Mainland Retail Fund 2

Notes and Assumptions to and forming part of the financial statements
All amounts stated in New Zealand dollars

For the periods ending 31 March 2018, 31 March 2019 and 31 March 2020

1 General information

Mainland Retail Fund 2 ("Scheme") will be a Managed Investment Scheme established, domiciled and registered in New Zealand under the Financial Markets Conducts Act 2013.

The Scheme will be a commercial property investor that owns property at 347 Moorhouse Avenue, Christchurch.

Mainland Capital Investment Management Limited ("Manager") is the Promoter of the scheme, offeror of interests in the scheme, and manager of the scheme.

The Manager is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. It is not intended to update the prospective financial information subsequent to issue.

The prospective financial statements have been based on the assumption that there will be no material change in the economic environment, legal requirements or the current tax regulations. Actual results may differ from prospective financial statements depending on rental increases, change in interest rates, change in tenancies, rates and other expenses. The resulting variance may be material. The Manager gives no guarantee or assurance that the prospective financial information presented will be achieved.

2 Assumptions

(a) Settlement

Pursuant to the Agreement for Sale and Purchase of Real Estate ("ASAP"), settlement is assumed to occur on 31 January 2018. Therefore for the purpose of the financial statements, income has been recognised from 1 February 2018. These prospective financial statements assume all units will be fully subscribed for by the settlement date.

(b) Completion of building works

Pursuant to the terms of the ASAP, the Vendor is to undertake and complete all building works ("Works") necessary to reduce the size of the supermarket, create 5 new retail spaces and obtain all requisite resource and building consents for the lawful completion of the Works, and, on completion of the Works, the Vendor to procure the issue of a Code of Compliance Certificate in respect of the Works.

It is assumed the Vendor will have completed the Works to the satistfaction of the conditions outlined in the ASAP by settlement date.

(c) Purchase price

The total consideration payable to the Vendor is $27,640,000. Other costs payable to third parties directly relating to the purchase of the property amount to $100,000 excluding GST, if any, and are assumed to be paid on settlement.

	$
Purchase price	27,640,000
Legal fees	70,000
Valuation fees	20,000
Engineering reports	10,000
Total purchase price	**27,740,000**

(d) Capital raising costs

Total capital raising and establishment costs payable by the Scheme are assumed to be $768,360, excluding GST, if any. The following table sets out the forecasted costs:

	$
Manager's fee	663,360
Supervisor fee	5,000
Legal fees	50,000
Accountancy fee	10,000
Marketing costs	40,000
Other fees & contingency	-
Total capital raising costs	**768,360**

The capital raising and establishment costs have been based on quotes received and/or estimates made by the Manager.

Any unspent amounts will be retained in the Scheme as working capital.

(e) Investment property

On 31 March 2018, the fair value of 347 Moorhouse Avenue, Christchurch is assumed to equal $28,250,000 in accordance with an independent market valuation report prepared by Chris Stanley, a registered valuer of the firm TelferYoung (Canterbury) Limited. No further changes in fair value are taken into account as they cannot be reliably predicted.

No additional capital expenditure is assumed to be incurred by the Scheme over the prospective period.

(f) Rental income

The rental income calculations in the prospective financial statements are based on the expected rental level from the current and prospective leases below. Pursuant to the ASAP, the Vendor has agreed to underwrite rental and outgoings in respect of each of the 5 new retail spaces for a period of three years from settlement date. The underwrite rent is calculated at the rate of $450 per square metre plus GST whilst outgoings are estimated on a cost recovery basis.

Mainland Retail Fund 2

Notes and Assumptions to and forming part of the financial statements
All amounts stated in New Zealand dollars

For the periods ending 31 March 2018, 31 March 2019 and 31 March 2020

2 Assumptions (continued)

(f) Rental income (continued)

Tenancy	Base rental $pa	Area m^2	Rent per m^2	Commencement date	Term Yrs
Westpac ATM	15,500	2.0	7,750	Mar-14	5
Countdown	1,442,000	5,297.0	272	Dec-17	10
Burger King	242,647	527.1	460	Mar-17	10
Pharmacy Xtra	128,792	231.5	556	Mar-14	5
Small Café	23,686	35.8	662	May-15	4
Hang Seng	17,589	26.6	662	May-15	4
Rice Box	17,556	26.5	662	May-15	6
Cambodian Noodle	17,556	26.5	662	Oct-14	4
Curry in a Hurry	37,534	107.2	350	Aug-12	6
Retail Store 1 - Likely Sushi	35,750	55.0	650	Apr-19	5
Retail Store 2 - Likely Café	55,500	111.0	500	Apr-19	5
Retail Store 3 - Likely Kebab	33,300	74.0	450	Apr-19	5
Retail Store 4 - Likely Food	29,610	65.8	450	Apr-19	5
Retail Store 5 - Likely Food	25,650	57.0	450	Apr-19	5
Storage Unit 1	1,940	9.7	200	Apr-19	5
Storage Unit 2	1,000	5.0	200	Apr-19	5
Storage Unit 3	1,940	9.7	200	Apr-19	5
Storage Unit 4	1,940	9.7	200	Apr-19	5

Lease renewal, commencement assumptions
Based on the tenancy history and expectations of the market, the Manager has assumed the leases for Westpac ATM, Pharmacy Xtra, Small Cafe, Hang Seng, Rice Box, Cambodian Noodle and Curry in a Hurry will all be renewed at their respective renewal dates or a new lease granted, at the current base rental amount per annum. Lease commencements for the five retail stores are assumed to be April 2019 for a term of 5 years. Lease commencements for the Storage Units are assumed to be April 2019 for a term of 5 years, in line with the Retail Storage leases forecast, as it is anticipated the storage units will be rented by the tenants of the retail spaces.

Rental income (per square metre) assumptions
The base rental rates for Retail Store 1 and Retail Store 2 have been estimated based on the expected market rent per square metre provided by Colliers International. The base rental rates for Retail Stores 3,4 and 5 have been estimated based on the underwrite rent per square metre payable to the Scheme by the vendor.
The base rental rates for the Storage Units have been estimated based on the expected market rent per square metre estimated by Colliers International.

For the forecast period it is assumed that there is no tenant default or delays in receipt of rent.

(g) Property expenses

Property expenses, including the proportion of property expenses recoverable from tenants, have been based on forecasts prepared by Colliers International, the current property manager of 347 Moorhouse Avenue, Christchurch. Please refer to Note 15 for further detail on the property expenses forecast.

(h) Other ongoing annual costs

i. An annual scheme management fee payable by the Scheme to the Manager. The management fee will be paid and calculated on an annual basis at 0.40% of the property's gross asset value.
ii. Accountancy fees in relation to compilation of the annual financial statements: estimated at $3,500 plus GST for the part year ending 31 March 2018, and $5,000 plus GST for each respective year thereafter over the forecast period.
iii. Audit fees in relation to audit of the annual financial statements: estimated at $8,000 plus GST for the part year ending 31 March 2018, and $12,600 plus GST for each respective year thereafter over the forecast period.
iv. The annual valuation fee (estimated at $6,000 plus GST).
v. Annual fees payable by the Scheme to the Supervisor. The supervisor fee will be paid and calculated on an annual basis at 0.04% of the property's gross asset value.
vi. Bank fees estimated at $50 per month.
vii. Sundry expenses estimated at $1,000 plus GST for the part year ending 31 March 2018, and $4,000 plus GST for each respective year thereafter over the forecast period.

(i) Secured loan & interest rate swaps

Based on an indicative term sheet provided by ANZ Bank New Zealand Limited, a secured loan drawdown of $13,820,000 at settlement date has been forecast for a loan term of 4 years (interest only), at a floating interest rate based on the 90 day BKBM rate plus a 2.40% margin fixed for 3 years.

The current 90 day BKBM rate is 2.00% p.a. Accordingly a total interest rate of 4.40% p.a. is forecast over the prospective period. Due to the unpredicability of interest rates no change in this interest rate has been forecast over the prospective period.

A facility arrangement fee of $30,000 is forecast pursuant to the term sheet. Legal fees of $10,000 are assumed in relation to arranging the financing. The facility arrangement fee and legal fees have been capitalised on the balance sheet and amortised over the loan term on a straight line basis over the forecast period.

In order to hedge against interest rate risk, the Scheme will enter into two interest rate swaps with notional values of $4,606,667 each (representing a third of the total loan amount each). Therefore the total amount hedged will be $9,213,334 representing two thirds of the underlying loan amount. The remaining amount of $4,606,667 will remain unhedged. Under the swap agreements, the Scheme will receive floating rate payments and pay fixed rate amounts. The duration of the swaps are assumed to match the loan term of 4 years, and the swaps are assumed to settle on a monthly basis. The details of the interest rate swaps are as follows:

	Notional value	Interest p.a.	Margin p.a.	Total interest p.a.
Tranche 1	4,606,667	2.3%	2.4%	4.7%
Tranche 2	4,606,667	2.7%	2.4%	5.1%

2 Assumptions (continued)

(i) Secured loan & interest rate swaps (continued)

Accordingly the weighted average interest rate assumed over the forecast period will be 4.73% p.a. (being an average of the respective interest rates of 4.4%, 4.7% and 5.1% on the underlying loan and swap instruments). The interest expense is based on the interest payable on the secured loan and the net interest on the interest rate swap payments.

3 Statement of Accounting Policies

The prospective financial statements presented here are for the reporting entity the Scheme. The Scheme is designated as a for-profit entity for financial reporting purposes. The Scheme will be an FMC Reporting Entity within Tier 1 under the Financial Reporting Act 2013. The prospective financial statements comply with Financial Reporting Standard 42 (FRS-42) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

(a) Accounting period

The first period of these prospective financial statements for the period ending 31 March 2018 has been determined as 59 days which is based on the expected settlement date of 31 January 2018. The second and third periods of these prospective financial statements for the periods ending 31 March 2019 and 31 March 2020 are for a 1 year period respectively.

(b) Measurement base

The prospective financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

(c) Specific accounting policies

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to the periods presented.

Rental income
Rental income is recognised on a straight-line basis over the lease term.

Property expenses recovered
Property expenses recovered is recognised as income when invoiced.

Leases
The Scheme is a landlord with operating leases (which are leases in which the Scheme retains substantially all the risks and rewards of ownership of the leased asset).

Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its cost (plus any directly attributable transaction costs), and subsequently at fair value at reporting date. The Scheme assesses the fair value of investment property at each balance date. No change in fair value is assumed over the forecast period as it cannot be reliably predicted.

Payables and accruals
These amounts represent unsecured liabilities for goods and services provided to the Scheme prior to the end of the financial year which are unpaid. Trade and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables and accruals are usually paid within 90 days, they are carried at face value.

Goods and services Tax (GST)
The prospective financial statements have been prepared using GST exclusive figures with the exception of payables which are stated GST inclusive.

Income tax
Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for:
(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
(ii) temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Financial instruments
Non-derivative financial instruments comprise loans and receivables, accrued expenses and trade payables and secured bank loans. Derivative financial instruments comprise of interest rate swaps. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise where the Scheme provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

All amounts stated in New Zealand dollars

3 Statement of Accounting Policies (continued)

(c) Specific accounting policies (continued)

Financial instruments (continued)
The Scheme's loans and receivables comprise cash and cash equivalents. Loans and receivables are initially recognised at fair value, plus transaction costs and are subsequently carried at amortised cost using the effective interest method. Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all the risks and rewards of ownership.

The Scheme assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Cash and cash equivalents includes cash in hand and deposits held at call with banks

(ii) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Statement of Cash Flows
The following are the definitions of terms used in the Statement of Cash Flows:
(i) Operating activites are the principal revenue producing activities of the Scheme and include all transactions and other events that are not investing or financing activities.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of investments and other assets. Investments can include securities not falling into the definition of cash.

(iii) Financing activities are those activities that result in changes in the size and composition of the Scheme's capital structures.

4 Investment Property

The Scheme's investment property at 347 Moorhouse Avenue, Christchurch has been measured at cost and subsequently at fair value based on an independent valuation undertaken by TelferYoung (Canterbury) Limited, registered valuers (refer note 16). At each financial year end a valuation will be carried out by an independent registered valuer. The valuation movement will be reported through the statement of profit & loss and may have an impact on the reported profit. As the fair value cannot be reliably predicted, no change in the fair value from the initial valuation report has been taken into account for the remainder of the forecast period.

No additional capital expenditure is assumed to be incurred by the Scheme over the prospective period.

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Balance at beginning of financial year	-	28,250,000	28,250,000
Acquisition of property	27,740,000	-	-
Fair value gain on investment property revaluation (refer Note 16)	510,000	-	-
Balance at end of financial year	28,250,000	28,250,000	28,250,000

5 Fees paid to Auditors

Audit fees in relation to audit of the annual financial statements have been forecast as follows:

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Audit of financial statements and other assurance fees	8,000	12,600	12,600
Total auditors' remuneration	8,000	12,600	12,600

6 Financial Instruments

Credit risk
To the extent the Scheme has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the Scheme to credit risk consist of cash and cash equivalents.

The Scheme will hold no collateral or any other security over the Scheme's financial assets subject to credit risk. However, the Scheme's funds will be held by a well-established bank within New Zealand therefore reducing possible credit risk. The Scheme's tenants will pay rental monthly in advance and as such there is no anticipated credit risk exposure at 31 March 2018, 31 March 2019 and 31 March 2020. As a result, the Scheme does not anticipate non-performance by the counterparties.

Maximum exposures to credit risk at balance date are:	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Cash and cash equivalents	357,120	479,760	490,271

Liquidity risk
Liquidity risk represents the Scheme's ability to meet its financial obligations on time. The Scheme projects to generate sufficient cash flows from its operating activities to make timely payments to meet these obligations. The table below represents all contractual and fixed pay-offs for settlement and repayments resulting from expected financial liabilities.

All amounts stated in New Zealand dollars

6 Financial Instruments (continued)

Liquidity risk (continued)

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
On demand	-	-	-
Not later than one month	180,837	259,614	259,253
Later than one month and not later than three months	17,500	23,600	26,425
Later than three months and not later than one year	-	-	-
Later than one year and not later than five years	13,820,000	13,820,000	13,820,000
Later than five years	-	-	-
Total financial liabilities	**14,018,337**	**14,103,214**	**14,105,678**

Maturity Analysis for Financial Liabilities

Not later than one month
With the exception of accrued expenses; accounts payable are due within 30 days of year end. Distributions due to unitholders are paid within 30 days of the quarter end.

Later than one month and not later than three months
Accrued expenses consisting of accountancy fees, valuation fees and audit fees accrued in relation to annual compliance are forecast to be paid are paid within 90 days of year end.

Later than one year and not later than five years
The secured bank loan is forecast to be drawn on a four year term.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to economically hedge against interest rate risk, the Scheme will enter into two interest rate swap agreements with the bank. Under the terms of the swap agreement, the Scheme will pay fixed rate amounts and received floating rate payments.

Changes in interest rates will have an impact on future surpluses for the forecast period and beyond. The impact of changes in interest rates is expected to be minimised as a result of the interest rate swap agreements anticipated to be entered into.

Capital risk

The Scheme's capital consists of unitholder funds and retained earnings. The Scheme's objectives when managing capital are to safeguard the Scheme's ability to continue as a going concern in order to provide returns for unitholders and maintain sufficient cash reserves to meet obligations as they fall due. In order to meet these objectives, the Manager may change the level of distributions to unitholders.

Fair values

The carrying value is expected to approximate the fair value for all financial instruments and accordingly they are not scheduled out in this note to the accounts.

7 Equity

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Unitholders' funds	14,091,640	14,091,640	14,091,640
Retained earnings	510,000	510,000	510,000
Total equity	**14,601,640**	**14,601,640**	**14,601,640**

Investor Units

Investor units are made up of 14,860,000 units issued at $1 each. All units share equally in the income and assets of the Scheme.

Investor's capital contribution is calculated as follows:

	$
Investor's capital contribution	14,860,000
<u>Less Capital raising costs (GST exclusive where applicable)</u>	
Manager's fee	663,360
Supervisor fee	5,000
Legal fees	50,000
Accountancy fee	10,000
Marketing costs	40,000
Other fees & contingency	-
	768,360
Net investor's capital contribution	14,091,640

Mainland Retail Fund 2

Notes and Assumptions to and forming part of the financial statements

All amounts stated in New Zealand dollars

For the periods ending 31 March 2018, 31 March 2019 and 31 March 2020

7 Equity (continued)

Retained earnings reconciliation

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Opening balance	-	510,000	510,000
Total comprehensive income attributable to unitholders	638,575	814,474	824,935
Distributions to unitholders	(128,575)	(814,474)	(824,935)
Closing balance	**510,000**	**510,000**	**510,000**

8 Distributions

The following distributions are forecast:

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Total distributions to unitholders	128,575	814,474	824,935
No. of units on issue	14,860,000	14,860,000	14,860,000
Distribution per unit	0.009	0.055	0.056
Distribution %			
pre-tax	1.2%	7.6%	7.7%
post-tax	0.9%	5.5%	5.6%

Distributions to unitholders are based on distributing 100% of the net profit after taxation, excluding any fair value gain from investment property revaluation (refer Note 17). Distributions are forecast to be paid quarterly to unitholders.

9 Cash and cash equivalents

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Current account	357,120	479,760	490,271
Total cash and cash equivalents	357,120	479,760	490,271

10 Taxation

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Net profit before taxation	688,577	1,131,213	1,145,743
Permanent differences	(548,385)	9,993	10,021
Temporary differences	-	-	-
Taxable income	140,192	1,141,207	1,155,764
Tax thereon at 28%	39,254	319,538	323,614
Deferred tax expense	10,748	(2,798)	(2,806)
Total income tax expense	50,001	316,740	320,808

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Current taxation			
Opening balance	-	-	-
Current tax payable	39,254	319,538	323,614
Provisional tax paid	(39,254)	(319,538)	(323,614)
Closing balance	-	-	-
Deferred taxation			
Opening balance	-	10,748	7,950
Current year movement	10,748	(2,798)	(2,806)
Closing balance	10,748	7,950	5,144
Made up of:			
Deferred tax liability	10,748	7,950	5,144
Net balance as per above	10,748	7,950	5,144
Deferred tax liabilities are attributable to the following:			
Borrowing costs	10,748	7,950	5,144

All amounts stated in New Zealand dollars

11 Related Parties

Mainland Capital Investment Management Limited is Manager of the Scheme. Mainland Capital Investment Management Limited is responsible for the day-to-day operations of the Scheme, including managing the investment portfolio, maintaining the unit holder registers, preparing accounting records, financial statements and completing all compliance related matters for the Scheme.

Transactions with related parties:

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Management fees paid to Mainland Capital Investment Management Limited	18,833	113,000	113,000
Capital raising costs paid to Mainland Capital Investment Management Limited	663,360	-	-

12 Trade and other payables

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Accounts payable	52,262	54,358	52,364
Accrued expenses	17,500	23,600	26,425
GST payable	14,780	45,348	46,180
Total trade and other payables	**84,542**	**123,306**	**124,969**

13 Secured bank loan

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Secured bank loan	13,820,000	13,820,000	13,820,000

The loan will be secured by way of a registered first mortgage over the investment property. The loan facility is assumed to be for a term of 4 years from date of drawdown (at settlement date). It is assumed that the loan will be replaced with a loan on similiar terms at the repayment date.

The loan will be interest only where no principal repayments are required to be made until the repayment date specified in the loan agreement which is the expiry of the loan term. Borrowings costs of $40,000 (comprising of loan establishment fees of $30,000 and legal fees of $10,000) have been forecast and amortised over the loan term.

The interest rate payable by the Scheme is the bank's 90 day rate plus a margin of 2.40% per annum fixed for 3 years. Mainland Capital Investment Management Limited intends to manage the interest rate risk with interest rate swap agreements and/or floating rates. Please refer to note 2(i) for further information.

Loan covenants based on indicative term sheet provided by ANZ
(a) Annual financial statements within 6 months of the last day of each financial year
(b) Director's certificate containing calculations evidencing compliance with financial covenants (see below)
(c) Schedule of tenancies at least 30 days prior to the end of every 12 month period during the term of the facility agreement
(d) Property valuations no more than 3 years old during the term of the facility agreement
(e) List of PMSIs on a continuing basis during the term of the agreement

Financial covenants
(a) Interest cover ratio is not less than 2.00 to 1
(b) Loan to Valuation ratio will not exceed 50.00%
(c) Weighted average lease term ("WALT") must exceed 3.00 years at all times

The Manager does not anticipate any breaches of covenants over the forecast period.

14 Operating lease commitments (Scheme as lessor)

The following minimum lease payments are assumed due from lessees over the forecast period.

	As at 31 March 2018 $	As at 31 March 2019 $	As at 31 March 2020 $
Within one year	2,088,869	2,073,644	2,129,490
Between one and five years	7,155,029	7,651,641	8,095,622
After five years	11,545,255	9,860,608	8,175,961
Total minimum lease payments	**20,789,153**	**19,585,893**	**18,401,072**

15 Property expenses

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Body corporate levies	1,846	11,764	11,999
Insurance	12,820	81,701	83,335
Property management fees	6,402	40,000	40,000
Rates	28,268	185,453	194,726
Repairs and maintenance	15,282	97,398	99,346
Total property expenses	**64,617**	**416,316**	**429,406**

Property expenses have been based on forecasts prepared by Colliers International, the current property manager of 347 Moorhouse Avenue, Christchurch.

All amounts stated in New Zealand dollars

16 Valuation

An independent valuation of the investment property as at 18 August 2017 has been provided by Chris Stanley - M Prop Stud (Distn), FNZIV, FPINZ, AAMINZ of the firm TelferYoung (Canterbury) Limited. The valuer holds a recognised professional qualification and has recent experience in the locations and segments of the investment property valued.

The valuation has been undertaken on an 'As If Complete' basis assuming the completion of the building works providing the new retail tenancies forming part of the existing Countdown premises.The valuation arrived at a value of $28,250,000 as at 18 August 2017. No further changes in the fair value of the investment property have been forecasted over the prospective financial period, due to the uncertainty and lack of reliability in predicting fair value.

The valuation utilised a number of different methods: Income Capitalisation - Total Property, Income Capitalisation - Seperate Properties and Discounted Cash Flow. The assessments produced a value range of $28,080,000 to $28,415,000. The independent valuer placed greater reliance on the value derived from the Income Capitalisation - Seperate Properties approach, which derived a value of $28,385,000, in adopting the investment property market value of $28,250,000.

The valuation assumptions used in the Income Capitalisation - Seperate Properties approach considered the property as two seperate components comprising the Burger King being Unit 2 and Units 1,3, and 4 being the balance of the property. The table below represents some further sensitivity with regard to applied yields or capitalisation rates.

	Income Capitalisation Units 1,3 & 4		
Net market income capitalised	1,696,957	1,696,957	1,696,957
Cap rate (yield)	6.75%	7.00%	7.25%
Capital adjustments	99,001	99,001	99,001
Market value	25,239,105	24,341,247	23,505,304

	Income Capitalisation Unit 2		
Net market income capitalised	242,647	242,647	242,647
Cap rate (yield)	5.75%	6.00%	6.25%
Capital adjustments	-	-	-
Market value	4,219,948	4,044,117	3,882,352
Total	29,459,053	28,385,364 *(Adopted $28,385,000)*	27,387,656

17 Reconciliation of total comprehensive income to distributions to unitholders

	For the 59 days ending 31 March 2018 $	For the year ending 31 March 2019 $	For the year ending 31 March 2020 $
Total comprehensive income attributable to unitholders	638,575	814,474	824,935
Adjustments:			
Fair value gain on property revaluation	(510,000)	-	-
Net profit after tax to be distributed to unitholders	128,575	814,474	824,935

18 Capital commitments

The Scheme does not anticipate having any capital commitments as at 31 March 2018, 31 March 2019 or 31 March 2020.

19 Contingent liabilities

The Scheme does not anticipate having any contingent liabilities as at 31 March 2018, 31 March 2019 or 31 March 2020.