2020
ANNUAL REPORT

AUGUSTA
INDUSTRIAL


building supplies

Key Portfolio Highlights

As at 31 March 2020

WALT*

5.1 YEARS

OCCUPANCY

99%

PORTFOLIO VALUATION

$347.6 MILLION **

PASSING RENTAL***

$22.9 MILLION

TOTAL ASSETS/TENANTS

11/49

*WALT means the weighted average lease term which measures the average lease term across each of the leases in the Fund's portfolio weighted by the relative income of each lease.

**This is higher than the investment property and property held for sale assets in the financial statements as the revaluation gain on property held for sale is not recognised for accounting purposes.

***Passing Rental: The amount of rent payable under the terms of the relevant lease, excluding the recovery of outgoings, annualised for a 12-month period as at the relevant date.

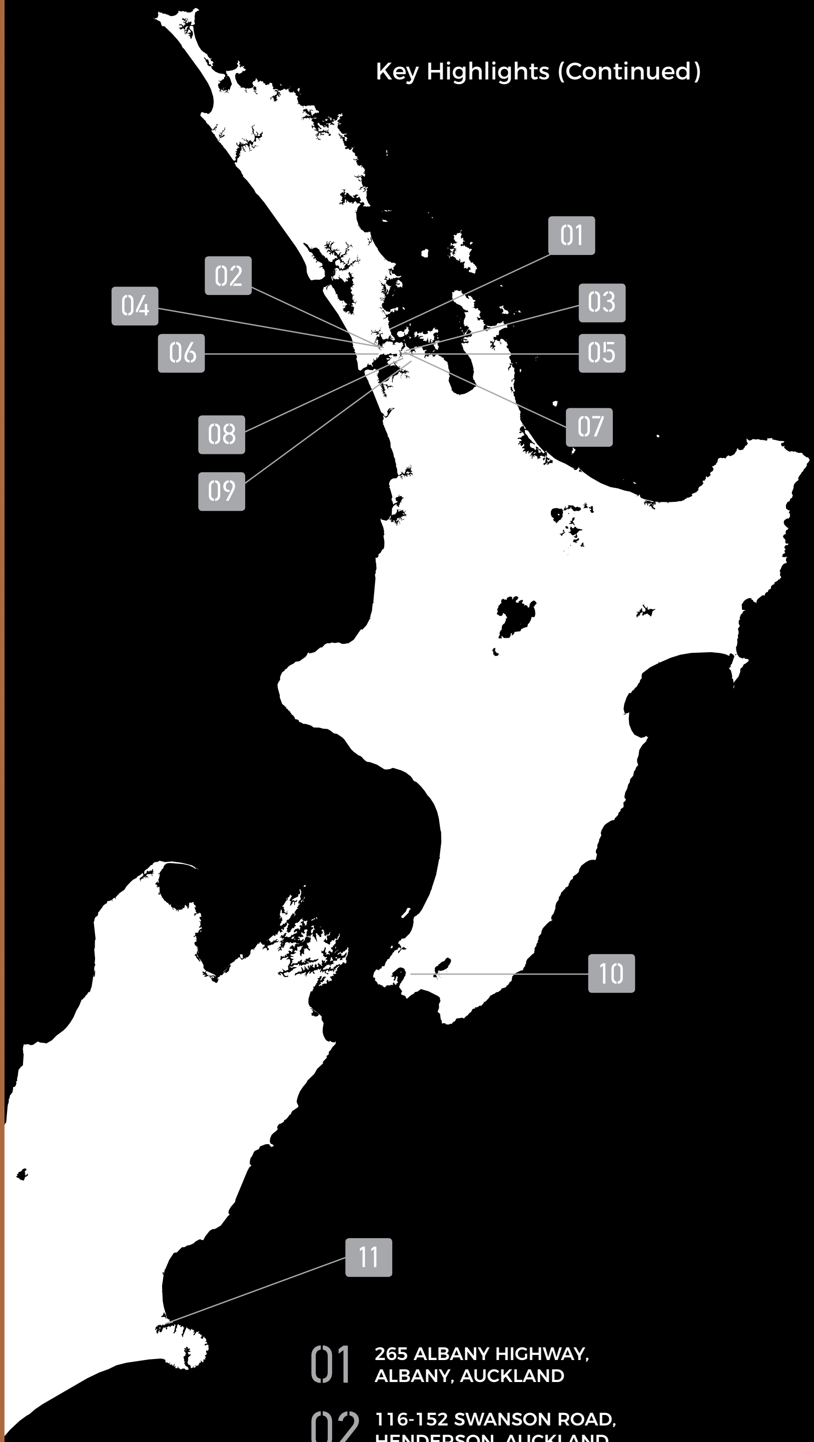
GEARING

45%

PORTFOLIO WEIGHTING TO AUCKLAND

70%

By Valuation



01 265 ALBANY HIGHWAY, ALBANY, AUCKLAND

02 116-152 SWANSON ROAD, HENDERSON, AUCKLAND

03 12 BRICK STREET, HENDERSON, AUCKLAND

04 48 HONAN PLACE, AVONDALE AUCKLAND

05 20 PAISLEY PLACE, MT WELLINGTON, AUCKLAND

06 510 MT WELLINGTON HIGHWAY, MT WELLINGTON, AUCKLAND

07 862-880 GREAT SOUTH ROAD, PENROSE, AUCKLAND

08 27-29 NEALES ROAD, EAST TAMAKI, AUCKLAND

09 5 & 21 BEACH ROAD, OTAHUHU, AUCKLAND

10 THE HUB, SEAVIEW, WELLINGTON

11 CASTLE ROCK BUSINESS PARK, MARY MULLER DRIVE, HILLSBOROUGH, CHRISTCHURCH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Letter from the Chair and Manager

Dear Shareholder,

We are pleased to present the second Annual Report for Augusta Industrial Fund Limited (the Fund) after another busy and eventful year. Following the successful second capital raise in March 2019, the Fund continued to grow and diversify through FY20. In late 2019 two further high-quality industrial assets were acquired by the Fund, taking the portfolio to 11 assets, 49 tenants and a total value of $347.56 million as at 31 March 2020.

Since inception in 2018 we have been looking to acquire properties that diversify and enhance the existing portfolio. The Fund has targeted properties that support Fund returns, improve the diversification of income and ideally strengthen the weighted average lease term (WALT). The two acquired assets of 27-29 Neales Road, East Tamaki and 48 Honan Place, Avondale (combined value $41.87m) met this target.

Both assets provide good quality modern industrial facilities with long leases to quality tenants. The properties are in highly sought-after and tightly held Auckland industrial precincts and have increased the Fund geographic weighting to Auckland from 66% to 70%. Management and the Board believe this to be a real strength due to the tight supply and historically low vacancy in the Auckland market.

The acquisitions were funded through an increase to the existing debt facility, shifting the loan to value ratio to 45%, from the former level of 38%. This remains well inside the Fund debt covenant limit of 50%.

48 Honan Place, Avondale

27-29 Neales Rd, East Tamaki

The longer-term objective remains growing the Fund through carefully selected industrial acquisitions that provide sustainable, long-term returns and diversification benefits

Great South Road Land Sale & Development

As outlined in the original Fund Product Disclosure Statement dated 30 April 2018, the Fund entered into an agreement to sell a portion of land (4,550m2) at the front of 862-880 Great South Road, with the proceeds of the sale to be used to repay debt. Following completion of the subdivision during the year the land sale settled on 29 April 2020 for $4,480,000. The sale resulted in a gain on sale of $1,352,611 for the Fund that will be reflected in next year's financial statements.

The other significant activity at Great South Road was the completion of the development for Graphic Packaging, enabling them to take full occupation of their revised tenancy in October 2019. Graphic Packaging have occupied the site in various forms for more than 80 years and the new eight-year lease from 2019 demonstrates their continued commitment to the property.

COVID-19

In recent months, the major focus for management has been working with the Fund tenants impacted by COVID-19 and the resulting government mandated lockdown. In some cases, this has resulted in part rental relief and/or rental deferral being agreed, but always with the overriding goal of preserving the Fund's long-term income and value for the 1,400 plus shareholders.

Very few parts of the economy have been immune from the financial consequences of the pandemic, however the industrial property sector has weathered the storm better than most. The strong relationships we have built with the Fund tenant base over the past two years has been critical to achieving mutually beneficial outcomes with tenants and stabilising the Fund income.

These are difficult times for the New Zealand economy and our focus remains on balancing the need for distribution payments in the short-term, with the preservation of lender and tenant relationships to ensure continued income over the long-term. This approach ultimately underpins the value of your investment in the Fund.

Change to Building Depreciation Rules

To date the Government has done little to assist commercial property landlords impacted by COVID-19. The one direct benefit provided is the change to the tax depreciation rules. From 1 April 2020 commercial landlords have the ability to claim tax deductions for depreciation on commercial buildings. This has a positive impact on the after-tax returns for all investors, regardless of their tax rate.

March 2020 Portfolio Valuations

At 31 March 2020, all 11 Fund properties were revalued. The timing of the annual valuation this year coincided with the outbreak of the COVID-19 pandemic which created significant market uncertainty. Whilst there has been very little new market evidence to inform valuation movements, COVID-19 prompted valuers to apply more pessimistic assumptions around variables such as market rents, rental growth forecasts, tenant renewal probability, vacancy downtime and leasing up allowances.

Despite the impact of COVID-19, and the approach taken by the valuation community, the Fund returned a pleasing valuation result, with the portfolio value increasing to $347.6m, up from $342.4m. This represents an increase of 1.5%. The valuation increase demonstrates the key underlying fundamentals of the Fund, being quality industrial assets and a diversified income stream.

We note however, that there is uncertainty around valuations due to COVID-19 and you should apply a higher degree of caution when referencing these in the current environment.

Looking Forward

Looking at the year ahead, the investment thesis and long-term fundamentals remain strong. While the current economic headwinds necessitate a cautious approach to managing the Fund, it is also likely to create opportunity.

The immediate focus will remain diligently managing the existing Fund portfolio through a challenging and changing market. We will continue to build on the relationships with the existing tenants to ensure the income stream remains resilient and value add opportunities are identified.

The longer-term objective remains growing the Fund through carefully selected industrial acquisitions that provide sustainable, long-term returns and diversification benefits. The challenge will continue to be acquiring good quality industrial stock in what remains a tightly held and competitive market.

This year and the challenges brought with it, has again reinforced to us the importance of your continued support and trust in our expertise and experience to manage your investment. We thank you for this and look forward to our continued partnership.

Yours sincerely,

Mark Petersen
Chair, Augusta Industrial Fund Limited

Ben Harding
Fund Manager


VULCAN
STEEL


VULCAN.
VULCAN

Industrial Fund Assets

As at 31 March 2020

265 Albany Highway, Rosedale, Auckland

Land area	16,917m²
Net lettable area	5,633m²
Major tenants	Good Health, Caffe E Cucina & LMZ Childcare Limited
Purchase price	$20.10m plus GST (if any)
Valuation	$20.70m (31 March 2020)
Occupancy	100%
WALT	3.7 years (as at 31 March 2020)

5 and 21 Beach Road, Otahuhu, Auckland

Land area	41,074m²
Net lettable area	22,757m²
Major tenants	Pacific Steel (NZ) & Fletcher Building Steel Group
Purchase price	$25.65m plus GST (if any)
Valuation	$26.25m (31 March 2020)
Occupancy	100%
WALT	8.3 years (as at 31 March 2020)

12 Brick Street, Henderson, Auckland

Land area	19,876m²
Net lettable area	12,012m²
Major tenants	D&H Steel Construction
Purchase price	$22.36m plus GST (if any)
Valuation	$26.40m (31 March 2020)
Occupancy	100%
WALT	8.0 years (as at 31 March 2020)

Boundary lines indicative only.

Castle Rock Business Park, Christchurch

Land area	79,456m²
Net lettable area	33,527m²
Major tenants	Tyco, Xtend-Life Natural Products, Macpac & Asaleo Care
Purchase price	$53.75m plus GST (if any)
Valuation	$55.15m (31 March 2020)
Occupancy	97% (however, occupancy including the vendor rental underwrite for one tenancy is 100%).
WALT	3.2 years (as at 31 March 2020)

862 - 880 Great South Road, Penrose, Auckland

Land area	23,737m²
Net lettable area	10,934m²
Major tenants	Graphic Packaging International
Purchase price	$19.05m plus GST (if any)
Valuation	$26.00m (31 March 2020)
Occupancy	100%
WALT	6.8 years (as at 31 March 2020)

The Hub, Seaview, Wellington

Land area	52,756m²
Net lettable area	39,781m² (excluding yard)
Major tenants	PBT, Fujitsu, Linfox, Toll & Jets Transport
Purchase price	$44.90m plus GST (if any)
Valuation	$48.23m (31 March 2020)
Occupancy	100%
WALT	3.1 years (as at 31 March 2020)

Boundary lines indicative only.

510 Mt Wellington Highway, Mt Wellington, Auckland

Land area	30,845m²
Net lettable area	18,914m²
Major tenants	GPC Asia Pacific trading as Repco, Dicker Data & McConnell Dowell
Purchase price	$37.95m plus GST (if any)
Valuation	$39.08m (31 March 2020)
Occupancy	100%
WALT	2.1 years (as at 31 March 2020)

20 Paisley Place, Mt Wellington, Auckland

Land area	13,630m²
Net lettable area	7,877m²
Major tenants	Halls Refrigeration Transport (Icepak)
Purchase price	$25.38m plus GST (if any)
Valuation	$27.30m (31 March 2020)
Occupancy	100%
WALT	11.7 years (as at 31 March 2020)

114-152 Swanson Road, Henderson, Auckland

Land area	56,033m²
Net lettable area	25,636m²
Major tenants	Blue Star Group, United Corporation, Caprice
Purchase price	$36.36m plus GST (if any)
Valuation	$37.05m (31 March 2020)
Occupancy	100%
WALT	3.0 years (as at 31 March 2020)

 Boundary lines indicative only.

27-29 Neales Rd, East Tamaki, Auckland

Land area	16,019m²
Net lettable area	11,016m²
Major tenants	Vulcan Steel
Purchase price	$25.22m plus GST (if any)
Valuation	$25.25m (31 March 2020)
Occupancy	100%
WALT	6.3 years (as at 31 March 2020)

48 Honan Place, Avondale, Auckland

Land area	15,463m²
Net lettable area	8,127m²
Major tenants	TCI New Zealand
Purchase price	$16.65m plus GST (if any)
Valuation	$16.15m (31 March 2020)
Occupancy	100%
WALT	7.0 years (as at 31 March 2020)

Boundary lines indicative only.


D&H
STEEL CONSTRUCTION

Adjusted Funds From Operations (AFFO)

The dividend policy is to distribute between 90% and 110% of Adjusted Funds from Operations (AFFO) over a full financial year. The table below is a reconciliation between the net profit as per the consolidated statement of comprehensive income and AFFO.

Reconciliation of Net Profit to AFFO

for the year ended 31 March 2020

	2020 $000	Forecast $000	Variance $000
Net profit before tax	12,605	12,841	(236)
Revaluation of investment property	(1,649)	914	(2,563)
Change in fair value of interest rate swaps	2,659	(225)	2,884
Gain on disposal of investment property	-	(1,097)	1,097
Initial finance costs amortised	178	167	11
Accrual for fixed rental growth	(427)	(398)	(29)
Amortisation of incentives and leasing costs	83	167	(84)
Depreciation on right-of-use assets (IFRS 16)	57	57	-
Repayment of lease liability (IFRS 16)	(13)	(13)	-
FFO	**13,493**	**12,413**	**1,080**
FFO payout ratio	**88%**	**94%**	**(6%)**
Incentives granted	(643)	(866)	223
Leasing fees paid	(32)	(87)	55
Maintenance capex	(406)	(444)	38
Other [1]	270	270	-
AFFO	**12,682**	**11,286**	**1,396**
AFFO payout ratio	**93%**	**104%**	**(11%)**

[1] Incentive paid to tenant at Beach Road, pursuant to historical lease agreement.

AFFO is a non-GAAP financial measure adopted to assist the Fund in assessing the adjusted operating profit available for distribution, calculated in accordance with the guidelines issued by the Property Council of Australia. AFFO represents net profit before tax, excluding investment property revaluations, fair value movements on interest rate swaps, fixed rental accruals and other one off, non-cash or non-recurring transactions. AFFO also reflects the impact of capital expenditure incurred as part of maintaining the portfolio, the total amount of cash and cash equivalent incentives and relevant leasing costs incurred.

The above reconciliation has not been audited by EY.

Comparison to Prospective Financial Information (PFI)

The following is a comparison of actual financial information to prospective financial information that was included in the Replacement Product Disclosure Statement issued by Augusta Industrial Fund Limited dated 7 February 2019.

Selected Financial Information

for the year ended 31 March 2020

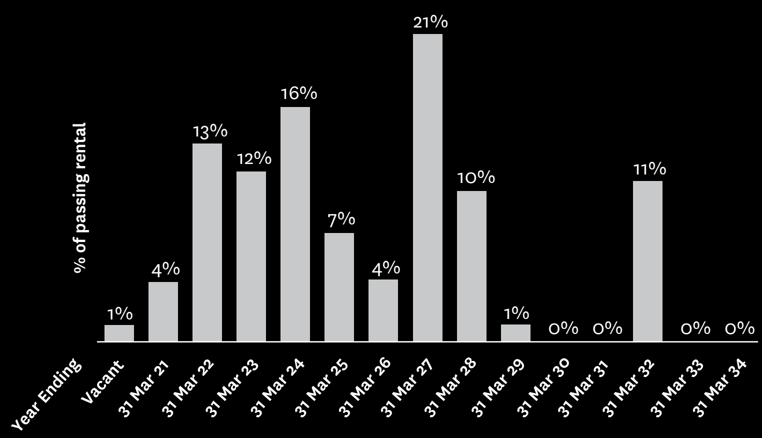
	Actual $000	Forecast $000
Revenue	25,697	24,302
Operating costs	(4,927)	(4,703)
Net revenue	**20,770**	**19,599**
EBITDA	**17,739**	**18,194**
Net profit before tax	12,605	12,841
Net profit after tax	12,605	12,841
Funds From Operations (FFO)	13,493	12,413
Adjusted Funds From Operations (AFFO)	12,682	11,286
Dividends on all equity securities of the issuer	(10,806)*	(11,700)
Net cash flows from operating activities	14,644	13,981
Total assets	350,343	297,646
Cash and cash equivalents	983	500
Total liabilities	165,113	123,371
Total debt	157,842	121,360
Net Tangible Assets	185,230	174,275
Gearing	45%	41%
Interest Cover	3.70	3.57

*Excludes $1,029,167 that relates to the April 2019 dividend that was paid in May 2019, as this was declared during the period ended 31 March 2019.

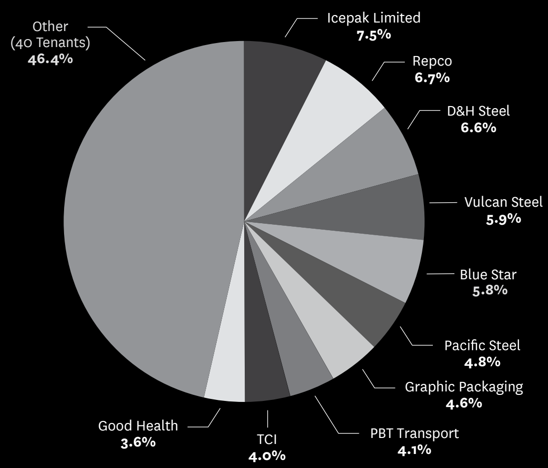
Property Portfolio Metrics

As at 31 March 2020

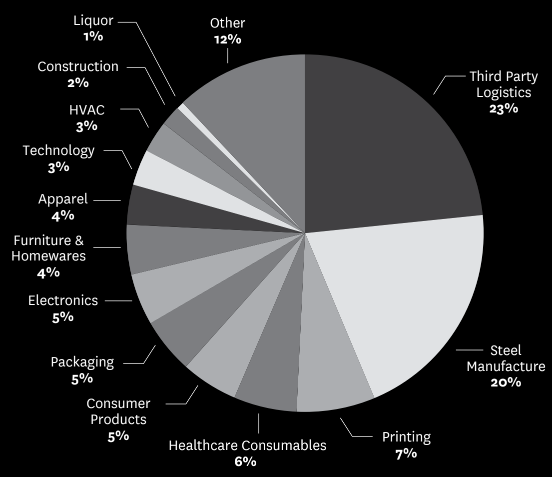
15 Year Lease Expiry Profile



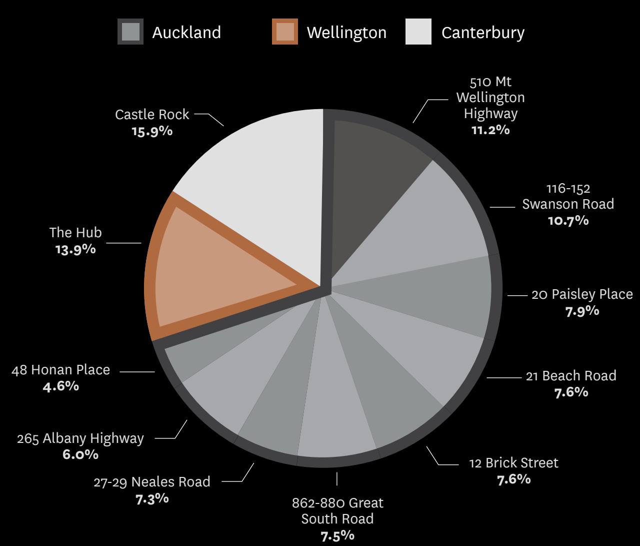
Largest 10 Tenants (Passing Rental)



Tenant Industry Mix (Passing Rental)



Portfolio Weighting (Valuation)



Financial Statements

For the year ended 31 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020 $000	2019 $000
Gross rental income	3	25,697	7,375
Recoverable property operating expenses	3	(4,076)	(985)
Non recoverable property operating expenses	3	(812)	(361)
Property investigation expenses		(39)	(25)
Net property income		**20,770**	**6,004**
Administration expenses	3	(487)	(266)
Management expenses	14	(1,595)	(548)
Operating profit before finance expenses		**18,688**	**5,190**
Interest income		-	3
Finance expenses	3	(4,992)	(1,596)
Lease finance cost (ground lease)	16	(81)	(62)
Operating profit		**13,615**	**3,535**
Change in fair value of investment property	5	1,649	7,343
Change in fair value of interest rate swaps	8	(2,659)	(2,286)
Net profit		**12,605**	**8,592**
Other comprehensive income		-	-
Total comprehensive income attributable to shareholders		**12,605**	**8,592**

These financial statements should be read in conjunction with the notes on pages 26 to 47.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Capital $000	Retained earnings $000	Total $000
Equity as at 1 April 2019		179,788	3,643	183,431
Total comprehensive income		-	12,605	12,605
Dividends paid to shareholders	11	-	(10,806)	(10,806)
Equity as at 31 March 2020		**179,788**	**5,442**	**185,230**
Equity as at 16 April 2018		-	-	-
Shares issued	13	190,000	-	190,000
Establishment and issue costs	13	(10,212)	-	(10,212)
Total comprehensive income		-	8,592	8,592
Dividends paid to shareholders	11	-	(4,949)	(4,949)
Equity as at 31 March 2019		**179,788**	**3,643**	**183,431**

These financial statements should be read in conjunction with the notes on pages 26 to 47.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 $000	2019 $000
Current assets			
Cash and cash equivalents		983	3,181
Trade and other receivables	9	1,317	1,484
Restricted cash	6	200	200
Total current assets		**2,500**	**4,865**
Property held for sale	**6**	**3,175**	**2,753**
Non-current assets			
Investment property	5	343,355	295,485
Software intangible asset		34	-
Right-of-use assets (ground lease)	16	1,279	1,336
Total non-current assets		**344,668**	**296,821**
Total assets		**350,343**	**304,439**
Current liabilities			
Trade and other payables	10	1,887	3,274
Dividends payable	11	515	1,496
Deposit received on sale of property held for sale	6	200	200
Fair value of interest rate swaps	8	242	-
Lease liabilities (ground lease)	16	16	13
Total current liabilities		**2,860**	**4,983**
Non-current liabilities			
Borrowings	7	156,500	112,800
Capitalised borrowing costs	7	(292)	(419)
Fair value of interest rate swaps	8	4,703	2,286
Lease liabilities (ground lease)	16	1,342	1,358
Total non-current liabilities		**162,253**	**116,025**
Share capital		179,788	179,788
Retained earnings		5,442	3,643
Total equity		**185,230**	**183,431**
Total liabilities and equity		**350,343**	**304,439**

These financial statements have been issued for and on behalf of Augusta Industrial Fund Limited by:

Robert Mark Petersen
Director of Augusta Industrial Fund Limited

Mark Francis
Director of Augusta Industrial Fund Limited

Date: 23 June 2020

These financial statements should be read in conjunction with the notes on pages 26 to 47.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Cash was provided from:			
Rental receipts		21,425	6,281
Interest income		-	3
Property operating expense recoveries		3,159	755
Goods and services tax received		879	-
		25,463	7,039
Cash was applied to:			
Payments to suppliers		(6,447)	(1,867)
Goods and services tax paid		-	(663)
Interest paid (ground lease)		(81)	(62)
Interest paid		(4,291)	(1,732)
		(10,819)	(4,324)
Net cash flow from operating activities	**4**	**14,644**	**2,715**
Cash flows from investing activities			
Cash was applied to:			
Building improvements		(3,572)	(1,826)
Capitalised interest on development		(180)	(84)
Lease incentive		(643)	(60)
Acquisition of investment property		(42,367)	(288,364)
Acquisition of software intangible asset		(39)	-
		(46,801)	(290,334)
Net cash flow from investing activities		**(46,801)**	**(290,334)**
Cash flows from financing activities			
Cash was provided from:			
Shareholder capital		-	190,000
Borrowings		43,700	112,800
		43,700	302,800
Cash was applied to:			
Dividends and PIE tax		(11,560)	(3,385)
Establishment and issue costs		(2,115)	(8,097)
Borrowing costs		(53)	(510)
Repayment of lease liabilities (ground lease)		(13)	(8)
		(13,741)	(12,000)
Net cash flow from financing activities		**29,959**	**290,800**
Net (decrease)/increase in cash and cash equivalents		(2,198)	3,181
Cash and cash equivalents at start of period		3,181	-
Cash and cash equivalents at end of period		**983**	**3,181**

These financial statements should be read in conjunction with the notes on pages 26 to 47.

Notes to the Consolidated Financial Statements

As at 31 March 2020

Note 1: General Information

a) Reporting entity

The consolidated financial statements are for Augusta Industrial Fund Limited (the "Company") and its subsidiaries Augusta Industrial Fund No.1 Limited, and Augusta Industrial Fund No.2 Limited (collectively, the "Group").

The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993.

The Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The registered office is located at Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland, 1010.

The nature of the operations and principal activities of the Group are that of investment in industrial property. The entity's Manager, Augusta Funds Management Limited, is responsible for the day to day management of the Group.

b) Basis of preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). For the purpose of complying with NZ GAAP, the Company and its subsidiaries are for-profit entities.
The financial statements have also been prepared on a historical cost basis, except where otherwise identified.

The consolidated financial statements are presented in New Zealand dollars, which is the Group's functional currency, and all values are rounded to the nearest thousand dollars ($000).

c) Statement of compliance

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable standards. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

d) Comparatives

The Company was incorporated on 16 April 2018 and commenced operations on 15 June 2018. The 2019 figures included within the consolidated financial statements cover the period from 16 April 2018 to 31 March 2019, with trading commencing from 15 June 2018.

Where applicable, certain comparatives have been restated to comply with the accounting presentation adopted in the current year.

Rental income of $6,390,914 and property operating expense recoveries of $984,552 for the period ended 31 March 2019 have been restated as gross rental income in the Consolidated Statement of Comprehensive Income and Note 3 (revenue and expenses) (totalling $7,375,466).

e) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at and for the period ended 31 March 2020.

Subsidiaries are all those entities over which the Company is exposed, or has rights, to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered, if those rights are substantive, when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Note 2: Critical Accounting Estimates, Assumptions and Judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.
All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Although the Group has internal control systems in place to ensure that estimates can be reliably measured, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a high degree of judgement or areas where assumptions are significant to the Group include the following:

Valuations of investment properties - Investment property (Note 5).
Valuations of derivative financial instruments - interest rate swaps (Note 8).

Fair value measurements

A number of the Group's accounting policies and disclosures require measurement at fair value. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique adopted as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices), or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation of investment properties - Investment property (Note 5)

The valuations state that they are reported on the basis of 'material valuation uncertainty' due to Novel Coronavirus (COVID–19). The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, is causing heightened uncertainty in both local and global market conditions. Global financial markets have seen steep declines since late February largely on the back of the pandemic over concerns of trade disruptions and falling demand. In New Zealand, the state of emergency declared on 26th March 2020 with the government enforced lockdown implementing strict travel restrictions and a range of quarantine and "social distancing" measures has had many immediate impacts on the property market including:

- Evidence that transactions are being placed on hold or renegotiated in light of government action.
- Anecdotal evidence that values may be declining.
- A lack of completed transactional evidence for capital and rental values.
- An inability to undertake appropriate due diligence, by some purchasers or their advisors.
- A change in sentiment from categories of property investors, such as syndicators, private investors and institutional buyers.

Therefore as at the valuation date, the valuers have attached less weight to previous market evidence for comparison purposes to inform opinions of value. They have drawn attention to the material valuation uncertainty advising users of the information to apply a higher degree of caution for its use than would normally be the case forewarning that values may change more rapidly and significantly than would normally be the case. If economic and property market conditions deteriorate in the future, the market values of the assets are likely to decline. This inherent risk factor should be considered in any lending or investment decisions.

The valuations take into account the impact of COVID-19 in the adopted metrics assumed in the calculations. Refer to investment property (Note 5) for a detailed description of all these and other standard valuation metrics used which include estimates, assumptions and judgement.

Going concern

The financial statements have been prepared under the going concern assumption, which assumes the Group will be able to pay its debts as they fall due in the normal course of business.

The outbreak of COVID-19 has significantly impacted local markets with the implementation of strict travel restrictions and a range of quarantine and "social distancing" measures. The impact on tenants, financial position, trade, businesses, market rents and the wider economy is constantly evolving. The Manager of the Group has considered all information available at the date of signing the financial statements (refer to Note 19 subsequent events) and is of the opinion that the Group is a going concern based on available liquidity levels, undrawn debt facility limits and forecast operating cashflows being sufficient to cover future obligations when they fall due. Forecast cashflows have taken into consideration tenant known circumstances, expected future expenses and provisions to fund any anticipated cash requirements in the current environment.

At 31 March 2020, the Group's current liabilities, excluding property held for sale, exceeded the Group's current assets by $360,321. The Manager is of the opinion that the Group is a going concern as forecast operating cashflows and undrawn debt facility limits are sufficient to cover future obligations when they fall due.

Note 3: Revenue and Expenses

	Note	2020 $000	2019 $000
Gross rental income			
Rental income and property operating expense recoveries from tenants		25,320	7,286
Capitalised lease incentive adjustments		(50)	-
Adjustment due to fixed rental growth		427	89
Total gross rental income		**25,697**	**7,375**
Recoverable property operating expenses			
Repairs and maintenance		476	109
Property management fees		153	43
Utilities and Rates		2,275	405
Insurance		1,172	428
Total recoverable property operating expenses		**4,076**	**985**
Non recoverable property operating expenses			
Repairs and maintenance		342	127
Property management fees		123	64
Utilities and Rates		106	59
Insurance		161	65
Depreciation of right-of-use assets (ground lease)		57	43
Other expenses		23	3
Total non recoverable property operating expenses		**812**	**361**
Administration expenses			
Valuation fees		79	48
Registry fees		58	33
Audit and assurance fees		78	70
Legal and professional fees		68	23
Insurance		19	16
Directors fees		90	64
Other administration expenses		95	12
Total administration expenses		**487**	**266**
Finance expenses			
Bank loan interest and fees		4,814	1,501
Amortisation of borrowing costs		178	95
Total finance expenses		**4,992**	**1,596**

	2020 $000	2019 $000
Auditor's remuneration		
Statutory audit	78	70
Review of interim financial statements [1]	-	13
Total remuneration for audit and other assurance services	**78**	**83**
Investigating accountant services [2]	-	145
Taxation services	-	14
Total remuneration for non-audit services	**-**	**159**

1 Recognised as an issue cost in equity.

2 Recognised as an issue cost in equity. The above shows the total cost of investigating accountant services provided during the period ended 31 March 2019. $18,348 of this was borne by Augusta Capital Limited and not recharged to the Group.

Accounting Policy - Revenue and Expenses

Revenue recognition
The Group recognises revenue from the following principal activities.

Gross rental income
Rental income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the investment property is diminished. Lease incentives provided to tenants are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income.

Income generated from property operating expenses recovered from tenants is included in gross rental income with the associated property operating expenses shown in operating expenses. Rates and insurance recoveries are recognised as components of lease revenue. Other property operating expense recoveries are recognised as service charge income when a performance obligation is satisfied by transferring control of goods or services to tenants that are recoverable in accordance with the terms and conditions of lease agreements. A performance obligation is a promise in a lease to provide a distinct good or service (or a bundle of goods and services) to a tenant.

Finance income
Finance income consists of interest income and is recognised as revenue on an accrual basis using the effective interest method.

Expense recognition
The Group recognises expenses from the following principal activities.

Property operating expenses
Property operating expenses are categorised into recoverable and non recoverable property operating expenses in accordance with lease agreements.

Finance expenses
Finance expenses principally consists of interest and fees payable on borrowings which are recognised as an expense using the effective interest method.

Note 4: Reconciliation of Net Profit to Net Cash Flow from Operating Activities

	2020 $000	2019 $000
Net profit	12,605	8,592
Adjustments for:		
Change in fair value of investment property	(1,649)	(7,343)
Change in fair value of interest rate swaps	2,659	2,286
Amortisation of borrowing costs	178	95
Adjustment for fixed rental growth	(427)	(89)
Amortisation of capitalised lease incentives and fees	18	-
Amortisation of software intangible assets	4	-
Depreciation of right-of-use assets (ground lease)	57	43
Changes to assets and liabilities relating to operating activities		
Decrease/(increase) in trade and other receivables	(651)	(1,228)
Increase/(decrease) in trade and other payables	1,850	359
Net cash flow from operating activities	**14,644**	**2,715**

Accounting Policy - Cash and Cash Equivalents

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks which are subject to an insignificant risk of changes in value and are readily accessible.

Statement of cash flow
The following is the definition of the terms used in the statement of cash flow:

- Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

Note 5: Investment Property

a) Reconciliation of carrying amount

	Valuer	Capitalisation rate %	Fair value 31 March 2019 $000	Capital movements[1] 2020 $000	Fair value gain/(loss) 2020 $000	Fair value 31 March 2020 $000
862-880 Great South Road	JLL	6.00	19,680	2,579	(459)	21,800
12 Brick Street	CBRE	5.75	23,900	-	2,500	26,400
20 Paisley Place	Colliers	6.25	26,000	141	1,159	27,300
The Hub[2]	Colliers	7.39	47,895	120	215	48,230
265 Albany Highway	Bayleys	6.13	20,550	40	110	20,700
510 Mt Wellington Highway	Bayleys	6.63	39,750	22	(697)	39,075
116-152 Swanson Road	Bayleys	7.00	37,010	80	(40)	37,050
5 & 21 Beach Road	JLL	6.50	25,700	617	(67)	26,250
Castle Rock Business Park	JLL	7.25	55,000	263	(113)	55,150
27-29 Neales Road	JLL	5.25	-	25,511	(261)	25,250
48 Honan Place	Savills	5.75	-	16,848	(698)	16,150
Investment properties			**295,485**	**46,221**	**1,649**	**343,355**

	Valuer	Capitalisation rate %	Fair value 16 April 2018 $000	Capital movements[1] 2019 $000	Fair value gain/(loss) 2019 $000	Fair value 31 March 2019 $000
862-880 Great South Road	JLL	6.00	-	18,786	894	19,680
12 Brick Street	CBRE	6.25	-	22,461	1,439	23,900
20 Paisley Place	Colliers	6.50	-	25,499	501	26,000
The Hub[2]	Colliers	7.28	-	45,347	2,548	47,895
265 Albany Highway	Bayleys	6.25	-	20,374	176	20,550
510 Mt Wellington Highway	CBRE	6.75	-	38,395	1,355	39,750
116-152 Swanson Road	JLL	7.00	-	36,896	114	37,010
5 & 21 Beach Road	JLL	6.63	-	25,960	(260)	25,700
Castle Rock Business Park	JLL	7.29	-	54,424	576	55,000
Investment properties			**-**	**288,142**	**7,343**	**295,485**

1 Includes capitalised interest on development. The effective interest rate applied to capitalised interest was 3.12% for the period ended 31 March 2020 (2019: 3.70%).
2 The Hub comprises 17-23 Toop Street, 25 Toop Street, 109-117 Port Road and 101-103 Port Road.

The movement in the Group's investment properties during the year is as follows.

	2020 $000	2019 $000
Balance at the beginning of the year/period	295,485	-
Capital movements		
Additions	42,359	285,816
Capital expenditure	2,857	2,170
Transfer to property held for sale	(40)	-
Movement in lease incentives, fees, and fixed rental income	1,045	156
Unrealised fair value adjustment	1,649	7,343
Balance at the end of the period	**343,355**	**295,485**

Investment property is measured at fair value and was valued as at 31 March 2020 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Impact of COVD-19 on the valuations

The valuers note that their reports are on the basis of 'material valuation uncertainty' due to Novel Coronavirus (COVID–19) and advise users of the information to apply a higher degree of caution for their use than would normally be the case. The valuers advised that they have attached less weight to previous market evidence for comparison purposes to inform their opinions of value and forewarned users that values may change rapidly and significantly as the impact of the COVID-19 crisis unfolds - refer to Note 2 (Critical accounting estimates, assumptions and judgements).

The valuations note that the valuation date falls within a forced government lockdown at COVID-19 Alert Level 4 and declared state of emergency. This was an extraordinary event which placed severe restrictions on the domestic economy with only those businesses essential to the 'necessities of life' allowed to operate. The Government signalled that the real estate market did not fall into the 'essential' category and so the market was effectively frozen during this period. Accordingly, these circumstances contradicted the definition of Market Value which is predicated on willing market participants and proper marketing for which clearly these elements did not exist as at 31 March 2020. Despite a hypothetical sale of the property being unable to complete as at 31 March 2020, by necessity the valuations specifically assumed a short-term aberration that a 'functioning market' existed where proper marketing and due diligence occurred and agreement could be reached between a willing buyer and willing seller in order to meet the definition of Market Value. This was on the basis that the severe measures under Alert Level 4 are temporary, however notwithstanding, it being clear that market sentiment was turning rapidly from mid-March 2020 when the COVID-19 pandemic was declared through to the date of the Level 4 lockdown announcement being 23 March 2020 so these factors were reflected in the valuations as at 31 March 2020.

As a result of the crisis, the valuation assumes certain tenants have been offered rental rebates subsequent to balance date of approximately $2.3 million. In addition, the future market rental growth rates were reduced and other valuation metrics adopted in the valuers' methodologies were reconsidered compared to what they would have been before the COVID-19 pandemic unfolded in March 2020.

b) Fair value hierarchy

The fair value measurement for investment property has been categorised as a Level 3 fair value (refer to Note 2) based on the inputs to the valuation technique used being based on unobservable inputs. There were no transfers between levels during the year.

c) Valuation techniques and unobservable inputs

The fair value of investment property was determined using the following approaches.

Valuation methodology	
Purpose:	Financial reporting
Basis of valuation:	The determination of the values stated were based on market value subject to existing tenancies and occupational arrangements.
Assessment approach:	Capitalisation and discounted cash flow.
Valuers:	Bayleys, CBRE, Colliers International, Jones Lang LaSalle and Savills.

Capitalisation approach

This approach is considered a "point in time" view of the investment property's value, based on the current contract and market income and an appropriate market yield or return for the property. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure and upcoming expiries, including allowances for lessee incentives and leasing costs.

Discounted cash flow approach

The discounted cash flow method adopts a 10 year investment horizon and makes appropriate allowances for rental growth and leasing costs on lease expiries, with an estimated terminal value at the end of the investment period. The present value is a reflection of contract/market based income (inflows) and expenditure (outflows) projections over the 10 year period discounted at a market analysed return.

The table below outlines the key observable inputs assumed in the valuations.

Valuation summary	**Range of significant unobservable inputs**		**Fair value measurement sensitivity to significant:**	
	2020	**2019**	**Increase in input**	**Decrease in input**
Market capitalisation rate (%)[1]	5.25% - 7.39%	6.25% - 7.30%	Decrease	Increase
Market rental ($ per sqm)[2]	$78 - $243	$90 - $237	Increase	Decrease
Discount rate (%)[3]	7.13% - 8.85%	7.50% - 9.00%	Decrease	Increase
Rental growth rate (%)[4]	0.00% - 3.00%	0.98% - 2.82%	Increase	Decrease
Terminal capitalisation rate (%)[5]	5.50% - 7.65%	6.25% - 8.00%	Decrease	Increase

1 The capitalisation rate applied to the market rental to asses a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, tenant covenant, size and quality of the property.
2 The valuers assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3 The rate applied to future cash flows reflecting transactional evidence from similar properties.
4 The rate applied to the market rental over the future cash flow projection.
5 The rate used to assess the terminal value of the property.

Among other factors, both valuation approaches consider the quality of the building and its location, tenant quality, lease terms and any lease incentive costs such as rent-free periods other costs not paid by the tenant and the assumed impact of COVID-19.

Sensitivity analysis

A sensitivity analysis that shows how a change to capitalisation and discount rates affects the value of the Group's investment property portfolio is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on fair value of investment properties.

The capitalisation rate relates to the income capitalisation approach and the discount rate relates to the discounted cash flow approach. Generally, a change in the capitalisation rate is accompanied by a directionally similar change in the discount rate.
The table below assesses each of these inputs in isolation and assumes all other inputs are held constant.

The below sensitivities have been provided additional information in response to COVID-19 and prior year comparatives are not available as these have not been reported previously.

31 March 2020	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Actual value ($000)	343,355				
Impact of assumption change ($000)		14,260	(13,030)	6,020	(5,835)
Impact of assumption change (%)		4.2%	(3.8%)	1.8%	(1.7%)

Accounting Policy - Investment Property

Investment property is initially measured at cost, including transaction costs and is subsequently measured at fair value which reflects market conditions. Fair value is determined annually by independent valuers and adjusted for any amounts already allocated to other assets or liabilities. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Group and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred.
Where part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the period of derecognition.

Note 6: Property Held for Sale

At the time of acquisition, a contract to sell approximately 4,000m² of land at 880 Great South Road was in place.
The land area has subsequently increased to approximately 4,550m² of land as part of the subdivision process. A $200,000 deposit has been received from the purchaser in relation to the sale and is being held in the Group's solicitors trust account.

Property held for sale	31 March 2019 $000	Additions[1] $000	Capital expenditure[2] $000	31 March 2020 $000
862-880 Great South Road land	2,753	40	382	3,175
Total	**2,753**	**40**	**382**	**3,175**

1 Additional land reclassified from investment property to investment property held for sale following final measurement of the site.
2 Includes capitalised interest on development. The effective interest rate applied to capitalised interest was 3.12% for the period ended 31 March 2020 (2019: 3.70%).

Property held for sale	16 April 2018 $000	Additions[1] $000	Capital Expenditure[2] $000	31 March 2019 $000
862-880 Great South Road land	-	2,549	204	2,753
Total	-	**2,549**	**204**	**2,753**

1 Includes acquisition costs.
2 Includes capitalised interest on development. The effective interest rate applied to capitalised interest was 3.12% for the period ended 31 March 2020 (2019: 3.70%).

Accounting Policy - Property Held For Sale

The Group classifies investment property as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be held for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale and purchase agreement or by entering into a campaign to market the property sale with the clear intention of disposal. The sale must be highly probable, an active programme to locate a buyer must be in place and the disposal plan must have been initiated. A completed sale is expected to take place within one year from the date of classification.

Investment property held for sale is measured at the lower of its carrying amount immediately before classification as held for sale and fair value less costs to sell.

Note 7: Borrowings

The Group has loans with ASB Bank Limited (ASB) and Westpac New Zealand Limited (Westpac) through a syndicated facility.
Principal repayment is due on maturity with interest payable monthly at a floating rate until 29 April 2022. The borrowings are secured by way of deed of assignment of lease, a registered first mortgage over Group properties, and a general security deed over all other assets of the Group.

	31 March 2020 $000	31 March 2019 $000
Facility A		
Loan maturity date	29/04/2022	29/04/2022
Loan to value ratio (LVR) % - not to be greater than	50%	50%
Interest cover - not to be less than	2.00:1	2.00:1
Syndicated facility drawn	132,000	112,800
Undrawn facility	-	19,200
Facility B		
Loan maturity date	29/04/2022	-
Loan to value ratio (LVR) % - not to be greater than	50%	-
Interest cover - not to be less than	2.00:1	-
Syndicated facility drawn	24,500	-
Undrawn facility	3,500	-
Weighted average interest rate for drawn debt[1]	3.56%	4.16%

1 Includes interest rate swaps, margins and line fees.

53.67% (2019: 74.47%) of drawn debt has the variable base rate portion of interest cost hedged with interest rate swaps at 31 March 2020. Refer to Note 8.

The Group has complied with all borrowing covenants during the period. (2019: The Group has complied with all borrowing covenants during the period)

Each bank's participation under the syndicated facility is set out below.

31 March 2020	ASB $000	Westpac $000	Total $000
Drawn debt	72,600	83,900	156,500
Undrawn balance	-	3,500	3,500
	72,600	**87,400**	**160,000**

31 March 2019	ASB $000	Westpac $000	Total $000
Drawn debt	62,040	50,760	112,800
Undrawn balance	10,560	8,640	19,200
	72,600	**59,400**	**132,000**

The table below reconciles movements in liabilities arising from financing activities (as classified in the statement of cash flow) that have occurred during the period.

31 March 2020	Borrowings due < 1 year $000	Borrowings due > 1 year $000	Associated borrowing costs $000	Total $000
Borrowings as at 1 April 2019	-	112,800	(419)	112,381
Cash drawn down on loan	-	43,700	-	43,700
Changes arising from cash flows	-	-	(51)	(51)
Non-cash changes	-	-	178	178
Borrowings as at 31 March 2020	-	**156,500**	**(292)**	**156,208**

31 March 2019	Borrowings due < 1 year $000	Borrowings due > 1 year $000	Associated borrowing costs $000	Total $000
Borrowings as at 16 April 2018	-	-	-	-
Cash drawn down on loan	-	112,800	-	112,800
Changes arising from cash flows	-	-	(514)	(514)
Non-cash changes	-	-	95	95
Borrowings as at 31 March 2019	-	**112,800**	**(419)**	**112,381**

Accounting Policy - Borrowings

All borrowings are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, directly attributable fees, costs, discounts and premiums are capitalised and spread over the expected life of the facility. All other interest costs and bank fees are expensed in the period they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Note 8: Interest Rate Swaps

The Group has entered into the following interest rate swap agreements with ASB Bank Limited. As at 31 March 2020, the Group swapped the variable base rate with a fixed rate on notional amounts of the loan as detailed in the table below. This is unchanged from 31 March 2019.

	Notional amount	Expiry date	Fixed base rate
Swap 1	$12,000,000	31/03/2022	2.78%
Swap 2	$12,000,000	31/03/2021	2.57%
Swap 3	$8,000,000	30/06/2023	2.92%
Swap 4	$52,000,000	5/04/2024	2.34%

The total effective weighted average interest rate payable on the borrowings, including the lending margin, the hedged and the unhedged portion of borrowings at balance date is 3.56% (excluding amortised costs) (2019: 4.16% (excluding amortised costs)

	2020 $000	2019 $000
Fair value of interest rate swaps at beginning of period	(2,286)	-
Change in fair value of interest rate swaps	(2,659)	(2,286)
Fair value of interest rate swaps at end of period	**(4,945)**	**(2,286)**

Accounting Policy - Interest Rate Swaps

The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from borrowings. Interest rate swaps are recognised at fair value and any resulting gain or loss on re-measurement is recognised in profit and loss.

The Group applies Level 2 criteria of the fair value hierarchy in determining the fair value of its interest rate swaps. The fair value of interest rate swaps is obtained externally and is the estimated amount the Group would receive or pay to terminate the swaps at balance date, taking into account current interest rates.

Note 9: Trade and Other Receivables

	2020 $000	2019 $000
Trade receivables	1,309	509
Prepayments	8	300
GST receivable	-	675
	1,317	**1,484**

Accounting Policy - Trade And Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses. Trade receivables are non-interest bearing and on 30-day terms. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10: Trade and Other Payables

	2020 $000	2019 $000
Trade payables	245	200
Rent in advance	104	-
Accrued expenses	661	240
Accrued issue costs	-	2,115
Accrued WIP	-	610
Accrued interest	292	41
PIE tax payable	296	68
GST payable	240	-
Other payables	49	-
	1,887	**3,274**

Accounting Policy - Trade And Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to year end which are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of goods and services. As trade and other payables are usually paid within 30 days they are not discounted.

Note 11: Dividends Payable

	Date declared	Date paid	2020 $000
Dividend for the period 1 March 2020 to 31 March 2020	30/01/2020	20/04/2020	515
			515

	Date declared	Date paid	2019 $000
Dividend for the period 1 March 2019 to 28 March 2019	19/03/2019	23/04/2019	367
Dividend for the period 29 March 2019 to 31 March 2019	19/03/2019	23/04/2019	100
Dividend for the period 1 April 2019 to 30 April 2019	19/03/2019	20/05/2019	1,029
			1,496

Note 12: Financial Risk Management

The main risks arising from the normal course of the Group's business are interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the values and future cash flows of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its borrowings. Management actively reviews exposure through sensitivity analysis in strategic reviews. The level of borrowings is disclosed in Note 7.

To manage the risk the Group enters into interest rate swaps or fixed rate agreements. For swaps, the Group agrees to exchange at specified intervals, the difference between fixed and variable base rate interest amounts calculated by reference to an agreed notional principal amount.

As at balance date, the Group had the following assets and liabilities exposed to interest rate risk:

	2020 $000	2019 $000
Assets		
Cash and cash equivalents	983	3,181
	983	**3,181**
Liabilities		
Borrowings (unhedged)	72,500	28,800
Fair value of interest rate swaps	4,945	2,286
	77,445	**31,086**

The following demonstrates the sensitivity to the Group profit and equity, resulting from a reasonably possible change in interest rates, with all other variables held constant.

	2020 $000	2019 $000
Net impact on profit and equity (+1%)	1,875	2,861
Net impact on profit and equity (-1%)	(1,875)	(2,861)

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Group's policy for management of liquidity risk is to maintain a minimum level of cash or undrawn debt facility limits to meet working capital requirements. The Group manages its risk by monitoring cash flow on an ongoing basis.

The following table details the remaining contractual maturity for the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and all interest rate variables being held constant.

Interest payable on borrowings is calculated up to loan expiry. Refer to Note 7 for further details on borrowings.

2020	< 1 Year $000	1 - 5 Years $000	> 5 Years $000	Total $000
Financial liabilities				
Payables	1,887	-	-	1,887
Borrowings	-	156,500	-	156,500
Interest payable on borrowings	3,264	3,523	-	6,787
Interest payable on swaps	1,206	2,556	2	3,764
Lease finance cost (ground lease)	81	310	798	1,189
Total financial liabilities	**6,438**	**162,889**	**800**	**170,127**

2019	< 1 Year $000	1 - 5 Years $000	> 5 Years $000	Total $000
Financial liabilities				
Payables	3,274	-	-	3,274
Borrowings	-	112,800	-	112,800
Interest payable on borrowings	3,305	6,882	-	10,187
Interest payable on swaps	488	1,446	4	1,938
Lease finance cost (ground lease)	81	315	873	1,270
Total financial liabilities	**7,148**	**121,443**	**877**	**129,468**

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents and trade and other receivables. The Group's policy is to assess the creditworthiness of prospective tenants. The Group manages its exposure to credit risk on an ongoing basis, through regular communication with tenants and by receiving rental income monthly in advance. Maximum exposures to credit risk at balance date are the carrying amounts of financial assets in the statement of financial position. There were no impaired assets at balance date.

Note 13: Equity

The Company comprises 190,000,000 shares of $1.00 each issued during the prior period. 75,000,000 shares were issued by the Company on 15 June 2018, with issue costs of $4,834,768. 115,000,000 shares were issued by the Company on 28 March 2019, with issue costs of $5,377,727.

Establishment and issue costs of $10,212,495, which have been offset against equity, include underwrite fees, brokerage fees, marketing, and legal and professional fees incurred in relation to raising equity during the period ended 31 March 2019.

Dividends were paid at a rate of 6.50% per annum per share from 1 April 2019 to 29 February 2020 and 3.25% for the period 1 March 2020 to 31 March 2020. (2019: Dividends were paid at a rate of 6.50% per annum per share from 16 June 2018 to 31 March 2019.)

Capital Management

When managing capital, the Directors objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders.

As the market is constantly changing, management and the Board of Directors consider capital management initiatives. The Directors have the discretion to change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell investment property to reduce borrowings.

The Group's capital structure includes borrowings and shareholder's equity. The Group monitors capital on the basis of borrowing covenant compliance, including the loan to value ratio and interest cover ratio.

Note 14: Related Parties

Augusta Funds Management Limited, a wholly owned subsidiary of Augusta Capital Limited, was engaged as the Manager of the Scheme for the year ended 31 March 2020. The directors of Augusta Funds Management Limited and Augusta Capital Limited for the period were Bryce Barnett, Mark Francis, Mark Petersen, Paul Duffy, Kevin Murphy (appointed 17 October 2019), and Fiona Oliver (appointed 17 October 2019).

Augusta Capital Limited owned 19,000,000 shares in the Company as at 31 March 2020 (2019: 23,770,000).

Kevin Murphy owns 100,000 shares in the Company as at 31 March 2020. These shares were acquired on 28 March 2019.

Bryce Barnett is a non-beneficiary trustee of a trust that owns 50,000 shares in the Company.

Transactions with related parties

	2020 $000	2019 $000
Augusta Funds Management Limited		
Management fees	1,595	548
Property management fees	257	108
Transaction fees	25	9
Development management fees	153	-
Offeror fee	-	1,475
Acquisition fees	419	1,738
	2,449	**3,878**
Augusta Capital Limited		
Underwriters fees	-	1,364
Dividends paid	1,110	495
	1,110	**1,859**

Total net fees charged by the Manager outstanding at balance date are $332,367 (2019: $117,452).

Some costs have been paid by Augusta Capital Limited and Augusta Funds Management Limited on behalf of the Group, and then recharged to the Group. Such costs have not been included in the above.

Transactions with Directors

	2020 $000	2019 $000
Directors fees		
Robert Mark Petersen	40	32
Guy French-Wright	25	20
Guy Weaver	25	12
	90	**64**
Other fees		
Guy Weaver (Due Diligence Committee Fees)	-	10
Guy Weaver (Consulting Fees)	-	2
	-	**12**

There have been no other transactions with key management personnel during the year. Related party balances are unsecured and there are no guarantees given or received.

Note 15: Operating Leases

The Group's investment property had the following minimum lease payments receivable under non-cancellable operating leases:

	2020 $000	2019 $000
Not later than one year	22,060	20,221
Between one and two years	20,530	19,533
Between two and three years	18,109	17,812
Between three and four years	15,314	15,358
Between four and five years	11,858	12,545
Later than five years	34,437	39,080
	122,308	**124,549**

The minimum lease payments receivable reflect the fixed lease term and do not include any options for renewal due to the uncertainty as to whether the option will be exercised.

Accounting Policy - Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Note 16: Leases (Group as Lessee)

The Group leases approximately 15,223m² of land from KiwiRail at The Hub in Wellington. The lease commenced on 1 July 2017 and is for a term of 25 years, expiring on 30 June 2042. The lease was assigned to the Group on 15 June 2018.

The impact of NZ IFRS 16 'Leases' on the consolidated financial statements is set out below.

Consolidated Statement of Financial Position

	Opening Balance $000	Initial recognition of ground lease $000	Repayment of lease liabilities $000	Depreciation of right-of-use asset $000	2020 $000
Right-of-use assets (ground lease)	1,336	-	-	(57)	1,279
Lease liabilities (ground lease)	(1,371)	-	13	-	(1,358)
Asset/(liability)	**(35)**	**-**	**13**	**(57)**	**(79)**

	Opening Balance $000	Initial recognition of ground lease $000	Repayment of lease liabilities $000	Depreciation of right-of-use asset $000	2019 $000
Right-of-use assets (ground lease)	-	1,379	-	(43)	1,336
Lease liabilities (ground lease)	-	(1,379)	8	-	(1,371)
Asset/(liability)	-	-	**8**	**(43)**	**(35)**

The lease liability reflects the obligation to make future lease payments. The right-of-use asset reflects the right to control the use the leased land during the term of the lease.

Consolidated Statement of Comprehensive Income

	2020 $000	2019 $000
Depreciation of right-of-use asset	(57)	(43)
Lease finance cost	(81)	(62)
Total expense	**(138)**	**(105)**

Depreciation of the right-of-use asset is included in non recoverable property operating expenses. Lease finance costs reflect interest on the lease liability.

Consolidated Statement of Cash Flows

	2020 $000	2019 $000
Interest paid	(81)	(62)
Repayment of lease liabilities	(13)	(8)
Total cash outflow	**(94)**	**(70)**

Note 17: Capital Commitments

As at 31 March 2020, the Group had capital commitments of:

-$78,000 relating to the subdivision and redevelopment of the rear site at 862 Great South Road; and
-$47,047 relating to roof remidiation works at 48 Honan Place.

(2019: the Group had capital commitments totalling $1,334,934 relating to the subdivision and redevelopment of the rear site at 862 Great South Road).

Note 18: Contingent Liabilities

The Group has no material contingent liabilities at balance date (2019: Nil).

Note 19: Subsequent Events

New Zealand remained at COVID-19 Alert Level 4 until 28 April 2020 when it moved to Alert Level 3. It then moved to Alert Level 2 on 14 May 2020 and Alert Level 1 on 9 June 2020.

The Group has been in discussions with tenants that require assistance with the effects of COVID-19 and based on discussions to date with tenants, the Group expects the impact of COVID-19 to result in reduced gross rent receivable for the year ended 31 March 2021 of between $1 and $1.5 million. In addition, the Group expects to offer rent deferrals to some tenants which will be structured to be repaid by 30 September 2021.

The sale of 4,550m² of land at 862-880 Great South Road for $4,480,000 settled on 29 April 2020.

On 4 May 2020 Jonathan Ross and Fiona Oliver resigned as Directors of Augusta Funds Management Limited and its parent Augusta Capital Limited. Bryce Barnett also resigned as a Director of Augusta Capital Limited on 4 May 2020, however remains a director of Augusta Funds Management Limited.

On 15 April 2020, the Directors of the Company resolved to reduce the ordinary monthly dividend of $1,029,166.67 that was declared on 30 January 2020 by 50% due to COVID-19. This resulted in an ordinary monthly dividend of $514,583.33, equal to 0.2708 cents per share (equivalent to an annual return on initial equity of 3.25 cents per share). This dividend was paid on 20 April 2020. This has been treated as an adjusting event and the reduced dividend is reflected as a liability at 31 March 2020 – refer to Note 11.

On 15 May 2020, the Directors of the Company declared an ordinary monthly dividend of $514,583.33, equal to 0.2708 cents per share (equivalent to an annual return on initial equity of 3.25 cents per share). This dividend was paid on 20 May 2020.

On 22 May 2020, the Directors of the Company declared a special dividend of $378,731.14, equal to 0.1993 cents per share. This dividend was declared to fund PIE tax payable by shareholders on the taxable gain made from the sale of 4,550m² of land at 862-880 Great South Road. This dividend was paid on 27 May 2020.

On 15 June 2020, Augusta Capital Limited, the parent of the Manager, received a takeover notice from Centuria New Zealand Holdings Limited ("Centuria"). The notice states Centuria's intention to make a full takeover offer to acquire all the equity securities of Augusta Capital Limited. The ultimate ownership of the Manager may change if the takeover offer is successful. The takeover notice is not in relation to Augusta Industrial Fund Limited shares.

On 17 June 2020, the Directors of the Company declared an ordinary monthly dividend of $791,666.67, equal to 0.4167 cents per share (equivalent to an annual return on initial equity of 5.00 cents per share). This dividend is payable on 22 June 2020.

Note 20: Comparison to the Prospective Financial Information

The table and analysis below compares actuals to the prospective financial information ("PFI") issued on 7 February 2019.

	Actual 2020 $000	Forecast 2020 $000
Consolidated statement of comprehensive income		
Rental income	21,621	20,665
Non recoverable property operating expenses	(851)	(1,066)
Administration expenses	(487)	(393)
Management expenses	(1,595)	(1,478)
Net finance expenses	(4,992)	(5,214)
Lease finance cost (ground lease)	(81)	(81)
Change in fair value of investment property	1,649	(914)
Change in fair value of interest rate swaps	(2,659)	225
Gain on disposal of investment property held for sale	-	1,097
Total comprehensive income	**12,605**	**12,841**
Consolidated statement of financial position		
Current assets	2,500	500
Property held for sale	3,175	-
Non-current assets	344,668	297,146
Current liabilities	(2,860)	(1,990)
Non-current liabilities	(162,253)	(121,381)
Net assets (equity)	**185,230**	**174,275**
Consolidated statement of cash flows		
Net cash flow from operating activities	14,644	13,981
Net cash flow from investment activities	(46,801)	744
Net cash flow from financing activities	29,959	(14,725)
Net (decrease)/increase in cash held	**(2,198)**	**-**
Cash and cash equivalents at start of period	3,181	500
Cash and cash equivalents at end of period	**983**	**500**

Rental income is higher than forecast due to rent received from the 27-29 Neales Road and 48 Honan Place properties that were acquired during the year. Non recoverable operating expenses are lower than forecast primarily due to lower repairs and maintenance costs, which have been partly offset by higher non-recoverable insurance costs for the year and property investigation expenses for acquisitions that did not proceed. Administration expenses are higher than forecast primarily due to additional costs following the acquisitions of 27-29 Neales Road and 48 Honan Place including annual valuations and bank agency fees not forecast. Management expenses are higher than forecast due to total assets being higher than budgeted, including the acquisitions of 27-29 Neales Road and 48 Honan Place during the year. The change in fair value of investment property is higher than forecast, as the PFI only assumed a revaluation adjustment for the current year to reflect the movement in lease incentive balances, capitalised leasing fees and fixed rental accruals. The change in fair value of interest rate swaps is lower than forecast as the PFI only assumed the unwind of the existing liability. Gain on disposal of investment property held for sale is lower than forecast due to the deferred sale of land at 862-880 Great South Road.

Current assets are higher than forecast due to higher cash being held at period end and trade receivables not being forecast in the PFI. Property held for sale is higher than forecast as the PFI assumed settlement of a sale of land at 862-880 Great South Road during the year. This settled after year end. Non-current assets are higher than forecast due to the acquisition of 27-29 Neales Road and 48 Honan Place and revaluation gains on investment property at 31 March 2020. Current liabilities are higher than forecast due to higher trade and other payables at 31 March 2020. Non-current liabilities are higher than forecast due to higher debt to fund the acquisitions of 27-29 Neales Road and 48 Honan Place and the unrealised revaluation loss on interest rates swaps at 31 March 2020.

Cash flows from operating activities are higher than forecast due to rent received from 27-29 Neales Road and 48 Honan Place, partly offset by the timing of operating expense recoveries from tenants. Cash flows from investing activities are lower than forecast due to the acquisition of 27-29 Neales Road and 48 Honan Place and the deferred sale of land at 862-880 Great South Road. Cash flows from financing activities are higher than forecast due to debt drawn to fund the acquisition of 27-29 Neales Road and 48 Honan Place, and the deferred repayment of debt from the sale of land at 862-880 Great South Road, partly offset by some issue costs relating to the March 2019 capital raise being paid during the current year.

Auditor's Report

EY
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Independent auditor's report to the Shareholders of Augusta Industrial Fund Limited

Opinion

We have audited the financial statements of Augusta Industrial Fund Limited ("the company") and its subsidiaries (together "the group") on pages 22 to 47, which comprise the consolidated statement of financial position of the group as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 22 to 47 present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2020 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Investment Property Valuations, including Material Valuation Uncertainty as a result of COVID-19

Why significant

The group's investment properties have an assessed fair value of $343.4m and account for 98% of total Group assets at 31 March 2020.

The group engaged an independent registered valuer to determine the fair value of each property at 31 March 2020.

The property valuations require the use of judgments specific to the properties, as well as consideration of the prevailing market conditions. At 31 March 2020 the property market, and economy as a whole, were significantly impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the valuations are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. A small difference in any one of the key assumptions, when aggregated, could result in a significant change to the valuation of a property. While Note 19 'Subsequent Events' explains subsequent information in relation to arrangements with tenants, the valuations recorded are based on circumstances and expectations as at 31 March 2020.

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case. In this situation the disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 31 March 2020. As a result, we consider the property valuations and the related disclosures in the financial statements to be particularly significant to our audit. For the same reasons we consider it important that attention is drawn to the information in Notes 2 'Critical Accounting Estimates, Assumptions and Judgements' and 5 'Investment Property' in assessing the property valuations at 31 March 2020.

Key assumptions are made in respect of:

- market rental
- rental growth rate;
- discount rate;
- terminal capitalisation rate;
- market capitalisation rate; and
- rent abatements.

Disclosures relating to investment property and the associated significant judgments, including those related to the material valuation uncertainties reported by the independent valuers, are included in Note 2 'Critical Accounting Estimates, Assumptions and Judgements' and Note 5 'Investment Property' to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Held discussions with management to understand:
- changes in the condition of the properties; and
- the impact that COVID-19 has had on the group's investment properties.

- Held discussions with the independent valuers to gain an understanding of the assumptions and estimates used, and the valuation methodologies applied. This included consideration of the impact, if any, that COVID-19 has had on key assumptions such as the terminal capitalisation rate, rent abatements, market capitalisation rate, discount rate, market rental and rental growth rate;

- Involved our real estate valuation specialists to assist with our assessment of the reasonableness of the significant valuation assumptions and methodologies, in particular changes made as a result of COVID-19;

- Assessed key inputs supplied to the independent valuer by the group, including the tenancy schedule and specific provisions in the lease agreements, to the underlying records held by the group;

- Assessed the significant input assumptions applied by the independent valuers for reasonableness compared to previous period assumptions, the changing state of the properties and other market changes;

- Assessed the competence, qualifications and objectivity of the external valuers; and

- Considered the adequacy of the disclosures in Notes 2 and 5 including the specific uncertainties arising from the COVID-19 pandemic.

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Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/.
This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Susan Jones.

Ernst + Young

Chartered Accountants
Auckland
23 June 2020


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MONOCRANE N.Z
D&H

Statutory Disclosures

Directors

The Directors of the Company and its subsidiaries at 31 March 2020 were Robert Mark Petersen, Mark Edward Francis, Guy French-Wright and Guy Douglas Weaver.

No person ceased to hold office during the last financial year.

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the Directors for:

(a) Costs incurred in defending any liability for any act or omission made by the Director in their capacity as a director and for to which they are acquitted, judgment is given in their favour or the proceeding is discontinued; and

(b) Any liability in their capacity as a director (other than liability to the Company or its subsidiaries) for any act or omission as a director except where due to the wilful default or fraud, any criminal liability, breach of the duty to act in good faith, breach of any fiduciary duty of loyalty or honesty and any other liability for which the giving of an indemnity is prohibited by law.

During the financial year, the company has paid premiums (as permitted by sections 162(3)-(5) of the Companies Act 1993) in respect of a Directors and Officers Liability Policy insuring all the Directors of Augusta Industrial Fund Limited (subject to the policy terms and conditions) against claims arising whilst they are acting in their individual or collective capacities as Directors and Officers.

The payment of insurance premiums was expressly approved by the Board, who consider the cost is fair to the Company.

Interests Register

During the year ended 31 March 2020 there were no dealings in Augusta Industrial Fund Limited's shares involving the Directors of the Company or its subsidiaries.

Set out below are relevant disclosures in relation to changes in the Interests Registers of the Company and its subsidiaries made during the accounting period:

Director	Company/Transaction	Interest
Robert Mark Petersen	Tainui Group Holdings Limited	Advisor

Donations

No donations were made during the period.

This annual report is dated 21 July 2020 and is signed on behalf of the Board by:

Robert Mark Petersen
Director of Augusta Industrial Fund Limited

Mark Francis
Director of Augusta Industrial Fund Limited

Date: 21 July 2020

Corporate Directory

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Mark Francis
Guy French-Wright
Guy Weaver

Corporate Legal Advisor

Chapman Tripp
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New Zealand

Auditor

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Britomart
Auckland 1010
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Share Registrar

Link Market Services
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New Zealand

Bankers

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Westpac New Zealand Limited
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