

# Superstore Properties Limited

## Annual Report for the year ended 31 March 2011

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# Management Report and 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 11.875% return on mortgage bonds is very attractive indeed.

## **Your Properties and the impact of the Canterbury earthquakes**

All three of the 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.

Placemakers in Christchurch suffered minor damage in the various earthquakes which have struck the region since September 2010. Minor damage to the main building has been repaired and the store has continued to trade throughout the disruption. A small auxiliary warehouse at the rear of the property requires two tilt slab panels to be replaced. These are currently braced and the unit is in operation

We have been working with the tenant over the past year to extend their lease. Placemakers had a right of renewal for four years effective September 2010. They have not only signed up to this but extended the renewal period to six years. This is a sign of their commitment to the site. In addition we are currently discussing an upgrade to their entrance foyer, the cost of which will be capitalised and recovered over the remaining term of the lease giving a very healthy return on that investment. The valuation on this building, despite the earthquakes, increased from \$6.0m to \$6.44m.

Placemakers Waitakere continues to trade well. There have been no major issues which have arisen during the year. This lease runs to 2014 and has a further right of renewal of six years. The valuation on the Westgate property remained steady at \$6.3m.

The Warehouse in Tauranga also continues to trade well. No major issues have arisen during the year. The Warehouse has recently invested substantial amounts in the building to replace all the lighting within the store. This asset will be vested in the building itself. A sign of their commitment for the future. With the lease term reducing, a prime element of the valuation process, the valuation for this property reduced slightly from \$9.7m to \$9.5m.

Overall, the value of the portfolio increased by \$240,000 over the year. The Directors consider that, given the state of the economy and the commercial property market, this is a good position to report.

## **Results**

Mortgage bond interest has continued to be paid at the rate of 11.875% which is a very attractive return at present. Almost \$1m was paid to shareholders during the year, a return which will continue in years to come.

With the operating result of \$91,000 and the increase in valuations of \$240,000 the overall NTA per parcel has increased again from \$6,777 to \$6,917. The Directors are aware that recent trades have been at a significant discount to this value and are working to both lift the price paid on the secondary market and also to improve the liquidity of that market to make it easier trade the parcels.

# 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**

No dividend has been declared for the year ended 31 March 2011.

## **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 of Nelson 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.

Related party transactions were:

Investment Services Limited

Payment of fees for management,  
accounting and registry services      \$184,075

## **Share Purchases**

During the year, Investment Services Limited, purchased no parcels in the company.

## **Directors' loans**

There were no loans by the Company to the Directors.

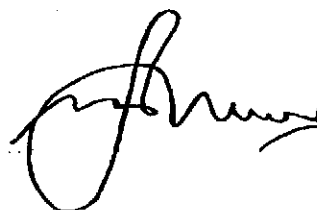
## **Directors' indemnity and insurance**

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: 12 August 2011*

# Superstore Properties Limited

## Statement of Comprehensive Income

### For the year ended 31 March 2011

	Note	Group		Parent	
		2011 \$	2010 \$	2011 \$	2010 \$
<b>Income</b>					
Rent received		1,951,751	1,969,425	-	-
Interest received		18,036	41,643	1,469,475	1,456,951
		<u>1,969,787</u>	<u>2,011,068</u>	<u>1,469,475</u>	<u>1,456,951</u>
<b>Less expenditures</b>					
Accountancy		12,400	12,315	12,400	12,315
Audit		2,775	2,500	2,775	2,500
Insurance		2,916	3,956	2,916	3,956
Interest – Loans		637,572	952,422	637,572	952,422
– Mortgage Bonds		995,125	995,125	995,125	995,125
Management fees	3	162,375	191,479	-	-
Miscellaneous expenses		5,266	4,841	5,266	4,841
Printing, stationery & telephone		4,089	4,121	4,089	4,121
Legal fees		13,042	32,401	13,042	32,401
Registry fees		9,300	9,225	9,300	9,225
Repairs and irrecoverable opex		14,662	44,951	14,662	44,951
Trustees fees		10,000	10,000	10,000	10,000
Valuation fees		8,600	10,000	8,600	10,000
		<u>1,878,122</u>	<u>2,273,336</u>	<u>1,715,747</u>	<u>2,081,857</u>
<b>Net profit/(loss) before taxation</b>		<b>91,665</b>	<b>(262,268)</b>	<b>(246,272)</b>	<b>(624,906)</b>
Tax movement	4	(11,194)	162,041	73,882	187,471
<b>Profit/(Loss) before revaluation</b>		<b>80,471</b>	<b>(100,227)</b>	<b>(172,390)</b>	<b>(437,435)</b>
Unrealised gain/(loss) on Interest Rate Swap		131,676	316,288	131,676	316,288
Unrealised increase/(decrease) in value of investment properties	11	240,000	(37,375)	-	-
<b>Total Comprehensive Income</b>		<b><u>452,147</u></b>	<b><u>178,686</u></b>	<b><u>(40,714)</u></b>	<b><u>(121,147)</u></b>

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

**Superstore Properties Limited**  
**Statement of changes in equity**  
**For the year ended 31 March 2011**

	<b>Group</b>		<b>Parent</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total equity at beginning of period</b>	<b>5,818,511</b>	<b>5,639,825</b>	<b>(1,062,666)</b>	<b>(941,519)</b>
Total Comprehensive Income for the period	452,147	178,686	(40,714)	(121,147)
Prior period adjustment to future tax benefit	(159,972)	-	(159,972)	-
<b>Total equity at end of period</b>	<b><u>6,110,686</u></b>	<b><u>5,818,511</u></b>	<b><u>(1,263,352)</u></b>	<b><u>(1,062,666)</u></b>

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**Superstore Properties Limited**  
**Statement of Financial Position**  
**As at year ended 31 March 2011**

	<i>Note</i>	<i>Group</i>	<i>Parent</i>		
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Equity</b>	<b>5&amp;6</b>	<b>6,110,686</b>	<b>5,818,511</b>	<b>(1,263,352)</b>	<b>(1,062,666)</b>
<b>Represented by:</b>					
<b>Current assets</b>					
Cash and bank balances		761,330	634,115	761,330	634,115
Accounts receivable		81,482	47,895	81,482	47,895
Income tax recoverable	<b>4</b>	11,104	7,659	11,104	7,659
		<u>853,916</u>	<u>689,669</u>	<u>853,916</u>	<u>689,669</u>
<b>Non-current assets</b>					
Investment properties	<b>11</b>	21,890,000	21,650,000	-	-
Shares in subsidiaries	<b>13</b>	-	-	400	400
Loan to subsidiaries	<b>13</b>	-	-	13,383,828	13,657,232
Future benefit of tax losses		903,458	1,054,081	903,458	1,054,081
		<u>22,793,458</u>	<u>22,704,081</u>	<u>14,287,686</u>	<u>14,711,713</u>
<b>Total non current assets</b>		<b>22,793,458</b>	<b>22,704,081</b>	<b>14,287,686</b>	<b>14,711,713</b>
<b>Total assets</b>		<b>23,647,374</b>	<b>23,393,750</b>	<b>15,141,602</b>	<b>15,401,382</b>
<b>Less liabilities:</b>					
<b>Current liabilities</b>					
Accounts payable		369,858	330,507	369,858	330,507
GST payable		39,374	6,143	39,374	6,143
Bank Loan		7,424,000	-	7,424,000	-
Fair value of Interest Rate Swap		191,722	-	191,722	-
		<u>8,024,954</u>	<u>336,650</u>	<u>8,024,954</u>	<u>336,650</u>
<b>Non-current liabilities</b>					
Bank Loan	<b>7</b>	-	7,424,000	-	7,424,000
Mortgage Bonds	<b>5</b>	8,380,000	8,380,000	8,380,000	8,380,000
Deferred tax		1,131,734	1,111,191	-	-
Fair value of Interest Rate Swap		-	323,398	-	323,398
		<u>9,511,734</u>	<u>17,238,589</u>	<u>8,380,000</u>	<u>16,127,398</u>
<b>Total non-current liabilities</b>		<b>9,511,734</b>	<b>17,238,589</b>	<b>8,380,000</b>	<b>16,127,398</b>
<b>Total liabilities</b>		<b>17,536,688</b>	<b>17,575,239</b>	<b>16,404,954</b>	<b>16,464,048</b>
<b>Net assets</b>		<b>6,248,610</b>	<b>5,818,511</b>	<b>1,263,352</b>	<b>(1,062,666)</b>



**Director**  
Dated: 12 August 2011



**Director**  
Dated: 12 August 2011

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

# Superstore Properties limited

## Statement of cash flows

### For the year ended 31 March 2011

	Note	Group		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
<i>Cash was provided from:</i>					
Rents received		1,951,751	1,969,425	-	-
Interest received		18,036	41,643	18,036	41,643
Tax refund received		-	6,508	-	-
		<u>1,969,787</u>	<u>2,017,576</u>	<u>18,036</u>	<u>41,643</u>
<i>Cash was applied to:</i>					
Payments to suppliers		206,849	407,033	(20,059)	180,400
Interest		1,632,278	1,960,418	1,632,278	1,960,418
Taxation paid		3,445	7,659	3,445	7,659
		<u>1,842,572</u>	<u>2,375,110</u>	<u>(1,615,664)</u>	<u>2,148,477</u>
Net cash flow from operating activities	8	<u>127,215</u>	<u>(357,534)</u>	<u>(1,597,628)</u>	<u>(2,106,834)</u>
<b>Cash flows from investing activities</b>					
<i>Cash was provided from:</i>					
Disposal of property		-	3,843,125	-	-
Repayment of loans from subsidiaries		-	-	1,724,843	5,592,425
		<u>-</u>	<u>-</u>	<u>1,724,843</u>	<u>5,592,425</u>
Net cash flows from investing activities		-	3,843,125	-	5,592,425
<b>Cash flows from financing activities</b>					
<i>Cash was provided from:</i>					
Bank Loan		-	7,424,000	-	7,424,000
<i>Cash was applied to:</i>					
Bank Loan repayment		-	10,970,000	-	10,970,000
		<u>-</u>	<u>10,970,000</u>	<u>-</u>	<u>10,970,000</u>
Net cash flows from financing activity		-	(3,546,000)	-	(3,546,000)
<b>Opening cash brought forward</b>					
Total net (decrease)/increase in cash balances		127,215	(60,409)	127,215	(60,409)
Add Opening cash brought forward		634,115	694,524	634,115	694,524
		<u>761,330</u>	<u>634,115</u>	<u>761,330</u>	<u>634,115</u>
<b>Closing cash carried forward</b>		<u>761,330</u>	<u>634,115</u>	<u>761,330</u>	<u>634,115</u>

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

# Notes to the financial statements

## 1 Statement of significant accounting policies

### **Basis of preparation**

The Company, Superstore 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**

Subsidiaries are those entities controlled directly by the Company. The financial statements of the four wholly owned subsidiaries are included in the consolidated financial statements using the purchase method of consolidation.

Intra-group balances and transactions, and unrealised gains resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

### **Investment property**

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.

### **Shares in, and loans to subsidiaries**

In the parent company Balance Sheet the shares in, and loans to subsidiaries are stated at the asset backing of the subsidiary companies.

### **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.

### **Accounts payable and receivable**

Accounts payable and receivable are stated at estimated realisable value.

### **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. Annual movements in the value of financial instruments are recognised in the income statement.

### **Goods and services tax**

The financial statements have been prepared on a GST exclusive basis, except for trade receivables and trade payables

# Notes to the financial statements (continued)

## 1 Statement of significant accounting policies (continued)

### Statement of cash flows

Investing activities in the statement of cash flows comprise of acquisition of property. Financing activities comprise movements in shareholders equity, debt and dividends paid on equity, which provides the financial resources of the Company and Group. Operating activities include all transactions and other events that are not investing or financing activities. Cash is considered to be cash on hand, and bank balances.

### 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.

### 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

	Total	Cranford Street Properties Limited	Westgate Drive Properties Limited	Cameron Road Properties Limited	Henderson Property 26 Limited
Note	\$	\$	\$	\$	\$
<b>Income</b>					
Rental income	1,951,751	578,084	548,057	825,610	-
<b>Expenses</b>					
Management fees 3	162,375	44,250	46,500	71,625	-
Interest – Parent Company	1,451,439	431,044	410,846	609,549	-
<b>Total expenses</b>	1,613,814	475,294	457,346	681,174	-
<b>Net surplus / (deficit)</b>	337,937	102,790	90,711	144,436	-

## Notes to the financial statements (continued)

### 3 Management fees

The Investment Manager's fee is based on 0.75% of the net capital value of the properties.

### 4 Taxation

	<i>Group</i>		<i>Parent</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	\$	\$	\$	\$
Profit before tax	91,665	(262,268)	(246,272)	(624,906)
<i>Adjusted for</i>				
Depreciation claim	(337,937)	(362,637)	-	-
Tax profit/(loss) for year	<u>(246,272)</u>	<u>(624,905)</u>	<u>(246,272)</u>	<u>(624,906)</u>
<b>Tax charge</b>				
Tax for year	73,882	187,471	73,882	187,471
Deferred tax provision for the year	(101,381)	(108,792)	-	-
Effect of tax rate change on deferred tax	80,838	-	*	-
Effect of tax rate change on future tax benefit	(64,533)	-	-	-
Crystallisation of timing difference on sale of Henderson	-	83,362	-	-
	<u>(11,194)</u>	<u>162,041</u>	<u>73,882</u>	<u>187,471</u>

	<i>2011</i>	<i>2010</i>
	\$	\$
<b>Imputation Credit Account</b>		
Balance at beginning of year	7,659	6,508
<i>Less:</i>		
Refund	-	(6,508)
Resident withholding tax paid	3,445	7,659
<b>Balance at end of year</b>	<u>11,104</u>	<u>7,659</u>

## Notes to the financial statements (continued)

### 5 Share capital & convertible mortgage bonds

	2011 \$	2010 \$
2,095,000 Ordinary shares authorised, issued and fully paid	2,095,000	2,095,000
2,095 Convertible mortgage bonds	8,380,000	8,380,000
	<u>10,475,000</u>	<u>10,475,000</u>

Each ordinary share ranks equally for dividends and other distributions. Shares may only be transferred as part of a parcel of 1,000 shares and one convertible mortgage bond.

The terms of the convertible mortgage bonds are as follows:

- Each mortgage bond has a face value of \$4,000.
- Each mortgage bond is secured over the properties owned by the group.
- Interest paid of 11.875% per annum (pre-tax).
- Bonds will be redeemed:
  - (i) 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.
  - (ii) by conversion to ordinary shares at the option of the Company at any earlier time upon giving notice to bond holders.

### 6 Equity

	<i>Group</i>		<i>Parent</i>	
	2011 \$	2010 \$	2011 \$	2010 \$
Paid in Capital	2,095,000	2,095,000	2,095,000	2,095,000
Retained Earnings (Deficit)	(767,645)	(819,820)	(3,358,352)	(3,157,666)
Investment Property Revaluation Reserve	4,783,331	4,543,331	-	-
	<u>6,110,686</u>	<u>5,818,511</u>	<u>(1,263,352)</u>	<u>(1,062,666)</u>
<b><u>Retained Earnings (Deficit)</u></b>				
Opening balance	(819,820)	(1,035,991)	(3,157,666)	(3,036,519)
Net surplus before property revaluation	212,147	216,171	(40,714)	(121,147)
Prior year adjustment to future tax benefit	159,972)	-	(159,972)	-
<b>Closing balance</b>	<u>(767,645)</u>	<u>(819,820)</u>	<u>(3,358,352)</u>	<u>(3,157,666)</u>
<b><u>Investment Property Revaluation Reserve</u></b>				
Opening balance	4,543,331	4,580,706	-	-
Increase/(decrease) in value of Properties for year	240,000	(37,375)	-	-
<b>Closing balance</b>	<u>4,783,331</u>	<u>4,543,331</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements (continued)

### 7 Loans

	2011 \$	2010 \$
<b>Non-current liabilities</b>		
ANZ National Bank	-	7,424,000

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 four properties.

### 8 Reconciliation of net deficit to net cash flows from operating activities

	<i>Group</i>		<i>Parent</i>	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Net surplus/(deficit)</b>	452,147	178,686	(40,714)	(121,147)
<b>Non cash items</b>				
<i>(Less)/Add Property revaluation</i>	(240,000)	37,375	-	-
<i>(Less)/Add (Loss)/Gain on Swap</i>	(131,676)	(316,288)	(131,676)	(316,288)
<i>Less Interest received from subsidiaries</i>	-	-	(1,451,439)	(1,386,662)
	80,471	(100,227)	(1,623,829)	(1,824,097)
<i>Add/(less) movements in working capital items</i>				
<i>(Increase)/Decrease in accounts receivable relating to operating activities</i>	(33,587)	(30,109)	(33,587)	(30,109)
<i>(Increase)/Decrease in tax recoverable</i>	(12,794)	(188,622)	(12,794)	(188,622)
<i>Increase/(Decrease) in GST payable relating to operating activities</i>	33,231	(17,665)	33,231	(17,665)
<i>Increase/(Decrease) in accounts payable relating to operating activities</i>	39,351	46,341)	39,351	(46,341)
<i>Increase/(Decrease) in Deferred Tax</i>	20,543	25,430	-	-
	46,744	(257,307)	26,201	(282,737)
<b>Net cash flow from operating activities</b>	<b>127,215</b>	<b>(357,534)</b>	<b>(1,597,628)</b>	<b>(2,106,834)</b>

# Notes to the financial statements (continued)

## 9 Financial instruments

This note deals with exposures to interest rate and credit risk arising in the normal course of the 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.

The rate of interest on convertible mortgage bonds is capped at 11.875%.

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

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 asset is the same as the carrying value.

## 10 Lease Agreements

The Company's three leases have the following terms:

### Westgate - Placemakers

- Six year term expiring 6 May 2014.
- One right of renewal of six years each.
- Three yearly rent reviews based on current market rentals and encompassing a ratchet clause.

### Tauranga – The Warehouse

- 6 year term expiring 31 March 2015.
- Four rights of renewal of three years each.
- Three yearly rent reviews based on lesser of current market rental or CPI, and encompassing a ratchet clause.

### Christchurch – Placemakers

- Six year term expiring September 2016.
- Three rights of renewal of six years each.
- Three yearly rent reviews based on current market rentals and encompassing a ratchet clause.

## Notes to the financial statements (continued)

### 11 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 \$22,240,000. The amount of \$21,890,000 included in the Balance Sheet is calculated by taking this amount and deducting an allowance for disposal costs assessed at \$350,000. Annual movements in the value of the investment properties are recognised in the income statement.

	<b>2011</b>	<b>2010</b>
	\$	\$
Valuation brought forward	21,650,000	25,530,000
Current valuation	22,240,000	22,000,000
	<u>590,000</u>	<u>(3,530,000)</u>
Less property disposals	-	3,830,000
Less provision for disposal costs	<u>(350,000)</u>	<u>(350,000)</u>
Change in value of property	240,000	(50,000)
Henderson disposal costs adjustment	-	12,625
	<u>240,000</u>	<u>(37,375)</u>

### 12 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 \$184,075 (2010:\$213,019) in management, registry and accounting fees during the year.

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

### 13 Shares in subsidiaries

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

	<i>Parent</i>	
	<b>2011</b>	<b>2010</b>
	\$	\$
Cranford Street Properties Limited	100	100
Westgate Drive Properties Limited	100	100
Cameron Road Properties Limited	100	100
Henderson Property 26 Limited	100	100
	<u>400</u>	<u>400</u>

### 14 Contingent Liabilities

There were no contingent liabilities at balance date (2010 : Nil)

### 15 Capital Commitments

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

## Notes to the financial statements (continued)

### 16 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 two and five 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:

	<b>2011</b>	<b>Group</b>
	<b>\$</b>	<b>2010</b>
		<b>\$</b>
Not later than one year	1,968,876	1,670,719
Later than one year but not later than five years	5,869,223	4,887,863
Greater than five years	281,750	-
	<u>8,087,009</u>	<u>6,558,582</u>

## INDEPENDENT AUDITOR'S REPORT

**To the Readers of the financial report of the Superstore 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

12 August 2011

# Directory

<b>Nature of business</b>	Property rental	<b>Bankers</b>	ANZ National Bank 1 Victoria Street Wellington
<b>Paid in capital</b>	\$2,095,000		
<b>Registered office</b>	Level One 3/237 Queen Street Richmond 7031	<b>Auditors</b>	Carran Miller Strawbridge PO Box 210 38 Halifax Street Nelson
<b>Registered under</b>	The Companies Act 1993		
<b>Incorporation number</b>	WN942750	<b>Solicitors</b>	McFadden McVeecken Phillips PO Box 656 187 Bridge Street Nelson
<b>I.R.D. number</b>	71-404-544		
<b>Directors</b>	Neil Allan Barnes Michael John Millar	<b>Share Register</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050
<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>Secondary Market</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050
<b>Property Manager</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050		
<b>Trustee</b>	Trustee Executors Limited Level 1 50-64 Customhouse Quay Wellington		
<b>Accountants</b>	Investment Services Limited L1, 3/237 Queen Street P O Box 3637 Richmond Nelson 7050		