

OTHER MATERIAL INFORMATION RELATING TO AN OFFER OF ORDINARY SHARES

Issuer: Pacific Property Fund Limited

Offer: OFR13069

Dated: 17 March 2021

1.	OTHER RISKS	2
2.	TOTAL ESTIMATED COSTS OF OFFER AND ISSUE.....	5
3.	DIVIDEND POLICY / MEASURES OF COMPANY AND SHAREHOLDER RETURNS.....	6
4.	GEARING AND INTEREST COVER RATIO.....	7
5.	EARNINGS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION (EBITDA)	8
6.	EZIBUY LEASE.....	9
7.	ALTO PACKAGING LEASE	9
8.	TUI PRODUCTS LEASE	10
9.	SEAVIEW VENDOR UNDERWRITE	11

Except where the context provides otherwise, a capitalised term used in this document has the same meaning given to that term in the Product Disclosure Statement (PDS) dated on or around 17 March 2021.

This document must be read alongside the PDS.

1. OTHER RISKS

1.1 Dilution Risk

Nature and magnitude: If the directors of the Company seek to raise further capital in order to fund development at any of the properties or for the operating costs of any properties or for the acquisition of any further properties, the shareholding of investors may be diluted if a Shareholder is not able or willing to subscribe for further Shares in the Company.

Mitigation strategies: It is intended that existing shareholders of the Company will be provided the opportunity to participate in future capital raisings on the same terms as all other investors.

Company's assessment of likelihood of circumstances arising:

High

Company's assessment of impact, were the circumstances to arise:

Low

1.2 Damage or Destruction Risk

Nature and magnitude: There is a risk of damage or destruction to the Existing Properties or to the Acquisition Properties, and any other properties which are added to the Company's portfolio, by fire, earthquake or other event which may result in the Company being required to outlay capital expenditure to repair or reinstate the damaged or destroyed property, the loss of rental income while the damaged or destroyed property is being repaired or reinstated, or, if the tenant terminates the lease and the Company is unable to find a suitable replacement tenant, vacancy of the property. These could impact on returns to Shareholders.

Mitigation strategies: The Company will ensure that the Property Portfolio has comprehensive insurance cover, including consequential loss of rental cover. This is a further requirement of the terms of bank funding.

Company's assessment of likelihood of circumstances arising:

High likelihood of damage to a property at some point in time. Very low likelihood of material damage or destruction to an uninsured property.

Company's assessment of impact were the circumstances to arise:

Any damage or destruction to insured property is expected to only have a low impact on Share value. Impact on investor returns is also generally expected to be low. If the length of time to recommence rental income from a property significantly exceeds any insurance coverage period, the impact on investor returns could be moderate (depending on the rental income generated from the property in the context of the overall Property Portfolio).

1. OTHER RISKS (continued)

1.3 Management Related Risk

Nature and magnitude: The Manager has been appointed as property manager for the Company, pursuant to the Management Agreement. The Manager may not perform effective services for the Company, to the detriment of investor returns and value of the Shares. The Manager is also able to terminate the Management Agreement upon 12 months' notice. The Company do not have the resources to manage the properties themselves and would need to engage another manager to do so on their behalf. There is a risk that the Company may not be able to find a suitable manager, and/or will need to pay higher management fees than those applicable under the Management Agreement, which could have an adverse effect on Company performance.

Mitigation strategies: The Manager can be removed as manager if a special resolution of Shareholders resolves to remove the Manager from this role. It is likely that if this scenario eventuated, a replacement manager would be identified prior to the termination of the Manager. The directors of the Manager include two of the directors of the Company. Given the ongoing strength of the relationship between the parties, it is highly unlikely that the Manager will terminate the Management Agreement.

Company's assessment of likelihood of circumstances arising:

Low likelihood.

Company's assessment of impact, were the circumstances to arise:

Low impact if agreement terminated in accordance with the agreement. A potentially significant impact on the Company and investor returns if the Manager fails to perform its duties adequately and effectively.

1.4 Property Market Risk

The Company's commercial property portfolio is concentrated in industrial, office, and retail properties. Property market conditions and fluctuations in supply and demand for these kinds of properties will affect the value of the Property Portfolio and will affect the Company's rental income, costs, and other underlying property fundamentals. The Company is reliant on its property investments to provide a return to investors. A change in the New Zealand economy (and the property sectors in which its invested, in particular) may result in Shareholders not receiving the forecast return, not being able to recoup their original investment, or receiving more than their original investment. Any impact from this risk will not be offset by exposure to other classes of assets.

The Manager's mitigation strategy is to continue to diversify by building type, geography, tenant volume and tenant operating sector, to reduce the impact of inevitable changes in the property market and New Zealand economy (charts illustrating the portfolio's diversification are set out in Section 2.1 *General Overview of the Company* in the PDS).

Company's assessment of likelihood of circumstances arising:

High likelihood of market and economic fluctuation over time. Low likelihood of a material change in the short term (0-2 years).

Company's assessment of impact, were the circumstances to arise:

Potential impact of property market and general economic fluctuation on both investor returns, and the value of the Shares could range from low to significant at a given point in time. Over a long time-horizon (5 years and over), the potential overall impact on investor returns and value of the Shares is expected to be low.

1.5 Acquisition Risk

The Company is forecast to acquire the Arthur Porter Drive Property on 30 June 2021 from PMG Capital Fund Limited, however the transaction is conditional on the property being 100% occupied by on a minimum initial lease term of six years with a minimum level of rental income for the period of the initial lease term. If the property is not tenanted on the terms stipulated in the sale and purchase agreement, the Company may not acquire the property on the planned acquisition date - or at all.

The Company is forecast to acquire the Eastern Hutt Road Property on 30 June 2021 from an unrelated party, however the settlement of the transaction is subject to title in the property being issued. If the property title is not provided to the Company as required per the sale and purchase agreement, the Company may not acquire the property on the planned acquisition date – or at all.

Company's assessment of likelihood of circumstances arising:

Low likelihood of the sale and purchase agreement terms for the Eastern Hutt Road Property not being met, and the Company not acquiring the property either in the specified time frame, or at all.

Low to moderate likelihood of the sale and purchase agreement terms for the Arthur Porter Drive Property not being met, and the Company not acquiring the property either in the specified time frame, or at all.

Very low likelihood of the sale and purchase agreement terms for both properties not being met, and the Company not acquiring either property.

Company's assessment of impact, were the circumstances to arise:

Low impact if the acquisition of the Arthur Porter Drive Property does not occur or is delayed. The acquisition is not a purpose of the offer, forms less than 2% of the value of the forecast Property Portfolio, and any reduction in operating income from expectation can be partially mitigated by reducing borrowings (and thus interest expense). Bank funding headroom would be available to acquire an alternative property on comparable terms in due course, but this may take time.

Low to moderate impact if the acquisition of the Eastern Hutt Road Property does not occur or is delayed. The acquisition is a purpose of the offer, forms less than 4% of the value of the forecast Property Portfolio, and any reduction in operating income from expectation could only be partially mitigated by reducing borrowings (and thus interest expense). Bank funding headroom would be available to acquire an alternative property on comparable terms in due course, but this may take time.

Moderate impact if the Company did not acquire both of the properties, as alternative property acquisitions or use of capital raised would be required to support forecast investor returns and sourcing these opportunities may take time.

2. TOTAL ESTIMATED COSTS OF OFFER AND ISSUE

The Company has estimated the total costs of the Offer to be approximately \$4,515,900 (excluding GST). This is summarised as follows:

Description of cost	Amount to be paid by the Company in connection with the Offer	Cost paid to	Reason for cost and description of services
Contribution Fee	\$1,366,400	PMG Property Funds Management Limited (The Manager)	Fee for general arrangement and execution of the Offer, including overseeing due diligence, fund raising, and negotiating banking arrangements.
Underwriting Fee	\$1,281,000	The Manager	Fee for underwriting the Offer, calculated at 3% of the amount underwritten. The majority of this is expected to be paid away to other parties.
Acquisition Fees	\$1,081,000	The Manager	Fee for sourcing the Settlement Properties and conducting due diligence, calculated at 1% of the purchase price of property acquired as a purpose of the Offer.
Deposit Fee	\$100,000	PMG Capital Fund Limited	Deposit fee for \$2,000,000 deposit funding on the Gloucester Street Property, calculated at 5% of the deposit funding provided.
Marketing*	\$275,000	The Manager Various third-party service providers	Marketing costs reflect the costs of both preparing and producing advertisements in relation to the Offer, publishing those advertisements, holding investor presentations on the Offer, and the costs for designing and printing the PDS. The majority of this is expected to be paid away to third parties.
Legal*	\$179,500	Simpson Grierson Cooney Lees Morgan Dentons Kensington Swan	Fees are payable to the Company and the Manager's solicitors for the cost of legal due diligence on the Settlement Properties, negotiation of the sale and purchase of the Settlement Properties, settlement of the Settlement Properties, advising on the PDS and other Offer Materials, and advising on compliance with the Financial Markets Conduct Act 2013.
Other Offer Due Diligence*	\$115,000	Baker Tilly Staples Rodway Audit Limited Appello Registry Services Limited FMA Various third-party service providers	Limited assurance engagement in relation to the prospective financial information contained on the Offer Register and in the PDS. Investor registry services associated with the Offer. PDS registration fee and levies in connection with registration of the Offer on the Offer Register. Fees for the preparation and review of the Offer Materials and overall contingency for the Offer.
Other Property Due Diligence*	\$118,000	Jones Lang LaSalle Bayleys Valuations CBRE EQ Struc Limited Lewis Bradford Kirk Roberts Consulting	Valuation fees payable for valuation reports for the Settlement Properties. Fees payable for Technical Due Diligence reports commissioned on the Settlement Properties as part of the Company's due diligence investigations. Fees payable for Seismic Evaluations commissioned on the Settlement Properties as part of the Company's due diligence investigations.

Note: The above fees are payable by the Company. None are chargeable directly to shareholders of the Company. Where any of these costs have previously been paid by the Manager, it will be reimbursed for those costs by the Company.

*These amounts, or a component of these amounts, are the Company's best estimates, based on the experience and information known at the date of this PDS, but they may be subject to change based on the amounts invoiced to the Company (and Shareholders will be notified of such a change if considered material). All other amounts are fixed or maximum amounts that cannot be increased).

3. DIVIDEND POLICY / MEASURES OF COMPANY AND SHAREHOLDER RETURNS

Adjusted Net Profit Before Tax referred to in the PDS at Section 6.2 *Dividend Policy* and Section 7.4 *Measures of Company and Shareholder Returns* is calculated using 'Net profit before tax' from the prospective financial information and making the following adjustments to remove the effect of fair value adjustments. The following adjustments are non-GAAP adjustments and therefore are not reflected in the Company's financial statements or prospective financial information.

Reconciliation of GAAP net profit before tax and adjusted net profit before tax	Actual			Prospective	
	FY2018	FY2019	FY2020	FY2021	FY2022
Net profit /(loss) for the year per statement of financial performance	6,818,090	7,224,237	16,454,559	27,245,928	12,843,895
Less: increase/(decrease) in fair value of investment property	(3,526,944)	(1,452,075)	(6,920,227)	(16,241,534)	1,528,500
Add: decrease/(increase) in fair value of derivatives	284,151	647,038	1,322,140	(123,853)	-
Adjusted net profit before tax	3,575,297	6,419,200	10,856,472	10,880,541	14,372,395
Weighted average shares on issue	50,855,616	78,570,685	124,366,448	143,820,000	195,153,333
Adjusted net profit before tax per share (cents per share)	7.03	8.17	8.73	7.57	7.36

Adjusted net profit before tax (cents per share) is a key measure of the Company's performance and ability to pay shareholder returns.

The assumptions on which the adjusted net profit before tax above is based include:

- All those assumptions included within the PDS and prospective financial information.
- Adjusted net profit before tax is weighted per share in line with actual share allotments occurring on 14 December 2017, 13 December 2018 and 30 September 2019, plus prospective share allotment on 30 April 2021.
- No consideration of any impact of required re-investment in items of a capital nature, repayment of bank borrowings, or working capital requirements. Such items will be considered in determining the total amount of dividends actually paid, at the Company's discretion.
- No consideration of any historic surplus retained earnings not yet distributed to investors. These may be considered when deciding to declare dividends above the current year's actual adjusted net profit before tax per share.

4. GEARING AND INTEREST COVER RATIO

The Gearing Ratio and Interest Cover Ratio referred to in the PDS at Section 7.5 *Financial Measures of the Company's Borrowing* are non-GAAP information. The Gearing Ratio is the Company's interest-bearing liabilities as a proportion of the Company's total assets. The Interest Cover Ratio is a multiple of the Company's EBITDA (less unrealised gains or losses) compared to the Company's interest expense. A reconciliation of this information to the GAAP information is set out below:

Gearing ratio	Actual			Prospective	
	FY2018	FY2019	FY2020	FY2021	FY2022
Interest bearing liabilities (bank borrowings)	56,568,111	75,797,611	62,627,111	107,808,403	156,756,056
Total assets ¹	129,151,625	188,047,958	225,950,789	286,072,820	399,682,208
Gearing ratio¹	43.8%	40.3%	27.7%	37.7%	39.2%

Interest cover ratio	Actual			Prospective	
	FY2018	FY2019	FY2020	FY2021	FY2022
EBITDA ^{1,2}	8,515,962	10,112,035	20,636,535	30,949,532	18,014,162
Less Unrealised Gains ¹	(3,526,944)	(1,452,075)	(6,920,227)	(16,365,387)	-
Add Unrealised Losses ¹	284,151	647,038	1,322,140	-	1,528,500
Adjusted EBITDA¹	5,273,169	9,306,998	15,038,448	14,584,145	19,542,662
Interest expense ¹ (bank borrowings)	1,711,493	2,904,906	4,235,060	3,581,223	4,989,848
Interest cover ratio (Adjusted EBITDA/Interest expense)¹	3.1	3.2	3.6	4.1	3.9

The assumptions on which the Gearing Ratio and Interest Cover Ratio above is based include:

- All those assumptions included within the PDS and prospective financial information.

¹ The impact of adopting NZ IFRS 16 is included for the years ending 31 March 2020 onwards, which primarily leads to an increase in total assets (recognition of a \$1.9m right of use asset), recognition of unrealised gains and losses in relation to the right of use asset, and increased EBITDA as a result of the change in treatment of operating expenditure now classified as a financing cost.

² EBITDA for the year FY2018 to FY2019 stated in previous PDS' for the Company did not include an immaterial amount of other investment income, which has now been included for comparability.

5. EARNINGS BEFORE INTEREST TAX DEPRECIATION AND AMORTISATION (EBITDA)

Earnings before interest tax depreciation and amortisation (**EBITDA**) referred to in the PDS Section 7.2 *Selected Financial Information* and Section 7.5 *Financial Measures of the Company's Borrowing* is a Non-GAAP measure. The following reconciling items have been extracted from the historic and prospective financial information of the Company and a reconciliation to GAAP information is provided below:

	Actual			Prospective	
	FY2018	FY2019	FY2020	FY2021	FY2022
Net profit /(loss) for the year per statement of financial performance	6,818,090	7,224,237	16,454,559	27,245,928	12,843,895
Add: Net Finance Costs (excluding fair value movement on derivatives)	1,697,872	2,887,798	4,181,976	3,703,604	5,170,268
EBITDA	8,515,962	10,112,035	20,636,535	30,949,532	18,014,162

The assumptions on which the EBITDA above is based include:

- All those assumptions included within the PDS and prospective financial information.

6. EZIBUY LEASE

The PDS states in Section 2.4 *The Property Portfolio*, sub-heading *El Prado Drive Property* that the lease to Ezibuy Limited is considered material information. The key terms of this lease are set out below:

Parties	<i>Lessor:</i> The Company. <i>Lessee:</i> Ezibuy Limited.
Original Lease Date	31 July 2006.
Original Landlord	North East Industrial Limited.
Original Commencement Date	1 March 2006.
Original Term	10 years.
Original Net Passing Rental at Commencement	\$1,878,500 plus GST and outgoings.
Original Rights of Renewal	One right of renewal, of 10 years, exercised effective 1 March 2016.
Rights of Renewal Remaining	None.
Deed of Renewal Date	1 August 2016.
Landlord at Renewal	Argosy Property No.3 Limited (property since purchased by the Company).
Renewal Commencement Date	1 March 2016.
Renewal Term	10 years.
Renewal Break Clause	The tenant had the right to terminate the lease on 28 February 2022 subject to 12 months' notice being provided to the landlord, and subject to the annual rent and outgoings for the two years ending 28 February 2024 being underwritten by the tenant. No notice has been received.
Operating Expenses	100% of outgoings. Rates payable based on leased area, not total site area.
Rent reviews	Two yearly rent reviews, to the greater of CPI or 2.5% per Annum.

7. ALTO PACKAGING LEASE

The PDS states in Section 2.4 *The Property Portfolio*, sub-heading *Vickery Street Property* that the lease to Alto Packaging Limited is considered material information. The key terms of this lease are set out below:

Parties	<i>Lessor:</i> The Company. <i>Lessee:</i> Alto Packaging Limited.
Original Lease Date	7 August 2003.
Original Landlord	Rawson Te Rapa Limited.
Original Commencement Date	1 March 2003.
Original Term	12 years.
Original Net Passing Rental at Commencement	\$817,440 plus GST and outgoings.
Original Rights of Renewal	Four rights of renewal of six years each, two currently exercised effective 1 March 2015 and 1 March 2021.
Rights of Renewal Remaining	Two of six years each.
Initial Deed of Renewal Dated	29 April 2010.
Deed of Variation	29 October 2015, no material impact on current lease terms.
Second Deed of Renewal Dated	3 September 2020.
Landlord at Second Renewal	Pacific Property Fund No.2 Limited (entity since amalgamated with the Company).
Second Renewal Commencement Date	1 March 2021.
Second Renewal Term	Six years.
Second Renewal Works Required	Various landlords works required (either already completed or budgeted for in the prospective financial information).
Operating Expenses	100% of outgoings.
Rent reviews	May be reviewed every three years to current market rental, with a ratchet to prevent rent reduction.

8. TUI PRODUCTS LEASE

The PDS states in Section 2.4 *The Property Portfolio*, sub-heading *Truman Lane Property* that the lease to Tui Products Limited is considered material information. The key terms of this lease are set out below:

Parties	<i>Lessor:</i> The Company. <i>Lessee:</i> Tui Products Limited.
Original Lease Date	16 April 2014.
Original Landlord	Truman Investment Company Limited (property since purchased by the Company).
Original Commencement Date	17 April 2014.
Original Term	20 years.
Original Net Passing Rental at Commencement	\$1,000,000 plus GST and outgoings.
Original Rights of Renewal	Two rights of renewal of ten years each.
Deed of Variation Dated	9 November 2017. Commencing 15 June 2017, rent payable inclusive of an additional industrial building constructed on the leasehold site.
Operating Expenses	100% of outgoings.
Rent reviews	Each renewal date at the higher of current market rental (capped at 1.15 times the annual rental payable during the 12 months immediately preceding the review date), and CPI. Further review based on CPI every two years, adjustment to make rental no less than 1.0 times, nor greater than 1.03 times the current annual rental.

Related to this lease, the title to Truman Lane Property is a registered leasehold title, requiring a ground lease from the proprietors of Mangatawa-Papamoa. The annual rental is capped by structured amounts throughout the leasehold term. The other key terms of the ground lease are set out below:

Parties	<i>Lessor:</i> Proprietors of Mangatawa-Papamoa <i>Lessee:</i> The Company
Original Lease Date	4 February 2013.
Original Lessee	Tui Products Limited.
Original Commencement Date	31 January 2013.
Original Term	99 years.
Original Net Passing Rental at Commencement	\$101,636 plus GST. The rental for the ground lease is on-charged to Tui Products Limited as a sub-tenant under the lease.
Original Rights of Renewal	None.
Market Rent Reviews	Structured at 20 years from commencement with 10-year increments thereafter. On market review, the rent is to be adjusted to the greater of: <ul style="list-style-type: none"> • market rent (as described above); and • rent reviewed on a CPI basis (as described above).
CPI Rent Reviews	Two yearly but excluding the market review dates. Adjustments are to be no less than 1.00 or no greater than 1.10 times the then current annual rent
Option to purchase	The Lessor has the first right of refusal to purchase any interest in the Lessee's improvements in the event the Lessee decides to sell. If the lease terminates, then any improvements vest with the Lessor without compensation. If the lessee wishes to assign the lease, then the Lessor has first right of refusal.

9. SEAVIEW VENDOR UNDERWRITE

The Company purchased sites at 120 Hutt Park Road, Wellington and 43 Seaview Road, Wellington, under a Combined Sale and Purchase Agreement dated 18 April 2019 (**the Seaview Purchase Agreement**). The vendors in this transaction were Land Innovation (No.1) Limited (120 Hutt Park Road) and IPOH New Zealand Limited (43 Seaview Road) (**the Vendors**). The properties are referred to in the PDS Section 2.4 *The Property Portfolio* as the Hutt Park Road Property and the Seaview Property respectively.

The Seaview Purchase Agreement stipulated that the vendors agreed to underwrite net lettable areas across the Hutt Park Road Property and the Seaview Property (the **Underwrite**). The Underwrite requires the vendors, in the event that the net lettable areas are not leased at full market value throughout a specified time frame from the date of acquisition of the property, to ensure the Company are paid full market rent and associated operating expenditure recoveries for that specified time frame.

The Underwrite is a risk mitigation tool for the Company, providing security to the Company that a certain rental income and operating expenditure recovery will be achieved over a specific period of time, in respect of lettable area that is either physically unoccupied, currently tenanted at below market rate, or subject to a lease that may expire within a relatively short time frame or be renewed at below market rate. The Underwrite is directly secured against funds held in trust by the Vendors' solicitors (with an appropriate solicitor's undertaking). The funds held in trust are effectively a retention from the acquisition price paid for the property to ensure the Vendors can fulfil the Underwrite as required.

At acquisition date, an underwrite amount totalling approximately \$8,554,876 (\$6,487,790 of rent and \$2,067,086 of operating expenditure), was expected to be held in trust. This amount will be paid to the Company following acquisition, monthly in advance, as if the applicable underwritten net lettable area were rented to third parties. The Underwrite amount presumes no new or renewed lease agreements are entered into on the same or better terms as the underwrite during the period of each individual underwrite.

The Underwrite is split into two types – Leaseback and Top-up. A Leaseback requires the Vendors to commit to lease agreements with the Company in respect of lettable, otherwise vacant space, or lettable space otherwise falling vacant within a specific period of time from acquisition date, for both a specific rental and for a specific period of time. A Top-up requires the Vendors to commit to pay the Company, for a specific period of time, the difference between current amounts payable under existing lease agreements over specific lettable space and the actual market rental for that specific lettable space.

The Underwrite commitment from the Vendors at commencement is estimated as follows:

Property	Type of Underwrite	Lettable Area (sqm)	Total Rental Value Underwritten	Weighted Average Underwrite Term (years)	Total Opex Value Underwritten	Total Underwrite Value
Hutt Park Road Property	Leaseback	1,514	\$494,686	5.5	\$219,570	\$714,255
	Top-up	15,213	\$18,699	0.7	N/A	\$18,699
Seaview Road Property	Leaseback	18,175	\$4,812,188	4.2	\$1,847,516	\$6,659,704
	Top-up	21,705	\$1,162,218	1.1	N/A	\$1,162,218
Total			\$6,487,790	3.1	\$2,067,086	\$8,554,876

The Underwrite commitment from the Vendors outstanding as at Settlement Date is estimated as follows:

Property	Type of Underwrite	Lettable Area (sqm)	Total Rental Value Underwritten	Weighted Average Underwrite Term (years)	Total Opex Value Underwritten	Total Underwrite Value
Hutt Park Road Property	Leaseback	1,514	\$345,954	3.9	\$161,746	\$507,700
	Top-up	-	\$Nil	-	\$Nil	\$Nil
Seaview Road Property	Leaseback	18,175	\$4,437,055	3.9	\$1,740,912	\$6,177,967
	Top-up	17,285	\$335,144	0.7	\$Nil	\$335,144
Total			\$5,118,153	3.2	\$1,902,658	\$7,020,810

Of the Underwrite commitment estimated as outstanding at Settlement Date, it is estimated that the total rental income of the Company being actively paid for by the Vendors in accordance with the Underwrite terms is \$988,404 per annum. The underlying lettable area is considered by the Company as occupied, and the Underwrite included in the Company's calculation of WALT, except for areas subject only to a Top-up arrangement for which no lease is currently in place. Such areas are only considered occupied, and included in WALT, to the extent the Top-up is being recovered as a percentage of total market rental at the time the Underwrite commitment was entered.