



# **Springs Road Property Limited**

**Annual Report**  
for the year ended  
**31 March 2002**

## **Contents**

<b>Management Report &amp; Market Commentary</b>	<b>1</b>
<b>Report of the Directors to the Shareholders</b>	<b>2</b>
<b>Statement of financial performance</b>	<b>3</b>
<b>Statement of movements in equity</b>	<b>4</b>
<b>Statement of financial position</b>	<b>5</b>
<b>Statement of cash flows</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7-12</b>
<b>Auditors Report</b>	<b>13</b>
<b>Directory</b>	<b>14</b>

# Management Report and Market Commentary

The New Zealand economy has withstood the fall that has been widespread in almost all the worlds leading economies and has performed strongly for the year to March 2002. Business confidence remains in positive territory and the National Bank Business Outlook report for May 2002 reflects confidence in the retail sales area at higher levels than any other sector of the economy. Since the end of the financial year there has been continued growth notwithstanding the modest rise in interest rates. The New Zealand dollar continues to gain against all of its major trading partners and particularly against the US dollar.

Factors that have contributed to the economic growth and should continue to do so are:

- The recovery in business and consumer confidence,
- A strong housing and construction sector assisted by low mortgage rates, rising house prices and a net migration turnaround,
- Strong retail sales and new motor vehicle registrations.

The East Tamaki area continues to undergo strong growth with the development of Highbrook an integrated commercial and industrial business park of over 200 hectares situated on the Waiouru Peninsular to the north west and land adjoining the new Te Irirangi Drive to the east.

The building is currently fully occupied. A portion of the ground floor was let to Goodman Fielder, on terms concurrent with the existing lease arrangements, following the expiry of the I.H.C lease in December 2001. An upgrade to the fresh air ventilation system was completed by Springs Rd Property as part of this leasing.

Lease renewals for both Manakau Water and Avon Cosmetics are due mid 2003. Discussions with both tenants to ascertain their intentions have commenced to ensure that any vacancy period is minimised.

The valuation at 31 March 2002 was the same as last year at \$4.7m relative to the 1997 purchase price of \$4.49m.

# Report of the Directors to the shareholders

Your Directors take pleasure in presenting their Annual Report including the financial statements of the Company for the year ended 31 March 2002.

**Activities**

The company is involved in the property rental business.

**Dividends**

A dividend of 9.4 cents per ordinary share was proposed for the year ended 31 March 2002 and was paid in April 2002.

**Directors**

The following persons held office as Directors during the year ended 31 March 2002.

- Michael John Millar
- Neil Allan Barnes (appointed)
- Virginia Anne Laughton (appointed)
- Grant David Uridge (resigned)
- Graeme William Thomas (resigned)

**Remuneration of Directors**

No Directors remuneration was paid during the year ended 31 March 2002.

**Remuneration of employees**

No employees remuneration exceeded \$100,000.

**Auditors**

Richards Woodhouse were appointed as the Company's auditors.

**Interests register**

The following are transactions recorded in the Interests Register for the year:

**Interested transactions**

All transactions conducted by the Company with Investment Services Limited are interested transactions as Michael Millar is a Director of, and Neil Barnes and Virginia Laughton employees of Investment Services Limited.

Interested transactions were:

Investment Services Limited	
Payment of fees for Management, Accounting and Registry services	27,320
	<hr/>
	<b>\$27,320</b>
	<hr/>

**Share purchases**

No share transactions took place during the period.

**Directors' loans**

There were no loans by the Company to the Directors.

**Directors' indemnity and insurance**

The Company's Directors are insured against liabilities to other parties (except the company or a related party of the company) that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.

For, and on behalf of, the Board



**CHAIRMAN**



**DIRECTOR**

*Date 26 August 2002*

# Springs Road Property Limited

## Statement of financial performance

### For the year ended 31 March 2002

	<i>Note</i>	<i>2002</i> \$	<i>2001</i> \$
<b>Income</b>			
Rent received	2	515,233	533,943
Interest received		4,758	2,151
		519,991	536,094
<b>Less expenditures</b>			
Accountancy		5,252	3,000
Audit fees		2,100	2,360
Interest - National Bank		176,057	174,960
- Mortgage Bonds		234,668	289,000
Custodian fees		1,500	1,500
Printing, postage and stationery		83	1,192
Registry fees		3,977	2,704
Management fees	3	23,000	23,000
Legal and professional fees		2,944	-
Insurance		1,572	-
Valuation fees		1,500	1,200
General expenses		2,022	1,456
		454,675	500,372
<b>Net surplus (deficit) before taxation</b>		65,316	35,722
Tax	4	-	-
<b>Net surplus (deficit) before revaluation</b>		65,316	35,722
Unrealised increase (decrease) in value of investment property	11	(25,720)	-
<b>Net surplus (deficit)</b>		<b>\$39,596</b>	<b>\$35,722</b>

# Springs Road Property Limited

## Statement of movements in equity

### For the year ended 31 March 2002

	<i>2002</i>	<i>2001</i>
	<i>\$</i>	<i>\$</i>
<b>Total equity at beginning of period</b>	371,604	335,882
Net surplus (deficit) for the period	39,596	35,722
Total recognised revenue and expenses for the period	39,596	35,722
Proposed dividend	54,332	-
<b>Total equity at end of period</b>	<b>\$356,868</b>	<b>\$371,604</b>

# Springs Road Property Limited

## Statement of financial position

### As at 31 March 2002

	<i>Note</i>	<i>2002</i> \$	<i>2001</i> \$
<b>Equity</b>		<b>\$356,868</b>	<b>\$371,604</b>
<b>Represented by:</b>			
<b>Current assets</b>			
Cash and bank balances	<b>6</b>	153,101	109,384
Accounts receivable		22,828	22,611
Tax refund due		1,978	839
		177,907	132,834
<b>Non-current assets</b>			
Investment property	<b>11</b>	4,610,000	4,606,000
<b>Total assets</b>		<b>4,787,907</b>	<b>4,738,834</b>
<b>Less liabilities:</b>			
<b>Current liabilities</b>			
Accounts payable		110,316	92,034
Bank loans – Secured		1,950,000	-
Proposed dividend		54,332	-
GST payable		4,391	13,196
		2,119,039	105,230
<b>Non-current liabilities</b>			
Bank loans - Secured	<b>7</b>	-	1,950,000
Mortgage bonds - Secured	<b>7</b>	2,312,000	2,312,000
		2,312,000	4,262,000
<b>Total liabilities</b>		<b>4,431,039</b>	<b>4,367,230</b>
<b>Net assets</b>		<b>\$356,868</b>	<b>\$371,604</b>



**Dated: 26 August 2002**



**Director**

**Dated: 26 August 2002**

# Springs Road Property Limited

## Statement of cash flows

	<i>Note</i>	<i>2002</i>	<i>2001</i>
		<i>\$</i>	<i>\$</i>
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Rents received		521,174	532,815
Net interest received		4,758	1,312
Tax refund received		839	370
		526,771	534,497
<i>Cash was applied to:</i>			
Operating expenses		(58,746)	(35,478)
Interest		(424,308)	(463,791)
		(483,054)	(499,269)
Net cash flow from operating activities	<b>9</b>	43,717	35,228
Total net (decrease)/increase in cash balances		43,717	35,228
Add opening cash brought forward		109,384	74,156
<b>Closing cash carried forward</b>		<b>\$153,101</b>	<b>\$109,384</b>

# Notes to the financial statements

## 1 Statement of significant accounting policies

### Basis of preparation

The company, Springs Road Property Limited was incorporated in December 1997 and is registered under the Companies Act 1993. The financial statements of the company have been prepared in accordance with the Financial Reporting Act 1993, and comprise statements of the following: significant accounting policies, financial performance, movements of equity, financial position, cashflows, as well as the notes to these statements contained on pages 8 to 14 of this Annual Report.

The financial statements have been prepared on the historical cost basis except that the investment property is revalued.

### Investment property

The investment property is recorded at net current value which is market value less anticipated costs of disposal. Revaluation gains or losses are included in the statement of financial performance following the net profit (loss) before revaluation. The investment property is not depreciated.

### Taxation

The company adopts tax effect accounting whereby income tax is matched with operating profit after allowing for permanent differences, including depreciation using the partial liability method. The tax benefit of tax losses is recognised in the year the losses are utilised.

### Financial instruments

All financial instruments of the company are recognised in the balance sheet. The company has no off-balance sheet financial instruments. Financial instruments are valued in accordance with the accounting policies disclosed in relation to each type of asset and liability.

### Debtors

Debtors are stated at estimated realisable value.

### Goods and services tax

The financial statements have been prepared on a GST exclusive basis except for accounts receivable and payable.

### Statement of cash flows

The following are the definitions of the terms in the Statement of cash flows:

- a) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of tangible assets and of investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d) Operating activities include all transactions and other events that are not investing or financing activities.

### Changes in accounting policies

There have been no changes in accounting policies during the year.

## 2 Rents received

The annual rentals for the property have been set under the leases taken over on acquisition. The four tenants have leases with the following terms:

### *Goodman Fielder Milling*

- Eight year term expiring 31 December 2004.
- Two rights of renewal of four years each.
- Two yearly rent reviews based on current market rentals and encompassing a ratchet clause.
- From 1 February 2002 tenant entered into lease for ground floor previously occupied by IHC on terms running concurrent with existing lease.

### *Manakau City Council*

- Six year term expiring 14 July 2003.
- Two rights of renewal of three years.
- Three yearly rent reviews based on current market rentals and encompassing a ratchet clause.

### *Avon Cosmetics*

- Four year term expiring 1 May 2003.
- No rights of renewal.
- Two yearly rent reviews based on current market rentals and encompassing a ratchet clause.

## 3 Management fees

The Investment Manager's fee for 2001 and thereafter is based on 0.5% of the net capital value of the property.

## Notes to the financial statements (continued)

### 4 Taxation

Tax will be paid on net income after allowing for permanent differences including depreciation which are not expected to reverse in the foreseeable future.

	<i>2002</i> \$	<i>2001</i> \$
Net surplus (deficit) before taxation	65,316	35,722
<i>Adjusted for:</i>		
Depreciation claim	(163,674)	(176,358)
<b>Tax Loss for year</b>	<u><b>(\$98,358)</b></u>	<u><b>(\$140,636)</b></u>

### 5 Deferred taxation

The company has an unrecognised deferred taxation liability of \$266,580 (2001: \$212,568) in respect of depreciation, and an offsetting unrecognised future tax benefit of \$211,871 (2001: \$179,413) in respect of tax losses carried forward. The carry forward of tax losses is dependent upon sufficient shareholder continuity being maintained.

### 6 Cash and bank balances

	<i>2002</i> \$	<i>2001</i> \$
National Bank cheque account	153,088	27,796
National Bank call account	-	81,588
ASB Bank cheque account	13	-
	<u><b>\$153,101</b></u>	<u><b>\$109,384</b></u>

# Notes to the financial statements (continued)

## 7 Non-current liabilities

	<i>2002</i>	<i>2001</i>
	<i>\$</i>	<i>\$</i>
National Bank (NZ) Limited	-	1,950,000
Mortgage Bonds	2,312,000	2,312,000
	<u><b>\$2,312,000</b></u>	<u><b>\$4,262,000</b></u>

National Bank (NZ) Limited repayment terms - at end of 5 years being December 2002 with fixed interest rate of 8.96% per annum. The National Bank (NZ) Limited loan is secured by a first ranking debenture over the assets of Springs Road Property Limited and a first ranking mortgage over the property.

The terms of the convertible mortgage bonds are as follows:

- Each mortgage bond has a face value of \$4,000.
  - Interest paid of 12.5% per annum (pre-tax) from date of issue to 31 March 2001. Thereafter the rate is to be set by the directors at 31 March annually at either 12.5% p.a. or the 90 day bank bill rate plus 4% p.a. whichever is the lesser (pre-tax). For the year ended 31 March 2002 the rate was 9.6%
  - Bonds will be redeemed on the sale of the company's property in cash to the extent that sufficient funds are then available and by conversion into ordinary shares for any balance.
- Or
- Mandatory conversion to ordinary shares on the 20<sup>th</sup> anniversary of deed poll.
- Or
- Conversion to ordinary shares at the option of the company at any earlier time upon giving notice to bond holders.
  - Shares may only be transferred as part of a parcel of 1,000 shares and one convertible mortgage bond.

## Notes to the financial statements (continued)

### 8 Prospective financial information

In 1998 the company issued a prospectus as part of its offer to subscribe for parcels of shares and mortgage bonds. Below is a comparison of the forecast financial statements to the company's actual results for the year ended 31 March 2001, and the year ended 31 March 2002.

	<i>Forecast 2002 \$</i>	<i>Actual 2002 \$</i>	<i>Forecast 2001 \$</i>	<i>Actual 2001 \$</i>
<b>Statement of financial performance</b>				
Total operating revenue	551,828	519,991	546,346	536,094
Surplus (deficit) before taxation	40,451	65,516	35,065	35,722
Tax	-	-	-	-
Investment property revaluation	-	(25,720)	-	-
Net surplus (deficit)	<b>40,451</b>	<b>39,596</b>	<b>35,065</b>	<b>35,722</b>
<b>Statement of financial position</b>				
Equity	228,375	356,868	187,924	371,604
Non-current assets	4,459,000	4,610,000	4,459,000	4,606,000
Current assets	112,625	177,907	72,174	132,834
Non-current liabilities	4,262,000	2,312,000	4,262,000	4,262,000
Current liabilities	81,250	2,119,039	81,250	105,230
Net assets	<b>228,375</b>	<b>356,868</b>	<b>187,924</b>	<b>371,604</b>
<b>Statement of cashflows</b>				
Net cash flows from operating activities	40,451	43,717	35,065	35,228
Net cash flows from investing activities	-	-	-	-
Net cash flows from financing activities	-	-	-	-
	<b>40,451</b>	<b>43,717</b>	<b>35,065</b>	<b>35,228</b>

Actual net surplus for the year varies from the forecast due to a decrease in the investment property valuation and better than forecast operating surplus.. Total equity is higher then forecast due to the increase in the investment property valuation in the years prior to 2000. Current and non-current liabilities vary due to the short term nature of the bank loan in this years Statement of Financial Position.

## Notes to the financial statements (continued)

### 9 Reconciliation of net profit (deficit) to net cashflows from operating activities

	<i>2002</i> \$	<i>2001</i> \$
<b>Net profit (deficit) after taxation</b>	39,596	35,722
Decrease in property valuation	25,720	-
Capitalised additions	(29,720)	-
Proposed dividend	(54,332)	-
	<hr/>	<hr/>
	(18,736)	35,722
<i>Add/(less) movements in working capital items</i>		
(Increase)/decrease in accounts receivable	(217)	(777)
Increase/(decrease) in accounts payable	18,282	(1,552)
Increase/(decrease) in proposed dividend	54,332	-
Increase/(decrease) in net GST	(9,524)	2,304
(Increase)/decrease in tax refund due	(420)	(469)
	<hr/>	<hr/>
	62,453	(494)
<b>Net cash inflow from operating activities</b>	<b><u>\$43,717</u></b>	<b><u>\$35,228</u></b>

### 10 Financial instruments

This note deals with exposures to interest rate and credit risk arising in the normal course of the company's business as follows.

#### **Interest rate risk**

The Company has long term borrowings. The Company has minimised interest rate risk though fixing the interest rate associated with those borrowings for a five year period up to the year 2002 at an interest rate of 8.96%. The rate of interest on convertible mortgage bonds was 9.6% for the year ended 31 March 2002.

#### **Credit risk**

The Company in the normal course of business has credit risk from accounts receivable mainly for rent and bank balances.

The Company manages credit risk through transacting only with major trading banks.

At balance date, there were no significant concentrations of credit risk.

No collateral is required in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

## Notes to the financial statements (continued)

### 11 Investment property valuation

The investment property was valued by C B Richard Ellis, registered property valuers, Auckland, on 31 March 2002 at a market value of \$4,700,000. The amount of \$4,610,000 included in the statement of financial position is calculated by taking this amount and deducting an allowance for disposal costs assessed at \$90,000.

	<i>2002</i> \$	<i>2001</i> \$
Valuation brought forward	4,606,000	4,606,000
Capitalised additions	29,720	-
	<u>4,635,720</u>	<u>4,606,000</u>
Current valuation	4,700,000	4,700,000
Less Disposal costs	(90,000)	(94,000)
	<u>4,610,000</u>	<u>4,606,000</u>
<b>Change in value of property</b>	<u><b>(\$25,720)</b></u>	<u><b>NIL</b></u>

### 12 Related party transactions

Michael Millar is both a Director of Springs Road Property Limited and Investment Services Limited the Company's manager and as such Investment Services Limited is a related party.

During the period the following transactions were entered into with Investment Services Limited.

Payment of fees for management, Accounting and registry services	27,320
	<u>\$27,320</u>



**Auditors' Report to the Shareholders of  
Springs Road Property Limited**

We have audited the financial statements on pages 3 to 12. The financial statements provide information about the past financial performance and cash flows of the company for the year ended 31 March 2002 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 7.

**Directors' Responsibilities**

The company's directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the company as at 31 March 2002 and its financial performance and cash flows for the year ended on that date.

**Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the directors and reporting our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:-

- (a) the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the company other than in our capacity as auditors.

**Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the company as far as appears from our examination of those records; and
- (b) the financial statements on pages 3 to 12:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the company as at 31 March 2002 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 August 2002 and our unqualified opinion is expressed as at that date.

*Richards Woodhouse*

**Richards Woodhouse  
Nelson**

# Directory

<b>Nature of business</b>	Property rental	<b>Bankers</b>	
<b>Paid in capital</b>	\$578,000	<b>From 1 June 2002</b>	National Bank of New Zealand Limited 1 Victoria Street PO Box 540 Wellington
<b>Registered office</b>	L1 3/237 Queen Street Richmond	<b>To 31 May 2002</b>	ASB Bank Trafalgar Street PO Box 858 Nelson
<b>Registered under</b>	The Companies Act 1993	<b>Auditors</b>	Richards Woodhouse 9 Buxton Square PO Box 98 Nelson
<b>Incorporation number</b>	WN886293	<b>Solicitors</b>	McFadden McMeeken Phillips 187 Bridge Street PO Box 656 Nelson
<b>I.R.D. number</b>	69-248-896	<b>Share Register</b>	Investment Services L1 3/237 Queen Street PO Box 3637 Richmond Phone (03) 544 2005 Fax (03) 544 2300
<b>Directors</b>	Michael John Millar Neil Allan Barnes Virginia Anne Laughton	<b>Secondary Market</b>	Investment Services L1 3/237 Queen Street PO Box 3637 Richmond Phone (03) 544 2005 Fax (03) 544 2300
	<b>Ceased to hold office during the period</b> Grant David Uridge Graeme William Thomas		
<b>Investment Manager</b>	Investment Services Ltd L1 3/237 Queen Street PO Box 3637 Richmond Phone (03) 544 2005 Fax (03) 544 2300		
<b>Property Manager</b>	The Franklin Company P O Box 3618 Shortland Street Auckland		
<b>Accountants</b>	Investment Services Ltd L1 3/237 Queen Street PO Box 3637 Richmond Phone (03) 544 2005 Fax (03) 544 2300		