Basis of preparation

The prospective financial information included below is for the reporting entity Pacific Property Fund Limited (the **Company**), a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993. The Prospective Financial Statements are for the group which comprises the Company and its subsidiary, Pacific Property Fund No.2 Limited, together referred to as the Group. The Group is principally involved in the ownership and management of investment property in New Zealand. The Company was incorporated on 26 June 2013.

The Company is making an offer (the **Offer**) of 40,000,000 fully paid ordinary shares in order to raise funds to allow the Company to acquire two industrial buildings, both located in Wellington (the **Acquisition Properties**). The product disclosure statement (**PDS**) for this offer can be found at www.business.govt.nz/disclose, offer number (**OFR12688**).

The Prospective Financial Statements have been prepared for the purpose of the Offer as required by the Financial Markets Conduct Regulations 2014 (**Regulations**) and may not be suitable for any other purpose.

The Prospective Financial Statements, which include a Prospective Statement of Comprehensive Income, Prospective Statement of Changes in Equity, Prospective Statement of Financial Position and Prospective Statement of Cash Flows, are prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (**FRS 42**). Also included in the prospective information are the statement of accounting policies, key assumptions on which the Prospective Financial Statements are based, and a sensitivity analysis regarding those key assumptions.

The Prospective Financial Statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by, the Directors of the Company and are based on events and conditions existing as at the date of the PDS. The Directors have given due care and attention to the preparation of the Prospective Financial Statements, including the underlying assumptions. These assumptions should be read in conjunction with the sensitivity analysis on pages 18-19 of the prospective financial information, the risks set out in section 8 of the PDS, and the Company's accounting policies which can be found in the section entitled "Statement of Accounting Policies" below.

Prospective Financial Statements, by their nature, are inherently uncertain. The Prospective Financial Statements are a prediction of future events which cannot be assured. They involve risks and uncertainties, many of which are beyond the control of the Company. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Further risks are set out in section 8 of the PDS. Various risk factors and the management of those risk factors may influence the success of the Company's business. Accordingly, actual results are likely to vary from the Prospective Financial Statements, and these variations may be significantly more or less favourable to the Company. Therefore, the Directors cannot and do not guarantee the achievement of the prospective financial information included within the Prospective Financial Statements.

The Prospective Financial Statements are based on one or more hypothetical but realistic assumptions. The actual results may differ from the Prospective Financial Statements if there are fluctuations in the various factors contributing to the Company's performance, position and cash flows. The resulting variance may be material. Neither the Company, the Directors, nor any other person give a guarantee or assurance that the Prospective Financial Statements presented will be achieved.

There is no present intention to update the Prospective Financial Statements or to publish Prospective Financial Statements in the future for the Group, other than as required by the Financial Reporting Act 2013, the Regulations or New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**). The Group will present a comparison of the Prospective Financial Statements with actual financial results when reported in accordance with New Zealand Generally Accepted Accounting Practice (**NZ GAAP**) and Regulation 64 of the FMC Regulations.

The projected returns shown below are based on holding one or more parcels of 103,820,000 shares to 30 September 2019 or one or more parcels of 143,820,000 shares from 30 September 2019 onwards (40,000,000 more shares due to the issue of new shares at an issue price of $1.05 each under the Offer) and calculated on the basis of distributions from available cash surpluses.

The Prospective Financial Statements for the Company were prepared and authorised by the Directors as at 5 August 2019 for use in the PDS and not for any other purpose.

The accounting policies assumed in the Prospective Financial Statements reflect the policies currently adopted by the Group in the financial statements for the year ended 31 March 2019, which are also expected to be adopted by the Group in future reporting periods, with one exception highlighted in the Statement of Accounting Policies below.

The Fund has already entered the PIE regime and is not liable for income tax.

PROSPECTIVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR'S ENDING 31 MARCH

	2020	2021
	$	$
Revenue		
Rental income from property leases	15,638,578	18,195,319
Property operating expenses recovered	2,657,200	3,082,034
Total revenue	**18,295,778**	**21,277,353**
Less expenses		
Accountancy	(30,000)	(45,000)
Administration fees	(240,000)	(240,000)
Audit of financial statements	(50,000)	(55,000)
Property & fund management fees	(1,377,107)	(1,584,208)
Property operating expenses	(2,915,603)	(3,318,088)
Valuation fees	(65,000)	(80,000)
Total expenses	**(4,677,710)**	**(5,322,296)**
Finance costs		
Interest received	49,681	96,972
Interest expense	(4,422,344)	(4,887,423)
Net financing costs	**(4,372,663)**	**(4,790,451)**
Increase in fair value of investment property	3,303,159	-
Increase in value of right of use assets	4,273	3,436
Total fair value adjustments	**3,307,432**	**3,436**
Profit/(loss) before income tax	**12,552,837**	**11,168,042**
Income tax expense	-	-
Net Profit/(loss) for the year	**12,552,837**	**11,168,042**
Other comprehensive income/(expense) net of tax	-	-
Total comprehensive income for the year	**12,552,837**	**11,168,042**

PROSPECTIVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR'S ENDING 31 MARCH

	Share Capital $	Retained earnings $	Total equity $
Balance as at 1 April 2019	**100,207,593**	**7,352,141**	**107,559,734**
Transactions with investors			
Dividends paid to investors	-	(9,048,860)	(9,048,860)
Issue costs	(2,117,875)	-	(2,117,875)
Shares issued during the year	42,000,000	-	42,000,000
Total transactions with investors	39,882,125	(9,048,860)	30,833,265
Net Profit for the year and total comprehensive income	-	12,552,837	12,552,837
Total comprehensive income for the year	-	12,552,837	12,552,837
Balance at 31 March 2020	**140,089,718**	**10,856,118**	**150,945,836**
Balance as at 1 April 2020	**140,089,718**	**10,856,118**	**150,945,836**
Transactions with investors			
Dividends paid to investors	-	(10,570,770)	(10,570,770)
Total transactions with investors	-	(10,570,770)	(10,570,770)
Net Profit for the year and total comprehensive income	-	11,168,042	11,168,042
Total comprehensive income for the year	-	11,168,042	11,168,042
Balance at 31 March 2021	**140,089,718**	**11,453,390**	**151,543,108**

PROSPECTIVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 March

	Note	2020 $	2021 $
Assets			
Current assets			
Cash and cash equivalents		2,049,006	1,652,495
Trade and other receivables		649,639	622,076
Lease receivable		71,848	78,507
Prepayments		297,626	297,626
Lease Incentives		4,895	81,294
		3,073,014	**2,731,998**
Non-current assets			
Investment property		250,377,932	252,207,934
Right of use assets	**n**	1,896,887	1,900,323
Lease incentives		764,026	682,644
Lease receivable		1,404,342	1,325,835
Other fixed assets		34,503	34,503
		254,477,690	**256,151,239**
TOTAL ASSETS		**257,550,704**	**258,883,237**
Liabilities			
Current liabilities			
Trade and other payables		3,867,475	3,899,301
Derivative liability		942,895	942,895
Borrowings – current portion		5,890,000	35,440,000
		10,700,370	**40,282,196**
Non-current liabilities			
Borrowings – non-current portion		94,007,611	65,157,611
Lease payable	**n**	1,896,887	1,900,323
		95,904,498	**67,057,934**
TOTAL LIABILITIES		**106,604,868**	**107,340,130**
NET ASSETS		**150,945,836**	**151,543,108**
Shareholder Equity			
Share capital		140,089,718	140,089,718
Retained earnings		10,856,118	11,453,390
TOTAL EQUITY		**150,945,836**	**151,543,108**

PROSPECTIVE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR'S ENDING 31 March

	2020 $	2021 $
Cash flows from operating activities		
Receipts from tenants	18,515,338	21,381,746
Interest received - Leases	49,681	96,972
Interest paid – Borrowings and Leases	(4,422,344)	(4,887,423)
Payments to suppliers	(5,327,613)	(5,287,034)
Net cash provided by operating activities	**8,815,062**	**11,304,261**
Cash flows from investing activities		
Purchase of investment property and capital expenditure	(67,191,951)	(1,830,002)
Disposal of investment property held for sale	4,000,000	-
Net cash used in investing activities	**(63,191,951)**	**(1,830,002)**
Cash flows from financing activities		
Proceeds from issue of share capital	42,000,000	-
Proceeds from borrowings	24,100,000	700,000
Share issue/acquisition costs	(2,117,875)	-
Dividends paid	(8,274,928)	(10,570,770)
Net Cash provided by/(used in) financing activities	**55,707,198**	**(9,870,770)**
Net increase/(decrease) in cash and cash equivalents	1,330,308	(396,511)
Cash and cash equivalents at beginning of period	718,698	2,049,006
Cash and cash equivalents at end of period	**2,049,006**	**1,652,495**

NOTES TO THE PROSPECTIVE CONSOLIDATED FINANCIAL STATEMENTS

Statement of accounting policies

(a) **Consolidation:** All intercompany transactions and balances have been eliminated.

(b) **Functional and presentation currency:** The financial statements are presented in New Zealand dollars ($), which is the Group's functional currency and are rounded to the nearest dollar.

(c) **Relevant preparation periods:** The Prospective Financial Statements of the Group have been prepared for the years ending 31 March 2020 and 31 March 2021. For the year ending 31 March 2020 the Prospective Financial Statements include actual management reporting results for the period 1 April 2019 to 31 May 2019, and prospective information for the period 1 June 2019 to 31 March 2020.

(d) **Financial Instruments:**

Held at amortised cost

- **Cash and Cash Equivalents:** Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.
- **Trade and Other Receivables:** Trade Receivables, which include lease receivables, are recognised initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any loss allowance. They are classified as loans and receivables. Trade Receivables are generally due for settlement within 30 days. The Group has elected to apply the simplified approach thereby recognising lifetime expected credit losses on trade and lease receivables. A provision matrix is used to determine the lifetime expected credit loss. The default rate is based upon historical observed default rates over the expected life and is adjusted for forward looking estimates. The default rate is reviewed annually.
- **Borrowings:** Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Held at fair value through profit or loss

- **Trade and Other Payables:** These amounts are held at fair value and represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial period, which are usually paid within 30 days of recognition. The carrying amounts of Trade and Other Payables are invoiced amounts or amounts expected to be invoiced, assumed to be the same as their fair values due to their short-term nature.
- **Derivatives:** A derivative instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Given the inherent uncertainty of revaluation movements beyond those valuations held at 31 March 2019, no revaluations are recorded during the Prospective Financial Information period. This includes where derivatives are due to mature during the Prospective Financial Information period.

(e) **Investment Property:** Investment Property principally comprises freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment Property is initially recorded at cost, including transaction costs and ongoing capital expenditure, and is subsequently remeasured annually and stated in the accounts at fair value based on the latest valuation in compliance with NZ IFRS 13 Fair Value Measurement.

Any gain or loss determined by these revaluations is included within the Statement of Comprehensive Income. When an item of investment property is disposed of, any gain or loss is recognised in the Statement of Comprehensive Income and is calculated as the difference between the sale price and the carrying value of the property. Depreciation is not charged on investment properties.

Given the inherent uncertainty of revaluation movements beyond those valuations held as at the date of this Prospective Financial Information, no revaluations are recorded beyond the Estimated Settlement Date of the Acquisition Properties (30 September 2019). See paragraph (i) in assumptions for further details.

(f) **Leases -** At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

As Lessor:

- **Operating Leases -** The Group is a lessor in lease contracts as a lessor in which it retains substantially all risks and ownership of the leased asset. Such leases are classified as operating leases. Assets leased to third parties under operating leases are included in investment property in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.
- **Finance Leases –** The Group is a lessor in lease contracts in which it does not retain substantially all risks and ownership of the leased assets. Such leases are classified as finance leases (the Paerangi Finance Lease and Seaview Finance Lease). Assets leased to third parties under finance leases are derecognised in the statement of financial position and a finance lease receivable is recognised for the net investment in the lease. Finance income is recognised by the Group over the lease term using the effective interest rate method.

As Lessee: The Group is a lessee in respect of a ground lease contract on the site of the Tui Property (Truman Lane). The Group recognises a right-of-use asset and a lease liability in relation to this lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the later of the commencement date and the accounting policy adoption date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently remeasured to fair value annually to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the later of the lease commencement date and the date of accounting policy adoption, discounted using the the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

(f) **Leases (continued) -** When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets on the face of the statement of financial position, and lease liabilities on the face of the statement of financial position, to clearly highlight the difference between these items and the Group's investment property portfolio and bank borrowings.

As a comparison, in previous periods to 31 March 2019, as a lessee the Group classified such a lease that does not transfer substantially all of the risks and rewards of ownership as an operating lease and as a result did not recognise this in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(g) **Revenue Recognition:** The Group receives income from tenants under commercial leases which set out the terms that the tenant must meet so they are not in default of their lease. The leases state the term of the lease, any renewals of the lease, and the rent and operating expenses that must be paid and any review of the rental amount.

Revenue is recognised when a performance obligation is satisfied. Revenue is measured at the fair value of the consideration received or receivable.

***Rent* –** Rent revenue from Investment Property is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as assets and amortised as a reduction in rental revenue over the remaining lease term. Contingent rentals are recognised as income in the period when earned.

Operating Expense Recoveries – Tenants pay the Group for Operating Expenses. These are recoveries of expenses incurred by the Group in relation to the Investment Property. The tenants are charged a monthly amount towards these operating costs based on an annual budget for each property and have annual wash-up reconciliations provided by the Group to settle any under or overcharges of actual costs incurred versus costs recharged. Operating Expense cost recoveries are recognised when invoiced on a monthly basis which is in line with when the Group meets their performance obligations for the services provided. The outgoings recovered are based on the terms of the tenant's leases and the costs of the outgoings. There are no discounts provided or finance component applicable to such costs, so the transaction price is allocated on a straight-line basis.

Rent revenue and some outgoings recovered from the tenants are considered part of a lease and are dealt with under the scope of NZ IFRS 16 – Leases, and so are outside the scope of NZ IFRS 15 – Revenue from Contracts with Customers. The Outgoings Recovered that are dealt with under the scope of NZ IFRS 16 - Leases are closely related to the lease of the building and the tenant does not receive an additional separate service to the space when it reimburses those items to the Group. These are expenses such as rates, insurance, lift expenses, valuation, fire expenses, plumbing and electricity maintenance and air conditioning services.

The Outgoings Recovered that the Group has identified as being under the scope of NZ IFRS 15 are electricity, rubbish collection, cleaning, gardening services, management expenses, and security expenses. They are an additional service over and above the lease of rental space, and so are separated from lease income.

***Interest* –** Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant reporting period using an effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income – Dividend income is recognised on the date that the Group's right to receive payment is established.

(h) **Interest Expense:** Interest expense comprises interest expense on borrowings and is accounted for using the effective interest method.

(i) **Share Capital:** Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are shown in equity as a deduction, net of tax, from the proceeds.

(j) **Dividends Payable:** Dividends payable are recognised when declared and no longer at the discretion of the Group.

(k) **Income Tax Expense:** As at 1 April 2016, the Company elected to be a Portfolio Investment Entity (**PIE**) under the Income Tax Act 2007. As a result, the Company itself is not liable for income tax from that date.

The Company's taxable income is instead apportioned amongst its Shareholders based on the number of shares they hold and their Prescribed Investor Rates (**PIR**). The Company calculates and deducts tax based on each investor's PIR and pays the tax to the taxation authorities on behalf of the investor. Any PIE tax liabilities at the end of each year are including within distributions payable in the Statement of Financial Position, measured at the amount expected to be paid to the taxation authorities on behalf of the investors based on the investors' taxable income and their PIR.

(l) **Goods and Services Tax (GST):** All amounts are shown exclusive of GST, other than Trade and Other Receivables and Trade and Other Payables which are stated inclusive of GST.

(m) **Fair value measurement:** When an asset or liability is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either in the principal market, or where no principal market exists, the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date, and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(n) **Changes in Accounting Policies:** There are no significant changes in the accounting policies anticipated in the two prospective reporting periods compared to those included in the most recent historical financial statements of the Group, other than the change noted below.

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. Based on this assessment, a new accounting policy for leases has been applied in these Prospective Financial Statements. This accounting policy 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 in the PDS.

NZ IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the previous leasing standard – i.e. lessors continue to classify leases as finance or operating leases.

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 noted earlier in paragraph (f) of this section. As a result, no adjustments have been made to prior periods, and a right of use asset and lease liability of $1,896,887 (2020) and $1,900,323 (2021) are now shown on the statement of financial position. Operating expenses are reduced by $109,284 (2020) and $110,377 (2021) and finance costs are increased by $113,557 (2020) and $113,813 (2021).

Assumptions

The principal assumptions on which the Prospective Financial Statements have been prepared are set out below. These assumptions should be read in conjunction with the risks set out in Section 8 of the PDS and the sensitivity analysis shown further below in this section.

(a) **Settlement Date:** The Company intends to settle the Acquisition Properties on the estimated settlement date of 30 September 2019 (**Settlement Date**). The Prospective Financial Statements only include information for the Acquisition Properties from Settlement Date.

The Settlement Date and purchase price for the Acquisition Properties is derived from sale and purchase agreements for the Acquisition Properties.

(b) **Issue and Property Acquisition Costs:** It is assumed that the maximum raise will be achieved being 40,000,000 shares at $1.05 each. In this case, the Company has estimated approximately $2,900,000 of costs associated with the Offer. This includes $2,117,875 of issue costs to be accounted for within equity, and $782,125 of acquisition costs to be accounted for within Investment Property. Issue and acquisition costs include legal fees, accounting fees, property valuations, brokerage fees, marketing costs and finance costs.

Rental income: The Prospective Financial Statements assume annual rental income will be received in accordance with current signed lease agreements for each property currently leased, plus any applicable vendor underwrite that may be in place for each property. A number of assumptions are made in connection with leasing vacant space and rent reviews during the forecast period.

Rental income below excludes the recoverable operating expenses and any other income. Rental income is included only from the date of acquisition, and up to the date of disposal, where appropriate.

The prospective rental income including NZ IFRS straight line adjustments is as follows:

Rental income	**Prospective Year 2020**	**Prospective Year 2021**
Hutt Park Road[1]	710,587	1,426,084
Seaview Road[2]	1,399,536	2,801,127
Braeburn Drive[3]	342,224	482,525
El Prado Drive	2,583,053	2,702,419
Kelston Mall	2,884,688	2,999,693
Vickery Street	1,273,281	1,276,464
Dominion Road	1,165,540	1,219,418
Tui Property	1,190,317	1,213,053
Robert Street	910,439	923,715
Spring Street	791,777	822,429
Paerangi Place	602,798	585,376
Alderman Drive	794,768	776,525
Druces Road	443,425	623,772
Sandwich Road	390,337	342,719
Stag Park[4]	155,809	-
Total	**15,638,578**	**18,195,319**

[1] For the year ending 31 March 2020 this includes rental income from the Settlement Date only.
[2] For the year ending 31 March 2020 this includes rental income from the Settlement Date only.
[3] For the year ending 31 March 2020 this includes rental income from the date of acquisition only.
[4] For the year ending 31 March 2020 this includes the rental income up until the forecast disposal date only.

There are 17 lease agreements that are due for renewal 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 ended 31 March 2020. Below is a summary of the key tenancies by building and the key assumptions that will impact the rental income during the prospective financial periods ending 31 March 2021 (excluding any NZ IFRS straight line adjustments):

i. *Hutt Park Road* - The property is due to be acquired on 30 September 2019. Rental income for the year ending 31 March 2021 is forecast to be 7.8% of total annual rental income for the Company. The most significant tenant is 880 Productions Limited, generating net rental income of $1,248,000 per annum at Settlement Date, due to expire 30 June 2024. There is currently 1,484 sqm of vacancy, forecast to be leased over the prospective periods at market rental. A vendor underwrite is in place in respect of vacant space throughout the prospective period. A total of 2 other tenants lease the remainder of the property. It has been presumed that tenants cannot activate break clauses dated 1 January 2020 as they require 6 months' notice and have not been activated as at the date this Prospective Financial Information was authorised for issue.

ii. *Seaview Road* – The property is due to be acquired on 30 September 2019. Rental income for the year ending 31 March 2021 is forecast to be 15.4% of total annual rental income for the Company. The most significant tenant is Zany Zeus Limited generating net rental income of $844,834 per annum at Settlement Date, due to expire 30 September 2034. The net rental income comprises the premises and fit out rent. There is currently 2,960 square metres of vacancy, forecast to be leased over the prospective periods at market rental. A vendor underwrite is in place in respect of vacant space throughout the prospective period. A total of 7 other tenants lease the remainder of the property. It has been assumed that one tenant break clause dated 30 June 2023 is not activated.

iii. *Braeburn Drive* – The property was acquired on 28 June 2019. Rental income for the year ending 31 March 2021 is forecast to be 2.7% of total annual rental income for the Company. The sole tenant is Summerland Express Freight Limited, generating net rental income of $450,000 per annum at Settlement Date, due to expire 31 December 2024.

iv. *El Prado Drive* – Rental income for the year ending 31 March 2021 is forecast to be 14.9% of total annual rental income for the Company. The sole tenant is Ezibuy Limited, generating net rental income of $2,572,201 per annum at Settlement Date, due to expire 28 February 2024. It has been presumed that the tenant will not opt to break their lease on or before 28 February 2022.

v. *Kelston Mall* – Rental income for the year ending 31 March 2021 is forecast to be 16.5% of total annual rental income for the Company. The most significant tenant is General Distributors Limited generating net rental income of $1,200,000 per annum at Settlement Date, due to expire on 13 October 2026. A childcare centre is currently under construction and it has been assumed the new lease will commence on 1 November 2019 for $228,800 per annum. There is currently only 141 square metres of vacancy that is not forecast to be leased during the prospective periods to 31 March 2020 and 31 March 2021. A total of 26 other tenants lease the remainder of the property.

vi. *Vickery Street* – Rental income for the year ending 31 March 2021 is forecast to be 7.0% of total annual rental income for the Company. The sole tenant is Alto Packaging Limited, generating net rental income of $1,273,281 per annum at Settlement Date, due to expire 28 February 2021. It has been assumed that the tenant will renew the lease on the expiry date.

vii. *Dominion Road* – Rental income for the year ending 31 March 2021 is forecast to be 6.7% of total annual rental income for the Company. The most significant tenant is Finance Now Limited generating net rental income of $483,356 per annum at Settlement

Date, due to expire 31 December 2026. A total of 9 other tenants lease the remainder of the property.

viii. *Tui Property* – Rental income for the year ending 31 March 2021 is forecast to be 6.7% of total annual rental income for the Company. The sole tenant is Tui Products Limited, generating net rental income of $1,190,317 per annum at Settlement Date, due to expire 30 June 2034.

ix. *Robert Street* - Rental income for the year ending 31 March 2021 is forecast to be 5.1% of total annual rental income for the Company. The sole tenant is The Farmers Trading Company Limited, generating net rental income of $910,439 per annum at Settlement Date, due to expire 31 August 2032.

x. *Spring Street* – Rental income for the year ending 31 March 2021 is forecast to be 4.5% of total annual rental income for the Company. The most significant tenant is Tauranga City Council generating net rental income of $210,410 per annum at Settlement Date, due to expire on 28 February 2023. There is currently only 107 square metres of vacancy, forecast to be leased during the prospective period to 31 March 2020 at market rental. A total of 10 other tenants lease the remainder of the property.

xi. *Paerangi Place* – Rental income for the year ending 31 March 2021 is forecast to be 3.2% of total annual rental income for the Company. The sole tenant is Hemp New Zealand Limited generating net rental income of $593,591 per annum at Settlement Date, due to expire on 31 October 2028. The net rental income comprises the premises and fitout rent.

xii. *Alderman Drive* – Rental income for the year ending 31 March 2021 is forecast to be 4.3% of total annual rental income for the Company. The most significant tenant is Grinding Gear Games Limited generating net rental income of $292,245 per annum at Settlement Date, holding leases over two levels due to expire on 18 January 2022 and 30 September 2024 respectively. A total of 7 other tenants lease the remainder of the property.

xiii. *Druces Road* – Rental income for the year ending 31 March 2021 is forecast to be 3.4% of total annual rental income for the Company. The most significant tenant is Amrita Nutrition Limited generating net rental income of $188,437 per annum at Settlement Date, due to expire 7 January 2029. There is currently 2,757 square metres of vacancy, forecast to be leased during the prospective period to 31 March 2020 at market rental. A total of 1 other tenant leases the remainder of the property. It has been presumed the other tenant does not activate their break clause before the lease expiry on 30 June 2021.

xiv. *Sandwich Road* – Rental income for the year ending 31 March 2021 is forecast to be 1.9% of total annual rental income for the Company. The property is shared between DeLaval Limited and Alfa Laval Limited, under 4 lease agreements that generate net rental income of $359,639 per annum at Settlement Date. The leases expire between 31 July 2021 and 28 February 2025. There is currently only 240 square metres of vacancy, forecast not to be leased during the prospective period.

xv. *Stag Park* – Rental income is forecast to cease beyond the year to 31 March 2020 as the property is a Held for Sale Property, subject to a conditional sale and purchase agreement due to settle in October 2019. Refer to assumption paragraph (l) on page 17 for further detail on the prospective sale.

The occupancy forecast for the overall group is as follows:

Time	Occupancy Rate
Settlement date	97%
31 March 2020	99%
31 March 2021	99%

(c) **Gross Dividend:** For the period ended 30 September 2019 the gross dividend is expected to be 7.25 cents per share annualised. For the period 1 October 2019 to 31 March 2021 this is expected to increase to 7.35 cents per share annualised. All gross dividends are calculated as cents per share of issued share capital. The policy is to declare the dividend on the last day of the quarter with payment on the 25th of the month following (or the next working day if a weekend or public holiday).

(d) **Receipts from tenants:** It has been assumed that all tenants will pay their monthly rent and operating expenses in the month of invoicing and property operating expense reimbursements in the month following invoicing.

(e) **Bank Funding:** The funding facility for bank borrowings will depend on the total capital the Company raises through the Offer. Funding from the Bank will be up to 44% ($111,919,000) of the registered valuation of the existing investment properties, the purchase price of the acquisition properties plus the budgeted capital expenditure. The actual loan amount is forecast to be 40% LVR ($103,897,611) on the date of settlement. The unused bank facility will be drawn down to fund capital expenditure projects.

(f) **Bank Interest:** The Company has received a formal offer of funding from ASB to help fund the purchase of the acquisition properties. This is in addition to the Company's existing loan facilities with the ASB and BNZ which will continue unchanged.

The new offer received from ASB at the time of the registration of this offer document is 45% of LVR on a floating basis with a new loan facility limit of $23,115,500.

The existing facilities are as follows:

Bank	Tranche	Amount	Maturity date	Extendible facility
BNZ	1	10,300,000	22/12/2021	On application
BNZ	2	11,900,000	2/09/2022	On application
BNZ	3	5,890,000	21/02/2021	On application
BNZ	4	16,000,000	13/12/2021	On application
BNZ	5	5,000,000	30/06/2022	On application
ASB	1	13,015,000	14/12/2021	Extendible
ASB	2	16,000,000	31/05/2022	Extendible
ASB	3	3,250,000	01/04/2021	Extendible
ASB	4	7,448,500	13/12/2021	Extendible
Total		**88,803,500**		

The interest rates are structured on a floating BKBM plus a bank margin. To hedge the risk on the floating nature of the interest rate the Company has entered into various Swap agreements totalling $56,700,000. The swap agreements are maturing between March 2020 and December 2022.

There is an expectation that all facilities shown as current at 31 March 2021 will be renewed prior to maturity date. The ASB loan facilities are extendible facilities. The facilities are reviewed annually and can be subsequently extended by a further 12 months (to effectively extend the maturity date by a further year).

The new ASB loan facility commencing 30 September 2019 is similar to the existing ASB facilities.

To hedge the interest rate risk the Company will enter into a swap agreement for up to $16,000,000 for 2-4 years commencing 30 September 2019 and expiring between 30 September 2021 and 30 September 2023.

The Company may enter into further swap agreements to fix the interest rate for all of the Company's debt. The prospective effective average interest rate is 4.52% (interest rates may vary on the date of settlement).

The ASB and BNZ offers are subject to variation at the time of the loan being drawn and assumes the conditions in the offer are fulfilled.

It is projected for the purposes of this prospective financial information that the average interest rates charged will be:

i. 2020: 4.75%

ii. 2021: 4.75%

The following has been assumed in relation to the funding facility:

i. No principal repayments are required during the term of the funding facility, however a repayment will be made once the Held for Sale Property, Stag Park, is disposed;

ii. No recourse to investors; and

iii. Capital expenditure will be funded by the funding facility to the extent that free cash flows are not available to fund such expenditure.

The ASB loans are secured by a first registered mortgage over the Acquisition Properties and a general security agreement over all present and future acquired assets of the Subsidiary.

The BNZ loans are secured by a general security agreement over all present and future acquired assets of the Parent.

(g) **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.

The management fees consist of an annual management fee charge of 1.5% of the gross rental received from the Existing Properties and the Acquisition Properties and an annual asset management fee of 0.50% per annum of the carrying value of the Existing Properties and the Acquisition Properties.

(h) **Prospective Capital Expenditure:** Budgeted capital expenditure is $3,202,410 for the 10-month prospective period ending 31 March 2020 and a further $1,795,500 in the year ending 31 March 2021. Details about the proposed expenditure are set out below:

i. $1,845,285 for a Childcare centre at the Kelston Mall, plus additional expenditure for resurfacing and reconfiguring two car parks for the Mall and new signage ($735,000), plus a general allowance for capital expenditure ($420,000). The budget is based on the remaining cost of a fixed price contract for the childcare centre and Manager's estimates for the remaining expenditure identified and a general allowance for capital expenditure for the Mall. A fixed price contract will be entered into prior to construction commencement on the two car parks.

ii. $500,000 allowance for a new tenant fitout and reconfiguration at Druces Road. The budget is the Manager's best estimate and will vary depending on the prospective tenant requirements. A fixed price contract and agreement to lease will be entered into prior to construction commencement. The prospective information assumes the capital expenditure is completed by 31 March 2020.

iii. The remaining budgeted capital expenditure during the prospective financial periods will be used for:

A. Landlords improvements at Braeburn Drive (Washdown bay, lighting and earthquake strengthening);
B. Improved level 2 common area at Spring Street;
C. General capital expenditure at all other properties not mentioned above.

The Company's budgeted capital expenditure in the prospective financial periods is based on:

i. estimates prepared by the Manager based on the Manager's historical experience in carrying out works of a similar nature;

ii. a level of contingency based on what the Manager considers to be reasonable for projects of a similar nature;

iii. in the case of tenancy fitouts, the Manager's best estimate, based on its experience, of the likely cost. Capital expenditure requirements for tenancy fitouts are dependent on the individual lease agreements of future tenants and are therefore difficult to predict in advance. However, it should be noted that fixed price contracts are agreed upon prior to the commencement of capital projects and that where the costs of fit out is greater than what is contractually agreed, this will likely be reflected in increased rental income from the tenant.

(i) **Fair Value:** 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 the 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.

(j) **Regulatory Environment:** The Prospective Financial Statements have been prepared on the assumptions that there will be no material changes in the economic environment, legal requirements or the current tax regulations.

(k) **Brokerage:** The Company will pay brokerage of $840,000 plus GST (assuming the maximum number of shares are issued under the offer). This is paid to the Manager and PMG's contracted sales team and third-party referring agents.

(l) **Prospective Sale:** As at the date of this prospective financial information, the Stag Park property is subject to a conditional sale and purchase agreement. The property is classified as Held for Sale. The prospective financial information has been prepared on the basis that Stag Park is sold in October 2019 and a loss on disposal of $338,050 is recorded at that date.

Sensitivity analysis

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 are detailed below.

The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes. Care should be taken in interpreting the information set out below.

The approach taken in respect of the sensitivities has been to determine those variables most likely to materially affect results in years ending 31 March 2020 and 2021. Each movement in an assumption is calculated and presented in isolation from possible movements 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. Furthermore, the sensitivity analysis does not take into account any potential mitigating actions that Directors may take.

Capital Expenditure: Total capital expenditure is projected to be $3,202,410 for the 10-month prospective period ending 31 March 2020 and $1,795,500 during the year ending 31 March 2021. This projection is subject to variation in both timing and value. The sensitivity results below are based on an increase/decrease of $500,000 in capital expenditure per annum, incurred on 30 September in each year.

Rental Income Risk: Exposure to rental income risk is in the normal course of the Company's business. The sensitivity result below is based on a rental reduction of $500,000 per annum spread evenly throughout the prospective periods, due to leases being broken or not renewed on expected dates. A rental reduction of $500,000 represents 2.3% of the total revenue in the year ending 31 March 2021.

Interest Rate Risk: Exposure to interest rate risk is in the normal course of the Company's business. The current indicative floating rate used in the Prospective Financial Statements is 4.75%. The sensitivity results are based on a 50 basis points shift (bps) in the interest rate from the assumed rates for prospective periods (0.5% rate movement).

Market value of investment property: The investment property is valued at fair value. Fluctuations in value will directly impact the Company's performance. The value of investment property is sensitive to changes in various assumptions over a period of time, including future tenancy risk, the discount rate applied, and projected operational and capital expenditure. The value of investment property will also impact the Fund Management fee charge, which is based on the value of investment property managed. The sensitivity results below are based on increasing / (decreasing) assumed fair value by 5% on 31 March 2020, and result in an impact on the fair value of the investment property as at 31 March 2020 and 31 March 2021.

Share Capital: Share Capital is influenced by the success of the Offer. The forecast assumes 40,000,000 Shares are issued for $42,000,000, the maximum amount that can be raised under the Offer. The total Shares issued is dependent on the success of the Offer. 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 banking facilities (the total funding facility headroom available to the Company at Settlement Date is forecast to be $8,021,389). The sensitivity results below presume the minimum amount of Shares are issued under the offer (36,000,000 for $37,800,000 consideration), with an additional $4,200,000 of borrowings drawn to compensate for this at 30 September 2019.

Sensitivity	Increase/ (Decrease)	Measure impacted	FY2020		FY2021	
			Increase	**Decrease**	**Increase**	**Decrease**
Capital expenditure Risk	$500,000 / ($500,000)	Fund Management fees	-	-	3,958	(3,958)
		Net Profit	-	-	(3,958)	3,958
		Cash and Cash Equivalents[5]	(500,000)	500,000	(1,003,542)	1,003,542
		Investment Property Value	500,000	(500,000)	1,000,000	(1,000,000)
		Trade and Other Payables	-	-	416	(416)
Rental Income Risk	$500,000 / ($500,000)	Revenue	500,000	(500,000)	500,000	(500,000)
		Property Management Fee	7,500	(7,500)	7,500	(7,500)
		Net Profit	492,500	(492,500)	492,500	(492,500)
		Cash and Cash Equivalents[5]	499,375	(499,375)	991,875	(991,875)
		Trade and Other Payables	6,875	(6,875)	6,875	(6,875)
Interest Rate Risk	50bps/ (50bps)	Interest Expense	453,557	(453,557)	502,485	(502,485)
		Net Profit	(453,557)	453,557	(502,485)	502,485
		Cash and Cash Equivalents[5]	(453,557)	453,557	(956,042)	956,042
Market value of investment property	5%/(5%)	Fund Management fees	-	-	62,594	(62,594)
		Increase/(Decrease) in Fair Value	12,518,897	(12,518,897)	-	-
		Net Profit	12,518,897	(12,518,897)	(62,594)	62,594
		Cash and Cash Equivalents[5]	-	-	(57,378)	57,378
		Investment Property Value	12,518,897	(12,518,897)	12,518,897	(12,518,897)
		Trade and Other Payables	-	-	5,216	(5,216)
Share Capital	N/A / ($4,200,000)	Interest Expense	N/A	116,421	N/A	200,047
		Net Profit	N/A	(116,421)	N/A	(200,047)
		Dividends Paid	N/A	(147,000)	N/A	(294,000)
		Share Capital	N/A	(4,110,000)	N/A	(4,110,000)
		Cash and Cash Equivalents	N/A	47,079	N/A	141,033
		Dividends Payable	N/A	(73,500)	N/A	(73,500)
		Borrowings – non-current	N/A	4,200,000	N/A	4,200,000

[5] It has been assumed that any additional cash outflow or inflow as a result of the sensitivity analyses will lead to variation in the cash and cash equivalents balances, with no additional borrowings or repayment of borrowings assumed.