



FIRST NZ PROPERTIES LTD

FSS MANAGEMENT

This Management Report ("Report") provides key information about First NZ Properties Ltd.

24 February 2022

Dear Shareholder

Partial settlement of High Court Proceedings – ISL, Millar and Mephan

High Court Proceedings – Investment Services Ltd, M Millar and P Mephan

The directors of First NZ announce to shareholders [and the market] that a partial settlement of aspects of the High Court proceedings against Michael Millar, Investment Services Limited and Paul Mephan, has been reached. The settlement reached is on a without admission of liability basis.

The two aspects of the claim that are now fully and finally resolved are firstly relating to the fraud committed by Mr Neil Barnes (the **Barnes Fraud**), and secondly in relation to the alleged mismanagement of First NZ's imputation credit account.

As part of the settlement:

- Investment Services Ltd will make payment of **\$850,667.74** to First NZ Properties Limited, being:
 - **\$555,947.29** in settlement of the unrecovered balance of the Barnes Fraud, which is the outstanding balance less the Nov 2021 dividend payment withheld in an amount of \$6,096.00 (2021 annual account fraud balance is \$562,043 - \$6,096 = \$555,947); and
 - **\$291,874.45** in settlement of the penalties and interest First NZ paid to the IRD as a result of First NZ having negative imputation credit balances at times when dividends were paid by First NZ;
 - **\$2,846.00** (inc GST) in settlement of the claim for interest and costs;
- First NZ assigns any rights of recovery in respect of the unrecovered balance of the Barnes Fraud to ISL.

The directors are pleased to have secured full recovery of the amounts it sought in its pleaded claims through this partial settlement, and particularly where First NZ was the victim of losses suffered through the Barnes Fraud.

First NZ's other pleaded claims against the defendants (including relating to undisclosed payments made to ISL and for fees paid to ISL on the sale of property owned by First NZ) are being amended, and the proceedings will continue to progress through the High Court.

Yours faithfully

John Murray

Chair

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