

Inghams Portfolio Scheme Prospective Financial Statements

PROSPECTIVE FINANCIAL STATEMENTS

As the Scheme and ownership of the Property has not yet commenced, no appropriate financial information exists for the Property other than as set out in the prospective financial statements.

Prospective information in respect of the Scheme for the first accounting period of 7 Months and 17 Days ending 31 March 2020 and for the 12 months ending 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 are set out below.

These statements comprise the Prospective Statement of Comprehensive Income, Prospective Statement of Financial Position, Prospective Statement of Changes in Equity and Prospective Statement of Cash Flows, which comply with Financial Reporting Standard 42 (FRS-42: Prospective Financial Statements) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

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PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

(in New Zealand Dollars)

	7 Months and 17 Days ending 31 March 2020	12 Months ending 31 March 2021	12 Months ending 31 March 2022	12 Months ending 31 March 2023	12 Months ending 31 March 2024
Note	\$	\$	\$	\$	\$
Revenue					
Rental income	3,670,000	5,908,436	6,008,880	6,111,029	6,214,917
	3,670,000	5,908,436	6,008,880	6,111,029	6,214,917
Less Expenses					
Administration Expenses					
Accounting fees	20,000	10,000	10,000	10,000	10,000
Assurance review / audit	35,000	15,000	15,255	15,514	15,778
Scheme management fee	149,675	236,500	236,500	236,500	236,500
Compliance costs	23,594	37,280	37,280	37,280	37,280
Statutory supervisor	28,328	25,800	25,800	25,800	25,800
General administration costs	6,329	10,000	10,170	10,343	10,519
Valuation costs	54,000	15,000	15,255	15,514	15,778
Total Administration Expenses	316,926	349,580	350,260	350,952	351,655
Total Expenses	316,926	349,580	350,260	350,952	351,655
Net Operating Revenue	3,353,074	5,558,856	5,658,620	5,760,077	5,863,262
Finance Costs					
Interest on borrowings	1,097,620	1,734,333	1,734,333	1,725,262	1,720,000
Total Finance Costs	1,097,620	1,734,333	1,734,333	1,725,262	1,720,000
Profit before revaluations	2,255,454	3,824,523	3,924,287	4,034,815	4,143,262
Other comprehensive income	-	-	-	-	-
Total Comprehensive income	2,255,454	3,824,523	3,924,287	4,034,815	4,143,262

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PROSPECTIVE STATEMENT OF FINANCIAL POSITION

(in New Zealand Dollars)

		31 March 2020	31 March 2021	31 March 2022	31 March 2023	31 March 2024
	Note	\$	\$	\$	\$	\$
Equity						
Capital	8	43,205,000	43,205,000	43,205,000	43,205,000	43,205,000
Retained earnings		(177,639)	(197,616)	(117,831)	72,486	371,248
		43,027,361	43,007,384	43,087,169	43,277,486	43,576,248
Represented by:						
Current assets						
Cash and cash equivalents	9	630,461	627,004	723,931	922,360	1,224,018
Prepayments		33,929	19,596	5,262	-	-
Total current assets		664,390	646,600	723,193	922,360	1,224,018
Non-current assets						
Investment property	3	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000
Total Assets		86,664,390	86,646,600	86,723,193	86,922,360	87,224,018
Current liabilities						
Trade and other payables	12	637,029	639,216	642,024	644,874	647,770
Borrowings	13	-	-	43,000,000	-	-
Total current liabilities		637,029	639,216	43,642,024	644,874	647,770
Non-Current liabilities						
Borrowings	13	43,000,000	43,000,000	-	43,000,000	43,000,000
Total Liabilities		43,637,029	43,639,216	43,642,024	43,644,874	43,647,770
Net Assets		43,027,361	43,007,384	43,087,169	43,277,486	43,576,248

Authorised by:
Silverfin Capital Limited



Alan Murray Paterson
Chairman



Donald Murray Douglas Cleverley
Independent Director

Dated:

23 May 2019

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PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

(in New Zealand Dollars)

	Note	Capital \$	Retained Earnings \$	Total \$
Opening Balance 14 August 2019		-	-	-
Profit or (loss)/total comprehensive income		-	2,255,454	2,255,454
Investors' capital contribution	8	43,205,000	-	43,205,000
Less distribution to investors	8	-	(2,433,095)	(2,433,095)
Balance as at 31 March 2020		43,205,000	(177,639)	43,027,361
Opening Balance 1 April 2020		43,205,000	(177,639)	43,027,361
Profit or (loss)/total comprehensive income		-	3,824,523	3,824,523
Less distribution to investors	8	-	(3,844,500)	(3,844,500)
Balance as at 31 March 2021		43,205,000	(197,616)	43,007,384
Opening Balance 1 April 2021		43,205,000	(197,616)	43,007,384
Profit or (loss)/total comprehensive income		-	3,924,287	3,924,287
Less distribution to investors	8	-	(3,844,500)	(3,844,500)
Balance as at 31 March 2022		43,205,000	(117,831)	43,087,169
Opening Balance 1 April 2022		43,205,000	(117,831)	43,087,169
Profit or (loss)/total comprehensive income		-	4,034,815	4,034,815
Less distribution to investors	8	-	(3,844,500)	(3,844,500)
Balance as at 31 March 2023		43,205,000	72,486	43,277,486
Opening Balance 1 April 2023		43,205,000	72,486	43,277,486
Profit or (loss)/total comprehensive income		-	4,143,262	4,143,262
Less distribution to investors	8	-	(3,844,500)	(3,844,500)
Balance as at 31 March 2024		43,205,000	371,248	43,576,248

The attached notes and assumptions form an integral part of these prospective financial statements.
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PROSPECTIVE STATEMENT OF CASH FLOWS

(in New Zealand Dollars)

		7 Months and 17 Days ending 31 March 2020	12 Months ending 31 March 2021	12 Months ending 31 March 2022	12 Months ending 31 March 2023	12 Months ending 31 March 2024
	Note	\$	\$	\$	\$	\$
Cash flows from operating activities						
Cash provided from:						
Rental receipts		3,670,000	5,908,436	6,008,880	6,111,029	6,214,917
GST received		138,821	2,188	2,221	2,254	2,288
		3,808,821	5,910,624	6,011,101	6,113,283	6,217,205
Cash disbursed to:						
Operating expenses		(282,425)	(349,579)	(349,674)	(350,354)	(351,047)
Interest paid		(945,215)	(1,720,000)	(1,720,000)	(1,720,000)	(1,720,000)
		(1,227,640)	(2,069,579)	(2,069,674)	(2,070,354)	(2,071,047)
Net cash inflow from operating activities		2,581,181	3,841,043	3,941,427	4,042,929	4,146,158
Cash flows from investing activities						
Cash disbursed to:						
Purchase of investment property	3	(86,000,000)	-	-	-	-
Net cash inflow/(outflow) from investing activities		(86,000,000)	-	-	-	-
Cash flows from financing activities						
Cash provided from:						
Investors contributions	8	46,600,000	-	-	-	-
Bank loan	13	43,000,000	-	-	-	-
		89,600,000	-	-	-	-
Cash disbursed to:						
Issue costs	8	(3,395,000)	-	-	-	-
Bank Finance costs		(43,000)	-	-	-	-
Distributions to investors		(2,112,720)	(3,844,500)	(3,844,500)	(3,844,500)	(3,844,500)
		(5,550,720)	(3,844,500)	(3,844,500)	(3,844,500)	(3,844,500)
Net cash inflow/(outflow) from financing activities		84,049,280	(3,844,500)	(3,844,500)	(3,844,500)	(3,844,500)
Net increase (decrease) in cash held		630,461	(3,457)	96,927	198,429	301,658
Cash and cash equivalents at start of period		-	630,461	627,004	723,931	922,360
Cash and cash equivalents at end of period		630,461	627,004	723,931	922,360	1,224,018
Comprising of:						
Current account	9	630,461	627,004	723,931	922,360	1,224,018
		630,461	627,004	723,931	922,360	1,224,018

The attached notes and assumptions form an integral part of these prospective financial statements.
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RECONCILIATION OF PROFIT TO CASH FROM OPERATING ACTIVITIES

(in New Zealand Dollars)

	7 Months and 17 Days ending 31 March 2020 \$	12 Months ending 31 March 2021 \$	12 Months ending 31 March 2022 \$	12 Months ending 31 March 2023 \$	12 Months ending 31 March 2024 \$
Reported profit/(loss)	2,255,454	3,824,523	3,924,287	4,034,815	4,143,262
Non-operating items					
Bank Finance costs	9,074	14,332	14,332	5,262	-
Add/(Less) movements in working capital Items:					
Increase/(Decrease) in GST payable	138,820	2,188	2,221	2,256	2,289
Increase/(Decrease) in creditors	177,833	-	587	596	607
Net Cash Inflow (Outflow) from Operating Activities	2,581,181	3,841,043	3,941,427	4,042,929	4,146,158

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THE INGHAMS PORTFOLIO SCHEME

NOTES AND ASSUMPTIONS TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDING 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 AND 31 March 2024

1. GENERAL INFORMATION

The Inghams Portfolio Scheme ("Scheme") will be a scheme established, domiciled and registered in New Zealand.

The Scheme will be a commercial property investor that owns property at:

- 903 Leslie Road, Tapapa
- 25 Okauia Springs Road, Matamata
- 111 Pohlen Road, Matamata
- 207 Mowbray Road, Waharoa
- 594 & 668 Waihekau Road, Waitoa
- 2 & 16 Banks Road, Matamata

Silverfin Capital Limited ("Silverfin") is the Promoter of the scheme, offeror of interests in the scheme, and manager of the scheme.

The Offeror is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Assumptions

These prospective financial statements assume all 932 units will be fully subscribed by 14 August 2019.

The rentals used in the prospective financial statements are based on the expected rental level from the leases below. The amount payable under the lease increases by CPI each year on 18 July. We have assumed the CPI increases to be 1.7%.

Operating expense recoveries are assumed to be paid direct by the tenant and have not been included separately.

Silverfin has adopted a 4.00% per annum interest rate on the Term Loan Facility for the purposes of these prospective financial statements (being 1.90% plus the bank's current lending margin of 2.10%). Based on the interest rate adopted by Silverfin for the purposes of these prospective financial statements, the Scheme will be liable to the bank for interest on the Term Loan Facility in the amount of \$1,088,548 during the period from Settlement until 31 March 2020 and in the amount of \$1,720,000 for the 12 month periods to 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024.

The bank will charge the Scheme an establishment fee of \$43,000 in respect of this loan.

The interest expense is based on no principal repayments (interest only) during the term of the Loan.

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The Fair Value of the investment property as at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 is assumed to be as per the registered valuation and purchase price of \$86,000,000.

The summarised lease terms of the tenancies are:

	Leslie Road	Okauia Springs Rd	Pohlens Rd	Mowbray Rd	Waiheke Rd	Banks Rd
Tenant:	Inghams Enterprises (NZ) Pty Limited (all properties)					
NLA (sqm):	25,880	13,557	24,453	6,888	16,391	3,589
Term:	25 years (15 years plus mutual option of 10 years) with 4 rights of renewal of 10 years each (all properties)					
Commencement Date:	18 July 2014 (all properties)					
Next Review:	18 July 2020 (all properties – note a review will also have taken place on 18 July 2019 which has been assumed at an increase of 1.7%)					
Rent Review Structure:	CPI with market review on renewal (all properties)					
Base Rental*:	\$992,136	\$401,728	\$624,469	\$191,653	\$3,244,031	\$428,345

*Note that the base rental includes an assumed 1.5% increase for CPI on 18 July 2019 and \$288,000 estimate for expansion works undertaken by the vendor of the properties prior to settlement

The administration and operating expenses have been based on previous experience and/or contracted amounts indexed to the value of the Investment Property. The costs that are not indexed to the Investment Property value have been assumed to increase by CPI (assumed to be 1.7%) from 1 April 2021. The establishment costs have been based both on quotes and/or previous experience.

The prospective financial statements have been based on the assumption that there will be no material change in the economic environment, legal requirements or the current tax regulations.

Actual results may differ from prospective financial statements depending on rental increases, change in interest rates, change in tenancies, rates and other expenses. The resulting variance may be material. The Offeror, the Manager, and the Nominee (Silverfin Nominees (Inghams Portfolio) Limited) as bare trustee for the investors) give no guarantee or assurance that the prospective financial information presented will be achieved.

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PURCHASE / OPERATING COSTS

Details of issue expenses, being the costs involved in establishing the scheme are set out below:

Purchase price	86,000,000
Establishment costs	3,600,000
Total	89,600,000

To be funded by:	
Subscriptions from Investors (up to 932 units @ \$50,000)	46,600,000
Bank loan	43,000,000
Total	89,600,000

Establishment Costs payable by the Scheme are:

Legal Costs	160,000
Offeror's Fee	1,505,000
Brokerage Fee	932,000
Marketing Costs	220,000
Accountancy Fee	10,000
Limited Assurance Review Fee	20,000
Bank finance Fee	43,000
Valuation Fee	19,000
Chattels Valuation Fee	20,000
Statutory Supervisor	12,000
Underwrite Fee	550,000
Inspections	16,000
Contingency Funds Retained	93,000
Total	3,600,000

Any unspent amounts will be retained in the Scheme as working capital.

The establishment costs specified are all payable by the Scheme.

Silverfin will be transparent about all charges which affect returns to Investors. Particular of these charges will be included in the annual financial statements relating to the Scheme will be sent to all Investors.

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Ongoing annual costs

- (a) An annual scheme management fee payable by the Scheme to Silverfin. The scheme management fees will be paid and calculated on an annual basis at 0.275% of the gross asset value (being the most recent registered valuation of the investment property). The management fee is payable monthly in advance.
- (b) Audit of annual financial statements (estimated at \$15,000 plus GST).
- (c) The annual valuation fee (estimated at \$15,000 plus GST).
- (d) Annual interest charges payable to Bank of New Zealand Limited. Estimated at \$1,720,000 per annum based on an effective interest rate of 4.00% per annum, calculated in the financial statements using an expected fixed rate.
- (e) An annual registry fee to Syndex (estimated at \$37,280 plus GST).
- (f) Outgoings, property maintenance expenses and costs (to the extent not recoverable from the Tenants).

Third party charges (including those charged by real estate agents, the bank, legal advisors, accountants and valuers) will be set by the relevant third parties and may be subject to change.

MANAGER'S FEES

Silverfin has a simplified scheme management fee structure without additional add on fees. Silverfin has introduced a performance fee to greater align the management of the Scheme with the Investors and to incentivise Silverfin to achieve both revenue and capital growth for Investors. The fees structure is outlined below.

Management Fee

A Scheme management fee equivalent to 0.275% of gross asset value (GAV) (i.e. \$86,000,000 at settlement). This fee is calculated at \$236,500 plus GST for a full 12 month period.

An administration transaction fee of 2% plus GST may be charged to a selling Investor if an Interest is sold prior to sale of the Property to facilitate and manage the sale and purchase of a sold Interest. Third party costs (e.g. legal fees) may be payable in addition to this fee.

No additional management charges will be charged for new leases, renewals, rent reviews or minor development work.

Accounting Fee

An annual fee of \$10,000 will be charged for preparation of monthly and quarterly managements accounts, preparation of annual financial statements, and GST returns.

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Performance Fee

A performance fee is payable to Silverfin if the Scheme achieves on each Interest a pre-tax equivalent return in excess of 10.0% per annum returned to Investors on termination of the Scheme, whereby Silverfin shares the return to investors above this 10.0% threshold on a 20/80 ratio with Silverfin receiving 20% of the excess return and Investors 80%.

Development Management

In the event the Scheme resolves to undertake any development or capital works to the Property requiring development management expertise Silverfin can elect to undertake this work on behalf of the Scheme for a development management fee at standard market rates, subject to the approval of the Investors by Ordinary Resolution.

These fees are detailed in full in the Deed of Participation.

PROJECTED INVESTMENT RETURN

(in New Zealand Dollars)

		7 Months and 17 Days ending 31 March 2020	7 Months and 17 Days ending 31 March 2020 (annualised for 12 Months)	12 Months ending 31 March 2021	12 Months ending 31 March 2022	12 Months ending 31 March 2023	12 Months ending 31 March 2024
	Note	\$	\$	\$	\$	\$	\$
Amount invested per Interest		50,000	50,000	50,000	50,000	50,000	50,000
Prospective net profit before revaluations and tax		2,255,454	3,563,815	3,824,523	3,924,287	4,034,815	4,143,262
Total number of Interests		932	932	932	932	932	932
Prospective net profit before revaluations per Interest		2,420	3,824	4,104	4,211	4,329	4,446
Total Investor cash return (paid and payable) per Interest	8	2,611	4,125	4,125	4,125	4,125	4,125
Forecast cash return per period		5.22%	8.25%	8.25%	8.25%	8.25%	8.25%

Period of Time Expected to Elapse Before Return is Achieved

The projected returns above are based on holding one Interest (at a subscription price of the Subscription Amount) for the duration of each period stated, and calculated based on distributions from available cash surpluses. These Projected Returns do not consider any retained profit or loss which may result from rental activities or any increase or decrease in the value of the Property. They do not take tax or depreciation into account. The notes and assumptions assume that settlement will take place on the Expected Settlement Date. The Manager intends to make distributions to the

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Investors monthly in arrears with payments being made on or about the 10th day of each month. This first distribution will be made on or about 20 September 2019 for 17 days of operations.

2. STATEMENT OF ACCOUNTING POLICIES

The prospective financial statements presented here are for the reporting entity the Scheme. The Scheme is designated as a for-profit entity for financial reporting purposes. The Scheme will be an FMC Reporting Entity within Tier 1 under the Financial Reporting Act 2013.

The prospective financial statements comply with Financial Reporting Standard 42 (FRS-42: Prospective Financial Statements) and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it relates to prospective financial statements.

Accounting Period

The first period of these prospective financial statements for the period ending 31 March 2020 has been determined as 7 Months and 17 Days which is based on the Expected Settlement Date of 14 August 2019.

The second and subsequent periods of these prospective financial statements for the period ending 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 are each for a 12 month period.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below:

Specific Accounting Policies

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to both periods presented.

(a) Revenue and Expenses

Rental Income

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

Operating Expenses Recovered

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

Finance Income

Finance income consist of interest income and is recognised as interest accrues on cash deposits using the effective interest method.

Finance Costs

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Finance costs consist of interest expenses and bank loan charges. Interest expenses are recognised as interest accrues on borrowings. Bank loan charges are amortised over the term of the fixed portion of the bank term loan.

(b) Leases

The Scheme is a landlord with operating leases (which are leases in which the Scheme retains substantially all the risks and benefits of ownership of the leased asset).

(c) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its cost and subsequent revaluations at each reporting date. The cost value was determined based on the sale and purchase agreement. The Scheme assesses the fair value of investment properties at each balance date. Where there is objective evidence of impairment, an impairment loss will be recognised in profit or loss.

(d) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment.

The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in profit or loss.

Subsequent recoveries of amounts written off are recognised in profit or loss.

(e) Payables

These amounts represent unsecured liabilities for goods and services provided to the Scheme prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

(f) Goods and Services Tax (GST)

The prospective financial statements have been prepared using GST exclusive figures except for receivables and payables which are stated GST inclusive.

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g) Distributions to Investors

Distributions to Investors are accrued in the period that they relate.

h) Contributions from Investors

Contributions from Investors consist of the initial contributions received from Investors. Incremental costs directly attributable to the issue of equity are shown in equity as a deduction from the proceeds.

(i) Income Tax

The forecast returns outlined in the PDS and this prospective financial information are pre-tax. The Trust intends to register as a multi-rate Portfolio Investment Entity (PIE), meaning investors in the Trust will be subject to tax on their share of the taxable income of the Trust at rates approximating their marginal tax rates, which are capped at 28%. Tax will be deducted at investors' nominated prescribed investor rates (PIR's), which may be at 0% if notified by an investor.

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings.

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through profit and loss, which are measured at fair value.

Financial assets and financial liabilities are recognised when the Scheme becomes a party to the contractual provisions of the financial instrument.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification. The Scheme classifies financial assets into two categories depending on their contractual cash flow characteristics and the Scheme's business model for managing financial assets. The categories of financial assets are:

i). Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

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- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

ii). Financial assets at fair value through other comprehensive income or expense

A financial asset is measured at fair value through other comprehensive income or expense if both the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At each balance date the Scheme assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in profit or loss. A loss allowance is measured based on expected credit losses, taking into account external factors and forward looking indicators.

Financial Liabilities

The Scheme's financial liabilities include trade and other payables and loans and borrowings.

The Scheme classifies its financial liabilities as financial liabilities at amortised cost. The classification of financial liabilities is determined on initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, include directly attributable transaction costs. All financial liabilities of the Scheme are subsequently measured at amortised cost.

(k) Finance Expenses

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred. As the Scheme does not have any qualifying assets, all borrowing costs are expensed as incurred.

(l) Depreciation

Depreciation will be claimed by the Trust prior to calculation of income tax. On settlement we will engage a valuer to value the components of the investment properties and will calculate depreciation annually at the relevant rates.

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3. INVESTMENT PROPERTY

The Scheme's investment property as at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024 has been initially measured at cost and subsequently measured at fair value at \$86,000,000. The cost value was determined based on the sale and purchase agreement and the fair value as at 31 March 2020 is based on the independent valuation at note 15; and is assumed to remain the same as at 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024.

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$
Balance at beginning of financial year	-	86,000,000	86,000,000	86,000,000	86,000,000
Acquisition of properties	86,000,000	-	-	-	-
Balance at the end of financial year	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000

4. CAPITAL AND OPERATING LEASE COMMITMENTS

The Scheme does not anticipate having any capital commitments as at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 or 31 March 2024.

5. CONTINGENT LIABILITIES

The Scheme does not anticipate having any contingent liabilities as at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 or 31 March 2024.

6. FEES PAID TO AUDITORS

Audit fees of \$15,000 plus GST per annum have been accrued for the audit of the 2020 financial statements, \$15,000 for 2021, \$15,255 for 2022, \$15,514 for 2023 and \$15,778 for the 2024 financial statements. An amount of \$20,000 has also been included in the costs for the year ended 31 March 2020 for the limited assurance review fee for the prospective financial information.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit Risk

To the extent the Scheme 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 Scheme to credit risk principally consist of cash and cash equivalents.

The Scheme will hold no collateral or any other security over the Scheme's financial assets subject to credit risk. However, the Scheme's funds will be held by a well-established bank within New Zealand therefore reducing possible credit risk. The Scheme's tenant will pay rental monthly in advance and as such there is no anticipated credit risk exposure at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 or 31 March 2024. As a result, the Scheme does not anticipate non-performance by the counterparties.

Inghams Portfolio Scheme Prospective Financial Statements

Maximum exposures to credit risk at balance date are:

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$
Cash and cash equivalents	630,461	627,004	723,931	922,360	1,224,018

Liquidity Risk

Liquidity risk represents the Scheme's ability to meet its financial obligations on time. The Scheme projects to generate sufficient cash flows from its operating activities to make timely payment to meet these obligations. The table below represents all contractual and fixed pay-offs for settlement and repayments resulting from expected financial liabilities.

As at 31 March 2020

Financial Liabilities	Carry Amount	Contractual Cash Flows	Less than 1 year	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	34,500	(34,500)	(34,500)	-	-	-
Interest payable	143,333	(4,214,785)	(1,720,000)	(1,720,000)	(774,785)	-
Bank loan	43,000,000	(43,000,000)	-	(43,000,000)	-	-
Distributions Payable	320,375	-	-	-	-	-

As at 31 March 2021

Financial Liabilities	Carry Amount	Contractual Cash Flows	Less than 1 year	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	34,500	(34,500)	(34,500)	-	-	-
Interest payable	143,333	(2,494,785)	(1,720,000)	(774,785)	-	-
Bank loan	43,000,000	(43,000,000)	-	(43,000,000)	-	-
Distributions Payable	320,375	-	-	-	-	-

As at 31 March 2022

Financial Liabilities	Carry Amount	Contractual Cash Flows	Less than 1 year	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	34,500	(34,500)	(34,500)	-	-	-
Interest payable	143,333	(774,785)	(774,785)	-	-	-
Bank loan	43,000,000	(43,000,000)	(43,000,000)	-	-	-
Distributions Payable	320,375	-	-	-	-	-

Inghams Portfolio Scheme Prospective Financial Statements

As at 31 March 2023

Financial Liabilities	Carry Amount	Contractual Cash Flows	Less than 1 year	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	34,500	(34,500)	(34,500)	-	-	-
Interest payable	143,333	(4,214,785)	(1,720,000)	(1,720,000)	(774,785)	-
Bank loan	43,000,000	(43,000,000)	-	-	(43,000,000)	-
Distributions Payable	320,375	-	-	-	-	-

As at 31 March 2024

Financial Liabilities	Carry Amount	Contractual Cash Flows	Less than 1 year	1 to 2 Years	2 to 5 Years	Over 5 Years
Payables	34,500	(34,500)	(34,500)	-	-	-
Interest payable	143,333	(2,494,785)	(1,720,000)	(774,785)	-	-
Bank loan	43,000,000	(43,000,000)	-	(43,000,000)	-	-
Distributions Payable	320,375	-	-	-	-	-

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk is in the normal course of the Scheme's business. The interest rate used in the prospective financial statements is 4.00%. At 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024, the principal or contract amounts outstanding are estimated to be \$43,000,000. The Manager monitors market interest rates on a regular basis to determine whether interest rates should be fixed or whether the Scheme should enter into derivative financial instruments to moderate the impact of short-term fluctuations in interest rates.

The following assets and liabilities are exposed to interest rate risk:

	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$
Cash and cash equivalents	630,461	627,004	723,931	922,360	1,224,018
Borrowings	<u>(43,000,000)</u>	<u>(43,000,000)</u>	<u>(43,000,000)</u>	<u>(43,000,000)</u>	<u>(43,000,000)</u>
	<u>(42,369,539)</u>	<u>(43,372,996)</u>	<u>(42,276,069)</u>	<u>(42,077,640)</u>	<u>(41,775,982)</u>

Inghams Portfolio Scheme

Prospective Financial Statements

Capital Risk

The Schemes capital consists of investor capital contributions and retained earnings.

The Scheme's objectives when managing capital are to safeguard the Scheme's ability to continue as a going concern in order to provide returns for Investors and maintain sufficient cash reserves to meet obligations as they fall due. In order to meet these objectives, the Manager may change the level of distributions to investors.

The Scheme is not subject to externally imposed capital requirements.

Fair Values

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

8. EQUITY

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Number of Interests issued	932	932	932	932	932

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

Investor's Capital Contribution is calculated as follows:

	(NZ\$)
Investors Capital Contribution (932 units @ \$50,000 per unit)	46,600,000
Less Issue Costs	
Legal Fees	(160,000)
Marketing Costs	(220,000)
Offeror's Fee	(1,505,000)
Brokerage Fee	(932,000)
Underwriter's Fee	(550,000)
Inspections	(16,000)
Total issue costs	(3,395,000)
Net Investors Capital Contribution	<u>43,205,000</u>

Distributions

The following distributions are forecast for the financial year.

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Per Interest	2,611	4,125	4,125	4,125	4,125

Inghams Portfolio Scheme

Prospective Financial Statements

Investor cash distribution is calculated as follows:

Profit per Statement of Comprehensive Income	2,255,454	3,824,523	3,924,287	4,034,815	4,143,262
Add back: One-off expenses paid at settlement included in comprehensive income:					
- Loan Fees included in interest paid	9,074	14,332	14,332	5,262	-
- Product Disclosure Statement Valuation	39,000	-	-	-	-
- Product Disclosure Statement Statutory Supervisor fee	12,000	-	-	-	-
- Product Disclosure Statement Assurance Fee	20,000	-	-	-	-
- Product Disclosure Statement Accountancy Fee	10,000	-	-	-	-
Adjusted profit	2,345,528	3,838,855	3,938,619	4,040,077	4,143,262
Add/(deduct): Funds retained for Contingency	87,567	5,645	(94,119)	(195,577)	(298,672)
Total Cash Distributions	2,433,095	3,844,500	3,844,500	3,844,500	3,844,500
Number of units	932	932	932	932	932
Per Interest	2,611	4,125	4,125	4,125	4,125

9. CASH AND CASH EQUIVALENTS

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Current Account	630,461	627,004	723,931	922,360	1,224,018

10. RENTAL INCOME

The Scheme's investment property has operating leases attached to it.

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Less than one year	5,809,671	5,809,671	5,809,671	5,809,671	5,809,671
Between one and five years	23,238,682	23,238,682	23,238,682	23,238,682	23,238,682
More than five years	83,070,330	77,260,660	71,450,989	65,641,319	59,831,648

The operating lease commitments have not been adjusted for CPI increases.

Inghams Portfolio Scheme

Prospective Financial Statements

11. RELATED PARTIES

Silverfin Capital Limited is the Promoter of the Scheme, Offeror of Interests in the Scheme, and Manager of the Scheme. The Board of Silverfin is Alan Paterson (as Chairman), Murray Cleverley and John Bishop (Independent Directors) and Paul Macaulay (Non-independent Director).

Silverfin will be paid an offeror fee of \$1,505,000 plus GST which is calculated as 1.75% of the capital value of the property, being \$86,000,000, being a fee for locating the Property and negotiating the contract to purchase the Property, and for developing this investment opportunity and establishing the Scheme.

Silverfin will also receive a brokerage fee of \$932,000 plus GST which is calculated as 2.0% of equity raised. From that fee, Silverfin is responsible for paying any commissions payable to third party agents, financial advisers and brokers responsible for arranging the sale of Interests. The Scheme has no liability for any such commissions. The Scheme's sole liability is for the fee payable to Silverfin.

Silverfin Capital Limited as manager will be responsible for the management and administration of the Property and the Scheme.

Silverfin Capital Ltd will be paid a scheme management fee of \$236,500 plus GST per annum on a pro-rata basis which will be paid monthly in advance. The Management Fee is recoverable from the Tenants via outgoings charges under the Lease ("Management Expenses").

There are two underwriters for the Scheme. One underwriter for the scheme is the Silverfin Underwrite Investment fund. The Manager of the fund is Silverfin Capital Ltd and the nominee is SUIF Nominees Ltd. The Directors of SUIF Nominees Ltd are Alan Paterson and Murray Cleverley. The underwriter will be paid up to \$364,000 for underwriting the Scheme, on the basis of the amount of underwrite required.

The second underwriter is the vendor for the properties, Caniwi Properties (Waikato) Ltd.

The following is a schedule of the fees to be paid to related parties during the periods ending 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024.

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Silverfin Capital Limited					
Offeror's fee	1,505,000	-	-	-	-
Brokerage Fees	932,000	-	-	-	-
Scheme Management	149,675	236,500	236,500	236,500	236,500
Accounting	20,000	10,000	10,000	10,000	10,000
Total	2,606,675	246,500	246,500	246,500	246,500

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Silverfin Underwrite Investment Fund					
Underwrite fee	364,000	-	-	-	-
Total	364,000	-	-	-	-

There are not expected to be any fees outstanding to any related parties as at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 or 31 March 2024.

Inghams Portfolio Scheme Prospective Financial Statements

Outstanding balances at reporting date are unsecured and are to be settled in cash within one month of the reporting date.

12. TRADE AND OTHER PAYABLES

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
GST Payable	138,821	141,009	143,229	145,483	147,771
Accounts Payable	177,833	177,833	178,420	179,016	179,623
Distribution Payable	320,375	320,375	320,375	320,375	320,375
Total	637,029	639,217	642,024	644,874	647,769

13. BORROWINGS

	2020 (NZ\$)	2021 (NZ\$)	2022 (NZ\$)	2023 (NZ\$)	2024 (NZ\$)
Bank Loan	43,000,000	43,000,000	43,000,000	43,000,000	43,000,000

The initial term of the bank loan is for a period of 3 years. It is assumed in these prospective financial statements that the term loan will be extended for a further 3 years on the repayment date.

The terms are based on a discussion paper provided by BNZ.

Loan Security

The loan will be secured by way of a registered first mortgage over the unique identifier/certificate of title for the Property. The bank will be granted a first registered General Security Agreement over all present and after acquired personal property at:

- 903 Leslie Road, Tapapa
- 25 Okauia Springs Road, Matamata
- 111 Pohlen Road, Matamata
- 207 Mowbray Road, Waharoa
- 594 & 668 Waihekau Road, Waitoa
- 2 & 16 Banks Road, Matamata

The loan is a facility with a term of 36 months (3 years) from date of drawdown. It is assumed that the loan will be replaced with a loan on similar terms at the repayment date.

The loan will be a Limited Recourse loan with no personal guarantees given by any party including Investors. The loan will be interest only where no principal repayments are required to be made until the repayment date specified in the loan agreement which is the expiry of the loan term (provided the Scheme is not in default of the bank's covenants).

Inghams Portfolio Scheme Prospective Financial Statements

The interest rate payable by the Scheme is BKBM plus a margin of 2.10% per annum for the loan term of 36 months (assuming the interests are fully subscribed).

Silverfin has adopted a 4.00% per annum interest rate on the Term Loan Facility for the purposes of the prospective financial information. This is 1.90% plus the bank's current lending margin of 2.10%.

14. BANK COVENANTS

The loan to value ratio (LVR) is to be 55% or lower. Interest cover is at all times must exceed 2.5 times, calculated as net operating income / interest expense.

Calculation of bank loan covenants at 31 March 2020, 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024:

	2020	2021	2022	2023	2024
Net Rental income	3,670,000	5,908,436	6,008,879	6,111,030	6,214,918
Funding costs	1,088,548	1,720,000	1,720,000	1,720,000	1,720,000
Interest cover (times)	3.37	3.44	3.49	3.55	3.61
Loan balance	43,000,000	43,000,000	43,000,000	43,000,000	43,000,000
Asset value	86,000,000	86,000,000	86,000,000	86,000,000	86,000,000
LVR	50.0%	50.0%	50.0%	50.0%	50.0%

15. VALUATION

An independent valuation of the Property on a market value basis has been provided by Carl Waalkens, BProp MPINZ and Nick Thacker, BBS (VPM) MPINZ of Bayleys Valuations Limited at a value of \$86,000,000 plus GST (if any) as at 21 May 2019. The valuation was prepared using both a capitalisation approach and a discounted cashflow analysis, as well as available market evidence.

The table below represents some further sensitivity with regard to applied yields or capitalisation rates.

Capitalisation approach

Capitalisation Rate	Market Value
6.95%	\$82,699,860
6.70%	\$85,737,993
6.45%	\$89,009,307

Discounted Cash Flow approach

10 YEAR DCF SENSITIVITY MATRIX

Terminal Yield	Warrant	Discount rate				
		8.10%	7.85%	7.60%	7.35%	7.10%
8.40%		80,955,517	82,284,251	83,643,317	85,033,518	86,455,681
8.15%		82,033,078	83,435,224	84,824,394	86,242,380	87,683,059
7.90%		83,282,009	84,665,239	86,080,207	87,527,758	89,008,758
7.65%		84,559,308	85,972,457	87,418,117	88,897,154	90,410,457
7.40%		85,922,917	87,368,005	88,848,432	90,359,083	91,898,872



Independent Limited Assurance Report

To the Directors of Inghams Portfolio Scheme

Report on the Prospective Financial Information

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that causes us to believe that the prospective financial information on pages 1 to 23 has not, in all material respects:

- Been compiled in accordance with FRS42 Prospective Financial Statements (FRS42) issued by the External Financial Reporting Board (XRB); and
- Been calculated correctly on the basis of the calculation included in the Offer's assumptions.



Basis for conclusion

We have performed an engagement to provide limited assurance in relation to Inghams Portfolio Scheme's (the "Scheme") prospective financial information for the 7 month and 17 days period ended 31 March 2020 and 12 month period ended 31 March 2021, 31 March 2022, 31 March 2023, and 31 March 2024.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and International Standard on Assurance Engagements 3400 *The Examination of Prospective Information*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- Used our professional judgement to plan and perform the engagement to obtain limited assurance that the prospective financial information is free from material misstatement, whether due to fraud or error;
- Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other than in our capacity as assurance provider, we have no relationship with, or interest in Inghams Portfolio Scheme.



Use of this Independent Limited Assurance Report

Our report should not be regarded as suitable to be used or relied on by any party other than Inghams Portfolio Scheme for any purpose or in any context. Any party other than Inghams Portfolio Scheme who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Inghams Portfolio Scheme for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Inghams Portfolio Scheme on the basis that it shall not be copied, referred to or disclosed, in whole (save for Inghams Portfolio Scheme's own internal purposes) or in part, without our prior written consent.



Responsibilities of the Directors of Inghams Portfolio Scheme for the Prospective Financial Information

The Directors of the Scheme are responsible for the preparation and fair presentation of the prospective financial information in accordance with FRS42. This responsibility includes such internal control as the Directors determine is necessary to enable the preparation of the prospective financial information that is free from material misstatement whether due to fraud or error.



Assurance Practitioner's Responsibilities for the Limited Assurance of the Prospective Financial Information

Our responsibility is to express a conclusion to the Directors on the preparation and presentation of the prospective financial information in accordance with the terms set out in our engagement letter dated 1 May 2019.

Hamilton

23 May 2019