

# First NZ Properties Limited

## Annual Report for the year ended 31 March 2010

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# Management Report & Market Commentary

## The Market

Over the past 12 months the total returns (income plus capital) have generally stayed static in the market. Interest rates trended down for a while but have now started to increase with the Governments recent increases in the OCR. Last year the banks were not lending much on commercial property however this has now freed up to a certain extent, however you do need to put a good case to the banks to obtain funding.

There has continued to be an increase in the number of proportionate ownership schemes for commercial property being promoted. Smaller investors are moving to these as they provide a better return than having money in the bank.

## Your Investment

### 50 Kilmore Street, Christchurch.

We advised last year that KPMG merged with Ernst & Young. Since this occurred we have renegotiated the lease for the property. E & Y are now leasing part ground floor and levels 2 to 6 for a period of 10 years from the 1<sup>st</sup> of January 2010, with 2 lease renewals of 7 years. There has been a significant lift in rental to a total of \$623,262 per year plus the Operating Costs and GST.

The syndicate has agreed to undertake some works for E & Y to secure this lease renewal. The works involve refurbishment of the toilets on levels 2 to 6, along with putting some money towards the refurbishment of level 2 and the foyer. E & Y have agreed to undertake a significant refurbishment to level 2 and to undertake some other works to level 6 so it better suits their needs.

The significance of the financial commitment by E & Y to this site cannot be underestimated, this is a significant international tenant who is committing to making the building work for them.

### 15 Sheffield Crescent, Christchurch.

There have been no changes to the lease terms for Canterbury Yarns Limited during the year. Their lease runs for a further six years to June 2016.

## International Financial Reporting Standards (IFRS)

As First NZ Properties Limited is classified as an issuer we now have to comply with the latest IFRS reporting formats. These are technical accounting presentation changes which have no bearing on the way the company is operated or the actual profit and cashflow it generates. However by complying it does reduce the net asset value of the company by recognising certain assets and liabilities which "may" arise.

## Results

The company continues to trade profitably.

The increase in property value coupled with the operating result has seen the NTA per share improve to \$2.48 from \$2.16.

# 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 2010.

## **Activities**

The Company is involved in the property rental business.

## **Dividends**

\$275,750 was paid in Dividends due for the period ended 31 March 2010. Associated dividend withholding tax paid amounted to \$130,784.

## **Directors**

The following Directors held office during the year ended 31 March 2010.

Neil Allan Barnes  
Michael John Millar

## **Remuneration of Directors**

No Directors remuneration was paid during the year ended 31 March 2010.

## **Remuneration of employees**

No employees' remuneration exceeded \$100,000.

## **Auditors**

Carran Miller Strawbridge were reappointed as the Company's auditors.

## **Interests register**

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

## **Related party transactions**

All transactions conducted by the Company with Investment Services Limited are related party transactions, as Michael Millar is a Director of Investment Services Limited.

Interested transactions were:-

Investment Services Limited

Payment of fees for management, accounting and registry services	121,269
	<u>\$121,269</u>

## **Share purchases**

Investment Services Limited purchased 11,025 shares during the year at \$1.50 per share.

## **Directors' loans**

There were no loans by the Company to the Directors.

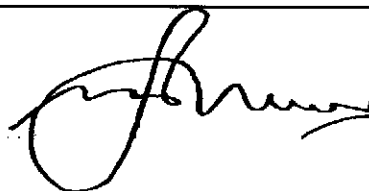
## **Directors' indemnity and insurance**

The Company's Directors and the Directors of its subsidiaries 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

Dated: 14 September 2010

**FIRST NZ PROPERTIES LIMITED**  
**Income Statement**  
**For the year ended 31 March 2010**

	<i>Note</i>	<i>Group</i>		<i>Parent</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Income</b>					
Rent received	3	1,591,064	1,558,050	-	-
Interest received		23,869	70,992	1,178,286	1,179,135
<b>Total Income</b>		<u>1,614,933</u>	<u>1,629,042</u>	<u>1,178,286</u>	<u>1,179,135</u>
<b>Less expenditure</b>					
Accountancy		8,625	8,400	8,625	8,400
Audit fees		2,350	3,628	2,350	3,628
Bank charges		594	297	594	297
General expenses		4,019	4,286	4,019	4,286
Insurance		2,417	2,280	2,417	2,280
Interest		783,364	705,137	783,364	705,137
Legal fees		1,609	15,448	1,609	15,448
Management fees	4	103,419	101,273	-	-
Repairs and irrecoverable opex		867	8,884	867	8,884
Printing and stationery		2,713	3,168	2,713	3,168
Registry fees		9,225	9,000	9,225	9,000
Valuation fees		6,610	9,145	6,610	9,145
<b>Total Expenditure</b>		<u>925,812</u>	<u>870,946</u>	<u>822,393</u>	<u>769,673</u>
<b>Net surplus before taxation</b>		<u>689,121</u>	<u>758,096</u>	<u>355,893</u>	<u>409,462</u>
Income tax	7	206,736	227,429	106,768	122,838
<b>Net surplus before revaluation</b>		<u>482,385</u>	<u>530,667</u>	<u>249,125</u>	<u>286,624</u>
Unrealised gain/(loss) on Interest Rate Swap		138,071	(766,286)	138,071	(766,286)
Unrealised increase/(decrease) in value of investment properties		930,000	(1,395,000)	-	-
<b>Net surplus</b>		<u><b>1,550,456</b></u>	<u><b>(1,630,619)</b></u>	<u><b>387,196</b></u>	<u><b>(479,662)</b></u>

*These statements are to be read in conjunction with the notes and accounting policies on pages 7 to 14 and the audit report on pages 15 - 16.*

**FIRST NZ PROPERTIES LIMITED**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2010**

	<i>Group</i>		<i>Parent</i>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total equity at beginning of period</b>	8,794,121	10,836,792	169,938	1,061,652
Net surplus for the period	1,550,456	(1,630,619)	387,196	(479,662)
Distributions to shareholders	(275,760)	(412,052)	(275,760)	(412,052)
<b>Total equity at end of period</b>	<b>10,068,817</b>	<b>8,794,121</b>	<b>281,374</b>	<b>169,938</b>

**FIRST NZ PROPERTIES LIMITED**  
**Balance Sheet**  
**As at year ended 31 March 2010**

	<i>Note</i>	<i>Group</i>		<i>Parent</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Equity</b>	<b>5&amp;6</b>	<b>10,068,817</b>	<b>8,794,121</b>	<b>281,374</b>	<b>169,938</b>
<b>Represented by:</b>					
<b>Current assets</b>					
Cash and bank balances	8	950,707	971,194	950,707	971,194
Accounts receivable		197,540	84,172	197,540	84,172
Tax receivable		247,980	67,129	247,980	67,129
		<u>1,396,227</u>	<u>1,122,495</u>	<u>1,396,227</u>	<u>1,122,495</u>
<b>Non-current assets</b>					
Investment properties		19,200,000	18,270,000	-	-
Loans in subsidiaries		-	-	8,762,763	9,095,991
Shares in subsidiaries	11	-	-	400	400
		<u>19,200,000</u>	<u>18,270,000</u>	<u>8,762,763</u>	<u>9,095,991</u>
<b>Total assets</b>		<b>20,596,227</b>	<b>19,392,495</b>	<b>10,159,390</b>	<b>10,218,886</b>
<b>Less liabilities:</b>					
<b>Current liabilities</b>					
Accounts payable		110,160	126,453	110,160	126,453
GST payable		123	16,691	123	16,691
Bank loans		-	9,360,000	-	9,360,000
		<u>110,283</u>	<u>9,503,144</u>	<u>110,283</u>	<u>9,503,144</u>
<b>Non-current liabilities</b>					
Term loans	9	9,360,000	-	9,360,000	-
Deferred tax		649,394	549,426	-	-
Fair value of Interest Rate Swap		407,733	545,804	407,733	545,804
		<u>10,417,127</u>	<u>1,095,230</u>	<u>9,767,733</u>	<u>545,804</u>
<b>Total liabilities</b>		<b>10,527,410</b>	<b>10,598,374</b>	<b>9,878,016</b>	<b>10,048,948</b>
<b>Net assets</b>		<b>10,068,817</b>	<b>8,794,121</b>	<b>281,374</b>	<b>169,938</b>



**Director**  
Dated: 14 September 2010



**Director**  
Dated: 14 September 2010

**FIRST NZ PROPERTIES LIMITED**  
**Statement of Cash Flows**  
**For the year ended 31 March 2010**

	<i>Note</i>	<i>Group</i>		<i>Parent</i>	
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
		<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<b>Cash flows from operating activities</b>					
<i>Cash was provided from:</i>					
Rents received		1,462,459	1,558,050	-	-
Interest received		31,555	71,007	31,555	71,007
		<u>1,494,014</u>	<u>1,629,057</u>	<u>31,555</u>	<u>71,007</u>
<i>Cash was applied to:</i>					
Payments to suppliers		161,873	225,160	187,079	123,912
Interest		775,503	705,856	775,503	705,856
Taxation paid		301,365	200,000	301,365	200,000
		<u>1,238,741</u>	<u>1,131,016</u>	<u>1,263,947</u>	<u>1,029,768</u>
Net cash flow from operating activities	<b>10</b>	<u>255,273</u>	<u>498,041</u>	<u>(1,232,392)</u>	<u>(958,761)</u>
<b>Cash flows from investing activities</b>					
<i>Cash was provided from:</i>					
Repayment of loan from subsidiaries		-	-	1,487,665	1,456,802
Net cash flows to investing activities		<u>-</u>	<u>-</u>	<u>1,487,665</u>	<u>1,456,802</u>
<b>Cash flows from financing activities</b>					
<i>Cash was applied to:</i>					
Payment of dividends		275,760	412,052	275,760	412,052
Net cash flows to financing activities		<u>275,760</u>	<u>(412,052)</u>	<u>275,760</u>	<u>(412,052)</u>
<b>Total (decrease)/increase in cash balances</b>		<u>(20,487)</u>	<u>85,989</u>	<u>(20,487)</u>	<u>85,989</u>
<b>Add Opening cash brought forward</b>		<u>971,194</u>	<u>885,205</u>	<u>971,194</u>	<u>885,205</u>
<b>Closing cash carried forward</b>		<u><b>950,707</b></u>	<u><b>971,194</b></u>	<u><b>950,707</b></u>	<u><b>971,194</b></u>

*These statements are to be read in conjunction with the notes and accounting policies on pages 7 to 14 and the audit report on pages 15 - 16.*

# Notes to the Financial Statements

## 1 Statement of significant accounting policies

### **Basis of preparation**

The Company, First NZ Properties Limited, is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have been prepared on the historical cost basis with the exception of the investment properties, which are revalued. The presentation currency is New Zealand Dollars.

### **Basis of consolidation**

The Group financial statements are prepared for the financial statements of the Company and all its subsidiaries, using the purchase method. All intercompany transactions have been eliminated on consolidation.

### **Investment properties**

The investment properties are recorded at the Director's estimate of fair value, which is market value less estimated costs of disposal. Revaluation gains or losses are included in the Income Statement following the net profit/(loss) before revaluation. The investment properties are not depreciated for accounting purposes however depreciation is claimed for taxation purposes. The properties are held for both rental income and capital appreciation purposes.

### **Taxation**

The income tax expense recognised for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

### **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.

### **Accounts payable and receivable**

Accounts Receivable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for doubtful debts. Collectability of trade receivable is reviewed on an ongoing basis. Uncollectable debts are written off as incurred.

Accounts Payable are initially measured at fair value, subsequently measured at amortised cost using effective interest method

### **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 including investment properties. 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 Group. 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.

# Notes to the Financial Statements (continued)

## 1 Statement of significant accounting policies (continued)

### Statement of cash flows (continued)

- d) Operating activities include all transactions and other events that are not investing or financing activities.

### Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### Revenue Recognition

Rental income is recognised in the income statement on a straight line basis over the term of the lease. Interest received is recognised in the income statement using effective interest method.

### Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of Accounts Receivable and Accounts Payable which are shown inclusive of GST.

### Statement of compliance

The financial statements comply with New Zealand generally accepted accounting practice, which include New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial Statements comply with International Financial Reporting Standards ("IFRS").

## 2 Subsidiaries' statement of financial performance

	<i>Note</i>	<i>Total</i> \$	<i>Sheffield Crescent Limited</i> \$	<i>Foodstore (Cranmer) Limited</i> \$
<b>Income</b>				
Rental income	3	1,591,064	930,000	661,064
		<hr/>	<hr/>	<hr/>
<b>Expenses</b>				
Management fees		103,419	60,450	42,969
Interest - Parent Company		1,154,417	670,798	483,619
		<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>		1,257,836	731,248	526,588
		<hr/>	<hr/>	<hr/>
<b>Net surplus (deficit)</b>		<b>333,228</b>	<b>198,752</b>	<b>134,476</b>
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

This net surplus/(deficit) forms part of the net surplus before taxation on page 3.

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

## Notes to the Financial Statements (continued)

### 3 Lease Agreements

#### 15 Sheffield Crescent

- Tenanted by Christchurch Yarns NZ Limited
- Twelve year term expiring 27 June 2016
- Two rights of renewal of 4 years each
- 2 yearly rent reviews.

#### Ernst & Young at Cranmer

##### Part Ground Floor – Ernst & Young

- 2 year net lease expiring 8 March 2011
- 1 Right of Renewal of 2 years
- 2 yearly rent reviews, to market.

##### Part Ground Floor, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> floor and naming rights – Ernst & Young

- 10 year lease expiring 31 December 2020
- 2 Right of Renewal of 7 years
- 3 yearly rent reviews, including a Ratchet clause.

##### 1<sup>st</sup> floor – New Zealand Graduate School

- 3 year lease expiring 31 December 2012
- 1 Right of renewal of 3 years
- 3 yearly rent reviews, including a Ratchet clause

### 4 Management fees

A fee of 6.5% per annum of rental was payable to the Investment Manager in the year ended 31 March 2010.

### 5 Share Capital

At 31 March 2010 the total number of shares on issue comprises 4,065,452 shares of \$1 each authorised, issued and fully paid (2009: 4,065,452 shares of \$1 each authorised, issued and fully paid) rating equally for dividends and other distributions.

A dividend of 10 cents per share was paid to equity holders during the year (2009 : 15 cents per share).

## Notes to the Financial Statements (continued)

### 6 Equity

	<i>Group</i>		<i>Parent</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Paid in Capital	4,065,452	4,065,452	4,065,452	4,065,452
Retained Earnings/(Losses)	650,886	306,190	(3,784,078)	(3,895,514)
Realised Capital Reserve	1,952,479	1,952,479	-	-
Investment Property Revaluation Reserve	3,400,000	2,470,000	-	-
	<b>10,068,817</b>	<b>8,974,121</b>	<b>281,374</b>	<b>169,938</b>
<u>Retained Earnings/(Losses)</u>				
Opening balance	306,190	953,861	(3,895,514)	(3,003,800)
Net surplus for period	620,456	(235,619)	387,196	(479,662)
Distribution to shareholders	(275,760)	(412,052)	(275,760)	(412,052)
<b>Closing balance</b>	<b>650,886</b>	<b>306,190</b>	<b>(3,784,078)</b>	<b>(3,895,514)</b>
<u>Realised Capital Reserve</u>				
Opening balance	1,952,479	1,952,479	-	-
<b>Closing balance</b>	<b>1,952,479</b>	<b>1,952,479</b>	<b>-</b>	<b>-</b>
<u>Investment Property Revaluation Reserve</u>				
Opening balance	2,470,000	3,865,000	-	-
Net increase in property valuation	930,000	(1,395,000)	-	-
<b>Closing balance</b>	<b>3,400,000</b>	<b>2,470,000</b>	<b>-</b>	<b>-</b>

### 7 Taxation

	<i>Group</i>		<i>Parent</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Profit before tax	689,121	758,096	355,893	409,462
<i>Adjusted for</i>				
Depreciation claim	(333,228)	(348,633)	-	-
Tax profit/(loss) for year	<b>355,893</b>	<b>409,463</b>	<b>355,893</b>	<b>409,462</b>
<b>Tax charge</b>				
Tax for year	106,768	122,839	106,768	122,838
Deferred tax provision for the year	99,968	104,590	-	-
	<b>206,736</b>	<b>227,429</b>	<b>106,768</b>	<b>122,838</b>

## Notes to the Financial Statements (continued)

### 7 Taxation (continued)

Imputation credits	<i>Group 2010</i>	<i>and</i>	<i>Parent 2009</i>
	\$		\$
<b>Balance at beginning of year</b>	25,667		-
Resident withholding tax paid	9,586		23,432
2009 tax refunded	(23,432)		-
2008 tax paid	33,400		-
2009 Provisional tax paid	-		200,000
2010 Provisional tax paid	175,000		-
	<u>220,221</u>		<u>223,432</u>
Imputation credits attached to dividends paid	(130,785)		(197,765)
<b>Balance at end of year</b>	<u><b>89,436</b></u>		<u><b>25,667</b></u>

Following an audit by the IRD, the opening balance for 2009 has been adjusted to zero. Voluntary tax had been paid in earlier years to cover imputation credits attached to dividends. Following the refunding of these amounts by the IRD the 2008 imputation closing balance was incorrectly stated. An amount of \$92,965 was repaid to the IRD in December 2009 to bring the Imputation Credit account back in balance.

### 8 Cash and bank balances

	<i>Group 2010</i>	<i>and</i>	<i>Parent 2009</i>
	\$		\$
ANZ National Bank accounts	950,707		971,194
	<u><b>950,707</b></u>		<u><b>971,194</b></u>

### 9 Term Loans

	<i>Group and Parent</i>	
	<i>2010</i>	<i>2009</i>
	\$	\$
ANZ National Bank	<u>9,360,000</u>	<u>-</u>

ANZ National Bank repayment terms - at end of 2 years being 1 November 2011 with fixed interest rate of 7.01% per annum for the term of the loan. The loan is secured by a first ranking debenture over the assets and undertakings of the companies and a first ranking mortgage over the two properties.

## Notes to the Financial Statements (continued)

### 10 Reconciliation of net profit to net cashflows from operating activities

	<i>Group</i>		<i>Parent</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Net surplus after tax before revaluation	482,385	530,667	249,125	286,624
<b>Non cash items</b>				
Less Interest received from subsidiaries	-	-	(1,154,417)	(1,108,143)
	<u>482,385</u>	<u>530,667</u>	<u>(905,292)</u>	<u>(821,519)</u>
<i>Add/(less) movements in working capital items</i>				
(Increase)/Decrease in accounts receivable	(113,368)	(70,400)	(113,368)	(70,400)
Increase/(Decrease) in accounts payable	(16,293)	42,740	(16,293)	42,740
Increase/(Decrease) in net GST	(16,568)	(8,989)	(16,568)	(8,989)
Increase/(Decrease) in provision for tax	(180,851)	(100,593)	(180,851)	(100,593)
Increase/(Decrease) in deferred tax	99,968	104,590	-	-
	<u>(227,112)</u>	<u>(32,626)</u>	<u>(327,100)</u>	<u>(137,242)</u>
<b>Net cashflows from operating activities</b>	<u><b>255,273</b></u>	<u><b>498,041</b></u>	<u><b>(1,232,392)</b></u>	<u><b>(958,761)</b></u>

### 11 Investment in subsidiaries

	<i>Parent</i>	
	<i>2010</i>	<i>2009</i>
	<i>\$</i>	<i>\$</i>
<b>Shares</b>		
Kilmore Street Property Limited	100	100
Foodstore Properties (Te Atatu) Limited	100	100
Foodstore (Cranmer) Limited	100	100
Sheffield Crescent Property Limited	100	100
	<u><b>400</b></u>	<u><b>400</b></u>

### 12 Financial instruments

This note deals with exposure to interest rate and credit risk arising in the normal course of the Company and Group's business as follows:

#### Interest rate risk

The Company has long term borrowings. The Company has minimised interest rate risk through entering into an Interest Rate Swap fixing the interest rate associated with those borrowings for the life of the loan at an interest rate of 7.01%. Gains or losses arising from the annual revaluation of the interest rate swap are shown in the Income Statement.

## Notes to the Financial Statements (continued)

### 12 Financial instruments (continued)

#### Credit risk

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

Apart from the risks detailed above, the Company has no other risks which require disclosure. 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 Balance Sheet. The fair value of each financial assets is the same as the carrying value.

### 13 Investment property valuation

The investment properties were valued by Colliers International, registered property valuers of Auckland, on 31 March 2010 at a market value of \$19,430,000. The amount of \$19,200,000 included in the Balance Sheet is calculated by taking this amount and deducting an allowance for disposal costs assessed at \$230,000.

	2010 \$	2009 \$
Valuation brought forward	18,270,000	19,665,000
Current valuation	19,430,000	18,500,000
	1,160,000	(1,165,000)
Less provision for disposal costs	(230,000)	(230,000)
Change in value of property	<u>930,000</u>	<u>(1,395,000)</u>

### 14 Related parties

All transactions conducted by the Company with Investment Services Limited are related party transactions as Michael Millar is a Director of Investment Services Limited. The company paid Investment Services Limited \$121,269 in management, registry and accounting fees during the year.

There were no amounts due to the related party as at the balance date.

### 15 Contingent Liabilities

There were no contingent liabilities at balance date (2009 : Nil)

### 16 Capital Commitments

There were no capital commitments at balance date (2009 : Nil)

## Notes to the Financial Statements (continued)

### 17 Operating lease commitments

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and twelve years. All leases include a clause to enable upward revision of the rental charge on various review dates based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable leases at the balance sheet date are as follows:

	2010 \$	Group 2009 \$
Not later than one year	1,769,700	1,643,300
Later than one year but not later than five years	6,499,366	5,488,330
More than five years	3,084,226	2,847,724
	<u>11,353,292</u>	<u>9,979,354</u>

### 18 Events Post Balance Date – Christchurch Yarns (NZ) Limited Rent Abatement

In July 2009, Christchurch Yarns (NZ) Limited, the tenant of 15 Sheffield Crescent in Christchurch, approached the company for a rent holiday to see them over cash flow issues caused by the high New Zealand dollar and the global economic crisis. The Board of First NZ Properties Limited reviewed their request along with detailed financial forecasts and agreed to accept a 50% rent holiday for three months. This was a deferral of rent totalling \$116,250 which is included as a receivable in the year end balance sheet. This amount is currently being repaid and will be cleared by December 2010.

Subsequent to this agreement, First NZ Properties Limited received a further request to assist the tenant with a major restructuring programme which involved across the board pay reductions with full union agreement, banking restructuring and the injection of additional equity funds from their shareholders. First NZ Properties Limited was asked to fund a rent abatement of 50% of rental for a twelve month period.

Following extensive Board discussions and evaluations, First NZ Properties Limited agreed to a rent abatement for an eleven month period to March 2011 of 50% of the current lease rental. It attached a number of conditions to this agreement including securitising the abatement and having representation on their Board with the aim of ensuring that they are able to meet their ongoing obligations in full once the abatement period has expired. All other operating costs remain payable in full as they fall due.

The full cost of this abatement is \$426,250 and will show as a reduction in rental income in the financial result for the year ending 31 March 2011.

The Board has taken this decision to safeguard the balance of the lease through to 2016 and has ensured, when making its decision, that it will not adversely affect the payment of the 10 cents per share dividend which is paid over the year.

**CARRAN · MILLER · STRAWBRIDGE**  
CHARTERED ACCOUNTANTS

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## REPORT OF THE AUDITORS

To the Readers of the Financial Statements of First NZ Properties Limited ("the Company").

We have audited the Financial Statements on pages 3 to 14. The Financial Statements provide information about the past financial performance of the Company and Group and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

### Directors' Responsibilities

The Directors are responsible for the preparation of Financial Statements that comply with generally accepted accounting practice in New Zealand, and that give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and of its financial performance and cash flows for the year ended on that date.

### Auditor's Responsibilities

It is our responsibility to express an independent opinion on the Financial Statements presented by the Directors and report 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:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with auditing standards issued by the New Zealand Institute of Chartered Accountants. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order 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.

Other than in our capacity as Auditors we have no relationship with or interests in the Company and Group.


## **Unqualified Opinion**

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

In our opinion:

- proper accounting records have been kept by the Company and Group as far as appears from our examination of those records; and
- the financial statements on pages 3 to 14:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 14 September 2010 and our unqualified opinion is expressed as at that date.

  
Carran Miller Strawbridge  
Chartered Accountants  
NELSON

## Directory

<b>Nature of business</b>	Property rental	<b>Bankers</b>	ANZ National Bank Limited 1 Victoria Street Wellington
<b>Paid in capital</b>	\$4,065,452	<b>Auditors</b>	Carran Miller Strawbridge PO Box 210 38 Halifax Street Nelson
<b>Registered office</b>	Level One 3/237 Queen Street Richmond Nelson 7031	<b>Solicitors</b>	McFadden McMeeken Phillips PO Box 656 187 Bridge Street Nelson
<b>Registered under</b>	The Companies Act 1993	<b>Register</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050
<b>Incorporation number</b>	WN656559	<b>Secondary Market</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050
<b>I.R.D. number</b>	65-072-920		
<b>Directors</b>	Neil Allan Barnes Michael John Millar		
<b>Investment Manager</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050 Phone (03) 544 2005 Fax (03) 544 2300 <a href="mailto:info@investmentservices.co.nz">info@investmentservices.co.nz</a>		
<b>Accountants</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050		