

33 Corinthian Proportionate Ownership Scheme

Prospective Financial Information

Prospective Financial Information

The prospective Financial Statements of 33 Corinthian Proportionate Ownership Scheme comprise the following Prospective Financial Information (PFI) and other PFI information for the year ending 31 March 2020 and year ending 31 March 2021.

The Prospective Financial Statements comprise the following:

- Prospective statement of comprehensive income;
- Prospective statement of financial position;
- Prospective statement of changes in equity;
- Prospective statement of cash flows;
- Description of general and specific assumptions, and policies applied in preparing the PFI;
- Sensitivity analysis to prospective financial information; and
- Reconciliation of non-GAAP information

This document should be read in conjunction with the Product Disclosure Statement ("PDS") dated 15 February 2019 and other information provided on the Disclose Register (www.business.govt.nz/disclose, offer number OFR12577).

Financial information is presented in New Zealand Dollars.

Basis of preparation and presentation

The PFI has been prepared in accordance with the requirements of Financial Reporting Standard 42: *Prospective Financial Statements*.

The PFI, and underlying assumptions, have been prepared by management and approved by Oyster Management Limited's Board (the "Directors") specifically for the purposes of a Public Offer of interests in the Scheme (the "Offer").

The Directors have given due care and attention to the preparation of the PFI and authorised the PFI as at 13 February 2019 for the purpose stated above. The PFI may not be suitable for any other purpose.

PFI, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of the Scheme. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated.

Various risk factors and the management thereof may influence the success of the Scheme's business – with specific reference to Section 7 "Risks to returns from 33 Corinthian Proportionate Ownership Scheme" in the PDS. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. The Directors cannot and do not guarantee the achievement of the PFI.

Financial Periods

The PFI cover the following reporting periods:

- Forecast financial information for FY20 (12 months ending 31 March 2020); and
- Forecast financial information for FY21 (12 months ending 31 March 2021).

The Directors are responsible for and have authorised the issue of the PFI on 13 February 2019. There is no present intention to update the PFI or to publish PFI in the future, other than as required by regulations. The Scheme will present a comparison of the PFI with actual financial results in its FY20 and FY 21 annual reports, as required by clause 59, Schedule 5, of the Financial Markets Conduct Regulations 2014.

Explanation of certain non-GAAP financial measures

Refer to Section 2 Reconciliation of non-GAAP financial information for a description and reconciliation of each adjustment to GAAP financial information.

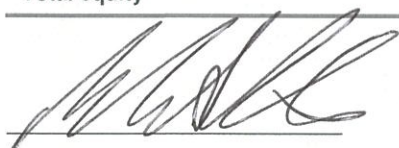
Prospective statement of comprehensive income

		12 Months ending 31 March 2020	12 Months ending 31 March 2021
	Note	\$	\$
Rental income from Investment Property	1.2.3	3,046,933	3,153,234
Accrual for fixed rental growth	1.2.3	168,400	70,932
Property operating expense recoveries	1.2.3	238,760	248,498
Property Management fees recovered	1.2.3	32,857	34,017
Gross Property Income		3,486,950	3,506,681
Recoverable property operating expenses	1.2.3	(238,760)	(248,498)
Net Property income		3,248,190	3,258,183
Administration expenses	1.2.3	(345,575)	(348,474)
Operating Profit Before Financing Costs		2,902,615	2,909,709
Net finance expenses	1.2.3	(1,048,540)	(1,048,540)
Operating profit before Fair Value Movements		1,854,075	1,861,169
Unrealised Movement in the Fair Value of Investment Property	1.2.2	2,628,050	-
Operating profit before taxation		4,482,125	1,861,169
Income tax		-	-
Total profit for the year		4,482,125	1,861,169
Other Comprehensive Income		-	-
Total comprehensive income for the year		4,482,125	1,861,169

These financial statements should be read in conjunction with the accompanying notes.

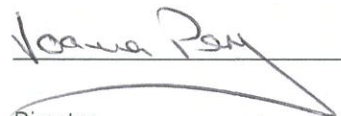
Prospective statement of financial position

		As at 31 March 2020 \$	As at 31 March 2021 \$
	Note		
Current assets			
Cash and cash equivalents	1.2.12	989,011	824,833
Total current assets		989,011	824,833
Non-current assets			
Investment property	1.2.2	54,000,000	54,096,000
Accrual for fixed rental growth	1.2.3	168,400	239,332
Total non-current assets		54,168,400	54,335,332
Total assets		55,157,411	55,160,165
Current liabilities			
Trade and other payables	1.2.6	131,493	132,771
GST payable	1.2.7	35,756	36,640
Distributions Payable	1.2.8	157,465	158,056
Interest bearing liabilities (Amortisable borrowing costs)	1.2.9	(35,500)	(35,500)
Total current liabilities		289,214	291,967
Non-current liabilities			
Interest bearing liabilities (net of amortisable borrowing costs)	1.2.9	25,164,500	25,200,000
Total non-current liabilities		25,164,500	25,200,000
Total liabilities		25,453,714	25,491,967
Net assets		29,703,698	29,668,198
Equity			
Issued Capital		27,111,148	27,111,148
Retained Earnings		2,592,550	2,557,050
Total equity		29,703,698	29,668,198



Director

Date: 13 February 2019



Director

Date: 13 February 2019

These financial statements should be read in conjunction with the accompanying notes.

Prospective statement of changes in equity

	Note	Issued Capital \$	Retained Earnings/ (Deficit) \$	Total \$
Equity as at 1 April 2019		-	-	-
Contributions from investors	1.2.10	29,250,000	-	29,250,000
Offer establishment costs	1.2.16	(2,138,852)	-	(2,138,852)
Total comprehensive income for the year		-	4,482,125	4,482,125
Distributions paid to Investors	1.2.11	-	(1,889,575)	(1,889,575)
Equity as at 31 March 2020		27,111,148	2,592,550	29,703,698
Equity as at 1 April 2020		27,111,148	2,592,550	29,703,698
Contributions from investors		-	-	-
Offer establishment costs		-	-	-
Total Comprehensive Income for the year		-	1,861,169	1,861,169
Distributions paid to Investors	1.2.11	-	(1,896,669)	(1,896,669)
Equity as at 31 March 2021		27,111,148	2,557,050	29,668,198

These financial statements should be read in conjunction with the accompanying notes.

Prospective statement of cash flows

		12 Months ending 31 March 2020	12 Months ending 31 March 2021
	Note	\$	\$
Cash flows from operating activities			
Cash provided from:			
Rental receipts	1.2.3	3,046,933	3,153,234
Operating expense recoveries		238,760	248,498
Property Management Fee recovered		32,857	34,017
Net GST received/(paid)		35,756	884
		3,354,306	3,436,633
Cash disbursed to:			
Administration expenses		(298,502)	(347,195)
Recoverable property operating expenses		(238,760)	(248,498)
Interest paid		(928,620)	(1,013,040)
		(1,465,882)	(1,608,733)
Net cash flow from operating activities	1.2.4	1,888,424	1,827,900
Cash flows from investing activities			
Cash was applied to			
Purchase of investment property	1.2.2	(50,987,450)	-
Capital expenditure	1.2.2	(384,500)	(96,000)
Net cash flow from investing activities		(51,371,950)	(96,000)
Cash flows from financing activities			
Cash provided from:			
Bank Loan	1.2.9	25,200,000	-
Investor contributions	1.2.10	29,250,000	-
		54,450,000	-
Cash disbursed to:			
Distributions paid to Investors	1.2.11	(1,732,110)	(1,896,078)
Finance legal costs	1.2.16	(106,500)	-
Issue costs	1.2.16	(2,138,852)	-
		(3,977,462)	(1,896,078)
Net cash provided from financing activities		50,472,538	(1,896,078)
Net increase/(decrease) in cash and cash equivalents		989,011	(164,178)
Cash and cash equivalents at the beginning of the year		-	989,011
Cash and cash equivalents at the end of the year		989,011	824,833

These financial statements should be read in conjunction with the accompanying notes.

NOTES AND ASSUMPTIONS FOR THE YEARS ENDED 31 MARCH 2020 AND 31 MARCH 2021

The purpose of the prospective financial statements is to assist investors in assessing the viability of and return on funds invested. The Product Disclosure Statement ("PDS") and the prospective financial statements ("PFI") contained in it may not be appropriate for any other purpose.

33 Corinthian Proportionate Ownership Scheme ("The Scheme") is to be established and domiciled in New Zealand.

The Scheme will be a commercial property investor that owns the property located at 33 Corinthian Drive, Albany, Auckland.

The registered office of the Manager is level 18, 55 Shortland Street, Auckland Central, Auckland 1010.

The prospective financial statements were authorised for issue on 13 February 2019. 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

The following general and specific assumptions have been adopted in preparing the prospective financial information. The general assumptions contained in this section should be read in conjunction with Section 7 "Risks to returns from 33 Corinthian Proportionate Ownership Scheme" in the PDS.

1.1 General Assumptions in respect of the PFI

- General Environment – there will be no material change to the economic, political, legal or regulatory environment for the New Zealand market, in which the Scheme operates.
- Markets operating in – the Scheme will continue to operate only in New Zealand over the prospective period.
- Industry conditions – there will be no change in the general industry structure, third party relationships, supply and the rental property or general employment conditions.
- Tenant and suppliers – existing contractual, business and operational relationships are assumed to continue throughout the prospective period. There will be no unanticipated loss of tenant, suppliers or agents.
- Disruption to operations – there will be no material disruption to operations such as natural disasters, fires or explosions and normal hazards associated with operating the Scheme's business.
- Legal exposure – there will be no unexpected litigation or contractual disputes.
- Property / business acquisitions – there will be no material acquisitions or disposals by the Scheme other than those detailed within the PFI.
- Interest rate environment – there will be no material and / or sudden changes to the interest rate environment.
- Financial Reporting Standards – there will be no change in the financial reporting standards or accounting interpretations which would have a material effect on the Scheme.
- Management of the Scheme – the Scheme will be managed by Oyster Management Limited ("OML"), who will be sufficiently resourced to manage the Scheme with no significant changes to key personnel involved in management of the Scheme.

1.2 Specific Assumptions

1.2.1 Settlement

Pursuant to the sale and purchase for 33 Corinthian Drive, Albany, Auckland, settlement is expected to occur on 1 April 2019. Therefore, for the purpose of the financial statements, rental income has been recognised from 2 April 2019.

The property is assumed to be purchased by the Scheme on 1 April 2019 at a purchase price of \$50,500,000.

It is assumed that \$29,250,000 of equity is raised in the offer and \$25,200,000 of debt drawn to facilitate settlement and pay the establishment costs.

	\$
Investment, establishment and acquisition costs:	
Investment Property	50,500,000
Capitalised establishment costs	487,450
Costs of raising equity	2,138,852
Financing costs	106,500
Scheme working capital	1,217,198
Total investment, establishment and acquisitions costs	54,450,000
Funded by:	
Debt	25,200,000
Equity	29,250,000
Total	54,450,000

1.2.2 Investment property

Investment property comprises land and buildings situated at 33 Corinthian Drive, Albany, Auckland. It will provide security for borrowings.

	As at 31 March 2020 \$	As at 31 March 2021 \$
Balance at the beginning of financial year	-	54,000,000
Purchase price of property	50,500,000	-
Transaction costs to purchase property	487,450	-
Capital expenditure	384,500	96,000
Unrealised Movement in the Fair Value of Investment Property	2,628,050	-
Balance at end of financial year	54,000,000	54,096,000

For the purposes of this prospective financial information presented, the assumption has been made that the property is revalued as at 31 March 2020. This assumption is supported by the independent valuation completed by JLL on 31 October 2018. No further revaluations have been assumed through the prospective period due to the uncertainty in predicting the fair value movement.

1.2.3 Revenue and expenses

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Rental Income		
Rental income before fixed rental growth adjustment	3,046,933	3,153,234
Accrual for fixed rental growth	168,400	70,932
Total rental income	3,215,333	3,224,166

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Hence the income reported in the PFI reflects the impact of the future fixture rental growth being straight-lined over the lease term.

The rental is reviewed every 3 years; the next review is due 16 October 2019. At each review the rent will increase by 2% compounded every three years (resulting in an uplift of approximately 6.12% on each occasion). The total rental to the next renewal date 16 October 2025 taking into account the 3-yearly increases has been calculated and recognised on a straight-line basis.

Rental income is assumed to commence on 2 April 2019 and is based on the terms of the current lease agreement.

For the financial period ending 31 March 2020 and the year ending 31 March 2021 it is assumed that there is no vacancy and no tenant default. It is also assumed there are no delays in receipt of debtors.

The tenant is responsible for operating costs including rates, management fees, 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.

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Recoverable property operating expenses		
Utilities and Rates	188,310	193,548
Insurance	40,000	41,000
Other Expenses	10,450	13,950
Total Recoverable Property Operating Expenses	238,760	248,498

Recoverable property operating expenses have been forecast based on a combination of assumptions. The assumptions include those identified during the due diligence process, and those based on quotes received.

All operating costs are payable (including rates, management fees, material damage insurance premiums, utilities and maintenance costs) by the landlord and then fully recovered from the tenant.

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Administration expenses		
Property management fees	65,714	68,035
Valuation fees	7,500	7,500
Scheme management fees	243,000	243,000
Supervisor fees	17,125	17,403
Accounting fee	5,000	5,100
Audit fees	6,036	6,236
Other administration expense	1,200	1,200
Total administration expenses	345,575	348,474

Property management fees are charged by the Manager to the Scheme based on 2% of Gross rental income. Gross rental income is Rental Income plus the Property Operating expense recoveries. From the amount charged to the Scheme, 1% is recoverable from the tenant.

The manager will charge the Scheme management fees of 0.45% of the capital value of the property plus GST per annum which will be paid monthly on the 1st of the month. Currently the asset value is \$54,000,000, as per the independent valuation completed 31 October 2018, therefore the management fee is \$243,000 plus GST per annum.

Administration expenses have been based on contractual obligations, quotes received and/or estimates made using experience of managing similar schemes.

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Finance expenses		
Bank loan interest	1,013,040	1,013,040
Amortisation of borrowing costs	35,500	35,500
Net finance expense	1,048,540	1,048,540

No principal repayments have been assumed (interest only) during the initial 3 year term of the loan. The interest expense is fixed for the term of loan at 4.02%.

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Auditor's remuneration		
Financial statement audit	6,036	6,236
Investigating accountant for the prospective financial statements*	35,000	-
Total auditor's remuneration	41,036	6,236

*The cost of the investigating accountant has been recognised directly in equity as an establishment cost.

1.2.4 Reconciliation of net profit to net cash flow from operating activities

	12 months ending 31 March 2020	12 months ending 31 March 2021
	\$	\$
Net Profit	4,482,125	1,861,169
Adjustments for:		
Amortisation of finance costs	35,500	35,500
Accrual for fixed rental growth	(168,400)	(70,932)
Unrealised movement in the Fair Value of Investment Property	(2,628,050)	-
	1,721,175	1,825,737
Changes to assets and liabilities relating to operating activities		
Increase/(decrease) in trade and other payables	131,493	1,279
Increase/(decrease) in GST payable	35,756	884
Net cash flow from operating activities	1,888,424	1,827,900

1.2.5 Trade and other receivables

It is assumed that there is no tenant default, and that there are no delays in receipt of debtors, therefore no trade receivables are assumed to arise at each period end.

1.2.6 Trade and other payables

	As at 31 March 2020 \$	As at 31 March 2021 \$
Trade and other payables		
Trade payables	47,073	48,351
Accrued interest	84,420	84,420
Total trade and other payables	131,493	132,771

Trade payables balances assume one month credit terms with suppliers for accounting, audit, valuation and property operating expenses. One month of accrued interest is assumed to be outstanding at each period end.

1.2.7 Good 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 as GST inclusive. The net amount of GST recoverable from, or payable to, Inland Revenue, is shown in the statement of financial position.

1.2.8 Distributions Payable

It is assumed there is one month outstanding at each period end as Distributions are paid on the 10th of the month following.

1.2.9 Borrowings

The loan facility will be equal to the term loan limit of \$25,200,000 which will be drawn down on the settlement date of 1 April 2019. It has been assumed that the bridging loan facility is not utilised as it is assumed that sufficient funds are raised from the issue of interests such that the facility is not required.

The loan agreement is a 3 year loan facility from the date of drawdown and will be interest only.

Borrowing costs are estimated at \$106,500. These will be amortised over the three year period of the initial borrowings.

At all times the loan to property valuation ratio (LVR) is to be lower than 55%. Interest cost is at all times to be maintained at not less than 1.75x, calculated as net rental income generated / interest expense.

	As at 31 March 2020	As at 31 March 2021
	\$	\$
Current Interest bearing liabilities		
Balance at the beginning of the financial year	-	(35,500)
Amortisable borrowing costs	(35,500)	-
Balance at the end of the financial year	(35,500)	(35,500)
Non-current interest bearing liabilities		
Balance at the beginning of the financial year	-	25,164,500
Loan	25,200,000	-
Amortisable borrowing costs	(35,500)	35,500
Balance at the end of the financial year	25,164,500	25,200,000
Total Interest bearing liabilities	25,129,000	25,164,500

The loan will be secured by a registered mortgage over 33 Corinthian Drive, Albany, Auckland and a first general security interest over the assets of the Trust.

1.2.10 Issued interests

It is assumed that funds of \$29,250,000 are raised by the issue of 585 interests at an issue price of \$50,000 per interest under the PDS for the purposes of funding the acquisition of the investment property and associated establishment costs.

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

1.2.11 Distributions

Cash distributions are forecast to be paid out of cash reserves from the operating activities of the Scheme monthly in arrears at a rate of 6.5% per annum for the financial periods ending 31 March 2020 and 31 March 2021. These rates are disclosed as a percentage of the initial investment based on the forecast number of interests on issue.

The Manager's objective is to ensure the Scheme continues as a going concern as well as to maintain optimal returns to the investors. As the market is constantly changing, the Manager will consider capital management initiatives, such as changing the level of distributions paid or providing funding for capital expenditure requirements.

The following gross distributions are included in the prospective financial statements for the years ending 31 March 2020 and 31 March 2021.

	12 months ending 31 March 2020		12 months ending 31 March 2021	
	\$	\$ per interest	\$	\$ per interest
Gross distributions declared (based on 100% of Adjusted Operating Profit, see <i>Reconciliation of Non-GAAP information</i> for details)	1,889,575	3,230	1,896,669	3,242
Plus: Brought forward Distributions Payable (see 1.2.8)	-	-	157,465	269
Less: Carried forward Distributions Payable (see 1.2.8)	(157,465)	(269)	(158,056)	(270)
Cash Distributions paid in the period	1,732,110	2,961	1,896,078	3,241

1.2.12 Cash at bank

	As at 31 March 2020 \$	As at 31 March 2021 \$
Bank balances	989,011	824,833

1.2.13 Related parties

Oyster Management Limited is the Manager of the Scheme. Oyster Management Limited is also the issuer in respect of the Product Disclosure Statement. The following is a schedule of the fees forecast to be paid to Oyster Management Limited:

	12 months ending 31 March 2020 \$	12 months ending 31 March 2021 \$
Related party transactions recognised in property purchase costs:		
Acquisition fee*	378,000	-
	378,000	-
Related party transactions recognised in issue costs:		
Acquisition fee*	472,500	
Brokerage fee	585,000	-
Underwrite fee	654,000	-
Accountancy fee	10,000	-
Legal set up cost	15,000	-
Deposit fee	25,000	-
	1,761,500	-
Related party transactions recognised in financing costs:		
Acquisition fee*	94,500	-
	94,500	-
Related party transactions recognised in administration expenses:		
Property Management fee	65,714	68,035
Scheme Management fee	243,000	243,000
Accountancy fee	5,000	5,100
	313,714	316,135
Total related party transactions	2,547,714	316,135

*Total acquisition fee \$945,000 has been allocated across property purchase costs, issue costs and financing costs.

Oyster Management Limited ("OML") is providing an underwrite in respect of \$21.8m of the total subscriptions intended to be raised. The relevant underwriting fee to be charged by OML is \$654,000 which represents 3% of the \$21.8m provided by OML. As a result of the underwrite OML will subscribe for the balance of any unsubscribed interests up to \$21.8m on the close of the offer period, and hence become an investor in the Scheme.

1.2.14 Lessor operating lease

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

	\$
Formation to 31 March 2020	3,046,933
1 April 2020 to 31 March 2025	16,241,012
From 1 April 2025	1,806,051
Total	21,093,996

The above rental income accounts for future rental reviews in respect of the existing lease for the initial term. In addition, only current lease terms are included in the above table and it does not include rights of renewal in respect to the current lease.

1.2.15 Contingent liabilities

The Scheme does not anticipate having any contingent liabilities as at 31 March 2020 and 2021.

1.2.16 Establishment costs

The establishment costs for the Scheme are tabled below:

Summary of establishment costs	Property Purchase costs	Issue costs	Financing costs	Total
	\$	\$	\$	\$
Establishment cost payable to the Manager:				
Acquisition fee	378,000	472,500	94,500	945,000
Underwrite fee		654,000		654,000
Brokerage fee		585,000		585,000
Deposit fee	25,000			25,000
Legal Setup Costs - Oyster charge		15,000		15,000
Accountancy - internal		10,000		10,000
Establishment cost payable to Others:				
Marketing		250,000		250,000
Legal Setup Costs - external	20,500	94,500		115,000
Investigating Accountant		35,000		35,000
Seismic assessment	28,000			28,000
Property Due Diligence reporting	16,000			16,000
Bank legal			12,000	12,000
Asset Valuation	10,500			10,500
Plant & Machinery Valuation	8,250			8,250
FMA fee		5,338		5,338
Supervisor's fee		5,000		5,000
Supervisor's legal fees		5,000		5,000
Directors & Officers and Professional Indemnity				
Insurance		5,000		5,000
PDS Registration Cost		2,514		2,514
Insurance Valuation	1,200			1,200
Total	487,450	2,138,852	106,500	2,732,802

Total establishment costs are assumed to be no more than \$2,732,802. This includes acquisition, underwriting, brokerage, due diligence, legal, compliance and valuation fees as well as financing, administration and marketing costs. The majority of these costs are deemed to be issue costs, with the exception of \$106,500 allocating to financing costs and \$487,450 capitalised which are directly related to the acquisition of the property. Finance costs are recognised as an asset on the balance sheet and amortised over the term of the loan. The property acquisition costs are recognised in investment property (refer 1.2.2).

The establishment costs are based on contractual obligations, quotes received and/or estimates made using experience of establishing similar schemes.

1.2.17 Capital Commitments

The Scheme does not anticipate having any capital commitments as at 31 March 2020 and 2021.

1.2.18 Actual Results

Actual results may differ from the prospective financial statements. The resulting variance may be material. The Scheme and the Manager give no guarantee or assurance that the prospective financial information presented will be achieved.

2. Statement of Accounting Policies

Reporting entity

The prospective financial statements here are for the reporting entity 33 Corinthian Proportionate Ownership Scheme ("The Scheme").

Statement of Accounting Policies

The Scheme 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 Practise in New Zealand (NZ GAAP) as it related 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 orientated entities.

The actual annual financial statements for the Scheme 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 revaluation to fair value for certain classes of assets and liabilities as described in the accounting policies.

Comparatives

The Scheme has not yet commenced trading and therefore there are no comparatives available. These prospective financial statements represent the first trading year to 31 March 2020 and also the year ending 31 March 2021.

Investment property

The property will initially be recorded at its original cost, and thereafter, annually reviewed to its fair value based on an independent valuation from a registered valuer.

Revenue and expenses

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Scheme and that the revenue can be reliably measured. The principal source of revenue is rental income.

Rental income is recognised on a straight-line basis over the lease term.

Operating expense recoveries are recognised in accordance with the terms and conditions of the tenancy agreement as and when recoverable expenditure is incurred on behalf of the tenant.

Depreciation

Depreciation will be calculation by the Scheme from the settlement of the acquisition of the investment property for taxation purposes.

Finance expenses

Finance expenses consists of interest payable on borrowings which is recognised as an expense using the effective interest rate method.

Goods and Services Tax (GST)

All amounts are shown exclusive of GST except for receivables and payables that are stated inclusive of GST.

Taxation

As a proportionate Ownership Scheme, the Scheme is not liable for Income tax. Interest holders are assessed individually on their proportionate share of taxable profit and are individually responsible for the payment of their taxes.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and which are subject to an insignificant risk of changes in value are readily accessible.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent unsecured liabilities for goods and services provided to the Scheme prior to year-end which are unpaid and arise when the Scheme becomes obliged to make future payments in respect to the purchase of goods and services. As trade and other payables are usually paid with 30 days of recognition, they are stated at the invoiced amount.

Borrowings

Borrowings are recognised initially at fair value (net of transaction costs) and subsequently stated at amortised cost using the effective interest method. Borrowing are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Derivatives

The Scheme may use derivative financial instruments (interest rate swaps) to hedge its exposure to a variable interest rate risk on borrowings. Derivative financial instruments will be carried at fair value. Any resulting gain or loss on measurements is recognised in the profit or loss.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Establishment costs

Establishment costs are treated in a number of ways depending on the nature of the costs. Costs associated with respect to raising equity are deducted from equity proceeds. Costs associated with obtaining finance are capitalised and amortised over the initial period of the borrowings. Costs associated with purchasing the property are capitalised as part of the investment property asset.

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 equivalents 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 equity and debt capital structures, this includes the payment of distributions.

SENSITIVITY ANALYSIS TO PROSPECTIVE FINANCIAL INFORMATION

Prospective Financial Statements are inherently subject to business, economic and competitive uncertainty, and accordingly actual results are likely to vary from Prospective Financial Statements, and this variation could be material. A summary of the likely effects of variations in key assumptions on the Prospective Statement of Comprehensive Income and Statement of Financial Position are detailed below. The sensitivities for each assumption are not intended to be indicative on predictive of the possible range of outcomes. Care should be taken in interpreting the information below. The approach taken in respect of sensitivities has been to determine those variables most likely to materially affect results in the year ending 31 March 2020 and the year ending 31 March 2021.

Each movement in an assumption is calculated and presented in isolation from possible movement in other assumptions, which is not likely to be the case. It is more likely that more than one assumption may move at any point in time, giving rise to compounding or offsetting effects.

The tables below illustrate the impact on Adjusted Operating Profit and Net Tangible Assets (NTA) due to movements in the key assumptions using the PFI periods. The below sensitivities do not take account of any risk management initiatives that the Scheme may take should a change in the assumptions arise.

	\$	\$ per interest
FY20 Impact		
Adjusted Operating Profit	1,889,575	3,230
Decrease in property valuations (-5%)	(12,150)	(21)
Increase in property valuations (+5%)	12,150	21
Drawdown of Bridging Loan	(220,706)	296
NTA	29,703,698	50,776
Increase in property valuations (+5%)	2,700,000	4,615
Decrease in property valuations (-5%)	(2,700,000)	(4,615)
Drawdown of Bridging Loan	(220,706)	(377)
FY21 Impact		
Adjusted Operating Profit	1,896,669	3,242
Decrease in property valuations (-5%)	(12,172)	(21)
Increase in property valuations (+5%)	12,172	21
Drawdown of Bridging Loan	-	-
NTA	29,668,198	50,715
Increase in property valuations (+5%)	2,704,800	4,624
Decrease in property valuations (-5%)	(2,704,800)	(4,624)
Drawdown of Bridging Loan	(220,706)	(377)

Notes

Property valuation sensitivity

There is no impact of an increase or decrease in property values on Adjusted Operating Profit other than the impact of the Scheme management fee (which is 0.45% p.a. of the property value), given the revaluation gains or losses are excluded from the Adjusted Operating Profit definition (see Reconciliation section appended to this document for further detail).

Loss of tenant

The PFI assumes that there will be no tenant default in the FY 20 and FY 21 periods, however such a default is a risk with property investment. Taking into account the calibre of the sole tenant the impact of tenant default has not been included in the sensitivity table.

Drawdown of Westpac Bridging Loan

The PFI assumes that the Bridging Loan is not required. The impact on Adjusted Operating Profit if the Bridging Loan was required would be to reduce the Adjusted Operating Profit by the additional interest payable. The above sensitivity analysis assumes \$7,450,000 is drawn from Westpac for the 9-month term of the loan and is fully repaid at the end of the term through funds raised under the Phase Two Offer. The assumed interest rate is the current Westpac's 90 day bank bill rate (1.95%) plus the agreed margin of 2.0% per annum. The NTA sensitivity also assumes that there is no change in total distribution despite less interests during FY20 with the drawdown of the Bridging Loan.

The impact of this sensitivity on Adjusted Operating Profit per interest is calculated based on average number of interests on issue in the period (FY20 this would be 473 interests as it is assumed that 149 interests would not have been issued over the 9 month period of this Bridging Loan). The additional interest payable in this scenario would therefore not have an impact on the Scheme's ability to provide a 6.5% return.

If the Bridging loan was drawn it will need to be repaid in 9 months. If insufficient funds are raised under the Phase Two Offer to repay the Bridging Loan, then Oyster will need to negotiate an extension of the loan. The gearing of the Scheme will be higher than anticipated, which could impact on the terms of a refinance and the returns available to investors.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

The Scheme's distribution policy is to distribute up to 100% of Adjusted Operating Profit.

Adjusted Operating Profit is a non-GAAP financial measure adopted to assist the Scheme in assessing the operating profit available for distribution. Adjusted Operating Profit represents total profit, excluding revaluations and initial borrowing costs which were paid on establishment.

The following table is a reconciliation between the total profit for the year as per the Prospective Statement of Comprehensive Income, and the Adjusted Operating Profit as per the Scheme's dividend policy.

	12 months ending 31 March 2020 \$	12 months ending 31 March 2021 \$
Reconciliation of Total Profit to Adjusted Operating Profit		
Prospective total profit for the year	4,482,125	1,861,169
Adjust for:		
Initial finance costs amortised	35,500	35,500
Unrealised movement in the Fair Value of Investment Property	(2,628,050)	-
Adjusted Operating Profit	1,889,575	1,896,669

The Directors believe this non-GAAP disclosure is important as it is the consistent measure that the Directors will use when identifying future dividend levels.

A reconciliation of the total profit to the Adjusted Operating Profit is set out in the table above as the dividends paid to interest holders will be dependent on the operating cash profit generated. Items included are:

- The initial finance costs are fully paid on establishment of the Scheme but for accounting purposes are capitalised and amortised over the period of the loan facility.
- The unrealised movement in the fair value of investment property has been adjusted as this is a non-cash item.