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Annual Report

Springs Road Property Limited
For the year ended 31 March 2020

Prepared by RWCA Limited

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Market Commentary and Management Report

The year ending the 31st March 2020 has been one of considerable challenge for the Company, its Shareholders and for the Manager. At the Annual General Meeting last year your Manager was asked to continue business as usual while continuing to pursue recoveries arising from the Barnes fraud. At the same time shareholders asked whether there were efficiencies to be gained from the merger of the three companies, and also whether there were actions which might be taken to bring the traded price of shares closer to their net tangible asset value. Work has been done to answer these questions and will be brought to the attention of shareholders before the Annual Meeting. We will ask shareholders for their directions as to how to proceed with these matters.

It has been a year of significant change in market conditions. Shareholders will be aware of the downward pressure on interest rates. This has been caused by central banks internationally reducing interest rates to further stimulate their economies. New Zealand has not been immune with our own Reserve Bank dropping interest rates quite aggressively to levels not frequently seen. There has been a direct response from investors in property, who have been prepared to lower their expectations of the return they achieve on the dollar value of their investments by bidding up the price they are prepared to pay for those investments. These market conditions were abruptly curtailed when the Corona 19 pandemic occurred. We cannot say with any certainty how the performance of our property assets will be impacted.

There have been widespread temporary closures of businesses. Some of which have impacted on your property asset. We have taken a sympathetic approach to our affected tenants, preferring to see them viable in the long run by agreeing reduced rentals in the short term. We cannot be certain however how widespread business failures will be and what impact that will have on tenancies. We expect the rental market will become more competitive, however.

Results

From an operational perspective the Company has continued to trade normally. Total comprehensive income net of tax was $191,783, the previous year was $759,757. Asset valuations were pegged at the same level as last year, minus a small adjustment for the expectation of unpaid rent during the pandemic lockdown period and a provision for seismic strengthening work to be completed. What will happen to valuations in the near future remains a matter of considerable uncertainty. This level of uncertainty is reflected in the way in which valuations were established as essentially being the same as in the previous year. The NTA per share decreased to $1.69 from $1.79 last year.

Earnings per share for the year ended 2020 were 7 cents. The prior year earnings per share was 26 cents.

Dividends of 17 cents per share were paid for the year ended 31st March 2020, while no dividend was paid during the period ending 31st March 2019

Outlook

Counties Manakau District Health Board continues to occupy levels 2 & 3 and has two rights of renewal for three-year periods. The building has a vacancy on the ground level which was vacated by the Health Board. Other tenancies are Skill NZ on the Ground Floor South and Café Concepts who occupy the rear annexe. We do anticipate that in the short term the filling of vacancies will be difficult.

Maintenance that has been carried out during the year includes the replacement of the cooling tower at almost $140,000 and extensive replacement of some light fittings. The latter is part of a programme which will see light fittings replaced throughout the building. In addition, we have planned for some seismic strengthening work during the coming year and have budgeted $210,000 for this work.

Our expectation is that vacancies will be hard to fill. The shortfall in rental income will impact on dividends we are able to pay unless we are able to fill those vacancies. With that proviso the financial position of the Company is sound. The building is in good repair and is of good quality.

Report of the Directors to the Shareholders

Your Directors take pleasure in presenting their Annual Report including the financial statements of the Group for the year ended 31 March 2020.

Activities
The Company is involved in the property rental business.

Dividends
Total dividends of $476,971 were distributed for the period ended 31 March 2020.

Directors
The following Directors held office during the year ended 31 March 2020 or have been subsequently appointed:

Craig Dennis (Chair) (Appointed 7 May 2020)
David Penrose (Appointed 5 May 2020)
Damien Prendergast (Appointed 7 May 2020)
Michael Millar (Resigned 12 May 2020)
Paul Mephan (Resigned 21 April 2020)
Gillian Bishop (Appointed 14 April 2020)
(Resigned 7 May 2020)

Remuneration of Directors
No Directors remuneration was paid during the year ended 31 March 2020.

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

Auditors
Crowe New Zealand Audit Partnership were reappointed as the company's auditors.

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.

All transactions conducted by the Company with Gravtec Limited are related party transactions, as Richard Eberlein is a Director of Gravtec Limited.

Related party transactions were:

Investment Services Limited	
Fees for management services	$59,946
Corvus Consulting Limited	
Accounting/registry services fees	$10,320
Gravtec Limited	
Property management fees	$17,380

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

Directors' loans
There were no loans by the Group 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.

Approval of Financial Report

Springs Road Property Limited
For the year ended 31 March 2020

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 2020.

APPROVED

For and on behalf of the Board of Directors

David Penrose

Date: 31/8/2020.

Damien Prendergast

Date: 31/8/2020

Craig Dennis

Date: 31/8/2020

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Statement of Profit or Loss and Other Comprehensive Income

Springs Road Property Limited
For the year ended 31 March 2020

	NOTES	2020	2019
Income			
Gross Rental Income	7	905,980	951,132
Operating Income and (Expenses)			
Administrative Expenses	8	(95,709)	(72,399)
Other Operating Expenses	9	(485,521)	(314,434)
Impairment of Non-Current Assets	21	88,644	(277,976)
Fraudulent Liabilities Written Off	26	135,944	-
Total Operating Income and (Expenses)		**(356,642)**	**(664,809)**
Operating Profit		**549,338**	**286,323**
Financial Income and (Expenses)			
Finance Costs	10	(75,625)	(96,457)
Finance Income	11	956	1,231
Total Financial Income and (Expenses)		**(74,669)**	**(95,226)**
Profit Before Other (Expenses)/Income and Tax		**474,668**	**191,098**
Other (Expenses)/Income			
Fair Value Gain on Investment Property	16	(210,000)	700,000
Total Other (Expenses)/Income		**(210,000)**	**700,000**
Profit Before Tax		**264,668**	**891,098**
Income Tax Expense			
Tax Provision	12	(72,885)	(131,341)
Profit for the Year		**191,783**	**759,757**
Total Other Comprehensive Income, Net of Tax		**-**	**-**
Total Comprehensive Income for the Year, Net of Tax		**191,783**	**759,757**

	NOTES	2020	2019
Earnings per share			
Basic and diluted earnings per share (cents)	35	7	26

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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 Changes in Equity

Springs Road Property Limited
For the year ended 31 March 2020

	NOTES	2020	2019
Equity			
Issued Capital			
Opening Balance		2,890,000	2,890,000
Total Issued Capital	27	**2,890,000**	**2,890,000**
Retained Earnings			
Opening Balance		2,270,789	1,510,823
Increases			
Profit for the Period		191,783	759,757
Prior Period Adjustments		-	209
Total Increases		**191,783**	**759,966**
Decreases			
Dividends Paid	28	476,971	-
Total Decreases		**476,971**	**-**
Total Retained Earnings		**1,985,601**	**2,270,789**
Total Equity		**4,875,601**	**5,160,789**

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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 2020

	NOTES	31 MAR 2020	31 MAR 2019
Assets			
Current Assets			
Cash and Bank	15	238,222	369,297
Trade and Other Receivables	22	11,242	39,486
Income Tax Receivable	12	9,833	371
Total Current Assets		**259,298**	**409,154**
Non-Current Assets			
Investment Property	16	7,400,000	7,400,000
Deferred Tax Asset	13	16,784	86,001
Total Non-Current Assets		**7,416,784**	**7,486,001**
Total Assets		**7,676,082**	**7,895,155**
Liabilities			
Current Liabilities			
Trade and Other Payables	22	43,529	35,388
GST Payable	22	7,862	14,966
Provisions	25	210,000	-
Loans	22	1,937,500	1,950,000
Other Liabilities	26	-	135,944
Total Current Liabilities		**2,198,891**	**2,136,298**
Non-Current Liabilities			
Deferred Tax Liability	13	601,590	598,068
Total Non-Current Liabilities		**601,590**	**598,068**
Total Liabilities		**2,800,481**	**2,734,366**
Net Assets		**4,875,601**	**5,160,789**
Equity			
Share Capital	27	2,890,000	2,890,000
Retained Earnings		1,985,601	2,270,789
Total Equity		**4,875,601**	**5,160,789**

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 Cash Flows

Springs Road Property Limited
For the year ended 31 March 2020

	NOTES	2020	2019
Operating Activities			
Receipts from Customers		908,735	960,033
Payments to Suppliers and Employees		(572,686)	(400,584)
Interest, Dividend and Investment Income		956	1,231
Finance Costs		(77,008)	(83,753)
Income Tax Refunded / (Paid)		(9,609)	(11)
Net GST Received / (Paid)		(5,312)	5,229
Net Cash Flows from Operating Activities	36	**245,077**	**482,145**
Financing Activities			
Repayment of Long-term Loans		(12,500)	-
Dividends Paid		(476,971)	-
DWT Arrears Paid	6	-	(142,032)
DWT Arrears Penalties and Interest Refunded / (Paid)		24,675	(37,150)
Fraud Recovery	6	88,644	-
Net Cash Flows from Financing Activities		**(376,152)**	**(179,182)**
Net Cash Flows		**(131,076)**	**302,963**
Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period		369,297	66,334
Cash and Cash Equivalents at End of Period	15	238,222	369,297
Net Change in Cash for Period		**(131,076)**	**302,963**

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

Notes to the Financial Statements

Springs Road Property Limited
For the year ended 31 March 2020

1. Reporting Entity

These financial statements of Springs Road Property Limited ("the Company") for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 31 August 2020.

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 2020.

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.

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3. Summary of Significant Accounting Policies

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

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 charges 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.

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.

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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.

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.

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 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 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 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 Statement of Financial Position.

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 Statement of Financial Position at fair value with changes in fair value recognised in the 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 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 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.

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.

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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.

Current Assets and Liabilities

Current assets and liabilities are stated at estimated realisable value.

4. Adoption of New and Revised Reporting Standards and Changes in Accounting Policies

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:

- *NZ IFRS 16 Leases.* The standard came into effect on 1 January 2019 and was adopted by the Company from 1 April 2019. As the Company is a lessor of Investment Property, accounting for leases as lessor under the new standards is similar to the old standards under NZ IAS 17 and as a lessor there are no changes to the Company's current accounting treatment and disclosure of leases.

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.

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 IAS 1 Presentation of Financial Statements* is 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.

5. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires management to make judgments, 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 judgments, 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 judgments 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.

Impact of COVID-19

As at 31 March 2020 the investment property markets were impacted by significant market uncertainty brought about by the COVID-19 outbreak. As a result of this market uncertainty there was significant valuation uncertainty which had an impact of the value of investment properties as at 31 March 2020.

As a result of the uncertainty the Company's valuers have recognised the difficulty in undertaking valuations over this period. Valuation inputs and estimates have been adjusted to reflect the impact of the pandemic on the value of the investment properties. While the estimates used by the valuers were formed after careful consideration it must also be mentioned that COVID-19 was a unique situation and information that could help with determining the duration and severity of its impact were largely unknown at the date of valuation.

The valuation of the Company's investment property as at 31 March 2020 has therefore been prepared on the basis of 'material valuation uncertainty' to highlight the difficulties in undertaking valuations in the current environment. Valuers have carried out the valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at 31 March 2020. The major inputs and assumptions that were used in the valuations that required judgement included forecasts of the current and expected future market rentals and growth, maintenance and capital expenditure requirements, an assessment of yields, discount rates, occupancy, leasing costs and weighted average lease terms.

All valuations have been reviewed by the board who, not withstanding the uncertainty due to the pandemic have determined the valuations to be appropriate as at 31 March 2020.

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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6. 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 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 was 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 2019 year Inland Revenue remitted the full amount of penalties paid and these were refunded to the Company.

In the 2020 year it was resolved by the Board to write off the remaining balance owed to other parties of $135,944, as it was determined that these amounts were unlikely to be paid as these were owed to Investments Services Limited or were fraudulently created lease liabilities.

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.

7. Revenue

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

Revenue is 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	2020	2019
Revenue			
Gross Rental Income			
Rental from Investment Properties		609,564	634,820
Service Charge Income Recovered from Tenants (NZ IFRS 15 Revenue from Contracts for Customers)		294,551	318,343
Movement in Impairment Loss		1,864	(2,031)
Total Gross Rental Income		**905,980**	**951,132**
Total Revenue		**905,980**	**951,132**

Descriptions of the principal activities the Company generates revenue from are as follows:

- 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.

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- 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	2020	2019
8. Administrative Expenses			
Accounting and Registry		15,474	10,847
Audit Fees		16,350	13,750
Custodial Fee		-	375
Management Fees		37,327	33,504
Legal Expenses		15,343	4,473
Insurance		4,236	2,715
Valuation		3,750	3,650
General Expenses		3,228	3,085
Total Administrative Expenses		**95,709**	**72,399**

	NOTES	2020	2019
9. Other Operating Expenses			
Total Operating Expenses			
Cooling Tower Replacement		111,902	-
Light Fixture Refit		41,790	-
Property Repairs & Maintenance		208,676	203,703
Insurance		30,484	26,214
Property Management Fee		40,975	40,436
Rates		50,707	43,231
Insurance Valuations		990	850
Total Total Operating Expenses		**485,523**	**314,434**
Total Other Operating Expenses		**485,523**	**314,434**

	NOTES	2020	2019
10. Finance Costs			
Interest on Loans		75,625	83,982
Interest - IRD		-	12,475
Total Finance Costs		**75,625**	**96,457**

	NOTES	2020	2019
11. Investment Income			
Finance Income			
Dividends Received		537	522
Interest Received		419	709
Total Finance Income		**956**	**1,231**
Total Investment Income		**956**	**1,231**

12. Income Tax

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

	NOTES	2020	2019
Components of Income Tax Expense			
Deferred Taxation		72,885	131,341
Total Income Tax Expense		72,885	131,341

	NOTES	2020	2019
Income Tax Expense			
Income Tax Expense			
Current Tax		-	-
Deferred Tax		72,885	131,341
Total Income Tax Expense		**72,885**	**131,341**
Reported Income			
Profit Before Tax from Continuing Operations		474,668	191,098
Profit Before Tax from Discontinued Operations		-	-
Total Reported Income		**474,668**	**191,098**
Taxable Profit / (Loss)		474,668	191,098
At Effective Income Tax Rate of 28%		132,907	53,507
Increase/(Decrease) in Income Tax Due to:			
Non-Deductible Expenses		2,863	-
Impairment of Accrued Fraud Recovery		(24,820)	77,834
Write off of Funds Owing to Parties as a Result of Fraud		(38,064)	-
Total Increase/(Decrease) in Income Tax Due to:		**(60,022)**	**77,834**
Tax Expense		72,885	131,341
Reported as			
Income Tax Reported in Profit or Loss		72,885	131,341
Income Tax Attributable to Discontinued Operations		-	-
Income Tax Expense / (Income)		72,885	131,341

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	NOTES	2020	2019
Income Tax Payable / (Receivable)			
Income Tax Payable / (Receivable)			
Opening Balance		(371)	(150)
Tax Expense		72,885	131,341
Deferred Tax Movement		(3,522)	(3,893)
Losses Brought Forward		(69,363)	(127,448)
Tax Paid			
Imputation Credits Received		(4)	(146)
Provisional Tax Paid		(9,599)	-
RWT Paid		(110)	(225)
Tax Refunds Received		250	150
Total Tax Paid		**(9,463)**	**(221)**
Total Income Tax Payable / (Receivable)		**(9,833)**	**(371)**

	NOTES	2020	2019
13. Deferred Tax Assets & Liabilities			
Deferred Tax Assets			
Opening Balance		86,001	213,449
Future benefit of tax losses		(69,217)	(127,448)
Total Deferred Tax Assets		**16,784**	**86,001**
Deferred Tax Liabilities			
Opening Balance		598,068	594,175
Deferred tax		3,522	3,893
Total Deferred Tax Liabilities		**601,590**	**598,068**

	NOTES	2020	2019
Deferred Tax Arises From			
Tax Asset Base			
Income Tax Losses Carried Forward		59,944	307,147
Total Tax Asset Base		**59,944**	**307,147**
Deferred Tax @ 28%		16,784	86,001
Tax Liability Base			
Incremental Depreciation for Tax Purposes		2,148,536	2,135,956
Total Tax Liability Base		**2,148,536**	**2,135,956**
Deferred Tax @ 28%		601,590	598,068

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	NOTES	2020	2019
14. Imputation Credit Account			
Imputation Credit Account			
Opening Balance		371	150
Prior Year Adjustment		-	-
Increases			
Income Tax Paid		9,599	-
Resident Withholding Tax Paid		110	225
Imputation Credits on Dividends Received		150	146
Total Increases		**9,859**	**371**
Decreases			
Imputation Credits Attached to Dividends		-	-
Income Tax Refund		250	150
Imputation Credits Converted to a Loss		146	-
Total Decreases		**397**	**150**
Closing Balance		**9,833**	**371**

	NOTES	2020	2019
15. Bank and Cash Balances			
Cash at Bank		238,222	369,297
Total Bank and Cash Balances		**238,222**	**369,297**

	NOTES	2020	2019
16. Investment Property			
Investment Property			
Opening Balance		7,400,000	6,700,000
Additions - Earthquake Strengthening		210,000	-
Net Change in Fair Value		(210,000)	700,000
Closing Balance		**7,400,000**	**7,400,000**

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17. 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
- Rent review based on market rentals at time of lease renewal

SKILL NZ/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 1 February 2022
- Two Rights of Renewal remaining one of seven years, one of five years

18. 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 areas follows:

	NOTES	2020	2019
Minimum Lease Income			
Within one year		479,735	592,705
Between one and two years		86,749	542,654
Between two and three years		-	90,860
Between three and four years		-	-
Between four and five years		-	-
More than five years		-	-
Total Minimum Lease Income		**566,485**	**1,226,219**

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19. Valuations

The Investment Property is measured at fair value and was valued as at 31 March 2020 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 property is summarised as follows:

Purpose	Financial reporting
Amount of valuation	$7,400,000 (2019: $7,400,000)
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 (2019: Nil)
Weighted average lease term	0.78 years (2019: 1.73 years)
Rental value per square metre	$1,853 (2019: $2,022)
Capitalisation rate	8.25% (2019: 8.75%)
Discount rate	8.50% (2019: 8.75%)
Terminal yield	8.625% (2019: 8.75%)
Net market rent	$720,985 (2019: $699,075)
Net passing rent	$732,546 (2019: $696,857)

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.

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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.

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 8.5% Terminal yield of 8.625% at the end of the 10-year period Assessed market rental of $720,985	Discount rate was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $136,000 The yield was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $136,000 The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by $73,000
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 expires, including allowances for lessee incentives and leasing costs.	Net rental income has been capitalised in perpetuity at a capitalisation rate of 8.25% Assessed market rental of $732,546	Capitalisation rate in perpetuity was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $258,000 The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by $89,000

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	2020	2019
20. Other Non-Current Assets			
Accrued Fraud Recovery		189,332	277,976
Less: Provision For Impairment of Accrued Fraud Recovery	21	(189,332)	(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 owed 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 with some success in the 2020 year with $88,644 recovered . The Company is pursing multiply avenues to recovery the remaining fund, however the outcome of these is currently unknown. At this time a provision for the recovery has been created amounting to the remaining amount owed of core funds misappropriated.

The expected credit loss has been recalculated on the accrued fraud recovery as at 31 March 2020 to recognise the funds recovered. The remaining balance has been calculated with a 100% expected credit loss rate, due to the current uncertainty of

21. Impairment Allowance

Movements in the impairment allowance for accrued fraud recovery for the year ended 31 March 2020 are as follows:

	NOTES	2020	2019
Opening Impairment Allowance of Accrued Fraud Recovery			
At 1 April under IFRS 9		277,976	-
Restated Through Opening Retained Earnings		-	-
Opening Impairment Allowance of Accrued Fraud Recovery		**277,976**	**-**
Impairment Loss during the year			
Increase / (Decrease) during the year		(88,644)	277,976
Impairment Loss during the year		**(88,644)**	**277,976**
At 31 March	20	189,332	277,976

	NOTES	2020	2019
22. Summary of Financial instruments			
Financial Assets at amortised cost			
Current			
Bank & Cash		238,222	369,297
Trade and Other Receivables			
Trade Receivables		9,131	10,185
Trade Receivables - Impairment Loss		(192)	(2,336)
Prepayments		2,303	1,649
Sundry Debtors		-	5,313
Penalties & Interest Remitted		-	24,675
Total Trade and Other Receivables		**11,242**	**39,486**
Total Current		**249,464**	**408,783**
Total Financial Assets at amortised cost		**249,464**	**408,783**
Financial Liabilities at amortised cost			
Current			
Trade and Other Payables		43,529	35,388
GST Payable		7,862	14,966
Other Liabilities		-	135,944
Total Current		**51,391**	**186,298**
Interest-bearing Loans & Borrowings			
Current Interest-bearing Loans & Borrowings		1,937,500	1,950,000
Total Interest-bearing Loans & Borrowings		**1,937,500**	**1,950,000**
Total Financial Liabilities at amortised cost		**1,988,891**	**2,136,298**

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Security Held for Loans

ANZ Bank repayment terms - the facility was extended to 19 December 2020 with a floating interest rate. 48 monthly repayments of interest only will be made commencing 1 month following the drawdown of the loan dated 8 December 2016, each amounting to the total of all daily interest charges for the relevant monthly period. The daily interest charge is calculated on the closing balance of the loan account each day at the applicable interest rate based on a 365 day year.

The facility has now been renewed with a new termination date of 30 June 2021 with a floating interest rate. 12 monthly repayments of interest only will be made following the renewal of the loan dated 10 July 2020, each amounting to the total of all daily interest charges for the relevant monthly period. The daily interest charge is calculated on the closing balance of the loan account each day at the applicable interest rate based on a 365 day year.

One final payment of the closing balance of the loan will be made on the last day of the term of the loan plus interest on all daily balances from the date on which interest was last debited through to the date of this payment, calculated at the applicable interest rate based on a 365 day year.

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	2020	2019
23. Trade and Other Receivables			
Trade Receivables		9,131	10,185
Less: Provision for Impairment of Trade Receivables	24	(192)	(2,336)
Total Trade and Other Receivables		**8,939**	**7,849**

	Current	Total
Expected Loss Rate (%)	2.1%	
Gross Carrying Amount	9,131	9,131
Loss Provision	192	192

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24. Impairment Allowance - Trade Receivables

Movements in the impairment allowance for accrued fraud recovery for the year ended 31 March 2020 are as follows:

	NOTES	2020	2019
Opening Provision for Impairment of Trade Receivables			
At 1 April under IFRS 9		2,336	-
Restated Through Opening Retained Earnings		-	-
Opening Provision for Impairment of Trade Receivables		**2,336**	-
Impairment Loss during the year			
Impairment Loss Recognised in Profit or Loss	23	192	2,336
Impairment Loss Reversed in Profit or Loss	23	(2,336)	-
Receivable Written Off During the Year as Uncollectible		-	-
Impairment Loss during the year		**(2,144)**	**2,336**
At 31 March		192	2,336

	NOTES	2020	2019
25. Provision for Earthquake Strengthening			
Opening		-	-
Provisions Made		210,000	-
Closing		**210,000**	-

The directors have had a preliminary seismic evaluation report completed on the property at 7 Springs Road, East Tamaki, Auckland. The preliminary seismic evaluation report indicates that the majority of the property is in good condition,with some areas of weakness in joints.

In consultation with the appointed engineering company, the directors then sought a quotation to repair these joints, which is $189,029.50 plus GST, in addition an allowance has been made for design and a building Consent of an additional $20,000 plus GST. The application for the Building Consent has been lodged with the Auckland City Council and the directors expect this to be issued soon with work to commence immediately. The repair work is likely to take a few months with an expectation that it would be completed in early 2021. On completion of the identified works a final Seismic report will be issued and will be higher than 67% of NBS.

A provision for this work has been recognised in the current financial year with the expected expenditure capitalised against the property at 7 Springs Road, East Tamaki.

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	NOTES	2020	2019
26. Other Liabilities			
Funds Owing to IRD as a Result of Fraud		-	-
Funds Owing to Other Parties as a Result of Fraud		-	135,944
Total Other Liabilities		**-**	**135,944**

	NOTES	2020	2019
Reconcilation of Funds Owing to Parties as a Result of Fraud			
Opening Balance		135,944	-
Funds Recognised as Owing to Parties as a Result of Fraud		-	277,976
Repayments Made		-	(142,032)
Amounts Written Off		(135,944)	-
Closing Balance		**-**	**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 consisted of the following:

- Core DWT owing to Inland Revenue of $142,032. During the 2019 year all tax owing was repaid to Inland Revenue.
- Amounts owed to other parties for Lease Incentives, Management Fee/Opex Wash-ups, Unclaimed Distributions and Other Payments Totaling $135,944. During the 2020 year the board approved the write off of this portion of the liability due to the nature of the amounts included (being a result of fraud) and the reasonable expectation that these amounts would not be paid.

	NOTES	2020	2019
27. Issued Capital			
2,890,000 Ordinary Shares		2,890,000	2,890,000

At 31 March 2020 the total number of shares authorised, issued and fully paid comprised 2,890,000 ordinary shares of $1 each (2019: 2,890,000 shares authorised, issued and fully paid to $1 each) rating equally for dividends and other distributions.

The total number of authorised shares 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.

	NOTES	2020	2019
28. Dividends Paid			
Cash Dividends Declared and Paid During the Year			
Interim Dividend for Current Year		216,817	-
Final Dividend for Prior Year		260,154	-
Total Cash Dividends Declared and Paid During the Year		**476,971**	-
Dividend Per Share (cents)		17	-

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29. 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.

Contractual Cash Flows (Principle and Interest)

2020	Statement of Financial Postion	Total	<1 Year	1 - 2 Years	2-5 Years	>5 Years
Trade and Other Payables	51,391	51,391	51,391	-	-	-
Interest Bearing Liabilities	1,937,500	2,026,140	70,912	1,955,228	-	-
Total Financial Liabilities	1,988,891	2,077,531	122,303	1,955,228	-	-

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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 2020 and at 31 March 2019 were as follows:

	NOTES	2020	2019
Debt to Adjusted Capital Ratio			
Loans and Borrowings		1,937,500	1,950,000
Less: Cash and Cash Equivalents		(238,222)	(369,297)
Net Debt		1,699,278	1,580,703
Total Equity		4,875,601	5,160,789
Total Adjusted Capital		4,875,601	5,160,789
Debt to Adjusted Capital Ratio (%)		35	31

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30. 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 $37,327 (2019: $33,504) in management fees and $22,620 (2019: $23,696) in property 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 provided 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 (2019: $10,320) in accounting and registry fees during this period.

Gravtec Limited provides property management services to the Company. All transactions conducted by the Company with Gravtec Limited are related party transactions as Richard Eberlein is a Director of Gravtec Limited. The Company paid Gravtec Limited $17,380 (2019: $15,800) in property management fees during this period.

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 Managers:

Michael Millar (resigned 12 May 2020)	20,000 Shares
Damien Prendergast (appointed 7 May 2020)	261,400 Shares
Richard Eberlein	35,000 Shares
Investment Services Limited	65,000 Shares

31. 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, at the current fair value assessment this is estimated to be $131,000.

32. Contingent Assets and Contingent Liabilities

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

33. Capital Commitments

As at 31 March 2020, the Company had the following major capital commitments:

$200,000 (Last Year: $Nil) in total for seismic strengthening work to be undertaken in the next financial year.

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34. Subsequent Events

Covid-19

The impact of Covid 19 upon the commercial property market as a whole is yet to be completely seen and is very uncertain.

The Covid-19 outbreak and subsequent Level 4 & Level 3 lock down in April and May 2020 has affected the Company's tenants and revenue as follows:

- Counties Manukau DHB has continued its essential services and has paid full rent throughout
- Skill NZ Ltd has paid 50% rent for April and May 2020. 100% of rent has been paid from June 2020
- Café Concepts Ltd has paid 50% rent for April 2020 and 75% rent for May. 100% of rent has been paid from June 2020
- Skill NZ teaches English to Chinese immigrants. Whilst future immigration is likely to be very limited, the existing students should continue their studies in Level 2
- Café Concepts / Dunkin-Donuts will lose trade at the airports, but other outlets have reopened in Level 2

It is estimated by Management that after taking into account the above situation the Company has had a revenue reduction of $15,000 with no reduction to its outgoings.

It is not yet known how future rents will be affected by the pandemic. Currently, tourism and high street retail are expected to see the most losses. Professional property valuers are not predicting substantial reductions in commercial property market values, however the failure of tenant businesses would put pressure on future rental incomes.

Not withstanding the above, material valuation uncertainties remain until investment markets become active and subsequent transnational evidence demonstrates a trend in current pricing.

	NOTES	2020	2019
35. 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		191,783	759,757
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	2,890,000
Basic and diluted earnings per share (cents)		7	26

	NOTES	2020	2019
36. Reconciliation of the Net Cash Flow from Operating Activities to Profit (Loss)			
Net Profit / (Loss) After Tax		191,783	59,757
Changes in Assets and Liabilities			
(Increase) / Decrease in Accounts Receivable		28,243	(17,752)
Increase / (Decrease) in Accounts Payable		8,142	(10,643)
Increase / (Decrease) in Provisions		210,000	-
Increase / (Decrease) in GST Payable		(7,135)	4,328
(Increase) / Decrease in Income Tax		63,307	131,329
Increase / (Decrease) in Impairment Allowance		(88,644)	277,976
DWT Interest & Penalties Classified Under Financing Activities		(24,675)	37,150
Non-current Liabilities Written Off to Profit or Loss		(135,944)	-
Total Changes in Assets and Liabilities		**53,294**	**422,388**
Net Cash Inflow / (Outflow) from Operating Activities		245,077	482,145

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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 2020, 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 2020, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

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 16 to 19	
The Group's Investment Properties were valued at $7,400,000 (2019: $7,400,000) which represented 96% of the total assets at 31 March 2020. A revaluation loss of $210,000 was recognised in the consolidated statement of profit or loss and other comprehensive income (2019: $700,000 gain)	Our procedures included, but were not limited to, the following: ▪ Assessed the valuation reports prepared by management's expert, including the methodology employed and key assumptions and estimates used. We reviewed the valuation

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We have included the valuation of the investment property as a key audit matter due to:

- The significance to the financial statements: the Investment Properties account for 96% of the total assets of the group (2019: 94%), making it a significant balance on the consolidated statement of financial position;
- The valuation of the Group's properties is based on a model that is complex and relies on various estimates and assumptions, such as capitalisation rates, comparable sales, current market rent and anticipated growth rates based on available market data;
- Due to COVID-19, severe community restrictions were in place as at 31 March 2020. These restrictions (and possible rental relief/losses) affected the real estate market with reduced liquidity and consequently reduced transactional evidence which required the valuers to include various uncertainty clauses in their reports;

reports for considerations of the impact of COVID-19 including any limitations of scope;

- Evaluated whether the expert had the necessary competence, capabilities and objectivity to undertake the valuations;
- Engaged our own external valuation specialist to critique and challenge the work performed by management's valuation expert, assumptions used and the appropriateness of the valuation methodology adopted.
- We considered the adequacy of the disclosures made in Notes 16 to 19, to the financial statements, which set out the key judgements and estimates. These notes explain that an estimation uncertainty exists and there has been an impact on the valuation of investment properties.

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 and Approval of Financial Report on pages 3 to 5, 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.

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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

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communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Restriction on Use

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

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

For and on behalf of:

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Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Nelson this 31st day of August 2020

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Directory

Springs Road Property Limited
For the year ended 31 March 2020

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

Craig Dennis (Chair) (Appointed 7 May 2020)
David Penrose (Appointed 5 May 2020)
Damien Prendergast (Appointed 7 May 2020)
Michael Millar (Resigned 12 May 2020)
Paul Mephan (Resigned 21 April 2020)
Gillian Bishop (Appointed 14 April 2020) (Resigned 7 May 2020)

Bankers

ANZ
248 Trafalgar Street
Nelson 7010

Solicitors

Pitt & Moore
66 Oxford Street
PO Box 3101
Richmond

rwca
accountancy
+advisory

Auditors

Crowe New Zealand Audit Partnership
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

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