OTHER MATERIAL INFORMATION RELATING TO AN OFFER OF ORDINARY SHARES IN PACIFIC PROPERTY FUND LIMITED

Issuer: Pacific Property Fund Limited
Related to Offer: OFR13358

This Other Material Information Document has been prepared to supplement a Product Disclosure Statement (**PDS**) dated on or around the date of this document, in relation to an offer of Ordinary Shares in Pacific Property Fund Limited (the **Fund**).

Except where the context provides otherwise, a capitalised term in this document has the same meaning given to that term in the related PDS.

Except where presentation suggests otherwise, monetary amounts are presented in New Zealand Dollars, rounded to the nearest thousand.

This document must be read alongside the PDS.

Dated: 22 July 2022

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Other Risks

Risks relevant to the PDS, but not considered the most significant risks, are summarised below. This list is not exhaustive and other risks will exist in relation to the Fund.

Capital Expenditure Risk

Nature and magnitude: The Fund will incur capital expenditure on the Property Portfolio from time to time. A total capital expenditure allowance of approximately $7.9 million (excluding project management fees) has been allowed for in the two years to 31 March 2024, equating to approximately 1.7% of the total independent valuation of the Property Portfolio at Settlement Date. The largest individual capital expenditure projects are expected to relate to concrete surfacing of yard area at the Langley Road Property, and landlord works required at the Seaview Road Property. Several other minor projects are also planned. In addition, unbudgeted work may be required for several reasons, including upgrading or adjusting lettable areas on a change of lease arrangements to assist with leasing space, undertaking structural repairs and related work to meet new requirements resulting from changes to current regulations and standards, or because general capital improvements are required or desired. The Fund may not be able to recover all, or any, of this expenditure from tenants, which may have an adverse effect on the Fund's performance and funding risk.

Mitigation strategies: The Fund will minimise risk associated with future capital expenditure projects as they arise, using certified professional experts in assessing specific capital expenditure requirements associated with each property. The Fund has procurement processes in place to budget for and monitor capital works as they progress, holding contractors to account in their provision of services to expected standards.

Fund's assessment of likelihood of circumstances arising: Low likelihood of a material, unbudgeted item of capital expenditure in the forecast periods.

Fund's assessment of impact were the circumstances to arise: Potentially moderate impact on the valuation of the Property Investments, total borrowings, level of gearing, and the value of the Fund's shares.

Dilution Risk

Nature and magnitude: If the directors of the Fund seek to raise further capital in order to fund development at any of the properties in the Property Portfolio, the operating costs of any of the properties in the Property Portfolio, or the acquisition of any further properties into the Property Portfolio, the relative shareholding of investors may be diluted when a shareholder is not able or willing to subscribe for further shares in the Fund if offered.

Mitigation strategies: It is intended existing shareholders of the Fund will be provided the opportunity to participate in future capital raising activity on the same terms as other potential investors.

Fund's assessment of likelihood of circumstances arising: High likelihood of further material capital being raised. Low likelihood of material capital being raised but not offered to existing investors first.

Fund's assessment of impact were the circumstances to arise: Low impact anticipated on investors. Where a capital raising is made available to existing investors, the investor can mitigate dilution risk should they have available capital they are willing to commit.

Damage or Destruction Risk

Nature and magnitude: There are risks of damage or destruction to the properties in the Property Portfolio, and any other properties which are added to the Fund's Property Portfolio, by fire, earthquake, or other event. Such events may result in a required outlay of capital expenditure to repair or reinstate the damaged or destroyed property, the loss of rental income while the damaged or destroyed property is being repaired or reinstated, or, if the tenant terminates the lease and the Fund is unable to find a suitable replacement tenant, vacancy of the property. These factors could impact on funds available for distribution to shareholders and thus shareholder returns.

Mitigation strategies: The Fund will ensure that the Property Portfolio has comprehensive insurance cover, including consequential loss of rental cover. This is a further requirement of the terms of bank funding arrangements.

Fund's assessment of likelihood of circumstances arising: High likelihood of damage to a property at some point in time, very low likelihood of material damaged or destruction to an uninsured property.

Fund's assessment of impact were the circumstances to arise: Any damage or destruction to insured property is expected to only have a low impact on the Fund (including distributions to investors and the value of shares in the Fund). If the length of time to recommence rental income from a property significantly exceeds any insurance coverage period, the impact on investor returns could be moderate (depending on the rental income generated from the relevant property in the context of the overall Property Portfolio).

Management Related Risks

Nature and magnitude: The Manager has been appointed as manager for the Fund, pursuant to the Management Agreement. The Manager may not perform effective services for the Fund, to the detriment of investor returns and the value of shares. The Manager is also able to terminate its engagement as manager upon 12 months' notice. The Fund does not have the resources to manage the properties themselves and would need to engage another manager to do so on their behalf. There is a risk that the Fund may not be able to find a suitable manager, and/or will need to pay higher management fees than those applicable under the Management Agreement, which could have an adverse effect on Fund performance and investor returns.

Mitigation strategies: The Manager can be removed as manager if a special resolution of shareholders resolves to remove the Manager from its role with the Fund, to protect investors from the possibility of ongoing poor levels of fund management. It is likely that if the Manager ceased to manage the Fund on this basis, a replacement manager would be identified prior to the termination of the Manager.

Several of the directors and other key management personnel of the Manager are invested in the Fund, helped to establish the Fund, and have formulated the strategy for the Fund. Given this relationship, it is highly unlikely that the Manager will terminate their management role with the Fund without an appropriate plan for onward transition that is in the best interest of investors.

Fund's assessment of likelihood of circumstances arising: Low.

Fund's assessment of impact were the circumstances to arise: A potentially significant impact on the Fund and investor returns if the Manager fails to perform its duties adequately and effectively. An expected low impact if the management arrangement is terminated in accordance with the Management Agreement in a timely manner.

Property Market Risk

Nature and magnitude: The Property Portfolio is concentrated in industrial and office sector properties. Property market conditions and fluctuations in supply and demand for these kinds of properties will affect the value of the Property Investments and will affect the Fund's rental income, costs, and other underlying property fundamentals. The Fund is reliant on the Property Investments to provide a return to investors. A change in the New Zealand economy (and the property sectors in which its invested, in particular) may result in shareholders not receiving the forecast return, not being able to recoup their original investment, or receiving more than their original investment.

Any impact from this risk will not be offset by exposure to other classes of assets.

Mitigation strategies: The Fund's mitigation strategy is to continue to diversify by property sector, region, tenant volume and tenant operating sector, to reduce the impact of inevitable changes in the property market and New Zealand economy (charts illustrating the Property Portfolio diversification are set out in the PDS at Section 2 *The Fund and What it Does)*.

Fund's assessment of likelihood of circumstances arising: High likelihood of market and economic fluctuation over time. Low to moderate likelihood of a material change in the short term (0-2 years).

Fund's assessment of impact were the circumstances to arise: Potential impact of property market and general economic fluctuation on both investor returns, and the value of shares in The Fund could range from low to significant at a given point in time. Over a long time-horizon (greater than five years), the potential overall impact on investor returns and the value of shares in the Fund is expected to be low to moderate but is inherently uncertain.

Acquisition Risk

Nature and magnitude: The Fund is acquiring the Ruffell Road Property whilst a warehouse extension is ongoing. The Fund is contracted to purchase the extension on completion at cost plus a 10% margin, for which the Fund will receive rental income at a defined rate for the remainder of the life of the lease at the property. The construction cost of the property may exceed expectations, or disruptions to construction may delay the completion of the extension. These events may lead to increased acquisition costs, and thus increased borrowings, gearing ratio, interest expense, and Payout Ratio (whilst reducing the interest cover ratio), or a delay in receiving increased rental income.

Mitigation strategies: A delay in completion of the extension will delay the requirement to borrow funds to acquire the extension, and therefore defer interest expense until rental income is being received. An increased in cost will be met with a commensurate increase in rental income from the tenant, offsetting any increased interest expense.

Fund's assessment of likelihood of circumstances arising: Moderate likelihood of a delay in completion or an increase in the price payable for construction works.

Fund's assessment of impact were the circumstances to arise: Very low potential impact on the Fund in relation to all measures, given the above mitigations.

Total Estimated Issue and Acquisition Costs

The table below details the total of the amounts paid or agreed to be paid by, or on behalf of, the Fund in connection with the offer of shares in the Fund.

Type of Cost	Amount	Cost paid to	Reason for cost and description of services
Underwriting fee	$1,260,000	Various underwriters	To provide the Fund with sufficient funding certainty to commit to the Acquisition Properties.
Contribution fee	$1,000,000*	PMG (the Manager)	Fee for general arrangement and execution of the Offer, including overseeing due diligence and fund-raising activity.
Acquisition fees	$385,000*	PMG (the Manager)	Fee for sourcing the Acquisition Properties and conducting due diligence, calculated at 1% of the purchase price of property acquired including expected purchase price adjustments.
Legal Fees	$125,000*	Simpson Grierson Dentons Kensington Swan	Legal fees to Simpson Grierson for costs relating to advising on the PDS, compliance with the FMCA, offer due diligence, and attending to registration of the Offer Information. Legal fees to Dentons Kensington Swan for the costs of legal due diligence on the Acquisition Properties, negotiation of the sale and purchase agreement and leases for the Acquisition Properties, and settlement of the purchase of the Acquisition Properties.
Bank Fees	$15,000*	ASB (or legal counsel)	Allowance for fees associated with converting $28m of the Fund's Tranche A borrowing facility into a revolving credit facility.
Marketing Costs	$290,000*	Various parties	The costs payable for designing and proofing the Offer Documents, producing advertisements, holding events in relation to the Offer, and the costs associated with preparing and printing the PDS and associated marketing material.
Due Diligence Costs - Valuation Fees	$40,000*	Aim Valuation	Fees payable to an independent valuation expert in relation to valuation of the Acquisition Properties.
Due Diligence Costs - Other	$70,000*	Various Parties	Provision for other costs associated with the purchase of the Acquisition Properties including seismic assessment, technical and other due diligence.
Financial, Administrative and Contingency Costs	$250,000*	Various Parties	Includes: - Costs payable to the Offer Register and Financial Markets Authority on registration of the Offer Information. - Fees payable to Baker Tilly Staples Rodway Audit Limited, in relation to performing a review engagement (limited assurance) in respect of the Fund's prospective financial information. - Provision for costs associated with the preparation of the Offer for the Fund and all associated Offer documents, including expenditure investigation acquisition opportunities and other costs that may be incurred to complete the Offer. Any costs not incurred will not be charged to the Fund.
	$3,436,000		

Note: The above fees are payable by the Fund. None are chargeable directly to shareholders of the Fund. Where any of these costs have previously been paid by the Manager, it will be reimbursed for those costs by the Fund. *These amounts, or a component of these amounts, are the Fund's best estimates, based on the experience and information known at the date of this PDS, but they may be subject to change based on the amounts invoiced to the Fund (and Shareholders will be notified of such a change if considered material). All other amounts are fixed or maximum amounts that cannot be increased).

Dividend Policy and Measures of Shareholder Returns

As indicated in the PDS, Section 6.2 Dividend Policy, it is the Fund's intention to declare gross dividends of approximately 100% of the Fund's adjusted funds from operations (**AFFO**) over the long term, after consideration of any required re-investment in capital expenditure programmes, redemptions, and debt repayment, monthly. Due to fluctuations in the Fund's income and expenses, it is possible that the Fund may pay more than 100% of AFFO in a particular period, but this will only occur where the cumulative level of gross dividends is considered by the Manager to be commercially sustainable over the life of The Fund.

AFFO is calculated using the "Net profit before and after income tax, and total comprehensive income" from the historical or prospective financial statements of the Fund and making the following adjustments to consider the Fund's investment activity. The Payout Ratio is calculated using the dividends declared divided by AFFO for the relevant period. The measures are non-GAAP measures, and the following adjustments are non-GAAP adjustments and therefore are not reflected in the Fund's historical or prospective financial statements.

AFFO for the purposes of planning distributions	**Actual**			**Prospective**	
	Year ending 31 March 2020	**Year ending 31 March 2021**	**Year ending 31 March 2022**	**Year ending 31 March 2023**	**Year ending 31 March 2024**
Net profit before and after income tax (total comprehensive income)	**16,455,000**	**29,707,000**	**36,926,000**	**16,779,000**	**15,787,000**
Reversal of unrealised (gains)/losses on revaluation of investment property	(8,997,000)	(18,474,000)	(17,299,000)	(430,000)	-
Reversal of unrealised (gains)/losses on revaluation of derivatives	1,322,000	(280,000)	(4,839,000)	(718,000)	-
Reversal of realised (gains)/losses on disposal of investment property	-	204,000	(1,184,000)	-	-
Reversal of realised (gains)/losses on disposal of derivatives	-	(458,000)	-	-	-
AFFO	**8,780,000**	**10,699,000**	**13,604,000**	**15,631,000**	**15,787,000**
Dividends declared	9,044,000	10,571,000	14,169,000	15,999,000	17,434,000
Distribution pay-out ratio	**103.0%**	**98.8%**	**104.1%**	**102.4%**	**110.4%**
Weighted average shares on issue	124,366,448	143,820,000	195,153,333	228,549,167	249,070,000
AFFO per Share (cents)	**7.06 cps**	**7.44 cps**	**6.97 cps**	**6.84 cps**	**6.34 cps**

Assumptions and considerations associated with the AFFO calculation above include:

1. All accounting policies stated in the historical financial statements and prospective financial statements of the Fund (as applicable).
2. All assumptions applicable to the prospective financial information (summarised in the PDS at Section 7 *The Fund's Financial Information*).
3. No adjustments made for the Fund's consideration of required re-investment in capital expenditure programmes, redemptions, or debt repayments.
4. Property revaluations are inherently uncertain. They have not been included for the prospective financial periods ending 31 March 2024, except for revaluation of the Acquisition Properties on purchase at 31 August 2022. The actual amounts of property revaluations are confirmed annually once the financial statements for the Fund have been audited.
5. Dividends may be paid in excess of AFFO from working capital and funds available from financing activities.
6. Changes in fair value of derivative financial instruments cannot be reliably predicted, therefore no revaluations have been included in the prospective financial information beyond those known to 31 May 2022 in the actual management reporting results of the Fund.
7. Whilst there is a forecast reduction in borrowing and therefore debt repayments are included in the calculation of AFFO in the prospective periods, these amounts have not been considered in the above calculation.
8. Any expenditure to be incurred on acquiring new Property Investments, and associated borrowing required to acquire such investments, is not included in the above calculation as it is considered a financing activity that, in conjunction with equity raised from an offer, should be cash flow neutral in respect of funds available for distribution.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Earnings before interest, tax, depreciation, and amortisation (**EBITDA**) referred to in the PDS at Sections, 7.1, 7.2 and 7.5 is a non-GAAP measure. The following reconciling items have been extracted from the historic and prospective financial information of The Fund and a reconciliation to GAAP information is provided below:

Financial Period	**Actual**			**Prospective**	
	Year ending 31 March 2020	**Year ending 31 March 2021**	**Year ending 31 March 2022**	**Year ending 31 March 2023**	**Year ending 31 March 2024**
Net profit before and after income tax (total comprehensive income)	**16,455,000**	**29,707,000**	**36,926,000**	**16,779,000**	**15,787,000**
Interest expense and line fees	4,122,000	3,648,000	5,761,000	7,312,000	8,715,000
Other net financing costs	60,000	77,000	80,000	86,000	90,000
EBITDA	**20,637,000**	**33,432,000**	**42,767,000**	**24,177,000**	**24,593,000**

Interest expense and line fees in the case of the Fund for this calculation constitutes interest expense and line fees on borrowings only. Other net financing costs includes any effective interest related to the accounting for ground leases, offset by any interest income on cash deposits and finance lease income. Other net financing costs specifically excludes any realised or unrealised gains on the fair value of interest rate swaps.

Gearing and Interest Cover Ratio

The Gearing Ratio and Interest Cover Ratio referred to in the PDS at Section 7.5 *Financial Measures of the Fund's Borrowing* are non-GAAP information. The Gearing Ratio is the Fund's interest-bearing liabilities (**Total Debt**) as a proportion of the Fund's total assets. The Interest Cover Ratio is a multiple of the Fund's EBITDA (less unrealised gains or losses on property and derivative financial instruments) compared to the Fund's interest expense. A reconciliation of this information to the GAAP information is set out below. Note that interest-bearing liabilities does not include ground lease liabilities, and interest expense does not include ground lease expenses.

Gearing Ratio	**Actual**			**Prospective**	
	Year ending 31 March 2020	**Year ending 31 March 2021**	**Year ending 31 March 2022**	**Year ending 31 March 2023**	**Year ending 31 March 2024**
Interest-bearing liabilities (Total Debt)	62,627,000	108,090,000	177,188,000	162,082,000	166,075,000
Total assets	225,951,000	290,162,000	446,525,000	492,097,000	494,408,000
Gearing ratio	**27.7%**	**37.3%**	**39.7%**	**32.9%**	**33.6%**

Interest Cover Ratio	**Actual**			**Prospective**	
	Year ending 31 March 2020	**Year ending 31 March 2021**	**Year ending 31 March 2022**	**Year ending 31 March 2023**	**Year ending 31 March 2024**
EBITDA	**20,637,000**	**33,432,000**	**42,767,000**	**24,177,000**	**24,593,000**
Unrealised (Gains)/Losses on investment property	(8,997,000)	(18,474,000)	(17,299,000)	(430,000)	-
Unrealised (Gains)/Losses on derivatives	1,322,000	(280,000)	(4,839,000)	(718,000)	-
Adjusted EBITDA	**12,962,000**	**14,678,000**	**20,629,000**	**23,029,000**	**24,593,000**
Interest expense and line fees (related to bank borrowings)	4,122,000	3,648,000	5,761,000	7,312,000	8,715,000
Interest cover ratio (Adjusted EBITDA/Interest expense)	**3.1x**	**4.0x**	**3.6x**	**3.1x**	**2.8x**

Ezibuy Lease

The PDS states in Section 2.4 *The Property Portfolio*, sub-heading *El Prado Drive Property* that the lease to Ezibuy Limited is considered material information. The key terms of this lease are set out below:

Parties	*Lessor:* The Fund. *Lessee:* Ezibuy Limited.
Original Lease Date	31 July 2006.
Original Landlord	North East Industrial Limited.
Original Commencement Date	1 March 2006.
Original Term	10 years.
Original Net Passing Rental at Commencement	$1,878,500 plus GST and outgoings.
Original Rights of Renewal	One right of renewal, of 10 years, exercised effective 1 March 2016.
Rights of Renewal Remaining	None.
Deed of Renewal Date	1 August 2016.
Landlord at Renewal	Argosy Property No.3 Limited (property since purchased by the Fund).
Renewal Commencement Date	1 March 2016.
Renewal Term	10 years.
Renewal Break Clause	The tenant had the right to terminate the lease on 28 February 2022 subject to 12 months' notice being provided to the landlord, and subject to the annual rent and outgoings for the two years ending 28 February 2024 being underwritten by the tenant. No notice was received.
Operating Expenses	100% of outgoings. Rates payable based on leased area, not total site area.
Rent reviews	Two yearly rent reviews, to the greater of CPI or 2.5% per Annum.

Alto Packaging Lease

The PDS states in Section 2.4 The Property Portfolio, sub-heading Vickery Street Property that the lease to Alto Packaging Limited is considered material information. The key terms of this lease are set out below:

Parties	*Lessor:* The Fund. *Lessee:* Alto Packaging Limited.
Original Lease Date	7 August 2003.
Original Landlord	Rawson Te Rapa Limited.
Original Commencement Date	1 March 2003.
Original Term	12 years.
Original Net Passing Rental at Commencement	$817,440 plus GST and outgoings.
Original Rights of Renewal	Four rights of renewal of six years each, two currently exercised effective 1 March 2015 and 1 March 2021.
Rights of Renewal Remaining	Two of six years each.
Initial Deed of Renewal Dated	29 April 2010.
Deed of Variation	29 October 2015, no material impact on current lease terms.
Second Deed of Renewal Dated	3 September 2020.
Landlord at Second Renewal	Pacific Property Fund No.2 Limited (entity since amalgamated with the Fund).
Second Renewal Commencement Date	1 March 2021.
Second Renewal Term	Six years.
Second Renewal Works Required	Various landlords works required (already completed or budgeted for in the prospective financial information).
Operating Expenses	100% of outgoings.
Rent reviews	May be reviewed every three years to current market rental, with a ratchet to prevent rent reduction.

Acquisition Properties Leases

The leases for the Acquisition Properties will be entered contemporaneously on Settlement Date. A summary of key agreed lease terms between the parties are:

Ruffell Road Property

Parties	*Lessor:* The Fund. *Lessee:* Keith Andrews Trucks Limited.
Commencement Date	1 September 2022.
Term	15 years.
Net Passing Rental at Commencement	$810,000 plus GST and outgoings (increasing by 5.5% of purchase price adjustment for warehouse extension on completion).
Rights of Renewal	One rights of renewal for a term of ten years.
Renewal Date	1 September 2037.
Operating Expenses	100% of outgoings.
Rent reviews	Fixed increase of 3.00% on each anniversary of the commencement date, except for market review dates. Market reviews every 5th anniversary of the commencement date with a cap and collar of 5% of the previous year rental.

21 Rewa Rewa Road Property

Parties	*Lessor:* The Fund. *Lessee:* Keith Andrews Trucks Limited.
Commencement Date	1 September 2022.
Term	15 years.
Net Passing Rental at Commencement	$496,000 plus GST and outgoings.
Rights of Renewal	One rights of renewal for a term of ten years.
Renewal Date	1 September 2037.
Operating Expenses	100% of outgoings.
Rent reviews	Fixed increase of 3.00% on each anniversary of the commencement date, except for market review dates. Market reviews every 5th anniversary of the commencement date with a cap and collar of 5% of the previous year rental.

46-50 Rewa Rewa Road Property

Parties	*Lessor:* The Fund. *Lessee:* Keith Andrews Trucks Limited.
Commencement Date	1 September 2022.
Term	15 years.
Net Passing Rental at Commencement	$735,000 plus GST and outgoings.
Rights of Renewal	One rights of renewal for a term of ten years.
Renewal Date	1 September 2037.
Operating Expenses	100% of outgoings.
Rent reviews	Fixed increase of 3.00% on each anniversary of the commencement date, except for market review dates. Market review every 5th anniversary of commencement date with a cap / collar of 5% of the previous year rental.