

First NZ Properties Limited

Annual Report for the year ended 31 March 2011

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Management Report & Market Commentary

The commercial property market has continued to operate in a depressed state over the past year. With global uncertainty affecting all capital markets. This has had a knock on effect within New Zealand albeit we have been sheltered from the worst of the effects.

With interest rates at historically low levels, and, following the US credit downgrade, the US Federal Reserve stating it will hold interest rates at almost zero through to 2013, the timing of interest rate rises here in New Zealand should be pushed out further than economic commentators originally thought.

Your company has mitigated its interest rate risk by operating interest rate swaps. These currently expire in November 2011, and we will be well placed at that time to take advantage of the current low rates available. With such low rates looking to continue for a while, the 10 cents per share dividend paid is very attractive indeed.

Your Properties and the impact of the Canterbury earthquakes

Both properties in the syndicate have performed well this year. The Directors are pleased with the ongoing improvements in tenancy terms and are confident that this trend will continue.

Ernst & Young House, Christchurch - The Canterbury earthquakes have had a major impact on Ernst & Young and the New Zealand Graduate School and their occupation of Ernst & Young House. These problems are mainly of an indirect nature and are not due to the condition of the building itself.

After the initial earthquake a detailed engineers report was commissioned which showed the building had suffered minimal damage, but although being "green stickered" was inaccessible due to instability in other buildings around it. Following the February quake, further engineer's reports were commissioned which showed that some damage had occurred. Working with tenants, the insurers and engineers, remedial works had started when CERA contacted us to advise that the building had to be cordoned off again due to the instability of the neighbouring building. At the date of this report, that cordon has been lifted and we are recommencing works. It is envisaged that the tenants will be able to reoccupy by the end of the year.

We declared the property unoccupiable under the "partial destruction" clause in the leases after the February 2011 earthquake. At that point the tenants ceased paying rent and operating expenses and our business interruption insurance was crystallised and is being paid to the company on a monthly basis.

Sheffield Crescent – The building suffered damage to various tilt slab panels and ceilings during the first earthquake. The damage has not caused the company to halt operations and they have been in production throughout the period. All repair works have now been completed.

Last year, First NZ Properties Limited granted a rent abatement period to Christchurch Yarns to enable them to restructure the business. This period expired on 31 March 2011 and the tenant has reverted to paying full rent.

Both properties suffered valuation decreases as at the year end. Valuing properties in Christchurch at the time, with so many unknowns, was a difficult task. Your Directors consider that the decreases are unwarranted in the long term given the condition of the buildings and the leases which are in place.

Results

With the operating result of \$310,000 and the decrease in valuations of \$1.49m, the overall NTA per share has decreased from \$2.48 to \$2.15. It is felt that this reduction in valuation is a "knee jerk" reaction by the valuers to the unknown and we expect to recover some or all of these valuation reductions. Despite the rent abatement which was provided to Christchurch Yarns and the crystallisation of business interruption insurance payments due to the Canterbury earthquakes, the Directors are confident this will have no negative effect on future dividends.

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 2011.

Activities

The Company is involved in the property rental business.

Dividends

\$275,661 was paid in Dividends due for the period ended 31 March 2011. Associated dividend withholding tax paid amounted to \$130,884.

Directors

The following Directors held office during the year ended 31 March 2011.

Neil Allan Barnes
Michael John Millar

Remuneration of Directors

No Directors remuneration was paid during the year ended 31 March 2011.

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	125,873
	<hr/>
	\$125,873

Share purchases

There were no transactions between the company and Investment Services Limited during the year.

Directors' loans

There were no loans by the Company to the Directors.

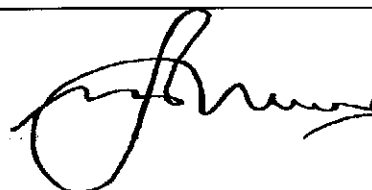
Directors' indemnity and insurance

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: 15 August 2011

FIRST NZ PROPERTIES LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2011

	<i>Note</i>	<i>Group</i>		<i>Parent</i>	
		<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
		\$	\$	\$	\$
Income					
Rent received	3	1,263,802	1,591,064		-
Interest received		26,682	23,869	863,968	1,178,286
Total Income		<u>1,290,484</u>	<u>1,614,933</u>	<u>863,968</u>	<u>1,178,286</u>
Less expenditure					
Accountancy		8,700	8,625	8,700	8,625
Audit fees		2,470	2,350	2,470	3,350
Bank charges		258	594	258	594
General expenses		17,534	4,019	17,534	4,019
Insurance		2,520	2,417	2,520	2,417
Interest		804,115	783,364	804,115	783,364
Legal fees		16,384	1,609	16,384	1,609
Management fees	4	107,873	103,419	-	-
Repairs and irrecoverable opex		-	867	-	867
Printing and stationery		2,716	2,713	2,716	2,713
Registry fees		9,300	9,225	9,300	9,225
Valuation fees		8,030	6,610	8,030	6,610
Total Expenditure		<u>979,900</u>	<u>925,812</u>	<u>872,027</u>	<u>822,393</u>
Net profit/(loss) before taxation		310,584	689,121	(8,059)	355,893
Income tax	7	43,671	206,736	(2,418)	106,768
Profit/(Loss) before revaluation		<u>266,913</u>	<u>482,385</u>	<u>(5,641)</u>	<u>249,125</u>
Unrealised gain/(loss) on Interest Rate Swap		166,014	138,071	166,014	138,071
Unrealised increase/(decrease) in value of investment properties		(1,490,000)	930,000	-	-
Total Comprehensive Income		<u>(1,057,073)</u>	<u>1,550,456</u>	<u>160,373</u>	<u>387,196</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 2011

	Group		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Total equity at beginning of period	10,068,817	8,794,121	281,374	169,938
Total comprehensive income	(1,057,073)	1,550,456	160,373	387,196
Distributions to shareholders	(275,661)	(275,760)	(275,661)	(275,760)
Total equity at end of period	8,736,083	10,068,817	166,086	281,374

FIRST NZ PROPERTIES LIMITED

Statement of Financial Position

As at year ended 31 March 2011

	Note	Group		Parent	
		2011 \$	2010 \$	2011 \$	2010 \$
Equity	5&6	8,736,083	10,068,817	166,086	281,374
Represented by:					
Current assets					
Cash and bank balances	8	982,762	950,707	982,762	950,707
Accounts receivable		75,715	197,540	75,715	197,540
Tax receivable		381,358	247,980	381,358	247,980
Benefit of future tax losses		2,256	-	2,256	-
		<u>1,442,091</u>	<u>1,396,227</u>	<u>1,442,091</u>	<u>1,396,227</u>
Non-current assets					
Investment properties		17,730,900	19,200,000	-	-
Loans in subsidiaries		-	-	8,465,182	8,762,763
Shares in subsidiaries	11	-	-	400	400
		<u>17,730,900</u>	<u>19,200,000</u>	<u>8,465,582</u>	<u>8,763,163</u>
Total assets		19,172,991	20,596,227	9,907,673	10,159,390
Less liabilities:					
Current liabilities					
Accounts payable		101,059	110,160	101,059	110,160
GST payable		38,809	123	38,810	123
Bank loans		9,360,000	-	9,360,000	-
Fair value of Interest Rate Swap		241,719	-	241,719	-
		<u>9,741,587</u>	<u>110,283</u>	<u>9,741,587</u>	<u>110,283</u>
Non-current liabilities					
Term loans	9	-	9,360,000	-	9,360,000
Deferred tax		695,321	649,394	-	-
Fair value of Interest Rate Swap		-	407,733	-	407,733
		<u>695,321</u>	<u>10,417,127</u>	<u>695,321</u>	<u>9,767,733</u>
Total liabilities		10,436,908	10,527,410	9,741,587	9,878,016
Net assets		8,736,083	10,068,817	166,086	281,374



Director
Dated: 15 August 2011



Director
Dated: 15 August 2011

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 Cash Flows

For the year ended 31 March 2011

	Note	Group		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
Cash flows from operating activities					
<i>Cash was provided from:</i>					
Rents received		1,380,052	1,462,459	-	-
Interest received		26,682	31,555	26,682	31,555
		<u>1,406,734</u>	<u>1,494,014</u>	<u>26,682</u>	<u>31,555</u>
<i>Cash was applied to:</i>					
Payments to suppliers		149,531	161,873	(74,754)	187,079
Interest		803,587	775,503	803,587	775,503
Taxation paid		125,000	301,365	125,000	301,365
		<u>1,078,118</u>	<u>1,238,741</u>	<u>853,833</u>	<u>1,263,947</u>
Net cash flow from operating activities	10	<u>328,616</u>	<u>255,273</u>	<u>(827,151)</u>	<u>(1,232,392)</u>
Cash flows from investing activities					
<i>Cash was provided from:</i>					
Repayment of loan from subsidiaries		-	-	1,134,867	1,487,665
		<u>-</u>	<u>-</u>	<u>1,134,867</u>	<u>1,487,665</u>
<i>Cash was applied to:</i>					
Capital works to buildings		20,900	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows to investing activities		<u>(20,900)</u>	<u>-</u>	<u>1,134,867</u>	<u>1,487,665</u>
Cash flows from financing activities					
<i>Cash was applied to:</i>					
Payment of dividends		275,661	275,760	275,661	275,760
		<u>275,661</u>	<u>275,760</u>	<u>275,661</u>	<u>275,760</u>
Net cash flows to financing activities		<u>275,661</u>	<u>275,760</u>	<u>275,681</u>	<u>275,760</u>
Total (decrease)/increase in cash balances		<u>32,055</u>	<u>(20,487)</u>	<u>32,055</u>	<u>(20,487)</u>
Add Opening cash brought forward		<u>950,707</u>	<u>971,194</u>	<u>950,707</u>	<u>971,194</u>
Closing cash carried forward		<u>982,762</u>	<u>950,707</u>	<u>982,762</u>	<u>950,707</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> \$
Income				
Rental income	3	1,263,802	503,750	760,052
		<hr/>	<hr/>	<hr/>
Expenses				
Management fees		107,873	60,450	47,423
Interest - Parent Company		837,286	252,498	584,788
		<hr/>	<hr/>	<hr/>
Total Expenses		945,159	312,948	632,211
		<hr/>	<hr/>	<hr/>
Net surplus (deficit)		318,643	190,802	127,841
		<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, 2nd, 3rd, 4th, 5th, 6th floor and naming rights – Ernst & Young

- 10 year lease expiring 31 December 2019
- 2 Right of Renewal of 7 years
- 3 yearly rent reviews, including a Ratchet clause.

1st 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 lease rentals was payable to the Investment Manager in the year ended 31 March 2011.

5 Share Capital

At 31 March 2011 the total number of shares on issue comprises 4,065,452 shares of \$1 each authorised, issued and fully paid (2010: 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 (2010 : 10 cents per share).

Notes to the Financial Statements (continued)

6 Equity

	Group		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Paid in Capital	4,065,452	4,065,452	4,065,452	4,065,452
Retained Earnings/(Losses)	758,486	650,886	(3,899,366)	(3,784,078)
Realised Capital Reserve	1,952,479	1,952,479	-	-
Investment Property Revaluation Reserve	1,910,000	3,400,000	-	-
	8,686,417	10,068,817	166,086	281,374
<u>Retained Earnings/(Losses)</u>				
Opening balance	650,886	306,190	(3,784,078)	(3,895,514)
Net surplus for period	383,261	620,456	160,373	387,196
Distribution to shareholders	(275,661)	(275,760)	(275,661)	(275,760)
Closing balance	758,486	650,886	(3,899,366)	(3,784,078)
<u>Realised Capital Reserve</u>				
Opening balance	1,952,479	1,952,479	-	-
Closing balance	1,952,479	1,952,479	-	-
<u>Investment Property Revaluation Reserve</u>				
Opening balance	3,400,000	2,470,000	-	-
Net increase in property valuation	(1,490,000)	930,000	-	-
Closing balance	1,910,000	3,400,000	-	-

7 Taxation

	Group		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Profit before tax	310,584	689,121	(8,059)	355,893
<i>Adjusted for</i>				
Depreciation claim	(318,643)	(333,228)	-	-
Tax profit/(loss) for year	(8,059)	355,893	(8,059)	355,893
Tax charge				
Tax for year	(2,418)	106,768	(2,418)	106,768
Deferred tax provision for the year	95,593	99,968	-	-
Effect of rate change on deferred tax	(49,666)	-	-	-
Effect of rate change on future tax benefit	162	-	162	-
	43,671	206,736	(2,256)	106,768

Notes to the Financial Statements (continued)

7 Taxation (continued)

Imputation credits	Group 2011 \$	and	Parent 2010 \$
Balance at beginning of year	89,436		25,667
Resident withholding tax paid	8,377		9,586
2009 tax refunded	-		(23,432)
2008 tax paid	-		33,400
2011 Provisional tax paid	125,000		-
2010 Provisional tax paid	-		175,000
	<u>222,813</u>		<u>220,221</u>
Imputation credits attached to dividends paid	(130,884)		(130,785)
Balance at end of year	<u>91,929</u>		<u>89,436</u>

8 Cash and bank balances

	Group 2011 \$	and	Parent 2010 \$
ANZ National Bank accounts	982,762		950,707
	<u>982,762</u>		<u>950,707</u>

9 Term Loans

	Group and Parent	
	2011 \$	2010 \$
ANZ National Bank	-	9,360,000
	<u>-</u>	<u>9,360,000</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

	Group		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Net surplus after tax before revaluation	266,913	482,385	(5,641)	249,125
Non cash items				
Less Interest received from subsidiaries	-	-	(837,286)	(1,154,417)
	<u>266,913</u>	<u>482,385</u>	<u>(842,927)</u>	<u>(905,292)</u>
<i>Add/(less) movements in working capital items</i>				
(Increase)/Decrease in accounts receivable	119,569	(113,368)	119,569	(113,368)
Increase/(Decrease) in accounts payable	(9,101)	(16,293)	(9,101)	(16,293)
Increase/(Decrease) in net GST	38,686	(16,568)	38,686	(16,568)
(Increase)/Decrease in provision for tax	(133,378)	(180,851)	(133,378)	(180,851)
Increase/(Decrease) in deferred tax	45,927	99,968	-	-
	<u>61,703</u>	<u>(227,112)</u>	<u>15,776</u>	<u>(327,100)</u>
Net cashflows from operating activities	<u>328,616</u>	<u>255,273</u>	<u>(827,151)</u>	<u>(1,232,392)</u>

11 Investment in subsidiaries

	Parent	
	2011	2010
	\$	\$
Shares		
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>400</u>	<u>400</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 2011 at a market value of \$17,940,000. The amount of \$17,710,000 included in the Balance Sheet is calculated by taking this amount and deducting an allowance for disposal costs assessed at \$230,000.

	2011 \$	2010 \$
Valuation brought forward	19,200,000	18,270,000
Current valuation	<u>17,940,000</u>	<u>19,430,000</u>
	(1,260,000)	1,160,000
Less provision for disposal costs	<u>(230,000)</u>	<u>(230,000)</u>
Change in value of property	<u>(1,490,000)</u>	<u>930,000</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 \$125,873 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 (2010 : Nil)

16 Capital Commitments

There were no capital commitments at balance date (2010 : 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:

	2011	Group
	\$	2010
		\$
Not later than one year	1,641,019	1,769,700
Later than one year but not later than five years	6,278,867	6,499,366
More than five years	2,569,735	4,122,997
	<u>10,489,621</u>	<u>12,392,064</u>

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INDEPENDENT AUDITOR'S REPORT

To the Readers of the financial report of the First NZ Properties Limited ("the Company").

Report on the Financial Statements

We have audited the financial statements of the Company and Group on pages 3 to 14, which comprise the statement of financial position as at 31 March 2011 and the statement of comprehensive income; statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Directors's Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that gives a true and fair view of the matters to which they relate, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 3 to 14

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Company and Group as at 31 March 2011, and the financial performance and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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 an examination of those records.



Carran Miller Strawbridge
Chartered Accountants
NELSON

15 August 2011

Directory

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