

Oxford Victoria Scheme's financial information

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

(in New Zealand Dollars)

	3 Months and 17 Days ending 31 March 2017	12 Months ending 31 March 2018
Note	\$	\$
Income		
Rental income	1,116,246	3,777,994
Management fees recovered	41,859	141,675
	1,158,105	3,919,670
Less Expenses		
Administration Expenses		
Accounting fees	20,000	10,000
Audit fees	40,000	15,000
Statutory supervisor	29,403	17,403
Exchange/registry	15,275	7,775
General administration costs	4,438	15,000
Total Administration Expenses	109,116	65,178
Operating Expenses		
Valuation costs	45,000	15,000
Scheme management	25,747	159,528
Total Operating Expenses	70,747	174,528
Non-Cash Expenses		
Depreciation charges	-	-
Total Expenses	179,863	239,706
Net Operating Income	978,242	3,679,964
Finance Expenses		
Bank fee	11,668	11,667
Interest on loan advance	332,469	1,123,622
Total Finance Expenses	344,137	1,135,289
Net Profit/(Loss)	634,105	2,544,675
Other comprehensive income	-	-
Total Comprehensive income	634,105	2,544,675

The attached notes and assumptions form an integral part of these forecast financial statements

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

(in New Zealand Dollars)

		31 March 2017	31 March 2018
	Note	\$	\$
Equity			
Capital	8	28,648,725	28,648,725
Retained earnings	8	(116,273)	(107,598)
		28,532,452	28,541,127
Represented by:			
Current assets			
Cash and cash equivalents	9	471,276	506,369
Prepayments	10	23,332	11,665
Total current assets		494,608	518,034
Non-current assets			
Investment property	3	58,000,000	58,000,000
Total Assets		58,494,608	58,518,034
Current liabilities			
GST payable	13	42,910	41,651
Accounts payable	13	138,912	154,923
Distribution payable	13	211,333	211,333
Total current liabilities		393,156	407,907
Non-Current liabilities			
Bank loan	14	29,569,000	29,569,000
Total Liabilities		29,962,156	29,976,907
Net Assets		28,532,452	28,541,127

Authorised by:

Silverfin Capital Limited



Alan Murray Paterson
Chairman

Dated:

19 October 2016



Cheryl Tracy Macaulay
Managing Director

The attached notes and assumptions form an integral part of these forecast financial statements

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

(in New Zealand Dollars)

	Note	Capital \$	Retained Earnings \$	Total \$
Opening Balance 14 December 2016		-	-	-
Profit or (loss)/total comprehensive income		-	634,105	634,105
Investors' capital contribution	8	28,648,725	-	28,648,725
Less distribution to investors	8	-	(750,378)	(750,378)
Balance as at 31 March 2017		28,648,725	(116,273)	28,532,452
Opening Balance 1 April 2017		28,648,725	(116,273)	28,532,452
Profit or (loss)/total comprehensive income		-	2,544,675	2,544,675
Less distribution to investors	8	-	(2,536,000)	(2,536,000)
Balance as at 31 March 2018		28,648,725	(107,598)	28,541,127

PROSPECTIVE STATEMENT OF CASH FLOWS

(in New Zealand Dollars)

	Note	3 Months and 17 Days ending 31 March 2017 \$	12 Months ending 31 March 2018 \$
Cash flows from operating activities			
Cash provided from:			
Rental receipts		1,116,246	3,777,994
Property management recovered		41,859	141,675
GST received/(paid)		42,910	(1,260)
		1,201,015	3,918,410
Cash disbursed to:			
Operating expenses		(134,586)	(223,693)
Interest paid		(238,834)	(1,123,622)
		(373,420)	(1,347,315)
Net cash inflow from operating activities		827,595	2,571,094
Cash flows from investing activities			
Cash disbursed to:			
Purchase of investment property	3	(58,000,000)	-
Net cash inflow from investing activities		(58,000,000)	-

The attached notes and assumptions form an integral part of these forecast financial statements

		3 Months and 17 Days ending 31 March 2017	12 Months ending 31 March 2018
		\$	\$
Cash flows from financing activities			
Cash provided from:			
Investors contributions	8	31,700,000	-
Bank loan	15	29,569,000	-
		61,269,000	-
Cash disbursed to:			
Finance legal costs		-	-
Bank finance costs		(35,000)	-
Issue costs	8	(3,051,275)	-
Distributions to investors		(539,045)	(2,536,000)
		(3,625,320)	(2,536,000)
Net cash inflow from financing activities		57,643,680	(2,536,000)
Net increase (decrease) in cash held		471,275	35,094
Cash and cash equivalents at start of period		-	471,275
Cash and cash equivalents at end of period		471,275	506,369
Comprising of:			
Current account	9	471,275	506,369
		471,275	506,369

RECONCILIATION OF PROFIT TO CASH FROM OPERATING ACTIVITIES

(in New Zealand Dollars)

	3 Months and 17 Days ending 31 March 2017	12 Months ending 31 March 2018
	\$	\$
Reported profit/(loss)	634,105	2,544,675
Non-operating items		
Bank fee	11,668	11,667
Depreciation	-	-
Add/(Less) movements in working capital Items:		
Increase/(Decrease) in GST payable	42,910	(1,259)
Increase/(Decrease) in creditors	138,912	16,011
Net Cash Inflow (Outflow) from Operating Activities	827,595	2,571,094

The attached notes and assumptions form an integral part of these forecast financial statements

THE OXFORD VICTORIA SCHEME

NOTES AND ASSUMPTIONS TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDING 31 MARCH 2017 AND 31 MARCH 2018

1. GENERAL INFORMATION

The Oxford Victoria Scheme ("Scheme") will be a scheme established, domiciled and registered in New Zealand.

The Scheme will be a commercial property investor that owns properties at 32 Oxford Terrace and 104 Victoria Street, Christchurch.

Silverfin Capital Limited ("Silverfin") is the Promoter of the scheme, offeror of interests in the scheme, and manager of the scheme.

The Offeror is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Assumptions

These prospective financial statements assume all 634 units will be fully subscribed by 14 December 2016.

The rentals used in the prospective financial statements are based on the expected rental level from the leases below. The prospective financial statements assume rent increases based on percentage or CPI based rental review increases but do not factor any market review rental increases that may occur on each rental review. CPI is assumed to be 0.4% per annum for the period of the forecast.

Silverfin has adopted a 3.80% per annum interest rate on the Term Loan Facility for the purposes of these prospective financial statements (being 2.20% plus the bank's current lending margin of 1.60%). Based on the interest rate adopted by Silverfin for the purposes of these prospective financial statements, the Scheme will be liable to the bank for interest on the Term Loan Facility in the amount of \$332,469 during the period from Settlement until 31 March 2017 and in the amount of \$1,123,622 for the 12 month period to 31 March 2018.

The bank will also charge the Scheme a fee of \$35,000 in respect of this fixed interest loan.

The interest expense is based on no principal repayments (interest only) during the term of the Loan Facilities.

The summarised lease terms of the tenancies are:

32 Oxford Terrace, Christchurch

Tenancy	Tenant trading name	NLA sqm	Term Yrs	Comm. Date	Next review	Rent review structure	Base rental \$pa (GST exclusive)
Ground	Vacant (Rent Retention from Vendor 18mths)	1,020.72	1.50	Nov-16		No review	408,288.00
Remainder	Canterbury District Health Board	5,954.99	15.00 +10	Nov-15	Nov-16	Annual CPI with of floor of 1.75% and cap of 2.75%	1,937,824.25
Totals							2,346,112.25

104 Victoria Street, Christchurch

Tenancy	Tenant trading name	NLA sqm	Term Yrs	Comm. Date	Next review	Rent review structure	Base rental \$pa (GST exclusive)
Ground	Prime Fitness	247.3	8 +6+6	Jun-14	Jun-17	Annual CPI capped at 3.00%	90,702.53
Ground	Chinwag Eathai	314.57	8 +4+4	Jul-14	Jul-17	Annual fixed at 3.00%	156,073.43
Balance	Telgis	2,911.2	10 +10+10	Jun-14	Jun-24	No increase during initial term, then annual CPI with of floor of 1.75% and cap of 2.75%	1,059,483.50
Sign Nth	iSite Limited	N/A	6 +5	Nov-13	Nov-18	CPI every 2.5 years	90,902.70

Tenancy	Tenant trading name	NLA sqm	Term Yrs	Comm. Date	Next review	Rent review structure	Base rental \$pa (GST exclusive)
Sign Sth	iSite Limited	N/A	6 +5	Jun-13	Jun-18	CPI every 2.5 years	20,511.07
	Totals	3,473.08					1,417,673.23

The administration and operating expenses have been based on previous experience. The establishment costs have been based both on quotes and/or previous experience.

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 Offeror, the Manager, and the Nominee give no guarantee or assurance that the prospective financial information presented will be achieved.

PURCHASE / OPERATING COSTS

Details of issue expenses, being the costs involved in establishing the scheme are set out below:

Purchase price	58,000,000
Establishment costs	3,269,000
Total	61,269,000

To be funded by:	
Subscriptions from Investors (up to 634 units @ \$50,000)	31,700,000
Bank loan	29,569,000
Total	61,269,000

Establishment Costs payable by the Scheme are:

Legal costs	200,000
Offeror's fee	1,015,000
Brokerage Fee	634,000
Marketing costs	275,000
Bank Finance Costs	35,000
Accountancy fee	10,000
Audit fee	25,000
Valuation fee	30,000
Statutory Supervisor	12,000
Exchange/Registry	7,500
Underwrite Fee	900,000
Contingency Funds Retained	125,500
Total	3,269,000

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

The Issue Expenses specified are all payable by the Scheme.

Silverfin will be transparent about all charges which affect returns to Investors. Particular of these charges will be included in the annual financial statements relating to the Scheme will be sent to all Investors.

Ongoing annual costs

- (a) An annual scheme management fee payable by the Scheme to Silverfin. The Property and Scheme management fees will be paid and calculated on an annual basis at 0.150% of the properties gross asset value for the period from Scheme establishment until 31 March 2017 and 0.275% of the properties gross asset value from 1 April 2017. The management fee is payable monthly in advance.
- (b) Audit of annual financial statements (estimated at \$15,000 plus GST).
- (c) The annual valuation fee (estimated at \$15,000 plus GST).
- (d) Annual interest charges payable to Westpac New Zealand Limited. Estimated at \$1,123,622 per annum based on an effective interest rate of 3.80% per annum, the financials have been calculated using the 3 year fixed rate.
- (e) An annual registry fee to Syndex (estimated at \$7,775 plus GST).
- (f) Outgoings, property maintenance expenses and costs (to the extent not recoverable from the Tenants).

Third party charges (including those charged by real estate agents, the bank, legal advisors, accountants and valuers) will be set by the relevant third parties and may be subject to change.

MANAGER'S FEES

Silverfin has a simplified scheme management fee structure without additional add on fees. Silverfin has introduced a performance fee to greater align the management of the Scheme with the Investors and to incentivise Silverfin to achieve both revenue and capital growth for Investors. The fees structure is outlined below.

Management Fee

A Scheme management fee equivalent to 0.150% of the properties gross asset value (GAV) (i.e. \$58,010,000 at settlement) for the period from settlement to 31 March 2017. This fee is calculated at \$87,015 plus GST for a full 12 month period.

A Scheme management fee equivalent to 0.275% of the properties gross asset value (GAV) (i.e. \$58,010,000 at settlement). This is from 1 April 2017. This fee is calculated at \$159,528 plus GST for a full 12 month period.

An administration transaction fee of 0.75% of unit sale price plus GST may be charged to a selling Investor if an Interest is sold prior to sale of the Property to facilitate and manage the sale and purchase of a sold Interest. Third party costs (e.g. legal fees) may be payable in addition to this fee.

No additional management charges will be charged for new leases, renewals, rent reviews or minor development work.

Performance Fee

A performance fee is payable to Silverfin if the Scheme achieves on each Interest a pre-tax equivalent return in excess of 10% per annum returned to Investors on termination of the Scheme, whereby Silverfin shares the return to investors above this 10% threshold on a 20/80 ratio with Silverfin receiving 20% of the excess return and Investors 80%.

Development Management

In the event the Scheme resolves to undertake any development or capital works to the Property requiring development management expertise Silverfin can elect to undertake this work on behalf of the Scheme for a development management fee at standard market rates, subject to the approval of the Investors by Ordinary Resolution.

These fees are detailed in full in the Deed of Participation.

PROJECTED INVESTMENT RETURN

(in New Zealand Dollars)

		3 Months and 17 Days ending 31 March 2017	3 Months and 17 Days ending 31 March 2017 (3 Months and 17 Days ending 31 March 2017 Trading annualised for 12 Months)	12 Months ending 31 March 2018
	Note	\$	\$	\$
Amount invested per Interest		\$50,000	\$50,000	\$50,000
Prospective net profit before tax		\$634,105	\$2,611,484	\$2,544,675
Total number of Interests		634	634	634
Prospective net profit per Interest		\$1,000	\$4,119	\$4,014
Total Investor cash return (paid and payable) per Interest	8	\$1,184	\$4,000	\$4,000
Forecast cash return per period		2.37%	8.00%	8.00%

Period of Time Expected to Elapse Before Return is Achieved

The projected returns above are based on holding one Interest (at a subscription price of the Subscription Amount) for the duration of each period stated, and calculated on the basis of

distributions from available cash surpluses. These Projected Returns do not take into account any retained profit or loss which may result from rental activities or any increase or decrease in the value of the Property. They do not take tax or depreciation into account. The notes and assumptions assume that settlement will take place on the Expected Settlement Date. The Manager intends to make distributions to the Investors monthly in arrears with payments being made on or about the 1st day of each month. This first distribution will be made on or about 1 February 2017 for one month and 17 days.

PROSPECTIVE FINANCIAL INFORMATION

As the Scheme and ownership of the Property has not yet commenced, no appropriate financial information exists for the Property other than as set out in the prospective financial information.

Prospective information in respect of the Scheme for the first accounting period of 3 Months and 17 days ending 31 March 2017 and for the 12 months ending 31 March 2018 are set out below.

These statements comprise the Prospective Statement of Comprehensive Income, Prospective Statement of Financial Position, Prospective Statement of Changes in Equity and Prospective Statement of Cash Flows, which comply with Financial Reporting Standard 42 (FRS-42: Prospective Financial Statements) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

2. 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: Prospective Financial Statements) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

Accounting Period

The first period of these prospective financial statements for the period ending 31 March 2017 has been determined as 3 Months and 17 days which is based on the Expected Settlement Date of 14 December 2016.

The second period of these prospective financial statements for the period ending 31 March 2018 is for a 1 year period.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below:

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 both periods presented.

(a) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Scheme's activities. Revenue is shown net of Goods and Services Tax, returns, rebates and discounts.

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

Rental Income

Rental income (net of any incentives given to tenant(s)) is recognised on a straight-line over the lease term.

Property Management Recovered

Property management recovered is recognised as income when invoiced.

(b) Leases

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

(c) Investment Properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its cost and subsequent revaluations at each reporting date. The cost value was determined based on the sale and purchase agreement. The Scheme assesses the fair value of investment properties at each balance date. Where there is objective evidence of impairment, an impairment loss will be recognised in profit or loss.

(d) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

(e) Payables

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 are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

(f) Goods and Services Tax (GST)

The prospective financial statements have been prepared using GST exclusive figures with the exception of receivables and payables which are stated GST inclusive.

(g) Income Tax

As a Proportionate Ownership Scheme, the Scheme itself is not liable for income tax.

(h) Financial Assets

The Scheme classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. For the periods covered by the prospective financial information, the Scheme will only have financial assets that are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They arise when the Scheme provides money, goods or services directly to a debtor with no intention of selling the receivable. 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.

The Scheme's loans and receivables comprise cash and cash equivalents.

Purchases and sales of loans and receivables are recognised on trade date – the date on which the Scheme commits to purchase or sell the asset.

Loans and receivables are initially recognised at fair value plus transaction costs and are thereafter 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.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Borrowings

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

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

(k) Finance Expenses

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred. As the Scheme does not have any qualifying assets, all borrowing costs are expensed as incurred.

(l) Depreciation

As the property is revalued annually no depreciation has been allowed for.

3. INVESTMENT PROPERTIES

The Scheme's investment property as at 31 March 2017 and 31 March 2018 has been measured at its cost and subsequent revaluations and impairment at each reporting date. The cost value was determined based on the sale and purchase agreement and the value of property as at 31 March 2018 is assumed to remain the same.

	2017 \$	2018 \$
Balance at beginning of financial year	-	58,000,000
Acquisition of properties	58,000,000	-
Depreciation or impairment	-	-
Balance at the end of financial year	58,000,000	58,000,000

4. CAPITAL AND OPERATING LEASE COMMITMENTS

The Scheme does not anticipate having any capital commitments as at 31 March 2017 or 31 March 2018.

5. CONTINGENT LIABILITIES

The Scheme does not anticipate having any contingent liabilities as at 31 March 2017 or 31 March 2018.

At settlement there is a potential de minimis technical encroachment over the boundary of 102 Victoria Street which is unlikely to result costs but any liability would be borne by the Scheme. No allowance is made in these prospective financial statements.

6. FEES PAID TO AUDITORS

Audit fees of \$15,000 plus GST per annum have been accrued for the audit of the 2017 and 2018 financial statements.

7. 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 principally 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 2017 or 31 March 2018. As a result, the Scheme does not anticipate non-performance by the counterparties.

Maximum exposures to credit risk at balance date are:

	2017 \$	2018 \$
Cash and cash equivalents	471,276	506,369

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 payment to meet these obligations. The table below represents all contractual and fixed pay-offs for settlement and repayments resulting from expected financial liabilities.

As at 31 March 2017

Financial Liabilities	Carry Amount	Contractual Cash Flows	0-6 Months	6-12 Months	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	45,277	45,277	45,277	-	-	-	-
Interest payable	93,635	(3,038,397)	(561,811)	(561,811)	(1,123,622)	(791,153)	-
Bank loan	29,569,000	(29,569,000)	-	-	-	(29,569,000)	-
Distributions Payable	211,333	(211,333)	(211,333)	-	-	-	-

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk is in the normal course of the Scheme's business. The interest rate used in the prospective financial statements is 3.80%. At 31 March 2017 and 31 March 2018 the principal or contract amounts outstanding are estimated to be \$29,569,000. The Manager monitors market interest rates on a daily basis to determine whether

interest rates should be fixed or whether the Scheme should enter into derivative financial instruments to moderate the impact of short-term fluctuations in interest rates. The Manager guided by the Statement of Investment Policy Objectives has the intention of using such instruments to minimise the effects of interest rate fluctuations.

Capital Risk

The Schemes capital consists of investor capital contributions 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 Investors 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 investors.

The Scheme is not subject to externally imposed capital requirements.

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.

8. ISSUED INTERESTS, EQUITY AND RESERVES

	2017 (NZ\$)	2018 (NZ\$)
Number of Interests issued	634	634

The holders of Interests will be entitled to receive distributions and are entitled to one vote per Interest at meetings of the Scheme, and rank equally with regard to the Scheme's residual assets.

	Capital \$	Retained Earnings \$	Total \$
Opening Balance 14 December 2016	-	-	-
Profit or (loss)/total comprehensive income	-	634,105	634,105
Investors' Capital Contribution	28,648,725	-	28,648,725
Less Distribution to Investors	-	(750,378)	(750,378)
Balance as at 31 March 2017	28,648,725	(116,273)	28,532,452
Opening Balance 1 April 2017	28,648,725	(116,273)	28,532,452
Profit or (loss)/total comprehensive income	-	2,544,675	2,544,675
Less Distribution to Investors	-	(2,536,000)	(2,536,000)
Balance as at 31 March 2018	28,648,725	(107,598)	28,541,127

As at 31 March 2017 and 2018, 634 Interests are anticipated to be on issue.

Investor's Capital Contribution is calculated as follows:

	(NZ\$)
Investors Capital Contribution (634 units @ \$50,000 per unit)	31,700,000
Less Issue Costs	
Legal Fees	(200,000)
Marketing Costs	(275,000)
Offeror's Fee	(1,015,000)
Brokerage Fee	(634,000)
Exchange	(15,275)
Supervisor Fee	(12,000)
Underwriters Fees	(900,000)
	<hr/> (3,051,275)
Net Investors Capital Contribution	28,648,725

Distributions

The following distributions are forecast for the financial year.

	2017 (NZ\$)	2018 (NZ\$)
Per Interest	1,184	4,000

Investor distribution is calculated as follows:

Profit per Statement of Comprehensive Income	634,105	2,544,675
Plus Loan Fees included in interest paid (paid by Investors' Capital Contribution)	11,668	11,667
Plus PDS Valuation paid by Investors' Capital Contribution	30,000	-
Plus PDS Audit Fee paid by Investors' Capital Contribution	25,000	-
Plus PDS Accountancy Fee paid by Investors' Capital Contribution	10,000	-
Plus PDS Statutory Supervisor paid by Investors' Capital Contribution	12,000	-
Plus PDS Exchange/Registry Fees paid by Investors' Capital Contribution	7,500	-
Less Funds retained for Contingency	20,105	(20,342)
Total Cash Distributions	<hr/> 750,378	<hr/> 2,536,000
Number of units	634	634
Per Interest	1,184	4,000

9. CASH AND CASH EQUIVALENTS

	2017 (NZ\$)	2018 (NZ\$)
Current Account	471,276	506,369

10. PREPAYMENTS

	2017 (NZ\$)	2018 (NZ\$)
Finance Fees	23,332	11,665

11. RENTAL INCOME

The Scheme's investment property has operating leases attached to it.

	2017 (NZ\$)	2018 (NZ\$)
Less than one year	3,777,994	3,508,362
Between one and five years	13,820,857	13,514,251
More than five years	21,276,725	18,074,970
Total	38,875,576	35,097,583

12. RELATED PARTIES

Silverfin Capital Limited is the Promoter of the Scheme, Offeror of Interests in the Scheme, and Manager of the Scheme. The Board of Silverfin is Cheryl Macaulay who is the Managing Director with independent directors: Alan Paterson (as Chairman) and Murray Cleverly.

Silverfin will be paid \$1,015,000 plus GST which is calculated as 1.75% of the capital value of the property, being \$58,000,000, being a fee for locating the Property and negotiating the contract to purchase the Property, and for developing this investment opportunity and establishing the Scheme.

Silverfin will also receive a brokerage fee of \$634,000 plus GST which is calculated as 2.0% of equity. From that fee, Silverfin is responsible for paying any commissions payable to third party agents, financial advisers and brokers responsible for arranging the sale of Interests. The Scheme has no liability for any such commissions. The Scheme's sole liability is for the fee payable to Silverfin.

Silverfin Capital Limited as manager will be responsible for the management and administration of the Property and the Scheme.

Silverfin Capital Ltd will be paid a scheme management fee of \$159,528 plus GST per annum on a pro-rata basis which will be paid monthly in advance. The Management Fee is partly recoverable from the Tenants via outgoings charges under the Lease ("Management Expenses").

The following is a schedule of the fees to be paid to related parties during the periods ending 31 March 2017 and 31 March 2018.

Silverfin Capital Limited

Offeror's fee

Scheme Management

Total

2017 (NZ\$)	2018 (NZ\$)
1,015,000	-
25,747	159,528
1,040,747	159,528

The following is a schedule of the fees anticipated to be outstanding to related parties as at 31 March 2017 and 31 March 2018.

Silverfin Capital Limited

Offeror's fee

Scheme Management

Total

2017 (NZ\$)	2018 (NZ\$)
-	-
13,294	13,294
13,294	13,294

Outstanding balances at reporting date are unsecured and are to be settled in cash within one month of the reporting date.

13. TRADE PAYABLES

GST Payable

Accounts Payable

Distribution Payable

2017 (NZ\$)	2018 (NZ\$)
42,910	41,651
138,912	154,923
211,333	211,333

14. LOANS

Bank Loan

2017 (NZ\$)	2018 (NZ\$)
29,569,000	29,569,000

Loan Security

The loan will be secured by way of a registered first mortgage over the unique identifier/certificate of title for the Property. The bank will be granted a first registered General Security Agreement over all present and after acquired personal property of 32 Oxford Terrace and 104 Victoria Street, Christchurch.

The loan is a facility with a term of 36 months (three years) from date of drawdown. It is assumed that the loan will be replaced with a loan on similar terms at the repayment date.

The loan will be a Limited Recourse loan with no personal guarantees given by any party including Investors. 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 (provided the Scheme is not in default of the bank's covenants).

The interest rate payable by the Scheme is the bank's 90 day plus a margin of 1.60% per annum for the loan term of 36 months.

Silverfin has adopted a 3.80% per annum interest rate on the Term Loan Facility for the purposes of the prospective financial information detailed in this Investment Memorandum. This is 2.20% plus the bank's current lending margin of 1.60%.

These prospective financial statements assume all 634 units will be fully subscribed by 24 November 2016.

15. UNDERWRITING FEE

The amount of investor subscriptions underwritten is \$20m. In arranging the underwriting, a fee is payable to the underwriters and has been included in establishment costs.

16. BANK COVENANTS

The loan to value ratio (LVR) is to be 60% or lower for the first 12 months, reducing to 52.5% thereafter. Interest cover is at all times to be maintained at not less than 1.75 times, calculated as net operating income/interest expense.

Calculation of bank loan covenants at 31 March 2017 and 31 March 2018:

	2017	2018
Net Operating Income	1,116,246	3,777,994
Funding costs	332,469	1,123,622
<i>Interest cover (times)*</i>	3.36	3.36
Loan balance	29,569,000	29,569,000
Asset value	58,010,000	58,010,000
<i>LVR</i>	50.97%	50.97%

The loan covenant calculations reflected above differ from the ratios recorded in the Product Disclosure Statement to reflect the terms of the Westpac funding offer.

17. VALUATION

Independent valuations of the Properties on a market value basis have been provided by David William Harris, FNZIV, FPINZ together with Matthew James Binnie, Registered Valuer, B Com (VPM), FordBaker Limited at a combined value of \$58,010,000 plus GST (if any) as at 24 August 2016. 32 Oxford Terrace has been valued at \$39,120,000 and 104 Victoria Street has been valued at

\$18,890,000 in accordance with the International Valuation Standards and API/PINZ Valuation Standards. The valuation was prepared using both a capitalisation approach and a discounted cash flow analysis, as well as available market evidence.

The critical assumption for the valuation is that each Property is subject to a sale and purchase agreement which includes a vendor underwrite on the vacant premises and a vendor payment to underwrite occupancy cost caps in the speciality leases, and could be transferred to a third party if a sale was to occur. FordBaker Valuation have assumed for the purposes of their valuation that this agreement is in place, and so there is no shortfall for vacancy or occupancy cost caps and rental income is in line with tenant base rentals.

The valuation assumptions used in the capitalisation approach include a passing rental (the rental that the tenant is contractually obliged to pay under the lease) of \$1,416,816 for 104 Victoria Street, and \$2,347,233 for 32 Oxford Terrace (compared to market rentals of \$1,250,927 and \$2,361,925 respectively), and capitalisation rates of 7.50% for 104 Victoria Street and 6.00% for 32 Oxford Terrace.

The table below represents some further sensitivity with regard to applied yields or capitalisation rates.

<u>104 Victoria St</u>							
Net rental income	1,416,816	1,416,816	1,416,816	1,416,816	1,416,816	1,416,816	1,416,816
Cap rate (yield)	7.00%	7.20%	7.35%	7.50%	7.65%	7.80%	8.00%
Indicated value	20,240,229	19,678,000	19,276,408	18,890,880	18,520,471	18,164,308	17,710,200
<u>32 Oxford Tce</u>							
Net rental income	2,347,233	2,347,233	2,347,233	2,347,233	2,347,233	2,347,233	2,347,233
Cap rate (yield)	5.50%	5.70%	5.85%	6.00%	6.15%	6.30%	6.50%
Indicated value	42,676,964	41,179,526	40,123,641	39,120,550	38,166,390	37,257,667	36,111,277
Combined value	62,917,192	60,857,526	59,400,049	58,011,430	56,686,861	55,421,974	53,821,477
Valuation change	4,907,192	2,847,526	1,390,049	1,430	- 1,323,139	- 2,588,026	- 4,188,523
Change in Equity per investment	7,740	4,491	2,193	2	(2,087)	(4,082)	(6,607)
Change in Equity %	15.5%	9.0%	4.4%	0.0%	-4.2%	-8.2%	-13.2%