

**KARINA REST HOME
PROPORTIONATE OWNERSHIP SCHEME**

**11 - 15 KARINA TERRACE
PALMERSTON NORTH**

RADIUS ASSET MANAGEMENT LIMITED

**OFFEROR'S STATEMENT
PREPARED AS AT 31 OCTOBER 2007**



Radius
PROPERTIES

CONTENTS

IMPORTANT INFORMATION	1
Warning.....	1
Choosing an investment	1
Choosing an investment adviser.....	1
KEY INVESTMENT FEATURES	3
Proportionate Ownership Scheme	3
The Property	3
Bank debt.....	4
Management.....	4
Return to Investors.....	4
Taxation	5
Valuation	5
Term	5
How do you subscribe.....	5
QUESTIONS ABOUT YOUR INVESTMENT	6
What sort of investment is this?	6
Who is involved in providing it for me?	9
How much do I pay?	11
What are the charges?.....	13
What returns will I get?	14
What are my risks?	22
Can the investment be altered?.....	24
How do I cash in my investment?	24
Who do I contact with enquiries about my investment?.....	25
Is there anyone to whom I can complain if I have a problem with this investment?	25
What other information can I obtain about this investment?	26
Other material information	26
Disclaimer	27
SCHEDULE 1: Key Terms and Material Details of Significant Contracts	28
SCHEDULE 2: Covenants in Respect of Real Property	33
SCHEDULE 3: Valuer's Letter	34
SCHEDULE 4: Independent Chartered Accountant's Report	50
DIRECTORY	51
GLOSSARY	52
APPLICATION FORM	54

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Warning

This Offer is exempt under the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002 from the legal requirement to register a Prospectus for this Scheme and to appoint an independent supervisor to monitor the interests of subscribers. Your attention is drawn to the absence of these statutory protections.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

	<i>Page</i>
➤ What sort of investment is this?	6
➤ Who is involved in providing it for me?	9
➤ How much do I pay?	11
➤ What are the charges?	13
➤ What returns will I get?	14
➤ What are my risks?	22
➤ Can the investment be altered?	24
➤ How do I cash in my investment?	24
➤ Who do I contact with enquires about my investment?	25
➤ Is there anyone to whom I can complain if I have problems with the investment?	25
➤ What other information can I obtain about this investment?	26

Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice.

That document will tell you:

- (a) Whether the adviser gives advice only about particular types of investments; and
- (b) Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- (c) Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five (5) working days of your request. You must make the request at the time the advice is given or within one (1) month of receiving the advice.

In addition:

- (a) If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- (b) If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

KEY INVESTMENT FEATURES

Proportionate Ownership Scheme

Radius Asset Management Limited (the "Offeror" and "Manager") offers investors an opportunity, through a proportionate ownership scheme to be established in accordance with the Exemption Notice, to purchase a proportionate share of the land, buildings and related assets associated with the hospital and rest home known as "Karina Rest Home" located at 11-15 Karina Terrace, Palmerston North ("the Property"). The scheme to be established pursuant to this Offer will be known as the "Karina Rest Home Proportionate Ownership Scheme" (the "Scheme").

The Scheme facilitates holders of interests in the Scheme ("POS Interests") becoming co-owners of the Property for long-term investment purposes. 80 POS Interests are being offered at a subscription price \$25,000 each for a total of \$2 million. The Offeror may accept over subscriptions for POS Interests up to a total of \$2.85 million (for a total of 114 POS Interests). Investors must purchase a minimum of two (2) POS Interests. Each POS Interest will entitle an Investor to participate in the co-ownership, management and administration of the Property together with all Investors in the Scheme.

The Offer will open on 31 October and close on 30 November 2007, or when fully subscribed. Subscriptions must be made on the Application Form contained on page 54 of this Offeror's Statement.

The Property

The Property is located at 11-15 Karina Terrace, Palmerston North. It comprises an integrated facility of interconnected buildings containing rest home and hospital facilities located on freehold land.

The complex is situated on Lots 8 and 9 DP 17395 and Lot 2 DP 58723, CT WN35B/312, and Lot 1 DP 58723, CT WN29C/935.

Karina Rest Home operates predominantly as an elderly care facility providing for 39 licensed beds. The number of residents living at the Karina Rest Home was 39 as at 30 September 2007. Developed in its current format in the early 1990s, the facility is located off Karina Terrace overlooking the Terrace End suburban area of Palmerston North. It is sited on a 3,485m² corner allotment held in the two fee simple titles described above.

The Property and the various assets associated with the hospital and rest home ("Related Assets"), and the business undertakings of the Karina Rest Home, are currently owned by Sherajah NZ Limited and Christina Holdings Limited (the "Owners") respectively, neither of whom are related to the Manager. Radius Asset Management Limited ("RAML") has contracted to acquire the Property, Related Assets and the remainder of the business undertakings of the Karina Rest Home from the Owners.

RAML has established Radius Nominees (Karina) Limited ("the Nominee") as the nominee and asset custodian for and on behalf of the Scheme. RAML is to enter into a conditional sale and purchase agreement with the Nominee (on behalf of the Scheme to be established) (the "Purchase Agreement") pursuant to which the Nominee will acquire the Property and Related Assets for and on behalf of the Scheme. The Nominee has also entered into a master agreement (the "Master Agreement") with Silvercare Management Limited (the "Operator") pursuant to which the Operator will, subject to the Scheme being established, enter into a lease of the Property and Related Assets from the Scheme (the "Lease") as well as acquire various rights and entitlements relating to the Karina Rest Home, such Lease and other rights and entitlements to be granted on the date that the Scheme becomes the owner of the Property.

The purchase price of the Property and the Related Assets payable by the Scheme to RAML is \$2,645,000 plus GST (if any). Investors will contribute a minimum of \$2,000,000, with the difference of \$645,000 plus preliminary and establishment costs and deferred building maintenance of \$205,000, being funded by over-subscriptions for POS Interests and/or bank debt. The total costs of establishment of the Scheme will be \$2,850,000. Further details of the establishment costs are set out on page 11 of this Offeror's Statement under the heading "How much do I pay?".

Once established, the Scheme will derive rental income under the Lease for the duration of the term of the Scheme and participate in the proceeds of any sale or other disposal of the Property in accordance with the Scheme Deed.

Bank debt

The acquisition of the Property and Related Assets, and all the establishment costs for this Scheme, will be funded by equity (i.e. subscriptions for POS Interests raised in this Offer) and, unless there are significant over-subscriptions of POS Interests, by bank debt which will be secured by a first ranking mortgage in favour of the Financier over the Property. Other standard bank securities may be required in connection with the facilities provided to the Scheme by the Financier, provided that they are on a non-recourse basis to Investors.

The Manager is expressly authorised under the terms of the Scheme Deed to raise such debt finance and additional debt finance from time to time, provided that any security for such debt finance is given against the Property only (with no recourse against Investors) and the aggregate of all debt finance raised does not exceed the Scheme's maximum debt to equity ratio, being 65% debt to 35% equity, unless otherwise approved by 75% or more of Investors.

Management

The Property and the Scheme will be managed by the Manager. The directors of the Manager have between them had considerable experience in property investment matters and business administration, and this investment opportunity draws on the market knowledge and management skills of the directors.

Administration of the Scheme will involve:

- collection of rental income under the Lease;
- monthly income distributions to Investors;
- management of the Property, including acting on behalf of all Investors as landlord in relation to dealings with the Operator as lessee under the Lease;
- overseeing and preparing accounting reports;
- reporting to Investors; and
- supervising Radius Nominees (Karina) Limited, the Nominee in respect of the Property and the Scheme.

Further details of the Manager's management obligations under the Management Agreement are set out on pages 7, 10 and 11 and in schedule 1 to this Offeror's Statement.

Return to Investors

The Scheme will earn revenue in the form of rental income received under the Lease and will target a distribution to Investors of approximately 14.6% per annum on the aggregate subscription amount of all POS Interests issued to Investors in the first year of the Scheme. This target return is based on the prospective financial information set out in the section below headed "Forecast Financial Statements" commencing on page 15 and is calculated on the basis of expected net rentals payable under the

Lease, comprising the fixed amounts of base rental and variable amounts of turnover (percentage) rental less Scheme costs and expenses which are not costs borne by the lessee under the Lease. The return does not take into account any increase or decrease in the value of the Property or income tax or depreciation.

Cash distributions will be made to Investors monthly in arrears with payments being made on the 20th day of each month. The first distribution is expected to be made on 20 January 2008.

Taxation

The Offeror expects the Scheme to be taxed on the basis that the Property and Related Assets are held as a long term investment by the Investors as co-owners. Accordingly, as co-investors in the Scheme, each Investor should be able to access the advantages of direct property ownership (including any tax advantage for depreciation allowances under the then existing tax regime). However, Investors are likely to have differing tax status or positions, and therefore should obtain their own independent tax and legal advice on investing in POS Interests.

Valuation

As required under the Exemption Notice, Barker & Morse Limited has been engaged to provide an assessment of market value for the Property and has assessed the current market value of the Property as at or about the date of this Offeror's Statement as being \$1.95 million. This valuation does not include the value of the Related Assets which Barker & Morse Limited has assessed as at or about the date of this Offeror's Statement as being \$810,000. The aggregate value of the Property and Related Assets based on Barker & Morse Limited's valuation is \$2.76 million.

Term

The Scheme has an initial term of ten (10) years. However, as soon as practicable after 1 December 2016 (the date one year prior to the expiry of the term), a meeting of Investors will be called to ascertain whether or not the Scheme should continue or the Property be sold and the Scheme wound up. Any such decision must be supported by a majority of Investors holding not less than 75% of POS Interests at the time. If Investors elect to continue the Scheme beyond the initial ten year term, the Scheme may be wound up and the Property sold at any time thereafter by Investors holding not less than 50% of POS Interests at the relevant time.

How do you subscribe

Investors may participate in this investment opportunity by subscribing for two or more POS Interests. The minimum subscription price payable is \$50,000 for two POS Interests. Subscriptions should be completed on the Application Form contained on page 54 of this Offeror's Statement.

Subscription terms and conditions are set out in the Application Form. Investors should familiarise themselves with these terms and conditions and comply with them when applying for POS Interests.

Completed and signed Application Forms must be forwarded to the offices of RAML whose address is in the Directory.

All subscription amounts received from subscribers for POS Interests will be held in the trust account of Kensington Swan, Solicitors, Auckland who are acting on behalf of RAML in respect of the acquisition of the Property and Related Assets by RAML and the on sale of those assets to the Scheme. Subscribers will be paid interest at ANZ Banking Group (New Zealand) Limited's solicitors' trust account interest bearing call deposit rate from time to time, less commission and resident withholding tax on their application money from the date of receipt by Kensington Swan until settlement of the purchase of the Property or the return of application monies to subscribers in accordance with this Offeror's Statement.

QUESTIONS ABOUT YOUR INVESTMENT

The following numbered sections refer to paragraphs in schedule 1 to the Exemption Notice

What sort of investment is this?

3. Description of proportionate ownership scheme

The Scheme relates to Investors owning, as tenants in common, the Property for long term investment purposes. The Scheme is a proportionate ownership scheme for the purposes of the Exemption Notice, and this Offer is made in accordance with the Exemption Notice.

The interests in the Scheme that are offered to investors under this Offer are POS Interests. Each POS Interest represents a proportionate tenancy in common interest in the Property calculated by reference to the aggregate number of all POS Interests issued under this Offer. The minimum subscription for an interest in the Scheme is two POS Interests.

Title to the Property will be held by the Nominee on behalf of each Investor according to that Investor's proportionate interest. Each subscriber must execute an Application Form and authorise the Nominee to execute, under Power of Attorney, the Scheme Deed between the Investors and the Custodian Deed and the Management Agreement between the Investors, the Nominee and the Manager.

80 POS Interests of \$25,000 each are being offered for subscription. The Offeror may accept over-subscriptions for a further 34 POS Interests. If over-subscriptions are fully achieved the total amount raised under the Offer will be \$2.85 million comprised of 114 POS Interests. The subscription proceeds, together with non-recourse secured bank borrowings of up to \$850,000, will be used to acquire the Property and Related Assets and to fund the establishment costs of the Scheme. Over-subscriptions for POS Interests will reduce the amount of bank borrowings required to fund establishment costs, with no bank borrowing being required in the event that the Offer is fully over-subscribed.

The rights and obligations of Investors, and their relationship between themselves as tenants in common co-owners of the Property, are set out in and governed by the terms of the Scheme Deed. Amongst other things, the Scheme Deed provides that each POS Interest will confer equal rights and obligations on the holder in respect of entitlements to income and capital of the Scheme and each POS Interest will confer on a poll one vote upon the holder in respect of matters on which Investors are entitled to vote.

Notwithstanding that each Investor will be a tenancy in common co-owner of the Property, title to the Property will be held by the Nominee on behalf of each Investor for that Investor's proportionate interest in the Scheme. The rights, responsibilities and obligations of the Nominee are recorded in the Custodian Deed.

The Property and Related Assets, together with the remainder of the business undertakings of the Karina Rest Home will be acquired from the Owners by RAML immediately prior to commencement of the Scheme. Under the Purchase Agreement, the Nominee will acquire the Property and Related Assets (excluding the remainder of the business undertakings of the Karina Rest Home) for and on behalf of the Scheme immediately following acquisition of those assets by RAML from the Owners.

The Nominee has entered into the Master Agreement with the Operator pursuant to which the Operator will, subject to the Scheme being established, enter into the Lease as well as acquire various rights and entitlements relating to the Karina Rest Home, such Lease and other rights and entitlements to be granted on the date that the Scheme becomes the owner of the Property.

The Nominee's sole purpose is to hold (subject to the Lease) all of the reversionary rights in and to the Property and Related Assets as trustee for and on behalf of Investors in accordance with the Custodian

Deed and to do such things required of the legal holder of title to the Property and other assets of the Scheme, as directed by the Manager or Investors (as the case may be).

The Scheme will be managed on behalf of Investors by RAML as the Manager under the Management Agreement. It will manage and administer the Property and undertake the day to day activities that are incidental to the ownership of a commercial healthcare property and will also administer the Scheme. The management obligations of the Manager are set out in the Management Agreement.

A summary of the key terms of the Scheme Deed, the Custodian Deed, the Lease, the Master Agreement, the Purchase Agreement and the Management Agreement are set out in schedule 1 to this Offeror's Statement. A full copy of each of the Scheme Deed, the Custodian Deed, the Lease, the Master Agreement, the Purchase Agreement and the Management Agreement is available for inspection at the offices of Anderson Creagh Lai, the Manager or the Nominee (in each case at the addresses set out in the Directory).

An investor wishing to apply for POS Interests must complete and sign an Application Form that authorises the Nominee to execute a deed of accession (the "Deed of Accession") on behalf of that investor, pursuant to which that investor will become a party to the Scheme Deed, the Custodian Deed and the Management Agreement. The Nominee will execute all Deeds of Accession upon or immediately prior to commencement of the Scheme. A copy of the Deed of Accession can be inspected at the offices of Anderson Creagh Lai, the Manager and the Nominee, in each case at the addresses set out in the Directory.

The Offer contained in this Offeror's Statement closes on 30 November 2007, or when fully subscribed. However the Offeror reserves the right to close the Offer at any time prior to that date. The Offeror also reserves the absolute right in its sole discretion to accept or reject any application in whole or in part without assigning any reason.

4. Description of Property

The Property is a hospital and rest home known as "Karina Rest Home" and is located at 11-15 Karina Terrace, Palmerston North. The area of the Property is 3,485 square metres and is rectangular in shape. The legal description of the Property is Lots 8 and 9 DP 17395 and Lot 2 DP 58723, CT WN35B/312, and Lot 1 DP 58723, CT WN29C/935.

Further details of the Property are contained in the valuation set out in schedule 3 to this Offeror's Statement. A copy of the full valuation report is available for inspection at the offices of Anderson Creagh Lai or the Manager (at the address set out in the Directory on page 51 of this Offeror's Statement).

5. Material contracts relating to improvements to real property

As at the date of this Offeror's Statement, there are no material contracts relating to proposed construction or building activities at the Property, no building is in the course of construction on the Property and there are no proposals to undertake any building activities or effect any improvements to the Property other than ordinary maintenance activities.

6. Covenants etc, in respect of real property

Details of the covenants, conditions, restrictions or easements registered against the Property are set out in schedule 2 to this Offeror's Statement.

The Property is currently subject to a mortgage in favour of Westpac New Zealand Limited. This will be removed and discharged following the acquisition of the Property and Related Assets by RAML prior to the Scheme's acquisition of those assets and commencement of the Scheme itself.

The Offeror is not aware of any other covenants, conditions, restrictions, easements or other interests in respect of the Property which are not registered on the certificates of title to the Property.

7. Land information memorandum relating to real property

Any material matters referred to in a land information memorandum under Section 44A of the Local Government Official Information and Meetings Act 1987 ("LIM Report") have been referred to the independent registered valuer for the purposes of the valuation report contained set out in schedule 3 to this Offeror's Statement.

A copy of the LIM report is available for inspection at the offices of Anderson Creagh Lai and the Manager at the addresses set out in the Directory on page 51 of this Offeror's Statement.

8. Options etc, in respect of real property

Under the Management Agreement, the Manager has a first right of refusal to purchase the Property at market value if the Scheme wishes to sell.

Other than the right of first refusal referred to above, there are no options, buy-back or similar arrangements, nor any rental guarantees, in relation to the Property.

9. Material details concerning rights of occupation of real property

Contemporaneously with settlement of the acquisition of the Property and Related Assets by RAML, the Nominee (on behalf of the Scheme) will grant the Lease to the Operator. Contemporaneous with entry into the Lease, the Master Agreement previously entered into by the Nominee on behalf of the Scheme with the Operator will become unconditional and fully effective.

Completion of the Lease and the grant of rights and entitlements (and associated transfers) contemplated by the Master Agreement will enable the Operator to undertake the hospital and rest home business on the Property. The rental payable by the Operator under the Lease will consist of a base rental of (initially) \$300,000 (plus GST) per annum payable monthly in advance and reviewed at three year intervals throughout the term of the Lease. In addition to such base rental, the Operator shall be liable to pay a turnover rental equivalent to 9% of the turnover of the Operator's business throughout the term of the Lease (plus GST). The turnover rent payable by the Operator in any given year shall be capped at \$150,000 (plus GST).

The Lease will be granted for an initial term of 10 years from the commencement date of the Scheme. The lessee (being the Operator) will have two rights of renewal for further terms of five years each. If Investors at any time resolve to terminate the Scheme and sell the Property in accordance with the terms of the Scheme Deed (including termination following the expiry of the initial 10 year period of the term of the Scheme), then the lessee may, but shall not be required to, elect to an early termination or surrender of the Lease at no additional cost or payment to the lessee other than for any refurbishment or redecoration obligations under the Lease.

The lessee under the Lease will be the Operator. The Operator is a special purpose company formed in order to enter into the Lease and to undertake the day to day operation of the Rest Home business on the Property. The Operator is a subsidiary of RAML and Silvercare Limited ("Silvercare"). Silvercare will manage the affairs and undertakings of the Operator. Silvercare is an experienced manager and provider of rest home and related hospital care services, and its main principal, Ted Hewetson, who is well known to MidCentral District Health Board, has over 20 years of experience in the industry. Currently, Silvercare operates and manages Ranfurly Manor Hospital in Feilding and Rendell on Reed Rest Home in Oamaru. Silvercare also previously owned and operated a portfolio of eight substantial rest home and hospital properties which it recently divested to Retirement Villages New Zealand Limited.

As a special purpose company formed in order to enter into the Lease and undertake the day to day operations of the Karina Rest Home business, the Operator itself has no prior trading history. The Operator will have the benefit of all the existing business of the Karina Rest Home in terms of current occupants, together with the value of the day to day operations of the Karina Rest Home (including current contracts with the ACC and MidCentral District Health Board). The Offeror believes that the value of the existing Karina Rest Home business, together with the quality of the management that Silvercare will bring to the operation of the Rest Home business by the Operator, will allow the Operator to meet its obligations under the Lease.

Neither the Operator nor either of its shareholders (as described above) have provided any guarantee or other form of support in respect of the Operator's obligations under the Lease and the Offeror currently does not intend to seek any such guarantee or similar support in respect of the Operator's obligations under the Lease.

As the Lease will be entered into on or immediately prior to commencement of the Scheme, there are no circumstances in existence which would constitute any material failure by the Operator as lessee under the Lease to comply with any of its obligations under the Lease. A copy of the Lease is available for inspection at the offices of Anderson Creagh Lai, the Manager or the Nominee, in each case at the addresses set out in the Directory.

Who is involved in providing it for me?

10. Information about persons associated with the proportionate ownership scheme

The Promoter, Offeror and Manager of the Scheme is RAML whose address is 12 Viaduct Harbour Avenue, Maritime Square, Auckland. Its directors are as follows:

- (a) Anthony Charles Russell Hannon
41 Rock Isle Road
Torbay
Auckland
- (b) Christopher Alan Holmes
326 Victoria Avenue
Remuera
Auckland

The Nominee, Radius Nominees (Karina) Limited, is a company owned by RAML. ACR Hannon and C A Holmes are the directors.

RAML's role in the Scheme will consist principally of the following:

- acquiring the Property and Related Assets from the Owners and on-selling those assets to the Nominee for and on behalf of the Scheme;
- acting as the Offeror and promoter of POS Interests to potential investors in the Scheme under this Offeror's Statement and pursuant to the Exemption Notice; and
- acting as the Manager of the Scheme in accordance with the Management Agreement.

The Nominee's role in the Scheme is to acquire and hold the Property and Related Assets from RAML, to hold those assets in accordance with the Custodian Deed, to enter into and act as lessor under the Lease and to do such things required of it as the legal holder of title to the Property and other assets of the Scheme, as directed by the Manager or Investors (as the case may be).

Further details of RAML's and the Nominee's respective roles in the Scheme are set out on pages 6 and 7 and at schedule 1 to this Offeror's Statement.

The funds received by way of in subscriptions for POS Interests and interest on those funds will be held in the trust account of Kensington Swan, Solicitors, Auckland, on interest bearing call deposit until registrable title to the Property is obtained for the purpose of the Scheme on behalf of each subscriber by the Nominee, acting on behalf of all subscribers, or returned to the subscriber in accordance with this Offeror's Statement.

The sale organisation through which this Offer is made is Colliers International (NZ) Limited, Level 27, 151 Queen Street, Auckland.

11. Qualifications and experience of manager of proportionate ownership scheme

RAML is a company established to conduct the business of property management. Its directors are ACR Hannon and C A Holmes.

The directors of RAML have had extensive experience in property investment matters including proportionate ownership schemes. Mr Holmes has been involved in the investment and real estate industry for 25 years involving both valuation and real estate including management of institutional property portfolios. Mr Hannon is a chartered accountant, investment banker and holds directorships in several companies.

Mr Holmes and Mr Hannon have both been involved in other proportionate ownership scheme offers. An example proportionate ownership scheme that Mr Holmes and Mr Hannon have been involved in is the Fulton Home Hospital and Rest Home that has operated as a proportionate ownership scheme since 2005.

Other staff of the Manager have experience in management of aged care facilities.

12. Management agreements relating to real property

The material details of the Management Agreement also previously referred to in section three ("Description of proportionate ownership scheme") between the Investors and the Manager are set out in schedule 1 to this Offeror's Statement.

There are no other relevant management agreements relating to the Property or the Scheme. A copy of the Management Agreement may be inspected free of charge at the offices of Anderson Creagh Lai, the Manager or the Nominee, in each case at the address set out in the Directory.

13. Interests of offeror, manager, promoter and others

Colliers International (NZ) Limited has not acted as agent in respect of the sale of the Property to RAML or to the Scheme, and will not be paid a commission by the Owners in respect of such sale.

Immediately prior to commencement of the Scheme, RAML will acquire the Property and Related Assets from the Owners. The consideration to be paid by RAML to the Owners for acquisition of the Property and Related Assets will be \$2,460,000. RAML will then on-sell and transfer to Radius Nominees (Karina) Limited (as Nominee on behalf of the Scheme) the Property and the Related Assets for \$2,645,000. Accordingly, RAML will receive and retain \$185,000, being the difference between the price for which it acquires the Property and Related Assets and the price at which it on-sells the Property and Related Assets to the Scheme.

In addition, RAML, in its capacity as the Manager, will be paid an establishment fee of \$50,000 plus GST under the Management Agreement on commencement of the Scheme. The combination of the sale price differential described above and the establishment fee of \$50,000 received by RAML is in consideration of RAML procuring the acquisition of the Property and Related Assets from the Owners, structuring, promoting and implementing the Offer, negotiating arrangements with the Operator in respect of the Lease (which includes favourable rent income terms relative to other health and elderly

care assets of this nature), and generally acting as the Offeror, promoter and manager of the Scheme and the POS Interests.

Under the Management Agreement, the Manager will be paid an annual management fee of \$24,000 plus GST. The Manager will also be entitled to recover out-of-pocket costs and disbursements incurred by it in connection with its management obligations under the Management Agreement. Such management fees will be calculated and paid monthly in advance on the first day of each calendar month during the term of the Management Agreement.

In addition to the fees described in the preceding paragraph, the Manager may be entitled to a performance bonus where at any time during the term of the Scheme the Property is sold and the net sale proceeds after repayment of all secured debt and deduction of all sale related costs and expenses exceeds a target internal rate of return to Investors of 11% per annum, calculated on a daily basis on the aggregate subscription amount for POS Interests. In such circumstances, the Manager will be entitled to receive 20% of any profit achieved from such a sale above the 11% internal rate of return.

The Manager may also be entitled to receive a break fee equivalent to two times the annual management fee payable under the Management Agreement where the Management Agreement is terminated by the Investors pursuant to an extraordinary resolution in accordance with the Scheme Deed or following termination for breach (where the Manager is not at fault) during the term of the Management Agreement.

A detailed summary of the terms of the Management Agreement is set out in schedule 1.

RAML will own 50% of the Shares in the Operator. Accordingly, RAML will be entitled to half of the net profits of the Operator after payment of the Operator's costs and expenses, including Lease rental payments due to the Scheme and management fees payable to Silvercare Limited for managing the day to day affairs of the Operator. It is expected that the Operator will not produce any significant net profit following payment of its rental obligations under the Lease, Silvercare Limited's costs of managing the Operator and other costs associated with operation of the Rest Home Business.

The other 50% owner of the Operator, Silvercare Limited, is not a related party of the Offeror, the Manager or the promoter of the Scheme and this Offer or any shareholder, director, or employee of such person.

How much do I pay?

14. Purchase Price

The Property and Related Assets are being purchased from RAML by the Nominee (on behalf of the Scheme) for \$2,645,000 plus GST (if any).

Settlement of the acquisition of the Property and Related Assets from the Owners by RAML is scheduled to occur on or about 30 November 2007. Settlement of the acquisition of the Property and Related Assets by the Scheme from RAML will occur contemporaneously with the initial settlement by RAML with the Owners.

The purchase price payable by an investor for POS Interests is a minimum amount of \$50,000 (being the minimum subscription for two POS Interests). Investors may subscribe for further POS Interests at a subscription price of \$25,000 each. The minimum aggregate purchase price for POS Interests pursuant to this Offer is \$2,000,000 (being 80 POS Interests). If the Offer is subscribed in full and the Offeror accepts over-subscriptions up to the maximum of 114 POS Interests, aggregate subscriptions will be \$2,850,000.

The aggregate purchase price for all POS Interests payable by investors will not exceed the aggregate amount received by way of subscriptions for POS Interests pursuant to this Offer. The aggregate maximum amount of purchase price that is payable by Investors towards the acquisition of the Property

and Related Assets will be between \$2,000,000 and \$2,850,000. If the Offer is not subscribed up to the maximum number of 114 POS Interests, the balance of the purchase price for the Property and Related Assets and other Scheme establishment costs will be funded by non-recourse secured bank borrowings.

Details of the costs involved in establishing the Scheme (based on the \$2,000,000 minimum subscription level) are as follows:

	\$
Purchase price for Property and Related Assets	2,645,000
Preliminary and establishment costs	185,000
Initial repairs and maintenance - building year 1	20,000
Total	2,850,000
To be funded by:	
Subscriptions from subscribers	2,000,000
Bank Loan	850,000
Total	2,850,000

Initial repairs and maintenance are planned as there is deferred maintenance required to the main building to bring it to an appropriately high standard.

Preliminary and establishment costs payable by the Scheme are:

	\$
Brokerage	60,000
Legal	40,000
Accountancy	7,000
Issue expenses - printing, documenting	2,000
Offeror's fee	50,000
Accountant's review	6,000
Valuation	4,500
Bank fee	4,000
Building report	3,000
Contingency	8,500
Total	185,000

All costs described above are exclusive of GST and out-of-pocket costs and disbursements.

An offer of bank funding for the Scheme has been received from ASB Bank Limited. The loan offer is for an amount of up to \$850,000 for a term of two years and will be secured by way of a first registered mortgage over the Property. An establishment fee of \$4,000 is payable to ASB Bank Limited for provision of the loan and interest will be payable on the basis of a margin of 1.15% over ASB Bank Limited's cost of funds.

No personal guarantees have been required in connection with bank funding and there will be no principal repayments during the term of the loan.

The Manager intends to commence the borrowing on a floating rate basis (current rate at time of preparation of this Offeror's Statement being approximately 9.25%). The loan facility however gives an option to fix the rate at any time via an interest rate swap arrangement. For the purposes of forecasting the financial return from the Scheme however, an interest rate of 9.25% per annum has been assumed.

What are the charges?

15.-16. Types and amounts of charges

Other than the initial subscription price for POS Interests, there are no entry charges or other costs of acquisition of POS Interests payable to the Offeror under this Offer.

There are no trustee or administration charges, but management fees will be payable by Investors to RAML under the terms of the Management Agreement.

The following charges are collectively payable by Investors and will be deducted from revenue and any rentals received by the Manager in respect of the Scheme:

- (a) The property management and Scheme management fee payable to the Manager of \$24,000 plus GST per annum.
- (b) The cost of preparation of annual audit estimated at \$6,000 plus GST per annum.
- (c) The ongoing valuation fee estimated at \$2,500 plus GST per annum commencing from the second year of the Scheme.
- (d) Legal fees for documentation of rent reviews, management contracts for the four adjacent villas, leasing, renewal of lease, refinancing incidental to management of the Property charged on the basis of time spent at appropriate rates, but currently not expected to exceed \$300 plus GST per hour.
- (e) Any early termination charge where the Manager is removed by interest holders in the Scheme being an amount equivalent to two years' management fees payable under the Management Agreement.

In addition, the following charges are in relation to any sale of the Property or an interest in it:

- (a) Real estate agent's commission on any future sale of the Property, presently expected to be 2-4% of the sale price plus GST.
- (b) Legal fees in relation to attendances on the sale of the Property and/or the business associated with the Property and Related Assets and repayment of the bank loan, based on prevailing rates at the relevant time (plus GST).
- (c) An early repayment fee to the Financier in the unlikely event that the Property is sold prior to expiration of the loan term.
- (d) Upon a sale of the Property by the Scheme, the Manager will be entitled to receive 20% of any profit achieved from such sale of the Property above an internal rate of return of 11% per annum compounded.

None of the above charges are payable by the Offeror or the Manager. The charges specified are all payable from the Scheme and affect the amount of returns to Investors.

The Manager is obliged to account to Investors for all charges which affect returns to Investors. Particulars of these charges will be included in the financial statements relating to the Scheme which are to be audited and copies of which will be sent to all Investors.

There are no specific charges applicable in respect of POS Interests, accordingly the Offeror or any other person has no rights to alter such charges.

The Manager is responsible for establishing the yearly operating budget for the Scheme and the Property. Accordingly, each Investor's share of such costs and charges, and that Investor's returns

from the Scheme, will be affected by the setting of and alteration to such budgets in respect of the Scheme and the Property.

17. Remuneration of offeror relating to proportionate ownership scheme

Immediately prior to commencement of the Scheme, RAML will acquire the Property and Related Assets from the Owners and will then on-sell and transfer those assets to Radius Nominees (Karina) Limited (as Nominee on behalf of the Scheme). RAML will receive and retain \$185,000 in respect of the on-sale, being the difference between the price to be paid by RAML for the acquisition of the Property and Related Assets from the Owners and the price at which it will subsequently on-sell those assets to the Scheme.

RAML as Offeror will receive an establishment fee of \$50,000 plus GST under the Management Agreement and \$185,000 (being the difference between the price at which it acquires the Property and Related Assets from the Owners and the price it on-sells the Property and Related Assets to the Scheme) for establishing and promoting the Scheme. The relevant details of such remuneration are more fully described in the section headed "Interests of offeror, manager, promoter and others".

RAML does not receive any other remuneration or benefits for establishing and promoting the Scheme.

The fees payable to RAML as Manager and Offeror are fixed unless otherwise stated and are not subject to Investor review or approval. Where any fees payable to RAML are variable, they shall be so to the extent indicated in the descriptions set out in the section headed "Interests of Offeror, manager, promoter and others".

The establishment fees described above will be payable by the Scheme upon its commencement out of subscription moneys received from Investors for POS Interests and/or bank funding.

What returns will I get?

18. Income and expenses relating to proportionate ownership scheme

The Nominee is the legal owner of the Property and Related Assets as trustee for the Investors under the terms of the Custodian Deed. The Manager will receive all rental income payable under the Lease into the Scheme's bank account.

After meeting expenses in relation to the Property (which include contributions to a sinking fund), bank interest and costs of administration of the Scheme, the Manager will distribute cash profits to Investors in proportion to their POS Interests.

The prospective income and expenditure for the first year of the Scheme is set out in the prospective financial statements following. While profits are distributed at the discretion of the Manager, taking into account likely future expenditure and prospective net rentals for the first year of the Scheme, it is the present intention of the Manager to target a 14.6% per annum distribution to Investors in the first year of the Scheme on the aggregate subscription amount of all POS Interests issued to Investors before tax and depreciation are taken into account.

A separate trust account will be opened for and on behalf of the Scheme by the Manager to receive all income receipts, pay all expenditure items and all distributions to Investors.

It is a condition of the Exemption Notice that annual financial statements in respect of the Scheme are prepared and audited. The first auditors of the Scheme, to be appointed from the date of commencement of the Scheme, will be PricewaterhouseCoopers, Chartered Accountants.

19. *Financial information in respect of real property*

No relevant financial information in respect of the Property that is the subject of the Scheme is available as the income and expenditure in relation to the Property, and related statement of cash flows, for the Property and correspondingly the Scheme under the new arrangements in the Lease are substantially different from prior arrangements between the Owners in respect of the manner in which the owner of the Property derived income relative to the owner of business that is the Karina Rest Home. In any case, previous historic financial information is not in the possession or control of the Offeror and it is not readily obtainable from the Owners.

20. *Forecast financial statements*

Prospective financial statements in respect of the Scheme for the first full accounting year commencing after the date of this Offeror's Statement, in accordance with the Exemption Notice, are set out below. Note that the annual balance date of the Scheme will be 31 March.

Prospective Balance Sheet as at 31 March 2009:

	\$
Current Assets	
Cash at bank	27,149
Non Current Assets	
Investment property	2,645,000
Total Assets	2,672,149
Current Liabilities	
Distributions owing to subscribers	24,167
Non Current Liabilities	
Secured bank loan	850,000
Investor Funds	
Subscriptions	2,000,000
Less preliminary and establishment expenses	(185,000)
Accumulated deficit	(17,018)
	1,797,982
Total Equity & Liabilities	2,672,149

Prospective Income Statement for the year ending 31 March 2009:

	\$
Revenue	
Rental income	408,000
Interest income	3,106
	411,106
Less expenses	
Property Management	24,000
Accounting fees	7,000
Audit fee	6,000
Valuation fees	2,500
Bank interest	78,624
	118,124
Net surplus before taxation	292,982

Prospective Statement of changes in equity for the year ending 31 March 2009:

	\$
Subscriptions received	2,000,000
Preliminary establishment expenses	(185,000)
Net operating surplus for the year	292,982
Deficit from prior period	(20,000)
Distributions to Investors	(290,000)
Closing equity	1,797,982

Prospective Cash Flow Statement for the year ending 31 March 2009:

	\$	
Cash flows from operating activities		
Cash to be provided from:		
Lease income	408,000	
Interest received	3,106	
	411,106	
Cash to be applied to:		
Operating expenses	(39,500)	
Interest paid	(78,624)	
	292,982	
Cash flow to financing activities		
Cash to be applied to:		
Distributions to Investors	(290,000)	
	(290,000)	
Net (increase) in cash		2,982
Cash at start of year		24,167
Cash at end of year		27,149

Prospective investment return:

	\$
Amount invested	25,000
Projected annual share of net profit (before initial repairs and maintenance and taxation)	3,662
Projected distribution rate per annum	14.6%
Estimated surplus for taxation purposes after the deduction of depreciation and tax deductible costs	2,599

Notes to the prospective financial statements

Significant assumptions

The prospective financial statements have been prepared for a full 12 month period ending 31 March 2009.

Actual results may differ from this projection depending on income received, interest rates and other expenses. The resulting variance may be material. The Offeror, Manager and Nominee give no guarantee or assurance that the projection will be achieved.

Prospective financial information is prepared based on assumptions as to the future events which the Offeror reasonably expects to occur. This is the case with all the assumptions noted below. Subscribers must consider the assumptions described below in order to fully understand the prospective financial information. The prospective financial statements are presented solely for the purposes of this Offer.

The prospective financial information has been prepared by and is the responsibility of the Offeror, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. They are authorised for issue on 31 October 2007 by the Offeror.

No representation or warranty is given as to the accuracy or completeness of the prospective financial information or the assumptions. Some of the key risk factors associated with the future financial performance of the Scheme are discussed in the section below headed "What are my risks?" commencing on page 22.

These assumptions are adopted by the Offeror at the date of this Offer and there are no actual financial results incorporated. It is not intended to update the projection at a later date.

General assumptions

There will be no material changes in existing political, economic and financial conditions in New Zealand that may materially affect the Scheme or its activities. There will be no changes to legislation or its administration that have a material impact on the Scheme's operations.

There will be no material industrial disputes, unusual competitive activity or any other unforeseen events, occurring through any cause that may significantly affect the operations of the Scheme including unforeseen adverse fluctuations in the demand for healthcare services.

There will be no disruptions such as earthquakes, fire, floods or any other unforeseen natural disasters.

No allowance has been made for the effect of any inflation on expenditure.

International Financial Reporting Standards ('IFRS') are required to be implemented for reporting periods commencing on or after 1 January 2007.

Specific assumptions

1. Capital raising and funding

\$2 million will be raised from subscriptions for POS Interests in the period ending 30 November 2007. These funds, together with a secured bank term loan of \$850,000, will be used for the purchase of the Property (including the Related Assets) and to fund preliminary and issue expenses, general set-up costs of the Scheme and to provide for working capital, repairs and maintenance. The bank term loan is assumed to bear interest at the rate of 9.25% per annum for the period of this projection. These transactions are expected to be completed before 1 April 2008. There are no principal repayments to be made during the projection period. These assumptions are based on experience with similar schemes.

2. Purchase of Investment Property

The projection has been based on the acquisition price of \$2,645,000. On or about the date of this Offeror's Statement, Barker & Morse Limited has valued the Property at \$1.95 million and the Related Assets at \$810,000 for an aggregate valuation of \$2.76 million.

3. Lease income

Lease income is calculated at \$408,000 per annum which is intended to commence from the date of acquisition of the property, being on or about 30 November 2007. Lease income comprises \$300,000 (plus GST) of base rental and \$108,000 (plus GST) of turnover rental (calculated at 9% on turnover of \$1,200,000 for the trading operations of the Operator in respect of the Karina Rest Home). Rent relating to each month will be received in the month it relates to on the last day of that month.

4. Interest income

Interest income is based on 7.5% per annum on surplus funds invested arising from income received on the 30th of each month and expenses being paid later each month. This rate is based on the actual interest rate being earned on surplus funds of similar schemes.

5. Operating expenses

The overheads of the Scheme are estimated to be \$39,500 and will be paid in the period that they are incurred. Consequently, no accruals will exist at year end. Overhead expenses are based on experience with similar schemes.

6. Distributions

The distributions are targeted to be an approximate 14.6% per annum distribution to Investors for the first year of the Scheme on the aggregate dollar amount of all POS Interests issued to Investors and is based on raising \$2,000,000 from this Offer. The distribution is based on cash available before repairs and maintenance and taxation. Unforeseen circumstances that impact the profitability of the Scheme could affect this projected rate of return. Further details of circumstances in which returns to Investors could be reduced are set out in the section below headed "What are my risks?" commencing on page 22. It is intended that distributions will be made monthly in arrears on the 20th day of the subsequent month.

7. Repairs and maintenance of building structure

It is assumed that structural repairs and maintenance will be costs of the Scheme. A special allowance has been made for identified repairs and maintenance in the period before 1 April 2008 of \$20,000 based on an assessment of the work that is required, but may vary. A material variance can occur if initial work identifies more than \$20,000 is required to effect the identified repairs and maintenance.

8. Capital expenditure/future investment

It is assumed that there will be no unanticipated capital expenditure. Any future property investment developments will be assessed independently of this initial investment, on a stand alone basis. A feasibility study will be prepared and presented to proportionate owners to vote on whether to proceed.

9. Preliminary and establishment expenses

Preliminary and establishment expenses are assumed to be \$185,000 and have been charged against the subscriptions raised in the Equity section of the Balance Sheet. These are based on experience with similar schemes.

Variance factor

One factor which may lead to a material difference between the information in the prospective financial statements and the actual financial results prepared in future reporting periods is the rate of subscriptions received. This could vary due to unforeseen market or economic conditions.

Sensitivity analysis

The prospective financial information for the year ending 31 March 2009 is sensitive to variations in certain assumptions used in its preparation. A summary of the likely effect variations to one significant assumption may have on the prospective financial information is detailed below. The sensitivities for this assumption are not intended to be indicative or predictive of the possible range of outcomes but are best estimates based on current information.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in such prospective information. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in such prospective financial information.

The factors that the Offeror believes have the most significant impact on projected financial performance of the Scheme are the rate of subscriptions received from Investors and the rate of turnover rental received under the Lease. Formerly, if the minimum subscription level of \$2,000,000 is not received, this could increase bank borrowings, resulting in greater interest being payable by Investors. Latterly, if the turnover of the Operator in respect of its operation of the Karina Rest Home business varies from the projected amount of \$1,200,000, the turnover rent component of rent received under the Lease will vary correspondingly.

Sensitivity Analysis	Change in Net Surplus			
	\$	%	\$	%
+/- 5% change in level of subscriptions received from Investors	+9,250	+3.2	-9,250	-3.2
+/- 5% change in turnover rental income	+20,400	+7	-20,400	-7

Statement of accounting policies

Reporting entity

The prospective financial statements presented above are for the Scheme which is managed by RAML.

The Offer is made in accordance with the Exemption Notice.

Radius Nominees (Karina) Limited will act as a Nominee and custodial trustee for Investors in the Scheme. Title to the Property and Related Assets is held by the Nominee on behalf of each Investor.

These prospective financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993. In particular the requirements of FRS 42, Prospective Financial Statements, have been followed.

Measurement base

The prospective financial statements have been prepared on the historical cost basis.

Specific Accounting policies

The prospective financial statements are prepared in accordance with New Zealand generally accepted accounting practice which includes compliance with NZ International Financial Reporting Standards. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Revenue recognition

Interest and lease income will be accounted for as earned.

Income tax

No account has been taken for income tax under the Scheme; each Investor will be assessed individually on their proportionate share of the rent and any other distributions from the Scheme. Investors will be individually responsible for the payment of their taxes.

Goods and Services Tax (GST)

The prospective income statement and cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated inclusive of GST.

Investment Property

The investment property will be recorded at cost (purchase price and related acquisition charges) and in subsequent years will be stated at fair value as determined by an independent registered valuer at each annual balance date on the basis of active market prices.

Changes in the investment property annual revaluation are recorded in the Prospective Income Statement for the year ending 31 March 2009.

Depreciation

Each subscriber is entitled to a depreciation deduction based on their proportionate share of the depreciation of the investment property and depending on their individual circumstances. Accordingly, no allowance has been made for depreciation in the Prospective Income Statement for the year ending 31 March 2009.

Preliminary and establishment costs

Costs relating to the establishment of this Scheme and securing of funding will be written off prior to 31 March 2008 against the subscription monies received.

Statement of Cash Flows

The following are the definitions of the terms used in the prospective statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financial activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Distributions paid in relation to the capital structure are included in financing activities.
- (d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

The above prospective financial statements have been reviewed by the Scheme's auditor PricewaterhouseCoopers, Chartered Accountants, whose report is set out in schedule 4 to this Offeror's Statement.

Taxation

Under the Scheme, each Investor is assessed individually on their proportionate share of the income and any other distributions from the Scheme. Investors will be individually responsible for the payment of their tax.

Investors should be able to receive the benefit of a depreciation allowance for taxation purposes.

The depreciation allowance entitles Investors to defer taxation on a portion of their cash return until the Property is sold by claiming as a tax deduction each Investor's proportionate share of the depreciation of the Property and Related Assets. Under current tax rules depreciation claimed on the assets during the term of the Scheme will be taxable in the year the assets or an Investor's interest in the assets is sold provided that the sale price exceeds the original costs, less all depreciation previously claimed. The net effect is to provide a deferral of tax for Investors during the period of ownership of the Property.

It is recommended that Investors seek tax advice from their own professional advisers.

What are my risks?

21. Liabilities relating to the proportionate ownership scheme

An Investor's principal liability in respect of its POS Interests is to pay for POS Interests it subscribes for, being an amount of \$25,000 per POS Interest and subject to the minimum subscription of two POS Interests under this Offer. This amount is paid on subscription and held in Kensington Swan's trust account until acquisition of the Property, when the Scheme will be established and commence.

An Investor, as a holder of a POS Interest and therefore a tenancy in common co-owner of the Property and Related Assets in conjunction with all other POS Interest holders, receives or incurs a proportionate share of all income and liabilities of the Scheme.

While the Property and Related Assets will be legally owned by the Nominee on behalf of investors that constitute the Scheme, and the Nominee is a limited liability company, Investors nevertheless may not be fully or effectively barred from their proportionate share of liabilities in respect of the Property and the Scheme as the Nominee is principally a bare trustee for and agent of Investors under the Scheme.

The largest single liability of the Scheme will be to any primary bank lender who provides the first ranking secured funding in respect of the Property. As the borrowing from any Financier will be on a non recourse basis (ie, if the Nominee defaults, the bank can recover the amount lent to the Nominee only from the proceeds of sale of the Property) and capped by the Scheme's maximum debt to equity ratio of 65% debt to 35% equity, Investors should be protected from any liability to the Financier over and above the amount subscribed for their POS Interests.

Notwithstanding the intended protections set out above, such debt exposure may be increased if 75% or more of Investors voting in person or by proxy agree to do so. Accordingly, there is a risk that a super majority of Investors may agree to increase their respective debt exposure and as a result all Investors will be exposed to increased liability. However, given that the Property is to be purchased by the Scheme in a fully developed state and with no significant future development anticipated, the Offeror does not believe at the present time that there will be a need for any significant capital expenditure that would require debt funding above the 65% threshold or otherwise on a recourse basis as against Investors.

As a direct co-owner of real property, an Investor may be liable to pay any amount of expense or liability that is in excess of income or revenues received in respect of the Property under the Scheme (apart from liabilities in respect of the non recourse bank loan described above). The risk of this occurring should be mitigated through the proper management of the Scheme and the Property by the Manager, including the establishment of appropriate budgeting processes and provisioning for maintenance and refurbishment of the Property.

However, as with all direct property ownership investments, there is no guarantee that Investors will not be required to contribute further amounts to the Scheme in the manner provided for under the Scheme Deed in situations where any funding shortfall (however arising) in respect of the Scheme cannot be met by other means or Investors, as a group, determining that further moneys should be contributed by them to the Scheme to meet such shortfall (such proposal having been approved by 75% of investors (by reference to their respective POS Interest holdings) voting in favour of such a proposal).

As the income of the Scheme will be derived solely from rentals received from the Operator under the Lease, there is a risk that if the Operator is unable to derive sufficient revenue from its business to meet its rental obligations under the Lease, the Scheme will not receive the income which is expected to. This could occur for any number of reasons, including due to unforeseen increases in operating costs, the number of residents at the Karina Rest Home decreasing (for whatever reason) and the Operator being unable to attract new residents at any given time, business being taken away from the Karina Rest Home by competitors or other providers of similar services within the Palmerston North or surrounding areas or other similar events or circumstances.

In such circumstances, the Scheme may receive less than the expected rental payable under the Lease which will impact on the ability of the Scheme to meet the management fees, administration costs and other costs and expenses associated with operation of the Scheme. As the turnover rental element of the Lease is a key part of the return structure of the Scheme, there is a risk that if the profitability of the Operator is adversely affected by any matter (such as unforeseen increases in its operational costs and expenses), the amount of turnover rental payable to the Scheme will be reduced.

The Scheme does not have a fixed term or duration. Accordingly, Investors will not be able to sell the Property and realise any capital gains on their investment unless, within the first ten years of the Scheme investors holding 75% or more of POS Interests, or thereafter Investors holding more than 50% of POS Interests, resolve to terminate the Scheme and sell the Property.

Investors will be entitled to, at any time, sell their respective POS Interests to a third party buyer. However there is no guarantee that there will always be willing buyers for such POS Interests as there may not be a readily available secondary market.

Other risks which Investors may encounter include the following:

- (a) not being able to recoup their original investment; and
- (b) not receiving the returns projected in this Offeror's Statement.

An Investor may not recover their investment in full if:

- (a) the Property is sold in the future and on sale the net assets are worth less than the initial total subscriptions and establishment costs;
- (b) the Scheme is terminated before the value of the Property increases sufficiently to recover establishment and disposal costs; or
- (c) an Investor sells his or her POS Interests to a third party for less than the initial subscription amount.

An Investor may not receive the returns forecast in this Offeror's Statement if the operating cash surplus from which returns are paid are less than forecast. The following factors may affect operating cash surpluses:

- (a) Occupancy risk - the number of residents could reduce below those forecast, affecting the turnover of the Operator. This would in turn impact the rentals payable under the Lease and correspondingly reduce the returns to Investors.
- (b) Borrower risk - interest rates may increase on the bank loan. Initially the Manager has chosen to accept a floating rate basis which is less than the interest rate assumption of 9.25% for the purposes of the financial forecast. However, future interest rate movements are unable to be accurately predicted. Additionally, if the Property and Related Assets are not sold before the expiration of the term of the bank loan, renewed financial facilities (if available) may involve principal repayments which will affect cash returns.
- (c) Building costs - structural/maintenance repairs to the Property which are the responsibility of the owner. At this time, no material expenditure is envisaged other than the repairs and maintenance disclosed on page 12 of this Offeror's Statement.
- (d) Regulatory risk and political risk - the actions of Government and regulators could impact on the Scheme. Regulations relating to the certification and licensing of healthcare facilities may change over time affecting the Operator and consequently its ability to perform its obligations under the Lease. There is a risk that facilities may not be able to satisfy new standards for healthcare facilities or be able to receive Government subsidies, or that such subsidies may not be increased.

Also, subsidies available to residents could be reduced or removed. This may affect the Operator, or the Scheme directly if it is required to upgrade facilities at its cost to meet the new standards.

- (e) Turnover risk – unforeseen factors may increase the operating costs of the Operator without any corresponding increase in revenue, bringing about a reduction in turnover. In the circumstances, the amount of turnover rental payable to the Scheme under the Lease will be reduced.

- (f) Special risks

Health Regulation Risk - Accreditation risk to the business affecting the accreditation of the Rest Home or the Operator. If any relevant governmental licence or accreditation cannot be obtained, the Operator may not be able to operate the Karina Rest Home, and this will impact on the Operator's ability to perform its obligations under the Lease, adversely affecting Scheme revenue.

Pandemic risk

In the event of a global pandemic reaching New Zealand, a substantial health risk arises for the residents of Karina. In the event of it being extremely serious, a systemic business failure could result.

Competition

New competition could emerge in Palmerston North to produce adverse commercial risks to Karina Rest Home and the ability of the Operator to produce the forecast revenue to the Scheme (thereby affecting turnover rental).

- (g) Changes in taxation – any change to the current rates of income tax will impact on returns.
- (h) Management agreement - the Management Arrangements provide for the Manager to be paid the equivalent of two years' annual management fee as compensation if the Manager is removed. This may adversely impact financial performance in the event that the Manager is removed. Also, any new Manager appointed could be appointed for a greater fee.
- (i) General economic conditions - New Zealand and overseas economic and financial market conditions will influence the market value of the Scheme's assets as well as the profitability of the Scheme's business.

Can the investment be altered?

22. Alteration of Securities

All POS Interests are issued under the terms of the Scheme Deed. The terms of the Scheme Deed can only be varied if Investors holding 75% of POS Interests so resolve at a properly scheduled and constituted meeting pursuant to the Scheme Deed. Otherwise the Offeror, Investors or any other person have no right to alter the terms of a POS Interest or the Scheme.

How do I cash in my investment?

23. Early Termination

There is no specific term or duration for the Scheme. However, under the provisions of the Scheme Deed, Investors may, and will at certain periodic intervals, meet to decide whether or not the Scheme should continue or the Property be sold and the Scheme wound up.

The Scheme may be terminated any time if subscribers holding 75% of interests so resolve at a properly constituted meeting.

A compulsory meeting will be held as soon as practicable after 1 December 2016 to determine whether or not the Property should be sold and the Scheme terminated. At that meeting a resolution of Investors holding not less than 75% of the POS Interests can resolve to terminate the Scheme.

After the expiry of 10 years from the commencement of the Scheme, Investors holding a simple majority (ie, more than 50% of POS Interests) may resolve to terminate the Scheme at a properly scheduled and constituted meeting pursuant to the Scheme Deed.

If an Investor is in breach of any of its obligations under the Scheme Deed, including any obligation to pay moneys to the Scheme, and such breach is not remedied within the relevant time period specified in the Scheme Deed, then the default and forfeiture provisions contained in the Scheme Deed will apply.

Accordingly, an Investor's interest in the Scheme may be terminated early as a result of the Manager exercising rights of forfeiture of the defaulting Investor's POS Interests under the terms of the Scheme Deed on behalf of the Scheme and other Investors, and transferring or selling that Investor's POS Interests to another person for value in accordance with the provisions set out in the Scheme Deed.

An Investor can terminate his or her interest in the Scheme by selling the POS Interests held by that Investor in the manner contemplated under the heading "Right to sell security" below.

24. Right to sell security

Every Investor is entitled to sell that Investor's POS Interests provided that the selling Investor has paid all monies outstanding in relation to the Scheme at the time of transfer and the purchaser of the POS Interest enters into a Deed of Accession whereby the purchaser agrees to be bound by the Scheme Deed.

Reasonable legal costs of the Manager in connection with the sale will be payable by the seller. The seller may also be required to pay a selling commission to any financial adviser or real estate agent involved in such sale.

In RAML's opinion (as Offeror), there is not now and may not at any time in the future be, any established market for the sale of POS Interests.

Who do I contact with enquires about my investment?

25. Enquiries about scheme

Enquires about the Scheme can be made to:

Chris Holmes
Radius Asset Management Limited
12 Viaduct Harbour Avenue
Maritime Square
PO Box 1397
Shortland Street
AUCKLAND

Phone: (09) 377 6112

Is there anyone to whom I can complain if I have problems with this investment?

26. Complaints about scheme

A complaint about your investment may be made to the directors of the Manager or the directors of the Nominee (at the addresses set out in the Directory on page 51 of this Offeror's Statement).

There is no statutory trustee, industry body or ombudsman to whom complaints can be made about your investment.

What other information can I obtain about this investment?

27. Annual information

Investors will be sent out annually audited financial statements in respect of the financial performance and financial position of the Scheme. These will be provided within three months of each financial year ended 31 March.

28. On request information

Investors will be able to obtain the following information on request free of charge:

- (a) the latest valuation report on the Property and business at the time of request;
- (b) the latest audited financial statement of the Scheme at the time of the request;
- (c) further copies of this Offeror's Statement and the Scheme Deed.

Requests for information should be made to Mr Chris Holmes at RAML at the address set out in the Directory on page 51 of this Offeror's Statement.

Other material information

The Scheme pays GST and the Manager passes the GST (net of any input GST in respect to the Scheme) onto the Inland Revenue Department. Subscribers do not personally have GST liability resulting from rental which is paid on behalf of each subscriber.

Under the Scheme, each Investor is assessed individually on their proportionate share of the income and any other distributions from the Scheme. Investors will be individually responsible for the payment of their tax.

Investors should be able to receive the benefit of a depreciation allowance for taxation purposes. The depreciation allowance entitles Investors to defer taxation on a portion of their cash return until the Property is sold by claiming as a tax deduction each Investor's proportionate share of the depreciation of the Property and furniture and fittings.

Under current tax rules depreciation claimed on the assets during the term of the Scheme will be taxable in the year the assets or an investor's POS Interests are sold, provided that the sale price exceeds the original costs, less all depreciation previously claimed. The net effect is to provide a deferral of tax for Investors during the period of ownership of the Property.

In any case, it is recommended that Investors seek tax advice from their own professional advisers.

Summaries of the key material provisions of the Scheme Deed, Custodian Deed, Master Agreement, Management Agreement and the Lease are set out in schedule 1 to this Offeror's Statement.

RAML is not aware of any other information that would be material to a prospective subscriber's decision to invest in this Proportionate Ownership Scheme.

Disclaimer

No director, officer, employee, agent or adviser to the Offeror and Manager, the Nominee or Colliers International (NZ) Limited, guarantees the performance of this Scheme or guarantees any return on this investment.

For an on behalf of the Offeror
RADIUS ASSET MANAGEMENT LIMITED



.....
ACR Hannon



.....
C A Holmes

Dated at Auckland this 31st day of October 2007

SCHEDULE 1

KEY TERMS AND MATERIAL DETAILS OF SIGNIFICANT CONTRACTS

Scheme Deed

The key terms and material details of the Scheme Deed are as follows:

- (a) The Scheme Deed is acceded to by all Investors pursuant to the terms of the Deed of Accession and generally provides for:
 - the acquisition of the Property and the Related Assets by the Nominee as trustee for and on behalf of all Investors;
 - the regulation of each Investor's rights in relation to other co-owners in respect of the Property and Related Assets;
 - the management of the Property; and
 - the future disposal of Investors' respective interests in the Property, or of the Property as a whole.
- (b) The Scheme is established in accordance with, and subject to, the terms of the Offeror's Statement and the Exemption Notice following the acquisition of the Property and Related Assets by the Nominee pursuant to the Purchase Agreement.
- (c) Upon settlement of the Purchase Agreement, each Investor is a tenancy in common owner of the Property, with all tenancy in common interests to be held by the Nominee as trustee for and on behalf of such Investors. None of the Investors are an agent, partner, employee or representative of the other Investors and no Investor is permitted to incur any obligations on behalf of the other Investors.
- (d) Contemporaneously with settlement of the Purchase Agreement, the Nominee will enter into and complete the Lease with the Operator in accordance with the provisions of the Master Agreement. Under the terms of the Lease, the Operator will pay rentals to the Manager which will form the basis of the Scheme's income.
- (e) Each investor acknowledges and agrees that it has acceded to the terms of the Management Agreement with RAML. No Investor is entitled to terminate or accept the surrender of the Management Agreement other than in accordance with an extraordinary resolution (see below).
- (f) Each Investor warrants and undertakes that it:
 - will meet all obligations and otherwise comply with the terms of the Scheme Deed;
 - will at all times maintain and not do anything to alter the terms of the Management Agreement except in accordance with the Scheme Deed; and
 - does not carry on a land dealing business, land development or subdivision business, or a building business for the purposes of the Income Tax Act 2004.
- (g) The Scheme Deed confers rights and obligations on each Investor in respect of entitlements to the income, capital, and liabilities of the Scheme in proportion to their respective holdings of POS Interests.

- (h) The profits of the Scheme will be distributed to the Investors after all expenses in relation to the Property, bank interest and costs of administration have been met, in proportion to their holdings of POS Interests.
- (i) No Investor is entitled to mortgage, charge, or otherwise encumber their POS Interests and each Investor covenants that they will not seek to partition their POS Interests or exercise any rights of possession or occupancy that such Investor would ordinarily have as a co-owner of the Property.
- (j) The Investors acknowledge and agree that the Manager may mortgage the Property in order to raise any debt finance from time to time. The Manager is expressly authorised under the terms of the Scheme Deed to raise debt finance from time to time, provided that any security for such debt finance is given against the Property only (with no recourse against Investors) and the aggregate of all debt finance raised does not exceed the Scheme's maximum debt to equity ratio, being 65% debt to 35% equity, unless otherwise approved by a super majority (i.e. 75% or more) of Investors.
- (k) The Scheme may be terminated if Investors holding 75% or more of POS Interests so resolve at a properly scheduled and constituted meeting pursuant to the Scheme Deed. After the expiry of ten years from commencement of the Scheme, Investors holding a simple majority (i.e. more than 50%) of POS Interests may resolve to terminate the Scheme at a properly scheduled and constituted meeting pursuant to the Scheme Deed.
- (l) Usual meeting provisions apply, provided that certain decisions may only be made by extraordinary resolution (i.e. 75% of investors present or voting by proxy), including any decision to:
 - terminate the Management Agreement;
 - discharge or exonerate any breach of the Scheme Deed by an Investor, or the Management Agreement by the Manager;
 - assent to any capital expenditure proposed by the Manager in excess of \$500,000;
 - assent to any further capital contributions by Investors to the Scheme where the income of the Scheme is not sufficient to meet all costs, charges and expenses due or accrued in respect of the Property and/or the Scheme; and
 - terminate the Scheme and sell the Property within ten years of the commencement of the Scheme.

Custodian Deed

The key terms and material details of the Custodian Deed are as follows:

- (a) The Custodian Deed between the Nominee and each Investor in the Scheme provides for the Nominee to be appointed as trustee to hold title to and deal with the Property for and on behalf of each Investor.
- (b) It also provides for the Nominee to be appointed as representative each Investor to deal with any existing, incoming or outgoing Manager.
- (c) The prior actions of the Nominee to acquire the Property on behalf of the Scheme under the Purchase Agreement and to establish the Scheme are approved, ratified and confirmed by Investors.
- (d) The Nominee will enter into the Lease with the Operator in accordance with the provisions of the Master Agreement for and on behalf of the Scheme.

- (e) The Nominee will complete the purchase of the Property for and on behalf of investors and hold legal title to the Property for each of them in their respective proportions.
- (f) The Nominee will generally act in accordance with the directions of the Manager in respect of the general affairs of the Scheme as they relate to the Property. This includes mortgaging the Property to secured lenders bringing or defending legal proceedings and future sale of the Property.
- (g) The Nominee will deal with the existing Manager on behalf of each Investor in relation to various issues arising under the terms of that Manager's contractual arrangements (including default and termination).
- (h) If it is necessary to find a new Manager, the Nominee will find, negotiate with and appoint that new Manager (provided that a 75% majority of Investors (by votes) must approve such appointment unless the Manager is only a temporary manager).
- (i) The Nominee will be paid a fee of \$100 per annum and be fully reimbursed for all costs and expenses incurred by it in the undertaking of its duties under the Custodian Deed.
- (j) The Nominee is indemnified by each Investor and the Manager for actions taken by it in the proper performance of its duties under the Custodian Deed.
- (k) The Nominee may resign its position on the giving of not less than 3 months' prior notice. Investors (acting through the Manager) may terminate the appointment of the Nominee on the giving of not less than 10 working days' notice.

Management Agreement

The key terms and material details of the Management Agreement are as follows:

- (a) The management duties to be carried out by RAML include:
 - Collecting rental income under the Lease.
 - Facilitating monthly income distributions to Investors.
 - Managing the Property.
 - Overseeing and preparing accounting reports.
 - Reporting to Investors.
- (b) The term of the Management Agreement is for the duration of ownership of the Property under the Scheme unless terminated prior to winding up of the Scheme.
- (c) RAML is entitled to receive the following fees under the Management Agreement:
 - an establishment fee of \$50,000; and
 - an annual management fee of \$24,000 per annum (based on an annual independent valuation) plus GST.
 - Upon a sale of the Property by the Scheme, the Manager will be entitled to receive a performance fee of 20% of any profit achieved from such sale of the Property above an IRR of 11% per annum compounded.

- (d) The Manager makes all decisions relating to maintenance expenditure where such maintenance expense cost no more than \$500,000. In the event that maintenance or improvements costs more than that amount, the Manager must first obtain the consent of not less than 75% of the POS Interest holders.
- (e) The Manager is entitled to authorise additional expenditure out of Scheme funds, provided that such additional expenditure results in an increase in net rental income from the Property of an amount equal to not less than 12% of such additional expenditure.
- (f) The Management Agreement may be terminated on the passing of a resolution to this effect approved by not less than 75% of the POS Interest holders. In the event that the Management Agreement is so terminated (and provided the Manager is not in default), the Manager is to be paid an amount equal to the aggregate of two years' annual management and administration fees under the Management Agreement as compensation.
- (g) The Manager has a right of first refusal to purchase the Property at market value (as determined by an independent registered valuer) if 75% of the holders of POS Interests resolve to sell the Property.

Purchase Agreement

The key terms and the material details of the Purchase Agreement are as follows:

- (a) The Purchase Agreement is entered into between RAML as vendor and the Nominee as purchaser for and on behalf of the Scheme.
- (b) The Purchase Agreement is conditional upon RAML completing the acquisition of the Property and Related Assets from the Owners. Upon satisfaction of this condition, RAML will sell and transfer the Property and Related Assets to the Nominee.
- (c) The purchase price payable by the Nominee to RAML under the Purchase Agreement for the acquisition of the Property and Related Assets is \$2,645,000 (plus GST, if any).
- (d) The sale and purchase of the Property and Related Assets under the Purchase Agreement is otherwise on usual commercial terms.

Master Agreement

The key terms and material details of the Master Agreement are as follows:

- (a) The Master Agreement records that:
 - The Scheme will acquire the Property and Related Assets in order to hold those assets as a long term property investment;
 - Accordingly, the Scheme does not wish to own or operate a rest home or hospital business on the Property; and
 - The Operator wishes to own and operate a rest home or hospital business on the Property
- (b) The Nominee will acquire the Property and Related Assets on behalf of the Scheme but contemporaneously with such acquisition will transfer the Property and Related Assets to the Operator by way of entry into the Lease.

- (c) The Nominee will also novate certain contractual arrangements associated with the retirement home business associated with the Property to the Operator and transfer and grant licences to the Operator in respect of various other assets, rights and arrangement relating to the rest home business associated with the Property and Related Assets.
- (d) Upon expiry of the Lease, the Operator will novate, transfer or otherwise assign such contracts, rights and assets to any incoming lessee or operator in respect of the rest home business associated with the Property and Related Assets.

Lease

The key terms and material details of the Lease are as follows:

- (a) The Lease is entered into between the Nominee (as lessor) and the Operator (as lessee).
- (b) The Lease is for a term of 10 years with two rights of renewal of five years each, for a total of 20 years if all rights of renewal are exercised.
- (c) The rental payable under the Lease consists of the following:
 - an annual base rent of (initially) \$300,000 plus GST payable monthly in arrears on the last day of each month; and
 - a turnover rental equivalent to 9% of the Operator's turnover.
- (d) All outgoings ordinarily incurred in respect of the Property are payable by the Operator or recoverable from the Operator by the Nominee where it pays such outgoings on the Operator's behalf (whether consequent to a default by the Operator or otherwise).
- (e) The base rental is reviewable on a full ratchet basis at three yearly intervals during the term of the Lease on the basis of current market rent as at the date of review.
- (f) The turnover rental payable under the Lease is not subject to review and remains at 9% of the Operator's turnover during the term of the Lease. The turnover rent is, however, capped at \$150,000 plus GST during each year of the term of the Lease.
- (g) The Operator as lessee is required to undertake usual maintenance and repair of the Property and Related Assets during the term of the Lease.
- (h) Where Investors resolve to terminate the Scheme and sell the Property at any time prior to the termination or sooner expiry of the term of the Lease, the Operator (as lessee under the Lease) may elect to affirm or terminate the Lease. Where the Operator elects to affirm the Lease, the Property must be sold subject to the Lease. Where the Operator elects to terminate the Lease following the decision by Investors to terminate the Scheme and sell the Property, the Lease may be surrendered without penalty to the Operator as lessee.

SCHEDULE 2

COVENANTS IN RESPECT OF REAL PROPERTY

Certificate of Title WN29C/935

Interests

Easement certificate 816339.9 registered on 11 November 1986 at 10.35 am.

Type	Servient Tenement	Easement Area	Dominant Tenement	Statutory Restriction
Right of way	Lot 1 DP 58723	The area marked A on DP 58723	Lot 2, DP 58723	Section 309(1)(a), Local Government Act 1974
Gas supply	Lot 1 DP 58723	The area marked B on DP 58723	Lot 2, DP 58723	N/A

Mortgage B806555.4 to Westpac New Zealand Limited registered on 13 October 2000 at 3.04 pm.

Certificate of Title WN35B/312

Interests

Easement certificate 816339.9 registered on 11 November 1986 at 10.35 am (see details above in relation to Certificate of Title WN29C/935)

K42660 Certificate under section 26 of the Housing Act 1955 that a pipeline for the passage of storm water passes through and/or serves the land

Mortgage B791455.3 to Westpac New Zealand Limited registered on 6 July 2000 at 9.00 am.

SCHEDULE 3

VALUER'S LETTER

Ref: N710/689

1 November 2007

BARKER & MORSE LTD



REGISTERED VALUERS & PROPERTY CONSULTANTS

201/29 Apollo Drive, Mairangi Bay,
PO Box 300-530, Albany
North Shore City 0752
Phone (09) 415 2125
Fax (09) 415 2145
www.barkermorse.co.nz

KARINA REST HOME

15 KARINA TERRACE

PALMERSTON NORTH

Also at Orewa (09) 427 9903 Auckland (09) 520 5320 West Auckland (09) 836 3010
REGISTERED VALUERS: MICHAEL FOURREST B.P.A. ANZIV SPINZ / RUSSELL GREY B.Com (VPM) ANZIV SPINZ / ERIC MOLYNEU B.P.A. / MICHAEL MOISE B. Ag Com ANZIV SPINZ
ETER WRIGHT B.B.S. (Prop. Val.) / GORRAN MARUSICH B.Com (VPM) / MICHAEL NIMOT B.B.S. Dip. Ngat Health Sector ANZIV SPINZ / ROD CORADINE Dip.Let.Val, MPINZ, ARRNZ
ASSOCIATE VALUERS: DAVE PERROW B.Com B. Prop / DAVE HANLYN B.B.S. (VPM) / PAUL MCKAIN B.B.S. (Prop.Val.)
MACY LI B.Prop / CUSHILA HOWARD, B.B.S. (VPM, PE) / VICKI PHILLIPS, B.B.S. (VPM)

SCHEDULE 4

INDEPENDENT CHARTERED ACCOUNTANT'S REPORT



The Directors
Radius Asset Management Limited
P O Box 1397
Shortland St
AUCKLAND

31 October 2007

Dear Directors

Subject: Independent Chartered Accountants' Report for inclusion in Offeror's Statement

As auditors of Karina Rest Home Proportionate Ownership Scheme ("The Scheme") we have prepared this report pursuant to clause 20 (c) of Schedule 1 of the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2007 ("The Exemption Notice") to the Securities Act 1978 ("The Act") for inclusion in an Offeror's Statement dated 31 October 2007.

Offeror's responsibilities

The Offeror is responsible for the preparation and presentation of the prospective financial information for the Scheme, including the assumptions on which the prospective financial information is based.

Independent Chartered Accountants' responsibilities

We are responsible for reporting in accordance with clause 20 (c) of Schedule 1 of the Exemption Notice, on the prospective financial information for the Scheme for the one year period commencing on 1 April 2008 prepared by the Offeror.

This report has been prepared for inclusion in the Offeror's Statement for the purpose of meeting the requirements under The Act and The Exemption Notice. We have not made or purported to have made any statement in the Offeror's Statement other than in this report and we expressly disclaim responsibility for any other statements in the Offeror's Statement.

We have not been involved in the preparation of any part of the Offeror's Statement other than our independent Chartered Accountants' report, and we have not authorised or caused the issue of the Offeror's Statement.

We have no relationship with or interests in the Scheme other than in our capacities as auditors and independent Chartered Accountants.

Basis of opinion on the prospective financial information

To meet our reporting responsibilities, we have examined the prospective income statement, prospective balance sheet, prospective statement of changes in equity and prospective cash flow statement for the one year period commencing on 1 April 2008, on pages 15 to 17 of this Offeror's Statement, to confirm that, so far as the accounting policies and calculations are concerned, the prospective statements have been properly compiled on the footing of the assumptions made or adopted by the Offeror as set out on pages 17 to 20 of this Offeror's Statement and are presented on a basis consistent with the accounting policies to be adopted by the Scheme as set out on pages 20 and 21 of this Offeror's Statement.

Unqualified opinion on the prospective financial information

In our opinion, the prospective financial information for the one year period commencing on 1 April 2008 on pages 15 to 17 of this Offeror's Statement, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the Offeror as set out on pages 17 to 20 of this Offeror's Statement and are presented on a basis consistent with the accounting policies to be adopted by the Scheme as set out on pages 20 and 21 of this Offeror's Statement.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variations could be material. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants

PricewaterhouseCoopers
Forsyth Barr House
The Octagon
PO Box 5848
Dunedin, New Zealand
www.pwc.com/nz
Telephone +64 3 470 3600
Facsimile +64 3 470 3601

Dunedin

DIRECTORY

Nominee

Radius Nominees (Karina) Limited
C/- Anderson Creagh Lai
Solicitors
Ground Floor
14 Viaduct Harbour Avenue
PO Box 106-740
Auckland

Attention: Jeffrey Lai
Phone: (09) 300 3196
Fax: (09) 300 3197

Offeror and Manager

Radius Asset Management Limited
12 Viaduct Harbour Avenue
Maritime Square
PO Box 1397
Shortland Street
Auckland

Attention: Chris Holmes
Phone: (09) 377 6112
Fax: (09) 913 3377

Solicitors for the Offer

Anderson Creagh Lai
Solicitors
Ground Floor
14 Viaduct Harbour Avenue
PO Box 106-740
Auckland

Attention: Jeffrey Lai
Phone: (09) 300 3196
Fax: (09) 300 3197

Auditors

PricewaterhouseCoopers
Chartered Accountants
Forsyth Barr House
The Octagon
PO Box 5848
Dunedin

Attention: Phillip Trounson
Phone: (03) 470 3604
Fax: (03) 470 3601

Sales organisation through which the Offer is made

Colliers International (NZ) Limited
Level 27
151 Queen Street
PO Box 1631
Auckland

Attention: John Davies
Phone: (09) 358 1888
Fax: (09) 358 1999

Solicitors to RAML

Kensington Swan
18 Viaduct Harbour Avenue
Private Bag 92101
Auckland

Attention: Peter Speakman
Phone: (09) 379 4196
Fax: (09) 309 4226

GLOSSARY

Application Form	The application form for subscription of POS Interest set out on pages 54 and 55 of this Offeror's Statement.
Custodian Deed	The deed between the Nominee and each Investor pursuant to which the Nominee holds title to the Property as bare trustee for each Investor for the purposes of the Scheme.
Deed of Accession	The deed pursuant to which each Investor accedes to the Scheme Deed, Custodian Deed, Management Agreement and any other document relating to the Scheme.
Exemption Notice	The Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002.
Financier	ASB Bank Limited or any other primary lending bank which provides financial accommodation to the Scheme from time to time.
Investor	A person who has subscribed for POS Interests pursuant to this Offeror's Statement and acceded to the Scheme Deed, Custodian Deed, Management Agreement and any other document relating to the Scheme.
Lease	The lease between the Nominee on behalf of the Scheme as lessor and the Operator as lessee in respect of the Property.
Management Agreement	The management agreement entered into by the Manager and acceded to by each Investor under a Deed of Accession in respect of the management of the Property and the Scheme.
Manager	The manager of the Scheme and the Property from time to time, as appointed under the terms of the Management Agreement, initially being RAML.
Master Agreement	The master agreement between the Nominee and the Operator pursuant to which the Nominee agrees to enter into the Lease and to novate, assign, licence or otherwise transfer the Related Assets to the Operator.
Nominee	The legal holder of title to the Property for and on behalf of Investors from time to time, as appointed under the terms of the Custodian Deed, initially being Radius Nominees (Karina) Limited.
Offeror	The offeror of POS Interests, initially being RAML.
Offeror's Statement	This offeror's statement relating to the offer of POS Interest.
Operator	Silvercare Management Limited.
Owners	Each of Sherajah NZ Limited and Christina Holdings Limited.
POS Interest	A proportionate tenancy in common freehold interest in the Property that is the subject of this Offer and the Scheme.

Power of Attorney	The power of attorney granted to the Manager under the Application Form authorising the Manager to enter into each of the Scheme Deed, Custodian Deed, Management Agreement and any other document relating to the Scheme upon commencement of the Scheme.
Property	The property located at 11-15 Karina Terrace, Palmerston North comprising an integrated facility of interconnected buildings containing rest home and hospital facilities on freehold land, contained in Lots 8 and 9, Deposited Plan 17395 and lot 2 Deposited Plan 58723, each being comprised and described in Certificate of Title WN35B/312, together with Lot 1 Deposited Plan 58723 comprised and described in Certificate of Title WN29C/935.
Purchase Agreement	The sale and purchase agreement between RAML and the Nominee on behalf of the Scheme pursuant to which the Nominee purchases the Property and the Related Assets from RAML.
RAML	Radius Asset Management Limited.
Related Assets	The assets relating to the Karina Rest Home that are not comprised within the Property and which are to be acquired by Radius Nominees (Karina) Limited as Nominee on behalf of the Scheme pursuant to the Purchase Agreement.
Scheme	The proportionate ownership scheme known as the "Karina Rest Home Proportionate Ownership Scheme" established in accordance with the Scheme Deed and the Exemption Notice, pursuant to which Investors agree to acquire, manage and deal with the Property as co-owners.
Scheme Deed	The co-ownership deed acceded to by each Investor which establishes and sets out various matters in respect of the Scheme.
Silvercare	Silvercare Limited, the manager under the Operator Management Agreement.

APPLICATION FORM (tear out)

Instructions for completion

1. Complete the full name of the applicant subscriber. Applications made on behalf of a trust or estate, business partnership, club, association or other incorporated body must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers as applicable for those entities.
2. Please ensure that the form has been signed by the subscriber, and in particular the Power of Attorney section has been signed as required for entry into a deed.
3. Attach a bank cheque for the subscriber (with the applicant's name printed on it). Such cheque should be made payable to Kensington Swan Trust Account, ANZ Banking Group (New Zealand) Limited, account number 01-0102-0105110-000.
4. Return the completed application with cheque to RAML before 5pm on 28 November 2007.

Terms of application

1. I/We hereby apply and agree to invest in a proportionate share in the ownership of the Property.
2. I/We acknowledge and agree that, by applying for a POS Interest under this Offer, I/we agree to become bound by and be party to the Scheme Deed, the Management Agreement, the Custodian Deed and all other deeds and agreements that form and/or constitute the Scheme, by way of entry into the Deed of Accession by the Nominee on my/our behalf as my/our attorney for that purpose.
3. I/We acknowledge and agree that, notwithstanding any prior review of such documentation, the form and/or terms of any of them may be amended or altered prior to execution of the Deed of Accession provided that such amendments and/or alterations are consistent with the terms of such documentation as set out in this Offeror's Statement.
4. I/We understand that the directors of Radius Asset Management Limited reserve the right to accept or decline any application at their entire discretion.
5. I/We confirm that I/we will not withdraw this application and I/we understand that Radius Asset Management Limited will notify me/us of acceptance or otherwise of my/our application.
6. I/We acknowledge that subscriptions will be deposited into the trust account of Kensington Swan, Solicitors, Auckland, and held until Radius Nominees (Karina) Limited obtains registrable title to the Property on behalf of all subscribers. In the event that the investment does not proceed, all subscriptions will be refunded in full, together with interest at on call rates, less commission and resident withholding tax.
7. I/We warrant in favour of the Offeror, the Nominee and each subscriber applying for and/or holding a POS Interest that I/we are not property developer/s, builder/s, land subdivider/s, land dealer/s or person(s) deemed under the relevant tax laws to be property developer/s, builder/s, land subdivider/s, or land dealer/s for tax purposes and/or otherwise required to hold property on revenue account (in particular required to treat any receipts in respect of real property as income).
8. I/We acknowledge that I/we have received a copy of the Offeror's Statement that is dated not more than two months prior to the date I/we signed this Application Form and I/we have read and understood its content.
9. Under the terms of the Privacy Act 1993, by signing this form I/we acknowledge that my/our personal details provided in this Application Form will be retained for the purposes of mailing to all subscribers name and contact information and any other further information to all subscribers.

Mr/Mrs/Miss/Ms (first names) _____ (Surname) _____
 Mr/Mrs/Miss/Ms (first names) _____ (Surname) _____
 Mr/Mrs/Miss/Ms (first names) _____ (Surname) _____

Trading as Trust/Partnership/Other (please state): _____

Under the name of: _____

Name of Company: _____

Full Postal Address: _____

IRD Number: _____

Withholding Tax Rate: 19.5% 33% 39% Other (please specify) _____

Occupation: _____

Tick if you are a builder/s, land developer/s, land subdivider/s or land dealer/s

Phone Numbers: (Day) _____ (Evening) _____
 (Mobile) _____ Fax: _____
 Email: _____

Number of POS Interests Applied for: x \$25,000 Money enclosed \$
 (minimum \$50,000)

Details of subscriber's Bank Account into which distributions are to be paid:
 Name of Account: _____

Account Details:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

If you wish to receive your returns by cheque to the above address, tick this box:

Signed _____ Date _____
 Signed _____ Date _____
 Signed _____ Date _____

Power of Attorney in favour of Raduis Nominees (Karina) Limited for entry into the Deed of Accession

I/We irrevocably appoint and authorise Radius Nominees (Karina) Limited as Nominee to execute the Deed of Accession on my/our behalf as my/our true and lawful attorney for that purpose.

Signed in the manner required for entry into a deed, ie: Individual - signed by the subscriber and a witness; Company - signed by two directors, the sole director and a witness, or otherwise in accordance with section 180 of the Companies Act 1993; Trust – signed in accordance with the trust deed; Other entities- signed in accordance with their constituting documents and governing statutes.

Signed	_____	Date	_____
Signed	_____	Date	_____
Signed	_____	Date	_____
Signed by the witness to all the above signatures (as required)	_____	Date	_____
Name, occupation and address of witness	_____		

Certificate of non-revocation of Power of Attorney for the purposes of this application form

Complete this if you are applying on behalf of someone for whom you hold a Power of Attorney

I, _____
(Name of Attorney)

of _____
(Address of Attorney)

(Attorney's Occupation)

HEREBY CERTIFY

1. THAT I am the Attorney of _____ (Donor)
of _____ (Address) _____
given to me by him/her/them.
2. THAT I have executed the application for subscription on the face of this form as Attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.
3. THAT at the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or winding up of the Donor or otherwise.

Signed _____
("the Attorney")

Dated: _____