

Prospective Financial Information

Prospective financial information in respect of 33 Broadway Trust for the first accounting period of 9 months ending 31 March 2018 and for the years ending 31 March 2019 and 2020 are set out below. These prospective financial statements comprise the Prospective Statement of Profit and Loss and Other Comprehensive Income, Prospective Statement of Changes in Equity, Prospective Statement of Financial Position and Prospective Statement of Cash Flows in accordance with FRS42 Prospective Financial Statements and generally accepted accounting practice as it relates to prospective financial statements and have been subject to a reasonable assurance engagement by KPMG, Chartered Accountants of Auckland (whose report can be found on the disclose register). These should be read in conjunction with the assumptions and notes on pages 5 to 24.

The prospective financial statements were authorised for issue on 12 April 2017.



Director of Augusta Funds Management Limited

Date 12-4-17



Director of Augusta Funds Management Limited

Date 12 - 4 - 17

33 Broadway Trust**Prospective Financial Information****Prospective Statement of Profit and Loss and Other Comprehensive Income**

	Note	9 Months ending 31 March 2018 \$	12 Months ending 31 March 2019 \$	12 Months ending 31 March 2020 \$
Rental Income		-	-	8,933,457
Interest Income		743,024	2,859,882	-
Interest Income - Development Receivable	19	471,502	247,164	-
Accrual for fixed rental growth	17	-	-	1,458,353
Operating Costs Recovered		-	-	-
Gross Income		1,214,526	3,107,046	10,391,810
Net Operating Costs		-	-	-
Net Revenue		1,214,526	3,107,046	10,391,810
Less Expenses				
Audit Fees		(20,000)	(20,600)	(21,218)
Finance Fees		(123,466)	(185,200)	(185,200)
Interest		(743,024)	(2,859,882)	(2,720,475)
Scheme Administration		(225,000)	(306,750)	(315,180)
Statutory Supervisor Fees		(20,250)	(27,000)	(27,000)
Valuation & Other Fees		(15,000)	(15,450)	(15,914)
Compliance & Other Fees		(5,000)	(5,150)	(5,306)
Total Expenses (excluding initial establishment costs)		(1,151,740)	(3,420,032)	(3,290,293)
Profit before revaluations		62,786	(312,986)	7,101,517
Revaluation of Investment Property		-	8,117,814	(1,458,353)
Fair value movement of Interest Rate Swap		-	-	(560,883)
Profit before Income Tax		62,786	7,804,828	5,082,281
Total Comprehensive Income		62,786	7,804,828	5,082,281

Prospective Statement of Changes in Equity

	Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 30 June 2017	-	-	-
Profit for the Year	-	62,786	62,786
Total Comprehensive Income for the period	-	62,786	62,786
Issued Capital	83,500,000	-	83,500,000
Issue Costs	(5,462,999)	-	(5,462,999)
Dividends paid and Portfolio Investment Entity tax withheld	-	(4,383,750)	(4,383,750)
Balance as at 31 March 2018	78,037,001	(4,320,964)	73,716,037
Balance as at 1 April 2018	78,037,001	(4,320,964)	73,716,037
Profit for the Year	-	7,804,828	7,804,828
Total Comprehensive Income for the year	-	7,804,828	7,804,828
Dividends paid and Portfolio Investment Entity tax withheld	-	(5,845,000)	(5,845,000)
Balance as at 31 March 2019	78,037,001	(2,361,136)	75,675,865
Balance as at 1 April 2019	78,037,001	(2,361,136)	75,675,865
Profit for the Year	-	5,082,281	5,082,281
Total Comprehensive Income for the year	-	5,082,281	5,082,281
Dividends paid and Portfolio Investment Entity tax withheld	-	(5,845,000)	(5,845,000)
Balance as at 31 March 2020	78,037,001	(3,123,855)	74,913,146

Prospective Statement of Financial Position

		As at 31 March 2018	As at 31 March 2019	As at 31 March 2020
		\$	\$	\$
Current Assets				
Cash on Hand	10	734,904	584,304	1,018,722
Development Receivable	19	6,015,336	-	-
GST Receivable	13	8,173	14,580	-
Non Current Assets				
Investment Property	3	111,235,172	141,500,000	140,041,647
Interest Rate Swap Fair Value	18	1,500,000	1,500,000	939,117
Fixed Rental Growth Accrual	17	-	-	1,458,353
Total Assets		119,493,585	143,598,884	143,457,839
Current Liabilities				
Trade Creditors	13	2,193,408	41,391	42,821
Distributions Payable		487,083	487,083	487,083
Interest Payable	13	-	-	226,706
GST Payable	13	-	-	208,338
Retentions Payable		24,000,000	-	-
Non Current Liabilities				
Secured Bank Loan	14	19,899,590	68,011,878	68,011,878
Associated Finance Costs		(802,533)	(617,333)	(432,133)
Total Liabilities		45,777,548	67,923,019	68,544,693
Net Assets		73,716,037	75,675,865	74,913,146
Joint Venturers' Funds				
Capital	7	78,037,001	78,037,001	78,037,001
Retained Earnings		(4,320,964)	(2,361,136)	(3,123,855)
Closing Joint Venturers' Funds		73,716,037	75,675,865	74,913,146

Prospective Statement of Cash Flow

	9 Months ending 31 March 2018 \$	12 Months ending 31 March 2019 \$	12 Months ending 31 March 2020 \$
Cash Flows from Operating Activities			
Cash provided from:			
Rental Receipts	-	-	10,273,475
Interest Income - Development Receivable	4,696,875	6,262,500	-
Interest Income - Recovered from Mansons Broadway	743,024	2,859,950	-
Cash applied to:			
Net Operating Expenses	(258,750)	(398,763)	(409,837)
Statutory Supervisor Fees Paid	(23,288)	(31,050)	(31,050)
Interest Paid	(743,024)	(2,859,950)	(2,493,769)
GST Received (Paid)	28,612	49,835	(1,059,401)
Net Cash Inflow from Operating Activities	4,443,449	5,882,522	6,279,418
Cash Flows from Investing Activities			
Cash applied to:			
Purchase of Investment Property - Purchase Price	(93,711,468)	(48,300,410)	-
Purchase of Investment Property - directly related costs	(1,611,001)	-	-
Net Cash Inflow (Outflow) from Investing Activities	(95,322,469)	(48,300,410)	-
Cash Flows from Financing Activities			
Cash provided from:			
Loan proceeds	19,899,590	48,112,288	-
Contributions from Subscribers	83,500,000	-	-
Cash applied to:			
Finance costs	(2,426,000)	-	-
Costs of raising capital	(5,462,999)	-	-
Distributions to Subscribers	(3,896,667)	(5,845,000)	(5,845,000)
Net Cash Inflow from Financing Activities	91,613,924	42,267,288	(5,845,000)
Cash at the Beginning of the Period	-	734,904	584,304
Net Increase in Cash Held	734,904	(150,600)	434,418
Cash at the End of the Period	734,904	584,304	1,018,722
Reconciliation of Surplus to Cash from Operating Activities			
Reported Surplus	62,786	7,804,828	5,082,281
Non Cash Items			
Finance Costs amortised	123,467	185,200	185,200
Interest Income - Development Receivable	(471,502)	(247,164)	-
Fair value movement in swap	-	-	560,883
Investment Property Revaluation	-	(8,117,814)	1,458,353
Adjust for Movements in Working Capital Items:			
Increase/(Decrease) in GST Payable	(8,173)	(6,409)	222,786
Increase in Fixed Rental Growth Accrual	-	-	(1,458,356)
Decrease in Revaluation Investment Property	-	-	-
Fair value movement of Development Receivable	4,696,875	6,262,500	-
Increase in Creditors	39,997	1,381	228,271
Net Cash Inflow from Operating Activities	4,443,449	5,882,522	6,279,418

Notes and Assumptions for the period ending 31 March 2018 and the years ending 31 March 2019 and 2020

The purpose of the prospective financial statements is to assist Subscribers in assessing the viability of and return on funds invested. The Product Disclosure Statement and the prospective financial information contained in it may not be appropriate for any other purpose.

The Portfolio Investment Entity (PIE), 33 Broadway Trust is to be established and domiciled in New Zealand.

The PIE will be a commercial property investor that owns land and buildings located at 33 Broadway, Newmarket. The registered office of the Manager is situated at Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland.

The prospective financial statements were authorised for issue on 11 April 2017 being the date of the Product Disclosure Statement. 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.

1 Assumptions

Settlement

Pursuant to the development agreement for 33 Broadway, Newmarket, Auckland, settlement is assumed to occur on 30 June 2017. Therefore for the purpose of the financial statements, income has been recognised from 1 July 2017. Settlement is the later of piling completion (development milestone) or 30 June 2017. It is assumed piling will be complete by 30 June 2017.

The Property is assumed to be purchased by the PIE on 30 June 2017 at a settlement of \$81,611,878 with further retention and costs to complete payments across the development programme.

Purchase Price

The total consideration payable to the Developer is \$141,611,878. It is assumed that \$81,611,878 will be paid on settlement on 30 June 2017 and the balance of the costs to complete and retentions are payable over the balance of the development period which is assumed to run through to 31 March 2019.

A simple table sets out the basis of the transaction;

Initial Settlement proceeds	81,611,878
Costs to complete (CTC)	30,000,000
Retention	30,000,000
Total Consideration Paid	141,611,878

Initial Settlement Proceeds Breakdown

Development Receivable	10,240,708
Investment Property	71,371,170
Settlement Proceeds	81,611,878

During the development phase, the developer has agreed to pay 7.5% on \$83.5 million, being the total equity raised. This equates to a payment received of \$521,875 per month. In the financial statements the fair value of the interest receivable (\$10,240,708) is recognised as a development receivable. This amount reflects the present value of the future interest payments assumed to be received for 21 months until March 2019. The discount rate used for the present value calculation is 7.5%.

The development receivable value reduces over the life of the development as the monthly interest receipt of \$521,875 is applied to the asset. The differential between the monthly cash flow received and the fair value recognised for the financial asset is recognised as interest income in the statement of profit and loss.

Retention Payments

The \$30 million retention payments are paid once certain development and leasing milestones are achieved. Based on the expected programme the retention payments are assumed to be made as follows;

Payment date (expected)	Amount	Key milestone(s)
October 2017	6,000,000	Ground floor completion
December 2018	9,000,000	Building envelope completion
March 2019	<u>15,000,000</u>	Project completion
	30,000,000	

The forecast assumes that there is no default by either the developer or investor during the development. There are step in rights for the investor in the event of a developer default and the retention payments are only made when the above key milestones are reached.

Costs to Complete

The cost to complete payments are assumed to be made as follows;

Period ending	Amount
31 March 2018	8,053,001
31 March 2019	<u>21,946,999</u>
	30,000,000

Each Monthly Progress Payment shall be calculated as:

- (a) the Purchase Price;
- (b) less the aggregate of:
 - (i) the Settlement Amount;
 - (ii) any previous Monthly Progress Payments;
 - (iii) the Cost to Complete certified by the Investor's Consultant;
 - (iv) the Project Completion Retention; and
 - (v) any partial retention releases paid

The forecast also assumes that the programme remains on schedule and a 6 month buffer to the Mercury sunset date (under the Mercury Development Agreement, being 20 March 2020, after which, if the development is not completed, Mercury is not required to enter into the Mercury leases) is assumed at all times throughout. No retention release or costs to complete payments are made if this buffer is breached.

Establishment Costs

Total establishment costs are assumed to be \$9.50 million. The bulk of these costs are assumed to be issue costs (\$5.46 million), with the remainder relating to financing costs (\$0.93 million), cost associated with interest rate swaps (\$1.50 million) and \$1.61 million associated with the acquisition of the Property.

A further development fee of \$0.40 million is payable to the Manager over the period of the development.

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

Investment Property

On 31 March 2018, the value of 33 Broadway, Newmarket, Auckland is assumed to equal the cost, plus any directly related acquisition costs and any further capital costs incurred during the prospective period. At 31 March 2019, the building has been revalued based on an 'as-if' complete independent valuation. At completion the property has been revalued based on an independent 'as-if complete' valuation. No further changes in fair value are taken into account as they cannot be reliably predicted.

Mansons Broadway, Mansons TCLM and Mansons Equity will provide at project completion a broad defects and capital expenditure warranty in favour of the Trust for a period of ten years from Project Completion. As a result no capital expenditure is assumed to be incurred by the Trust.

Rental Income

Rental income is assumed to commence on 1 April 2019 in respect to all leases. The rent is increased by 3.0% on an annual basis in respect to all the leases on the anniversary of each lease commencement. Lease receipts under an operating lease have been recognised as revenue on a straight-line basis over the lease terms hence the recognition of a fixed rental accrual (asset).

For the forecast period it is assumed that there is no vacancy and no tenant default. It is also assumed that there are no delays in receipt of debtors.

The Tenants are responsible for all operating costs including rates, insurance premiums, utilities and certain maintenance obligations. It is assumed that all operating cost payments will be made on time and that there are no creditors associated with these operating costs.

Management Fees

The annual management fees have been agreed at \$300,000 in the first year and will increase at the greater of 3% or CPI thereafter per year. From 1 April 2020 the management fee increases to \$400,000 and will increase at the greater of 3% or CPI thereafter per year.

Borrowings

Total debt for the Trust will be \$68.012m. Initial debt drawdown on establishment to cover the majority of the establishment costs will be \$8.0m, then the remaining debt will be drawn down during the development phase, including retention payments on key milestones being met.

	2018	2019	2020
Opening Balance	-	19,899,590	68,011,878
Drawdowns	19,899,590	48,112,288	-
Closing Balance	19,899,590	68,011,878	68,011,878

Interest Expense

During Development Phase:

During the development the interest expense is fully recoverable from Mansons Broadway in the month the interest expense is incurred. An interest rate of 6.85% has been assumed during the development phase.

After project completion:

Once Project Completion is achieved, at which time rent is payable, interest is no longer recoverable from Mansons Broadway. This is assumed to be from 1 April 2019. The interest expense is assumed to be 4.0% and is effectively 100% fixed from 1 July 2019 until January 2021, and is based on no principal repayments (interest only) during the assumed initial term of the loan.

The fair value of the interest rates swaps is assumed to 'unwind' over the life of the swap instrument.

Administration Expenses

Audit fees, statutory supervisor fees and valuation fees are based on quotes received.

Taxation

The forecast returns outlined in this PDS are pre-tax. The Trust intends to register as a multi-rate PIE, meaning investors in the Trust will be subject to tax on their share of taxable income of the Trust at rates (PIRs) approximating their marginal tax rates (capped at 28%). Tax will be deducted by the Trust at investors' nominated PIRs, unless a 0% PIR is notified by an investor.

Actual Results

Actual results may differ from the prospective financial statements. The resulting variance may be material. The prospective financial statements also do not include the potential impact of the property revaluation or interest rate swap movement which has the potential to be material, but is a non cash item. The PIE and Manager give no guarantee or assurance that the prospective financial information presented will be achieved.

2 Statement of Accounting Policies

The prospective financial statements here are for the reporting entity 33 Broadway Trust (the PIE).

The PIE will be an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and will report as a Tier 1 For Profit entity. The prospective financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to the prospective financial statements, and comply with FRS-42 Prospective Financial Statements. The accounting policies and disclosures adopted in these prospective financial statements reflect those required by the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities.

The actual annual financial statements for the PIE will be prepared in accordance and comply with NZ IFRS and also International Financial Reporting Standards. The accounting policies adopted in the prospective financial statements reflect the policies expected to be adopted in the actual annual financial statements.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

- (a) **Revenue Recognition:** Revenue includes rental income from 33 Broadway, Newmarket. Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the PIE provides incentives to its tenant, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.
- (b) **Investment Properties:** This investment property is initially recognised at cost, which includes transaction costs. Thereafter it is measured at fair value post project completion. Fair value will be determined annually by external valuers having regard to recent market transactions for similar properties in the same location as the investment property. Gains or losses arising from changes in the fair value of investment property are included in statement of profit or loss in the period in which they arise.
- (c) **Receivables:** Receivables should be recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off during the period in which they are identified.
- (d) **Payables:** Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. As accounts payable do not accrue interest and are generally paid within 30 days of recognition, they are stated at the invoice amount.

- (e) 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.
- (f) Income Tax: As the Trust will be a PIE, distributions from the Trust will not separately be subject to tax (however, the Trust will generally adjust for the unit holders PIE tax liability from distributions made).
- (g) Comparatives: The PIE has not yet commenced trading and therefore there are no comparatives available. These prospective financial statements represent the first period of trading to 31 March 2018, and also the years ending 31 March 2019 and 2020.
- (h) Changes in Accounting Policies: There are no changes in the accounting policies anticipated in the first five reporting periods.
- (i) Establishment Costs: Are treated in a number of ways depending on the nature of the costs; (1) costs associated with respect to raising equity are deducted from the equity proceeds, (2) costs associated with obtaining finance are capitalised and amortised over the period of the borrowings, and (3) cost associated with purchasing the property, including settlement and future payments are capitalised as part of investment property asset.
- (j) Depreciation: Depreciation will be claimed by the Trust from project completion (being year ended 31 March 2020). The depreciation claim cannot be quantified at this stage.
- (k) Derivatives: The PIE will use derivative financial instruments (interest rate swaps) to hedge its exposure to variable interest rate risk arising from borrowings. The interest rate swaps convert certain variable interest rate borrowings to fixed interest rates reducing the exposures to fluctuations in floating rates.

Derivative financial instruments will be carried at fair value. Any resulting gain or loss on measurement is recognised in the profit and loss statement.

- (l) Borrowings: Borrowings are recognised initially at fair value and also include directly attributable transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the PIE has an unconditional right to defer the settlement of the liability for at least twelve months after balance date. Also, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period.
- (m) Development Receivable: Development receivable is the present value of future interest payments received from the developer during the

development phase on the investors equity of \$83.5m. The fair value reduces over the life of the financial asset as interest payments are received. The differential between the monthly cash flow received and the fair value recognised for the financial asset is recognised as interest income in the profit and loss statement.

Statement of Cash Flows

The Statement of Cash Flows is presented on a direct basis. The following terms are used in the Statement of Cash Flows:

- (a) Cash and cash equivalent means cash on deposit with banks;
- (b) Operating activities means the gross cash received from and paid in relation to the principal revenue producing activities and the other activities that are not investing or financing activities;
- (c) Investment activities means the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and
- (d) Financing activities means the activities which result in changes in the equity and debt capital structures, this includes the payment of distributions.

3 Investment Property

	2018	2019	2020
Balance at beginning of financial year	-	111,235,172	141,500,000
Settlement	71,371,170	-	-
Associated capitalised costs	1,611,001	-	-
Costs to complete payments	8,053,001	21,946,999	-
Retention release payments	6,000,000	-	-
Development management fees	200,000	200,000	-
Retention accrual	24,000,000	-	-
	111,235,172	133,382,171	141,500,000
Revaluation of investment property	-	8,117,829	(1,458,353)
Balance at end of financial year	111,235,172	141,500,000	140,041,647

The value of 33 Broadway, Newmarket, Auckland as at 31 March 2018 has been arrived at on the basis of the settlement amount paid, costs to complete payments and retention release payments as per the Development Agreement plus capitalised acquisition costs. At 31 March 2019, the building has been revalued based on an 'as-if' complete independent valuation. For the year ended 31 March 2020, the change in valuation reflects the recognition of the rental smoothing asset which is considered to be part of the valuation value on an 'as-if' complete basis. No market change in the valuation of the building has been assumed as at 31 March 2020. The downward revaluation of \$1,458,353 made in the year ended 31 March 2020 reflects the adjustment made for the fixed rental accrual. (note 17)

At each financial year ending 31 March a valuation will be carried out by an independent registered valuer not related to the PIE. The valuation movement will be reported through the statement of profit and loss and may have an impact on the reported profit as well as the reported valuation of investment property in the statement of financial position. No additional capital expenditure, has been assumed for the financial period ended 31 March 2018 and for the years ended 31 March 2019 and 2020 as any such capital expenditure is covered by the vendor warranty for ten years from settlement.

A valuation has been undertaken by JLL (Jones Lang LaSalle Limited), a registered valuation firm, as at 27 February 2017, which indicates a market value of \$141,500,000 compared to a total consideration paid of \$141,611,878 between 30 June 2017 and 31 March 2019 included in these prospective financial statements as

at 31 March 2019. The valuation from JLL has been arrived at having regard to the results of both a discounted cash flow valuation approach and a capitalisation valuation approach as well as available market evidence and present industrial sector market sentiment. The valuation assumptions assumes a passing rental of \$8,933,457 per annum (which is higher than the current net market rental income of \$7,475,868 per annum). The forecast market rental levels are expected to be \$8,009,026 in March 2019 when the leases are forecast to commence.

The valuation represents an initial passing yield of 6.31% and is based on a weighted average lease term of 10.95 years (by income) as at lease commencement. There is an additional 21 months between settlement and assumed lease commencement.

The table below represents some further sensitivity in respect to applied yields or capitalisation rates. The valuation of \$141,500,000 applies a 6.31% yield based on the current passing rental of \$8,933,457 at settlement. Passing rental is the rental that the Tenant is contractually obliged to pay under the Lease.

	Low Yields		As-If Complete Value	High Yields	
Cap rate (Yield)	5.90%	6.10%	6.31%	6.50%	6.70%
Expected Value	151,363,678	146,400,934	141,500,000	137,391,646	133,290,403
Valuation Change	9,863,678	4,900,934	-	(4,108,354)	(8,209,597)
Change in Equity Per Investment	5,906	2,935	-	(2,460)	(4,916)
Change in Equity %	11.8%	5.9%	-	(4.9%)	(9.8%)

4 Capital and Operating Lease Commitments

The PIE anticipates having capital commitments as at 31 March 2018 of \$21,946,999 being the costs to complete the development.

The PIE does not anticipate having any capital or leasing commitments as at 31 March 2019 and 2020.

5 Contingent Liabilities

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

6 Financial Instruments

(i) Credit Risk

To the extent the PIE 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 PIE to credit risk principally consist of bank balances and receivables.

The PIE will hold no collateral or any other security over their financial assets subject to credit risk. However, the PIE funds will be held by ASB Bank Limited which is a well-established bank within New Zealand, and currently holds an AA-credit rating from Standard & Poor's (Australia) Pty Limited and Fitch Australia Pty

Limited and Aa3 from Moody's Investor Service Pty Limited, therefore reducing possible credit risk. The PIE's tenants will pay rent monthly in advance, and as such there is no anticipated credit risk exposure as over the forecast period arising from the Tenant. As a result the PIE does not anticipate non-performance by the counter parties. Maximum exposures to credit risk at balance date are:

	2018	2019	2020
Bank balances	734,904	584,304	1,018,722

(ii) Currency Risk

The PIE has no exposure to currency risk. All financial assets will be held in New Zealand dollars.

(iii) Liquidity Risk

Liquidity risk represents the PIE's ability to meet its financial obligations on time. The PIE projects to generate sufficient cash flows from its operating activities to make timely payment to meet these obligations. The table below represents all contractual terms of settlement and repayments resulting from expected financial liabilities at the end of each of the financial years covered in these prospective financial statements.

As at 31 March 2018

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	2,193,408	-	-	-	2,193,408
Distributions payable	487,083	-	-	-	487,083
Retentions payable	-	-	24,000,000	-	24,000,000
Borrowings	-	-	-	19,899,590	19,899,590
Total	2,680,491	-	24,000,000	19,899,590	46,580,081

As at 31 March 2019

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	41,391	-	-	-	41,391
Distributions payable	487,083	-	-	-	487,083
Borrowings	-	-	-	68,011,878	68,011,878
Total	528,474	-	-	68,011,878	68,540,352

As at 31 March 2020

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	42,821	-	-	-	42,821
Distributions Payable	487,083	-	-	-	487,083
Interest payable	226,706	-	-	-	226,706
GST Payable	208,338	-	-	-	208,338
Borrowings	-	-	-	68,011,878	68,011,878
Total	964,948	-	-	68,011,878	68,976,826

If 33 Broadway, Newmarket is not sold before the expiry of the bank facility, a new financial facility may involve principal repayments which (together with the applicable interest rates) will affect cash returns payable to Subscribers.

(iv) Interest Rate Risk

During the development period there is no interest rate risk as the interest expense is fully recovered from the developer. From 1 April 2019, the aggregate interest rate assumed in the prospective financial statements is 4.00%. By managing interest rate risk the PIE aims to moderate the impact of fluctuations in interest rates.

The Manager has effectively fixed the interest rate applying to the Trust's debt at 4% until 29 January 2021 (subject to settlement occurring before 31 July 2017, which the Manager believes is likely to occur). The Manager will manage the benchmark and margin components of the interest rate.

Changes in interest rates will have an impact on future surpluses for the forecast period and beyond. The impact of this on the return to PIEs' Capital, and the sensitivity is outlined below.

Impact of an Interest Rate Change for a Full Year

These variances in interest rates and the corresponding changes in forecast cash return are calculated on the basis that the variation is apparent for the period ending 31 March 2020 and that all other assumed variables are held. It simply outlines the investor return yield should the actual aggregate interest rate be different from the assumed aggregate interest rate of 4.00%.

Investor yield sensitivity table

Annual Interest Rate	Annual Forecast Investor Return	Investor Yield	Variance in Forecast Investor Return
3.20%	3,826	7.65%	326
3.40%	3,744	7.49%	244
3.60%	3,663	7.33%	163
3.80%	3,581	7.16%	81
4.00%	3,500	7.00%	0
4.20%	3,419	6.84%	(81)
4.40%	3,337	6.67%	(163)
4.60%	3,256	6.51%	(244)
4.80%	3,174	6.35%	(326)

There is no material risk due to interest rate changes as the interest rate is fixed at 4.00% until 29 January 2021. The only risk is to the bank margin portion (1.65%) off the interest rate. The margins offered are available until 31 July 2017. If the facility is not drawn down prior to this date the interest rates will be renegotiated.

Details Interest Rate Swaps

Amount	Start Date	Expiry Date	Swap rate	Margin	Total Rate
30,000,000	1 July 2019	30 November 2021	2.35%	1.65%	4.00%
20,000,000	1 July 2019	30 July 2021	2.35%	1.65%	4.00%
18,000,000	1 July 2019	29 January 2021	2.35%	1.65%	4.00%
68,000,000					

Derivative Interest Rate Sensitivity

As derivative instruments (interest rate swaps) have been entered into, then the fair values of these instruments is to be recorded, and any movement in the fair values will be recorded in the statement of profit and loss in future financial statements.

The fair value is assumed to be the initial cost of \$1,500,000 as at 31 March 2018 in the prospective financial statements. Any variation in interest rates will also impact

the fair values of the instruments. The reported movement in the fair values is a non-cash transaction and is also excluded for tax purposes. The fair values will also be subject to change on a daily basis and the Manager is not able to accurately predict the future variation in interest rates, but it is assumed the fair value will reduce evenly over the life of the swaps.

Capital Risk

The PIE's objectives when managing capital are to safeguard the PIE's ability to continue as a going concern in order to provide returns for Subscribers and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As the market and the PIE's situation will evolve, the Manager will consider various capital management initiatives accordingly, including a debt reduction and also a change in the level of distribution to Subscribers. Capital will also be monitored through the gearing ratio (debt/investment property).

(v) Fair Values

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

7 Issued Interests

	2018	2019	2020
Number of Interests Issued	1,670	1,670	1,670

The Unit Holders will be entitled to receive distributions as declared from time to time and are entitled to one vote per Interests at meetings of the PIE, and rank equally with regard to the PIE's residual assets. The value of each unit size is \$50,000.

Subscriber contributions are calculated as follows:

	2018
Gross contribution from Subscribers (1,670 allotments @ \$50,000 each)	83,500,000
Less: Legal costs	(114,000)
Less: Supervisor fees	(10,000)
Less: Printing and Advertising	(364,662)
Less: Assurance fees	(23,000)
Less: Brokerage on equity raised	(1,461,250)
Less: Offeror's fee	(981,000)
Less: Underwriting fee	(2,505,000)
Less: Registration fees	(4,087)
Total establishment costs associated with raising equity	(5,462,999)
Issued Capital	78,037,001

8 Fees paid to Auditors

Audit and assurance fees of \$43,000 plus GST are anticipated to be paid to the auditors during the financial year ending 31 March 2018. \$23,000 is for the reasonable assurance review of the prospective financial statements. The auditor fees in respect to the annual audit of the actual financial statements for the period ending 31 March 2018 are expected to be \$20,000 per annum plus GST and increase at the rate of 3% thereafter.

9 Distributions

The following gross distributions are included in the prospective financial statements.

	2018	2019	2020
Per Unit - Gross distributions (before tax)	2,625	3,500	3,500

Cash distributions are to be paid monthly and in arrears by one month.

The variance between the projected accounting surplus and the operating cash flow is due to the timing differences in respect to working capital, the fixed rental accrual, revaluation of investment property (March 2019), fair value movements of financial assets and interest rates swaps as well as the amortisation of initial borrowing costs.

10 Cash at Bank

	2018	2019	2020
Bank balances	734,904	584,304	1,018,722

The current account will have no overdraft facility.

11 Future Lease Payments Receivable

The PIE's property has operating leases attached to it, under which the current contractual payments due to be received are as follows:

Period / year ending	Minimum
2018	-
2019	-
2020	8,933,457
2021	9,201,460
2022	9,477,504
2023	9,761,829
2024	10,054,684
2025	10,356,325
2026	10,667,014
2027	10,987,025
2028	11,316,636
2029	8,697,363
2030	7,056,830
2031	7,268,535

The above rental income does factor future rental review impacts which are annual fixed 3.0% rent reviews on each lease anniversary. In addition only current lease terms are included in the above table and does not include rights of renewal in respect to current leases.

12 Related Parties Note

Augusta Funds Management Limited is the Manager of the PIE. Augusta Funds Management Limited is also the issuer in respect of this Product Disclosure Statement. The following is a schedule of the fees to be paid to Augusta Funds Management Limited:

- Offeror's fee of \$2,180,000 (establishment cost).
- Management fees are \$300,000 in the first year and then will increase at the greater of 3% or CPI each year, and then will increase to \$400,000 from 1 April 2020 and then will increase at the greater of 3% or CPI each year thereafter.
- Development management fees of \$200,000 each year for the first 2 periods during the construction project.

No other fees are assumed to be paid in the period from 1 July 2017 to 31 March 2020.

Augusta Funds Management Limited's parent, Augusta Capital Limited is providing an underwrite in respect of \$33.5 million of the total subscriptions intended to be raised. The relevant underwriting fee to be charged by Augusta Capital Limited is \$1,005,000 which represents 3% of the \$33.5 million underwrite provided by Augusta Capital Limited. As a result of this underwrite, Augusta Capital Limited will subscribe for the balance of any unsubscribed Interests up to \$33.5 million on the close of the offer period, and hence become a Subscriber in the PIE. The directors of Augusta Capital Limited (John Loughlin, Bryce Barnett, Mark Francis, Martin Goldfinch, Paul Duffy and Mark Petersen) are also directors of Augusta Funds Management Limited. The remaining equity of \$50.0 million is underwritten by 3rd parties.

13 Trade Payables and Accruals

	2018	2019	2020
GST payable / (receivable)	(8,172)	(14,580)	208,338
Trade Creditors - OPEX	40,000	41,391	42,821
Trade Creditors - CAPEX	2,153,408	-	-
Interest Payable	-	-	226,706
	2,185,236	26,811	477,865

The above records current liabilities due within 30 days of the balance date.

14 Loan

	2018	2019	2020
Opening Balance	-	19,899,590	68,011,878
Drawdowns	19,899,590	48,112,288	-
Closing Balance	19,899,590	68,011,878	68,011,878

The loan agreement is interest only. It will have an initial loan term of 5 years from the date of drawdown. Borrowings will be drawn down to fund initial establishment costs, costs to complete and retention release payments.

The total cost associated with the borrowing are \$926,000. These costs will be amortised over the initial period of the borrowings which is five years.

At all times the loan to property valuation ratio (LVR) is to be lower than 52%. Interest cover is at all times to be maintained at not less than 2.00 times, calculated as net rental income generated / interest expense.

The table below sets out the loan to value and interest cover for the forecast period.

	30 June 2017 (Date of issue/date on which Property is acquired)	31 March 2018	31 March 2019	31 March 2020
Loan to Value Ratio**	9.8%	17.9%	48.1%	48.1%
Interest Cover Ratio*,***	Not applicable	Not applicable	Not applicable	3.28

* Net rental is based on cash net rental income

** Value of the investment property at 31 March 2018 is based on based on expected cost incurred. Value of the investment property at 31 March 2019 and 31 March 2020 is based on valuation of 33 Broadway, Newmarket, Auckland by JLL

*** Interest cover ratio covenant is not applicable during the development period as the fund has no rental income during the development phase

The loan covenants reflected above differ from the gearing ratio and interest cover ratio recorded in the Product Disclosure Statements and reflect the terms of the credit approved funding offer.

Loan Security

The loan will be secured by a registered first mortgage over 33 Broadway, Newmarket and a first general security interest over the assets of the PIE.

15 Operating Expenses

The Manager will charge an annual management fee of \$300,000 in the first year and will increase at the greater of 3% or CPI thereafter per year. From 1 April 2020 the management fee increases to \$400,000 and will increase at the greater of 3% or CPI thereafter per year.

All operating costs are payable (including rates, material damage insurance premiums, utilities and maintenance costs) by the tenants directly and not by the Landlord (or paid by the Landlord and then fully recovered from the Tenant) and have been excluded from these prospective financial statements.

16 Purchase Price, Establishment Costs and Project Management Fees

The purchase price, establishment costs and project management fees are tabled below.

	Capitalised Costs	Issue Costs	Financing costs	Interest Rate Swap Costs	Total
Purchase Price	141,611,878	-	-	-	141,611,878
Offeror's Fee	981,000	981,000	218,000	-	2,180,000
Underwriters Fee	-	2,505,000	-	-	2,505,000
Brokerage on equity raised	-	1,461,250	-	-	1,461,250
Legal	228,000	114,000	38,000	-	380,000
Statutory Supervisor	-	10,000	-	-	10,000
Audit	-	23,000	-	-	23,000
Printing and advertising	-	364,662	-	-	364,662
Valuation	14,020	-	-	-	14,020
Health and Safety	975	-	-	-	975
Building Inspection	32,006	-	-	-	32,006
Chattels Valuation	20,000	-	-	-	20,000
Quantity Surveyor	335,000	-	-	-	335,000
PDS Registration	-	4,087	-	-	4,087
Bank legal & fees	-	-	670,000	-	670,000
Project Management	400,000	-	-	-	400,000
Interest Rate Swaps Costs	-	-	-	1,500,000	1,500,000
Total	143,622,879	5,462,999	926,000	1,500,000	151,511,878

17 Fixed Rental Accrual

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Hence the income reported in the prospective financial statements reflects the impact of the future fixed annual rental growth at the rate of 3.0% per annum being straight-lined over the lease terms. The table below sets out the invoiced rent and fixed rental accrual for the year ending 31 March 2020 being the first year that rental income is received.

	2018	2019	2020
Invoiced rental income	-	-	8,933,457
Fixed rental accrual	-	-	<u>1,458,353</u>
Total income recorded	-	-	10,391,810
Carrying value of fixed rental accrual	-	-	1,458,353

18 Interest Rate Swap Agreements

The fair value of the interest rate is obtained externally and is the estimated amount that the PIE would receive or pay to terminate the swap at balance date, taking in to account current interest rates and also swap rates on offer. The cost of the swaps will be amortised from 1 July 2019 over the term of the swaps. No other fair value movements have been estimated in these financial statements except for recognition of the initial fair value as at 1 July 2017 and the amortising over the life of the swaps.

19 Development Receivable

During the development phase, the developer has agreed to pay 7.5% on \$83.5 million, being the total equity raised. This equates to a payment received of \$521,875 per month. In the financial statements the fair value of the interest receivable (\$10,240,708) is recognised as a development receivable. This amount reflects the present value of the future interest payments assumed to be received for 21 months until March 2019. The discount rate used for the present value calculation is 7.5%.

The development receivable value reduces over the life of the development as the monthly interest receipt of \$521,875 is applied to the asset. The differential between the monthly cash flow received and the fair value recognised for the financial asset is recognised as interest income in the statement of profit and loss.