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Annual Report

Springs Road Property Limited
For the year ended 31 March 2019

Prepared by RWCA Limited

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Contents

Management Report and Market Commentary

Market overview

The 2019 year has been challenging for the company, shareholders, the manager and staff following the discovery of fraud. Much of our focus has been on dealing with this situation and ensuring that our actions provide the best possible opportunity to recover the funds and costs associated with the event.

The investigation is still ongoing and we are continuing with our efforts. Following the initial phase, this matter is now in the hands of both government and private organisations. Progress at this time has slowed and we have no ability to influence the process from this point.

You will be aware from our previous communications that the Serious Fraud Office is investigating this matter. The timeframe provided by the SFO was that an investigation would take a minimum of 12 months. The investigation commenced in February 2019.

Alongside this we commenced civil action to confirm the debt and recover the funds. Following the receipt of the Summary Judgment for the debt in April 2019 some progress has been made with a number of assets being marketed for sale. Proceeds from these sales will be shared on a pro rata basis between the three companies impacted by the fraud.

Results

From an operational perspective the company has continued to trade normally. Total comprehensive income net of tax was $759,757, the prior year was $140,396. Revenue was up following renewal of the lease with CMDHB on levels 2 & 3. Expenses for the year were higher than the prior period. Asset revaluations increased from the prior year. Total value of the property at 31 March 2019 is $7.4 million, an increase of $700,000.

Earnings per share for the year end 2019 was 26 cents. Prior year was 13 cents.

No dividend was paid in the period ending 31 March 2019.

Outlook

The company renewed the lease on levels 2 & 3 with the Counties Manukau District Heath Board for a further 3-year term with two rights of renewal for 3 year periods.

The Building is fully tenanted at this time.

We have committed to Capital expenditure of $170,000 in the 2020 year. This includes the replacement of the Air conditioning cooling tower and the replacement of lighting on levels 2 & 3.

A dividend was paid after the balance date and the company will pay a further dividend in November 2019. This dividend will be lower than that paid in May as the Capex costs noted above will impact this. The forecast at this time is 7 cents per share.

Report of the Directors to the Shareholders

Your Directors take pleasure in presenting their Annual Report including the financial statements of the Company for the year ended 31 March 2019.

Activities
The Company is involved in the property rental business.

Dividends
No dividends were distributed for the period ended 31 March 2019.

Directors
The following Directors held office during the year ended 31 March 2019:

Michael John Millar
Paul John Mephan

Remuneration of Directors
No Directors remuneration was paid during the year ended 31 March 2019.

Remuneration of employees No employee's remuneration exceeded $100,000.

Auditors
Crowe Horwath of Nelson were reappointed as the company's auditors. Total fees paid consist of:

-Audit engagement: $12,200
-Share register audit: $1,550

Interests register
The following are transactions recorded in the Interests Register for the year:

Related party transactions
All transactions conducted by the Company with Investment Services Limited are related party transactions, as Michael Millar is a Director of Investment Services Limited.

All transactions conducted by the Company with Corvus Consulting Limited are related party transactions, as Paul Mephan is a Director of Corvus Consulting Limited.

Related party transactions were:

Investment Services Limited	
Fees for management services	$33,504
Corvus Consulting Limited	
Accounting/registry services fees	$10,320

Share Purchases
There were no related party share transactions made during the year.

Directors' loans
There were no loans by the Company to the Directors.

Directors' indemnity and insurance
The Company's Directors and the Directors of its subsidiaries are insured against liabilities to other parties (except the Group or a related party of the Group) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

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Approval of Financial Report

Springs Road Property Limited
For the year ended 31 March 2019

The Directors are pleased to present the approved financial report including the historical financial statements of Springs Road Property Limited for year ended 31 March 2019.

APPROVED

For and on behalf of the Board of Directors

Paul Mephan

Date 31 July 2019

Michael Millar

Date 31 July 2019

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Statement of Profit or Loss and Other Comprehensive Income

Springs Road Property Limited
For the year ended 31 March 2019

	NOTES	2019	2018 (RESTATED)
Continuing Operations			
Trading revenue			
Gross Rental income	8	951,132	865,772
Total Trading revenue		**951,132**	**865,772**
Gross Profit		**951,132**	**865,772**
Operating Income and Expenses			
Administrative Expenses	9	(72,399)	(102,375)
Other Operating Expenses	10	(314,434)	(329,062)
Impairment of non-current assets	19	(277,976)	-
Total Operating Income and Expenses		**(664,809)**	**(431,437)**
Operating Profit		**286,323**	**434,336**
Financial Income and Expenses			
Finance Costs	11	(96,457)	(194,646)
Finance Income	12	1,231	622
Total Financial Income and Expenses		**(95,226)**	**(194,023)**
Profit Before Tax from Continuing Operations		**191,098**	**240,312**
Income Tax Expense			
Tax provision	13	(131,341)	(99,916)
Profit for the Year from Continuing Operations		**59,757**	**140,396**
Profit (Loss)			
Fair value gain on investment property	17	700,000	-
Total Profit for the Year from Continuing Operations		**759,757**	**140,396**
Income after tax from Discontinued Operations		-	-
Profit For The Year		**759,757**	**140,396**
Total Other Comprehensive Income, Net of Tax		-	-
Total Comprehensive Income for the Year, Net of Tax		**759,757**	**140,396**

	NOTES	2019	2018 (RESTATED)
Earnings per share			
Basic and diluted earnings per share (cents)	34	26	13

The financial statements should be read in conjunction with the attached Notes to the Financial Statements and Audit Report.

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Statement of Changes in Equity

Springs Road Property Limited
For the year ended 31 March 2019

	NOTES	2019	2018
Equity			
Issued Capital			
Opening Balance	25	2,890,000	578,000
Share capital		-	2,312,000
Total Issued Capital		**2,890,000**	**2,890,000**
Retained Earnings			
Opening Balance		1,510,823	1,601,627
Increases			
Profit for the Period		759,757	140,396
Prior Period Adjustments		209	-
Total Increases		**759,966**	**140,396**
Decreases			
Dividends Paid	26	-	231,200
Total Decreases		-	**231,200**
Total Retained Earnings		**2,270,789**	**1,510,823**
Total Equity		**5,160,789**	**4,400,823**

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The financial statements should be read in conjunction with the attached Notes to the Financial Statements and Audit Report.

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Statement of Financial Position

Springs Road Property Limited
As at 31 March 2019

	NOTES	31 MAR 2019	31 MAR 2018
Assets			
Current Assets			
Cash and Bank	16	369,297	66,334
Trade and Other Receivables	20	39,486	21,734
Income Tax Receivable	13	371	150
Total Current Assets		**409,154**	**88,218**
Non-Current Assets			
Investment Property	17	7,400,000	6,700,000
Deferred Tax Asset	14	86,001	213,449
Total Non-Current Assets		**7,486,001**	**6,913,449**
Total Assets		**7,895,155**	**7,001,667**
Liabilities			
Current Liabilities			
Trade and Other Payables	20	35,388	46,031
GST Payable	20	14,966	10,638
Loans	20	1,950,000	1,950,000
Other Liabilities	24	135,944	-
Total Current Liabilities		**2,136,298**	**2,006,669**
Non-Current Liabilities			
Deferred Tax Liability	14	598,068	594,175
Total Non-Current Liabilities		**598,068**	**594,175**
Total Liabilities		**2,734,366**	**2,600,844**
Net Assets		**5,160,789**	**4,400,823**
Equity			
Share Capital	25	2,890,000	2,890,000
Retained Earnings		2,270,789	1,510,823
Total Equity		5,160,789	4,400,823

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The financial statements should be read in conjunction with the attached Notes to the Financial Statements and Audit Report.

Statement of Cash Flows

Springs Road Property Limited
For the year ended 31 March 2019

	NOTES	2019	2018 (RESTATED)
Operating Activities			
Receipts from customers		960,033	900,762
Payments to suppliers and employees		(400,584)	(511,187)
Interest, Dividend and Investment Income		1,231	622
Finance costs		(83,753)	(231,762)
Income tax refunded/(paid)		(11)	1,139
Net GST Received / (Paid)		5,229	2,687
Net Cash Flows from Operating Activities	36	**482,145**	**162,261**
Financing Activities			
Dividends paid		-	(231,200)
DWT Arrears Paid	7	(142,032)	-
DWT arrears penalties and interest paid		(37,150)	-
Net Cash Flows from Financing Activities		**(179,182)**	**(231,200)**
Net Cash Flows		**302,963**	**(68,939)**
Cash and Cash Equivalents			
Cash and cash equivalents at beginning of period		66,334	135,273
Cash and cash equivalents at end of period	16	369,297	66,334
Net change in cash for period		**302,963**	**(68,939)**

The financial statements should be read in conjunction with the attached Notes to the Financial Statements and Audit Report.

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Notes to the Financial Statements

Springs Road Property Limited
For the year ended 31 March 2019

1. Reporting Entity

These financial statements of Springs Road Property Limited ("the Company") for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2019.

Springs Road Property Limited is a limited company incorporated and domiciled in New Zealand and registered under the Companies Act 1993, and is engaged in the business of Commercial Investment Property.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP); the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Financial Markets Conduct Act 2013. For the purpose of complying with NZ GAAP, the Company is a for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards (NZ IFRS).

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

Presentation Currency

The financial statements are presented in New Zealand Dollars (NZD), which is the Company's functional currency. All values are rounded to the nearest NZD, except when otherwise indicated.

Reporting Period

The financial statements represent a period of twelve months ending 31 March 2019.

Comparatives

The comparative financial period is twelve months. Comparatives have been reclassified from that reported in the prior year financial statements where appropriate to ensure consistency with the presentation of the current year's position and performance.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarised below:

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Revenue Recognition

Rental income

Income arising from operating leases on investment properties is recognised on a straight line basis over the life of the lease and included in revenue in the statement of profit or loss.Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income.

Service Charges Recovered

The tenants also pay the majority of the Company's Operating Expenses. These are recoveries of expenses incurred by the company in relation to the Investment Properties. The tenants are charged a monthly amount towards these operating costs based on an annual budget, and occupied floor space for each Investment Property. An annual wash-up reconciliation is prepared by the Company and any under or overcharges of actual costs incurred against costs recharged are settled.

Service Charge recoveries are recognised when invoiced, on a monthly basis, which is in line with when the Company meets its performance obligations for the services provided. The service charge recovered are based on what is specified in the tenants leases and the costs on the associated outgoings . The Company does not provide discounts nor is there any finance component in any of the costs so the transaction price is easily determined and allocated on a straight-line basis.

The services charges recovered that the Company identifies as being under the scope of NZ IFRS 15 includes but are not necessarily limited to; Rates, Building WoF, Health and Safety, Insurances, Cleaning, Rubbish and Pest Control, Fire Maintenance, Security, Lifts, Air-Conditioning and Other General Maintenance. This is because the Company deems these to be additional services above the lease of the rental space and so should be considered separately to the lease rental income (Refer to Note 9 for further consideration)

Interest

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Finance costs recorded in the profit or loss comprise the interest expenses charged on borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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Income Tax

The income tax expense represents the sum of current tax payable and deferred tax movements.

Current Income Taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Movements in current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Goods and Services Tax

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

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Investment Properties

Investment properties are measured initially at cost, including transaction costs.Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the Property Institute of New Zealand.

The properties are held for both capital appreciation and rental income purposes. Revaluation gains or losses are included in the Statement of Profit or Loss. The investment properties are not depreciated for accounting purposes however depreciation is claimed for taxation purposes.
Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in NZ IFRS 15.

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Financial Instruments

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Company does not have any financial assets as being at fair value through profit or loss.

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within bad debts in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets at amortised cost are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables, accrued fraud recovery and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within
loans and borrowings in current liabilities on the consolidated statement of financial position.

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Fair value through other comprehensive income

They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income
reserve.

The Company does not have any financial assets as being at fair value through other comprehensive income.

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The Company does not have any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

Bank borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

De-Recognition of Financial Instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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Impairment of Non-Financial assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

An impairment loss is recognised whenever the carrying amount of an asset exceeds is recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported profit or loss.

The estimated recoverable amount of an asset is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to their present value using a pre-tax discount rate that reflects current market rates and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. An impairment loss on property carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through profit or loss.

Any reversal of impairments previously recognised is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Share Capital

Share capital represents the consideration received for shares that have been issued. All transaction costs associated with the issuing of shares are recognised as a reduction in equity, net of any related income tax benefits.

Dividend Distribution

Dividend distributions to the shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Directors.

Fair Value Measurement

A number of the Company's accounting policies and disclosures require measurement at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Company

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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), or where there are significant adjustments to market data.

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Current assets and liabilities

Current assets and liabilities are stated at estimated realisable value.

4. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, other than those arising from changes in the NZ IFRS reporting standards,as noted below.

- *NZ IFRS 9 Financial Instruments* replaced *NZ IAS 39 Financial Instruments: Recognition and Measurement*. The standard came into effect on 1 January 2018 and was adopted from 1 April 2018. The Company has applied NZ IFRS 9 retrospectively, but has elected not to resate comparative information. The classification of financial instruments has not resulted in any reclassification between measurement categories for the Company's financial assets and liabilities.
- NZ IFRS 15 Revenue from Customer Contracts supersedes NZIAS 11 Construction Contracts and NZ IAS18 Revenue. The standard came into effect on 1 January 2018 and was adopted retrospectively from 1 April 2018. NZ IFRS15 establishes a five-step model to account for revenue arising from contracts with customers and required revenue to be recognised at an amount reflecting the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. NZ IFRS 15 requires entities to exercise judgement,taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The majority of the revenues of the Company are derived from rental income from lease agreements with tenants of the investment properties. Accounting for lease income is out of the scope of NZ IFRS 15. The implementation of NZ IFRS 15 has required a change in the presentation of service charges in the statement of comprehensive income. Previously, The Company presented the income generated from service charges recovered from tenants as an offset to property operating expenses. In implementing NZ IFRS 15, these components have been separated out between income and expense as income falls under the scope of NZ IFRS 15 and cannot be netted off against related expenses. As a result, the 2018 comparatives have been restated as follows: gross rental income increased by $276,640 and property operating expenses increased by $276,640. These have also had a flow on impact to the statement of cash flows where gross rent received has increased by $276,640 and operating expenses has also increased by $276,640. *The implementation of NZ IFRS 15 had minimal impact on the financial information for the current or any prior period and the only changes made related to note disclosures.*

Various other new and amended standards and interpretations have become effective,however these are not listed as they are not considered to have any impact on the Company.

There has been no impact on earnings per share as a result of the change in accounting policies.

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5. Adoption of new and revised reporting standards

Financial Reporting Standards Effective in the Reporting Period

There were a number of new standards and amendments to existing standards that came into effect in the current financial year. The details of the standards and their assessed impact on the Company are as follows:

- *N Z IFRS 9 Financial Instruments* replaced *NZ IAS 39 Financial Instruments: Recognition and Measurement*. The standard came into effect on 1 January 2018 and was adopted from 1 April 2018. The Company has applied NZ IFRS 9 retrospectively, but has elected not to resate comparative information. The classification of financial instruments has not resulted in any reclassification between measurement categories for the Company's financial assets and liabilities.

- NZ IFRS 15 Revenue from Customer Contracts supersedes NZIAS 11 Construction Contracts and NZ IAS18 Revenue. The standard came into effect on 1 January 2018 and was adopted retrospectively from 1 April 2018. NZ IFRS15 establishes a five-step model to account for revenue arising from contracts with customers and required revenue to be recognised at an amount reflecting the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. NZ IFRS 15 requires entities to exercise judgement,taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The majority of the revenues of the Company are derived from rental income from lease agreements with tenants of the investment properties. Accounting for lease income is out of the scope of NZ IFRS 15. The implementation of NZ IFRS 15 has required a change in the presentation of service charges in the statement of comprehensive income. Previously, The Company presented the income generated from service charges recovered from tenants as an offset to property operating expenses. In implementing NZ IFRS 15, these components have been separated out between income and expense as income falls under the scope of NZ IFRS 15 and cannot be netted off against related expenses. As a result, the 2018 comparatives have been restated as follows: gross rental income increased by $276,640 and property operating expenses increased by $276,640. These have also had a flow on impact to the statement of cash flows where gross rent received has increased by $276,640 and operating expenses has also increased by $276,640.

New NZ IFRS Standards and Interpretations Issued But Not Yet Adopted

A number of new standards and interpretations have been issued but are not yet effective for the current year end.

The details of the standards and their assessed impact on the Company are as follows:

Accounting standards and interpretations, considered relevant to the operation of the Company, that have not been applied during the reporting year, or have been issued but are not yet effective as at the date of issuance of these Financial Statements are outlined below. If applicable, the Company intends to adopt these when they become effective.

These accounting standards and interpretations are

- *NZ IFRS 16 Leases* is effective 1 January 2019, applicable to the Company from 1 April 2019. As the Company is a lessor of investment property, accounting for leases as lessor under the current standards is similar to the new standard and as a lessor, there are no changes to the Company's current accounting treatment and disclosure of leases.
- *NZ IAS 1 Presentation of Financial Statements* is effective 1 April 2020s effective 1 January 2020, applicable to the Company from 1 April 2020. Management have assessed NZ IAS 1 and have found that it had minimal impact on the financial reporting.
- *NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* s effective 1 January 2020, applicable to the Company from 1 April 2020. Management have assessed NZ IAS 8 and have found that it had minimal impact on the financial reporting.

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6. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

The following are significant management judgements in applying the accounting policies of the Company that have a significant effect on the financial statements:

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors have determined the appropriate valuation techniques and inputs for fair value measurements. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in later notes.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax losses or credits. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full.

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7. Significant Events

Misappropriated Funds

During the year ended 31 March 2019, a fraud against the company was uncovered.

Once knowledge of the fraud become known, the directors engaged PwC Forensic Services, to investigate and report to the company. The scope of the review undertaken by PwC was subject to a number of assumptions and limitations including the date to which historical bank information was available, and therefore only covered the period from 8 September 2008 to September 2018.

The amount of monies identified as being misappropriated -	$ 277,976.36
This is the amount determined by directors as the amount for which they will seek recovery, from the perpetrator and any other avenues available to them, and have recorded a recoverable amount as:	
Fraud Recovery Receivable of -	$ 277,976.36
However, as at balance date, while a number of steps have been taken to secure assets and payment from the perpetrator, the progress of these is such that it is not able to be determined with any certainty, what the value of those recoveries are likely to. The directors have therefore determined to fully impair the Fraud Recovery Receivable in the current year.	
Impairment of Fraud Recover Receivable	$277,976.36
Net Value of Fraud Recovery Receivable	$0.00
As a result of the impairment of the Fraud Recovery Receivable, there is an Income statement impact in the current year, of the same amount	
Impairment of Fraud Recovery Expenses (Income Statement)	$277,976.36
As the fraud was largely committed by the diversion of payments due to the Inland Revenue Department (IRD), the company has a continued liability for those payments to be made. The company has accrued in respect to the fraud amount, this liability to the IRD as a Current liability under Accounts Payable.	
Provision for Fraud Expenses	$277,976.36
Less paid prior to Balance date	$142,032.00
Amount owing at balance date	$135,944.36

The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax(DWT) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

In the 2019 year $179,182 has been paid to Inland Revenue consisting of:

- DWT core debt owing: $142,032
- Interest owning on outstanding debt: $12,475
- Penalties owing on outstanding debt: $24,675

During the year Inland Revenue remitted the full amount of penalties paid and these were refunded to the Company.

The costs associated with recovering misappropriated funds during the period have been met by Investment Services Limited. Investment Services Limited will not be seeking recovery from the Company for the period.

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8. Revenue

Revenue is accounted for in accordance with *IFRS 15 Revenue from Contracts with Customers* where appropriate.

IFRS 15 Revenue from Contracts with Customers was adopted during the current year. The comparative figures for the year ended 31 March 2018 have been restated to match the current treatment.

Revenue recognised when or as control of promised services is transferred to the particular customer with an amount that reflects the consideration that the entity expects to be entitled to in exchange for those services.

	NOTES	2019	2018
Revenue			
Gross rental income			
Rental from Investment Properties		634,820	589,133
Service charge income recovered from tenants (NZ IFRS 15 Revenue from Contracts for Customers)		318,343	276,640
Impairment Loss		(2,031)	-
Total Gross rental income		**951,132**	**865,772**
Total Revenue		**951,132**	**865,772**

The following is a description of the Principal activities the Company generates revenue:

- The Company provides additional services to the tenants of the Company's Investment Property – The Company reports the revenue from these additional services in the Gross Rental income line in the statement of profit or loss and other comprehensive income.
- Additional services involve the management of the Company's Investment property leased to tenants. The contracts associated for these additional services are structured so the Company is reimbursed for subcontracted vendor costs as well as associated overhead and management fee expenses (service charge income recoveries). Additional services represent a series of distinct services rendered over time to deliver the overall performance obligation of managing the tenancy and property for each tenant.
- The amount of revenue recognised is Gross for all additional services – an offsetting amount is recorded under other operating expenses.
- The payment for these additional services are reimbursements of cost of third-party services delivered to tenants that are controlled by the Company, therefore the Company is considered to be Principal for those services.
- Where the Company does not control third-party services delivered to tenant the Company is considered to be agent and therefore offsets the revenue and expense against each other for those services.

	NOTES	2019	2018
9. Administrative Expenses			
Accounting and Registry		10,847	9,997
Audit Fees		13,750	11,200
Custodial Fee		375	1,500
Postage, Printing & Stationery		-	604
Management Fees		33,504	33,500
Legal Expenses		4,473	4,069
Insurance		2,715	2,670
Valuation		3,650	3,650
General Expenses		3,085	5,728
Total Administrative Expenses		**72,399**	**72,918**

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	NOTES	2019	2018
10. Other Operating Expenses			
Total Operating Expenses		314,434	358,519
Total Other Operating Expenses		**314,434**	**358,519**

	NOTES	2019	2018
11. Finance Costs			
Interest - Mortgage Bonds		-	111,039
Interest on Loans		83,982	83,607
Interest - IRD		12,475	-
Total Finance Costs		**96,457**	**194,646**

	NOTES	2019	2018
12. Investment Income			
Finance Income			
Dividends Received		522	-
Interest Received		709	622
Total Finance Income		**1,231**	**622**
Total Investment Income		**1,231**	**622**

13. Income Tax

1. Components of income tax expense
2. Income tax expense calculation
3. Income tax payable / (receivable) reconciliation

	NOTES	2019	2018
Components of income tax expense			
Deferred Taxation		131,341	99,918
Total income tax expense		131,341	99,918

	NOTES	2019	2018
Income Tax Expense			
Income Tax Expense			
Current Tax		-	-
Deferred Tax		131,341	99,916
Total Income Tax Expense		**131,341**	**99,916**
Reported income			
Profit before tax from continuing operations		191,098	240,312
Profit before tax from discontinued operations		-	116,532
Total Reported income		**191,098**	**356,844**
Taxable Profit / (Loss)		191,098	356,844
At effective income tax rate of 28%:		53,507	99,916

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Increase/(Decrease) in income tax due to:			
Impairment of Accrued Fraud Recovery		77,834	-
Total Increase/(Decrease) in income tax due to:		**77,834**	**-**
Deferred Tax Expense		131,341	99,916
Reported as			
Income Tax reported in Profit or Loss		131,341	99,916
Income Tax attributable to discontinued operations		-	-
Income Tax Expense / (Income)		131,341	99,916

	NOTES	2019	2018
Income tax payable / (receivable)			
Income tax payable / (receivable)			
Opening Balance		(150)	(1,287)
Deferred tax expense		131,341	99,916
Deferred Tax Movement		(3,893)	(4,306)
Losses Brought Forward		(127,448)	(95,610)
Tax Paid			
Imputation Credits Received		(146)	-
RWT Paid		(225)	(174)
Tax Refunds Received		150	1,312
Total Tax Paid		**(221)**	**1,137**
Total Income tax payable / (receivable)		**(371)**	**(150)**

	NOTES	2019	2018
14. Deferred Tax Assets & Liabilities			
Deferred Tax Assets			
Opening Balance		213,449	309,057
Future benefit of tax losses		(127,448)	(95,608)
Total Deferred Tax Assets		**86,001**	**213,449**
Deferred Tax Liabilities			
Opening Balance		594,175	589,865
Deferred tax		3,893	4,310
Total Deferred Tax Liabilities		**598,068**	**594,175**

	NOTES	2019	2018
Deferred Tax arises from			
Tax Asset Base			
Income tax losses carried forward		307,147	762,318
Total Tax Asset Base		**307,147**	**762,318**
Deferred Tax @ 28%		86,001	213,449

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Tax Liability Base			
Incremental depreciation for tax purposes		2,135,956	2,122,052
Total Tax Liability Base		**2,135,956**	**2,122,052**
Deferred Tax @ 28%		598,068	594,175

	NOTES	2019	2018

15. Imputation Credit Account

Imputation Credit Account			
Opening Balance		150	1,287
Prior year adjustment		-	-
Increases			
IRD Interest		-	-
Imputation credits converted to losses		-	-
Income Tax Paid		-	-
Resident Withholding Tax Paid		225	174
Imputation credits on dividends received		146	-
Total Increases		**371**	**174**
Decreases			
Imputation Credits Attached to Dividends		-	-
Income Tax Refund		150	1,312
Total Decreases		**150**	**1,312**
Closing Balance		**371**	**150**

	NOTES	2019	2018

16. Bank and Cash balances

Cash at Bank		369,297	66,334
Total Bank and Cash balances		**369,297**	**66,334**

	NOTES	2019	2018

17. Investment Property

Investment Property			
Opening Balance		6,700,000	6,700,000
Net Change in Fair Value		700,000	-
Closing Balance		**7,400,000**	**6,700,000**

	NOTES	2019	2018

18. Other Non-Current Assets

Accrued fraud recovery		277,976	-
Less: provision for impairment of accrued fraud recovery	19	(277,976)	-
Accrued fraud recovery - net		-	-

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling $277,976. The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax(DWT) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

The Company is seeking to recover the funds mentioned above which were misappropriated in prior years. The amount sought is currently not confirmed and the recovery depends on legal action, the outcome of which will not be known for some time. At this time a provision for the recovery has been created amounting to the core funds misappropriated.

An expected credit loss has been calculated at a rate of 100% on the accrued fraud recovery as at 31 March 2019, due to the current uncertainty of the recovery. This impairment will be reviewed each year to reflect the current recovery likely to be received.

19. Impairment Allowance

Movements in the impairment allowance for accrued fraud recovery for the year ended 31 March 2019 are as follows:

	NOTES	2019	2018
Opening impairment allowance of accrued fraud recovery			
At 1 April under IFRS 9		-	-
Restated through opening retained earnings		-	-
Opening impairment allowance of accrued fraud recovery		-	-
Impairment loss during the year			
Increase during the year	18	277,976	-
Impairment loss during the year		**277,976**	-
At 31 March		277,976	-

20. Summary of Financial instruments

	NOTES	2019	2018
Financial Assets at amortised cost			
Current			
Bank & cash		369,297	66,334
Trade and other receivables			
Trade Receivables		10,185	8,209
Trade Receivables - Impairment loss		(2,336)	-
Prepayments		1,649	-
Sundry Debtors		5,313	13,525
Penalties & interest remitted		24,675	-
Total Trade and other receivables		**39,486**	**21,734**
Total Current		**408,783**	**88,068**
Total Financial Assets at amortised cost		**408,783**	**88,068**

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	NOTES	2019	2018
Financial Liabilities at amortised cost			
Current			
Trade and other payables		35,388	46,031
GST Payable		14,966	10,638
Other Liabilities		135,944	-
Total Current		**186,298**	**56,669**
Interest-bearing loans & borrowings			
Current interest-bearing loans & borrowings		1,950,000	1,950,000
Total Interest-bearing loans & borrowings		**1,950,000**	**1,950,000**
Total Financial Liabilities at amortised cost		**2,136,298**	**2,006,669**

Security Held for Loans

ANZ Bank repayment terms - the facility has been extended to 30 October 2019 with a floating interest rate. The loan is secured by a first ranking mortgage over 7 Springs Road, East Tamaki, Auckland plus a first ranking General Security Agreement over all present and after acquired property.

	NOTES	2019	2018
21. Trade and other receivables			
Trade Receivables		10,185	8,209
Less: provision for impairment of trade receivables	22	(2,336)	-
Total Trade and other receivables		**7,849**	**8,209**

	Current	Total
Expected loss rate (%)	20%	
Gross Carrying Amount	11,679.00	11,679.00
Loss Provision	2,335.80	2,335.80

22. Impairment Allowance - Trade Receivables

Movements in the impairment allowanc for the year ended 31 March 2019 are as follows:

	NOTES	2019	2018
Opening provision for impairment of trade receivables			
At 1 April under IFRS 9		-	-
Restated through opening retained earnings		-	-
Opening provision for impairment of trade receivables		-	-
Impairment loss during the year			
Increase during the year	21	2,336	-
Receivable written off during the year as uncollectible		-	-
Impairment loss during the year		**2,336**	-
At 31 March		2,336	-

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23. Financial Instrument Risks

This note deals with exposures to interest rate, credit and liquidity risks arising in the normal course of the Company's business as follows:

Interest rate risk

Interest rate risk is that movements in interest rates will affect the Company's performance. The Company has interest rate risk through its bank loans. Loans are subject to floating interest rates. The Company continually reviews these rates and may use interest rate derivates to manage this risk.

Credit risk

The Company in the normal course of business has credit risk from accounts receivable mainly for rent and bank balances. The Company manages bank balance credit risk through transacting only with major trading banks. The Company manages accounts receivable credit risk through accepting only reputable tenants and performing credit assessments prior to accepting the tenancy. At balance date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The fair value of each financial asset is the same as the carrying value.

Liquidity risk

If the Company were put in the position of having to repay its bank loan at short notice it would first enter into negotiations with its bank to renegotiate terms failing which the company would look to sell its investment property. However, this is unlikely to make funds available immediately. Cash flow is managed to ensure that all creditors are met as and when they fall due.

Market risk

Market risk arises from the price risk from the Company's investment property. Investment property that is not fully occupied, or that has not been appropriately positioned in the market will expose the Company to fair value risk and price risk. The Company looks to maintain a strategic refurbishment and leasing plan that is reasonable and achievable through the utilisation of specialist property management experience to ensure re-positioning opportunities that increase rental income across the Company are explored. The Company's properties are assessed at least once a year against several criteria to determine whether property should be sold or remain in the Company.

Apart from the risks detailed above, the Company has no other risks which require disclosure. No collateral is required in respect of financial assets.

Capital Disclosures

The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, retained earnings).

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.

The debt-to-adjusted-capital ratios at 31 March 2019 and at 31 March 2018 were as follows:

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	NOTES	2019	2018
Debt to adjusted capital ratio			
Loans and borrowings		1,950,000	1,950,000
Less: cash and cash equivalents		(369,297)	(66,334)
Net debt		1,580,703	1,883,666
Total Equity		5,160,789	4,400,823
Total adjusted capital		5,160,789	4,400,823
Debt to adjusted capital ratio (%)		31	43

24. Other Liabilities

	NOTES	2019	2018
Funds Owing to Parties as a Result of Fraud		135,944	-
Total Other Liabilities		**135,944**	-

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling $277,976. The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax(DWT) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

The Liability put in place consists of the following:

- Core DWT owing to Inland revenue of $142,032. During the year all tax owing was repaid to the inland revenue.
- Amounts owed to other parties for Lease Incentives, Management Fee/Opex Wash-ups, Unclaimed Distributions and other payments Totaling $135,944. As at 31 March 2019 none of this amount has been repaid.

25. Issued Capital

	NOTES	2019	2018
2,890,000 Ordinary Shares		2,890,000	2,890,000

At 31 March 2019 the total number of shares authorised, issued and fully paid comprised 2,890,000 ordinary shares of $1 each (2018: 2,890,000 shares authorised, issued and fully paid to $1 each) rating equally for dividends and other distributions.

The total number of authorised share at balance date was 2,890,000 (prior year 2,890,000) of $1 each. At balance date all authorised shares were issued and fully paid.

26. Dividends Paid

	NOTES	2019	2018
Cash dividends declared and paid during the year		-	231,200
Dividend per share (cents)		-	8

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27. Related Parties

Investment Services Limited provides management services to the company. All transactions conducted by the Company with Investment Services Limited are related party transactions as Michael Millar is a Director of Investment Services Limited. The Company paid Investment Services Limited $33,504 (2018:$33,500) in management fees during the year.

Investment Services Limited under its management agreement is entitled to be paid a fee equal to 5% of any capital gains realised on the sale of the property at anytime.

Corvus Consulting Limited provides accounting and registry services to the Company. All transactions conducted by the Company with Corvus Consulting Limited are related party transactions as Paul Mephan is a Director of Corvus Consulting Limited. The Company paid Corvus Consulting Limited $10,320 (2018: $830) in accounting and registry fees during this period.

Activa Consulting provided accounting and registry services to the Company in the prior year up to the end of February 2018 when Activa Consulting and Neil Barnes ceased providing services to the Company. All transactions conducted by the Company with Activa Consulting Limited were related party transactions as Neil Barnes is a Director of Activa Consulting Limited. In the prior financial year the Company paid Activa Consulting Limited $9,167 in accounting and registry fees.

There were no amounts due to related parties as at the balance date.

At balance date the following investments, both direct and indirect, were held by the Directors and the Manager:

Michael Millar	20,000 Shares
Investment Services Limited	65,000 Shares
Neil Barnes	80,000 Shares (Resigned 27 Feb 2018)

28. Lease Agreement Terms

Counties Manukau District Health Board

Levels 2 & 3.
- Three year lease term expiring 5 April 2021
- One, three year Rights of Renewal remaining

Part Ground floor
- Three year lease term from 1 September 2016
- One, three year Right of Renewal remaining
- Rent review based on market rentals at time of lease renewal

Swetec Fashion Academy

First floor
- Two year lease expiring 31 December 2020

Polyethnic Institute of Studies

Part Ground floor
- Four year term expiring 7 August 2021
- Two, three year Rights of Renewal remaining
- Two yearly rent reviews.

Cafe Concepts

Rear Annex
- Seven year lease expiring 31 January 2022
- Two Rights of Renewal, one of seven years and one of five years
- Three yearly rent reviews.

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29. Minimum Lease Income

The Company has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining lease terms as noted above. All leases include a clause to enable upward revision of the rental charge on various review dates based on prevailing market conditions.

Future minimum net rentals receivable, after incentive rebates, under non-cancellable leases at the balance sheet date are as follows:

	NOTES	2019	2018
Minimum Lease Income			
Within one year		570,127	279,509
After one year but not more than five years		565,780	371,206
More than five years		-	-
Total Minimum Lease Income		**1,135,907**	**650,715**

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30. Management Fees

The Investment Manager's fee is based on 0.5% of the opening net capital value of the property. The management agreement also provides for a performance fee of 5% of any gain arising on the sale of the property.

31. Contingent Assets and Contingent Liabilities

There are no Contingent Assets and Liabilities at year end (Last Year: $Nil)

32. Capital Commitments

There are no capital commitments at year end (Last Year: $Nil)

33. Subsequent Events

There have been no material events subsequent to balance date

	NOTES	2019	2018
34. Earnings Per Share			
Reconciliation of those amounts used as the numerator to profit or loss			
Profit for the year and earnings used in basic and diluted EPS		759,757	140,396
Reconciliation of the weighted average of shares used as the denominator to profit or loss			
Weighted average number of shares used in basic and diluted EPS		2,890,000	1,053,068
Basic and diluted earnings per share (cents)		26	13

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35. Valuations

The investment properties are measured at fair value and were valued as at 31 March 2019 by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location and categories of the properties being valued.

The latest revaluation of the investment properties is summarised as follows;

Purpose	Financial reporting
Amount of valuation	$7,400,000 (2018: $6,700,000)
Valuer	Colliers International
Basis of valuation	The determination of the values stated were market value subject to existing tenancies and occupational arrangements.
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	Nil (2018: Nil)
Weighted average lease term	1.73 years (2018: 1.11 years)
Value per square metre	$2,022 (2018: 1,678)
Capitalisation rate	8.75% (2018: 8.75%)
Discount rate	8.75% (2018: 9.25%)
Terminal yield	8.75% (2018: 9.25%)
Net market rent	$699,075 (2018: $696,857)
Net passing rent	$631,109 (2018: $590,260)

The valuation reflects the quality of tenants in occupation, the allocation of maintenance and insurance responsibilities between the company and the tenant and the remaining economic life of the properties. The valuation also assumes on expiry of the current lease terms the company will be able to re-tenant the properties at or above market rates. The valuation assumes the building meets the minimum seismic ratings requirements and that no capital expenditure is required on earthquake strengthening.

The fair value measurement for the investment property has been categorised as a level 3 fair value (refer to Note 3) based on the inputs to the valuation technique used being based on unobservable inputs.

The following table outlines the valuation techniques measuring fair value of the investment properties,as well as the unobservable inputs used and the interrelationship between the key unobservable inputs and fair value measurement.

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Valuation technique	Unobservable inputs	The estimated fair value would increase/(decrease) if
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 market based income (inflows) and expenditure (outflows) projections over the 10 year period discounted at a market analysed return.	Discount rate of 8.75%	Discount rate was lower/(higher)
	Terminal yield of 8.75% at the end of the 10-year period	The yield was lower/(higher)
	Assessed market rental of $699,075	The assessed market rental was higher/(lower)
Capitalisation approach This approach is considered a "point in time" view of the investment properties' value, based on the current contract and market income and an appropriate market yield or return for the properties. 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.	Net rental income has been capitalised in perpetuity at a capitalisation rate of 8.75%	Capitalisation rate in perpetuity was lower/(higher)
	Assessed market rental of $696,857	The assessed market rental was higher/(lower)

In deriving the market value under each approach, all assumptions are based, where possible, on market based evidence and transactions for properties with similar locations,construction detail and quality of lease covenant. The adopted market value is a judgmental combination of both the Capitalisation and the Discounted Cash Flow approaches.

	NOTES	2019	2018
36. Reconciliation of the net cash flow from operating activities to profit (loss)			
Net profit / (loss) after tax		59,757	140,396
Changes in Assets and Liabilities			
(Increase) / decrease in accounts receivable		(17,752)	26,780
Increase / (decrease) in accounts payable		(10,643)	(107,600)
Increase / (decrease) in GST payable		4,328	1,630
(Increase) / decrease in income tax		131,329	101,055
Increase / (decrease) in impairment allowance		277,976	-
DWT interest & penalties classified under financing activities		37,150	-
Total Changes in Assets and Liabilities		**422,388**	**21,865**
Net cash inflow / (outflow) from operating activities		482,145	162,261

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Springs Road Property Limited

Opinion

We have audited the financial statements of Springs Road Property Limited (the Company) on pages 6 to 33, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with *New Zealand equivalents to International Financial Reporting Standards* (NZ IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). 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 Company 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 interests in the Company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Valuation of Investment Properties – Notes 17 and 35	
The Company's Investment Property was valued at $7,400,000 which represented 94% of the total assets at 31 March 2019. Management rely on the valuation which was carried out by an independent valuer. The	We performed the following procedures over the valuation of investment property: • Scrutinised the valuation report prepared by management's expert, including the methodology employed and key assumptions and estimates used;

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valuer performed their work in accordance with NZ IAS 40: Investment Property. The key assumptions in relation to the valuation were: ▪ Weighted average lease term; ▪ Value per square metre; ▪ Capitalisation rates; ▪ Discount rate; ▪ Terminal yield; ▪ Net market rent; and ▪ Net passing rent We considered the valuation of investment property to be a key audit matter because of the financial significance of the carrying value and the subjective judgments required in the assumptions.	▪ Evaluated whether the expert had the necessary competence, capabilities and objectivity to undertake the valuation; ▪ Challenged the various assumptions used in the valuation. In particular, we compared the valuation assumptions used by the valuers to market evidence and current market conditions. ▪
Significant Event – Notes 7, 18 and 24	
We considered the recognition and treatment of the misappropriation of funds against the company to be a key audit matter because of the subjective judgements required in the recognition, measurement, presentation and disclosure of the event and the subsequent actions by the Group.	We performed the following procedures over the recognition, measurement, presentation and disclosure: ▪ Considered the impact of the misappropriation of funds in the planning for the audit; ▪ Scrutinised the review report prepared by management's expert, including the methodology employed, assumptions made and limitations identified in the quantification of the funds misappropriated; ▪ Reviewed the correspondence and updates provided by the Group to shareholders on progress around the funds misappropriated; ▪ Reviewed the IRD debts that were identified as a result of the report developed by management's expert; ▪ Challenged management on the method of recognition applied for the Fraud Recovery Receivable and the assumptions, including certainty, of the recoverability of the receivable; ▪ Reviewed the presentation and disclosure of the events presented in the annual report to ensure that these were complete, accurate

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	and a true and fair presentation of the events and management's judgements.

Information Other Than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Management Report & Market Commentary, Report of the Directors to the Shareholders, Approval of Financial Report and Directory on pages 3 to 5 and 38 and 39, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or 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 in the audit or otherwise appears to be materially misstated.

If, based on 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 financial statements in accordance with NZ IFRS, 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 financial statements, the Directors are responsible for assessing the Company'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 Company or to 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 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 ISAs (NZ) 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 financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ken Sandri

For and on behalf of:

Crowe Horwath

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Nelson this 31st day of July 2019

rwca
accountancy
+advisory

Directory

Springs Road Property Limited
For the year ended 31 March 2019

Nature of Business

Commercial Investment Property

Registered Office

Level 1, 3/237 Queen Street
Richmond 7031

Date of Incorporation

02 December 1997

Incorporation Number

886293

New Zealand Business Number

9429037951467

IRD Number

069-248-896

Directors

Paul Mephan
Michael Millar

Bankers

ANZ
248 Trafalgar Street
Nelson 7010

Solicitors

Pitt & Moore
66 Oxford Street
PO Box 3101
Richmond

Auditors

Crowe Horwath
72 Trafalgar Street
Nelson

Chartered Accountant

RWCA Limited
Level 3, 7 Alma Street, Buxton Square, Nelson 7010

Investment Manager, Property Manager, Share Register, Secondary Market

Investment Services Limited
L1, 3/237 Queen Street
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