

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

**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 Company, which has no subsidiaries or other group members. The Company 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 offering investors up to 56,000,000 fully paid ordinary shares in the Company at \$1.22 each in order to raise funds to allow the Company to acquire four properties (the **Settlement Properties**). The Product Disclosure Statement (**PDS**) for the Offer dated on or around 17 March 2021 can be found at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose), by searching “Pacific Property Fund Limited” under “search for an offer”.

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 for the Company were prepared and authorised by the Directors of the Company as at 17 March 2021 for use in the PDS and not for any other purpose. The Company is responsible for the Prospective Financial Statements and all other required disclosures.

The Prospective Financial Statements for the Company, 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 of the Company 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 23-24 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 of the Company 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 of the Company, nor any other person give a guarantee or assurance that the Prospective Financial Statements presented will be achieved.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

There is no present intention to update the Prospective Financial Statements or to publish Prospective Financial Statements in the future for the Company, other than as required by the Financial Reporting Act 2013, the Regulations or New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**). The Company 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 143,820,000 shares to 30 April 2021, or one or more parcels of 199,820,000 shares from 30 April 2021 onwards and calculated on the basis of forecast distributions from expected available funds from operations. It is presumed the maximum equity to be raised from the Offer, 56,000,000 Shares at \$1.22 per Share, is achieved.

The accounting policies assumed in the Prospective Financial Statements reflect the policies currently adopted by the Company in the annual financial statements of the Company for the year to 31 March 2020, which are also expected to be adopted by the Company in future reporting periods.

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

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

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

	<b>2021</b>	<b>2022</b>
	\$	\$
<b>Revenue</b>		
Rental income from property leases	16,391,927	22,866,404
Property operating expenses recovered	2,876,208	4,105,925
<b>Total revenue</b>	<b>19,268,135</b>	<b>26,972,329</b>
<b>Less expenses</b>		
Property operating expenses	(3,189,778)	(4,329,715)
Property and asset management fees	(1,541,884)	(2,349,206)
Valuation fees	(174,000)	(234,000)
Audit fees	(75,000)	(75,000)
Accountancy fees	(30,000)	(30,000)
Other fund overhead and administration expenses	(390,647)	(411,746)
<b>Total expenses</b>	<b>(5,401,309)</b>	<b>(7,429,666)</b>
<b>Less finance costs</b>		
Interest received	39,646	35,599
Ground lease expense	(113,813)	(114,019)
Interest expense	(3,581,223)	(4,989,848)
Break and line fees	(48,214)	(102,000)
Net change in fair value of derivatives	123,853	-
<b>Net financing costs</b>	<b>(3,579,751)</b>	<b>(5,170,268)</b>
<b>Add other returns</b>		
Other investment income	717,319	-
Movement in fair value of investment property	16,241,534	(1,528,500)
<b>Profit/(loss) before income tax</b>	<b>27,245,928</b>	<b>12,843,895</b>
Income tax expense	-	-
<b>Net profit for the year</b>	<b>27,245,928</b>	<b>12,843,895</b>
Other comprehensive income net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>27,245,928</b>	<b>12,843,895</b>

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

	Share Capital	Retained earnings	Total equity
	\$	\$	\$
<b>Balance as at 1 April 2020</b>	<b>140,047,533</b>	<b>14,762,942</b>	<b>154,810,475</b>
Net profit for the year and total comprehensive income	-	27,245,928	27,245,928
<i>Transactions with investors in their capacity as investors:</i>			
- <i>Dividends paid to investors</i>	-	(10,570,770)	(10,570,770)
<b>Balance at 31 March 2021</b>	<b>140,047,533</b>	<b>31,438,100</b>	<b>171,485,633</b>
<b>Balance as at 1 April 2021</b>	<b>140,047,533</b>	<b>31,438,100</b>	<b>171,485,633</b>
Net profit for the year and total comprehensive income	-	12,843,895	12,843,895
<i>Transactions with investors in their capacity as investors:</i>			
- <i>Shares issued during the year</i>	68,320,000	-	68,320,000
- <i>Share issue costs</i>	(3,137,400)	-	(3,137,400)
- <i>Dividends paid to investors</i>	-	(14,343,770)	(14,343,770)
Total transactions with investors	65,182,600	(14,343,770)	50,838,830
<b>Balance at 31 March 2022</b>	<b>205,230,133</b>	<b>29,938,225</b>	<b>235,168,358</b>

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

**PROSPECTIVE STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH**

	<b>2021</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	689,627	1,873,582
Trade and other receivables	5,718,295	1,212,407
Lease receivable	37,346	37,346
Assets held for sale	4,187,626	-
	<b>10,632,894</b>	<b>3,123,336</b>
<b>Non-current assets</b>		
Investment property	273,836,985	394,265,703
Lease adjustments	1,230,391	1,957,965
Lease receivable	372,551	335,204
	<b>275,439,927</b>	<b>396,558,872</b>
<b>TOTAL ASSETS</b>	<b>286,072,820</b>	<b>399,682,208</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	1,537,919	1,357,669
Distribution payable	2,642,693	3,671,693
Derivative liability	656,494	656,494
Other current liabilities	41,356	167,974
	<b>4,878,461</b>	<b>5,853,829</b>
<b>Non-current liabilities</b>		
Borrowings	107,808,403	156,756,056
Lease payable	1,900,323	1,903,966
	<b>109,708,726</b>	<b>158,660,021</b>
<b>TOTAL LIABILITIES</b>	<b>114,587,187</b>	<b>164,513,851</b>
<b>NET ASSETS</b>	<b>171,485,633</b>	<b>235,168,358</b>
<b>Shareholder Equity</b>		
Share capital	140,047,533	205,230,133
Retained earnings	31,438,100	29,938,225
<b>TOTAL EQUITY</b>	<b>171,485,633</b>	<b>235,168,358</b>

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

**PROSPECTIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEAR'S ENDING 31 MARCH**

	<b>2021</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
<i>Cash to be provided from:</i>		
Receipts from tenants	19,370,236	26,503,332
Interest received	1,000	-
Investment income	717,319	-
Net GST received	2,608	126,618
<i>Cash to be applied to</i>		
Payments to suppliers	(5,708,540)	(8,210,240)
Interest paid	(5,114,124)	(5,091,848)
<b>Net cash inflow/outflow from operating activities</b>	<b>9,268,500</b>	<b>13,327,862</b>
<b>Cash flows from investing activities</b>		
<i>Cash to be provided from:</i>		
Disposal of investment property held for sale	-	4,200,000
Disposal of other investments	11,800,000	-
<i>Cash to be applied to</i>		
Purchase of investment property and capital expenditure	(48,291,459)	(115,780,889)
Purchase of other investments	(11,800,000)	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(48,291,459)</b>	<b>(111,580,889)</b>
<b>Cash flows from financing activities</b>		
<i>Cash to be provided from:</i>		
Proceeds from issue of share capital	-	68,320,000
Proceeds from borrowings	154,073,022	48,947,653
<i>Cash to be applied to</i>		
Share issue/acquisition costs	-	(4,515,900)
Repayment of borrowings	(108,891,730)	-
Dividends paid	(10,570,771)	(13,314,770)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>34,610,521</b>	<b>99,436,983</b>
Net increase/(decrease) in cash and cash equivalents	(4,412,438)	1,183,956
Cash and cash equivalents at beginning of financial year	5,102,065	689,627
<b>Cash and cash equivalents at end of financial year</b>	<b>689,627</b>	<b>1,873,582</b>

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

Statement of accounting policies

- (a) **Amalgamation:** At 1 April 2020, the Company had one subsidiary. To simplify the group structure, the subsidiary was amalgamated with the Company in December 2020. The information for the subsidiary is included in the prospective financial statements as though it were amalgamated for the whole of the prospective financial periods.
- (b) **Functional and presentation currency:** The financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency, and are rounded to the nearest dollar.
- (c) **Relevant preparation periods:** The Prospective Financial Statements of the Company have been prepared for the years ending 31 March 2021 and 31 March 2022. For the year ending 31 March 2021 the Prospective Financial Statements include actual management information for the period 1 April 2020 to 31 December 2020, and prospective information for the period 1 January 2021 to 31 March 2021.
- (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 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 Company applies 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 Company 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 Company 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 Company 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 December 2020, no revaluations are recorded during the Prospective Financial Information period beyond 31 December 2020. This includes where derivatives are due to mature during the Prospective Financial Information period.

**Statement of accounting policies (continued)**

- (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 Company. 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 for accounting purposes.

Given the inherent uncertainty of revaluation movements beyond those valuations held as at the date of this Prospective Financial Information, no revaluation of the Settlement Properties is recorded beyond the estimated Settlement Date of the Settlement Properties (30 April 2021), nor beyond 31 March 2021 for the Company's other properties. See paragraph (j) in assumptions for further details.

- (f) **Managers Fees:** PMG Property Funds Management Limited (the **Manager**) charges the Company for several types of fees:

*Property and asset management fees:* The Manager is entitled to a management fee equal to 0.50% of the carrying value of the investment property assets in the Company. The Manager is also entitled to a property management fee of 1.50% of the gross annual rental of the investment property assets in the Company. The management fees are paid to the Manager monthly in respect of the property and funds management services provided by the Manager during the prior month and included within the Statement of Comprehensive Income when incurred by the Company.

*Property transaction fees:* The Manager is entitled to several property transaction fees:

- On purchasing a property, an acquisition fee of the greater of \$150,000 and 1.00% of the acquisition price of an investment property (**Acquisition Fee**).
- On disposal of a property held by the Company, a fee equal to 1.00% of the sales price for the property is also payable to the Manager (**Disposal Fee**).
- In relation to refurbishment or development works on any property owned by the Company, a fee equal to 5.00% of the costs (excluding GST) may be charged per project. The same fee may be charged in relation to a maintenance project, provided the cost of the maintenance project exceeds \$100,000 (excluding GST) (**Project Fee**).
- If the Manager undertakes an investigation into the acquisition of a new property or disposal of an existing property from the Company (at the request of or in consultation with the Company), a fee (**Investigation Fee**), on a time and attendance basis, as agreed between the Manager and the Company, is payable. If the Manager is paid an Investigation Fee, and the relevant transaction subsequently proceeds, an amount equal to the Investigation Fee will be deducted from the Acquisition Fee.
- The Manager is entitled to recover any costs incurred by the Manager from any consultants or advisers engaged in relation to property acquisition, disposal, investigation, construction, or refurbishment subject to those costs being approved by the Company.

The Acquisition Fee and Project Fee are included within the carrying value of investment property in the Statement of Financial Position. The Disposal Fee and Investigation Fee are included in the Statement of Comprehensive Income when incurred by the Company.

If the Company requests the Manager to undertake any matters related to any of the properties of the Company, that do not fit within any of the obligations of the Manager, then the Company shall pay the Manager a market rate time in attendance fee for any such works the Manager is asked to undertake. The market rate is to be agreed between the parties.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Statement of accounting policies (continued)**

(g) **Leases** - At inception of a contract, the Company 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 Company assesses whether:

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

***As Lessor:***

- **Operating Leases** - The Company is a lessor in lease contracts 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 Company 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). 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 Company over the lease term using the effective interest rate method.

***As Lessee:*** The Company is a lessee in respect of a ground lease contract on the site of the Tui Property (Truman Lane). The Company 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 Company'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.

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 Company presents right-of-use assets within Investment Properties on the face of the statement of financial position, and lease liabilities on the face of the statement of financial position.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Statement of accounting policies (continued)**

- (h) **Revenue recognition:** The Company receives income from tenants under commercial leases which set out the terms that the tenant must meet. 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, including contractually agreed fixed term rental growth and lease incentives. Fixed rental increases are recognised as assets and adjusted over time to allocate rent revenue 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. Such assets are recognised on the face of the statement of financial position within Lease Adjustments. Contingent rentals are recognised as income in the period when earned.

**Operating expense recoveries** – Tenants pay the Company for Operating Expenses. These are recoveries of expenses incurred by the Company 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 Company 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 Company 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 Company. These are expenses such as rates, ground rent, insurance, lift expenses, valuation, fire expenses, plumbing and electricity maintenance, and air conditioning services.

The Outgoings Recovered that the Company 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 above the lease of rental space and 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.

**Other investment income** – Income from underwriting arrangements related to shares or units in other funds, and dividend or distribution income related to shares or units in other funds, is recognised as other investment income on the date that the Company's right to receive payment is established.

- (i) **Interest expense:** Interest expense comprises interest expense on borrowings and is accounted for using the effective interest method. All finance costs are expensed in the period in which they are incurred.
- (j) **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.
- (k) **Dividends payable:** Dividends payable are recognised when declared and no longer at the discretion of the Company.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Statement of accounting policies (continued)**

- (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 (where GST is applicable to components of the underlying balance).
- (m) **Income tax:** As at 1 April 2016, the Company elected to be a multi-rate Portfolio Investment Entity (PIE) for income tax purposes 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 notified Prescribed Investor Rates (PIR). The Company calculates and deducts tax based on each investor's notified 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 included 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 notified PIR.

- (n) **Provisions:** Provisions are recognised when the Company has a present (legal or constructive) obligation because of a past event, it is probable the Company will be required to settle the obligations, and a reliable estimate of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.
- (o) **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.

**Statement of accounting policies (continued)**

- (p) **Impairment of non-financial assets:** Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

- (q) **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 Company.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**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) **Offer Settlement, Settlement Properties, and other Acquisition Properties:** The Offer is expected to settle on 30 April 2021. On the same day, the Company intends to settle the acquisition of the Victoria Street Property, the Gloucester Street Property, and the Distribution Lane Property. The Company subsequently assumes it will settle the Eastern Hutt Road Property on 30 June 2021. The Langley Road Property acquisition is expected to settle in March 2021, and the Arthur Porter Drive Property acquisition is expected to settle in June 2021. The prospective financial statements only include information for the Acquisition Properties from their estimated acquisition date, other than deposits paid in advance – included within trade and other receivables until acquisition of the relevant property. The Company has already settled the acquisition of the Link Drive Property on 30 April 2020.
- (b) **Issue and property acquisition costs:** It is assumed that the maximum equity raise will be achieved by 30 April 2021, being 56,000,000 shares at \$1.22 each. In this case, the Company has estimated approximately \$4,515,900 of costs associated with the Offer. This includes \$3,137,400 of issue costs to be accounted for within equity, and \$1,378,500 of acquisition costs to be accounted for within Investment Property. Issue and Property Acquisition Costs include property and offer due diligence costs, legal fees, accounting fees, property valuation fees, brokerage/contribution fees, underwriting fees, property acquisition fees, deposit fees and marketing costs amongst other expenses.
- (c) **Rental income:** The Prospective Financial Statements assume annual rental income will be received in accordance with current signed lease agreements for each lettable and currently leased space, plus any applicable property vendor underwrites or leasebacks that may be enforceable for each property. A number of further assumptions are made in connection with the timing of vacancy and rent reviews during the forecast period based on the expectations of the Company.

Property operating expenses are generally recoverable to the extent a property is tenanted, with some exceptions. During the prospective years to 31 March 2021 and 31 March 2022, approximately 90% and 95% of property operating expenses are expected to be recoverable from tenants, respectively. The increased occupancy rate and portfolio quality is expected to increase the percentage of operating expenditure recovered from tenants.

The occupancy forecast for the Company overall is as follows:

<b>As at date</b>	<b>Occupancy Rate</b>
1 April 2020	97%
31 March 2021	96%
Settlement Date	96%
31 March 2022	99%

The primary reason for the reduction in occupancy rate to 31 March 2021 is in relation to physically unoccupied space at the Seaview Road Property, where a tenant previously entered liquidation. The space is expected to be physically unoccupied from 1 January 2021 to 30 November 2021, with 32% of the previous rental income (excluding fit-out rental) for the space being received from the property vendor. The space is treated as 32% occupied. Once leased, following any required forecast capital works, a subsequent increase in occupancy rate is expected by 31 March 2022.

During the forecast period, there are existing lease agreements expiring in the prospective year ending 31 March 2022 representing annual revenue (inclusive of operating expenditure recoverable and casual leases, but before any lease incentive and fixed rental growth adjustments) totalling \$1,001,485 (or 3.7% of total property revenue for the year ended 31 March 2022). These leases are presumed to be renewed, or new leases signed, by 31 March 2022 - with the exception of \$196,702 of this income, related to the Sandwich Road Property (presumed sold) and the Druces Road Property (vacancy arising July 2021 and presumed remaining at 31 March 2022).

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(c) Rental income (continued)**

Rental income by property in the prospective periods has been summarised below, exclusive of recoverable operating expenses and any other property-related income. Rental income is only summarised from the date of acquisition, and up to the date of disposal, where appropriate by property as documented elsewhere in this document in assumptions (a) and (m).

	<b>Prospective Year 2021</b>	<b>Prospective Year 2022</b>
<b>Rental income</b>		
Seaview Road Property	2,814,082	2,663,861
Hutt Park Road Property	1,469,361	1,469,838
Spring Street Property	793,170	750,995
Alderman Drive Property	812,798	883,124
Braeburn Drive Property	455,735	504,129
Paerangi Place Property	564,987	563,551
Vickery Street Property	1,272,449	1,335,395
Truman Lane Property	1,150,260	1,238,589
Sandwich Road Property	368,225	222,362
Robert Street Property	854,031	954,924
El Prado Drive Property	2,589,819	2,708,049
Druces Road Property	330,018	497,255
Dominion Road Property	1,090,598	1,191,860
Link Drive Property	1,797,276	1,972,621
Langley Road Property	29,119	558,758
Arthur Porter Drive Property	-	283,150
Eastern Hutt Road Property	-	536,413
Distribution Lane Property	-	350,444
Victoria Street Property	-	2,853,412
Gloucester Street Property	-	1,327,675
<b>Total</b>	<b>16,391,927</b>	<b>22,866,404</b>

It has been presumed that during the year ending 31 March 2021, the Company will provide net rental abatement to 21 tenants estimated at \$431,000. No further net rental abatement has been provided for, on the basis that it is not currently expected to be required.

Below is a summary of the key tenancies by building and the key assumptions that will impact revenue during the prospective financial periods ending 31 March 2022:

- a. Seaview Road Property – Rental income for the year ending 31 March 2022 is forecast to be 11.6% of total annual rental income for the Company. A total of seven tenants (including vendor underwrites, leasebacks and top-ups), account for the rental income from lease of the property. No single tenant is considered material. A vendor underwrite, leaseback or top-up arrangement is in place in respect of the property. Currently, 3,041 square metres of the property is being leased back by the vendor. There is currently 5,250 square metres of other space physically unoccupied, related to a previous tenant in liquidation. Rental income is being partially recovered from a vendor top-up arrangement (32% of previously agreed rent). As a result, 3,570 square metres (68%) of this space is considered vacant, for which no vendor underwrite, leaseback or top-up is in place. It is forecast to be vacant with no income from 1 January 2021 until leased up by October 2021 (891 square metres) and December 2021 (remainder).

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(c) Rental income (continued)**

- b. Hutt Park Road Property - Rental income for the year ending 31 March 2022 is forecast to be 6.4% of total annual rental income for the Company. A total of three tenants (including vendor underwrites, leasebacks and top-ups), account for the rental income from lease of the property. The most significant tenant is 880 Productions Limited, generating rental income (excluding operating expenditure recovered) of \$1,022,500 in the year to 31 March 2022, with a lease due to expire 30 June 2024. There is no vacancy forecast throughout the prospective periods. A vendor leaseback is in place in respect of 1,518 square metres, expiring 30 September 2025.
- c. Spring Street Property – Rental income for the year ending 31 March 2022 is forecast to be 3.3% of total annual rental income for the Company. A total of ten tenants (excluding tenants vacating the premises), account for the rental income from lease of the property. No single tenant is considered material. From 31 March 2021 there is expected to be 588 square metres of vacancy. All of this vacant space is forecast to be leased up between July and October 2021 at market rental.
- d. Alderman Drive Property – Rental income for the year ending 31 March 2022 is forecast to be 3.9% of total annual rental income for the Company. A total of five tenants (excluding tenants vacating the premises) account for the rental income from lease of the property. No single tenant is considered material. There is no forecast vacancy in the prospective periods.
- e. Braeburn Drive Property – Rental income for the year ending 31 March 2022 is forecast to be 2.2% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Summerland Express Freight Limited, is expected to generate rental income (excluding operating expenditure recovered) of \$504,129 in the year to 31 March 2022, with a lease expiry of December 2024. There is no forecast vacancy in the prospective periods.
- f. Paerangi Place Property – Rental income for the year ending 31 March 2022 is forecast to be 2.5% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Hemp New Zealand Limited, is expected to generate rental income (excluding operating expenditure recovered, and income from assets on finance lease) of \$563,551 in the year to 31 March 2022, with a lease expiry of October 2028. There is no forecast vacancy in the prospective periods.
- g. Vickery Street Property – Rental income for the year ending 31 March 2022 is forecast to be 5.8% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Alto Packaging Limited, is considered material and expected to generate rental income (excluding operating expenditure recovered) of \$1,335,395 in the year to 31 March 2022, with a lease expiry of February 2027. There is no forecast vacancy in the prospective periods.
- h. Truman Lane Property – Rental income for the year ending 31 March 2022 is forecast to be 5.4% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Tui Products Limited, is considered material and expected to generate rental income (excluding operating expenditure recovered) of \$1,238,589 in the year to 31 March 2022, with a lease expiry of April 2034. There is no forecast vacancy in the prospective periods.
- i. Sandwich Road Property – Rental income for the year ending 31 March 2022 is forecast to be 1.0% of total annual rental income for the Company. The property is held for sale, with a forecast disposal date on or around 30 November 2021. A total of two tenants account for the rental income from lease of the property, with none considered material. There is currently 241 square metres of vacancy, forecast to remain until disposal of the property in November 2021. An additional 246 square metres of vacancy is forecast to arise in August 2021 and remain until disposal of the property.
- j. Robert Street Property – Rental income for the year ending 31 March 2022 is forecast to be 4.2% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Farmers Trading Company Limited, is expected to generate rental income (excluding operating expenditure recovered) of \$954,924 in the year to 31 March 2022, with a lease expiry of October 2032. There is no forecast vacancy in the prospective periods.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(c) Rental income (continued)**

- k. El Prado Drive Property – Rental income for the year ending 31 March 2022 is forecast to be 11.8% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Ezibuy Limited, is considered material and expected to generate rental income (excluding operating expenditure recovered) of \$2,708,049 in the year to 31 March 2022, with a lease expiry of February 2026. There is no forecast vacancy in the prospective periods.
- l. Druces Road Property – Rental income for the year ending 31 March 2022 is forecast to be 2.2% of total annual rental income for the Company. A total of two tenants account for the rental income from lease of the property (excluding one tenant due to vacate the property in June 2021). No single tenant is considered material. At the start of the prospective periods there was a total of 2,749 square metres of vacancy, reducing to 1,396 square metres by 31 March 2021. This space is forecast to be leased on 1 October 2021. An additional 481 square metres of vacancy is expected from 30 June 2021 until at least 31 March 2022.
- m. Dominion Road Property – Rental income for the year ending 31 March 2022 is forecast to be 5.2% of total annual rental income for the Company. A total of six tenants account for the rental income from lease of the property. No single tenant is considered material. There is a temporary vacancy of 262 square metres plus associated car parks and signage/naming rights, due to occur between October 2021 and February 2022.
- n. Link Drive Property – Rental income for the year ending 31 March 2022 is forecast to be 8.6% of total annual rental income for the Company. A total of four tenants (including vendor underwrites, leasebacks and top-ups) account for the rental income from lease of the property. No single tenant is considered material. There is currently no vacancy. A vendor underwrite, leaseback or top-up arrangement is in place in respect of 8,470 square metres of lettable area throughout the prospective periods, not due to expire until April 2026.
- o. Langley Road Property – Due to be acquired in March 2021, rental income for the year ending 31 March 2022 is forecast to be 2.4% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Pilehire Limited, is expected to generate rental income (excluding operating expenditure recovered) of \$558,758 in the year to 31 March 2022, with a lease expiry of October 2030. There is no forecast vacancy in the prospective periods.
- p. Arthur Porter Drive Property – Due to be acquired 30 June 2021, rental income for the year ending 31 March 2022 is forecast to be 1.2% of total annual rental income for the Company. The property acquisition is conditional upon a tenant committing to a lease on the property. The sole tenant is expected to generate rental income (excluding operating expenditure recovered) of \$283,150 in the nine months to 31 March 2022, with an initial lease expiry of at least June 2027. There is no forecast vacancy in the prospective periods.
- q. Eastern Hutt Road Property – Due to be acquired 30 June 2021, rental income for the year ending 31 March 2022 is forecast to be 2.3% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Northpower Limited, is expected to generate rental income (excluding operating expenditure recovered but including a vendor top-up arrangement) of \$536,413 in the nine months to 31 March 2022, with a lease expiry of October 2030. There is no forecast vacancy in the prospective periods.
- r. Distribution Lane Property – Due to be acquired 30 April 2021, rental income for the year ending 31 March 2022 is forecast to be 1.5% of total annual rental income for the Company. A sole tenant accounts for the rental income from lease of the property. This tenant, Glaziers Choice Limited, is expected to generate rental income (excluding operating expenditure recovered) of \$350,444 in the 11 months ending 31 March 2022, with a lease expiry of April 2031. There is no forecast vacancy in the prospective periods.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(c) Rental income (continued)**

- s. Victoria Street Property – Due to be acquired 30 April 2021, rental income for the year ending 31 March 2022 is forecast to be 12.5% of total annual rental income for the Company. A total of eight tenants (including vendor underwrites, leasebacks and top-ups) account for the rental income from lease of the property. No single tenant is considered material. There is currently no vacancy. A vendor underwrite, leaseback or top-up is in place in respect of 519 square metres of physically unoccupied space from acquisition to 31 March 2022.
- t. Gloucester Street Property – Due to be acquired 30 April 2021, rental income for the year ending 31 March 2022 is forecast to be 5.8% of total annual rental income for the Company. A total of five tenants account for the rental income from lease of the property. No single tenant is considered material. There is no forecast vacancy in the prospective periods.

**(d) Gross Dividend:** For the prospective years ending 31 March 2021 and 31 March 2022 the gross dividend is expected to be 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 day of the month following (or the next working day if a weekend or public holiday).

**(e) Receipts from tenants and payments to suppliers:** It has been assumed that virtually all tenants will pay their monthly rent and operating expenses in the month of invoicing. The Company has been assumed to pay most expenses in the month following invoicing.

**(f) Bank funding:** The Company has a syndicated funding arrangement with five banking counterparties (the **Banking Syndicate**). The funding facilities committed by the Banking Syndicate to the Company total \$168,000,000, on the assumption that the Company can provide first mortgage security in relation to the 20 properties noted in this document (amongst other requirements). Of this total funding facility, \$58,000,000 are either new or increasing funding facility limits from the Banking Syndicate in relation to the properties due to be acquired after the date of the PDS to which this prospective financial information relates.

The total bank borrowings drawn at a point in time will depend on the total capital the Company raises through the Offer (amongst other factors). Assuming the maximum equity raise of \$68,320,000 is achieved, total bank borrowings drawn at Settlement Date will be \$134,000,000 (35.3% of the Company's total assets, or 36.1% of the latest independent valuation report held in relation to each property in the Property Portfolio, excluding finance lease assets). Bank borrowings drawn will increase by 30 June 2021, after acquisition of all six Acquisition Properties, to \$155,000,000 (38.9% of the Company's total assets, or 39.5% of the latest independent valuation report held). The unused bank facilities are expected to be sufficient to fund future capital expenditure requirements of the Company for the prospective period to 31 March 2022 (if required). Should only the minimum equity raise of \$61,000,000 be achieved, the bank facilities have sufficient headroom to complete the purchase of all six Acquisition Properties and undertake expected future capital expenditure of the Company in the period to 31 March 2022.

The expected funding facilities at 30 June 2021 are as follows:

Lender	Facility Name	Facility Type	Facility Expiry	Facility Limit	Borrowings – 30 June 2021
ASB	Revolving	Revolving Credit	December 2024	\$10,000,000	\$Nil
	Tranche A	Term Loan	December 2024	\$28,000,000	\$28,000,000
	Tranche B	Term Loan	December 2025	\$10,000,000	\$10,000,000
	Tranche C	Term Loan	April 2026	\$8,000,000	\$5,000,000
ICBC	Tranche A	Term Loan	December 2024	\$12,500,000	\$12,500,000
	Tranche B	Term Loan	December 2025	\$12,500,000	\$12,500,000
BOC	Tranche A	Term Loan	December 2024	\$7,500,000	\$7,500,000
	Tranche B	Term Loan	December 2025	\$7,500,000	\$7,500,000
Kiwibank	Tranche B	Term Loan	December 2025	\$25,000,000	\$25,000,000
	Tranche C	Term Loan	April 2026	\$5,000,000	\$5,000,000
Aware Super	Tranche C	Term Loan	April 2026	\$42,000,000	\$42,000,000
<b>Total</b>				<b>\$168,000,000</b>	<b>\$155,000,000</b>

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(f) Bank funding (continued):**

All term loans are extendible facilities, with the ability to extend the term by one year, every year, subject to annual lender review and confirmation. There is an expectation that all facilities will remain as non-current borrowings for the foreseeable future.

The funding facilities with the Banking Syndicate are subject to variation at the time of the loan being drawn and presume all conditions in the Offer, and the agreements related to the Banking Syndicate facilities, are fulfilled.

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

- i. No principal repayments are required during the term of the funding facilities.
  1. Existing funding facilities with the BNZ prior to the Banking Syndicate being established were repaid in full and new facilities were subsequently drawn from the Banking Syndicate.
  2. Once the Held for Sale Property (Sandwich Road Property) is disposed, a voluntary repayment of \$3,000,000 will be made.
- 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 funding facilities are secured by first registered mortgages over each property within the Property Portfolio, and a general security agreement over all present and future acquired assets of the Company.

**(g) Bank interest and other bank fees:** The interest rates associated with the facilities are primarily structured on a floating BKBM plus a bank margin basis. To hedge the risk on the floating nature of the interest rate, the Company has entered into various swap agreements as at Settlement Date with a notional value of \$95,000,000. The swap agreements mature between December 2022 and April 2025. The Company may enter into further swap agreements to fix the interest rate for up to 100% of the Company's borrowings, whilst also endeavouring to have greater than 60% of borrowings hedged by an interest rate swap at a given point in time. Coverage at Settlement Date is expected to be 71% of total borrowings, reducing to 61% of total borrowings at 30 June 2021.

It is projected for the purposes of this prospective financial information that the weighted average interest rates charged on all bank borrowings, including the effect of interest rate swaps but excluding the revolving credit facility, will be:

- i. to 31 December 2020: 3.62% per annum
- ii. From 1 January 2021 to 31 March 2022: 3.35% per annum

This prospective rate forecast includes allowance for any finance costs akin to interest not separately discussed below. The revolving credit facility is separately presumed to have an initial interest cost of 1.78% per annum, plus a line fee charged on the total facility limit of 1.02% per annum.

Interest rates are inherently subject to regular fluctuation, and at a point in time may vary.

Other costs outside of the prospective effective average interest rate above will be incurred in relation to the Banking Syndicate, these include:

- a. One-off establishment fees for establishing the Banking Syndicate.
- b. One-off fees associated with the establishment of new funding facilities; and  
Annual Facility Agent Fee and Security Trustee Fee.

All one-off establishment fees (including on establishment of the Banking Syndicate and fees for establishing new facilities) will be accounted by amortising over the initial number of years until maturity of the applicable facility. The carrying value is included as an offset within bank borrowings in the statement of financial position, given the accounting policy for measurement of borrowings under the amortised cost method.

Other bank fees will be expensed as incurred, including any costs payable and not already recognised in relation to the break of any swap arrangements with previous lenders on transfer of the Company's borrowings to the Banking Syndicate.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

- (h) **Manager’s Fees:** The Manager expects to charge fees, including but not limited to property and asset management fees, and property transaction fees, in accordance with accounting policy (f). Property and asset management fees are shown on the face of the statement of comprehensive income.

The Manager’s property transaction fees expected in the prospective financial periods are as follows:

	FY 2021	FY 2022
<b>Acquisition Fees</b>		
• <i>Settlement Properties</i>	-	\$1,081,000
• <i>Other properties acquired</i>	\$450,000	\$150,000
<b>Disposal Fees</b>	-	\$44,118
<b>Property Project Fees</b>	\$139,982	\$251,018
<b>Total Property Transaction Fees</b>	<b>\$589,982</b>	<b>\$1,526,136</b>

The Settlement Properties will be subject to an Acquisition Fee of 1.00% of the property purchase price. The minimum charge of \$150,000 will not be enforced by the Manager on this occasion.

- (i) **Prospective Capital Expenditure:** Budgeted capital expenditure (excluding property acquisition fees and project management fees payable to the Manager) is forecast as \$2,853,913 for the year ending 31 March 2021 and \$5,045,370 for the year ending 31 March 2022.

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.

Details about properties with the largest capital expenditure budgets (excluding fees payable to the Manager) are set out below:

- i. At the Seaview Road Property, \$590,486 of specific capital works in the year to 31 March 2021 and \$1,043,000 of specific capital works in the year to 31 March 2022 for protection of original roof trusses, upgrade to existing office arrangement, redesign and fit out of currently vacant space, plus other general capital expenditure.
- ii. At the Alderman Drive Property, \$419,709 of specific capital works in the year to 31 March 2021 and \$279,689 of specific capital works in the year to 31 March 2022 for upgrades to common areas, CCTV systems, capital works associated with the commitment to new leasing arrangements, plus other general capital expenditure.
- iii. At the Spring Street Property, \$694,083 of specific capital works in the year to 31 March 2022 for upgrades to air conditioning systems, painting of the property exterior, the rear stairwell, new tenant fit outs, plus other general capital expenditure.
- iv. At the Vickery Street Property, \$539,580 of specific capital works in the year to 31 March 2021 related to upgrading the main switch board, an office fitout, and sprinkler system, plus other general capital expenditure.
- v. At the El Prado Drive Property, \$471,170 of specific capital works in the year to 31 March 2021 for upgrades to fire safety system, security fence, and roof safety system, plus other general capital expenditure.
- vi. At the Braeburn Drive Property, \$331,667 of specific capital works in the year to 31 March 2021 for the completion of a truck wash for the sole tenant, plus other general capital expenditure.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**Assumptions (continued)**

**(i) Prospective Capital Expenditure (continued):**

The remaining budgeted capital expenditure during the prospective financial periods will be used for general capital expenditure, including allowances for expenditure currently not specifically planned but for which an allowance for potential expenditure or overruns is considered prudent based on the Manager's experience.

**(j) Investment Property and Fair Value:** The valuation of investment property includes the following information derived from independent valuation reports:

Property	Valuer	Valuation as at	Valuation
Seaview Road	Bayleys Valuations Limited	15 January 2021	\$40,400,000
Hutt Park Road	Bayleys Valuations Limited	15 January 2021	\$24,400,000
Spring Street	Telfer Young	15 January 2021	\$12,250,000
Alderman Drive	Aim Valuation	15 January 2021	\$11,850,000
Braeburn Drive	Telfer Young	4 December 2020	\$7,150,000
Paerangi Place	Telfer Young	15 January 2021	\$10,305,000 <sup>1</sup>
Vickery Street	Telfer Young	15 January 2021	\$20,000,000
Truman Lane	Telfer Young	15 January 2021	\$16,750,000 <sup>2</sup>
Sandwich Road	Telfer Young	10 December 2020	\$4,200,000
Robert Street	Aim Valuation	15 January 2021	\$14,200,000
El Prado Drive	Bayleys Valuations Limited	15 January 2021	\$41,150,000
Druces Road	Aim Valuation	15 January 2021	\$10,450,000
Dominion Road	Aim Valuation	15 January 2021	\$19,900,000
Link Drive	Jones Lang LaSalle	15 January 2021	\$32,350,000
Langley Road	Bayleys Valuations Limited	31 March 2021	\$12,000,000
Arthur Porter Drive	Aim Valuation	15 February 2021	\$6,900,000 <sup>3</sup>
Eastern Hutt Road	Bayleys Valuations Limited	26 November 2020	\$14,525,000
Distribution Lane	Jones Lang LaSalle	28 November 2020	\$7,500,000
Victoria Street	Jones Lang LaSalle	14 January 2021	\$59,200,000
Gloucester Street	Jones Lang LaSalle	7 December 2020	\$26,900,000

It has been assumed there will be no revaluation gains or losses in the fair value of the Existing Properties beyond 31 March 2021, as future gains or losses cannot be reliably predicted. It is assumed that the fair value of the Existing Properties at 31 March 2021 is equal to the latest independent valuation received, and at 31 March 2022 the valuation is equivalent to the 31 March 2021 valuation, plus capital expenditure forecast from 1 April 2021 to 31 March 2022 for each property. With the exception of the Arthur Porter Drive Property, it has been assumed that the Acquisition Properties are valued on their respective acquisition dates at their independent valuation (each dated within four months of the date of the PDS) and valued at 31 March 2022 based on that valuation plus capital expenditure forecast from the date of acquisition for each property to 31 March 2022.

The independent valuation of the Arthur Porter Drive Property has been performed on a vacant possession basis, with a six-month time frame and leasing costs to tenant the property, amongst other variables. However, as the Company will only purchase the property once the property is fully occupied (with a lease term of six years or greater, at a minimum net rental amount - amongst other factors), if acquired the fair value of the property is expected to be higher than the currently held independent valuation. Given the future gain or loss in the fair value of the Arthur Porter Drive Property cannot be reliably predicted at present, the prospective financial information presumes that the agreed purchase price of \$7,200,000 is the equivalent of fair value at acquisition date (presumed to be 30 June 2021). Fair value at 31 March 2022 is presumed to be based on that estimate of fair value plus capital expenditure forecast from the date of acquisition to 31 March 2022.

<sup>1</sup> Valuation amount stated here excludes finance lease assets valuation, accounted for separately in the Statement of Financial Position.

<sup>2</sup> Valuation amount excludes the right of use asset related to the ground lease.

<sup>3</sup> Valuation amount based on vacant possession, with cost to lease property borne by the purchaser. As purchase is conditional on the property being 100% occupied with a tenant on an initial lease term of at least 6 years, at a minimum net rental income level amongst other factors, with no leasing fees payable by the Company, the presumed fair value at acquisition date is expected to be higher than this amount. See disclosure beneath table for further detail.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

**Assumptions (continued)**

**(j) Investment Property and Fair Value (continued):**

A summary of the movement in the carrying value of investment property is summarised below.

	Carrying value 31 March 2020	Adjustments March 2020	Valuation at 31 March 2020	Purchase price	Capitalisation of offer expenses	Other capitalised expenses	Fair value movement	Valuation at 31 March 2021	Adjustments March 2021	Carrying value 31 March 2021
Seaview Road	39,853,150	46,850	39,900,000	-	-	620,010	(120,010)	40,400,000	(129,776)	40,270,224
Hutt Park Road	20,963,120	36,880	21,000,000	-	-	41,543	3,358,457	24,400,000	(88,954)	24,311,046
Spring Street	12,095,284	4,716	12,100,000	-	-	159,524	(9,524)	12,250,000	(4,093)	12,245,907
Alderman Drive	11,144,787	55,213	11,200,000	-	-	440,694	209,306	11,850,000	(13,583)	11,836,418
Braeburn Drive	6,830,000	-	6,830,000	-	-	348,250	(28,250)	7,150,000	-	7,150,000
Paerangi Place	8,745,932	434,068	9,180,000	-	-	44,671	1,080,329	10,305,000	(439,658)	9,865,342
Vickery Street	17,650,000	-	17,650,000	-	-	566,559	1,783,441	20,000,000	-	20,000,000
Truman Lane	16,000,000	-	16,000,000	-	-	3,550	746,450	16,750,000	-	16,750,000
Sandwich Road	5,450,000	-	5,450,000	-	-	19,658	(1,269,658)	4,200,000	(12,375)	4,187,625
Robert Street	13,700,000	-	13,700,000	-	-	2,165	497,835	14,200,000	-	14,200,000
El Prado Drive	35,350,000	-	35,350,000	-	-	494,728	5,305,272	41,150,000	-	41,150,000
Druces Road	9,948,383	51,617	10,000,000	-	-	121,468	328,532	10,450,000	(227,637)	10,222,363
Dominion Road	18,592,619	307,381	18,900,000	-	-	76,799	923,201	19,900,000	(312,675)	19,587,325
Link Drive	63,417	-	63,417	30,000,000	-	354,275	1,932,308	32,350,000	-	32,350,000
Langley Road	-	-	-	10,346,154	-	150,000	1,503,846	12,000,000	(1,641)	11,998,359
Truman Lease	1,900,001	-	1,900,001	-	-	-	-	1,900,001	-	1,900,001
<b>Total</b>	<b>218,286,693</b>	<b>936,725</b>	<b>219,223,418</b>	<b>40,346,154</b>	-	<b>3,443,895</b>	<b>16,241,534</b>	<b>279,255,001</b>	<b>(1,230,391)</b>	<b>278,024,610</b>

  

	Carrying value 31 March 2021	Adjustments March 2021	Valuation at 31 March 2021	Purchase price/ (Sales price)	Capitalisation of offer expenses	Other capitalised expenses	Fair value movement	Valuation at 31 March 2022	Adjustments March 2022	Carrying value 31 March 2022
Seaview Road	40,270,224	(129,776)	40,400,000	-	-	1,095,150	-	41,495,150	(129,776)	41,365,374
Hutt Park Road	24,311,046	(88,954)	24,400,000	-	-	29,295	-	24,429,295	(88,954)	24,340,341
Spring Street	12,245,907	(4,093)	12,250,000	-	-	728,787	-	12,978,787	(4,093)	12,974,694
Alderman Drive	11,836,418	(13,583)	11,850,000	-	-	293,673	-	12,143,674	(13,583)	12,130,091
Braeburn Drive	7,150,000	-	7,150,000	-	-	32,235	-	7,182,235	-	7,182,235
Paerangi Place	9,865,342	(439,658)	10,305,000	-	-	26,250	-	10,331,250	(439,658)	9,891,592
Vickery Street	20,000,000	-	20,000,000	-	-	78,750	-	20,078,750	-	20,078,750
Truman Lane	16,750,000	-	16,750,000	-	-	73,500	-	16,823,500	-	16,823,500
Sandwich Road	4,187,625	(12,375)	4,200,000	(4,200,000)	-	-	-	-	-	-
Robert Street	14,200,000	-	14,200,000	-	-	42,000	-	14,242,000	-	14,242,000
El Prado Drive	41,150,000	-	41,150,000	-	-	102,690	-	41,252,690	-	41,252,690
Druces Road	10,222,363	(227,637)	10,450,000	-	-	166,110	-	10,616,110	(227,637)	10,388,473
Dominion Road	19,587,325	(312,675)	19,900,000	-	-	410,900	-	20,310,900	(312,675)	19,998,225
Link Drive	32,350,000	-	32,350,000	-	-	222,534	-	32,572,534	-	32,572,534
Langley Road	11,998,359	(1,641)	12,000,000	-	-	152,076	-	12,152,076	(1,641)	12,150,436
Arthur Porter Drive	-	-	-	7,200,000	-	209,092	(175,000)	7,234,092	-	7,234,092
Eastern Hutt Road	-	-	-	14,500,000	177,500	68,775	(152,500)	14,593,775	-	14,593,775
Distribution Lane	-	-	-	7,500,000	107,500	43,426	(107,500)	7,543,426	-	7,543,426
123 Victoria Street	-	-	-	59,200,000	692,000	1,033,755	(692,000)	60,233,755	(10)	60,233,745
Gloucester Street	-	-	-	26,900,000	401,500	469,730	(401,500)	27,369,730	-	27,369,730
Truman Lease	1,900,001	-	1,900,001	-	-	-	-	1,900,001	-	1,900,001
<b>Total</b>	<b>278,024,610</b>	<b>(1,230,391)</b>	<b>279,255,001</b>	<b>111,100,000</b>	<b>1,378,500</b>	<b>5,278,728</b>	<b>(1,528,500)</b>	<b>395,483,730</b>	<b>(1,218,027)</b>	<b>394,265,703</b>

**Assumptions (continued)**

- (k) Regulatory Environment:** The Prospective Financial Statements have been prepared on the assumptions that there will be no material changes in the economic, legal or regulatory environment, including with respect to taxation.
- (l) Contribution Fee:** The Company will pay a contribution fee of \$1,366,400 plus GST to the Manager (assuming the maximum number of shares are issued under the Offer). The Manager is responsible for paying away some or all of this brokerage amount to the Manager's sales team, and third-party referring agents, based on 2.00% of the total equity raised.
- (m) Prospective Sale:** As at the date of this PDS, the directors of the Company are actively marketing the Sandwich Road Property for sale. It is presumed the property is disposed of on 30 November 2021, and no gain or loss is made on its disposal. The property is separately classified as an investment property held for resale, and financial information related to the property is included in the prospective financial information only to the date at which it is forecast to be disposed. The directors of the Company are not looking to sell any further properties from the property portfolio. As a result, with the exception of the Held for Sale property, the prospective financial information has been prepared on the basis that all other properties are retained
- (n) Related party transactions:** The Company's related parties include the Manager and members of key management personnel of the Manager. The Company is further related to PMG Capital Fund Limited as Scott McKenzie and Denis McMahon are directors of both PMG Capital Fund Limited and the Manager.

The Manager is entitled to recover fees and expenses from the Company, including an underwriting commitment fee of \$1,281,000 – representing 3.00% of the value of 35,000,000 shares underwritten.

Parties related to the Company may enter sub-underwriting arrangements with the Manager in relation to offers in the Company or other funds managed by the Manager.

- During the year, the Company entered a sub-underwriting arrangement with the Manager for \$12,000,000 in relation to units to be issued to the PMG Direct Office Fund. The Company earned \$360,000 of income from the commitment to the sub-underwriting arrangement (3.00% of the underwritten amount), and distribution income from the investment over the period from June 2020 to March 2021 on the same terms as other investors. The sub-underwriting arrangement was extinguished in March 2021 after the Manager satisfied all terms of the arrangement.
- Under the current proposed offer, the Manager has entered sub-underwriting arrangements with Bendor Farms Limited (related by virtue of a director and shareholder in common), PMG Capital Fund Limited, and 360 Capital FM Limited (as responsible entity of 360 Capital Active REIT, related by virtue of multiple directors in common with the Manager).

PMG Capital Fund Limited has funded the deposit for the Gloucester Street Property. A fee of \$100,000 (being 5% of the deposit amount) will be paid on acquisition of this property to PMG Capital Fund Limited.

The Arthur Porter Drive Property is to be purchased by PMG Capital Fund Limited untenanted on 31 March 2021. The purchase of this property by the Company from PMG Capital Fund Limited at the agreed purchase price of \$7,200,000 is dependent on the property being tenanted and the cost and risk of leasing the property being borne by PMG Capital Fund Limited. The purchase price was based on an independent valuation report on a vacant possession basis, subsequently adjusted to reflect the conditions of the sale and purchase agreement that requiring the leasing of the property prior to settlement into the Company, and the cost of leasing up to be borne by PMG Capital Fund Limited.

The Langley Road Property is to be purchased by the Company from the Langley Road Partnership, of which PMG Capital Fund Limited is a 50% partner, in March 2021. The purchase of this property by the Company was conditionally agreed in October 2020 at what the parties agreed was market value. Due to the passage of time, and the leasing of the property to a new tenant, the valuation of this property has risen above purchase price to the benefit of the Company.

The Directors of the Manager may invest in the Company on the same basis, terms, and conditions as any other investor, from which they will be entitled to distributions.

All of the above transactions are considered to be arm's length transactions on normal commercial terms.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**  
**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 significantly affect results in years ending 31 March 2021 and 2022, using the Company's judgement. Each movement in an assumption is calculated and presented in isolation from possible movements in other assumptions unless stated, 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 consider any potential mitigating actions that the Directors of the Company may take from time to time.

**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 increase/decrease of 5% per annum in the prospective year to 31 March 2022, which could occur due to various factors including a variation in vacancy and vacancy periods, tenant defaults, or lease terms from those forecast. The adjustment has been applied to contracted monthly rental income from April 2021 (information to 31 March 2021 in the prospective period is driven off primarily actual management information and not likely to be subject to material prospective variation).

**Inability to access property risk:** Exposure to rental income risk specifically related to inability to access property does not occur frequently. However, in the current environment related to COVID-19, rental abatement has been provided to tenants during the financial year ending 31 March 2021 totalling 3.13% of net rental income per annum at the time the rental abatement was provided. No further rental abatement has currently been presumed for the prospective financial periods since the rental abatement related to April-May 2020. The sensitivity result below is based on the Company's historic experience of rental abatement, extrapolated to account for any growth in the Company's expected net rental income from the Acquisition Properties. A reduction in gross rental income of \$823,000 in the month of July 2021 has been included in the sensitivity below, being 3.13% of the expected gross rental income per annum following acquisition of all the Acquisition Properties. Should the abatement risk materialise, the actual amount, duration, and timing of any rental abatement is likely to differ from this hypothetical estimate.

**Interest rate risk:** Exposure to interest rate risk is in the normal course of the Company's business. The sensitivity results below are based on a 50-basis point shift (bps) (0.5% rate movement) in the bank borrowings interest rate above or below the rate assumed for the prospective period from April 2021 (information to 31 March 2021 in the prospective period is driven off primarily actual management information and not likely to be subject to material prospective variation).

**Capital expenditure risk:** Total capital expenditure is subject to variation in both timing and value and is a material cost to the Company with an inherent risk of being incurred above or below the amounts projected. The sensitivity results below are based on an increase/(decrease) of \$1,000,000 in required capital expenditure. For simplicity, this has been presumed to occur evenly between October and December 2021.

**Market valuation risk:** 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 asset 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% of the assumed fair value as at 30 June 2021 (with no further reductions).

**Offer risk:** Share capital raised and funding available is influenced by the success of the Offer. Should the total number of Shares issued under the Offer fall short of 56,000,000, but be at least 50,000,000, an equity funding shortfall up to a maximum of \$7,320,000 may occur. Any shortfall will be funded by additional borrowings available within the Company's banking facilities. The sensitivity results below presume the minimum number of Shares are issued under the Offer for the Offer to go ahead (50,000,000 for \$61,000,000 consideration), with additional borrowings drawn to compensate for this at 30 April 2021.

**Pacific Property Fund Limited**  
**Supplementary Information – Prospective Financial Information**  
**Offer Number OFR13069**

Sensitivity item	Increase/ (Decrease)	Measure impacted	FY2021		FY2022	
			Increase item	Decrease item	Increase item	Decrease item
<b>Rental Income Risk</b>	5% /(5%)	Revenue	-	-	1,129,983	(1,129,983)
		Property Management Fee	-	-	16,950	(16,950)
		Other Expenses	-	-	740	(740)
		Net Profit	-	-	1,112,293	(1,112,293)
		Cash and Cash Equivalents	-	-	1,128,776	(1,128,776)
		Trade and Other Payables	-	-	16,483	(16,483)
		<i>Change in Net Profit per Share</i>	-	-	<i>0.56 cps</i>	<i>(0.56 cps)</i>
<b>Inability to Access Property Risk</b>	N/A/ (\$823,000)	Revenue	-	-	-	(823,000)
		Property Management Fee	-	-	-	(12,345)
		Other Expenses	-	-	-	(810)
		Net Profit	-	-	-	(809,845)
		Cash and Cash Equivalents	-	-	-	(809,946)
		Trade and Other Payables	-	-	-	(101)
		<i>Reduction in Net Profit per Share</i>	-	-	-	<i>(0.41 cps)</i>
<b>Interest Rate Risk</b>	50bps/(50bps)	Other Expenses	-	-	(489)	489
		Interest Expense	-	-	744,753	(744,753)
		Net Profit	-	-	(744,264)	744,264
		Cash and Cash Equivalents	-	-	(744,349)	744,349
		Trade and Other Payables	-	-	(85)	85
		<i>Change in Net Profit per Share</i>	-	-	<i>(0.37 cps)</i>	<i>0.37 cps</i>
<b>Capital Expenditure Risk</b>	\$1,000,000/ (\$1,000,000)	Cash and Cash Equivalents	-	-	(1,050,000)	1,050,000
		Investment Property	-	-	1,050,000	(1,050,000)
		<i>Change in Net Profit per Share</i>	-	-	<i>(0.00 cps)</i>	<i>0.00 cps</i>
<b>Market Value of Investment Property</b>	5%/(5%)					
		Increase/(Decrease) in Fair Value	-	-	19,634,000	(19,634,000)
		Net Profit	-	-	19,634,000	(19,634,000)
		Investment Property	-	-	19,634,000	(19,634,000)
		<i>Change in Net Profit per Share</i>	-	-	<i>9.83 cps</i>	<i>(9.83 cps)</i>
<b>Total Equity Raised from the Offer</b>	N/A/ (\$7,320,000)	Other Expenses	-	-	-	(9,787)
		Interest Expense	-	-	-	215,868
		Net Profit	-	-	-	(206,082)
		Dividends Paid	-	-	-	(404,250)
		Share Capital	-	-	-	(7,173,600)
		Cash and Cash Equivalents	-	-	-	(86,565)
		Dividends Payable	-	-	-	(110,250)
		Trade and Other Payables	-	-	-	(883)
Borrowings – non-current	-	-	-	7,000,000		