

Annual Report

First NZ Properties Limited
For the year ended 31 March 2023

Prepared by RWCA Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

First NZ Properties Limited
For the year ended 31 March 2023

	NOTES	2023	2022
Continuing Operations			
Income & Revenue			
Gross Rental Income	7	949,387	1,943,946
Service Charge Revenue Recovered from Tenants	7	86,332	78,633
Total Income & Revenue		1,035,719	2,022,580
Operating Income and (Expenses)			
Other Operating Income	8	-	294,633
Administrative Expenses	9	(713,627)	(648,425)
Other Operating Expenses	10	(255,670)	(173,020)
Impairment Reversal of Non-Current Assets		-	562,044
Total Operating Income and (Expenses)		(969,298)	35,232
Operating Profit		66,421	2,057,812
Financial Income and (Expenses)			
Finance Income	11	59,576	13,495
Share of Loss of Associates	12	4,166	(740)
Total Financial Income and (Expenses)		63,742	12,755
Profit Before Other (Expenses)/Income and Tax		130,163	2,070,567
Other (Expenses)/Income			
Fair Value Gain on Investment Property	18	(2,300,000)	2,018,984
Profit Before Tax		(2,169,837)	4,089,551
Income Tax Expense			
Tax Provision	14	(55,551)	(393,834)
Profit for the Year Attributable to Shareholders from Continuing Operations		(2,225,388)	3,695,717

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

	NOTES	2023	2022
Discontinued Operations			
Profit/(Loss) after Tax for the Year from Discontinued Operations	13	(597,855)	-
Profit/(Loss) for the Year Attributable to Shareholders		(2,823,243)	3,695,717
Other Comprehensive Income, Net of Tax		-	-
Total Comprehensive (Loss)/Income for the Year Attributable to Shareholders		(2,823,243)	3,695,717
	NOTES	2023	2022
Earnings per share			
Basic and diluted earnings per share (cents)	34	(69)	91
Basic and diluted earnings per share (cents) from continuing operations	34	(55)	91

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

Consolidated Statement of Changes in Equity

First NZ Properties Limited
For the year ended 31 March 2023

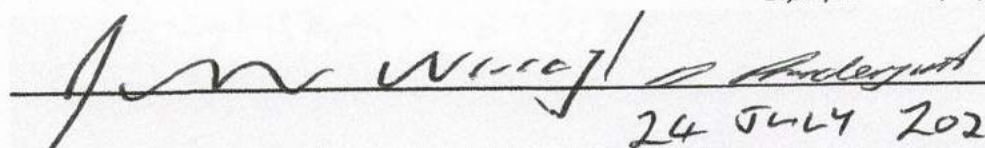
	NOTES	2023	2022
Equity			
Share Capital			
Opening Balance		4,065,452	4,065,452
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings	25	(144,710)	-
Closing Balance		3,920,742	4,065,452
Retained Earnings			
Opening Balance		23,109,933	20,063,784
Increases			
Total Comprehensive Income for the Year Attributable to Shareholders		-	3,695,717
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings	25	144,710	-
Total Increases		144,710	3,695,717
Decreases			
Loss for the Period		(2,823,243)	-
Dividends Paid	26	(1,280)	(649,568)
Total Decreases		(2,824,523)	(649,568)
Closing Balance		20,430,119	23,109,933
Total Equity		24,350,861	27,175,385

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

Consolidated Statement of Financial Position

First NZ Properties Limited
As at 31 March 2023

	NOTES	31 MAR 2023	31 MAR 2022
Assets			
Current Assets			
Current Assets			
Cash and Bank	17	741,840	1,420,568
Trade and Other Receivables	23	-	10,350
Prepayments		55,091	41,380
Income Tax Receivable	14	101,256	158,087
Rental Rebates (Current)		25,532	26,140
Term Deposits	23	4,051,413	2,511,920
Total Current Assets		4,975,132	4,168,445
Investment Property Classified as Held For Sale			
Investment Property Classified as Held For Sale	19	7,180,000	-
Total Investment Property Classified as Held For Sale		7,180,000	-
Total Current Assets		12,155,132	4,168,445
Non-Current Assets			
Investment Property	18	12,700,000	23,440,000
Investments in Associates	30	45,677	41,512
Rental Rebates (Non Current)		21,504	47,036
Lease Incentives Amortised over Life of Leases		10,537	13,171
Total Non-Current Assets		12,777,718	23,541,718
Total Assets		24,932,849	27,710,163
Liabilities			
Current Liabilities			
Trade and Other Payables	23	84,813	62,334
GST Payable		33,076	35,367
Total Current Liabilities		117,889	97,701
Non-Current Liabilities			
Deferred Tax Liability	15	464,099	437,077
Total Non-Current Liabilities		464,099	437,077
Total Liabilities		581,988	534,778
Net Assets		24,350,861	27,175,385
Equity			
Share Capital	25	3,920,742	4,065,452
Retained Earnings		20,430,119	23,109,933
Total Equity		24,350,861	27,175,385


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

Consolidated Statement of Cash Flows

First NZ Properties Limited
For the year ended 31 March 2023

	NOTES	2023	2022
Operating Activities			
Receipts from Customers		2,034,134	2,292,547
Payments to Suppliers		(1,004,455)	(904,195)
Interest Income		59,489	13,495
Income Tax Paid		(229,113)	(233,778)
Net GST Received		1,991	10,327
Fraud Recoveries		-	562,044
Net Cash Flows from Operating Activities	35	862,046	1,740,439
Investing Activities			
Receipts from Investments		8,881	3,676
Payments for Investments		(1,548,374)	(13,127)
Payment for Investment Properties		-	(91,016)
Net Cash Flows from Investing Activities		(1,539,493)	(100,467)
Financing Activities			
Dividends Paid		(1,280)	(649,568)
Net Cash Flows from Financing Activities		(1,280)	(649,568)
Net Cash Flows		(678,728)	990,403
Cash and Cash Equivalents			
Cash and Cash Equivalents at Beginning of Period		1,420,568	430,165
Cash and Cash Equivalents at End of Period	17	741,840	1,420,568
Net Change in Cash for Period		(678,728)	990,403

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

Notes to the Consolidated Financial Statements

First NZ Properties Limited For the year ended 31 March 2023

1. Reporting Entity

These consolidated financial statements ("the financial statements") of First NZ Properties Limited ("the Company") and its Subsidiaries (collectively "the Group") and the Group's equity accounted interest in associates for the year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2023.

First NZ Properties Limited is a Limited Company incorporated and domiciled in New Zealand and registered under the Companies Act 1993, and is engaged in the business of Commercial Property Investment.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP); the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Financial Markets Conduct Act 2013. For the purpose of complying with NZ GAAP, the Group is a Tier 1 for-profit entity. These financial statements comply with New Zealand International Financial Reporting Standards (NZ IFRS) and the International Financial Reporting Standards (IFRS).

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for Investment properties which are measured at fair value 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 and Group's presentation currency. All values are rounded to the nearest NZD, except when otherwise indicated.

Going Concern

The financial statements have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

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

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in Equity-Accounted Investees

The Group's interests in equity-accounted investees comprise interests in associates.

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

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

The services charges recovered that the Group identifies as being under the scope of NZ IFRS 15 includes but are not necessarily limited to; Rates, Building WoF, Health and Safety, Insurances, Cleaning, Rubbish and Pest Control, Fire Maintenance, Security, Lifts, Air-Conditioning and Other General Maintenance. This is because the Group deems these to be additional services above the lease of the rental space and so should be considered separately to the lease rental income (Refer to Note 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 Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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. Interest expense is recognised on an accrual basis, using the effective interest rate method.

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group 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 Group 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 and in compliance with NZ IFRS 13.

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.

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

The income/(loss) for the year and net cashflows relating to an Investment Property Classified as Held for Sale are recognised as discontinued operations and are separately disclosed from all other continuing operations of the Group.

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 Group classifies its financial assets at amortised cost as stated below.

The Group's accounting policy for the classification 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 consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets at amortised cost are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, accrued fraud recovery and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts.

Financial Liabilities

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

The Group's accounting policy for this classification 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 transactions. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

De-Recognition of Financial Instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Group transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of Non-Financial Assets

At each reporting date, the carrying amounts of tangible and intangible assets, other than investments 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 its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported profit or loss.

The estimated recoverable amount of an asset is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to their present value using a pre-tax discount rate that reflects current market rates and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Fair Value Measurement

A number of the Group's accounting policies and disclosures require measurement at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Group

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique adopted as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs), or where there are significant adjustments to market data.

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 material impact on the Group.

There has been no impact on earnings per share as a result of the change in accounting policies.

New NZ IFRS Standards and Interpretations Issued But Not Yet Adopted

Accounting standards and interpretations, considered relevant to the operation of the Group, that have not been applied during the reporting year, or have been issued but are not yet effective as at the date of issuance of these Financial Statements are outlined below (if any). If applicable, the Group intends to adopt these when they become effective.

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

5. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

The following are significant management judgements in applying the accounting policies of the Group that have a significant effect on the financial statements:

Fair Value Measurements and Valuation Processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors have determined the appropriate valuation techniques and inputs for fair value measurements. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in later notes.

The carrying amount of the financial assets and liabilities disclosed in note 23 approximate their fair value at the end of each financial year.

Investment Property is carried at Fair Value, the judgements, estimates and assumptions made in relation to the assets are detailed in Note 22.

6. Significant events and transactions

High Court Proceedings

In December 2020 proceedings were issued in the High Court (Nelson Registry) against Michael Millar, Investment Services Limited and Paul Mephan. Initially the claims related to the fraud and undisclosed payments made to Investment Services Limited, for fees paid to Investment Services Limited on the sale of property owned by First NZ Properties Limited, and the management of First NZ Properties Limited imputation credit account.

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 totaling \$115,096 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 Springs Road Property 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 \$850,667.74 being made up of:

- \$555,947 in settlement of the claim for the unrecovered balance of the fraud, and
- \$291,874 in settlement of the claim for the penalties and interest which was paid to the IRD as a result of the company having negative imputation credit balances at the time when dividends were paid by it, and
- \$2,846 (inclusive of GST) as a contribution to costs.

An amended Statement of Claim, relating to the matters not covered by the February 2022 settlement agreement, was filed in April 2022. In May 2023 the hearing was heard in the Nelson High Court before Justice Gwyn. The hearing ran from 1 May 2023 to 9 May 2023 with closing submissions given at the Wellington High Court on 12 May 2023

Within the closing submissions the Group claimed \$2,094,721 and ISL's expert witness figures counterclaimed for an amount up to \$123,662.

The Court has reserved its decision. A judgement will generally follow within 3 months.

Symonds110 Limited (Subsidiary)

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. It is alleged that by failing to disclose the existence of a letter from the Auckland City Council regarding the ACP there has been a breach of the warranties in the agreement for sale and purchase.

A statement of defence has been filed denying any liability whatsoever. It is not expected that there will be any hearing on the substantive claim until 2024. We have engaged expert valuation and building surveyor assistance. Offers have been exchanged to endeavour to settle the dispute but they have not been acceptable.

7. Rental Income and Revenue

Revenue is accounted for in accordance with NZ IFRS 15 Revenue from Contracts with Customers and Rental income under 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	2023	2022
Rental Income and Revenue			
Rental from Investment Properties (NZ IFRS 16 Leases)		949,387	1,943,946
Service Charge Income Recovered from Tenants (NZ IFRS 15 Revenue from Contracts for Customers)		86,332	78,633
Total Rental Income and Revenue		1,035,719	2,022,580

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

- Additional services involve the management of the Groups Investment Property leased to tenants. The contracts associated for these additional services are structured so the Group is reimbursed for subcontracted vendor costs as well as associated overhead and management fee expenses (service charge income recoveries). Additional services represent a series of distinct services rendered over time to deliver the overall performance obligation of managing the tenancy and property for each tenant 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 costs of third-party services delivered to tenants that are controlled by the Group, therefore the Group is considered to be Principal for those services.
- Where the Group does not control third-party services delivered to tenant the Group is considered to be agent and therefore offsets the revenue and expense against each other for those services.

	NOTES	2023	2022
8. Other Operating Income			
Sundry Income		-	284
Legal Settlement - Recovery of Interest and Penalties	6	-	291,874
Legal Settlement - Recovery of Costs	6	-	2,475
Total Other Operating Income		-	294,633

	NOTES	2023	2022
9. Administrative Expenses			
Accountancy Fees		20,380	12,967
Registry Fees		17,208	2,196
Audit Fees - Crowe		-	1,200
Audit Fees - BDO Christchurch		21,000	19,000
Sundry Expenses		1,557	2,808
Insurance		-	2,370
Legal Expenses		482,255	320,412
Management Fees		52,577	163,471
Directors' Fees	28	108,314	104,410
Valuation Fees- Investment Property		10,337	19,590
Total Administrative Expenses		713,627	648,425

	NOTES	2023	2022
10. Other Operating Expenses			
Total Operating Expenses			
Property Repairs & Maintenance		99,772	39,636
Insurance		64,531	37,330
Rates		89,567	93,729
Valuation Fees - Insurance		1,800	2,325
Total Total Operating Expenses		255,670	173,020
Total Other Operating Expenses		255,670	173,020

	NOTES	2023	2022
11. Finance Income			
Interest Received - Financial Assets at Amortised Cost		59,576	13,495
Total Finance Income		59,576	13,495

	NOTES	2023	2022
12. Share of Surplus/ (Loss) of Associates			
Equity Accounted Profit or (Loss) - FSS Management Limited	30	4,166	(740)
Total Share of Surplus/ (Loss) of Associates		4,166	(740)

	NOTES	2023	2022
13. Discontinued Operations, Net of Tax			
15 Sheffield Crescent			
Rental Income			
Rental Income from Investment Properties (NZ IFRS 16 Leases)		1,024,732	-
Total Rental Income		1,024,732	-
Administrative Expenses			
Management Fees		(94,615)	-
Valuation Fees		(9,470)	-
Total Administrative Expenses		(104,085)	-
Other Operational Expenses			
Valuation Insurance		(1,000)	-
Total Other Operational Expenses		(1,000)	-
Profit Before Other (Expenses)/Income and Tax		919,646	-
Other Income / (Expenses)			
Fair Value Gain on Investment Property	19	(1,260,000)	-
Total Other Income / (Expenses)		(1,260,000)	-
Profit/(Loss) Before Tax from Discontinued Operations		(340,354)	-
Income Tax on Discontinued Operations		(257,501)	-
Profit/(Loss) for the Year from Discontinued Operations		(597,855)	-
	NOTES	2023	2022

Net Cashflows from Discontinued Operations

Operating Activities			
Receipts from Customers		1,024,732	-
Payments to Suppliers		(105,085)	-
Total Operating Activities		919,646	-
Total Net Cashflows from Discontinued Operations		919,646	-

14. Income Tax

	NOTES	2023	2022
Income Tax Expense			
Income Tax Expense			
Current Tax		286,031	366,219
Deferred Tax	15	27,022	27,615
Total Income Tax Expense		313,052	393,834
Reported Income			
Profit Before Tax from Continuing Operations		130,163	2,070,567
Profit Before Tax from Discontinued Operations		919,646	-
Total Reported Income		1,049,809	2,070,567
Less: Non-assessable income			
Share of Profit / (Loss) of Associate		4,166	(740)
Total Non-Assessable Income		4,166	(740)
Taxable Profit / (Loss)		1,045,644	2,071,307
At Effective Income Tax Rate of 28%		292,780	579,966
Increase/(Decrease) in Income Tax Due to:			
Non Deductible Expenses		12,953	13,069
Non-Assessable Income		-	(37,233)
Impairment of Accrued Fraud Recovery		-	(157,372)
Rental Rebates to be Amortised Over Remaining Lease Periods		7,319	(4,595)
Total Increase/(Decrease) in Income Tax Due to:		20,272	(186,132)
Current Tax Expense		313,052	393,834
Reported as			
Income Tax reported in Profit or Loss		55,551	393,834
Income Tax Attributable to Discontinued Operations		257,501	-
Income Tax Expense / (Income)		313,052	393,834

	NOTES	2023	2022
Income Tax Payable / (Receivable)			
Income Tax Payable / (Receivable)			
Opening Balance		(158,087)	(290,527)
Current Tax Expense		313,052	393,834
Deferred Tax Movement		(27,022)	(27,615)
Losses Brought Forward		-	-
Tax Paid			
Income Tax Paid		(253,794)	(230,000)
RWT Paid		(16,657)	(3,778)
Tax Refunds Received		41,251	-
Total Tax Paid		(229,200)	(233,778)
Total Income Tax Payable / (Receivable)		(101,256)	(158,087)

	NOTES	2023	2022
15. Deferred Tax Assets & Liabilities			
Deferred Tax Liabilities			
Opening Balance		437,077	409,462
Deferred Tax Recognised in Profit or Loss	14	27,022	27,615
Total Deferred Tax Liabilities		464,099	437,077

	NOTES	2023	2022
Deferred Tax Arises From			
Tax Liability Base			
Incremental depreciation for tax purposes		1,657,495	1,560,990
Total Tax Liability Base		1,657,495	1,560,990
Deferred Tax @ 28%		464,099	437,077

	NOTES	2023	2022
16. Imputation Credit Account			
Imputation Credit Account			
Opening Balance		3,874	10,181
Increases			
Income Tax Paid		253,794	230,000
Resident Withholding Tax Paid		16,657	3,778
Total Increases		270,451	233,778
Decreases			
Income Tax Refunded		41,251	-
Imputation Credits Attached to Dividends		-	240,085
Total Decreases		41,251	240,085
Closing Balance		233,073	3,874
	NOTES	2023	2022

17. Bank and Cash Balances

Cash at Bank			
ANZ 000 Account		4,116	4,283
ANZ 001 Distributions Account		607	1,964
ANZ 002 Property Account		71,640	27,183
ANZ 070 Call Account		665,477	1,387,138
Total Cash at Bank		741,840	1,420,568
Total Bank and Cash Balances		741,840	1,420,568

	NOTES	2023	2022
18. Investment Property			
Investment Property			
Opening Balance		23,440,000	21,330,000
Additions		-	91,016
Net Change in Fair Value		(2,300,000)	2,018,984
Transfer to investment property classified as held for sale	19	(8,440,000)	-
Total Investment Property		12,700,000	23,440,000
Total Investment Property		12,700,000	23,440,000

19. Investment Property Classified as Held for Sale

During the 2023 year the sale of 15 Sheffield Crescent was approved. Following the change in intention from holding the investment property for capital gains to selling it, the Group reclassified the property from Investment Property to Investment Property Classified as Held for Sale.

The property value has been recognised at its registered "as is" valuation as at balance date.

	NOTES	2023	2022
Investment Property Classified as Held for Sale			
15 Sheffield Crescent			
Transfer from Investment Property	18	8,440,000	-
Net Change in Fair Value	13	(1,260,000)	-
Total 15 Sheffield Crescent		7,180,000	-

20. Lease Agreement Terms

15 Sheffield Crescent

NZ Yarn Limited

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

234 Rangitikei Street

Harvey Norman

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

Bed, Bath & Beyond

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

Price Busters Ltd

- Six year term expiring 5 April 2027 - One right of renewal of six years
- Fixed annual rent review of a fixed 1% annually on the anniversary of the commencement date

21. Minimum Lease Income

The Group has entered into commercial property leases on its Investment Property portfolio. These non-cancellable leases have remaining lease terms as noted above. All leases include a clause to enable upward revision of the rental charge on various review dates based on prevailing market conditions.

Future minimum net rentals receivable, after incentive rebates, under non-cancellable leases at the reporting date areas follows:

	NOTES	2023	2022
Minimum Lease Income			
Less than 1 year		1,993,384	1,957,344
2 to 5 years		3,255,350	5,111,623
5 + years		-	1,756
Total Minimum Lease Income		5,248,734	7,070,723

22. Valuations

The Investment Properties comprises of premises situated at Sheffield Crescent in Christchurch (recognised as held for sale) and at Rangitikei Street in Palmerston North. The properties are currently leased under the terms and to the tenants disclosed in Note 20.

The Investment Properties are measured at fair value and were valued as at 31 March 2023 by external, independent property valuers, having appropriately recognised professional qualifications and recent experience in the location and categories of the properties being valued.

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

	Rangitikei Street
Purpose	Financial Reporting
Amount of valuation	\$12,700,000 (2022: \$15,000,000)
Valuer	Colliers International (2022: 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 (2022: Nil)
Weighted average lease term	3.69 years (2022: 4.69 years)
Rental value per square metre	\$3,111 (2022: \$3,674)
Capitalisation rate	6.75% (2022: 5.625%)
Discount rate	8.00% (2022: 7.00%)
Terminal Yield	7.00% (2022: 5.625%)
Net market rent	\$834,495 (2022: \$849,352)
Net passing rent	\$864,586 (2022: \$858,206)

The valuations reflect the quality of tenants in occupation, the allocation of maintenance and insurance responsibilities between the Group and the tenants and the remaining economic life of the properties. The valuation also assumes on expiry of the current lease terms the Group will be able to re-tenant the properties at or above market rates.

The valuation for Rangitikei Street assumes the buildings meet the minimum seismic ratings requirements and that no capital expenditure is required on earthquake strengthening.

The fair value measurement for the Investment Properties 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.

	NOTES	2023	2022
23. Summary of Financial Instruments			
Financial Assets at amortised cost			
Current			
Bank & Cash		741,840	1,420,568
Other Receivables			
Other Receivables	24	-	10,350
Total Other Receivables		-	10,350
Other Current Assets			
ANZ Term Deposit		4,051,413	2,511,920
Total Other Current Assets		4,051,413	2,511,920
Total Current		4,793,253	3,942,838
Total Financial Assets at amortised cost		4,793,253	3,942,838
Financial Liabilities at amortised cost			
Current			
Trade and Other Payables		84,813	62,334
Total Current		84,813	62,334
Total Financial Liabilities at amortised cost		84,813	62,334

Fair Values

The carrying amount of the above financial assets and liabilities approximate their fair value at the end of each financial year.

	NOTES	2023	2022
24. Trade and Other Receivables			
Other Receivables		-	10,350
Total Trade and Other Receivables		-	10,350

	NOTES	2023	2022
25. Reconciliation of Issued Capital			
Available Subscribed Capital			
Opening Balance		4,065,452	4,065,452
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings		(144,710)	-
Total Available Subscribed Capital		3,920,742	4,065,452

	NOTES	2023	2022
Reconciliation of Shares on Issue			
Opening Shares on Issue		4,065,452	4,065,452
Shares on Issue at 31 March		4,065,452	4,065,452

At reporting date the total number of shares on issue comprises 4,065,452 shares (prior year: 4,065,452) authorised, issued and fully paid shares, rating equally for dividends and other distributions.

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

Correction to Share Capital

It was discovered during the financial year that there had been an error made in the 2004 financial statements for the group relating to a share repurchase. A portion of the share repurchase (\$144,710) had been deducted from retained earnings instead of reducing Available Subscribed Capital. An adjustment has been made in the 2023 financial year to correct this error and correct report the Available Subscribed Capital of the Group.

	NOTES	2023	2022
26. Dividends Paid			
Cash Dividends Declared and Paid during the year			
Interim Dividend for current year		-	355,838
Final Dividend for prior year		1,280	293,730
Total Cash Dividends Declared and Paid during the year		1,280	649,568
Dividend Per Share (cents)		-	16

27. Financial Instrument Risks

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

Interest rate risk

Interest rate risk is that movements in interest rates will affect the Groups performance. As the Group currently does not have any bank loans, the risk associated with interest rates is considered low.

Credit risk

The Group in the normal course of business has credit risk from accounts receivable mainly for rent and bank balances. The Group manages bank balance credit risk through transacting only with major trading banks. The Group manages accounts receivable credit risk through accepting only reputable tenants and performing credit assessments prior to accepting the tenancy.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. The fair value of each financial asset is the same as the carrying value.

Liquidity risk

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

Undiscounted Contractual Cash Flows (Principal and Interest)

2023	Statement of Financial Position	Total	<1 year	1-2 Years	2-5 Years	>5 Years
Trade and Other Payables	84,813	84,813	84,813	-	-	-
Total Financial Liabilities	84,813	84,813	84,813	-	-	-

2022	Statement of Financial Position	Total	<1 year	1-2 Years	2-5 Years	>5 Years
Trade and Other Payables	62,334	62,334	62,334	-	-	-
Total Financial Liabilities	62,334	62,334	62,334	-	-	-

Capital Disclosures

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

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders

28. Related Parties

FSS Management Ltd (FSS) provides Management Services to the Group from 1 January 2021. All transactions conducted by the Group with FSS Management Ltd are related party transactions as the Group is a Shareholder of FSS. FSS charges a fee of 9% on the net rental from the properties and FSS returns any excess profit by way of rebate at the end of the financial year. The Group paid FSS \$147,192 in management fees and \$17,208 in registry fees for the year, as at 31 March 2023 there was a management fee rebate owing to the group of \$32,026. FSS is also an Associate of the Group, the details which are outlined in note 29.

John Murray (John) is an independent director of the Group, appointed on 28 September 2020. He is not a shareholder of the Group. He was paid directors fees of \$74,469 for the period, as at 31 March 2023 the group owed John \$8,164. All transactions between the Group and John are related party transactions. The Group entered into a deed of indemnity with John under which the Group gives certain indemnities in favour of John. As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of John and that was supported by an unregistered second ranking mortgage in favour of John. The Group and John entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for John agreeing to postpone certain rights as mortgagee. John in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Group. The variations include the requirement that the Group 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 Group 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, which is partially owned by the Group. The Group and FSS entered into a management agreement under which FSS provides certain management services to the Group. The Group and FSS are also parties to a shareholders' agreement in respect of FSS.

Damien Prendergast (Damien) is a director of the Group appointed 7 May 2020 and reappointed on 28 September 2020. All transactions conducted by the Group with Damien Prendergast are related party transactions. The Group paid Damien Prendergast directors fees of \$33,845 during the year. He is a current shareholder through his company A&J Enterprises (2006) Ltd and a Trustee of the Killaloe No.2 Family Trust. 5,880 shares were transferred from his mother's estate during the year, into Killaloe No.2 Family Trust, and all shares received dividends as per all shareholders. Damien also has an associated interest through his daughter, Alana Sophie Prendergast, who has a relevant interest in 393 shares in the Group. The Group entered into a deed of indemnity with Damien under which the Group gives certain indemnities in favour of Damien. As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of Damien and that was supported by an unregistered second ranking mortgage in favour of Damien. The Group and Damien entered into a deed of postponement with ANZ Bank New Zealand Limited (ANZ) under which ANZ consented to the granting of the second ranking mortgage in return for Damien agreeing to postpone certain rights as mortgagee. Damien in his personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Group. The variations include the requirement that the Group 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 Group 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, which is partially owned by the Group. The Group and FSS entered into a management agreement under which FSS provides certain management services to the Group. The Group and FSS are also parties to a shareholders' agreement in respect of FSS.

Paul Rosanowski is an employee of FSS (Project Manager) from 15 December 2020. FSS paid wages (\$125,325) to Paul Rosanowski for the year to 31 March 2023. All transactions conducted by the Group with Paul Rosanowski are related party transactions. He is not a shareholder of the Group.

Richard Eberlein is an employee (Property Manager) of FSS Management Ltd from 15 December 2020. FSS paid wages (\$79,404) to Richard Eberlein for the year to 31 March 2023. He was a shareholder and sold his shares on 28 March 2022, no additional shares were purchased during the year.

Kathryn Brownlie is an employee (Administrator) of FSS from 18 January 2021. FSS paid wages (\$21,642) to Kathryn Brownlie for the year to 31 March 2023. All transactions conducted by the Group with Kathryn Brownlie are related party transactions. She is a current shareholder; no additional shares were purchased during the year, and she received dividends as per all 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)

A&J Enterprises (2006) Ltd	217,385 Shares
Killaloe No.2 Family Trust	5,880 Shares
Alana Sophie Prendergast	393 Shares

Kathryn Brownlie 21,880 Shares

29. Group Information and Investment in Subsidiaries and Associates

The consolidated financial statements of the Group include:

Name	Principle Activity
Parent	
First NZ Properties Limited	Property investment and management
Subsidiaries	
Sheffield Crescent Property Limited	Property investment
Symonds110 Limited	Property investment
First NZ 8 Limited	Non-active
Associates	
FSS Management Limited	Business management services

All group members are incorporated in New Zealand.

The ultimate controlling entity and parent company of the Group is First NZ Properties Limited which owns 100% of each subsidiary company.

All subsidiaries are wholly owned, have a principal activity of being property owning companies and have a reporting date of 31 March.

FSS Management Limited is an Associate of First NZ Properties Limited, First NZ Properties Limited holds a 45% shareholding in FSS Management Limited. FSS Management Limited has a reporting date of 31 March.

	NOTES	2023	2022
Investments in Subsidiaries & Associates - Shareholding (%)			
Subsidiaries			
Sheffield Crescent Property Limited		100	100
Symonds110 Limited		100	100
First NZ 8 Limited		100	100
Associates			
FSS Management Limited		45	45

30. Investment in Associate - FSS Management Limited

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

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

	NOTES	2023	2022
Summarised Financial Information (Statement of Financial Position) - FSS Management Limited			
Statement of Financial Position			
Current Assets		184,512	122,798
Non-Current Assets		22,856	14,178
Current Liabilities		(87,495)	(35,726)
Non-Current Liabilities		(18,330)	(8,964)
Equity		101,543	92,286

	NOTES	2023	2022
Summarised Financial Information (Statement of Profit or Loss) - FSS Management Limited			
Statement of Profit or Loss			
Revenue From Contracts With Customers		340,514	337,652
Operational Costs		(277,175)	(259,297)
Administrative Expenses		(53,286)	(79,999)
Profit / (Loss) Before Tax		10,053	(1,644)
Profit / (Loss) Before Tax		10,053	(1,644)
Income Tax Expense		(796)	-
Profit for the Year		9,257	(1,644)
Total Comprehensive Income for the Year		9,257	(1,644)
Group's Share of Profit / (Loss) for the Year		4,166	(740)

	NOTES	2023	2022
Reconciliation of Investment in FSS Management Limited (45%)			
Investment at Beginning of Period		41,512	42,251
Funds Advanced to Associate for the Period		-	-
Share of Profit or (Loss) for the Period		4,166	(740)
Investment at End of Period		45,677	41,512

The associate had no contingent liabilities or capital commitments as at 31 March 2023.

31. Contingent Assets and Contingent Liabilities

In December 2020 proceedings were issued in the High Court (Nelson Registry) against Michael Millar, Investment Services Limited and Paul Mephan. Initially the claims related to the fraud and undisclosed payments made to Investment Services Limited, for fees paid to Investment Services Limited on the sale of property owned by First NZ Properties Limited, and the management of First NZ Properties Limited imputation credit account.

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 totaling \$115,096 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 Springs Road Property 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 \$850,667.74 being made up of:

- \$555,947 in settlement of the claim for the unrecovered balance of the fraud, and
- \$291,874 in settlement of the claim for the penalties and interest which was paid to the IRD as a result of the company having negative imputation credit balances at the time when dividends were paid by it, and
- \$2,846 (inclusive of GST) as a contribution to costs.

An amended Statement of Claim, relating to the matters not covered by the February 2022 settlement agreement, was filed in April 2022. In May 2023 the hearing was heard in the Nelson High Court before Justice Gwyn. The hearing ran from 1 May 2023 to 9 May 2023 with closing submissions given at the Wellington High Court on 12 May 2023.

Within the closing submissions the Group claimed \$2,094,721 and ISL's expert witness figures counterclaimed for an amount up to \$123,662.

The Court has reserved its decision. A judgement will generally follow within 3 months.

Symonds110 Limited (subsidiary) along with Michael Millar (prior director) and Paul Mephan (prior director) have had a claim in the High Court in Auckland issued against them. The claim is in relation to the aluminum 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. It is alleged that by failing to disclose the existence of a letter from the Auckland City Council regarding the ACP there has been a breach of the warranties in the agreement for sale and purchase.

A statement of defence has been filed denying any liability whatsoever. It is not expected that there will be any hearing on the substantive claim until 2024. We have engaged expert valuation and building surveyor assistance. Offers have been exchanged to endeavour to settle the dispute but they have not been acceptable. (Note 6)

As the Group was unable to obtain a renewal of its directors' and officers' liability insurance, it (or its wholly owned subsidiaries) provided a guarantee of the Group's obligations under the deed of indemnity in favour of John Murray and Damien Prendergast and that was supported by an unregistered second ranking mortgage in favour of John and Damien. The Group, John 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 John and Damien agreeing to postpone certain rights as mortgagee. John and Damien in their personal capacity entered into a deed of variation and restatement of deed of indemnity and access with the Group. The variations include the requirement that the Group 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 Group has agreed to indemnify them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity. (Note 28)

32. Capital Commitments

15 Sheffield Crescent requires earthquake strengthening work. As per the report at 31 March 2022 the estimated costs were \$3,140,000, the costs required will bring the property up to 67% NBS.

33. Subsequent Events

Sheffield Crecent Property Conditional Sale and Purchase

Sheffield Crescent Properties Ltd has a conditional sale and purchase agreement with Carrfields Investments Limited. This is dated 19 April 2023. The sale price is commercially sensitive and cannot be advised until the contract becomes unconditional. The sale becomes unconditional on 31 July 2023, with settlement one month later. The property is being sold "as-is".

Proposed Sale of 202 Rangitikei Street, Palmerston North

The Directors have recently requested a marketing proposal from three real estate agents relating to the property at 202-234 Rangitikei Street, Palmerston North.

The Directors have reviewed the marketing proposals and have appointed real estate agents Bayleys to market the property for sale.

Following balance date, the \$75,000 required by the Group to be held in escrow as part of the deed of variation and restatement of deed of indemnity and access with the Group has been paid to be held in escrow by an escrow agent.

	NOTES	2023	2022
34. Earnings Per Share			
Amounts used as the numerator to profit or loss			
(Loss) / Profit for the year and earnings used in basic and diluted EPS		(2,823,243)	3,695,717
(Loss) / Profit for the year and earnings from continuing operations used in basic and diluted EPS		(2,225,388)	-
The weighted average of shares used as the denominator to profit or loss			
Weighted average number of shares used in basic and diluted EPS		4,065,452	4,065,452
Basic and diluted earnings per share (cents)		(69)	91
Basic and diluted earnings per share (cents) from continuing operations		(55)	-
	NOTES	2023	2022

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

Net Profit / (Loss) After Tax		(2,823,243)	3,695,717
Changes in Assets and Liabilities			
(Increase) / Decrease in Accounts Receivable		(3,361)	(48,995)
Increase / (Decrease) in Accounts Payable		22,480	(21,237)
Increase / (Decrease) in GST Payable		(2,291)	(13,614)
(Increase) / Decrease in Income Tax		83,852	187,283
(Increase) / Decrease in Rent Rebates to be Amortised Over Remaining Lease Periods		26,140	(27,300)
Total Changes in Assets and Liabilities		126,820	76,137
Non-Cash Movements			
(Increase) / Decrease in Property Valuations		3,560,000	(2,018,984)
(Profit) / Loss in Investment Income of Associates		(4,166)	740
Amortisation of lease Incentive		2,634	(13,171)
Total Non-Cash Movements		3,558,468	(2,031,415)
Net Cash Inflow / (Outflow) from Operating Activities		862,046	1,740,439

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF FIRST NZ PROPERTIES LIMITED**

Opinion

We have audited the consolidated financial statements of First NZ Properties Limited (“the Company”) and its subsidiaries (together, “the Group”), which comprises of the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (“ISAs (NZ)”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Key Audit Matters

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

Valuation of Investment Properties

Key audit matter	How the matter was addressed in our audit
<p>The Group’s Investment Properties were valued at \$12,700,000 (2022: \$23,440,000) which represented 47% of the total assets at 31 March 2023. A net loss in fair value of \$2,300,000 was recognised in the profit or loss (2022:\$ 2,018,984 net gain in fair value)</p> <p>We have included the valuation of the investment property as a key audit matter due to:</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessed the valuation reports prepared by Management’s expert, including the methodology employed and key assumptions and estimates use • Evaluated whether the expert had the necessary competence, capabilities, and objectivity to undertake the valuations;

- The significance to the financial statements - the investment properties account for 47% of the total assets of the Group (2022: 85%), making it a significant balance on the consolidated statement of financial position;
- The valuation of the Group's properties is based on a model that is complex and relies on various estimates and assumptions such as capitalisation rates, comparable sales, current market rent and anticipated growth rates based on available market data.
- Engaged our own internal expert to critique and challenge the work performed by Management's expert, assumptions used, and the appropriateness of the valuation methodology adopted;
- We considered the adequacy of the disclosures made in Notes 18 and 22 to the financial statements, which set out the key judgements and estimates.

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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group'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 Group, to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated 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 Audit Limited

BDO Christchurch Audit Limited
Christchurch
New Zealand
24 July 2023

Directory

First NZ Properties Limited For the year ended 31 March 2023

Nature of Business

Commercial Property Investment

Registered Office

FSS Management Limited
126 Tahunanui Drive
Nelson 7011

Date of Incorporation

23 August 1995

Incorporation Number

656559

New Zealand Business Number

9429038569333

IRD Number

065-072-920

Directors

John Murray
Damien Prendergast

Bankers

ANZ
127 Cashel Street
Christchurch 8011

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

Sydney Limited
Level 4
5 High Street
Auckland 1010