Victoria Property Investment Limited

Supplementary Document

This Supplementary Document supplements the Product Disclosure Statement for an offer of parcels of B Shares dated 11 March 2020 (PDS)

This Supplementary Document is to be read together with the PDS

There are no other supplementary documents in relation to this offer.

Issuer
Victoria Property Investment Limited
15 May 2020

Important Information
This Supplementary Document together with the PDS, dated 11 March 2020 gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this Offer on www.companiesoffice.govt.nz/disclose (Offer ref: 12849). Maat Consulting Limited has prepared this Supplementary Document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.

THIS SECTION SUPPLEMENTS SECTION 1 'KEY INFORMATION SUMMARY' OF THE PDS. THE KEY INFORMATION SUMMARY HAS BEEN RESTATED IN ITS ENTIRETY

1 KEY INFORMATION SUMMARY

What is this?

This is an Offer of B Shares in Victoria Property Investment Limited ("Shares").

The Shares give you a stake in the ownership of Victoria Property Investment Limited ("Issuer"). You may receive a return if dividends are paid or if the Issuer increases in value and you are able to sell your Shares at a higher price than you paid for them. If the Issuer runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

About Victoria Property Investment Limited

The Issuer has been created for the purpose of acquiring and holding the commercial properties located at 99-123 Victoria Street, Christchurch, situated on a land area of 5,081 m^2. It is not intended that the Issuer will undertake any other **business activity.**

The building situated at 123 Victoria Street has 7,226.2 m^2 of net lettable area comprising mixed use commercial, office and retail/hospitality with parking available for 27 vehicles. The Property has Nexia Christchurch Limited (an accounting firm), Alliance Group Limited (Meat and co-products production head office), The New Zealand Merino Company Limited and Pacific Radiology Group Limited as the anchor Tenants who, between them, contribute 82.93% of the building's net tenancy income. 99 car parks are available on the part of the Property at 99-113 Victoria Street.

Some circumstances have changed since the Product Disclosure Statement dated 11 March 2020 ("PDS") was issued for this investment. These circumstances include the liquidation of one of the ground floor hospitality tenants ("Sister Kong"). Risks associated with the Covid-19 pandemic are also now apparent. There has also been revised agreements with the Vendor in relation to underwrite arrangements for vacant tenancies. The purpose of this Supplementary Document is to explain these altered circumstances. This Supplementary Document should be read in conjunction with the full PDS (as varied by this Supplementary Document).

The Issuer has been set up by Maat Consulting Limited ("Maat", also referred to as the Manager) and its directors. Further information on the Issuer, the Property and Maat is provided in Section 2 "*The Issuer and what it does*".

Purpose of this Offer

The purpose of this Offer is to raise capital to enable the Issuer to purchase the Property. Proceeds from the Offer also enable the management fees (described in "Key terms of the offer" below) to be paid. The Issuer is seeking up to $29,450,000 of capital to be used for the purchase of the Property. The total cost of purchasing the property is $55,150,000 including:

Purchase Price		$53,504,482 (plus GST, if any)
Issue Costs (including the initial fees paid to the Manager)		$ 1,645,518*
		$55,150,000
Funded by:	Capital raised	$29,450.000
	Bank debt	$25,700,000
		$55,150,000

*Includes $200,937 of GST refunded from the Issue Costs, which is held as part of the cash reserves of the Issuer.

The purpose of the Offer is further described in Section 3 "*Purpose of the Offer*".

The Issuer has a conditional agreement to purchase the Property (subject to the successful capital raising and obtaining finalised bank funding). Further detail relating to this is set out in Section 2 *"The Issuer and what it does"* under the heading "Intended business of the Issuer".

The Offer is not a 'managed investment scheme' offer for the purposes of the Financial Markets Conduct Act 2013 ("FMC Act").

This Offer is an equity investment in Victoria Property Investment Limited under the FMC Act, whereby:

- the holders of the Shares will have the right to appoint and remove Directors
- the Issuer will not be bound by a Management Agreement which provides for remuneration for the Manager beyond the date the Issuer terminates the contract
- there is no FMA licensed manager or FMA licensed independent supervisor to govern the Issuer's investment activities.

Investor rights are as set out in the Constitution, which has been adopted in accordance with the Companies Act.

Key terms of the Offer

Description of securities	Offer of ordinary shares in the Issuer (being B Shares offered in accordance with Issuer's Constitution)
Date of lodgement of PDS	11 March 2020
Date of lodgement of the Supplementary Document	15 May 2020
Offer Opening Date	19 March 2020
Offer Closing Date	19 June 2020 The Issuer reserves the right to alter or extend this date, but by no more than 4 months from the Offer Opening Date. The Issuer may also withdraw the Offer at any time before the allocation of Shares or accept late Applications (either generally or in individual cases).
Price of Shares	$1.00 per Share
Minimum number of Shares per Investor	25,000
Maximum number of Shares per Investor	5,875,000
Number of Shares being offered	The minimum number of Shares to be issued is 24,450,000. The maximum number of Shares to be issued is 29,450,000. If, by the Offer Closing Date, more than the minimum but less than the maximum Share subscriptions have been reached, Shares will be issued and the Property will be purchased using the money raised, the term Bank funding and so much of the $5 million Bank bridging loan as may be required. The Closing Date will be extended and further allotments (up to the maximum) will be progressively made. The subscription monies from these allotments will be used to progressively repay the Bank bridging loan.
Percentage which minimum initial subscription is to all Shares issued	83.19%
Management of Property and Issuer	The Property will be managed by Maat. Maat's duties in relation to the Property management include arranging for maintenance and insurance of the Property and liaising with Tenants. Maat will also provide management services to the Issuer, including being responsible for payment of income distributions, reporting to Investors, maintaining accounting records and statutory compliance. Maat will be paid management fees for this, as follows: • A management fee of 3.75% p.a. of the net rental income (excluding operating expenditure payable by the Tenants) • An annual accounting fee of $12,000 plus GST (adjusted for annual CPI increases); • A lump sum establishment fee of $715,000 plus GST (1.34% of the Purchase Price); • In-house Legal expenses of $20,000 plus GST associated with the offer; • An exit fee on sale of the Property of 2% of the profit on that sale. The management rights are set out in the Management Agreement, a copy of which can be found at www.business.govt.nz/disclose (Offer ref: 12849) under "Other material information".

You can find more information about the use of proceeds from the Offer in Section 3 "*Purpose of the Offer*" and more information about the terms of the Offer in Section 5 "*Terms of the Offer*" in this Supplementary Document and the PDS.

How you can get your money out

The Issuer does not intend to quote these Shares on a market licensed in New Zealand and there is no established market for trading them. This means you may not be able to sell your Shares.

Key drivers of returns

Current and future aspects of the Issuer's business that have or may have the most impact on the financial performance of the Issuer and the key strategies and plans for the business are as follows:

Property value: The Issuer's sole asset will be the Property. The Property may gain or lose value over time depending on a number of factors. Further information relating to this is set out in Section 2 "*The Issuer and what it does*" and Section 8 "*Risks to Issuer's business and plans*" in this Supplementary Document and the PDS .

Rent returns: The Issuer's business is to hold and own the Property. Its ability to generate income is dependent on rent payments from Tenants. The Issuer's business (and consequently the returns paid to Investors) will be impacted on by the quality of the Tenants, the level of rent which is paid by those Tenants, the Lease terms and conditions and the vacancy levels within the Property. The current Tenants of the Property (excluding subtenants) are:

Tenant	**Percentage of net income**
Nexia Christchurch Limited	25.62%
Alliance Group Limited	19.49%
The New Zealand Merino Company Limited	19.24%
Pacific Radiology Group Limited	18.58%
La Ritz Limited (You Hanoi Me)	2.04%
Vclements Limited (Coffee Traders)	0.52%
Wilson Carpark Management (after hours management agreement)	1.35%
Casual Month to Month parking	2.95%
Billboards	1.16%
Vacant ground floor retail/hospitality spaces (covered by vendor underwrite payment)	9.06%
Total	**100.00%**

There are four vacant ground floor premises within the building at 123 Victoria Street (a retail premises and three bar/hospitality premises) totalling 8.4% of the total net lettable area. The Vendor has agreed to pay to the Issuer an amount to cover the lost income for those premises (rent and operating expenses) for 3 years from the settlement date by way of a capitalised sum ($1,064,985.57), which will be deducted from the purchase price on the settlement date. In addition, the Vendor is providing a cash rental bond as security for the La Ritz tenant of 3-months' rent and outgoings to be added to the Vendor cash payment ($21,341.39).

The total net income from the Property, including from Tenants, casual parking and the Vendor cash payment, is currently $2,917,042 per annum. Details of the lease term and expiry date, the current rental, the review and renewal rights for each Lease are set out in Section 2 *"The Issuer and what it does"* and as amended by this Supplementary Document.

Property owning expenses: Costs associated with owning the Property will have a key impact on the financial performance of the Issuer. The Issuer will be liable to pay expenses and costs involved with owning, maintaining and managing the Property.

With the exception of the 12 m^2 tenancy to Vclements Limited (Coffee Traders) all of the Property's current operating expenses are currently recovered by the Vendor from the Tenants (or catered for in the Vendor underwrite payment).

Further details relating to Property owning, maintaining and management expenses are set out in Section 2 *"The Issuer and what it does"* and as amended by this Supplementary Document.

The property-owning expenses referred to above include the management fees payable to Maat under the Management Agreement, but not the issue expenses for this investment.

Key strategies:

The key strategies and plans that the Issuer has in connection with maximising returns on the Property include encouraging Tenants to exercise rights of renewal, engaging an experienced letting agent to secure new tenants as required, carrying out regular maintenance on the Property, maintaining control of expenditure in accordance with a budget approved by shareholders and, on sale of the Property, engaging an experienced sales agent.

Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about the Issuer's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. The Issuer considers that the most significant risk factors that would affect the value of the Shares are:

Risks relating to Bank funding

The Issuer has received a Committed Letter of Offer of Finance from the China Construction Bank Limited ("CCB") in relation to two funding facilities. The main term loan facility of $25,700,000 is for 3 years which will be fully drawn and the second is a bridging loan of up to $5,000,000 for up to 12 months. The Issuer will be required to use the bridging facility if it does not reach the full subscription amount. To enable the bridging facility to be repaid, the Issuer will need to raise further subscription funds of an amount equivalent to the bridging facility within the 12-month term of that facility. In this situation the Issuer will prioritise finding new investors to enable repayment of the bridging facility, meaning that you may be unable to sell your Shares until the bridging facility is repaid. If the Issuer cannot raise further subscription funds so that the bridging facility can be repaid, then unless a variation of the original funding can be negotiated, the Issuer may have to sell the Property.

Similarly, failure of the Issuer to obtain further bank financing (from CCB or from another funding bank) at the expiry of the 3 year loan term for the loan advance, and the Issuer being unable to sell the Property at that time would lead to a forced sale. A forced sale could also occur at any time if the Issuer is in breach of its obligations to the Bank, including the financial covenants in favour of the Bank.

Any forced sale would be likely to yield a lesser sale price than that paid by the Issuer for the Property. As Bank debt would be repaid first, a forced sale could result in a loss of some or all of the investment made by Investors.

In addition, the Issuer's financial position, and so the return to Investors, will be impacted on by interest rate variations on the Bank loan. For further details, see Section 8 *"Risks to the Issuer's business and plans"* as amended by this Supplementary Document.

Risks relating to the Property

Tenancy risk

The value of the Property and so the value of your Shares is dependent upon the level of vacancy within the buildings from time to time, and upon Tenants continuing to pay rent. For further details, see Section 8 *"Risks to the Issuer's business and plans"* as amended by this Supplementary Document.

Three tenancies belonging to one former tenant, Bar Black Sheep Limited, recently ended when the tenant company went into voluntary liquidation. A further hospitality tenant (Sister Kong) also went into liquation following the recent Covid-19 lockdown Together these tenants occupied the majority of the ground floor hospitality spaces. One of these spaces was quickly re-let and the other three remaining hospitality spaces remain vacant. The opportunity to re-let these premises may now be significantly impacted by the Covid-19 pandemic. While it is expected that any lockdown restrictions will be minimal by the time settlement of the purchase of the Property occurs (if there is no resurgence of Covid-19 and elevation of alert levels) the wider economic impact of the pandemic may continue for some time. This will potentially impact the ground floor hospitality and retail tenancies. The Vendor has agreed with the Issuer to pay the Issuer a capitalised sum of $1,086,326.95 on settlement in lieu of an ongoing vendor underwrite. This figure represents the rental income from those vacant hospitality and retail premises the vacant retail tenancy for 3 years from the settlement date and the rental bond held for the La Ritz tenancy.

The loss of Tenants' income in relation to the Property (whether by expiry or termination of Leases), Tenants' failure to pay rent or other circumstances entitling Tenants to reduce rent payments (such as damage to or destruction of the Property) will reduce returns to Investors. This risk may be higher in the shorter term due to the Covid-19 pandemic, particularly for the remaining ground floor hospitality Tenants. The directors of the Issuer expect that the office Tenants will be less affected by the pandemic (given they are within the accountancy, agricultural and healthcare sectors respectively).

Should any Tenant default on its lease payments or be unable to sustain payment of the rental, the reduction in income associated with this and the costs of obtaining a replacement tenant(s) (including any incentives offered to secure a tenant) will reduce the funds available for distribution to Investors and may also impact the valuation of the Property and of your Shares.

A key measurement in property valuation is the Weighted Average Lease Term (WALT). The WALT is measured by looking at the average remaining lease term for the various tenancies, and weighting that by reference to the respective rent levels for each Tenant. A longer WALT will generally mean a higher value for the Property. Conversely a shorter WALT shows the vulnerability of the Property to loss of income at any particular point of time and will result in a lower value. The WALT for the building at 123 Victoria Street at the date of the valuation (14 May 2020) is 8.14 years by income through a mix of tenancies from 3 years remaining on their lease term to 11 years and 1 month.

There are financial covenants relating to rental income and WALT in the Bank funding referred to above. Increased vacancy levels could result in a breach of the financial covenants relating to WALT and so result in the Bank exercising its security and requiring a forced sale.

Valuation risk

A material reduction in value of the Property, due to increased vacancy levels, a lower WALT or market conditions generally will have a direct impact on the value of the Shares, given that the Property will be the only asset owned by the Issuer. This may hinder the ability of Investors to sell their Shares. A material reduction in value could result in a breach of financial covenants to the Bank (e.g. the loan to value ratio) and could also limit the ability to renew bank funding on the expiry of existing loans. The impact of the Covid-19 pandemic on property values are as yet unclear but there is a potential enhanced risk that the property value may be reduced in the short to mid-term until the economy recovers. The Issuer has obtained an updated valuation for the premises which takes into account the perceived effects of the Covid-19 pandemic it. The revised valuation provides a reduction in the value of the Property to a market value of $52,000,000 and an equitable value of $53,400,000 when taking into account the Vendor's cash contribution for the vacant tenancies for the next three year period.

Capital expenditure risk

Capital expenditure on structural repairs or capital improvements to the Property may arise or be required under the Leases that cannot be recovered from the Tenants. As the building is relatively new, capital improvement and structural repair expenditure is expected to be relatively low in the short to mid-term. However, refurbishments and fitouts may be required for new tenants when existing leases expire. This could cause an increase in capital expenditure. It is intended that the Issuer will fund such costs from future cash reserves, the Vendor's payment in lieu of underwrite and/or borrowing.

Where you can find the Issuer's Financial Information

The financial position and performance of the Issuer are essential to an assessment of this offer.
You should also read Section 7, "*The Issuer's Financial Information"* of the PDS as amended by this Supplementary Document.

The Issuer has been established to purchase the Property and therefore has no historical financial information. However, selected prospective financial information (including a summary of principal assumptions) has been provided.





CONTENTS

THE FOLLOWING PARTS OF THE PDS ARE AMENDED AND SUPPLEMENTED BY THE PROVISIONS BELOW

2 THE ISSUER AND WHAT IT DOES

In Section 2 of the PDS THE ISSUER AND WHAT IT DOES - paragraph 6 of "Intended business of the Issuer" is deleted and replaced as follows:

"Factors impacting on the Issuer's business" is deleted and replaced as follows:

The Issuer is seeking $29,450,000 of new capital to complete the purchase of the Property. The balance of the Purchase Price and issue expenses (including the initial fees to Maat) relating to the purchase and establishment of the Issuer will be funded from bank borrowing. If the Offer is not fully subscribed by the closing date (but the minimum subscription amount of $24,450,000 has been achieved), the Issuer may extend the closing date of the Offer by up to six months to seek further subscriptions to achieve the $29,450,000 of new capital required.

In Section 2 of the PDS THE ISSUER AND WHAT IT DOES - "Industry sector" is amended to include an analysis of the effects of Covid-19 on the industry sector. The "Industry sector" paragraph is deleted and replaced as follows:

Industry sector

The Issuer will operate as a commercial property owner and landlord of the Property. The commercial property sector is impacted upon by demand for rental properties and the availability of supply. General economic conditions impact upon rental demand. Important factors in assessing a property's value and the potential return are the location of the land, the age and quality of the buildings, the level of rental return, the financial strength of the Tenants, the duration of leases and the level of current and expected vacancies. A detailed overview of the general economic and specific market factors affecting commercial property is provided in the Valuation. However, the impacts of the Covid-19 pandemic on the commercial property sector has not been discussed in the Valuation as at the date of Valuation (27 February 2020) the pandemic was not considered to be an influencing factor. The Valuer has provided a further update outlining the effect of Covid-19 on the commercial property market and on the Property. The Valuation confirms that the pandemic is unlikely to be a significant risk in respect to the Offer in the shorter term, given the Issuer has secured immediate working capital as a result of the Vendor cash contribution which will be in place on settlement because the Issuer can still borrow the full amount from the Bank. The Vendor has already provided rental relief to Tenants in respect of the Covid-19 lockdown. The Issuer does not anticipate further rental relief being required, unless Covid-19 restrictions on the access or use of the respective premises are re-imposed. A copy of this updated Valuation can be found at www.companiesoffice.govt.nz/disclose (Offer ref: 12849) under "Other material information".

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - the second paragraph under the heading "Property value" is amended so that it includes confirmation that a further valuation was obtained to reflect the impacts of the Covid-19 pandemic on the Property (at the date of the further valuation). The paragraph now amended is as follows:

The purchase price of the property was previously supported by an independent Valuation, which valued the Property at $53,500,000 as at 27 February 2020, A copy of that Valuation can be found at www.companiesoffice.govt.nz/disclose (offer ref:12849) under "other material information" The Issuer has obtained a further independent Valuation to assess the Property following the Covid-19 pandemic and lockdown. As at 14 May 2020 the Independent Valuation for the property is $52,000,000 as a market valuation and $53,400,000 as an equitable valuation given the vendors cash contribution to the rent and outgoings for the vacant tenancies over the next three years. A copy of the original and revised Valuation can be found at www.companiesoffice.govt.nz/disclose (offer ref:12849).

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - Condition/Capital Expenditure is amended to include information from the revised Valuation. This paragraph is deleted and amended as follows:

Condition/Capital Expenditure

The Property includes a 5-level building at 123 Victoria Street which was completed in 2017 (with 27 car parks on site) and adjacent land (99-113 Victoria Street) which is used for additional car parking for Tenants and also for casual parking (99 parks). Additional car parking revenue is received from Wilson Parking from public use of the car park outside of office hours. The building at 123 Victoria Street was built well after the Christchurch earthquakes, and was built to at least 100% of new building standard (NBS) at the time of construction. The Vendor has confirmed that it is not aware of any material construction defects or issues with the building.

The Valuation has included allowances for capital expenditure and refurbishment works coinciding with major lease expiries, which are necessary to achieve the rental growth forecasts in the Valuation, over a 10-year period. The allowances for capital expenditure for the first 10 years are as follows:

Cash Flow Year	Capital Expenditure	Cash Flow Year	Capital Expenditure
Year 1	$0	Year 6	$61,335
Year 2	$0	Year 7	$63,175
Year 3	$0	Year 8	$65,070
Year 4	$0	Year 9	$67,022
Year 5	$59,548	Year 10	$69,033

Total capital expenditure allowances amount to $385,183 over 10 years. The capital expenditure allowance in Years 5 to 10 includes the Valuer's estimates of any normal expenditure required and an allowance for costs to be incurred at the time of major lease expiries. See Section 8 "Risks to the Issuer's business and plans".

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - the heading relating to Land Information Memorandum ("LIM") contains information at bullet point 3 "non-compliance of resource consents" This bullet point is delete and replaced as follows:

Land Information Memorandum ("LIM") (bullet point 3 "Non- Compliances with resources consent terms")

- Original non-compliance issues highlighted in respect to the the resource consent for car parking in the PDS have now been addressed. At the time of lodgement of the PDS the resource consent was not being complied with in a number of respects. The issues included reference to 99 car parks instead of the consented 86, the widths of vehicle entry and the mis-alignment of lanes when compared with the consented development plan. A variation has now been provided by Christchurch City Council addressing these non-compliances. The Purchase Agreement still requires the Vendor to use its reasonable endeavours to obtain any outstanding building consents and outstanding code compliance certificates

  The Vendor has advised that the works undertaken to create the car park required a building consent but the Vendor did not obtain one. The Vendor has agreed to apply for a certificate of acceptance from the Christchurch City Council for the works prior to settlement, which will confirm that the works complied with the building code at the time the work was done.

Section 2 of the PDS THE ISSUER AND WHAT IT DOES – the paragraph Rent returns from the Property is deleted and replaced as follows:

Rent returns from the Property

The second factor by which the Issuer's business (and consequently the returns payable to Investors) will be impacted upon is the income stream from rentals from the Property. The main factors impacting on rental returns are vacancy levels, the remaining term of leases (measured by the weighted average lease term or WALT), the quality of the Tenants and their ability to pay rent. With the exception of the 'Sister Kong' premises which has recently become vacant, with that Tenant having been put into liquidation, the Leases and the Issuer's strategy in relation to maximising rental returns remain unchanged. The recent Covid-19 Lockdown and access restrictions at Alert Level 3 has resulted in a number of rental abatement agreements being made between the Vendor and the Tenants. These rental abatements agreed by the Vendor will have been concluded prior to settlement. The Issuer and the Vendor have agreed to a variation of the Purchase Agreement which requires the Vendor to pay $1,086,326.595 on settlement which will provide "upfront cashflow" for rent and operating expenses for the four vacant tenancies for 3 years and also provides a 3 month rental bond for the La Ritz Limited (You Hanoi Me) tenancy. If the tenancies are rented before the "upfront cashflow" payment made by the Vendor is depleted or the rental bond is not called on, any surplus funds from this amount will continue as working capital for the Issuer. A General Summary of the Leases is set out in the corresponding section of the PDS, but is amended by the deletion of the line item relating to Pot Sticker Limited as set out immediately below.

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - The General summary of leases is amended by the deletion of line entry 5 relating to the Pot Sticker Limited Premises as such the following line from the General summary of leases is now deleted:

Pot Sticker Limited (now Hoop Victoria Limited) (Ground Floor hospitality Sister Kong)	6/04/2025	***Net***	***1x8 years***	Market Rent Review on 06/04/2025 and fixed 2.25% increases annually (next 06/04/2020)	$56,352.78	***N/A***

This Tenant was put into liquidation following the Covid-19 lockdown and will not reopen. The Vendor has, pursuant to an Addendum of the Purchase Agreement dated 12 May 2020 provided the equivalent of three years rent and outgoings for this tenancy as "upfront Cash Flow" funds to be provided to the Issuer on settlement. Those funds will be used by the Issuer to maintain an income stream from the premises over this 3 year period. The funds may also be used to meet the costs of providing any lease incentives to new tenants of the vacant premises within the building.

Section 2 of the PDS THE ISSUER AND WHAT IT DOES- Strategies to increase rent returns and maintain WALT section of the PDS is deleted and replaced as follows:

Strategies to increase rent returns and maintain WALT

The Manager considers that the Property has a long-term lease profile, with a blend of short-term leases which provides the opportunity to increase rents at time of renewal on the shorter leases, but (at the same time) maintain tenant continuity and stability through the longer leases.

The WALT by income provides a measurement (as a key indicator) for assessing the risk of vacancy. The WALT is measured by looking at the average remaining lease term for the various tenancies, and weighting that by reference to the respective rent levels for each Tenant. A longer WALT will give more value to a property. Conversely a shorter WALT shows the vulnerability of a property to loss of investment value at any particular point of time. As at the date of the revised valuation on 14 May 2020, the WALT was 8.14 years, which is considered to be a long-term time-frame. The WALT will decrease as the larger Tenants progress through their lease term. Upon renewal of all the Tenants in the mid-term, the WALT will rebound. The Manager will therefore endeavour to secure the renewal of leases when scheduled.

8.4% of the lettable area within the building at 123 Victoria Street is currently vacant at the date of this Supplementary Document. The Vendor has agreed to pay an upfront amount of $1,086,326.95 ("Upfront Cashflow") to underwrite the rent and operating expenses in respect of those vacant areas for 3 years from the settlement date. The Upfront Cashflow amount will be deducted from the purchase price and will be used by the Issuer, for that 3 year period, to maintain an income stream in respect of the vacant premises in the Property. The Upfront Cashflow may also be used by the Issuer to meet the costs of providing any lease incentives to new tenants of the vacant premises within the building. If new suitable tenants are found for the vacant premises within the initial 3 year period, any remaining balance of the Upfront Cashflow funds can be utilised by the Issuer as working capital.

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - The Specific Leases summary relating to Lease Hoop Victoria Limited (Formerly Pot Sticker Limited and Hoop Group Limited) is deleted following the Tenant's liquidation as a consequence of the Covid-19 Lockdown

Section 2 of the PDS THE ISSUER AND WHAT IT DOES - Factors relating to the Bank Funding is deleted and replaced as follows:

Factors relating to the Bank funding

The cost of borrowing and the need to comply with Bank covenants will impact on the Issuer's business.

The Issuer has received a Committed Letter of Offer from China Construction Bank (New Zealand) Limited. Under this, the proposed Bank funding is for 3 years at the 90-day BKBM rate plus a margin of 3.05% per annum. In addition, the Bank will advance a further $5,000,000 bridging facility (if required) for a 12-month period at the 90-day BKBM rate plus a margin of 4.13%. The purpose of this extra funding is to allow the Issuer to settle the purchase of the Property within the projected timeframe, with the ability to continue capital raising during a future period to repay the additional bank funding. Since the lodgement of the PDS the Bank has committed to the Issuer to provide the funding, has increased the amount of time the bridging finance (if necessary) is available from 6 to 12 months, and increased its interest margins from 2.30% per annum to 3.05% per annum (for the main loan) and 3.30% per annum to 4.13% per annum (for the bridging facility). If the bridging finance is required, this loan cannot be repaid until after 12 months of the initial drawdown.

The interest rates are not fixed. If interest rates increase there will be less returns for Investors, though cash reserves will be accumulated to mitigate the risk of rising interest rates.

The following covenants will apply to the Bank funding:

Loan to value ratio (LVR)
This is the ratio that the amount of the loan bears to the Property's value. Under the Committed Letter of Offer from the Bank, the LVR cannot exceed 60% of that property value. The borrowing from the Bank at the time of settlement will be up to 59.00% of the market value of the property, reducing to 49.42% if the $5m of borrowing under the bridging facility is not drawn down or after it is repaid. If the equity value is used, at the time of settlement the LVR will be up to 57.49%, reducing to 48.13% if the $5m bridging facility is not drawn down or after it is repaid. The property will be valued annually to test compliance with the LVR.

Interest cover ratio
There is a requirement for the interest cover ratio (net rental income divided by interest costs) to exceed 2.00 at all times. It is expected that this cover will be tested annually during the loan term.

Weighted average lease term (WALT)
There is a requirement that the WALT is greater than 4 years at all times, with compliance with this covenant being tested annually during the loan term.

3 PURPOSE OF THE OFFER

The entire section 3 of the PDS **PURPOSE OF THE OFFER** is deleted and replaced with the following:

Maat has an agreement to purchase the Property from the Vendor for $53,504,482 plus GST (if any). The Purchase Price is supported by a Valuation completed by the Valuer, dated 27 February 2020 as updated by the revised Valuation on 14 May 2020. Maat will nominate the Issuer to complete the purchase under the Purchase Agreement. The Purchase Agreement was initially conditional on Maat completing its due diligence investigation in respect of the Property. That condition was satisfied on 4 March 2020. The only remaining condition of the Purchase Agreement is the Issuer completing a successful raising of capital under this Offer and successfully confirming its debt funding.

The purpose of this Offer, therefore, is to raise capital to enable the Issuer to purchase the Property. The Issuer is seeking up to $29,450,000 of new capital to fund the purchase. The balance of the Purchase Price and issue expenses will be provided from bank funding. The above use of the money raised will not change depending on the total amount that is raised.

The Offer is not underwritten. A minimum of $24,450,000 must be raised before any Shares will be allotted.

Details of amounts to be raised and the expected use of those funds are as follows:

Victoria Property Investment Limited		
Funds Received		
Subscriptions from investors (1,178 parcels of 25,000 Shares at $1.00 per share)		29,450,000
Secured Bank Loan		25,700,000
	$	**55,150,000**
Purchase Price (Excl. GST)		53,504,482
Establishment Costs (Incl. GST)		1,645,518
Total	**$**	**55,150,000**

Establishment Costs		
Acquisition and Share Issue Costs Payable by the Company include:		
Bank Loan - Application Fees		95,000
Bank Loan - Application Legal Fees		10,000
Accountants fee - Financial Forecast Review		18,400
Brokerage		225,000
Legal Fees		112,000
Legal Fees - In house		20,000
Statutory Fees		9,181
Marketing		203,000
Offeror's Fee		715,000
Valuation Fees		37,000
GST on Set-up Costs (claimed back from IRD)		200,937
Total Establishment Costs	**$**	**1,645,518**

Any of the estimated costs above unspent may be applied towards any fee that exceeds the amounts as set out above, with any savings retained by the Issuer as working capital.

4 KEY DATES AND OFFER PROCESS

The entire section 4 of the PDS relating to **KEY DATES AND OFFER PROCESS** is deleted and replaced with the following:

Key dates	
PDS lodged on the Disclose Register	11 March 2020
Opening Date for Applications	19 March 2020
Supplementary Document Lodged	15 May 2020
Offer Closing Date	19 June 2020
Settlement date of Property purchase and issue of Shares	Settlement of the Property is anticipated to be on 30 June 2020 pursuant to the variation to the Purchase Agreement. The Share allocation will also be made on this date.
Intended date of first dividend payment	31 July 2020

The above dates are indicative only and may change. The Issuer reserves the right to alter or extend these dates, but the Offer Closing Date will not be longer than 4 months from the Opening Date. The Issuer may also withdraw the Offer at any time before the allocation of Shares or accept late Applications (either generally or in individual cases). See the "*Key terms of the Offer*" within the Key Information Summary (in Section 1 above) for further information about these dates.

5 TERMS OF THE OFFER

The entire section 4 of the PDS **TERMS OF THE OFFER** is deleted and replaced with the following:

What is the Offer	The Offer is for Shares in the Issuer. See Section 5 "*Key terms of the Offer*" in the Key Information Summary for an overview of what the Offer involves and Section 6 "*Key Features of the Issuer's Shares*" for an outline of the key features of the Shares. No person guarantees the value or liquidity of the Shares offered under this Offer. No person guarantees the future performance of the Issuer or any return on the Shares.
Key dates	See Section 4 "*Key dates and Offer process*" for information about the key dates for the Offer.
Fixed Price	$1.00 per Share, minimum application 25,000 Shares. The price per share is linked to the amount that must be raised to purchase the Property. No other independent or objective mechanism has been used to set the price for the Shares
Structure of the Offer	The maximum number of Shares to be issued is 29,450,000. The minimum number of Share Parcels for an Investor is one. The maximum number of Share Parcels per Investor is 235 (being 5,875,000 in total).
Refunds	The Offer may be withdrawn by the Issuer at any time before the allocation of the Shares, at the Issuer's sole discretion. If the Offer is withdrawn, then the subscription monies will be refunded. The Issuer may decline any Application, in its discretion. Money received in respect of Applications which are declined will be refunded. Refunds will be paid to unsuccessful Applicants within 10 business days of the allocation of Shares or after the Applicant has been declined (as applicable). Refunds will be paid in the manner selected by the Applicant for future dividend payments in the Application Form.
Applications	An Application is an offer to subscribe for Shares at the value specified in the Application Form, on the terms and conditions set out in the PDS (including any replacement of it), and which may be found on the Disclose Register (at www.companiesoffice.govt.nz/disclose (Offer ref: 12849) and the Application Form. By submitting an Application Form an Applicant irrevocably agrees to subscribe for Shares on those terms, notwithstanding any variations to the Purchase Agreement or extensions to the settlement date for the purchase of the Property. Until the allotment of the Shares, subscription monies received will be held in the trust account of Anthony Harper Solicitors on escrow. The banking of subscription monies does not constitute confirmation of allotment of any Shares or the acceptance of an Application. The PDS and this Supplementary Document is intended for use only in connection with the Offer of the Shares in New Zealand and does not constitute an offer or

	invitation in any place in which, or to any person whom, it would not be lawful to make such an offer or invitation. No action has been, or will be, taken to register the PDS or this Supplementary Document in any jurisdiction other than New Zealand or otherwise permit the offering of the Shares outside of New Zealand. The PDS and this Supplementary Document is not to be sent or given to any person outside New Zealand in circumstances in which the Offer or distribution of the PDS or this Supplementary Document would be unlawful. The Issuer, Maat and the directors of the Issuer disclaim all liability to any person who is sent or receives the PDS or this Supplementary Document outside New Zealand.
Allocation and Allotment	The allotment of Shares to successful Applicants is scheduled to take place on the settlement date under the Purchase Agreement (anticipated to be 30 June 2020). The Allotment will be recorded on the Issuer's share registry.
Constitution	The Constitution of the Issuer prescribes the rights attached to the Shares. These are more particularly described in Section 6 of the PDS "*Key features of the Shares*". A copy of the Constitution can be found at www.companiesoffice.govt.nz/disclose (Offer ref: 12849) under "Other material information".
Management Fees	Under the Management Agreement the following fees are payable to Maat, for so long as it is the Manager under the Management Agreement. • A management fee of 3.75% p.a. of the net rental income collected from Tenants of the Property, plus GST; • An annual accounting fee of $12,000 p.a. plus GST (payable monthly in arrears) adjusted annually by the annual movement in the Consumer Price (All Groups) Index. • An additional Accounting Fee of $2,500 plus GST, payable annually following the preparation of the financial statements and completion of the audit process, adjusted annually by the annual movement in the Consumer Price (All Groups) Index; • Once the Issuer obtains title to the Property, an establishment fee of $715,000 plus GST; • In-house legal expenses of $20,000 plus GST associated with the issue; • On sale of the Property, a lump sum payment of 2% of any sale profit. Sale profit is the difference between the net sale price of the Property (being the sale price less expenses) and the acquisition cost of the Property (being the Purchase Price of $53,504,482 plus the Share issue costs of $1,401,103 (excl. GST)).

See Section 11 of the PDS "*How to apply*" for further information about Applications and how to apply for Shares.

6 KEY FEATURES OF THE SHARES

The section relating to the "Dividend Policy" under the Section 6 of the **PDS KEY FEATURES OF THE SHARES** is deleted and replaced with the following:

Dividend policy

It is intended that the dividend policy be based on net cash flow from operating activities (although due to the payment of Issue costs, the payment of the dividend in the first period will be partly from capital contributed). It is intended that the projected gross dividend yield of 7.25% per annum for the first 2 years and 9 months. The period has been reduced from the original 2 years and 11 months as first disclosed in the PDS due to the amended Settlement Date. The Dividend will be paid (less tax) by monthly instalments on the last working day of each month. Investors should see the dividend information in Section 7 "The Issuer's Financial Information". The taxation of these dividends is set out in Section 9 of the PDS "Tax" (as amended below). Monthly dividends are reliant on the Issuer receiving full rental payments under the Leases, and expenditure that isn't recoverable from Tenants being consistent with expenditure budgets for the Property. The Board will monitor the Issuer's projected cash flow and capital requirements and will review this policy annually. It is anticipated that the first monthly dividend will be for the period from settlement of the purchase of the Property until 31 July 2020 and be paid on or about 31 July 2020. Dividend statements will be sent to all shareholders after completion of the Issuer's annual financial statements.

Neither the Issuer, its directors, Maat nor any other person gives any assurances or guarantee as to the level or frequency of any dividend (or other distribution, if any) payable. Payment of dividends (if any) is at the discretion of the Board and dividends (if any) will only be declared after the Issuer is meeting appropriate solvency requirements. Should the Issuer pay dividends, it will expect to pay them on a fully imputed dividend basis. See Section 7 "*The Issuer's financial information*" for more information on dividends.

7 THE ISSUER'S FINANCIAL INFORMATION

The entire section 7 of the PDS **THE ISSUER'S FINANCIAL INFORMATION** is deleted and replaced with the following:

Selected Prospective financial information

These tables provide key prospective financial information about the Issuer. Full prospective financial statements are available on the Disclose Register at www.companiesoffice.govt.nz/disclose (Offer ref: 12849). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Going forward, the Board will be responsible for the preparation and fair presentation of financial statements for the Issuer that comply with generally accepted accounting practice in New Zealand.

The prospective financial information included in the table below has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42), which are available on the Disclose Register.

The revised prospective financial statements have **not** been subject to a reasonable assurance review by BDO Auckland .

Victoria Property Investment Limited	Note	Prospective (13.10 Months) 31/03/2021 (Note 1: Trading for 9 Months)	Prospective (12 Months) 31/03/2022	Prospective (12 Months) 31/03/2023
Revenue				
Lease Income		2,373,700	3,211,551	3,265,019
Operating Expenses Recovered		474,242	644,337	656,580
Management Fees Recovered		80,747	109,401	111,370
		2,928,689	3,965,288	4,032,968
Less Expenses				
Audit and Accountancy Fees		24,000	26,937	27,449
Property Management Fees		88,760	120,234	122,357
Legal and Valuation Fees		7,500	7,642	7,788
Operating Expenses		474,242	644,337	656,580
		594,502	**799,149**	**814,175**
Operating Surplus before interest		2,334,187	3,166,138	3,218,794
Less Interest on Loan		664,955	885,670	885,670
Total Operating Earnings		**1,669,232**	**2,280,468**	**2,333,124**
Movement in Value of Investment Property		(956,482)	-	-
Total Comprehensive Income for the period		**712,750**	**2,280,468**	**2,333,124**
Interest Rate Cover - Footnote 1		3.51	3.57	3.63
Dividends		1,601,344	2,135,125	2,135,125
Total Assets		54,613,226	54,441,250	54,316,437
Cash and Cash Equivalents		1,206,460	1,029,164	902,194
Total Liabilities		26,539,400	26,222,079	25,899,267
Total Debt		25,700,000	25,700,000	25,700,000
Gearing Ratio - Footnote [1]		47.06%	47.21%	47.32%
Total Equity		28,073,826	28,219,170	28,417,169
Net Cash Flow from Operating Activities		2,606,866	1,957,828	2,008,155

[1] The Interest Rate Cover and Gearing Ratio are non-GAAP information. Please refer to the Prospective Financial Statements in the Disclose Register for further information and a reconciliation to GAAP information.

Notes and Assumptions for the years ending 31 March 2021, 2022 and 2023

The prospective financial information in this section is based on various best estimate assumptions. Further information about this prospective financial information is contained in the prospective financial information on the Disclose Register www.companiesoffice.govt.nz/disclose (Offer ref: 12849) under "Other material information." The principal assumptions are summarised below and should be read in conjunction with the sensitivity analysis included with the prospective financial information statements available on the Disclose Register, the risk factors set out under the heading *"What are my risks?"* in the PDS and this Supplementary Document and the statement of Accounting Policies, also included the prospective financial information available on the Disclose Register.

1 Settlement

The Issuer will settle the purchase of the Property not later than the revised contracted date of 30 June 2020. The prospective financial information has been prepared for the periods ending 31 March 2021, 2022 and 2023.

As the Issuer was incorporated on 26 February 2020, the first accounting period recorded is for a 13.10 month period from 26 February 2020 to 31 March 2021, but will represent only 9 months of trading.

2 Property Valuation

The equitable valuation by Jones Lang LaSalle, Auckland, as at 14 May 2020 was $53,400,000 (the 'Valuation'). The valuation figure of $53,400,000 is also assumed to be the fair value on the date of purchase of the Property and at 31 March 2021, 2022 & 2023 meaning that there is no increase in the fair value of the Property over the forecast period. The Valuation received is for potential acquisition, first mortgage purposes and financial reporting purposes. The decrease in value of the investment property of $956,482 shown in the Prospective Statement of Profit or Loss and Other Comprehensive Income for the period ending 31 March 2021 is due to the property acquisition costs of $852,000 and the purchase price of the property exceeding the market valuation by $104,482. The valuation figure was provided giving consideration to of the Vendor's cash contribution of $1,086,327 otherwise the adopted market value of $52,000,000 would apply.

3 Rental Receipts

Rent receipts will be in accordance with the various leases and includes rent withheld on settlement for the four vacant tenancies. No provision for bad debts has been made, on the basis of the financial strength of the Tenants.

4 Shareholder Distributions

Distributions to shareholders and IRD are based on a 7.25% per annum annual return on initial funds invested in line with the PDS. The issuer forecasts total comprehensive income of $712,750 before distribution to shareholders of $1,601,344 in the period to 31 March 2021. The distribution for this period will be partly paid from capital contributed. Cumulative cash will be retained for each of the 3 years, being $1,206,460, $1,029,164 and $902,194 respectively. Part of this cash includes $200,937, being a forecast refund of GST from the payment of acquisition and share issue costs.

5 Acquisition and Share Issue Costs

The Investors' funds will be used to pay for the Acquisition and Share Issue Costs, as detailed in Section 3 above.

6 Tax

The Issuer plans to register as a Portfolio Investment Entity (PIE) and therefore, the Issuer itself will not be subject to tax. Instead, the Issuer will attribute income to the investor and, where applicable, deduct tax at the individual investor's prescribed investor rate ("PIR") before it is paid to the investor. The Issuer will pay the tax deducted to the Inland Revenue. The investor will be responsible for electing the Investor's correct PIR in the Application Form. If the Investor's PIR changes the Investor will be responsible for notifying Maat, the manager of the change.

7 Cash at bank

The cash at bank will be retained as a contingency for future:

- Building maintenance
- Capital expenditure (as outlined in Note 14)
- Rises in interest rates
- Lease vacancies
- Tenancy considerations

Cash will be held in accounts which meet the accounting definition of cash and cash equivalents.

8 Interest

The interest rate on the Bank borrowings has been assumed to be at a floating rate, based on the 90-day bill rate (BKBM) and a fixed margin. The average BKBM rate used is as follows:

Financial Year	BKBM	Margin	Total (per annum)
2021	0.26%	3.05%	3.31%
2022	0.26%	3.05%	3.31%
2023	0.26%	3.05%	3.31%

The interest expense and cash flow are based on

- no principal repayments during the term of the loan
- no recourse to Investors.

These rates are based on current projections from CCB, subject to variation at the time of the loan being drawn and assumes the conditions precedent in the offer are fulfilled.

As the interest rate is floating, there is a significant chance that it will be higher than forecast.

9 Loan Funds

The level of bank borrowings will be $25,700,000, assuming the Issuer raises the maximum amount of $29,450,000 under the Offer. That level of borrowing will be 48.13% of the cost of the Property of $53,400,000 and has been offered on an indicative basis by CCB. The loan will be secured by a registered first mortgage over the Property and a first registered general security interest over the assets of the Company.

Interest Rate Cover and Gearing (Loan to Value) Ratio are non-GAAP information. Please refer to the prospective financial information for further information and a reconciliation to GAAP information.

10 Related Parties

The management fees payable to the Manager will be $120,234 plus GST for the first full year (2022), which is based on an annual management fee charge of 3.75% per annum on the net rental received from the Property. In addition, the Manager will be paid an annual accountancy fee of $12,000, payable monthly in arrears and an annual fee of $2,500 (both plus GST) in relation to end of financial year audit preparation, with both fees being adjusted by the CPI movement each year. On settlement the manager will be paid $715,000 plus GST as an arranger's fee and $20,000 plus GST of in-house legal costs.

11 Contingent Liabilities

There will be no contingent liabilities as at 31 March 2021, 2022 or 2023.

12 Operating Environment and Taxation

There will be no material changes in the economic environment, legal requirements or the current tax regulations and the Company qualifies as a Portfolio Investment Entity ("PIE").

13 Issue of Shares

That all 1,178 share parcels of $25,000 shares are issued for $29,450,000. The Investors as holders of Shares will be entitled to receive distributions as declared from time to time and are entitled to one vote per Share at meetings of the Issuer and rank equally with regard to the Company's residual surplus assets.

14 Capital Expenditure

No general capital expenditure has been forecast during the 2021, 2022 and 2023 years, which is consistent with the Valuation.

8 RISKS TO THE ISSUER'S BUSINESS AND PLANS

The following amendments are made to Section 8 of the PDS Risks to the Issuer's Business and Plans:

Capital expenditure Risk –

Capital expenditure on structural/exterior repairs or capital improvements to the Property may arise or be required under the Leases that cannot be recovered from the Tenants. The Valuation assumes that no capital expenditure in relation to repairs and remediation works to the buildings will be payable in the first 4 years of ownership. This is a reflection of the quality and recency of the build.

The Valuation has included allowances for capital expenditure from year 5. These are related to costs of re-letting and refurbishment coinciding with major lease expiries, which are necessary to achieve the rental growth forecasts in the Valuation, over a 10 year period as follows:

Cash Flow Year	Capital Expenditure	Cash Flow Year	Capital Expenditure
Year 1	$0	Year 6	$61,335
Year 2	$0	Year 7	$63,175
Year 3	$0	Year 8	$65,070
Year 4	$0	Year 9	$67,022
Year 5	$59,548	Year 10	$69,033

Total capital expenditure allowances amount to $385,183 ($51.43 / sqm of net lettable area) over 10 years.

Any capital expenditure incurred will be funded from cash reserves held and/or debt financing for specific, large expenditure items. The forecast cash reserves on hand as at 31 March 2023 is $902,194. No projections for future income have been made beyond the period to 31 March 2023, in accordance with standard accounting practice whereby future projections depend on assumptions which may not be valid too far into the future.

There is a risk that capital expenditure on the above items (structural repairs and maintenance and tenant fitouts/refurbishments) may be higher than as forecast, including for the following reasons:

- If fewer tenants renew their leases, there may be a need to undertake more works than forecast for fitouts for new tenants.
- Capital expenditure on upgrades, alterations or improvements may be required by statutory requirements from time to time, including where alterations requiring a building consent, or a change of use of the Property, require compliance with latest building code requirements relating to disabled access or means of escape from fire.

If actual capital expenditure is higher than forecast, and there are insufficient reserves available to pay for the expenditure, the Issuer may have to arrange further borrowing to cover such expenditure, which will increase interest costs and reduce returns to Investors.

The first paragraph under the heading Vacancy Risk is deleted and replaced as follows:

Vacancy risk

The Issuer's financial performance and the returns generated from the Issuer's business will be directly affected by the vacancy levels in the building on the Property, the Tenants continuing to pay rent and the scheduled rent reviews achieving an equal or greater rent return than that realised at the date of the PDS. 627.1m2 of the total net lettable area remains vacant at present. This space may not be as easily re-let as was initially anticipated in the PDS due to the uncertainties arising out of the Covid-19 pandemic, including the impacts on international and domestic tourism, and the slow-down and potential economic recession that may occur. This risk has been mitigated to some degree by the “upfront cashflow” payment of $1,086,326.95 provided by the Vendor on settlement, which is equivalent to 3 years rent and operating expenses payable in respect of such vacant premises. Any new tenant is likely to be required to provide a 6 month security deposit / bank guarantee. As such the short to medium term risks in relation to leasing the vacant space in the Property due to the Covid-19 pandemic are sufficiently mitigated.

All other paragraphs under the heading “Vacancy risk” outlined in the PDS remain unchanged.

The section relating to Tenancy default risk is deleted and replaced as follows:

Tenancy default risk

Should any Tenant default on its lease payments or be unable to sustain payment of the rental, the resulting lack of rental income, the cost of enforcement action and the need to obtain a replacement tenant(s) (including any incentives offered to secure a tenant) will reduce the funds available for distribution to Investors and will adversely impact on the valuation of the Property.

The risk of Tenants not paying their rent is considered to be low for the 4 main office tenancies, unless Level 3 or Level 4 Covid-19 restrictions are reinstated, in which case those Tenants will be entitled to an abatement of rent under their leases to the extent they are unable to fully access and operate from their premises.

The only remaining current Tenants of the ground floor retail hospitality spaces are La Ritz Limited (the 'You Hanoi Me' restaurant) and Coffee Traders. The impacts of the Covid-19 pandemic, including the short term loss of international tourists, social distancing requirements, and the downturn in the local economy, will have a greater impact on those Tenants. However, the effect on the overall revenue stream from these tenancies not paying rent remains small, as their combined rent is only 2.56% of the total rent receivable.

The Vendor has confirmed that other than the recent liquidation of the Sister Kong tenancy there have been no material defaults by existing Tenants in meeting their lease obligations to date. The Vendor has agreed to pay a cash sum of $21,341 (to be paid as part of the “Upfront Cashflow” sum) by deduction from the purchase price on the settlement date, for the purposes of providing security for the payment of rent and outgoings for the La Ritz Limited ('You Hanoi Me' restaurant) tenancy. La Ritz is a new tenancy replacing one of the Bar Black Sheep Limited (in liquidation) leases. The amount paid by the Vendor is equivalent to 3 months’ rent and outgoings from this Tenant, and this amount will assist the Issuer to maintain cashflow if this Tenant defaults.

The provision of the remainder of the Vendor’s “Upfront Cashflow” payment of $1,086,326.95 also provides security of income for the vacant ground floor hospitality and retail tenancies for 3 years from the settlement date. This payment will enable the Issuer to maintain cashflow from those vacant premises, while it seeks suitable replacement tenants for those premises on terms suitable to the Issuer.

The paragraphs relating to "Rental income risk", "Interest rate risk" have been deleted and replaced as follows:

Rental income risk

General economic conditions and movements in the market will impact on the rental payable following market reviews.

Interest rate risk

ASB's forecast on interest rates as at February 2020 were that the Official Cash Rate (OCR) would remain at 1%. However, the impact of Covid-19 saw the OCR reduce to 0.25% and there are no indications that this new historically low rate will increase in the foreseeable future.

The Issuer's financial position, and so the return to Investors, will be impacted on by interest rate variations on the Bank loan. The Bank funding proposed in the PDS was for 3 years at the 90-day BKBM rate plus a margin of 2.30% per annum. This has subsequently been increased to the 90- day BKBM rate plus a margin of 3.05% per annum.

The Issuer may still manage short-term interest rate risk by hedging interest rate agreements for either part or the whole of the loan. Interest rates on hedging are currently forecast to be approximately 0.01% higher than the floating rates. No provision for hedging has been included in the financial projections. The Financial Projections include for the 90-day BKBM rate to be maintained at 0.26% during the forecast period (previously 0.915%, as per the PDS).

There remains a risk that interest rates rise higher and faster than as projected above and in the forecast financial information. However, this does not appear to be a significant risk given the Treasury's current economic forecast scenarios outlining the longer term impact of the Covid-19 pandemic. An increase in interest rates by 1% per annum above the projected rates would result in an increase of interest of $257,000 per annum. This will impact on cash reserves and may impact on the distribution rate paid to investors.

The paragraphs under the heading "Financial covenant risk" have been deleted and replaced as follows:

- *Financial covenant risk*: As anticipated in the PDS, the Issuer is required to comply with the financial covenants outlined in the PDS in favour of the Bank. A failure to comply with these ratios will trigger an event of default, allowing the Bank to call for loan repayments and, in default, to exercise its rights to require a forced sale. A forced sale would result in a low sale price, which after repayment of Bank debt may result in a loss of some or all of the investment made by Investors (although a loss of all of the investment is considered highly unlikely).

  Loan to value ratio:

  This is the ratio that the amount of the loan bears to the Property value. The total borrowings from the Bank are required to be no more than 60% of the Property value.

  The Term Loan would, at the settlement date, be at 48.13% of the Property's current value (assuming no change in value from the Valuation at that time).

  The Property will be valued annually to test compliance with the loan to value ratio. There is a risk that adverse market movements or any material change in the Property (loss of a significant tenant or a material reduction of WALT) may impact adversely on the value of the Property and cause a breach of the Bank loan-to-value ratio.

  The Manager considers that the ongoing LVR within the 60% bank covenant is achievable given the forecast increased rental income and anticipated market increase over time.

  Interest cover ratio:

  There is a requirement for the interest cover ratio (net rental income divided by interest costs) to exceed 2.00 at all times. This covenant is tested by the Bank annually during the loan term. The net profit before interest would need to be reduced by $1,057,017, $1,464,798 and $1,517,454 in the respective financial reporting periods to be at the minimum interest rate covenant level of 2.00 times.

  Future vacancies for prolonged periods could cause a breach of the interest cover ratio. The Manager considers that there is adequate interest rate cover for the future at 3.51 times for 2021, 3.57 for 2022 and 3.63 for 2023.

  An increase in interest rates could also cause a breach of this covenant. If all other things remained equal (i.e. assuming the net rental income remained at the same levels projected), interest rates would need to rise to 6.06% per annum in 2021; 6.16% per annum in 2022; and 6.26% per annum in 2023 for this covenant to be breached.

  Weighted Average Lease Term (WALT):

WALT is a measurement used to determine the average length of lease in the property at a certain point in time, relative to either lease income or lettable area. It is a weighted calculation, including the proportion of each Tenant's lease commitments as a proportion of the total rent commitment over the term of all the tenancies.

There is expected to be a requirement that the WALT is to exceed 4 years at all times. Currently the WALT is 8.14 years by income. If Tenants do not renew their leases and if replacement tenants cannot be found, there is a risk that this covenant will be breached. The Manager considers that the requirement for a cover of 4 years WALT during the loan period will be achieved.

9 HOW TO APPLY

The procedure to apply for Shares is in the PDS, including an Application Form.

10 CONTACT INFORMATION

Auditor – removed.

BDO Auckland is removed as Auditor for the scheme, as BDO has not reviewed the financial information in this Supplementary Document. No other party has audited the financial information.

The contact information for other parties is in the PDS.

GLOSSARY

"**Applicant**" means a person or other entity who makes an Application.

"**Application**" means an application for Shares on the form provided in the PDS.

"**Application Form**" means the form to apply for Shares attached to the PDS.

"**Bank**" means CCB or such other bank as may be appointed by the Issuer.

"**Board**" means the Issuer's board of directors.

"**CCB**" means China Construction Bank (New Zealand) Limited.

"**Companies Act**" means the Companies Act 1993.

"**Constitution"** means the constitution of the Issuer.

"**Disclose Register**" means the online register for offers of financial products under the FMC Act.

"**FMA**" means Financial Markets Authority.

"**FMC Act**" means the Financial Markets Conduct Act 2013.

"**FMC Regulations**" means the Financial Markets Conduct Regulations 2014.

"**Issuer**" means Victoria Property Investment Limited.

"**Investor**" means the holder, from time to time, of Shares in the Issuer and in the description of the Shares also referred to as the "Shareholder".

"**Leases**" means the leases of parts of the Property to the Tenants.

"**Maat**" means Maat Consulting Limited

"**Maat Property**" means Maat Commercial Property Management Limited.

"**Manager**" means Maat.

"**Management Agreement**" means the management agreement between the Issuer and Maat, in respect of the management of the Property.

"**Offer**" means the offer of Shares under the PDS.

"**PDS**" means this product disclosure statement issued under the FMC Act and the FMC Regulations and, where the context requires, includes this Supplementary Document.

"**PIE**" means a portfolio investment entity, as that term is defined in the Income Tax Act 2007.

"**PIR**" means the prescribed investor rate, which is the tax rate applicable to attributed PIE income, and is the rate that the Issuer will use to calculate and pay tax on a shareholder's proportion of the Issuer's taxable income.

"**Property**" means the property situated at 99-123 Victoria Street, Christchurch.

"**Purchase Agreement**" means the agreement for sale and purchase dated 12 February 2020 entered into between Maat Consulting Limited and the Vendor in relation to the Property, as amended by an addendum to that agreement between the parties and dated 12 May 2020 which fully replaced the earlier addendum to the agreement dated 5 March 2020.

"Share Parcel" means each parcel of 25,000 Shares.

"**Shares**" means the B Shares in the Issuer offered for subscription under the PDS.

"Shareholders" means the holders of A Shares and B Shares.

"**Tenants**" mean the tenants listed in the Tenancy schedule contained in the General Summary of leases in Section 2 of the PDS entitled *"The Issuer and what it does"*.

"**Term Loan**" means the loan of $27,500,000 to the Issuer from the Bank.

"**Valuation**" means the valuation for the Property prepared by the Valuer dated 27 February 2020.

"**Valuer**" means Jones Lang LaSalle.

"**Vendor**" means Vic 105 Limited (in respect of the part of the Property at 99-113 Victoria Street) and Victoria 123 Limited (in respect of the part of the Property at 123 Victoria Street).

"**WALT**" means weighted average lease term.