

Annual Report

First NZ Properties Limited
For the year ended 31 March 2024

Prepared by RWCA Limited

Contents

3	Report of the Directors to the Shareholders
11	Consolidated Statement of Profit or Loss and Other Comprehensive Income
13	Consolidated Statement of Changes in Equity
14	Consolidated Statement of Financial Position
15	Consolidated Statement of Cash Flows
16	Notes to the Financial Statements
42	Auditor's Report
45	Directory
47	Interest Register

Report of the Directors to the Shareholders

The Directors of First NZ Properties Limited are pleased to present the 2024 Operating Results and Annual Report for the 12 months ended 31 March 2024.

Activities

The Company is involved in the Commercial property rental business.

Market Commentary and Management report

The overall economic performance of New Zealand has had a significant impact on the commercial property market. The Reserve Bank embarked on a steep monetary tightening cycle with wholesale rates increasing to 5.5%. Further to this is heightened global geopolitical tension at present which adds to uncertainty and potential inflationary pressures.

The result of the above has been a marked softening in investor sentiment over the previous two years and value write-downs have occurred across all property segments. These market changes have occurred over the 2022 and 2023 period although for the moment they appear to have stabilised. This is likely due to the growing confidence in the current monetary tightening cycle running its course and the change of government in November 2023.

The properties in First NZ Properties Ltd are managed by FSS Management Ltd (FSS). This is the fourth year of providing services which includes property and administration management. FSS is partially owned by First NZ Properties Ltd (59%) and the other shareholder is Superstore Properties Ltd (41%). FSS charges a fee of 9% on the net rental from the properties as well as 0.8% of any cash held in bank accounts. FSS returns any excess profit by way of rebate at the end of the financial year.

In December 2020 proceedings were issued in the High Court (Nelson Registry) against Michael Millar, Investment Services Limited (ISL) and Paul Mephan. Initially the claims related to the fraud and undisclosed payments made to ISL, for fees paid to ISL on the sale of property owned by First NZ Properties Limited, and the management of First NZ Properties Limited imputation credit account. The fraud aspect of the claim was settled and a payment of \$850,667.74 was received in February 2022.

During the 2022 to 2023 period, the Directors worked with Duncan Cotterill Lawyers on the case. They also supplied briefs of evidence, reviewed the defendant's evidence, and in May 2023 appeared in the Nelson High Court before Justice Gwyn and gave evidence. The hearing ran from 1 May 2023 to 9 May 2023 with closing submissions given at the Wellington High Court on 12 May 2023.

On the 16 May 2024, the Court entered judgment in favour of First NZ Properties Ltd.

- The Court has held:
 - ISL breached its written and subsequently oral management agreement with First NZ;
 - ISL had no entitlement to claim gain fees on the sale of the Kilmore St and Symonds St properties;
 - ISL was negligent;
 - Mr Millar breached his fiduciary and statutory duties owed to First NZ;
 - Mr Mephan breached his fiduciary and statutory duties owed to First NZ.

- The Court has entered judgment against each of Mr Millar, ISL and Mr Mephan in summary as follows:
 - Against each of ISL and Mr Millar in the amount of \$1,420,692.23 plus GST.

- Against Mr Mephan in the amount of \$450,000 plus GST.
- The Court has also awarded interest on these judgment sums in favour of First NZ. First NZ will also seek costs against ISL, Mr Millar and Mr Mephan in amounts to be fixed by the Court. Those sums will be significant.
- ISL's counterclaim against First NZ (including our alleged repudiation) failed, as did all affirmative defences pleaded by ISL and Mr Millar.

In June 2024 the Company was advised that the judgment of the High Court had been appealed to the Court of Appeal.

The parts the High Court judgment appealed are the findings that:

1. Mr Millar and ISL are liable for the payments of \$183,220 plus GST for excess management fees, the payments to Gravtec of \$204,328.87 plus GST and the payments to Terra Firma of \$203,143.86 plus GST.
2. GST is payable on the above sums.
3. Mr Millar and ISL are liable for \$830,000 plus GST for the gain fees paid to ISL on the sale of properties.
4. Mr Mephan is liable for \$450,000 plus GST for the gain fees paid to ISL on the sale of the Symonds Street property.

The appeal will be opposed by FNZ.

In July 2024, the Company received a total of \$2,099,436.25 from Investment Services Limited, Mr P Mephan and Mr M Millar, as payment for the High Court Judgment, dated 16 May 2024. The payment is for the judgment amount plus interest and GST.

- Costs are yet to be determined and therefore remain unpaid.
- If the appeal is successful the funds received will need to be repaid.

15 Sheffield Crescent, Christchurch

NZ Yarn Ltd continue to occupy the property and have transitioned into NZ Natural Fibres Ltd including wool and hemp. They have invested heavily in the business, installing a substantial processing line and storage facility.

The building insurers have refused natural disaster damage cover, until the 67% NBS improvements have been completed.

Sheffield Crescent Properties Ltd has a sale and purchase agreement with SIO Holdings Ltd. This is dated 12 February 2024 and the sale of the property for \$8,550,000 became unconditional on 10 May 2024 when the purchaser paid the 5% deposit. The balance of the funds was received on 7 June 2024. The property was sold "as-is".

The sale has created a "Discontinued Operations" note in the financial accounts. In financial accounting, discontinued operations refer to parts of a company's core business that have been or are likely to be divested. These are reported separately from continuing operations on the income statement.

The normal Profit and Loss details and figures for the property at Sheffield Crescent (Revenue, Expenses, etc) are now in the "Discontinued Operations" information at note 11.

202-234 Rangitikei Street, Palmerston North

Harvey Norman electronics retail store dominates the property occupying around half of the floor area. They are committed to the location with their lease running through to October 2026, with another 5 years right of renewal.

Bed, Bath and Beyond have a lease through until December 2026, with two further renewals available through to December 2036. They are currently sub-leasing the smaller central unit to Postie.

Uncle Bills/Price Busters lease runs through until April 2027 with another renewal period available to April 2033.

The buildings are in good condition, although minor repairs are becoming increasingly required, especially to the services installations.

The property was promoted for sale in mid-June 2023 and three agencies were asked for a marketing proposal. Following consideration of these proposals, Bayleys was appointed to market the property for sale.

Marketing commenced with a deadline of 11th August 2023. By the 11th of August 2023 there was one offer received. This offer was conditional and below expectations therefore it was turned down. A counteroffer was provided however the possible purchaser did not accept this. The property was taken off the market in December 2023.

Financial Information

The Company's Total Income from Rangitikei Street property this year was \$1,104,727 (2023 \$1,035,719) which is a 6.7% increase. To ascertain the total income and revenue the Discontinued Operations (Sheffield Cres) from note 11 is to be added.

The rent from Sheffield Crescent for the year is \$1,027,975 (2023 \$1,024,732). This was a 0.3% increase for the year.

When added to the total income and revenue of Rangitikei Street, the two properties together have an annual total of \$2,132,702 (2023 \$2,060,451). This is an increase of 3.5% on the 2023 total.

The Group Profit/(Loss) after Tax for the year is \$1,152,278, (2023 (\$2,823,243)). Part of the gain is from the net increase in the property assets of \$270,000 (2023 (\$3,560,000)). Sheffield Crescent, Christchurch property value was increased by \$1,370,000 (2023 - \$1,260,000) and Rangitikei Street, Palmerston North was written down by -\$1,100,000 (2023 -\$2,300,000).

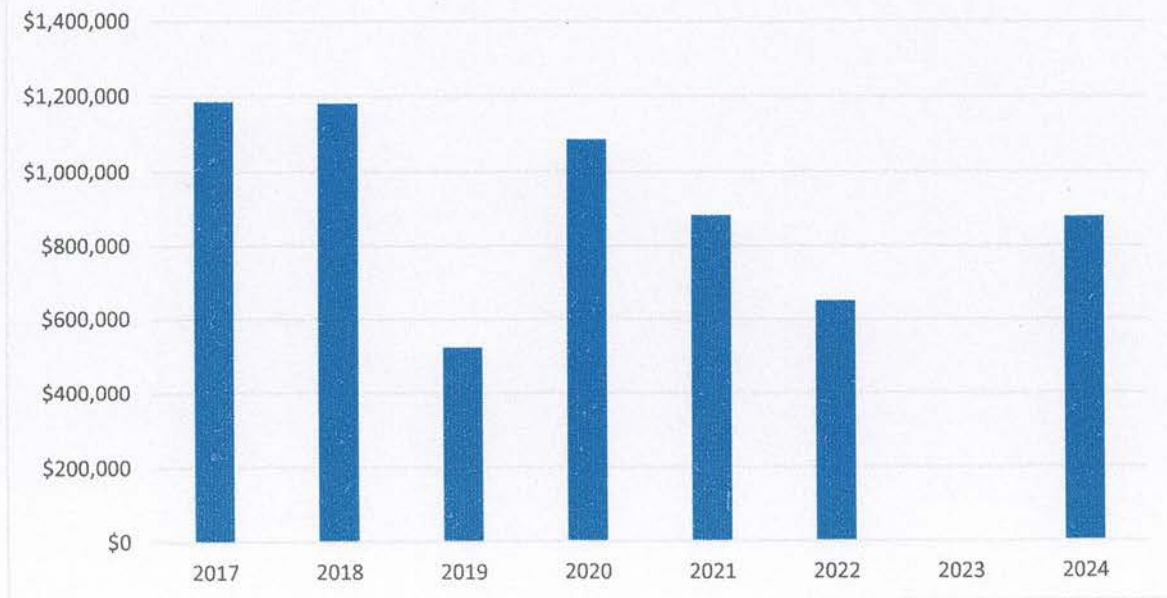
Dividends

There were two dividends paid in the period ended 31 March 2024 (2023 \$Nil).

- The first dividend was 19 cents gross and was declared on 27 April 2023 and paid on 18 May 2023.
- The second dividend was 11 cents gross and was declared on 24 October 2023 and paid on 14 November 2023.

This was a total for the year of 21.6 cents per share net, fully imputed.

First NZ Properties Ltd
Total Company Dividends Paid
2017 to 2024



Investment Properties

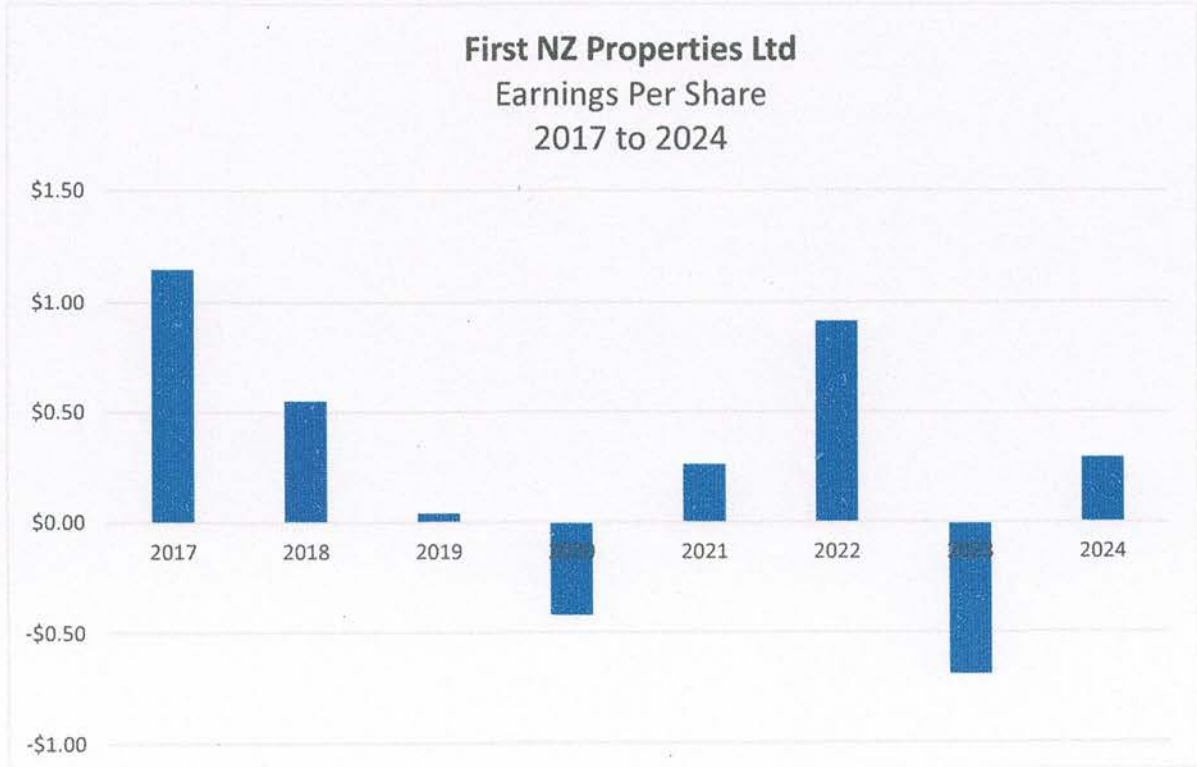
The investment properties are valued at \$20.15m (2023 \$21.70m). The major movement in the investment properties is due to the decrease in valuation of Rangitikei Street to \$11.6 m (2023 \$12.7m) and an increase in the valuation of Sheffield Crescent to \$8.55m (2023 \$7.18m).

Earnings Per Share

The earnings per share this year is 28 cents per share (2023 -0.69 cents). The earnings per share have been increased as the Fair Value of the Investment Property has had a net increase of \$270,000 and overall the Group had a profit after tax of \$1,152,278.

Sheffield Crescent property contributed to this profit. Made up of profit from operations of \$819,840 and the gain in the investment property of \$1,370,000, which gave a net after tax profit of \$1,957,056.

Rangitikei Street property contributed a net loss after tax of (\$804,778).



Directors

The following Directors held office during the year ended 31 March 2024.

John Murray (Originally appointed 28 September 2020, re-appointed 15 September 2023 for a further 3 years).

Damien Prendergast (Originally appointed 7 May 2020, re-appointed 28 September 2020 and again from 15 September 2023 for a further 3 years).

Remuneration of Directors

Directors' remuneration paid during the year ended 31 March 2024 totalled \$140,114 (2023 \$108,314). There were no other benefits received.

Remuneration of employees

No employees' remuneration exceeded \$100,000.

Auditors

BDO Christchurch Ltd was re-appointed as the Company's auditors at the 2023 AGM.

Share purchases

The Directors did not purchase any shares during the year.

Review of the Year:

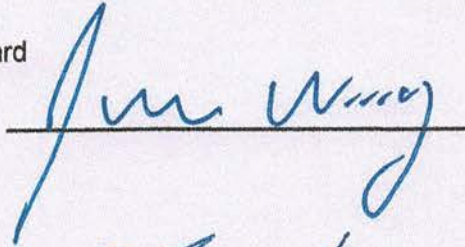
March 2023	
April	RBNZ raise the Official Cash Rate (OCR) to 5.25%
	Directors declared a 19 cent per share (gross) fully imputed dividend on 27 April 23. Payable on 18 May 23.
	Sheffield Crescent Property Ltd (subsidiary of First NZ Properties Ltd) Directors agree to a conditional sale of 15 Sheffield Crescent, Christchurch

May	RBNZ raise the Official Cash Rate (OCR) to 5.50%
	High Court case against Investment Services Ltd (ISL), M Millar and P Mephan heard in Nelson from 1 May to 9 May. Final submissions were heard in Wellington High Court on 12 May
	Company paid the 19 cent per share (gross) dividend on 18 May.
June	Directors requested marketing proposals from three real estate firms relating to the property at 202 Rangitikei Street, Palmerston North for Symonds110 Ltd (subsidiary of First NZ Properties Ltd). Bayleys were appointed to market the property for sale.
July	Sheffield Crescent Property Ltd (subsidiary of First NZ Properties Ltd). Requirements not met relating to the sale of the property. The property was withdrawn from the market.
August	RBNZ hold the Official Cash Rate (OCR) at 5.50%
September	AGM in Nelson. John Murray and Damien Prendergast were reappointed as Directors of the Company for a further term of 3 years. BDO reappointed as the auditors
October	Directors declared an 11 cent per share (gross) fully imputed dividend on 24 October 23. Payable on 14 November 23
November	Company paid the 11 cent per share (gross) dividend on 14 November. NZ held an election bringing in a National led government.
December 2023	Symonds110 Ltd (subsidiary of First NZ Properties Ltd). The property at 202 Rangitikei Street, Palmerston North was withdrawn from the market.
January 2024	
February 2024	Sheffield Crescent Property Ltd (subsidiary of First NZ Properties Ltd) Directors agree to a conditional sale of 15 Sheffield Crescent, Christchurch. Symonds110 Ltd (subsidiary of First NZ Properties Ltd) – a date for the hearing in the High Court is set for 22 September 2025.
March 2024	
April 2024	RBNZ hold the Official Cash Rate (OCR) at 5.50%

May 2024	<p>Sheffield Crescent Property Ltd (subsidiary of First NZ Properties Ltd). Conditions met and deposit paid. Sold for \$8.55m and settlement is expected 7 June.</p>
	<p>High Court decision: The Court has entered judgment against each of Mr Millar, ISL and Mr Mephan in summary as follows: Against each of ISL and Mr Millar in the amount of \$1,420,692.23 plus GST. Against Mr Mephan in the amount of \$450,000 plus GST.</p> <p>The Court has also awarded interest on these judgment sums in favour of First NZ. First NZ will also seek costs against ISL, Mr Millar and Mr Mephan in amounts to be fixed by the Court.</p> <p>ISL's counterclaim against First NZ (including our alleged repudiation) failed, as did all affirmative defences pleaded by ISL and Mr Millar.</p>
	<p>Dividend declared - 10 May 2024. 15 cents gross per share which is fully imputed. Paid 21 May 2024.</p>
June 2024	<p>Sheffield Crescent property sale was settled on 7 June 2024.</p>
	<p>The judgment of the High Court, dated 16 May 2024, has been appealed to the Court of Appeal. The parts the High Court judgment appealed are the findings that:</p> <ol style="list-style-type: none"> 5. Mr Millar and ISL are liable for the payments of \$183,220 plus GST for excess management fees, the payments to Gravtec of \$204,328.87 plus GST and the payments to Terra Firma of \$203,143.86 plus GST. 6. GST is payable on the above sums. 7. Mr Millar and ISL are liable for \$830,000 plus GST for the gain fees paid to ISL on the sale of properties. 8. Mr Mephan is liable for \$450,000 plus GST for the gain fees paid to ISL on the sale of the Symonds Street property. <p>The appeal will be opposed by First NZ, and a cross appeal is in consideration.</p>
July 2024	<p>Received a total of \$2,099,436.25 from Investment Services Limited, Mr P Mephan and Mr M Millar, as payment for the High Court Judgment, dated 16 May 2024. The payment is for the judgment amount plus interest and GST.</p> <ul style="list-style-type: none"> • Costs are yet to be determined and therefore remain unpaid. • If the appeal is successful the funds received will need to be repaid.

For, and on behalf of the Board

John Murray
Chair



Damien Prendergast
Director



30 JULY 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

First NZ Properties Limited
For the year ended 31 March 2024

	NOTES	2024	2023
Continuing Operations			
Income & Revenue			
Gross Rental income	7	972,223	949,387
Service Charge Revenue Recovered from Tenants	7	132,504	86,332
Total Income & Revenue		1,104,727	1,035,719
Operating Income and (Expenses)			
Administrative Expenses	8	(604,573)	(713,627)
Other Operating Expenses	9	(217,502)	(255,670)
Total Operating Income and (Expenses)		(822,075)	(969,298)
Operating Profit		282,652	66,421
Financial Income and (Expenses)			
Finance Income	10	144,105	59,576
Total Financial Income and (Expenses)		144,105	59,576
Other Income			
Share of profit in Joint Venture (Renamed)	28	426	4,166
Total Other Income		426	4,166
Profit Before Other (Expenses)/Income and Tax		427,184	130,163
Other (Expenses)/Income			
Fair Value Loss on Investment Property	16	(1,100,000)	(2,300,000)
Loss Before Tax		(672,816)	(2,169,837)
Income Tax Expense			
Tax provision	12	(131,961)	(55,551)
Loss for the Year Attributable to Shareholders from Continuing Operations		(804,778)	(2,225,388)
Discontinued Operations			
Profit/(Loss) after Tax for the Year from Discontinued Operations	11	1,957,056	(597,855)
Profit/(Loss) for the Year Attributable to Shareholders		1,152,278	(2,823,243)
Total Comprehensive (Loss)/Income for the Year Attributable to Shareholders		1,152,278	(2,823,243)

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

	NOTES	2024	2023
Earnings per share			
Basic and diluted earnings per share (cents)	32	28	(69)
Basic and diluted earnings per share (cents) from continuing operations	32	(20)	(55)

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 2024

	NOTES	2024	2023
Equity			
Share Capital			
Opening Balance		3,920,742	4,065,452
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings	23	-	(144,710)
Total Share Capital		3,920,742	3,920,742
Retained Earnings			
Opening Balance		20,430,119	23,109,933
Increases			
Total Comprehensive Income for the Year Attributable to Shareholders		1,152,278	-
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings	23	-	144,710
Total Increases		1,152,278	144,710
Decreases			
Total Comprehensive Loss for the Year Attributable to Shareholders		-	2,823,243
Dividends Paid	24	878,376	1,280
Total Decreases		878,376	2,824,523
Total Retained Earnings		20,704,021	20,430,119
Total Equity		24,624,763	24,350,861

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 2024

	NOTES	31 MAR 2024	31 MAR 2023
Assets			
Current Assets			
Current Assets			
Cash and Cash Equivalents	15	765,840	741,840
Trade and Other Receivables	22	55,241	-
Prepayments	21	53,402	55,091
Income Tax Receivable	12	79,273	101,256
Rental Rebates (Current)		17,295	25,532
Term Deposits	21	3,997,634	4,051,413
Total Current Assets		4,968,685	4,975,132
Investment Property Classified as Held For Sale			
Investment Property Classified as Held For Sale	17	8,550,000	7,180,000
Total Investment Property Classified as Held For Sale		8,550,000	7,180,000
Total Current Assets		13,518,685	12,155,132
Non-Current Assets			
Investment Property	16	11,600,000	12,700,000
Investments in Joint Venture (Renamed)	28	60,337	45,677
Rental Rebates (Non Current)		4,209	21,504
Lease Incentives Amortised over Life of Leases		7,902	10,537
Other Non-Current Assets	21	75,000	-
Total Non-Current Assets		11,747,448	12,777,718
Total Assets		25,266,133	24,932,849
Liabilities			
Current Liabilities			
Trade and Other Payables	21	121,266	84,813
GST Payable		29,524	33,076
Total Current Liabilities		150,790	117,889
Non-Current Liabilities			
Deferred Tax Liability	13	490,580	464,099
Total Non-Current Liabilities		490,580	464,099
Total Liabilities		641,370	581,988
Net Assets		24,624,763	24,350,861
Equity			
Share Capital	23	3,920,742	3,920,742
Retained Earnings		20,704,021	20,430,119
Total Equity		24,624,763	24,350,861

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 2024

	NOTES	2024	2023
Operating Activities			
Receipts from customers		2,104,966	2,034,134
Payments to suppliers and employees		(1,031,331)	(1,078,594)
Interest Income		144,105	55,324
Investment Income		426	4,166
Income tax refunded/(paid)		(277,017)	(154,974)
Net GST Received / (Paid)		(3,552)	1,991
Net Cash Flows from Operating Activities		937,597	862,046
Investing Activities			
(Payment)/Receipts for investments		53,779	(1,539,493)
Loans to related parties		(14,000)	-
Escrow - Rout Milner Fitchett		(75,000)	-
Net Cash Flows from Investing Activities		(35,221)	(1,539,493)
Financing Activities			
Dividends paid		(878,376)	(1,280)
Net Cash Flows from Financing Activities		(878,376)	(1,280)
Net Cash Flows		24,000	(678,728)
Cash and Cash Equivalents			
Cash and cash equivalents at beginning of period		741,840	1,420,568
Cash and cash equivalents at end of period	15	765,840	741,840
Net change in cash for period		24,000	(678,728)

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

Notes to the Financial Statements

First NZ Properties Limited For the year ended 31 March 2024

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 joint ventures for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2024.

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 Material Accounting Policies

The material 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 joint ventures.

Joint ventures are those entities in which the Group has joint control along with another or more parties. The parties to the arrangement have rights to the net assets of the arrangement.

Interests in joint ventures 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 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, 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 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.

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:

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

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.

The Group has not yet assessed the impact of NZ IFRS 18 Presentation and Disclosure in Financial Statements. It is expected the standard will impact the presentation of the financial statements.

5. Material 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 material 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 material management judgements in applying the accounting policies of the Group that have a material 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.

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

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 was 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

The Court released its decision on 16 May 2024.

Judgment was entered in favour of First NZ Properties against both Michael Millar and ISL for \$1,633,796.64, being \$1,420,692.73 plus GST, plus interest and costs (noting that it cannot recover the amount from both ISL and Michael Millar). It also had judgment entered against Paul Mephan for \$517,500, being \$450,000 plus GST, plus interest and costs.

First NZ Properties Limited) received a total of \$2,099,436.25 from Investment Services Limited, Paul Mephan and Michael Millar, as payment in full for the High Court Judgment, dated 16 May 2024. The payment is for the judgment amount plus interest and GST.

The judgment of the High Court, dated 16 May 2024, has been appealed to the Court of Appeal.

The parts the High Court judgment appealed are the findings that:

1. Mr Millar and ISL are liable for the payments of \$183,220 plus GST for excess management fees, the payments to Gravtec of \$204,328.87 plus GST and the payments to Terra Firma of \$203,143.86 plus GST.
2. GST is payable on the above sums.
3. Mr Millar and ISL are liable for \$830,000 plus GST for the gain fees paid to ISL on the sale of properties.
4. Mr Mephan is liable for \$450,000 plus GST for the gain fees paid to ISL on the sale of the Symonds Street property.

The appeal will be opposed by First NZ. An appeal hearing has not yet been scheduled.

If the appeal is successful the funds received will need to be repaid.

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 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. We have engaged expert valuation, building surveyor assistance and specialist fire experts. Offers have been exchanged, and a meeting has occurred in an endeavor to settle the dispute, but settlement has not been reached. A trial in the High Court at Auckland has been scheduled for three weeks in September 2025.

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	2024	2023
Rental Income & Revenue			
Rental Income			
Rental from Investment Properties (NZ IFRS 16 Leases)		972,223	949,387
Total Rental Income		972,223	949,387
Revenue			
Service Charge Income Recovered from Tenants (NZ IFRS 15 Revenue from Contracts for Customers)		132,504	86,332
Total Revenue		132,504	86,332
Total Rental Income & Revenue		1,104,727	1,035,719

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	2024	2023
8. Administrative Expenses			
Accountancy Fees		20,389	20,380
Sundry Expenses		18,754	1,557
Audit Fees		22,000	21,000
Directors' Fees		140,114	108,314
Legal & Other Professional Expenses		319,001	482,255
Management Fees		58,921	52,577
Registry Fees		20,234	17,208
Valuation Fees- Investment Property		5,160	10,337
Total Administrative Expenses		604,573	713,627

	NOTES	2024	2023
9. Other Operating Expenses			
Property Repairs & Maintenance		48,620	99,772
Insurance		77,652	64,531
Rates		91,229	89,567
Valuation Fees - Insurance		-	1,800
Total Other Operating Expenses		217,502	255,670

	NOTES	2024	2023
10. Finance Income			
Interest Received - Financial Assets at Amortised Cost		144,105	59,576
Total Finance Income		144,105	59,576

	NOTES	2024	2023
11. Discontinued Operations, Net of Tax			
15 Sheffield Crescent			
Rental Income			
Rental Income from Investment Properties (NZ IFRS 16 Leases)		1,027,975	1,024,732
Total Rental Income		1,027,975	1,024,732
Administrative Expenses			
Administrative Expenses		(30,328)	-
Management Fees		(94,615)	(94,615)
Valuation Fees		-	(9,470)
Total Administrative Expenses		(124,943)	(104,085)
Other Operational Expenses			
Repairs & Maintenance		(82,081)	-
Valuation Insurance		(1,110)	(1,000)
Total Other Operational Expenses		(83,191)	(1,000)
Profit Before Other (Expenses)/Income and Tax		819,840	919,647
Other Income / (Expenses)			
Fair Value Gain on Investment Property		1,370,000	(1,260,000)
Total Other Income / (Expenses)		1,370,000	(1,260,000)
Profit/(Loss) Before Tax from Discontinued Operations		2,189,840	(340,353)
Income Tax on Discontinued Operations		(232,785)	(257,501)
Profit/(Loss) for the Year from Discontinued Operations		1,957,056	(597,854)
	NOTES	2024	2023

Net Cashflows from Discontinued Operations

Operating Activities			
Receipts from Customers		1,027,975	1,024,732
Payments to Suppliers		(208,135)	(105,085)
Total Operating Activities		819,840	919,646
Total Net Cashflows from Discontinued Operations		819,840	919,646

12. Income Tax

	NOTES	2024	2023
Components of income tax expense			
Current Taxation		338,265	286,031
Deferred Taxation		26,481	27,022
Total income tax expense		364,746	313,052

	NOTES	2024	2023
Income Tax Expense			
Reported income			
Profit before tax from continuing operations		427,184	130,163
Profit before tax from discontinued operations		819,840	919,647
Total Reported income		1,247,024	1,049,810
Less: Non-assessable income			
Share of Profit / (Loss) of Joint venture		426	4,166
Total Less: Non-assessable income		426	4,166
Taxable Profit / (Loss)		1,246,597	1,045,644
At effective income tax rate of 28%		349,047	292,780
Increase/(Decrease) in Income Tax Due to:			
Non Deductible Expenses		8,435	12,952
Rental Rebates to be Amortised Over Remaining Lease Periods		7,264	7,319
Total Increase/(Decrease) in Income Tax Due to:		15,699	20,271
Current Tax Expense		364,746	313,052
Reported as			
Income Tax reported in Profit or Loss		131,961	55,551
Income Tax attributable to discontinued operations		232,785	257,501
Income Tax Expense / (Income)		364,746	313,052

	NOTES	2024	2023
Income tax payable / (receivable)			
Income tax payable / (receivable)			
Opening Balance		(101,256)	(158,087)
Current tax expense		364,746	313,052
Deferred Tax Movement		(26,481)	(27,022)
Losses Brought Forward		-	-
Tax Paid			
Income Tax (Paid)/Refunded		(274,946)	(253,794)
RWT Paid		(41,336)	(16,657)
Tax Refunds Received		-	41,251
Total Tax Paid		(316,282)	(229,200)
Total Income tax payable / (receivable)		(79,273)	(101,256)

	NOTES	2024	2023
13. Deferred Tax Assets & Liabilities			
Deferred Tax Liabilities			
Opening Balance		464,099	437,077
Increase arising from depreciation for tax purposes		26,481	27,022
Total Deferred Tax Liabilities		490,580	464,099

	NOTES	2024	2023
Deferred Tax arises from			
Tax Liability Base			
Incremental depreciation for tax purposes		1,752,071	1,657,496
Total Tax Liability Base		1,752,071	1,657,496
Deferred Tax @ 28%		490,580	464,099

	NOTES	2024	2023
14. Imputation Credit Account			
Imputation Credit Account			
Opening Balance		233,073	3,874
Increases			
Income Tax Paid		309,280	253,794
Resident Withholding Tax Paid		41,336	16,657
Total Increases		350,616	270,451
Decreases			
Imputation Credits Attached to Dividends		340,973	-
Income Tax Refund		34,334	41,251
Total Decreases		375,307	41,251
Total Imputation Credit Account		208,382	233,073

	NOTES	2024	2023
15. Bank and Cash balances			
Bank accounts in funds			
000 Account - Interest Rate 0%		3,961	4,116
001 Distribution Account - Interest Rate 0%		4,208	607
002 Property Account - Interest Rate 0%		745	71,640
070 Call Account - Interest Rate 2.75%		13,804	665,477
000 Account - Symonds110 Limited - Interest Rate 0%		6,053	-
070 Call Account - Symonds110 Limited - Interest Rate 2.75%		180,098	-
000 Account - Sheffield Crescent Property Limited - Interest Rate 0%		6,607	-
070 Call Account - Sheffield Crescent Property Limited - Interest Rate 2.75%		550,363	-
Total Bank accounts in funds		765,840	741,840
Total Bank and Cash balances		765,840	741,840

	NOTES	2024	2023
16. Investment Property			
Investment Property			
Opening Balance		12,700,000	23,440,000
Net Change in Fair Value		(1,100,000)	(2,300,000)
Transfer to investment property classified as held for sale		-	(8,440,000)
Total Investment Property		11,600,000	12,700,000
Total Investment Property		11,600,000	12,700,000

17. 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 contracted sale price, due to settle on 7 June 2024.

	NOTES	2024	2023
Investment Property Classified as Held for Sale			
15 Sheffield Crescent			
Opening Balance		7,180,000	-
Transfer from Investment Property		-	7,180,000
Net Change in Fair Value		1,370,000	-
Total 15 Sheffield Crescent		8,550,000	7,180,000
Total Investment Property Classified as Held for Sale		8,550,000	7,180,000

18. Lease Agreement Terms

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

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.

15 Sheffield Crescent has been sold and is due to settle on 7 June 2024. The above lease term will be in effect until the date of settlement.

19. 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	2024	2023
Minimum Lease Income			
Less than 1 year		1,145,271	1,993,384
2 to 5 years		1,664,760	3,255,350
5 + years		-	-
Total Minimum Lease Income		2,810,031	5,248,734

20. Valuations

15 Sheffield Crescent in Christchurch has been valued at its sale price due to settle on 7 June 2024. The Investment Property has been recognised as held for sale.

The remaining Investment Property comprises of a premises situated at Rangitikei Street in Palmerston North. The property is currently leased under the terms and to the tenants disclosed in Note 19.

The Investment Property is measured at fair value and was valued as at 31 March 2024 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	\$11,600,000 (2023: \$12,700,000)
Valuer	Colliers International (2023: 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 (2023: Nil)
Weighted average lease term	2.69 years (2023: 3.69 years)
Rental value per square metre	\$2,841 (2023: \$3,111)
Capitalisation rate	7.50% (2023: 6.75%)
Discount rate	9.00% (2023: 8.00%)
Terminal Yield	7.50% (2023: 7.00%)
Net market rent	\$852,238 (2023: \$834,495)
Net passing rent	\$876,291 (2023: \$864,586)

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.

The following table outlines the valuation techniques measuring fair value of the Investment Properties, as well as the unobservable inputs used and the inter-relationship between the key unobservable inputs and fair value measurement.

Valuation technique	Unobservable inputs (Rangitikei)	The estimated fair value would increase/(decrease) if
<p>Discounted cash flow approach</p> <p>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.</p>	<p>Discount rate of 9.00%</p> <p>Terminal yield of 7.50% at the end of the 10 year period</p> <p>Assessed market rentals of \$852,238</p>	<p>The discount rate was lower/(higher) being 0.25%, the valuations would increase / (decrease) by \$192,000</p> <p>The terminal yield rate was lower/(higher) by 0.25%, the valuation would increase / (decrease) by \$192,000</p> <p>The assessed market rental was higher/(lower) by 1%, the valuation would increase / (decrease) by \$114,000</p>
<p>Capitalisation approach</p> <p>This approach is considered a “point in time” view of the investment properties’ value, based on the current contract and market income and an appropriate market yield or return for the properties. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure and upcoming expiries, including allowances for lessee incentives and leasing costs.</p>	<p>Net rental income has been capitalised in perpetuity at capitalisation rates of 7.50%</p> <p>Assessed market rentals of \$876,291</p>	<p>The capitalisation rate in perpetuity was lower/(higher) by 0.25%, the valuation would increase / (decrease) by \$400,000</p> <p>The assessed market rental was higher/(lower) by 1%, the valuation would increase / (decrease) by \$114,000</p>

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 judgemental combination of both the Capitalisation and the Discounted Cash Flow approaches. There was no change to the valuation methodology from the prior year.

	NOTES	2024	2023
21. Financial Assets & Liabilities at amortised cost			
Financial Assets at amortised cost			
Current			
Bank & cash		765,840	741,840
Other Receivables			
Prepayments		53,402	55,091
Trade Debtors		55,241	-
Total Other Receivables		108,643	55,091
Term Deposits		3,997,634	4,051,413
Total Current		4,872,117	4,848,344
Non-current			
Other Non-Current Asset			
Escrow - Rout Milner Fitchett		75,000	-
Total Other Non-Current Asset		75,000	-
Total Non-current		75,000	-
Total Financial Assets at amortised cost		4,947,117	4,848,344
Financial Liabilities			
Current			
Trade and other payables		121,266	84,813
GST Payable		29,524	33,076
Total Current		150,790	117,889
Total Financial Liabilities		150,790	117,889

Fair Values

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

	NOTES	2024	2023
22. Trade and Other Receivables			
Trade Receivables		55,241	-
Total Trade and Other Receivables		55,241	-

	NOTES	2024	2023
23. Reconciliation of Issued Capital			
Available Subscribed Capital			
Opening Balance		3,920,742	4,065,452
Prior Year Adjustment for Share Repurchase Treated Through Retained Earnings		-	(144,710)
Total Available Subscribed Capital		3,920,742	3,920,742

	NOTES	2024	2023
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 reporting date was 4,065,452 (prior year 4,065,452). At reporting date all authorised shares were issued and fully paid.

	NOTES	2024	2023
24. Dividends Paid			
Cash dividends declared and paid during the year			
Interim Dividend for current year		556,305	-
Final Dividend for prior year		322,071	1,280
Total Cash dividends declared and paid during the year		878,376	1,280
Dividend Per Share (cents)		22	-

25. 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 had no loans as at 31 March 2024, 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)

2024	Statement of Financial Position	Total	<1 year	1-2 Years	2-5 Years	>5 Years
Trade and Other Payables	121,266	121,266	121,266	-	-	-
Total Financial Liabilities	121,266	121,266	121,266	-	-	-

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	-	-	-

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.

26. Related Parties

FSS Management Ltd (FSS) provides Management Services to the Group since 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. The Group paid FSS \$153,536 in management fees and \$20,234 in registry fees for the year. FSS is also a joint venture 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. John was reappointed for a further 3 years on 15 September 2023. He is not a shareholder of the Group. He was paid directors fees of \$107,996 for the period. 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 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. The Escrow amount was paid in May 2023 to Rout Milner Fitchett Trust Account. 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. Damien was reappointed on 15 September 2023 for a further 3 years. All transactions conducted by the Group with Damien Prendergast are related party transactions. The Group paid Damien Prendergast directors fees of \$32,118 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. 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 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. The Escrow amount was paid in May 2023 to Rout Milner Fitchett Trust Account. 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) since 15 December 2020. FSS paid wages (\$127,829) to Paul Rosanowski for the year to 31 March 2024. All transactions conducted by the Group with Paul Rosanowski are related party transactions. He is a current shareholder of the Group purchasing 12,228 shares during the year and he received dividends as per all shareholders.

Richard Eberlein is an employee (Property Manager) of FSS Management Ltd since 15 December 2020. FSS paid wages (\$92,601) to Richard Eberlein for the year to 31 March 2024. He was a shareholder and sold his shares on 28 March 2022, no additional shares were purchased during the year.

Kathryn Brownlie was an employee (Administrator) of FSS from 18 January 2021 to 17 September 2023. FSS paid wages (\$7,713) to Kathryn Brownlie for the year to 31 March 2024. 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 reporting 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
Paul Rosanowski	12,228 shares

27. Group Information and Investment in Subsidiaries and Joint Ventures

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
Joint Ventures	
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 a joint venture of First NZ Properties Limited, First NZ Properties Limited holds a 59% shareholding in FSS Management Limited. FSS Management Limited has a reporting date of 31 March.

	NOTES	2024	2023
Investments in Subsidiaries & Joint Ventures - Shareholding (%)			
Subsidiaries			
Sheffield Crescent Property Limited		100	100
Symonds110 Limited		100	100
First NZ 8 Limited		100	100
Joint Ventures			
FSS Management Limited		59	45

28. Investment in Joint Venture - FSS Management Limited

The Group has a 59% 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	2024	2023
Summarised Financial Information (Statement of Financial Position) - FSS Management Limited			
Statement of Financial Position			
Current Assets		172,563	202,877
Non-Current Assets		3,739	4,491
Current Liabilities		(65,072)	(87,495)
Shareholder Current Accounts		(100,000)	(100,000)
Non-Current Liabilities		(8,964)	(18,330)
Equity		2,266	1,543
	NOTES	2024	2023

Summarised Financial Information (Statement of Profit or Loss) - FSS Management Limited

Statement of Profit or Loss			
Revenue From Contracts With Customers		336,307	340,514
Operational Costs		(275,399)	(277,175)
Administrative Expenses		(59,575)	(53,286)
Profit / (Loss) Before Tax		1,333	10,053
Profit / (Loss) Before Tax		1,333	10,053
Income Tax Expense			
Income Tax Expense		(610)	(796)
Total Income Tax Expense		(610)	(796)
Profit for the Year		723	9,257
Group's Share of Profit / (Loss) for the Year		426	4,166
	NOTES	2024	2023

Reconciliation of Investment in FSS Management Limited (59%)

Investment at Beginning of Period	45,677	41,511
Minor Prior Year Adjustment	234	-
Shares Purchased in Joint Venture for the Period	14,000	-
Share of Profit or (Loss) for the Period	426	4,166
Investment at End of Period	60,337	45,677

The joint venture had no contingent liabilities or capital commitments as at 31 March 2024.

29. Contingent Assets and Contingent Liabilities

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 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. We have engaged expert valuation, building surveyor assistance and specialist fire experts. Offers have been exchanged, and a meeting has occurred in an endeavor to settle the dispute, but settlement has not been reached. A trial in the High Court at Auckland has been scheduled for three weeks in September 2025.

There is a contingent asset at reporting date for the High Court Case against ISL, Michael Millar and Paul Mephan. The details of the ongoing litigation are disclosed in note 6.

30. Capital Commitments

As at reporting date the Group had capital commitments totaling \$43,587 plus GST for power factor replacements for 15 Sheffield Crescent. The total estimated contract value is \$101,365 plus GST, \$57,778 plus GST was expensed during the 2024 financial year.

31. Subsequent Events

Sheffield Crescent Property Sale

Sheffield Crescent Property Ltd, a subsidiary of First NZ Properties Ltd, entered into a conditional sale and purchase agreement with SIO Holdings Ltd and this became unconditional on 13 May 2024 with the settlement date being the 7 June 2024. The sale has been agreed at \$8,550,000 with a settlement date of 7 June 2024. The purchaser paid the deposit when it became unconditional.

Judgement of High Court Case

Judgment was entered in favour of First NZ Properties against both Michael Millar and ISL for \$1,633,796.64, being \$1,420,692.73 plus GST, plus interest and costs (noting that it cannot recover the amount from both ISL and Michael Millar). It also had judgment entered against Paul Mephan for \$517,500, being \$450,000 plus GST, plus interest and costs.

First NZ Properties Limited) received a total of \$2,099,436.25 from Investment Services Limited, Paul Mephan and Michael Millar, as payment in full for the High Court Judgment, dated 16 May 2024. The payment is for the judgment amount plus interest and GST.

Costs are yet to be determined and therefore remain unpaid.

Judgement of High Court Case - Appeal

The judgment of the High Court, dated 16 May 2024, has been appealed to the Court of Appeal.

The parts the High Court judgment appealed are the findings that:

1. Mr Millar and ISL are liable for the payments of \$183,220 plus GST for excess management fees, the payments to Gravtec of \$204,328.87 plus GST and the payments to Terra Firma of \$203,143.86 plus GST.
2. GST is payable on the above sums.
3. Mr Millar and ISL are liable for \$830,000 plus GST for the gain fees paid to ISL on the sale of properties.
4. Mr Mephan is liable for \$450,000 plus GST for the gain fees paid to ISL on the sale of the Symonds Street property.

The appeal will be opposed by First NZ. An appeal hearing has not yet been scheduled.

If the appeal is successful the funds received will need to be repaid.

Further details of the ongoing litigation are disclosed in note 6.

Dividend Declared

The Directors resolved in May 2024 to declare a gross fully imputed dividend to shareholders of 15 cents per share, paid on the 21st of May 2024.

	NOTES	2024	2023
32. 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		1,152,278	(2,823,243)
(Loss) / Profit for the year and earnings from continuing operations used in basic and diluted EPS		(804,788)	(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)		28	(69)
Basic and diluted earnings per share (cents) from continuing operations		(20)	(55)
	NOTES	2024	2023

33. Reconciliation of the net cash flow from operating activities to profit (loss)

Net profit / (loss) after tax		1,152,278	(2,823,243)
Changes in Assets and Liabilities			
(Increase) / decrease in accounts receivable		(55,241)	(3,361)
Increase / (decrease) in accounts payable		36,453	22,480
Increase / (decrease) in GST payable		(3,552)	(2,291)
(Increase) / decrease in income tax		39,920	83,852
(Increase) / Decrease in Rent Rebates to be Amortised Over Remaining Lease Periods		25,532	26,140
Total Changes in Assets and Liabilities		43,111	126,820
Non-Cash Movements			
(Increase) / Decrease in Property Valuations		(260,000)	3,560,000
(Profit) / Loss in Investment Income of Joint Venture		(426)	(4,166)
Amortisation of lease Incentive		2,634	2,634
Total Non-Cash Movements		(257,792)	3,558,468
Net cash inflow / (outflow) from operating activities		937,597	862,045

34. Joint Venture (Renamed) - Investment in FSS Management Limited

In the current year, First NZ Properties Limited (FNZ) reached an agreement with Springs Road Property Limited (SRPL), following its liquidation, whereby shares in FSS Management Limited were transferred to FNZ.

The purchase of shares resulted in FNZ holding 59% of the shares within FSS Management Limited. As FNZ now holds more than 50% of the shares within FSS, Management reviewed its original investment assessment under NZ IFRS 11. Management have assessed that FSS Management is collectively controlled by First NZ Properties Limited and Superstore Properties Limited at the reporting date, and as such is to be treated as a Joint venture.

Given the investment was always collectively controlled by its shareholders, this suggests the original assessment, as previously reported, of the FSS Management Limited entity as an 'associate' was inappropriate.

In the prior year, this was presented in the Statement of Financial Position as "Investments in Associates" and this has now been renamed to "Investment in Joint Venture".

In the Statement of Profit or loss it was presented as "Share Profit/Loss of Associates" and this has now been renamed to "Share Profit/Loss of Joint Venture".

The joint venture continues to be accounted for using the equity accounting method, and as such no adjustments are required to the numbers previously recognised and detailed in Note 28. Additionally, there is no impact to any financial information that has previously been reported.

**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 2024, 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 material accounting policy information.

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 2024, 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 IFRS® Accounting Standards.

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.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Valuation of investment property</i></p> <p>The Group’s Investment Property comprise of land and buildings in Palmerston North. The property was valued at \$11,600,000 (2023: \$12,700,000) with a net loss in fair value of \$1,100,000 was recognised in the consolidated statement of profit or loss and other comprehensive income (2023:\$ 2,300,000 net loss in fair value)</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessed the valuation report prepared by Management’s expert, including the methodology employed and key assumptions and estimates use; • Evaluated whether the expert had the necessary competence, capabilities, experience and objectivity to undertake the valuations;

Valuation of the investment property was included as a key audit matter due to the following reasons:

- The significance to the financial statements - the investment property account for 46% of the total assets of the Group (2023: 51%), making it a significant balance on the consolidated statement of financial position;
- The complexity of the valuation model: The valuation model is complex and relies on various estimates and underlying assumptions, such as capitalisation rates, discount rates, lease terms, current market rent and anticipated growth based on available market data.
- The property valuation requires the use of judgments specific to the property, as well as consideration of the prevailing market conditions.
- Communicating with the valuer to understand the valuation process adopted. With the purpose of the meeting being to identify and challenge the critical judgement areas in the valuation model and to confirm the valuation approach was in accordance with NZ IFRS 13 *Fair Value Measurement*, and NZ IAS 40 *Investment Property*;
- 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; Our specialists focused on the appropriateness of the valuation methodology chosen, and the appropriateness of the capitalisation rates and discount rates applied
- We considered the adequacy of the disclosures made in Notes 16 and 20 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 Accounting Standards, 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 Amy Goodman.

BDO Christchurch Audit Limited

BDO Christchurch Audit Limited
Christchurch
New Zealand
30 July 2024

Directory

First NZ Properties Limited For the year ended 31 March 2024

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

065072920

Directors

John Murray
Damien Prendergast

Bankers

ANZ
127 Cashel Street
Christchurch 8011

Solicitors

Duncan Cotterill
197 Bridge Street
Nelson 7010

Auditors

BDO Christchurch Audit Limited
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

First NZ Properties Limited
(the Company)

Directors' Interests Register

Full name of director	Nature of interest	Value/extent of interest	Date disclosed
Damien Prendergast	Damien appointed as a director of the Company.	Three-year appointment at a fixed fee \$9,000 per year.	7 May 2020
Craig Dennis	Craig appointed as a director of the Company.	Three-year appointment at a fixed fee \$13,500 per year.	7 May 2020
Craig Dennis	Craig in his personal capacity entered into a deed of access, indemnity and insurance with the Company.	The deed of indemnity indemnifies Craig against any liability incurred by Craig as an officer of the Company or other than liability to the Company or a related body corporate, liability arising out of conduct involving lack of good faith or if the indemnity is prohibited by statutory provision. The deed also grants Craig access to documents and information relating to the Company.	6 May 2020
Damien Prendergast	Damien in his personal capacity entered into a deed of access, indemnity and insurance with the Company.	The deed of indemnity indemnifies Damien against any liability incurred by Damien as an officer of the Company other than liability to the Company or a related body corporate, liability arising out of conduct involving lack of good faith or if the indemnity is prohibited by statutory provision. The deed also grants Damien access to	6 May 2020

		documents and information relating to the Company.	
Damien Prendergast	Damien is a director and shareholder of A & J Enterprises 2006 Limited. A & J Enterprises Limited is a shareholder of the Company. Damien will receive dividends from the Company from time to time through A & J Enterprises Limited.	Such dividends will be proportionate to A & J Enterprises 2006 Limited's shareholding in the Company.	July 2020 (ongoing)
Damien Prendergast	Damien resigned at the 2020 AGM and was re-appointed as a director of the Company	Damien resigned as director at the 2020 AGM and was subsequently re-appointed as a director of the Company, together with John Murray	28 September 2020
John Murray	John appointed as a director of the Company under a letter of appointment.	Three-year appointment for a fee of \$20,250 per year, for up to 81 hours per year and any hours undertaken over 81 to be charged at \$250.00 per hour.	28 September 2020
John Murray	John in his personal capacity entered into a deed of indemnity and access with the Company.	The deed of indemnity indemnifies John to the maximum extent permitted by section 162 of the Companies Act 1993 (the Act) and allows John access to company documents. The deed contemplates effecting directors' and officers' liability insurance. It is intended that this cover John for liability up to \$1,000,000 on the normal terms for that type of cover issued by VERO Liability Insurance Ltd.	28 September 2020

Damien Prendergast	Damien in his personal capacity entered into a deed of indemnity and access with the Company.	<p>The deed of indemnity indemnifies Damien to the maximum extent permitted by section 162 of the Act and allows Damien access to company documents.</p> <p>The deed contemplates effecting directors' and officers' liability insurance. It is intended that this cover Damien for liability up to \$1,000,000 on the normal terms for that type of cover issued by VERO Liability Insurance Ltd.</p>	28 September 2020
Damien Prendergast	Damien declares his associated interest that his wife, Rebecca Prendergast is also a 50% shareholder of A & J Enterprises 2006 Limited. A & J Enterprises Limited is a shareholder of the Company. Rebecca will receive dividends from the Company from time to time through A & J Enterprises Limited.	Such dividends will be proportionate to A & J Enterprises 2006 Limited's shareholding in the Company.	24 November 2020 (ongoing)
Craig Dennis	Craig in his personal capacity entered into deeds of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned subsidiaries of the Company). John is also a director of Symonds 110 Limited and Sheffield Crescent Properties Limited.	The Company has granted a mortgage over properties held by it (through its wholly owned subsidiaries) in favour of Craig to secure the Company's obligations to Craig under the deed of indemnity entered into by Craig and the Company.	15 December 2020
John Murray	John in his personal capacity entered into deeds of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned	The Company has granted a mortgage over property held by it (through its wholly owned subsidiaries) in favour of John to secure the Company's	15 December 2020

	<p>subsidiaries of the Company). John is also a director of Symonds 110 Limited and Sheffield Crescent Properties Limited.</p>	<p>obligations to John under the deed of indemnity entered into by John and the Company.</p>	
Damien Prendergast	<p>Damien in his personal capacity entered into deed of guarantee and agreements to mortgage with Symonds 110 Limited and Sheffield Crescent Properties Limited (being wholly owned subsidiaries of the Company). Damien is also a director of Symonds 110 Limited and Sheffield Crescent Properties Limited.</p>	<p>The Company has granted a mortgage over property held by it (through its wholly owned subsidiaries) in favour of Damien to secure the Company's obligations to Damien under the deed of indemnity entered into by Damien and the Company.</p>	15 December 2020
John Murray	<p>The Company entered into a shareholders' agreement with Superstore Properties Limited, Springs Road Property Limited and FSS Management Limited. John is a director of each of these companies.</p>	<p>The shareholders' agreement sets out the terms on which the Company, Superstore Properties Limited and Springs Road Property Limited will hold shares in FSS Management Limited.</p>	17 December 2020
Damien Prendergast	<p>The Company entered into a shareholders' agreement with Superstore Properties Limited, Springs Road Property Limited and FSS Management Limited. Damien is a director of each of these companies.</p>	<p>The shareholders' agreement sets out the terms on which the Company, Superstore Properties Limited and Springs Road Property Limited will hold shares in FSS Management Limited.</p>	17 December 2020
John Murray	<p>The Company entered into a management agreement with FSS Management Limited (FSS) pursuant to which FSS will provide management services to the Company. John is a director of FSS.</p>	<p>The Company will pay the following Fees to FSS:</p> <ul style="list-style-type: none"> • 9% of net rental from the properties per annum plus GST; • for matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$120 per hour; 	31 March 2021

		<ul style="list-style-type: none"> FSS may at its discretion provide a rebate to the Company. 	
Damien Prendergast	<p>The Company entered into a management agreement with FSS pursuant to which FSS will provide management services to the Company. Damien is a director of FSS.</p>	<p>The Company will pay the following Fees to FSS:</p> <ul style="list-style-type: none"> 9% of net rental from the properties per annum plus GST; for matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$120 per hour; <p>FSS may at its discretion provide a rebate to the Company.</p>	31 March 2021
John Murray	<p>John in his personal capacity entered into a deed of postponement with Sheffield Crescent Properties Limited (a wholly owned subsidiary of the Company) in favour of ANZ. John is a director of Sheffield Crescent Properties Limited.</p>	<p>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.</p>	13 April 2021
Damien Prendergast	<p>Damien in his personal capacity entered into a deed of postponement with Sheffield Crescent Properties Limited (a wholly owned subsidiary of the Company) in favour of ANZ. Damien is a director of Sheffield Crescent Properties Limited.</p>	<p>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 Damien. The deed of postponement restricts the Company and Damien from taking certain actions in relation to any amount the Company owes Damien under the mortgage.</p>	13 April 2021
Craig Dennis	<p>Craig in his personal capacity entered into a deed of postponement with Sheffield Crescent Properties Limited (a wholly owned subsidiary of the Company) in favour of ANZ.</p>	<p>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</p>	13 April 2021

		restricts the Company and Craig from taking certain actions in relation to any amount the Company owes Craig under the mortgage.	
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 \$9,000 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. 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
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	22 December 2021

John Murray	John in his personal capacity entered into an escrow agreement with the Company, Damien and Rout Milner Fitchett.	them in accordance with clauses 2.1.1 and 2.1.3 of the deed of indemnity.	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
Damien Prendergast	Damien has received from Colleen Prendergast's estate a further relevant interest in shares in the Company.	<ul style="list-style-type: none"> • Number and class: 5,880 ordinary shares. • Nature of relevant interest Received by Damien Prendergast, Brown & Associates Trustees Limited and Andrea Prendergast as trustees of the Killaloe No.2 Family Trust. Damien is settlor, appointor, trustee and discretionary beneficiary of the trust. • Consideration: Nil. • Date of transfer: 8 February 2023. 	8 February 2023.
Damien Prendergast	Damien declares his associated interest through his sister, Andrea Jane Prendergast, who received from	<ul style="list-style-type: none"> • Number and class: 5,880 ordinary shares. 	8 February 2023

	Colleen Prendergast's estate a relevant interest in shares in the Company.	<ul style="list-style-type: none"> • Nature of relevant interest received by Andrea Jane Prendergast. • Consideration: Nil. • Date of transfer: 8 February 2023 	20 May 2023
Damien Prendergast	Damien declares his associated interest through his daughter, Alana Sophie Prendergast, who has a relevant interest in shares in the Company.	<ul style="list-style-type: none"> • Number and class: 393 ordinary shares. • Nature of relevant interest Received by Alana Sophie Prendergast. • Consideration: \$1,790.50 • Date of transfer: 19 June 2016 to 5 March 2018 	
John Murray	John declares his interest, as director of Sheffield Crescent Property Limited, in the conditional sale of its property at 15 Sheffield Crescent.	<ul style="list-style-type: none"> • Nature of interest: the Company is the sole shareholder of Sheffield Crescent Property Limited and John is a director of Sheffield Crescent Property Limited • Date of sale: Expected to be 31 July 2023 	29 June 2023
Damien Prendergast	Damien declares his interest, as director of Sheffield Crescent Property Limited, in the conditional sale of its property at 15 Sheffield Crescent.	<ul style="list-style-type: none"> • Nature of interest: the Company is the sole shareholder of Sheffield Crescent Property Limited and Damien is a director of Sheffield Crescent Property Limited • Date of sale: Expected to be 31 July 2023 	29 June 2023
John Murray	John was re-appointed as a director of the Company by way of ordinary resolution, passed at the Company's 2023 AGM, which was held on 15 September 2023.	<ul style="list-style-type: none"> • Three-year appointment • Annual fee of \$45,000 per year (based on 12.5 hours of work per month). • Additional hours to be charged at \$385 per hour • Increased annually at 30 September based on annual CPI increase. 	26 October 2023

	<ul style="list-style-type: none"> Both the annual fee and cost of additional hours will be split between the Company and Superstore Properties Limited with the Company being responsible for 61% of the cost. 		
Damien Prendergast	<ul style="list-style-type: none"> Three-year appointment Annual fee of \$30,000 per year (based on 12.5 hours of work per month). Additional hours to be charged at \$250 per hour Increased annually at 30 September based on annual CPI increase Both the annual fee and cost of additional hours will be split between the Company and Superstore Properties Limited with the Company being responsible for 61% of the cost. 	<p>Damien was re-appointed as a director of the Company by way of ordinary resolution, passed at the Company's 2023 AGM, which was held on 15 September 2023.</p>	26 October 2023
John Murray	<p>The Company is the sole shareholder of Sheffield Crescent Property Limited and John is a director of Sheffield Crescent Property Limited.</p>	<p>John, in his capacity as a director of Sheffield Crescent Property Limited, approved the Sale of 15 Sheffield Crescent.</p>	20 February 2024
Damien Prendergast	<p>The Company is the sole shareholder of Sheffield Crescent Property Limited and John is a director of Sheffield Crescent Property Limited.</p>	<p>Damien, in his capacity as a director of Sheffield Crescent Property Limited, approved the Sale of 15 Sheffield Crescent.</p>	20 February 2024
Damien Prendergast	<ul style="list-style-type: none"> The deed of variation of management agreement amended the fees payable by the Company for services provided by FSS. The amendments are as follows: <ul style="list-style-type: none"> In the event that a subsidiary company sells its associated 	<p>The Company entered into a deed of variation of management agreement with FSS.</p> <p>Damien is a director of FSS.</p>	1 April 2024

	<p>property, the Company will pay FSS up to 1.5% annually plus GST of the total managed funds held in all bank accounts. FSS has the ability to review the percentage at every yearly budget.</p> <p>For matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$150 per hour.</p>		
<p>1 April 2024</p>	<p>The deed of variation of management agreement amended the fees payable by the Company for services provided by FSS. The amendments are as follows:</p> <ul style="list-style-type: none"> In the event that a subsidiary company sells its associated property, the Company will pay FSS up to 1.5% annually plus GST of the total managed funds held in all bank accounts. FSS has the ability to review the percentage at every yearly budget. For matters not contemplated by schedule 1 of the agreement the Company will pay on a time and attendance basis of \$150 per hour. 	<p>The Company entered into a deed of variation of management agreement with FSS.</p> <p>John is a director of FSS.</p>	
<p>10 May 2024</p>	<p>The Company is the sole shareholder of Sheffield Crescent Property Limited and John is a director of Sheffield Crescent Property Limited.</p>	<p>John, in his capacity as a director of Sheffield Crescent Property Limited, approved a variation to the agreement for sale and purchase of 15 Sheffield Crescent.</p>	<p>John Murray</p>
<p>10 May 2024</p>	<p>The Company is the sole shareholder of Sheffield Crescent Property Limited and Damien is a director of Sheffield Crescent Property Limited.</p>	<p>Damien, in his capacity as a director of Sheffield Crescent Property Limited, approved a variation to the agreement</p>	<p>Damien Prendergast</p>

	for sale and purchase of 15 Sheffield Crescent.	Damien declares his interest, as a shareholder of A & J Enterprises 2006 Limited (being a shareholder of the Company) in the Company's decision to pay a dividend to its shareholders.	
Damien Prendergast	Damien in his personal capacity entered a deed of variation and restatement of the deed of indemnity and access, and a specific security deed with the Company.	Damien owns shares in A & J Enterprises 2006 Limited which owns shares in the Company. Such dividends will be proportionate to A & J Enterprises 2006 Limited's shareholding in the Company.	10 May 2024
Damien Prendergast		<p>The deed of variation and restatement of the deed of indemnity and access:</p> <ul style="list-style-type: none"> increases the escrow amount to be held by the escrow agent 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 from \$75,000 to an amount to be determined by the directors up to a maximum of \$150,000; and grants the directors security in the funds to be received by the Company on settlement of the sale of the property owned by Sheffield Crescent Properties Limited, to be secured by a specific security deed. <p>The specific security deed grants the directors security in the amount of proceeds of settlement of the sale of the property at 15 Sheffield Crescent, to be deposited in an account in the Company's name, with such secured money to be used to cover any amount relating to obligations of the</p>	24 May 2024

<p>Damien Prendergast</p>	<p>Damien in his personal capacity entered into a deed of variation and restatement of deed of guarantee, and a specific security deed with Sheffield Crescent Property Limited.</p> <p>Sheffield Crescent Property Limited is a wholly owned subsidiary of the Company. Damien is a director of the Company and of Sheffield Crescent Property Limited.</p>	<p>Company to the directors under the deeds of indemnity.</p> <p>Sheffield Crescent Property Limited has guaranteed the performance of the Company's obligations under the deeds of indemnity. To support the guarantee Sheffield Crescent Property Limited granted a mortgage over the property owned by it in favour of the directors. This property is now subject to an agreement for sale and purchase and is due to settle on 7 June 2024. The directors agreed to discharge the mortgage held over the property and, in its place, have taken a specific security in Sheffield Crescent Property Limited's bank account which will hold the funds of the sale. The deed of variation and restatement of deed of guarantee records this variation. This security is secured by a specific security deed executed by Sheffield Crescent Property Limited (as debtor).</p>	<p>24 May 2024</p>
<p>John Murray</p>	<p>John in his personal capacity entered a deed of variation and restatement of the deed of indemnity and access, and a specific security deed with the Company.</p>	<p>The deed of variation and restatement of the deed of indemnity and access:</p> <ul style="list-style-type: none"> increases the escrow amount to be held by the escrow agent 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 from \$75,000 to an amount to be determined by the directors up to a maximum of \$150,000; and 	<p>24 May 2024</p>

	<ul style="list-style-type: none"> grants the directors security in the funds to be received by the Company on settlement of the sale of the property owned by Sheffield Crescent Properties Limited, to be secured by a specific security deed. <p>The specific security deed grants the directors security in the amount of proceeds of settlement of the sale of the property at 15 Sheffield Crescent, to be deposited in an account in the Company's name, with such secured money to be used to cover any amount relating to obligations of the Company to the directors under the deeds of indemnity.</p>	
<p>John Murray</p>	<p>John in his personal capacity entered into a deed of variation and restatement of deed of guarantee, and a specific security deed with Sheffield Crescent Property Limited.</p> <p>Sheffield Crescent Property Limited is a wholly owned subsidiary of the Company. John is a director of the Company and of Sheffield Crescent Property Limited.</p>	<p>24 May 2024</p> <p>Sheffield Crescent Property Limited has guaranteed the performance of the Company's obligations under the deeds of indemnity. To support the guarantee Sheffield Crescent Property Limited granted a mortgage over the property owned by it in favour of the directors. This property is now subject to an agreement for sale and purchase and is due to settle on 7 June 2024. The directors agreed to discharge the mortgage held over the property and, in its place, have taken a specific security in Sheffield Crescent Property Limited's bank account which will hold the funds of the sale. The deed of variation and restatement of deed of guarantee records this variation. This security is secured by a specific security deed</p>

executed by Sheffield Crescent
Property Limited (as debtor).