

24<sup>th</sup> November 2020

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Dear «Salutation»

## **FIRST NZ PROPERTIES LIMITED (COMPANY) – SHAREHOLDER UPDATE**

Thank you to the shareholders who attended or sent in their proxy for the annual general meeting (**AGM**) on the 28<sup>th</sup> of September 2020. The minutes are available on the Investment Services Limited (**ISL**) website and included with this letter.

All resolutions at the AGM were passed. Damien Prendergast was reappointed and I was appointed to replace Craig Dennis, who retired due to other business commitments. In addition, David Penrose resigned as he had a conflict of interest with being both the CEO of ISL and a board member of the Company. Thank you to Craig and David who have stepped in during a very busy period in the Company's history and have been able to improve a number of areas of the governance, reporting and operations and to Damien for his continued support and valuable input.

I have been chairing the Company for 8 weeks now. It has been a challenging and intensive time as we have worked through the underlying issues and matters which have arisen within the Company on an almost daily basis. I believe we have made good progress over this time. Having said that there is still plenty to do to achieve what we need to. A brief commentary and update on some of the main matters follows (together with a letter from ISL on operational matters):

### **Dividend – November 2020**

A gross dividend of 15 cents per share has been declared for the period to the 3<sup>rd</sup> of November 2020. This shows as a net dividend on your statement of 10.8 cents per share. The dividend is fully imputed and will be paid this week on Tuesday the 24<sup>th</sup> of November. Please find enclosed your dividend statement.

### **Fraud Recovery**

The board has continued to work with ISL. Unfortunately, there has been no further recovery of the defrauded funds at this stage. The Serious Fraud Office is continuing to investigate but has not advised us yet of the outcome of its investigations.

### **Claims against ISL and others**

The directors have put ISL and others on notice that they believe there are some irregularities in the historic operation of the management of the Company, including the fraud. The Company's lawyers have prepared a draft statement of claim for consideration by ISL. Following this, the directors will be seeking feedback from ISL and negotiating to settle the claims or taking further action.

### **Management Contract**

The directors are in negotiations with Penrose Property Management Limited, concerning a new management contract in line with the resolution passed at the AGM.

### **Insurance Cover**

The directors' and officers' liability insurance policy is currently being reviewed by VERO. At this stage, VERO has declined to renew this policy but has not advised why. We are working with the Company's insurance broker and several other insurance companies to endeavour to get new insurance cover put in place.

If you have any questions or queries you can contact me or Damien by e-mail at:  
[info@investmentservices.co.nz](mailto:info@investmentservices.co.nz).

Yours sincerely

John Murray  
Chair

Dear Shareholder

## **FIRST NZ PROPERTIES LTD – OPERATIONS UPDATE**

### **Financial**

All rentals and other payments have been received from the tenants since the last report. All payments have been made on time.

### **15 Sheffield Crescent, Christchurch**

Work is underway at the moment for strategic structural strengthening of the property to improve the seismic rating of the property, the initial work is costing \$380,000 and will be completed early in the new year. The tenants have continued to expand their operation at the site with the addition of a line to process hemp.

### **234 Rangitikei Street, Palmerston North**

This property has continued to perform well. Uncle Bills tenancy has renewed for a six year period, which is likely to result in an increase in the value at the March 2021 valuation.

### **New Property**

Currently the company has no mortgage and approximately \$2,500,000 on deposit. A new property is being sought to increase the size of the portfolio. The market is quite difficult to buy good quality properties, at the current time so we have no prospects at this time.

### **110 Symonds Street, Purchasers claim**

We have been approached by the purchaser of 110 Symonds street stating that they have been misinformed about some of the aspects of the purchase. This seems to have been driven by the purchasers having to upgrade the exterior cladding following their application to the Auckland City Council for a significant internal upgrade to the property. We have placed the matter with Pitt & Moore solicitors and advised the liability insurer for the company. We believe that all of the appropriate information has been provided to the purchaser.

Thank you for your support.

Kind Regards



David Penrose  
CEO  
Investment Services Ltd