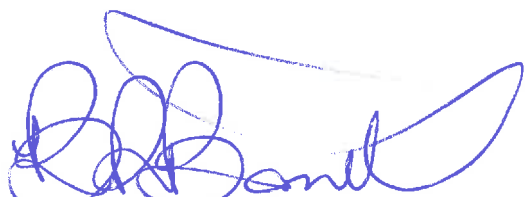


Prospective Financial Information

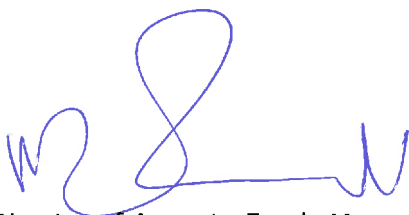
Prospective financial information in respect of the LP for the first accounting period of 7.5 months ending 31 March 2017 and for the years ending 31 March 2018, 2019, 2020 and 2021 are set out below. These prospective financial statements comprise the Prospective Statement of Profit and Loss and Other Comprehensive Income, Prospective Statement of Changes in Equity, Prospective Statement of Financial Position and Prospective Statement of Cash Flows in accordance with FRS42 Prospective Financial Statements and generally accepted accounting practice as it relates to prospective financial statements and have been subject to a reasonable assurance engagement by KPMG, Chartered Accountants of Auckland (whose report can be found on the disclose register). These should be read in conjunction with the assumptions and notes on pages 6-20.

The prospective financial statements were authorised for issue on 19 May 2016.



Director of Augusta Funds Management Limited

19 May 2016
Date



Director of Augusta Funds Management Limited

19 May 2016
Date

BUILDING A GRAHAM STREET LIMITED PARTNERSHIP

Prospective Statement of Profit and Loss and Other Comprehensive Income

	Note	7.5 Months ending 31 March 2017	12 Months ending 31 March 2018	12 Months ending 31 March 2019	12 Months ending 31 March 2020	12 Months ending 31 March 2021
		\$	\$			
Rental Income		4,673,749	7,603,831	7,830,996	8,064,975	8,305,436
Accrual for fixed rental growth	17	802,293	1,222,832	995,667	761,688	523,270
Gross Rental Income		5,476,042	8,826,663	8,826,663	8,826,663	8,828,706
Net Operating Costs		(3,125)	(5,000)	(5,000)	(5,000)	(5,000)
Net Rental Income		5,472,917	8,821,663	8,821,663	8,821,663	8,823,706
Less Expenses						
Audit Fees		(15,000)	(15,450)	(15,914)	(16,391)	(16,883)
Finance Fees		(27,580)	(27,580)	(27,580)	(27,580)	(27,580)
Interest		(1,394,330)	(2,230,928)	(2,230,928)	(2,230,928)	(2,230,928)
Scheme Administration		(187,500)	(305,625)	(314,794)	(324,238)	(333,965)
Statutory Supervisor Fees		(14,688)	(23,500)	(23,500)	(23,500)	(23,500)
Valuation Fees		(9,000)	(9,270)	(9,548)	(9,835)	(10,130)
Compliance		(3,000)	(3,090)	(3,183)	(3,278)	(3,377)
Total Expenses (excluding initial establishment costs)		(1,651,098)	(2,615,443)	(2,625,446)	(2,635,750)	(2,646,362)
Total Comprehensive Income and Profit before Investment Property Revaluation and Taxation		3,821,819	6,206,220	6,196,217	6,185,913	6,177,344

BUILDING A GRAHAM STREET LIMITED PARTNERSHIP

Prospective Statement of Changes in Equity

	Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 15 August 2016	-	-	-
Profit for the Year	-	3,821,819	3,821,819
Total Comprehensive Income for the period	-	3,821,819	3,821,819
Issued Capital	70,000,000	-	70,000,000
Issue Costs	(5,531,360)	-	(5,531,360)
Distributions to Investors	-	(3,073,128)	(3,073,128)
Balance as at 31 March 2017	64,468,640	748,691	65,217,331
Balance as at 1 April 2017	64,468,640	748,691	65,217,331
Profit for the Year	-	6,206,220	6,206,220
Total Comprehensive Income for the year	-	6,206,220	6,206,220
Distributions to Investors	-	(5,075,000)	(5,075,000)
Balance as at 31 March 2018	64,468,640	1,879,911	66,348,551
Balance as at 1 April 2018	64,468,640	1,879,911	66,348,551
Profit for the Year	-	6,196,217	6,196,217
Total Comprehensive Income for the year	-	6,196,217	6,196,217
Distributions to Investors	-	(5,250,000)	(5,250,000)
Balance as at 31 March 2019	64,468,640	2,826,128	67,294,768
Balance as at 1 April 2019	64,468,640	2,826,128	67,294,768
Profit for the Year	-	6,185,913	6,185,913
Total Comprehensive Income for the year	-	6,185,913	6,185,913
Distributions to Investors	-	(5,425,000)	(5,425,000)
Balance as at 31 March 2020	64,468,640	3,587,041	68,055,681
Balance as at 1 April 2020	64,468,640	3,587,041	68,055,681
Profit for the Year	-	6,177,344	6,177,344
Total Comprehensive Income for the year	-	6,177,344	6,177,344
Distributions to Investors	-	(5,600,000)	(5,600,000)
Balance as at 31 March 2021	64,468,640	4,164,385	68,633,025

BUILDING A GRAHAM STREET LIMITED PARTNERSHIP

Prospective Statement of Financial Position	Note	As at 31 March 2017 \$	As at 31 March 2018 \$	As at 31 March 2019 \$	As at 31 March 2020 \$	As at 31 March 2021 \$
Current Assets						
Cash on Hand	10	774,290	726,974	725,928	773,746	877,564
Non Current Assets						
Investment Property	3	116,455,240	116,455,240	116,455,240	116,455,240	116,455,240
Fixed Rental Growth Accrual	17	802,293	2,025,125	3,020,793	3,782,481	4,305,751
Total Assets		118,031,823	119,207,339	120,201,961	121,011,467	121,638,555
Current Liabilities						
Trade Creditors	13	27,000	27,810	28,644	29,504	30,389
Distributions Payable		408,333	422,917	437,500	452,084	466,667
Interest Payable	13	185,911	185,911	185,911	185,911	185,911
GST Payable	13	179,068	180,390	185,798	191,367	198,063
Non Current Liabilities						
Secured Bank Loan	14	52,124,500	52,124,500	52,124,500	52,124,500	52,124,500
Associated Finance Costs		(110,320)	(82,740)	(55,160)	(27,580)	0
Total Liabilities		52,814,492	52,858,788	52,907,193	52,955,786	53,005,530
Net Assets		65,217,331	66,348,551	67,294,768	68,055,681	68,633,025
Joint Venturers' Funds						
Capital	7	64,468,640	64,468,640	64,468,640	64,468,640	64,468,640
Retained Earnings		748,691	1,879,911	2,826,128	3,587,041	4,164,385
Closing Joint Venturers' Funds		65,217,331	66,348,551	67,294,768	68,055,681	68,633,025

BUILDING A GRAHAM STREET LIMITED PARTNERSHIP

Prospective Statement of Cash Flow	7.5 Months ending 31 March 2017	12 Months ending 31 March 2018	12 Months ending 31 March 2019	12 Months ending 31 March 2020	12 Months ending 31 March 2021
	\$	\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash provided from:					
Rental Receipts (incl. GST)	5,374,811	8,744,406	9,005,645	9,274,721	9,551,251
Cash applied to:					
Net Operating Expenses (incl. GST)	(219,219)	(388,269)	(399,744)	(411,564)	(422,750)
Statutory Supervisor Fees Paid (incl. GST)	(16,891)	(27,025)	(27,025)	(27,025)	(27,025)
Interest Paid	(1,208,420)	(2,230,929)	(2,230,929)	(2,230,929)	(2,230,929)
GST Received (Paid)	(491,196)	(1,085,083)	(1,113,576)	(1,146,968)	(1,181,312)
Net Cash Inflow from Operating Activities	3,439,085	5,013,100	5,234,371	5,458,235	5,689,235
Cash Flows from Investing Activities					
Cash applied to:					
Purchase of Investment Property - Purchase Price	(115,818,265)	-	-	-	-
Purchase of Investment Property - directly related costs	(636,975)	-	-	-	-
Net Cash Inflow (Outflow) from Investing Activities	(116,455,240)	-	-	-	-
Cash Flows from Financing Activities					
Cash provided from:					
Loan proceeds	52,124,500	-	-	-	-
Contributions from Subscribers	70,000,000	-	-	-	-
Cash applied to:					
Finance costs	(137,900)	-	-	-	-
Costs of raising capital	(5,531,360)	-	-	-	-
Distributions to Subscribers	(2,664,795)	(5,060,416)	(5,235,417)	(5,410,417)	(5,585,417)
Net Cash Inflow from Financing Activities	113,790,445	(5,060,416)	(5,235,417)	(5,410,417)	(5,585,417)
Cash at the Beginning of the Period	-	774,290	726,974	725,928	773,746
Net Increase in Cash Held	774,290	(47,316)	(1,046)	47,818	103,818
Cash at the End of the Period	7	774,290	726,974	773,746	877,564
Reconciliation of Surplus to Cash from Operating Activities					
Reported Surplus	3,821,819	6,206,220	6,196,217	6,185,913	6,177,344
Non Cash Items					
Finance Costs amortised	27,580	27,580	27,580	27,580	27,580
Adjust for Movements in Working Capital Items:					
Increase/(Decrease) in Goods and Services Tax Payable	179,068	1,323	5,407	5,568	6,696
Increase in Fixed Rental Growth Accrual	(802,293)	(1,222,833)	(995,670)	(761,689)	(523,270)
Increase in Interest Payable	185,911	-	-	-	-
Increase in Creditors	27,000	810	837	863	885
Net Cash Inflow from Operating Activities	3,439,085	5,013,100	5,234,371	5,458,235	5,689,235

Notes and Assumptions for the period ending 31 March 2017 and the years ending 31 March 2018, 2019, 2020 and 2021

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

The LP is to be established and domiciled in New Zealand.

The LP will be a commercial property investor that owns land and buildings located at Building A, 2 Graham Street, Auckland City. The registered office of the Manager is situated at Level 2, 4 Viaduct Harbour Avenue, Auckland.

The prospective financial statements were authorised for issue on 19 May 2016 being the date of the Product Disclosure Statement. The Manager is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. It is not intended to update the prospective financial information subsequent to issue.

1 Assumptions

Settlement

Pursuant to the sale and purchase agreement for Building A, settlement is to occur on 15 August 2016. Therefore for the purpose of the financial statements, rental income has been recognised from 16 August 2016.

The Property is assumed to be purchased by the LP on 15 August 2016 at a purchase price of \$115,818,265.

Establishment Costs

Total establishment costs are expected to be \$6,306,235. This includes offeror, underwriting, guarantee, brokerage, legal, accounting and valuation fees as well as financing and marketing costs. The bulk of these costs are deemed to be issue costs, with the exception of \$137,900 financing costs and \$636,975 associated with the acquisition of the Property.

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

Investment Property

The future fair value gain or loss on the Property cannot be reliably predicted, and accordingly the fair value of Building A is assumed to equal the cost, plus any directly related acquisition costs and any further capital costs incurred during the prospective period.

The LP is responsible for all works of a structural or capital nature however the Vendor and Contractor have provided a broad defects warranty in favour of the LP for a term expiring in February 2026 and hence no sinking fund has been provided for.

Rental Income

The rent is increased by 3% on an annual basis in respect to all the leases on the anniversary of each lease commencement (excluding the first anniversary date under the NZME. Leases, on which date no fixed increase applies). Lease receipts under an operating lease have been recognised as revenue on a straight-line basis over the lease terms hence the recognition of a fixed rental accrual (asset).

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

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

Management Fees

The annual LP management fees have been agreed at \$300,000 in the first year and will increase at the greater of 3% or CPI thereafter per year.

Borrowings

The loan agreement is an extendable agreement and will be interest only. It will have an initial loan term of 5 years from date of drawdown.

Interest Expense

The interest expense is calculated at 4.28%, and is based on no principal repayments (interest only) during the assumed initial 5 year term of the loan. The Manager will manage the interest rate with a long-term interest rate swap agreement of 5 years. A swap agreement has been entered into for 5 years from 15 August 2016 on 100% of the debt value.

Administration Expenses

Audit fees and valuation fees are based on quotes received.

Actual Results

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

2 Statement of Accounting Policies

The prospective financial statements here are for the reporting entity Building A Graham Street Limited Partnership (the LP).

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

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

Measurement Base

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

- (a) **Revenue Recognition:** Revenue includes rental income from Building A, 2 Graham Street, Auckland City held by the LP. Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the LP provides incentives to its tenant, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.
- (b) **Investment Properties:** This investment property is initially recognised at cost, which includes transaction costs. Thereafter it is measured at fair value. Fair value will be determined annually by external valuers having regard to recent market transactions for similar properties in the same location as the investment property. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.
- (c) **Receivables:** Receivables should be recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off during the period in which they are identified.

- (d) Payables: Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. As accounts payable do not accrue interest and are generally paid within 30 days of recognition, they are stated at the invoice amount.
- (e) Goods and Services Tax (GST): The prospective financial statements have been prepared using GST exclusive figures with the exception of receivables and payables which are stated GST inclusive.
- (f) Income Tax: As a proportionate ownership LP, the LP itself is not liable for income tax.
- (g) Comparatives: The LP has not yet commenced trading and therefore there are no comparatives available. These prospective financial statements represent the first period of trading to 31 March 2017, and also the years ending 31 March 2018, 2019, 2020 and 2021.
- (h) Changes in Accounting Policies: There are no changes in the accounting policies anticipated in the first five reporting periods.
- (i) Establishment Costs: Are treated in a number of ways depending on the nature of the costs; (1) costs associated with respect to raising equity are deducted from the equity proceeds, (2) costs associated with obtaining finance are capitalised and amortised over the initial period of the borrowings, and (3) cost associated with purchasing the property are capitalised as part of investment property asset.
- (j) Depreciation: Each Subscriber will be entitled to a depreciation deduction based on their proportional share of the depreciation of the property fit out and chattels only and is dependent on their individual circumstances. Accordingly, no allowance has been made for depreciation in the prospective statement of profit and loss and other comprehensive income for the period ending 31 March 2017 and the years ending 31 March 2018, 2019, 2020 and 2021.
- (k) Derivatives: The LP will use derivative financial instruments (interest rate swaps) to hedge its exposure to variable interest rate risk arising from borrowings. The interest rate swaps convert certain variable interest rate borrowings to fixed interest rates reducing the exposures to fluctuations in floating rates.

Derivative financial instruments will be carried at fair value. Any resulting gain or loss on measurement is recognised in the profit and loss. However no fair value movement has been estimated in these prospective financial statements.

- (l) Borrowings: Borrowings are recognised initially at fair value and also include directly attributable transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the LP has an unconditional right to defer

the settlement of the liability for at least twelve months after balance date. Also, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period.

Statement of Cash Flows

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

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

3 Investment Property

	2017	2018	2019	2020	2021
Balance at beginning of financial year	-	116,455,240	116,455,240	116,455,240	116,455,240
Contracted purchase price	115,818,265	-	-	-	-
Associated capitalised costs	636,975	-	-	-	-
Balance at end of financial year	116,455,240	116,455,240	116,455,240	116,455,240	116,455,240

The fair value of Building A, 4 Graham Street, Auckland City as at 31 March 2017, 2018, 2019, 2020 and 2021 has been arrived at on the basis of the purchase price paid as per the Sale and Purchase Agreement plus capitalised acquisition costs. At each financial year ending 31 March a valuation of Building A, 4 Graham Street, Auckland City will be carried out by an independent registered valuer not related to the LP. The valuation movement will be reported through the statement of profit and loss and other comprehensive income and may have an impact on the reported profit as well as the reported valuation of investment property in the statement of financial position. No capital expenditure has been assumed for the financial period ended 31 March 2017 and for the years ended 31 March 2018, 2019, 2020 and 2021 as any such capital expenditure is covered by the vendor warranty for ten years from settlement.

A valuation has been undertaken by JLL, a registered valuation firm, as at 23 March 2016, which indicates a market value of \$119,850,000 compared to the carrying value of \$116,455,240 included in these prospective financial statements as at 31 March 2017. The valuation from JLL has been arrived at having regard to the results of both a discounted cash flow valuation approach and a capitalisation valuation approach as well as available market evidence and present industrial sector market sentiment. The valuation assumptions assumes a passing rental of \$7,435,533 per annum (which is higher than the net market rental income of \$6,955,886 per annum). The valuation represents an initial passing yield of 6.20% and is based on a weighted average lease term of 12.4 years as at 23 March 2016.

The future carrying value will reflect an adjustment for the carrying value of any fixed rental accrual adjustment. As the carrying values as at 31 March 2017, 2018, 2019, 2020 and 2021 are less than the current valuation no such adjustment has been made in the prospective financial statements.

The table below represents some further sensitivity in respect to applied yields or capitalisation rates. The valuation of \$119,850,000 applies a 6.2% yield based on the current passing rental of \$7,435,533 at settlement. Passing rental is the rental that the Tenant is contractually obliged to pay under the Lease.

	Low Yields			Purchase Price	High Yields		
Yield	5.82%	6.02%	6.22%	6.42%	6.62%	6.82%	7.02%
Valuation	127,758,299	123,513,837	119,542,331	115,818,265	112,319,230	109,025,411	105,919,274
Valuation Change	11,940,034	7,695,572	3,724,066	0	(3,499,035)	(6,792,854)	(9,898,991)
Change in Equity Per Investment	8,529	5,497	2,660	0	(2,499)	(4,852)	(7,071)
Change in Equity %	17.1%	11.0%	5.3%	0.0%	(5.0%)	(9.7%)	(14.1%)

4 Capital and Operating Lease Commitments

The LP does not anticipate having any capital or leasing commitments as at 31 March 2017, 2018, 2019, 2020 and 2021.

5 Contingent Liabilities

The LP does not anticipate having any contingent liabilities as at 31 March 2017, 2018, 2019, 2020 and 2021.

6 Financial Instruments

(i) Credit Risk

To the extent the LP has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the LP to credit risk principally consist of bank balances and receivables.

The LP will hold no collateral or any other security over their financial assets subject to credit risk. However, the LP funds will be held by ASB Bank Limited which is a well-established bank within New Zealand, and currently holds an AA-credit rating from Standard & Poor's (Australia) Pty Limited and Fitch Australia Pty Limited and Aa3 from Moody's Investor Service Pty Limited, therefore reducing possible credit risk. The LP's tenants will pay rent monthly in advance, and as such there is no anticipated credit risk exposure as over the forecast period arising from the Tenant. As a result the LP does not anticipate non-performance by the counter parties. During the due diligence process the Manager did not identify any material tenant risk. Maximum exposures to credit risk at balance date are:

	2017	2018	2019	2020	2021
Bank balances	774,290	726,974	725,928	773,746	877,564

(ii) Currency Risk

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

(iii) Liquidity Risk

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

As at 31 March 2017

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	27,000	-	-	-	27,000
Interest payable	183,364	372,840	1,674,724	7,533,204	9,764,133
Borrowings	-	-	-	52,124,500	52,124,500
Total	210,364	372,840	1,674,724	59,657,704	61,915,632

As at 31 March 2018

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	27,810	-	-	-	27,810
Interest payable	183,364	372,840	1,674,724	5,302,276	7,533,204
Borrowings	-	-	-	52,124,500	52,124,500
Total	211,174	372,840	1,674,724	57,426,776	59,685,514

As at 31 March 2019

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	28,644	-	-	-	28,644
Interest payable	183,364	189,476	1,307,996	3,621,439	5,302,276
Borrowings	-	-	-	52,124,500	52,124,500
Total	212,008	189,476	1,307,996	55,745,939	57,455,420

As at 31 March 2020

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	29,504	-	-	-	29,504
Interest payable	183,364	372,840	1,674,724	840,418	3,071,347
Borrowings	-	-	-	52,124,500	52,124,500
Total	212,868	372,840	1,674,724	52,964,918	55,225,351

As at 31 March 2021

Financial Liabilities <i>Non-derivative financial liabilities</i>	1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Total
Trade payables and accruals	30,389	-	-	-	30,389
Interest payable	183,364	372,840	1,579,986	840,418	2,976,609
Borrowings	-	-	-	52,124,500	52,124,500
Total	213,753	372,840	1,579,986	52,964,918	55,131,498

If Building A, 4 Graham Street, Auckland City is not sold before the expiry of the bank facility, a new financial facility may involve principal repayments which (together with the applicable interest rates) will affect cash returns payable to Subscribers.

It is not assumed in the prospective financial statements that the loan will be extended each year. It is however assumed that on 15 August 2020 that the loan is extended by one year at the same margin. Therefore the repayment date is assumed to be 15 August 2022.

(iv) Interest Rate Risk

The aggregate interest rate assumed in the prospective financial statements is 4.28%. By managing interest rate risk the LP aims to moderate the impact of fluctuations in interest rates.

The Manager has determined the interest rate with a five year swap at the rate of 2.7% and a fixed margin of 1.58%.

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

Impact of an Interest Rate Change for a Full Year

These variances in interest rates and the corresponding changes in forecast cash return are calculated on the basis that the variation is apparent for the period ending 31 March 2017 and years ending 31 March 2018, 2019, 2020 and 2021 and that all other assumed variables are held. It simply outlines the investor return yield should the actual aggregate interest rate be different from the assumed aggregate interest rate of 4.28%.

Investor yield sensitivity table

Year	Interest rate								
	3.48%	3.68%	3.88%	4.08%	4.28%	4.48%	4.68%	4.88%	5.08%
2017	7.60%	7.45%	7.30%	7.15%	7.00%	6.85%	6.70%	6.55%	6.40%
2018	7.85%	7.70%	7.55%	7.40%	7.25%	7.10%	6.95%	6.80%	6.65%
2019	8.10%	7.95%	7.80%	7.65%	7.50%	7.35%	7.20%	7.05%	6.90%
2020	8.35%	8.20%	8.05%	7.90%	7.75%	7.60%	7.45%	7.30%	7.15%
2021	8.60%	8.45%	8.30%	8.15%	8.00%	7.85%	7.70%	7.55%	7.40%

Derivative Interest Rate Sensitivity

As derivative instruments (interest rate swaps) have been entered into, then the fair values of these instruments is to be recorded, and any movement in the fair values will be recorded in the statement of profit and loss and other comprehensive income in future financial statements. Any variation in interest rates will also impact the fair values of the instruments. The reported movement in the fair values is a non cash transaction and is also excluded for tax purposes. The fair values will also be subject to change on a daily basis and the Manager is not able to accurately predict the future variation in interest rates.

Capital Risk

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

(v) Fair Values

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

7 Issued Interests

	2017	2018	2019	2020	2021
Number of Interest Issued	1,400	1,400	1,400	1,400	1,400

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

Subscriber contributions are calculated as follows:

	2018
Gross contribution from Subscribers (1,400 allotments @ \$50,000 each)	70,000,000
Less: Legal costs	(108,000)
Less: Legal disbursements	(15,000)
Less: Statutory Supervisor fees	(10,000)
Less: Printing and Advertising	(335,000)
Less: Assurance fees	(20,000)
Less: Brokerage on equity raised	(1,400,000)
Less: Offeror's fee	(1,538,600)
Less: Underwriting fee	(2,100,000)
Less: Registration fees	(4,760)
Total establishment costs associated with raising equity	(5,531,360)
Issued Capital	64,468,640

8 Fees paid to Auditors

Audit and assurance fees of \$35,000 plus GST are anticipated to be paid to the auditors during the financial year ending 31 March 2017. \$20,000 is for the reasonable assurance review of the prospective financial statements. The auditor fees in respect to the annual audit of the actual financial statements for the period ending 31 March 2017 are expected to be \$15,000 per annum plus GST and increase at the rate of 3% thereafter.

9 Distributions

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

	2017	2018	2019	2020	2021
Per Unit - Gross distributions (before tax)	2,195	3,625	3,750	3,875	4,000

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

The variance between the projected accounting surplus and the operating cash flow is due to the timing differences in respect to working capital, the fixed rental accrual and the amortisation of initial borrowing costs.

10 Cash at Bank

	2017	2018	2019	2020	2021
Bank balances	774,290	726,974	725,928	773,746	877,564

The current account will have no overdraft facility.

11 Future Lease Payments Receivable

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

Period / year ending	Minimum
31 March 2017	4,673,749
31 March 2018	7,603,831
31 March 2019	7,830,996
31 March 2020	8,064,975
31 March 2021	8,266,004
31 March 2022	8,552,358
31 March 2023	8,806,688
31 March 2024	9,068,647
31 March 2025	9,320,542
31 March 2026	7,651,739
31 March 2027	6,546,961
31 March 2028	6,586,730
31 March 2029	5,070,792
31 March 2030	5,221,965
31 March 2031	3,111,679

The above rental income does factor future rental review impacts which are annual fixed 3% rent reviews on each lease anniversary except for the NZME. leases in respect to 1 November 2016 anniversary. In addition only current lease terms are included in the above table and does not include rights of renewal in respect to current leases.

12 Related Parties Note

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

- Offeror's fee of \$2,198,000 (establishment cost).
- Management fees are \$300,000 in the first 12 months and then will increase by the greater of 3% or CPI thereafter per year.

No refinancing fees, project or development fees are assumed to be paid in the forecast period.

Augusta Funds Management Limited's parent, Augusta Capital Limited is providing an underwrite in respect of \$25 million of the total subscriptions intended to be raised. The relevant underwriting fee to be charged by Augusta Capital Limited is \$750,000 which represents 3% of the \$25 million underwrite provided by Augusta Capital Limited. As a result of this underwrite, Augusta Capital Limited will subscribe for the balance of any unsubscribed Interests up to \$25 million on the close of the offer period, and hence become a Subscriber in the LP. Of the \$25 million, \$15 million of the underwrite will be applied towards the first \$15 million of any shortfall in subscriptions. The remaining \$10 million will ranking equally with other underwriters in respect of any shortfall above \$15 million. The directors of Augusta Capital Limited (John Loughlin, Bryce Barnett, Mark Francis, Martin Goldfinch, Paul Duffy and Mark Petersen) are also directors of Augusta Funds Management Limited.

13 Trade Payables and Accruals

	2017	2018	2019	2020	2021
GST payable	179,071	180,393	185,802	191,372	198,067
Trade Creditors	27,000	27,810	28,644	29,504	30,389
Interest Payable	185,911	185,911	185,911	185,911	185,911

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

14 Loan

	2017	2018	2019	2020	2021
Bank Loan – ASB Bank	52,124,500	52,124,500	52,124,500	52,124,500	52,124,500

The loan agreement is an extendable loan facility and will be interest only. It will have an initial loan term of 5 years from the date of drawdown. The loan facility is subject to annual review and extension of 1 year at the agreement of the LP and the Bank. It is not assumed in the prospective financial statements that the loan will be extended by one year each year except for on 15 August 2020 when it is assumed that the loan is extended by one year at the same margin. Therefore the repayment date is assumed to be 15 August 2022 as at 31 March 2021.

Bank legal fees are estimated at \$10,000. These bank legal fees will be amortised over the initial period of the borrowings which is five years.

There is an undrawn loan balance of \$1,075,500 which is assumed to remain undrawn. The loan facility limit is \$53,200,000.

At all times the loan to property valuation ratio (LVR) is to be lower than 50%. Interest cover is at all times to be maintained at not less than 2.00 times, calculated as net rental income generated / interest expense.

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

	15 August 2016 (Date of issue/date on which Property is acquired)	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
Loan to Value Ratio	43.5%	43.5%	43.5%	43.5%	43.5%	43.5%
Interest Cover Ratio	Not applicable	3.35	3.41	3.51	3.61	3.72

* (Net rental is based on cash net rental income)

** (based on a valuation of Building A, 4 Graham Street, Auckland by JLL)

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

Loan Security

The loan will be secured by a registered first mortgage over Building A, 4 Graham Street, Auckland City and a first general security interest over the assets of the LP. The Custodian will enter into the loan for and on behalf of all Subscribers and ASB Bank's recourse will only be against the Nominee, and in respect to the LP, limited to the security provided by the Nominee. Therefore the loan is effectively non-recourse against the Subscribers.

15 Operating Expenses

The Manager will charge an annual management fee of \$300,000 in the first 12 months of trading and will increase at the greater of CPI or 3% thereafter.

All operating costs are payable (including rates, material damage insurance premiums, utilities and maintenance costs) by the tenants directly and not by the Landlord (or paid by the Landlord and then fully recovered from the Tenant) and have been excluded from these prospective financial statements except for an identified unrecoverable operating costs in respect to the carpark which totals \$5,000.

16 Establishment Costs

The initial establishment costs are tabled below.

Summary of Establishment Costs	Capitalised Costs	Issue Costs	Financing costs	Total
Purchase Price	115,818,265	-	-	115,818,265
Offeror's Fee	549,500	1,538,600	109,900	2,198,000
Underwriters Fee	-	2,100,000	-	2,100,000
Brokerage on equity raised	-	1,400,000	-	1,400,000
Legal	54,000	108,000	18,000	180,000
Statutory Supervisor	-	10,000	-	10,000
Legal disbursements	-	15,000	-	15,000
Assurance	-	20,000	-	20,000
Printing and advertising	-	335,000	-	335,000
Valuation	12,000	-	-	12,000
Health and Safety	975	-	-	975
Building Inspection	10,000	-	-	10,000
Town planning consultancy	10,500	-	-	10,500
PDS Registration	-	4,760	-	4,760
Bank Legal	-	-	10,000	10,000
TOTAL	116,455,240	5,531,360	137,900	122,124,500

17 Fixed Rental Accrual

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Hence the income reported in the prospective financial statements reflects the impact of the future fixed annual rental growth at the rate of 3.0% per annum (with the exception of the APN lease anniversary on 1 November 2016) being straight-lined over the lease terms. The table below sets out the invoiced rent and fixed rental accrual for each period or year during the prospective financial periods.

	2017	2018	2019	2020	2021
Invoiced rental income	4,673,749	7,603,831	7,830,996	8,064,975	8,305,436
Fixed rental accrual	802,293	1,222,832	995,667	761,688	523,270
Total income recorded	5,476,042	8,826,663	8,826,663	8,826,663	8,828,706
Carrying value of fixed rental accrual	802,293	2,025,125	3,020,793	3,782,481	4,305,751