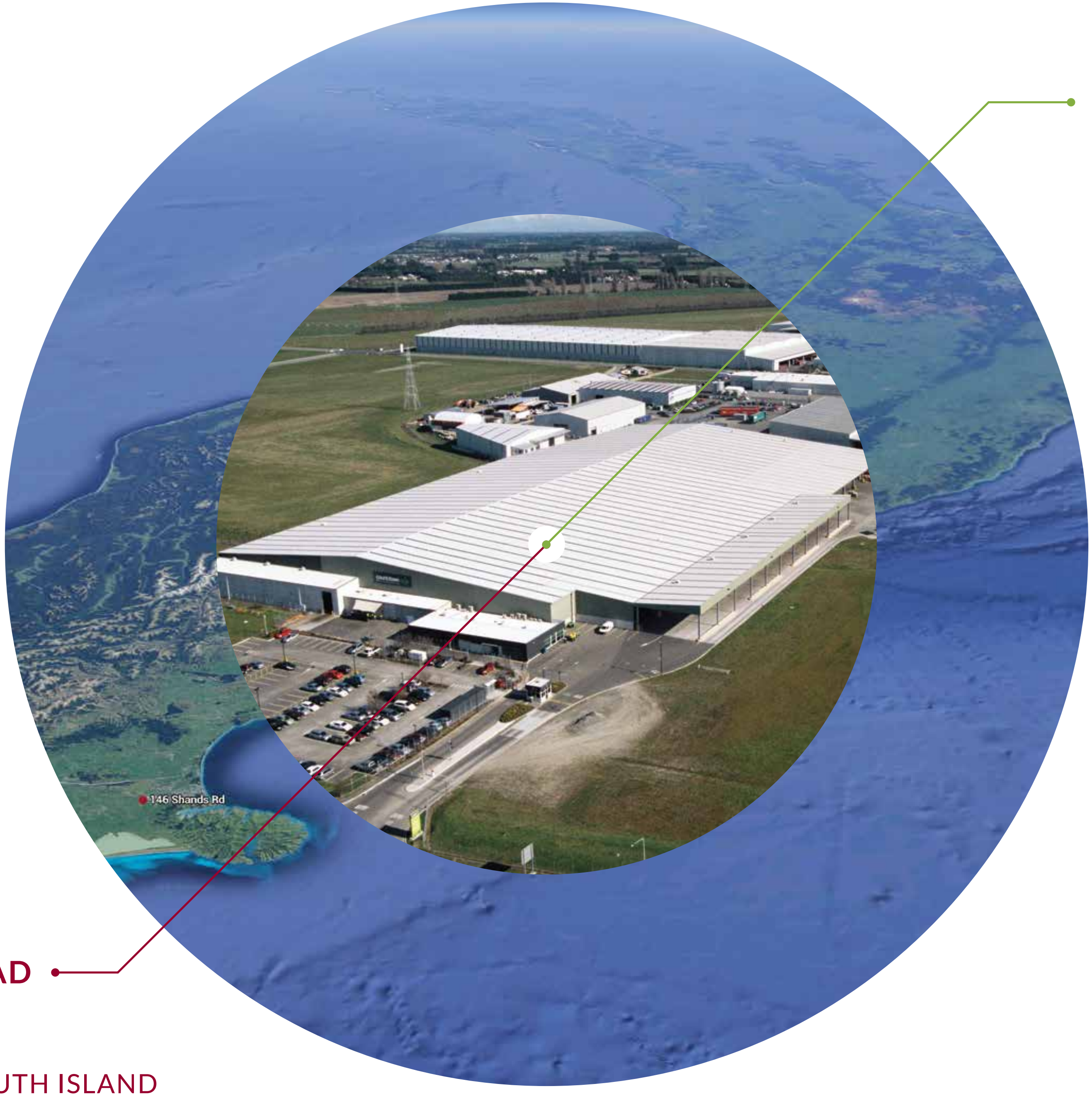
INVESTMENT STATEMENT

SHANDS ROAD LIMITED PARTNERSHIP

23 NOVEMBER 2015



146 SHANDS ROAD CHRISTCHURCH NEW ZEALAND

COUNTDOWN'S SOUTH ISLAND DISTRIBUTION CENTRE

AUGUSTA FUNDS MANAGEMENT

BAYLEYS

AUGUSTA
FUNDS MANAGEMENT

IMPORTANT **INFORMATION**

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

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

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:

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to **www.fma.govt.nz**.

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check -

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at **www.fspr.govt.nz**.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

IMPORTANT INFORMATION

CONTINUED

Investment Statement

This document is an investment statement for the purposes of the Securities Act 1978.

Offer under Securities Act 1978

In accordance with clause 6 of Schedule 4 of the Financial Markets Conduct Act 2013, Augusta Funds Management Limited has elected that the Securities Act 1978 will apply to the Offer, subject to the terms of the Securities Act (Augusta Funds Management Limited – Shands Road Limited Partnership) Exemption Notice 2015.

In granting the exemption, the Financial Markets Authority:

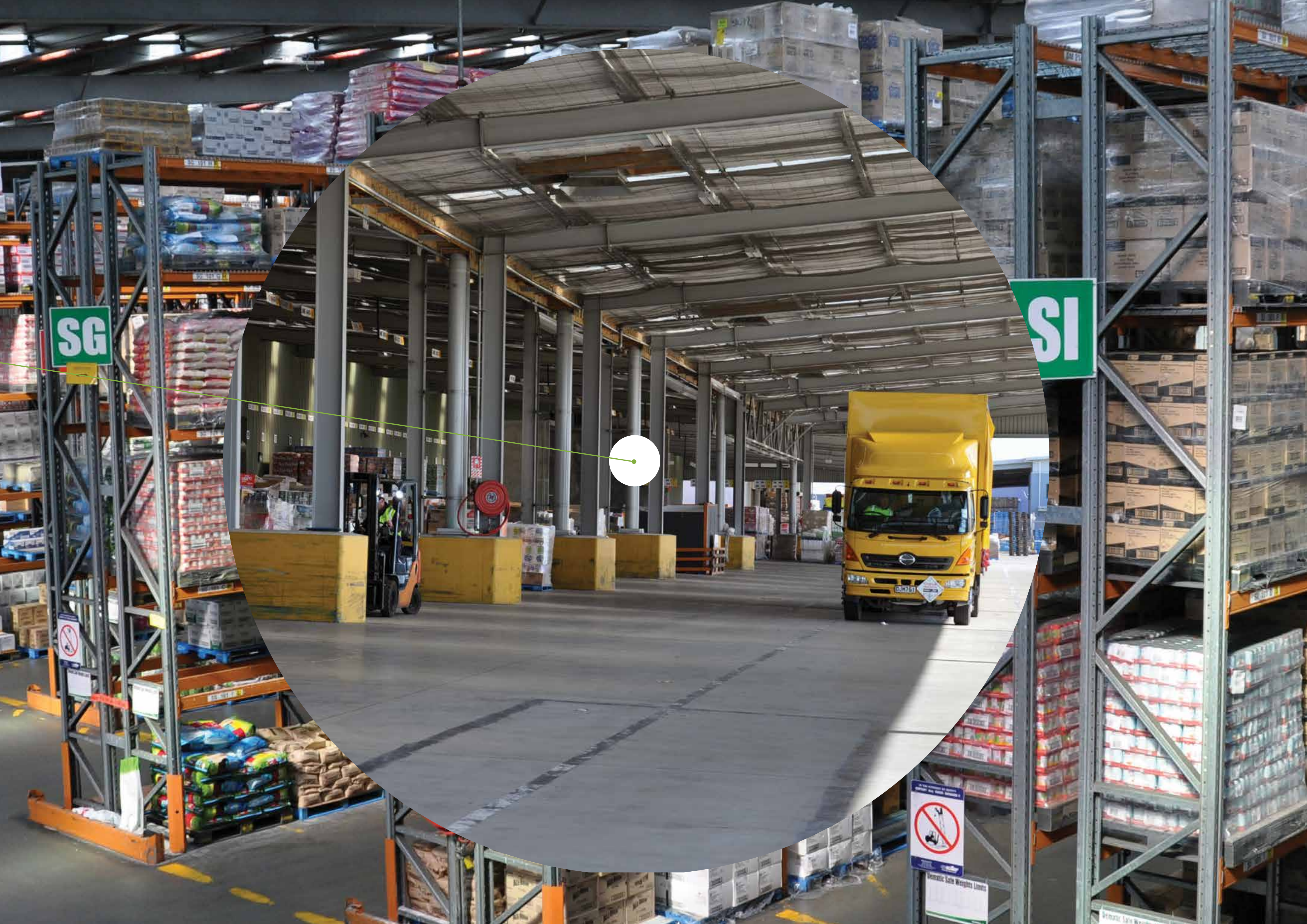
(a) is neither endorsing nor supporting the accuracy or reliability of the contents of this investment statement; and

(b) is not implying that it has a view on the merits of the offer contained in this investment statement.

Warning statements

Prospective investors should be aware that:

- **This is an investment in a New Zealand limited partnership that will own 146 Shands Road Christchurch.**
- **The Shands Road Limited Partnership (LP) as landlord has an obligation to undertake further refurbishment and capital works on the Property if required by the Tenant (for which the LP is entitled to an 11% per annum return for a minimum of 6 years). The Manager has structured the transaction (including the LP's banking arrangements and funding ratios) to provide capacity to fund refurbishment works. However, if the Manager is not able to raise either bank funding or capital to fund such works, the Property may need to be sold and Investors may not recover the amount of their initial subscription.**
- **The LP has no fixed term with the Property to be sold and the LP wound up only upon the passing of a special resolution of Investors, with one vote attributed to each Interest.**


SG
SI

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countdown
Christchurch Regional Distribution Centre

DEAR
INVESTOR

Our journey now sees us as one of New Zealand's largest property funds managers with approximately $1.3 billion in commercial property across New Zealand and Australia, under management. This level has been achieved, and will grow, from the support of a strong following of loyal and committed investors, and we are appreciative of that.

Our skilled executive management team select and manage great quality investment assets. We believe our strict criteria for selecting assets, which involves final ratification from our directors, ensures only the best opportunities are presented to our investors.

This Christchurch offering brings together a well located, modern building for a major New Zealand tenant. We have acknowledged the high level of interest in Christchurch not only from Canterbury investors but also from investors throughout New Zealand. Shands Road is a strategic location of Christchurch for servicing the largest city in the South Island and also acting as the distribution hub for the rest of the South Island. This is supported by good rail, road and port infrastructure. This quality investment has a valuation of $39.6 million and was built in 2000 with significant additions and alterations in 2012. The buildings total 29,422m2 and are situated on 7.1811 hectares on a prominent corner location in one of the main distribution hubs of Christchurch. The location and the availability for further expansion of the site makes it extremely attractive in owning a property that is leased by General Distributors Limited and guaranteed by the large supermarket chain, Progressive Enterprises Limited.

Investments of this calibre in prime locations are difficult to source in the current economic climate. We believe the fundamental attributes of this property are a good investment and, together with Augusta's impressive track record and similar offerings create an opportunity for investors throughout New Zealand to diversify their portfolio and enjoy regular monthly returns.

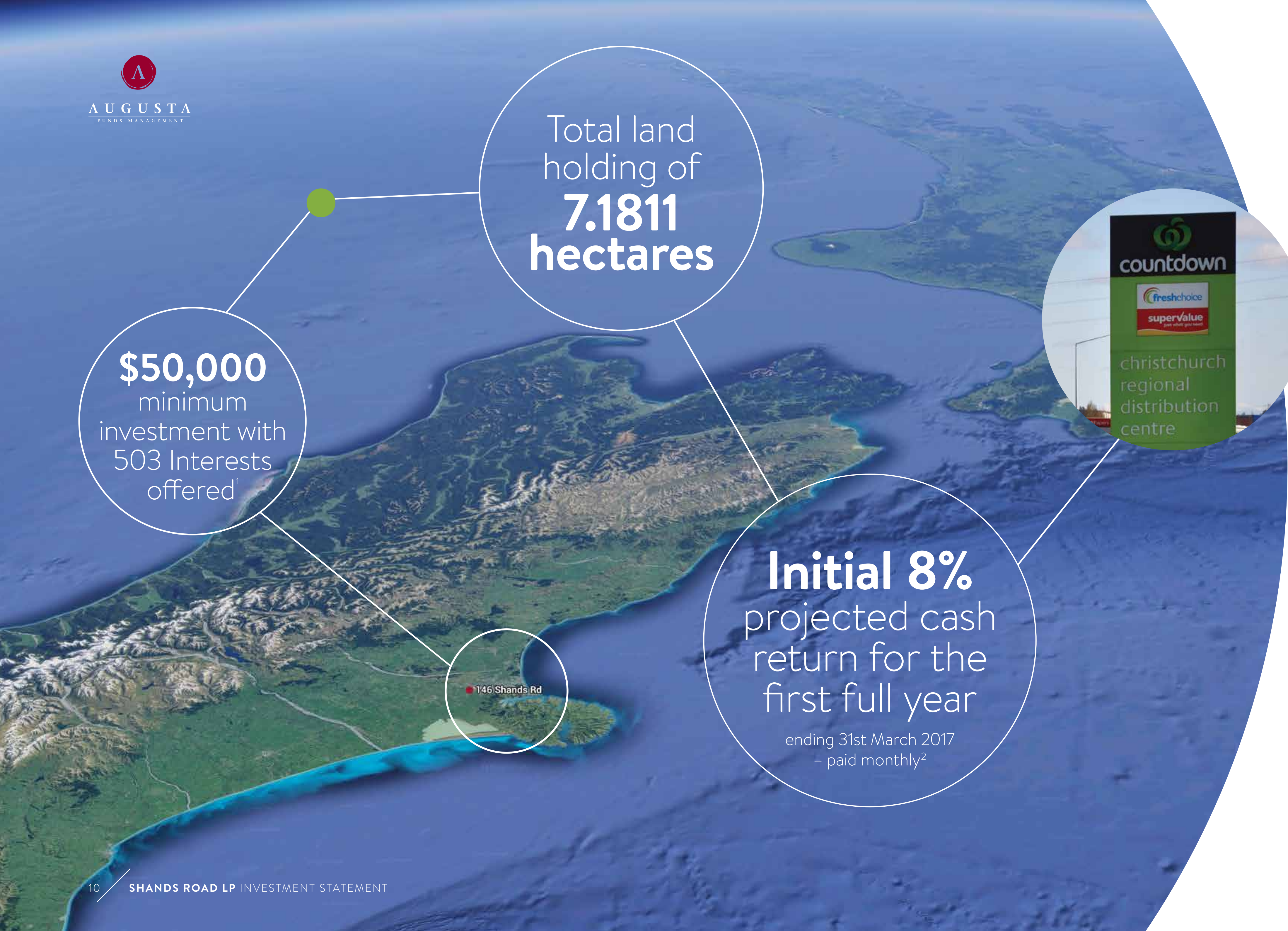
Kind regards

Mark Francis
Managing Director

Bryce Barnett
Executive Director


146 Shands Rd

AUGUSTA
FUNDS MANAGEMENT



Total land holding of **7.1811 hectares**

$50,000 minimum investment with 503 Interests offered[1]

Initial 8% projected cash return for the first full year

ending 31st March 2017 – paid monthly[2]

KEY HIGHLIGHTS

Investment in a New Zealand limited partnership which will acquire the Property;

$50,000 minimum investment with 503 Interests offered. The Vendor will subscribe for 120 of those Interests, leaving a residual 383 Interests on offer;[1]

A substantial industrial property originally built in 2000 with significant additions and alterations in 2012;

The Property is Progressive Enterprises' South Island distribution centre;

Total land holding of 7.1811 hectares, including land available for future expansion;

20 year lease from the 30th August 2004 (having currently just under 9 years to run on the present term) plus 3 rights of renewal of 10 years each providing a final expiry of 29th August 2054.

Leased to General Distributors Limited, guaranteed by Progressive Enterprises Limited who (either directly or through its related companies) operates the Countdown supermarkets, and franchise the Fresh Choice and Super Value supermarkets, throughout New Zealand;

Initial 8% projected cash return for the first full year ending 31st March 2017 – paid monthly from settlement;[2]

The property has a prominent corner location at the intersection of the arterial Shands Road and Halswell Junction Road in the well regarded industrial suburb of Hornby, Christchurch;

Single asset, single tenant investment;

The 2012 extension has a seismic rating of 100% of New Building Standard. The original part of the building has a seismic rating of a minimum 73% of New Building Standard. The Tenant has indicated that it wants the earthquake strength of the whole building increased to meet 100% of New Building Standard as well as the seismic vulnerability of certain services and fit out components not forming part of the building structure reduced;

The Tenant can require the LP to undertake further refurbishment and capital works on the Property, which may include the earthquake strengthening works referenced above. In the event the LP is required to carry out such works, the Tenant is required to pay an annual improvements rent equal to 11% of the cost of such works for a minimum of 6 years. The Manager has put in place a $2 million facility for the purposes of funding the potential seismic upgrade works, plus the LP has gearing at 42.0% based on purchase price and 41.9% based on valuation, which should allow additional borrowing capacity in the event future building extensions or other refurbishment or capital works are required under the Refurbishment Clause mentioned above. If the Manager is not able to raise either bank funding or capital to fund these works, the Property may need to be sold and Investors may not recover the amount of their initial subscription;[3]

Limited recourse extendable loan facility with an initial term of 24 months (subject to annual review before extension of 1 year);[4]

Purchase price of $39.525 million plus GST (if any) plus initial establishment costs (and sinking fund) of approximately $2.232 million, with an independent valuation at $39.6 million;

Fully managed investment brought to you by Augusta Funds Management, one of New Zealand's leading property fund managers;

LP overseen by Covenant Trustee Services as Statutory Supervisor.

[1] The Vendor does not guarantee the Interests being offered.[2] Projected pre-tax return for full one year period. Details on how the return will be calculated and the risk associated with this investment and return are set out on pages 56 to 62.[3] Further details on the Refurbishment Clause are set out on pages 18 to 20.[4] Further details on the bank funding are set out on pages 67 to 68.

HOW THE FUNDS
ARE TO BE APPLIED.

Details of the purchase of the Property and the total Issue Expenses are as follows:

Purchase Price	$39,525,000
Issue Expenses / Establishment Costs	$1,932,142
Sinking Fund	$300,000
Total	**$41,757,142**

To be funded by:

Subscriptions from Investors (503 Interests at $50,000)	$25,150,000
Bank Loan	$16,607,142
Total	**$41,757,142**

Issue expenses / establishment costs

Offeror's Fee	$1,185,750
Brokerage on equity raised	$383,000
Legal – capital raising	$122,500
Legal – property	$35,000
Legal – financing	$17,500
Statutory Supervisor	$5,000
Accountancy	$10,000
Audit	$11,000
Printing and advertising	$115,000
Valuation	$14,400
Health and Safety Review	$1,800
Building Inspection	$15,000
Town Planning Consultancy	$1,192
FMA Exemption Fee	$5,000
Bank Legal	$10,000
Total issue expenses / establishment costs	**$1,932,142**

Alongside the above costs, a $300,000 sinking fund is being established to fund future capital and maintenance works (including any floor repairs / maintenance as described on page 15).

KEY INVESTMENT **FEATURES**

Limited Partnership

Augusta Funds Management Limited (the *Offeror* and *Manager*) established the Shands Road Limited Partnership to acquire the property at 146 Shands Road, Hornby, Christchurch, which is fully leased to General Distributors Limited (the *Tenant*). Investors are being offered the opportunity to purchase a proportional interest in the limited partnership which will acquire the Property. Further information on the LP structure is contained at pages 21 to 22.

On settlement, a new Limited Partnership Agreement will be adopted in respect of the limited partnership and each Investor will enter into the Limited Partnership Agreement. The Custodian will sign the Limited Partnership Agreement on behalf of the Investors. A description of that Limited Partnership Agreement is contained on page 70.

503 Interests are being offered at $50,000 each (of which the Vendor has agreed, under the Sale and Purchase Agreement, to subscribe for 120). Investors may apply to purchase more than one Interest.

The certificate of title for the Property will be held on behalf of the LP by the Custodian as bare trustee for the LP.

The Property

146 Shands Road, Christchurch

146 Shands Road is a large industrial property, located in a corner road front position on the arterial Shands Road and Halswell Junction Road, comprising buildings with approximately 29,421.73 square metres of lettable floor area, approximately 135 car parks within a separate car parking area, along with a designated heavy vehicle access road complete with turning and circulation area. The total land area is 7.1811 hectares (more or less) and the property is currently fully leased to General Distributors Limited for use as the only distribution centre for Progressive Enterprises supermarkets within the South Island.

The original building on the site was constructed in 2000 and comprised a gross lettable area of approximately 17,626m2, while in 2012 a major extension increased this total gross lettable area to 29,421.73m2. The building comprises mostly warehouse space along with undercover loading and canopies as well as a front office and amenities area and a battery charging bay.

Construction generally comprises reinforced concrete foundations and floors, exterior walls of concrete panel and colour steel cladding, a steel frame throughout with 7.5 – 8.5 metre warehouse stud height, multiple entry doors and a full sprinkler system. Other building services include an air conditioning system for the office block while yard areas are either concrete, hot mix or chip sealed.

The overall building has been maintained to a good standard, as have site improvements. There also remains a substantial area of land on the corner of Shands Road and Halswell Junction Road which is suitable for future expansion if required (subject to planning requirements).

Lettable Areas

The total gross lettable area of the buildings on the Property is approximately 29,421.73 square metres. A summary of these areas (more fully outlined on pages 15 and 16 of the Valuation Report) is detailed as follows:

Offices	469.35 square metres
Despatch office	53.5 square metres
Mezzanine office	24.77 square metres
Forklift battery charging station	601.42 square metres
Warehouse	22,051.13 square metres
Front canopy	9.01 square metres
Main canopy	6,162.95 square metres
Court yard	35.78 square metres
Guard house	13.82 square metres
Total lettable area	29,421.73 square metres

The overall building has been maintained to a good standard, as have site improvements. There also remains a substantial area of land which is suitable for future expansion if required.

Floor Issues

During its due diligence investigations of the Property, the Manager became aware that there are issues with the floor in the 2012 building extension (including degradation along the edges of shrinkage control joints). Under the Sale and Purchase Agreement, the Vendor is required to obtain an engineer's report to identify the issues and the works required to remedy those defects (excluding areas of the floor under current racking). The issues identified in the draft engineer's report provided to the Manager include damaged areas of the slab surface and damage to joints in the slab.

The Manager has agreed with the Vendor that $750,000 of the purchase price will be held by the Vendor's solicitor as a retention for up to three years for use by the LP for any works required to remedy the defects identified in the report and for any claims brought by the Tenant relating to the floor issues.

In the Manager's view (after obtaining independent advice), the $750,000 retention has been set at a level that will cover any required works to fix the identified issues (and associated costs / damages). The retention figure reflects the Manager's current assessment of the likely upper limit of the cost to fix the floor issues that have been identified and any potential exposure to the Tenant for rent abatement or damages. The $750,000 maximum figure is supported by initial costings from the contractor being engaged to undertake the floor repairs and a peer assessment undertaken for the Manager by a concrete expert.

Alongside this retention, the Manager is also establishing a sinking fund of $300,000 to address any other future potential issues with the floor (including any issues under the existing racking that are not currently visible) and any other required maintenance. Following advice from the Manager's concrete expert, the Manager considers that the amount in the sinking fund will be adequate to address any future potential floor issues.

KEY INVESTMENT FEATURES

CONTINUED

The Location and Site

The Property at 146 Shands Road is situated on the corner of Halswell Junction Road. It is located in a prominent corner location in the well-established industrial suburb of Hornby, with Shands Road being one of the principal traffic routes through this sector of the city. Halswell Junction Road also carries high volumes of traffic, linking with the new southern motorway through to the Main South Road. As such there are good linkages with the central city and the Port of Lyttleton from the Shands Road area.

The Hornby area has benefitted significantly from improvements made to Christchurch's motorway network since 2011. Additional significant projects are currently underway which will further enhance the location, principal among these are the Christchurch Southern Motorway Stage 2 development, which will see a new four-lane motorway from Halswell Junction Road to Robinsons Road, four-laning the existing highway from Robinsons Road to north of Rolleston, and works to the western corridor linking Hornby to Christchurch airport by a four lane motorway. Upon completion of these projects, Hornby will enjoy improved access to the motorway network linking it with the airport, Port of Lyttelton and wider South Island motorway network, enhancing its position as a significant South Island distribution hub.

The building is well known in this sector of Christchurch and the location is a highly regarded industrial area which has experienced a significant amount of new building development since the 2010 / 2011 earthquakes. It has become an established location for the distribution and logistics industries as well as for manufacturing purposes. Other major developments in the area which underline this are the Foodstuffs Distribution Centre, the Linfox Distribution Centre, Move Logistics, Fonterra Distribution and a Tegel processing plant.

The land is a near rectangular large site with 304 metres frontage to Shands Road and 281 metres frontage to Halswell Junction Road. Being nearly level, all normal industrial services are provided with a light vehicle entrance and car parking off Shands Road and the main heavy vehicle access point being a separate crossing from Halswell Junction Road.

Resource Management and Environmental

The current zone is Business 4P (Suburban Industrial – Produce Park). However in the recently released proposed Replacement District Plan the property has a proposed zoning of Industrial Heavy (IH). The heavy industrial zone is designed to provide for industrial activities that generate potentially significant effects including relatively high levels of noise, odour, heavy traffic movements or potentially hazardous substances which require separation from more sensitive land uses.

In terms of contamination, the property is on the Hazardous Activities and Industries List (HAIL) held by the Canterbury Regional Council. Those records indicate that land in the area was used for effluent disposal between 1940 and 1965. The Manager considers the use of the land for industrial purposes suitable bearing in mind its previous use and the fact that most of the land is covered by extensive floor slabs, paving or sealed yards.

Seismic Strength

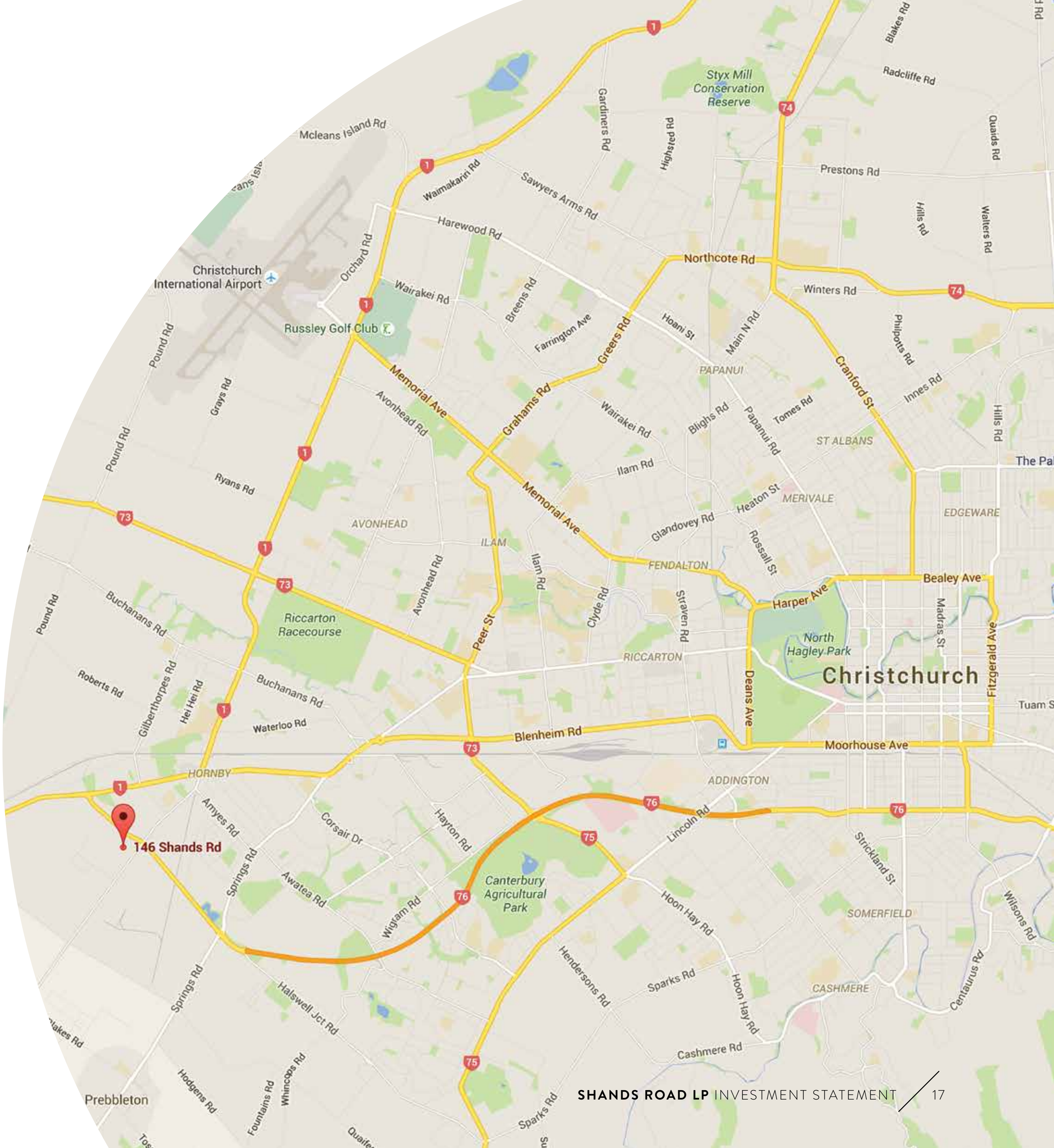
The Canterbury earthquakes of 2010 and 2011 resulted in widespread damage to buildings and infrastructure in Canterbury.

The locality of the Property suffered less damage in the Canterbury earthquake events recently, relative to the central city and eastern suburbs. Minor earthquake damage occurred in the buildings located at the Property, including movement between structural elements such as concrete panels, steel framing and internal fit-out. Overall the building damage was assessed as minor – moderate and no evidence was observed of liquefaction occurring on the site.

Damage to the buildings on site from the 2011 earthquake has been repaired, while the more recent structure erected in 2012 is built to 100% of New Building Standard.

Following the 2012 works, the Vendor commissioned an engineer to provide a detailed engineering evaluation to confirm that the building on the Property achieved an overall seismic capacity of at least 73% of current New Building Standard. The Manager has reviewed that report. On the basis of the reports and process described the Manager is satisfied that all buildings on the Property achieve a minimum of 73% of NBS.

The Tenant has indicated that it wants the earthquake strength of the whole building increased to meet 100% of New Building Standard and the seismic vulnerability of certain services and fit out components not forming part of the building structure reduced (in line with its internal corporate policy). The Tenant may require that work be funded by the LP under the Refurbishment Clause. In the event of the Landlord completing this work under the Refurbishment Clause, the Tenant must pay additional improvement rent at an amount equal to 11% per annum of the actual costs of undertaking the work. This improvement rent is payable until the next renewal of the Lease (but in any event the Lease must have not less than 6 years to run from the date the work is completed). The Manager has put in place a $2 million facility for the purposes of funding these potential seismic upgrade works. Further details on the Refurbishment Clause, including the potential bank funding drawdown, are contained on pages 61 to 62.



KEY INVESTMENT FEATURES

CONTINUED

The Lease

The Custodian (as landlord), will take over the Lease with General Distributors Limited (as tenant) and Progressive Enterprises Limited (as guarantor). General Distributors Limited is a subsidiary of Progressive Enterprises Limited. The Lease commenced on the 30th August 2004 for a term of 20 years and as at the date of this Investment Statement has slightly less than 9 years still to run on that term. Three renewals of 10 years each are available from expiry of the current term on the 29th August 2024 providing for a final expiry of 29th August 2054.

The current total contract rent payable under the lease is $2,753,908 per annum plus GST although the Vendor has agreed to pay any difference between the rental payable under the Lease and $2,850,000 until 29 August 2019. This rental is made up of base rent plus subdivision rent and two separate amounts of improvements rent and the rental underwrite top up mentioned above.[5] The base rent, which disregards the subdivision land and any improvements in respect of which improvement rent remains payable, is reviewable every 3 years (the next review date being 30th August 2016) and on any renewals and will be set to the current market rent based upon the business use (being any use permitted under the Operative District Plan) – with the ratchet set at the rental payable at the commencement of the initial term. The subdivision rent will continue at the fixed rate while the land it relates to remains part of the Property, even on a review. Any improvement rent would fall away on the market rent review on the next renewal date, but the improvements will be considered in connection with that market review.

The Lease is semi-gross, so the Tenant's contribution to outgoings comprises local authority rates, water, electricity and utility charges, insurance premiums and excesses.

The Tenant is responsible for interior maintenance and maintenance of the grounds while the Landlord is obliged to attend to exterior and roof maintenance, structural repairs, resurfacing yards and car parks, rectifying any inherent defects or disrepair due to fair wear and tear and replacement of any plant and equipment owned by the Landlord (which includes roller doors, air conditioning and fire protection systems and plumbing and electrical systems). The Manager has procured a building condition report as part of its due diligence on the Property. On the basis of that report, the Manager believes that the building's systems and services are in good condition.

The Lease also contains a right of first refusal to the Tenant in the event of a sale of the Property and the Vendor has confirmed that it has waived this right in respect of the current purchase by the Custodian.

A fuller description on the Lease is contained at pages 70 to 75.

Refurbishment clause

Clause 16.6 of the Lease (the Refurbishment Clause) provides that in the event the Tenant determines that for bona fide commercial reasons it wishes to carry out a refurbishment or rebranding of the premises and this work involves Landlord's improvements work (being repairs, replacements, alterations and additions to the premises, whether structural or non-structural), then the Landlord is required to carry out this work. This Landlord liability is uncapped and, in practical terms, is only restricted to the existing site constraints and could include substantial expansion works. The Lease provides for the parties to discuss whether these works can be funded with interest free finance provided by the Tenant to the Landlord. In the event of the Landlord completing this work (whether financed by the Tenant or otherwise), the Tenant must pay additional improvement rent at an amount equal to 11% per annum of the actual costs of undertaking the work. This improvement rent is payable until the next renewal of the Lease (but in any event the Lease must have not less than 6 years to run from the date the work is completed).

If the Tenant wanted works to be undertaken under the Refurbishment Clause and there was less than 6 years to run from the date the work is completed, the Tenant would need to exercise its right of renewal early (and effectively extend the remaining period to more than that 6 year period).

[5] Details on the breakdown of the rental is set out on page 71 under the summary of the Lease.

Once completed, the works done under the Refurbishment Clause can be taken into account when assessing the market rent on subsequent renewal (and the separate improvements rent will cease to be payable). The value of the works as assessed for valuation purposes may or may not reach the level of the expenditure incurred in completing the works. The Manager has structured the transaction (including the LP's banking arrangements and funding ratios) to provide capacity to fund refurbishment works.

Earthquake strengthening

The Tenant has indicated that, in line with its internal corporate policy, it wants the earthquake strength of the whole building increased to 100% of New Building Standard and the seismic vulnerability of certain services and fit out components not forming part of the building structure reduced in accordance with the WorkSafe Position Statement, December 2013, AS/NZS 1170:2002 (Structural Design Actions), AS/NZS 2785:2000 (Suspended Ceilings, Design and Installation), NZS 4219:2009 (seismic performance of engineered systems) and NZS 4541:2103 (Automatic Fire sprinkler systems). This would require works on the original part of the building, which has been assessed as having a current seismic strength of a minimum of 73% of New Building Standard (that part of the building constructed in 2012 already having a rating of at least 100% New Building Standard).

The Manager has undertaken an initial scoping exercise of the likely works that would be required.

In the Manager's view, if the LP was required to fund the seismic upgrade works those works would be carried out under the provisions of the Refurbishment Clause and would require that the Tenant must pay additional improvement rent at an amount equal to 11% per annum of the actual costs of undertaking the work. This improvement rent is payable until the next renewal of the Lease (but in any event the Lease must have not less than 6 years to run from the date the work is completed). It is also the Manager's view that any work required is adequately covered by the additional $2 million of debt funding obtained from ASB Bank Limited.

At this stage, the extent of the works, and how they are funded, are not yet determined.

Further extension

The Manager has undertaken further modelling to determine the likely possibility of an additional extension being required in the future. In the Manager's view an extension is the most significant type of work that may be required under the Refurbishment Clause (and would require a level of capital expenditure above that arranged for the seismic works described above). Given that the last significant extension was carried out in 2012, the Manager believes that it is unlikely that a further extension will be within the next 5 years, although the requirement for such an extension will be driven by the Tenant's business needs and requirements. The Tenant may also trigger the Refurbishment Clause in respect of upgrades to plant and machinery.

The modelling conducted to date has involved consideration of the likely extent of such an expansion to the building, based on the potential dimensions and size of the areas of land available to be built upon. Both town planning and quantity surveying advice has been undertaken to estimate the size and cost of any extension to be undertaken.

In order to fund any such work, the Manager believes that a further $10m facility could be negotiated to allow this work to be fully debt funded. A proviso of the loan would be that any additional rental obtained from the extension would be directly applied to this additional debt (but allowing for any additional tax obligations of the Investors in respect of the additional rental). The effect of this arrangement would be that the cash return to investors from the income received from the balance of the rental would not be affected and it is expected that the effective distribution returns could be maintained at their current levels for the period of the remaining term. However, the addition of a further $10m facility would affect the loan-to-value ratio and may bring the LP closer to the leverage limits (as they currently stand) of the ASB Bank Limited facility.

KEY INVESTMENT **FEATURES**

CONTINUED

Insurance

Under the Lease, the Tenant is required to insure the premises at its cost with an insurer first approved in writing by the Landlord under a policy which provides for a full replacement and reinstatement value cover, for a value to be reassessed every 3 years and increased by the CPI on years in between. The cover shall also include a 24 month indemnity for consequential loss of rents and outgoings. The Tenant is required to pay the premiums and any excess in respect of a claim (to be set at its discretion which could result in an unsatisfactorily high deductible upon which the Landlord is relying upon the Tenant's financial covenant to support). That insurance must note the interest of the Landlord and any financier under the policy and copies of the policy shall be provided to the Landlord as required.

The Tenant

General Distributors Limited is the property holding/operating division of Progressive Enterprises Limited. Progressive Enterprises Limited (and its related companies) are the owners of Countdown, and franchisor of Fresh Choice and Super Value, supermarkets throughout New Zealand. Progressive Enterprises owns and operates over 170 Countdown supermarkets in New Zealand (40 in the South Island) being the country's largest private sector employer with some 18,500 people employed in stores, support offices, processing plant and distribution centres. The Property is Progressive Enterprises only South Island distribution centre.

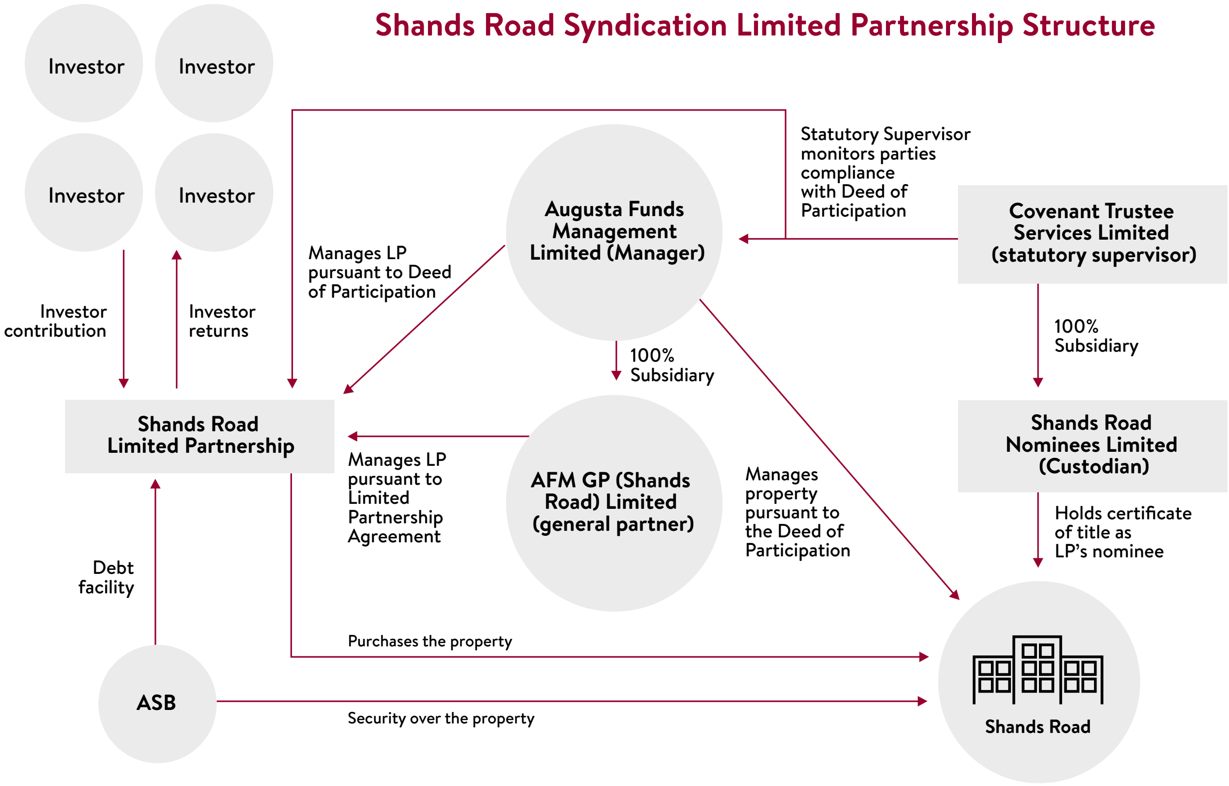
The ultimate parent company of Progressive Enterprises is Woolworths Limited, an ASX listed Australian company, which has been in the business of food retailing for more than 80 years.

Woolworths Limited has had an A- Standard and Poors credit rating since 2001, and has a market capitalisation of approximately AUD$29 billion and a turnover in excess of AUD$60 billion. Woolworths Limited does not guarantee the obligations of the Tenant under the Lease.

Structure of Investment

A simplified version of the LP's structure is set out below:

Shands Road Syndication Limited Partnership Structure



What is a limited partnership?

Investors are offered the opportunity to invest in the entity (limited partnership) that will acquire the Property by becoming a Limited Partner in the LP. Under the limited partnership structure, Investors are liable for no more than their initial capital contributions, so long as they do not take part in the management of the LP, as described further at page 60. An LP is a separate legal person from its limited partners and general partner which is formed under the Limited Partnerships Act 2008.

The Custodian will hold the title to the Property and the Lease in its name for the LP. The interrelationship between the Investors (as limited partners and, under the Securities Act, as holders of participatory securities), the LP and the General Partner is set out in the LP Agreement and the Deed of Participation.

The LP will also be managed and administered by the Manager pursuant to the Deed of Participation. The Manager's responsibilities and duties are set out in the Deed of Participation (which is summarised on pages 76 to 79) which sets out the rights and obligations of the Investors, Manager, General Partner, LP, Custodian and Supervisor.

The Property will be owned by the Custodian on behalf of the LP.

KEY INVESTMENT **FEATURES**

CONTINUED

Each Investor is, by virtue of purchasing an Interest in the LP, a Limited Partner of the LP.

The General Partner (which in this case is a limited liability company – AFM GP (Shands Road) Limited) has been incorporated to act as the general partner of the LP in accordance with the LP Agreement. The General Partner's liability is not limited. The directors of the General Partner are Mark Francis and Bryce Barnett. The shareholder of the General Partner is the Manager.

An LP enables the General Partner to conduct the business of the partnership, while the limited partners are liable for no more than their respective capital contributions. Limited Partners must not take part in the management of the LP. For the purposes of the LP the Manager will, pursuant to the Deed of Participation, direct the General Partner as to the management of the LP provided that the General Partner cannot be obliged to take any action that would breach the LP Agreement.

In relation to the risks of this investment, please refer to the "Special Trade Factors and Risks" at pages 56 to 62 of the Investment Statement. In particular, potential Investors should be aware that the Tenant has an uncapped right to require the LP to undertake further refurbishment and capital works on the Property under the Refurbishment Clause. The Manager has structured the transaction (including the LP's banking arrangements and funding ratios) to provide capacity to fund refurbishment works; however, if the Manager is not able to raise either bank funding or capital, the Property may need to be sold and Investors may not recover the amount of their initial subscription.

Bayleys Real Estate Limited is acting as selling agent for the LP and will receive a brokerage fee of $1,000 (plus GST) for each Interest which is allotted to a person other than the Vendor. That brokerage fee is included in the Issue Expenses and represents 2% of the aggregate issue price for the Interests acquired by persons other than the Vendor.

Term of LP

The LP has no fixed term with the Property to be sold and the LP wound up only upon the passing of a special resolution of Investors, with one vote attributed to each Interest.

Return To Investors

The LP is projected to provide a cash return from settlement of 8% per annum for the first full year ending 31 March 2017 paid monthly. The cash 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 45 to 54.

None of the Manager, the General Partner, the Custodian, the Supervisor, the Vendor or any other person guarantees or promises these projected cash returns to Investors or any payment of returns by the LP. The actual returns paid could differ from the projected returns.

Augusta Funds Management Limited

Augusta Funds Management's property schemes are structured to provide investors with a high-yielding long term investment in commercial and industrial real estate, while seeking to minimise the administrative and operational burdens of private property ownership. Augusta Funds Management is responsible for the LP and property management, including the facilities and property management, preparation of annual financial statements and payment of monthly distributions.

Augusta Funds Management also arranges funding packages allowing Investors to enjoy the terms of the LP's funding arrangements, including some interest rate hedging and initial interest-only terms. Details of the bank funding applying to the LP are set out on pages 67 to 68 of this Investment Statement.

Augusta Funds Management is a wholly-owned subsidiary of Augusta Capital Limited, which is an NZX listed company with a market capitalisation of approximately NZ$85 million as at the date of the Prospectus. Augusta Funds Management has assets under management of approximately NZ$1.3 billion.

For more on Augusta see **www.augusta.co.nz**.

The directors of the Manager and key senior managers of Augusta Funds Management collectively have considerable property expertise with experience in property development, facilities and asset management, property investment, business administration and accounting. Augusta Funds Management manages a wide range of properties including single ownership entities, and syndicates in numerous locations throughout New Zealand and Brisbane, Australia. This investment opportunity is based around the market knowledge and experience of these people. Further detail on the expertise and background of these people is set out on pages 28 to 31 of this Investment Statement.

Supervisor

Covenant Trustee Services Limited (the Supervisor) has been appointed statutory supervisor for the LP. The "Statutory Supervisor" section on page 32 of this Investment Statement outlines the details of the Supervisor's role in the LP and its governance structure. The "Summary of Terms of Deed of Participation" section on pages 76 to 79 of the Investment Statement details the Supervisor's duties in respect of the LP.

The Supervisor's executive team has significant corporate trustee experience and all the corporate trust team members have professional qualifications in accounting or law. The Supervisor is experienced in supervising this kind of public offering and has had experience in supervising proportionate ownership schemes and limited partnerships that are similar to the LP. The Supervisor has over 200 appointments as trustee or supervisor representing over NZ$5 billion in assets supervised.

Risks

Potential investors should review the risks associated with this Offer in detail before investing.

There are a number of general and specific risks associated with the ownership of industrial property and long term investment through an investment in a Limited Partnership, factors that may result in Investors:

(a) not being able to recover their original investment in full;

(b) not receiving the forecast return or forecast cash return on their investment in the LP; or

(c) the LP being terminated and the value of the Property not increasing sufficiently to recover issue expenses.

In addition, there are a number of risks specific to this LP:

(a) the LP being unable to meet its obligations under the Refurbishment Clause if the Tenant exercises that option. This could require the Manager to sell the Property. A forced sale of the Property could result in the net sale proceeds being less than the initial total subscriptions and establishment costs and accordingly Investors may not recoup their original investment in full;

(b) the cost of remedying the flooring issues in the 2012 extension (and any other associated or similar costs) exceeding the $750,000 retention and $300,000 sinking fund set aside for those costs. If the retention amount and sinking fund were not sufficient and the Manager is required to fund flooring works from the rental received, then the cash returns to Investors will be reduced;

(c) the value of the Property will reflect the performance of the commercial property sector in both Christchurch and New Zealand generally;

(d) seismic risks, as the Property is located in Canterbury; and

(e) downturn in the Christchurch and/or New Zealand economies.

KEY INVESTMENT FEATURES

CONTINUED

The principal risks associated with commercial property are the Tenant (or its Guarantor) failing to pay the rent and/or operating expenses required under the Lease and the Landlord being unable to promptly re-lease the Property if the Tenant vacates the Property at the end of the Lease term or by earlier termination. Dependence has been placed on the ability of the Tenant (or its Guarantor) to meet its contractual obligation to continue payment of rental and outgoings. If the Tenant (or its Guarantor) was to fail to pay rent and outgoings in part or in full, or if the Property was vacant or partly so, or the Tenant was entitled to rent abatement under the Lease it would have a serious detrimental impact on:

(a) the ability of the LP to pay returns to Investors;

(b) the ability of Investors to recoup their original investment; and

(c) the ability of the LP to meet its expenses.

The risks involved with investing in the LP are set out in detail on pages 56 to 62 of the Investment Statement. Investors interested in investing should consider carefully the risks involved in investing in this LP. Investors should be aware that this is a long term investment. Potential investors are recommended to seek professional financial advice before investing.

Timetable

The offer contained in the Investment Statement closes at 5pm on Friday 18 December 2015. However, the Manager reserves the right to close the offer at any time prior to that date or extend the offer by up to 25 working days without prior notice to Investors.

Settlement of the purchase of the Property is currently scheduled for 22 December 2015. The Manager also reserves the absolute right in its sole discretion to accept or reject any application in whole or in part without assigning any reason.

Applications will not be accepted during the Financial Markets Authority's consideration period in respect of the Prospectus.

How Do You Subscribe?

Investors may join in this investment opportunity with a minimum subscription of $50,000. Subscriptions must be completed on the application form contained on pages 83 to 91. ***TO ENSURE YOUR APPLICATION IS ACCEPTED, PLEASE READ THE APPLICATION INSTRUCTIONS BELOW CAREFULLY.***

Completed and signed application forms must be forwarded to the offices of the LP's Solicitors (Attention: Shands Road Offer).

Investors must supply all necessary information to be compliant with anti-money laundering (AML) identification requirements in order for their application to be accepted and subscription monies receipted. Further details on those requirements are set out on page 85. **IMPORTANT** - for existing investors, identification documents may have been provided previously as part of Augusta's AML (Anti-Money Laundering) requirements. If, at the time of submitting your application Augusta does not have the correct identification documents on file up to the standard of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 additional documents may have to be re-submitted before your application can be accepted.

Once applications have been processed and investors have provided all necessary AML identification requirements, Investors will be provided with Chapman Tripp's trust account details once the Manager has confirmed that they have satisfied all AML requirements.

Investors will be paid interest at call rates (less bank telegraphic transfer fees and 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 investors in accordance with the Prospectus.

By signing an application form in relation to the subscription for Interests, each Investor is deemed to have provided the written statement required by section 37(3) of the Securities Act which also authorises Chapman Tripp, the LP's Solicitors, to receive such application form/written statement and each Investor's subscription monies on behalf of the Supervisor. The Supervisor has appointed the LP's Solicitors with that appointment authorising the LP's Solicitors to receive those application forms/written statements and Investor's subscription monies on the Supervisor's behalf.

Until such time as all capital required by the LP for the acquisition of the Property as set out in the Investment Statement is paid by Investors then the Supervisor and each Investor authorises all capital contributed to be deposited to and is to remain held in the trust account of the LP's Solicitors and is only to be released from that trust account at such time as the Sale and Purchase Agreement can be settled and the Certificate of Title for the Property can be transferred to the Custodian.

If the requisite level of capital is not raised (being $25,150,000, including the $6,000,000 investment to be made by the Vendor) the LP will not proceed and Investors subscription amounts, along with accrued interest, will be promptly returned.

Valuer's Report

The Property has been valued by Chris Stanley of TelferYoung (Canterbury) Limited (TelferYoung) at $39,600,000 plus GST (if any) as at 10 November 2015 in accordance with International Valuation Standards and API/PINZ Valuation Standards.

The valuation from TelferYoung has been arrived at having regard to the results of both a discounted cash flow valuation approach and a capitalisation valuation approach as well as available market evidence and present retail sector market sentiment. Further details on the assumptions used for each valuation approach are set out in the attached Valuation Report.

Prospective Investors are encouraged to review the Valuation Report. A copy of the full Valuation report is attached to the Prospectus and available on request from the Manager. The Manager may in the future engage the services of TelferYoung as a professional adviser to provide valuation or other services.

WHAT SORT OF INVESTMENT IS THIS?

The Investment Statement offers interests in a limited partnership to the public in New Zealand. The offer of interests in the LP constitutes an offer of participatory securities in terms of the Securities Act and Securities Regulations and the LP is considered to be a "scheme" under the Securities Act and Securities Regulations.

What is a limited partnership?

A limited partnership is a separate legal person from its limited partners and general partner, which is formed under the Limited Partnerships Act 2008.

Investors are offered the opportunity to purchase an Interest in the Property by becoming a Limited Partner in the LP pursuant to the LP Agreement. The interrelationship between the Investors (as limited partners and, under the Securities Act, holders of participatory securities) and the General Partner is set out in the LP Agreement and the Deed of Participation.

The LP will also be managed and administered by the Manager pursuant to the Deed of Participation. The Manager's responsibilities and duties are set out in the Deed of Participation (which is summarised on pages 76 to 79) which sets out the rights and obligations of the Investors, Manager, General Partner, LP, Custodian and Supervisor.

The Property will be owned by the Custodian on behalf of the LP. Each Investor is, by virtue of purchasing an Interest in the LP, a Limited Partner of the LP.

The General Partner (which in this case is a limited liability company - AFM GP (Shands Road) Limited) has been incorporated to act as the general partner of the LP in accordance with the LP Agreement. The General Partner's liability is not limited. The directors of the General Partner are Mark Francis and Bryce Barnett. The shareholder of the General Partner is the Manager.

The General Partner manages the LP, while the limited partners are liable for no more than their respective capital contributions. Limited Partners must not take part in the management of the LP. For the purposes of the LP the Manager will, pursuant to the Deed of Participation, direct the General Partner as to the management of the LP provided that the General Partner cannot be obliged to take any action that would breach the LP Agreement.

Development of the Scheme (LP)

The LP will only commence trading upon the Offer being fully subscribed. Accordingly, there is no previous development of the LP during the five years preceding the date of the Investment Statement.

Nature and use of principal asset of the Scheme (LP)

Upon commencement of the LP, its principal asset will be the Property, 146 Shands Road, Christchurch. That asset is, at commencement of the LP, subject to the Lease to the Tenant. The Property will also be subject to a mortgage to ASB Bank Limited which restricts the Manager's ability to sell the Property, on behalf of the LP, following a resolution of the LP. Under the terms of the mortgage, the Property cannot be transferred, sold, encumbered, changed or otherwise dealt with, without the consent of ASB Bank Limited or without a discharge of the mortgage. A discharge of the mortgage would require all outstanding amounts owed to ASB Bank Limited to be repaid by the LP.

Nature of Security

Each successful Investor will acquire an interest in the LP, with the Custodian holding the certificate of title to the Property for the LP.

Each Interest confers equal rights and obligations on each Investor in respect of entitlements to income and capital from the LP and each Interest will confer one vote upon the holder in respect of matters on which Investors are entitled to vote.

The relationship between the Investors is that of limited partners in a New Zealand limited partnership.

The Supervisor has agreed to act as the statutory supervisor pursuant to the Securities Act and Securities Regulations and the terms and conditions of the Deed of Participation.

WHO IS INVOLVED IN **PROVIDING IT FOR ME?**

Name of the Scheme

The name of the participatory scheme constituted by the New Zealand limited liability partnership is the “Shands Road Limited Partnership”.

Manager

Augusta Funds Management Limited is the manager. Its registered office is at Level 2, 4 Viaduct Harbour Avenue, Auckland. Augusta Funds Management Limited is a wholly owned subsidiary of Augusta Capital Limited.

Directors of the Manager

The directors of the Manager are:

Bryce Robert Barnett
10 Mountain Road
RD3
New Plymouth 4373

Paul John Duffy
312 The Point
121 Customs Street West
Auckland 1010

Mark Edward Francis
47 Victoria Avenue
Remuera, Auckland 1050

Martin Gerard Goldfinch
37 Glanville Terrace
Parnell, Auckland 1052

Phillip Michael Hinton
106 Buller Street
New Plymouth 4312

John James Loughlin
267 Te Mata Mangateretere Road
RD 2
Hastings 4172

Robert Mark Petersen
50c Chatsworth Road
Silverstream
Upper Hutt 5019

Peter David Wilson
623 Rahui Road
RD 3
Otaki 5583

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

Bryce Barnett
CA, FPINZ

Bryce is a Chartered Accountant and a Fellow of the Property Institute of New Zealand. He began his career in the Inland Revenue before becoming the Chief Accountant of the Moller Group of Companies in 1980. From there he joined General Properties Consolidation Limited as the Managing Director involved in property development and investment throughout New Zealand. In 1989 Bryce became the General Manager of MacDow Properties, a subsidiary of the McConnell Dowell Corporate. Bryce was responsible for that company’s development and investment activity throughout New Zealand. In 1993 Bryce established KCL Property. KCL Property was acquired by Augusta Funds Management in April 2014.

Paul Duffy
Independent Director
Dip Urb Val

Paul Duffy became a director on 2 November 2015 of both the Manager and Augusta Capital Limited. It is also intended that Paul Duffy will become Chairman of both companies on Peter Wilson’s retirement.

Paul Duffy has had 35 years' experience in the property investment industry, both within NZ and internationally. Paul is currently a director of several private companies and was the chief executive/executive director of DNZ Property Fund (now Stride) for 13 years. During his career, Paul held the position of general manager of Fletcher Property Limited and was joint managing director of Abu Dhabi Investment Authority, an offshore government property investment agency where he was responsible for the formation of a large real estate portfolio in the United States and Europe. A former chairman of the Keystone Trust, Paul now sits on the Keystone Trust Board.

Mark Francis
Managing Director
BCom (Finance)

Mark has a commerce degree in finance and for the last 19 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 founding director of NZSX–listed Augusta Capital Limited (formerly Kermadec Property Fund Limited).

Mark has significant experience and background in property development and construction projects. Mark's primary business prior to the formation of Augusta Capital Management in 2003 was property development with significant projects across all sectors including commercial, retail, industrial and residential. These projects included minor refurbishments and extensions and full scale 'greenfield' development of retail centres and apartment complexes and ranged in size from NZ$500,000 to NZ$30,000,000.

Martin Goldfinch
Independent Director
BCom, LLB

Martin has extensive commercial experience across a range of industries in both public and private companies. He holds degrees in Law and Commerce from Auckland University. He is currently the Private Equity Manager for Accident Compensation Corporation (ACC) and represents ACC on the boards of Cavalier Wool Holdings Limited and Partstrader Markets Limited. He is also a director of Les Mills Holdings Limited, Youi NZ Pty Ltd and is a Council Member of NZ Venture Capital Association.

Phillip (Phil) Hinton
FPINZ, FNZIV

Phil has over 35 years property experience in New Zealand, previously as a registered valuer and partner of TelferYoung (Taranaki) Limited, specialising in commercial property valuations for twenty years. He joined the KCL Property group of companies in 2002 and specialised in investment, analysis, management and development. KCL Property was acquired by Augusta Funds Management in April 2014. Phil is a past President and Board member of the Property Institute of New Zealand and a member of the Institute of Directors. Phil is a licensed Real Estate Agent, a Fellow of the New Zealand Institute of Valuers and has a Fellowship from the New Zealand Property Institute.

John Loughlin
Independent Director
MBA, BCA, FCA, FCIS, ANZIIF (fellow), INFINZ (fellow), FNZIM, AFInstD

John Loughlin is a professional company director. He is chairman of Powerco Limited, Tru-Test Corporation Limited, EastPack Limited and Havelock North Fruit Co. Limited. He is also a director of Port of Napier Limited and Bay Venues Limited.

John was the chairman of finance company Allied Nationwide Finance Limited, now known as NFA Limited (in liquidation) (referred to below as *Allied*), from 1 May 2007 to 23 August 2010. Allied was placed in receivership on 20 August 2010 as part of the finance company collapses in New Zealand at that time and subsequently went into liquidation on 31 October 2012. He ceased to be the chairman and a director of Allied on 23 August 2010. On 2 September 2013, the Financial Markets Authority (FMA) issued a formal warning letter to John Loughlin and the

WHO IS INVOLVED IN **PROVIDING IT FOR ME?**

CONTINUED

other directors of Allied stating that, in the FMA's view, the directors of Allied likely breached the Securities Act by failing to adequately disclose the ability of Allied's parent, Allied Farmers Limited, to provide financial support and Allied's ability to meet its financial obligations. The FMA advised that, having taken into account the possible availability of defences, FMA's enforcement policy and public interest considerations, the FMA did not intend to take formal enforcement action at that time. The FMA considers that better disclosure should have been made, to ensure that investors were aware of the risks associated with their investment in Allied.

Robert Mark Petersen (known as Mark Petersen)
Independent Director
Dip Urb Val, SNZPI

Mark is a professional director and corporate adviser who has worked in the commercial property sector for the past 35 years. Initially working as a registered valuer, Mark's background includes development management, project management and investment management. Mark was Managing Director of NZX listed Shortland Properties Limited from 1989 to 1999 and he is currently a director of CentrePort Limited, Wellington's container port company and its subsidiaries and is also an advisory Board member for Te Tumu Kainga, a trust administered by the Maori Trustee for the provision of affordable housing. Mark is a former director of Wellington Waterfront Limited, a former director of Australian property focused private equity funds which were established and managed by Grant Samuel and is a past Chair of the NZ Hockey Federation. Mark is currently an Executive Director of DH Flinders NZ Limited. DH Flinders is a Melbourne headquartered corporate advisory firm providing corporate and funds management advice in Australia, New Zealand and South East Asia.

Peter Wilson
Independent Director
CA

Peter is a Wellington based professional director with extensive experience in banking, business establishment, problem resolution, asset sale and management of change functions. Currently Peter is chairman of Arvida Group Limited, deputy chairman of Meridian Energy Limited, a director of Farmlands Co-operative Society Limited and a director of P F Olsen Limited. Peter is the immediate former chairman of Westpac New Zealand Limited.

Peter has announced that he intends to retire as a director of Augusta Capital Limited and Augusta Funds Management in December 2015.

Senior Managers of Augusta

The Augusta Funds Management team includes asset/property management, facilities management and accounting and finance staff who are made available by the Manager's parent, Augusta Capital.

The senior managers of Augusta Capital are currently **Mark Francis**, who is the Managing Director, **Simon Woollams**, the Chief Financial Officer, **Bryce Barnett**, Head of Funds Management, **Phil Hinton**, General Manager and **Hayden Bryant**, Portfolio Manager. The qualifications and expertise of Mark Francis, Bryce Barnett and Phillip Hinton are set out above on pages 28 to 29.

Hayden Bryant
Portfolio Manager

Hayden has a very strong background in Commercial and Industrial Agency. With over 14 years in the market, Hayden has had senior roles with major international agency firms including Jones Lang LaSalle and CBRE. Hayden has recently returned from Melbourne where he was Managing Director of CBRE, focusing on corporate leasing, acquisitions and development. Hayden now resides in Auckland.

Simon Woollams
Chief Financial Officer
BCom, CA

Simon has a commerce degree majoring in accountancy and is a Chartered Accountant. Simon has a strong financial background including roles with BDO, UK experience and ANZ National Bank in the property and finance teams. Simon has been with Augusta since 2007 initially as the Financial Controller before becoming Chief Financial Officer in March 2012.

In more recent years the Augusta team have undertaken a number of re-development/refurbishment projects on properties across the group's syndicated assets and directly held assets. These include new-build office developments, warehouse extensions, office refurbishments, seismic upgrades and change of use redevelopments. The team's experience in this area covers management of all aspects of development, including design, consenting, funding, construction and delivery of the final product.

Other Information

Neither the Manager, nor any director of the Manager has been:

- adjudged bankrupt or insolvent;
- convicted of a crime involving dishonesty;
- prohibited from acting as a director of a company;
- placed in statutory management, voluntary administration, liquidation or receivership.

The solicitors to the Manager and the LP are:

Chapman Tripp
Level 35
ANZ Centre
23 Albert Street
Auckland Central

The auditors of the Manager are:

Ernst & Young
2 Takutai Square
Auckland Central

The independent auditors of the LP will be:

Staples Rodway Taranaki
109-113 Powderham St
New Plymouth

Staples Rodway Taranaki is registered under the Auditor Regulation Act 2011.

The Valuation Report has been prepared by Chris Stanley of TelferYoung (Canterbury) Limited, 58 Armagh Street, Christchurch. Chris Stanley's qualifications are M Prop Stud (Distn) FNZIV, FPINZ, AAMINZ and he is a registered valuer.

Neither TelferYoung (Canterbury) Limited nor any of its principals or employees (including the valuer specifically named above) involved in the preparation of the valuation have any relationship (other than that of valuer) with or any interest in:

- Augusta Funds Management Limited or any of its associated persons;
- the Property.

Chris Stanley of TelferYoung (Canterbury) Limited, as an expert, has given his consent and has not withdrawn his consent to the distribution of the Investment Statement with the inclusion of the statements attributed to him in the Investment Statement in the form and context in which they are included.

WHO IS INVOLVED IN **PROVIDING IT FOR ME?**

CONTINUED

Neither TelferYoung (Canterbury) Limited nor any director, officer or employee of it are or are intended to be, a director, officer of employee of the Manager.

Supervisor

The supervisor for the LP is Covenant Trustee Services Limited.

The registered office of Covenant Trustee Services Limited is Level 9, 191 Queen Street, Auckland 1010. Its directors are:

Andrew Howard Barnes
218 Delamore Drive
Oneroa
Waiheke Island 1081

Graham Russell Miller
15 Fancourt Street
Meadowbank
Auckland 1072

James Earl Douglas
12 Dexter Avenue
Mount Eden
Auckland 1024

The Supervisor does not guarantee repayment of the Interests or payment of interest or any return on the Interests.

As at the date of the Investment Statement, the Supervisor has been granted a full licence under the Financial Markets Supervisors Act 2011, to act as a Statutory Supervisor in respect of participatory securities. The licence expires on 16 February 2018 and is subject to conditions. Those conditions and further information on the Supervisor's licence is publicly available on the Financial Markets Authority website **www.fma.govt.nz**.

In April 2015, Complectus Limited, the ultimate holding company of Perpetual Trust Limited and The New Zealand Guardian Trust Company Limited, acquired the Supervisor. In addition, on 4 August 2015, Complectus announced that it had finalised the purchase of the independent full-service corporate trustee Foundation Corporate Trust and that Foundation Corporate Trust will be integrated into the business of Covenant Trustee Services.

The Supervisor will hold the shares in the Custodian. The Supervisor will also appoint the directors of the Custodian. As at the date of the Investment Statement the directors of the Custodian appointed by the Supervisor are:

Graham Russell Miller
15 Fancourt Street
Meadowbank
Auckland 1072

Richard Brookes Spong
10 Sea Spray Drive
Bucklands Beach
Auckland 2012

Michael John Hablous
5 Rutgers Place
Albany
Auckland 0632

Change in Contact Details

The names of the directors of the Manager and the addresses of the Supervisor and the Manager may change. You can find the address of the Supervisor and the Manager and the names of the Manager's current directors by searching the public register maintained by the Companies Office on its website **www.companiesoffice.govt.nz**.

Activities

The participatory scheme is a New Zealand limited partnership. The LP has not commenced trading and will only commence trading on the completion of the offer detailed in the Investment Statement.

The LP will be an industrial property owner and landlord on settlement of the purchase of the Property and will undertake activities relating to being an industrial property owner. From the Settlement Date, the Property will be subject to the Lease. The Property will also be subject to a mortgage to ASB Bank Limited which restricts the Manager's ability to sell the Property, on behalf of the LP, following a resolution of the LP.

Principal Activities of the Manager (Issuer)

Augusta Funds Management's property schemes are structured to provide investors with a high-yielding long term investment in commercial and industrial real estate, while seeking to minimise the administrative and operational burdens of private property ownership. Augusta Funds Management is responsible for the LP and property management, including the facilities and property management, preparation of annual financial statements and payment of monthly distributions.

Augusta Funds Management also arranges funding packages allowing the public to enjoy the terms of the LP's funding arrangements, including some interest rate hedging and initial interest-only terms. Details of the bank funding applying to the LP are set out on pages 67 to 68 of this Investment Statement.

Augusta Funds Management is a wholly-owned subsidiary of Augusta Capital Limited, which is an NZX listed company with a market capitalisation of approximately NZ$85 million as at the date of the Prospectus. Augusta Funds Management has assets under management of approximately NZ$1.3 billion.

For more on Augusta see **www.augusta.co.nz**.

The Manager also intends to engage Bayleys Property Services to provide day-to-day facilities and property management services for the Property, under the guidance and supervision of the Manager.

HOW MUCH DO I PAY?

Money Payable by Investors

The subscription price payable by each Investor for each Interest is $50,000. There are no additional charges or costs payable by Investors in respect of their initial subscription.

Investors must send their completed and signed application forms and pay their subscription monies to Chapman Tripp, Solicitors, Auckland (Attention: Shands Road Offer). No subscriptions will be received unless accompanied by a completed and signed application form. Investors should carefully review the instructions on the application form as to how it should be completed.

Investors will be paid interest at call rates (less 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 investors in accordance with the Investment Statement.

Purchase Price of the Property

The Property is being purchased by the Custodian as bare trustee for the LP for $39,525,000 plus GST (if any).

Settlement of the purchase of the Property is scheduled for 22 December 2015.

Details of the purchase price for the Property and the Issue Expenses, being the costs involved in establishing the LP, are as follows:

Purchase Price	$39,525,000
Issue Expenses / Establishment Costs	$1,932,142
Sinking Fund	$300,000
Total	**$41,757,142**

To be funded by:

Subscriptions from Investors (503 Interests at $50,000)	$25,150,000
Bank Loan	$16,607,142
Total	**$41,757,142**

WHAT ARE THE CHARGES?

Initial subscription

There are no entry charges other than the subscription amount of $50,000 per Interest payable by Investors to participate in the LP.

As a limited partner in a limited partnership each Investor's liability is limited to that subscription amount unless they take part in the management of the business of the LP. If an Investor took part in the management of the business of the LP, they would be liable for all debts and obligations of the LP incurred while taking part in the management of the LP. It is not expected, however, that Investors will take part in the management of the business of the LP.

On-going charges and expenses payable by the LP

The following charges are or may be payable by Investors, by deduction from the LP:

Issue expenses

The preliminary issue expenses (excluding GST), being:

Offeror's Fee	$1,185,750
Brokerage on equity raised	$383,000
Legal – capital raising	$122,500
Legal – property	$35,000
Legal – financing	$17,500
Statutory Supervisor	$5,000
Accountancy	$10,000
Audit	$11,000
Printing and advertising	$115,000
Valuation	$14,400
Health and Safety Review	$1,800
Building Inspection	$15,000
Town Planning Consultancy	$1,192
FMA Exemption Fee	$5,000
Bank Legal	$10,000
Total issue expenses / establishment costs	**$1,932,142**

Alongside the above costs, a $300,000 sinking fund is being established to fund future capital and maintenance works (including any floor repairs / maintenance as described on page 15).

Explanation of the Issue Expenses

The offeror's fee is payable to the Manager for arranging and establishing the LP.

The brokerage fee is payable to Bayleys as the sole selling agent for the Offer.

Legal costs are payable to the LP's Solicitors, Chapman Tripp, for the costs of legal due diligence on the Property, negotiation of the Sale and Purchase Agreement, settlement of the purchase, cost of advising on the Prospectus, the Investment Statement, the Deed of Participation, the limited partnership agreements, compliance with the Securities Act and Securities Regulations, and in connection with the LP's financing arrangements.

The statutory supervisor fees are payable to the Statutory Supervisor for their costs in relation to reviewing the Prospectus, the Investment Statement and the Deed of Participation.

The accounting fees are payable to the Manager for the preparation of the prospective financial statements.

WHAT ARE **THE CHARGES?**

CONTINUED

Audit fees represent Staples Rodway's fee for auditing the prospective financial statements set out in the Investment Statement.

Printing and advertising costs reflect the costs of both preparing and producing various newspaper, digital and other print advertisements in relation to the Offer and of placing those advertisements in various newspapers, digital websites and other mediums and the costs for preparing and printing the Investment Statement.

The valuation fee is payable to TelferYoung (Canterbury) Limited for preparing the Valuation Report.

The bank legal fee is payable to ASB Bank Limited in connection with its provision of the loan facility to the LP.

Ongoing annual costs

(a) An annual LP management fee payable by the LP to the Manager. The annual LP management fees have been agreed at $55,000 in the first year and will increase at the greater of 3% or CPI thereafter per year.

(b) The fees payable to the Supervisor, being:

- The Supervisor will initially be paid an annual fee of NZ$12,575 plus GST;
- The Supervisor's fee is payable quarterly in arrears.
- The Supervisor is also entitled to charge a special duties fee, charged at the Supervisor's usual time and attendance rates to cover the Supervisor's ongoing reviews of any amendment to the documentation, the exercise of its power and discretions, the Supervisor's attendance at any special meetings and any other non-routine duties.

(c) The audit of financial statements and providing tax return disclosures for Investors (estimated at $11,000 plus GST).

(d) The annual valuation fee (estimated at $14,400 plus GST).

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

(f) Annual interest charges payable to ASB Bank Limited (as set out in the Prospective Financial Information on pages 41 to 44) estimated at $747,321 per annum based on an effective interest rate of 4.50% per annum which is the expected interest rate at the Settlement Date.

(g) Outgoings, property maintenance expenses, fees and costs (to the extent not recoverable from the Tenant). The Manager has the ability to undertake or approve repairs, maintenance or improvements at its sole discretion if the aggregate expense does not exceed $200,000 per financial year exclusive of GST. Aggregate expenses exceeding $200,000 per financial year exclusive of GST can only be undertaken with the approval of the Investors who hold not less than 50% of the total Interests entitled to vote and voting on the resolution. The Manager however may undertake repairs, maintenance or improvements without the approval of the Investors where necessary to comply with the terms of the Lease (including any extension pursuant to the Refurbishment Clause summarised on pages 18 to 20).

Subject to the Investors' right to sanction an increase in the Manager's LP management fee in accordance with the Deed of Participation, the Manager does not have 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.

New leasing

The Lease for the Property has almost 9 years remaining on its current term, with 3 rights of renewal of 10 years each. However, if the Lease were to come to an end, the following fees will be payable to the Manager for any new leasing:

(a) Where no real estate agent is used by the Manager:

- (i) Lease term of less than one year: Nil;
- (ii) Lease term of one year or longer but less than three years: 10% of annual rental plus GST;
- (iii) Lease term of three years or longer but less than five years: 12.5% of annual rental plus GST;
- (iv) Lease term of five years or longer: 15% of annual rental plus GST;

(b) Where a real estate agent is involved:

- (i) Lease term of less than one year: Nil;
- (ii) Lease term of one year or longer but less than three years: 5% of annual rental plus GST;
- (iii) Lease term of three years or longer but less than five years: 6.25% of annual rental plus GST;
- (iv) Lease term of five years or longer: 7.5% of annual rental plus GST.

No charge will be payable to the Manager on lease renewals. However if at the expiry or surrender of an existing lease a new lease with the Tenant is agreed, then the leasing fees described above will apply.

Sale of the Property

On the sale of the Property or part of the Property:

(a) The Manager will be entitled to a fee equal to 1.0% of the sale price for any part of the Property.

(b) Commission on the sale of the Property, estimated at 2.0% of the sale price plus GST, will be payable to a real estate agent.

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

(d) An early repayment fee may be repayable to the bank in the event that the Property is sold prior to expiration of the term of any loan facility of the LP (for example, if the Tenant exercises its rights under the Refurbishment Clause and the Landlord fails to perform its obligations – refer to the description of the Refurbishment Clause on pages 18 to 20).

Other possible fees

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

(b) Project management fees may also be payable to the Manager in the event of the Tenant exercising its rights under the Refurbishment Clause or any other rebranding, extension or redevelopment of all or part of the Property, on the basis of time spent, as agreed between the Manager and the Supervisor.

WHAT ARE **THE CHARGES?**

CONTINUED

(c) Leasing fees (whether for a new lease or a renewed lease) by external agencies involved in any such negotiations will be charged separately at that time.

None of the detailed charges are payable by the Manager. The charges specified are all payable by the LP and may affect the amount of returns to Investors.

Should Investors wish to sell their Interest(s), 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 an Investor relating to the sale of an Investor's interest in the LP, as well as applicable legal fees and out of pocket expenses for any such sale.

If Investors utilise the secondary market facility offered by Augusta Funds Management, then an administration fee will be payable to Augusta Funds Management and the current charge is equivalent to 2% of the transaction value. Augusta Funds Management will facilitate secondary transfers but does not act as a broker nor does it provide financial advice to any party.

The Manager is obliged under the Deed of Participation to account to Investors for all charges which affect returns to Investors.

Particulars of these charges will be included in the audited financial statements relating to the LP, copies of which will be sent to all Investors and the Supervisor. There is no other procedure available to Investors 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).

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.

The Tenant pays GST to the LP 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 Deed of Participation.

Each Investor is also liable for tax on the returns paid to an Investor by the LP. Please refer to the "Taxation" section on pages 39 to 40 and "Tax Depreciation Claim" section on page 55 for further details.

WHAT RETURNS **WILL I GET?**

The information below should be read in conjunction with the information set out below the heading “What are my risks?”

Nature of Returns

Investors may receive the following returns in respect of their Interests:

- Distributions of operating cashflows of the LP relative to their respective Interests; and
- Any gains which result from the net sale proceeds of the Property exceeding the purchase price to be paid for the acquisition of the Property by the LP and the establishment costs.

Cash Returns

After meeting expenses in relation to the LP, bank interest costs and costs of administration (the details of which are set out on pages 35 to 38), the Manager will distribute operating cashflows at monthly intervals (of such amounts as the Manager deems appropriate) to the Investors in proportion to their interests in the LP. The Manager is authorised to retain monies for any future expenditure the Manager deems necessary to comply with the terms of the Deed of Participation or to maximise the value of the investment. Any such retentions may reduce the amounts available to be distributed to Investors.

The key factors affecting any cash returns are the expenses in relation to the Property and the LP, including the bank interest costs and costs of administration, described on pages 35 to 38.

The projected income and expenditure for the LP is set out in the prospective financial statements set out on pages 41 to 44.

Operating cashflows are distributed at the discretion of the Manager taking into account likely future expenditure. Cash distributions will be made to Investors monthly in arrears, with payments being made on the 7th day of each subsequent month, or the next working day.

Gains on sale of the Property

On a winding up of the LP, Investors may receive a return which is greater than the $50,000 paid for each Interest if the net sale proceeds from the sale of the Property exceed the total capital paid by Investors. However, there is no guarantee that the value of the Property will increase and/or that the net sale proceeds will exceed the Investors’ aggregate capital.

Taxation

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

Investors are, under current legislation, able to depreciate the fit out and chattels for taxation purposes. It is the intention of the Manager to provide an itemised list of assets to enable maximum depreciation to be claimed. It is also the intention of the Manager to provide (on an ongoing basis) a fixed asset schedule with assets depreciated at maximum allowable tax rates.

The depreciation allowance entitles Investors to defer taxation on a portion of their cash return until the Property is sold by claiming as a tax deduction each Investor’s proportionate share of the depreciation of the fit out and chattels. 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 to the extent it is owned by the LP. 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 Property during the term of the LP will be taxable in the year the Property or an Investor’s Interest in the LP is sold provided that the sale

WHAT RETURNS **WILL I GET?**

CONTINUED

price exceeds the original cost, less all depreciation previously claimed. The net effect is to provide a deferral of tax for Investors during the period of ownership of the Property.

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

Expected Return

The LP's operations, after payments of all expenses including the fee payable to the Manager, are expected to return cash distributions to Investors as follows:

- 8.00% per annum before tax on the Investor's original subscription amount for the period from 22 December 2015 to 31 March 2016 (assuming settlement takes place on the expected Settlement Date); and
- 8.00% per annum before tax on the Investor's original subscription amount for the year ending 31 March 2017.

The method for calculating the projected return is tabled below.

Projected Investment Return

	3 Months and 10 days ending 31 March 2016	12 Months ending 31 March 2017
Amount Invested per Interest	50,000	50,000
Prospective Net Profit before Tax (Total LP)	533,683	1,993,804
Total Number of Interests	503	503
Prospective Net Profit per Interest	1,061	3,964
Total Investor Cash Return per Interest*	**1,097**	**4,000**
Forecast cash return per annum**	8.00%	8.00%
Reconciliation of Net Profit to Distributable Profit		
Prospective Net Profit per Interest	1,061	3,964
Adjust for: Non cash items		
Initial finance costs amortised*	9	27
Operating Cash Surplus available for Distribution	**1,070**	**3,991**
Amount of projected net cash flow from operating activities per Interest exceeding/ (less than) projected distributions to Investors ***	(27)	(9)

* A reconciliation of the net profit to the cash profit is tabled above as the cash distribution payments to investors will be dependent on the operating cash profit generated. Items included are:

- The initial finance costs are fully paid on establishment of the LP but for accounting reasons are capitalised and amortised over initial 2 year period of the loan facility.

  The Manager believes this non-GAAP disclosure was important as it clearly states the operating cash surplus available for distribution and this is a consistent measure that the Manager will use when identifying future distribution levels.

- Such a calculation will also adjust for other non-cash items such as the revaluation of investment property and any derivatives, but none of these items are reported within these prospective financial statements. These are not one off transactions but are items that do not impact the cash flows generated which are available for distribution.

** A cash distribution payment representing a 8.0% return per annum is expected to be distributed on a monthly basis in arrears. The forecast cash return for the period ending 31 March 2016 includes the April 2016 distribution.

*** The difference between the pre-tax cash distributions paid and the projected return from operating activities is funded out of the capital of the scheme from cash reserves. This shortfall is not considered material and represents $9 per unit or $4,527 for the total scheme in respect to the year ending 31 March 2017.

Period of Time Expected to Elapse before Return is Achieved

The projected returns are based on holding one Interest (based on the subscription price of $50,000 per one Interest) for the duration of the period stated, and calculated on the basis of distributions available from operating cash surpluses. These projected returns are based on and subject to the notes and assumptions set out on pages 45 to 54 of this Investment Statement. These projected returns do not take into account any retained profit or loss which may arise and also does not include any non-cash transactions such as the revaluation of investment property. They are gross returns and do not reflect any tax deductions or tax depreciation that Investors may be able to claim. The notes and assumptions assume that settlement of the Property will take place on 22 December 2015 (please refer to the Timetable section on page 24 of this Investment Statement). As settlement is expected to occur on 22 December 2015, the LP is deemed to commence trading on 22 December 2015. The Manager intends to make distributions to the Investors on a monthly basis in arrears and payments are to be made on the 7th day of the month, or the next working day.

Prospective Financial Information

As the LP and ownership of the Property has not yet commenced, no appropriate financial information exists for the Property other than as set out in the prospective financial information and as included in Section 10 of the Prospectus – "Acquisition of Business or Equity Securities" commencing on page 59. Prospective financial information in respect of the LP for the first accounting period of 3 months and 10 days ending 31 March 2016 and for the year ending 31 March 2017 are set out below. These prospective financial statements comprise the Prospective Statement of Profit and Loss and Other Comprehensive Income, Prospective Statement of Changes in Equity, Prospective Statement of Financial Position and Prospective Statement of Cash Flows which accord with generally accepted accounting practice and have been subject to an assurance engagement by Staples Rodway, Chartered Accountants of New Plymouth (whose report can be found on pages 88 to 91 of the Prospectus). These should be read in conjunction with the assumptions and notes on pages 45 to 54.

WHAT RETURNS
WILL I GET?

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Prospective Statement of Profit and Loss and Other Comprehensive Income

	3 Months and 10 days ending 31 March 2016 $	12 Months ending 31 March 2017 $
Rental Income	781,453	2,850,000
Gross Rental Income	**781,453**	**2,850,000**
Net Operating Costs	-	-
Net Rental Income	**781,453**	**2,850,000**
Less Expenses		
Audit Fees	(10,500)	(10,500)
Finance Fees	(4,584)	(13,750)
Interest	(204,911)	(747,321)
LP Administration	(13,750)	(55,550)
Statutory Supervisor Fees	(4,192)	(12,575)
Valuation Fees	(6,500)	(6,500)
Bank Line Fees	(3,333)	(10,000)
Total Expenses (excluding initial establishment costs)	**(247,770)**	**(856,196)**
Comprehensive Income and Profit before Investment Property Revaluation and Taxation	**533,683**	**1,993,804**

Prospective Statement of Changes in Equity

	Capital $	Retained Earnings $	Total $
Balance at 22 December 2015	**-**	**-**	**-**
Profit for the period	-	533,683	533,683
Total Comprehensive Income for the period	**-**	**533,683**	**533,683**
Issued Capital	25,150,000	-	25,150,000
Issue Costs	(1,837,250)	-	(1,837,250)
Distributions to Investors	-	(384,944)	(384,944)
Balance as at 31 March 2016	**23,312,750**	**148,739**	**23,461,489**
Balance as at 1 April 2016	23,312,750	148,739	23,461,489
Profit for the period	-	1,993,804	1,993,804
Total Comprehensive Income for the year	**-**	**1,993,804**	**1,993,804**
Distributions to Investors	-	(2,012,000)	(2,012,000)
Balance as at 31 March 2017	**23,312,750**	**130,543**	**23,443,293**

Prospective Statement of Financial Position

	Note	As at 31 March 2016	As at 31 March 2017
		$	$
Current Assets			
Cash on Hand	10	568,577	461,542
Non Current Assets			
Investment Property	3	39,625,724	39,725,724
Total Assets		**40,194,301**	**40,187,266**
Current Liabilities			
Trade Creditors	13	17,000	17,000
Interest Payable	13	62,277	62,277
GST Payable	13	69,310	66,719
Non Current Liabilities			
Secured Bank Loan	14	16,607,142	16,607,142
Associated Finance Costs		(22,917)	(9,165)
Total Liabilities		**16,732,812**	**16,743,973**
Net Assets		**23,461,489**	**23,443,293**
LP's Funds			
Capital		23,312,750	23,312,750
Retained Earnings		148,739	130,543
Closing LP's Funds		**23,461,489**	**23,443,293**

WHAT RETURNS **WILL I GET?**

CONTINUED

Prospective Statement of Cashflows

	3 Months and 10 days ending 31 March 2016 $	12 Months ending 31 March 2017 $
Cash Flows from Operating Activities		
Cash provided from:		
Rental Receipts	898,669	3,277,500
Cash applied to:		
Net Operating Expenses	(19,646)	(94,933)
Statutory Supervisor Fees Paid	(4,820)	(14,461)
Interest Paid	(142,634)	(747,321)
GST Received (Paid)	(44,716)	(415,820)
Net Cash Inflow from Operating Activities	**686,853**	**2,004,965**
Cash Flows from Investing Activities		
Cash applied to:		
Purchase of Investment Property - Purchase Price	(39,525,000)	-
Capex provisions (sinking fund)	(33,332)	(100,000)
Purchase of Investment Property - directly related costs	(67,392)	-
Net Cash Inflow (Outflow) from Investing Activities	**(39,625,724)**	**(100,000)**

Prospective Statement of Cashflows (continued)

	3 Months and 10 days ending 31 March 2016 $	12 Months ending 31 March 2017 $
Cash Flows from Financing Activities		
Cash provided from:		
Loan proceeds	16,607,142	-
Contributions from Investors	25,150,000	-
Cash applied to:		
Finance costs	(27,500)	-
Costs of raising capital	(1,837,250)	-
Distributions to Investors	(384,944)	(2,012,000)
Net Cash Inflow/(Outflow) from Financing Activities	**39,507,448**	**(2,012,000)**
Cash at the Beginning of the Period	**-**	**568,577**
Net Increase/(Decrease) in Cash Held	568,577	(107,035)
Cash at the End of the Period	**568,577**	**461,542**

Reconciliation of Surplus to Cash from Operating Activities

	3 Months and 10 days ending 31 March 2016 $	12 Months ending 31 March 2017 $
Reported Surplus	533,683	1,993,804
Non Cash Items		
Finance Costs amortised	4,583	13,750
Adjust for Movements in Working Capital Items:		
Increase/(Decrease) in GST Payable	69,310	(2,589)
Increase in Creditors	79,277	-
Net Cash Inflow from Operating Activities	**686,853**	**2,004,965**

Notes and Assumptions for the period ending 31 March 2016 and the year ending 31 March 2017

The purpose of the prospective financial statements is to assist Investors in assessing the viability of and return on funds invested. The Investment Statement and the prospective financial information contained in it may not be appropriate for any other purpose.

The LP is established and domiciled in New Zealand.

The LP will be a commercial property investor that owns land and buildings located at the Property. The registered office of the Manager is situated at Level 2, 4 Viaduct Harbour Avenue, Auckland.

The prospective financial statements were authorised for issue on 13 November 2015 being the date of the Prospectus. The Manager is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

1. Assumptions

Pursuant to the Sale and Purchase Agreement, settlement is to occur on 22 December 2015. Therefore for the purpose of the financial statements, rental income has been recognised from 23 December 2015 over the remaining term of the Lease.

The rentals used in the prospective financial statements are based on the Lease detailed on pages 70 to 75.

For the financial periods ending 31 March 2016 and 31 March 2017 it is assumed that there is no vacancy and no tenant default. It is also assumed that there are no delays in receipt of debtors.

The prospective financial statements for the periods ending 31 March 2016 and 31 March 2017 do not include amounts for capital works undertaken under the Refurbishment Clause (including any seismic upgrade works) nor any improvement rent that may be payable by the Tenant at the completion of those works.

There will be no additional lease incentive payments required to be made.

The loan agreement is an extendable agreement and will be interest only. It will have an initial loan term of 2 years from date of drawdown. The loan facility is subject to annual review and extension of 1 year. It is assumed that a 1 year extension will be granted on 22 December 2016 extending the term to 22 December 2018 on the same terms. Thereafter it is expected that the loan will be renewed on an annual basis.

The interest expense is calculated at 4.50%, and is based on no principal repayments (interest only) during the assumed initial 2 year term of the loan.

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

The establishment costs and future 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.

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

The annual LP management fees have been agreed at $55,000 in the first year and will increase at the greater of 3% or CPI thereafter per year.

The Tenant is responsible for all operating costs including rates, insurance premiums, utilities and certain maintenance obligations in accordance with the Lease. It is assumed that all

WHAT RETURNS **WILL I GET?**

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operating costs payments will be made on time and that there are no creditors associated with these operating costs.

The Landlord is responsible for all works of a structural or capital nature. A $300,000 sinking fund has been allowed for in the initial capital raising to cover future capital expenditure primarily for rectification of the flooring issues as described on page 15. The allocation of $100,000 per year is an estimate of the amount to be spent on capital improvement, which is expected to increase the overall valuation of the Property.

The future fair value gain or loss on the investment property cannot be reliably predicted, and accordingly the fair value of the Property is assumed to equal the cost, plus any directly related acquisition costs and any further capital costs incurred during the prospective period.

The fair value of the LP's interest rate swaps are not able to be reliably predicted and may be positive or negative, depending on future interest rate movements.

Actual Results

Actual results may differ from the prospective financial statements. The resulting variance may be material. The prospective financial statements also do not include the potential impact of the property revaluation or interest rate swap movement which has the potential to be material, but is a non cash item. They also do not include potential exposure to interest rate charges due to changes in the bank's margin which is a cash item. The LP and Manager 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 Shands Road Limited Partnership (the LP).

The LP will be an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and will report as a Tier 1 For Profit entity. 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 actual annual financial statements for the LP 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 from the Property held by the LP. Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the LP provides incentives to its tenant, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income. The current lease has no incentives.

(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 receivables and payables which are stated GST inclusive.

(f) Income Tax: As a limited partnership, the LP itself is not liable for income tax. Each Investor will be allocated a proportional share of the net taxable profit or loss of the LP to include in their tax return.

(g) Comparatives: The LP has not yet commenced trading and therefore there are no comparatives available. These prospective financial statements represent the expected first 3 months and 10 days of trading to 31 March 2016 and also the year ending 31 March 2017.

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

(i) Establishment Costs: Are treated in a number of ways depending on the nature of the costs; (1) costs associated with respect to raising equity are deducted from the equity proceeds, (2) costs associated with obtaining finance are capitalised and amortised over the initial period of the borrowings, and (3) cost associated with purchasing the property are capitalised as part of the investment property asset.

(j) Depreciation: Each Investor will be entitled to a depreciation deduction based on its proportional share of the depreciation of the property fit out and chattels only. Accordingly, no allowance has been made for depreciation in the prospective statement of profit and loss and other comprehensive income for the 3 months and 10 days ending 31 March 2016 and the year ending 31 March 2017.

(k) Derivatives: The LP will use derivative financial instruments (interest rate swaps) to hedge its exposure to variable 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 will be carried at fair value. Any resulting gain or loss on measurement is recognised in the profit and loss. However no fair value movement has been estimated in these prospective financial statements.

(l) Borrowings: Borrowings are recognised initially at fair value less directly attributable transaction costs. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the LP has an unconditional right to defer the settlement of the liability for at least twelve months after balance date. Also, if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period.

Statement of Cash Flows

The Statement of Cash Flows is presented on a direct basis. The following terms are used in the Statement of Cash Flows:

(a) Cash and cash equivalent means cash on deposit with banks;

WHAT RETURNS **WILL I GET?**

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(b) Operating activities means the gross cash received from and paid in relation to the principal revenue producing activities and other that are not investing or financing activities;

(c) Investment activities means the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and

(d) Financing activities means the activities which result in changes in the equity and debt capital structures, this includes the payment of distributions.

3. Investment Property

	2016	2017
Balance at beginning of financial year	**-**	**39,625,724**
Contracted purchase price	39,525,000	-
Capital improvements	33,332	100,000
Acquisition costs	67,392	-
Balance at end of financial year	**39,625,724**	**39,725,724**

The fair value of the Property as at 31 March 2016 and as at 31 March 2017 has been arrived at on the basis of the purchase price paid as per the Sale and Purchase Agreement, plus capitalised acquisition costs and assumed capital expenditure. At each financial year ending 31 March a valuation of the Property will be carried out by an independent registered valuer not related to the LP. The valuation movement will be reported through the Statement of Profit and Loss and Other Comprehensive Income and may have an impact on the reported profit as well as the reported valuation of investment property in the Statement of Financial Position. An allowance for capital expenditure from the sinking fund, primarily for rectification of the flooring issues described on page 15, has been assumed of $33,332 for the financial period ended 31 March 2016 and $100,000 for the year ended 31 March 2017. Any additions to the property are assumed to be reflective in the annual investment property valuation.

A valuation has been undertaken by TelferYoung (Canterbury) Limited, a registered valuation firm, as at 10 November 2015, which indicates a market value of $39,600,000 compared to the carrying value of $39,625,724 included in these prospective financial statements as at 31 March 2016. The valuation from TelferYoung (Canterbury) Limited has been arrived at having regard to the results of both a discounted cash flow valuation approach and a capitalisation valuation approach as well as available market evidence and present retail sector market sentiment. The valuation assumptions used in the capitalisation approach include a passing rental of $2,850,000 per annum (which is lower than the net market rental income of $2,873,795 per annum) and a capitalisation rate of 7.2%. The valuation also represents an initial passing yield of 7.2% and is based on a lease term of 9 years as at 13 August 2015.

The table below represents some further sensitivity in respect to applied yields or capitalisation rates. The purchase price of $39,525,000 (excluding transaction costs and before deduction of swap cost contribution) applies a 7.21% capitalisation rate from the passing rental of $2,850,000 for the year ending 31 March 2017. Passing rental is the rental that the Tenant is contractually obliged to pay under the Lease as well as the vendor underwrite.

Prospective Statement of Financial Position

	Low Yields			Purchase Price		High Yields	
Cap rate (Yield)	**6.60%**	**6.80%**	**7.00%**	**7.21%**	**7.40%**	**7.60%**	**7.80%**
Valuation	43,181,818	41,911,765	40,714,286	39,525,000	38,513,514	37,500,000	36,538,462
Valuation Change	3,656,818	2,386,765	1,189,286	-	(1,011,486)	(2,025,000)	(2,986,538)
Change in Equity Per Investment	7,270	4,745	2,364	-	(2,011)	(4,026)	(5,937)
Change in Equity %	14.5%	9.5%	4.7%	0.0%	(4.0%)	(8.1%)	(11.9%)

4. Capital and Operating Lease Commitments

The LP does not anticipate having any capital or leasing commitments as at 31 March 2016 and 2017. Any potential liability under the Refurbishment Clause does not constitute a capital commitment for these purposes as the amount of the obligation cannot be measured with sufficient reliability.

5. Contingent Liabilities

The LP does not anticipate having any contingent liabilities as at 31 March 2016 and 2017. Any potential liability under the Refurbishment Clause does not constitute a contingent liability for these purposes as the amount of the obligation cannot be measured with sufficient reliability.

6. Financial Instruments

(i) ***Credit Risk***

To the extent the LP 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 LP to credit risk principally consist of bank balances and receivables.

The LP will hold no collateral or any other security over their financial assets subject to credit risk. However, the LP funds will be held by ASB Bank Limited which is a well-established bank within New Zealand, and currently holds an AA- credit rating from Standard & Poor's (Australia) Pty Limited and Fitch Australia Pty Limited and Aa3 from Moody's Investor Service Pty Limited, therefore reducing possible credit risk.

The LP's Tenant will pay rent monthly in advance, and as such there is no anticipated credit risk exposure as at 31 March 2016 or 31 March 2017 arising from the Tenant. As a result the LP does not anticipate non-performance by the counter parties. During the due diligence process the Manager did not identify any material tenant risk.

Maximum exposures to credit risk at balance date are:

	2016 $	2017 $
Bank balances	568,577	461,542

(ii) ***Currency Risk***

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

(iii) ***Liquidity Risk***

Liquidity risk represents the LP's ability to meet its financial obligations on time. The LP projects to generate sufficient cash flows from its operating activities to make timely payment to meet these obligations. The table below represents all contractual terms of settlement and repayments resulting from expected financial liabilities at the end of each of the financial years covered in these prospective financial statements.

WHAT RETURNS **WILL I GET?**

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As at 31 March 2016

Financial Liabilities	**1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Total**
Non-derivative financial liabilities					
Trade payables and accruals	17,000	-	-	-	**17,000**
Interest payable	61,424	124,895	561,003	2,989,286	**3,736,608**
Borrowings	-	-	-	16,607,142	**16,607,142**
Total	**78,424**	**124,895**	**561,003**	**19,596,428**	**20,360,750**

As at 31 March 2017

Financial Liabilities	**1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Total**
Non-derivative financial liabilities					
Trade payables and accruals	17,000	-	-	-	**17,000**
Interest payable	61,424	124,895	561,003	2,989,286	**3,736,608**
Borrowings	-	-	-	16,607,142	**16,607,142**
Total	**78,424**	**124,895**	**561,003**	**19,596,428**	**20,360,750**

If the Property is not sold before the expiry of the bank facility, a new financial facility may involve principal repayments which (together with the applicable interest rates) will affect cash returns payable to Investors.

However it is assumed that the loan is extended on annual review in December 2017 extending the loan facility term to December 2018 on the same terms. It is assumed that the two year loan facility term will continue to be renewed on an annual rolling basis.

(iv) ***Interest Rate Risk***

The aggregate interest rate assumed in the prospective financial statements is 4.50%. By managing interest rate risk the LP aims to moderate the impact of fluctuations in interest rates.

Changes in interest rates will have an impact on future profits for periods ended 31 March 2016, 31 March 2017 and beyond. The impact of this on the return to Investors' capital, and the sensitivity is outlined below.

Impact of an Interest Rate Change for a Full Year

These variances in interest rates and the corresponding changes in forecast cash return are calculated on the basis that the variation is apparent for a full financial year ending 31 March 2017 and that all other assumed variables are held. It simply outlines the investor return should the actual aggregate interest rate be different from the assumed aggregate interest rate of 4.50%.

Annual Interest Rate	Annual Forecast Investor Return	Investor Yield	Variance in Forecast Investor Return
3.70%	4,264	8.53%	264
3.90%	4,198	8.40%	198
4.10%	4,132	8.26%	132
4.30%	4,066	8.13%	66
4.50%	4,000	8.00%	0
4.70%	3,934	7.87%	(66)
4.90%	3,868	7.74%	(132)
5.10%	3,802	7.60%	(198)
5.30%	3,737	7.47%	(264)

Derivative Interest Rate Sensitivity

As derivative instruments (interest rate swaps) may be entered into in the future, then the fair values of these instruments is to be recorded, and any movement in the fair values will be recorded in the Statement of Profit and Loss and Other Comprehensive Income in future financial statements. Any variation in interest rates will also impact the fair values of the instruments. The reported movement in the fair values is a non cash transaction and may also be excluded for tax purposes. The fair values will also be subject to change on a daily basis and the Manager is not able to accurately predict the future variation in interest rates.

Capital Risk

The LP's objectives when managing capital are to safeguard the LP'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 and the LP's situation will evolve, the Manager will consider various capital management initiatives accordingly, including a debt reduction and also a change in the level of distributions to Investors. The forecast cash return to Investors is $4,000 per Interest for the year ended 31 March 2017 ($1,097 per Interest is forecast for the 3 months and 10 days ending 31 March 2016), noting that distributions are paid monthly in arrears. Capital will also be monitored through the gearing ratio (debt/investment property).

(v) ***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

	2016	2017
Number of Interests issued	503	503

The 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 LP, and rank equally with regard to the LP's residual assets.

WHAT RETURNS
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Investors contributions are calculated as follows:

	2016
Gross contribution from Investors (503 allotments @ $50,000 each)	**25,150,000**
Less: Legal costs – equity raising	(122,500)
Less: Statutory Supervisor fees	(5,000)
Less: Printing and Advertising	(115,000)
Less: Accounting and audit fees (Prospectus)	(21,000)
Less: Brokerage on equity raised	(383,000)
Less: Offeror's fee	(1,185,750)
Less: FMA Exemption	(5,000)
Total establishment costs associated with raising equity	**(1,837,250)**
Issued Capital	**23,312,750**

8. Fees paid to Auditors

Audit and assurance fees of $21,500 plus GST are anticipated to be paid to the auditors during the financial period ending 31 March 2016. $11,000 is for the audit of the prospective financial statements contained in the Investment Statement. The auditor fees in respect to the annual audit of the actual financial statements and tax disclosures are expected to be $8,500 plus GST and $2,000 plus GST respectively for the periods ending 31 March 2016 and the year ending 31 March 2017.

9. Distributions

The following gross distributions are included in the prospective financial statements during the periods ending 31 March 2016 and 31 March 2017.

	2016 $	2017 $
Per Interest – Gross distributions (before tax)	765	4,000

Cash distributions are to be paid monthly and in arrears by one month. A distribution is expected to be paid in early April 2016, which relates to the March 2016 period. This has not however been accrued in the prospective balance sheet at 31 March 2016. The gross distribution applicable to the 3 months and 10 day period ending 31 March 2016 is expected to be $1,099.

The gross distribution (before tax) applicable to the year ending 31 March 2017 will be $4,000.

The variance between the projected accounting surplus and the operating cash flow is due to the timing differences in respect to working capital, the amortisation of initial borrowing costs.

10. Cash at Bank

	2016 $	2017 $
Current Account	568,577	461,542

The current account will have no overdraft facility.

11. Future Lease Payments Receivable

The LP's property has an operating lease attached to it, under which the current contractual payments due to be received are as follows:

Period/Year ending (31 March)	Minimum Payments ($)
Formation to 31 March 2016	782,784
1 April 2016 to 31 March 2020	11,400,000
From 1 April 2020	12,587,500

The above rental income does not factor any future rental review impacts which are 3 yearly market reviews. In addition only current lease terms are included in the above table.[6]

[6] Details on the breakdown of the rental is set out on page 71 under the summary of the Lease.

12. Related Parties Note

Augusta Funds Management Limited is the Manager of the LP. Augusta Funds Management Limited is also the issuer in respect of the Prospectus. The following is a schedule of the fees to be paid to Augusta Funds Management Limited:

- Offeror's fee of $1,185,750 (establishment cost).
- Accounting fees of $10,000 (establishment cost). No accounting fees will be charged in relation to the years ending 31 March 2016 and 31 March 2017 but accounting fees will be charged in subsequent years.
- Management fees are $55,000 in the first 12 months and then will increase by the greater of 3% or CPI thereafter per year.

Augusta Funds Management will subcontract the property management to Bayleys Property Services (*BPS*), hence BPS will charge a property management fee to Augusta Funds Management.

13. Trade Payables

	2016 $	2017 $
GST payable	69,310	66,719
Trade Creditors	17,000	17,000
Interest Payable	62,277	62,277

The above records current liabilities due within 30 days of the balance date.

14. Loan

	2016 $	2017 $
Bank Loan – ASB Bank Limited	16,607,142	16,607,142

The loan agreement is an extendable loan facility and will be interest only. It will have an initial loan term of 2 years from the date of drawdown. The loan facility is subject to annual review and extension of 1 year and it is assumed that the loan is extended on annual review in December 2016 extending the loan facility term to 22 December 2018 on the same terms. Thereafter it is assumed the loan will be renewed on an annual basis.

There is an undrawn facility of $2 million. A line fee is payable at the rate of 0.5% per annum, or $10,000.

Bank legal fees are estimated at $10,000. These bank legal fees will be amortised over the initial period of the borrowings which is two years.

At all times the loan to property valuation ratio (LVR) is to be lower than 50%. As at 31 March 2016 the LVR is expected to be 41.9%. Interest cover is at all times to be maintained at not less than 2.00 times, calculated as net rental income generated / interest expense. For the year ending 31 March 2017, net rental income is expected to be 3.81 times the interest expense.

Calculations of bank loan covenants at 31 March 2017:

Period/Year ending (31 March)	Minimum Payments ($)
Interest cover (times)*	$2,850,000 / $747,321 = 3.81 (times)
LVR**	$16,607,142 / $39,600,000 = 41.9%

* (Net rental is based on cash net rental income)

** (based on valuation of the Property by TelferYoung (Canterbury) Limited)

WHAT RETURNS **WILL I GET?**

CONTINUED

Loan Security

The loan will be secured by a registered first mortgage over the Property and a first general security interest over the assets of the Custodian. The Custodian will enter into the loan for and on behalf of the LP and ASB Bank Limited's recourse will only be against the Custodian. Therefore the loan is non-recourse against the Investors.

15. Operating Expenses

The Manager will charge an annual management fee of $55,000 in the first 12 months of trading. In the second 12 months of trading the management fee will increase at the greater of CPI or 3% thereafter.

All operating costs are payable (including rates, material damage insurance premiums, utilities and maintenance costs) by the Tenant 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.

16. Establishment Costs

	Capitalised Costs	Issue Costs	Financing costs	Sinking Fund	Total
Purchase Price	39,525,000	-	-	-	**39,525,000**
Offeror's Fee	-	1,185,750	-	-	**1,185,750**
Brokerage on equity raised	-	383,000	-	-	**383,000**
Legal	35,000	122,500	17,500	-	**175,000**
Statutory Supervisor	-	5,000	-	-	**5,000**
Accountancy	-	10,000	-	-	**10,000**
Audit	-	11,000	-	-	**11,000**
Printing and advertising	-	115,000	-	-	**115,000**
Valuation	14,400	-	-	-	**14,400**
Health and Safety	1,800	-	-	-	**1,800**
Building Inspection	15,000	-	-	-	**15,000**
Town Planning Consultancy	1,192	-	-	-	**1,192**
FMA Exemption Fee	-	5,000	-	-	**5,000**
Bank Legal	-	-	10,000	-	**10,000**
Sinking Fund - Capex	-	-	-	300,000	**300,000**
Total	**39,592,392**	**1,837,250**	**27,500**	**300,000**	**41,757,142**

Auditors' Report

These prospective financial statements have been subject to an assurance engagement by the LP's auditor, Staples Rodway, whose report can be found on pages 88 to 91 of the Prospectus.

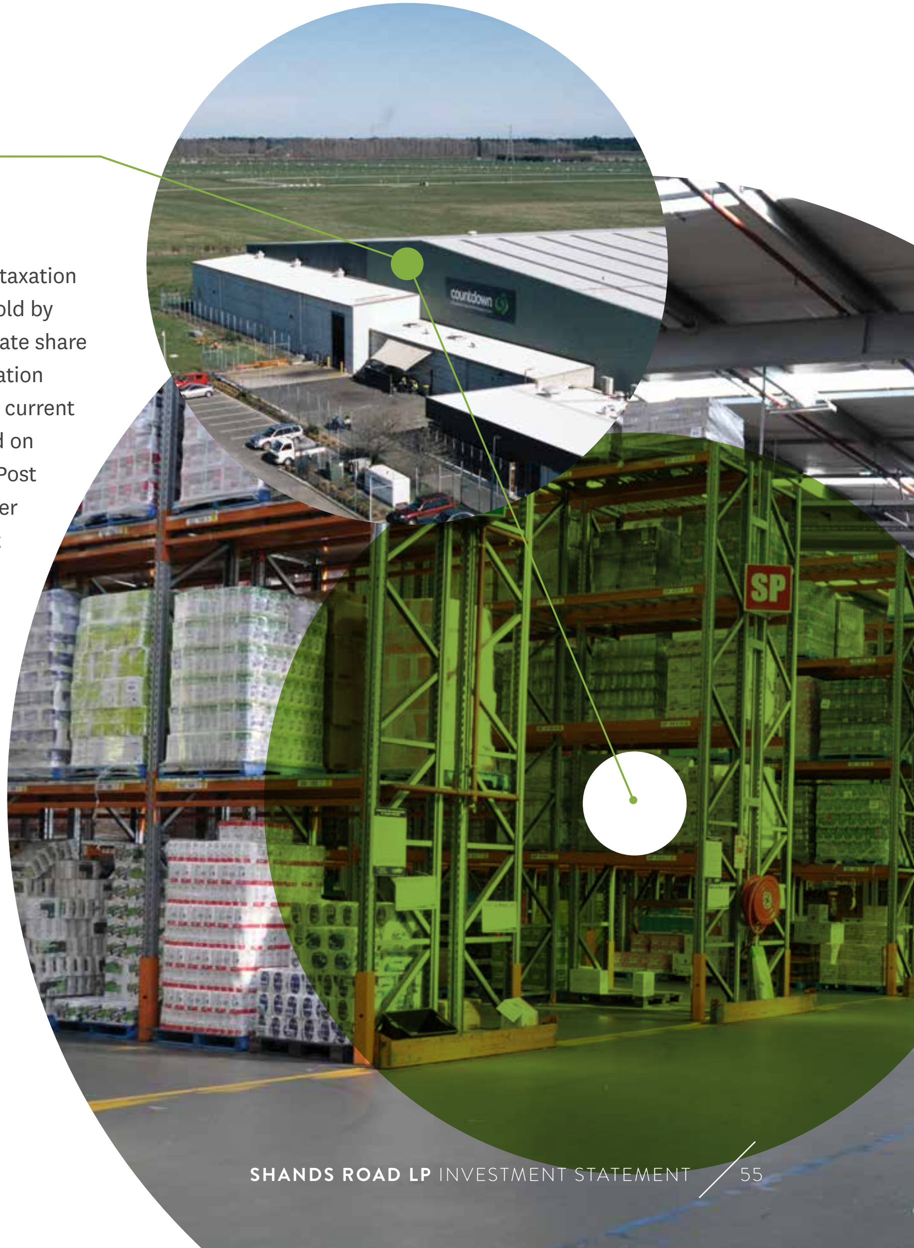
Tax Depreciation Claim

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

Investors are, under current legislation, able to depreciate the fit out and chattels for taxation purposes. It is the intention of the Manager to provide an itemised list of assets to enable maximum depreciation to be claimed. It is also the intention of the Manager to provide (on an ongoing basis) a fixed asset schedule with assets depreciated at maximum allowable tax rates.

The depreciation allowance entitles Investors to defer taxation on a portion of their cash return until the Property is sold by claiming as a tax deduction each Investor's proportionate share of the depreciation of the fit out and chattels. 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 to the extent it is owned by the LP. 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 Property during the term of the LP will be taxable in the year the Property or an Investor's Interest in the LP 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 Investors during the period of ownership of the Property.

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



WHAT ARE **MY RISKS?**

This section sets out the special trade factors and risks associated with investment in the LP that are not set out elsewhere in the Investment Statement.

There are a number of risks, both general and specific, that could impact on the performance of the LP, the financial returns of the LP, and the value of investment and potential liabilities of Investors under the LP. The principal risks for Investors in the LP are detailed below.

Prospective investors should consider the risks in conjunction with the contents of the Investment Statement and should seek independent advice.

Investors should note that the bank borrowing (including the initial 24 month term borrowing and any future borrowing) is provided to the LP, which means that, if the LP defaults, ASB Bank Limited can only recover the amount lent to the LP from the security given by the LP (the assets of the LP) and liability does not pass down to Investors for interest and principal payments to ASB Bank Limited. However, Investors may be liable for tax under current tax law on their proportionate share of any debt forgiveness if ASB Bank Limited writes off part of its loan in the event that the loan is unable to be repaid in full. Prospective investors should seek independent advice in relation to their own individual tax position.

The risks associated with an investment can be 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 LP 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.

Summary of key risks

Investors are subject to the following risks in this LP:

(a) not being able to recoup their original investment – in particular, Investors should note:

  (i) that ASB Bank Limited has security over the Property which ranks ahead of each Investor's investment in the LP;

  (ii) the Tenant has an uncapped right to require the LP to undertake further refurbishment and capital works on the Property under the Refurbishment Clause. If the Manager is not able to raise either bank funding or capital to fund such works, the Property may need to be sold and Investors may not recover the amount of their initial subscription;

(b) the cost of remedying the flooring issues in the 2012 extension (and any other associated or similar costs) exceeding the $750,000 retention and $300,000 sinking fund set aside for those costs. If the costs exceed either of those amounts, the Manager will need to fund these costs. Depending on the level of those costs, the Manager would either raise further bank funding or fund the costs from rental received from the Tenant. If the Manager funds flooring works from the rental received, then the cash returns to Investors will be reduced;

(c) not receiving the forecast return on their investment in the LP;

(d) not receiving the forecast cash return on their investment in the LP;

(e) the LP is terminated and the value of the Property has not increased sufficiently above the initial purchase price to recover establishment costs to enable Investors to recoup the full amount of their original investment;

(f) seismic risk due to the Property being situated in Canterbury;

(g) the LP not being able to replace the Tenant with tenant(s) on expiry or early termination of the Lease or being required to incur expenditure or forego rental (by way of rental holiday or similar) to secure a renewal of the Lease with the Tenant or new tenant(s);

(h) the performance of the commercial property sector in both Christchurch and New Zealand generally;

(i) changes in the New Zealand and/or Christchurch economies;

(j) the Tenant defaulting on its lease obligations; and

(k) ASB Bank Limited not agreeing to extend the bank loan after the initial 24 month term or on any subsequent annual review and/or alternative funding not being available.

The key risks referred to above are described in more detail below.

Tenant Default

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 or other financial problems of a significant nature, and Progressive Enterprises is unable to meet its obligations as Guarantor, any resulting failure to pay rental and outgoings and consequential recovery action or litigation would have a serious detrimental impact on the ability of the LP to pay returns to Investors on their interest in the LP and for Investors to recoup their original investment.

The Manager has not been provided with any financial statements in respect of General Distributors Limited or Progressive Enterprises, and prospective Investors must take this into account in their assessment of the financial standing of the tenant and whether to invest in the LP. The Manager understands General Distributors Limited is the principal property holding/operating company of Progressive Enterprises, and holds the majority of the freehold and leasehold property assets in relation to its New Zealand supermarket operations.

The Tenant and Guarantor are described on page 20 of the Investment Statement.

Not being able to recoup original investment

An Investor may not recoup its original investment in full if:

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

(b) the Tenant requires the LP to undertake further refurbishment and capital works on the Property under the Refurbishment Clause. If the Manager is not able to raise either bank funding or capital to fund these works, the Property may need to be sold and Investors may not recover the amount of their initial investment. The Manager has secured bank funding to fund the potential seismic upgrade works and has geared the current borrowing at a level the Manager considers would allow it to secure funding for more substantive refurbishment works;

(c) the Property is sold in the future and on the sale the net sale proceeds are less than the initial total subscriptions(after repayment of the bank funding). The sale proceeds from a sale of the Property would first go to repaying the amount of the loan with ASB Bank Limited. If the proceeds of a sale of the Property were insufficient to repay the full amount of the loan, ASB Bank Limited would not have any recourse at all to Investors for the outstanding amount of the loan. However, Investors would be unable to recoup any part of their initial subscription and may be liable for tax under current tax law on their proportionate share of any debt forgiveness if ASB Bank Limited writes off part of its loan;

(d) the Property is unable to be sold due to the value and size of the Property. There is no guarantee that there will always be willing buyers for the Property. Further, the ability to sell the Property is dependent also on the underlying lease terms and the performance of the industrial property sector in Christchurch and New Zealand at the relevant time. The market demand for the Property will affect not only the sale price for the Property but also the timing of sale. Failure to fully lease

WHAT ARE **MY RISKS?**

CONTINUED

the Property or rectify any outstanding repair and maintenance issues may also affect the value and sale proceeds;

(e) the Property is damaged or destroyed and such damage or destruction is not covered by the insurance policies arranged for the Property by the Tenant, or the insurance monies are inadequate and the Tenant and/or Guarantor does not have sufficient resources to make up the difference in accordance with their obligations under the Lease or pay the excess; or

(f) an Investor sells his or her interest in the LP 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 LP by Investors presumes a market for the interests. While Augusta Funds Management Limited offers a secondary market facility (refer to page 38), there is no established market for the sale of interests in the LP. Independent of whether there is an established market for the sale of interests, any market may be illiquid and a sale of an interest in the LP may not be easily achieved.

Not receiving the forecast return on investment in the LP

An Investor may not receive the forecast return on its interest in the LP 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 and Guarantor may default on lease payments or be unable to sustain payment of the rental under the Lease. There may be difficulty in replacing the Tenant, if required. It is also possible that if replacement tenant(s) are required to be found, rental may be at a lower level than the rental payable under the Lease at the date of the Investment Statement. Costs associated with obtaining a replacement tenant(s) will reduce funds available for the distribution to Investors. Further information on the Tenant (and the Guarantor) is set out on page 20;

(b) **Renewal Risk** – on the expiry of the Lease or on any renewal of the Lease, the LP may need to incur expenditure/costs by upgrading or remediating the Property, or by providing lease inducement payments or rental holidays to the Tenant or any replacement tenant(s). Costs associated with obtaining replacement tenant(s) will reduce funds available for the distribution to Investors. Furthermore, certain work carried out under the Refurbishment Clause may not add significant rental value at the time of renewal;

(c) **Interest Rate Risk** – the return to Investors will be subject to interest rate variations on the bank loan (initially a 24 month term, subject to annual review and extension – refer to the summary of the bank loan terms on pages 67 to 68 of the Investment Statement). However, interest rate movements are unable to be accurately predicted. Additionally, if the Property is not sold before the expiry of the term of the bank loan (initially a 24 month term), renewed or extended financial facilities may involve principal repayments which will affect cash returns (and Investors will remain liable for New Zealand tax on their proportionate share of the New Zealand taxable income earned by the LP – which any principal repayments will not reduce). The Manager 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 determine an appropriate hedging position.

If any swap agreements are exited before the term of those swaps expired, penalties may be payable if the relevant swaps were out of the money. The swaps would be out of the money if the agreed swap rate was higher than the prevailing wholesale market rate that reflects the remaining term through to maturity.

The interest rate at the end of the swap arrangement or any alternate 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 Investors receive;

(d) **Landlord Costs** – under the terms of the Lease, structural repairs and certain maintenance and capital works to the Property are the responsibility of the owner of the Property (being the LP) and are not recoverable from the Tenant under the terms of the Lease. Such costs could include repairs and maintenance to the roof and exterior of the building, replacement of building services and the Landlord's fixtures and fittings where items have reached the end of their economic life, disrepair due to fair wear and tear or inherent defects or earthquake strengthening works if the minimum statutory requirements are increased above the building's current seismic rating. Furthermore, the Landlord may incur significant liabilities under the Refurbishment Clause, including in relation to the potential seismic upgrade works (which are specific risks related to this LP and are described further on pages 60 to 62).

The Manager has allowed for capital expenditure, primarily for rectification of the flooring issues described on page 15, through the sinking fund, of $33,332 and $100,000 in the accounting periods ending 31 March 2016 and 31 March 2017 respectively (with the remainder of the sinking fund anticipated to be spent in subsequent periods). Should further significant expenditure be required, the decision on how to fund these works will be made at the relevant time and may involve further bank funding and reductions in the rate of return;

(e) **GST Risk** – the Tenant pays GST to the LP 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 Deed of Participation.; and

(f) **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 or, in certain circumstances, termination of the Lease. Under the Lease, the Tenant is required to insure the building to full replacement and reinstatement value plus 24 month's loss of rents and outgoings and noting the interests of the Landlord and its financier. If the Tenant does not comply with this obligation and does not arrange appropriate insurance for the Property, or the insurance monies are inadequate and the Tenant and/or Guarantor does not have sufficient resources to make up the difference in accordance with their obligations under the Lease or pay the excess then any destruction of the Property will impact adversely on the income from the Property.

General risks with property investments of this nature

General risks with property investments of this nature, which apply to the LP are:

(a) **Tenancy Risk** – the key area of risk associated with investment in the LP is that of the Tenant or Guarantor defaulting on their lease obligations. Dependence has been placed on the ability of the Tenant to meet its contractual obligations to continue payment of rentals and outgoings and the guarantee of those obligations provided by the Guarantor. If the Tenant (or, where relevant, any subsequent tenant(s)) or its Guarantor (or, where relevant, any subsequent guarantor(s)) were to suffer liquidity problems of a significant nature, any resulting failure to pay rental and outgoings and consequential recovery action or litigation may have a serious detrimental impact on the ability of the LP to pay returns to Investors on their interest in the LP and for Investors to recoup their original investment. Investors are reliant on the Tenant and Guarantor's ability to withstand difficult market conditions. If the Lease is terminated as a result of the Tenant or Guarantor's default, the LP may have to carry out works or otherwise provide incentives to re-lease the Property on the same terms;

WHAT ARE **MY RISKS?**

CONTINUED

(b) **Liquidity Risk** - there is no guarantee that there will always be willing buyers for this type of investment. The sale of interests in the LP by Investors presumes a market for the interests. The market may be illiquid and a sale of an interest in the LP may not be easily achieved. The Interests have not been approved for trading on a registered market;

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

(d) **Property Market Risk** – the value of the Property will reflect the underlying performance of the industrial property sector in Christchurch, 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;

(e) **Economy Risk** – the value of the Property may, in part, reflect the overall state of the economy in New Zealand generally and in Christchurch specifically. Deterioration in the New Zealand and/or Christchurch economy may reduce the value of the Property and affect the LP's costs, rentals and other underlying property fundamentals;

(f) **Leverage** – There is a risk that adverse market movements may cause a breach of banking covenants – in particular the requirement in the ASB Bank Limited facility to maintain a maximum loan to value ratio of 50% and net rental income at a level not less than 2.00 times the actual interest cost. If the breach (or any other breach of the banking covenants) is not remedied, the Bank may enforce its security and sell the Property at a lower than market price due to a forced mortgagee sale. On settlement of the Property, the loan to valuation ratio is expected to be approximately 41.9% and the net rental income is expected to be approximately 3.81 times the actual interest cost for the year ending 31 March 2017; and

(g) **Changes in Laws** – changes in the law applying to the LP may affect the prospects of the LP. In particular, future changes in taxation law may affect the tax treatment of acquiring, holding (including receiving distributions), and disposing of an interest in the LP. Prospective investors should seek independent advice in relation to their own individual tax position.

Specific risks related to this LP

Specific risks which apply to this LP are:

(a) **Control Risk** – the Deed of Participation does not limit the number of Interests that an Investor may hold. Accordingly, Investors are subject to the risk that one Investor may have control of the LP or have sufficient votes to block any proposed resolutions. In particular, Investors should be aware that the Vendor has agreed to subscribe for 120 of those Interests (representing approximately 24% of the Interests under the Offer);

(b) **Management Risk** – if an Investor were to participate in the management of the LP, that Investor may become liable for the liabilities of the LP, under the 'no management rule' contained in the Limited Partnerships Act 2008. The LP and the Offer have been structured to avoid Investors breaching that rule, and the Manager believes it is highly unlikely that any Investor will breach that rule in the future;

(c) **Dilution Risk** – if the General Partner seeks to raise further capital in order to fund development at the Property or for the operating costs of the Property, the interest of Investors in the LP may be diluted if an Investor is not able or willing to subscribe for further capital in the LP. This risk is mitigated for Investors by the General Partner being obliged, pursuant to the Deed of Participation, to offer any further capital to be issued to Investors on a pro-rata basis reflecting their proportionate interest in the LP;

(d) **Refinancing Risk** – the loan facility has an initial 24 month term. The loan facility does not currently require the principal to be paid off within a specified period of time. As any extension is at ASB Bank Limited's discretion there is a risk that the LP will not be able to secure any extension on similar terms with ASB Bank Limited. Should the reviewed terms (lending margin and base rate) differ from the initial terms entered into, this would lead to an impact (positively or adversely) on the actual return Investors receive. Should the LP not be able to secure a refinanced loan facility then the LP will be forced to source an alternative finance facility agreement which may lead to an adverse impact on the return Investors receive or will be forced to sell the Property in order to repay the loan facility;

(e) **Refurbishment Clause** – Details of the Refurbishment Clause are set out on pages 18 to 20 of the Investment Statement.

Based on the:

(i) Manager's modelling as at the date of the Prospectus;

(ii) Manager's initial scoping works of the potential seismic upgrade works;

(iii) The loan-to-value ratio at settlement and terms of the Deed of Participation (which allow the Manager to borrow further bank funding provided that the loan to value ratio (calculated on "as completed" basis) does not exceed 50% of the value of the Property. As at the settlement date the loan-to-value ratio is expected to be approximately 41.9%);

(iv) the bank funding secured from ASB Bank Limited to fund the initial seismic upgrade works; and

(v) initial discussions with ASB Bank Limited in relation to further potential funding in relation to future substantive refurbishment works,

the Manager considers the Refurbishment Clause, if triggered by the Tenant, could be funded on a debt-only basis. Under the terms of the Refurbishment Clause, the Tenant can only exercise the option if the current term of the Lease is at least 6 years from the estimated date of completion of the works (or the Tenant extends the Lease in order to provide a term of at least 6 years remaining from the estimated date of completion of the works).

The key risks associated with the Refurbishment Clause are:

(i) The Manager may not be able to raise bank funding to fund the works required under the Refurbishment Clause;

(ii) If the Manager is not able to raise bank funding it may also be unable to raise further capital from Investors or other parties to fund the works required under the Refurbishment Clause. If the Manager raises capital from parties other than Investors then the Investors interest in the LP may be diluted. It is the Manager's current intention that if it was unable to raise the required bank funding and needed to raise capital then it would seek first to raise that capital from the Investors on a pro-rata basis;

(iii) If the Manager is unable to raise either bank funding or capital to fund the works (or is unable to negotiate some form of arrangement with the Tenant) then the LP will be forced to sell the Property. A forced sale of the Property may result in the net sale proceeds being less than the initial total subscriptions and establishment costs and accordingly Investors may not recoup their original investment in full.

(iv) Depending on the work to be carried out under

WHAT ARE **MY RISKS?**

CONTINUED

the Refurbishment Clause, and the time until the next Lease renewal, the added value (for valuation purposes) of the work may not reach the level of the expenditure incurred.

(f) **Flooring Risk** – there is a risk that the cost of remedying the flooring issues in the 2012 extension (and any other associated or similar costs) exceed the $750,000 retention provided for in the Agreement for Sale and Purchase and $300,000 sinking fund set aside for those costs. If the costs exceed either of those amounts, the Manager will need to fund these costs. Depending on the level of those costs, the Manager would either raise further bank funding or fund the costs from rental received from the Tenant. If the Manager funds flooring works from the rental received, then the cash returns to Investors will be reduced.

In the Manager's view, the $750,000 retention has been set at a level that will cover any required works to fix the identified issues (and associated costs / damages). The retention figure reflects the Manager's current assessment of the likely upper limit of the cost to fix the floor issues that have been identified and any potential exposure to the Tenant for rent abatement or damages. The $750,000 maximum figure is substantially greater than the initial costings from the contractor being engaged to undertake the floor repairs and a peer assessment undertaken for the Manager by a concrete expert.

Alongside this retention, the LP's sinking fund of $300,000 will be used to address any other future potential issues with the floor (including any issues under the existing racking that are not currently visible) and any other required maintenance.

(g) **Seismic Risk** – Canterbury experienced significant earthquakes in 2010 and 2011. There is a risk that further earthquakes could occur in Canterbury. Insurance cover has been arranged to attempt to mitigate these risks, as discussed further at page 19. While the insurance policy required to be taken out by the Tenant will provide 24 months' loss of rents cover, there is a risk that the time to rebuild at the Property could take longer than 24 months, and a new tenant may have to be found once rebuilding is completed if the Lease has been validly terminated. Notwithstanding the report commissioned by the Vendor and the process undertaken by the Manager, there is also a risk that there are still latent defects in the buildings on the Property as a result of the Christchurch earthquakes that have not been identified.

(h) **Assignment Risk** – Upon assignment with the Landlord's consent, the Tenant and the Guarantor are released from any continuing obligations under the Lease. Any assignee must be respectable, responsible and have the financial resources to meet the Tenant's commitment under the Lease, however the Landlord cannot require that the assignee be the owner or operator of a business of an equivalent or similar substance or nature to that of the Tenant. If the assignee is a company not listed on the NZX, the Landlord may require that the principal shareholders of the assignee company unconditionally guarantee the obligations of the assignee. The risk is that General Distributors Limited assigns to an assignee/guarantor with an acceptable, but lesser covenant than General Distributors Limited /Progressive Enterprises and General Distributors Limited and Progressive Enterprises will be released from liability going forward.

The Tenant does not have to obtain the Landlord's consent to assign the Property to any related companies or to a franchise so long as General Distributors Limited remains liable as if it were the tenant, and Progressive Enterprises Limited will remain liable as guarantor.

(i) **Rent Abatement Risk** – Under the Lease the Tenant has the right to a rent abatement in certain circumstances, as set out in further detail at page 72. In particular, the Landlord must use reasonable endeavours to ensure the Tenant receives a continuous supply of all utilities or services provided to the Premises by any third party utility or service provider. In the event the Landlord fails to use reasonable endeavours to satisfy this obligation, the Tenant is entitled to a rent abatement for each day or part day the failure continues.

CAN THE INVESTMENT **BE ALTERED?**

The subscription amount set out under the heading "How much do I pay" cannot be altered by the Manager, an Investor or any other person.

The terms of an Investor's interest in the LP are governed by the Deed of Participation and the Limited Partnership Agreement. The Deed of Participation and Limited Partnership Agreement provide that the LP cannot be altered unless agreed by Investors representing not less than 75% of the Interests entitled to vote and voting on the question at a properly constituted meeting of Investors.

Under the terms of the Deed of Participation and the Limited Partnership Agreement, certain matters can be approved by Investors representing not less than 75% of the Interests entitled to vote and voting on the question – refer to pages 77 to 79.

The Supervisor may, on behalf of the Investors, make a change to the Deed of Participation in certain circumstances – refer to the Deed of Participation summary on pages 76 to 79 for more details.

Consequences of Insolvency

In the event that the LP is put into liquidation or wound up, unless an Investor participated in the management of the LP, no Investor will be liable to pay money to the LP's creditors. However, all liabilities of the LP (including the bank loan) will rank ahead of claims of Investor.

HOW DO I CASH IN **MY INVESTMENT?**

Early termination

Term of the LP

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

The LP may be terminated and wound up at any time if Investors representing not less than 75% of the Investors entitled to vote and voting resolve to terminate and wind up the LP.

Repayment or re-financing of ASB Bank Limited loan

The Manager must call a meeting of Investors if the Manager is not able to agree a re-financing of the LP's existing bank facilities or enter into any new facilities, either at the end of the initial 24 month term or on any annual extension thereafter, to determine whether or not the Property or any part of it should be sold and the LP terminated.

At that meeting a resolution of Investors representing a majority of not less than 75% of the Interests entitled to vote and voting on the question in the LP can determine the proposed course of action.

Termination by Investors

An Investor can terminate his or her interest in the LP by selling the interest held by that Investor in accordance with the requirements of the Limited Partnership Agreement.

Details of the charges payable on the termination of the LP, or the termination by an Investor of his or her interest, are set out on pages 37 to 38.

Right to sell security

Each Investor may sell his or her interest to any person so long as:

(a) the LP has approved the proposed transferee, such approval not to be unreasonably withheld. Any new investor (being someone who has not invested in a previous syndication offered by the Manager) will need to provide the Manager with the required Anti-Money Laundering and Countering Financing of Terrorism Act 2009 approval identification prior to the Manager registering the transfer;

(b) the instrument of transfer is in the form approved by the Manager from time to time and that it is signed by the transferor and the transferee;

(c) if required, any mortgagee of the Property has consented to the transfer;

(d) the transferee has signed a Deed of Adherence – Substitute Partner (whereby the transferee agrees to be bound by the terms of the Limited Partnership Agreement in its capacity as a Limited Partner) and the signed Deed of Adherence – Substitute Partner has been delivered to the LP;

(e) the transferor agrees to pay or reimburse any reasonable legal costs incurred by the Manager or the LP in connection with the transfer.

Further, the LP may in its absolute discretion refuse or delay the registration of any transfer if there are unpaid amounts owing from the transferor to the Manager or the Limited Partnership or the transferor is in breach of the Limited Partnership Agreement or the Deed of Participation.

There is no active market anticipated for the sale or purchase of Interests. However, Augusta Funds Management does offer a secondary market facility to Investors. If Investors utilise the secondary market facility offered by Augusta Funds Management, then an administration fee will be payable to Augusta Funds Management and the current charge is equivalent to 2% of the transaction value. Augusta Funds Management will facilitate secondary transfers but does not act as a broker nor does it provide financial advice to any party.

WHO DO I CONTACT WITH **INQUIRIES ABOUT MY INVESTMENT?**

Enquiries about the LP 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 94).

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE **PROBLEMS WITH THE 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 94).

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 Level 1, Windsor Court, 128 Parnell Road, Parnell, Auckland.

A complaint can also be made to Fairway Resolution Limited (trading as Financial Dispute Resolution), 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 Dispute Resolution may be contacted by telephoning 0508 337 337 or at Freepost 231075, PO Box 5730, Wellington 6145.

A complaint about your investment may also be made to the Supervisor (at the address and business telephone number set out in the Directory on page 94).

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

WHAT OTHER INFORMATION CAN I **OBTAIN ABOUT THIS INVESTMENT?**

Prospectus and Financial Statements

Other information about the Interests (securities) and the LP is contained in or referred to in the Prospectus. A copy of the Prospectus is available free of charge from the Manager at the address set out in the directory at the back of the Investment Statement. The Prospectus, the prospective financial statements and other documents (including the Deed of Participation) relating to the LP are filed on a public register at the Companies Office of the Ministry of Economic Development and available for public inspection (**www.companies.govt.nz**) by searching "Augusta Funds Management Limited" on the register.

Annual information

Investors will be sent annually audited financial statements in respect of the performance, financial position and cash flows of the LP. These will be provided by the Manager within three months of each financial year ended 30 June.

On request information

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

(a) further copies of the Investment Statement;

(b) a copy of the full Valuation Report;

(c) the latest audited financial statements of the LP, at the time of request – there are no audited financial statements of the LP as at the date the Investment Statement is prepared;

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

(e) a copy of the Deed of Participation and Limited Partnership Agreement;

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

(g) any other documents listed below in the "Other Material Information" section.

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 94).

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**

Agency Agreement

Augusta Funds Management has entered into an agency agreement with Bayleys Real Estate Limited dated 11 November 2015, appointing Bayleys as the sole selling agent for the Offer. Bayleys will receive a brokerage fee of $1,000 (plus GST) for each Interest which is allotted to an Investor other than the Vendor. That brokerage fee is included in the Issue Expenses.

Bank Funding proposal

A bank indicative funding proposal for the LP dated 11 November 2015 has been secured from ASB Bank Limited. The parties are the LP as borrower and ASB Bank Limited as lender. It details the terms on which the bank will loan funds to the LP. It also details, among other things, the conditions precedent to providing that funding, the bank's security requirements and the covenants the LP must adhere to.

The loan offer contains, among others, the following terms and conditions:

- Amount
  - $18,607,142. The limit will be advanced in the following manner:
    - An initial drawdown of $16,607,142 (to cover the balance of the purchase price);
    - $2,000,000 to be made available for the purpose of funding the seismic upgrade works.
- Security
  - Registered mortgage over the Property
  - A General Security Agreement over all present and after acquired personal property of the LP, General Partner and the Custodian.
- Loan term
  - 24 months
  - With an extendable term, the "evergreen" facility can be renewed annually and subsequently extended by a further 12 months (to effectively reset the term to 24 months from the extension date) at both the ASB Bank Limited's and the Custodian's discretion. Should the "extendable" option be exercised ASB Bank Limited may re-price the facility lending margin. The current market price for the further 12 month extension will be blended with the current rate for the remaining term of the initial facility to determine a new lending margin.
- Personal Guarantees
  - Custodian and General Partner guarantees LP's debt and obligations. No other personal guarantees.

OTHER MATERIAL **INFORMATION**

CONTINUED

- Legal Fee - $10,000 (estimated)
- Line Fee - An undrawn line fee of 0.50% per annum will be charged if the seismic upgrade works have not commenced within 12 months of settlement.
- Assumed Interest Rate - 4.50%
- LVR (Loan to Value Ratio)- Not to exceed 50%.
- Interest Cover Covenant - The net rent divided by the interest expense is to be greater than or equal to 2.00 times at each reporting period.
- Principal Payments - No principal repayments are required to be made until the repayment date specified in the loan agreement which is the expiry of the loan term (provided the LP is not in default of the bank covenants).

Agreement for Sale and Purchase

The Sale and Purchase Agreement for the Property is dated 1 August 2015 as varied pursuant to a due diligence confirmation letter dated 30 October 2015 (the *Sale and Purchase Agreement*). The parties to the Sale and Purchase Agreement are Virgo Group Limited (the *Vendor*) and the Manager and/or nominee (the *Purchaser*).

The Manager will nominate the Custodian as purchaser under the Sale and Purchase Agreement prior to settlement.

The Sale and Purchase Agreement contains, among others, the following terms:

- *Purchase Price* – $39,525,000.00 plus GST (if any).
- *GST* – the transaction will be zero rated for GST.
- *Deposit* – $1,000,000.00 payable on the date the Sale and Purchase Agreement is unconditional. The deposit will be paid by the Manager and will be reimbursed by the LP on settlement of the purchase of the Property.
- *Conditions* – the Sale and Purchase Agreement is conditional upon the Purchaser confirming it is satisfied that it has secured a sufficient number of investors and has entered into an agreement with the investors on terms and conditions acceptable to the Purchaser (in its sole discretion). The date for satisfaction of this condition is 15 December 2015.
- *Settlement Date* – 22 December 2015.
- *Other Terms* – the Sale and Purchase Agreement includes the following terms and conditions:
  - *Rental Underwrite* – the Vendor has agreed to pay the difference between the rent payable under the Lease and $2,850,000 plus GST per annum from the settlement date until 29 August 2019. As the rent is currently $2,753,908 plus GST per annum, the Vendor will initially be required to pay the difference of $96,092 per annum. The Purchaser is required to use reasonable commercial endeavours to complete the rent review due 30 August 2016 and involve the Vendor in all respects. Following this rent review the amount of the Vendor's contribution pursuant to the underwrite will be adjusted accordingly.
  - *Vendor Subscription* – the Vendor has agreed to subscribe for $6,000,000 of Interests in the LP, which will be deducted from the sum required for settlement of the Property.

- *Floor Issues* – the Vendor will obtain an engineering report to identify any defects and disrepair within the floor (excluding areas of the floor under racking). The Purchaser will procure the completion of the required works to rectify the identified floor issues with all reasonable expediency. On settlement a retention of $750,000 will be retained from the settlement proceeds by the Vendor's solicitor as stakeholder. The retention sum will then be applied towards the cost of completing the works and any claim by the Tenant in relation to the identified floor issues and the remediation works.

  On the date 6 months following the date the engineer provides notice that the remedial works have been completed, (subject to any outstanding Tenant claims notified by the Purchaser) the remaining retention sum will be released to the Vendor. If the works have not been completed by the date 3 years following the settlement date, the remainder of the retention will be released in equal parts to the Vendor and Purchaser.

- *Information Warranty* – the Vendor warrants that the information provided during the due diligence period is complete, true and accurate to the best of its knowledge and belief.

- *Property Management* – the Vendor is required to comply with its obligations under the Lease, keep the Purchaser informed of disputes, continue to operate the Property as a prudent landlord from the date of the due diligence confirmation letter to the Settlement Date.

Placeholder limited partnership agreement

The General Partner and AFM LP Limited have entered into a placeholder limited partnership agreement, dated 30 October 2015. This agreement establishes the LP under the Limited Partnerships Act 2008 and sets out certain rights and duties of the parties.

On settlement of the Property, the General Partner, AFM LP Limited and the Investors will enter into an amended and restated limited partnership agreement, which will replace the placeholder limited partnership agreement. The Custodian will sign the Limited Partnership Agreement on behalf of the Investors. Further details about this agreement are set out below.

Interparty Deed

The Interparty Deed prevents ASB Bank Limited from making further advances (or re advancing previous advances) to the LP except:

(a) as it is expressly permitted to do under its facility and security documents;

(b) where there is a short term advance (for no longer than 30 days) of an amount not greater than one month's gross rental received from the Property and for the purpose of covering short term excesses of the LP;

(c) with the prior written consent of the Custodian (which is controlled by the Statutory Supervisor) (which will not be unreasonably withheld); or

(d) where authorised by the Deed of Participation.

The Interparty Deed will only be executed if, and upon, the offer contained in the Prospectus being fully subscribed. The parties to the Interparty Deed are the Manager, the Custodian, the Supervisor and ASB Bank Limited. The Interparty Deed is a schedule to the Deed of Participation.

Obligations are imposed on ASB Bank Limited to consult with the Supervisor in relation to the exercise by ASB Bank Limited of its power to appoint a receiver. However, ASB Bank Limited does have the right to appoint a receiver without notice to, or consultation with, the Supervisor where ASB Bank Limited reasonably believes the immediate appointment is necessary to protect its interests.

OTHER MATERIAL INFORMATION

CONTINUED

Limited Partnership Agreement

On settlement, the General Partner will enter into the new Limited Partnership Agreement with each of the investors (along with the initial limited partner, who, at that point, ceases to be a limited partner) wherein it will act as the general partner of the Shands Road Limited Partnership with the Investors, who will each be a limited partner. The Custodian will sign the Limited Partnership Agreement on behalf of the Investors.

Each Investor is, by virtue of purchasing its interest in the LP, a Limited Partner of the LP.

The LP structure limits each of the Investors liability to their capital contribution.

AFM GP (Shands Road) Limited, as the general partner will manage the activities and affairs of the LP in accordance with the LP agreement.

The LP has no fixed term.

The Limited Partnership Agreement mirrors the provisions of the Deed of Participation in relation to fees, Investors' capital contributions, distributions and the provisions relating to meetings of limited partners. A full description of the Deed of Participation is contained at pages 76 to 79.

The Limited Partnership Agreement provides that each Investor may sell his or her interest to any person so long as:

(e) the LP has approved the proposed transferee, such approval not to be unreasonably withheld. Any new investor (being someone who has not invested in a previous syndication offered by the Manager) will need to provide the Manager with the required Anti-Money Laundering and Countering Financing of Terrorism Act 2009 approval identification prior to the Manager registering the transfer;

(f) the instrument of transfer is in the form approved by the Manager from time to time and that it is signed by the transferor and the transferee;

(g) if required, any mortgagee of the Property has consented to the transfer;

(h) the transferee has signed a Deed of Adherence – Substitute Partner (whereby the transferee agrees to be bound by the terms of the Limited Partnership Agreement in its capacity as a Limited Partner) and the signed Deed of Adherence – Substitute Partner has been delivered to the LP;

(i) the transferor agrees to pay or reimburse any reasonable legal costs incurred by the Manager or the LP in connection with the transfer.

Further, the LP may in its absolute discretion refuse or delay the registration of any transfer if there are unpaid amounts owing from the transferor to the Manager or the Limited Partnership or the transferor is in breach of the Limited Partnership Agreement or the Deed of Participation.

To the extent allowed by law the General Partner, and its officers (including managers and directors), partners, contractors (who are acting in a similar manner as employees but who are not treated as employees for relevant employment legislation purposes), employees and personnel are not liable for loss or damage incurred, sustained or suffered by the LP and are indemnified by the LP for their costs or expenses incurred by it performing any of their duties or exercising any of their powers in relation to the LP, except in the case of gross negligence, willful dishonesty, fraud, willful misconduct, willful illegal act or material breach of an obligation under the Limited Partnership Agreement.

Lease

The Property is subject to a lease between (now) Virgo Group Limited (as landlord) and General Distributors Limited (as tenant) and Progressive Enterprises Limited (as guarantor) dated 27 August 2004, as varied by a deed of variation of lease dated 28 November 2007, a deed of variation and rent review dated 20 April 2009, an agreement to carry out works and vary lease dated 23 August 2011 and a deed of variation of lease dated 13 September 2012.

The Vendor's interest as landlord in the Lease will be automatically assigned to the Custodian on settlement of the Property.

The key terms of the Lease are as follows:

(a) *Premises* – all of the Landlord's land at 146 Shands Road, Christchurch, including:

(i) Warehouse: 22,706.05 square metres

(ii) Office: 469.35 square metres

(iii) Yard: 35.78 square metres

(iv) Canopies: 6,171.96 square metres.

(b) *Tenant* – General Distributors Limited.

(c) *Guarantor* – Progressive Enterprises Limited.

(d) *Commencement Date* – 30 August 2004.

(e) *Current Term* – 20 years.

(f) *Expiry Date of Current Term* – 29 August 2024.

(g) *Rights of Renewal* – 3 rights of renewal of 10 years each.

(h) *Current Rent* – $2,753,908.00 plus GST per annum, comprising:

(i) base rent of $1,567,808;

(ii) subdivision rent of $210,000;

(iii) improvement rent of $7,000 (from 1 September 2007 until 29 August 2024); and

(iv) improvement rent of $969,100 (from 13 September 2012 until 29 August 2024).

(i) *Rent Reviews* – the base rent is reviewed to market on each third anniversary of the commencement date (including during any renewed term) and any renewal date. A "soft ratchet" applies so that the rent on review may not be less than the rent payable on the commencement date (less the subdivision rent), being $1,202,370 plus GST. The Landlord can only exercise the rent review in the period 6 months before the rent review date to 6 months after the rent review date (if the rent review date is not a renewal date). The Tenant can only trigger a rent review after the expiry of the Landlord's notice period. On review the value of the subdivision land and any improvements in respect of which improvement rent remains payable is disregarded.

(j) *Outgoings* – the Lease is a semi-gross lease. The Tenant is liable to contribute:

(i) rates, levies, taxes, duties, assessments and demands (excluding income or capital gains tax) payable in respect of the premises. If not separately assessed the Tenant will pay a fair and reasonable proportion (based on rentable value of the premises against the rentable value of the land).

(ii) water, electricity, gas and telephone accounts.

(iii) costs incurred and payable by the Landlord to supply a BWOF and for reports required pursuant to the Building Act (but not the costs of work which is the responsibility of the landlord).

(iv) the cost of insurance premiums and any related excess (in accordance with the Tenant's insurance obligations, set out in more detail below).

(k) *Permitted Use* – warehouse, offices and distribution centre. The Tenant can change the permitted use with the Landlord's consent (not to be unreasonably withheld or delayed, provided the change in permitted use does not have a material adverse effect on the value of the premises).

(l) *Tenant Maintenance* – the Tenant is required to:

(i) maintain the interior of the building and all Landlord's fixtures and fittings, save that the Tenant is not liable to maintain the premises in any better condition than that evidenced by the condition report attached to the lease and is not liable for usual exclusions such as fair wear and tear, damage caused by an insured risk, works

OTHER MATERIAL **INFORMATION**

CONTINUED

of a structural nature, replacement involving capital expenditure or damage caused by the landlord;

(ii) clean the Premises (including internal and external glazing);

(iii) enter into service and/or maintenance contracts if required by the Landlord;

(iv) repair and replace broken facilities and make good any damage caused by the Tenant or any third party (including internal and external glass) (except where such third party is under the control of the Landlord);

(v) maintain all of the Tenant's signs;

(vi) maintain the landscaped areas;

(vii) maintain the Tenant's fixtures and fittings;

(viii) keep free all drains, grease traps, exhaust fans and filters in or leading from the premises.

The Tenant is not responsible for or liable to contribute to any of the items recorded under the Landlord's maintenance obligations, noted below.

(m) *Additions and Alterations* - the Tenant must obtain the Landlord's prior written consent (not to be unreasonably or arbitrarily withheld) to any structural alteration or addition.

(n) *Landlord's Maintenance* - the Landlord is responsible for maintenance of the Premises the Tenant is not liable for including:

(i) roof maintenance (including preserving the water tightness of the building);

(ii) rectifying inherent defects;

(iii) replacement of major components or the air conditioning plant and equipment and any other landlord fixtures and fittings when such items cease to provide an adequate service or to operate efficiently and in the reasonable opinion of the tenant is properly due for overhaul or replacement;

(iv) structural repairs;

(v) resurfacing of car parks.

(o) *Rent Abatement* - If the Landlord:

(i) fails to use all reasonable endeavours to ensure the Tenant receives a continuous supply of all utilities or services provided to the Premises by any third party utility or service provider;

(ii) does not meet its replacement obligations with respect to any back up power supply generator that is essential to the Tenant for the provision of sufficient backup power supply to the Premises in the event of a mains power supply failure; or

(iii) interrupts vehicular access or utilities or services to the Premises,

and as a result there is failure in the provision of utilities or services, or vehicular access and the Tenant's business operations are materially adversely affected then the rent shall cease to be payable for each day or part day the failure continues.

(p) *Reinstatement* – at the end of the Lease, the Tenant is required to yield up the Premises and the Landlord's fixtures and fittings in a state and condition consistent with the Tenant's obligations under the Lease and in no better a state of condition than evidenced by the Condition Report. There is no obligation on the part of the Tenant to remove its alterations, additions, partitions, fixtures and fittings at the end of the term. It may however elect to do so, although the Tenant cannot remove the roller grille (if any) and all doors providing access to the premises without the prior written consent of the Landlord.

(q) *Insurance* – the Tenant will procure insurance for the building on the Property to full replacement and reinstatement value plus 24 months' loss of rents and outgoings, noting the interests of the Landlord and its financier. The Tenant is responsible for payment of the premiums and any deductible amount (such amount to be at the tenant's discretion which could result in an unsatisfactorily high deductible upon which the Landlord is relying upon the Tenant's financial covenant to support). The Tenant shall keep current public liability insurance for an amount not less than $10 million, replacement insurance for all insurable risks to all glass in the premises and insurance for the full insurable value of all Tenant additions (except structural), fixtures, fittings and stock.

(r) *Destruction or Damage* –

(i) In the event the premises are damaged or destroyed during the lease term, the Tenant can either:

(A) reimburse the Landlord's reasonable costs of reinstatement; or

(B) make an appropriate claim against its insurance and pay the Landlord the insurance proceeds in relation to the building and the Landlord's fixtures and fittings and loss of rents.

(ii) The Landlord shall apply all monies received (except monies in respect of loss of rents) to repair or reinstate the premises and obtain all necessary consents. If necessary consents are not able to be procured on commercially reasonable terms the Landlord can determine (acting reasonably) whether to reinstate or terminate the Lease (with effect from the date the damage occurred).

(iii) The Landlord is not required to reinstate if the damage or destruction occurs in the last 2 years of the lease term unless the Tenant has exercised a right to renew the lease or the Tenant exercises a right to renew the lease within 2 months of the date of such damage or destruction (failing which the lease term shall be deemed to have ended from the date the damage occurred).

(iv) If the Landlord is of the opinion the Tenant should vacate the premises or any part to enable repair or reinstatement, the Landlord shall take possession of the premises or the relevant part on 1 months' written notice to the Tenant.

(v) A fair proportion of rent and outgoings shall abate from the date of damage to the earlier of:

(A) the date of practical completion of the repairs or reinstatement;

(B) the date the repairs or reinstatement are sufficiently completed to allow the Tenant to resume possession; or

(C) the date of termination of the Lease.

(vi) During the loss of rents insurance period the abatement shall only take effect to the extent to which the Landlord is paid the proceeds of that insurance cover.

(vii) If the premises are damaged to such an extent that (in the reasonable opinion of the Tenant) it is not viable for the Tenant to continue to trade from the premises, the Tenant has 42 days from the date of damage to serve written notice on the Landlord to determine the Lease.

(viii) If the Landlord has not reinstated the premises within 18 months of the date of the damage then the Tenant shall be entitled to terminate the lease on 20 working days' written notice. This is extended by 6 months if the Landlord has made substantial progress with a reputable contractor.

(ix) If the Lease is terminated following damage or destruction (except if terminated for the Landlord's failure to reinstate) and the Landlord intends to redevelop at any time then the Tenant shall have a right

OTHER MATERIAL INFORMATION

CONTINUED

of first refusal for any tenantable space the Landlord (at its discretion) elects to construct on the Property that is appropriate for the Tenant's use (this clause only applies while the Tenant is a member of the Progressive Group).

(s) *Assignment* – assignment of the whole or part of the premises is permitted with the Landlord's consent, which shall be granted provided that the Tenant is not in material breach of the Lease and the proposed assignee is respectable, responsible and has the financial resources to meet the Tenant's commitments under the Lease. A deed of assignment must be provided and the Tenant shall pay the Landlord's reasonable solicitor's costs and costs of the Landlord's enquiries as to solvency of the assignee. The Landlord may require guarantees from the principal shareholders of the assignee if the assignee is not listed by the NZX. The Tenant and any guarantor are released from any continuing obligation on assignment where the Landlord's consent has been provided.

Consent is not required to:

(i) assign the premises to any related companies or to a franchisee so long as General Distributors Limited remains liable as if it were the tenant under the Lease; or

(ii) for any sublease of part of the premises for such time and on such terms as the Tenant may determine in its sole discretion.

(t) *Deemed Assignment* – if the Tenant, Guarantor, or any interposed body corporate between the two is a company and there is a change in the legal or beneficial ownership of any of the shares in the capital of these entities, or any other thing affected the effective management or control of these entities, is deemed to be an assignment requiring the consent of the Landlord. This clause does not apply whilst the Tenant and Guarantor are members of the Foodland Group (Foodland Associated Limited, Progressive Enterprises Limited, General Distributors Limited and any related company), or to any transaction as a result of which the above entities all cease to be member of the Foodland Group but continue to be related companies, or if the transfer arises on a recognised stock exchange.

(u) *Cancellation* – the Landlord can terminate the Lease where:

(i) the rent is in arrears for more than 21 working days after 5 working days' written demand for payment in accordance with s245 of the Property Law Act 2007;

(ii) the Tenant is in breach of any material obligations of the Lease and has failed to remedy the same within 21 days' notice (or such longer period as may be reasonable in the circumstances) in accordance with s246 of the Property Law Act 2007.

(v) *Landlord Fixtures and Fittings* - the Landlord's fixtures and fittings include (but are not limited to) most building services (including HVAC), roof, internal walls and partitions, and ceilings (including tiles). A full list is annexed to the Lease.

(w) *Naming Rights and Signage* – the Tenant may erect signs on the premises or exterior of the building with the Landlord's written consent (not to be unreasonably or arbitrarily withheld). The Tenant may erect, install or paint signage on the building or around the premises where such signage is in conformity with signage or colour scheme provisions of the Tenant's branding from time to time (without Landlord consent).

(x) *First Right of Refusal to Purchase* - provided the Tenant is a member of the Progressive Group, the Tenant has a first right of refusal (of 20 working days from receipt of notice of offer) to purchase the Property in the event that the Landlord wishes to sell the Property. The first right of refusal is on usual terms and the Landlord is required to re-offer the Property to the Tenant (for a period of 10 working days) in the event that the Tenant does not accept the initial offer and the Landlord negotiates more favourable terms with a third party. This right does not apply to a sale to a company wholly owned by Multiplex Limited or to a trust of which the Manager is a company wholly owned by Multiplex Limited. The Tenant has waived its right of first refusal in respect of the sale of the Property contemplated in the Sale and Purchase Agreement to the Purchaser.

(y) *First Right of Refusal to Take Further Lease* - if the Landlord chooses to re-let the Premises for an additional term following final expiry of the Lease (after 29 August 2054), the Landlord must notify the Tenant whether or not it intends to re-let the premises and then submit to the Tenant an offer to lease upon such terms and conditions as the Landlord determines (for twenty working days). The Landlord is required to re-offer the lease to the tenant in the event that the Tenant does not accept the initial offer and the owner negotiates more favourable terms with a third party.

(z) *Rebranding/Refurbishment* - the parties acknowledge that due to the nature of the Tenant's business and the length of term of the Lease the Tenant may consider it necessary to carry out rebranding and/or refurbishment. When triggering either of these provisions the Tenant can require the Landlord to carry out repairs, replacements, alterations, additions or otherwise (whether structural or non-structural) to the Premises (excluding the Tenant's fixtures and fittings) (Landlord Works).

In the event the Tenant wishes to carry out a re-branding for bona fide commercial reasons the Tenant must provide a reasonable explanation of the rationale and demonstrate that the re-branding will not have a material adverse impact on the value of the premises, following which the Landlord is required to provide its consent to the rebranding. As part of either a rebranding, the Tenant can require the Landlord to carry out Landlord Works.

In the event the Tenant wishes to carry out a refurbishment (being an improvement and upgrading of the premises to reflect the latest standards of premises required by the Tenant for its business) for bona fide commercial reasons, the Tenant can require the Landlord to carry out Landlord Works. The Tenant must provide the Landlord with plans and specifications.

The Landlord can only be required to carry out Landlord Works in accordance with the above rebranding or refurbishment provisions if there are at least 6 years remaining on the lease term from the estimated completion date (or the Tenant agrees to extend the lease term accordingly). The parties acknowledge that the Tenant may provide funding to the Landlord for the Landlord's Works on an interest free basis or undertake the Landlord Works (at the Landlord's cost), subject to the parties reaching agreement.

The Tenant shall pay an additional improvement rent per annum equal to 11% (plus GST) of the actual cost of the Landlord Works. On renewal, any such improvement rent falls away and the Landlord's Works will be subject to market review together with the remainder of the premises. There is however no specific ratchet for the improvement rent and it is possible that the market rent for the Landlord's Works may be less than the improvement rent previously payable.

(aa) *Option to Purchase* – the Tenant has an option to purchase the Property at market value if there is a change in control in respect of the Landlord with the result that the Landlord becomes a competitor of the Tenant (for so long as the Tenant is a member of the Progressive Group).

(ab) *Registration* – the Lease may be registered on request by the Tenant.

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

OTHER MATERIAL **INFORMATION**

CONTINUED

Deed of Participation

The arrangements for ownership and management of the LP are set out in the Deed of Participation between the Manager, the Custodian, the LP and the Supervisor.

The Deed of Participation is dated 13 November 2015.

Prospective investors should read the Deed of Participation as in applying for Interests, they agree to be bound by its terms.

The principal terms of the Deed of Participation are summarised below:

Custodian

(a) The Custodian, holding in the capacity as a bare trustee on behalf of the LP, will become registered on the Certificates of Title as registered proprietor of the Property.

(b) The Custodian (and its directors, managers, employees and representatives) is indemnified by the LP in relation to all liabilities (other than mortgage borrowings which are limited recourse) arising by virtue of its holding the Property as a bare trustee for the LP.

Manager

(a) The Manager is appointed by the LP as manager of the LP having full and complete power of management, including the power to complete in the name of the Custodian the purchase of the Property, to arrange the mortgage finance, to recover rent and outgoings, and to negotiate all contracts relating to the Property and the LP.

(b) The term of the management contract is for the duration of the LP and will terminate when the Property is sold and the LP is wound up, unless otherwise agreed or terminated early in accordance with the terms of the Deed. Investors also have the power to pass a special resolution to sell any part of the Property.

(c) The Deed of Participation sets out the duties of the Manager, including obligations to use its best endeavours to ensure the LP is carried on in a proper and efficient manner and to manage the Property in accordance with best industry standards.

(d) The Manager has the power to borrow, for the purposes of the LP only, up to 50% of the purchase price or valuation of the Property (whichever is greater) from a lender selected by the Manager and provided those borrowings are secured by a first mortgage registered against the Certificate of Title for the Property. This power is at all times subject to any relevant covenants imposed by the LP's lender and the Interparty Deed (refer to page 69).

(e) The Manager has the power to refinance the initial loan facility with ASB Bank Limited (either on any annual review and at the end of the initial 24 month term or at any other time during the loan term) if:

(i) the Manager considers the terms of any renewed facility are consistent with prevailing market terms (as at the date of the renewal); and

(ii) (if required) the terms of the renewal are approved by the Supervisor.

(f) The Manager also has the power to re-finance in the name of the LP, the initial loan facility or any other borrowing of the LP if the Manager considers alternative financing is more favourable to the LP than the then current borrowings or the terms of the re-finance are consistent with prevailing market terms, and (if required) the terms of the re-finance are approved by the Supervisor.

(g) The Manager has the power to raise further capital for the LP (which may rank equal with or after existing Interests) provided that the terms of the capital raising are agreed with the Supervisor and the offer is made to existing investors on a pro-rata basis reflecting their proportionate interest in the LP. The Manager will certify to the Supervisor as to the terms of the offer and that they are fair and reasonable to the LP and existing Investors.

(h) The Manager is required to keep accounts and distribute operating cashflows at monthly intervals of such amounts as the Manager deems to be appropriate.

(i) The Manager is authorised to retain monies for any future capital expenditure or capital management initiatives (including retentions as a contingency against increases in interest rates on any bank borrowing or for repayment of loan principal) the Manager considers necessary to comply with the terms of the Lease or the Deed of Participation or to maximise the value of the investment.

(j) The Manager may suspend payment of all or part of any distributions, if it believes on reasonable grounds, that it is in the best interests of the LP to do so.

(k) The Manager is obliged to manage and review compliance with all relevant legislation in respect of the Property and the LP.

(l) The Manager may be removed by a special resolution of Investors (being a majority of not less than 75% of the Interests entitled to vote and voting on the question). 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.

(m) The annual LP management fee is $55,000 in the first 12 months, and thereafter, it will increase at the greater of 3% or CPI. The management fee is payable monthly in arrears.

(n) Leasing and sale fees are payable to the Manager as set out on pages 37 to 38 of the Investment Statement.

(o) 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, or a percentage of the costs of work, as agreed between the Manager and the Supervisor.

(p) The Manager has the ability to undertake or approve repairs, maintenance or improvements at its sole discretion if:

   (i) the aggregate expense of any such repairs, maintenance or improvements does not exceed $200,000 per financial year exclusive of GST; or

   (ii) in any event to the extent that such expenses are met by the Tenant or the Guarantor; or

   (iii) the Landlord is obliged to undertake such repairs, maintenance or improvement under the terms of the Lease.

In all other circumstances, any repairs, maintenance or improvements will require the prior approval of an ordinary resolution of Investors (being more than 50% of the Interests entitled to vote and voting on the question).

(q) The Manager has the ability to engage any property or facilities manager, valuer, lawyer or any other person as may be necessary, usual or desirable to perform its obligations under the Deed of Participation.

(r) The Manager will be fully indemnified against all losses, damages and liabilities out of the capital of the LP, other than which arise from fraud or a failure by the Manager to comply with the duties in sections 143 and 144 of the Financial Markets Conduct Act.

Supervisor

(a) The Supervisor is appointed as Statutory Supervisor of the LP for the purposes of the Securities Act and Securities Regulations.

(b) The duties imposed on, and rights granted to, Statutory Supervisors pursuant to Schedule 17 of the Securities Regulations are imposed on, or granted to, the Supervisor under the Deed of Participation.

OTHER MATERIAL **INFORMATION**

CONTINUED

In this case, the fee payable to the Supervisor will initially be $12,575 plus GST per annum. The Supervisor is also entitled to charge the LP for the Supervisor's disbursements, being routine expenses related to the ongoing administration of the LP.

(c) The Supervisor's fee is payable quarterly in arrears.

(d) The Supervisor is also entitled to charge a special duties fee, charged at the Supervisor's usual time and attendance rates to cover the Supervisor's ongoing review of any amendment to the documentation, the exercise of its power and discretions, the Supervisor's attendance at any special meetings and any other non-routine duties.

(e) The Supervisor may, on behalf of the Investors, agree with the Manager and make a change to the Deed of Participation:

   (i) if the Deed of Participation contains a non-prejudicial error; or

   (ii) if authorised by a resolution passed by a majority of not less than 75% of the Interests entitled to vote and voting on the question; or

   (iii) if the Supervisor considers that the change is clearly non-prejudicial to the Investors' interests; or

   (iv) if it is required to comply with any statute or statutory regulation.

(f) Under the terms of the Deed of Participation, the Manager has the following reporting obligations to the Supervisor:

   (i) The Manager must provide quarterly management accounts for the LP. However, the Supervisor may request the Manager provide management accounts on a more frequent basis than each quarter where the Supervisor reasonably considers that reporting on a more frequent basis is necessary to allow the Supervisor to be adequately informed as the status and performance of the LP;

   (ii) The Manager must provide the Supervisor with the audited financial statements for the LP, together with a report from the Auditor addressed to the Supervisor that to the best of their knowledge (among other matters) there are no matters warranting the Supervisor's attention or, if there are such matters, details of those matters;

   (iii) The Manager must provide a quarterly certificate to the Supervisor certifying (among other matters) the Manager's compliance with the deed and any matters that have occurred since the last certificate that materially adversely affect the LP;

   (iv) The Manager must notify the Supervisor immediately if it becomes aware of any default under the Deed of Participation or the LP agreement by any party (including an Investor) or a default under any loan agreement; and

   (v) All reports and information provided by the Manager to Investors must also be provided to the Supervisor.

(g) The Supervisor will be fully indemnified against all losses, damages and liabilities out of the capital of the LP, other than which arise from fraud or a failure by the Supervisor to comply with the duties in sections 153 and 154 of the Financial Markets Conduct Act.

Meetings

(a) The Deed of Participation sets out who can call meetings and meetings that the Manager must call.

(b) The Manager must call meetings to consider the latest financial statements (not later than 6 months after the end of the financial year) and if requested by the Supervisor or by Investors holding not less than 5% of the Interests. The Manager can otherwise call a meeting if it considers it necessary or desirable to do so.

(c) An Investor may appoint a proxy to attend the meeting on his, her or its behalf.

(d) At least 15 working days' notice of any meeting must be given.

(e) The quorum requirement for any meetings of Investors is:

  (i) where a special resolution is proposed, Investors holding not less than 25% of the Interests; or

  (ii) if a special resolution is not proposed, 2 Investors.

(f) The Manager must call a meeting of Investors if the Manager is not able to agree a re financing of the LP's existing bank facilities or enter into any new facilities, either at the end of the initial 24 month term or any further term, to determine whether or not the Property or any part of it should be sold and the LP terminated. At that meeting a resolution of Investors representing a majority of not less than 75% of the Interests entitled to vote and voting on the question in the LP can determine the proposed course of action.

Interparty Deed

An Interparty Deed is included as a schedule to the Deed of Participation. It is a condition of the Deed of Participation that any new bank which provides funding to the LP must enter into a new interparty deed. Details of the Interparty Deed are contained under the heading "Interparty Deed" on page 69 of the Prospectus.

Fees

The Deed of Participation sets out that all the issue expenses / establishment costs (as detailed on pages 76 to 79) are payable by the LP.

Exemption Notice

The Manager has applied for and been granted the Securities Act (Augusta Funds Management Limited – Shands Road Limited Partnership) Exemption Notice 2015 in relation to the Offer.

No other information

The Manager is not aware of any other information that would be material to a prospective Investor's decision to invest in the LP.

DISCLAIMER

No director, officer, employee, agent or adviser to Augusta Funds Management Limited or Augusta Capital Limited or any other person guarantees the performance of this LP or guarantees any return on investment in this LP.

APPLICATION INSTRUCTIONS

Subscriptions must be completed on the application form attached to the Investment Statement. ***TO ENSURE YOUR APPLICATION IS ACCEPTED, PLEASE READ THE APPLICATION INSTRUCTIONS BELOW CAREFULLY.***

Completed and signed application forms must be mailed or delivered to Chapman Tripp, Solicitors at Level 38, ANZ Centre, 23-29 Albert Street, PO Box 2206, Auckland (Attention: Shands Road Offer). Applications cannot be revoked or withdrawn.

No subscriptions will be received unless accompanied by a completed and signed application form and:

- for new investors, a completed checklist referred to on pages 80 to 81 below; and
- payment of the total application amount accompanies the application form.

IMPORTANT - for existing investors, identification documents may have been provided previously as part of Augusta's AML (Anti-Money Laundering) requirements. If, at the time of submitting your application, Augusta does not have the correct identification documents on file up to the standard required by the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, additional documents may have to be re-submitted before your application can be accepted.

Payment

Payment must be made in New Zealand dollars for immediate value.

Cheques must be made out in favour of "Chapman Tripp Trust Account (A/C Shands Road Limited Partnership)" and crossed "Non-Transferable". Bank account details can be provided on request, for payment by direct credit.

Closing date

The closing date for applications is 5.00 pm on Friday, 18 December 2015, or such earlier or later date as Augusta Funds Management Limited may determine.

Identification process

As part of the New Zealand Government's commitment to a global fight against financial crime, all New Zealand banks and financial institutions (including people who offer interests in property syndicates – such as Augusta Funds Management) are required to make some changes to their investor identification process.

In order to comply with these changes, anyone who is a new investor (i.e. someone who has not invested in a previous Augusta syndication) will need to provide the following approved identification and some additional documentation. For existing investors, Augusta may need to follow up for additional documents with existing investors if existing verification of identity documents held on the investor's file are inadequate.

Identification verification

Please follow the steps below:

STEP 1 Please refer to page 85 of the Identity Verification document (the ID Verification) (**enclosed** with the Investment Statement) for the identity and address verification options that everyone needs to provide.

STEP 2 Please refer to the following pages of the ID Verification to follow the checklist(s) and provide additional information specific to your investment entity:

- Page 86 – Individuals
- Page 87 – Joint (Individuals)
- Page 88 – Partnership
- Page 89 – Company
- Page 90 – Trusts
- Page 91 – Estates

IMPORTANT: If you invest with us through multiple entities you must provide the information for each entity you invest through.

However, if you have different trusts, companies etc. that you invest through, or you make an investment in the future through a different entity, we're required to obtain the identification information for each separate entity. If you need additional checklists please photocopy the specific page and fill it out separately.

STEP 3 Please return the completed checklist(s) and all information together with your completed application form. Please **DO NOT** email any of this paperwork as we need the original hard copies on file.

For your application form to be accepted ALL relevant sections must be filled in correctly.

How to complete the application form

Complete details in Section 1 – 5 of the application form

- Insert your full name(s), IRD number(s), address(es), telephone number(s) and email address(es).
- 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). Applications received only in the name of a trust (rather than the trustees) are **NOT** able to be accepted.
- Tick the relevant box for Resident Withholding Tax.
- An application for Interests must state the actual number (e.g. 1, 2, 3) of units you are investing in and a principal amount of a minimum of $50,000 and in multiples of $50,000 thereafter.
- Augusta needs to verify the *Nature and the Purpose* of why you are investing with us. A brief explanation of this **must** be inserted into the box on Section 3.
- Select whether you are an existing or new investor in Section 4.
- If you are an existing investor, please provide the name of a previous Augusta syndication you have invested in.
- If you are a new investor, please provide the identity and additional information set out on pages 85 to 91.
- Please state the *Bank Account Name* and *Bank Account Number* into which you wish interest and distribution payments to be deposited. You must enclose a bank encoded deposit slip, bank statement or confirmation from your bank verifying account name and number.
- Sign the application form in accordance with the following instructions.

Nature and Purpose

Establishing the nature and purpose of your investment is required as two separate explanations i.e. the **nature** of the investment explains how regularly and for how long you intend to invest with Augusta; the **purpose** explains your investment objectives and what you are trying to achieve by investing with Augusta.

Signing

- Read the application form and the acknowledgements carefully, and sign (and date) the form.
- The application form **must** be signed by each applicant personally and **witnessed** by an independent person (not a spouse, child or parent).
- Two directors of a Company (or one director if there is only one director) must sign the application form and have their signatures **witnessed** by an independent person (not a spouse, child or parent).

APPLICATION INSTRUCTIONS

CONTINUED

- 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.
- All trustees must each sign the application form and have their signatures **witnessed** by an independent person (not a spouse, child or parent).
- Joint applicants must each sign the application form and have their signatures **witnessed** by an independent person (not a spouse, child or parent).

Other terms

By signing an application form in relation to the subscription for Interests, each Investor is:

- deemed to have provided the written statement required by section 37(3) of the Securities Act which also authorises Chapman Tripp, the LP's Solicitors, to receive such application form/written statement and each Investor's subscription monies on behalf of the Supervisor. The Supervisor has appointed the LP's Solicitors with that appointment authorising the LP's Solicitors to receive those application forms/written statements and Investor's subscription monies on the Supervisor's behalf;
- appointing the Custodian as their attorney to sign the Limited Partnership Agreement on their behalf.

Until such time as all capital required by the LP for the acquisition of the Property as set out in the Investment Statement is paid by Investors then the Supervisor and each Investor authorises all capital contributed to be deposited to and is to remain held in the trust account of the LP's Solicitors and is only to be released from that trust account at such time as the Sale and Purchase Agreement can be settled and the Certificate of Title for the Property can be transferred to the Custodian.

If the requisite level of capital is not raised (being $25,150,000, including the $6,000,000 investment to be made by the Vendor) the LP will not proceed and Investors subscription amounts, along with accrued interest, will be promptly returned.

APPLICATION FORM

This Application Form is issued with the Investment Statement prepared as at 23 November 2015, issued by Augusta Funds Management Limited. Please return this application and relevant additional documents to **Chapman Tripp (Attention: Shands Road Offer).**

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.

ALL SECTIONS BELOW MUST BE COMPLETED BEFORE THE APPLICATION CAN BE ACCEPTED.

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

Please enter name(s) in full (including all first names). **IF YOU ARE APPLYING AS A TRUST, ALL TRUSTEE DETAILS ARE REQUIRED. APPLICATIONS MADE SOLELY IN THE NAME OF A TRUST (RATHER THAN THE TRUSTEES) CANNOT BE ACCEPTED**

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

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

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

(☐ 10.5% Resident Withholding Tax) (☐ 17.5% Resident Withholding Tax) (☐ 28% 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	Email:
	Ph - Home ( )
	Ph - Work ( )
Postcode:	Fax ( )

2. APPLICATION – IMPORTANT

Augusta Funds Management Limited may refuse to accept applications it receives after 5.00 p.m. on the Closing Date. Cheques should be made payable to "Chapman Tripp Trust Account (A/C Shands Road Limited Partnership)" and crossed "non-transferrable". Bank account details can be provided, on request, for payment by direct credit.

Number of Interests (minimum $50,000 per Interest and in multiples of $50,000 thereafter)	Amount
e.g. 3 Interests	$

3. NATURE AND PURPOSE

Applicant must state the nature and purpose of the proposed investment with Augusta. Please provide a brief description in the box below **(see page 81 for instructions)**:

Nature:
Purpose:

4. APPLICANT(S) IDENTIFICATION REQUIREMENTS (please complete only one option)

☐ OPTION 1: EXISTING SUBSCRIBER

Please state the name of one Augusta syndication you are a subscriber in: ____________________

☐ OPTION 2: NEW SUBSCRIBER

NEW SUBSCRIBERS MUST PROVIDE THE APPROVED IDENTIFICATION INFORMATION WITH THIS APPLICATION FORM – SEE PAGE 80 OF THIS INVESTMENT STATEMENT

5. DISTRIBUTION AND INTEREST PAYMENTS (IF APPLICABLE) TO MY NOMINATED BANK ACCOUNT. PLEASE COMPLETE BELOW.

ACCOUNT NAME(S):
ACCOUNT NUMBER:

PLEASE ENCLOSE A BANK ENCODED DEPOSIT SLIP, BANK STATEMENT OR CONFIRMATION FROM YOUR BANK VERIFYING THE ACCOUNT NAME AND NUMBER.

6. SIGNED AS A DEED BY THE APPLICANT(S)

I/We hereby apply for the Interests as set out above in the Shands Road Limited Partnership which will acquire the land and buildings at 146 Shands Road, Hornby, Christchurch, on and subject to the terms and conditions of the Investment Statement prepared as at 23 November 2015, the Prospectus dated 13 November 2015 and the Deed of Participation dated 13 November 2015. I/We agree to accept the Interests as applied for or any lesser number that may be issued to me. I/We hereby irrevocably appoint the Custodian as my/our attorney for the purposes of signing the Limited Partnership Agreement for the Shands Road Limited Partnership and any other documentation on my/our behalf and to sign any registration forms or other documents required in order to register or otherwise facilitate operation of the Shands Road Limited Partnership. **Please read the following page of this Application Form before signing**.

SIGNED AS A DEED PLEASE NOTE, ALL APPLICANTS MUST SIGN AND HAVE SIGNATURES WITNESSED BY AN INDEPENDENT PERSON (NOT A SPOUSE, CHILD OR PARENT)

DATED: / / **2015**

Applicant Signature .... NAME:	Applicant Signature .... NAME:
Witness Signature .... NAME:	Witness Signature .... NAME:
Applicant Signature .... NAME:	Applicant Signature .... NAME:
Witness Signature .... NAME:	Witness Signature .... NAME:

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). APPLICATIONS RECEIVED ONLY IN THE NAME OF A TRUST (RATHER THAN THE TRUSTEES) ARE NOT ABLE TO BE ACCEPTED.**
- Tick the relevant box for Resident Withholding Tax.
- An application for Interests must be for a principal amount of a minimum of $50,000 and in multiples of $50,000 thereafter.
- Insert the bank account name and number into which you wish interest and distribution payments are to be deposited. Enclose bank verification with your application form. Please enclose a bank encoded deposit slip, bank statement or confirmation from your bank verifying the account name and number.

2. SIGNING

- Read the application form carefully and sign (and date) the form.
- Two directors of a company (or one director if there is only one director) must sign the application form.
- 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.
- All trustees must each sign the application form.
- Joint applicants must each sign the application form.
- Each signature must be signed by the applicant(s) personally and witnessed by an independent person (not a spouse, child or parent).

3. PAYMENT

- Payment must be made in New Zealand dollars to the Chapman Tripp trust account advised to you once your application is processed.

4. CLOSING DATE

- 5.00 pm on 18 December 2015, 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: Shands Road Offer).

PLEASE READ THIS BEFORE SIGNING

I/We have read and understood this Investment Statement dated **23 November 2015**. I/We have taken this Application Form from that document.

I/We agree to be bound by the provisions of the Deed of Participation, Limited Partnership Agreement and by the provisions of this Investment Statement and the Prospectus.

I/We confirm that I/we are not "politically exposed persons" for the purposes of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

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

Pursuant to section 37(3) of the Securities Act 1978, I authorise Chapman Tripp to receive this Application Form, my subscription monies and the written statement required by section 37(3) of the Securities Act 1978.

I/We acknowledge and agree that subscriptions will be deposited into the trust account of Chapman Tripp and released when registrable title to the 146 Shands Road, Hornby, Christchurch property is obtained by the Custodian on behalf of the LP. In the event that the investment does not proceed at all, all subscriptions will be refunded in full, together with net interest, less bank telegraphic transfer fees 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 Investment Statement dated **23 November 2015** and associated valuation and Bayleys Real Estate Limited did not take my/our particular situation or goals into account when providing me/us with any information about the LP 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 Interests in the LP.

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 Interests in the LP.

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 Interests 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 (day).................................. (year) .... (month)

Given to me by ....(him/her/the Company)

2. That I have executed the application for Interests 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 (place)..this (day)..of (month)...2015

Signature

IDENTITY VERIFICATION

There are three different options you can use as identification. The simplest option is to pick ONE form of ID from Option 1 below; the other options require at least two forms.

Each copied form of identification must be certified by an independent trusted person. A trusted person must not be your spouse or partner, related to you, or someone who lives at the same address as you. A trusted person can be any of the following:

- *Police Officer*
- *Registered Teacher*
- *Notary Public*
- *Chartered Accountant*
- *Justice of the Peace*
- *Minister of Religion*
- *NZ Honorary Consul*
- *Kaumatua*
- *Registered Medical Doctor*
- *Lawyer*
- *Member of Parliament*
- *Commonwealth Representative*

The trusted person must sign the document and provide a written statement to the effect that the copy provided is a true and correct copy and represents your identity. Certification must include the name, occupation and signature of the trusted person, the date of confirmation and must have been carried out in the last three months.

OPTION 1

Choose ONE of the following as personal identification:

- *New Zealand passport*
- *New Zealand certificate of identity*
- *New Zealand firearms licence*
- *Emergency travel document*
- *Overseas passport*
- *Foreign-issued national identity document*
- *New Zealand refugee travel document*

If you don't have what you need from the above list you can choose to comply with either of the options set out below. Each option requires TWO forms of identification below (one photo and one non-photo).

OPTION 2 (TWO FORMS REQUIRED)

Photo identification:

- *New Zealand driver licence*
- *18+ card (Hospitality Association)*
- *A valid and current international driving permit*

Non-photo identification:

- *New Zealand full birth certificate*
- *Certificate of New Zealand citizenship*
- *Citizenship certificate offered by a foreign government*
- *Full birth certificate issued by a foreign government*

OPTION 3 (TWO FORMS REQUIRED)

Photo identification:

- *New Zealand driver licence*

Non-photo identification:

- *An embossed credit card, debit card or an EFTPOS card issued by a registered NZ bank*
- *An original bank statement issued by a registered NZ bank within 12 months of your application*
- *An original document issued by a NZ Government agency with your name and signature (Super Gold card)*
- *A statement issued by a NZ Government agency within 12 months of your application (like an IRD statement)*

ADDRESS VERIFICATION

As well as providing a form of identification from the above options, we are also required to verify your address.

In order to verify your address, please provide an original OR certified copy of one of the following:

- *Utility or rates bill*
- *Telephone bill*
- *Bank statement (as delivered by mail, not via internet banking)*
- *IRD tax notice or statement*

Each form needs to be dated in the last 12 months and addressed to you at your residential address.

INDIVIDUAL		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for as an INDIVIDUAL*	SHANDS ROAD LIMITED PARTNERSHIP	
Investor Name: *Please print clearly*		
Investor Date of Birth: *Please print clearly*		
Investor Address: *Please print clearly*		
Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on your behalf*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above either* ‘Prominent Public Function’ *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a ‘prominent public function’ in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child’s spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you’ve ticked any of these options above please provide details of the public function held and the country*		
Certified IDENTITY Verification *ATTACHED*	*See page 85 for options*	
Certified ADDRESS Verification *ATTACHED*	*See page 85 for options*	
Certified IDENTITY Verification *ATTACHED (Authorised Person Only)*	*See page 85 for options*	
Certified ADDRESS Verification *ATTACHED (Authorised Person Only)*	*See page 85 for options*	
Source of Funds/Wealth *(signed by an Accountant or Lawyer)* ***FOR INDIVIDUALS LIVING OUTSIDE OF NEW ZEALAND, AUSTRALIA AND THE UK ONLY***	*A letter with the description of the activity which has generated the overall net worth of the Individual e.g. inheritance, sale of business, earnings*	

JOINT HOLDING (INDIVIDUALS)		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for JOINTLY*	SHANDS ROAD LIMITED PARTNERSHIP	
Investor Name: *Please print clearly*		
Investor Date of Birth: *Please print clearly*		
Investor Address: *Please print clearly*		
Investor Name: *Please print clearly*		
Investor Date of Birth: *Please print clearly*		
Investor Address: *Please print clearly*		
Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on your behalf*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above either* 'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child's spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country*		
Certified IDENTITY Verification *ATTACHED*	*See page 85 for options*	
Certified ADDRESS Verification *ATTACHED*	*See page 85 for options*	
Certified IDENTITY Verification *ATTACHED (Authorised Person Only)*	*See page 85 for options*	
Certified ADDRESS Verification *ATTACHED (Authorised Person Only)*	*See page 85 for options*	
Source of Funds/Wealth *(signed by an Accountant or Lawyer)* ***FOR INDIVIDUALS LIVING OUTSIDE OF NEW ZEALAND, AUSTRALIA AND THE UK ONLY***	*A letter with the description of the activity which has generated the overall net worth of the Individual e.g. inheritance, sale of business, earnings*	

PARTNERSHIP		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for as a PARTNERSHIP*	SHANDS ROAD LIMITED PARTNERSHIP	
Partnership Full Legal Name: *Please print clearly*		
Partnership Trading Name (if different): *Please print clearly*		
Principal Business Address/ Registered Office Address: *Please print clearly*		
Registration Number: *Please print clearly*		
Certified ADDRESS Verification *ATTACHED (Registered Office)*	*See page 85 for options*	
Copy of Partnership Agreement	*A copy of the Partnership Deed/Agreement and any resolutions, evidencing any amendments which must confirm the Partnerships name, and Partners/Officers names and other persons authorised to act on behalf of the Partnership*	
Certified IDENTITY Verification (for EACH person) *ATTACHED*	*See page 85 for options*	
Certified ADDRESS Verification (for EACH person) *ATTACHED*	*See page 85 for options*	
List the person(s) acting on behalf of Partnership and Relationship to the Partnership		
Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on behalf of the partnership*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Politically Exposed Person (PEP): *Is any person(s) listed above either* 'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child's spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country*		

COMPANY		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for in as a COMPANY*	SHANDS ROAD LIMITED PARTNERSHIP	
Company Legal Name: *Please print clearly*		
Company Trading Name (if different): *Please print clearly*		
Company Principal Business Address/Registered Office Address: *Please print clearly*		
Company Registration Number: *Please print clearly*		
Country of Incorporation or Registration: *Please print clearly*		
Certified IDENTITY Verification *ATTACHED* *(Certificate of Incorporation)*	*Full legal name and/or trading name and ID/Registration number*	
Certified ADDRESS Verification *ATTACHED* *(Registered Office)*	*See page 85 for options*	
Company Extract	*A copy of the Company Extract from the Companies Office that lists all Director(s) Names/Addresses/Shareholdings and Shareholders of the Company*	
Source of Funds/Wealth *(Signed by an Accountant or Lawyer)* ***FOR COMPANIES INCORP OR REGISTERED OR ESTABLISHED OUTSIDE OF NEW ZEALAND ONLY***	*A letter with the description of the activity which has generated the overall net worth of the Company*	
List the Authorised person(s) acting on behalf of the Company and the relationship to the Company *i.e. – Authorised to carry out transactions on behalf of the Company e.g. accountant or lawyer or authorised person*	*NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Certified IDENTITY Verification ***(For EACH Director/Authorised Person) ATTACHED***	*See page 85 for options*	
Certified ADDRESS Verification ***(For EACH Director/Authorised Person) ATTACHED***	*See page 85 for options*	
Beneficial Owner(s) (if any) *List any person who:* *- owns more than 25% of the COMPANY OR* *- has effective control of the COMPANY OR* *- on whose behalf a transaction is conducted*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Certified IDENTITY Verification ***of EACH Beneficial Owner ATTACHED***	*See page 85 for options*	
Certified ADDRESS Verification ***of EACH Beneficial Owner ATTACHED***	*See page 85 for options*	
Politically Exposed Person (PEP): *Is any person(s) listed above either* 'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child's spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country*		

TRUST		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for as a TRUST*	SHANDS ROAD LIMITED PARTNERSHIP	
Trust Name: *Please print clearly*		
Certified IDENTITY Verification *ATTACHED (If applicable)*	*Full legal name and/or trading name and ID/Registration number*	
Certified ADDRESS Verification *ATTACHED* *(Principal ADDRESS for service)*	*See page 85 for options*	
Certified Copy of Trust Deed *ATTACHED*	*A copy of the Trust Deed and any retirements, and/or any amendments which must confirm the Trusts name, and Trustees/Executors names and other persons authorised to act on behalf of the Trust*	
Source of Funds/Wealth *ATTACHED* *(Signed by an Accountant or Lawyer)*	*A letter providing the details of the origin of the settlor's wealth e.g. inheritance, accumulated business earnings, funds from sale of property.* *Also provide details of the source of any income the Trust is receiving e.g. monthly deposit from family bank account, income from an underlying company*	
List legal names and date of birth of ALL Trustees *Please print clearly*	*NAME:* *DATE OF BIRTH:* *NAME:* *DATE OF BIRTH:* *NAME:* *DATE OF BIRTH:*	
Certified IDENTITY Verification *(for EACH Trustee) ATTACHED*	*See page 85 for options*	
Certified ADDRESS Verification *(for EACH Trustee) ATTACHED*	*See page 85 for options*	
Is this a Charitable trust? Is this a Discretionary trust or a trust with more than 10 beneficiaries? *(If the trust is not a charitable trust, or a discretionary trust, or has less than 10 beneficiaries, you will need to provide identification details for each beneficiary. Please contact us for further information.)*	*If 'yes' please state the objects of the Trust:* *If 'yes' please provide a description of each class or type of Beneficiary:*	
Beneficial Owner(s) and Authorised Person(s) (if any) *List any person who:* *- has effective control of the TRUST (e.g. protector or special trustee (if any)) OR* *- is authorised to carry out transactions or activities on behalf of the TRUST (please identify relationship to trust and company or registration number (if applicable))*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Certified IDENTITY Verification ***of EACH Beneficial Owner and Authorised Person(s) ATTACHED***	*See page 85 for options*	
Certified ADDRESS Verification ***of EACH Beneficial Owner and Authorised Person(s) ATTACHED***	*See page 85 for options*	
Politically Exposed Person (PEP): *Is any person(s) listed above either* *'Prominent Public Function'* *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child's spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country*		

ESTATES		TICK √
Property Syndication: *Please state to what Property Syndication(s) you are applying for as an Estate*	SHANDS ROAD LIMITED PARTNERSHIP	
Estate Name: *Please print clearly*		
Copy of the Death Certificate *ATTACHED*	*For the name of the Deceased*	
List the person(s) acting on behalf of the Estate and the relationship to the Estate e.g. the Executor *Please print clearly*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *RELATIONSHIP:*	
Certified IDENTITY Verification ***for Authorised Person ATTACHED***	*See page 85 for options*	
Certified ADDRESS Verification ***for Authorised Person ATTACHED***	*See page 85 for options*	
Beneficial Owner(s) and Authorised Person(s) (if any) *List any person who:* *- has effective control of the ESTATE OR* *- is authorised to carry out transactions or other activities of behalf of the ESTATE* *(If the trusts in the Estate are non-discretionary and the Estate has less than 10 beneficiaries, you will need to provide identification details for each beneficiary. Please contact us for further information.)*	*NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:* *NAME:* *ADDRESS:* *DATE OF BIRTH:*	
Certified IDENTITY Verification ***of EACH Beneficial Owner and Authorised Person(s) ATTACHED***	*See page 85 for options*	
Certified ADDRESS Verification ***of EACH Beneficial Owner and Authorised Person(s) ATTACHED***	*See page 85 for options*	
Politically Exposed Person (PEP): *Is any person(s) listed above either* 'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise*	*- An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);* *OR* *- An immediate family member of a person referred to above (including spouse, partner, child, child's spouse/partner or parent)*	
Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country*		

GLOSSARY OF KEY TERMS

Term	Definition
$	New Zealand dollars
Augusta Capital	Augusta Capital Limited (Company number: 1873288)
Bayleys or Bayleys Real Estate	Bayleys Real Estate Limited (Company number: 88609)
Certificate of Title	604022
CPI	The Consumer Price Index (all groups) published by Statistics New Zealand
Custodian	Shands Road Nominees Limited (Company number: 5820967)
Deed of Participation or DOP	The Deed of Participation dated 13 November 2015, as more particularly described on pages 76 to 79 of the Investment Statement
Exemption or Exemption Notice	Securities Act (Augusta Funds Management Limited – Shands Road Limited Partnership) Exemption Notice 2015
General Partner	AFM GP (Shands Road) Limited (Company number: 5826414)
Guarantor	Progressive Enterprises Limited (Company number: 61262)
Interests	The interests in the LP
Investment Statement	This investment statement dated 23 November 2015
Investors	Persons registered as the holders of Interests in the LP
Landlord	The Custodian following settlement of the Property
Lease	The lease between Virgo Group Limited (as landlord) and General Distributors Limited (as tenant) dated 27 August 2004, as varied by a deed of variation of lease dated 28 November 2007, an agreement to carry out works and vary lease dated 23 August 2011 and a deed of variation of lease dated 13 September 2012, in which, on settlement, the Vendor's interest as landlord will be automatically assigned to the Custodian
Limited Partner	A limited partner in the LP
Limited Partnership Agreement	The limited partnership agreement to be entered into by the General Partner, AFM LP Limited (Company number: 5839046) and, through their attorney the Custodian, each Investor, on the Settlement Date

Term	Definition
LP	The limited partnership established for the purpose of acquiring the Property, being the Shands Road Limited Partnership (Registration number: 2633152)
LP's Solicitors	Chapman Tripp, 23 Albert Street, Auckland 1140
Manager or Augusta Funds Management	Augusta Funds Management Limited (Company number: 3760278)
NBS or New Build Standard	Refers to the standard that would apply to a new building on a particular property under the current Building Code. A percentage of NBS is widely used to assess whether a building is earthquake prone. Earthquake prone buildings are those that fail to meet 34% of NBS
Offer	The offer of Interests under the Prospectus and Investment Statement
Offeror	Augusta Funds Management Limited (Company number: 3760278)
Progressive Enterprises	Progressive Enterprises Limited (Company number: 61262)
Prospectus	The prospectus dated 13 November 2015 which details the offer of Interests in the LP
Property	The property at 146 Shands Road, Christchurch
Refurbishment Clause	Clause 16 of the Lease as described in further detail on pages 18 to 20
Sale and Purchase Agreement	The Sale and Purchase Agreement for the Property dated 1 August 2015 as varied pursuant to a due diligence confirmation letter dated 30 October 2015
Securities Act	Securities Act 1978
Securities Regulations	Securities Regulations 2009
Settlement Date	22 December 2015
Supervisor	Covenant Trustee Services Limited (Company number: 2194946)
Tenant	General Distributors Limited (Company number: 357961)
Valuation Report	The valuation report produced by TelferYoung (Canterbury) Limited for the Property assessing its market value at $39,600,000
Vendor	Virgo Group Limited (Company number: 2222986)

DIRECTORY

Registered Office of the Manager

Augusta Funds Management Limited
(Company number: 3760278)

Level 2, 4 Viaduct Harbour Avenue
Auckland
PO Box 37953, Parnell
Auckland 1151

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

Directors of the Manager

Bryce Barnett
Paul Duffy
Mark Francis
Martin Goldfinch
Phillip Hinton
John Loughlin
Mark Petersen
Peter Wilson

General Partner

AFM GP (Shands Road) Limited
(Company number: 5826414)

Level 2, 4 Viaduct Harbour Avenue
Auckland
PO Box 37953, Parnell
Auckland 1151

Custodian

Shands Road Nominees Limited
(Company number: 5820967)

Level 9
191 Queen Street
Auckland 1010

Solicitors

Chapman Tripp

Level 35, ANZ Centre
23 Albert Street
Auckland 1010
P O Box 2206
Auckland 1140

Telephone: (09) 357 9000
Facsimile: (09) 357 9099

Auditor

Staples Rodway Taranaki Limited
(Company number: 1379924)

109 - 113 Powderham St
New Plymouth 4310

Selling Agent

Bayleys Real Estate Limited
(Company number: 88609)

Maritime Square
4 Viaduct Harbour Avenue
Auckland 1010
P O Box 8923
Auckland 1150

Telephone: (09) 309 6020
Facsimile: (09) 309 9404

Statutory Supervisor

Covenant Trustee Services Limited
(Company number: 2194946)

Level 9
191 Queen Street
Auckland 1010


Christchurch
146 Shands Rd

AUGUSTA FUNDS MANAGEMENT

AUGUSTA FUNDS MANAGEMENT LIMITED
Level 2, 4 Viaduct Harbour Ave, Auckland,
New Zealand. PO Box 37953 Parnell.
Phone: 64 9 300 6161. Fax: 64 9 300 6162.
www.augusta.co.nz