2012

CARTERS

CARTERS

TAURANGA

OFFEROR'S STATEMENT

14 Birch Avenue, Tauranga

AUGUSTA
FUNDS MANAGEMENT

BAYLEYS

IMPORTANT INFORMATION

This Offeror's Statement is prepared as at 24 February 2012.

(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:

ENGAGING AN INVESTMENT ADVISER

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

(a) relevant experience and qualifications, and whether dispute resolution facilities are available to you; and

(b) what types of investments the adviser gives advice about; and

(c) whether the advice is limited to investments offered by 1 or more particular financial institutions; and

(d) information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and

(e) any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

(a) the nature and level of the fees you will be charged for receiving the advice; and

(b) whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.


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KEY HIGHLIGHTS

- 13 + 6 + 6 year lease from April 2008
- Very well located industrial property leased to iconic NZ “household name” Carter Holt Harvey Limited
- Guaranteed annual rent increases of 3% per annum for the next 5 lease years
- 1.3 hectare site with 3 street frontages in the Tauranga industrial hub of Judea, only minutes from the CBD
- Cash return paid monthly
- Limited availability – only 87 Units
- Professionally managed by Augusta Funds Management

KEY INVESTMENT FEATURES

PROPORTIONATE OWNERSHIP SCHEME

Augusta Funds Management Limited (the Offeror) is establishing a proportionate ownership scheme of the Carters Building Depot in the industrial estate of Judea in Tauranga. Investors are being offered the opportunity to purchase a proportionate share of the industrial land and buildings occupied by Carter Holt Harvey Limited (the Tenant) at 14 Birch Avenue, Tauranga (the Property).

Only 87 individual units will be made available at $50,000 each, subscribers may apply for more than one unit.

THE PROPERTY

This high stud industrial building having a net lettable area of approximately 4,750 sqm with 4,250 sqm of additional yard and significant on-site carparks sits on approximately 1.3 hectares of freehold land on a high profile corner site in Tauranga’s industrial hub of Judea. The property is currently undergoing a refurbishment of its significant yard areas at the cost of the vendor.

THE LOCATION

The building occupies just 37% of this very large industrial site which enjoys 3 street frontages, Waihi Road, Birch Avenue and McCord Avenue in the heart of Tauranga's Industrial area and only minutes from the CBD. The site enjoys excellent access to all major arterial routes and businesses in the vicinity include HireQuip, NZ Windows, Plumbing World, Viridian Glass and numerous other home and building supply companies.

TAURANGA, BAY OF PLENTY

The Bay of Plenty Region is the second fastest growing region in the country and Tauranga is the economic hub of the Bay of Plenty. Tauranga City experienced population growth of 33% from 1996 to 2006. The wider region also experienced strong growth over the same period with the Bay of Plenty population growing by 14.7% according to Statistics NZ.

It is home to New Zealand's largest international export port and is strongly supported by sea, rail and air links with the Port of Tauranga recently benefitting from a significant shift of business from Port of Auckland.

In order to alleviate traffic issues which have arisen due to the expansive population growth, a major upgrade of Tauranga's central roading network is underway. The project, which is in the final stages of development, has included the construction of a second harbour bridge and widening of roads, which feed onto the bridge from either direction and will provide quicker and more efficient access through central Tauranga. The project is one of the biggest to be conducted in the Bay of Plenty and will facilitate further growth in the area.

The Tauranga region is fast becoming a hub for retail trade. The region's climate and lifestyle attract large numbers of new residents and tourists each year and large numbers of shoppers from outside the region.

THE LEASE

The property is subject to a 13 year lease, commencing 11 April 2008 to Carter Holt Harvey Limited with two further rights of renewal of six years each and a final expiry date of 10 April 2033. The current annual rent is $527,028.79 plus GST and all usual outgoings, but this is subject to a fixed 3% increase to $542,839.65 plus GST on 11 April 2012. If settlement occurs prior to 11 April 2012, the vendor will top up the difference between the current rent and the new rent until 11 April 2012.

The rent review profile under the lease is set out in the following table:

11/04/2012	11/4/2013	11/4/2014	11/4/2015	11/4/2016	11/4/2017	11/4/2018
Fixed 3% Increase to $542,839.65 plus GST	Market Review with minimum 3% increase	Fixed 3% Increase	Fixed 3% Increase	Fixed 3% Increase	Market Review with minimum 3% increase	No Review
11/4/2019	**11/4/2020**	**11/4/2021 (Renewal)**	**11/4/2022**	**11/4/2023**	**11/4/2024**	**11/4/2025**
Market Review with ratchet to 11/4/2017 Rent	No Review	Market Review with ratchet to 11/4/2017 Rent	Fixed 3% increase	Fixed 3% increase	Fixed 3% increase	Fixed 3% increase
11/4/2026	**11/4/2027 (Renewal)**	**11/4/2028**	**11/4/2029**	**11/4/2030**	**11/4/2031**	**11/4/2032**
Fixed 3% increase	Market Review with minimum 3% increase	Fixed 3% increase	Fixed 3% increase	Fixed 3% increase	Fixed 3% increase	Fixed 3% increase

KEY INVESTMENT FEATURES CONT'D

THE TENANT

The premises are leased to one of New Zealand's oldest and most recognised companies, Carter Holt Harvey Limited which is owned 100% by NZ's wealthiest man, Mr Graeme Hart through his private investment company, Rank Group Limited. Mr Hart purchased Carter Holt Harvey, then one of the country's biggest companies, for $3.3 billion in 2006 and has since sold its substantial forest estate for $1.6 billion, property worth about $300 million, and dairy farms worth about $200 million.

Carter Holt Harvey remains Australasia's leading forest products company, with significant interests in wood products, pulp, paper and packaging. Leading Carter Holt Harvey brands include Bestwood, Customwood, Ecoply, Kopine and Pinex, and the company's packaging can be found in most supermarket aisles.

Carter Holt Harvey is a very large organisation operating in New Zealand and Australia providing building supplies and wood products and through its "Carters" brand operates 54 building supplies branches across NZ, of which the subject property is one. The company is celebrating its 150th anniversary this year and employs over 10,500 staff across Australasia.

For more information on Carter Holt Harvey visit www.chh.com or www.carters.co.nz. Neither Rank Group Limited, Graeme Hart nor any other person has guaranteed Carter Holt Harvey's obligations under the lease.

SYNDICATE STRUCTURE

The Carters Tauranga syndicate will be structured in the same manner as all previous Augusta syndications. That is, a proportionate ownership scheme whereby investors are offered the opportunity to purchase a proportion of the registered freehold title in the subject land and buildings.

The purchase price of the property is $6,600,000 which will be funded by a conservative prime bank debt facility (non-recourse) with the balance by way of investors' equity. The interest rate on the bank debt will be hedged via a blend of term swaps.

RETURN TO SUBSCRIBERS

The Scheme is projected to provide a cash return of 9% per annum in the first year with the fixed rent review structure providing scope for growth in return. The return does not take into account any increase or decrease in the value of the Property or any other non-cash items. It also does not take tax or depreciation into account. It is based on, and subject to, the notes and assumptions to the prospective financial statements set out on pages 21 to 29.

AUGUSTA FUNDS MANAGEMENT LIMITED

Augusta Proportionate Ownership Schemes are structured to provide investors with a high yielding investment in high quality commercial and industrial real estate, without the burdens of private property ownership. All syndicates are managed by Augusta, including all facilities and property management, preparation of annual financial statements and payment of monthly distributions.

Augusta also arranges cost effective and appropriate funding packages for its schemes, including interest rate hedging, interest-only terms and effectively 100% non-recourse funding to investors. Details of the bank funding applying to this scheme are set on page 17 of this Offeror's Statement.

Augusta manages over $270m of investment property in New Zealand.

TIMETABLE

The offer contained in this Offeror's Statement closes at 5pm on 30 March 2012. However, the Offeror reserves the right to close the offer at any time prior to that date or extend the offer by up to 10 working days without prior notice to subscribers.

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.

Settlement of the purchase of the Property is scheduled for 10 April 2012.

HOW DO YOU SUBSCRIBE

Subscribers may join in this investment opportunity with a minimum subscription of $50,000. Subscriptions must be completed on the application form contained on pages 39 and 40 of this Offeror's Statement.

Completed and signed application forms must be forwarded to the offices of Chapman Tripp, Solicitors, Auckland (Attention: Christina Phua). No subscriptions will be received unless accompanied by a completed and signed application form.

Subscribers will be paid interest at call rates (less commission and resident withholding tax or, if applicable, non-resident withholding tax) on their application money from the date of receipt by Chapman Tripp until settlement of the purchase of the Property or return of the application to subscribers in accordance with this Offeror's Statement.

INDEPENDENT VALUER'S REPORT

A copy of a valuation report for the Property dated 11 January 2012 by TelferYoung (Tauranga) will be supplied along with this Offeror's Statement. Prospective subscribers are encouraged to review the valuation report carefully.

WHAT SORT OF INVESTMENT IS THIS?

DESCRIPTION OF PROPORTIONATE OWNERSHIP SCHEME

This Offeror's Statement offers you the opportunity to become part of a new property proportionate ownership scheme which is being established in accordance with the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002. The offer is being made by the Offeror through Bayleys Real Estate Limited (Bayleys).

NATURE OF INTEREST

Each successful subscriber will acquire a proportionate interest (being a beneficial interest in the registered freehold title) in the freehold property at 14 Birch Avenue, Tauranga.

Each interest in the scheme will confer equal rights and obligations on the holder in respect of entitlements to income and capital belonging to the scheme and each interest will confer one vote upon the holder in respect of matters on which subscribers are entitled to vote.

Title to the Property will be acquired and held by Birch Nominees Limited (the Nominee) as nominee on behalf of each subscriber according to that subscriber's proportionate interest. The Offeror will take all necessary steps to enable the Nominee, acting on behalf of all subscribers for specified participatory securities, to be registered as the proprietor of the Property on the acquisition of the Property in accordance with the scheme.

The relationship between the subscribers is that of joint venturers.

The Nominee's sole purpose is to hold the Property for and on behalf of subscribers, in accordance with the terms of the Ownership and Management Deed.

SUBSCRIPTIONS

A total of 87 interests are being offered for subscription. Each subscription is for a minimum of $50,000. A subscriber may subscribe for one or more interests. The subscription proceeds of $4,350,000 together with secured bank borrowings of $2,705,420 (described on page 17), will be used to acquire the Property and to fund the establishment costs of the scheme.

The subscriptions paid by each subscriber will be held on trust for that subscriber in the trust account of Chapman Tripp, 23 Albert Street, PO Box 2206, Auckland 1140 (Attention: Christina Phua). Subscriptions will be released to the Offeror, following entry into the Ownership and Management Deed, when registrable title to the Property is obtained by the Nominee on behalf of all subscribers.

ARRANGEMENTS RELATING TO SCHEME

Augusta Funds Management Limited has entered into a conditional agreement with Kermadec Property Fund Limited to transfer all of its business and assets to Kermadec Property Fund Limited. If the agreement becomes unconditional and successfully completes, a subsidiary of Kermadec Property Fund Limited will manage and administer the scheme, in accordance with the terms of the Ownership and Management Deed. If the transfer is not successfully completed, Augusta Funds Management Limited will be the manager of the scheme.

The scheme has no fixed term. However, the scheme and/or a subscriber's interest in the scheme may be terminated in various circumstances. Details of these circumstances are set out on page 34.

The key document governing the operation of the scheme is the Ownership and Management Deed to be entered into between the manager of the scheme, Birch Nominees Limited (as Nominee) and the manager on behalf of successful subscribers. As part of the application form which subscribers must execute, subscribers authorise Augusta Funds Management Limited to execute under authority the Ownership and Management Deed on behalf of each successful subscriber.

Material details of the Ownership and Management Deed are set out on pages 13 to 15.

DESCRIPTION OF REAL PROPERTY

LEGAL DESCRIPTION

The property to be purchased by subscribers for the purposes of the scheme is located at 14 Birch Avenue, Tauranga.

The property comprises an estate in fee simple in that parcel of land containing a total of 12,449 sqm more or less, being Lot 1 Deposited Plan South Auckland 52616 and comprised within Certificate of Title SA48A/5 (South Auckland Registry).

VALUATION

The Property has been valued by TelferYoung (Tauranga) at $6,585,000 exclusive of GST (if any) as at 11 January 2012 in accordance with International Valuation Standards and API/PINZ Valuation Standards.

A copy of that valuation will be supplied with this Offeror's Statement.

The Offeror may in the future engage the services of TelferYoung (Tauranga) as a professional adviser to provide valuation or other services.

The purchase price for the Property is $6,600,000.

MATERIAL CONTRACTS RELATING TO IMPROVEMENTS TO PROPERTY

As at the date of this Offeror's Statement:

- It is not proposed to construct any other building on the Property;
- No building is in the course of construction on the Property (although the vendor has recently completed resurfacing of the yard areas at its cost); and
- No other improvements are proposed to the Property (other than some minor remedial works (see page 10)).

COVENANTS ETC IN RESPECT OF THE PROPERTY

The following registered covenants, conditions, restrictions and easements are noted against the title:

- The Property is subject to an electricity right in favour of Powerco Limited. The electricity right relates to an electricity substation which is located roughly midway along the boundary of the property with Birch Avenue.
- The Property has the benefit of three drainage easements that run from the Property into the stream adjacent to the Property. The drainage easements relate to the drainage of water and are located equidistantly along the boundary of the Property with the Kopurererua Stream.
- A certificate issued pursuant to s 36(2) of the Resource Management Act 1992 is noted on the title. This certificate was required as a condition of the resource consent issued for the construction of a dry store, bulk store, staff room and canopy (this is not the main warehouse/office building). This certificate indicates that consent was granted for construction on land possibly subject to erosion, avulsion, falling debris, subsidence, inundation or slippage during an extreme weather event. The reason for this requirement is that the floor level of the structures to which the certificate relates are below the minimum building platform level of the 2.5L Moturiki Datum. The 2.5L Moturiki Datum records likely flood levels during extreme weather events. The Vendor has advised that it is not aware of any flooding events.
- The title records two Gazette notices pursuant to which the Tauranga District Council acquired 497 square metres and 21 square metres for roading. The effect of these Gazette notices has been taken into account when determining the area of the property at 12,449 sqm more or less.
- The lease is registered against the certificate of title with identifier 7791150.2. The lease variation which, amongst other things, extends the current term of the lease to 9 years from 11 April 2012 and varies the rent review mechanism will be registered as a term of settlement. Please refer pages 10 to 12 for an accurate summary of the lease terms.

The Offeror is not aware of any other covenants, conditions, restrictions or easements in respect of the property (registered or unregistered) other than the lease variation instrument which the vendor is required to register as a term of settlement.

LAND INFORMATION MEMORANDUM RELATING TO THE PROPERTY

The following matters referred to in a LIM under section 44A of the Local Government Official Information and Meetings Act 1987 have been referred to the independent registered valuer for the purposes of the valuation report attached to this Offeror's Statement:

(a) The LIM notes that the Council has no records of any final inspections being carried out for a number of building permits issued between 1987 and 1989. However, it should be noted that requirement of a Code Compliance Certificate was only introduced after the introduction of the Building Act 1991. When this issue was raised by the Offeror's lawyers with the Council, the Council recommended that the Offeror engage Building Surveying Services (BOP) Limited (BSS) to issue a "safe and sanitary" report. The Offeror accepted this recommendation.

BSS has completed a thorough review of Council's records and has also inspected the property with technical engineering assistance being provided by Redco NZ Limited. These investigations identified that:

(i) An internal office and two mezzanine floors had been constructed without consent;

(ii) BSS would nevertheless be able to issue a "safe and sanitary" report for both the consented and non-consented building works subject only to minor remedial works being carried out in relation to the mezzanine and office. Preliminary indications are that this work will cost less than $10,000 (which, together with the fees of BSS and Redco NZ Limited, will be payable by the scheme).

(b) The LIM records that the building consent issued on 14 October 1993 for the extension of the timber store has not yet been issued with a code compliance certificate. A letter dated 18 May 1993 records that a building consent was issued for the works on the basis that the use of the building is for the storage of dry timber only. However, a safe and sanitary report issued on 11/07/2007 records that the structure has had minor defects in its construction remedied and the structure now appears to have been built generally to building codes applicable at the time of construction in accordance with approved plans, specifications and engineering details.

(c) The LIM records that although the Council has no specific record of prior flooding issues with the Property, Council flood modelling indicates that there is a possible risk of flooding over the property during a storm event. Accordingly the Property has been designated a flood hazard policy area under the Tauranga City Council's District Plan.

(d) The LIM identifies that the Tauranga City Council's wastewater and stormwater lines traverse the property. Any future building work over the lines may require prior approval from the Council.

No other matters referred to in the LIM report have been referred to the independent registered valuer for the purposes of the valuation report attached to this Offeror's Statement.

A copy of the LIM is available for inspection at the offices of the Offeror (at the address set out in the Directory on page 41).

OPTIONS ETC IN RESPECT OF THE PROPERTY

There are no other options, buybacks, rental guarantees, or similar arrangements in relation to the Property.

MATERIAL DETAILS CONCERNING RIGHTS OF OCCUPATION OF THE PROPERTY

The material details concerning the lease of the Property (land, buildings and improvements) are set out below

LEASE TO CARTER HOLT HARVEY LIMITED

The key terms of the lease are as follows:

(a) Tenant – Carter Holt Harvey Limited.

(b) Guarantor – Nil.

(c) Commencement Date (of current term) – 11 April 2008.

(d) Current Term – 13 years from the Commencement Date.

(e) Rights of Renewal – 2 rights of renewal of 6 years each.

(f) Annual Rent – The current annual rent is $527,028.79 plus GST, rising to $542,839.65 plus GST on 11 April 2012.

(g) Rent Reviews – The annual rent is subject to review as follows:

(i) Market Review Dates – 11 April 2013, 2017, 2019, 2021 and 2027 (if both rights of renewal are exercised). The annual rent following the market reviews on 11 April 2013, 2017, 2021 and 2027 (if both rights of renewal are exercised) must not be less than 103% of the annual rent payable immediately prior to the relevant review date. On 11 April 2019 and 2021 the rent must not be less than the annual base rent payable following the market review on 11 April 2017.

(ii) Fixed Increase Dates – The annual rent is subject to a fixed 3% increase on each of 11 April 2012, 2014, 2015, 2016, 2022, 2023, 2024, 2025, 2026, 2028, 2029, 2030, 2031, 2032 (if both rights of renewal are exercised). The rent following the fixed 3% increase on 11 April 2012 is $542,839.65 plus GST. To the extent that settlement occurs prior to 11 April 2012, the scheme will receive a rental top-up from the vendor on settlement so that the scheme effectively receives rent at the reviewed rate from settlement.

Note that the annual rent is not subject to review on 11 April 2018 or 11 April 2020.

(h) Outgoings – In addition to the annual rent, the tenant is liable to pay the following outgoings:

(i) Rates and levies payable to any local or territorial authority;

(ii) Charges for water, gas, electricity, telephones and other utilities and services, including line charges.

(iii) Rubbish collection charges;

(iv) New Zealand Fire Service charges and maintenance charges in respect of all fire detection and fire fighting equipment, not exceeding reasonable current market rates offered by reputable service providers for preventative maintenance contracts (excluding major capital costs and/or capital replacement);

(v) If the landlord insures, insurance premiums, related valuation fees and any insurance excess (up to a maximum of $500). However, the tenant currently insures the property and the landlord's improvements;

(vi) If arranged by the landlord, service contract charges for air-conditioning, lifts, and other building services, not exceeding reasonable current market rates offered by reputable service providers for preventative maintenance contracts (excluding major capital costs and/or capital replacement);

(vii) The provisioning of toilets and other shared facilities; and

(viii) Yard and carparking area routine maintenance and repair charges but excluding charges for structural repairs to the carparking area of the building and charges for resealing or repaving the yard and carpark areas.

(i) Damage or Destruction – If the premises are destroyed or damaged to such an extent so as to render the premises untenantable or, in the reasonable opinion of the landlord to require the demolition or reconstruction of the premises, then the landlord must fully reconstruct the premises with reasonable speed. In these circumstances the rent and outgoings will cease to be payable by the tenant from the date of the damage or destruction until the date the premises have been reinstated. There is no option for the landlord to terminate the lease in these circumstances.

(j) Assignment/Subletting – The tenant is only entitled to assign, sublet or part with the possession of the premises or any part thereof with the landlord's prior written consent, which must be given if certain usual criteria are met. The proposed assignee or subtenant must be respectable, responsible and have the financial resources to meet the tenant's obligations under the lease taking into account any guarantee or other security offered to the landlord and, after taking into account the financial resources of the existing tenant and any guarantor, if the existing tenant and/or guarantor is to remain liable under the lease after the assignment or subletting. Following assignment, the original tenant and any guarantor may request to be released from liability under the lease in the event that:

(i) the assignee or tenant (for a deemed assignment) has net tangible assets of more than NZ$500 million; or

(ii) a performance or bank bond is provided from a reputable trading bank for an amount more than 1.5 times the total rent payable for the unexpired portion of the lease; or

(iii) a guarantee is provided from a third party that has net tangible assets of more than NZ$500 million.

WHAT SORT OF INVESTMENT IS THIS? CONT'D

(k) Related Party Assignment – The tenant is entitled to transfer, assign or sublet the estate and interest of the tenant under the lease by or to a wholly owned subsidiary of Carter Holt Harvey Limited without the prior written consent of the landlord. In such circumstances, Carter Holt Harvey Limited will remain liable for performance by the subsidiary of the Tenant's obligations under the lease (at least until renewal and for so long as the subsidiary remains the tenant).

(l) Tenant Balance Sheet – The tenant is required to provide the landlord with a copy of the Tenant's last prepared audited balance sheet within 14 days after each anniversary of the commencement date, provided that the landlord has first signed a confidentiality deed. The vendor has advised that it has never requested this information from the tenant.

(m) Form of Lease – The lease is a bespoke form of lease.

(n) Financial Standing of Tenant – The Offeror has not been provided with any financial statements in respect of Carter Holt Harvey Limited, and prospective investors must take this into account in their assessment of the financial standing of the tenant and whether to invest in the scheme. Under the lease, the landlord has access to the records of the tenant but must sign a confidentiality deed (and is not able to disclose publicly any information that it accesses). The vendor has confirmed that the tenant (Carter Holt Harvey Limited) has never been in default of its obligations under the lease and that it has no concern regarding the financial standing of the tenant. Further information on Carter Holt Harvey is set out on page 6 of this Offeror's Statement.

OTHER MATTERS

A copy of the deed of lease for the Property may be inspected free of charge at the offices of the Offeror (at the address set out in the Directory on page 41).

The current owner of the Property has advised that the existing occupant has complied with all its material obligations under the lease.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

INFORMATION ABOUT PERSONS ASSOCIATED WITH THE PROPORTIONATE OWNERSHIP SCHEME

The promoter and offeror of the scheme is Augusta Funds Management Limited whose address is 35 Chancery Street, Auckland. Its directors are:

(a) Mark Francis
47 Victoria Avenue
Remuera
Auckland

(b) Christopher Francis
68 Albany Road
Herne Bay
Auckland

As discussed on page 8, Augusta Funds Management Limited has entered into a conditional agreement for the sale and purchase of its business and assets with Kermadec Property Fund Limited. If that transaction completes, a subsidiary of Kermadec Property Fund Limited will be the manager of the scheme. The directors of that subsidiary will be Mark Francis and Chris Francis (whose addresses are set out above), along with:

(c) Peter Wilson
39 Sefton Street
Wadestown
Wellington

(d) John Loughlin
267 Te Mata Mangateretere Road
Havelock North

All subscriptions and any interest on those subscriptions will be held in the trust account of Chapman Tripp, Solicitors, Level 38, 23 Albert Street, Auckland until registrable title to the Property is obtained on behalf of all subscribers, or returned to the subscribers in accordance with this Offeror's Statement.

Interests in the scheme are being offered through Bayleys Real Estate Limited, Maritime Square, 4 Viaduct Harbour Avenue, Auckland.

The initial auditor will be Hayes Knight Audit, Chartered Accountants of Auckland. A new auditor may be appointed by resolution of subscribers holding the majority of the interests.

The Nominee is a company established by Augusta Funds Management Limited to act solely as nominee on behalf of subscribers to the scheme. The sole shareholder is Augusta Funds Management Limited. The directors of the Nominee are Mark Francis and Christopher Francis.

QUALIFICATIONS AND EXPERIENCE OF MANAGER

The composition of the board of directors of the manager provides a broad base of knowledge and experience.

Mark Francis has a commerce degree in finance and for the last 15 years has worked in many aspects of property investment and development with companies such as Village Roadshow and Force Corporation and his own private investment vehicles. Mark is a director of NZSX–listed Kermadec Property Fund Limited.

Christopher Francis has a commerce degree in accounting and a strong background in financial analysis from roles with Ernst & Young, Foster Stockbroking Pty Ltd and Cranport Hedgefund Pty Ltd. Christopher has been a director of Augusta Funds Management Limited since 2006.

Peter Wilson is a Wellington based Professsional Director with extensive experience in banking, business establishment, problem resolution, asset sale and management of change functions. Currently Peter is a Director of Westpac Banking Corporation and Chairman of Westpac New Zealand Limited, a Director of The Colonial Motor Company Limited, Farmlands Trading Society Limited and P F Olsen Limited. He is also a member of the New Zealand Markets Disciplinary Tribunal and Chair of the Tribunal's Special Division.

John Loughlin is a professional company Director. He is Chairman of ZESPRI Group Limited, Tru-Test Corporation Limited and Firstlight Foods NZ Limited. He is also a Director of Metlifecare Limited, Centralines Limited, Port of Napier Limited, AgResearch Limited and Taupo Motorsport Park Limited.

The Augusta Funds Management team also includes dedicated property management, facilities management and accounting and finance staff. That team will transfer to Kermadec Property Fund Limited if the proposed transaction with Kermadec Property Fund Limited successfully completes.

MANAGEMENT AGREEMENTS RELATING TO SCHEME AND THE PROPERTY

The arrangements for management of the scheme are set out in the Ownership and Management Deed (OMD), which will be signed by the manager, the Nominee and on behalf of subscribers on

WHO IS INVOLVED IN PROVIDING IT FOR ME? CONT'D

acceptance of applications by the manager. Material details of the OMD are:

(a) The term of the management arrangement (regardless of who occupies the position of manager) is for the duration of ownership of the Property by the scheme. In addition to the specific provisions noted below, the manager has full and complete power of management.

(b) Each subscriber holding an interest in the scheme is liable to pay all outgoings and costs associated with the Property (to the extent that they are not recovered from the tenant). If there is a shortfall between money received from the tenant of the Property and the expenses, fees and liabilities payable by the scheme, then that shortfall is recoverable by the manager from subscribers (pro rata to each subscriber's interest in the scheme). However, save in respect of liability for GST (refer paragraph (c) below), investors are only liable to the extent of their original investment.

(c) The relationship between the subscribers is that of independent co-joint venturers and any liability between the subscribers is shared proportionate to the interests held by the subscribers. Notwithstanding this, subscribers will be jointly and severally liable for any GST not paid by the scheme if the manager fails to make GST payments to the Inland Revenue Department on behalf of the scheme.

(d) The manager is appointed as sole and exclusive manager of the scheme having the power to complete, in the name of the Nominee, the purchase of the Property, arrange the bank borrowings, recover rent and outgoings, recover any shortfall from the subscribers and negotiate all contracts relating to the Property and the scheme.

(e) The Nominee holds the Property as bare trustee for the subscribers. It is a term of the OMD that the manager will take all necessary steps to enable the Nominee (acting on behalf of subscribers) to be registered as the proprietor of the Property on acquisition of the Property in accordance with the scheme.

(f) The manager must, in the name of the Nominee, arrange insurance in respect of the Property on acquisition of the Property in accordance with the scheme (to the extent that such insurance is not an obligation of the Tenant under its lease).

(g) Each subscriber may sell his or her interest to any person so long as:

   (i) the selling subscriber has paid all monies owing under the scheme and is not in breach of the terms of the OMD;

   (ii) the purchaser has entered into a deed of accession whereby the purchaser agrees to be bound by the terms of the OMD, and a signed copy of such deed has been delivered to the manager; and

   (iii) the manager has approved the purchaser, such consent not to be unreasonably withheld.

(h) The manager may be removed by resolution of subscribers representing 75% of the interests in the scheme. In the event that the manager is so removed, the manager is to be paid the equivalent of one year's annual management fee as compensation.

(i) A new manager may be appointed by resolution of subscribers representing 75% of the interests in the scheme regardless of whether the subscribers have resolved to remove the director or the manager has proposed to appoint a new manager or otherwise.

(j) An annual fee for management of the scheme will be payable to the manager. The fee will be $nil in the first year, $35,000 plus GST for the second year and, thereafter, the fee will be increased on an annual basis by the greater of any increase in CPI or 3%. The fee is also subject to increase with the approval of at least 90% of subscribers at any time during the term of the scheme.

(k) Following completion of the offer and once the Nominee obtains title to the Property, a one off fee of $250,000 plus GST is payable by the Nominee on behalf of the subscribers to Augusta Funds Management Limited as promoter and Offeror of this scheme in consideration of negotiating the contract to purchase the Property and acting as Offeror for this offer.

(l) Additional disbursements incurred by Augusta Funds Management Limited will be reimbursed.

(m) Project management fees may also be payable to the manager in the event of a refurbishment, rebranding, extension or redevelopment of all or part of the Property on a time spent basis.

(n) The manager has the power to borrow in the name of the Nominee on terms substantially the same as the indicative bank loan terms set out on page 17 (being a loan of not more than 45% of the purchase price of the Property); and to obtain an optimal hedging strategy by entering into fixed contracts, short-term and long-term swaps, floating rates or a combination of these.

(o) The manager has the power to re-finance in the name of the Nominee any borrowing by the scheme if the manager considers alternative financing is more favourable to the Scheme than the then current borrowings.

(p) A compulsory meeting of subscribers will be called at least two months prior to the repayment date for any bank loan to determine whether or not the Property or any part of it should be sold and the scheme terminated; or whether the existing loan should be re-financed on either an interest only basis (if available at that time) or on a principal and interest basis. At that meeting a resolution of subscribers representing 75% of the total interests in the scheme can determine the proposed course of action.

(q) Subscribers may decide to sell the Property and wind up the scheme. The timing and circumstances in which this may occur are referred to on page 34.

(r) The manager has the right to assign its rights and interests under the OMD to a third party without the consent of subscribers.

(s) The scheme provides an ability for subscribers to meet and pass resolutions. Meetings however will not be held unless they are required by subscribers holding not less than 30% of the interests in the scheme or at the direction of the manager or the Nominee. The OMD provides that the scheme cannot be altered unless agreed by subscribers representing in excess of 75% of the total interests in the scheme at a properly constituted meeting of subscribers.

(t) A resolution of subscribers representing 50% of the total interests in the scheme can ratify any action taken by the manager.

(u) The manager is required to distribute the operating cashflows of the scheme at monthly intervals of such amounts as the manager deems to be appropriate, subject to the manager's power to retain monies for any future capital expenditure or capital management initiatives (including repayment of loan principal) the manager deems appropriate or necessary. The manager is obliged to comply with the terms of the OMD and all relevant legislation.

(v) The manager has the ability to undertake repairs, maintenance or improvements at its sole discretion if the expense does not exceed $60,000 per annum exclusive of GST. Expenses exceeding $60,000 per annum exclusive of GST can only be undertaken with the approval of subscribers who hold not less than 50% of the total interests (unless the manager is obliged to undertake such repairs, maintenance or improvements under the lease).

A copy of the OMD may be inspected free of charge at the offices of Chapman Tripp or the Offeror (at the addresses set out in the Directory on page 41).

INTERESTS OF THE OFFEROR, MANAGER, PROMOTER AND OTHERS

Augusta Funds Management Limited will be paid the following fees:

(a) On completion of the offer and once the Nominee obtains title to the Property an initial offeror's fee of $250,000 plus GST in consideration for negotiating the contract to purchase the Property and acting as offeror for this offer; and

(b) an accounting fee of $7,500 plus GST. No accounting fees will be charged in relation to the year ending 31 March 2013.

The manager of the scheme (who will be either Augusta Funds Management Limited or a subsidiary of Kermadec Property Fund Limited) will be paid an annual fee for managing the scheme. The fee for the first year of the scheme will be $nil for the first year, $35,000 plus GST for the second year and, thereafter, the fee will be increased on an annual basis by the greater of any increase in CPI or 3%. This scheme management fee is also subject to increase with the approval of at least 90% of subscribers at any time during the term of the scheme. The manager is also entitled to be reimbursed from the scheme for out of pocket expenses and disbursements.

Project management fees may also be payable to the manager in the event of a refurbishment, rebranding, extension or redevelopment of all or part of the Property on a time spent basis.

Bayleys Real Estate Limited, as the sales organisation through which the offer is made, will receive commission on subscriptions for interests in the scheme.

As the Offeror and promoter are the same entity they will each derive a material benefit from, and be materially interested in, the OMD. The manager (who will be either Augusta Funds Management Limited or a subsidiary of Kermadec Property Fund Limited) also derives a material benefit from, and is materially interested in, the OMD and derives a benefit from the fees set out above for the management of the scheme.

HOW MUCH DO I PAY?

PURCHASE PRICE

The Property is being purchased from Longhorn No 9 Limited for $6,600,000 plus GST (if any). Investors may participate in the scheme by completing the application form on pages 39 and 40 for subscriptions in multiples of $50,000.

Settlement of the purchase of the Property is scheduled for 10 April 2012.

The Property is being sold as a going concern and therefore is zero rated for GST purposes.

Details of the purchase and costs involved in establishing the scheme are as follows:

Purchase Price	$6,600,000
Establishment Costs	$440,420
Sinking Fund	$15,000
Total	**$7,055,420**
To be funded by:	
Subscriptions from subscribers	$4,350,000
Bank Loan	$2,705,420
Total	**$7,055,420**

Preliminary establishment costs payable by the scheme are:

Legal costs	$50,000
Accounting fees	$7,500
Independent accountant review	$7,000
Issue expenses – printing, advertising and promotion	$24,420
Offeror's fee	$250,000
Brokerage fee	$87,000
Valuation	$4,500
Engineers report	$5,000
Bank fees	$5,000
Total	**$440,420**

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

SINKING FUND

A sinking fund allowance of $15,000 has been allowed for in the initial capital raising to cover the minor remedial works required to be carried out in relation to the mezzanine and office referred to on page 10 and any other maintenance on the Property.

BANK LOAN

An indicative finance proposal for bank funding for the scheme (subject to credit approval) has been secured from ASB Bank Limited (ASB) on the following terms and conditions:

(a) Amount – $2,705,420

(b) Security –

 (i) registered first exclusive mortgage over the Property;

 (ii) a General Security Agreement over the assets and undertakings of the borrower; and

 (iii) a Deed of Assignment over the Deed of Lease with General Distributors Limited.

(c) Loan term – 5 years from drawdown, repayable in full on maturity and interest-only during the term of the loan.

(d) Establishment fee – $5,000 plus additional legal fees charged on the basis of time spent, payable on drawdown and capitalised to the loan.

(e) Personal guarantees/Recourse – no personal guarantees. The Nominee will enter into the loan and borrow the loan amount from ASB for and on behalf of all the subscribers. However, ASB's recourse under the loan will be against the Nominee and, in respect of the scheme, limited to the security provided by the Nominee (and, therefore, is effectively non-recourse as against the subscribers).

(f) Interest rate – the indicative interest rate of 5.2%, which includes a bank margin of 2.00%, has been used in the prospective financial statements and is the best estimate of the effective interest rate. The interest expense is based on no principal repayments during the five year term of the loan. This is based on the ASB finance proposal of 15 December 2011. The actual interest rate that will be payable under the ASB loan will be subject to interest rate movements between the date of this offeror's statement and the date on which the loan is actually drawn down, and will not be determined until the drawdown date. Therefore, the actual interest rate may differ from the interest rate used in the prospective financial statements. The Offeror intends to fix all or some of the 30 day floating rate component of the interest rate with a combination of short-term and long-term swaps, and/or floating rates, but is deferring this until the drawdown date in order to obtain an optimal hedging strategy.

(g) Principal repayments – nil during the term of the loan. The full loan amount is repayable in full at the end of the loan term.

(h) The net income from the security property must be maintained at a level not less than 2 times the actual interest cost.

(i) LVR (Loan to Value Ratio) not to exceed 45%.

(j) The ASB finance proposal outlines certain conditions precedent that must be met prior to drawdown.

WHAT ARE THE CHARGES?

TYPES AND AMOUNT OF CHARGES

The following charges are or may be payable by subscribers, by deduction from the scheme:

Establishment costs

The preliminary establishment costs set out on page 16.

Ongoing annual costs

(a) An annual scheme management fee payable by the scheme to the manager (as described on page 14).

(b) The audit of financial statements (estimated at $7,000 plus GST).

(c) The valuation fee (estimated at $3,000 plus GST).

(d) Legal fees arising in relation to attendances on management of the Property and the scheme, including documenting rent reviews and attendances in relation to any sale of the Property (charged on the basis of time spent.

(e) Bank fees (estimated at $100 for the first year of the scheme).

(f) Interest charges payable to ASB (estimated at $140,682 per annum based on 5.2% for the first year).

(g) Outgoings, property maintenance expenses and costs (to the extent not recoverable from the tenant). The manager has the ability to undertake maintenance improvements at its sole discretion if the expense does not exceed $60,000 per annum exclusive of GST. Expenses exceeding $60,000 per annum exclusive of GST can only be undertaken with the approval of the subscribers who hold not less than 50% of the total interests. The manager however may undertake maintenance and improvements necessary to comply with the terms of a lease where that maintenance or improvement is payable by the tenant under the lease).

The costs estimates described in paragraphs (c), (e) and (g) are assumed to increase on an annual basis by 3%.

Subject to the subscribers' right to sanction an increase in the manager's scheme management fee in accordance with the OMD, neither the manager nor any other person has the right to alter the manager's charges referred to above. Third party charges (including those charged by real estate agents, the bank, legal advisors, accountants and valuers) will be set by the relevant third parties and may be subject to change.

On the sale of the Property

(a) Commission on the sale of the Property, estimated at 2.5% of the sale price plus GST payable to a real estate agent.

(b) Legal fees arising in relation to attendances on the sale of the Property and repayment of the bank loan (charged on the basis of time spent).

(c) Any early repayment fee to the bank in the unlikely event that the Property is sold prior to expiration of the loan term.

Other possible fees

(a) Legal fees for any future leasing, renewals of lease, assignments, rent reviews, refinancing and incidentals to management of the Property will be charged on the basis of time spent.

(b) Leasing fees by external agencies involved in any such negotiations will be charged separately at that time.

(c) In the unlikely event that the Property is sold during the term of the loan there may be an early repayment fee which is likely to be calculated on the loss suffered by the bank in early repayment of those monies and will depend upon whether interest rates increase or decrease over the fixed interest rate term.

(d) If there is a shortfall between the rental income received from the Property and the outgoings payable by the scheme, the manager is empowered under the OMD to recover the shortfall from subscribers.

None of the detailed charges are payable by the Offeror. The charges specified are all payable from the scheme and may affect the amount of returns to investors.

None of the above charges are payable by the manager.

Should subscribers wish to sell their interest, there may be brokerage commission payable to a financial planner, broker, real estate agent or any other professional acting in a brokerage capacity in respect of any agency arrangements entered into by a subscriber relating to the sale of a subscriber's interest in the scheme, as well as applicable legal fees and out of pocket expenses for any such sale.

The manager is obliged under the OMD to account to subscribers for all charges which affect returns to subscribers. Particulars of these charges will be included in the audited financial statements relating to the scheme, copies of which will be sent to all subscribers. There is no other procedure available to subscribers to ascertain the amount of the charges referred to above that are not expressed as dollar amounts (or as a percentage of another dollar amount).

Neither the manager nor any other person has the right to alter the manager's charges referred to above, aside from the annual review to the greater of CPI or 3%. Third party charges (including those charged by real estate agents, the bank, legal advisors, accountants and valuers) will be set by the relevant third parties and may be subject to change.

REMUNERATION OF OFFEROR

The Offeror derives no remuneration in its capacity as Offeror other than the Offeror's fee which it will receive for establishing and promoting the scheme.

Following completion of the offer and once the Nominee obtains title to the Property a one-off fee of $250,000 plus GST is payable to Augusta Funds Management Limited as promoter and Offeror of this scheme in consideration of negotiating the contract to purchase the Property, developing this opportunity, establishing the scheme and acting as Offeror for this offer.

If it acts as the manager of the scheme, the Offeror will receive the fees described in the 'Types and amounts of charges' section above.

WHAT RETURNS WILL I GET?

INCOME AND EXPENSES RELATING TO PROPORTIONATE OWNERSHIP SCHEME

The Nominee as landlord and bare trustee for the subscribers will receive all income from the Property on behalf of the scheme. The manager will account for that income as belonging to the scheme. All annual accounts will be provided to the subscribers once audited.

After meeting expenses in relation to the Property, bank interest costs and costs of administration (the details of which are set out in this Offeror's Statement), the manager will distribute cash profits at monthly intervals (of such amounts as the manager deems appropriate), as detailed in the next paragraph, to the subscribers in proportion to their interests in the scheme. The manager is authorised to retain monies for any future expenditure the manager deems necessary to comply with the terms of the OMD or to maximise the value of the investment.

The projected income and expenditure for the scheme is set out in the prospective financial statements on pages 20 to 29.

Profits are distributed at the discretion of the manager taking into account likely future expenditure. Cash distributions will be made to subscribers monthly in arrears, with payments being made on the 5th day of each subsequent month.

A bank account will be opened for and on behalf of the scheme to receive all income receipts, pay all expenditure items and make all income distributions to subscribers. The bank account signatory will be the directors of the manager.

FINANCIAL INFORMATION IN RESPECT OF PROPORTIONATE OWNERSHIP SCHEME OR REAL PROPERTY

This scheme is a new scheme and the Nominee company is a newly incorporated company, incorporated for the specific purpose of the scheme. Neither the scheme nor the Nominee company have previously traded and for this reason historical financial data is not available.

The Property's current owner has not provided historical financial information specific to the Property.

Augusta Funds Management Limited does not have (and could not reasonably obtain):

- a statement of income and expenditure for the Property for a financial year ending not more than five months before the date of this Offeror's Statement that accords with generally accepted accounting practice and has been reviewed by a member of the New Zealand Institute of Chartered Accountants; or
- a statement of cash flows for the Property for a financial year ending not more than 5 months before the date of this Offeror's Statement that accords with generally accepted accounting practice and has been reviewed by a member of the New Zealand Institute of Chartered Accountants.

PROSPECTIVE FINANCIAL STATEMENTS

Prospective financial statements in respect of the scheme for the first accounting period of 1 year commencing on 1 April 2012 and ending on 31 March 2013 are set out below. For simplicity note that these prospective financial statements assume that the Property will be acquired by the scheme on 1 April 2012. The actual settlement date of the purchase of the Property may in fact occur after this date – see the "Timetable" section on page 6. The prospective financial statements:

(a) comprise a prospective statement of comprehensive income, statement of joint venturers' funds, statement of financial position and statement of cash flows, notes and assumptions;

(b) accord with generally accepted accounting practice; and

(c) have been reviewed by Hayes Knight Audit, Chartered Accountants of Auckland (whose report can be found on pages 36 and 37).

Prospective Statement of Comprehensive Income
For the year ending 31 March 2013

Rental Income	$542,840
Operating Expenses	-
Net Rental Income	**$542,840**
Audit Fees	($7,000)
Bank Fees	($100)
Finance Fees	($1,000)
Interest	($140,682)
Valuation Fees	($3,000)
Total expenses (excluding initial establishment costs)	**($151,782)**
Comprehensive Income and Profit before Investment Property Revaluation and Taxation	**$391,058**

Prospective Statement of Changes in Joint Venturers' Funds
For the year ending 31 March 2013

	Capital	Retained Earnings	Total
Balance at 1 April 2012	-	-	-
Profit for the year	-	$391,058	$391,058
Total comprehensive income for the year	**-**	**$391,058**	**$391,058**
Contributions from investors	$4,350,000	-	$4,350,000
Issue costs	($425,920)	-	($425,920)
Distributions to investors	-	($358,875)	($358,875)
Balance at 31 March 2013	**$3,924,080**	**$32,183**	**$3,956,263**

WHAT RETURNS WILL I GET? CONT'D

Prospective Statement of Financial Position
As at 31 March 2013

	Notes		
Current assets			
Cash	10	$83,478	
Non-current assets			
Investment Property	3	$6,600,000	
Other Acquisition Costs	3	$9,500	
Total Assets			**$6,692,978**
Current liabilities			
Trade Creditors		$10,450	
Interest Payable		$11,723	
GST payable	13	$13,122	
Non-current liabilities			
Secured Bank Loan	14	$2,705,420	
Associated finance costs		($4,000)	
Total liabilities			**$2,736,715**
Net Assets			**$3,956,263**
Joint Venturers' Funds			
Capital		$3,924,080	
Retained earnings		$32,183	
Closing Joint Venturers' Funds			**$3,956,263**

Prospective Statement of Cash Flows – For the year ending 31 March 2013

Cash flows from operating activities		
Cash provided from:		
Rental receipts	$624,266	
Cash disbursed to:		
Bank Fees paid	($100)	
Interest paid	($128,958)	
GST received (paid)	($67,855)	
Net cash inflow from operating activities		**$427,353**
Cash flows from investing activities		
Cash disbursed to:		
Purchase of investment property	($6,600,000)	
Acquisition costs	($9,500)	
Net cash inflow from investing activities		**($6,609,500)**
Cash flows from financing activities		
Cash provided from:		
Loan Proceeds	$2,705,420	
Subscribers	$4,350,000	
Cash disbursed to:		
Finance Costs	($5,000)	
Issue Costs	($425,920)	
Subscribers	($358,875)	
Net cash inflow from financing activities		**$6,265,625**
Cash at the beginning of the period		-
Net increase in cash held		$83,478
Cash at end of year		**$83,478**
Reconciliation of Surplus to Cash from Operating Activities		
Reported Profit		$391,058
Non Cash Items		
Finance costs		$1,000
Add/(Less) Movements in Working Capital Items:		
Increase in Goods and Services Tax Payable	$13,122	
Increase in Creditors	$22,173	
Total Movements in Working Capital		$35,295
Net cash inflow from Operating Activities		**$427,353**

WHAT RETURNS WILL I GET? CONT'D

PROJECTED INVESTMENT RETURN

Amount Invested	**$50,000**
Forecast annual share of net rental (before investment property revaluation, depreciation and taxation)	**$4,500**
Forecast cash return per annum	**9%**

Please note that $4,125 per investor unit is forecasted to be distributed during the year in cash, and the March 2013 monthly distribution of $375 will be paid in early April 2013. This distribution has not been accrued.

NOTES AND ASSUMPTIONS

1 ASSUMPTIONS

The purpose of the prospective financial statements is to assist subscribers in assessing the viability of and return on funds invested in the scheme.

For simplicity the prospective financial statements have been prepared for a full 12 month year ending 31 March 2013.

The scheme will be established and domiciled in New Zealand.

The scheme will be a commercial property investor that owns land and buildings located at 14 Birch Avenue, Tauranga.

The prospective financial statements were authorised for issue on 24 February 2012 by the Offeror. The Offeror is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures. These are the final prospective financial statements.

The rentals used in the prospective financial statements are based on the current rental levels from the leases below:

Tenant	Date Lease Commenced	Term of Lease
Carter Holt Harvey Limited	11 April 2008	13 years

The interest expense is calculated at 5.2%, and is based on no principal repayments (interest only) during the five year term of the loan. This is based on the ASB Bank finance proposal of 15 December 2011.

The actual interest rate that will be payable under the ASB Bank loan will be subject to movement between the date of this Offeror's Statement and the date on which the loan is drawn down, and will not be determined until the drawdown date. The Offeror intends to determine the interest rate with a combination of short-term and long-term swaps, and/or floating rates, but is deferring this until the drawdown date in order to obtain an optimal hedging strategy.

The administrative costs have been based on quotes received.

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

Interest is assumed to be paid monthly in arrears, based on the ASB Bank finance proposal.

The prospective financial statements does not allow for any interest earned on the bank account.

The prospective financial statements do not allow for any expenses relating to the minor remedial work referred to on page 10 as the Offeror believes that the final amount of such expenditure will likely be less than the current $10,000 estimate and does not consider that this is a material cost.

The annual scheme management fees will be $nil in the first year, $35,000 in the second year plus GST per annum, and will increase at the greater of 3% or CPI thereafter.

The tenant is responsible for all usual operating costs including rates, insurance, utilities and maintenance obligations. Therefore, no such allowance has been made in the prospective financial statements as the tenant is responsible for such costs under the terms of the net deed of lease. Any such costs incurred by the landlord will be fully recoverable from the tenant. The landlord is responsible for all repairs of a structural nature for which there are assumed to be none, and no such allowance has been provided for in the prospective financial statements. If, however, such structural repairs were required, these would be at the scheme's cost and hence may impact the cash return to investors.

The valuation of the investment property as at 1 April 2012 is based on the cost, plus capitalised acquisition costs. No capital expenditure has been forecast for the financial year ended 31 March 2013. The fair value of the investment property including capitalised costs as at 31 March 2013 is assumed to be the same as the carrying value at 1 April 2012.

Actual results may differ from the prospective financial statements depending on rent increases and other expenses. The resulting variance may be material. The prospective financial statements also do not include the potential impact of the property revaluation movement which has the potential to be material, but is a non cash item. The Offeror, manager and Nominee give no guarantee or assurance that the prospective financial information presented will be achieved.

2 STATEMENT OF ACCOUNTING POLICIES

The prospective financial statements here are for the reporting entity the Birch Nominees Joint Venture.

The scheme will be an issuer under the Financial Reporting Act and therefore it has complied with the full reporting requirements. The prospective financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), applying FRS-42 Prospective Financial Statements. The accounting policies and disclosures adopted in these prospective financial statements reflect those required by the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities. The scheme is designated as a profit-orientated entity.

The actual annual financial statements for the scheme will be prepared in accordance and comply with NZ IFRS and also International Financial Reporting Standards. The accounting policies adopted in the prospective financial statements reflect the policies expected to be adopted in the actual annual financial statements.

Measurement Base

The prospective financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(a) *Revenue Recognition:* Revenue includes rental income and recovered outgoings from the Property held by the scheme. Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the scheme provides incentives to its tenant(s), the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(b) *Investment Properties:* This investment property is initially recognised at cost, which includes transaction costs. Thereafter it is measured at fair value. Fair value will be determined annually by external valuers having regard to recent market transactions for similar properties in the same location as the investment property. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(c) *Receivables:* Receivables should be recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off during the period in which they are identified.

(d) *Payables:* Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. As accounts payable do not accrue interest and are generally paid within 30 days of recognition, they are stated at the invoice amount.

(e) *Goods and Services Tax (GST):* The prospective financial statements have been prepared using GST exclusive figures with the exception of receivable and payables which are stated GST inclusive.

(f) *Income Tax:* As a proportionate ownership scheme, the scheme itself is not liable for income tax.

(g) *Comparatives:* The scheme has not yet commenced and therefore there are no comparatives available. These prospective financial statements represent the expected first year of trading.

(h) *Changes in Accounting Policies:* There are no changes in the accounting policies anticipated in the first reporting period.

(i) *Establishment Costs:* Investment property is initially recognised at cost, which includes transaction costs. Preliminary establishment costs associated with respect to raising equity are deducted from the equity proceeds.

(j) *Depreciation:* Each Investor will be entitled to a depreciation deduction based on their proportional share of the depreciation of the property fit out and chattels only and is dependent on their individual circumstances. Accordingly, no allowance has been made for depreciation in the prospective statement of comprehensive income for the 12 months ending 31 March 2013.

(k) *Derivatives:* The scheme may use derivative financial instruments to economically hedge its exposure to interest rate risk arising from borrowings. The interest rate swaps convert certain variable interest rate borrowings to fixed interest rates reducing the exposures to fluctuations in floating rates.

Derivative financial instruments are carried at fair value. Any resulting gain or loss on measurement is recognised in the statement of comprehensive income.

3 INVESTMENT PROPERTY

	2013
Balance at beginning of financial year	-
Acquisition of investment property	$6,600,000
Acquisition costs	$9,500
Balance at end of financial year	**$6,609,500**

The fair value of the property as at 31 March 2013 has been arrived at on the basis of the purchase price paid as per the sale and purchase agreement, plus capitalised acquisition costs which relate to valuation fees. On 31 March 2013 (or the equivalent financial year end) a valuation of the property will be carried out by an independent registered valuer not related to the scheme. The valuation movement will be reported through the statement of comprehensive income and will have an impact on the reported profit in the statement of comprehensive income as well as the reported valuation of investment property in the statement of financial position. No capital expenditure has been forecast for the financial year ended 31 March 2013.

An independent valuation has been undertaken by TelferYoung (Tauranga), a registered valuation firm, as at 11 January 2012, which reflects a market value of $6,585,000 compared to the carrying value of $6,609,500 included in these prospective financial statements.

The key valuation assumptions used include a net market rental of $543,000 per annum and a net yield 8.25%.

4 CAPITAL AND OPERATING LEASE COMMITMENTS

The scheme does not anticipate having any capital or leasing commitments as at 31 March 2013.

5 CONTINGENT LIABILITIES

The scheme does not anticipate having any contingent liabilities as at 31 March 2013.

6 FINANCIAL INSTRUMENTS

Credit Risk

To the extent the scheme has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the scheme to credit risk principally consist of bank balances and receivables.

The scheme will hold no collateral or any other security over their financial assets subject to credit risk. However, the scheme funds will be held by ASB Bank which is a well established bank within New Zealand, and currently holds an AA- credit rating, therefore reducing possible credit risk.

The scheme's tenant will pay rent monthly in advance, and as such there is no anticipated credit risk exposure at 31 March 2013 arising from the tenant. As a result the scheme does not anticipate non-performance by the counter parties.

Maximum exposures to credit risk at balance date are:

	2013
Bank balances	$83,478

Currency Risk

The scheme has no exposure to currency risk. All financial assets will be held in New Zealand dollars.

Liquidity Risk

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

As at 31 March 2013

Financial Liabilities	**1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Total**
Non-derivative financial liabilities					
Trade payables and accruals	$23,572	-	-	-	**$23,572**
Interest payable	$11,723	$23,447	$105,511	$562,727	**$703,409**
Borrowings	-	-	-	$2,705,420	**$2,705,420**
Total	**$35,295**	**$23,447**	**$105,511**	**$3,268,147**	**$3,432,401**

If the property is not sold before the expiration of the term of the bank loan, a renewed financial facility may involve principal repayments which will affect cash returns payable to investors.

Interest Rate Risk

Exposure to interest rate risk is in the normal course of the scheme's business. The current indicative interest rate used in the prospective financial statements is 5.20%. By managing interest rate risk the scheme aims to moderate the impact of short-term fluctuations in interest rates. Changes in interest rates will have an impact on reported surpluses and the Joint Venturers' Capital and the sensitivity is outlined below.

A +/- 100 basis point variation in respect to the indicative floating interest rates correlates to an impact in the statement of comprehensive income of -/+ $27,054 per annum, if the variation was apparent for a full year. This equates to a -/+ $311 variance per investor unit in respect to profit available for distribution (or -/+ 0.62% change in investment yield).

If a derivative instrument was entered into, then the fair value of this instrument is to be recorded, and any movement in the fair value is recorded in the statement of comprehensive income. Any variation in interest rates will also impact the fair value of the instrument.

Capital Risk

The scheme's objectives when managing capital are to safeguard the scheme's ability to continue as a going concern in order to provide returns for investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As the market is constantly changing the manager will consider various capital management initiatives accordingly, including a debt reduction and also a change in the level of distribution to investors. The forecasted annual distribution to investors is $4,500 for the year ended 31 March 2013. Capital will also be monitored through the gearing ratio (debt/investment property).

Fair Values

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

7 ISSUED INTERESTS

	2013
Number of interests issued	87

The investors as holders of interests will be entitled to receive distributions as declared from time to time and are entitled to one vote per interest at meetings of the scheme, and rank equally with regard to the scheme's residual assets.

8 FEES PAID TO AUDITORS

Audit and assurance fees of $14,000 plus GST are anticipated to be paid to the auditors during the financial year ending 31 March 2013. $7,000 is for the review of the Offeror's Statement. The auditor fees in respect to the audit of the actual financial statements for the year ending 31 March 2013 will be $7,000 plus GST.

9 DISTRIBUTIONS

The following distributions are included in the prospective financial statements during the year ending 31 March 2013.

	2013
Per Interest – Cash distributions	$4,125

A distribution is expected to be paid in early April 2013, which relates to the March 2013 period. This has not however been accrued in the prospective balance sheet at 31 March 2013. The full year distribution applicable to the year ending 31 March 2013 is expected to be $4,500.

10 CASH AT BANK

	2013
Current Account	$83,478

The current account will have no overdraft limit.

11 RENEWAL INCOME

The scheme's property has operating leases attached to it, under which the minimum payments due are as follows:

	Minimum Payments 2013
Less than one year	$542,840
Between one and five years	$2,171,360
More than five years	$2,187,719

The above rental income does not factor any future rental review impacts.

12 RELATED PARTIES NOTE

Augusta Funds Management Limited owns 100% of the shares in Birch Nominees Limited, which is the Nominee Company for the Birch Nominees Joint Venture. Mark and Chris Francis, the Directors of Augusta Funds Management Limited are also the Directors of Birch Nominees Limited. The following is a schedule of the fees to be paid to Augusta Funds Management Limited:

- Offeror's fee of $250,000 (establishment cost)
- Accounting fees of $7,500 (establishment cost). No accounting fees will be charged in relation to the year ending 31 March 2013.
- if the proposed transaction with Kermadec Property Fund Limited does not occur then scheme management fees of $nil in the first year, $35,000 in the second year, and then increased by the greater of 3% or CPI thereafter will be payable to Augusta Funds Management Limited. If the proposed transaction with Kermadec Property Fund Limited does occur, these fees will be paid to a subsidiary of Kermadec Property Fund Limited.

If however a further related party does arise as at 31 March 2013 this will be disclosed in the actual financial statements.

13 TRADE PAYABLES

	2013
GST payable	$13,122
Creditors and Accruals	$22,173

14 LOAN

	2013
Bank Loan – ASB Bank	$2,705,420

The loan is expected to be a fixed term agreement. It will have a loan term of 5 years from date of drawdown. The indicative interest rate is 5.20%. Bank fees which relate to the cost of borrowing will be $5,000. This bank fee will be amortised over the life of the borrowings which is five years.

Loan Security

The loan will be secured by a registered first mortgage over the property, an assignment by way of security of all the leases and a first general security interest over the assets of the Nominee.

15 OPERATING EXPENSES

The manager will charge an annual scheme management fee of $nil in the first year ending 31 March 2013. In the second year the scheme fee will be $35,000 and then increase at the greater of CPI or 3% thereafter.

All operating costs are payable (including rates, insurance, utilities and maintenance costs) by the tenants directly and not by the landlord (or paid by the landlord and then fully recovered from the tenant) and have been excluded from these prospective financial statements.

These statements have been reviewed by the scheme's auditor Hayes Knight Audit, whose report can be found on pages 36 and 37.

WHAT RETURNS WILL I GET? CONT'D

TAXATION

Under the scheme, each subscriber is assessed individually on their proportionate share of the net rent and any other distributions from the scheme. Subscribers will be individually responsible for the payment of their tax. Subscribers are, under current legislation, able to depreciate the fit out and chattels for taxation purposes.

It is the intention of the Offeror to provide an itemised list of assets to enable maximum depreciation to be claimed. It is also the intention of the manager to provide ongoing, a fixed asset schedule with assets depreciated at maximum allowable tax rates.

The depreciation allowance entitles subscribers to defer taxation on a portion of their cash return until the property is sold by claiming as a tax deduction each subscriber's proportionate share of the depreciation of the property. From 1 April 2011, depreciation can no longer be claimed on buildings, however under current legislation, depreciation will still be able to be claimed on the building fit out. Post settlement of the property a detailed fixed asset register will be identified which will clearly outline the relevant depreciation claim. Under current rules, depreciation claimed on the property during the term of the scheme will be taxable in the year the property or a subscriber's interest in the property is sold provided that the sale price exceeds the original cost, less all depreciation previously claimed. The net effect is to provide a deferral of tax for subscribers during the period of ownership of the property.

Principal repayments made by the scheme against its bank loan will not be expenditure for taxation purposes.

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

WHAT ARE MY RISKS?

This section sets out risks associated with investment in the scheme not set out elsewhere in this Offeror's Statement.

There are a number of risks, both general and specific, that could impact on the performance of the scheme, the financial returns of the scheme, and the value of investment and potential liabilities of subscribers under the scheme. The principal risks for investors to the scheme are detailed below. Investors should consider the risks in conjunction with the contents of this Offeror's Statement and should seek independent advice.

The intention of the scheme is to, as much as possible, minimise the risks of any liability to subscribers over and above their investment in the scheme. To minimise the risks, the bank borrowing (including the initial borrowing and any future borrowing) will be on a limited recourse basis, which means that, if the Nominee defaults, the Bank can only recover the amount lent to the Nominee from the security given by the Nominee and liability does not pass down to subscribers.

The risks associated with an investment are affected by the nature of the underlying assets and the structure of an investment. In relation to property investments, property values and market rentals in general can be affected, positively or negatively, by economic factors such as interest rate movements, general price movements and the level of economic activity. The value of the Property being acquired by the scheme will also be affected by factors particularly affecting the tenant, by insured and uninsured perils, by the performance of rental payment, maintenance and repair obligations and by other factors.

Subscribers are subject to the following risks in this scheme:

(a) not being able to recoup their original investment;

(b) not receiving the forecast return on their investment in the scheme; and

(c) there being a shortfall between income received from the Property and the costs, expenses and fees payable by the scheme in respect of the Property and to third parties. That shortfall is recoverable by the manager from subscribers on a several basis.

The key area of risk associated with investment in the scheme is that of the tenant defaulting on its lease obligations. Dependence has been placed on the ability of the tenant to meet its contractual obligations to continue payment of rental and outgoings. If the tenant was to suffer liquidity problems of a significant nature, any resulting failure to pay rental and outgoings and consequential litigation would have a serious detrimental impact on the ability of the scheme to pay returns to subscribers on their interest in the scheme and for investors to recoup their original investment. The Offeror has not been provided with any financial statements in respect of Carter Holt Harvey Limited, and prospective investors must take this into account in their assessment of the financial standing of the tenant and whether to invest in the scheme.

NOT BEING ABLE TO RECOUP ORIGINAL INVESTMENT

A subscriber may not recoup their original investment in full if:

(a) the scheme becomes insolvent – should the scheme become insolvent, subscribers may not recover in full the amount which they have paid for their investment in the scheme and may not receive the expected returns on their investment;

(b) the Property is sold in the future and on the sale the net sale proceeds are less than the initial total subscriptions and establishment costs. The sale proceeds from a sale of the Property would first go to repaying the amount of the loan with ASB. If the proceeds of a sale of the Property were insufficient to repay the full amount of the loan, ASB would not have any recourse at all to subscribers for the outstanding amount of the loan. However, subscribers would be unable to recoup any part of their initial subscription. The market demand for the Property will affect not only the sale price for the Property but also the timing of sale. Failure to obtain any outstanding code compliance certificates may also affect the value and sale proceeds;

(c) the Property is unable to be sold;

(d) the Property is destroyed and such destruction is not covered by the insurance policies that the manager is required to arrange for the scheme;

(e) the scheme is terminated before the value of the Property increases sufficiently to recover establishment costs; and

(f) a subscriber sells his or her interest in the scheme to a third party for less than the initial subscription amount. There is no guarantee that there will always be willing buyers for this type of investment. The sale of interests in the scheme by subscribers presumes a market for the interests. The market may be illiquid and a sale of an interest in the scheme may not be easily achieved.

NOT RECEIVING THE FORECAST RETURN ON INVESTMENT IN THE SCHEME

A subscriber may not receive the forecast return on their interest in the scheme if the net income from which returns are paid is less than forecast. The following factors may impact adversely on the income from the Property:

(a) *Tenant Risk* – the tenant may default on lease payments or be unable to sustain payment of the rental. There may be difficulty in replacing the current tenant, if required. It is also possible that if a replacement tenant(s) is required to be found, rental may be at a lower level than the rental payable under the relevant lease current at the date of this Offeror's Statement. Costs associated with obtaining a replacement tenant(s) will reduce funds available for the distribution to subscribers;

(b) *Interest Rate Risk* – the return to subscribers will be subject to interest rate variations on the bank loan. However, future interest rate movements are unable to be accurately predicted. Additionally, if the Property is not sold before the expiration of the term of the bank loan, renewed financial facilities may involve principal repayments which will affect cash returns (and investors will remain liable for tax on their proportionate share of the taxable income earned by the scheme – which any principal repayments will not reduce). Due to interest rate fluctuations between the date of this Offeror's Statement and the date of drawdown an interest rate of 5.2% per annum has been used in the prospective financial statements. The actual interest rate will not be determined until the drawdown date, and may differ from the interest rate used in the prospective financial statements. The Offeror intends to fix the 90 day floating rate component of the interest rate with a combination of short-term and long-term swaps, but is deferring this until the drawdown date in order to obtain an optimal hedging strategy. As at the date of this offeror's statement the indicative rate is 5.2%. The interest rate at the end of any swap arrangement may differ materially from the rate at the date the initial swap arrangement is entered into; and may accordingly impact (positively or adversely) on the actual return subscribers receive;

(c) *GST Risk* – the tenant pays GST to the scheme and the manager is responsible for filing GST returns and making the required payments to the Inland Revenue Department. Any non or under payment of GST by the manager may affect cash returns. The manager is obliged to file GST returns and pay GST under the terms of the OMD. Subscribers will be jointly and severally liable for any GST not paid, but to the extent that a subscriber's liability exceeds their proportionate share of the liability, that subscriber will have a right of contribution from other subscribers whose liability is less than their proportionate share of the liability;

(d) *Capital Works* – structural repairs and certain maintenance and capital works to the Property which are the responsibility of the owner under the terms of the lease may be required; and

(e) *Destruction Risk* –the Property is subject to the risk of total and significant destruction from natural disasters and other events causing damage to the Property. Destruction of the Property may result in a loss of rental income from the Property. The manager is required under the OMD to arrange appropriate insurance in respect of the Property (including loss of rents insurance) for the scheme from settlement of the purchase of the Property (to the extent that such insurance is not maintained by the Tenant in accordance with the provisions of the lease). If the manager fails to comply with this obligation and does not arrange appropriate insurance in respect of the Property, then any destruction of the Property will impact adversely on the income from the Property.

CIRCUMSTANCES IN WHICH FURTHER PAYMENTS MAY BE REQUIRED FROM SUBSCRIBERS

(a) *Shortfall Risk* – if there is a shortfall between money received from the tenant of the Property and the expenses and fees payable by the scheme, then that shortfall is recoverable by the manager from subscribers.

(b) *GST Risk* – the tenant pays GST to the scheme and the manager is responsible for filing GST returns and making the required payments to Inland Revenue. Subscribers will be jointly and severally liable for any GST not paid. The manager is obliged to file GST returns and pay GST under the terms of the OMD.

GENERAL RISKS WITH SCHEMES OF THIS NATURE

General risks with schemes of this nature, which apply to the scheme are:

(a) *Tenancy Risk* – the key area of risk associated with investment in the scheme is that of the tenant defaulting on its lease obligations. Dependence has been placed on the ability of the tenant to meet its contractual obligations to continue payment of rentals and outgoings. If the tenant (or, where relevant, any subsequent tenant) was to suffer liquidity problems of a significant nature, any resulting failure to pay rental and outgoings and consequential litigation may have a serious detrimental impact on the ability of the scheme to pay returns to subscribers on their interest in the scheme and for investors to recoup their original investment. Subscribers are reliant on the tenant's ability to withstand difficult market conditions. If the tenant defaults or does not renew its lease, the scheme may have to provide incentives to re-lease the Property on the same terms;

(b) *Single Asset Risk* – the scheme is exposed to a single asset (the Property). If that asset fails to perform then returns to subscribers will be impacted and will not be offset by exposure to other assets;

(c) *Property Market Risk* – the value of the Property will reflect the underlying performance of the commercial property sector in New Zealand. If the overall market falls, the value of the Property may fall and correspondingly, investors may not be able to recoup their original investment;

(d) *Economy Risk* – the value of the Property may, in part, reflect the overall state of the New Zealand economy. The tenant operates in the economy. Deterioration in the New Zealand economy may reduce the value of the Property and affect the scheme's costs, rentals and other underlying property fundamentals;

(e) *Leverage* – There is a risk that adverse market movements may cause a breach of banking covenants – in particular the requirement to maintain a maximum loan to value ratio of 45% and net income at a level not less than 2 times the actual interest cost. On settlement the loan to value ratio is expected to be approximately 41% and the net income will be approximately 3.86 times the actual interest cost;

(f) *Changes in Taxation Laws* – Prospective investors should seek independent advice in relation to their own individual tax position. Future changes in taxation law may affect the tax treatment of acquiring, holding (including receiving distributions), and disposing of an interest in the scheme;

(g) *Manager Key Personnel* – There are a small number of management staff who are important to the ongoing success of the scheme. While every effort is made to retain key staff, plan for succession and recruit new staff as the need arises, the loss of one or more key staff of the manager may adversely affect the financial position and performance of the scheme. The scheme is also dependent on the manager performing its duties in accordance with the terms of the OMD and any property management duties. The manager is required to hold professional indemnity insurance for all acts of the manager and its staff in carrying out its duties to the scheme and property administration; and

(h) *Management Fee* – the manager's remuneration is not directly linked to performance of the scheme.

Given the nature of the risks/contingent liabilities referred to above, it is not practicable to quantify those risks/liabilities.

CAN THE INVESTMENT BE ALTERED?

The purchase price set out under the heading "How much do I pay" cannot be altered by the manager, a subscriber or any other person.

The terms of a subscriber's interest in the scheme are governed by the OMD. The OMD provides that the scheme cannot be altered unless agreed by subscribers representing in excess of 75% of the total interests in the scheme at a properly constituted meeting of subscribers.

HOW DO I CASH IN MY INVESTMENT?

EARLY TERMINATION

Term of the scheme

The scheme has no fixed term. However, the scheme and/or a subscriber's interest in the scheme may be terminated in various circumstances. These circumstances are set out below.

The scheme may be terminated at any time if subscribers representing 75% of the total interests in the scheme so resolve at a properly constituted meeting.

Repayment or re-financing of ASB loan

A compulsory meeting of subscribers will be called at least two months prior to the repayment date for any bank loan in relation to the Property to determine whether or not the Property or any part of it should be sold and the scheme terminated; or whether the existing loan should be re-financed on either an interest only basis (if available at that time) or on a principal and interest basis. At that meeting a resolution of subscribers representing 75% of the total interests in the scheme can resolve to terminate the scheme.

Termination by the manager

The manager may terminate the ownership of a subscriber's interest in the Property and the scheme if that subscriber defaults in any payment due or breaches any obligation under the OMD and fails to remedy that breach within 30 days of being notified of it.

Termination by subscribers

A subscriber can terminate his or her interest in the scheme by selling the interest held by that subscriber in accordance with the requirements of the OMD.

RIGHT TO SELL SECURITY

Every subscriber is entitled to sell his or her interest(s) in the scheme to another person, provided that:

(a) the seller has paid all monies outstanding in relation to the scheme at the time of transfer and is not in breach of the terms of the OMD;

(b) the purchaser of the interest authorises the manager to enter into a deed of covenant whereby the purchaser agrees to be bound by the OMD; and

(c) the manager has approved the proposed purchaser, such approval not to be unreasonably withheld.

No charges are payable by a subscriber to the scheme on a sale of an interest in the scheme. Legal and administration costs and commission in connection with the sale may be payable by a selling subscriber.

In the opinion of the Offeror, the Offeror operates an established secondary market for sales of interests in proportionate ownership schemes such as this.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries about the scheme can be made to Mark Francis, Managing Director at Augusta Funds Management Limited (at the address and business telephone number set out in the Directory on page 41).

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THIS INVESTMENT?

A complaint about your investment in the first instance may be made to Mark Francis, Managing Director at Augusta Funds Management Limited (at the address and business telephone number set out in the Directory on page 41).

A complaint about your investment may also be made to The Real Estate Institute of New Zealand. The Institute may be contacted by telephoning 0800 473 469 or at 202 Parnell Road, Auckland.

A complaint can also be made to Financial Services Complaints Limited, being the dispute resolution scheme Augusta Funds Management Limited has joined for the purposes of the Financial Service Providers (Registration and Dispute Resolution) Act. Financial Services Complaints Limited may be contacted by telephoning 0800 347 257 or at 13th Floor, 45 Johnston Street, Wellington.

There is no ombudsman to whom complaints can be made about your investment.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

ANNUAL INFORMATION

Subscribers will be sent annually audited financial statements in respect of the performance, financial position and cash flows of the scheme. These will be provided by the Offeror within three months of each financial year ended 31 March.

ON REQUEST INFORMATION

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

(a) further copies of this Offeror's Statement;

(b) a further copy of the valuation report on the Property at the time of request;

(c) the latest audited financial statements of the scheme at the time of request;

(d) full copies of the lease and any other documentation relating to the lease;

(e) a copy of the OMD;

(f) a copy of the agreement for sale and purchase of the Property; and

(g) a copy of the LIM report for the Property.

Requests for information should be made by phone, facsimile or email to Mark Francis at Augusta Funds Management Limited (at the address set out in the Directory on page 41).

INVESTMENT ADVICE

Prospective investors are recommended to seek professional advice from an Authorised Financial Adviser which takes into account their personal circumstances before making an investment decision.

OTHER MATERIAL INFORMATION

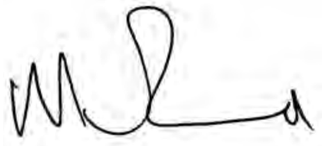
The Offeror is not aware of any other information that would be material to a prospective subscriber's decision to invest in the scheme.

DISCLAIMER

No director, officer, employee, agent or adviser to Augusta Funds Management Limited, the Nominee or Bayleys Real Estate Limited or any other person guarantees the performance of this Proportionate Ownership Scheme or guarantees any return on investment in this Proportionate Ownership Scheme.

Signed for and on behalf of Augusta

Funds Management Limited as Offeror:



Mark Edward Francis

Christopher James Francis

This Offeror's Statement is prepared as at 24 February 2012

ACCOUNTANT'S FINANCIAL REVIEW

24 February 2012

The Directors
Augusta Funds Management Limited ("the Offeror")
PO Box 37953
Parnell
Auckland 1151

HAYES KNIGHT | AUDIT

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT ON THE PROSPECTIVE FINANCIAL STATEMENTS OF BIRCH NOMINEES JOINT VENTURE ("THE SCHEME")

We have prepared this report for inclusion in the Offeror's Statement dated 24 February 2012, offering investors an opportunity, through a proportionate ownership scheme, to purchase a share of the land and buildings at 14 Birch Avenue, Tauranga.

BACKGROUND

As stated on page 24 of the Offeror's Statement the prospective financial statements, prepared by the Offeror, relate to the year ending 31 March 2013.

The Offeror has engaged us to review the prospective financial statements as set out on pages 21 to 29 of the Offeror's Statement, which have been prepared on the basis of the Offeror's assumptions set out on pages 24 and 25 This review is required under clause 20 of Schedule 1 to the Securities Act (Real Property Proportionate Ownership Schemes) Exemption Notice 2002.

OFFEROR'S RESPONSIBILITY FOR THE PROSPECTIVE FINANCIAL STATEMENTS

The Offeror is solely responsible for the preparation and presentation of the prospective financial statements and the information contained within the Offeror's Statement, including the assumptions upon which they are based.

The prospective financial statements have been prepared by the Offeror to provide investors with a guide to the Scheme's potential future financial information based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the prospective financial statements. Actual results may vary materially from the prospective financial statements and the variation may be materially positive or negative.

OUR RESPONSIBILITY

It is our responsibility to independently provide limited assurance on the prospective financial statements presented by the Offeror and report, based on our procedures, whether in all material respects anything has come to our attention that would indicate that:

- the Offeror's assumptions do not provide a reasonable basis for the preparation of the prospective financial statements;
- the prospective financial statements are not properly compiled on the basis of the Offeror's assumptions and consistent with the accounting policies adopted by the Scheme; and
- the prospective financial statements are not presented fairly in accordance with generally accepted accounting practice in New Zealand.

INDEPENDENCE

Other than the provision of this limited assurance engagement report, and our future role as auditors of the Scheme and the Offeror, we have no other relationship with, or interests, in the Scheme.

SCOPE

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE (NZ) 3000") and the Review Engagement Standard (RS-1) issued by the New Zealand Institute of Chartered Accountants. To achieve limited assurance ISAE

ACCOUNTANT'S FINANCIAL REVIEW CONT'D

(NZ) 3000 requires that we review the processes, systems and competencies used to compile the information on which we provide limited assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. A limited assurance engagement (i.e. review) is substantially less in scope than a reasonable assurance engagement (i.e. audit) and consequently does not enable us to obtain assurance in respect of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient evidence to support our conclusion.

Our procedures consisted primarily of the following:

- enquiries as to the process used in preparing the prospective financial statements;
- discussions with the Offeror of the Scheme regarding the factors considered in determining the assumptions;
- consideration of data supporting the assumptions;
- review of the reasonableness of the Offeror's assumptions underlying the prospective financial statements; and
- consideration of the presentation of the assumptions and accounting policies in the prospective financial statements.

As the prospective financial statements are sensitive to the assumptions, persons relying on the prospective financial statements should also give due regard to the analysis of risks prepared by the Offeror and included in the section "What are my risks?" of the Offeror's Statement.

We disclaim any assumption of responsibility for any reliance on this report or on the prospective financial statements to which it relates for any purpose other than for which it was prepared.

INHERENT LIMITATIONS

The prospective financial statements are based on a number of assumptions and as such they are subject to significant uncertainties and contingencies, many of which are outside the control of the Offeror. Accordingly, actual results during the prospective period may vary materially from the prospective financial statements, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated. We do not confirm, guarantee or express an opinion as to whether the actual results will approximate those included in the prospective financial information because assumptions regarding future events, by their nature, are not capable of independent substantiation.

CONCLUSION

Based on our limited assurance review, which is not an audit, of the prospective financial statements on pages 21 to 29 and the Offeror's assumptions, nothing has come to our attention that causes us to believe that, in all material respects:

i) the Offeror's assumptions do not provide a reasonable basis for the preparation of the prospective financial statements;

ii) the prospective financial statements are not properly compiled on the basis of the Offeror's assumptions and consistent with the accounting policies adopted by the Scheme; and

iii) the prospective financial statements are not presented fairly in accordance with generally accepted accounting practice in New Zealand.

Our limited assurance engagement was completed on 24 February 2012 and our conclusion is expressed as at that date.

Yours faithfully

Hayes Knight Audit

HAYES KNIGHT AUDIT
Chartered Accountants
Auckland, New Zealand

Hayes Knight Audit
CHARTERED ACCOUNTANTS

APPLICATION FORM

This Application Form is issued with the Offeror's Statement prepared as at 24 February 2012, issued by Augusta Funds Management Limited as Offeror. Please attach your cheque to this application and return it to Chapman Tripp (Attention: Christina Phua).Prospective investors are recommended to seek professional advice from an Authorised Financial Adviser which takes into account their personal circumstances before making an investment decision.

1. APPLICANT(S) TO COMPLETE, BLOCK LETTERS PLEASE

Please enter name(s) in full (including all first names)

Title Legal First Name(s)	Legal Family Name	IRD Number*
		/ /
		/ /
		/ /
Corporate Name or Trust Name		/ /

***Note:** Resident withholding tax will only apply to any interest earned on subscription moneys held in Chapman Tripp's trust account prior to settlement of the purchase of the Property or return of subscription moneys in accordance with this Offeror's Statement.

Please deduct from all interest earned on my/our subscription moneys pending settlement of the purchase of the Property or return of my/our subscription monies in accordance with this Offeror's Statement * (tick one)

(☐ 10.5% Resident Withholding Tax) **(☐ 17.5% Resident Withholding Tax)**
(☐ 30% Resident Withholding Tax) **(☐ 33% Resident Withholding Tax)** **(☐ Exempt)**

(*If exempt from Resident Withholding Tax please attach a copy of Certificate of Exemption)

Postal Address (including post code)

Postal Address (including post code)	Phone Numbers
	Ph - Home ( )
	Ph - Work ( )
	Fax ( )
Postcode: Email (optional):	

2. APPLICATION – IMPORTANT

- Cheques should be made payable to "Chapman Tripp Trust Account (A/C Birch Nominees Limited)" and crossed "Not Transferable".
- Augusta Funds Management Limited may refuse to accept applications it receives after 5.00 p.m. on the Closing Date.
- The minimum investment amount is $50,000 and in multiples of $50,000 thereafter.

Number of Proportionate Shares ($50,000 per Proportionate Share) Applied For:	Cheque Attached for:
	$

3. INTEREST PAYMENT INSTRUCTION OPTIONS (please complete only one option):

☐ **Option 1: Payment to my nominated bank account** ☐ **Option 2: Pay by cheque to my postal address as stated above**

For option 1, my nominated bank account is:

Account Name(s):			
Bank	Branch	Account Number	Suffix

The account nominated above will be used for all payments of interest and principal when they become payable.

4. SIGNATURE(S) OF APPLICANT(S)

I/We hereby apply for the Proportionate Shares as set out above in the ownership of the land and buildings comprising Carters at 14 Birch Avenue, Tauranga, on and subject to the terms and conditions of the Offeror's Statement prepared as at 24 February 2012 issued by Augusta Funds Management Limited and on the reverse of this form. I/We agree to accept the Proportionate Shares as applied for or any lesser number that may be issued to me. I/We hereby irrevocably appoint Augusta Funds Management Limited as my/our attorney for the purposes of signing the Ownership and Management Deed for the scheme on my behalf. **Please read the following page of this Application Form before signing.**

Signature of Applicant: .... Date: ....

Signature of Applicant: .... Date: ....

Signature of Applicant: .... Date: ....

APPLICATION INSTRUCTIONS

1. COMPLETE DETAILS.

- Insert your full name(s), IRD number(s), address(es), telephone number(s) and email address(es) (optional).
- Applications must be in the name(s) of natural persons, companies or other legal entities.
- Applications by a minor, trust, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as appropriate).
- Tick the relevant box for Resident Withholding Tax.
- An application for Proportionate Shares must be for a principal amount of a minimum of $50,000 and in multiples of $50,000 thereafter.
- Select the payment method by which you wish to receive payments in relation to the Proportionate Shares.
- If you select payment to your bank account, tick the appropriate box and insert the bank account into which you wish interest payments to be deposited.
- If you select payment by cheque, tick the appropriate box.

2. SIGNING

- Read the application form carefully and sign (and date) the form.
- The form must be signed by the applicant(s) personally, or by two directors of the company (or one director if there is only one director) or under company seal, or (in either case) by an attorney.
- If the application form is signed by an attorney, an original or certified copy of the relevant Power of Attorney must be lodged with the application form (originals will be returned). The attorney must complete the certificate of non-revocation below.
- Joint applicants must each sign the application form.

3. PAYMENT

- Payment of the total application amount in full must accompany the application form.
- Payment must be made in New Zealand dollars for immediate value, with a cheque drawn on a New Zealand bank.
- Where an application is for Proportionate Shares of a principal amount of $500,000 or more, payment must be made by bank cheque or such method of payment agreed as acceptable to Augusta Funds Management Limited.
- Cheques must be made out in favour of "Chapman Tripp Trust Account (A/C Birch Nominees Limited)" and crossed "Not Transferable".

4. CLOSING DATE

- 5.00 pm on 30 March 2012, or such earlier or later date as Augusta Funds Management Limited may determine.

5. DELIVERY

- Applications cannot be revoked or withdrawn.
- Application forms must be mailed or delivered to Chapman Tripp, Level 38, ANZ Centre, 23-29 Albert Street, PO Box 2206, Auckland (Attention: Christina Phua).

PLEASE READ THIS BEFORE SIGNING

I/We have read and understood this Offeror's Statement dated 24 February 2012. I/We have taken this Application Form from that document.

I/We agree to be bound by the provisions of the Ownership and Management Deed, and by the provisions of this Offeror's Statement.

I/We agree that the directors of Augusta Funds Management Limited reserve the right to accept or decline any application at their entire discretion.

It is a term of each subscription contract that the Offeror will take all necessary steps to enable the Nominee (acting on behalf of the subscribers for specified participatory securities) to be registered as the proprietor of the real property on or immediately after the acquisition of the real property in accordance with the Scheme.

I/We acknowledge and agree that subscriptions will be deposited into the trust account of Chapman Tripp and released when registrable title to the Property are obtained by the Nominee on behalf of all subscribers. In the event that the investment does not proceed at all, all subscriptions will be refunded in full, together with net interest, less commission and resident withholding tax or, if applicable, non-resident withholding tax.

I/We acknowledge and agree that Bayleys Real Estate Limited only provided me/us with a copy of this Offeror's Statement dated 24 February 2012 and associated valuation and Bayleys Real Estate Limited did not take my/our particular situation or goods into account when providing me/us with any information about the Scheme or the Property.

I/We agree that the information I/we have disclosed in this form may be used by Augusta Funds Management Limited or its related companies or agents or advisers for the purposes of processing this application and sending me/us information relating to the Proportionate Shares in the Scheme.

I/We agree that Augusta Funds Management Limited may disclose this information to third parties, only when such disclosure is necessary for the above purposes. If requested, you will be provided with details of such third parties.

The information received from you will be held securely by Augusta Funds Management Limited. You may request access to the information, and you may also request that it be corrected.

I/We confirm that I am/we are not a builder, land developer or land dealer, and am/are not an associated person (as defined in the Income Tax Act 2007) of such a person.

I/We agree that the information I/we have disclosed in this form may be used by Augusta Funds Management Limited or its related companies or agents or advisers for the purposes of processing this application and sending me/us information relating to the Proportionate Shares in the Scheme.

I/We acknowledge that if the proposed transaction with Kermadec Property Fund Limited successfully completes, the manger of the scheme will be a subsidiary of Kermadec Property Fund Limited.

Under the terms of the Unsolicited Electronic Messages Act 2007, I/we provide my/our consent to receiving commercial electronic messages for the purposes of that Act.

If signed under Power of Attorney, the attorney hereby certifies that no notice or information has been received of revocation by death or otherwise of that power. I/We certify that, where information is provided by me/us in this form about another person, I am/we are authorised by such person to disclose the information to you and to give authorisation.

In the case of joint applications, the joint applicants agree that, unless otherwise expressly indicated in this Application Form, the Proportionate Shares will be held jointly as joint tenants.

CERTIFICATE OF NON REVOCATION OF POWER OF ATTORNEY

Complete this section if you are acting on behalf of someone for whom you hold Power of Attorney.

I, ... (Name of Attorney)

of .... (Address and Occupation of Attorney)

HEREBY CERTIFY

1. That as Attorney of .... under a deed dated ....
   Given to me by him/her/the Company. Day Month Year
2. That I have executed the application for Proportionate Shares on the face hereof as Attorney under the said Power of Attorney and pursuant to the powers hereby conferred on me.
3. That at the date hereof I have not received any notice of information of the revocation of the said Power of Attorney by death or otherwise.

Signed at .... this .... of 2012
Place day month

Signature ....

DIRECTORY

OFFEROR

Augusta Funds Management Limited

35 Chancery Street
Auckland
PO Box 37953, Parnell
Auckland 1151

Attention: Mark Francis
Phone: (09) 300 6161
Facsimile: (09) 300 6162

NOMINEE

Birch Nominees Limited
c/- Augusta Funds Management Limited

35 Chancery Street
Auckland
PO Box 37953, Parnell
Auckland 1151

Attention: Mark Francis
Phone: (09) 300 6161
Facsimile: (09) 300 6162

SALES ORGANISATION THROUGH WHICH THE OFFER IS MADE

Bayleys Real Estate Limited

Maritime Square
4 Viaduct Harbour Avenue
Auckland

Attention: Michael Houlker
Phone: (09) 309 6020
Facsimile: (09) 309 9404

SOLICITORS

Chapman Tripp

Level 38
23 Albert Street
PO Box 2206
Auckland

Attention: Christina Phua
Phone: (09) 357 2705
Facsimile: (09) 357 9099

EXTERNAL REVIEWERS

Hayes Knight Audit

Level 1, 1 Broadway
Newmarket
PO Box 9588
Auckland