


# Oyster Direct Property Fund

Financial statements for the six months ended 30 September 2023

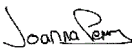
## Directors' declaration

The Directors of the Fund Manager, Oyster Management Limited are pleased to present the financial statements of the Oyster Direct Property Fund for the six months ended 30 September 2023, for and on behalf of the Fund Manager.

  
Mark Schiele

Director

Date: 29 November 2023

  
Joanna Perry

Director

Date: 29 November 2023

## Directory

Nature of Business	Commercial property investment
Registered Office	Level 6 191 Queen Street Auckland
Fund Manager	Oyster Management Limited Level 18 55 Shortland Street Auckland
Lawyers	Russell McVeagh Level 30, Vero Centre 48 Shortland Street Auckland
Auditors	Ernst & Young EY Building 2 Takutai Square Britomart Auckland
Supervisor	Covenant Trustee Services Limited Level 6 191 Queen Street Auckland
Registry	Appello Services Limited Level 3 12 Kent Street Auckland

# Statement of Comprehensive Income

For the six months ended 30 September 2023  
in New Zealand dollars

	Note	Unaudited 30 Sep 2023 Six months \$	Unaudited 30 Sep 2022 Six months \$
<b>Revenue</b>			
Distributions Received		2,535,660	3,311,945
Rental Income from Investment Property		2,892,835	2,647,274
Tenant Contributions to Operating Expenditure		778,499	595,521
Fixed Rental Increases	7	35,993	(5,050)
Sundry Income		364	303
<b>Total Revenue</b>		<b>6,243,351</b>	<b>6,549,993</b>
<b>Expenditure</b>		<b>(2,078,892)</b>	<b>(2,077,387)</b>
<b>Operating Profit Before Financing Costs</b>		<b>4,164,459</b>	<b>4,472,606</b>
Interest Income		44,705	10,749
Interest Expenses		(1,998,014)	(1,188,339)
<b>Net Financing Costs</b>		<b>(1,953,309)</b>	<b>(1,177,590)</b>
<b>Operating Profit Before Fair Value Movements</b>		<b>2,211,150</b>	<b>3,295,016</b>
Unrealised Movement in Fair Value of Property Scheme Investments	6	(10,396,002)	209,246
Unrealised Movement in Fair Value of Direct Property Investments	7	(4,810,395)	125,014
<b>(Loss) / Profit before and after tax and total comprehensive income</b>		<b>(12,995,247)</b>	<b>3,629,276</b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

As at 30 September 2023  
in New Zealand dollars

	Note	Unaudited As at 30 Sep 2023 \$	Audited As at 31 Mar 2023 \$
<b>Current Assets</b>			
Cash		2,850,957	2,714,311
Receivables	4	684,579	560,583
Deposits Paid		52,714	68,676
		<u>3,588,250</u>	<u>3,343,570</u>
Direct Property Investments - Held for Sale	7	42,750,000	12,600,000
<b>Total Current Assets</b>		<u>46,338,250</u>	<u>15,943,570</u>
<b>Non-Current Assets</b>			
Loan to Property Scheme Investment	6	41,500	-
Property Scheme Investments	6	111,554,133	121,950,135
Direct Property Investments	7	47,600,000	82,400,000
		<u>159,195,633</u>	<u>204,350,135</u>
<b>Total Non-Current Assets</b>		<u>159,195,633</u>	<u>204,350,135</u>
<b>Total Assets</b>		<u><b>205,533,883</b></u>	<u><b>220,293,705</b></u>
<b>Current Liabilities</b>			
Bank Loan	8	52,130,000	-
Payables	5	722,958	626,779
Distributions Payable to Investors		390,883	389,756
Capital Subscription Pending		1,500	4,500
		<u>53,245,341</u>	<u>1,021,035</u>
<b>Total Current Liabilities</b>		<u>53,245,341</u>	<u>1,021,035</u>
<b>Non-Current Liabilities</b>			
Bank Loan	8	-	52,130,000
		<u>-</u>	<u>52,130,000</u>
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>52,130,000</u>
<b>Total Liabilities</b>		<u><b>53,245,341</b></u>	<u><b>53,151,035</b></u>
<b>Net Assets</b>		<u><b>152,288,542</b></u>	<u><b>167,142,670</b></u>
<b>Equity</b>			
Investors' Subscribed Capital	10	153,473,027	152,989,291
Retained Earnings		(1,184,485)	14,153,379
		<u>152,288,542</u>	<u>167,142,670</u>
<b>Total Equity</b>		<u><b>152,288,542</b></u>	<u><b>167,142,670</b></u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the six months ended 30 September 2023  
in New Zealand dollars

		Unaudited Subscribed Capital \$	Unaudited Retained Earnings \$	Unaudited Total \$
Note				
	<b>Equity as at 1 April 2022</b>	146,856,648	43,085,042	189,941,690
	Profit before and after tax and total comprehensive income	-	3,629,276	3,629,276
	<b>Transactions with Investors of the Fund</b>			
	Issue of Units to Investors	10 11,041,087	-	11,041,087
	Redemption of Units by Investors	10 (5,893,910)	-	(5,893,910)
	Distributions to Investors	10 -	(3,791,809)	(3,791,809)
	<b>Total Transactions with Investors</b>	5,147,177	(3,791,809)	1,355,368
	<b>Equity as at 30 September 2022</b>	152,003,825	42,922,507	194,926,332
	<b>Equity as at 1 April 2023</b>	152,989,291	14,153,379	167,142,670
	Loss before and after tax and total comprehensive income	-	(12,995,247)	(12,995,247)
	<b>Transactions with Investors of the Fund</b>			
	Issue of Units to Investors	10 483,736	-	483,736
	Redemption of Units by Investors	10 -	-	-
	Distributions to Investors	10 -	(2,342,617)	(2,342,617)
	<b>Total Transactions with Investors</b>	483,736	(2,342,617)	(1,858,881)
	<b>Equity as at 30 September 2023</b>	153,473,027	(1,184,485)	152,288,542

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the six months ended 30 September 2023  
in New Zealand dollars

	Note	Unaudited 30 Sep 2023 Six months \$	Unaudited 30 Sep 2022 Six months \$
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from / (applied to)</b>			
Distributions received		2,677,530	3,264,574
Receipts from tenants (rental income and tenant contributions)		3,567,141	3,815,234
Interest received		44,705	10,749
Interest paid		(1,986,111)	(1,183,368)
GST received / (paid)		11,231	(32,974)
Payments to suppliers		(2,032,252)	(3,756,945)
<b>Net cash inflow from operating activities</b>	3	2,282,244	2,117,270
<b>Cash Flows from Investing Activities</b>			
<b>Cash was provided from / (applied to)</b>			
Capital expenditure on Direct Property Investments		(166,503)	(148,741)
Acquisition of Direct Property Investments		-	(20,486,099)
<b>Net cash outflow from investing activities</b>		(166,503)	(20,634,840)
<b>Cash Flows from Financing Activities</b>			
<b>Cash was provided from / (applied to)</b>			
Proceeds received in relation to unit issue		480,736	10,533,087
Redemption of units		-	(5,893,910)
Gross distributions paid including PIE tax paid		(2,418,331)	(3,878,993)
Bank loan drawdown		-	62,830,000
Bank loan repayment		-	(46,530,000)
Loan to Property Scheme Investment		(41,500)	-
<b>Net cash (outflow) / inflow from financing activities</b>		(1,979,095)	17,060,184
<b>Net increase / (decrease) in cash &amp; cash equivalents held</b>		136,646	(1,457,386)
<b>Opening cash &amp; cash equivalents 1 April</b>		2,714,311	4,939,462
<b>Closing cash &amp; cash equivalents 30 September</b>		2,850,957	3,482,076

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1 Reporting Entity

Oyster Direct Property Fund (the "Fund") is a fund domiciled and registered in New Zealand under the Financial Markets Conduct Act 2013. The Fund commenced trading on 6 July 2016.

The Fund is a managed investment scheme. It has been established to hold interests in a diversified property portfolio. The Fund has invested in commercial property directly, as well as property schemes managed by Oyster Management Limited ("Oyster"). In the future it may invest in property schemes managed by other managers.

The Fund's registered office is situated at Level 6, 191 Queen Street, Auckland.

## 2 Basis of Preparation

The interim financial statements presented here are for the reporting entity Oyster Direct Property Fund. The Fund is designated as a for-profit entity for financial reporting purposes. The Fund is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with International Accounting Standard 34 'Interim Financial Reporting' and New Zealand equivalent to International Accounting Standard 34 'Interim Financial Reporting'.

The interim financial statements do not include all notes included in the annual financial statements. Accordingly, these financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2023, prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Reporting Standards ("IFRS").

There have been no changes to the accounting policies and methods of computation used in the preparation of these interim financial statements and are consistent with those used in the financial statements for the year ended 31 March 2023.

The interim financial statements are presented in New Zealand dollars, which is the functional currency of the Fund. All values are rounded to the nearest dollar, unless otherwise stated.

The interim financial statements for the six months ended 30 September 2023 are unaudited. An independent review has been carried out by Ernst and Young. Comparative balances for 30 September 2022 are unaudited, while comparative balances as at 31 March 2023 are audited.

The interim financial statements were authorised for issue on 29 November 2023 by the Directors. Once issued, the Directors do not have the power to amend these financial statements.

## Notes to the Financial Statements (Continued)

**3 Net Cash Flow from Operating Activities**

	Unaudited 30 Sep 2023 Six months \$	Unaudited 30 Sep 2022 Six months \$
(Loss)/Profit before and after tax and total comprehensive Income	(12,995,247)	3,629,276
<b>Add non-cash items</b>		
Fixed rental increases, lease incentives and lease costs	6,108	34,852
Unrealised movement in fair value of property scheme investments	10,396,002	(209,246)
Unrealised movement in fair value of direct property investments	4,810,395	(125,014)
<b>Add movements in working capital</b>		
Receivables	(108,034)	331,773
Payables	173,020	(1,544,371)
<b>Net Cash Flow from Operating Activities</b>	<b>2,282,244</b>	<b>2,117,270</b>

**4 Receivables**

	Unaudited As at 30 Sep 2023 \$	Audited As at 31 Mar 2023 \$
Distributions receivable	406,288	548,158
Trade receivables	19,367	8,409
Prepayments	258,924	4,016
	<b>684,579</b>	<b>560,583</b>

**5 Payables**

	Unaudited As at 30 Sep 2023 \$	Audited As at 31 Mar 2023 \$
Trade payables	67	106,660
Accruals	600,758	213,895
Income received in advance	24,974	141,393
GST payable	87,646	76,415
Other creditors	9,513	11,574
PIE tax payable	-	76,842
	<b>722,958</b>	<b>626,779</b>

## Notes to the Financial Statements (Continued)

## 6 Property Scheme Investments

The Fund has invested in the following property schemes:

As at 30 September 2023 (Unaudited)	Total Interests Issued	Interests Held by the Fund	Share of Ownership	Opening Value 1 Apr 2023	Acquisition/ (Disposal) Cost	On acquisition restatement to current Net Asset Value of Scheme	Movement in Net Asset Value of Scheme	Fair Value 30 Sep 2023
				\$	\$	\$	\$	\$
100 Harris POS	114	41	36.0%	11,505,441	-	-	(602,093)	10,903,348
Jackson Petone POS	67	6	9.0%	617,764	-	-	(73,560)	544,204
51 Corinthian POS	11	1	9.1%	1,058,251	-	-	(51,165)	1,007,086
Universal Drive POS	15	4	26.7%	4,412,697	-	-	(558,402)	3,854,295
C & C POS	100	23	23.0%	3,139,103	-	-	401,493	3,540,596
Henderson Mega POS	140	43	30.7%	8,463,668	-	-	(302,677)	8,160,991
Cider POS	50	9	18.0%	12,657,181	-	-	(976,141)	11,681,040
Millenium Centre POS	448	58	12.9%	22,536,610	-	-	(2,689,014)	19,847,596
Pukekohe Mega POS	56	2	3.6%	662,955	-	-	(48,687)	614,268
33 Corinthian POS	585	137	23.4%	7,247,145	-	-	(759,461)	6,487,684
Oyster Industrial Limited	107,100,000	18,500,000	17.3%	17,262,592	-	-	(578,504)	16,684,088
Pastoral House POS	883	182	20.6%	8,538,962	-	-	(1,821,872)	6,717,090
Home Straight Park POS	789	157	19.9%	7,422,505	-	-	(1,232,907)	6,189,598
9 Corinthian POS	312	33	10.6%	2,077,316	-	-	(79,836)	1,997,480
181 Grafton POS	115	17	14.8%	2,163,916	-	-	(271,267)	1,892,649
Oyster Large Format Retail Fund	52,250,000	15,000,000	28.7%	12,184,029	-	-	(751,909)	11,432,120
				<u>121,950,135</u>	<u>-</u>	<u>-</u>	<u>(10,396,002)</u>	<u>111,554,133</u>

## Fair Value of underlying investment property

The Fair Value of Property Scheme Investments is primarily derived from the fair value of the underlying investment property held by the Schemes. Investment property held by the Schemes is revalued at least annually. Management have assessed the fair value of the underlying investment properties as at Reporting date with the use of market-based information. Any changes in fair value of each property scheme investment is recognised through profit and loss.

## Loan to Property Scheme Investment

As an interest holder in the 51 Corinthian Proportionate Ownership Scheme, the Fund, along with other interest holders, agreed to provide a loan of \$149,000 (per interest holder) to the Scheme. The loan shall incur interest at 10% per annum, payable on maturity. This loan is to be drawn over five installments. As at the 30th of September 2023, \$41,500 of this loan has been issued.

## Notes to the Financial Statements (Continued)

## 6 Property Scheme Investments (continued)

As at 31 March 2023 (Audited)	Total Interests Issued	Interests Held by the Fund	Share of Ownership	Opening Value 1 Apr 2022	Acquisition/ (Disposal) Cost	On acquisition restatement to current Net Asset Value of Scheme/(loss) on Disposal	Movement in Net Asset Value of Scheme	Fair Value 31 March 2023
				\$	\$	\$	\$	\$
100 Harris POS	114	41	36.0%	12,190,615	-	-	(685,174)	11,505,441
Jackson Petone POS	67	6	9.0%	743,406	-	-	(125,642)	617,764
51 Corinthian POS	11	1	9.1%	1,244,477	-	-	(186,226)	1,058,251
Universal Drive POS	15	4	26.7%	6,054,742	-	-	(1,642,045)	4,412,697
C & C POS	100	23	23.0%	2,861,924	-	-	277,179	3,139,103
Henderson Mega POS	140	43	30.7%	11,724,910	-	-	(3,261,242)	8,463,668
Cider POS	50	9	18.0%	18,719,814	(3,287,145)	(138,890)	(2,636,598)	12,657,181
Millenium Centre POS	448	58	12.9%	22,397,100	-	-	139,510	22,536,610
Pukekohe Mega POS	56	2	3.6%	808,331	-	-	(145,376)	662,955
33 Corinthian POS	585	137	23.4%	8,915,982	-	-	(1,668,837)	7,247,145
Oyster Industrial Limited	107,100,000	18,500,000	17.3%	20,536,119	-	-	(3,273,527)	17,262,592
Pastoral House POS	883	182	20.6%	10,092,587	-	-	(1,553,625)	8,538,962
Home Straight Park POS	789	157	19.9%	8,432,954	-	-	(1,010,449)	7,422,505
9 Corinthian POS	312	33	10.6%	2,519,320	-	-	(442,004)	2,077,316
181 Grafton POS	115	17	14.8%	2,370,468	-	-	(206,552)	2,163,916
Oyster Large Format Retail Fund	52,250,000	15,000,000	28.7%	15,308,192	-	-	(3,124,163)	12,184,029
				<u>144,920,941</u>	<u>(3,287,145)</u>	<u>(138,890)</u>	<u>(19,544,771)</u>	<u>121,950,135</u>

## Notes to the Financial Statements (Continued)

## 7 Direct Property Investments

	30 Sep 2023 (Unaudited)					
	1 April 2023	Acquisitions	Net expenditure	Fair value movement	Transfers	Closing balance
	\$	\$	\$	\$	\$	\$
Investment property	17,113,868	-	-	(1,230,090)	(15,883,778)	-
Lease incentives, lease costs, and fixed rental increases	386,132	-	(19,910)	-	(366,222)	-
<b>6 Hurring Place, Wellington</b>	17,500,000	-	(19,910)	(1,230,090)	(16,250,000)	-
Investment property	15,656,918	-	-	(1,518,860)	(14,138,058)	-
Lease incentives, lease costs, and fixed rental increases	343,082	-	18,860	-	(361,942)	-
<b>12 Newlands Road, Wellington</b>	16,000,000	-	18,860	(1,518,860)	(14,500,000)	-
Investment property	30,487,187	-	-	(658,657)	-	29,828,530
Lease incentives, lease costs, and fixed rental increases	162,813	-	8,657	-	-	171,470
<b>223 Tuam Street, Christchurch</b>	30,650,000	-	8,657	(658,657)	-	30,000,000
Investment property	18,250,000	-	16,995	(666,995)	-	17,600,000
Lease incentives, lease costs, and fixed rental increases	-	-	-	-	-	-
<b>35 Hickory Place, Christchurch</b>	18,250,000	-	16,995	(666,995)	-	17,600,000
	82,400,000	-	24,602	(4,074,702)	(30,750,000)	47,600,000

	30 Sep 2023 (Unaudited)					
Direct Property Investment - held for sale	1 April 2023	Acquisitions	Net expenditure	Fair value movement	Transfers	Closing balance
	\$	\$	\$	\$	\$	\$
Direct Property Investment - held for sale	12,600,000	-	28,462	(735,793)	-	11,892,669
Lease incentives, lease costs, and fixed rental increases	-	-	107,331	-	-	107,331
<b>107 Harris Road, Auckland</b>	12,600,000	-	135,793	(735,793)	-	12,000,000
Direct Property Investment - held for sale	-	-	-	-	16,250,000	16,250,000
<b>6 Hurring Place, Wellington</b>	-	-	-	-	16,250,000	16,250,000
Direct Property Investment - held for sale	-	-	-	-	14,500,000	14,500,000
<b>12 Newlands Road, Wellington</b>	-	-	-	-	14,500,000	14,500,000
	12,600,000	-	135,793	(735,793)	30,750,000	42,750,000

## Notes to the Financial Statements (Continued)

## 7 Direct Property Investments (continued)

	31 Mar 2023 (Audited)					
	Opening balance	Acquisitions	Net expenditure	Fair value movement	Transfers	Closing balance
	\$	\$	\$	\$	\$	\$
Investment property	13,343,141	-	21,634	(998,384)	(12,366,391)	-
Lease incentives, lease costs, and fixed rental increases	56,859	-	176,750	-	(233,609)	-
<b>107 Harris Road, Auckland</b>	<b>13,400,000</b>	<b>-</b>	<b>198,384</b>	<b>(998,384)</b>	<b>(12,600,000)</b>	<b>-</b>
Investment property	18,699,533	-	75,400	(1,661,065)	-	17,113,868
Lease incentives, lease costs, and fixed rental increases	500,467	-	(114,335)	-	-	386,132
<b>6 Hurring Place, Wellington</b>	<b>19,200,000</b>	<b>-</b>	<b>(38,935)</b>	<b>(1,661,065)</b>	<b>-</b>	<b>17,500,000</b>
Investment property	17,364,006	-	235	(1,707,323)	-	15,656,918
Lease incentives, lease costs, and fixed rental increases	260,994	-	82,088	-	-	343,082
<b>12 Newlands Road, Wellington</b>	<b>17,625,000</b>	<b>-</b>	<b>82,323</b>	<b>(1,707,323)</b>	<b>-</b>	<b>16,000,000</b>
Investment property	33,072,072	-	432	(2,585,317)	-	30,487,187
Lease incentives, lease costs, and fixed rental increases	77,928	-	84,885	-	-	162,813
<b>223 Tuam Street, Christchurch</b>	<b>33,150,000</b>	<b>-</b>	<b>85,317</b>	<b>(2,585,317)</b>	<b>-</b>	<b>30,650,000</b>
<b>35 Hickory Place, Christchurch</b>	<b>-</b>	<b>20,486,868</b>	<b>45,768</b>	<b>(2,282,636)</b>	<b>-</b>	<b>18,250,000</b>
	<b>83,375,000</b>	<b>20,486,868</b>	<b>372,857</b>	<b>(9,234,725)</b>	<b>(12,600,000)</b>	<b>82,400,000</b>

	31 Mar 2023 (Audited)					
Direct Property Investment - held for sale	Opening balance	Acquisitions	Net expenditure	Fair value movement	Transfers	Closing balance
	\$	\$	\$	\$	\$	\$
Direct Property Investment - held for sale	-	-	-	-	12,600,000	12,600,000
<b>107 Harris Road, Auckland</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,600,000</b>	<b>12,600,000</b>

*Acquisitions* reflects the purchase price and any associated transaction costs.

*Net expenditure* comprises capital expenditure, straight line rental adjustments, leasing incentives and leasing costs paid, less any amortisation of leasing incentives and leasing costs.

*Fair value movement* reflects the difference between independent valuation and the net book value immediately prior to the valuation.

*Transfers* Reflects the reclassification of direct property investment to direct property investment - held for sale.

The fair value of investment property land and buildings was determined by Jones Lang LaSalle (223 Tuam Street, Christchurch and 35 Hickory Place, Christchurch), CBRE Limited (107 Harris Road, Auckland) and Colliers Limited (6 Hurring Place, Wellington and 12 Newlands Road, Wellington) (March 2023: Jones Lang LaSalle (107 Harris Road, Auckland, 223 Tuam Street, Christchurch and 35 Hickory Place, Christchurch) and CBRE Limited (6 Hurring Place, Wellington and 12 Newlands Road, Wellington)) on reporting date, all registered independent valuers having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, in accordance with Level 3 of the fair value hierarchy.

## Notes to the Financial Statements (Continued)

### 7 Direct Property Investments (continued)

**Valuation approach** - In conducting the valuations, the primary methods of valuation used by the valuer in order to determine an appropriate market value at reporting date were the Capitalisation Approach and the Discounted Cash Flow Approach, in accordance with the requirements of the Property Institute of New Zealand Valuation and Property Standards.

The Capitalisation Approach is market-derived and considers both sales and leasing evidence in order to determine the current market value. Market rents are assessed for all income producing components, prior to deducting outgoings and capitalising the net income at a market aligned yield based on relevant sales. Thereafter, various capital adjustments are made to the calculated core value including adjustments for outstanding incentives, reversions to market rent and capital expenditure allowances. The key assumptions used in determining the fair value of the investment property from this methodology are as follows:

	30 Sep 2023	31 Mar 2023
<b>Adopted Market Capitalisation Rate</b>		
107 Harris Road, Auckland	6.50%	6.12%
6 Hurring Place, Wellington	6.50%	6.12%
12 Newlands Road, Wellington	6.13%	6.00%
223 Tuam Street, Christchurch	6.00%	5.75%
35 Hickory Place, Christchurch	6.00%	5.75%

Valuations reflect, where appropriate: the quality of customers in occupation, or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness, the allocation of maintenance and insurance responsibilities between the Fund and the customer and the remaining economic life of the property.

The Discounted Cash Flow Approach allows an investor to make an assessment of the long term return that is likely to be derived from a property with a combination of both rental and capital growth over a 10 year horizon. The key assumptions used in determining the fair value of the investment property from this methodology are shown in the table:

	30 Sep 2023	31 Mar 2023
<b>Terminal Yield</b>		
107 Harris Road, Auckland	6.75%	6.38%
6 Hurring Place, Wellington	6.75%	6.38%
12 Newlands Road, Wellington	6.63%	6.38%
223 Tuam Street, Christchurch	6.13%	5.88%
35 Hickory Place, Christchurch	6.25%	6.00%

<b>Adopted Discount Rate</b>		
107 Harris Road, Auckland	8.75%	7.88%
6 Hurring Place, Wellington	7.50%	7.13%
12 Newlands Road, Wellington	7.50%	7.00%
223 Tuam Street, Christchurch	7.25%	6.75%
35 Hickory Place, Christchurch	7.00%	6.75%

<b>Average Market Growth Rate (p.a.)</b>		
107 Harris Road, Auckland	2.58%	2.95%
6 Hurring Place, Wellington	2.80%	2.10%
12 Newlands Road, Wellington	2.80%	2.10%
223 Tuam Street, Christchurch	2.57%	2.57%
35 Hickory Place, Christchurch	2.50%	2.50%

#### **Direct Investment property accounting policy**

Investment property is initially recognised at cost, including transaction costs. Subsequently, investment property is measured at its fair value, which is determined by external valuers at least annually.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

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

## Notes to the Financial Statements (Continued)

### 7 Direct Property Investments (continued)

#### Direct Property Investment - Held for sale accounting policy

Direct Property Investments classified as held for sale are measured at fair value. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification.

At balance date, 107 Harris Road, Auckland, 6 Hurring Place, Wellington and 12 Newlands Road, Wellington were classified as held for sale. The Fund intends to sell at a minimum, one of these properties within this financial year at a price similar to the latest valuations. Sales proceeds will be utilised to reduce debt. At balance date, the Fund was preparing to renew a sales marketing campaign for 107 Harris Road, Auckland. This campaign began in November 2023. In the 6 months to balance date, 12 Newlands Road, Wellington and 6 Hurring Place, Wellington underwent a sales marketing campaign. The fund is working with interested parties after the outcome of these campaigns.

### 8 Bank Loans

	Unaudited As at 30 Sep 2023	Audited As at 31 Mar 2023
<b>Loan details</b>	\$	\$
Bank loan	-	52,130,000
Bank loan - Current	52,130,000	-
	<u>52,130,000</u>	<u>52,130,000</u>

As at 30 September 2023 there were two loan facilities in place. The first bank loan of \$51,287,500 has a maturity date of 28 April 2025. At reporting date, the floating interest rate on this loan was 5.67% plus a margin of 2.10%. The second bank loan of \$842,500 has a maturity date of 26 April 2024. At reporting date, the floating interest rate on this loan was 5.67% plus a margin of 2.35%. (March 2023: There were two loan facilities in place; one of \$51,287,500 and a second of \$824,500. The floating interest rate was 5.11% on both facilities plus margins of 2.10% and 2.35% respectively).

The loans are secured by a first registered mortgage over the Direct Property Investments as well as a general security deed over all other assets of the Fund. (March 2023: The loans were secured by a first registered mortgage over the Direct Property Investments as well as a general security deed over all other assets of the Fund.).

#### Bank loan covenants

	30 Sep 2023	31 Mar 2023
<i>Loan to value ratio - not to be greater than</i>	55%	60%
Loan to value ratio	57.7%	54.9%
<i>Interest cover ratio - not to be less than</i>	2.00:1	2.00:1
Interest cover ratio	2.46:1	3.32:1

As at 30 September 2023, the Fund was in breach of its loan to value ratio covenant. Subsequent to the reporting date, the Bank agreed to waive this breach and increase the required loan to value ratio to 58% until 31 March 2024 where it will revert back to the current covenant of 55%. There has been no subsequent breaches to note. The Fund intends to utilise proceeds from the sale of directly held investments to reduce the loan value and meet the required covenant at 31 March 2024.

### 9 Financial Risk Management

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (such as interest rate risk) and capital risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

Management reviews and agrees policies for managing each of these risks.

Further information on the identified risks can be found within note 10 of the Fund's financial statements for the year ended 31 March 2023.

## Notes to the Financial Statements (Continued)

## 10 Issued Units and Equity

	Unaudited 30 Sep 2023 No. of Units	Unaudited 30 Sep 2022 No. of Units
Opening balance	128,138,900	124,118,258
Units issued	370,774	7,231,684
Units redeemed	-	(3,860,111)
Closing balance	128,509,674	127,489,831

**Subscribed capital policy**

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

**Investors' Net Capital Contribution**

	Unaudited 30 Sep 2023 \$	Unaudited 30 Sep 2022 \$
Opening balance	152,989,291	146,856,648
Units issued	483,736	11,041,087
Units redeemed	-	(5,893,910)
Closing balance	153,473,027	152,003,825

The following distributions were paid by the Fund during the six months:

	Unaudited 30 Sep 2023 Six months \$	Unaudited 30 Sep 2022 Six months \$
(Loss) / Profit for the period	(12,995,247)	3,629,276
<i>Add non-cash items</i>		
Unrealised movement in fair value of property scheme investments	10,396,002	(209,246)
Unrealised movement in fair value of direct property investments	4,810,395	(125,014)
Fixed rental increases	(35,993)	5,050
	2,175,157	3,300,066
<i>Adjustments for non-recurring expenditure</i>		
Due diligence costs	-	40,938
Marketing and other costs associated with equity raising	46,808	105,923
Adjusted operating profit	2,221,965	3,446,927
Funded by working capital	120,652	344,882
Total cash distribution	2,342,617	3,791,809
Distribution payable as a % of adjusted operating profit	105.4%	110.0%
Average number of units	128,362,543	126,393,625
Per unit	\$0.0182	\$0.0300

## Notes to the Financial Statements (Continued)

### 11 Leases as Lessor

The Fund's direct property investments (including direct property investments- held for sale) have operating leases attached to them.

<i>Minimum payments due are receivable as follows:</i>	Six months 30 Sep 2023	Six months 30 Sep 2022
	\$	\$
Less than one year	5,713,119	5,287,103
Between one and two years	5,854,921	5,278,925
Between two and three years	5,609,237	5,359,628
Between three and four years	5,291,365	5,214,078
Between four and five years	4,498,282	4,972,293
More than five years	16,503,419	20,960,490
	<u>43,470,343</u>	<u>47,072,517</u>

The Fund's direct property investments have lease agreements with nine tenants (September 2022: nine tenants). As at 30 September 2023 the direct property investments were 96.3% occupied (September 2022: 95.3%). Lease agreements with tenants vary in nature and are set with fixed terms allowing for rent reviews and rights of renewal.

No contingent rents have been recognised as income during the period (September 2022: Nil).

### 12 Related parties

Oyster DPF Trustees Limited is the custodian of the Fund and holds title to assets and liabilities as bare trustee on behalf of the investors in the Fund. The Directors of Oyster DPF Trustees Limited are Craig Manley, Hrvoje Koprivic and Richard Spong.

Oyster Management Limited is the Manager and administers the Fund on behalf of Unitholders. Oyster Management Limited is also the Manager for all the individual property schemes in which the Fund has invested. The Directors of Oyster Management Limited are Joanna Perry, Mark Schiele, Gary Gwynne, Jennifer Bunbury and Robert Percy.

Interests held in Oyster Direct Property Fund by related parties of the Manager of the Fund are as follows:

Entity owning interests	Related To	Nature of Relationship	Percentage Held
St Kilda Trust (Gary Gwynne)	Oyster Management Limited	Director of Manager	0.15%
GJ Gwynne Trust (Gary Gwynne)	Oyster Management Limited	Director of Manager	0.33%
Gernrode Trust (Mark Schiele)	Oyster Management Limited	Director of Manager	0.18%
Joanna Perry	Oyster Management Limited	Director of Manager	0.03%
Kerryn Strong	Oyster Management Limited	Senior Manager of OML	0.01%
Rachel Barr	Oyster Management Limited	Senior Manager of OML	0.01%
Steven Harris	Oyster Management Limited	Senior Manager of OML	0.01%
Vaughan Ludlam	Oyster Management Limited	Senior Manager of OML	0.01%

The Fund provided a loan to 51 Corinthian Proportionate Ownership Scheme during the six months to reporting date detailed within note 6. The Fund and the Scheme are both managed by Oyster Management Limited. All loan terms are equal to other interest holders within the scheme.

The following fees were paid to the Manager in accordance with the Fund's governing document during the six months:

	Unaudited 30 Sep 2023	Unaudited 30 Sep 2022
	Six months	Six months
	\$	\$
Fund management fee	704,213	828,623
Property management fee	82,067	72,617
Accounting fee	4,380	4,021
Acquisition fee	-	400,000
Leasing fees	1,852	6,032
Project management fees	-	8,925
	<u>792,512</u>	<u>1,320,218</u>

## Notes to the Financial Statements (Continued)

### 12 Related parties (continued)

The Schemes that the Fund has invested in are all related parties by virtue of having Oyster Management Limited as the Manager of those schemes.

Total fees charged by the Manager outstanding at reporting date are \$109,769 (March 2023: \$128,298).

At reporting date, no guarantees have been given to the Fund by any related parties. No provision for doubtful debts has been raised in respect to outstanding balances (March 2023: \$Nil). No related party debts have been written off during the period (March 2023: \$Nil).

#### Transactions with related parties in the property scheme investments

Oyster is entitled to be paid a property and scheme management fee from the Schemes. These fees are calculated in accordance with the property management agreements of the individual property schemes. The property and scheme management fee is paid monthly in arrears by the Schemes.

### 13 Capital Commitments

The Fund has capital commitments of \$107,500 as at 30 September 2023 in relation to the remaining balance to be drawn on the loan held with 51C Corinthian Proportionate Ownership Scheme. Refer to Note 6 for detail. (March 2023: \$27,510).

### 14 Contingent Liabilities

The Fund had no contingent liabilities as at 30 September 2023 (March 2023: Nil).

### 15 Subsequent Events

As at 30 September 2023, the Fund was in breach of its loan to value ratio covenant. On 3 October 2023, the bank agreed to waive this breach and increase the required loan to value ratio to 58% until 31 March 2024 where it will revert back to 55%.

## **Independent auditor's review report to the subscribers of Oyster Direct Property Fund**

### **Conclusion**

We have reviewed the interim financial statements of Oyster Direct Property Fund ("the Fund") which comprise the statement of financial position as at 30 September 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Fund do not present fairly, in all material respects the financial position of the Fund as at 30 September 2023, and its financial performance and its cash flows for the six months ended on that date, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

This report is made solely to the Fund's subscribers, as a body. Our review has been undertaken so that we might state to the Fund's subscribers those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's subscribers as a body, for our review procedures, for this report, or for the conclusion we have formed.

### **Basis for conclusion**

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial statements* section of our report. We are independent of the Fund in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Ernst & Young provides other assurance services to the Fund. Partners and employees of our firm may deal with the Fund on normal terms within the ordinary course of trading activities of the business of the Fund. We have no other relationship with, or interest in, the Fund.

### **Directors' responsibility for the interim financial statements**

The Directors of the Fund Manager are responsible, on behalf of the Fund, for the preparation and fair presentation of the interim financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the review of the interim financial statements**

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.



A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on those interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Lloyd Bunyan.

A stylized, handwritten-style signature of 'Ernst &amp; Young' in black ink.

Chartered Accountants  
Auckland  
29 November 2023

# Additional Information

## (unaudited)

For the six months ended 30 September 2023

### Pricing of Units

The Unit Price is determined monthly as at the last day of the month using the Adjusted Net Asset Value of the Fund.

The Adjusted Net Asset Value of the Fund is calculated using the Net Asset Value ('Total equity' from the financial statements) and making the following adjustments to take into account the Fund's investment activity. The following are non-GAAP adjustments and therefore not reflected in the Fund's financial statements.

#### Establishment costs

For the purposes of calculating the Adjusted Net Asset Value, and subsequent Unit Price of the Fund, initial Fund establishment costs such as acquisition fees, brokerage fees, marketing, due diligence costs and legal costs have been capitalised and have been amortised on a straight-line basis over the first five years of the Fund's life.

#### Disposal costs

The Fund has directly acquired properties at 107 Harris Road, Auckland, 6 Hurring Place, Wellington, 12 Newlands Road, Wellington, 223 Tuam Street, Christchurch and 35 Hickory Place, Christchurch and the Trust Deed requires that the costs to dispose of direct property investments be accrued over the first five years that the property is held.

Disposal costs have been estimated at \$144,000, \$162,000, \$169,000, \$394,000 and \$253,000 respectively, and these are being accrued at \$18,700 per month.

The difference in treatment between the Net Asset Value from the financial statements and the above non-GAAP adjustments is to calculate the Adjusted Net Asset Value is to spread the impact of establishment costs and direct property investment disposal costs over five years for the purposes of calculating the unit price that Investors enter and exit the Fund.

### Net asset value for the purposes of unit pricing

	Unaudited 30 Sep 2023 Six months \$	Unaudited 30 Sep 2022 Six months \$
Net Asset Value per the Statement of Financial Position	152,288,542	194,926,332
Adjustment for property disposal costs:		
Balance of unamortised costs carried forward	(570,870)	(350,687)
Provision for direct property investments disposal costs	(112,200)	(107,980)
	<u>(683,070)</u>	<u>(458,667)</u>
Adjusted Net Asset Value	<u>151,605,472</u>	<u>194,467,665</u>
Number of Units on Issue	128,509,674	127,489,831
Unit Price at reporting date	1.1797	1.5254