Annual Report

Springs Road Property Limited
For the year ended 31 March 2022

Contents

Report of the Directors to the Shareholders

The Directors of Springs Road Property Limited are pleased to present the 2022 Operating Results and Annual Report for the 12 months ended 31 March 2022.

Activities
The Company is involved in the Commercial Property rental business.

Market Commentary and Management report
In a world still consolidating after the last two Covid-impacted years, the immediate outlook for economic growth looks fragile. Combine the increasing official cash rate and cost of debt, rising inflation, the emigration of skilled resources, supply chain disruption and the current geopolitical instability, and we have a melting pot producing many potential difficulties.This may present opportunities to the Company when the economy eventually rebounds and confidence builds.

Counties Manukau District Health Board continues to occupy levels 2 and 3 and the basement storage through until April 2024.

Following the loss of Skill NZ, half of the ground floor unit remains unoccupied despite ongoing efforts by a number of agents. This is our only vacant area now.

Kingslea School have renewed their lease of the other half of the ground floor for one year to the end of 2022 paying full market rent and opex.
Café Concepts continue with their lease of the rear annexe, but on differing terms. Due to their growth forecasts they have only renewed for 3 years through until February 2025. However, their rent and opex contribution increased alongside an increased number of parking spaces.

Following their success in winning a security contract, Armourguard have recently leased the first floor office space in its current condition, but only for one year to March 2023. They have two one-year rights of renewal.

Building consent for the structural improvements to achieve a minimum 67% NBS rating has now been received but required significant additional improvements to achieve updated fire escape and accessibility compliance. The adjusted cost of all works has now increased to just under $900,000. The directors will consider the longevity of the property in its current form as the quantum of the improvement expenditure alongside increasing maintenance costs continues.

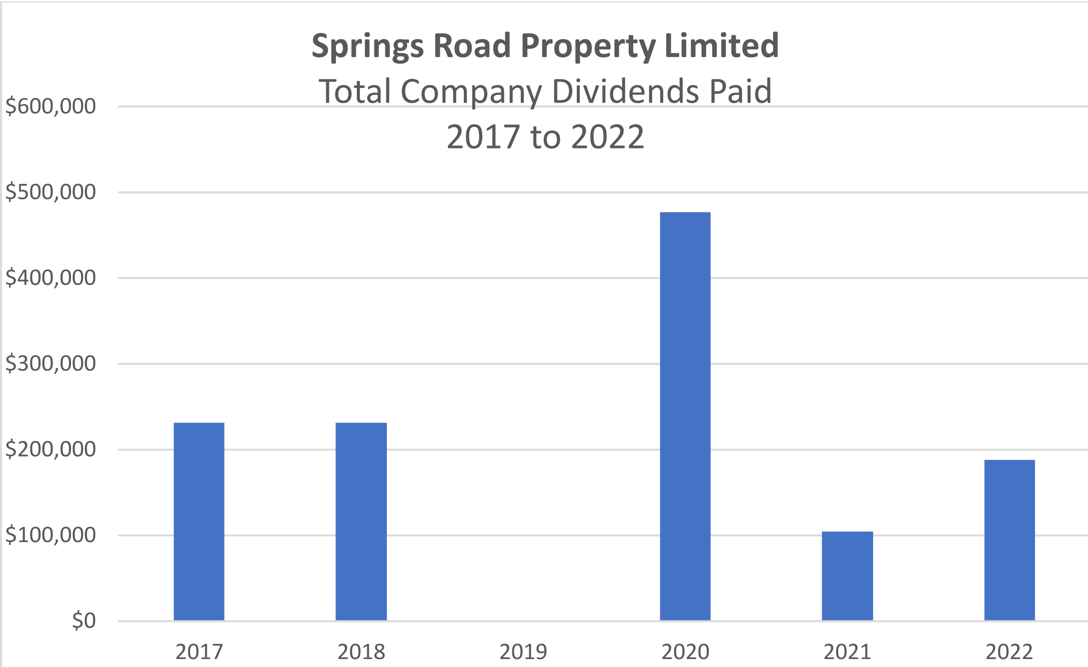
Financial Information
The Company's Gross Rental Income this year was $790,171 (2021 $715,719).

The net profit after tax was $812,396 (2021 $471,526). This year there was Fair Value Gain on Investment Property of $800,510 (2021 $300,998).

Also part of the increase in profit is related to the High Court proceedings against Michael Millar, Investment Services Limited and Paul Mephan. Following mediation and subsequent discussions an agreement was reached.

A partial settlement agreement for the outstanding fraud portion of the claims dated 21 February 2022 was signed. A payment of $162,500 was made by Investment Services Ltd along with an assignment of rights to Michael Millar and Investment Services Ltd for rights of recovery against Neil Barnes.

- The settlement of **$162,500** being:
    - **$161,682** in settlement of the unrecovered balance of the Barnes Fraud; and
    - **$818** (inc GST) in settlement of the claim for interest and costs;



Dividends
$187,634 was paid in Dividends for the period ended 31 March 2022 (2021 $104,072).

Earnings Per Share
The earnings per share this year is 37 cents (2021 16 cents).

Investment Property
The investment property is valued at $9.3 million (2021 $8.0m) which includes a provision this year of $887,502 (2021 $450,000) for the additional seismic strengthening work.

Directors
The following Directors held office during the year ended 31 March 2022.

John Murray	(Appointed 28 September 2020)
Damien Prendergast	(Appointed 7 May 2020)

Remuneration of Directors
Directors' remuneration paid during the year ended 31 March 2022 totalled $30,772 (2021 $19,640). There were no other benefits received.

Remuneration of employees
No employees' remuneration exceeded $100,000**.**

Auditors
BDO Christchurch was appointed as the Company's auditors at the 2021 AGM. Audit Services remuneration $19,000

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

Review of the Year:

April 2021
- Interim dividend declared. 3 cents gross dividend which is fully imputed.

May 2021
- Interim dividend paid to shareholders. 3 cents gross dividend which is fully imputed.

June 2021
- Investment Services Ltd ends its role for Share Registry services.

July 2021
- Share Registry role contracted to Syndex.

August 2021
- All New Zealand moves to Covid Alert Level 4.

September 2021
- New Zealand (except Auckland) moves to Covid Alert Level 2.
- Auckland remains at Covid Alert Level 4.
- High Court discovery documents exchanged between parties. (Springs Road Property Ltd, Investment Services Ltd, Mr Millar and Mr Mephan).
- Group AGM in Dunedin.

October 2021
- Dividend declared. 6 cents gross dividend which is fully imputed.

November 2021
- Auckland remains at Step 1 of Covid Alert Level 3.
- The rest of New Zealand remains at Covid Alert Level 2.

- Dividend paid to shareholders. 6 cents gross dividend which is fully imputed.
- Mediation with the defendants. (Investments Services Ltd, Mr Millar and Mr Mephan's representative).

January 2022

- On 23 January 2022, the Government moved New Zealand into the red traffic light setting in response to recent community transmissions of the Omicron variant.

February 2022

- Partial settlement of High Court proceedings. $162,500 paid to the Company by, Investment Services Ltd on behalf of the Investments Services Ltd, Mr Millar and Mr Mephan.
- Unsolicited share offer from CNP Investment Holdings LP (CNP). $1.30 per share. Expires March.

March 2022

- Armourguard agree to lease the complete 1st floor of the property.
- CNP Investment Holdings LP unsolicited offer closed with CNP owning 704,000 shares (24.36%).

For, and on behalf of, the Board

John Murray
Chair

Damien Prendergast
Director

26 July 2022

Statement of Profit or Loss and Other Comprehensive Income

Springs Road Property Limited
For the year ended 31 March 2022

	NOTES	2022	2021
Income			
Gross Rental Income	7	532,634	494,940
Service Charge Income Recovered from Tenants	7	257,536	220,612
Total Income		**790,171**	**715,552**
Operating Income and (Expenses)			
Other Operating Income	8	711	167
Administrative Expenses	9	(222,226)	(153,633)
Other Operating Expenses	10	(333,825)	(303,616)
Impairment Reversal of Non-Current Assets	23	161,682	27,650
Total Operating Income and (Expenses)		**(393,657)**	**(429,432)**
Operating Profit		**396,514**	**286,120**
Financial Income and (Expenses)			
Finance Costs	11	(68,721)	(60,827)
Finance Income	12	541	457
Share of loss of associates	13	(230)	(855)
Total Financial Income and (Expenses)		**(68,410)**	**(61,225)**
Profit Before Other (Expenses)/Income and Tax		**328,103**	**224,894**
Other (Expenses)/Income			
Fair Value Gain on Investment Property	18	800,510	300,998
Total Other (Expenses)/Income		**800,510**	**300,998**
Profit Before Tax		**1,128,613**	**525,893**
Income Tax Expense			
Tax Provision	14	(58,681)	(54,366)
Profit for the Year Attributable to Shareholders		**1,069,932**	**471,526**
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year Attributable to Shareholders		**1,069,932**	**471,526**

	NOTES	2022	2021
Earnings per share			
Basic and diluted earnings per share (cents)	35	37	16

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

BDO Christchurch

Statement of Changes in Equity

Springs Road Property Limited
For the year ended 31 March 2022

	NOTES	2022	2021
Equity			
Issued Capital			
Opening Balance		2,890,000	2,890,000
Closing Balance		**2,890,000**	**2,890,000**
Retained Earnings			
Opening Balance		2,353,055	1,985,601
Increases			
Profit for the Period		1,069,932	471,526
Total Increases		**1,069,932**	**471,526**
Decreases			
Dividends Paid	28	187,634	104,072
Total Decreases		**187,634**	**104,072**
Closing Balance		**3,235,354**	**2,353,055**
Total Equity		**6,125,354**	**5,243,055**

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

BDO Christchurch

Statement of Financial Position

Springs Road Property Limited
As at 31 March 2022

	NOTES	31 MAR 2022	31 MAR 2021
Assets			
Current Assets			
Cash and Bank	17	353,298	296,601
Trade and Other Receivables	24	8,446	12,943
GST Receivable		4,304	1,208
Income Tax Receivable	14	59,056	15,404
Other Current Assets	24	-	3,451
Total Current Assets		**425,105**	**329,607**
Non-Current Assets			
Investment Property	18	9,300,000	8,000,000
Investments in Associates	31	12,915	13,145
Total Non-Current Assets		**9,312,915**	**8,013,145**
Total Assets		**9,738,019**	**8,342,752**
Liabilities			
Current Liabilities			
Trade and Other Payables	24	174,101	110,798
Provisions	26	887,502	450,000
Loans	24	-	1,925,000
Total Current Liabilities		**1,061,602**	**2,485,798**
Non-Current Liabilities			
Loans	24	1,925,000	-
Deferred Tax Liability	15	626,064	613,898
Total Non-Current Liabilities		**2,551,064**	**613,898**
Total Liabilities		**3,612,666**	**3,099,697**
Net Assets		**6,125,354**	**5,243,055**
Equity			
Share Capital	27	2,890,000	2,890,000
Retained Earnings		3,235,354	2,353,055
Total Equity		**6,125,354**	**5,243,055**

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

BDO Christchurch

Statement of Cash Flows

Springs Road Property Limited
For the year ended 31 March 2022

	NOTES	2022	2021
Operating Activities			
Receipts from Customers		769,302	753,761
Payments to Suppliers		(472,887)	(441,255)
Dividend Income		416	411
Interest Income		125	45
Finance Costs		(67,491)	(61,284)
Income Tax Paid		(90,168)	(30,844)
Net GST Received / (Paid)		5,675	(531)
Fraud Recovery		161,682	27,650
Net Cash Flows from Operating Activities	36	**306,654**	**247,953**
Investing Activities			
Payment for investments		-	(14,000)
Payment for investment properties		(61,989)	(59,002)
Net Cash Flows from Investing Activities		**(61,989)**	**(73,002)**
Financing Activities			
Repayment of Long-term Loans	37	-	(12,500)
Dividends Paid		(187,969)	(104,072)
Net Cash Flows from Financing Activities		**(187,969)**	**(116,572)**
Net Cash Flows		**56,697**	**58,380**
Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period		296,601	238,222
Cash and Cash Equivalents at End of Period	17	353,298	296,601
Net Change in Cash for Period		**56,697**	**58,380**

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

BDO Christchurch

Notes to the Financial Statements

Springs Road Property Limited
For the year ended 31 March 2022

1. Reporting Entity

These financial statements of Springs Road Property Limited ("the Company") and the Company's equity accounted interest in associates for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2022.

Springs Road Property 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 Investment Property.

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 Company is a Tier 1 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 Investment properties which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Presentation Currency

The financial statements are presented in New Zealand Dollars (NZD), which is the Company'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 2022.

Comparatives

The comparative financial period is twelve months.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these financial statements are summarised below:

Interests in Equity-Accounted Investees

The Company’s interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company’s share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

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 recognised on 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 Company's operating expenses. These are recoveries of expenses incurred by the company 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 Company 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 Company meets its performance obligations for the services provided. The service charges recovered are based on what is specified in the tenants leases and the costs on the associated outgoings . The Company 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 Company 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 Company 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 7 for further consideration)

Interest

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Finance costs recorded in the profit or loss comprise the interest expenses charged on borrowings.

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.

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 reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

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. The Investment properties are not depreciated for accounting purposes however depreciation is claimed for taxation purposes.

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.

Financial Instruments

Financial Assets

The Company classifies its financial assets at amortised cost as stated below.

The Company's accounting policy for the clasification is as follows:

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 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 Company's financial assets measured at amortised cost comprise trade and other receivables, accrued fraud recovery and cash and cash equivalents in the 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.

Financial Liabilities

The Company classifies its financial liabilities at amortised cost as stated below.

The Company's accounting policy for this clasification is as follows:

Amortised cost

Financial liabilities at amortised cost include the following items:

Bank borrowings are initially recognised at fair value plus directly attributable transaction . 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 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 Company 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 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Impairment of Non-Financial assets

At each reporting date, the carrying amounts of tangible and intangible assets, other than investment property and deferred tax 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 is 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.

Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

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 Company's financial statements in the period in which the dividends are approved by the Directors.

Fair Value Measurement

A number of the Company'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 Company

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 Company 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.

4. 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 new and amended standards and interpretations that became effective in the current financial year have not been listed as they are not considered to have any impact on the Company.

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 Company, 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 any). If applicable, the Company 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 Company.

5. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires management to make judgments, 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 judgments, 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 judgments in applying the accounting policies of the Company that have a significant effect on the financial statements:

Fair value measurements and valuation processes

Some of the Company'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.

Investment Property is carried at Fair Value, the judgements, estimates and assumptions made in relation to the assets are detailed in Note 20.

Provisions

A provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Further detail around the estimates and judgements relating to the provision are detailed at Note 26.

6. Significant Events

High Court Proceedings

In December 2020 proceedings were issued in the High Court (Nelson Registry) against Michael Millar (Prior Director), Investment Services Limited (Prior Management Company) and Paul Mephan (Prior Director). Initially the claims related to the fraud and undisclosed payments made to Investment Services Limited. The claims against Michael Millar and Paul Mephan are for breaches of their directors and fiduciary's duties.

The defendants filed statements of defence denying the claims. In addition, Investment Services Limited has counterclaimed for losses suffered because of the Company's alleged repudiation of the management agreement totalling $41,117 plus interest and costs. A defence to the counterclaim has been filed denying any repudiation.

Given the commonality of issues in the proceedings also issued by Superstore Properties Limited and First NZ Properties Limited, the three proceedings have been consolidated.

A mediation using Nicolas Till QC as mediator took place on 24 November 2021. After a full day of mediation, no agreement was reached. 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 $162,500 to Springs Road Property Limited being made up of:

- $161,682 in settlement of the claim for the unrecovered balance of the fraud, and
- $711 as a contribution to costs.

An amended statement of claim has been filed in the High Court and defences to that claim have been filed seeking an additional $517,959. The company considered those defences to be insufficient and Michael Millar, Investment Services Limited and Paul Mephan have agreed to file new statements of defence which better particularise what they allege their defences to be. 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 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.

A trial commencing on 1 May 2023 for a period of 10 days has been allocated.

7. Revenue

Revenue is accounted for in accordance with NZ *IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Revenue from Leases* 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	2022	2021
Revenue			
Rental from Investment Properties (NZ IFRS 16 Leases)		532,634	494,940
Service Charge Income Recovered from Tenants (NZ IFRS 15 Revenue from Contracts for Customers)		257,536	220,612
Total Revenue		**790,171**	**715,552**

Descriptions of the principal activities the Company generates revenue from are as follows:

- The Company provides additional services to the tenants of the Company's Investment Property. The Company reports the revenue from these additional services in the Statement of Profit or Loss and Other Comprehensive Income.
- Additional services involve the management of the Company's Investment Property leased to tenants. The contracts associated for these additional services are structured so the Company 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 applied under NZ IFRS 15.35(a)
- 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 cost of third-party services delivered to tenants that are controlled by the Company, therefore the Company is considered to be Principal for those services.
- Where the Company does not control third-party services delivered to tenant the Company is considered to be agent and therefore offsets the revenue and expense against each other for those services.

	NOTES	2022	2021
8. Other Operating Income			
Movement in Impairment Loss		-	167
Legal Settlement - Recovery of Costs	6	711	-
Total Other Operating Income		**711**	**167**

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	NOTES	2022	2021

9. Administrative Expenses

	NOTES	2022	2021
Accounting and Registry		13,812	13,995
Audit Fees - Findex		1,025	25,516
Audit Fees - BDO Christchurch		19,000	-
Consultancy		37,503	-
Management Fees	30	43,060	35,716
Legal Expenses		61,848	54,297
Insurance		1,491	2,912
Valuation		12,296	-
General Expenses		1,419	1,556
Directors' Fees	30	30,772	19,641
Total Administrative Expenses		**222,226**	**153,633**

10. Other Operating Expenses

	NOTES	2022	2021
Total Operating Expenses			
Property Repairs & Maintenance		223,966	189,106
Insurance		41,248	34,564
Leasing Costs		19,864	6,750
Property Management Fee		-	30,521
Rates		47,397	41,335
Insurance Valuations		1,350	1,340
Total Total Operating Expenses		**333,825**	**303,616**
Total Other Operating Expenses		**333,825**	**303,616**

11. Finance Costs

	NOTES	2022	2021
Interest on Loans - Financial Liabilities at Amortised Cost		68,721	60,827
Total Finance Costs		**68,721**	**60,827**

12. Finance Income

	NOTES	2022	2021
Dividends Received		416	411
Interest Received - Financial Assets at Amortised Cost		125	45
Total Finance Income		**541**	**457**

13. Share of Surplus / (Loss) of Associates

	NOTES	2022	2021
Equity Accounted Profit or (Loss) - FSS Management Limited	31	230	855
Total Share of Surplus / (Loss) of Associates		**230**	**855**

14. Income Tax

	NOTES	2022	2021
Income Tax Expense			
Income Tax Expense			
Current Tax		46,515	25,124
Deferred Tax	15	12,166	29,243
Total Income Tax Expense		**58,681**	**54,366**
Reported Income			
Profit Before Tax from Continuing Operations		328,103	224,894
Total Reported Income		**328,103**	**224,894**
Less: Non-assessable income			
Share of Profit / (Loss) of Associate		(230)	(855)
Total Non-Assessable Income		**(230)**	**(855)**
Taxable Profit / (Loss)		328,333	225,750
At Effective Income Tax Rate of 28%		91,933	63,210
Increase/(Decrease) in Income Tax Due to:			
Rental Rebates to be Amortised Over Remaining Lease Periods		966	(1,102)
Non-Deductible Expenses		11,052	-
Impairment of Accrued Fraud Recovery		(45,271)	(7,742)
Total Increase/(Decrease) in Income Tax Due to:		**(33,253)**	**(8,843)**
Tax Expense		58,681	54,366
Reported as			
Income Tax Reported in Profit or Loss		58,681	54,366
Income Tax Expense / (Income)		58,681	54,366

	NOTES	2022	2021
Income Tax Payable / (Receivable)			
Income Tax Payable / (Receivable)			
Opening Balance		(15,404)	(9,833)
Tax Expense			
Tax Expense		58,681	54,366
Deferred Tax Movement		(12,166)	(12,308)
Losses Brought Forward		-	(16,935)
Tax Paid			
Imputation Credits Received		(42)	108
Provisional Tax Paid		(125,430)	(40,409)
RWT Paid		(126)	(102)
Tax Refunds Received		35,430	9,709
Total Tax Paid		**(90,168)**	**(30,694)**
Total Income Tax Payable / (Receivable)		**(59,056)**	**(15,404)**

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15. Deferred Tax Assets & Liabilities

	NOTES	2022	2021
Deferred Tax Assets			
Opening Balance		-	16,784
Future benefit of tax losses		-	(16,784)
Total Deferred Tax Assets		**-**	**-**
Deferred Tax Liabilities			
Opening Balance		613,898	601,590
Deferred Tax Recognised in Profit or Loss	14	12,166	12,308
Total Deferred Tax Liabilities		**626,064**	**613,898**

Deferred Tax Arises From

	NOTES	2022	2021
Tax Liability Base			
Incremental Depreciation for Tax Purposes		2,235,943	2,192,494
Total Tax Liability Base		**2,235,943**	**2,192,494**
Deferred Tax @ 28%		626,064	613,898

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16. Imputation Credit Account

	NOTES	2022	2021
Imputation Credit Account			
Opening Balance		2,376	9,833
Increases			
Income Tax Paid		125,430	40,409
Resident Withholding Tax Paid		126	102
Imputation Credits on Dividends Received		42	42
Total Increases		**125,598**	**40,553**
Decreases			
Imputation Credits Attached to Dividends		71,488	38,151
Income Tax Refund		35,430	9,709
Imputation Credits Converted to a Loss		-	150
Total Decreases		**106,918**	**48,010**
Closing Balance		**21,057**	**2,376**

17. Bank and Cash Balances

	NOTES	2022	2021
Cash at Bank			
ANZ 001 Distributions Account		94	530
ANZ 002 Property Account		114,089	270,253
ANZ 070 Call Account		239,115	25,818
Total Cash at Bank		**353,298**	**296,601**
Total Bank and Cash Balances		**353,298**	**296,601**

18. Investment Property

	NOTES	2022	2021
Investment Property			
Opening Balance		8,000,000	7,400,000
Additions		61,989	59,002
Net Change in Fair Value	21	800,510	300,998
Provision for Earthquake Strengthening	26	437,502	240,000
Closing Balance		**9,300,000**	**8,000,000**

19. Lease Agreement Terms

Counties Manukau District Health Board

Levels 2 & 3.
- Three year lease term expiring 5 April 2024
- One, three year Right of Renewal remaining
- Fixed 3% annually on anniversary of date of commencement

Cafe Concepts

Rear Annex
- Three year lease expiring 1 February 2025
- One, Three year Right of Renewal remaining through to 30 January 2028

Kingslea School

Ground Floor North
- One year lease term expiring 31 December 2022
- No remaining Right of Renewal

Armourguard Security

Level 1
- 1 year lease term expiring 15 March 2023
- Two, one year Rights of Renewal remaining through to 14 March 2025
- CPI based rent review on lease renewal

20. Minimum Lease Income

The Company 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 reporting date areas follows:

	NOTES	2022	2021
Minimum Lease Income			
Less than 1 year		656,143	119,227
2 to 5 years		554,045	-
5+ years		-	-
Total Minimum Lease Income		**1,210,189**	**119,227**

21. Valuations

Investment Property comprises of a premise situated at Springs Road, East Tamaki. The property is currently leased under the terms and to the tenants disclosed in Note 18.

The Investment Property is measured at fair value and was valued as at 31 March 2022 by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location and categories of the property being valued.

The latest revaluation of the Investment property is summarised as follows:

Purpose	Financial reporting
Amount of valuation	$9,300,000 (2021: $8,000,000)
Valuer	Colliers International
Basis of valuation	The determination of the values stated were market value subject to existing tenancies and occupational arrangements.
Assessment approach	Discounted cash flow Capitalisation approach
Vacancy rate	Nil (2021: Nil)
Weighted average lease term	1.59 years (2021: 1.74 years)
Rental value per square metre	$2,399 (2021: $2,003)
Capitalisation rate	6.75% (2021: 7.75%)
Discount rate	6.75% (2021: 8.00%)
Terminal yield	7.00% (2021: 8.00%)
Net market rent	$733,124 (2021: $673,936)
Net passing rent	$669,479 (2021: $531,077)

The valuation reflects the quality of tenants in occupation, the allocation of maintenance and insurance responsibilities between the Company and the tenant and the remaining economic life of the property. The valuation also assumes on expiry of the current lease terms the company will be able to re-tenant the property at or above market rates. The valuation acknowledges that the seismic rating of the property is below 67% NBS and takes into account capital expenditure of $887,502 as part of the DCF model of valuation.

The valuation assumes that there will be no future Covid lockdowns and rental rebates.

The fair value measurement for the Investment Property has been categorised as a Level 3 fair value (refer to Note 3) 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 interrelationship 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 6.75% Terminal yield of 7.00% at the end of the 10-year period Assessed market rental of $733,124	Discount rate was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $193,000 The yield was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $251,000 The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by $109,000
Capitalisation approach This approach is considered a “point in time” view of the Investment Property’s value, based on the current contract and market income and an appropriate market yield or return for the property. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure and upcoming expires, including allowances for lessee incentives and leasing costs.	Net rental income has been capitalised in perpetuity at a capitalisation rate of 6.75% Assessed market rental of $669,479	Capitalisation rate in perpetuity was lower/(higher) by 0.25%, the valuation would decrease / (increase) by $418,000 The assessed market rental was higher/(lower) by 1%, the valuations would increase / (decrease) by $109,000

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

	NOTES	2022	2021

22. Other Non-Current Assets

	NOTES	2022	2021
Accrued Fraud Recovery		-	161,682
Less: Provision For Impairment of Accrued Fraud Recovery	23	-	(161,682)
Accrued Fraud Recovery - Net		-	-

During the 2019 year it was discovered that funds had been misappropriated in prior years totaling $277,976. The misappropriated funds relate to money owed to the IRD for Dividend Withholding Tax (DWT) as well as other amounts owed for Lease Incentives, Management Fee/Opex Washups, Unclaimed Distributions, and Other Payments.

The Company pursued multiple avenues to recover the funds mentioned above which were misappropriated in prior years with some success, with $27,649.85 recovered in 2021 and $88,644 recovered in 2020 . Following the High Court proceedings against Michael Millar and Investment Services Limited detailed in note 6, the $161,682 remaining to be recovered as at 31 March 2021 was received by way of a partial settlement from these proceedings.

23. Impairment Allowance

Movements in the impairment allowance for accrued fraud recovery for the year ended 31 March 2022 are as follows:

	NOTES	2022	2021
Opening Impairment Allowance of Accrued Fraud Recovery			
At 1 April under IFRS 9		161,682	189,332
Restated Through Opening Retained Earnings		-	-
Opening Impairment Allowance of Accrued Fraud Recovery		**161,682**	**189,332**
Impairment Loss / (Reversal) during the year			
Increase / (Reversal) during the year	22	(161,682)	(27,650)
Impairment Loss during the year		**(161,682)**	**(27,650)**
At 31 March		-	161,682

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	NOTES	2022	2021

24. Summary of Financial instruments

Financial Assets at amortised cost			
Current			
Bank & Cash		353,298	296,601
Trade and Other Receivables			
Trade Receivables		2,815	9,119
Other Receivables		3,220	-
Total Trade and Other Receivables		**6,035**	**9,119**
Total Current		**359,333**	**305,720**
Total Financial Assets at amortised cost		**359,333**	**305,720**
Financial Liabilities at amortised cost			
Current			
Trade and Other Payables		174,101	110,798
Total Current		**174,101**	**110,798**
Interest-bearing Loans & Borrowings			
Current Interest-bearing Loans & Borrowings		-	1,925,000
Non-current Interest-bearing Loans & Borrowings		1,925,000	-
Total Interest-bearing Loans & Borrowings		**1,925,000**	**1,925,000**
Total Financial Liabilities at amortised cost		**2,099,101**	**2,035,798**

Security Held for Loans

The facility was renewed during the year with a new termination date of 29 February 2024 with a floating interest rate. 30 monthly repayments of interest only will be made following the renewal and variation of the loan dated 11 August 2021, each amounting to the total of all daily interest charges for the relevant monthly period. The daily interest charge is calculated on the closing balance of the loan account each day at the applicable interest rate based on a 365 day year.

One final payment of the closing balance of the loan will be made on the last day of the term of the loan plus interest on all daily balances from the date on which interest was last debited through to the date of this payment, calculated at the applicable interest rate based on a 365 day year.

The loan is secured by a first ranking mortgage over 7 Springs Road, East Tamaki, Auckland (Note 18) plus a first ranking General Security Agreement over all present and after acquired property.

	NOTES	2022	2021

25. Trade and Other Receivables

Trade Receivables		2,815	9,119
Total Trade and Other Receivables		**2,815**	**9,119**

	NOTES	2022	2021

26. Provision for Earthquake Strengthening

Opening		450,000	210,000
Provisions Made		437,502	240,000
Closing		**887,502**	**450,000**

During the 2020 year the Directors had a preliminary seismic evaluation report completed on the property at 7 Springs Road, East Tamaki, Auckland. The preliminary seismic evaluation report indicates that the majority of the property is in good condition, with some areas of weakness in joints.

In consultation with the appointed engineering company, the directors sought a quotation to repair these joints, which was $189,029.50 plus GST, in addition an allowance was made for design and a building Consent of an additional $20,000 plus GST. The application for the Building Consent was lodged with the Auckland City Council.

There was additional work required and identified in the 2021 & 2022 financial years by the Auckland City Council. The work has been made part of the current process to bring the building higher than 67% of NBS. The Building Consent Approval from Auckland Council requires that the Fire Escape and Accessibility compliance of the building be updated to modern standards. The requirements are somewhat above the standards that applied when the building was constructed back in the 1980's. The Fire Escape requirements are primarily covered by improvements to escape lighting, these have been costed at around $85,000. The Accessibility requirements are more extensive requiring some minor improvements to wheelchair accesses, lighting, and surface materials throughout the building. The staircases will require handrail improvements and infilling of open treads, but the majority of the cost will be in the upgrading of the toilet facilities on each of the four floors, altering their layout to an extent that will require full refits.

Following the assessment of additional works the company has received a revised quote for the above works, with an estimated cost of $887,501.

A provision for this work has been recognised in the current financial year with the expected expenditure capitalised against the property at 7 Springs Road, East Tamaki.

	NOTES	2022	2021

27. Issued Capital

2,890,000 Ordinary Shares		2,890,000	2,890,000

At 31 March 2022 the total number of shares authorised, issued and fully paid comprised 2,890,000 ordinary shares (2021: 2,890,000 shares authorised, issued and fully paid) rating equally for dividends and other distributions.

The total number of authorised shares at reporting date was 2,890,000 (prior year 2,890,000) of $1 each. At reporting date all authorised shares were issued and fully paid.

	NOTES	2022	2021

28. Dividends Paid

Cash Dividends Declared and Paid During the Year			
Interim Dividend for Current Year		125,727	104,072
Final Dividend for Prior Year		61,907	-
Total Cash Dividends Declared and Paid During the Year		**187,634**	**104,072**
Dividend Per Share (cents)		6	4

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29. Financial Instrument Risks

This note deals with exposures to interest rate, credit and liquidity risks arising in the normal course of the Company's business as follows:

Interest rate risk

Interest rate risk is that movements in interest rates will affect the Company's performance. The Company has interest rate risk through its bank loans. Loans are subject to floating interest rates. The Company continually reviews these rates and may use interest rate derivates to manage this risk.

Credit risk

The Company in the normal course of business has credit risk from accounts receivable mainly for rent and bank balances. The Company manages bank balance credit risk through transacting only with major trading banks. The Company manages accounts receivable credit risk through accepting only reputable tenants and performing credit assessments prior to accepting the tenancy. At balance date there were no significant concentrations of credit risk.

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

If the Company were put in the position of having to repay its bank loan at short notice it would first enter into negotiations with its bank to renegotiate terms failing which the company would look to sell its Investment Property. However, this is unlikely to make funds available immediately. Cash flow is managed to ensure that all creditors are met as and when they fall due.

Contractual Cash Flows (Principle and Interest)

2022	Statement of Financial Position	Total	<1 Year	1 - 2 Years	2-5 Years	>5 Years
Trade and Other Payables	174,101	174,101	174,101	-	-	-
Interest bearing Liabilities	1,925,000	2,056,715	68,721	1,987,994	-	-
Total Financial Liabilities	2,099,101	2,230,816	242,822	1,987,994	-	-

2021	Statement of Financial Position	Total	<1 Year	1 - 2 Years	2-5 Years	>5 Years
Trade and Other Payables	110,798	110,798	110,798	-	-	-
Interest bearing Liabilities	1,925,000	1,955,228	1,955,228	-	-	-
Total Financial Liabilities	2,035,798	2,006,026	2,066,026	-	-	-

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	NOTES	2022	2021
Interest Rate Sensitivity Analysis			
0.3% Increase in Interest Rates Impact on:			
Profit or Loss		(5,575)	(5,781)
Equity		(4,158)	(4,163)
0.3% Decrease in Interest Rates Impact on:			
Profit or Loss		5,575	5,781
Equity		4,158	4,163

Market risk

Market risk arises from the price risk from the Company's Investment Property. Investment Property that is not fully occupied, or that has not been appropriately positioned in the market will expose the Company to fair value risk and price risk. The Company 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 Company are explored. The Company's properties are assessed at least once a year against several criteria to determine whether property should be sold or remain in the Company.

Apart from the risks detailed above, the Company has no other risks which require disclosure. No collateral is required in respect of financial assets.

Capital Disclosures

The Company monitors "adjusted capital" which comprises all components of equity (i.e. share capital, retained earnings).

The Company'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 Company 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 2022 and at 31 March 2021 were as follows:

	NOTES	2022	2021
Debt to Adjusted Capital Ratio			
Loans and Borrowings		1,925,000	1,925,000
Less: Cash and Cash Equivalents		(353,298)	(296,601)
Net Debt		1,571,702	1,628,399
Total Equity		6,125,354	5,243,055
Total Adjusted Capital		6,125,354	5,243,055
Debt to Adjusted Capital Ratio (%)		26	31

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30. Related Parties

FSS Management Ltd provides Management Services to the Company from 1 January 2021. All transactions conducted by the Company with FSS Management Ltd are related party transactions as the Company is a Shareholder of FSS Management Ltd. The Company paid FSS Management Ltd $43,060 (note 9) in management fees for the year, the Company also advanced $14,000 (note 30) to FSS Management for start-up capital in the 2021 financial year. FSS Management is also and Associate of the Company, the details of which are outlined in note 31.

John Murray is an independent director of the Company, appointed on 28 September 2020. He is not a shareholder of the Company. He was paid directors fees of $24,570 (note 9) for the period. The Company owed john $2,496 as at 31 March 2022. All transactions between the Company and John are related party transactions. The Company entered into a deed of indemnity with John under which the Company gives certain indemnities in favour of John. As the Company was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Company'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 Company 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 in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Company. The variations include the requirement that the Company may be required to pay an amount of $75,000 to an escrow agent to be held in escrow for the purposes of meeting any costs which John and/or Damien may incur for which the Company has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity. John is also a director of FSS Management Limited (FSS), which is partially owned by the Company. The Company and FSS entered into a management agreement under which FSS provides certain management services to the Company. The Company and FSS are also parties to a shareholders' agreement in respect of FSS.

Damien Prendergast is a director of the Company appointed 7 May 2020 and was re-appointed on 28 September 2020. All transactions conducted by the Company with Damien Prendergast are related party transactions. The Company paid Damien Prendergast directors fees of $6,202 (note 9) during the year. He is a current shareholder through his company A&J Enterprises (2006) Ltd, no additional shares were purchased during the year and it received dividends as per all shareholders. The Company entered into a deed of indemnity with Damien under which the Company gives certain indemnities in favour of Damien. As the Company was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Company'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 Company 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 in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Company. The variations include the requirement that the Company may be required to pay an amount of $75,000 to an escrow agent to be held in escrow for the purposes of meeting any costs which John and/or Damien may incur for which the Company has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity. Damien is also a director of FSS Management Limited (FSS), which is partially owned by the Company. The Company and FSS entered into a management agreement under which FSS provides certain management services to the Company. The Company and FSS are also parties to a shareholders' agreement in respect of FSS.

Paul Rosanowski is an employee of FSS Management Ltd (Project Manager) from 15 December 2020. FSS Management Ltd paid wages ($143,103) to Paul Rosanowski for the year end to 31 March 2022. All transactions conducted by the Company with Paul Rosanowski are related party transactions. He is a current shareholder, purchasing shares during the year and would receive dividends as per all shareholders.

Richard Eberlein is a shareholder of Springs Road Property Ltd and is an employee (Property Manager) of FSS Management Ltd from 15 December 2020. FSS Management Ltd paid wages ($73,625) to Richard Eberlein for the year end to 31 March 2022. He is a current shareholder, no additional shares were purchased during the year and he received dividends as per all shareholders.

Kathryn Brownlie is an employee (Administrator) of FSS Management Ltd from 18 January 2021. FSS Management Ltd paid wages ($24,060) to Kathryn Brownlie for the year end to 31 March 2022. All transactions conducted by the Company with Kathryn Brownlie are related party transactions. She is a current shareholder, no additional shares were purchased during the year and she received dividends as per all shareholders.

Investment Services Limited provided registry services to the Company until 30 June 2021. All transactions conducted by the Company with Investment Services Limited are related party transactions as Michael Millar is a Director of Investment Services Limited. The Company paid Investment Services Limited $845 (2021: $2,365) for Registry Fees during the year. Investment Services Limited is a current shareholder, no additional shares were purchased during the year and it received dividends as per all other shareholders.

Michael Millar is a Director of Investment Services Ltd and was a Director of Springs Road Property Ltd (Resigned as Director 12 May 2020). He is a current shareholder, no additional shares were purchased during the year and he received dividends as per all other shareholders.

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

Damien Prendergast (appointed as Director 7 May 2020)	522,800 Shares
Richard Eberlein	35,000 Shares
Kathryn Brownlie	20,000 Shares
Paul Rosanowski	20,000 shares
Investment Services Ltd	65,000 shares
Michael Millar (resigned as Director 12 May 2020)	20,000 shares

31. Investment in Associate - FSS Management Limited

The Company has a 14% 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 Company's interest in FSS Management Limited is accounted for using the equity method in the consolidated financial statements.

FSS Management Limited has been considered a Associate of the Company as even though it has less than a 20% holding it has been determined that due to the nature of the management agreement with FSS Management Limited and the shareholders agreement of FSS Management Limited the Company holds significant influence and as a result FSS Management Limited should be treated as an Associate of Company and accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the Company's investment in FSS Management Limited:

	NOTES	2022	2021
Summarised Financial Information (Statement of Financial Position) - FSS Management Limited			
Statement of Financial Position			
Current Assets		122,798	107,244
Non-Current Assets		14,178	6,484
Current Liabilities		(35,726)	(19,836)
Non-Current Liabilities		(8,964)	-
Equity		**92,286**	**93,892**

	NOTES	2022	2021
Summarised Financial Information (Statement of Profit or Loss) - FSS Management Limited			
Statement of Profit or Loss			
Revenue From Contracts With Customers		337,652	61,312
Operational Costs		(259,297)	(39,805)
Administrative Expenses		(79,999)	(27,615)
Total Statement of Profit or Loss		**(1,644)**	**(6,108)**
Profit / (Loss) Before Tax		(1,644)	(6,108)
Profit / (Loss) for the Year (Continuing Operations)		(1,644)	(6,108)
Total Comprehensive Income for the Year (Continuing Operations)		(1,644)	(6,108)
Company's Share of Profit / (Loss) for the Year		(230)	(855)

	NOTES	2022	2021
Reconciliation of Investment in FSS Management Limited (14%)			
Investment at Beginning of Period		13,145	-
Funds Advanced to Associate for the Period		-	14,000
Share of Profit or (Loss) for the Period		(230)	(855)
Investment at End of Period		**12,915**	**13,145**

The associate had no contingent liabilities or capital commitments as at 31 March 2022 (31 March 2021 $Nil)

BDO Christchurch

32. Contingent Assets and Contingent Liabilities

The Company entered into a deed of indemnity with John Murray & Damien Prendergast (Directors) (note 30) under which the Company gives certain indemnities in favour of John & Damien. As the Company was unable to obtain a renewal of its Directors' and Officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Company's obligations under the deed of indemnity in favour of John & Damien and that was supported by an unregistered second ranking mortgage in favour of John & Damien. The Company, John & 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 John & Damien agreeing to postpone certain rights as mortgagee.

John and Damien in their personal capacities entered into a deed of variation and restatement of deed of indemnity and access with the Company. The variations include the requirement that the Company may be required to pay an amount of $75,000 to an escrow agent to be held in escrow for the purposes of meeting any costs which John and/or Damien may incur for which the Company has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity.

33. Capital Commitments

There are no capital commitments at reporting date (Last Year: $Nil)

34. Subsequent Events

The Company has entered into a conditional agreement for sale and purchase of 7 Springs Road with a third party. The sale is conditional on a due diligence investigation of the property. The sale is also conditional on approval by the shareholders of the Company as a major transaction. It will require approval as a special resolution.

In late January 2022 the Directors requested a Strategic Asset Management Plan report for the property. This report analysed the estimated cost and return for several options. All options were considered, with emphasis on refurbishing the existing office space to attract more tenants and to enhance the capital value through increasing current rents. Having considered the costs of the refurbishments and the relevant payback periods, the directors then requested a review of options for sale of the property. The Directors invited several agents to send in a marketing proposal and the Company entered into agency agreements with the intention that the agents seek "off market" proposals for sale of the property. The agents were required to have any proposals to the directors for consideration by the board at the board's meeting in May. The Directors considered the proposals at this meeting and a decision was made to pursue one of the proposals for further due diligence. If a sale is recommended by the Directors, this will be a major transaction and a special resolution of shareholders will be required for the transaction to proceed. At the same time, a recommendation may be put forward to reinvest the funds into a new property or to liquidate the Company.

A major shareholder has suggested that the Company call a special meeting of shareholders, to be convened in relation to the adoption of a new constitution. This is in relation to a new constitution for First NZ Properties Ltd proposed by the majority shareholder. As Springs Road Property Limited has a similar outdated constitution, the directors have brought the new proposed constitution in line with First NZ Properties. The special meeting was held on 17 June 2022. The board intends to support the adoption of the proposed constitution. The proposed constitution seeks to modernise the form of the existing constitution used by the Company and is consistent with current practice. The proposed constitution decreases the number of shareholders required for a quorum at a meeting of shareholders from 10 shareholder to 5 shareholders. This is to reflect that the number of shareholders of the Company has decreased. Otherwise, the proposed constitution does not make any significant changes to the rights and obligations of the shareholders or the Company under the Company's current constitution.

The revocation of the current constitution and adoption of the proposed constitution by the Company is required to be approved by a special resolution of all shareholders. A special resolution means a resolution passed by a majority of 75% or more of the votes of those shareholders entitled to vote and voting on the resolution. However the amendments for this constitutional change require unanimous approval. If this unanimous special resolution is passed the proposed constitution will be adopted and registered with the Companies Office. Following the special meeting held 17 June 2022 the proposed new constitution was not adopted.

35. Earnings Per Share

	NOTES	2022	2021
Amounts used as the numerator to profit or loss			
Profit for the year and earnings used in basic and diluted EPS		1,069,932	471,526
Weighted average of shares used as the denominator to profit or loss			
Weighted average number of shares used in basic and diluted EPS		2,890,000	2,890,000
Basic and diluted earnings per share (cents)		37	16

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

	NOTES	2022	2021
Net Profit / (Loss) After Tax		1,069,932	471,526
Changes in Assets and Liabilities			
(Increase) / Decrease in Accounts Receivable		4,496	(1,700)
Increase / (Decrease) in Accounts Payable		63,302	67,269
Increase / (Decrease) in GST Payable		(3,096)	(9,070)
(Increase) / Decrease in Income Tax		(31,152)	23,521
Total Changes in Assets and Liabilities		**33,551**	**80,020**
Non-Cash Movements			
(Increase) / Decrease in Property Valuations		(800,510)	(300,998)
Rental Rebates to be Amortised Over Remaining Lease Periods		3,451	(3,451)
Share of (Surplus) / Loss in Associates		230	855
Total Non-Cash Movements		**(796,829)**	**(303,594)**
Net Cash Inflow / (Outflow) from Operating Activities		306,654	247,952

37. Reconciliation of Liabilities arising from Financing Activities

	NOTES	2022	2021
Long-Term Borrowings			
Opening Balance		1,925,000	1,937,500
Cash flows		-	(12,500)
Closing Balance		**1,925,000**	**1,925,000**

BDO Christchurch

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SPRINGS ROAD PROPERTY LIMITED

Opinion

We have audited the financial statements of Springs Road Property Limited ("the Company"), which comprises of the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company 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, the Company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties

Key audit matter	*How the matter was addressed in our audit*
The Company's Investment Properties were valued at \$9,300,000 (2021: \$8,000,000) which represented 96% of the total assets at 31 March 2022. A revaluation surplus of \$800,510 was recognised in the statement of profit or loss and other comprehensive income (2021: \$300,998) We have included the valuation of the investment property as a key audit matter due to: • The significance to the financial statements - the investment properties account for 96% of the total assets of the Company (2021: 96%), making	Our procedures included, but were not limited to the following: • Assessed the valuation reports prepared by Management's expert, including the methodology employed and key assumptions and estimates use. We reviewed the valuation reports for considerations of the impact of COVID-19 including and continued limitations of scope; • Evaluated whether the expert had the necessary competence, capabilities and objectivity to undertake the valuations; • Engaged our own internal expert to critique and challenge the work performed by Management's

it a significant balance on the statement of financial position; • The valuation of the Company'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;	expert, assumptions used and the appropriateness of the valuation methodology adopted; • We considered the adequacy of the disclosures made in Notes 17 and 20 to the financial statements, which set out the key judgements and estimates.

Other Matter

The financial statements of the Company for the year ended 31 March 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on the 13th of August 2021.

Other Information

The directors are responsible for the other information. The other information comprises of the Report of the Directors to the Shareholders, Directory and the Directors' Interest Register, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the 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 Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company, to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which 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 Company and the Company'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 Michael Rondel.

BDO Christchurch

BDO Christchurch
Christchurch
New Zealand
26 July 2022

Directory

Springs Road Property Limited
For the year ended 31 March 2022

Nature of Business

Commercial Investment Property

Registered Office

FSS Management Limited
126 Tahunanui Drive
Nelson 7011

Date of Incorporation

02 December 1997

Incorporation Number

886293

New Zealand Business Number

9429037951467

IRD Number

069-248-896

Directors

John Murray
Damien Prendergast

Bankers

ANZ
248 Trafalgar Street
Nelson 7010

Solicitors

Duncan Cotterill
197 Bridge Street
Nelson 7010

Auditors

BDO Christchurch
Awly Building - Level 4
287-293 Durham Street
Christchurch 8013

Chartered Accountant

RWCA Limited
Level 3
7 Alma Street
Nelson 7010

Investment Manager, Property Manager

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

Share Register, Secondary Market

Syndex Limited
Level 4
5 High Street
Auckland 1010

Springs Road Property Ltd

(the **Company**)

Directors' Interests Register

Full name of director	Nature of interest	Value/extent of interest	Date disclosed
Craig Dennis	Craig in his personal capacity entered into a deed of postponement with the Company in favour of ANZ.	The deed of postponement is required by ANZ for ANZ to consent to the granting of a second ranking mortgage by the Company in favour of Craig. The deed of postponement restricts the Company and Craig from taking certain actions in relation to any amount the Company owes Craig under the mortgage.	13 April 2021
John Murray	John in his personal capacity entered into a deed of postponement with the Company in favour of ANZ.	The deed of postponement is required by ANZ for ANZ to consent to the granting of a second ranking mortgage by the Company in favour of John. The deed of postponement restricts the Company and John from taking certain actions in relation to any amount the Company owes John under the mortgage.	13 April 2020
Damien Prendergast	Damien was appointed as a director of the Company under a letter of appointment on 7 May 2020.	Three-year appointment for a fee of $2,800 per year as from 7 May 2020. Addition: Any excess hours undertaken, apportioned between the Companies, to be charged at $150.00 per hour.	1 October 2021
John Murray	John in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Company.	The deed of variation and restatement varies and restates the deed of indemnity entered in by John and the Company on 28 September 2020.	22 December 2021

		The variations include the requirement that the Company pay an amount of $75,000 to an escrow agent to be held in escrow for the purposes of meeting any costs which John and/or Damien may incur for which the Company has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity.	
Damien Prendergast	Damien in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Company.	The deed of variation and restatement varies and restates the deed of indemnity entered in by Damien and the Company on 28 September 2020. The variations include the requirement that the Company pay an amount of $75,000 to an escrow agent to be held in escrow for the purposes of meeting any costs which John and/or Damien may incur for which the Company has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity.	22 December 2021
John Murray	John in his personal capacity entered into an escrow agreement with the Company, Damien and Rout Milner Fitchett.	The escrow agreement sets out the terms on which the escrow funds (as contemplated by the deed of variation and restatement of deed of indemnity) will be held by Rout Milner Fitchett (as escrow agent).	22 December 2021
Damien Prendergast	Damien in his personal capacity entered into an escrow agreement with the Company, John and Rout Milner Fitchett.	The escrow agreement sets out the terms on which the escrow funds (as contemplated by the deed of variation and restatement of deed of indemnity) will be held by Rout Milner Fitchett (as escrow agent).	22 December 2021

John Murray	The Company has increased John's hourly rate for director services provided to the Company for any excess hours undertaken.	John's hourly rate has been increased from $250 per hour to $350 per hour. Any excess hours undertaken are apportioned between the Companies.	26 April 2022