UPDATED FINANCIAL INFORMATION

Section 7 of the PDS contains financial information for the Fund which was current as at the date of the PDS – being 4 May 2005. On 30 June 2005 the Fund acquired an additional 11 properties (Third Stage Properties). The Third Stage Properties were purchased using additional debt funding, as explained in the supplementary Product Disclosure Statement dated 3 August 2005. As explained in the PDS, when information changes but the change is not materially adverse to the Offer, the Manager can update this information on its website.

The Manager has determined that changes to the financial information due to the acquisition of the Third Stage Properties are not materially adverse to the Offer.

Set out below is the financial information for the Fund, updated to include the acquisition of the Third Stage Properties. As the Third Stage Properties were acquired on 30 June 2005, the acquisition has no impact on the financial forecasts for the year ended 30 June 2005. A paper copy of this information is available free of charge from the Manager.

A reference to “Properties” includes the Third Stage Properties. A reference to “Forecast Period” refers to the 12 month financial year ending 30 June 2006.

The forecasts are based upon best estimate assumptions. They rely upon assumptions with respect to future business decisions which are subject to change. Events and circumstances often do not occur as anticipated and therefore actual results can differ from the forecasts. The property industry is subject to many external factors which can materially impact financial performance. Accordingly, there can be no guarantee that the forecasts will be achieved.

This Section provides details of:

- forecast distribution of the Fund for the financial year ending 30 June 2006;
- source and application of funds associated with the Offer;
- pro-forma statement of financial position of the Fund as at 31 December 2004;
- key accounting policies;
- other key assumptions;
- foreign exchange hedging; and
- taxation implications for Unitholders.

7.1 FORECAST DISTRIBUTIONS OF THE FUND

Set out below is the forecast distribution for the financial year ending 30 June 2006. The accounting policies and assumptions on which the forecasts are based are set out in this Section 7.1, Section 7.4 and Section 7.5.

Forecast operating cash flows	Notes	Year ending 30 June 2006(1) ($’000)
Operating cash inflows		
Net property income	1	46,341
Interest income	2	182
Total operating cash inflows		**46,522**
Operating cash outflows		
Management fees	3	(2,395)
Other expenses	4	(211)
Total operating cash outflows		**(2,605)**
Operating cash flow before interest expense		**43,917**
Interest expense	5	(26,260)
Operating cash flow available for distribution	6	**17,657**
Annualised Distribution – cents per Unit		9.50c
Annualised Distribution yield – new Units(2)		8.88%
Tax-deferred portion		100%

(1) The forecast operating cash flows for the year ending 30 June 2006 includes 12 months’ forecast operating cash flows from the First, Second and Third Stage Properties.
(2) The distribution yield for new Units is calculated on a unit price of $1.07.

The operating cash flow is reconciled to the forecast profit attributable to Unitholders as follows:

Forecast profit	Notes	Year ending 30 June 2006 ($’000)
Operating cash flow		17,657
Less non-cash expense items:		
Deferred component of management fee	3	(1,437)
Tax expense	7	(6,627)
Amortisation of debt establishment costs	8	(375)
Net profit after tax attributable to Unitholders		**9,218**

NOTES

Note 1 – Net property income

In forecasting net income from the Properties, the current rental and rent review provisions in respect of each tenancy were analysed and adjustments made to the passing rents to reflect anticipated variations upon rent review. Where leases provide for a CPI increase the key assumptions noted in Section 7.5 have been applied in relation to the CPI increase rate. Fixed percentage increases have been applied and market increases are based on the Manager's estimate of market rentals in the financial year 2005-2006. It is assumed vacancies that presently exist and/or vacancies which are likely to arise during the Forecast Period will be leased within 12 months. It has been assumed that new leases commence at prevailing market rates.

Recoverable operating expenses, which include rates, insurance, gardening, cleaning, repairs and maintenance, fire protection, and property management fees have been indexed at the assumed annual CPI rate. Recoveries of operating expenses have been calculated in accordance with the relevant lease provisions of applicable tenants.

Non-recoverable expenses have been indexed using the assumed annual CPI rate (refer Section 7.5).

Note 2 – Interest income

Interest on surplus funds held, pending distribution, has been calculated at 5% per annum.

Note 3 – Management fees

The Manager is entitled to management fees payable on the basis set out in Section 10 of the PDS.

The Manager may waive or defer all or part of the management fee in any particular year. The Manager has agreed to defer payment of its management fee to the extent necessary to meet forecast distributions over the Forecast Period. However, any amount of the management fee deferred will still be charged as a non-cash expense item in arriving at the Fund's net profit for that period.

In the event that the operating cash flow available for distribution results in an annual distribution in excess of 9.50 cents per Unit, the Manager may determine it is appropriate to recover any deferred fees out of such excess. Failing this, the Manager will be paid the balance of these deferred fees in the event of termination of the Fund, earlier sale of the Properties or upon a Rollover of the Fund.

Note 4 – Other expenses

Includes the Manager's estimate of costs associated with accounting, registry, tax and audit fees (escalated over the Forecast Period by the CPI assumption).

Note 5 – Interest expense

The Manager has fixed the interest rate on the portion of the loan funds to acquire the First Stage Properties at 7.37% and the senior portion of the loan funds to acquire the Second and Third Stage Properties at 7.48% per annum through until 31 August 2009. These rates include the bank's lending margin of 0.30% per annum and a line fee of 0.35% per annum. The subordinated loan component has not been hedged as it will be paid down progressively prior to 30 June 2006.

Please refer to Section 8 of the PDS for further details.

Note 6 – Distribution to Unitholders

The distributions will be based on the operating cash flows from the investment in the Properties after providing for all expenses and interest on borrowings. To the extent that this exceeds the Fund's net profit after tax, this will represent a return of capital for accounting purposes.

Note 7 – Tax expense

Tax expense is a non-cash item charged against the Fund's net profit as required for Australian Accounting Standards. Refer to Section 7.4 for further details on the Fund's income tax expense accounting policy. Due to the availability of tax depreciation allowances, no New Zealand tax is forecast to be payable by any sub-trust of the Fund over the Forecast Period.

Note 8 – Debt establishment costs

Debt establishment costs are deferred and amortised over five years. The amortisation will be a non-cash expense item charged to the Fund's net profit.

7.2 SOURCE AND APPLICATION OF FUNDS

The following table shows the source and application of funds raised under the PDS assuming full subscription of $40.4 million and oversubscriptions of $23.7 million.

	NZ$'000	$'000[1]
Source of funds		
Equity from the issue of Units	112,101	104,572
Loan from the bank	188,587	175,920
Total source of funds	300,688	280,492
Application of funds		
Purchase of Second Stage Properties	223,000	208,022
Purchase of Third Stage Properties	55,350	51,633
Establishment fee		
Property acquisition portion[2]	4,415	4,118
Equity raising portion[3]	10,301	9,609
Other property acquisition costs[4]	3,055	2,849
Loan establishment costs[5]	1,181	1,102
Issue costs	1,787	1,667
Working capital	1,599	1,492
Total application of funds	300,688	280,492
NTA per Unit on allotment		$1.00
Price per Unit on allotment		$1.07

(1) Assumes an exchange rate of NZ$1.00 to A$0.9328.
(2) Payable to the Manager for services provided in relation to the acquisition of the Second and Third Stage Properties.
(3) Payable to the Manager for services provided in relation to the raising of equity. From this, the Manager is responsible for the payment of fees and commissions to investment advisers.
(4) Includes the costs of legal, structural, mechanical, fire, electrical, environmental, valuation, demographics, depreciation and accounting services in property investigations for the Fund.
(5) Payable to the financier and legal advisers in relation to the establishment of the loan facility to fund the acquisition of the Second and Third Stage Properties.

7.3 PRO-FORMA STATEMENT OF FINANCIAL POSITION

The following sets out the pro-forma statement of financial position of the Fund as at 31 December 2004 assuming full subscription under the PDS of $40.4 million (plus oversubscriptions of $23.7 million) and making the other adjustments described below which reflect occurrences post 31 December 2004.

	Actual 31 December 2004 Reviewed ($'000)	Pro-forma adjustments ($'000)	Pro-forma 31 December 2004 ($'000)
Current assets			
Cash	8,841	6,127[1,3,5]	14,968
Other assets	1,180	–	1,180
Total current assets	**10,021**	**6,127**	**16,148**
Non-current assets			
Investment properties	276,158	279,849[2,3,4,5]	556,007
Debt establishment costs	700	1,101[3,5]	1,801
Other assets	156	892[5]	1,048
Total non-current assets	**277,014**	**281,842**	**558,856**
Total assets	**287,035**	**287,969**	**575,004**
Current liabilities			
Other liabilities	13,822	–	13,822
Total current liabilities	**13,822**	**–**	**13,822**
Non-current liabilities			
Interest bearing liability	174,832	175,239[3,5]	350,071
Other liabilities	2,297	–	2,297
Total non-current liabilities	**177,129**	**175,239**	**352,368**
Total liabilities	**190,951**	**175,239**	**366,190**
Net assets	**96,084**	**112,730**	**208,814**
Unitholders funds			
Funds raised	109,158	109,750[1,3,5]	218,908
Issue costs	(11,180)	(11,465)[3,5]	(22,645)
Retained profits	(1,027)	–	(1,027)
Asset revaluation reserve	–	14,445[2,4]	14,445
Foreign currency translation reserve	(867)	–	(867)
Total Unitholders funds	**96,084**	**112,730**	**208,814**
NTA per Unit	$0.89		$1.00
Interest bearing debt/total assets[6]	61%		61%

Pro-forma adjustments

The pro-forma statement of financial position set out above has been prepared on the basis to illustrate the effect of the Second and Third Stage Property acquisition as if they were complete as at 31 December 2004. Certain other pro-forma adjustments have been made to reflect occurrences post 31 December 2004 which would materially affect the financial position of the Fund.

The following pro-forma adjustments have been made:

Notes:

1. Final Unitholders funds raised post 31 December 2004

A pro-forma adjustment has been made to the statement of financial position of the Fund as at 31 December 2004 to reflect the receipt of the final equity receivable of $5.2 million from the first fund raising of the Fund under a product disclosure statement dated 7 September 2004.

This has been reflected by a pro-forma adjustment increasing Unitholders funds and cash by $5.2 million.

2. First Stage Property revaluation

A pro-forma adjustment of $6.9 million has been made to reflect the revaluation of the First Stage Properties.

This has been reflected by a pro-forma adjustment increasing investment properties by $6.9 million and increasing the asset revaluation reserve by $6.9 million.

3. Second Stage Property acquisition

Pro-forma adjustments have been made to the statement of financial position of the Fund as at 31 December 2004 to reflect the acquisition of the Second Stage Properties for $208.0 million and the funding of the acquisition.

This has been reflected by the following pro-forma adjustments increasing:

- the working capital cash balance by $0.7 million;
- investment properties by $213.8 million;
- debt establishment costs by $0.5 million;
- interest bearing liabilities by $143.3 million; and
- Unitholders' funds by $71.7 million, reflecting an increase in the funds raised balance of $80.8 million offset by issue costs of $9.1 million.

4. Second Stage Property revaluation

A pro-forma adjustment of $7.5 million has been made to reflect the revaluation of the Second Stage Properties.

This has been reflected by a pro-forma adjustment:

- increasing investment properties by $7.5 million; and
- increasing the asset revaluation reserve by $7.5 million.

5. Third Stage Property acquisition

Pro-forma adjustments have been made to the statement of financial position of the Fund as at 31 December 2004 to reflect the acquisition of the Third Stage Properties for $51.6 million and the funding of the acquisition.

This has been reflected by the following pro-forma adjustments increasing:

- the working capital cash balance by $0.3 million;
- investment properties by $51.6 million;
- debt establishment costs by $0.6 million;
- other assets by $0.9 million;
- interest bearing liabilities by $31.9 million; and
- Unitholders' funds by $21.4 million, reflecting an increase in the funds raised balance of $23.7 million offset by issue costs of $2.3 million.

6. Interest Bearing Debt to Total Assets

The proforma 31 December 2004 interest bearing debt to total assets percentage reflects the position post the additional equity raising of $23.7 million which is used to repay the subordinated debt facility.

7.4 KEY ACCOUNTING POLICIES

This financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the Constitution and the Corporations Act. The principal policies are described below:

Calculation of net profit before income tax expense

The Fund's net profit before income tax expense is calculated on the accrual basis of accounting and includes all income derived by the Fund after deducting expenses.

Income tax expense

The wholly owned sub-trust of the Fund which owns the Properties is liable to pay tax under New Zealand tax legislation at the current corporate tax rate of 33%. Tax effect accounting procedures are followed whereby the income tax expense of the subsidiary is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses will be carried forward as an asset only when the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or future income tax benefit account at the rates which are expected to apply when those timing differences reverse.

Depreciation of buildings, plant and equipment and capital incentive amortisation

The Fund does not charge depreciation on buildings and integral plant and equipment. The interests in buildings, plant and equipment are held by the Fund as an investment property, and so are continually maintained.

The Properties

The Properties have been initially brought to account at cost, which includes the costs of acquisition. Costs of acquisition include the Manager's estimate of fees and costs for professional services incurred by the Fund in procuring the Properties and includes the portion of the Manager's establishment fee in relation to the acquisition of the Properties.

The costs of any subsequent developments and refurbishments of the Properties, including financing charges incurred during the period of development of refurbishment, will be capitalised.

The First Stage Properties were independently revalued at 31 March 2005. The Second Stage Properties were independently valued at 30 April 2005 and the Third Stage Properties were independently valued at 18 May 2005 (Howick) and 1 June 2005 (Pernik).

Beyond these dates, the properties of the Fund will be independently revalued at least every three years with Manager updates every year. Independent revaluations will be conducted more frequently, if in the view of the Manager, there has been a material movement in value, either up or down.

Increments arising from the revaluation of the Fund's investment in the Properties will be transferred directly to an asset revaluation reserve, except to the extent that the increments reverse a revaluation decrement previously recognised as an expense in the profit and loss account, in which case they will be recognised as revenue in the profit and loss account for the period. Decrements from revaluations will be brought to account in calculating the operating profit or loss for the period, except to the extent that the revaluation decrement reverses a previous increment, in which case the decrement will be taken directly to an asset revaluation reserve. Any decrements from revaluations brought to account in the profit and loss for a period will be reversed in determining the distributable profit.

Offer costs

Costs including the portion of the Manager's establishment fee in relation to the equity raising and other establishment costs relating to the Offer will be recognised directly as a reduction from the proceeds of the issue of Units.

Debt establishment costs

Costs incurred in establishing the finance facility for the acquisition of the Properties will be capitalised and amortised over the shorter of five years or the term of the facility.

International Financial Reporting Standards

The adoption of Australian equivalents to International Financial Reporting Standards (IFRS) will be first reflected in the financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. The material changes that will be required to existing accounting policies are as follows:

— Investment properties: changes in the fair values of investment properties will be adjusted through the statement of financial performance rather than through the asset revaluation reserve of the statement of financial position.

— Tax effect accounting: accounting for income tax uses a balance sheet approach to calculate deferred tax balances (currently income statement method). The amount of deferred tax balances (assets and liabilities) may change.

— Financial instruments: all interest rate and foreign currency derivatives will be recognised at fair value in the statement of financial position, with changes in fair value during the period recognised in the statement of financial performance, or, if classified as an effective cash flow hedge, deferred in equity in a hedging reserve.

There are no forecasts of future valuations of properties or movements in the market values of derivatives as the directors do not believe there is any reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions as these are matters outside their control. For these reasons, the directors are unable to accurately quantify the impact of the transition to IFRS on the forecast financial information. While the application of IFRS may introduce volatility into forecast financial information, in particular the potential volatility of movements in property values, this will not affect the operating cash flows and hence the distributions paid to unitholders.

7.5 OTHER KEY ASSUMPTIONS

The distribution forecasts have been prepared based on various assumptions as set out below. Unitholders should appreciate that many factors which affect results may be outside the control of the Manager and experts who have provided information on which forecasts are based, or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the forecasts. The following assumptions represent the Manager's best estimates of anticipated future transactions and events, based on information and documentation currently available.

Valuation of Properties

The forecasts assume there will be no revaluation increments or decrements during the Forecast Period.

CPI assumption

New Zealand CPI has been assumed to be at a rate of 2.5% per annum.

Foreign exchange assumption

The forecast future cash flows exposed to New Zealand foreign exchange movements has been hedged through until 30 July 2010 at a weighted average exchange rate of NZ$1.00 to A$0.9091.

Goods and Services Tax (GST)

Where GST has been paid or is payable and an input tax credit is available, the expense has been shown net of GST. Where a full input for credit is not available, the expense includes an amount of non-recoverable GST.

Capital expenditure

The following capital expenditure has been assumed over the Forecast Period:

Property	**Year ending 30 June 2006 ($'000)**
First Stage Properties	603.4
Second Stage Properties	382.0
Third Stage Properties	65.0
Total	**1,050.4**

The Manager intends to fund these costs using loan funds drawn from the existing loan facility. The existing loan facility has been increased to NZ$385.0 million of which NZ$378.0 million was drawn down to partially fund the purchase price paid for the Second and Third Stage Properties.

Taxation assumptions

Key assumptions in calculating the tax-deferred portion of income distributions are as follows:

— fund establishment expenses including equity raising costs, fund establishment fees and other establishment costs are claimed over a five year period to the extent that this expenditure is not included in the cost of either the depreciating asset or that it is not deductible under another provision of the income tax law;

— borrowing expenses are amortised over the term of the Loan;

— for the purpose of these forecasts, the Manager has depreciated plant and equipment over the expected useful life of the plant and equipment using the prime cost method or diminishing value method, as appropriate;

— division 43 Building Allowances are calculated on a straight line basis at the prescribed rate of 2.5% per annum; and

— the Manager has provided for other adjustments as required to taxable income.

Other assumptions

Other assumptions made in preparing the forecasts include:

— the Offer is fully subscribed under this PDS and there are oversubscriptions of $23.7 million;

— there are no further equity raisings by the Fund;

— there are no changes in the property holdings of the Fund during the Forecast Period;

- there are no material changes in the indirect and direct tax regimes in Australia or New Zealand;
- Lumley House will not be acquired;
- no other acquisitions will be made;
- there are no changes to regulations and legislation in Australia or New Zealand that would have a material impact on the Fund; and
- there is no material change in the competitive environment in which the Properties operate.

Where allowances and estimates are used, these are based on the Manager's knowledge and experience.

7.6 FOREIGN EXCHANGE HEDGING

In order to stabilise the income stream and reduce foreign exchange risk, the Fund has hedged 100% of the forecast future cash flows exposed to New Zealand foreign exchange movements using foreign exchange contracts.

The foreign exchange contracts hedged rates for 100% of the forecast future cash flows are at a weighted average yearly rate of NZ$1.00 = A$0.9091.

7.7 TAX IMPLICATIONS FOR UNITHOLDERS

Unitholders will receive a distribution on their Units. The table below shows the estimated tax-deferred portion of the distribution per Unit in the Forecast Period.

Forecast tax-deferred portion of distribution

	Year ending 30 June 2006
Tax-deferred portion	100%

Tax-deferred distributions arise from property investments which attract building allowances, depreciation allowances and other tax timing differences. Tax-deferred distributions are generally not assessable when received, but reduce the Unitholder's cost base in its Units and thereby affect the Unitholder's capital gain/loss on disposal of its Units. If the cumulative total of the tax-deferred amounts received by a Unitholder were sufficient to reduce the Unitholder's cost base in its Units to nil, any further tax-deferred amounts received would be treated as capital gains.

Where New Zealand tax has been paid, this may result in cash distributions to Unitholders being reduced but foreign tax credits may be available to reduce Australian income tax otherwise payable.

For a summary of tax implications, refer to Section 12 of the PDS for the PricewaterhouseCoopers Taxation Report.

Qualification

Due care and attention has been given to the preparation of the forecasts. However, forecasts by their very nature are subject to uncertainties and contingencies, many of which are outside the control of the Manager.

There can be no guarantee or assurance that the forecasts will be achieved and actual results may vary significantly from these forecasts.