

Annual Report

Superstore Properties Limited
For the year ended 31 March 2020

Prepared by RWCA Limited

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Market Commentary and Management Report

At the Annual General Meeting held in Nelson last year a significant focus was on the Barnes fraud and the consequential impact. The ultimate directive of participating shareholders was to carry on business as usual, and to continue to pay attention to recoveries from the fraud. In addition, Investment Services Ltd was asked to search for efficiencies, with a particular focus on whether the merger of the three property companies would be possible, with the aim of reducing costs. ISL was asked to look at actions which might bring the traded price of shares closer to their net tangible asset value, and to strengthen the Boards representation to achieve more shareholder representation. Work has been undertaken on all of these issues, and it is the aim to bring them to the new Board and if the Board decides to do so to bring the issue to shareholders to determine whether they wish to make progress.

Operationally the year has seen significant change. Interest rates throughout developed economies have been reducing, principally because central banks have been seeking to stimulate economic activity by reducing financing costs. In New Zealand we have not been immune, and the Reserve Bank has reduced interest rates to levels seldom seen.

Within the commercial property sector there has been a direct response with buyers prepared to increase their view of an acceptable price by reducing their expected return from money invested. This has the direct effect of increasing the values of properties. In the case of Superstore Properties, since we did not expect to have the properties on the market for sale, it would have been expected that there would be a healthy increase in valuations to report to investors at year end. However, at the start of this year the Covid 19 epidemic gripped the world, and national economies have suffered setbacks, the like of which analysts suggest may be the worst since the great depression of the 1930's.

The two properties in the Superstore portfolio are quality properties with strong tenants. What the impact will be on the values of these properties into the future cannot be predicted. This uncertainty can be seen in valuations obtained from our professional valuers, who have chosen to maintain values at the same level as last year, less a small reduction for expected rent reductions through the Covid 19 lockdown periods.

Results

The Superstore properties traded normally during the year, with the exception of the tail end of the March month. By the end of March, the full impact of the Covid 19 shut down was being experienced and tenants were seeking rent reductions. While not greatly impacting the performance in the 2020 year there will be an effect on results for the year ended 2021. In the year under review total comprehensive income, net of tax was \$942,765 and this compares with \$754,335 for the 2019 year.

The asset valuations are essentially the same as last year, subject only to minor reductions for expected rent relief. It is not possible for future valuations to be predicted with any certainty, as these will depend on the depth and duration of the pandemic influences.

The NTA per share decreased to \$5.44 from \$5.46 last year.

Earnings per share were 45 cents compared to the prior year of 36 cents. Dividends per share were 48 cents, compared to no dividends last year to fraud.

Outlook

The economic effect of the pandemic remains very uncertain. The two properties in the syndicate have strong tenancies and we expect that those tenancies will remain in place. Just how they will trade into the future is, however, not predictable and there will be a need to respond to economic effects as they unfold. We can be confident that the investments are quality properties and the tenancies are strong.

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 Group is involved in the property rental business.

Dividends

Total dividends of \$1,004,738 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 Group with Investment Services Limited are related party transactions, as Michael Millar is a Director of Investment Services Limited.

All transactions conducted by the Group 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	\$165,000
<hr/>	
Corvus Consulting Limited	
Accounting/registry services fees	\$24,840
<hr/>	
Gravtec Limited	
Property management fees	\$2,131

Share Purchases

There were share purchases 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.

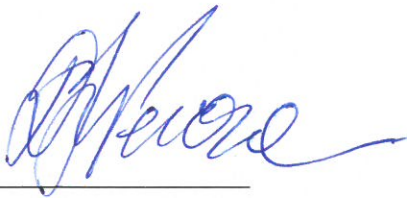
Approval of Financial Report

Superstore Properties Limited For the year ended 31 March 2020

The Directors are pleased to present the approved financial report including the historical financial statements of Superstore Properties Limited for year ended 31 March 2020.

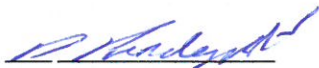
APPROVED

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Superstore Properties Limited
For the year ended 31 March 2020

	NOTES	2020	2019
Income			
Gross Rental Income	8	1,554,094	1,477,121
Operating Income and (Expenses)			
Administrative Expenses	9	(245,628)	(211,854)
Other Operating Expenses	10	(9,814)	(16,340)
Impairment of Non-Current Assets	22	253,065	(793,631)
Fraudulent Liabilities Written Off	24	83,565	-
Total Operating Income and (Expenses)		81,188	(1,021,824)
Operating Profit		1,635,282	455,296
Financial Income and (Expenses)			
Finance Costs	11	(385,823)	(419,704)
Finance Income	12	2,071	1,284
Total Financial Income and (Expenses)		(383,753)	(418,420)
Profit Before Other (Expenses)/Income and Tax		1,251,529	36,877
Other (Expenses)/Income			
Fair Value Gain on Investment Property	17	(50,000)	950,000
Total Other (Expenses)/Income		(50,000)	950,000
Profit Before Tax		1,201,529	986,877
Income Tax Expense			
Tax Provision	13	(258,764)	(232,542)
Profit for the Year		942,765	754,335
Total Other Comprehensive Income, Net of Tax		-	-
Total Comprehensive Income for the Year, Net of Tax		942,765	754,335
	NOTES	2020	2019
Earnings per share			
Basic and diluted earnings per share (cents)	34	45	36



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

Consolidated Statement of Changes in Equity

Superstore Properties Limited
For the year ended 31 March 2020

	NOTES	2020	2019
Equity			
Issued Capital			
Opening Balance		2,095,000	2,095,000
Total Issued Capital	25	2,095,000	2,095,000
Retained Earnings			
Opening Balance		9,353,484	8,599,150
Increases			
Profit for the Period		942,765	754,335
Total Increases		942,765	754,335
Decreases			
Dividends Paid	26	1,004,738	-
Total Decreases		1,004,738	-
Total Retained Earnings		9,291,512	9,353,484
Total Equity		11,386,512	11,448,484



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

Consolidated Statement of Financial Position

Superstore Properties Limited

As at 31 March 2020

	NOTES	31 MAR 2020	31 MAR 2019
Assets			
Current Assets			
Cash and Bank	16	343,255	109,185
Trade and Other Receivables	23	2,303	363,736
Total Current Assets		345,558	472,921
Non-Current Assets			
Investment Property	17	21,950,000	22,000,000
Deferred Tax Asset	14	-	78,614
Total Non-Current Assets		21,950,000	22,078,614
Total Assets		22,295,558	22,551,535
Liabilities			
Current Liabilities			
Trade and Other Payables	23	61,428	127,531
GST Payable	23	26,237	25,951
Income Tax Payable	13	63,536	206
Loans	23	9,924,000	-
Other Liabilities	24	-	191,518
Total Current Liabilities		10,075,201	345,206
Non-Current Liabilities			
Loans	23	-	9,924,000
Deferred Tax Liability	14	833,845	833,845
Total Non-Current Liabilities		833,845	10,757,845
Total Liabilities		10,909,046	11,103,051
Net Assets		11,386,512	11,448,484
Equity			
Share Capital	25	2,095,000	2,095,000
Retained Earnings		9,291,512	9,353,484
Total Equity		11,386,512	11,448,484



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

Consolidated Statement of Cash Flows

Superstore Properties Limited For the year ended 31 March 2020

	NOTES	2020	2019
Operating Activities			
Receipts from Customers		1,554,094	1,477,121
Payments to Suppliers		(241,163)	(214,550)
Interest, Dividend and Investment Income		2,071	1,284
Finance Costs		(463,967)	(349,330)
Income Tax Refunded / (Paid)		(116,820)	243
Net GST Received / (Paid)		1,820	(6,899)
Net Cash Flows from Operating Activities	35	736,034	907,869
Financing Activities			
Dividends Paid		(1,005,180)	-
DWT Arrears Paid		(107,953)	(638,581)
DWT Arrears Penalties and Interest (Paid) / Refunded		358,103	(358,103)
Fraud Recovery		253,065	-
Net Cash Flows from Financing Activities		(501,965)	(996,684)
Net Cash Flows		234,069	(88,815)
Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period		109,185	198,000
Cash and Cash Equivalents at End of Period	16	343,255	109,185
Net Change in Cash for Period		234,069	(88,815)



Notes to the Consolidated Financial Statements

Superstore Properties Limited For the year ended 31 March 2020

1. Reporting Entity

These consolidated financial statements ("the financial statements") of Superstore Properties Limited ("the Company") and its Subsidiaries (collectively "the Group") 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.

Superstore Properties 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 Group 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 Group'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.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries as at 31 March 2020. Subsidiaries are those entities controlled directly by the Company. The financial statements of the wholly owned Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.



4. 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.

Income generated from rate charge expenses recovered from tenants is netted off against the related expense, in the accounting period the underlying expenses are incurred. The Group is considered to be an agent for these expenses as amounts collected on behalf of third parties are not economic benefits which flow to the Group.

Interest

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group 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 the 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.

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

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

Fair value through profit or loss

They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the consolidated Statement of Comprehensive Income. The Group does not have any financial assets as being at fair value through profit or loss.

Amortised cost

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

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

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

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and accrued fraud recovery in the Consolidated Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the Statement of Cash Flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

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



Financial Liabilities

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

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

Fair value through profit or loss

They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the consolidated Statement of Comprehensive Income.

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

Other financial liabilities

Other financial liabilities include the following items:

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

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

De-Recognition of Financial Instruments

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

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

Offsetting of Financial Instruments

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

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 its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported profit or loss.

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

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

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



Share Capital

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

Dividend Distribution

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

Fair Value Measurement

A number of the Group'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 Group

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 Group 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.



5. 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 Group are as follows:

- *NZ IFRS 16 Leases*. The standard came into effect on 1 January 2019 and was adopted by the Group from 1 April 2019. As the Group 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 groups 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 Group.

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

Accounting standards and interpretations, considered relevant to the operation of the Group, 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 Group 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 Group 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* is effective 1 January 2020, applicable to the Group from 1 April 2020. Management have assessed NZ IAS 8 and have found that it had minimal impact on the financial reporting.

6. Significant Accounting Judgements, Estimates and Assumptions

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

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

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

Fair Value Measurements and Valuation Processes

Some of the Group'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 Group'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 valuations of the Group's investment properties as at 31 March 2020 have 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, notwithstanding 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 Group'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.

7. Significant Events

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

Once knowledge of the fraud became known, the directors engaged PwC Forensic Services, to investigate and report to the Group. 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 Unclaimed Distributions and Other Payments.

As at 31 March 2020 the Group has repaid the full \$710,065.50 owing to IRD. All penalties and interest charges on the money owed were remitted and repaid to the Group in the 2020 year.

In the 2020 year it was resolved by the Board to write off the remaining balance owed to other parties of \$83,565, 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 Group for the period.



	NOTES	2020	2019
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8. Revenue

Gross Rental Income			
Rental Income		1,574,964	1,518,861
Lease Incentives		(20,870)	(41,740)
Total Gross Rental Income		1,554,094	1,477,121
Total Revenue		1,554,094	1,477,121

	NOTES	2020	2019
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9. Administrative Expenses

Accounting and Registry		26,494	26,136
Audit		16,260	13,100
Insurance		8,220	6,517
Legal Expenses		20,692	1,197
Management Fees		165,000	157,872
Sundry Expenses		1,945	3,632
Licences & Registrations		367	-
Valuation Fees		6,650	3,400
Total Administrative Expenses		245,628	211,854

	NOTES	2020	2019
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10. Other Operating Expenses

Non-Recoverable Opex		9,814	16,340
Total Other Operating Expenses		9,814	16,340

	NOTES	2020	2019
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11. Finance Costs

Interest on Loans		385,823	419,704
Total Finance Costs		385,823	419,704

	NOTES	2020	2019
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12. Investment Income

Finance Income			
Interest Received		2,071	1,284
Total Finance Income		2,071	1,284
Total Investment Income		2,071	1,284



13. 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			
Current Taxation		180,150	-
Deferred Taxation		78,614	232,542
Total Income Tax Expense		258,764	232,542

	NOTES	2020	2019
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Income Tax Expense

Income Tax Expense

Current Tax	180,150	-
Deferred Tax	78,614	232,542
Total Income Tax Expense	258,764	232,542

Reported Income

Profit Before Tax from Continuing Operations	1,251,529	36,877
Profit Before Tax from Discontinued Operations	-	-
Total Reported Income	1,251,529	36,877

Taxable Profit / (Loss)	1,251,529	36,877
At Effective Income Tax Rate of 28%	350,428	10,325

Increase/(Decrease) in Income Tax Due to:

Non-Deductible Expenses	2,595	-
Impairment of Accrued Fraud Recovery	(70,860)	222,217
Write off of Funds Owing to Parties as a Result of Fraud	(23,399)	-
Total Increase/(Decrease) in Income Tax Due to:	(91,664)	222,217

Tax Expense	258,764	232,542
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Reported as

Income Tax Reported in Profit or Loss	258,764	232,542
Income Tax Attributable to Discontinued Operations	-	-
Income Tax Expense / (Income)	258,764	232,542



	NOTES	2020	2019
Income Tax Payable / (Receivable)			
Income Tax Payable / (Receivable)			
Opening Balance		206	(253)
Tax Expense		258,764	232,542
Deferred Tax Movement		-	-
Losses Brought Forward		(78,614)	(232,542)
Tax Paid			
Provisional Tax Paid		(117,006)	-
RWT Paid		(39)	(225)
Tax Refunds Received		225	683
Total Tax Paid		(116,820)	459
Total Income Tax Payable / (Receivable)		63,536	206

	NOTES	2020	2019
14. Deferred Tax Assets & Liabilities			
Deferred Tax Assets			
Opening Balance		78,614	311,156
Future benefit of tax losses		(78,614)	(232,542)
Total Deferred Tax Assets		-	78,614
Deferred Tax Liabilities			
Opening Balance		833,845	833,845
Total Deferred Tax Liabilities		833,845	833,845

	NOTES	2020	2019
Deferred Tax Arises From			
Tax Asset Base			
Income Tax Losses Carried Forward		-	280,758
Total Tax Asset Base		-	280,758
Deferred Tax @ 28%		-	78,612
Tax Liability Base			
Incremental Depreciation for Tax Purposes		2,978,018	2,978,018
Total Tax Liability Base		2,978,018	2,978,018
Deferred Tax @ 28%		833,845	833,845



	NOTES	2020	2019
15. Imputation Credit Account			
Imputation Credit Account			
Opening Balance		262	253
Prior Year Adjustment		-	-
Increases			
IRD Interest		-	-
Income Tax Paid		117,006	-
Resident Withholding Tax Paid		39	225
Imputation Credits on Dividends Received		-	-
Total Increases		117,045	225
Decreases			
Imputation Credits Attached to Dividends		-	-
Income Tax Refund		225	215
Imputation Credits Converted to Losses		-	-
Total Decreases		225	215
Closing Balance		117,082	262
	NOTES	2020	2019

16. Bank and Cash Balances

Cash at Bank		343,255	109,185
Total Bank and Cash Balances		343,255	109,185
	NOTES	2020	2019

17. Investment Property

Investment Property			
Opening Balance		22,000,000	21,050,000
Net Change in Fair Value		(50,000)	950,000
Total Investment Property		21,950,000	22,000,000
Total Investment Property		21,950,000	22,000,000



18. Lease Agreement Terms

The Group's two leases have the following terms:

Tauranga - The Warehouse

- 10.5 year term expiring March 2025.
- Three rights of renewal of four years each.
- Three yearly rent reviews based on lesser of current market rental or CPI, and encompassing a ratchet clause.

Christchurch - Placemakers

- Nine year term expiring February 2022.
- Three rights of renewal of six years each.
- Three yearly rent reviews based on current market rentals and encompassing a ratchet clause.

19. Minimum Lease Income

The Group 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		1,518,614	1,518,861
Between one and two years		1,427,333	1,518,861
Between two and three years		878,789	1,426,840
Between three and four years		878,789	861,201
Between four and five years		878,789	861,201
More than five years		-	865,920
Total Minimum Lease Income		5,582,314	7,052,883



20. Valuations

Investment Property comprises two bulk retail buildings, one at Cameron Road, Tauranga occupied by The Warehouse and the second at Cranford Street, Christchurch occupied by Placemakers. The properties are currently leased under the terms and to the tenants disclosed in Note 18. They have been provided as security for the borrowings referred to in Note 23.

The Investment Properties are measured at fair value and were 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 Properties is summarised as follows:

	Cameron Road	Cranford Street
Purpose	Financial reporting	Financial reporting
Amount of valuation	\$13,500,000 (2019: \$13,500,000)	\$8,450,000 (2019: \$8,500,000)
Valuer	Colliers International	Colliers International
Basis of valuation	The determination of the values stated were market value subject to existing tenancies and occupational arrangements.	The determination of the values stated were market value subject to existing tenancies and occupational arrangements.
Assessment approach	Discounted cash flow Capitalisation approach	Discounted cash flow Capitalisation approach
Vacancy rate	Nil (2019: Nil)	Nil (2019: Nil)
Weighted average lease term	5 years (2019: 6 years)	1.85 years (2019: 2.86 years)
Rental value per square metre	\$2,673 (2019: \$2,673)	\$1,938 (2019: \$1,950)
Capitalisation rate	6.5% (2019: 6.5%)	7.5% (2019: 7.75%)
Discount rate	7% (2019: 7.5%)	8% (2019: 8.45%)
Terminal yield	7.25% (2019: 6.75%)	8.25% (2019: 7.95%)
Net market rent	\$857,830 (2019: \$868,090)	\$650,176 (2019: \$610,819)
Net passing rent	\$864,783 (2019: \$865,168)	\$625,236 (2019: \$610,819)

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

The fair value measurement for the Investment Properties has been categorised as a Level 3 fair value (refer to Note 4) 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.

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 rates of 7% and 8%	The discount rate was lower/(higher) by 0.25%, the valuations would increase / (decrease) by \$231,000 and \$146,000
	Terminal yields of 7.25% and 8.25% at the end of the 10 year period	The terminal yield was lower/(higher) by 0.25%, the valuation would increase / (decrease) by \$241,000 and \$127,000
	Assessed market rentals of \$857,830 and \$650,176	The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by \$134,000 and \$85,000
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 expiries, including allowances for lessee incentives and leasing costs.	Net rental income has been capitalised in perpetuity at capitalisation rates of 6.5% and 7.5%	The capitalisation rate in perpetuity was lower/(higher) by 0.25%, the valuations would increase / (decrease) by \$279,000 and \$448,000
	Assessed market rentals of \$864,783 and \$625,236	The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by \$132,000 and \$87,000

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
21. Other Non-Current Assets			
Accrued Fraud Recovery		540,565	793,631
Less: Provision for Impairment of Accrued Fraud Recovery	22	(540,565)	(793,631)
Accrued Fraud Recovery - Net		-	-

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling \$793,631. The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax (DWT) as well as other amounts owed for Unclaimed Distributions, and Other Payments.

The Group is seeking to recover the funds mentioned above which were misappropriated in prior years, some success was made in the 2020 year with \$253,066 recovered. The Group is pursuing multiple avenues to recover the remaining funds, 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 any further recovery. This impairment will be reviewed each year to reflect the current recovery likely to be received.



22. 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		793,631	-
Restated Through Opening Retained Earnings		-	-
Opening Impairment Allowance of Accrued Fraud Recovery		793,631	-
Impairment Loss during the year			
Increase / (Decrease) during the year		(253,065)	793,631
Impairment Loss during the year		(253,065)	793,631
At 31 March	21	540,565	793,631
	NOTES	2020	2019

23. Summary of Financial instruments

Financial Assets at amortised cost

Current

Bank & Cash	343,255	109,185
Trade and Other Receivables		
Penalties and Interest Remitted	-	358,103
Prepayments	2,303	5,633
Trade Receivables - Net	2,303	363,736
Total Current	345,558	472,921

Total Financial Assets at amortised cost

345,558 472,921

Financial Liabilities at amortised cost

Current

Trade and Other Payables	61,428	127,531
GST Payable	26,237	25,951
Other Liabilities	24	191,518
Total Current	87,665	345,000

Interest-bearing Loans & Borrowings

Current Interest-bearing Loans & Borrowings	9,924,000	-
Non-current Interest-bearing Loans & Borrowings	-	9,924,000
Total Interest-bearing Loans & Borrowings	9,924,000	9,924,000

Total Financial Liabilities at amortised cost

10,011,665 10,269,000

ANZ Bank repayment terms - terminating 30 October 2020 with floating interest. 22 monthly repayments of interest only will be made commencing 1 month following the drawdown of the loan dated 14 December 2018, 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 \$9,924,000 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 current loan agreement is set to terminate on 30 October 2020. The directors are currently working with the ANZ to ensure that the mortgage is renewed by 30 October 2020.

Security Held for Loans

The loan is secured by the following:

Cross guarantee and Indemnity between Superstore Properties Limited, Cranford Street Properties Limited, Cameron Road Properties Limited

Registered first ranking Mortgage over 319 Cranford Street, Christchurch by Cranford Properties Limited;

Registered first ranking Mortgage over 483 Cameron Road, Tauranga by Cameron Road Properties Limited;

Registered first ranking General Security Agreement over all the present and after acquired property of Superstore Properties Limited;

Registered first ranking General Security Agreement over all the present and after acquired property of Cranford Street Properties Limited;

Registered first ranking General Security Agreement over all the present and after acquired property of Cameron Road Properties Limited.

	NOTES	2020	2019
24. Other Liabilities			
Funds Owning to IRD as a Result of Fraud		-	107,953
Funds Owning to Other Parties as a Result of Fraud		-	83,565
Total Other Liabilities		-	191,518

	NOTES	2020	2019
Reconciliation of Funds Owning to Parties as a Result of Fraud			
Opening Balance		191,518	-
Funds Recognised as Owning to Parties as a result of Fraud		-	793,631
Repayments Made		(107,953)	(602,113)
Amounts Written Off		(83,565)	-
Closing Balance		-	191,518

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling \$793,631. The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax (DWT) as well as other amounts owed for Unclaimed Distributions, and Other Payments.

The liability put in place consists of the following:

- Core DWT owing to Inland Revenue of \$710,066. As at 31 March 2020 this was fully repaid.
- Amounts owed to other parties for Unclaimed Distributions and Other Payments totaling \$83,565. 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
25. Issued Capital			
2,095,000 - Ordinary Shares		2,095,000	2,095,000

The total number of shares on issue at balance date comprises 2,095,000 (prior year 2,095,000) shares of \$1 each authorised, issued and fully paid, rating equally for dividends and other distributions.

The total number of authorised shares at balance date was 2,095,000 (prior year 2,095,000) of \$1 each. At balance date all authorised shares were issued and fully paid.

	NOTES	2020	2019
26. Dividends Paid			
Cash Dividends Declared and Paid During the Year			
Interim Dividend for Current Year		1,004,738	-
Final Dividend for Prior Year		-	-
Total Cash Dividends Declared and Paid During the Year		1,004,738	-
Dividend Per Share (Cents)		48	-



27. Financial Instrument Risks

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

Interest rate risk

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

Credit risk

The Group in the normal course of business has credit risk from accounts receivable mainly for rent and bank balances. The Group manages bank balance credit risk through transacting only with major trading banks. The Group 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 Group 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 Group 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.

Contractual Cash Flows (Principle and Interest)

2020	Statement of Financial Position	Total	<1 Year	1-2 Years	2-5 Years	>5 Years
Trade and Other Payables	87,665	87,655	87,655	-	-	-
Interest Bearing Liabilities	9,924,000	10,097,398	10,097,398	-	-	-
Total Financial Liabilities	10,011,655	10,185,053	10,185,053	-	-	-



Market risk

Market risk arises from the price risk from the Group's Investment Property. Investment Property that is not fully occupied, or that has not been appropriately positioned in the market will expose the Group to fair value risk and price risk. The Group 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 Group are explored. The Group's properties are assessed at least once a year against several criteria to determine whether property should be sold or remain in the Group.

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

Capital Disclosures

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

The Group'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 Group 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		9,924,000	9,924,000
Less: Cash and Cash Equivalents		(343,255)	(109,185)
Net Debt		9,580,745	9,814,815
Total Equity		11,386,512	11,448,484
Total Adjusted Capital		11,386,512	11,448,484
Debt to Adjusted Capital Ratio (%)		84	86



28. Related Parties

Investment Services Limited provides management services to the Group. All transactions conducted by the Group with Investment Services Limited are related party transactions as Michael Millar is a Director of Investment Services Limited. The Group paid Investment Services Limited \$165,000 (2019: \$157,872) in management fees during the year.

Corvus Consulting Limited provided accounting and registry services to the Group. 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 \$24,840 (2019: \$24,840) in accounting and registry fees during the year.

Gravtec Limited provided property management services to the Group. All transactions conducted by the Group with Gravtec Limited are related party transactions as Richard Eberlein is a Director of Gravtec Limited. The Group paid Gravtec Limited \$2,131.26 (2019: \$11,625) in property management fees during this period. All property management fees were reimbursed by Investment Services Limited.

There were no amounts due to the 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)	12,000 Shares
Damien Prendergast (appointed 7 May 2020)	153,500 Shares
Richard Eberlein	14,500 Shares
Investment Services Limited	400,000 Shares

29. Management Fees

The Investment Manager's fee is based on 0.75% of the net capital value of the properties. The management agreement also provides for a performance fee of 5% of any gain arising from the sale of a property, at the current fair value assessment this is estimated to be \$495,000.



30. Group Information and Investment in Subsidiaries

The consolidated financial statements of the group include:

Name	Principal Activity
Superstore Properties Limited (Parent)	Property investment and management
Cranford Street Properties Limited	Property investment
Cameron Road Properties	Property investment
Whakakake Limited	Dormant - Discontinued 27/02/2020

All group members are incorporated in New Zealand.

The ultimate controlling entity and parent company of the group is Superstore Properties Limited which owns 100% of each subsidiary company.

All subsidiaries are wholly owned, have a principal activity of being property owning companies and have a balance date of 31 March.

	NOTES	2020	2019
Investments in Subsidiaries			
Cranford Street Properties Limited		100	100
Cameron Road Properties Limited		100	100
Whakakake Limited		-	100
Total Investments in Subsidiaries		200	300

31. Contingent Assets and Contingent Liabilities

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

32. Capital Commitments

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



33. Subsequent Events

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 Group's tenants and revenue as follows:

- Placemakers at Cranford Street were not able to trade during Level 4. They have paid 30% of rent for April 2020 and 70% of rent of May 2020. 100% of rent has been paid from June 2020.
- The Warehouse at Cameron Road has paid 50% of rent for April to June 2020. 100% of rent has been paid from July 2020.

It is estimated by Management that after taking into account the above situation the Group has had a revenue reduction of \$143,000 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.

Notwithstanding the above, material valuation uncertainties remain until investment markets become active and subsequent transnational evidence demonstrates a trend in current pricing.

	NOTES	2020	2019
34. Earnings Per Share			
Reconciliation of those amounts used as the numerator to profit or loss			
Profit for the year and earnings used in basic and diluted EPS		942,765	754,335
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		2,095,000	2,095,000
Basic and diluted earnings per share (cents)		45	36
	NOTES	2020	2019

35. Reconciliation of the Net Cash Flow from Operating Activities to Profit (Loss)

Net Profit / (Loss) after Tax	909,200	(195,665)
Changes in Assets and Liabilities		
(Increase) / Decrease in Accounts Receivable	361,433	(359,538)
Increase / (Decrease) in Accounts Payable	(66,103)	86,819
Increase / (Decrease) in GST Payable	286	(8,286)
(Increase) / Decrease in Income Tax	225,951	232,807
Increase / (Decrease) in Impairment Allowance	(253,065)	793,630
DWT Arrears Penalties and Interest Classified Under Financial Activities	(358,103)	358,103
Non-Current Liabilities Written Off	(83,565)	-
Total Changes in Assets and Liabilities	(173,166)	1,103,534
Net Cash Inflow / (Outflow) from Operating Activities	736,034	907,869



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Superstore Properties Limited

Opinion

We have audited the consolidated financial statements of Superstore Properties Limited and its controlled entities (the Group) on pages 6 to 32, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and 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, Superstore Properties Limited or any of its controlled entities.

Key Audit Matters

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

Key Audit Matter	How we addressed the Key Audit Matter
Valuation of Investment Properties – Notes 17 to 20	
The Group's Investment Properties were valued at \$21,950,000 (2019: \$22,000,000) which represented 98% of the total assets at 31 March 2020. A revaluation loss of \$50,000 was recognised in the consolidated statement	<p>Our procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> Assessed the valuation reports prepared by management's expert, including the methodology employed and key assumptions and estimates used. We reviewed the

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of profit or loss and other comprehensive income (2019: \$950,000 gain)

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 98% of the total assets of the group (2019: 97%), 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;

valuation 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 17 to 20, to the financial statements, which set out the key judgements and estimates. These notes explain that an estimation uncertainty exists and there has been a material 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 Directors' Report and the Market Commentary and Management Report and Approval of Financial Report on pages 3 to 5, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

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 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 consolidated 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.

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:

A handwritten signature in dark ink, appearing to read "Crowe", written over a faint horizontal line.

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Nelson this 31st day of August 2020

Directory

Superstore Properties 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

25 January 1999

Incorporation Number

942750

New Zealand Business Number

9429037675127

IRD Number

071-404-544

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

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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