

FIRST NZ PROPERTIES LIMITED



This management report ("Report") provides key information about First NZ Properties Limited. This report covers the period between 01 January 2022 to 31 March 2022.

Fourth Quarter, FY 2021/2022

9 May 2022

Dear Shareholder

FIRST NZ PROPERTIES LIMITED (COMPANY) - SHAREHOLDER UPDATE

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

In December 2020 proceedings were issued in the High Court (Nelson registry) against Michael Millar, Investment Services Limited and Paul Mephan. A mediation using Nicolas Till QC as mediator took place on 24 November 2021. Subsequently discussions between the respective legal representatives took place regarding the settlement of the fraud aspect of the claim and the assignment of rights of recovery against Neil Barnes. By an agreement dated 21 February 2022 settlement was reached with the payment of \$850,667.74. An amended statement of claim has been filed in the High Court and defences to that claim have been filed. A case management conference with the Court was to occur on 26 April however all parties agreed to joint memorandum regarding the ongoing conduct of the case and therefore this was not required. A trial commencing on 1 May 2023 for a period of 10 days has been allocated. A process is now underway to finalise the expert accounting evidence ahead of an agreed consultation process with the expert for Michael Millar, Investment Services Limited and Paul Mephan. It is also likely that there will be a dispute regarding the adequacy of the defences filed by Michael Millar, Investment Services Limited and Paul Mephan.

Unsolicited Follow on Offer - CNP Investment Holdings LP (CNP)

An unsolicited follow on offer for shares at a price of \$4.61 per share was made to shareholders of the Company by CNP. The date of the offer was 5 February 2022 with an expiry date of 9 March 2022. Following the expiry of this unsolicited offer CNP (and its associates) now hold 67.68% of the shares in the Company.

High Court proceedings – Symonds 110 Limited

Symonds110 Limited along with Michael Millar and Paul Mephan have had a claim in the High Court in Auckland issued against them. The claim is in relation to the aluminium composite cladding (**ACP**) which the purchaser of the building alleges has caused the loss of a tenant and that the ACP will need to be replaced. A statement of defence has been filed denying any liability whatsoever. The Company is in the process of meeting its discovery obligations. There will be a review of the matter by the High Court on 8 June 2022. It is not expected that there will be any hearing on the substantive claim until 2023.

The Company's Investment Properties

15 Sheffield Crescent Christchurch



FSS Management Ltd, 126 Tahunanui Drive, Nelson 7011, Ph 03 539 6000
www.fssmanagement.co.nz,

Current Tenancy

NZ Yarn Limited

The price for the project to bring the property above 67% NBS has been received and the Directors are in discussions with the tenant. The tenant has completed improvements that were required to the sprinkler system by insurers and is awaiting sign off so that the Building Warrant of Fitness can be completed.

- Full rent continues to be paid along with all recharges.
- Ten-year term expiring 21 November 2024 with four rights of renewal of three years each.

234 Rangitikei Street Palmerston North

Roofing contractors are still looking into the small leaks affecting all tenants and it has been hard to see progress on this whilst so many contractors have been impacted by Covid.

Current Tenancies

Harvey Norman

- Five-year term expiring 27 October 2026 with one right of renewal of five years.
- Full rent and service charges continue to be paid.

Bed, Bath & Beyond

- Expiring 1 December 2026 with two rights of renewal of five years each.

Price Busters

- Six-year term expiring 6 April 2027 with one right of renewal of six years.
- The tenant has inquired about improving the premises by installing AC heating/cooling. Quote for the work is being obtained.

Unaudited Financial Report at 31 March 2022

This is an unaudited update of the Company's 12-month financial information.

This information is directly from our Xero system as at 31 March 2022. It is expected that there will be changes to these numbers following an update to the year-end accounts. These are preliminary and for your information only. Confirmed numbers will be available following the audit by BDO Christchurch.

Financial information summary	2022 (1 Apr to 31 March 2022)	2021 (1 Apr to 31 March 2021 for comparison)
Total rental income	\$ 1,905,749	\$ 1,844,270
Net profit before tax (NPBT)	\$ 1,727,714	\$ 1,402,445
Ending equity	\$ 25,213,182	\$ 24,129,236

These figures have not yet been audited.

Dividend – No dividend payment in May

The dividend policy of the Company is to distribute to its shareholders a part dividend in May and then a final dividend in November, after the finalisation of the annual accounts. The dividend payout is subject to the directors of the Company having considered several financial issues including imputation credits being available to fully impute the proposed dividend amount.

In recent years significant tax has been prepaid to fund the imputation credits attached to dividends. This is a temporary measure and it has allowed previous dividend payments to be imputed. As there are no imputation credits available, the Directors have resolved not to continue to prepay tax and, as a result, no dividend will be paid in May. Once the Company has sufficient imputation credits available dividend payments may resume subject to the other requirements of the dividend policy.

Investment Property

The Directors continually review property options which may be of benefit to the Company. This includes the sale or purchase of properties. Any transaction would be subject to the Directors belief that it would be in the best interests of the Company and, if it was deemed a major transaction, a special resolution of the shareholders of the Company would be required.



Managing your shares on Syndex

Shareholders can now log onto Syndex and view their shareholdings, last sale prices, and buy and sell shares. You should have received an invitation to go onto the Syndex website and complete your set up. If you haven't completed your set up yet we can help you through the process. Let us know if you need this invitation resent so you can get started. You will need your current driver's licence or passport so that your identity can be verified. This is a legal requirement to comply with anti-money laundering legislation. Alternatively, you can send us copies of your current driver's licence or passport by post or email, along with a copy of a document which shows your address (such as a power bill) and we can complete the verification process on your behalf.

If you need any assistance, please contact us on info@fssmanagement.co.nz

Yours faithfully

John Murray

Chair

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