

Minutes of the Annual Meeting of

First NZ Properties Limited

held 28 September 2020 at the Rutherford Hotel, Nelson

Meeting open 12.30pm

In attendance:

Craig Dennis (Chairman)

Damien Prendergast (Director)

David Penrose (CEO for Investment Services Ltd and Director)

Richard Eberlein (National Property Manager for Investment Services Ltd)

Kathryn Brownlie (Finance and Markets Administrator for Investment Services Ltd)

Shareholders Present:

14 First NZ Property Limited Shareholders

Apologies were received from

39 First NZ Property Limited Shareholders

Introduction to by the chair who referred to the outcome of the shareholder survey and thanked the shareholders for their participation.

A presentation was made by David Penrose on the fraud and the SFO investigation, the total fraud against First NZ Properties Ltd was \$966,339 with recoveries to date of \$401,879. ISL has not received any of the recoveries and has paid all recovery costs. Recovery of further monies is continuing on. The loss to investors amounts to 14 cents a share. The SFO staff are continuing their investigation and will produce a report with recommendation that will go to the SFO CEO.

A presentation regarding financial performance was made by David Penrose. This included comments on the sale of 110 Symonds Street, Auckland and the purchase after the 31st March 2020 of 234 Rangitikei Street, Palmerston North. The income was down to \$1,004,167 from \$3,150,671 due to the sale of 110 Symonds Street. As at the 31st March 2020 the company had property assets of \$9,340,000 and cash of \$14,800,000. There was no mortgage. The NTA had reduced from \$6.58 to \$5.89.

David commented on the sale of 110 Symonds Street, advising that it was purchased in 2012 from the proceeds of 50 Kilmore Street (ring fenced by the insurance company to purchase another property) for \$26m then sold for \$38m with a \$3m underwrite, with settlement in November 2018. The result was an increase in shareholder funds of \$8.3m over a 7 year period giving the shareholders a NTA increase of \$2.04 per share, or around 4.7% compounding during the term.

David outlined the purchase of 234 Rangitikei Street in Palmerston North. The Directors searched the entire country for a property that fitted their criteria. Being: geographically diverse from Christchurch, high return, multiple tenancies, predominantly national tenants, growing population, high NBS rating with no land or property issues. This property fitted the criteria, an offer was put in place and due diligence completed in April 2020, aside from the vendor having to get a code of compliance which was finalised early in May with settlement on the 14th May 2020. Since the settlement no rentals have been missed, Uncle Bills have renewed their lease for 6 years, commercial capitalisation rates have reduced so the value has probably improved already.

Richard Eberlein gave a report on the two properties in the company, 234 Rangitikei Street has 3 major tenants being Harvey Norman (electrical and appliance store) leased until October 2021, Bed Bath and Beyond until 2026 and Price Busters / Uncle Bills leased until early 2021, they have already renewed through until early 2027. 15 Sheffield Crescent is a large 3 hectare industrial site which has a lease for 10 years with NZ Yarns Ltd, the lease is until 2024. This tenant has operated this as a "Wool hub" with the sub leasing to several related industries including hemp production.

Following the presentation the Chair took questions from the floor.

Peter Truman queried the valuation for Sheffield Crescent, David explained that an allowance was made after the valuation date of the 31st March 2020, for the full estimated costs of the earthquake

strengthening despite them not being required for up to 15 years. It was noted that the engineering report was received after the end of the financial year and is still being considered by the Directors.

There was discussion about the sale of the property at 110 Symonds Street and the purchase of 234 Rangitikei St. Richard Eberlein explained the property fitted all of the requirements in location, property type, tenant type, and that the building was relatively new.

Peter Truman brought up the surplus cash and lack of debt, and asked what the Directors were planning to do with this. He also mentioned the revaluation of Sheffield Crescent is misleading. The chairman replied that revaluation took place, but the annual report was not updated.

Peter Rickards asked if the company does purchase another property will it be put to shareholders? The Directors advised this would be considered at the time.

Peter Truman asked why there are IRD penalties of \$79,193 and interest of \$212,681, and issues with the ICA account. Frustration that shareholders are paying for management incompetencies. Reiteration of the deferred tax and depreciation point. Directors advised, they are happy with RWCA, there is a request to the IRD to remit the ICA penalties as they were partially a result of the fraud. 5% fee to ISL was an entitlement under the pre-existing management contract.

Subsequent notes:

1. Peter Truman further investigated the deferred tax matter and provided us this statement, "So my conclusion is that the deferred tax in the 2020 financial statements is likely to be correct because of the rebuttable presumption available for investment properties. Sorry to have incorrectly suggested otherwise on Monday. From my perspective, no further enquiry is required.")
2. The Directors questioned RWCA over the ICA account. RWCA had identified this issue as soon as they took over the accounts 2 years ago and have been working with the company to correct it bearing in mind the cashflow constraints.
3. RWCA have provided a file note where they considered the depreciation in conjunction with the Auditors and decided that no reference to the depreciation was required in this financial year.
4. The IRD have turned down the request to write off the ICA interest.
- 5: Further investigation by the Manager came to the conclusion that the previous Directors focus was on reducing the IRD penalties related to the fraud rather than paying down the ICA account, there was simply not the cash for the company to undertake both. By having the DWT arrears paid back to the IRD, the biggest reduction in penalties and interest was obtained.

Craig Priscott asked about the failings of the management company, conflicts of interest, major transaction not reported what is ISL's response?. Michael Millar advised that he will not respond at the AGM to the allegations, but will via other legal channels.

Alan Cockrell – discussion about value of shares on the secondary market discounted to NTA. Chair explained that this happens often even with the listed companies. David explained that there are currently investigations into the use of an "unlisted" secondary market which would give wider exposure to the listings to more investors and should help increase the share price and provide better liquidity.

Craig Priscott raised the issue of conflict of interest with David Penrose as the manager and in his current roll as CEO if there is a requirement to sue Michael Millar and ISL, David responded that he would take his direction from the Directors regarding this matter when it was appropriate.

General Discussion not specific to FNZ

Fraud Peter Rickards asked in Neil Barnes will return to NZ. David advised that the SFO are still preparing the report and they have advised that often a perpetrator will return voluntarily in these circumstances.

Peter Truman – requests made to the CEO regarding getting independent legal advice on liability for the fraud. Chair advised that this was currently underway though Duncan Cotterill

Peter Rickards – asked that the advice be obtained jointly and not separately for the three companies to keep the costs down as it would be a waste of time and resources as the outcome was similar for all three companies. The directors are already doing this, with costs split between companies based on value.

Craig Priscott asked if Paul Mephan had started the process of an independent review. David Penrose stated that he did not know what Paul was thinking about this issue.

Formal Business

Proxies had been received from 39 First NZ Property Limited shareholders, with 482,951 voting rights attached. The Chairman held all proxies.

Result of Resolutions

First NZ Property Limited Annual Meeting

held 28 September 2020 at the Rutherford Hotel, Nelson

At First NZ Property Limited’s shareholder meeting, shareholders were asked to vote on seven resolutions, which were supported by the board.

The resolutions passed by shareholders was:

Amendments to the Constitution

Moved Chair – Seconded Frank Saxton – Carried 100%

Reappointment of Director – Damien Prendergast

Moved Chair – Seconded Helen Sinclair – Carried 100%

Appointment of Director – John Murray

Moved Chair – Seconded Peter Rickards – Carried 100%

Approval of Negotiation of Management agreement with Penrose Property Management Ltd

Moved Chair – Seconded Michael Millar – Carried 65%

Appointment and Remuneration of the Auditor (Crowe New Zealand Audit partnership)

Moved Chair – seconded Michael Millar – Carried 52%

Approval of the Minutes from the 2019 AGM

Moved David Penrose – Seconded Damien Prendergast – Carried 92%

Adoption of the 2020 Annual Report

Moved Chair – seconded Damien Prendergast – Carried 82%

Authority for this announcement	
Name of person authorised to make this announcement	Craig Dennis, Director
Contact person for this announcement	Craig Dennis
Contact phone number	03 544 2005
Contact email address	David@investmentservices.co.nz

There being no further business the chairman declared the meeting closed 2.00pm.

Signed as a true and correct record

Chairman

Dated: