WINTON LAND LIMITED

Prospective Financial Information, reconciliation of non-NZ GAAP information and supplementary financial information.

Part A:
Prospective Financial Information

The prospective financial statements of Winton Land Limited and its subsidiaries (together **Winton**) comprise the following Prospective Financial Information (**PFI**) and other PFI related information for the financial years ending 30 June 2022 and 30 June 2023:

- Basis of preparation and presentation;
- Prospective Consolidated Statement of Comprehensive Income;
- Prospective Consolidated Statement of Changes in Equity;
- Prospective Consolidated Statement of Financial Position;
- Prospective Consolidated Statement of Cash Flows;
- A description of the general and specific assumptions in preparing the PFI; and
- An analysis of the sensitivity of the PFI to changes in specific key assumptions.

This document should be read in conjunction with Winton's Product Disclosure Statement (**PDS**) dated 1 December 2021 and other information provided on the Offer Register (https://disclose-register.companiesoffice.govt.nz/ offer number OFR13223).

Financial information is presented in New Zealand dollars and is rounded to the nearest one hundred thousand dollars (unless otherwise stated), which may result in some discrepancies between the sum of components and the totals shown within tables, and also in percentage calculations.

Capitalised terms used but not defined in this document have the same meaning as the terms defined in the PDS.

1.0 Basis of Preparation and Presentation

The PFI has been prepared in accordance with the requirements of Financial Reporting Standard 42 - Prospective Financial Statements, as required by clause 53(1)(c) of Schedule 3 to the Financial Markets Conduct Regulations 2014.

The PFI, and underlying assumptions, have been prepared by management and approved by the Board specifically for the purpose of an Initial Public Offer of shares in Winton. The Board has given due care and attention to the preparation of the PFI and authorised the PFI as at 1 December 2021 for the purposes stated above. It is based on the Board's assessment of events and conditions existing at the date of the PDS, the accounting policies and best estimate assumptions set out in Section 3 (*Assumptions Underlying Prospective Financial Information*) below. The PFI may not be suitable for any other purpose.

PFI, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risk and uncertainties which are beyond the control of Winton. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management thereof may influence the success of Winton's business with specific reference to Section 8 (*Risk's to Winton's business and plans*) of the PDS. Accordingly, actual results may vary from the PFI, and those variations may be significantly more or less favourable. Accordingly, neither the Board nor any other person can provide any assurance that the PFI will be achieved, and investors are cautioned not to place undue reliance on the PFI.

The Prospective Consolidated Statement of Comprehensive Income, Prospective Consolidated Statement of Changes in Equity and Prospective Consolidated Statement of Cash Flows cover the prospective period, comprising the 12 months ending 30 June 2022 (**FY22F**) and the 12 months ending 30 June 2023 (**FY23F**) (collectively, the **Prospective Period**). The Prospective Consolidated Statement of Financial Position is presented as at 30 June 2022 and 30 June 2023.

1.1 FY22 PFI: Actual results and forecast results

The PFI for FY22F comprises twelve months forecast trading results for the period ending 30 June 2022. The actual year-to-date operating results (for the months of July 2021 to September 2021) are known at the date of the PDS and are materially consistent with the forecasts for those months.

Section 3.3 (*Specific Assumptions – Operating Activities*) includes disclosures and commentary relating to both the pro forma PFI and the PFI.

1.2 Future reporting

The Board is responsible for, and has authorised the issue of, the PFI on 1 December 2023. There is no present intention to update the PFI or to publish prospective financial information in the future, other than as required by law. Winton will present a comparison of the PFI with actual financial results in its FY22 and FY23 annual reports, as required by Regulation 64 of the Financial Markets Conduct Regulations 2014.

1.3 Non-NZ GAAP information and pro forma financial information

The PFI includes items that are considered non-NZ GAAP financial information, including profit measures other than net profit after tax. This section also presents the pro forma consolidated Prospective Statement of Comprehensive Income for the Prospective Period. Winton believes this pro forma PFI provides a better basis for investors to compare PFI with historical financial information.

The FY22F pro forma financial information adjusts the statutory FY22F PFI by:

1. Including incremental listed company costs that will be incurred by Winton on an ongoing basis, assuming the listing occurred on 1 July 2018 (i.e. the adjustment provided for a full year impact of those costs on FY22F, as well as the Historical Period);
2. Excluding one-off transaction costs incurred in relation to the Offer that have been expensed; and
3. Excluding any one-off tax impacts as a result of the pro forma adjustments 1 and 2 above.

A description and reconciliation of each pro forma adjustment to NZ GAAP financial information is set out in Part B (*Reconciliation of non-NZ GAAP financial information*).

2.0 Prospective Financial Statements

2.1 Prospective Consolidated Statement of Comprehensive Income

NZ$m Financial period	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Revenue	158.0	344.7
Cost of sales	(87.5)	(184.1)
Gross profit	**70.5**	**160.6**
Other income	1.0	-
Selling expenses	(9.7)	(9.1)
Property expenses	(0.6)	(0.6)
Administrative expenses	(18.4)	(13.4)
EBITDA	**42.8**	**137.5**
Depreciation	(0.6)	(0.7)
EBIT	**42.2**	**136.8**
Interest income	1.6	1.8
Interest expense and bank fees	(1.6)	(0.8)
Net profit before tax	**42.2**	**137.8**
Income tax expense	(12.5)	(39.0)
Total profit after income tax	**29.7**	**98.8**
Movement in currency translation reserve	-	-
Total comprehensive income after tax	**29.7**	**98.8**

2.2 Prospective Consolidated Statement of Changes in Equity

NZ$m	Share capital	Share-based payments reserve	Retained earnings	Foreign currency translation reserve	Total equity
Balance as at 1 Jul 2021	**49.1**	**-**	**34.7**	**-**	**83.8**
Total comprehensive income for the year	-	-	29.7	-	29.7
Transaction costs relating to the Offer capitalised to equity	(12.8)	-	-	-	(12.8)
Contributions from shareholders	300.0	-	-	-	300.0
Long-term incentive plan	-	0.9	-	-	0.9
Balance as at 30 Jun 2022	**336.3**	**0.9**	**64.4**	**-**	**401.6**
Balance as at 1 Jul 2022	336.3	0.9	64.4	-	401.6
Total comprehensive income for the year	-	-	98.8	-	98.8
Cash dividends	-	-	(12.4)	-	(12.4)
Long-term incentive plan	-	1.7	-	-	1.7
Balance as at 30 Jun 2023	**336.3**	**2.6**	**150.8**	**-**	**489.7**

2.3 Prospective Consolidated Statement of Financial Position

NZ$m Financial period	FY22F as at 30 Jun 2022	FY23F as at 30 Jun 2023
Assets		
Current assets		
Cash and cash equivalents	163.3	96.3
Restricted cash	0.8	-
Accounts receivable, prepayments, and other receivables	3.1	-
Inventories	125.5	7.2
Total current assets	292.7	103.5
Non-current assets		
Inventories	135.2	198.4
Investment properties	25.2	255.1
Property, plant and equipment	2.5	2.1
Right-of-use assets	0.5	0.2
Intangible assets	0.1	0.1
Total non-current assets	**163.5**	**455.9**
Total assets	**456.2**	**559.4**
Liabilities		
Current liabilities		
Accounts payable, accruals, and other payables	33.0	27.7
Taxation payable	10.8	40.2
Total current liabilities	**43.8**	**67.9**
Non-current liabilities		
Lease liability	0.5	0.3
Contract liability	7.2	-
Deferred tax liabilities	2.7	1.5
Long term deposits	0.4	-
Total non-current liabilities	**10.8**	**1.8**
Total liabilities	**54.6**	**69.7**
Net assets	**401.6**	**489.7**
Equity		
Share capital	336.3	336.3
Foreign currency translation reserve	-	-
Share-based payments reserve	0.9	2.6
Retained earnings	64.4	150.8
Total equity	**401.6**	**489.7**

2.4 Prospective Consolidated Statement of Cash Flows

NZ$m Financial period	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Cash flows from operating activities		
Receipts from customers	162.2	338.5
Interest received	1.6	1.8
Net GST (paid) / received	(0.8)	1.8
Payment to suppliers and employees	(170.6)	(144.5)
Purchase of development land	-	(24.1)
Deposits paid on unconditional contracts for development land	(12.4)	(20.0)
Interest and other finance costs paid	(7.2)	-
Income tax paid	(15.1)	(10.8)
Net cash flows from operating activities	**(42.3)**	**142.7**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(0.3)	(0.3)
Purchase of land for investment properties	-	(77.0)
Deposits paid on unconditional land for investment land	(7.8)	-
Payments to suppliers and employees for investment properties	(14.1)	(120.0)
Net cash flows from investing activities	**(22.2)**	**(197.3)**
Cash flows from financing activities		
Proceeds from the issue of new shares	300.0	-
Funding of restricted cash	40.4	-
Net repayment of loans and borrowings	(130.0)	-
Dividends paid	-	(12.4)
Transaction costs relating to the Offer	(17.6)	-
Net cash flows from financing activities	**192.8**	**(12.4)**
Net increase / (decrease) in cash flows	128.3	(67.0)
Cash and cash equivalents at beginning of the period	35.0	163.3
Cash and cash equivalents at the end of the period	**163.3**	**96.3**

3.0 Assumptions Underlying Prospective Financial Information

This section provides an overview of the principal assumptions on which the PFI has been prepared. These assumptions should be read in conjunction with the risk factors set out in Section 8 (*Risks to Winton's business and plans*) of the PDS as well as the sensitivity analysis presented later in this document.

3.1 Accounting policies

Winton has applied consistent accounting policies throughout the Prospective Period based on Winton's historical accounting policies presented in the audited financial statements for the year ended 30 June 2021, which can be found on the Offer Register (https://disclose-register.companiesoffice.govt.nz/, OFR13223).

Other than as described in Section 3.1.1 of this document, there are no anticipated changes to accounting standards under NZ GAAP that are expected to materially affect Winton during the Prospective Period.

3.1.1 Accounting standards adopted due to the transaction

As a result of the Offer, Winton is required to make disclosures for the following accounting standards.

NZ IAS 33 Earnings per Share

As a result of being a public issuer, Winton is required to consider the disclosure requirements of NZ IAS 33 which will result in Winton disclosing earnings per share (**EPS**). EPS is a ratio that is widely used by financial analysts, investors and other users to gauge an entity's profitability and to value its shares. Its purpose is to indicate how effective an entity has been in using the resources provided by the ordinary shareholders, and to assess the entity's current net earnings. EPS also forms the basis for calculating the 'price-earnings ratio', which is widely used by investors and analysts to value shares.

EPS is a ratio of the earnings to the weighted average number of ordinary shares (basic EPS). In addition to basic EPS, diluted EPS is disclosed to illustrate the impact to EPS if all dilutive instruments were converted, exercised or issued to ordinary shares.

NZ IFRS 8 Operating Segments

As a result of being a public issuer, Winton is required to consider the disclosure requirements of NZ IFRS 8. Winton operates in one reportable segment, being the development and sale of residential properties. Within this reportable segment there are no separate operating segments. As a result of assessing the relevant criteria, management has formed the judgement that the business operates in one reportable segment.

Winton will commence operating in the retirement village sector beyond the PFI period.

NZ IAS 40 Investment Properties

As a result of developing retirement villages, Winton will hold Investment Properties. Investment properties are properties held to earn rental income or for capital appreciation (or both), but not for sale in the ordinary course of business, use in the production or supply of goods and services, or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Costs of self-constructed investment properties include the costs of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs. Gains and losses on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amounts of the investment properties) are recognised in the profit and loss.

NZ IFRS 2 Share-based Payments

Winton will introduce a long-term investment plan (LTI plan) for selected staff upon listing. Such a scheme has not existed during the historical period relating to the Offer and as such a share-based payments accounting policy will be adopted for the Prospective Period.

The cost of share-based payments will be measured by reference to the fair value of the employee share entitlements at the date at which they are granted. The fair value of the employee share entitlements will be recognised as an expense in the statements of comprehensive income over the associated vesting period, with a corresponding increase in the statements of change in equity. The amount of expense recognised will be adjusted to reflect the actual number of equity instruments that vest, except for those that fail to vest due to market conditions not being achieved.

3.2 General assumptions

The following general assumptions have been made in preparing the PFI:

- **General economic environment** - there will be no change in the general economic environment in which Winton operates;
- **Political, legislative and regulatory environment** - there will be no material changes to the legislative or regulatory environment in which Winton operates that will impact projects under construction and settling during the PFI;
- **Competitive environment** - there will be no material change to the competitive dynamics of the market in which Winton operates, and no new entrants that will materially change the competitive environment;
- **Industry conditions** - there will be no change in the general industry structure, third party relationships and supply or general employment conditions;
- **Key customers and suppliers** - existing contractual, business and operational relationships are assumed to continue throughout the Prospective Period. There will be no unanticipated loss of key customers or suppliers;
- **Operational disruption** - there will be no material disruptions to operations (such as industrial actions and natural disasters) other than normal hazards associated with operating Winton's business;
- **Asset acquisitions or disposals** - there will be no material acquisitions or disposals other than the land acquisitions contracted at the time of preparing this PDS;
- **Interest rate environment** - there will be no material or sudden changes to the interest rate environment beyond the increase in interest rates anticipated by Winton;
- **Legal exposure** - there will be no unexpected litigation or contractual disputes;
- **Management** - there will be no significant changes to key personnel involved in the management of Winton;
- **Taxation** - there will be no material change to the income tax or goods and services tax (GST) regimes in New Zealand or Australia. Corporate tax and GST rates are assumed to remain unchanged; and
- **COVID-19** - New Zealand remains in the recently announced COVID-19 Protection Framework (the 'traffic light' system) or at COVID-19 Alert Level 1, 2 or 3 with no reversion back to Alert Level 4. Under an Alert Level 4, Winton's ability to operate is constrained at Alert Level 4 as its development and construction activities are not defined as essential services, and therefore are not permitted activities. Please refer to the New Zealand Government COVID-19 website for an explanation of the recently announced COVID-19 Protection Framework and the various Alert Levels: *https://covid19.govt.nz*.

3.3 Specific assumptions - operating activities

This section provides an overview of various specific assumptions applied in preparing the PFI.

3.3.1 Operating income overview

As a residential property developer, revenue is primarily generated from residential land and property sales. Winton has one reporting segment but generates revenue from the sale of various types of property such as residential lots, dwellings, townhouses and apartment units.

Revenue is primarily driven by the volume and value of land and property settled. Volume settled is a function of the scale and delivery phasing of each of Winton's development projects and the market demand for these developments. The value of land and property settled is driven by the sale price for each product within the development and will vary depending on size, type and location of properties, as well as movements in the property market generally.

Winton's current portfolio comprises 29 projects across 12 master planned communities in New Zealand and one in Australia, offering various types of residential property such as residential lots, dwellings, townhouses and apartment units to various customer segments (affordable to premium). A description of Winton's residential and retirement living development portfolio is set out in Section 2 (*Winton and what it does*).

Winton forecasts the volume of land and property expected to be delivered and settled (**units**) on an individual project basis based on expected development staging and product type (residential lots, dwellings, townhouses and apartments). Forecast unit volumes take into consideration the following factors:

- The level of contracted pre-sales;
- The availability of land to be developed, reflecting the status of rezoning and resource consents;
- Each project's masterplan which phases civil works and other development infrastructure;
- The estimated market demand in areas where Winton's projects are located, based on consultation with real estate agencies and direct customer feedback; and
- Macroeconomic drivers and indicators as demand for housing is affected by factors such as population growth and GDP.

3.3.1.1 Revenue

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Revenue	NZ$m	51.2	30.8	177.0	158.0	344.7
KPIs						
Number of settled units	#	171	76	553	428	698
Average revenue per unit	NZ$000	299.4	404.9	320.0	369.5	493.6

The volume of units developed varies from year-to-year depending on the number and size of projects under development and the development lifecycle of each project, the staging of construction works, the level of pre-sales and underlying market demand. For individual projects, volume delivered is often not uniform across the project lifecycle (generally lower volumes are sold when the project commences with higher volumes achieved when the project is well established). This is not unusual for property development companies but it can cause some fluctuation in earnings and cashflows between years, depending on the status of each of the projects in the developer's portfolio.

The value of units settled is driven by the size, type (e.g. residential lots, dwellings, townhouses and apartments) and location of individual properties settled. Winton's sales strategy across all of its projects is to seek pre-sales off the plan (i.e. before development of the stage commences). Initial pre-sales are often at a price that is at a moderate discount to the prevailing market, which provides Winton with early guaranteed cost recovery for the stage, and decreases the risk associated with the project and the stage. For further details on Winton's revenue model, please refer to Section 7.3 (*How Winton Generates Revenue*).

The volume of units settled experienced a step change in FY21 due to the number of major projects under construction in Winton's portfolio settling relative to FY19 and FY20, including the Lakeside, Launch Bay and Longreach projects. In FY22F, the number of units settled is forecast to decrease by 125 units (22.7%), primarily driven by lower settlements at the Lakeside project (compared to FY21 in which the majority of Stage 1 settled following its development over the previous years). In FY23F, settlements are forecast to increase by 271 units (63.3%) compared to FY22F due to additional projects, such as Beaches and North Ridge, completing stages while settlements at major projects such as Northlake and Lakeside are expected to continue.

Value per unit settled is forecast to increase in FY22F and FY23F, primarily due to an increase in the percentage of built product, including dwellings, townhouses and apartment units expected to settle, as well as the sale of larger, premium residential lots at Northlake.

FY22F revenue performance relative to FY21:

Revenue is forecast to be $158.0 million in FY22F, a decrease by 10.7% compared to FY21, driven by:

- a 22.7% decrease in the volume of units settled, driven primarily by reduced settlements at the Lakeside project (but also Northlake and Longreach) following high settlement volumes in FY21;

Offset by:

- a 15.5% increase in the average value of units settled, due to an increased number of higher value dwellings, townhouses and apartments forecast to settle across the Northlake, Lakeside and Launch Bay projects, as well as larger, higher value residential lots at the River Terrace project.

As at 15 November 2021, $152.5 million (96.5%) of FY22F revenue has either settled or been pre-sold.

FY23F revenue performance relative to FY22F:

Revenue is forecast to be $344.7 million in FY23F, an increase of 118.2% compared to FY22F, driven by:

- a 63.3% increase in the volume of units settled, driven by a larger number of projects in the delivery phase, including the Beaches, North Ridge and Launch Bay projects which are currently under construction and are expected to deliver settlements in FY23F, as well as continued delivery at major projects such as Northlake and Lakeside; and
- a 33.6% increase in the value of units settled, due to product sold including an increased composition of built product, including dwellings, townhouses and apartment units at the Lakeside, Northlake, Launch Bay and River Terrace projects, as well as larger residential lots at the Northlake project (approximately double in size) with a more premium location.

As at 15 November 2021, $241.5 million (70.1%) of FY23F revenue has been pre-sold.

3.3.2 Operating expenses

3.3.2.1 Cost of Sales

NZ$m Financial period	Units	FY19 12 months ending 30 Jun 2019	FY20 12 months ending 30 Jun 2020	FY21 12 months ending 30 Jun 2021	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Cost of sales	NZ$m	(23.4)	(25.4)	(119.6)	(87.5)	(184.1)
KPIs						
Gross profit margin	%	54.3%	17.4%	32.4%	44.6%	46.6%

Cost of sales includes development costs such as land acquisition, earthworks, civil and other infrastructure, construction costs, certain holding costs and other direct expenses (such as planning, council and professional fees) associated with developing land and property for sale. Development costs for each project are capitalised on the balance sheet as inventory and allocated to unsold units in each project, often based on square metres or the total number of unsold units. When land and property units for a project are settled, revenue is recognised and the inventory associated with the settled units is expensed.

Gross profit is calculated as revenue less cost of sales. Gross profit margin for a multi-stage major residential project is generally lower in the early stages of the project lifecycle due to a pre-sales strategy employed by Winton aimed at de-risking the project (to recover the cash equivalent of the cost of land and initial infrastructure spend as quickly as possible) and to build sales momentum. Larger projects often require the construction of community facilities and show homes for marketing purposes, these products typically have lower margins which also contributes to lower average margins in the early stages of project lifecycle. In addition to residential lots, Winton also develops built product in the form of dwellings, townhouses and apartment units which have additional construction costs compared to residential lots. Although this generally results in a higher gross profit per unit, gross margins on these developments are often lower than residential lots.

FY22F cost of sales performance relative to FY21:

Cost of sales is forecast to be $87.5 million in FY22F, a decrease of 26.8% compared to FY21, due to:

- a forecast 22.7% decrease in the volume of units expected to be settled.

Gross profit margin is forecast to be 44.6% in FY22F, an increase of 12.1% compared to FY21, due to:

- increased gross margins at the Lakeside project. Stage 1 of the Lakeside project settled in FY20 and FY21 and had a higher cost per unit than is forecast for subsequent stages due to more earthworks required in Stage 1 than future stages; and
- the Northlake and Longreach projects reaching a more mature development stage, with units sold in the later stages typically achieving higher revenue.

FY23F cost of sales performance relative to FY22F:

Cost of sales is forecast to be $184.1 million in FY23F, an increase of 110.3% compared to FY22F, due to:

- a forecast 63.3% increase in the volume of units expected to be settled; and
- an increase in the average cost of units settled of 28.8% due to an increase in the average lot size and an increase in the volume of apartment units due to settle.

Gross Profit margin is forecast to be 46.6% in FY23F, an increase of 2.0% compared to FY22F, due to:

- units forecast to be settled at the Northlake project being expected to attract a higher margin due to being larger, more premium lots.

Offset by:

- an increase in the volume of apartment units due to settle with a lower gross margin.

3.3.2.2 Other income

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Development management fees	NZ$m	-	-	27.5	-	-
Other income	NZ$m	0.6	0.3	1.1	1.0	-
Total other income	**NZ$m**	**0.6**	**0.3**	**28.6**	**1.0**	**-**

Development management fees of $27.5 million were received in FY21. Winton has in prior years been engaged as a development manager for developments which Winton does not own. While Winton will continue to evaluate opportunities to manage these types of projects, the timing and scale of these opportunities are difficult to forecast. Accordingly, no development management fees have been assumed to be received in FY22F and FY23F.

Other income includes rental income, design review fees paid by residential lot customers and other ancillary income received as part of Winton's development projects.

In FY21, with the exception of the development management fees, the majority of other income related to Winton receiving $0.8 million of income from Kāinga Ora as part of the Lakeside project. Other income in FY22F is expected to be at a similar level to FY21. No other income is forecast for FY23F.

3.3.2.3 Selling expenses

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Selling expenses	NZ$m	(4.5)	(3.8)	(6.5)	(9.7)	(9.1)
KPIs						
Selling expenses (as a % of revenue)	%	8.8%	12.2%	3.6%	6.1%	2.6%

Selling expenses include all costs related to the sale of inventory, primarily sales commissions, marketing and legal expenses:

- Winton works with leading real estate agencies across New Zealand and Australia. Payments to agencies are often structured as commissions and typically range between 2-3% of the gross sales price. As agency payments are usually linked to selling prices, they generally move in line with revenue, however, there can be circumstances where these payments are made ahead of settlement date, such as when a pre-sale contract becomes unconditional;
- Marketing expenses relate to paid promotional activities (such as TV, online and digital advertising, marketing campaigns and sales days). Winton regularly advertises its projects to the general public and, depending on timing of marketing campaign, these expenses are usually incurred ahead of revenue generation which can sometimes occur in a later financial reporting period; and
- Legal fees include the costs associated with the legal documentation of sales to Winton's customers. These costs also generally move in line with revenue.

Selling expenses as a percentage of revenue were high in the Historical Period for the following reasons:

- In respect of FY19, Winton incurred $2.2 million of marketing expenses relating to the launch of new stages and product at the Northlake, Launch Bay and Lakeside projects and settled lots and dwellings at the Northlake project resulting in the payment of sales commissions; and
- In respect of FY20, Winton sold product at the Launch Bay and Lakeside projects with commissions due at the time of pre-sale rather than settlement.

Selling expenses are forecast to increase by $3.2 million (49.6%) to $9.7 million in FY22F, representing 6.1% as a percentage of revenue, due to increased promotional activities relating to the Northbrook brand and Sunfield development project. In FY23F, selling expenses are expected to decrease to $9.1 million and 2.6% as a percentage of revenue due to the project-specific nature of the brand expenses incurred in the prior year.

3.3.2.4 Property expenses

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Property expenses	NZ$m	(0.2)	(0.3)	(0.6)	(0.6)	(0.6)

Property expenses include costs relating to the ownership of property such as council rates and landscape maintenance. Property expenses increased by $0.3 million in FY21 primarily due to increased development activity in Winton's development portfolio. Property expenses are forecast to be consistent with FY21 in FY22F and FY23F reflecting the stable number of development projects throughout the Prospective Period.

3.3.2.5 Administrative expenses

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Employee benefits expense	NZ$m	(6.8)	(5.6)	(6.3)	(6.9)	(7.4)
Auditors' remuneration	NZ$m	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Directors' fees	NZ$m	(0.0)	(0.0)	(0.0)	(0.3)	(0.4)
Doubtful debts expense	NZ$m	(0.3)	(0.2)	0.9	-	-
Operating lease and rental payments	NZ$m	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)
Other expenses	NZ$m	(2.5)	(3.4)	(2.8)	(4.2)	(5.2)
Transaction costs relating to the Offer	NZ$m	-	-	-	(6.6)	-
Total administrative expenses	**NZ$m**	**(10.2)**	**(9.5)**	**(8.5)**	**(18.4)**	**(13.4)**
Pro forma adjustments						
Transaction costs relating to the Offer	NZ$m	-	-	-	6.6	-
Listed company costs	NZ$m	(1.2)	(1.2)	(1.2)	(0.4)	-
Total pro forma administrative expenses	**NZ$m**	**(11.4)**	**(10.7)**	**(9.7)**	**(12.2)**	**(13.4)**

Administrative expenses include overhead costs relating to Winton's corporate function.

Employee benefits expense

Winton has over 35 employees across its development, finance, legal, human resources, marketing and administration functions. Employee benefit expense includes the salaries and wages, bonus payments, annual leave and KiwiSaver paid to Winton's permanent and part-time employees as well as Winton's contractors.

Employee benefits expense decreased by $1.2 million between FY19 and FY20 due to a reduction in discretionary bonus payments. Staff costs then increased by $0.7 million in FY21 due to the recruitment of development managers to support growth.

Employee benefits expense is forecast to increase in the Prospective Period, driven primarily by an increase in staff numbers to support Winton's growth and expected inflationary pay increases in FY22F and FY23F.

Auditors' remuneration

Auditors' remuneration includes fees associated with the audit of financial statements and consultants providing tax compliance and advisory services. These costs have remained consistent at $0.2 million in the Historical Period and are forecast to increase by $0.1 million in the Prospective Period due to incremental costs associated with being a publicly listed company.

Directors' fees

Directors' fees include the remuneration paid to the members of Winton's Board. Directors' fees paid in the Historical Period were not material. Directors' fees are forecast to be $0.3 million in FY22F due to new directors joining Winton's Board in preparation for listing. Directors' fees are expected to total $0.4 million in FY23F.

Operating lease and rental payments

Operating lease and rental payments include costs associated with Winton's leased offices in Auckland and Wanaka. Operating lease and rental payments are forecast to remain consistent with FY21 in the Prospective Period.

Other expenses

Other expenses comprise corporate legal fees, professional fees, insurance, and other administration expenses. Other expenses are forecast to increase by $1.4 million in FY22F due to listed company costs. These costs are expected to increase by $1.0 million in FY23F primarily due to the full-year impact of listed company costs.

Transaction costs relating to the Offer are forecast to total $22.4 million, comprising Offer costs of $17.6 million and management bonuses linked to the successful completion of the Offer of $4.8 million. The portion of Offer costs that relate to the issue of any new equity in accordance with NZ GAAP are recorded as a deduction of the offer proceeds ($15.8 million) and are expected to be paid in FY22F. All other transaction costs are recorded in the Statement of Comprehensive Income ($6.6 million) and are expected to be paid in FY22F. Winton intends to raise up to $350.0 million under the Offer and the Offer is subject to raising a minimum of $250.0 million. Total transaction costs depend on the amount raised under the Offer. The prospective financial information is based on the mid-point amount of the Offer being raised ($300.0 million) which is the Directors' best estimate at the time of lodgement of the PDS and this SFI.

3.3.3 Depreciation

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Depreciation	NZ$m	(0.2)	(0.5)	(0.6)	(0.6)	(0.7)

Property, plant and equipment is depreciated using depreciation rates which allocate the cost of assets less their estimated residual value over their useful lives. Development land and investment property are accounted for as inventory and not depreciated.

Depreciation in the Prospective Period is based on existing rates of depreciation, adjusted for forecast capital expenditure. Depreciation rates adopted in the Prospective Period are based on an assessment of the useful lives of assets and are not expected to change in the Prospective Period.

Depreciation increased in FY20 and FY21 due to the adoption of NZ IFRS 16 Leases and the creation of a right of use asset. Depreciation is forecast to be consistent with FY21 at $0.6 million in FY22F and increase to $0.7 million in FY23F.

Winton did not incur amortisation expense in the Historical Period and this is forecast to continue in the Prospective Period.

3.3.4 Finance expenses

Winton has an existing facility agreement with Massachusetts Mutual Life Insurance Company **(MMLIC)**, for $130.0 million **(Facility Agreement)**.

Financing Structure

The MMLIC facility will remain in place immediately following the Offer and has the following features:

Facility	Size	Maturity date
MMLIC	NZ$130.0m	2 June 2027

The MMLIC facility is a project finance facility relating to the Lakeside project. This facility was fully drawn when established in June 2021. The outstanding balance as at 30 September 2021 was $93.3 million, net of restricted cash of $36.7 million. Winton is required to pay interest on, and fees in relation to, the MMLIC facility under the Facility Agreement. Interest is calculated as the 1-month BKBM floating base rate, plus a margin.

Winton anticipates that it will use part of the proceeds raised under the Offer to repay the MMLIC facility in full on or before 30 June 2022. The balance forecast to be outstanding at the time of repayment is estimated to be approximately $89.6 million. Repayment at this time means Winton will not incur early repayment fees on the MMLIC facility. Interest expense in FY22F includes the amortisation of arrangement fees associated with the MMLIC facility of $1.3 million, which were capitalised upon establishment. Based on Winton's forecast cash flow requirements over the Prospective Period, Winton does not anticipate raising any new debt facilities in FY23F.

Undertakings and financial covenants

The Facility Agreement contains a number of legally binding undertakings given by Winton, which are usual for facilities of this nature and include undertakings to provide certain information, restrictions as to disposals of assets and restrictions on the provision of loans and guarantees. The Facility Agreement includes the following financial covenants:

- **Interest coverage ratio** – the ratio of the closing balance of the Lakeside Business Plan and Interest Reserve Account **(BPIRA)** to the forecast interest and fees during the 12-month period ahead must be greater than 1.1 times; and
- **Loan to Value ratio** – the ratio of the total loan amount to the aggregate of projected sales receipts less costs to complete and the amounts of cash in Lakeside BPIRA must be less than 62.5%.

Winton expects to be compliant with the financial covenants outlined in the Facility Agreement over the remaining lifetime of the MMLIC facility.

Security

The MMLIC facility is secured by way of a general security deed provided by Lakeside Developments 2017 Limited and Lakeside Residential Limited (both 100% subsidiaries of Winton Land Limited) and a residential mortgage security across the Lakeside development property. Winton Land Limited has provided a $10.0 million corporate guarantee, which increases to $20.0 million should the 30-day BKBM be greater than or equal to 3.0%.

Interest and funding

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Interest income	NZ$m	0.4	0.2	0.2	1.6	1.8
Interest expense and bank fees	NZ$m	(3.6)	(7.3)	(6.3)	(1.6)	(0.8)

The interest expense in FY22F relates to the interest expense on the MMLIC facility and interest expense from tax financing. FY23F interest expense relates solely to the tax financing costs. Interest income in FY22F and FY23F relates to interest received on proceeds raised under the Offer.

3.3.5 Tax

Income tax expense is calculated at 28.0% of New Zealand derived net profit before tax adjusted for permanent and timing differences and 30.0% of Australian derived net profit before tax adjusted for permanent and timing differences.

Income tax payable is based on income tax above adjusted for non-deductible expenses, non-assessable income, prior year adjustments and tax payments made during the year.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Winton expects to report an effective income tax rate of 29.5% in FY22F and 28.3% in FY23F. The primary driver behind the higher effective income tax rate of 1.8% in FY22F is $1.8m (tax effect $0.5m) of non deductible offer costs for income tax purposes.

3.3.6 Working capital assumptions

NZ$m Financial period	Units	FY19 as at 30 Jun 2019	FY20 as at 30 Jun 2020	FY21 as at 30 Jun 2021	FY22F as at 30 Jun 2022	FY23F as at 30 Jun 2023
Accounts receivable, prepayments, and other receivables	NZ$m	2.6	3.0	5.3	3.1	-
Accounts payable, accruals, and other payables	NZ$m	(7.1)	(10.8)	(16.6)	(33.0)	(27.7)
Total net working capital	**NZ$m**	**(4.5)**	**(7.8)**	**(11.3)**	**(29.9)**	**(27.7)**

Net working capital position excludes inventory which is described in Section 3.3.7 (*Inventories*). Winton's net working capital position is negative as Winton typically does not have trade debtors due to revenue being recognised on settlement date when cash proceeds are received. Accounts receivable, prepayments and other receivables typically comprise funds held on lawyers' trust account, retention funds, council bonds and other receivables. Winton forecasts that these funds will largely be returned to Winton by FY23F and the current timing of forecast development works will not require the payment of these funds.

Accounts payable, accruals and other payables include Winton's development contract retentions, customer deposits and general accruals. Working capital liabilities are forecast to increase in the Prospective Period due to the increased level of development across Winton's property portfolio.

FY22F and FY23F working capital balances have been forecast as follows:

- Accounts receivable, prepayments, and other receivables are forecast based on estimated retentions for construction contracts and council bonds; and
- Accounts payable, accruals and other payables are assumed to increase in proportion with the corresponding expenses.

3.3.7 Inventories

NZ$m Financial period	Units	FY19 12 months ending 30 Jun 2019	FY20 12 months ending 30 Jun 2020	FY21 12 months ending 30 Jun 2021	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Opening balance	**NZ$m**	**82.3**	**127.1**	**176.3**	**163.9**	**260.7**
Development land deposits / acquisitions	NZ$m	18.0	-	10.0	12.4	44.1
Development costs	NZ$m	49.1	71.4	95.4	168.0	117.8
Capitalised interest	NZ$m	1.3	3.1	1.8	7.2	-
Cost of sales	NZ$m	(23.4)	(25.4)	(119.6)	(87.5)	(184.1)
Reclassification to investment properties	NZ$m	-	-	-	(3.3)	(32.9)
Currency translation	NZ$m	(0.2)	0.1	-	-	-
Closing balance	**NZ$m**	**127.1**	**176.3**	**163.9**	**260.7**	**205.6**

The majority of Winton's development costs are capitalised on the balance sheet as inventories and carried at the lower of cost and net realisable value. As outlined in Section 3.3.2.1. (*Cost of sales*), inventories include the cost of land, civil and other infrastructure, construction costs, certain holding costs and other direct expenses (such as planning, council and professional fees) associated with developing land and property for sale. Development costs are capitalised on a project-by-project basis and allocated to the unsold units in each project, often based on square metres or the total number of unsold units. When land and property units for a project are settled, the inventory associated with the settled units is expensed.

Development land

The cost associated with acquiring land is recorded as inventory in the month of transaction settlement. Land costs generally represent a small percentage of Winton's total development cost. This is usually because land acquired by Winton is not zoned as residential at the time of purchase, and acquisition often occurs several years in advance of project completion. Winton's development activities typically require rezoning or resource consents to be obtained to allow its master planned communities to proceed. Pursuing these consents can take a number of years and is managed as part of the ordinary course of business.

Winton purchased $18.0 million of development land and paid deposits of $10.0 million on unconditional contracts for development land in the Historical Period in relation to two projects, Launch Bay and Sunfield. Winton has entered into unconditional contracts to acquire an additional $26.5 million (including GST) of development land in the Prospective Period and has $30.0 million of deposits due on an unconditional land contract. These acquisitions relate to the Wynyard Quarter and Avon Loop properties and the deposits relate to the Sunfield project. It is expected that part of the proceeds of the Offer will be used to settle these acquisitions and deposit payments.

Capitalised interest

Interest expense is capitalised to inventories to the extent that the financing is specific to the development of inventories.

Development costs

Development costs include all site earthworks, civil and other infrastructure works and construction costs. Winton typically develops properties on a staged basis, and this is often essential for larger projects. The initial development stage for each project often requires upfront development of all lead-in infrastructure (such as roads, water and electricity) and some community facilities. Once these initial works are complete, Winton typically stages the remainder of the development such that sales can be secured throughout the project lifecycle.

Development costs increased year-on-year during the Historical Period and this is expected to continue, with costs forecast to increase to $168.0 million in FY22F and $117.8 million in FY23F. This increase reflects the growth in Winton's property portfolio and the number and scale of projects under construction. Forecast development costs for FY22F and FY23F are based on a combination of project financial assessments, contract values, tender prices, quantity surveyor estimates and management estimates. These costs also often include contingencies to provide protection for unforeseen matters during the construction phase.

Cost of sales

Cost of sales have been described in Section 3.3.2.1. (*Cost of sales*).

3.3.8 Investment properties

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Opening balance	**NZ$m**	**-**	**-**	**-**	**-**	**25.2**
Investment land deposits / acquisitions	NZ$m	-	-	-	7.8	77.0
Reclassification from inventories	NZ$m	-	-	-	3.3	32.9
Construction of retirement villages	NZ$m	-	-	-	14.1	120.0
Closing balance	**NZ$m**	**-**	**-**	**-**	**25.2**	**255.1**

Investment properties are properties held to earn rental income (deferred management fees) or for capital appreciation (or both), but not for sale in the ordinary course of business, or use in the production or supply of goods and services, or for administrative purposes. Investment properties comprise land and buildings, and associated equipment and furnishings, relating to the retirement villages and common facilities within a retirement village.

Winton has three parcels of land within its Northlake, Launch Bay and Waterfall projects that when acquired were classified as inventories. Winton has determined these parcels of land to be suitable for retirement village operations. The land and associated development costs will be reclassified to investment properties on receipt of resource consents permitting retirement village activities.

Land acquired with the intention of constructing investment property on it is classified as investment property from the date of acquisition. Winton has entered into unconditional contracts to acquire an additional $84.8 million (including GST) of land in the Prospective Period. These acquisitions relate to the Wynyard Quarter and Avon Loop properties. It is expected that part of the proceeds of the Offer will be used to settle these acquisitions.

The cost of retirement villages include directly attributable construction costs and other costs necessary to bring the retirement villages to working condition for their intended use.

3.3.9 Capital expenditure

NZ$m Financial period	Units	FY19 12 months ending **30 Jun 2019**	FY20 12 months ending **30 Jun 2020**	FY21 12 months ending **30 Jun 2021**	FY22F 12 months ending **30 Jun 2022**	FY23F 12 months ending **30 Jun 2023**
Capex	NZ$m	(1.2)	(0.5)	(0.3)	(0.3)	(0.3)

Apart from Winton's development activities, which are accounted for as inventories, Winton is not a capital-intensive business. Capital expenditure in the Historical Period and Prospective Period primarily relates to miscellaneous office equipment, landscaping equipment and vehicles.

3.3.10 Dividends

Subject to achieving the PFI and other relevant factors, the Board's intention is to declare dividends during the Prospective Period as follows:

- In respect of FY22F, a final dividend of $3.0 million (payable in September 2022 following the release of Winton's full year FY22F results); and
- In respect of FY23F, an interim dividend of $9.4 million (payable in March 2023 following the release of Winton's first half FY23F results) and a final dividend of $10.4 million (payable in September 2023 following the release of Winton's full year FY23F results).

Dividends declared following completion of the Offer are consistent with Winton's dividend policy which targets a dividend payout ratio of approximately 20-40% of full-year NPAT.

Dividends will be fully imputed to the extent possible and are expected to be fully imputed in FY22F and FY23F.

The payment of dividends and other distributions is solely at the Board's discretion and depends on a number of factors. The payment of dividends is not guaranteed and Winton's dividend policy may change in the future. Factors which are expected to influence or affect Winton's decision to pay dividends over time are set out in Section 6 (*Key features of ordinary shares*) of the PDS.

4.0 Sensitivity Analysis of Prospective Financial Information

The PFI is inherently sensitive to a number of assumptions used in its preparation.

A summary of the likely effect that variations to assumptions may have on the PFI is detailed in the table below. The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of the sensitivity of financial outcomes to changes in key assumptions.

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

Key assumptions that are considered to have a significant potential impact on Winton's performance during the PFI period are:

- Timing of construction works – the potential impact of a one and two months movement in the development programme of projects under construction for FY22F and FY23F independently;
- Sales price of unsold units – the potential impact of a movement in the average sale price of unsold units;
- Cost of uncontracted works – the potential impact of a movement in the development cost per unit for stages where development works have not been contracted; and
- Operating expenses – the potential impact of a movement in property and administrative expenses. Selling expenses are excluded as they typically move in line with revenue and are considered as part of the sales price of unsold units sensitivity.

The table below illustrates the impact on EBITDA from stated movements in assumptions used in the Prospective Period. The sensitivities do not take into account any mitigating measures that Winton may implement should a change in assumption arise.

Sensitivities NZ$m	Sensitivity range	Impact on EBITDA (NZ$m)		
Timing of construction works in FY22F				
FY22F	+ / - 1 month in FY22F	(5.5)	to	-
FY23F	+ / - 1 month in FY22F	5.5	to	-
FY22F	+ / - 2 months in FY22F	(8.6)	to	1.2
FY23F	+ / - 2 months in FY22F	8.6	to	(1.2)
Timing of construction works in FY23F				
FY22F	+ / - 1 month in FY23F	-	to	-
FY23F	+ / - 1 month in FY23F	(17.1)	to	6.6
FY22F	+ / - 2 months in FY23F	-	to	-
FY23F	+ / - 2 months in FY23F	(17.1)	to	6.6
Sales price of unsold units				
FY22F	+ / - 5%	0.3	to	(0.3)
FY23F	+ / - 5%	5.0	to	(5.0)
Contractor pricing for uncontracted works				
FY22F	+ / - 5%	-	to	-
FY23F	+ / - 5%	(2.1)	to	2.1
Operating expenses				
FY22F	+ / - 5%	(0.6)	to	0.6
FY23F	+ / - 5%	(0.6)	to	0.6

Part B:

Reconciliation of Non-NZ GAAP Financial Information

Reconciliation of Pro Forma EBITDA to Statutory NPAT

NZ$m (Unless indicated otherwise)	FY19 12 months ending 30 Jun 2019	FY20 12 months ending 30 Jun 2020	FY21 12 months ending 30 Jun 2021	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Statutory net profit after tax	7.2	(11.3)	46.1	29.7	98.8
add: Taxation expense / (benefit)	2.8	(4.2)	17.6	12.5	39.0
add: Net interest expense	3.2	7.1	6.1	-	(1.0)
add: Depreciation and amortisation	0.2	0.5	0.6	0.6	0.7
EBITDA	**13.4**	**(7.9)**	**70.4**	**42.8**	**137.5**
Pro forma adjustments:					
Transaction costs relating to the Offer	-	-	-	6.6	-
Incremental listed company costs	(1.2)	(1.2)	(1.2)	(0.4)	-
Total pro forma adjustments	**(1.2)**	**(1.2)**	**(1.2)**	**6.2**	**-**
Pro forma EBITDA	**12.2**	**(9.1)**	**69.2**	**49.0**	**137.5**

Reconciliation of Pro Forma NPAT to Statutory NPAT

NZ$m (Unless indicated otherwise)	FY19 12 months ending 30 Jun 2019	FY20 12 months ending 30 Jun 2020	FY21 12 months ending 30 Jun 2021	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Statutory net profit after tax	7.2	(11.3)	46.1	29.7	98.8
Pro forma adjustments:					
Transaction costs relating to the Offer	-	-	-	6.6	-
Incremental listed company costs	(1.2)	(1.2)	(1.2)	(0.4)	-
Tax impact of pro forma adjustments	0.3	0.3	0.3	(1.2)	-
Total pro forma adjustments	**(0.9)**	**(0.9)**	**(0.9)**	**5.0**	**-**
Pro forma NPAT	**6.3**	**(12.2)**	**45.2**	**34.7**	**98.8**

Reconciliation of Pro Forma Net Cash Flows from Operating Activities

NZ$m (Unless indicated otherwise)	FY19 12 months ending 30 Jun 2019	FY20 12 months ending 30 Jun 2020	FY21 12 months ending 30 Jun 2021	FY22F 12 months ending 30 Jun 2022	FY23F 12 months ending 30 Jun 2023
Statutory net cash flows from operating activities				(42.3)	142.7
Pro forma adjustments:					
Transaction costs relating to the Offer				1.9	-
Incremental listed company costs				(0.4)	-
Tax impact of pro forma adjustments				(1.2)	-
Pro forma net cash flows from operating activities				**(42.0)**	**142.7**

Part C:

Description of Pro Forma Adjustments

In determining the use of pro forma adjustments, the Board has considered only those items that it believes are required to ensure consistency and comparability of financial information across all relevant periods, with reference to Financial Markets Authority guidance and consultation papers on disclosing non-NZ GAAP financial information in equity PDS disclosure. The pro forma adjustments therefore provide potential investors with relevant and meaningful information relating to financial performance over the Historical Period and the Prospective Period.

The pro forma adjustments that the Board considers appropriate are explained below, and then shown as reconciliations between the financial information presented on an audited historical basis for the Historical Period and a statutory basis for FY22F versus a pro forma basis in the tables presented earlier in the document.

1.0 One-off Transaction Costs Relating to the offer

This adjustment relates to the reversal of one-off transaction costs relating to the Offer. Transaction costs are forecast to be $22.4 million, comprising Offer costs of $17.6 million and management bonuses linked to the successful completion of the Offer of $4.8 million. Offer costs includes NZX listing fees, ASX listing fees, share registry costs, financial, legal, accounting and tax adviser fees, marketing and PDS design costs associated with the Offer. Of the total transaction costs of $22.4 million, $15.8 million is expected to be capitalised and $6.6 million is expected to be expensed.

These costs are forecast to be incurred in FY22F, and hence the pro forma adjustment reverses the costs in the year they have been forecast. Winton intends to raise up to $350.0 million under the Offer and the Offer is subject to raising a minimum of $250.0 million. Total transaction costs depend on the amount raised under the Offer. The prospective financial information is based on the mid-point amount of the Offer being raised ($300.0 million) which is the Directors' best estimate at the time of lodgement of the PDS and this SFI.

For accounting purposes, $6.6 million of the costs relating to the Offer have been recorded in the Statement of Comprehensive Income. This adjustment adds them back in the presentation of the pro forma PFI for FY22F.

Tax Adjustments

This adjustment applies a tax expense rate of 28.0% to the pro forma net profit before tax after allowing for the pro forma adjustments. 28.0% is the current corporate tax rate in New Zealand and is reflective of Winton's New Zealand tax rate following completion of the Offer.

2.0 Structural Changes

Incremental listed company costs

This adjustment relates to the inclusion of estimated incremental costs that will be incurred by Winton as a publicly listed company. Incremental listed company costs have been applied as if Winton were listed from 1 July 2018. The incremental costs include costs for additional director remuneration, additional audit, tax and legal costs, additional NZX listing fees, share registry fees, directors' and officers' insurance premiums, investor relations costs, as well as annual general meeting and annual report costs.

An estimate of these costs is included in the PFI. To ensure the financial information is comparable, a pro forma adjustment is made in the Historical Period.

Listed company capital structure

No pro forma adjustment has been made in relation to Winton's capital structure, as Winton's borrowings will remain in place following completion of the Offer. Winton anticipates that it will use part of the proceeds raised under the Offer to repay its borrowings on or before 30 June 2022.

WINTON

WINTON.NZ