PACIFIC PROPERTY FUND LIMITED

PRODUCT DISCLOSURE STATEMENT

For an Offer of Ordinary Shares in Pacific Property Fund Limited

Dated: 5 August 2019

This document 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.business.govt.nz/disclose, offer number OFR12688. Pacific Property Fund Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. Key Information Summary

1.1 What is this?

This is an offer (the **Offer**) of ordinary shares (**Shares**) in Pacific Property Fund Limited (the **Company**)[1]. Shares give you a stake in the ownership of the Company. You may receive a return if dividends are paid or if the Company increases in value and you are able to sell your Shares at a higher price than you paid for them. If the Company 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.

1.2 About the Company

The Company is a property investment company that was established in 2013 with the aim of building, over time, a diversified portfolio of industrial, retail, and commercial properties. The portfolio is managed by PMG Property Funds Management Limited (the **Manager**), trading as PMG. Further details about the Company, the Manager, and PMG are set out in Section 2 of this Product Disclosure Statement (**PDS**).

The Company is not a "Managed Investment Scheme" for the purposes of the Financial Markets Conduct Act 2013 and does not have a manager licensed by the Financial Markets Authority (FMA) or an independent supervisor licensed by the FMA to govern its investment activities. Investor rights are set out in the constitution of the Company which has been set up in accordance with the Companies Act 1993.

1.3 Purpose of this Offer

The purpose of the Offer is to raise capital to enable the Company to purchase the properties at 120 Hutt Park Road, Wellington and 43 Seaview Road, Wellington (together, the **Acquisition Properties**). The remaining funds required to complete the acquisitions will be obtained by borrowings from ASB. Funds raised will also be used to pay the issue and property acquisition costs associated with the Offer, and to fund ongoing capital expenditure.

Key Offer Costs:	
Purchase price of the Acquisition Properties[2]	$56,170,000
Issue and Property Acquisition Costs[3]	$2,900,000
Capital Expenditure for the Company	$4,997,910
Total	**$64,067,910**

Funded by:	
Share Subscription	$42,000,000
Debt	$22,067,910[4]
Total	**$64,067,910**

[1] The issuing group comprises the Company and its only wholly owned subsidiary, Pacific Property Fund No. 2 Limited (PPF No. 2). All references to the Company in this PDS include a reference to PPF No. 2, unless the context indicates otherwise.

[2] The Acquisition Properties will be purchased under one sale and purchase agreement. Further information is found at section 2.4 Portfolio Overview.

[3] Issue and Property Acquisition Costs are described further in Section 3 of this PDS - Purpose of the Offer - under the heading Intended Use of Funds.

[4] Details of the specific new loan facility associated with the Offer and existing loan facilities, including facility headroom, can be found in Section 2.4 of this PDS, sub-titled Bank Funding. Information on the relationship between the number of Shares to be issued and the amount of debt funding can be found at Section 3 – Purpose of the Offer.

1.4 Key terms of the Offer

Description of equity securities being offered	Ordinary shares in the Company
Offer Price	NZ$1.05 per Share
Shares available	A minimum of 36,000,000 new Shares and a maximum of 40,000,000 new Shares (being 25.7% to 27.8% of the total Shares on issue immediately after the Offer).
Minimum Investment	20,000 Shares ($21,000) and parcels of 10,000 Shares ($10,500) thereafter.
Maximum Shareholding	To ensure compliance with the Company's PIE status, no shareholder can own or control more than 20% of the Company's Shares. See Section 5, Terms of the Offer, for further information.
Expected Distribution Return	Forecast pre-tax cash return of 7.35 cents per Share (annualised) from 1 October 2019. For the financial year ended 31 March 2021, the forecast pre-tax cash return is 7.35 cents per Share.
PDS Registration Date	5 August 2019
Offer Opening Date	12 August 2019
Offer Closing Date	25 September 2019 (with ability to extend to 29 September 2019) (the **Closing Date**). The Offer may be closed early. If acceptances of the Offer are over-subscribed, acceptances may be scaled. See Section 4, Key Dates and Offer Process for further information.
Allotment Date	Shares will be allotted to investors on 30 September 2019 (the **Allotment Date**). The settlement of the Acquisition Properties will take place on the Allotment Date (**Settlement Date**).
Management Agreement	The Manager is responsible for the day-to-day management of the properties owned by the Company. Various fees are payable to the Manager by the Company under the Management Agreement, including: a) an annual asset management fee of 0.5% of the total carrying value of the properties under management; b) a fee of 1.5% of gross rental collected from the properties under management; c) a project management fee of 5% of project costs in respect of capital expenditure on the properties; and d) any disbursements and other out of pocket costs reasonably incurred by the Manager in connection with its duties. The Management Agreement may be terminated in three situations: a) The Company may terminate the agreement without cause provided that six months' notice is given to the Manager and the termination is approved by a special resolution of shareholders. b) The Manager may terminate the agreement if it gives the Company not less than 12 months' notice in writing that it wishes to terminate the agreement. c) The Management Agreement will be automatically terminated on the occurrence of certain events, for example, if the Manager becomes insolvent. If the Management Agreement is terminated pursuant to (a) above, the Company must pay the Manager a sum equivalent to the property management fee for the last full financial year preceding the termination. No termination fee is payable if the Management Agreement is terminated pursuant to (b) or (c) above. Further details of the Management Agreement are set out in Section 2.12 under the heading Material Interests.
Underwriting Agreement	The Manager has agreed to underwrite up to 27,000,000 of the Shares being offered under the Offer. The Manager will receive an underwriting fee of $850,500 from the Company in accordance with the Underwriting Agreement. The Underwriting Agreement is summarised in Section 2.12, Underwriting Agreement between the Company and the Manager.

See Section 5 of this PDS for the Terms of the Offer.

1.5 How you can get your money out

The Company does not intend to quote the Shares on a licensed market in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares.[5] There is no ability to redeem the equity securities.

1.6 Key drivers of returns

The financial performance of the Company's business is driven by the property portfolio. Returns will be influenced by the following:

(a) rental income from the portfolio (which would include drivers such as renewal or re-leasing of expiring leases, minimising vacancy rates and avoiding tenant default);

(b) the market value of the portfolio;

(c) future acquisitions;

(d) the level of management fees;

(e) movements in interest rates; and

(f) the amount of capital expenditure and unrecoverable building maintenance costs.

The Company's existing portfolio of 12 properties (the **Existing Properties**) together with the two Acquisition Properties (the **Acquisition Properties**) are described in Section 2.4 of this PDS. This is followed with information related to a property held for sale that is subject to a conditional sale and purchase agreement (the **Held for Sale Property**).

To manage its performance, the Company has a number of key strategies and plans (including projected capital expenditure). These are described in Section 2.5 of this PDS under the heading Key Strategies.

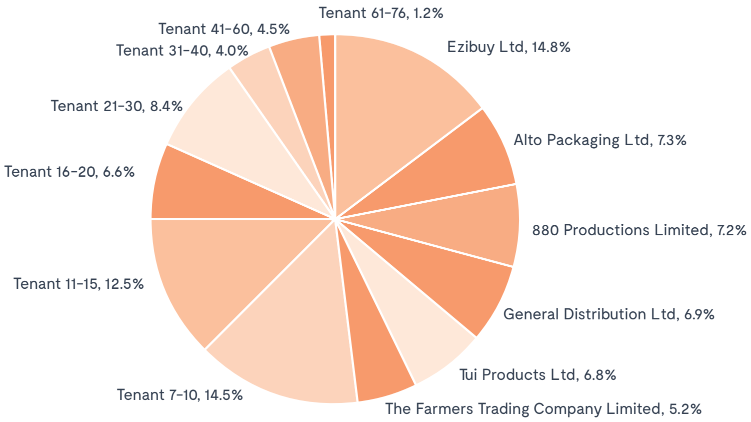
1.7 Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about the Company'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 Company considers that the most significant risk factors that could affect the value of the Shares are as follows in this section.

Tenant risk

The Company is reliant on rental income. Rental income from any property could stop or decrease for a number of reasons, including if a lease is terminated, or expires without being renewed, or the rent under a lease decreases following a rent review. In this case, there may be difficulty obtaining a replacement tenant and/or rental may be at a lower level than previously received. There is also the possibility that a tenant may default on their obligations under a lease. A default by a large tenant, or a number of small tenants, may impact on financial performance of the Company. A significant drop in rental income could result in a breach of banking covenants. A breakdown of the annual rental income of the Company contributed by each tenant as at Settlement Date is set out as follows.

Breakdown of Portfolio Lease Revenue by Tenant (assuming acquisition of the Acquisition Properties)



[5] The Manager does provide a Sale Facilitation Service. For further information, please see Section 6.4.

EziBuy Limited (El Prado Drive), Alto Packaging Limited (Vickery Street), 880 Productions Limited (120 Hutt Park Road), General Distributors Limited (Kelston Mall), Tui Products Limited (Tui Property) and The Farmers' Trading Company Limited (Robert Street) are the portfolio's anchor tenants. If one of these anchor tenants defaulted, or if their respective leases were terminated or expired without renewal, this could have a significant effect on the Company's financial performance.

The anchor tenants are, or are associated with, large and well-established businesses. Their ability to meet ongoing rental commitments is considered strong. Each anchor tenant has reasonable tenure remaining on its existing lease terms (the first lease expiry date is February 2021, Alto Packaging Limited). The Manager is focussed on retaining each of these anchor tenants, and where possible, identifying opportunities for rental income growth. The specific leasing strategies for these anchor tenants are set out in Section 2.5 of the PDS.

In addition, the Company expects that in the ordinary course of its property investment business, a small number of tenancies at any given time will be subject to expiry or non-exercised rights of renewal. For more information, refer to the Section on Tenant Risk in Section 8.1 of this PDS.

Capital Expenditure Risk

The Manager is currently planning a number of capital expenditure projects across the Company's portfolio:

(a) **Kelston Mall**: The Company has budgeted $1,845,285 for completing the childcare centre at Kelston Mall as well as $735,000 to accommodate works relating to the main and rear car parking areas, plus signage replacement.

(b) **Druces Road**: The Company has budgeted $500,000 for fit-out and reconfiguration of space for new tenants.

(c) **Braeburn Drive**: The Company has budgeted $493,500 for capital improvements required as part of the lease agreement with the existing tenant (washdown bay and lighting) and seismic upgrade to improve the NBS to 67% or more.

Further detail of specific capital expenditure intentions is set out in Section 2.5 of the PDS relating to the Company's strategy. There is a risk that costs for these projects could be higher than budgeted due to the escalation of construction costs.

There is always the risk that the Company may be required to outlay capital expenditure on any properties in its portfolio for any number of reasons. For example, because structural repairs or other works are required to bring the property up to designated standards, or because capital improvements are needed, or because of changes in current regulations. There is also a risk that capital expenditure may be required in response to unforeseen events. The Company may not be able to recover all, or any, of this expenditure from tenants, which may have an adverse effect on the Company's performance. For planned capital expenditure, the Manager's practice is to obtain estimates from its well-trusted suppliers and contractors. The Manager also has a well-established track record in successfully managing capital expenditure projects.

Up to 17 tenancies are due to expire prior to 31 March 2020 if no renewal is obtained. If any of these tenants elect not to renew their leases, replacement tenants will be sought. This could require unbudgeted capital expenditure, for example, in respect of a potential requirement for refurbishment or the provision of tenant inducements.

Changes in Interest Rates

Movements in interest rates will affect returns to investors. Changes in interest rates are unable to be predicted with certainty. The Manager actively manages, on behalf of the Company, the risk of interest rate movements by entering interest rate swaps with the Company lenders. After settlement, 40% of the Company's assets will be funded by debt with ASB and BNZ bank loans (further details are found in Section 7 of this PDS). The current policy is to have at least 60% of the Company's debt hedged by interest rate swaps and at least 50% of the Company's debt hedged by interest rate swaps having a term of more than 1.5 years. The Company intends to enter into new swap arrangements for three years or longer, with a minimum term of two years. Such arrangements will assist the Company in mitigating the risk of unexpected interest rate changes.

This summary does not cover all of the risks of investing in the Shares. You should also read "Risks to the Company's business and plans", Section 8 of this PDS.

1.8 Where you can find the Company's Financial Information

The financial position and performance of the Company are essential to an assessment of this Offer. You should read the Company's Financial Information in Section 7 of this PDS.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CONTENTS

1	Key Information Summary	2
2	The Company and what it does	10
3	Purpose of the Offer	36
4	Key Dates and Offer Process	37
5	Terms of the Offer	38
6	Key Features of Ordinary Shares in the Company	39
7	The Company's Financial Information	41
8	Risks to the Company's business and plans	48
9	Tax	50
10	Where you can find more information	51
11	How to Apply	52
12	Contact Information	53
	Glossary	54

Letter from the Directors

Dear Investor,

We're pleased to present you with the seventh capital raising offer by Pacific Property Fund Limited (the **Company**).

Pacific Property was formed with the aim of building, over time, a robust and diversified portfolio of industrial, retail and office properties. The properties in the portfolio are managed by PMG Property Funds Management Limited (PMG).

Since the Company was formed, the board has pursued a strategy of seeking additional properties for the portfolio which meet strict requirements for quality, location, and type. To date, the Company has undertaken six successful capital raises in conjunction with property acquisitions.

Pictured from left: Philip Tushingham, Denis McMahon and Scott McKenzie

This seventh offer is in line with the Company's mandate to continue to broaden its size, scale and therefore strength. The offer will assist the Company with acquiring a premium industrial property, in the sought-after area of Seaview in Wellington. This proposed acquisition of 120 Hutt Park Road and 43 Seaview Road (together, the Seaview Property) in Seaview further increases the diversification of the Company's portfolio, weighted towards the industrial sector, as well as geographically. This is the first acquisition the Company has made in the Wellington region.

Seaview in Wellington is regarded as the best location for industrial operations in the region due to its access to the Port of Wellington, major arterial routes and Wellington's buoyant regional economy. Seaview currently has the country's lowest industrial vacancy rates at 0.2 per cent[6], and has fallen for a fifth straight year across Wellington's primary industrial precincts.

Since its inaugural raising in April 2014, the Company now owns 12 properties across Auckland, Hamilton, Tauranga, Whangarei, Palmerston North and Christchurch. Following settlement, the Company's portfolio will comprise 14 office, industrial and retail properties, 124,477 sqm of net lettable area, 76 unique tenants and boast a total occupancy of 97% with a weighted average lease term of 6.25 years[7].

We believe this proposed acquisition meets the threshold of quality we require for the Company. We invite you to join us as we continue to execute our strategy and goal of building a robust, resilient and diversified portfolio to provide sustainable returns and growth in value over time to investors.

The Company is forecasting an improvement in performance with an equivalent annualised gross dividend return (PA) before tax of 7.35 cents per share from 1 October 2019 (up from 7.25 cents per share).

This PDS contains important information about the Company and this capital raising offer. We encourage you to read this PDS carefully and consider in particular section 8, Risks to the Company's Business and Plans, before making your investment decision.

Yours faithfully,

Denis McMahon Director	Philip Tushingham Director	Scott McKenzie Director	Craig Garrett Director–Non Executive

[6] Stuff.co.nz – 'Wellington industrial property vacancies shrink to a 10-year low', published 14 February 2019

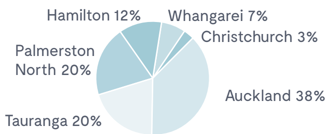
[7] These metrics all exclude the Stag Park property which is currently under contract for sale.

Investment Snapshot

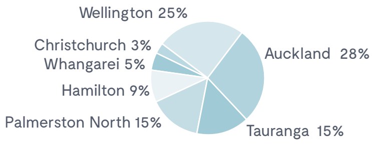
	Current Portfolio (Prior to this Offer)[8]	Projected Portfolio (After this Offer)[9]
Gross Dividend Return (PA)	7.25 cents per Share	7.35 cents per Share[10]
Properties	12	14
Number of Unique Tenants[11]	66	76
Portfolio Valuation[12]	$189m	$250m
Occupancy	97%	97%

Revenue by Region[13]

Current Portfolio:

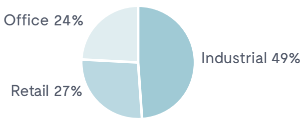


Projected Portfolio:

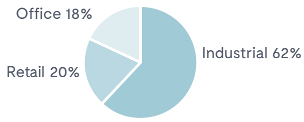


Revenue by Sector[14]

Current Portfolio:



Projected Portfolio:



	Current Portfolio	Projected Portfolio
WALT	5.88 years	6.25 years
Gearing[15]	43%	40%

[8] All items in this column are stated before acquisition of the Acquisition Properties and before the successful completion of this Offer. Items are as at the day before Settlement Date, unless otherwise stated. The Held for Sale Property is not included in these metrics.
[9] All items in this column are stated post acquisition of the Acquisition Properties and subsequent to the successful completion of this Offer. Items are as at Settlement Date, unless otherwise stated. The Held for Sale Property is not included in these metrics.
[10] The projected gross dividend return is forecast to change from 7.25 cents per share to 7.35 cents per share (annualised) from 1 October 2019.
[11] The number of unique parties forecast to be contracted to lease agreements in the portfolio.
[12] Valuation is stated as the expected carrying value of investment property within the portfolio, based on latest independent registered valuation plus forecast capital expenditure.
[13] Net Rental Income per Annum by region given as a percentage of overall portfolio Net Rental Income per Annum.
[14] Net Rental Income per Annum by sector given as a percentage of overall portfolio Net Rental Income per Annum.
[15] Total forecast bank debt as a percentage of total forecast assets.

2. The Company and what it does

2.1 General overview of the Company

The Company is a property investment company that had its inaugural capital raise in April 2014, with the purpose of building a diversified portfolio of industrial, retail, and commercial properties.

The directors of the Company are Denis McMahon, Philip Tushingham, Scott McKenzie and Craig Garrett who together have over 50 years of experience in investing and managing commercial properties. Brief biographical details of each of the directors are set out in Section 2.6, The Company's Board of Directors.

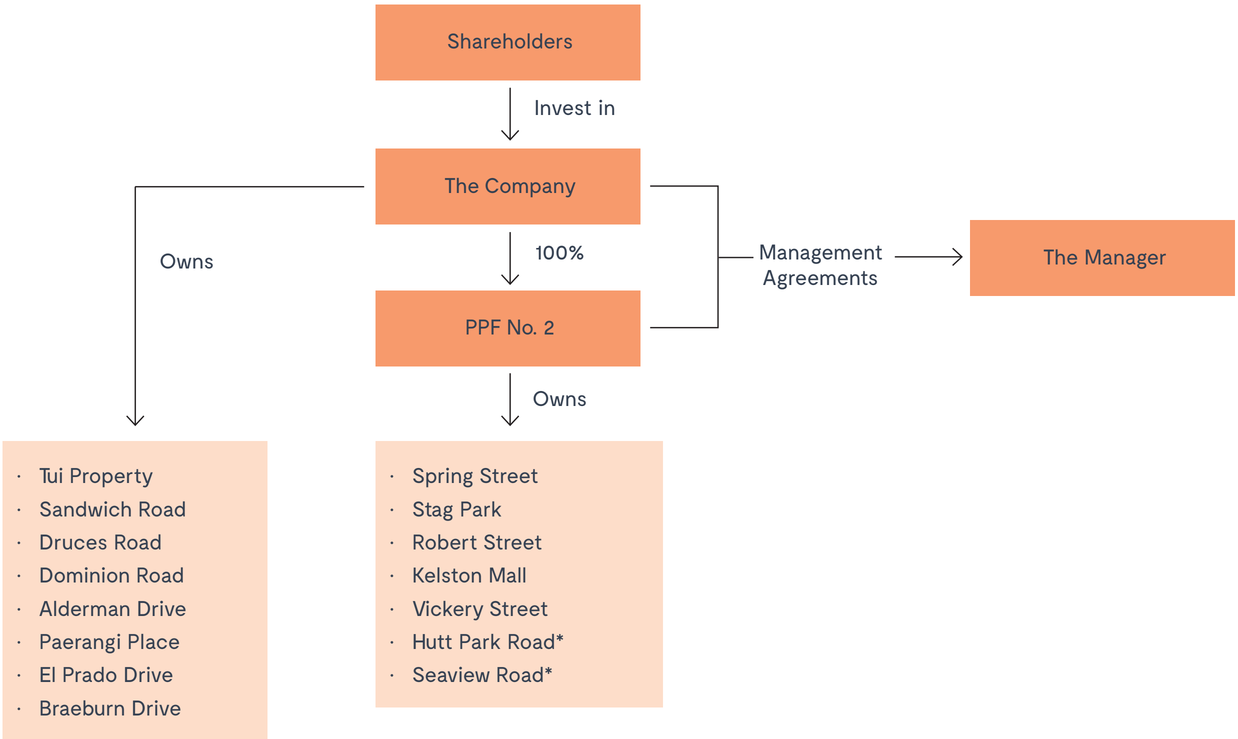
Company Strategy

To target sound, well-located, generic industrial, office and retail properties across major metropolitan cities of New Zealand which offer sustainable returns.

Company Goal

To develop a resilient, diversified portfolio of quality industrial, office, and retail properties across New Zealand with robustness of scale that can deliver sustainable cash distribution returns and growth in value over time. The Company now has the opportunity to add the Acquisition Properties to its portfolio in pursuit of this goal. Descriptions of the Acquisition Properties and the Existing Properties are set out in Section 2.4, Property Portfolio.

A diagram of the Company's structure is set out below:



* Assuming successful completion of the capital raise under this Offer and satisfaction of all other conditions relating to the acquisitions.

2.2 Overview of operations

The Company contracts out its responsibilities for the management of the property portfolio to the Manager. The Company does not have any employees. The Manager carries out all administrative functions on behalf of the Company. Over the past 26 years, the Manager has launched 32 unlisted investment property offerings across New Zealand. The Manager is responsible for a property portfolio in excess of $300 million. In addition, the Manager is entrusted with the management of many privately-owned commercial properties.

The directors of the Company include directors and shareholders of the Manager. Refer to Section 2.12, Material Interests for further information.

The Company and PPF No. 2 are, respectively, parties to management agreements with the Manager dated 21 October 2016 (**Management Agreements**). Under the terms of the Management Agreements, the Manager is responsible for the day-to-day management of the properties owned by the Company and PPF No. 2. This role includes finding tenants, dealing with tenancy issues and ensuring that the properties are properly maintained and meet all legal requirements. The Manager is also responsible for the identification of new property opportunities. The Manager will manage the Acquisition Properties once they are acquired by the Company.

The fees payable to the Manager under the terms of the Management Agreements are set out in Section 2.12, Material Interests.

2.3 Key drivers of the Company's financial performance

The Company primarily generates revenue through purchasing commercial and industrial properties and leasing them out to tenants. The key drivers of the Company's financial performance are:

(a) **Rental income** – The Company's financial performance, cash flows and projected return on investment are highly dependent on the rental income received from the Existing Properties and Acquisition Properties. Rental income is driven by tenancy occupancy rates, the terms of the lease agreements, the renewal of lease agreements, and the ability of tenants to fulfil their lease obligations.

(b) **Market value of investment property** – The market value of investment property is subject to change from market influences, including rental yield and recent sales of similar properties.

(c) **Future Acquisitions** – Acquisition of investment properties that satisfy the Company's investment criteria.

(d) **Interest rates** – Movements in interest rates due to the level of total debt. A summary of the Company's funding arrangements is set out on page 28, Section 2.4 Bank Funding.

(e) **Expenses** – The Company's expenses include paying management fees and other related expenses to the Manager, and paying interest on bank borrowings.

At 31 March 2019, the Company had a total asset value of $188 million. The purpose of the Offer is to raise funds which, alongside bank borrowings, will be used to acquire the Acquisition Properties. As a result, at 30 September 2019, the total asset value of the Company is expected to increase to $250 million.

2.4 Property Portfolio

This Section provides more information about the Company's property portfolio and borrowing arrangements, due to the impact these have on the Company's financial performance. This Section contains the following:

(a) a snapshot of the Company's portfolio;

(b) a brief description of each property in the Company's existing portfolio;

(c) key information about the Acquisition Properties;

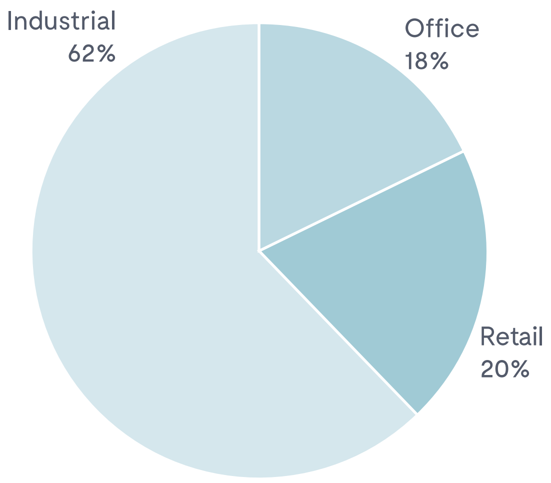
(d) an overview of the key tenancies; and

(e) an overview of the Company's bank borrowings.

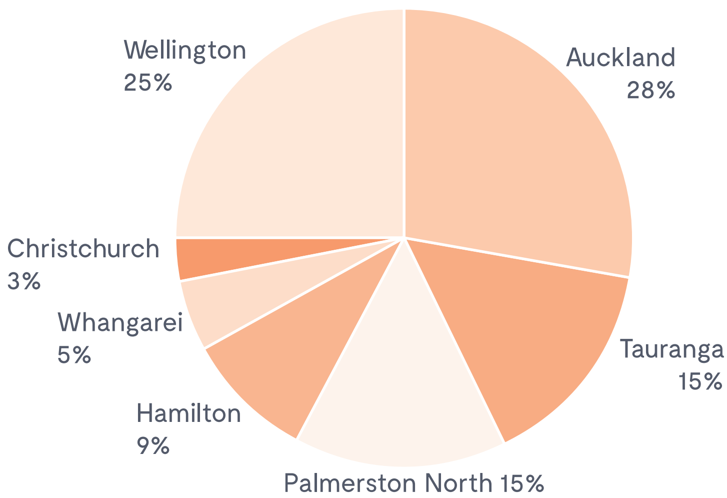
Portfolio Overview

The portfolio's anchor tenants are EziBuy Limited (El Prado Drive), Alto Packaging Limited (Vickery Street), 880 Productions Limited (120 Hutt Park Road), General Distributors Limited (Kelston Mall), Tui Products Limited (Tui Property) and The Farmers' Trading Company Limited (Robert Street). Summaries of the key terms of their respective leases are available on the Offer Register. The graphs below illustrate how the portfolio's properties are diversified across sectors and geographic regions as a proportion of gross rental income following settlement of the Acquisition Properties.

Building Type Diversification

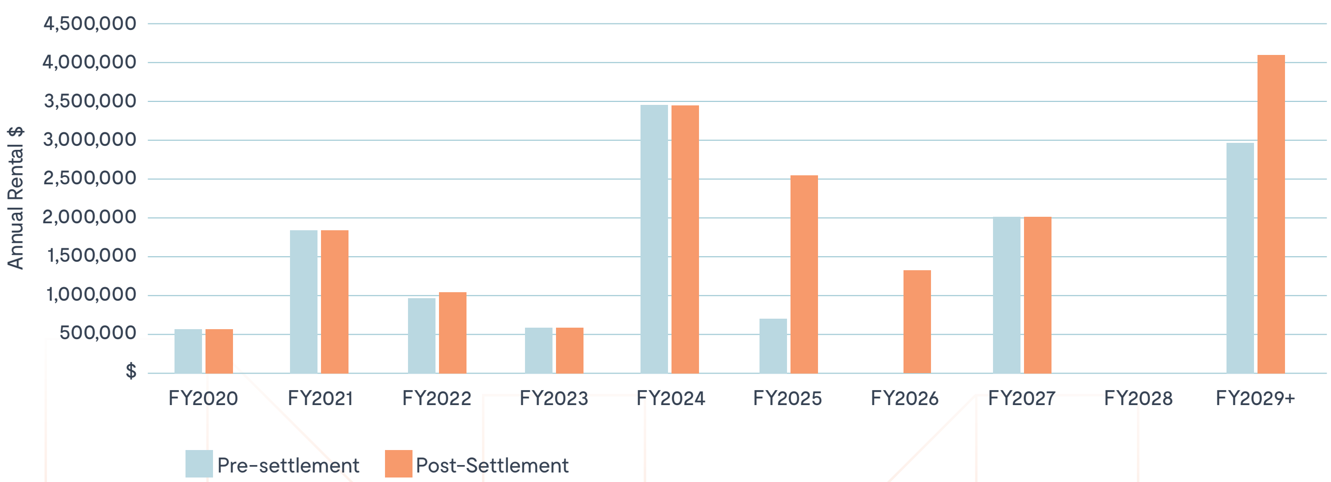


Building Geographic Diversification



Lease Expiry Profile

The graph below illustrates the portfolio's lease term expiry profile before and after settlement of the Acquisition Properties (excluding the Held for Sale Property). The Company's strategy for diversification through multiple tenants reduces income concentration risk with a greater spread of lease term expiry dates. The Manager proactively manages the lease term expiry profile across the portfolio through proactive management and tenant retention.



Acquisition Properties

120 Hutt Park Road and 43 Seaview Road, Wellington

120 Hutt Park Road, Wellington.

Aerial image of 43 Seaview Road and 120 Hutt Park Road, Wellington. Boundary lines are indicative only.

Summary

The Company plans to acquire two properties on complementary, adjoining sites in Seaview, Lower Hutt, Wellington, via a single sale and purchase agreement.

Market Overview[16]

Per Bayleys Valuations Limited, a further tightening of Wellington's industrial property vacancies is expected to drive a new wave of supply over the coming years. Much of this supply will emerge in new precincts linked to the $2 billion+ road infrastructure projects currently underway or by way of redevelopment of older stock located within established precincts such as Seaview. The Global Financial Crisis affected the last industrial development cycle in Wellington over the 2006 to 2010 period and led to developers taking a more cautious approach over subsequent years. As a result, industrial vacancies are now at some of the lowest levels in recent history. Vacancy has fallen for a fifth year straight across Wellington's primary industrial precincts, according to results of the 2018 vacancy survey conducted by Bayleys Research. Wellington's buoyant regional economy is adding to demand pressures as companies expand and new businesses move into the Wellington area. Under such conditions, industrial rents are expected to show further growth in the coming year.

Seaview is the largest industrial precinct in the Wellington region and accommodates a diverse range of industrial stock. Many of the original warehouse and manufacturing occupants have relocated to other regions, and such accommodation has progressively been backfilled by transport-based operations and for logistics storage purposes. Tenant take-up has seen occupied space within the precinct increase by approximately 23,000 square metres – reflecting the growth in demand for premises within the area and a general tightening of the market.

Vacancy rates have fallen across all major Wellington precincts over the past 12 months, reflecting the current high levels of occupier demand. Seaview is the largest precinct in the Wellington Region, where vacancies have dropped from 4.3% in 2016 to 2.5% in 2018 and 0.2% Q1 2019[17], due to a number of larger occupiers moving into the area including Kiwi Bus Builders moving to 43 Seaview Road from Tauranga.

As the market tightens, rental rates for high grade properties have come under upwards pressure. Proactive landlords have also taken steps to secure existing tenants under new leases. The area has not yet seen significant levels of redevelopment being undertaken. With market conditions as tight as they are, occupancy – even with lower grade properties – is high, meaning landlords are not under as much pressure to embark upon development.

A continual squeeze on vacancy rates coupled with limited options for expansion and escalating construction costs could hinder both sector and regional growth within Wellington's regions, leading industrial precincts over forthcoming years. However, present sentiment has amplified the number of investors involved in the regional market, with yields for prime property showing signs of compression.

16 Extracted and adapted from Bayleys Valuations Limited valuation report dated 28 May 2019.
17 Stuff.co.nz – 'Wellington industrial property vacancies shrink to a 10-year low', published 14 February 2019

Combined Property Strategy

The general strategy for both properties is to retain the existing group of tenants and extend their leases when the opportunity arises. Prior to acquisition, the properties have benefitted from substantial refurbishment and further material capital expenditure is not expected to be required for the forseeable future. Currently, there are two areas of 120 Hutt Park Road that are vacant, including a 194 sqm office space and 1,290 sqm yard which are being marketed for lease. All vacant space is underwritten by the vendor for a period of 6 years from Settlement Date.

Combined Sale and Purchase Agreement

The Company has contracted to purchase sites on 120 Hutt Park Road, Wellington (the Hutt Park Road Property) and 43 Seaview Road, Wellington (the Seaview Property), under a Combined Sale and Purchase Agreement dated 18 April 2019 (the Seaview Purchase Agreement). The Seaview Purchase Agreement is now unconditional.

The Seaview Purchase Price includes a single purchase price for both properties and the acquisition of the two properties cannot be separated. However, for the purposes of presenting information about the Hutt Park Road Property and the Seaview Property in this PDS, the properties have been considered separately, and are presented as such, throughout this PDS where relevant.

A summary of the key terms of the Seaview Purchase Agreement is provided below.

Purchaser	PMG Funds Limited[18] or nominee. Pacific Property Fund No. 2 Limited will be the nominated purchaser prior to settlement.
Vendor	Land Innovation (No.1) Limited (120 Hutt Park Road), IPOH New Zealand Limited (43 Seaview Road)
Date of Agreement	18 April 2019
Settlement Date	30 September 2019
Purchase Price	$56,170,000, plus GST if any
Deposit	The full deposit amount of $2,808,500 (5%) has been paid as at the date of this PDS. $500,000 was payable on satisfaction or waiver of special conditions (a) and (b) described below, with the balance payable on the agreement becoming unconditional (after satisfaction or waiver of special condition (c) described below).
Balance of purchase price	To be paid by payment of cleared funds on the Settlement Date.
Interest Rate for Late Settlement	12% per annum
Special Conditions	The Agreement was conditional upon: (a) the Company carrying out and completing a due diligence investigation to the satisfaction of the purchaser in all respects (within 40 working days from the date of the Agreement); (b) the Company's Board of Directors approving this transaction (within 40 working days of the Agreement). (c) the Company obtaining approval from its shareholders to enter into the Agreement (within 15 days of both of the above conditions being satisfied or waived). All the above conditions have been satisfied at the date of this PDS.
Vendor Underwrite	The vendors have agreed to underwrite net lettable areas across both properties (the Underwrite). The Underwrite requires the vendors, in the event that the net lettable areas are not leased at full market value throughout a specified time frame from Settlement Date, to pay to the Company full market rent and associated operating expenditure recoveries for that specified time frame. At Settlement Date, an underwrite amount totalling approximately $8,554,876 ($6,487,790 of rent and $2,067,086 of operating expenditure) is expected to be held in the vendors' solicitors' trust account. This acts as security for the Company to ensure a minimum level of rental income and operating expenditure recovery can be secured from the Acquisition Properties.

18 The legal name of the entity was previously Property Managers Syndications Limited and was changed subsequent to contract signing.

120 Hutt Park Road, Wellington

This building was constructed in 2001 and comprises a main built area of 6,449 sqm more or less plus a 2,000 sqm warehouse extension. The warehouse is leased to a film company – 880 Productions Limited – as well as a food packaging company – Viscofan Globus New Zealand Limited (Globus Group). The total office area comprises 465 sqm more or less with the balance being warehousing. The site is 2.12 ha and provides full drive-around access and a hard-sealed yard surrounds the building. There is room for unmarked carparking around the building.

The building consists of a large warehouse with interconnecting offices and a cafeteria. It has been constructed with concrete foundations and floors with exterior cladding, a mixture of concrete tilt slab and zincalume on steel portal frames. The stud height is 7.0 metres, rising to 10.3 metres at the roof apex for the original structure, and 10 metres rising to 13 metres clear stud for the warehouse extension. The external cladding to the office/cafeteria is a mixture of glazing, alucapanel and concrete tilt slab. The roofing is a mixture of long run steel and translucent panels. Fire protection is by sprinklers, manual fire alarms and fire hoses. The landscaping is kerb and channel surrounded by fencing and gates, plus lighting columns and floodlights, and planted gardens.

There is a small portion of vacant office space (194 sqm) which will be underwritten by the vendor for a period of 6 years, until 30 September 2025. If this office area is leased during this time, the underwrite will fall away. There is also a vacant front yard area of 1,290 sqm, also underwritten by the vendor on the same terms.

Overview

Address:	120 Hutt Park Road, Wellington
Property Type:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	9,566 sqm
Purchase Price:	See summary of the Seaview Purchase Agreement on page 18 of this PDS.
Current Independent Valuation:	$21,250,000 (by Bayleys Valuations Limited, as at 28 May 2019)
Occupancy[19]:	93% (100% with Vendor underwrite)
WALT[20]:	4.79 years
Net Rental Income[21]:	$1,421,174 per annum
Seismic rating:	80% NBS

The Key Tenants

880 Productions Limited is an international film company. 120 Hutt Park Road is the main filming studio in New Zealand for 880 Productions, and their lease expires on 31 March 2021. 880 Productions has installed a largely relocatable internal fitout suited to filming. In their leased space, there are offices as well as a breakout area located on a mezzanine floor, and the warehouse is in a very tidy condition.

Due to confidentiality restrictions, we are unable to discuss anything further about this tenant.

Globus Group occupy a smaller part of the warehouse at 120 Hutt Park Road. They claim to be at the forefront of packaging and equipment advances, continuing their history of innovation. Globus Group claim to partner with world class suppliers of quality products and support them with technical expertise and unmatched resources and support in the field. Whilst their background is in the meat and small goods industries, they have also diversified to cover participants in the dairy, seafood and pet food industries and also service a number of customers in manufacturing industries with their packaging and clipping requirements. Globus Group further claim the combination of their broad product range, coverage across Australia and New Zealand and the experience and expertise of their staff enables them to offer their customer base an unrivalled experience in dealing with the challenges and innovation required in today's market. Globus Group have a current lease expiry of 30 June 2024.

Valuation Report

Bayleys Valuation's Limited have prepared an independent valuation report for the Hutt Park Road Property dated 28 May 2019, a copy of which is available on the Offer Register.

[19] Forecast amount, stated as at Settlement Date. After taking into account the vendor underwrite detailed on page 15 of this PDS, the effective occupancy is 100% as at Settlement Date.
[20] Forecast amount, stated as at Settlement Date, after taking into account the vendor underwrite detailed on page 15 of this PDS.
[21] Forecast amount, stated as at Settlement Date, after taking into account the vendor underwrite detailed on page 15 of this PDS.

43 Seaview Road, Wellington

43 Seaview Road is a substantial building originally built to accommodate the Ford Motor Company in 1937. Ford vacated the building in 1988 and it has now been converted, and recently upgraded, to house multiple mixed-use tenancies. Major structural strengthening work was completed recently to bring the building up to a seismic rating of 70% NBS and further refurbishment works are expected to be completed on or around settlement.

The construction is generally of structural steel, with a sawtooth roof design. The side walls of the building are brick with the northern wall comprised almost entirely of new glass panels. In 2009, the front southern corner (approx. 5,600 sqm) of the roof structure was demolished and rebuilt. The new roof structure provides an 8-metre stud height with 28 metre spans between the supporting columns.

The existing façade has been retained (Heritage (Cat 2)) and has the existing concrete foundations and floor. Extensive internal refurbishment is in progress and includes a new concrete overlay floor, large steel columns and beams in a portal design with two large 28-metre-wide bays and a smaller 16-metre-wide bay. Steel purlins support coloursteel roofing with translucent panels incorporated for the provision of natural light (this rebuilt area now forms the Zany Zeus warehouse component). A large canopy extension (over the access road) was constructed midway along the southern side together with three large roller doors, approximately 6 metres high by 5 metres wide.

Included within the 43 Seaview Road title is 118 Hutt Park Road – a modern new-build warehouse and office facility of 1,200 sqm more or less and leased to a single tenant – United Industries. This building was built in 2015 by the current vendor. It is 100% NBS.

Overview

Address:	43 Seaview Road, Wellington
Property Type:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	20,505 sqm
Purchase Price:	See summary of Seaview Purchase Agreement on page 15 of this PDS.
Current Independent Valuation:	$39,500,000 (by Bayleys Valuation's Limited, as at 28 May 2019)
Occupancy[22]:	100%
WALT[23]:	8.62 years (with Vendor underwrite)
Net Rental Income[24]:	$2,930,545 per annum
Seismic rating	43 Seaview Road – 70% NBS, 118 Hutt Park Road – 100% NBS

The Key Tenants

Zany Zeus is a cheese-making business founded by Michael Matsis and his sister Meropi in the year 2000. Zany Zeus claims they strive to make organic products (branded 'Zorganic') affordable. They further claim they work closely with Marphona Farms (the largest independently owned organic dairy farm in Australasia) and other organic farms, that have supplied their organic milk for the past nine years. Zany Zeus cheeses are a recognised brand in the hospitality industry. For the past 12 years, the company has focused on supplying cheese, organic milk, cream and cultured products (mascarpone, sour cream, crème fraiche, cream cheese and yoghurt) to hundreds of cafes and restaurants, predominately in the Wellington region.

Allied Pickfords are part of the Sirva Group and have been providing a professional moving service since the 17th century. Their longevity in the industry is accompanied by their claims of uncompromising standards of service, professionalism, and consistently meeting client expectations. They claim to move over 1,000 families around the globe, every day of the year and further claim to be the largest provider of relocation services in the world. Starting as a family shifting rocks from quarries, Allied Pickfords are utilised in New Zealand for anything from small apartment relocations to major business relocations.

TIL Freight was created in 2014 through the amalgamation of three transport and logistics companies – Hooker Pacific, TNL and Roadstar. Through each brand's individual expertise and experience, TIL Freight claims it is a recognised market leader in a variety of industry sectors as well as General Freight. TIL Freight has retained the TNL and Hooker Pacific trading brands and continues to operate them today in different sectors of the transport market.

Kiwi Bus Builders is a Tauranga-based company with the philosophy to build high quality and functional buses. They produce all types of buses ranging in scale from single runs to entire fleets, and claims that each one is uniquely designed to withstand the journey required and fitted with options desired. They further claim that process innovations continue to improve the standard of bus to keep them globally competitive and ahead. Their Seaview facility handles a wide variety of repair jobs on coaches, buses, trucks, and campervans/motorhomes.

United Steel manufacture and distribute a wide range of steel products for the New Zealand and Pacific building industry. They are part of the privately-owned United Industries group of companies, committed to building and retaining a strong manufacturing base in New Zealand. With a history spanning 25 years, United Steel claim to have earnt the respect and trust of the New Zealand building, engineering and construction industries for its innovation, quality and service. United Steel has manufacturing plants in Auckland and Christchurch plus distribution branches in New Plymouth and this premises in Wellington.

Valuation Report

Bayleys Valuation's Limited has prepared an independent valuation report for the Seaview Property dated 28 May 2019, a copy of which is available on the Offer Register.

[22] Forecast amount, stated as at Settlement Date, after taking into account the vendor underwrite detailed on page 15 of this PDS.
[23] Forecast amount, stated as at Settlement Date, after taking into account the vendor underwrite detailed on page 15 of this PDS.
[24] Forecast amount, stated as at Settlement Date, after taking into account the vendor underwrite detailed on page 15 of this PDS.

Existing Portfolio

Braeburn Drive, Christchurch

Acquired in the period since the last financial year end, the Braeburn Drive property comprises a single-level industrial structure completed in 1995 with Clearspan warehouse space, having an approximate stud height of 6.0 metres running to 8.3 metres at the roof apex. The large enclosed canopy space is split into two areas, one original with concrete flooring, the second built in 2003 and covering a significant area with asphalt flooring and effective stud height of approximately 5.0 to 5.8 metres. The office and amenity are split into two. One space within the warehouse provides amenities over two levels and a dispatch office. The other main street-facing offices provides the foyer area, five dedicated offices, meeting room, data room, staffroom and open-plan office area. The balance of the site provides 12 onsite carparks and dual access on the eastern and western sides of the site. The property has a seismic rating of 60% NBS. Costings to upgrade the property to greater than 67% NBS have been supplied by a competent engineer, totalling $120,000 (plus GST). The necessary seismic upgrade works are expected to be completed before December 2019.

The property has a single tenant - Summerland Express Freight Limited (SEFL). SEFL are a long-standing South Island-wide trucking and logistics operation. The business has grown over the past 25 years but remains a family-owned and operated business. SEFL commenced occupation at Braeburn Drive on 1 January 2019 on a 6-year lease. SEFL have also purchased an adjacent rail siding under license from KiwiRail. We believe this further entrenches SEFL to the premises.

Overview

Address:	40 Braeburn Drive, Hornby, Christchurch
Property:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	6,750 sqm
Current Independent Valuation:	$6,670,000 (by Jones Lang LaSalle as at 18 June 2019)
Occupancy:	100%
Key Tenants:	Summerland Express Freight Limited
WALT:	5.26 years
Net Rental Income:	$450,000 per annum
Seismic Rating:	60% NBS[25]

Sale and Purchase Agreement

The Company settled the sale and purchase of the Braeburn Property under a Sale and Purchase Agreement dated 4 June 2019 (the Braeburn Sale and Purchase Agreement).

A summary of the key terms of the Braeburn Sale and Purchase Agreement is provided below.

Purchaser	Pacific Property Fund Limited
Vendor	Trojan Holdings Limited
Date of Agreement	4 June 2019
Settlement Date	28 June 2019
Purchase Price	$6,666,666

[25] At acquisition, the property had a C grade seismic rating. However, a total of $150,000 has been allocated for seismic upgrading to bring the building to greater than B grade or 67% NBS.

El Prado Drive, Palmerston North

The property is the national distribution facility for EziBuy Limited who are one of New Zealand's largest online and catalogue retailers of fashion and homeware. It is situated on 5.9 hectares and located within the industrial precinct directly beside the Palmerston North Airport. The warehouse and offices were purpose-built for EziBuy in 2007 and are the company's New Zealand distribution headquarters. The site provides full drive-around access to the building – adding future flexibility should the building need to be multi-let. There is a large covered drive-through canopy with four roller-doors providing access to the main warehouse for loading/unloading stock. The warehouse is high stud and allows for further internal expansion by the tenant. There are 268 secure, uncovered parking bays surrounding the building. The office ratio is excellent and represents less than 5% of the warehouse area, accommodating approximately 60 staff.

Overview

Address:	31 El Prado Drive, Palmerston North
Property:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	24,655 sqm
Purchase Price:	$35,478,636
Current Independent Valuation:	$36,000,000 (by Morgans Property Advisors as at 31 March 2019)
Occupancy:	100%
Key Tenants:	EziBuy Limited
WALT:	4.42 years
Net Rental Income:	$2,572,201 per annum
Seismic Rating:	100% NBS[26]

[26] The warehouse and offices were upgraded in 2013 and brought up to a seismic rating of 100% NBS. The Company is in possession of the PS4 construction certificates confirming this

Kelston Mall, Auckland

The Kelston Mall is situated on a 21,568 sqm site located in the heart of Auckland suburb, Kelston. Kelston Mall was originally constructed in 1977 as a standalone supermarket, redeveloped in 1997, and then again in 2007 when a refurbishment of the main entrance area and supermarket rebranding was undertaken.

Kelston Mall is anchored by a substantial Countdown supermarket together with a standalone McDonald's and Mobil Service Station. Kelston Mall offers both standalone and integrated components including 24 specialty, hospitality, and convenience tenancies, one kiosk and four ATM machines. Onsite carparking is provided by 388 external and basement carparks, with access from both Great North Road and West Coast Road.

The general layout of Kelston Mall provides external tenancies fronting the carpark, providing primarily a food and beverage offering and an early childcare centre under development. The childcare centre is due for completion in October 2019, and will be subject to a 15-year lease term.

Kelston Mall benefits from an already established residential area with a large majority of the area recently being zoned Terrace Housing and Apartment Buildings under the Auckland Unitary Plan. The immediate primary catchment area is expected to grow by 29% to 42,000 people by 2043[27]. Within this catchment, local resident purchasing power is estimated to increase 17% from $780 million in 2014 to $910 million in 2023.

Overview

Address:	Corner of Great North Road and West Coast Road
Property:	Retail
Title:	Freehold
Net Lettable Area (m^2):	7,809 sqm
Purchase Price:	$36,076,900
Current Independent Valuation:	$36,500,000 (by Jones Lang LaSalle as at 31 March 2019)
Occupancy:	99%
Key Tenants:	General Distributors Limited, McDonald's Restaurants (New Zealand) Limited, Mobil Oil New Zealand Limited, The Portage Licensing Trust, The Tongan Health Society Incorporated.
WALT:	4.98 years
Net Rental Income:	$2,606,358 per annum
Seismic Rating:	112% NBS

[27] Statistics New Zealand

Vickery Street, Hamilton

The Vickery Street property is solely occupied by Alto Packaging Limited – one of New Zealand's leading rigid plastic packaging companies. They have been operating for over 62 years and specialise in extrusion and thermoforming, blow moulding and injection moulding. They have invested, over time, in a significant amount of plant and equipment within the property and continue to invest capital in the site.

Address:	33 Vickery Street, Hamilton
Property:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	14,062 sqm
Purchase Price:	$16,550,000
Current Independent Valuation:	$16,700,000 (by Colliers as at 31 March 2019)
Occupancy:	100%
Key Tenants:	Alto Packaging Limited
WALT:	1.42 years
Net Rental Income:	$1,273,281 per annum
Seismic Rating[28]:	100% NBS

Dominion Road, Auckland

The Dominion Road property accommodates ground floor retail and office accommodation with two levels of office accommodation above in addition to a basement level.

Address:	114 Dominion Road, Auckland
Property:	Commercial
Title:	Freehold
Net Lettable Area (m^2):	3,605 sqm
Purchase Price:	$14,500,000
Current Independent Valuation:	$17,250,000 (by Jones Lang LaSalle as at 31 March 2019)
Occupancy:	100%
Key Tenants:	Bank of Baroda (New Zealand) Limited, Connect NZ Group Limited, Finance Now Limited, Straight Teeth NZ Limited, National Research Bureau
WALT:	4.66 years
Net Rental Income:	$1,199,018 per annum
Seismic Rating:	102% NBS

[28] Two of the older warehouses have a lower seismic rating (39%). Seismic upgrade design work was completed in 2013 and costed via a Quantity Surveyor to bring both buildings up to >67% NBS. Total cost at the time was estimated at $850,000. Any upgrade works are not practicable to be carried out while the tenant is in situ. No capital expenditure is currently budgeted for such works. The current structure complies with the Building Act 2004 and Alto Packaging Limited is aware of all seismic ratings.

Tui Property, Mount Maunganui

The Tui Property is solely occupied by Tui Products Limited, New Zealand's leading garden products company specialising in manufacturing, supply, and distribution of garden and seed-based pet food products to outlets throughout New Zealand. The property provides a large purpose-built industrial facility constructed in 2014, comprising a two-level modern office block, high stud warehouse, bulk store, as well as a new detached warehouse constructed in 2017. The property is situated on 3.54 hectares of leasehold land.

Address:	697L Truman Lane, Te Maunga, Mount Maunganui
Property:	Industrial
Title:	Leasehold[29]
Net Lettable Area (m^2):	11,851 sqm
Purchase Price:	$12,275,000
Current Independent Valuation:	$15,550,000 (by Preston Rowe Paterson as at 31 March 2019)
Occupancy:	100%
Key Tenants:	Tui Products Limited
WALT:	14.55 years
Net Rental Income:	$1,190,317 per annum
Seismic Rating:	100% NBS

Robert Street, Whangarei

The Robert Street property is located within the central business district of Whangarei and is solely tenanted by The Farmers' Trading Company Limited.

Address:	8 Robert Street, Whangarei
Property:	Retail
Title:	Freehold
Net Lettable Area (m^2):	5,151 sqm
Purchase Price:	$10,618,000
Current Independent Valuation:	$13,500,000 (by Jones Lang LaSalle as at 31 March 2019)
Occupancy:	100%
Key Tenants:	The Farmers' Trading Company Limited
WALT:	12.93 years
Net Rental Income:	$910,439 per annum
Seismic Rating:	67% NBS

[29] The ground lease from the proprietors at Mangatawa-Papamoa is available in the Offer Register.

Spring Street, Tauranga

The Spring Street building is a city centre-zoned property within the heart of the central business district of Tauranga City.

Address:	46 Spring Street, Tauranga
Property:	Commercial/Retail
Title:	Freehold
Net Lettable Area (m²):	3,227 sqm
Purchase Price:	$10,300,000
Current Independent Valuation:	$12,650,000 (by Preston Rowe Paterson as at 31 March 2019)
Occupancy:	97%
Key Tenants:	BNZ, Tauranga City Council, Craigs Investment Partners, BOP Commercial Realty Limited, Diamond Design (AJ and BA Tulloch).
WALT:	2.46 years
Net Rental Income:	$790,043 per annum
Seismic Rating:	70% NBS

Paerangi Place, Tauranga

The Paerangi Place building is a large industrial property (part of the Tauriko Industrial Estate) that provides a warehouse, factory, a two-level office and amenities block, a cold store, canopy and generous onsite carparking and manoeuvrability areas. The premise is solely tenanted by Hemp New Zealand Limited.

Address:	8 Paerangi Place, Tauranga
Property:	Industrial
Title:	Freehold
Net Lettable Area (m²):	5,085 sqm
Carrying value:	$8,700,000
Current Independent Valuation:	$8,700,000 (by Preston Rowe Paterson as at 31 March 2019)
Occupancy:	100%
Key Tenants:	Hemp New Zealand Limited
WALT:	9.09 years
Net Rental Income:	$593,591 per annum
Seismic Rating:	100% NBS

Alderman Drive, Auckland

The Alderman Drive property comprises a three-level commercial office building which sits right in the Henderson commercial/retail core in Waitakere City.

Address:	6 Alderman Drive, Henderson, Auckland
Property:	Commercial
Title:	Freehold
Net Lettable Area (m^2):	3,146 sqm
Purchase Price:	$7,400,000
Current Independent Valuation:	$10,300,000 (by Jones Lang LaSalle as at 31 March 2019)
Occupancy:	100%
Key Tenants:	Ministry of Justice, NZ Family Planning, Grinding Gear Games Limited, Housing New Zealand Corporation, West Fono Health Trust
WALT:	3.16 years
Net Rental Income:	$815,672 per annum
Seismic Rating:	147% NBS

Druces Road, Auckland

The Druces Road property comprises a medium-to-high stud warehouse with a two-level office building attached.

Address:	59 Druces Road, Wiri, Auckland
Property:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	4,490 sqm
Purchase Price:	$4,500,000
Current Independent Valuation:	$9,200,000 (by Jones Lang LaSalle as at 31 March 2019)
Occupancy:	39%[30]
Key Tenants:	Amrita Nutrition Limited, Geneva Elevator Limited
WALT:	6.94 years
Net Rental Income:	$273,238 per annum
Seismic Rating:	71% NBS

[30] The occupancy level at Druces Road is forecast to be low at Settlement Date due to a planned change in one tenant, creating an expected temporary vacancy of space. A marketing campaign is already underway to let this space as soon as possible - see Section 2.5 of this PDS titled Key Strategies, sub-section Specific Property Strategies for further information related to the Druces Road strategy.

Sandwich Road, Hamilton

The Sandwich Road complex consists of a large two-level office and amenities building fronting Sandwich Road, behind which is a high stud industrial workshop, with the balance of land in car parking and landscaping.

Address:	307 Sandwich Road, Hamilton
Property:	Industrial
Title:	Freehold
Net Lettable Area (m^2):	3,801 sqm
Purchase Price:	$4,250,000
Current Independent Valuation:	$5,750,000 (by Telfer Young as at 31 March 2019)
Occupancy:	94%
Key Tenants:	DeLaval Limited, Alfa Laval New Zealand Limited.
WALT:	4.55 years
Net Rental Income:	$359,639 per annum
Seismic Rating[31]:	39% NBS for the workshop and office building and 80% NBS for the newer office extension building

Held for Sale Property

Stag Park, Taupo

The site commonly known as "Stag Park" consists of a large 4.3504 ha freehold site and was developed specifically as a truck stop which provides for the servicing of vehicles, storage, food and accommodation. This property is designated as a Held for Sale Property, as it is due for sale within 12 months of the previous financial year. The property is subject to a conditional sale and purchase agreement, due to settle October 2019 (assuming the conditions are satisfied) for a total of $4,000,000. This property does not feature in any prospective financial information beyond the date of disposal, nor in the investment snapshot on page 9 of this PDS.

Address:	40 Napier Road, Hilltop, Taupo
Property:	Industrial
Net Lettable Area (m^2):	4,508 sqm
Net Rental Income:	$347,222 per annum at disposal
Purchase Price:	$4,500,000
Expected Sale Price:	$4,000,000
Purchaser:	Confidential
Settlement Date:	October 2019

[31] The Manager has carried out a feasibility study on potential seismic upgrade works and does not believe further work is appropriate in the short to medium term, given the disruptive nature of the works to the existing tenants. The tenants have been occupying the premises for approximately 15 years and the Manager considers that they are likely to remain in the building for the foreseeable future.

Bank Funding

The Company has obtained a formal offer of funding from ASB to assist with funding the purchase of the Acquisition Properties. This is in addition to ASB and BNZ's existing loan facilities which will continue unchanged.

The expected total Company borrowing at settlement is $103,897,111. The level of borrowing will increase as the capital expenditure programme is implemented. A commensurate increase in asset carrying value is expected. An average interest rate of 4.75% has been budgeted for the financial year to 31 March 2020.

A summary of the key terms of the financing arrangements is set out below:

Facilities Limit:	$111,919,000 (being a $49,090,000 facility from BNZ and a $62,829,000 facility from ASB).
Expected Borrowing:	$103,897,111 at settlement (headroom of $8,021,889 available).
Term of Lending:	BNZ Facility: 1. Tranche 1: Six years (commenced on 22 December 2015). 2. Tranche 2: Three years (commenced on 31 August 2016, renewed and due to expire 2 September 2022). 3. Tranche 3: Three years (commenced on 29 January 2018). 4. Tranche 4: Three years (commenced on 13 December 2018). 5. Tranche 5: Three years (commenced on 25 June 2019). ASB Facility: 6. Tranche 1: Three years and extendable (commenced on 14 December 2017, extended by one year). 7. Tranche 2: Three years and extendable (commenced on 31 May 2018, extended by one year). 8. Tranche 3: Two years and extendable (commenced on 31 January 2018, extended by one year). 9. Tranche 4: Three years and extendable (commenced on 13 December 2018). 10. Tranche 5: Three years and extendable (commencing on 30 September 2019 or Settlement Date). The ASB facilities are subject to annual review and can be subsequently extended by a further 12 months (to effectively reset the term for a further year). The maturity profile, including details of each facility tranche, is set out at Section 7.5 of this PDS, Financial Measures of the Company's Borrowings
Security:	BNZ Facility: First registered mortgage over the Existing Properties held by the Company. A general security agreement over all present and future acquired assets of the Company only. ASB Facility: First registered mortgage over the Existing Properties held by PPF No. 2, 120 Hutt Park Road and 43 Seaview Road from Settlement Date (which will be held by PPF No. 2). A general security agreement over all present and future acquired assets of PPF No. 2 only.
Interest rate payments:	Interest is payable monthly.
Personal Guarantees:	None.
Establishment Fee and Costs:	ASB: establishment fee for new facilities - $Nil, ongoing costs (other than interest) - $Nil. BNZ: ongoing costs (other than interest) – non-utilisation fee at 0.75% per annum.
Interest Rate:	The interest rates for both facilities are structured on a floating 30-day Bank Bill Reference Rate plus a weighted average bank margin. The actual bank margins are commercially sensitive. The indicative all up effective average interest rate is 4.52% (interest rates may vary on the date of settlement).
Principal Repayments:	Interest only facillties.

Conditions after Advance:	The following conditions apply to both the BNZ and ASB facilities: *Reporting* The Company's annual financial statements and an updated tenancy schedule must be provided to BNZ and ASB within 180 days of the Company's balance date. The bank may, at any time (but not more than annually), request updated registered valuations for the secured properties. The updated registered valuations must be completed by panel valuers approved and instructed by the bank. *Financial* Loan to value ratio: BNZ: The loan to value ratio must be no greater than 50% of the secured properties at any given time. ASB: The loan to value ratio must be no greater than 45% of the secured properties at any given time. Interest cover ratio: The net rental income must be greater than 2.0 times the interest expense at all times. *Insurance* PPF will maintain adequate insurance at all times.

The Warehouse of the Allied Pickfords Tenancy, 43 Seaview Road, Wellington.

2.5 Key Strategies

General Strategy

Following the acquisition of the Acquisition Properties, the Manager may identify new property acquisition and disposal opportunities with a view to the Company increasing the diversity and robustness of the portfolio over time with quality industrial, retail, and commercial properties located primarily in major metropolitan areas across New Zealand. The Company intends, through the Manager, to actively manage its property portfolio to maximise the value of its properties. This could mean purchasing properties where the Company believes this will improve the quality of the portfolio or selling properties where the opportunity for increasing value is limited.

Any future acquisitions are likely to focus on properties valued $10,000,000 and above. The Company believes it will have better opportunities to purchase these properties on attractive terms due to more limited competition from individual investors and larger listed property funds in this part of the market. In the event new properties are to be acquired, the Company will target sound, well-located generic buildings which offer sustainable yields and have good lease structures and tenant covenants.

The Company intends to enter into favourable financing arrangements to fulfil its debt-funding requirements. The Company intends to ensure that it maintains sufficient capital to fund, within lending facility limits, known and likely capital expenditure.

Specific Property Strategies

120 Hutt Park Road	To retain the existing tenants and to extend their leases when the opportunity arises. To proactively carry out rental reviews in accordance with each respective tenant's Deed of Lease with a view to achieve rental growth over time. The vacant 194 sqm offices and 1,290 sqm yard are being marketed for lease to new tenants on the same or better terms than the vendor underwrite arrangements (underwrites in place from the vendor for a period of 6 years to 30 September 2025). The relatively low building to site area coverage represents the opportunity to either extend the existing building or construct a new building(s) for existing tenant expansion or new tenants.
43 Seaview Road	To retain the existing tenants and to extend their leases when the opportunity arises. To proactively carry out rental reviews in accordance with each respective tenant's Deed of Lease with a view to achieve rental growth over time. The relatively low building to site area coverage represents the opportunity to either extend the existing building or construct a new building(s) for existing or new tenants.
Braeburn Drive	The Braeburn Drive property is 100% occupied. The Manager's strategy is to retain SEFL as a tenant and negotiate an extension of their lease term before the end of their 6-year lease. As SEFL have purchased an adjacent rail siding under license from KiwiRail, SEFL are more likely to desire an extension at the end of their lease. The property has a seismic rating of 60% NBS. The Company has been quoted by a competent engineer a price of $120,000 (plus GST) to upgrade the building to a seismic rating of greater than 67% NBS. The necessary works are expected to be undertaken before December 2019. The planned tenancy works including the installation of a new washdown bay and lighting upgrade works will also be carried out at this time.
El Prado Drive	The El Prado Drive property is 100% occupied. The Manager's strategy is to retain EziBuy as a tenant through negotiating an extension of lease term or repositioning the building through splitting the existing warehouse and leasing to an additional tenant(s). The Company considers a tenant inducement may be required to incentivise the tenant to extend their lease term. No specific allowance has been provisioned within the Company's prospective financial information as at the date of this offer document. The Company considers it has sufficient capacity to fund a tenant inducement, or carry out a building subdivision, from its balance sheet.

Kelston Mall	The Kelston Mall property currently has an occupancy of 99%. The Company's strategy over the short to medium term for the Kelston Mall is to transition Kelston Mall from the current small food and convenience retailer offering towards a 'go to' community and service offering. To this end, the Manager has secured a medical centre, pharmacy and early childcare centre. In addition, the strategy is to retain the existing tenants and lease up the remaining vacant space. To execute the strategic repositioning for Kelston Mall, the Company has commenced a refurbishment program and has budgeted capital expenditure of approximately $2,160,000 for the 2020 financial year and $840,285 for the 2021 financial year. Longer term, Kelston Mall offers the potential for future redevelopment.
Vickery Street	The Vickery Street property is currently 100% occupied. The Company's strategy is to retain the existing tenant and extend the term of the lease. The Company considers a tenant inducement may be required to incentivise the tenant to extend their lease term. No specific allowance has been provisioned within the Company's prospective financial information as at the date of this offer document. The Company considers it has sufficient capacity to fund a tenant inducement from its balance sheet. The property has been well maintained by the vendor and tenant – as a high specification manufacturing facility.
Dominion Road	The Dominion Road property currently has an occupancy rate of 100%. The Company's strategy is to retain the existing tenants through renewing and extending lease terms whilst growing rental income over time.
Tui Property	The Tui Property is currently 100% occupied. The Company has completed a 1,500m2 warehouse extension at the Tui Property in June 2017. No further extensions at the Tui Property are planned at this stage.
Robert Street	The Robert Street property is 100% occupied by The Farmers' Trading Company Ltd who commenced a new 15-year lease term following the completion of major refurbishment works. The property is now well positioned as a long-term investment.
Spring Street	The Spring Street property has an occupancy rate of 97%. The Company's strategy is to retain the existing tenants through proactively renewing and extending lease terms and lease up the remaining vacant space. The Manager considers there is further opportunity to add value through awarding building signage rights and digital marketing. The Company has budgeted a further $183,750 of capital expenditure for the two years ending 31 March 2021 to take up these opportunities and to refurbish the level 2 amenities area.
Paerangi Place	Hemp New Zealand Limited entered into a new 10-year agreement to lease which commenced 1 November 2018. The Company's strategy is to retain the existing tenant. The property is now well positioned as a long- term investment.
Alderman Drive	The Alderman Drive property currently has an occupancy rate of 100%. The Company's strategy is to retain the existing tenants through renewing and extending lease terms whilst growing rental income over time. The planned zoning changes under the Proposed Auckland Unitary Plan may allow development of up to 72 metres high. This presents an opportunity to investigate the construction of an additional floor/s.
Druces Road	Existing tenant, Amrita Nutrition Limited entered into a new 10-year agreement to lease both their existing space and the recently completed 370 square metre warehouse extension. The Company is currently marketing the remaining 2,757 square metres of vacant space for lease and is in active discussions with a number of prospective tenants for this space. The Company is confident a new tenant(s) should be secured for this space within the 2020 financial year, at which point, the building will be 100% occupied. The strategy is to continue to retain the existing tenants.
Sandwich Road	The Sandwich Road property currently has an occupancy rate of 94%. The strategy is to lease up the remaining 240 square metres of vacant space. The Company is currently pursuing a resource consent approval to enable a prospective new tenant to occupy this space. The Company's strategy is to retain the existing tenants through renewing and extending lease terms whilst growing rental income over time.
Stag Park	The Stag Park property is subject to a conditional sale and purchase agreement due to settle in October 2019 - with the purpose of recycling capital into higher quality assets, in line with the strategy to continually improve the overall quality of the portfolio.

2.6 The Company's Board of Directors

The Company's Board currently comprises Denis McMahon, Philip Tushingham, Scott McKenzie and Craig Garrett. From the Company's Board, Denis McMahon and Scott McKenzie are also directors of the Manager.

Denis McMahon

Denis began his career in the public sector and held several property management positions with Auckland and then Bay of Plenty territorial authorities. In 1992, he joined a leading commercial realty company in Tauranga and, at the same time, formed PMG. Denis wanted to offer a specialised, professional service in the area of managing industrial, retail and commercial property. Denis successfully built PMG up over the following 26 years to a company now managing a portfolio with a value in excess of $300 million. In 1994, Denis syndicated his first property in Tauranga and has overseen a further 30 investment offerings over the last 25 years. Denis is a member of the Property Institute and was the Chairperson of the Property Council (Bay of Plenty Branch) from 1996-2000.

Philip Tushingham

Philip was born and raised in the UK and moved to New Zealand in 2003.

Philip has 35 years' experience in the commercial property business. He has been a member of the Royal Institution of Chartered Surveyors since 1984. He set up his own commercial real estate agency, Tushingham Moore, in 1988 in Manchester, England. The business grew into a major independent agency practice in the UK, leasing and selling commercial property. Philip also specialised in setting up commercial property syndications in the UK for a number of private clients.

Scott McKenzie

Scott has a wealth of commercial and leadership experience in diverse businesses across New Zealand and the United Kingdom, including ASB Bank in New Zealand, the Royal Bank of Scotland in London and the Bank of New Zealand. As Director and CEO of PMG, Scott is responsible for leading and overseeing operations across the management, investment, and digital arms within the Manager. Scott's leadership experience plays a key role in the determination and implementation of innovative strategy for PMG. Scott holds a Bachelor of Commerce in Valuation & Agribusiness Management and a Post Graduate Diploma in Management and holds a number of personal directorships. Scott is vice-president of the Property Council Bay of Plenty, and is a member of Enterprise Angels BOP and the Institute of Directors. Scott is the largest indirect shareholder in the Manager.

Craig Garrett
Non Executive Director

Craig and his wife, Philipa, have built a large dairy farming business in the Bay of Plenty which includes a number of dairy farming units and grazing support land.

In 2007, looking for diversification from the dairy industry, Craig invested in commercial property via an unlisted property fund which was based in Auckland. Craig maintained an active relationship with the directors of the fund and became involved in strategy and certain acquisitions.

In 2015, Craig became a shareholder in Pacific Property. In 2016, Craig subsequently invested in PMG Capital Fund Limited and joined its Board.

Craig is active in the community, acting as Treasurer on the Pongakawa School Board for the past six years, coaching schoolboy rugby, and sitting on the committees of a number of local sports clubs.

2.7 The Manager

The Manager's Board currently comprises Denis McMahon, Nigel Lowe, Daniel Lem, Scott McKenzie and non-executive director, Dr Wayne Beilby.

For further information about the directors of the Manager and its senior officers please refer to: www.pmgfunds.co.nz

2.8 Substantial Shareholdings

The following table sets out details of each person who has a relevant interest in 5% or more of the Shares in the Company:

	Prior to the Offer (as at 5 August 2019)			Immediately after the Offer	
Name	**Legal ownership or other nature of the interest**	**Number of Shares held**	**% of Shares currently held**	**Number of Shares likely to be held (including those already held)**	**% of Shares likely to be held**
PMG Capital Fund Limited	Legal ownership	-	0%	10,000,000	6.95%

The above disclosure is made on the basis of information of which the Company is aware, having made reasonable endeavours to obtain all relevant information for the purposes of preparing this disclosure. This information assumes that the Manager is not called upon to take up any Shares pursuant to the Underwriting Agreement (the Underwriting Agreement is described at Section 2.12, Underwriting Agreement between the Company and the Manager). The Company understands that the Manager has entered into sub-underwriting agreements in respect of the Manager's underwriting commitment

2.9 Shareholdings of Company Directors

The table below sets out, in relation to each director of the Company, the percentage and number of Shares in respect of which the director:

(a) has a relevant interest as at the date not earlier than 20 Business Days before the date of this PDS; and

(b) is likely to have a relevant interest immediately after the Offer.

	Prior to the Offer (as at 5 August 2019)			Immediately after the Offer	
Name	**Legal ownership or other nature of the interest**	**Number of Shares held**	**% of Shares currently held**	**Number of Shares likely to be held (including those already held)**	**% of Shares likely to be held**
Denis McMahon	Legal ownership (jointly)	540,000	0.52%	540,000	0.38%
	Indirect (PMG Holdings Ltd)	-	0.00%	36,550	0.03%
	Indirect (PMG Capital Fund)	-	0.00%	145,530	0.10%
Philip Tushingham	Legal ownership (jointly)	500,000	0.48%	500,000	0.35%
	Indirect (PMG Holdings Ltd)	-	0.00%	20,000	0.01%
Craig Garrett	Legal ownership[32]	1,000,000	0.96%	3,500,000	2.43%
	Indirect (PMG Capital Fund)	-	0.00%	1,039,501	0.72%
Scott McKenzie	Indirect (PMG Holdings Ltd)	-	0.00%	160,650	0.11%

The Manager may hold Shares immediately after the Offer if the Manager's underwriting commitment under the Underwriting Agreement is called upon. Denis McMahon (jointly with his co-shareholders), Scott McKenzie and Philip Tushingham would have indirect relevant interest in any Shares held by the Manager by virtue of their respective holdings of shares in PMG Holdings Limited, which is the parent company of the Manager. The table above assumes that the Manager's underwriting commitment is not called upon.

None of the persons named above guarantees or undertakes any liability in respect of the Shares.

[32] Craig Garrett's interest in these Shares is held through a holding company

2.10 Director remuneration and benefits

Denis McMahon, Philip Tushingham, Scott McKenzie, and Craig Garrett each receive $30,000 per annum for their services as directors of the Company.

2.11 Employee Remuneration

The Company has no employees and instead has contracted the Manager to manage all of its affairs. Details of the fees paid to the Manager by the Company are contained in Section 2.12, Management Agreement between the Company and the Manager.

2.12 Material Interests

The particulars of any direct or indirect material interests in the Company, or in any agreement entered into on behalf of or in respect of the Company, that any director, proposed director, senior manager or proposed senior manager of the Company or any person associated with them has, or has had at any time since 1 April 2015, and that are material to either the person who has the interest and/or the Company, are as follows:

Shareholdings of directors of the Company in the Manager

The following directors of the Company have an interest in the Shares of the Manager (as an individual and via associated entities) through the Manager's 100% owner, PMG Holdings Limited:

- Scott McKenzie (32.13%)
- Philip Tushingham (4.00%)
- Denis McMahon (7.31%)

It is worth noting that under the Companies Act, when exercising powers or performing duties in their capacity as a director of the Company, Denis, Philip and Scott have a duty to act in good faith and what they believe is in the best interests of the Company. Similarly, when exercising powers or performing duties in their capacity as a director of the Manager, Denis and Scott have a duty to act in good faith and in the best interests of the Manager (except to the extent permitted to act in the interests of the Manager's holding company under the Manager's constitution).

Denis, Philip and Scott all hold interests in a personal capacity and/or in their capacity as a trustee of a trust. Denis, Philip and Scott each receive fees in their capacity as directors of the Company. Scott also receives a salary in respect of his role as CEO of the Manager.

Management Agreement between the Company and the Manager

The Manager has a management agreement with the Company. The fees payable to the Manager by the Company under the Management Agreement are as follows:

(a) an annual asset management fee of 0.50% of the total carrying value of the properties under management;

(b) a fee of 1.5% of gross annual rental collected from the properties under management. Gross annual rental refers to all moneys payable under a lease;

(c) an acquisition fee of 1.0% of the purchase price of any new property acquired (with a minimum fee of $150,000 per property) until the carrying value of the Company's portfolio exceeds $250,000,000;

(d) a disposal fee of 1.0% of the sale price of each property which is sold by the Company;

(e) a project management fee of 5.0% of total development/project costs incurred for maintenance projects which are budgeted to exceed $100,000 or any project involving construction or refurbishment of a property; and

(f) any disbursements (such as legal and valuation costs) and other out of pocket costs reasonably incurred by the Manager in connection with the performance of its obligations and duties.

In addition to this, a fee of 1.50% is payable from the facilitation of a secondary transfer of Shares from one investor to another. This is however paid directly by the selling investor to the Manager.

The charges outlined above are exclusive of GST. They are fixed unless otherwise stated and neither the Company nor the Manager has the right to alter those charges other than with the consent of the other. Where charges are variable, they are variable to the extent indicated in the descriptions set out above.

The Management Agreement may be terminated in a number of cases including:

- without cause by the Company on six months' notice to the Manager, if such termination has been approved by a special resolution of shareholders (a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the resolution). If the Management Agreement is terminated in this way, the Manager will be entitled to a termination payment of 12 months of its management fees set out in (a) to (f) above for the last full year preceding termination;
- without cause by the Manager on 12 months' notice to the Company; and
- automatically on the occurrence of certain events, for example if the Manager becomes insolvent.

A copy of the Management Agreement between the Manager and the Company is available on the Offer Register.

Management Agreement between PPF No. 2 and the Manager

PPF No. 2 and the Manager are parties to a management agreement on identical terms to those described above in respect of the Company.

A copy of the Management Agreement between the Manager and PPF No. 2 is available on the Offer Register and may be inspected free of charge during normal business hours of the Company as set out in the directory.

Underwriting Agreement between the Company and the Manager

The Manager has entered into an underwriting agreement with the Company in respect of the Offer (the Underwriting Agreement). Under the Underwriting Agreement, the Manager has agreed to subscribe for up to 27,000,000 of the Shares being offered under the Offer. The Manager will receive an underwriting fee of $850,500. A summary of the key terms of the Underwriting Agreement is set out below:

Date of Agreement: 12 July 2019

Parties: The Company and the Manager

Explanation of key terms:

- The Manager agrees to subscribe, or procure subscriptions for up to 27,000,000 of the Shares being offered under the Offer on the terms outlined in the PDS (the Underwriting Commitment). This means that provided investors subscribe for at least 9,000,000 Shares, the Manager must take up the remaining Shares required to ensure the success of the Offer (Shortfall Shares).
- For example, if investors subscribe for 30,000,000 Shares under the Offer, the Manager will be required to take up 6,000,000 Shortfall Shares (or find third parties who will take up those Shares). Alternatively, if investors subscribe for less than 9,000,000 Shares under the Offer, the Company will be entitled to terminate the Underwriting Commitment and the Offer will fail.
- Whatever Shortfall Shares are taken up by the Manager, the Company has agreed to provide the Manager with reasonable assistance in connection with the sell down of Shares that the Manager takes up under the Underwriting Commitment.
- In consideration for the Underwriting Commitment, the Manager will receive an underwriting fee of $850,500 from the Company on the Settlement Date.

Brokerage

On the Settlement Date, the Company will pay brokerage of $840,000 (plus GST) to the Manager, if the maximum number of Shares are issued under the Offer. The Manager is expected to pay the PMG sales team, licenced third-party referrers, and brokers.

2.13 Governance disclosures

The Constitution provides that the Board may, from time-to-time, specify a minimum or maximum number of directors. Unless otherwise determined by the Board, the maximum number of directors is four.

Directors of the Company are appointed and removed by Shareholders by ordinary resolution or notice in writing in accordance with the Companies Act 1993. The Manager cannot appoint or remove directors of the Company. The Board may fill casual vacancies up to the maximum number of directors, provided that any director appointed in this manner retires at the next annual meeting (but is eligible for re-election by shareholders). The Constitution contains a process for rotation by retirement of the directors that are appointed by shareholders.

The Constitution allows the board of the Company to issue shares, securities that are convertible into or exchangeable for shares, or options to acquire shares to any person and in any number it thinks fit.

3.Purpose of the Offer

The purpose of the Offer is to raise capital to enable the Company to fund the purchase of the Acquisition Properties and some capital expenditure. Acquiring these properties is part of the Company's strategy to develop a resilient, diversified portfolio of quality industrial, office, and retail properties across New Zealand with robustness of scale that can deliver sustainable cash distribution returns and growth in value over time.

Minimum Amount

The amount of share capital that must be raised in order for the Offer to proceed is $37,800,000 before issue costs. If the minimum amount is raised, there will be no change to the purpose of the Offer.

Underwriter

The Offer is underwritten up to 27,000,000 Shares ($28,350,000) by the Manager.

Funding

The funding facility limit for PPF No. 2 under ASB's loan related to this acquisition will be $23,115,500. Should the total number of Shares issued under the Offer exceed 36,000,000, but fall short of 40,000,000, a Share Subscription funding shortfall up to a maximum of $4,200,000 may occur. This will be funded by additional debt available within the Company's existing banking facilities, plus the specific new loan facility. The total funding facility headroom available to the Company at Settlement Date is forecast to be $8,021,389.

Intended Use of Funds

Presuming the maximum number of Shares are issued under the Offer[33], the funds raised by the Offer, along with bank financing, will be allocated as follows:

Acquisition Properties Purchase Price	$56,170,000
Issue and Property Acquisition Costs*	$2,900,000
Capital Expenditure for the Company	$4,997,910
Total	**$64,067,910**

Funded by:	
– Share Subscription	$42,000,000
– Debt ($23,115,500 facility limit)	$22,067,910
Total	**$64,067,910**

*The Issue and Property Acquisition Costs will be split as follows:

Preparation of PDS, acquisition fees and related disbursements to the Manager	$561,700
Deposit fee to an entity associated with the Manager	$140,425
Brokerage[34]	$840,000
Other issuance costs[35]	$407,375
Fees and due diligence for valuation of the Acquisition Properties	$100,000
Underwriter's fee to the Manager	$850,500
Total	**$2,900,000**

[33] Should the total number of Shares issued under the Offer exceed 36,000,000, but fall short of 40,000,000, any funding shortfall will be covered by additional debt available within the Company's existing banking facilities. A sensitivity analysis is available on the Offer Register to provide further information.

[34] Brokerage is paid to the Manager, who pays brokerage to third parties and contractors associated with the Manager for services provided.

[35] Includes third party legal fees, accounting fees, marketing costs and finance costs. Marketing costs include reimbursement to the Manager for use of the internal marketing team resources.

4. Key Dates and Offer Process

Key dates

PDS registered	5 August 2019
Opening Date	12 August 2019
Closing Date	25 September 2019 (with an ability to extend to 29 September 2019)
Allotment Date	30 September 2019
Settlement of Acquisition Properties	On Allotment Date

This timetable is indicative only and the dates may change. The Company reserves the right to vary or extend these dates. The Company may also withdraw the Offer at any time before the allotment of Offer Shares or accept late applications (either generally or in individual cases) at the Company's sole discretion.

43 Seaview Road, Wellington.

5. Terms of the Offer

The Offer

A summary of the key terms of the Offer can be found in the Key Information Summary under Section 1.4 Key terms of the Offer.

The Company's Constitution sets out the terms of the Shares. You can find a copy of the Company's Constitution on the Offer Register. The table below sets out the terms of the Offer.

What is the Offer?	This is an offer of ordinary Shares in the Company. See Section 1.1 for an overview of what the Offer involves. The Shares will rank equally in all respects with any other Shares previously issued by the Company. Each Share confers an equal right to share in dividends and other distributions authorised by the Board, and to cast a vote at meetings of Shareholders in accordance with the Constitution. No person guarantees the Shares offered under this Offer, nor warrants or guarantees the future performance of the Company, the Shares, or any return on investment pursuant to this Offer.
Key Dates	See Section 4 Key dates and Offer Process for information about the key dates of the Offer.
Price	The price of each Share is NZ$1.05 with a minimum Share subscription amount of 20,000 shares ($21,000) and multiples of 10,000 shares ($10,500) thereafter. The price of each Share was determined by calculating what the Board considered to be the fair value of the Shares. The valuation was based on carrying asset values less liabilities, divided by the number of Shares. Carrying asset values are taken from the Company's audited financial statements for the year ended 31 March 2019, plus capital expenditure for existing properties and the acquisition properties based on the registered valuation completed prior to acquisition. The Board has made an assessment of value on that basis supported by independent valuations. To ensure compliance with the Company's PIE status, no shareholder (individually and combined with shareholdings held by 'associated persons', for tax purposes) can own or control more than 20% of the share capital issued in the Company.
Total Raise	The Company is seeking to raise a minimum of $37,800,000 and up to $42,000,000 from the Offer. This translates to a minimum of 36,000,000 Shares or a maximum of 40,000,000 Shares subscribed for under the Offer. The Offer will not go ahead unless valid applications for at least the minimum number of Shares are received.
Scaling	If the Company receives valid applications for more than 40,000,000 Shares then your application may be scaled, which means that you may receive fewer Shares than you subscribed for. Scaling may be pro-rata. If this happens, you will be refunded the difference (without interest) within five Business Days of the Allotment Date.
Allotment	Shares will be allotted on the Allotment Date, being 30 September 2019. On allotment, all Shares will be fully paid ordinary shares which rank equally with each other and all existing Shares. The Offer is made on the terms, and is subject to the conditions, set out in this PDS and on the Offer Register.

6. Key features of ordinary shares in the Company

6.1 Key features of the equity securities

The key features of ordinary shares in the Company do not differ from those that apply to ordinary shares in a company generally.

You may cash in your investment by selling your Shares. Any sale must be in accordance with the requirements of the Constitution. The Board may refuse to register or delay registration of any transfer of shares to any person:

- if required to do so by law;
- where the registration of the transfer would result in the transferor or the transferee holding less than a minimum holding determined by the Board from time to time (currently 20,000 Shares); or
- where the transfer is for less than the minimum trade size as determined by the Board from time to time (currently 10,000 Shares).

You may be required to pay legal costs and a selling commission to a broker, or the Manager, in connection with any sale of your Shares.

Your rights as a shareholder in the Company are set out in the Company's Constitution. You can find a copy of the Company's Constitution on the Offer Register.

6.2 Dividend policy

Dividends and other distributions with respect to the Shares are made at the discretion of the Board. These are dependent on a number of factors which must meet the requirements of the Companies Act and the Constitution, and will only be declared after meeting appropriate solvency requirements. Dividends are therefore not guaranteed.

It is the Board's current practice and future intention to declare gross dividends per annum of around 100% of the Company's adjusted net profit before tax (as detailed below), after consideration of any required re-investment in capital expenditure programmes on existing properties and debt repayment. Decisions relating to required re-investment are also at the discretion of the Board.

Historically, dividends are paid quarterly (or sometimes more frequently if a capital raising occurs part way through a quarter). The Board intends to continue the historic practice of paying dividends quarterly. When quarterly dividends are paid, only those shareholders holding shares on the last day of the quarter are entitled to receive the dividend payment.

Adjusted net profit before tax is calculated as net profit before tax, after subsequently reversing the following items (if applicable to the relevant period and forming part of profit before tax):

fair value adjustments for:

- unrealised changes in the value of investment properties;
- unrealised changes in the value of right of use assets; and
- unrealised changes in the value of derivative financial instruments.

As a result of the above, the actual gross dividend yield for a period may vary from the prospective information set out in Section 7, The Company's Financial Information and may be above or below 100% of the Company's adjusted net profit before tax. Adjusted net profit before tax is a non-GAAP financial measure. Please refer to the Other Material Information document on the Offer Register for more information about the adjustments and reconciliation to GAAP.

6.3 Declared Dividends

Quarter Ended	Date Declared	Gross Dividend	Quarterly Gross Dividend Return (cents per share)	Date Paid
31-Mar-16[36]	15-Apr-16	274,928	2.14	26-Apr-16
30-June-16	13-Jul-16	248,388	1.94	25-Jul-16
30-Aug-16[37]	30-Aug-16	166,045	1.30	26-Sept-16
30-Sept-16	30-Sept-16	170,121	0.61	25-Oct-16
13-Dec-16[38]	13-Dec-16	406,096	1.44	25 Jan 17
31-Dec-16	31-Dec-16	155,591	0.36	25 Jan 17
31-Mar-17	20-Apr-17	788,760	1.80	25 Apr 17
30-Jun-17	30-June-17	788,760	1.80	25 Jul 17
30-Sept-17	30-Sept-17	788,760	1.80	25 Oct 17
13-Dec-17[39]	13-Dec-17	632,742	1.44	25 Jan 18
31-Dec-17	31-Dec-17	241,469	0.36	25 Jan 18
31-Mar-18	31-Mar-18	1,220,760	1.80	26 Apr 18
30-Jun-18	30-Jun-18	1,220,760	1.80	25 Jul 18
30-Sept-18	30-Sept-18	1,220,760	1.80	25 Oct 18
13-Dec-18[40]	13 Dec-18	981,916	1.45	25 Jan 19
31-Dec-18	31-Dec-18	365,627	0.35	25 Jan 19
31-Mar-19	31-Mar-19	1,868,760	1.80	26 Apr 19
30-Jun-19	30-Jun-19	1,881,738	1.81	25 Jul 19

A dividend will be declared on 29 September 2019 and paid on 25 October 2019 prior to new shares being issued on 30 September 2019, representing the dividend for the full quarter.

6.4 Sale Facilitation Service

Shares in the Company are sold with a view to being a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a large database of investors and, from time to time, will assist in facilitating secondary transfers of Shares. A fee of 1.5% + GST is payable when using this service. This excludes any associated costs such as legal and professional advisor fees.

Since 1 February 2018, the Manager has facilitated the sale of 1,800,000 Shares in the Company between investors across 24 separate transactions, at an average value per trade of $77,750. 76% of the total Shares transacted in this way have been transferred to new investors within 30 days of the selling investor's initial request.

There is no guarantee that this service will be available or that there will be any buyers for Shares in the future. Neither the Company nor the Manager represents that there will be sufficient demand or liquidity to enable a Shareholder to sell Shares at any given time. The Manager is not an authorised financial adviser and does not provide any recommendations in relation to buying or selling Shares. For more information, please contact the Manager at the contact address in Section 12, Contact Information.

[36] The dividend to 31 March 2016 was the Company's first dividend payment under the PIE regime. As such, no RWT was required to be paid and no imputation credits issued. This payment represented 100 days in the period.

[37] Interim dividend declared 30 August 2016. A dividend for the remaining days in the quarter for all qualifying shareholders was declared on the last day of the quarter and paid on the 25th of the month following the end of the quarter (or the next working day if the 25th is a weekend or a public holiday).

[38] Interim dividend declared 13 December 2016. A dividend for the remaining days in the quarter for all qualifying shareholders was declared on the last day of the quarter and paid on the 25th of the month following the end of the quarter.

[39] Interim dividend declared 13 December 2017. A dividend for the remaining days in the quarter for all qualifying shareholders was declared on the last day of the quarter and paid on the 25th of the month following the end of the quarter.

[40] Interim dividend declared 13 December 2018. A dividend for the remaining days in the quarter for all qualifying shareholders was declared on the last day of the quarter and paid on the 25th of the month following the end of the quarter.

7. The Company's Financial Information

7.1 Key Financial Information

These tables provide key financial information about Pacific Property Fund Limited and its subsidiary Pacific Property Fund No. 2 Limited, together referred to as the Company. Full financial statements are available on the Offer Register at www.business.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

The prospective financial information included in the tables has been prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42).

Included in this Section is:

- Selected historical financial information for the Company for the periods ending 31 March 2017, 2018, and 2019.
- Selected historical financial information for Vickery Street for the periods ending 31 March 2017, 2018, and 2019 (considered business acquisitions);
- No selected historical financial information is presented in respect of any other properties as they are either considered immaterial, or considered asset acquisitions rather than business acquisitions.
- Prospective financial information for the Company for the year ending 31 March 2020 and 31 March 2021. The information for the year ending 31 March 2020 has been prepared using actual data from 1 April 2019 to 31 May 2019 and forecast financial information for the period 1 June 2019 to 31 March 2020.

The principal assumptions on which the prospective financial information is based are set out in Section 7.3, Principal assumptions. A full description of accounting policies, assumptions, and sensitivity analysis relating to the prospective financial information can be obtained on the Offer Register.

7.2 Selected financial information

The table below presents the financial information for the Company. It should be noted that as various assets were purchased at various points in the historical financial years and that the prospective information includes the Acquisition Properties, the different financial years may not be comparable.

			Historical		Prospective[41]
	2017	2018	2019	FY 2020	FY 2021
	$	$	$	$	$
Total revenue	**3,886,523**	**7,651,695**	**13,516,730**	**18,295,778**	**21,277,353**
Rental income	3,179,949	6,460,501	10,562,677	15,638,578	18,195,319
Total expenses	**(1,268,622)**	**(2,381,633)**	**(4,211,614)**	**(4,677,710)**	**(5,322,296)**
Operating and administration expenses	(1,013,029)	(1,829,335)	(3,314,597)	(3,300,603)	(3,738,088)
Property and fund management fees	(255,593)	(552,298)	(897,017)	(1,377,107)	(1,584,208)
Increase in fair value of investment property	1,270,595	3,526,944	1,452,075	3,303,159	-
EBITDA	**4,083,769**	**8,512,855**	**10,110,153**	**16,925,500**	**15,958,493**
Net finance expense	(727,609)	(1,694,765)	(2,885,916)	(4,372,663)	(4,790,451)
Net profit after tax[42]	**3,356,160**	**6,818,090**	**7,224,237**	**12,552,837**	**11,168,042**
Net Cash Inflow from Operating Activities	**2,981,898**	**3,393,503**	**5,732,483**	**8,815,062**	**11,304,261**
Total Dividends paid/payable[43]	**1,423,995**	**4,462,421**	**5,657,821**	**9,048,860**	**10,570,770**
Total assets	**74,952,446**	**129,151,625**	**188,047,958**	**257,550,704**	**258,883,237**
Investment property[44]	74,330,943	122,300,000	180,784,466	250,377,932	252,207,934
Cash and cash equivalents	257,609	1,294,730	718,698	2,049,006	1,652,495
Total liabilities	**30,066,558**	**58,829,516**	**80,488,224**	**106,604,868**	**107,340,130**
Total debt	**28,539,102**	**56,568,111**	**75,797,611**	**99,897,611**	**100,597,611**

The basis of the Manager's fees are summarised in section 2.12 of the PDS and the projected Manager's fees are set out in section 7.3(h).

[41] The prospective financial periods ending 31 March 2020 and 31 March 2021 are subject to new accounting policies. See Section 7.3, principal assumption (m) for further information.
[42] The Company is a PIE and as a result, the Company's tax expense is Nil. Tax cost is attributed to investors. See Section 9 – Tax for more information.
[43] Total dividends paid/payable relate to gross dividends paid or forecast to be paid. These are shown gross as a result of the Company having become a PIE on 1 April 2016. Further information on the PIE regime can be found in section 9 Tax.
[44] Excludes Investment Property Held for Resale.

7.3 Principal assumptions

The principal assumptions on which the prospective financial statements have been prepared are summarised below. These assumptions should be read in conjunction with the risks set out further in Section 8, Risks to the Company's Business and Plans. These assumptions are contained in the Prospective Financial Information document available on the Offer Register.

(a) **Settlement:** The Company intends to settle the Acquisition Properties on the projected settlement date of 30 September 2019. The prospective financial statements of the Company have been prepared for the years ending 31 March 2020 and 31 March 2021. For the year ended 31 March 2020, the prospective financial statements include actual results for the period 1 April 2019 to 31 May 2019 and the prospective information from 1 June 2019 to 31 March 2020. The prospective financial statements only include information for the Acquisition Properties from the estimated settlement date.

(b) **Subsidiary:** PPF No. 2 Limited is a wholly owned subsidiary of the Company. The prospective financial information has been prepared on the basis that the two entities will be consolidated for financial reporting purposes at balance date.

(c) **Offer Proceeds and Costs:** It is assumed that the maximum equity raise will be achieved, being 40,000,000 shares at $1.05 per share. The Company has estimated the total issuance costs of the Offer to be approximately $2,117,875 and acquisition costs of $782,125 for costs associated with acquiring the acquisition properties. These estimated costs are set out in the Other Material Information document on the Offer Register, under the heading "Total estimated costs of offer and issue". A sensitivity analysis has been performed should Offer Proceeds be limited to 36,000,000 shares at $1.05 per share. This is included in the Other Material Information document on the Offer Register.

(d) **Revenues:** Annual rental income will be according to the signed lease agreements, plus any applicable vendor underwrite in place for each property and include a number of assumptions on leasing up vacant space and rent reviews. For the year ended 31 March 2020 this includes the rental income for both of the Acquisition Properties from the Settlement Date.

(e) **Occupancy:** It has been assumed that occupancy for the overall Portfolio is as follows:

Date	Occupancy Rate
At Settlement Date	97%
31 March 2020	99%
31 March 2021	99%

(f) **Gross Dividend:** For the 6-month period ended 30 September 2019, the gross dividend is expected to be 7.25 cents per share annualised, increasing to 7.35 cents per share annualised for the 6-month period to 31 March 2020, and for the year ending 31 March 2021. All gross dividends are calculated as cents per Share of issued share capital.

(g) **Bank Borrowings:** The funding facility for bank borrowings will depend on the total capital the Company raises through the Offer. Assuming the maximum number of Shares are issued under the Offer, the funding limit from ASB will be up to 45% loan to value ratio (**LVR**) and from BNZ, up to 50% LVR of the registered valuations of the applicable Existing Properties, the purchase price of the applicable Acquisition Properties and the budgeted capital expenditure for the portfolio. The prospective loan amount is forecast to be 40% LVR ($103,897,611) on Settlement Date. The unused bank facility will be progressively drawn down to fund capital expenditure projects. At 31 March 2021 after budgeted capital expenditure, the loan amount is forecast to be 39% LVR ($100,597,611).

The Company has received a formal offer of funding from ASB to help fund the acquisition of the Acquisition Properties. This is in addition to ASB & BNZ's existing loan facilities which will continue unchanged. The offer received from ASB at the time of the registration of this PDS is at a 45% LVR on a floating basis with a new loan facility limit of $23,115,500.

Taking into account interest rate hedging in accordance with the Company's hedging policy, it is projected for the purposes of this prospective financial information that the average interest rates charged will be:

2020: 4.75%

2021: 4.75%

(g) **Bank Borrowings (continued):** The following has been assumed in relation to the funding facility:

- no principal repayments are expected during the term of the funding facility;
- no recourse to shareholders; and
- capital expenditure will be funded by the funding facility to the extent that free cash flows are not available to fund such expenditure.

(h) **Management Fees:** The management fees payable to the Manager are estimated to be $1,377,107 for the year ending 31 March 2020 and $1,584,208 for the year ending 31 March 2021.

(i) **Prospective Capital Expenditure:** Capital expenditure of $3,202,410 will be incurred during the prospective period ending 31 March 2020 and a further $1,795,500 will be incurred during the year ended 31 March 2021. The capital expenditure is substantially in relation to the proposed:

- Kelston Mall – Kelston childcare centre and mall car parking;
- Druces Road - New tenant fitout and reconfiguration;
- Braeburn Drive – Existing tenant washdown bay and lighting.

The budgeted prospective capital expenditure is based on the Manager's historical experience in carrying out works of a similar nature. The Manager has included a level of contingency in the budgeted expenditure based on what the Manager considers to be reasonable for projects of a similar nature. It is expected that the budgeted capital expenditure projects will be completed within the two prospective financial periods.

(j) **Tax:** The Company entered the PIE regime on 1 April 2016, and it is assumed that the Company will remain in the PIE regime for the prospective periods ending 31 March 2020 and 2021. Provided the Company maintains its eligibility to be a PIE, in substance, the Company will pay tax based on the PIRs of investors and it will not be required to calculate deferred tax.

(k) **Investment Property:** It has been assumed there will be no revaluation gains or losses in the fair value of the Existing Properties as future gains or losses cannot be reliably predicted. It is assumed that the fair value of the Existing Properties is equal to latest registered valuation at 31 March 2019 plus capital expenditure forecast from 1 April 2019 for each property (or, in the case of Braeburn Drive, registered valuation dated 18 June 2019 plus capital expenditure forecast from the date of acquisition onwards). For Acquisition Properties it is assumed they are valued at their registered valuation dated 28 May 2019, plus forecast capital expenditure from Settlement Date.

(l) **Prospective Sale:** As at the date of this PDS, the directors of the Company have a conditional sale and purchase agreement in place for the Stag Park property, due to be disposed of in October 2019 for a value of $4,000,000. The property is separately classified as an investment property held for resale, and financial information related to the property is included in the prospective financial information only to the date at which it is forecast to be disposed. The directors of the Company are not looking to sell any further properties from the property portfolio. As a result, excluding the Held for Sale property, the prospective financial information has been prepared on the basis that all other properties are retained.

(m) **Adoption of new accounting policies:** The Company is required to adopt NZ IFRS 16 – Leases in the year ending 31 March 2020 and has assessed the estimated impact that initial application of NZ IFRS 16 will have on its consolidated financial statements as immaterial. The prospective financial information assumes the adoption of NZ IFRS 16 – Leases and as such, the accounting policy for leases differs from that included in any Historical Financial Statements, including the financial periods for the three years to 31 March 2019 presented as comparative information.

The main impact for the Company is as a lessee, where the Company has a ground lease for land at the Tui Property. This has prospectively been accounted for in accordance with the accounting policy disclosed in the prospective financial information, which can be obtained on the Offer Register.

7.4 Measures of Company and Shareholder returns

			Historical		Prospective
	Year	Year	Year	Year	Year
	2017	2018	2019	FY 2020	FY 2021
	$	$	$	$	$
Share capital prior to issue costs[45]	43,820,000	68,300,000	105,740,000	147,740,000	147,740,000
Adjusted Net Profit before tax[46] (non GAAP)) cents per share	7.21	7.03	8.17	7.46	7.76
Gross dividends related to the period[47]	1,935,001	3,672,491	5,657,821	9,048,860	10,570,770
Gross Dividend Return cents per share[48]	7.36	7.20	7.20	7.30	7.35
Net dividend after tax cents per share	5.80	5.78	5.94	6.03	6.06

During the 2017 financial year, the directors changed the dividend declaration date from mid-month following the end of the quarter to the last day of the quarter. In the 2018 financial year, this resulted in five dividend declarations.

Adjusted Net Profit before tax is calculated using net profit after tax from prospective financial statements including an adjustment to remove the effect of non-cash fair value adjustments. The adjustments are consistent with the calculation for the dividend policy. For further information, refer to Section 3 of the Other Material Information document available on the Offer Register.

Net dividends after tax is based on an investor with a prescribed investor tax rate of 28% who holds Shares for the full financial year. For the prospective periods ending 31 March 2020 and 31 March 2021, it has been assumed the non-taxable distribution is 37.5% of the total distribution, consistent with the 2019 financial year.

Dividend payment strategy

The Company's dividend policy is outlined in Section 6.2, Dividend policy.

The Board intends to declare a dividend for the September 2019 quarter to existing shareholders on 29 September 2019 at 1.8125 cents per share (7.25 cents per share annualised). The distribution will be paid on 25 October 2019.

The prospective dividend yield for the December 2019 quarter onwards is 1.8375 cents per share (7.35 cents per share annualised) and will be paid on the first working day following 25th January 2020.

[45] The share capital indicated in the prospective financial information assumes that the maximum number of Shares are issued under the Offer.

[46] Adjusted net profit before tax is a measure of the Company's distributable profit before tax, before any movements in fair value of investment properties, right of use assets and derivatives. This is calculated as net profit/(loss) before tax and before movements in fair value of investment property and derivatives, as cents per share of share capital units on issue. This is weighted in line with the assumed date of share allotments on 30 September 2019 and completed share allotments on 13 December 2018, 14 December 2017, 22 December 2015, 31 August 2016, and 14 December 2016. Adjusted net profit before tax is a Non-GAAP measure. Further information and a reconciliation to GAAP information is available on the Offer Register.

[47] Gross dividends related to the period differ from Gross dividends paid/payable in section 7.2 for the years ending 31 March 2017 and 2018, as during the 2017 financial year the directors changed the dividend declaration date from mid-month following the end of the quarter to the last day of the quarter. In the financial statements for the 2018 financial year, this resulted in five dividend declarations and increased gross dividends paid/payable. One of these dividend declarations is actually related to earnings recorded in the 2017 financial year, and has therefore been reclassified for the purpose of ensuring dividend metrics above are comparable to investors.

[48] Gross dividend return is measured as cents per share of issued shares, using the weighted average shares across the given period.

7.5 Financial Measures of the Company's Borrowing

			Historical		Prospective
	Year	Year	Year	Year	Year
	2017	2018	2019	FY 2020	FY 2021
Gearing ratio	38.1%	43.8%	40.3%	39.5%	39.6%
Interest cover ratio	3.55	3.08	3.20	3.08	3.26
Net profit/(loss) after tax	3,356,160	6,818,090	7,224,237	12,552,837	11,168,042

The Gearing Ratio equals the Company's total interest-bearing liabilities as a proportion of the Company's total assets. A higher gearing ratio represents a greater risk to the Company as, if the investment properties were to decrease in value, a greater proportion of the assets would be required to repay bank debt.

The Interest Cover Ratio is a multiple of the Company's EBITDA (less unrealised gains, plus unrealised losses) compared to the Company's interest expense. The projected ratio is based on assumptions, which are set out in Section 7.3 of this PDS. The higher the ratio, the greater the ability of the Company to pay interest on bank loans.

The above ratio assumes the change in the value of the investment property is the value of the capital expenditure on the Existing Properties and the Acquisition Properties, plus any valuation movements in respect of all properties acquired during the financial year ending 31 March 2020 for which an independent valuation has been obtained. No other change in the value of the properties (increase or decrease) had been forecast as it is not possible with a degree of certainty.

The Gearing Ratio and Interest Cover Ratio are not GAAP information. Please refer to the Other Material Information document on the Offer Register for further information and a reconciliation of GAAP information.

The Company's Maturity Profile

The table below summarises, in aggregate, when the amounts of the bank borrowings referred to above and set out in detail in Section 2.4 of this PDS, are due for repayment:

Bank and tranche	Maturity date	Facility limit	Facility type
BNZ Tranche 1	December 2021	$10,300,000	Six-year facility
BNZ Tranche 2	September 2022	$11,900,000	Three-year facility (renewed)
BNZ Tranche 3	February 2021	$5,890,000	Three-year facility
BNZ Tranche 4	December 2021	$16,000,000	Three-year facility
BNZ Tranche 5	June 2022	$5,000,000	Three-year facility
ASB Tranche 1	December 2021	$13,015,000	Three-year facility (extended)[49]
ASB Tranche 2	May 2022	$16,000,000	Three-year facility (extended)
ASB Tranche 3	April 2021	$3,250,000	Two-year facility (extended)
ASB Tranche 4	December 2021	$7,448,500	Three-year facility
ASB Tranche 5 (new)	September 2022	$23,115,500	Three-year facility
Total		$111,919,000	

For further details on the bank borrowing facilities see Section 2.4, Property Portfolio, Bank Funding.

[49] Under the terms of the ASB offer, the terms of the bank loan facilities are two- or three-year terms that are extendable annually by mutual agreement.

7.6 Financial information for the Existing Properties

The Vickery Street property was an existing business at the time it was acquired by the Company. Historical financial information for this property up to when it was acquired by the Company is set out below. Please note that because a business was purchased (sold) part way through a period, the financial years shown may not be comparable. No historical information is provided for the Dominion Road, Spring Street, Alderman Drive, Sandwich Road and Druces Road properties because that information is not considered material information. The El Prado Drive, Tui, Robert Street, Kelston Mall, and Paerangi Place properties were each considered to be assets when acquired by the Company and, accordingly, no historical financial information is required to be provided for each of those properties.

The EBITDA information shown in the tables below is non-GAAP information. Please refer to the Other Material Information document on the Offer Register for more information about the adjustments and reconciliations to GAAP information.

	Stellar Investment Group (Vickery Street)[50]		
NZ$	2017	2018	2019[51]
Total Revenue	1,128,485	1,449,103	954,807
Adjusted EBITDA	951,722	1,244,818	807,605
Net Profit	686,101	1,017,856	8,893,993
Cash and cash equivalents	–	92,711	–
Total Assets	–	8,511,358	–
Total Debt	–	1,376,165	–
Total Liabilities	–	1,447,101	–
Net cashflow from operating activities	849,300	1,198,522	745,400

The statutory auditor for the historical financial statements of Stellar Investment Group was Baker Tilly Staples Rodway Audit Limited.

50 Stellar Investment Group became a proportionate ownership scheme of wholesale investors under the Financial Market Conduct Act 2013 (FMCA) in February 2017. The previous scheme was wound up at the end of the 2017 year, therefore having no assets. The 2018 year was the first period of the new entity under the FMCA and the financial statements were for a 13-month period.

51 The final financial statements for Stellar Investment Group were prepared for the 11.5-month period to 14 March 2019, the date of cessation.

8. Risks to the Company's Business and Plans

This Section sets out a description of the circumstances that the Company is aware of that exist or are likely to arise that significantly increase the risk to the Company's financial position, performance and plans. The description below includes an assessment of the likely circumstances arising (low, medium or high) and the impact if they arose (low, moderate or severe), the nature and potential magnitude of the impact, together with the strategies the Company has adopted or will adopt to mitigate against the circumstances arising.

The risks have been identified by the Company on the basis of information known to it as at the date of the PDS and on an assessment of the probability of a risk occurring and the anticipated impact of the risk if it did occur. These risks may not be all of the risks that the Company currently faces, or may face in the future, and there is no guarantee that the importance of each risk will not change.

These risks, were they to occur and if they were not appropriately mitigated by the Company, could have a material adverse effect on the Company's financial position or future financial performance, through a decrease in revenue or an increase in costs.

Investors should carefully consider these risk factors (together with other information in this PDS) before deciding whether to invest in the Shares.

The description of risks in this Section does not take into account the personal circumstances, financial position or investment requirements of any person. It is therefore important that, before deciding to invest in the Shares, you consider the suitability of an investment in the Shares in light of your individual risk profile for investments, investment objectives, and personal circumstances (including financial and taxation issues).

If you do not understand the information in this Section, you should consult a financial or legal adviser.

8.1 Tenant Risk

There are 76 tenants across the Company's portfolio of properties (including space underwritten by previous property vendors). The tenants operate in the industrial, commercial and retail sectors and range from large businesses through to small retailers. A key measure of the tenancies 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 more certainty in ongoing lease commitments. Conversely, a shorter WALT shows the vulnerability of the portfolio to loss of income at any particular point of time. The current WALT for the Existing Properties is 5.88 years (forecast as at 30 September 2019). Following acquisition of the Acquisition Properties, the WALT will be 6.25 years.

Due to the size of the portfolio, the Company can expect to have a number of leases that are due to expire or have upcoming rights of renewal. There are 17 lease agreements that are due for expiry in the prospective period ending 31 March 2020 representing annual income of $538,507 or 3% of the total annual rental income for the year. There is a risk that if any of these tenants elected not to renew their leases, this could result in a reduction of rental income if replacement tenants are not found at or above the lease payment levels set out in such leases. In the ordinary course of business of the Company, such occurrences are not expected to have a material impact on rental income.

However, there may be special circumstances where mitigating factors are required to address the risk of expiry or non-renewal outside of the ordinary course of business. By way of example, for the purchase of the Seaview acquisition property. During due diligence on that acquisition, the Manager identified certain tenancies within the property which it considered may present tenant vacancy risk. The aggregate gross rent of those selected tenancies represent $7.3m of the property's income over a six year term. This vacancy risk has been underwritten by the vendor.

8.1 Tenant Risk (continued)

The Manager therefore negotiated with the vendor to underwrite the gross rental income (rent, operating expenditure, and car parking) for 4 specific tenancies, until September 2025, should any of the specific tenancies not meet their gross rental expectations as agreed.

To date, the Company has only had one tenant go into receivership and has not had any other tenant default.

Assessment of likelihood of circumstances arising: **Low**	Low	Medium	High
Assessment of impact: **Moderate**	Low	Moderate	High

8.2 Funding Risk

The Company will borrow funds from ASB to help fund the purchase of the Acquisition Properties, in addition to funds already borrowed from ASB and BNZ. The Company may make further borrowings to help fund future acquisitions. Loss of a key tenant and/or adverse market movements may cause a breach of banking covenants, in particular the requirements to maintain a maximum loan to value ratio (**LVR**) and to maintain minimum interest cover levels against operating profits. If a breach (or any other breach of the banking covenants) is not remedied, ASB and BNZ may enforce their securities and sell some or all of the properties in the Company's property portfolio. There is also the risk that a bank loan may not be able to be renewed at the end of its term. If the Company was required to sell one or more of its properties in a "forced sale" process, a lower value is likely to be obtained.

The Company's projected LVR at the Settlement Date is 40% and the proposed maximum LVR is 40% after all budgeted capital expenditure, assuming successful completion of this Offer and the sale of the Stag Park property currently held for sale under a conditional contract. In the event the value of properties within the Company portfolio reduces, this may impact on the LVR to a level which may breach the proposed banking covenant of 45% with ASB and existing banking covenant of 50% with BNZ.

The total value of the property portfolio would need to reduce by $16m or 6.4% (as at 31 March 2020) to breach the Company's existing bank LVR covenants. The Company monitors all properties within its portfolio closely. The Company has a proactive and positive relationship with its bankers. In the event a reduction in property values became likely, the Company would proactively re-negotiate appropriate bank covenants to mitigate the funding risk or explore debt reduction via appropriate asset sales.

If interest rates were to rise, there is a risk that the Company could breach the covenants in its financing arrangements relating to Interest Cover ratios (see Section 7.5, Financial Measures of the Company's Borrowing).

The Company's projected Interest Cover ratios are as follows:

- 31 March 2020: 3.08
- 31 March 2021: 3.34

For the Company to breach the interest cover covenants, interest rates for the year ending 31 March 2020 would need to increase to 8.6% and, for the year ending 31 March 2021, to 8.1% (the current average forecast interest rate is 4.75%). The Company maintains a hedging policy that would mitigate the actual effect of an increase in interest rates in the short to medium term.

If the Company's bank loan facilities cannot be extended beyond their current expiry dates (which range from January 2021 to September 2022), there would be a risk that the Company would be forced to find alternative funding arrangements. There is no certainty that the alternative arrangements would be as favourable as the Company's current financing arrangements. This may impact upon investor returns.

Assessment of likelihood of circumstances arising: **Low**	Low	Medium	High
Assessment of impact: **Moderate**	Low	Moderate	High

9. Tax

Tax can have significant consequences for investments and can affect your return from the Shares. If you have queries relating to the tax consequences of investing in the Shares, you should obtain professional advice on those consequences.

The Company became a multi-rate PIE from 1 April 2016. This means that all tax will be calculated and paid at the Company level under the PIE rules. Under these tax rules, the amount of tax paid by the Company in relation to any income that is attributed to you (based on your Shareholding in the Company at the time the income is attributed) will depend on your Prescribed Investor Rate (**PIR**).

To determine your PIR, go to https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates.

If you are unsure of your PIR, we recommend you seek professional taxation advice or contact the Inland Revenue Department.

It is your responsibility to tell the Company your PIR (and provide your IRD number or foreign Tax Identification Number) when you invest or if your PIR changes. If you do not provide your IRD number or foreign Tax Identification Number within 6 weeks of investing, the Company may be required to cancel or reacquire your shares. If you do not tell the Company your PIR, a default rate of 28% may be applied. If the advised PIR is lower than the correct PIR, you will need to complete a tax return and pay any tax shortfall, interest, and penalties on the attributed income (a tax credit will be allowed for the tax already paid by the Company based on your PIR). If the default rate or the advised PIR is higher than the correct PIR, you will not receive a refund of any overpaid tax.

As the Company is a multi-rate PIE, where you elect a PIR of more than 0% the Company will pay tax on your share of the Company's income based on your PIR. If you have a PIR of 0%, you must return any tax to the IRD on the Company's income that is attributed to you as an investor.

Distributions received by shareholders from the Company do not need to be returned as a taxable dividend. The gross distribution amount may have PIE tax deducted from it and remitted to Inland Revenue depending on your elected PIR.

If the Company ceases to be a PIE, any dividends paid will be taxable to Shareholders (and any imputation credits attached to a dividend can be used to reduce or offset the Shareholder's tax liability on the dividend). Additional tax rules will apply if a Shareholder is not a New Zealand tax resident.

A Shareholder may be taxed on a sale of the Shares, if they acquired them with the dominant purpose or intention of resale or as part of a share trading business (or profit-making undertaking or scheme).

If you are unsure whether you would be taxed on the sale of your shares, we recommend you seek professional advice.

10. Where you can Find More Information

Further information relating to the Company or the Shares (for example, the Company's Constitution and financial statements) is available on the Offer Register. A copy of the information in the Offer Register is available on request to the Registrar (email registrar@fspr.govt.nz). The website for the Offer Register is www.business.govt.nz/disclose. Further information relating to the Company is available from this website.

Further information relating to the Company and the Manager is also available on the public register at the Companies Office of the Ministry of Business, and Employment. This information can be accessed on the Companies Office website at www.business.govt.nz/companies.

Further information about the Company and the Manager is also available free of charge on its website, www.pmgfunds.co.nz.

You may receive annual reports and annual audited financial statements for the Company, and other communications as and when required to update you on progress. You may also receive a notice stating the availability of such communications and how to obtain copies.

This information will be made available to you, free of charge, upon a written request to the Company at PO Box 2034, Tauranga 3144.

11. How to Apply

If you want to apply for Shares under the Offer you must fill in the Application Form provided with this PDS. Applications must be for at least 20,000 Shares and in multiples of 10,000 Shares thereafter.

Completed and signed Application Forms must be forwarded to:

Pacific Property Fund Limited c/- PMG Property Funds Management Limited
P O Box 2034
Tauranga 3144

Forms must arrive no later than 5:00pm on 25 September 2019 (or, if the Offer is extended, the new Closing Date for the offer) and must be accompanied by payment of the full subscription amount and any required supporting documentation.

Further information on how to apply for Shares and pay for them is set out in the Application Form that accompanies this PDS.

The Company reserves the right, in its sole discretion, to accept or reject any application in whole or in part without giving any reason.

You should read this PDS carefully before completing the Application Form.

12. Contact Information

The Company
Pacific Property Fund Limited
Level 1, 143 Durham Street, Tauranga
P.O. Box 2034, Tauranga 3144, New Zealand
Phone: 0800 219 476

The Manager
PMG Property Funds Management Limited
Level 1, 143 Durham Street, Tauranga
P.O. Box 2034, Tauranga 3144, New Zealand
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Legal Adviser
Simpson Grierson
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Accounting Adviser
KPMG Tauranga
Level 2, 247 Cameron Road, Tauranga 3110, New Zealand
Phone: +64 (7) 578 5179

Auditor
Baker Tilly Staples Rodway Audit Limited
Level 1, 247 Cameron Road, Tauranga, 3110, New Zealand
Phone: +64 (7) 578 2989

Glossary

$	New Zealand Dollars.
Alderman Drive	6 Alderman Drive, Henderson, Auckland.
Acquisition Properties	The properties at 120 Hutt Park Road, Wellington and 43 Seaview Road, Wellington.
Allotment Date	30 September 2019.
Applicant	An investor whose Application Form has been received by the Company prior to the Closing Date.
Application	An application to subscribe for Shares.
Application Form	The Application Form provided with this PDS to subscribe for Shares under the Offer.
ASB	ASB Bank Limited.
BNZ	Bank of New Zealand.
Board	The board of directors of the Company.
Braeburn Drive	40 Braeburn Drive, Hornby, Christchurch.
Business Day	A day on which the NZX Main Board is open for trading.
CEO	The Chief Executive Officer.
Closing Date	25 September 2019, with an ability to extend to [27 September 2019].
Colliers	Colliers International New Zealand Limited.
Companies Act	Companies Act 1993.
Companies Office	The New Zealand government agency responsible for the administration of corporate body registers.
Constitution	The constitution of the Company (as amended from time to time).
Disposal Date	The conditional date of settlement of the Held for Sale Property.
Dominion Road	114 Dominion Road, Mt Eden, Auckland.
Druces Road	59 Druces Road, Wiri, Auckland.
El Prado Drive	31 El Prado Drive, Palmerston North.
Existing Properties	Braeburn Drive, El Prado Drive, Vickery Street, Kelston Mall, Tui Property, Druces Road, Sandwich Road, Dominion Road, Alderman Drive, Spring Street, Robert Street, and Paerangi Place properties.
EziBuy	EziBuy Limited.
FMCA	Financial Markets Conduct Act 2013.
Gross Rental Income	The aggregate of annual rental income and recoverable operating expenditure.
GST	Goods and Service Tax.
Held for Sale Property	All property intended for sale or sold within 12 months of the most recently completed financial year. In the context of this PDS, this is Stag Park only.
IEP	Initial Evaluation Procedure.
Kelston Mall	The mall at the Corner of West Coast Road and Great North Road, Auckland.
LVR	Loan to value ratio.

Management Agreement	The management agreement between the Company and the Manager dated 18 September 2013, as updated on 27 November 2014, and the management agreement between PPF No. 2 and the Manager dated 11 October 2016 (as applicable).
Manager	PMG Property Funds Management Limited (formerly Property Managers Limited).
Net Rental Income	Gross rental income less operating expenditure.
NBS	New Building Standard.
Offer	The offer of Shares under this PDS.
Offer Price	$1.05 per Share.
Offer Register	Means the register containing information on the Offer available at www.business.govt.nz/disclose, offer number OFR12688. All documents referred to in this PDS as being available on the Offer Register may also be inspected free of charge during normal business hours at the office of the Company as set out in the Directory.
Opening Date	12 August 2019, or such other date that the Company may determine.
Paerangi Place	8 Paerangi Place, Tauranga.
PDS	This Product Disclosure Statement for the Offer dated 5 August 2019.
PIE	Portfolio Investment Entity.
PIR	Prescribed Investor Rate.
PMG	Property Managers Group.
PPF No. 2	Pacific Property Fund No. 2 Limited.
Registrar	The Registrar of Financial Service Providers appointed under Section 35 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008.
Robert Street	8 Robert Street, Whangarei.
Sandwich Road	307 Sandwich Road, Te Rapa, Hamilton.
Settlement Date	On Allotment Date.
Share(s)	Fully paid ordinary shares in the Company.
Shareholder(s)	The shareholders of the Company.
Spring Street	46 Spring Street, Tauranga.
Stag Park	140 Napier Road (State Highway 5), Hilltop, Taupo.
The Company	Pacific Property Fund Limited and Pacific Property Fund No. 2 Limited.
Tui Property	697L Truman Lane, Te Maunga, Mount Maunganui.
Underwriting Agreement	The Manager and the Company have entered into an agreement where the Manager has agreed to subscribe for up to 27,000,000 of the Shares being offered under the Offer.
Vickery Street	33 Vickery Street, Te Rapa, Hamilton.
WALT	Weighted average lease term.

We're Invested

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