

Annual Report

First NZ Properties Limited
For the year ended 31 March 2021

Prepared by RWCA Limited

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Report of the Directors to the Shareholders

On behalf of the Directors of First NZ Properties Limited we are pleased to present the 2021 Operating Results and Annual Report for the 12 months ended 31 March 2021.

Activities

The Company is involved in the Commercial property rental business.

Market Commentary

New Zealand's success at containing Covid-19 and facilitating a return towards normal levels of activity across most industry sectors, coupled with significant fiscal and monetary stimulus has led to a more material bounce back in the economy than previously forecast.

The uncertainty which surrounded the economy at the time meant that consumers adopted a wait and see approach. The latter part of the year however saw investor and consumer sentiment rebounding as the release of economic data supported projections of a 'V-shaped' recovery that was underpinned by historically low interest rates.

The first and most restricting lockdown saw many commercial tenants refusing to pay rents and opex in all parts of the country. We negotiated with tenants and agreed 50% rent and opex reductions for the months of April and May. The office market has been severely affected by the pandemic, but this investment benefits from having a mix of a single light industrial manufacturing tenant and national retail tenancies. Our sympathetic ear during the worst times of the lockdown has so far proven to have been worthwhile, as the tenants seem to have weathered the difficult times and have continued to pay full rent and opex for the remainder of the year. However, we must accept that the worldwide effects of the pandemic will have severely affected the retail markets for products and that times are likely to continue to be hard for manufacturing industries. Retail businesses were initially expected to suffer disproportionately. However, many have profited through expenditure that would otherwise have been on travel overseas. Turnovers are reported to have increased although the retail market has drifted more toward online purchases.

15 Sheffield Crescent, Christchurch

NZ Yarns continue to occupy the full property and are expanding in their product lines. They have significantly improved their fitout and installed new machinery for their new hemp products. Their lease renewal is due in 2024 with the next rent review also due at that time.

Following receipt of a Detailed Seismic Analysis report, maintenance works have included initial structural improvements to address critical seismic weaknesses. These have been an expenditure of around \$300,000 over the last year. Engineers are now preparing documents to apply for building consent and provide contractor's details to improve the building structure to 67% NBS. These works are currently estimated at \$2m which has been reflected in the market value of the property. The building insurers have meanwhile removed cover for natural disaster damage, until the improvements have been completed.

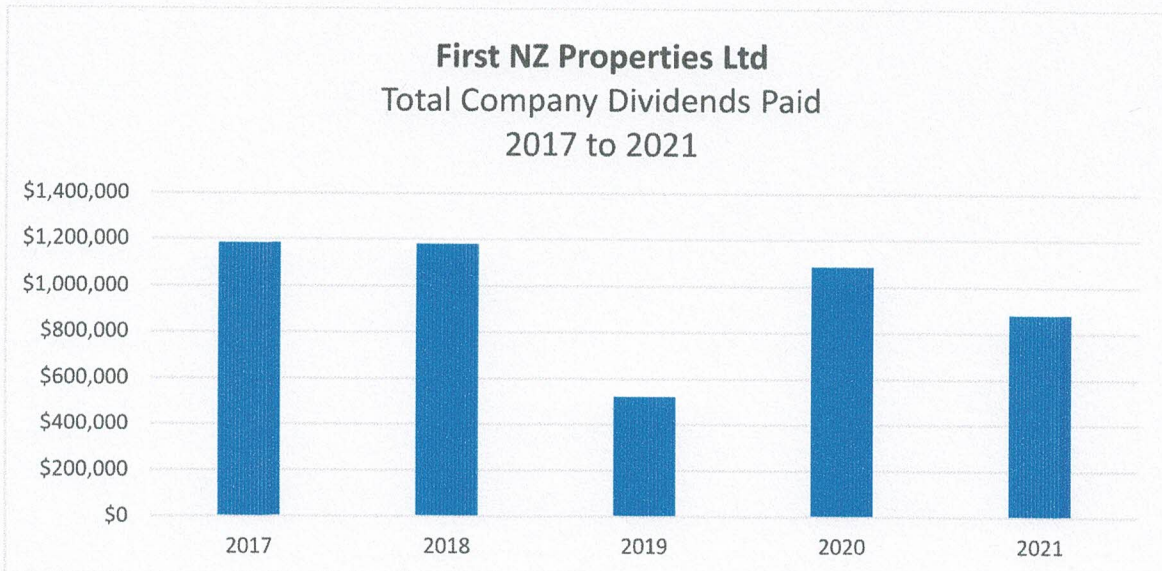
202-234 Rangitikei Street, Palmerston North

Harvey Norman electronics retail store dominates the property occupying around half of the floor area. They are committed to the location and their lease renewal for a further five years commencing October 2021 has recently been agreed. Bed, Bath and Beyond had already agreed to extend their store into a previously vacant unit, but because of the pandemic chose to sublease the extended area to Postie-Plus. Price Busters have also recently renewed their lease from April 2021 for a further 6 years.

There are funds in the Company's accounts and banks have indicated a willingness to lend to facilitate the purchase of an additional commercial property. Several have been investigated but there are few appropriate investment properties coming onto the market. Yields have also been driven downwards by private investors satisfied with a minimal return in line with the bank term deposit rates. Prices are therefore higher than we would consider providing long term commercial viability.

Financial Information

The Company's Gross Rental Income this year was \$1,844,270 (2020 \$1,004,167) which is an 83.7% increase. This increase is related to the purchase of a property at Rangitikei Street, Palmerston North which was purchased in May 2020.



Dividends

\$881,274 was paid in Dividends for the period ended 31 March 2021 (\$1,088,373).



The earnings per share this year is 26 cents per share (2020 -42 cents). The net profit after tax was \$1,068,410 (2020 \$-1,717,279) with a tax provision of \$334,034 (2020 \$168,523).

Investment Properties

The investment properties were valued at \$21.33 million (2020 \$9.34m). Part of the increase in investment properties relates to the purchase in May 2020 of Rangitikei Street, Palmerston North (Purchase price \$11.5 million).

Directors

The following Directors held office during the year ended 31 March 2021.

John Murray	(Appointed 28 September 2020)
Damien Prendergast	(Appointed 7 May 2020)
Craig Dennis	(Appointed 7 May 2020) (Resigned 28 September 2020)
David Penrose	(Appointed 5 May 2020) (Resigned 28 September 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

Directors' remuneration paid during the year ended 31 March 2021 totalled \$62,733. There were no other benefits received.

Remuneration of employees

No employees' remuneration exceeded \$100,000.

Auditors

Crowe Audit were reappointed as the Company's auditors.

Share purchases

There were no transactions between the company and the Directors during the year.

Review of the Year:

March 2020 Onwards

- Covid 19 Lockdown.
- Borders closed and NZ in lockdown.

April 2020

- Paul Mephan stepped down from his CEO and Directors roles.
- Gillian Bishop appointed as a director.

May 2020

- Michael Millar and Gillian Bishop resign as Directors.
- Craig Dennis, David Penrose, and Damien Prendergast appointed as Directors.
- Rangitikei Street, Palmerston North property purchased \$11.5m.

June 2020

- 15 cents dividend per share declared- fully imputed.

July and August 2020

- Recovery of some funds relating to the fraud.

September 2020

- AGM in Nelson. Constitution changes to allow an ordinary resolution to appoint or remove a director.
- John Murray appointed as Director and Damien Prendergast re-appointed.
- Craig Dennis and David Penrose resigned as Directors.

November 2020

- 15 cents gross dividend per share declared – fully imputed.
- Symonds110 Ltd, Michael Millar and Paul Mephan put on notice of claim by purchasers of the building relating to the ACP cladding. Claiming failure to disclose information relating to the ACP creating a breach of the warranties in the S&P agreement.
- Independent review of legal issues undertaken by Duncan Cotterill resulting in Investment Services Limited (ISL) and others put on notice due to irregularities in the historic operation of the company. Draft statement of claim sent to ISL and others for consideration and feedback.

December 2020

- Vero declined to renew the Directors and Officers liability insurance policy.
- Proceedings against ISL and others lodged in the High Court.
- FSS Management Ltd (FSS) incorporated to continue utilising Richard Eberlein as the company property manager due to non-availability of P.I. and D&O insurance cover for the Company. FNZ owns 45% of FSS.
- Recovery of some funds relating to the fraud from dividends from seized shares.
- Penrose Property Management withdrew its offer to manage the Company.
- ISL cancelled the Management Contract on 31 December 2020. Continued with the share registry until 30 June 2021.

January 2021

- FSS utilised to manage the Company. Paul Rosanowski engaged as Project Manager to provide transitional and operational support.

May 2021

- 10 cents gross dividend per share declared – fully imputed.

July 2021

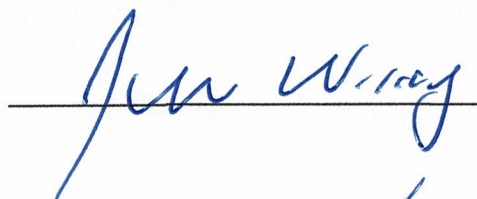
- Syndex take over the registry management from ISL.

August 2021

- Discovery for High Court proceedings to be available.

For, and on behalf of, the Board

John Murray
Chair



Damien Prendergast
Director



13 AUGUST 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

First NZ Properties Limited
For the year ended 31 March 2021

	NOTES	2021	2020
Continuing Operations			
Income			
Gross Rental Income	8	1,844,270	1,004,167
Total Income		1,844,270	1,004,167
Gross Profit			
		1,844,270	1,004,167
Operating Income and (Expenses)			
Administrative Expenses	9	(463,612)	(248,711)
Other Operating Expenses	10	(150,842)	(132,071)
Impairment of Non-Current Assets	24	96,120	308,175
Fraudulent Liabilities Written Off	28	-	239,215
Total Operating Income and (Expenses)		(518,334)	166,609
Operating Profit			
		1,325,937	1,170,776
Financial Income and (Expenses)			
Finance Costs	11	(1,378)	(212,681)
Finance Income	12	10,415	75,061
Share of surplus of associates, partnerships and joint ventures	12	(2,749)	-
Total Financial Income and (Expenses)		6,289	(137,620)
Profit Before Other (Expenses)/Income and Tax			
		1,332,226	1,033,156
Other (Expenses)/Income			
Fair Value Gain on Investment Property	19	70,219	(2,870,000)
Profit Before Tax from Continuing Operations			
		1,402,445	(1,836,844)
Income Tax Expense			
Tax Provision	15	(334,034)	(168,523)
Total Profit for the Year from Continuing Operations			
		1,068,410	(2,005,367)

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

	NOTES	2021	2020
Discontinued Operations			
Income after Tax for the Year from Discontinued Operations	13	-	288,088
Income after tax from Discontinued Operations		-	288,088
Profit For The Year		1,068,410	(1,717,279)
Total Other Comprehensive Income, Net of Tax		-	-
Total Comprehensive Income for the Year, Net of Tax		1,068,410	(1,717,279)
	NOTES	2021	2020
Earnings per share			
Basic and diluted earnings per share (cents)	37	26	(42)

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

First NZ Properties Limited
For the year ended 31 March 2021

	NOTES	2021	2020
Equity			
Issued Capital			
Share capital	29	4,065,452	4,065,452
Total Issued Capital		4,065,452	4,065,452
Retained Earnings			
Opening Balance		19,876,647	22,682,299
Increases			
Profit for the Period		1,068,410	-
Total Increases		1,068,410	-
Decreases			
Loss for the Period		-	1,717,279
Dividends Paid	30	881,274	1,088,373
Total Decreases		881,274	2,805,652
Total Retained Earnings		20,063,784	19,876,647
Total Equity		24,129,236	23,942,099

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

Consolidated Statement of Financial Position

First NZ Properties Limited

As at 31 March 2021

	NOTES	31 MAR 2021	31 MAR 2020
Assets			
Current Assets			
Cash and Bank	18	430,165	2,835,335
Trade and Other Receivables	25	2,735	20,159
Income Tax Receivable	15	290,527	181,494
Other Current Assets	25	2,515,060	12,000,000
Total Current Assets		3,238,487	15,036,988
Non-Current Assets			
Investment Property	19	21,330,000	9,340,000
Investments in Associates	25	42,251	-
Other Non-Current Assets	25	33,284	-
Total Non-Current Assets		21,405,535	9,340,000
Total Assets		24,644,022	24,376,988
Liabilities			
Current Liabilities			
Trade and Other Payables	25	83,571	42,480
GST Payable	25	21,753	8,794
Total Current Liabilities		105,325	51,275
Non-Current Liabilities			
Deferred Tax Liability	16	409,462	383,614
Total Non-Current Liabilities		409,462	383,614
Total Liabilities		514,786	434,889
Net Assets		24,129,236	23,942,099
Equity			
Share Capital	29	4,065,452	4,065,452
Retained Earnings		20,063,784	19,876,647
Total Equity		24,129,236	23,942,099

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

Consolidated Statement of Cash Flows

First NZ Properties Limited
For the year ended 31 March 2021

	NOTES	2021	2020
Operating Activities			
Receipts from Customers		1,794,625	2,080,345
Payments to Suppliers		(559,015)	(1,489,346)
Interest, Dividend and Investment Income		10,415	329,947
Finance Costs		(1,378)	(424,864)
Income Tax Refunded / (Paid)		(417,219)	(25,890)
Net GST Received / (Paid)		19,804	(50,106)
Net Cash Flows from Operating Activities	38	847,233	420,086
Investing Activities			
Proceeds from Sale of Investment Properties	14	-	34,398,550
Costs Relating to Sale of Investment Properties		-	8,382
(Payment for)/Receipts from Investments		9,497,532	(12,000,000)
Payment for Investment Properties		(11,919,781)	-
Investments in Associates		(45,000)	-
Net Cash Flows from Investing Activities		(2,467,250)	22,406,932
Financing Activities			
Repayment of Long-term Loans		-	(18,898,636)
Dividends Paid		(881,274)	(1,088,373)
DWT and GST Arrears Paid		-	(555,054)
IRD Penalties and Interest Remitted / (Paid)		-	34,686
Fraud Recoveries		96,120	308,175
Net Cash Flows from Financing Activities		(785,153)	(20,199,201)
Net Cash Flows		(2,405,170)	2,627,816
Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period		2,835,335	207,519
Cash and Cash Equivalents at End of Period		430,165	2,835,335
Net Change in Cash for Period		(2,405,170)	2,627,816

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

Notes to the Consolidated Financial Statements

First NZ Properties Limited For the year ended 31 March 2021

1. Reporting Entity

These consolidated financial statements ("the financial statements") of First NZ Properties Limited ("the Company") and its Subsidiaries (collectively "the Group") for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 11 August 2021.

First NZ 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 Property Investment.

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 2021.

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, its Subsidiaries and its Associates as at 31 March 2021.

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.

Associates are those entities the Company holds significant influence over but does not exercise full control over. The Company reports its proportionate share of the Associate's equity as an investment (at cost), the net profit of the Associate as investment income and dividends paid out by the Associate using the equity 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.

Service Charges Recovered

The tenants also pay the majority of the Groups operating expenses. These are recoveries of expenses incurred by the group in relation to the Investment Properties. The tenants are charged a monthly amount towards these operating costs based on an annual budget, and occupied floor space for each Investment Property. An annual wash-up reconciliation is prepared by the Group and any under or overcharges of actual costs incurred against costs recharged are settled.

Service Charge recoveries are recognised when invoiced, on a monthly basis, which is in line with when the Group meets its performance obligations for the services provided. The service charge recovered are based on what is specified in the tenants leases and the costs on the associated outgoings. The Group does not provide discounts nor is there any finance component in any of the costs so the transaction price is easily determined and allocated on a straight-line basis.

The services charges recovered that the Group identifies as being under the scope of NZ IFRS 15 includes but are not necessarily limited to; Rates, Building WoF, Health and Safety, Insurances, Cleaning, Rubbish and Pest Control, Fire Maintenance, Security, Lifts, Air-Conditioning and Other General Maintenance. This is because the Group deems these to be additional services above the lease of the rental space and so should be considered separately to the lease rental income (Refer to Note 8 for further consideration)

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 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.

Beginning 1 April 2020 IRD increased commercial building depreciation from 0% to 2% diminishing value or 1.5% straight line, any commercial buildings depreciated in prior years are required to now depreciate for tax purposes again. Commercial buildings that have not been depreciated for tax purposes in prior years have the option to be depreciated or not.

15 Sheffield Crescent has been depreciated for tax purposes in prior years and is required to be depreciated from 1 April 2020 for tax purposes. From 1 April 2020 15 Sheffield Crescent has been depreciated at 2% diminishing value.

234 Rangitikei Street was purchased during the 2021 year and has not been depreciated for tax purposes. The Directors have agreed to not depreciate this property for tax purposes.

The following tax depreciation rates have been used for the Investment Properties.

Category	Tax Depreciation Method	Tax Depreciation Rate
15 Sheffield Crescent	Diminishing Value	2% (2020: 0%)
234 Rangitikei Street	No Depreciation	NIL

The Group reclassifies an Investment Property to Investment Property classified as held for sale when the Group commences the process of disposing the property. The carrying value of the Investment Property is the contracted sale price, net of sale costs, being the best indicator of fair value.

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, accrued fraud recovery and cash and cash equivalents 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 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.

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.

There are no new and amended standards and interpretations issued but not yet adopted that management have considered will have any impact on the Group.

6. Significant Accounting Judgements, Estimates and Assumptions

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

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 and transactions

Misappropriated Funds

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

Once knowledge of the fraud became known, the Directors of Investment Services Limited 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) and Good and Services Tax (GST) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

During the years ending 31 March 2019 and 31 March 2020 the Group paid the full \$727,124.31 core tax debt owing to IRD. All penalties and interest charges paid on the money owed were remitted by IRD and refunded 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 \$239,215, as it was determined that these amounts were unlikely to be paid as the legitimacy of the transactions were not able to be confirmed.

High Court Proceedings

In December 2020 proceedings were issued in the High Court (Nelson registry) against Michael Millar, Investment Services Limited and Paul Mephan. These proceedings are at a preliminary stage. The claims relate to the fraud and undisclosed payments made to Investment Services Limited for fees paid to Investment Services Limited on the sale of property owned by First NZ Properties Limited, and the management of First NZ Properties Limited's imputation credit account.

The total value of the claims is in excess of \$2,400,000. It is likely that the claims will be amended following the exchange of documentation.

The defendants have filed statements of defense denying the claims. In addition, Investment Services Limited has counterclaimed for losses suffered because of the Group's alleged repudiation of the management agreement totaling \$115,096 plus interest and costs. A defence to that counterclaim has been filed denying any repudiation.

There has been initial disclosure of the documentation relied on for the preparation of the claims and defenses. The lawyers representing the defendants have agreed that given the factual and legal commonality of the proceedings also issued by Superstore Properties Limited and Springs Road Property Limited at the same time that they should be consolidated and dealt with together. It has also been agreed that the discovery of documentation process, and the inspection of documents will be completed by 1 October 2021. The High Court will review the case on 12 October 2021.

The group has engaged Duncan Cotterill for legal support and Beattie Varley as independent expert accountants to review the claims and the quantum of those claims.

The litigation is ongoing and will continue into the next financial year.

8. Revenue

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

Revenue is recognised when or as control of promised services is transferred to the particular customer with an amount that reflects the consideration that the entity expects to be entitled to in exchange for those services

	NOTES	2021	2020
Revenue			
Gross Rental Income			
Rental from Investment Properties		1,778,151	1,002,300
Service Charge Income Recovered from Tenants (NZ IFRS 15 Revenue from Contracts for Customers)		64,720	-
Impairment Loss		1,399	1,867
Total Gross Rental Income		1,844,270	1,004,167
Total Revenue		1,844,270	1,004,167

Descriptions of the Principal activities the Group generates revenue from are as follows:

- The Group provides additional services to the tenants of the Groups Investment Property. The Group reports the revenue from these additional services in the Gross Rental Income line in the Statement of Profit or Loss and Other Comprehensive Income.
- Additional services involve the management of the Groups Investment Property leased to tenants. The contracts associated for these additional services are structured so the Group is reimbursed for subcontracted vendor costs as well as associated overhead and management fee expenses (service charge income recoveries). Additional services represent a series of distinct services rendered over time to deliver the overall performance obligation of managing the tenancy and property for each tenant.
- The amount of revenue recognised is gross for all additional services – an offsetting amount is recorded under other operating expenses.
- The payment for these additional services are reimbursements of costs of third-party services delivered to tenants that are controlled by the Group, therefore the Group is considered to be Principal for those services.
- Where the Group does not control third-party services delivered to tenant the Group is considered to be agent and therefore offsets the revenue and expense against each other for those services.

	NOTES	2021	2020
9. Administrative Expenses			
Accountancy & Registry		20,180	26,504
Audit Fees		24,950	18,316
Sundry Expenses		4,596	4,141
Insurance		3,361	2,676
Legal & Other Professional Expenses		230,547	46,782
Management Fees		110,646	65,149
Directors' Fees	32	62,733	-
Penalties - IRD		-	79,193
Valuation Fees		6,600	5,950
Total Administrative Expenses		463,612	248,711

	NOTES	2021	2020
10. Other Operating Expenses			
Total Operating Expenses			
Property Repairs & Maintenance		32,253	76,421
Insurance		28,056	333
Property Management Fees		20,697	55,317
Rates		68,715	-
Valuation		1,120	-
Total Total Operating Expenses		150,842	132,071
Total Other Operating Expenses		150,842	132,071

	NOTES	2021	2020
11. Finance Costs			
Interest - IRD		-	212,681
Interest - Tax Pooling		1,378	-
Total Finance Costs		1,378	212,681

	NOTES	2021	2020
12. Investment Income			
Finance Income			
Dividends Received		-	537
Interest Received		10,415	74,524
Total Finance Income		10,415	75,061
Share of surplus of associates, partnerships and joint ventures			
Investment Income - FSS Management Limited		(2,749)	-
Total Share of surplus of associates, partnerships and joint ventures		(2,749)	-
Total Investment Income		7,667	75,061

	NOTES	2021	2020
13. Discontinued Operations, Net of Tax			
110 Symonds Street			
Rental Income		-	771,552
Service Charge Income Recovered from Tenants		-	270,232
Gain on Disposal of Investment Property		-	492,182
Interest Received		-	254,886
Licences & Registrations		-	(14,276)
Management Fees		-	(510,236)
Total Operating Expenses		-	(630,758)
Interest on Loans		-	(424,864)
Profit/(Loss) Before Tax from Discontinued Operations		-	208,718
Income Tax on Discontinued Operations		-	79,370
Profit/(Loss) for the Year from Discontinued Operations		-	288,088
Earnings Per Share from Discontinued Operations			
Basic and diluted earnings per share (cents)		-	7

	NOTES	2021	2020
Net Cashflows from Discontinued Operations			
Operating Activities			
Receipts from Customers		-	1,041,784
Payments to Suppliers		-	(1,155,270)
Interest, Dividend and Investment Income		-	254,886
Finance Costs		-	(424,864)
Total Operating Activities		-	(283,464)
Investing Activities			
Proceeds from Sale of Investment Properties		-	34,398,550
Costs Relating to Sale of Investment Properties		-	8,382
Payment for Investments		-	(12,000,000)
Total Investing Activities		-	22,406,932
Financing Activities			
Repayment of Long-term Loans		-	(18,898,636)
Total Financing Activities		-	(18,898,636)
Net Cashflows from Discontinued Operations		-	3,224,832

14. Disposal of Investment Property

During the 2020 year the Group sold 110 Symonds Street, Auckland with a net carrying value of \$33,906,368 for a cash consideration of \$34,398,550, net of vendor underwrite and attributable expenses. The resulting \$492,182 net gain on this disposal was recognised separately and included within Income after Tax from Discontinued Operations in the Statement of Profit or Loss.

Revenue, expenditure and tax directly attributable to 110 Symonds Street have been separately recognised in the statement of profit or loss under discontinued operations.

A 5% gain fee of \$450,000 was paid to the Manager.

	NOTES	2021	2020
Investment Property Disposal Schedule			
Opening Investment Property Held for Sale		-	33,906,368
Net Sale Proceeds		-	(34,398,550)
Gain on Disposal on Investment Property		-	(492,182)

15. Income Tax

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

	NOTES	2021	2020
Components of Income Tax Expense			
Current Taxation		308,186	89,153
Deferred Taxation		25,848	-
Total Income Tax Expense		334,034	89,153

	NOTES	2021	2020
Income Tax Expense			
Income Tax Expense			
Current Tax		308,186	89,153
Deferred Tax		25,848	-
Total Income Tax Expense		334,034	89,153
Reported Income			
Profit Before Tax from Continuing Operations		1,332,226	1,033,156
Profit Before Tax from Discontinued Operations		-	208,718
Total Reported Income		1,332,226	1,241,874
Less: Non-assessable income			
Non-taxable income		(2,749)	-
Total Less: Non-assessable income		(2,749)	-
Taxable Profit / (Loss)		1,334,974	1,241,874
At Effective Income Tax Rate of 28%		373,793	347,725
Increase/(Decrease) in Income Tax Due to:			
Non Deductible Expenses		-	32,508
Impairment of Accrued Fraud Recovery		(26,914)	(86,289)
Rental Rebates to be Amortised Over Remaining Lease Periods		(12,845)	-
Net Gain on Disposal of Investment Property		-	(137,811)
Write Off of Funds Owing to Parties as a Result of Fraud		-	(66,980)
Total Increase/(Decrease) in Income Tax Due to:		(39,759)	(258,572)
Current Tax Expense		334,034	89,153

	NOTES	2021	2020
Reported as			
Income Tax reported in Profit or Loss		334,034	168,523
Income Tax Attributable to Discontinued Operations		-	(79,370)
Income Tax Expense / (Income)		334,034	89,153
	NOTES	2021	2020
Income Tax Payable / (Receivable)			
Income Tax Payable / (Receivable)			
Opening Balance		(181,494)	(264,686)
Current Tax Expense		334,034	89,153
Deferred Tax Movement		(25,848)	-
Losses Brought Forward		-	-
Tax Paid			
Imputation Credits Received		-	(150)
Income Tax Paid		(414,303)	(179,445)
RWT Paid		(2,916)	(22,300)
Tax Refunds Received		-	195,935
Total Tax Paid		(417,219)	(5,961)
Total Income Tax Payable / (Receivable)		(290,527)	(181,494)

	NOTES	2021	2020
16. Deferred Tax Assets & Liabilities			
Deferred Tax Liabilities			
Opening Balance		383,614	383,614
Deferred Tax		25,848	-
Total Deferred Tax Liabilities		409,462	383,614

	NOTES	2021	2020
Deferred Tax Arises From			
Tax Asset Base			
Income Tax Losses Carried Forward		-	-
Total Tax Asset Base		-	-
Deferred Tax @ 28%		-	-
Tax Liability Base			
Incremental depreciation for tax purposes		1,462,366	1,370,051
Total Tax Liability Base		1,462,366	1,370,051
Deferred Tax @ 28%		409,462	383,614

17. Imputation Credit Account

	NOTES	2021	2020
Imputation Credit Account			
Opening Balance		-	(103,555)
Increases			
Income Tax Paid		334,233	259,514
Resident Withholding Tax Paid		2,916	23,691
Imputation Credits on Dividends Received		-	150
Total Increases		337,149	283,356
Decreases			
Imputation Credits Attached to Dividends		326,969	179,801
Income Tax Refund		-	-
Total Decreases		326,969	179,801
Closing Balance		10,181	-

18. Bank and Cash Balances

	NOTES	2021	2020
Cash at Bank		430,165	2,835,335
Total Bank and Cash Balances		430,165	2,835,335

	NOTES	2021	2020
19. Investment Property			
Investment Property			
Opening Balance		9,340,000	12,210,000
Additions		11,919,781	-
Net Change in Fair Value and Valuation Impairment			
Net Change in Fair Value		150,219	(870,000)
Valuation Impairment		(80,000)	(2,000,000)
Total Net Change in Fair Value and Valuation Impairment		70,219	(2,870,000)
Total Investment Property		21,330,000	9,340,000
Total Investment Property		21,330,000	9,340,000

During the 2020 financial year the Group received a draft seismic engineering report on 15 Sheffield Crescent indicating some areas of concern. The draft report indicated that expenditure of approximately \$300,000 would be required within the short term for critical weaknesses along with expenditure over a longer period of time that may total a further \$1,700,000 to bring the property to a seismic strength that is in line with market expectations. As at 31 March 2021 \$436,000 has been spent on the seismic improvements. The Directors are working through the draft report to formulate a plan of action to improve the seismic strength of the property. There is no requirement to strengthen the building for a period of up to 15 years however the Directors agree that it is prudent to move forward with a plan in the shorter term.

The Valuation of 15 Sheffield Crescent has been impaired by \$2,080,000 to recognise the costs required to complete the necessary seismic improvements.

The property valuation has been further reduced by \$1,650,000 as the building does not have earthquake insurance cover due to not having a current seismic capacity of at least 67% NBS. It is determined that this factor impacts on the market value of the property as it is likely to exclude a significant proportion of likely buyers. Furthermore any remaining buyers who would be prepared to purchase the property without a mortgage would be limited to entrepreneurial opportunist type purchasers who would require a discount.

This impairment is the Directors' best estimate of the costs to be incurred based on the Detailed Seismic Assessment report to bring the building to above 67% NBS. Final costs could be significantly different to the current estimate. An increase of 10% could result in an additional \$208,000 of costs being incurred.

20. Lease Agreement Terms

15 Sheffield Crescent

NZ Yarn Limited

- Ten year term expiring 21 November 2024 - Four rights of renewal of three years each
- Three yearly rent reviews.

234 Rangitikei Street

Harvey Norman

- Five year term expiring 27 October 2026 - One right of renewal of five years
- Rent reviews annually

Bed, Bath & Beyond

- Six years and 10 month term expiring 1 December 2026 - Two rights of renewal of five years each
- Rent review 3% per annum on anniversary of commencement date

Price Busters

- Six year term expiring 6 April 2027 - One right of renewal of six years
- Fixed annual rent review of a fixed 1% annually on the anniversary of the commencement date

21. 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	2021	2020
Minimum Lease Income			
Less than 1 year		1,772,406	989,709
2 to 5 years		4,689,323	2,969,127
5 + years		400,127	636,712
Total Minimum Lease Income		6,861,856	4,595,548

22. Valuations

Investment Property comprises a premises situated at Sheffield Crescent in Christchurch and at Rangitikei Street in Palmerston North. The properties are currently leased under the terms and to the tenants disclosed in Note 20.

The Investment Properties are measured at fair value and were valued as at 31 March 2021 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:

	Sheffield Crescent	Rangitikei Street
Purpose	Financial Reporting	Financial Reporting
Amount of valuation	\$9,330,000 (2020: \$11,340,000)	\$12,000,000
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 (2020: Nil)	Nil
Weighted average lease term	3.64 years (2020: 4.64 years)	3.35 years
Rental value per square metre	\$914 (2020: \$794)	\$2,939
Capitalisation rate	7.75% (2020: 8.75%)	6.75%
Discount rate	9.00% (2020: 9.85%)	8.00%
Terminal Yield	8.25% (2020: 8.75%)	7.25%
Net market rent	\$1,002,757 (2020: \$1,008,474)	\$820,820
Net passing rent	\$1,051,279 (2020: \$1,002,300)	\$932,205

The valuation reflects 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 property. The valuation also assumes on expiry of the current lease terms the Group will be able to re-tenant the property at or above market rates. The valuation for Rangitikei Street assumes the buildings meet the minimum seismic ratings requirements and that no capital expenditure is required on earthquake strengthening. The valuation for Sheffield Crescent acknowledges the building does not meet the minimum seismic ratings requirements and impairs the value for the capital expenditure required on earthquake strengthening.

The valuations assume no future lockdowns and Covid rental rebates.

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 Property, 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 rate of 9% and 8%	The discount rate was lower/(higher) being 0.25%, the valuations would increase / (decrease) by \$207,000 and \$215,000
	Terminal yield of 8.25% and 7.25% at the end of the 10 year period	The terminal yield rate was lower/(higher) by 0.25%, the valuation would increase / (decrease) by \$202,000 and \$248,000
	Assessed market rentals of \$1,002,757 and \$820,820	The assessed market rental was higher/(lower) by 1%, the valuation would increase / (decrease) by \$129,000 and \$122,000
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 7.75% and 6.75%	The capitalisation rate in perpetuity was lower/(higher) by 0.25%, the valuation would increase / (decrease) by \$398,000 and \$422,000
	Assessed market rentals of \$1,051,279 and \$932,205	The assessed market rental was higher/(lower) by 1%, the valuation would increase / (decrease) by \$131,000 and \$122,000
Earthquake Insurance Valuation Reduction As 15 Sheffield Crescent was not able to obtain Natural Disaster insurance cover it is unlikely that it would be able to secure a first mortgage. The valuer has suggested that a discount in the value of the property is appropriate to reflect that the property does not have a first mortgage which will limit the market for potential buyers. The suggested discount lies in the range of 5% - 20% and a 15% valuation adjustment of \$1,650,000 has been taken into account.	Discount rate of 15%	The assessed discount rate was higher/(lower) by 1% the valuation would increase / (decrease) by \$110,000

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 judgemental combination of both the Capitalisation and the Discounted Cash Flow approaches.

	NOTES	2021	2020
23. Other Non-Current Assets			
Accrued Fraud Recovery		562,044	658,164
Less: Provision for Impairment of Accrued Fraud Recovery	24	(562,044)	(658,164)
Accrued Fraud Recovery - Net		-	-
Total Other Non-Current Assets		-	-

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling \$966,339.42. The misappropriated funds relate to money owed to the IRD for Dividend Withholding Tax (DWT) and Goods and Services Tax (GST) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, 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 2021 year with \$96,120 (2020: \$308,175) being 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 2021 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.

24. Impairment Allowance

Movements in the impairment allowance for accrued fraud recovery for the year ended 31 March 2021 are as follows:

	NOTES	2021	2020
Opening Impairment Allowance of Accrued Fraud Recovery			
At 1 April under IFRS 9		658,164	966,339
Restated Through Opening Retained Earnings		-	-
Opening Impairment Allowance of Accrued Fraud Recovery		658,164	966,339
Impairment Loss during the year			
Increase / (Decrease) during the year		(96,120)	(308,175)
Impairment loss during the year		(96,120)	(308,175)
At 31 March	23	562,044	658,164

	NOTES	2021	2020
25. Summary of Financial Instruments			
Financial Assets at amortised cost			
Current			
Bank & Cash		430,165	2,835,335
Trade and other receivables			
Prepayments		2,370	2,382
Trade Debtors		365	19,386
Trade Debtors - Impairment Loss		-	(1,609)
Total Trade and other receivables		2,735	20,159
Rental Rebates (Current)		12,592	-
ANZ Term Deposit		2,502,468	-
Total Current		2,947,960	2,855,494
Non-current			
Rental Rebates (Non Current)		33,284	-
Investment in associates			
FSS Management Limited		42,251	-
Total Investment in associates		42,251	-
Other Investments			
ANZ Term Deposit		-	12,000,000
Total Other Investments		-	12,000,000
Total Non-current		75,535	12,000,000
Total Financial Assets at amortised cost		3,023,495	14,855,494
Financial Liabilities at amortised cost			
Current			
Trade and Other Payables		83,571	42,480
GST Payable		21,753	8,794
Total Current		105,325	51,275
Total Financial Liabilities at amortised cost		105,325	51,275

	NOTES	2021	2020
26. Trade and Other Receivables			
Trade Receivables		365	19,386
Less: Provision for Impairment of Trade Receivables	27	-	(1,609)
Total Trade and Other Receivables		365	17,777

	Current	60+ Days	Total
Expected Loss Rate %	0%	0%	
Gross Carrying Amount	365	0	365
Loss Provision	0	0	0

27. Impairment Allowance - Trade Receivables

Movements in the impairment allowance for trade receivables for the year ended 31 March 2021 are as follows:

	NOTES	2021	2020
Opening Provision for Impairment of Trade Receivables			
At 1 April under IFRS 9		1,609	3,756
Restated Through Opening Retained Earnings		-	-
Opening provision for impairment of trade receivables		1,609	3,756
Impairment Loss during the year			
Impairment Loss Recognised in Profit or Loss	26	-	1,609
Impairment Loss Reversed in Profit or Loss		(1,609)	(3,756)
Receivable Written Off During the Year as Uncollectible		-	-
Impairment Loss during the year		(1,609)	(2,147)
At 31 March		-	1,609

28. Other Liabilities

	NOTES	2021	2020
Funds Owing to Other Parties as a Result of Fraud		-	-
Total Other Liabilities		-	-

	NOTES	2021	2020
Reconciliation of Funds Owning to Parties as a Result of Fraud			
Opening Balance		-	794,269
Funds Recognised as Owning to Parties as a Result of Fraud		-	-
Repayments Made		-	(555,054)
Amounts Written Off		-	(239,215)
Total Reconciliation of Funds Owning to Parties as a Result of Fraud		-	-

Funds Owning to Parties as a Result of Fraud

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling \$966,339.42. The misappropriated funds relate to money owing to the IRD for Dividend Withholding Tax (DWT) and Goods and Services Tax (GST) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

The liability put in place consists of the following:

- Core DWT owing to Inland Revenue of \$366,815. During the 2019 & 2020 year the full amount owed was repaid to Inland Revenue.
- Core GST owing to Inland Revenue of \$360,309. During the 2019 & 2020 year the full amount owed was repaid to Inland Revenue.
- Amounts owed to other parties for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments totaling \$239,215. 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	2021	2020
29. Issued Capital			
4,065,452 - Ordinary Shares		4,065,452	4,065,452

At Balance Date the total number of shares on issue comprises 4,065,452 shares (prior year: 4,065,452) of \$1 each authorised, issued and fully paid shares, rating equally for dividends and other distributions.

The total number of authorised shares at balance date was 4,065,452 (prior year 4,065,452) of \$1 each. At balance date all authorised shares were issued and fully paid.

	NOTES	2021	2020
30. Dividends Paid			
Cash Dividends Declared and Paid during the year			
Interim Dividend for current year		441,048	1,088,373
Final Dividend for prior year		440,226	-
Total Cash Dividends Declared and Paid during the year		881,274	1,088,373
Dividend Per Share (cents)		22	27

31. 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 Groups performance. As the Group currently does not have any bank loans, the risk associated with interest rates is considered low.

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.

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

The Group has repaid all its loans as at 31 March 2020, as such risk associated with liquidity is low due to liabilities primarily consisting of creditors only. Cashflow is managed to ensure that all creditors are met as and when they fall due.

Contractual Cash Flows (Principle and Interest)

2021	Statement of Financial Position	Total	<1 year	1-2 Years	2-5 Years	>5 Years
Trade and Other Payables	83,571	83,571	83,571			
Interest bearing Liabilities	-	-	-	-	-	-
Total Financial Liabilities	83,571	83,571	83,571			

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 Groups 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)

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 2021 and at 31 March 2020 were as follows:

	NOTES	2021	2020
Debt to Adjusted Capital Ratio			
Net Debt		-	-
Total Equity		24,129,236	23,942,099
Total Adjusted Capital		24,129,236	23,942,099
Debt to Adjusted Capital Ratio (%)		-	-

32. Related Parties

Investment Services Limited provided management services to the Group until 31 December 2020. 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 \$90,726 (2020: \$132,918) being \$80,893 for Management Fees, \$4,140 for Accountancy Fees and \$5,692.50 for Registry Fees during the year. Investment Services Limited is a current shareholder. No additional shares were purchased during the year and dividends were received as per all other shareholders.

Michael Millar is a Director of Investment Services Ltd and was a Director of First NZ Properties Ltd (resigned 12 May 2021). He is a current shareholder, no additional shares purchased during the year and received dividends as per all other shareholders.

Gillian Bishop was a Director of First NZ Properties Ltd (appointed 14 April 2020 and resigned 7 May 2020). She is not a shareholder of the Group.

Corvus Consulting Limited provided accounting and registry services to the Group until 30 April 2020. 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 \$1,190 (2020: \$24,840) in accounting and registry fees during the year.

Paul Mephan was a Director of First NZ Properties Ltd and ceased being so on 21 April 2020, he was also the Manager of Investment Services Ltd and ceased being so in April 2020. Paul is not a shareholder of the Group.

FSS Management Ltd (FSS) provided Management Services to the Group from 1 January 2021. All transactions conducted by the Group with FSS are related party transactions as the Group is a shareholder of FSS holding 45% of the shares. The Group paid FSS \$29,752 in management fees for the year, the Group also advanced \$45,000 to FSS for start-up capital and as an associate of the group the net income of FSS has been recognised as investment income by the Group in proportion to the Groups' shareholding in FSS.

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 \$20,697 (2020:\$26,535) in property management fees during this period.

Richard Eberlein is a shareholder of First NZ Properties Ltd and is an employee (Property Manager) of FSS from 15 December 2020. FSS paid wages to Richard Eberlein for the period to 31 March 2021. He is a current shareholder. No additional shares were purchased during the year and dividends were received as per all shareholders.

John Murray (Empowered Business Solutions) is an independent director of the Group, appointed on 28 September 2020. He is not a shareholder of the Group. He was paid directors fees of \$44,888 for the period. At balance date the group owed John \$1,940. All transactions between the Group and John are related party transactions. The Group entered into a deed of indemnity with John under which the Group gives certain indemnities in favour of John. As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of John and that was supported by an unregistered second ranking mortgage in favour of John. The Group and John entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for John agreeing to postpone certain rights as mortgagee. John is also a director of FSS, which is partially owned by the Group. The Group and FSS entered into a management agreement under which FSS provides certain management services to the Group. The Group and FSS are also parties to a shareholders' agreement in respect of FSS.

Damien Prendergast is a director of the Group appointed 7 May 2020. All transactions conducted by the Group with Damien Prendergast are related party transactions. The Group paid Damien Prendergast directors fees of \$12,375 during the year. At balance date the group owed Damien \$5,625. He is a current shareholder through his company A&J Enterprises (2006) Ltd, no additional shares were purchased during the year and received dividends as per all shareholders. The Group entered into a deed of indemnity with Damien under which the Group gives certain indemnities in favour of Damien. As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of Damien and that was supported by an unregistered second ranking mortgage in favour of Damien. The Group and Damien entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for Damien agreeing to postpone certain rights as mortgagee. Damien is also a director of FSS, which is partially owned by the Group. The Group and FSS entered into a management agreement under which FSS provides certain management services to the Group. The Group and FSS are also parties to a shareholders' agreement in respect of FSS.

Craig Dennis was a director of the Group from 7 May 2020 until 28 September 2020. All transactions conducted by the Group with Craig Dennis are related party transactions. The Group paid Craig Dennis directors fees of \$5,470 during the year. The Group entered into a deed of indemnity with Craig under which the Group gives certain indemnities in favour of Craig. As the Group was unable to obtain a renewal of its Directors' and Officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of Craig and that was supported by an unregistered second ranking mortgage in favour of Craig. The Group and Craig entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for Craig agreeing to postpone certain rights as mortgagee.

Paul Rosanowski is an employee of FSS (Project Manager). FSS paid wages to Paul Rosanowski for the period to 31 March 2021. All transactions conducted by the Group with Paul Rosanowski are related party transactions. He is not a shareholder of the Group.

Kathryn Brownlie is an employee of Investment Services Ltd and FSS. FSS paid wages to Kathryn Brownlie for the period to 31 March 2021. All transactions conducted by the Group with Kathryn Brownlie are related party transactions. She is a current shareholder. No additional shares were purchased during the year and dividends were received as per all shareholders.

David Penrose was a Director of First NZ Properties Ltd and CEO of Investment Services Ltd. He resigned as a Director on 28 September 2020 and stood down as CEO of Investment Services Ltd on 15 December 2020. All transactions conducted by the Group with David Penrose are related party transactions. He is a Director of Penrose Property Management Ltd who were contracted to Investment Services Ltd to manage the operations of The Group. There were no financial benefits during the year. He is a current shareholder via his wife Tracey Penrose's holdings. They did not purchase any additional shares during the year and dividends were received as per all shareholders.

At balance date the following investments, both direct and indirect, were held by the Directors and the Managers:

Michael Millar(resigned 12 May 2020)	61,178 Shares
Damien Prendergast (appointed 7 May 2020)	217,385 Shares
Richard Eberlein	46,290 Shares
Kathryn Brownlie	21,880 Shares
Investment Services Limited	280,997 Shares
Tracey Penrose	26,981 Shares

33. Group Information and Investment in Subsidiaries

The consolidated financial statements of the Group include:

Name	Principle Activity
Parent	
First NZ Properties Limited	Property investment and management
Subsidiaries	
Sheffield Crescent Property Limited	Property investment
Symonds110 Limited	Property investment
Associates	
FSS Management Limited	Business management services

All group members are incorporated in New Zealand.

The ultimate controlling entity and parent company of the Group is First NZ 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.

FSS Management Limited is an Associate of First NZ Properties Limited, First NZ Properties Limited holds a 45% shareholding in FSS Management Limited.

	NOTES	2021	2020
Investments in Subsidiaries & Associates - Shareholding (%)			
Sheffield Crescent Property Limited		100	100
Symonds110 Limited		100	100
FSS Management Limited		45	-

Investment in Associate - FSS Management Limited

The Group has a 45% interest in FSS Management Limited, which is involved in the business management of commercial property investment companies. FSS Management Limited is a private entity that is not listed on any public exchange. The Group's interest in FSS Management Limited is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Groups investment in FSS Management Limited:

	NOTES	2021	2020
Summarised Financial Information (Statement of Financial Position) - FSS Management Limited			
Statement of Financial Position			
Current Assets		107,244	-
Non-Current Assets		6,484	-
Current Liabilities		(19,836)	-
Non-Current Liabilities		-	-
Equity		93,892	-

	NOTES	2021	2020
Group's Carrying Amount of Investment			
Group's Share in Equity - 45%		42,251	-
Goodwill		-	-
Group's Carrying Amount of Investment		42,251	-

	NOTES	2021	2020
Summarised Financial Information (Statement of Profit or Loss) - FSS Management Limited			
Statement of Profit or Loss			
Revenue From Contracts With Customers		61,312	-
Operational Costs		(39,805)	-
Administrative Expenses		(27,615)	-
Profit / (Loss) Before Tax		(6,108)	-
Profit for the Year (Continuing Operations)		(6,108)	-
Total Comprehensive Income for the Year (Continuing Operations)		(6,108)	-
Group's Share of Profit / (Loss) for the Year		(2,749)	-

The associate had non contingent liabilities or capital commitments as at 31 March 2021.

34. Contingent Assets and Contingent Liabilities

Symonds110 Ltd along with Michael Millar and Paul Mephan, have been put on notice of claim by the purchasers of the building at 110 Symonds Street. The claim is in relation to the aluminum composite cladding (ACP cladding). The purchaser alleges that the ACP cladding has caused the loss of a tenant, and that the cladding will need to be replaced. The claim is that by failing to disclose the existence of a letter from the Auckland City Council regarding the ACP cladding there has been a breach of the warranties in the agreement for sale and purchase.

The allegations are not accepted and any litigation would be defended, both in terms of liability but also the quantum of the claim (and the need to replace the ACP cladding). No proceedings have been issued by the purchasers.
(Last Year: \$Nil)

The Group entered into a deed of indemnity with John Murray, Damien Prendergast & Craig Dennis under which the Group gives certain indemnities in favour of John, Damien & Craig. As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of John, Damien & Craig and that was supported by an unregistered second ranking mortgage in favour of John, Damien & Craig. The Group, John, Damien & Craig entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for John, Damien & Craig agreeing to postpone certain rights as mortgagee.

35. Capital Commitments

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

36. Subsequent Events

The Directors resolved in April 2021 to declare a gross dividend to shareholders of 10 cents per share.

	NOTES	2021	2020
37. 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		1,068,410	(1,717,279)
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		4,065,452	4,065,452
Basic and diluted earnings per share (cents)		26	(42)
	NOTES	2021	2020

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

Net Profit / (Loss) After Tax		1,068,410	(1,717,279)
Changes in Assets and Liabilities			
(Increase) / Decrease in Accounts Receivable		17,424	373,519
Increase / (Decrease) in Accounts Payable		41,091	(106,210)
(Increase) / Decrease in Property Valuations		(70,219)	2,870,000
Increase / (Decrease) in GST Payable		12,959	(45,488)
(Increase) / Decrease in Income Tax		(83,185)	83,193
Increase / (Decrease) in Impairment Allowance		(96,120)	(308,175)
(Profit) / Loss in Investment Income of Associates		2,749	-
(Increase) / Decrease in Rent Rebates to be Amortised Over Remaining Lease Periods		(45,876)	-
Amortisation of lease Incentive		-	36,610
IRD Penalties and Interest Paid Classified as Financing Activities		-	(34,686)
Gain on Disposal of Investment Property		-	(492,182)
Non-current Liabilities Written Off		-	(239,215)
Total Changes in Assets and Liabilities		(221,177)	2,137,365
Net Cash Inflow / (Outflow) from Operating Activities		847,233	420,086

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of First NZ Properties Limited

Opinion

We have audited the consolidated financial statements of First NZ Properties Limited (the Company) and its controlled entities (the Group) on pages 7 to 41, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, First NZ 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 Property – Notes 19 to 22	
<p>The Group's Investment Properties were valued at \$21,330,000 (2020: \$9,340,000) which represented 87% of the total assets at 31 March 2021. A revaluation surplus of \$70,219 was recognised in the consolidated statement of profit or loss and other comprehensive income (2020: \$2,870,000 loss)</p> <p>We have included the valuation of the investment property as a key audit matter due to:</p> <ul style="list-style-type: none"> ▪ The significance to the financial statements: the Investment Properties account for 87% of the total assets of the group (2020: 38%), 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; ▪ The valuation on 15 Sheffield Crescent has been reduced by a further margin due to the fact that Natural Disaster Insurance is not able to provided over the property; 	<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 valuation reports for considerations of the impact of COVID-19 including any continued 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 19 to 22 to the financial statements, which set out the key judgements and estimates.

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 Report of the Directors to the Shareholders, Directory and Directors' Interests Register on pages 3 to 6 and 47 to 51, 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 Group 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 Group's Shareholders, as a body. Our audit has been undertaken so that we might state to the Group'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 Group and the Group'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 blue ink that reads "Crowe".

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Nelson this 13th day of August 2021

Directory

First NZ Properties Limited For the year ended 31 March 2021

Nature of Business

Commercial Property Investment

Registered Office

197 Bridge Street
Nelson 7010

Date of Incorporation

23 August 1995

Incorporation Number

656559

New Zealand Business Number

9429038569333

IRD Number

065-072-920

Directors

John Murray (Appointed 28 September 2020)
Damien Prendergast (Appointed 7 May 2020)
Craig Dennis (Appointed 7 May 2020)(Resigned 28 September 2020)
David Penrose (Appointed 5 May 2020)(Resigned 28 September 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
127 Cashel Street
Christchurch 8011

Solicitors

Duncan Cotterill
197 Bridge Street
Nelson 7010

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

FSS Management Limited
Unit 1, 126 Tahunanui Drive
Tahunanui
Nelson 7011

Share Register, Secondary Market

Investment Services Limited
L1, 3/237 Queen Street
P O Box 3637
Richmond
Nelson 7050
Phone (03) 544 2005
Fax (03) 544 2300

Directors' Interests Register

Full name of director	Nature of interest	Value/extent of interest	Date disclosed
Damien Prendergast	Damien in his personal capacity entered into a deed of access, indemnity and insurance with the Company.	The deed of indemnity indemnifies Damien against any liability incurred by Damien as an officer of the Company other than liability to the Company or a related body corporate, liability arising out of conduct involving lack of good faith or if the indemnity is prohibited by statutory provision. The deed also grants Damien access to documents and information relating to the Company.	6 May 2020
Craig Dennis	Craig in his personal capacity entered into a deed of access, indemnity and insurance with the Company.	The deed of indemnity indemnifies Craig against any liability incurred by Craig as an officer of the Company other than liability to the Company or a related body corporate, liability arising out of conduct involving lack of good faith or if the indemnity is prohibited by statutory provision. The deed also grants Craig access to documents and information relating to the Company.	6 May 2020
Damien Prendergast	Damien appointed as a director of the Company.	Three year appointment at a fixed fee \$9,000 per year.	7 May 2020
Craig Dennis	Craig appointed as a director of the Company.	Three year appointment at a fixed fee \$13,500 per year.	7 May 2020
Damien Prendergast	Damien is a director and shareholder of A & J Enterprises 2006 Limited. A & J Enterprises Limited is a shareholder of the Company. Damien will receive dividends from the Company from time to time through A & J Enterprises Limited.	Such dividends will be proportionate to A & J Enterprises 2006 Limited's shareholding in the Company.	July 2020 (ongoing)
John Murray (Empowered Business Solutions)	John appointed as a director of the Company under a letter of appointment.	Three-year appointment for a fee of \$20,250 per year, for up to 81 hours per year and any hours undertaken over 81 to be charged at \$250.00 per hour.	28 September 2020
John Murray	John in his personal capacity entered into a deed of indemnity and access with the Company.	The deed of indemnity indemnifies John to the maximum extent permitted by section 162 of the Companies Act 1993 (the Act) and allows John access to company documents.	28 September 2020
Damien Prendergast	Damien in his personal capacity entered into a	The deed of indemnity indemnifies Damien to the	28 September 2020

Full name of director	Nature of interest	Value/extent of interest	Date disclosed
	deed of indemnity and access with the Company.	maximum extent permitted by section 162 of the Act and allows Damien access to company documents.	
Damien Prendergast	Damien re-appointed as a director of the Company.	Three year appointment at a fixed fee \$13,500 per year.	7 October 2020
John Murray	John in his personal capacity entered into deeds of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned subsidiaries of the Company). John is also a director of Symonds 110 Limited and Sheffield Crescent Properties Limited.	The Company has granted a mortgage over property held by it (through its wholly owned subsidiaries) in favour of John to secure the Company's obligations to John under the deed of indemnity entered into by John and the Company.	15 December 2020
Craig Dennis	Craig in his personal capacity entered into deeds of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned subsidiaries of the Company).	The Company has granted a mortgage over properties held by it (through its wholly owned subsidiaries) in favour of Craig to secure the Company's obligations to Craig under the deed of indemnity entered into by Craig and the Company.	15 December 2020
Damien Prendergast	Damien in his personal capacity entered into deed of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned subsidiaries of the Company). Damien is also a director of Symonds 110 Limited and Sheffield Crescent Properties Limited.	The Company has granted a mortgage over property held by it (through its wholly owned subsidiaries) in favour of Damien to secure the Company's obligations to Damien under the deed of indemnity entered into by Damien and the Company.	15 December 2020
John Murray	The Company entered into a shareholders' agreement with Superstore Properties Limited, Springs Road Property Limited and FSS Management Limited. John is a director of each of these companies.	The shareholders' agreement sets out the terms on which the Company, Superstore Properties Limited and Springs Road Property Limited will hold shares in FSS Management Limited.	17 December 2020
Damien Prendergast	The Company entered into a shareholders' agreement with Superstore Properties Limited, Springs Road Property Limited and FSS Management Limited.	The shareholders' agreement sets out the terms on which the Company, Superstore Properties Limited and Springs Road Property Limited will hold shares in FSS Management Limited.	17 December 2020

Full name of director	Nature of interest	Value/extent of interest	Date disclosed
	Damien is a director of each of these companies.		
John Murray	The Company entered into a management agreement with FSS Management Limited (FSS) pursuant to which FSS will provide management services to the Company. John is a director of FSS.	<p>The Company will pay the following Fees to FSS:</p> <ul style="list-style-type: none"> • 9% of net rental from the properties per annum plus GST; • for matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$120 per hour; • FSS may at its discretion provide a rebate to the Company. 	31 March 2021
Damien Prendergast	The Company entered into a management agreement with FSS pursuant to which FSS will provide management services to the Company. Damien is a director of FSS.	<p>The Company will pay the following Fees to FSS:</p> <ul style="list-style-type: none"> • 9% of net rental from the properties per annum plus GST; • for matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$120 per hour; <p>FSS may at its discretion provide a rebate to the Company.</p>	31 March 2021