Springs Road Property Limited

Annual Report
for the year ended
31 March 2018

Contents

Management Report and Market Commentary

Market overview

Business confidence remains high and the economic outlook remains positive following the continued low interest rate & low inflation environment.

Leasing activity in the commercial market has continued to be strong over the last 12 months with demand for space in the Auckland office sector remaining high. Sentiment remains good with the prospects of further rental value growth through to the end of 2018.

Demand is expected to be softer into 2019 and beyond as the supply of new developments eases competition, providing tenants with more options.

Investment demand for the Auckland office sector remains strong, particularly for the large prime assets in the CBD and modern long let properties in prime fringe location.

The property

At 31 March the building was fully occupied. The lease to the main tenant, Counties Manukau District Health Board expires in April 2018 and at this time we have verbal agreement on terms for a new lease.

The property valuation at 31 March 2018 was 6,700,000 (2017: 6,700,000).

Results

Operating profit was marginally higher than the prior year. There were small lifts in overall rental income, lower funding costs and lower Mortgage Bond interest. These were offset by one-off costs relating to the replacement of two air-conditioning units in the Rear Annex and a contribution to tenant's fitout costs.

Dividends totally 8 cents per share gave a return of 6.95% on the last traded price of $1.15

Mortgage Bonds – Mandatory conversion

The mortgage bonds where converted to shares in January 2018. As indicated in last year's report the bonds were subject to a mandatory conversion as described in the original Investment prospectus. Each $4,000 mortgage bond was settled by the issue of 4,000 shares.

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 2018.

Activities
The company is involved in the property rental business.

Dividends
$231,200 was paid in dividends for the period ended 31 March 2018. There were no imputation credits attached.

Directors
The following persons held office as Directors during the year ended 31 March 2018.

Neil Allan Barnes – Ceased 26/2/2018
Michael John Millar
Paul John Mephan – Appointed 13/2/2018

Remuneration of Directors
No Directors' remuneration was paid during the year ended 31 March 2018.

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

Auditors
Crowe Horwath of Nelson were reappointed as the company's auditors.

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

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

All transactions conducted by the Company with Activa Consulting Limited are interested transactions, as Neil Barnes is a Director of Activa Consulting Limited.

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

Interested transactions were:

Investment Services Limited	
Fee for Management services	$**33,500**
Activa Consulting Limited	
Accounting/registry services fees	9,167
Corvus Consulting Limited	
Accounting/registry services fees	830
	$9,997

Share purchases
There were no related party share trades during the year.
As a result of the conversion of Mortgage Bonds to Shares related party holdings have increased to:
Investment Services Ltd - 65,000 (13,000)
Michael John Millar – 20,000 (4,000)
Neil Allan Barnes – 80,000 (16,000)
Prior stapled parcels in brackets.

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

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

For, and on behalf of, the Board

CHAIRMAN

DIRECTOR

Date: 5th July 2018

Springs Road Property Limited
Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	*2018* *$*	*2017* *$*
Revenue			
Rent revenue	2	589,133	560,296
Interest		622	1,420
		589,755	561,716
Less expenditure			
Accounting and Registry		9,997	10,000
Audit fees		11,200	6,950
Interest - Loans		83,607	108,297
- Mortgage Bonds		111,039	147,737
Custodian fees		1,500	1,500
Printing, postage and stationery		604	776
Management fees	11	33,500	32,500
Legal and professional fees		4,069	1,634
Insurance		2,670	2,440
Non-recoverable opex		52,422	9,509
Valuation fees		3,650	3,650
Leasing costs		29,457	-
General expenses		5,728	6,913
		349,443	331,906
Net Profit/(Loss) before taxation		**240,312**	**229,810**
Tax movement	4	(99,916)	(78,426)
Profit/(Loss) for the period before revaluations		**140,396**	**151,384**
Unrealised gain/(loss) on Interest Rate Swap		-	(21,718)
Release of sinking fund provision	15	-	116,533
Unrealised increase/(decrease) in value of Investment property	8, 13	-	200,000
Total Profit/(Loss)		**140,396**	**446,199**

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

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Springs Road Property Limited
Statement of Comprehensive Income
For the year ended 31 March 2018 (continued)

Other Comprehensive Income Movements			
Movements that will be reclassified to profit or loss in subsequent periods		-	-
Movements that will not be reclassified to profit or loss in subsequent periods		-	-
Total Other Comprehensive Income Movements		**-**	**-**
Total Comprehensive Income for the Year		**140,396**	**446,199**
Basic and diluted earnings per share (cents)	**22**	13.3	77.2

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

Springs Road Property Limited
Statement of Changes in Equity
For the year ended 31 March 2018

2018	**Note**	**Share capital $**	**Retained earnings $**	**Total Equity $**
Balance 1 April 2017		578,000	1,601,627	2,179,627
Profit/(loss) for the year		-	140,396	140,396
Dividends to shareholders & Bonds converted to Shares		2,312,000	(231,200)	2,080,800
Balance 31 March 2018		**2,890,000**	**1,510,823**	**4,400,823**

2017	**Note**	**Share capital $**	**Retained earnings $**	**Total Equity $**
Balance 1 April 2016		578,000	1,386,628	1,964,628
Profit/(loss) for the year		-	446,199	446,199
Dividends to shareholders		-	(231,200)	(231,200)
Balance 31 March 2017		**578,000**	**1,601,627**	**2,179,627**

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

Springs Road Property Limited
Statement of Financial Position
As at 31 March 2018

	Note	*2018* *$*	*2017* *$*
ASSETS			
Current assets			
Cash and bank balances	12	66,334	135,273
Accounts receivable		21,734	48,514
Tax refund due		150	1,287
Fair value of interest rate swap		-	-
		88,218	185,074
Non-current assets			
Investment property	**13**	6,700,000	6,700,000
Future benefit of tax losses	**20**	213,449	309,057
		6,913,449	7.009,057
Total assets		**7,001,667**	**7,194,131**
LIABILITIES			
Current liabilities			
Accounts payable		46,031	153,631
GST payable		10,638	9,008
Mortgage bonds - Secured	**7**	-	2,312,000
Bank Loan	**7**	1,950,000	1,950,000
		2,006,669	4,424,639
Non-current liabilities			
Property sinking fund	**15**	-	-
Deferred tax	**20**	594,175	589,865
		594,175	589,865
Total liabilities		**2,600,844**	**5,014,504**
NET ASSETS		**4,400,823**	**2,179,627**

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

Springs Road Property Limited
Statement of Financial Position (continued)
As at 31 March 2018

	Note	2018 $	2017 $
NET ASSETS		**4,400,823**	**2,179,627**
EQUITY			
Issued share capital	6	2,890,000	578,000
Retained earnings		1,510,823	1,601,627
TOTAL EQUITY		**4,400,823**	**2,179,627**

These financial statements have been authorised for issue by the Board of Directors on 5th July 2018

Director
Dated: 4th July 2018

Director
Dated: 4th July 2018

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

Springs Road Property Limited
Statement of cash flows
As at 31 March 2018

Cash flows from operating activities	Note	2018 $	2017 $
Cash was provided from:			
Rents received		589,133	560,296
Net interest received		622	1,420
		589,755	561,716
Cash was applied to:			
Operating expenses		196,871	79,737
Income tax paid		(1,137)	397
Interest		231,762	264,330
		427,496	344,464
Net cash flow from operating activities	8	162,259	217,252
Cash flows from financing activities			
Cash was applied to:			
Payment of dividends		231,200	231,200
Net cash flow from financing activities		(231,200)	(231,200)
Total net (decrease)/increase in cash balances		(68,939)	(13,948)
Add opening cash brought forward		135,273	149,221
Closing cash carried forward	**12**	**66,334**	**135,273**

These statements are to be read in conjunction with the accounting policies and notes on pages 9 to 21 and the audit report on pages 22 to 24

CROWE HORWATH NEW ZEALAND

Springs Road Property Limited
Notes to the financial statements
For the year ended 31 March 2018

1 Statement of significant accounting policies

Basis of preparation
The company, Springs Road Property Limited is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. Its principal activity is property rental. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The financial statements were authorised for issue by the Board of Directors on 5th July 2018. The financial statements have been prepared on the historical cost basis with the exception of the investment property which is revalued. The presentation currency is New Zealand Dollars. All numbers presented have been rounded to the nearest dollar.

Investment property
The investment property is revalued annually and is recorded at an estimate of fair value, which is market value. The property is held for both capital appreciation and rental income purposes. Revaluation gains or losses are included in the Statement of Comprehensive Income in the Profit/(Loss). The investment property is not depreciated for accounting purposes however depreciation is claimed for taxation purposes.

Leases
The Company has entered into commercial property leases on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Fair value measurement
A number of the company's accounting policies and disclosures require measurement at fair value. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique adopted as follows.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs), or where there are significant adjustments to market data.

Debtors
Debtors are stated at estimated realisable value.

Notes to the financial statements (continued)

1 Statement of significant accounting policies (continued)

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Although the company has internal control systems in place to ensure that estimates can be reliably measured, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods. The areas involving a high degree of judgement or areas where assumptions are significant to the company include the valuation of investment properties (Note 13).

Property operating expenses
The operating expenses of the property are borne by the tenants. Management manages the operating expense account on behalf of the tenants and such costs are therefore not included in the financial statements except where a cost is not fully recoverable from the tenants in which case it is reported as irrecoverable opex.

Taxation
The income tax expense recognised for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Financial instruments
All financial instruments of the company are recognised in the Statement of Financial Position. The company has no off-balance sheet financial instruments. Financial instruments are valued in accordance with the accounting policies disclosed in relation to each type of asset and liability.

Bank loans
Bank loans are measured at the principal amount owed to the bank. Interest costs are expensed in the year in which they are incurred.

Mortgage Bonds
Mortgage bonds are measured at face value of the aggregate amount of the bonds in issue. Associated interest costs are charged to profit and Loss in the year they are incurred.

Going concern assumption
These financial statements have been prepared on the assumption that the loan will be renegotiated on expiry on 30 November 2018.

Notes to the financial statements (continued)

1 Statement of significant accounting policies (continued)

Goods and services tax
The financial statements have been prepared on a GST exclusive basis except for trade receivables and trade payables which are shown inclusive of GST.

Borrowing costs
Borrowing costs are expensed in the period in which they are incurred.

Statement of compliance
The financial statements comply with New Zealand generally accepted accounting practice, which include New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial Statements comply with International Financial Reporting Standards ("IFRS").

Revenue Recognition
Rental income is recognised in the income statement on a straight line basis over the term of the lease. Interest received is recognised in the income statement using effective interest method

Statement of cash flows
The following are the definitions of the terms in the Statement of cash flows:
a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.
b) Investing activities are those activities relating to the acquisition, holding and disposal of tangible assets and of investments. Investments can include securities not falling within the definition of cash.
c) Financing activities are those activities that result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
d) Operating activities include all transactions and other events that are not investing or financing activities.

2 Rents received

The below tenants have leases with the following terms:

Counties Manukau District Health Board
Levels 2 & 3.
- Six year lease term from 5 April 2006 with Rights of Renewal exercised to 5 April 2018.
- Three yearly rent reviews based on market rentals and encompassing a ratchet clause.

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

Notes to the financial statements (continued)

2 Rents received (continued)

DAS Training
First floor
- Three year lease expiring 31 December 2018
- One Right of Renewal, one of three years

POLYETHNIC INSTITUTE OF STUDIES
Part Ground floor
- Four year term expiring 7 August 2021
- Two Rights of Renewal of three years.
- 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.

3 Taxation

Tax will be paid on net income after allowing for temporary differences including depreciation, which are not expected to reverse in the foreseeable future.

	2018	***2017***
	$	***$***
Net surplus (deficit) before taxation and revaluation	356,845	229,810
Adjusted for:		
Depreciation claim	(15,380)	(17,031)
Tax Profit/(Loss) for year	**349,465**	**212,779**

4 Tax charge

	2018	***2017***
	$	***$***
Tax for the year	62,981	59,577
Tax on Release of Sinking Fund	32,629	
Deferred tax provision	4,306	4,769
Alignment adjustment	0	14,080
Tax (charge)/refund for the year	**99,916**	**78,426**
Tax payable	99,916	78,426
Less tax effective losses utilised	(99,916)	(78,426)
	-	**-**

Notes to the financial statements (continued)

5 Imputation Credit Account

	2018 *$*	*2017* *$*
Balance at beginning of year	1,287	2,634
Refunds received in year	(1,312)	(1,744)
Resident withholding tax paid	174	397
Balance at end of year	**150**	**1,287**

6 Share capital

At 31 March 2018 the total number of shares authorised, issued and fully paid comprised 2,890,000 ordinary shares of $1 each (2017: 578,000 shares authorised, issued and fully paid to $1 each) rating equally for dividends and other distributions.

The shares issued resulted from the mandatory conversion of Mortgage bonds on the 20th anniversary in January 2018

7 Loans and Mortgage Bonds

	2018 *$*	*2017* *$*
Current liabilities		
ANZ Bank	1,950,000	1,950,000
Mortgage Bonds	-	2,312,000
	1,950,000	**4,262,000**

ANZ Bank repayment terms – the facility has been extended to 30 November 2018 with a floating interest rate. The loan is secured by a first ranking mortgage over the property plus a General Security Agreement over present and acquired property.

The mortgage bonds where converted to shares in January 2018. As indicated in last year's report the bonds were subject to a mandatory conversion as described in the original Investment prospectus. Each $4,000 mortgage bond was settled by the issue of 4,000 shares.

Notes to the financial statements (continued)

8 Reconciliation of net profit / (deficit) to net cashflows from operating activities

	2018 $	2017 $
Net profit (deficit) after taxation	**140,396**	**446,199**
Decrease/(Increase) in Swap valuation	-	21,718
Decrease/(Increase) in sinking fund	-	(116,533)
Decrease/(Increase) in property valuation	-	(200,000)
	140,396	151,384
Add/(less) movements in working capital items		
(Increase)/decrease in accounts receivable	127,833	45,019
Increase/(decrease) in accounts payable	(107,600)	21,489
Increase/(decrease) in net GST	1,630	(1,987)
(Increase)/decrease in tax refund due	-	1,347
	21,863	**65,868**
Net cash inflow from operating activities	**162,259**	**217,252**

Notes to the financial statements (continued)

9 Equity

	2018 $	2017 $
Paid in Capital	2,890,000	578,000
Retained Earnings (Deficit)	1,510,823	1,601,627
	4,400,823	**2,179,627**

Retained Earnings (Deficit)

Opening balance	1,601,627	1,386,628
Net movement before property revaluation	140,396	246,199
Movement in value of property	0	200,000
Dividends	(231,200)	(231,200)
Closing balance	**1,510,823**	**1,601,627**

Retained earnings includes accumulated revaluation gains of $1,916,996 (2017: $1,916,996).

10 Financial instruments

This note deals with exposures to interest rate and credit risk arising in the normal course of the company's business as follows.

Interest rate risk
Interest rate risk is the that movements in interest rates will affect the companies' 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.

The rate of interest on convertible mortgage bonds was 6.05% for the year ended 31 March 2018.

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 credit risk through transacting only with major trading banks.

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

Notes to the financial statements (continued)

10 Financial instruments (continued)

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. Cashflow is managed to ensure that all creditors are met as and when they fall due.

Apart from the risks detailed above, the company has no other risks which require disclosure.

11 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.

12 Cash and bank balances

	2018	*2017*
	$	*$*
ANZ Bank accounts	66,334	135,273
	66,334	**135,273**

13 Valuation

Investment property comprises a three storey office block with substantial car parking at Springs Road, Auckland. The property is currently leased under the terms and to the tenants disclosed in Note 2. They have been provided as security for the borrowings referred to in Note 7.

The investment property is measured at fair value and was valued as at 31 March 2018 by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location and categories of the properties being valued.

13 Valuation (continued)

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

Purpose	Financial reporting
Amount of valuation	$6,700,000 (2017: $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 (2017: Nil)
Weighted average lease term	1.11 years (2017: 2.08 years)
Value per square metre	$1,678 (2017: 1,628)
Capitalisation rate	8.75% (2017: 8.5%)
Discount rate	9.25% (2017: 9.0%)
Terminal yield	9.25% (2017: 9.0%)
Net market rent	$696,857 (2017: 643,052)
Net passing rent	$590,260 (2017: 587,977)

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 1) 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 inter-relationship between the key unobservable inputs and fair value measurement.

Notes to the Financial Statements (continued)

13 Valuation (continued)

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 9.25% Terminal yield of 9.25% at the end of the 10-year period Assessed market rental of $696,857	Discount rate was lower/(higher) The yield was lower/(higher) 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% Assessed market rental of $696,857	Capitalisation rate in perpetuity was lower/(higher) 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 judgemental combination of both the Capitalisation and the Discounted Cash Flow approaches.

Notes to the Financial Statements (continued)

14 Minimum lease income

The company has granted commercial property leases on its investment property. These non-cancellable leases have remaining lease terms of between two and six years. All leases include a clause to enable upward revision of the rental charge on various review dates based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable leases at the balance sheet date are as follows:

	2018	***2017***
	$	***$***
Not later than one year	279,509	543,570
Later than one year but not later than five year	371,206	387,847
Greater than five years	-	-
	650,715	**931,417**

15 Property Sinking Fund

A Sinking Fund has been held pending building works which may be required to attract a new tenant to the vacant space. However, as no commitment is in place to expend this fund it has been released to the Statement of Comprehensive Income during the year ended 2017. The balance as at 31 March 2017 $0.

16 Related party transactions

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 $33,500 (2016:$32,500) 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 any time.

Activa Consulting Limited provides accounting and registry services to the Group. All transactions conducted by the Group with Activa Consulting Limited are related party transactions as Neil Barnes is a Director of Activa Consulting Limited. The Group paid Activa Consulting Limited $9,167 (2017: $10,000) in accounting and registry fees during the year. Activa Consulting & Neil Barnes ceased providing services to the company at the end of February 2018.

Corvus Consulting Limited commenced providing accounting and registry services to the Group in March 2018. All transactions conducted by the Group with Corvus Consulting Limited are related party transactions as Paul Mephan is a Director of Corvus Consulting Limited. The Group paid Corvus Consulting Limited $830 (2017: $Nil) in accounting and registry fees during this period.

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

Notes to the financial statements (continued)

16 Related party transactions (continued)

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

Neil Barnes	80,000 shares
Michael Millar	20,000 shares
Investment Services Limited	65,000 shares

17 Capital Commitments

The company had no capital commitments as at 31 March 2018 (2017: nil)

18 Adoption of new and revised reporting standards

NZ IFRS 9 Financial Instruments comes into effect on 1 January 2018. Springs Road Property Ltd is required to adopt NZIFRS 9 for the financial year end 31 March 2019. Management have assessed NZ IFRS 9 and have found that the impact will be minimal.

NZ IFRS 15 Revenue from Customer Contracts comes into effect on 1 January 2018. Springs Road Property Ltd is required to adopt NZIFRS 15 for the financial year end 31 March 2019. Management have assessed NZ IFRS 15 and have found that the impact will be minimal.

NZ IFRS 16 Leases comes into effect on 1 January 2019 replacing the current standard IAS 17 Leases. Springs Road Property Ltd is required to adopt NZ IFRS 16 for the financial year end 31 March 2020. Springs Road Property is a lessor of investment property, accounting for leases as lessor under the current standards is similar to the new standard and we see minimal impact to recognition, measurement and reporting.

19 Contingent Liabilities

The company has no contingent liabilities as at 31 March 2018. (2017: $nil)

20 Deferred Tax

The deferred tax liability relates to timing difference relating to the tax on the depreciation claimed on the properties. The amount reported as deferred tax as at the balance date was $594,175 (2017: $589,865).

The deferred tax asset arises from the adjusted losses carried forward in the amount of $762,310 creating a deferred tax asset at balance date of $213,449 (2017: $1,103,775 losses and $309,057 asset).

Notes to the financial statements (continued)

21 Events occurring after balance date

New Lease Levels 2 & 3 to CMDHB for a 3-year term commencing 5th April 2018 with two rights of renewal for three years each.

22 Earnings per share

	2018	**2017**
Reconciliation of those amounts used as the numerator to profit or loss:		
Profit for the year and earnings used in basic and diluted EPS	**140,396**	**446,199**
Reconciliation of the weighted average number of shares used as the denominator:		
Weighted average number of shares used in basic and diluted EPS	**1,053,068**	**578,000**
Basic and diluted earnings per share (cents)	13.3	77.2

Crowe Horwath
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Member Crowe Horwath International

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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 3 to 21, which comprise the statement of financial position as at 31 March 2018, 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 2018, 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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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 and Market Commentary, Report of the Directors to the Shareholders, and the Directory on pages 1 to 2, and page 25, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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:

- 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 the audit.

We also provide the Directors with a statement that the 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.

From the matters communicated with the Directors, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

For and on behalf of:

Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Nelson this 26th day of July 2018

Directory

Nature of business	Property rental
Paid in capital	$578,000
Registered office	L1, 3/237 Queen Street Richmond Nelson 7020
Registered under	The Companies Act 1993
Incorporation number	WN886293
I.R.D. number	69-248-896
Directors	Michael John Millar Paul John Mephan
Investment Manager	Investment Services Ltd L1, 3/237 Queen Street PO Box 3637 Richmond Nelson 7050 Phone (03) 544 2005 Fax (03) 544 2300
Property Manager	Investment Services Ltd L1, 3/237 Queen Street PO Box 3637 Richmond Nelson 7050
Accountant	Corvus Consulting Ltd L1, 3/237 Queen Street PO Box 3637 Richmond Nelson 7050
Bankers	ANZ Bank 1 Victoria Street Wellington
Auditors	Crowe Horwath 72 Trafalgar Street Nelson
Solicitors	Pitt & Moore 78 Selwyn Place PO Box 42 Nelson 7040
Share Register	Investment Services Ltd L1, 3/237 Queen Street PO Box 3637 Richmond Nelson 7050
Secondary Market	Investment Services Ltd L1, 3/237 Queen Street PO Box 3637 Richmond Nelson 7050