65,673,408
Cost of Sales	2	15,120	22,620,563	28,657,487	31,523,236
<b>Gross Profit</b>	<b>3</b>	<b>63,986</b>	<b>24,554,514</b>	<b>31,045,611</b>	<b>34,150,172</b>
<b>Plus Other Income</b>		<b>959,663</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less Expenses</b>	<b>4</b>				
Operating		2,478,625	3,449,948	4,066,267	4,149,250
Marketing		210,771	450,000	650,764	715,840
Property Occupancy	5	-	365,409	432,554	455,349
Salary and Wages		2,425,182	6,388,037	10,139,623	10,916,677
		<b>5,114,579</b>	<b>10,653,394</b>	<b>15,289,207</b>	<b>16,237,116</b>
EBITDA (Earnings before interest, taxation, depreciation and amortisation)		(4,090,930)	13,901,121	15,756,404	17,913,056
Less					
Interest	6	279,862	4,385,516	4,361,235	3,970,050
Depreciation	8	-	5,077,353	4,774,191	4,533,718
Income Tax		-	-	-	4,325,663
		279,862	9,462,869	9,135,426	12,829,431
<b>Net Profit</b>		<b>(4,370,792)</b>	<b>4,438,251</b>	<b>6,620,978</b>	<b>5,083,625</b>
Interest Rate Cover		- 14.62	3.17	3.61	4.51
Cash and Cash Equivalents		521,690	1,593,810	5,197,310	855,913
Fixed Assets	7	6,353,646	7,144,099	6,999,640	6,095,653
Property Lease Asset		54,475,803	50,846,072	47,216,341	43,586,609
Total Assets		70,618,854	71,560,244	72,027,384	63,829,499
Property Lease Liability		54,475,803	52,351,571	50,260,902	47,971,533
Total Liabilities		67,743,114	72,159,073	68,215,735	54,344,725
Total Debt	6	11,659,936	16,642,516	15,211,159	2,708,433
Gearing Ratio		405.46%	-2779.18%	399.07%	28.56%
Total Equity		2,875,740	(598,828)	3,811,651	9,484,774
Net Cash Flow from Operating Activities		(9,010,091)	5,151,839	6,814,000	7,319,103

Previous Forecast, 13 February 2020					
Magsons Hardware Limited		Prospective (12 Months)	Prospective (12 Months)	Prospective (12 Months)	Prospective (12 Months)
		31/03/2020	31/03/2021	31/03/2022	31/03/2023
(Trading as 'Nido')	Note				
<b>Revenue</b>					
Sales	1	3,155,341	53,567,500	60,535,063	65,174,192
Cost of Sales	2	1,491,090	25,712,400	29,056,830	31,283,612
<b>Gross Profit</b>	<b>3</b>	<b>1,664,251</b>	<b>27,855,100</b>	<b>31,478,233</b>	<b>33,890,580</b>
<b>Less Expenses</b>	<b>4</b>				
Operating		1,290,340	3,276,139	3,443,891	3,617,872
Marketing		415,143	583,886	659,832	710,399
Property Occupancy	5	1,150,456	491,372	495,445	508,220
Salary and Wages		3,140,794	8,972,556	10,139,623	10,916,677
		<b>5,996,733</b>	<b>13,323,953</b>	<b>14,738,791</b>	<b>15,753,168</b>
EBITDA (Earnings before interest, taxation, depreciation and amortisation)		(4,332,482)	14,531,147	16,739,442	18,137,412
Less					
Interest	6	483,433	5,139,611	3,801,717	3,094,386
Depreciation	8	588,740	5,161,757	4,742,486	4,484,011
Income Tax		-	-	-	-
		1,072,173	10,301,369	8,544,203	7,578,397
<b>Net Profit</b>		<b>(5,404,655)</b>	<b>4,229,778</b>	<b>8,195,239</b>	<b>10,559,015</b>
Interest Rate Cover		(8.96)	2.83	4.40	5.86
Cash and Cash Equivalents		1,691,646	1,498,416	3,495,921	5,149,748
Fixed Assets	7	8,742,329	7,210,303	6,097,549	5,243,270
Property Lease Asset		54,475,803	50,846,072	47,216,341	43,586,609
Total Assets		75,999,821	72,968,908	71,072,656	69,099,863
Property Lease Liability		54,475,803	52,351,571	50,260,902	47,971,533
Total Liabilities		72,452,254	71,139,563	62,829,515	53,680,334
Total Debt	6	13,913,965	15,063,389	7,708,433	208,433
Gearing Ratio		392.21%	823.43%	93.51%	1.35%
Total Equity		3,547,567	1,829,345	8,243,140	15,419,529
Net Cash Flow from Operating Activities		(10,750,366)	3,254,770	8,295,505	9,201,827

### Notes and Assumptions for the periods ending 31 March 2020, 2021, 2022 and 2023

The prospective financial information in this section is based on various best estimate assumptions provided by the tenant, Magsons Hardware Limited, which has been reviewed and analysed by Maat to gain assurance that the financial projections are reasonable in accordance with the generally acceptable compilation of such financial information, including the assumption of the relationship of expenses to sales revenue and volume; the financial impact of fixed costs; the programme to increase stock levels during the initial period of trading; and the ability to reduce debt to comply with Magsons' various loan obligations. The principal assumptions are summarised below:

#### 1 Commencement of Trading

Magsons will commence trading from its premises on a limited opening basis from late May 2020. There are now no sales for 31 March 2020 year except for online sales made prior to lockdown. Assumptions on store sales, customised sales and internet trading have been made and all set up costs have been included in the inaugural year forecasts.

## 2 Stock Value

That the cost price of stock on hand was \$7.2m at 31 March 2020 and forecast to be \$7.610m, \$7.798m and \$7.953m for the 3 respective following accounting periods.

## 3 Gross Profit

It has been assumed that a Gross Profit of 52% is maintained during the 4 annual accounting periods.

## 4 Expenses

Expenses have been calculated in accordance with pre-determined ratios to sales revenue and volume; variable overhead costs, and a specifically calculated fixed cost structure.

## 5 Property Occupancy Expenses

Property Operating Expenses include property management, rates, cleaning, repairs and maintenance and security.

## 6 Loan Values & Interest payments

The debt value reduces in line with the loan repayment obligations over the 3-year period, together with the corresponding reduction in interest payable. The Interest payments for the years ending 31 March 2021, 2022 and 2023 include interest on the property lease. The split is as follows:

	2021	2022	2023
Interest on Loans	1,995,855	1,847,733	1,563,164
Interest on Property Lease	2,389,661	2,513,502	2,406,886
<b>Total Interest Expense</b>	<b>\$4,385,516</b>	<b>\$4,361,235</b>	<b>\$3,970,050</b>

## 7 Fixed Assets

The fixed assets value at the end of each financial year are recorded at cost price, less provision for depreciation.

## 8 Depreciation Expense

Depreciation on fixed assets is calculated at the maximum rates allowed by the Inland Revenue. The depreciation expense for the years ending 31 March 2021, 2022 and 2023 includes depreciation on the property lease. The split is as follows:

	2021	2022	2023
Depreciation on Fixed Assets	1,447,622	1,144,460	903,987
Depreciation on Property Lease	3,629,731	3,629,731	3,629,731
<b>Total Depreciation Expense</b>	<b>\$5,077,353</b>	<b>\$4,774,191</b>	<b>\$4,533,718</b>

## 9 Contingent Liabilities

There will be no contingent liabilities as at 31 March 2020, 2021, 2022 or 2023.

For the avoidance of doubt these assumptions are based on the Nido store achieving a limited opening in late May 2020. It is also assumed at this time New Zealand will be at a Covid 19 Alert Level 2 or lower meaning that the Nido store will be able to open to the public. Even though at alert Level 2 the number of people entering the store will be limited to under 100 people at any one time, this is not expected to reduce the assumed forecasted sales. Should a Covid 19 Alert Level 3 remain in place after May 2020 then the effect on the forecast sales will be a reduction of 95% in sales for each week that New Zealand remains at Alert Level 3 as Magsons' strategy is to open the doors for customers to see the store first rather than establishing a significant on-line business prior to being fully established.

### 3 PURPOSE OF THE OFFER

*In Section 3 of the PDS PURPOSE OF THE OFFER:*

**Delete:**

"The forecast dates for the issue of Shares in Odin (at \$1 per share) and the corresponding dates for Odin to subscribe for the Notes issued by Magsons (at \$1 per Note) are:

Date of Issue of Shares and subscription for Convertible Notes	Minimum Amount of Investment	Option to accept amount of Over-subscriptions	Total of Investment Offered
25 February 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
20 March 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
20 April 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
	\$7,500,000	\$3,000,000	\$10,500,000"

**and replace it with:**

"The forecast dates for the issue of Shares in Odin (at \$1 per share) and the corresponding dates for Odin to subscribe for the Notes issued by Magsons (at \$1 per Note) are:

Date of Issue of Shares and subscription for Convertible Notes	Minimum Amount of Investment	Option to accept amount of Over-subscriptions	Total of Investment Offered
25 February 2020 (completed)	\$2,500,000	\$1,000,000	\$ 3,500,000
20 May 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
20 June 2020	\$2,500,000	\$1,000,000	\$ 3,500,000
	\$7,500,000	\$3,000,000	\$10,500,000"



*Internal Nido stock images*

## 4 KEY DATES AND OFFER PROCESS

The entire Section 4 of the PDS **KEY DATES AND OFFER PROCESS** is deleted and replaced with the following:

<b>"Key dates</b>	
PDS lodged on the Disclose Register	13 February 2020
Supplementary Document lodged on the Disclosure Register	28 April 2020
Opening Date for Applications	14 February 2020
Offer Closing Date	<p>The Offer of Shares is made in three separate tranches and there will be three corresponding Share allotments. The three closing dates for the subscription for (at least) the fully paid minimum Shares in each tranche are:</p> <p>Tranche One: 2,500,000 Shares (Minimum), with a closing date of 24 February 2020 (completed)</p> <p>Tranche Two: 2,500,000 Shares (Minimum), with a closing date of 18 May 2020</p> <p>Tranche Three: 2,500,000 Shares (Minimum) with a closing date of 16 June 2020</p>
Date of the allotment of Shares in Odin and the simultaneous purchase of Convertible Notes	<p>The allotment of Shares in Odin and the simultaneous subscription for Convertible Notes issued by Magsons will be:</p> <p>1<sup>st</sup> Issue date: 25 February 2020 (completed)</p> <p>2<sup>nd</sup> Issue date: 20 May 2020</p> <p>3<sup>rd</sup> Issue date: 20 June 2020</p>
Intended date of first dividend payment	<p>Tranche One – 31 March 2020 (completed)</p> <p>Tranche Two – 31 May 2020</p> <p>Tranche Three – 30 June 2020</p>

Odin may withdraw the Offer at any time before the allocation of Shares or accept late Applications (either generally or in individual cases). See the "Key terms of the Offer" within the Key Information Summary (in Section 1) for further information about these dates. **!**



*Nido drone footage captured March 2020*

## 5 TERMS OF THE OFFER

The following parts of "Part 5 terms of the offer" are deleted'

<p><b>"Structure of the Offer</b></p>	<p>The number of Shares to be issued is a minimum of 7,500,000, with a maximum of 10,500,000</p> <p>The Offer of Shares is made in three tranches and there will be three corresponding Share allotments. The three closing dates for the subscription for fully paid Shares (relating to the three tranches) will be as follows:</p> <p>Tranche One: 2,500,000 Shares, with a closing date of 24 February 2020</p> <p>Tranche Two: 2,500,000 Shares, with a closing date of 18 March 2020</p> <p>Tranche Three: 2,500,000 Shares, with a closing date of 16 April 2020</p> <p>Odin reserves the right to accept oversubscriptions for up to 1,000,000 shares in each of the tranches. It also has the right to alter or extend the above Offer closing dates by no more than 2 months for each tranche. Odin may also withdraw the Offer at any time before the allocation of Shares or accept late applications (either generally or in individual cases).</p> <p>The minimum number of Share Parcels for an Investor is two parcels of 50,000 Shares each (100,000 Shares in total). The maximum number of Share Parcels per Investor is limited to no more than 20% of the total share capital issued in Odin.</p>
<p><b>Allocation and Allotment</b></p>	<p>The allotment of Shares in Tranche One to successful Applicants is scheduled to take place on the date of the initial subscription by Odin for the first tranche of the Notes (anticipated to be 25 February 2020).</p> <p>The allotment of Shares in Tranche Two to successful Applicants is scheduled to take place on the date of the second subscription by Odin for the Notes (anticipated to be 20 March 2020).</p> <p>The allotment of Shares in Tranche Three to successful Applicants is scheduled to take place on the date of the third subscription by Odin for the Notes (anticipated to be 20 April 2020).</p> <p>The allotments will be recorded on Odin's share registry."</p>

and replaced with:

<p><b>"Structure of the Offer</b></p>	<p>The number of Shares to be issued is a minimum of 7,500,000, with a maximum of 10,500,000</p> <p>The Offer of Shares is made in three tranches and there will be three corresponding Share allotments. The three closing dates for the subscription for fully paid Shares (relating to the three tranches) will be as follows:</p> <p>Tranche One: 2,500,000 Shares, with a closing date of 24 February 2020 (completed)</p> <p>Tranche Two: 2,500,000 Shares, with a closing date of 18 May 2020</p> <p>Tranche Three: 2,500,000 Shares, with a closing date of 16 June 2020</p> <p>Odin reserves the right to accept oversubscriptions for up to 1,000,000 shares in each of the tranches.</p> <p>The minimum number of Share Parcels for an Investor is two parcels of 50,000 Shares each (100,000 Shares in total). The maximum number of Share Parcels per Investor is limited to no more than 20% of the total share capital issued in Odin.</p>
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<b>Allocation and Allotment</b>	<p>The allotment of Shares in Tranche One to successful Applicants is scheduled to take place on the date of the initial subscription by Odin for the first tranche of the Notes (completed on 25 February 2020).</p> <p>The allotment of Shares in Tranche Two to successful Applicants is scheduled to take place on the date of the second subscription by Odin for the Notes (anticipated to be 20 May 2020).</p> <p>The allotment of Shares in Tranche Three to successful Applicants is scheduled to take place on the date of the third subscription by Odin for the Notes (anticipated to be 20 June 2020).</p> <p>The allotments will be recorded on Odin's share registry."</p>
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## 7 THE ISSUER'S FINANCIAL INFORMATION

In Section 7 THE ISSUER'S FINANCIAL INFORMATION;

**Delete:**

### ***'Financial Forecasts for Odin Investment Limited***

The sole income for Odin will be the interest paid by Magsons Hardware Limited on the Notes issued (\$7,500,000), scheduled to be subscribed for on:

25 February 2020	\$2,500,000
20 March 2020	\$2,500,000
20 April 2020	<u>\$2,500,000</u>
	<b><u>\$7,500,000</u></b>

Odin Investment Limited	Prospective (2 Months & 11 Days)	Prospective (12 Months)	Prospective (12 Months)
	31/03/2020	31/03/2021	31/03/2022
<b>Revenue</b>			
Interest Received	34,209	809,722	825,000
<b>Less Expenses</b>	-	-	-
<b>Net Profit</b>	<b>34,209</b>	<b>809,722</b>	<b>825,000</b>
Dividends	34,209	809,722	825,000
Cash and Cash Equivalents	-	-	-
Investments	5,000,000	7,500,000	7,500,000
Total Assets	5,000,000	7,500,000	7,500,000
Total Liabilities	-	-	-
Total Debt	-	-	-
Total Equity	5,000,000	7,500,000	7,500,000
Net Cash Flow from Operating Activities	-	-	-

**and replace it with:**

The sole income for Odin will be the interest paid by Magsons Hardware Limited on the Notes issued (\$7,500,000), scheduled to be subscribed for on:

25 February 2020	\$3,500,000 (completed)
20 May 2020	\$2,500,000 (minimum)
20 June 2020	<u>\$2,500,000 (minimum)</u>
	<b><u>\$8,500,000</u></b>

Odin Investment Limited	Actual (2 Months & 11 Days) 31/03/2020	Prospective (12 Months) 31/03/2021	Prospective (12 Months) 31/03/2022	Prospective (12 Months) 31/03/2023
<b>Revenue</b>				
Interest Received	36,303	836,187	935,000	935,000
<b>Less Expenses</b>	-	-	-	-
<b>Net Profit</b>	<b>36,303</b>	<b>836,187</b>	<b>935,000</b>	<b>935,000</b>
Dividends	36,302	836,187	935,000	935,000
Cash and Cash Equivalents	170	0	0	0
Investments	3,500,000	8,500,000	8,500,000	-
Total Assets	3,500,177	8,500,000	8,500,000	0
Total Liabilities	177	-	-	-
Total Debt	-	-	-	-
Total Equity	3,500,000	8,500,000	8,500,000	0
Net Cash Flow from Operating Activities	- 7	- 170	-	-

### 1 Convertible Note Commencement Date

Odin subscribed for the 1<sup>st</sup> tranche of interest-bearing convertible loan notes on 25 February 2020. The first accounting period recorded for Odin is for a 2.35 month period but represents only 1.14 months of interest income from 25 February 2020.

### 2 Convertible Note Value

The Convertible Note value of \$8,500,000 is assumed to be the fair value as at 31 March 2021 and 2022 with the Notes being repaid on 31 March 2023. Subscribing for the Convertible Notes in Magsons is assumed to occur on the 3 drawdown dates as per the schedule above.

### 3 Interest Received

Interest received by Odin will be in accordance with the Convertible Note Agreement. No provision for bad debts has been made. The forecast assumes that interest received for Tranches 2 and 3 will commence from 20 May 2020 and 20 June 2020 respectively.

### 4 Shareholder Distributions

Distributions to shareholders in Odin and Inland Revenue are based on a 11% annual return on initial funds invested in line with the PDS.

### 5 Acquisition and Share Issue Costs

No Odin Investors' funds will be used to pay for Share Issue Costs and associated costs of setting up the documentation relating to the Loan. These costs will be borne by Magsons.

### 6 Tax

Odin plans to register as a PIE and therefore will not be subject to tax. Instead, Odin 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 tax deducted will be paid to the Inland Revenue.

### 7 Contingent Liabilities

There will be no contingent liabilities as at 31 March 2021, 2022 or 2023.

## 8 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").

## 9 Issue of Shares

All 170 share parcels of 50,000 shares in Odin are issued for \$8,500,000. 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 share at meetings of Odin and rank equally with regard to the Company's residual assets.

## 8 RISKS TO THE ISSUER'S BUSINESS AND PLANS

In Section 8 of the PDS **RISKS TO THE ISSUER'S BUSINESS AND PLANS** the parts identified by Risk 2 are deleted in their entirety and replaced with the section identified as Risk 2 below.

***'Risk 2: Commencement of trading is delayed significantly, or trading does not start / is affected by competitors.***

### **Assessment of Nature and Magnitude:**

The business premises for Magsons' Nido furniture store are currently nearing completion, with an original scheduled 'limited-opening' date of early March 2020, and a full opening scheduled for June 2020. This has been delayed due to the impact of the current Covid 19 Level 4 lockdown and Level 3 trading restrictions. The new expected opening date is scheduled for after Level 3 restrictions (currently in place at the date of this Supplementary Document) are lifted. At the date of this Supplementary Document, it is expected that a limited opening date will be no earlier than late May 2020. The limited opening will centre on sales in the downstairs 'pick and go' area of the store. The cafe and children's playground will not initially be available during the limited opening period. Large items will be available for click and collect and/or delivery.

The Nido store is nearing completion. However, the opening of the store will depend on construction being able to be completed on time. The Level 4 lockdown has meant the site has not been worked on since the Level 4 lockdown commenced. Construction is scheduled to resume on 28 April, following the Level 4 lockdown being lifted. It is expected that there will be a further 2-3 weeks left to finish construction of the store in readiness for being issued with a Certificate of Public Use for a limited opening in late May.

The ability of Magsons to trade from the premises will depend on the alert level in place at the relevant time for the Covid 19 pandemic. It is not clear from the Government's current announcements what alert level will allow full trading from the premises and when that level might be reached. While level 3 is in place a limited amount of trading appears to be possible by online sales and "click and collect" sales if purchasers can collect items from the store without face-to-face contact with Nido staff. Nido is able to operate its business at this level.

Trading at alert level 3 will not be permanent. The alert level will either be relaxed to alert level 2 and then 1 or restricted back to alert level 4. If alert level 4 is re-imposed Magsons' trading will be significantly reduced and be back to online sales only. The various levels of permitted mass gatherings for each alert level will also be relevant to the level of trading Magsons can carry out from the physical store.

Magsons relies on overseas suppliers of goods to be sold in the Nido store. Magsons has sufficient stock in its warehouse to allow for the store to trade online, for "click and collect" trading and for a limited opening in May 2020 and a full opening in August 2020. However, replenishing the stock from overseas will be necessary for ongoing trading. Replenishment will only be possible if the overseas suppliers are open for business and international cargo routes are open so the stock can come to New Zealand.

In these uncertain times caused by the Covid 19 pandemic there is the possibility that consumer buying habits will change. In particular, if households suffer a drop in income due to job losses or any general economic downturn, there may be less consumer demand for products that Nido plans to sell. Property Economics and First Retail Group have provided updated reports which indicate there will be advantages for the Nido store as it will be a new store and servicing both the retail and trade markets.

Magsons' success is dependent on its ability to trade and create a net profit from sales turnover. The delays to the proposed opening of the Nido store will affect initial turnover and have created financial difficulties for Magsons. The store opening date and the impacts of opening at a potential Covid 19 Level 2 is expected to affect forecast early sales turnover and the original forecasted net profit.

The longer-term impacts of the current pandemic include the risk of supply chain delays and the potential for future lockdowns. Each of these scenarios will potentially have a marked impact on the Nido stores initial sales turnover and net profit and therefore effect forecasted turnover and profit.

Further, if other similar competitors were to enter the market in competition with Nido before it establishes itself as a strong brand this could affect forecasted sales volumes and subsequent net profit. If this occurs Magsons may not be able to make the proposed distributions. This now seems unlikely in the current environment but does remain a longer-term risk to the Nido stores profitability.

In the event the Nido store does not begin trading at all, Magsons will be unable to meet any of its financial obligations. If Magsons cannot meet its financial obligations the previously described insolvency risks (see Risk 1 in the Replacement PDS) will be more likely to eventuate with Investors suffering a significant loss.

### **Mitigating Strategy**

- The construction of the Premises is being undertaken by Vijay Holdings Limited, a company related to Magsons. As such, Magsons has a degree of control of the construction costs (at main contractor level) and a close oversight in respect to the constructions works. The initial target completion date of the building was 30 November 2019. The delays in construction have therefore been significant in terms of time and cost, although 85% of the construction costs were on the basis of fixed cost contracts. The majority of the building work has now been completed in readiness for a rescheduled 'limited-opening' in late May 2020. At the date of this Supplementary Document, the Alert Level 4 lockdown has been lifted and the Covid 19 Alert Level 3 commenced on 28 April 2020. Alert Level 3 is expected to last until at least 11 May 2020 after which a further announcement will be made in respect to changes to the alert level. Given that the Nido store is now not scheduled to open on a limited basis until late May 2020 it is well positioned to deal with a further two-week extension to Alert Level 3. Should a Covid 19 Alert Level 3 remain in place after May 2020 then the effect on the forecast sales will be a reduction of 95% in sales for each week that New Zealand remains at Alert Level 3. However, at this stage all indications, subject to New Zealand continuing to track positively in its efforts to combat Covid –19, suggest that the Alert Level is likely to be downgraded in June 2020 at the latest.
- Magsons has already commenced trading in a limited capacity online via its Nido Living website (<https://www.nidoliving.co.nz>) and has also established two temporary retail stores close to the construction site of the Premises. These retail options are providing Magsons with a small number of sales, soft brand recognition and a regular, minimal, cash flow. The shop sales are now on hold due to the effects of the Covid 19 lockdown but will resume as soon as possible once the alert level is lowered to Level 2. The online store is not a priority for Magsons at the moment. Its strategy is to open the store in order that customers can experience the unique retail and trade offerings being made by Nido. On commencement of trading from the premises Magsons will be able to strengthen its brand and be in a strong position to compete with any future market competition.
- Magsons has revised its financial forecasts to include the impact of the delayed opening and has also created a business continuity plan in respect to its limited opening in a potential Covid 19 Alert Level 2 environment. As part of its business continuity planning, Magsons will implement the required social distancing and other health and safety strategies inside the store, including an initial opening of the ground floor area only and a delay to the opening of the café and children's playground area.
- In respect of the supply chain risks Magsons is well equipped to cope with medium term delays once the Nido store is open. The warehouse is fully stocked, with many stock orders fulfilled and delivered substantially earlier and before the effects of Covid 19 were having effect internationally. Magsons suppliers are located in various locations throughout the world and as such Magsons has the ability to obtain stock from multiple sources, some of which are already starting to reopen supply channels

### **Assessment of likelihood of circumstance arising:**

**Medium**

### **Assessment of impact, if the circumstance were to arise:**

**Significant**

## **Copy of PDS**

An investor is entitled to a copy of the PDS without charge. A copy of the PDS is available from Maat Consulting Limited by contacting:

Neil Tuffin  
Director of Maat Consulting Limited  
(021) 481 441  
[ntuffin@maat.co.nz](mailto:ntuffin@maat.co.nz)

Jodi Tuffin  
Investor Relations Manager  
(021) 084 42523

Maat Office  
(09 414 6078)  
[info@maat.co.nz](mailto:info@maat.co.nz)

An Application Form for this investment is contained in the PDS.

## GLOSSARY

"**Application Form**" means the form to apply for Shares attached to the PDS.

"**Odin**" and "**Issuer**" means Odin Investment Limited.

"**Convertible Note Agreement**" means each separate Convertible Note Agreement entered into between Odin and Magsons, and dated on or about the date of the PDS, in respect of each tranche of the Notes.

"**Directors**" means the directors of Odin.

"**Disclose Register**" means the online register for offers of financial products under the FMC Act.

"**FMC Act**" means the Financial Markets Conduct Act 2013.

"**FMC Regulations**" means the Financial Markets Conduct Regulations 2014.

"**General Security Agreement**" or "**GSA**" means the general security agreement between Magsons (as the debtor) and Odin (as the secured party) dated on or about the date of the PDS.

"**Investor**" means the holder, from time to time, of Shares in Odin and in the description of the Shares also referred to as the "Shareholder".

"**Maat**" means Maat Consulting Limited

"**Magsons**" means Magsons Hardware Limited.

"**Maturity Date**" means 31 March 2023.

"**Notes**" means the Convertible Notes to be subscribed for by Odin in Magsons pursuant to the Convertible Note Agreement.

"**PDS**" means the product disclosure statement dated 13 February 2020 issued under the FMC Act and the FMC Regulations.

"**Premises**" means the land and building being constructed at 156-160 Central Park Drive, Waitakere as is more particularly described and comprised in identifier 61871 (North Auckland Registry).

"**Supplementary Document**" means this supplementary document issued under the FMC Act and the FMC Regulations.

"**Share Parcel**" means each parcel of 50,000 Shares.

"**Shares**" means the B Shares in offered for subscription under this PDS.

"**Shareholders**" means the holders of A Shares and B Shares in Odin.

"**Tranche One**" means the initial capital raising of up to \$3,500,000 of B Shares in Odin

"**Tranche Two**" means the second capital raising of up to \$3,500,000 of B Shares in Odin.

"**Tranche Three**" means the third capital raising of up to \$3,500,000 of B Shares in Odin