

5th May 2020

To Shareholders,

Changes at Investment Services Ltd

Thank you for your positive feedback following our letter of the 24th April 2020.

At the 2019 AGMs, shareholders requested several changes in the way ISL and the property companies are structured and operate. I now update you to progress on this.

The resignation of Paul Mephan as CEO has provided the opportunity to review the management arrangements. I am pleased to advise you that ISL has delegated certain of its functions under the management agreements it has with the property companies to Penrose Property Management Ltd (PPM). PPM will provide CEO services for Investment Services Ltd and undertake the management of the property companies. The principal of Penrose Property Management is David Penrose. David is well known to us, he previously worked for ISL as the Commercial Property Manager from 2003 to 2010 and then went onto establish his own Nelson-based property management company. David has specialised in managing syndicated and multi-tenant properties for twenty-five years, he holds a Property Management degree, is a Registered Property Manager, Licensed Real Estate Agent, and a long-time member of the Institute of Directors having sat on the local committee. PPM now manages a commercial property portfolio with 35 sites throughout New Zealand, with a combined value of \$72m.

David and his wife Tracey are shareholders, with ISL and Neil Barnes, in a property which has undertaken the development of residential land in the Tasman region. Like myself, David and his wife were unaware that, over a long period of time, Neil Barnes had been defrauding ISL and the property companies. David fully supports the efforts ISL has made, and will continue to make, to recover from Mr Barnes the funds he misappropriated.

Penrose Property Management Ltd would, subject to shareholders' approval, be prepared to take an assignment of the management agreements ISL currently has with the property companies. Such an assignment needs to be approved by way of an ordinary resolution at the Annual General Meeting of the property companies. The approval sought will be to transfer the rights and responsibilities of ISL to Penrose Property Management Ltd.

As part of this restructure both Gillian Bishop and I have resigned as directors of all three property companies as at the date of this letter. These resignations have resulted in the appointment of a new board that has been designed to have independence along with representing the shareholder and management interests, to move the companies forward.

The new directors are:

Craig Dennis as Chairman, Craig is currently the Deputy Chair of the Nelson District Health Board and holds other governance and board advisory roles. Craig is a Chartered Accountant and has spent much of his career in corporate finance and general management. Craig holds no shares in any of the three property companies.

Damien Prendergast has been appointed Director to the three property companies as a shareholder representative. Damien is a long time shareholder and has taken a hands-on approach to his investments over the years. Damien has the experience of previously operating his own finance business and will bring a balanced shareholder view to the boards.

David Penrose, as outlined above, brings a vast knowledge of property issues and the successful operation of multiple syndicated properties and together with the technical knowledge to operate a complex property portfolio. David's wife Tracey Penrose holds shares in Springs Road Property Ltd and First NZ Properties Ltd.

The intention is to appoint a fourth independent director. We continue to work through this selection process and will advise you when that person is appointed.

All three directors have agreed to stand until the next AGM later this year, then put their names forward to be selected for an initial three-year term as your board.

These board appointments will ensure the independence and balance that is necessary for a significant portfolio of properties. The new board will provide regular reporting to the investors via the manager once they have had a chance to settle into their roles.

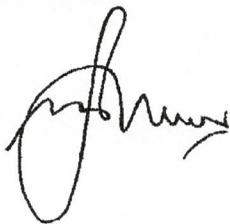
I am confident that the appointed directors will work in the companies' best interests to further develop and improve the property portfolios over the next few years.

I would like to acknowledge the support from Richard Eberlein and Kathryn Brownlie who continue in their existing roles for Investment Services Ltd.

I would like to thank each and every shareholder for your support over the years, especially over the recent 18 months which have been a difficult time for the companies.

I hope you are all well.

Kind regards

A handwritten signature in black ink, appearing to read 'Michael Millar', with a large, stylized initial 'M'.

Michael Millar
Managing Director
Investment Services Ltd