650 GREAT SOUTH ROAD LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

650 GREAT SOUTH ROAD LIMITED
Financial Statements
For the year ended 31 March 2024

Contents

	Page
Directory	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Independent Auditor's Report	21

650 GREAT SOUTH ROAD LIMITED

Directory
For the year ended 31 March 2024

Nature of Business	Commercial Property Investment
Address	181 No.3 Line Whanganui East Whanganui 4500
Directors	Neil James Tuffin Mark Geoffrey Hughson
Registered Office	181 No.3 Line Whanganui East Whanganui 4500
Proportionate Ownership Units	386 parcels of $50,000 each.
Manager	Maat Consulting Limited 181 No.3 Line Whanganui East Whanganui 4500
Auditor	Baker Tilly Staples Rodway Audit Limited New Plymouth
Solicitors	Meredith Connell Auckland
Bankers	ASB Bank Limited
IRD Number	119-442-184
Companies Office Register Number	5952867

650 GREAT SOUTH ROAD LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	Note	2024 $	2023 $
Income			
Rental Income		1,661,133	2,545,069
Property Operating Expenses Recovered		434,541	508,726
Interest Income – financial assets at amortised cost		6,541	11,284
Other Income		153,256	1,133,179
		2,255,471	4,198,258
Expenses			
Amortisation – leasing expenses		87,977	109,708
Statutory Audit Fees		23,527	15,547
Interest Expense – financial assets at amortised cost		1,220,408	889,303
Property Operating Expenses		1,144,874	1,181,052
Other Expenses		44,007	38,171
		2,520,793	2,233,781
		(265,322)	1,964,477
Fair Value (Loss) on Investment Property	4	(3,108,231)	(4,654,049)
Total Non-Operating Income and Expenses		**(3,108,231)**	**(4,654,049)**
(Loss) for the year attributable to shareholders		**(3,373,553)**	**(2,689,572)**
Other Comprehensive Income After Income Tax		**-**	**-**
Total Comprehensive (Loss) for the year attributable to shareholders		**(3,373,553)**	**(2,689,572)**

These financial statements should be read in conjunction with the accompanying notes.

BTSR

650 GREAT SOUTH ROAD LIMITED

Statement of Changes in Equity
For the year ended 31 March 2024

	Notes	Share Capital $	Retained Earnings $	Total $
Opening Equity 1 April 2023		**18,593,981**	**1,497,417**	**20,091,398**
Net Loss for the year		-	(3,373,553)	(3,373,553)
Total Comprehensive Loss for the year		**-**	**(3,373,553)**	**(3,373,553)**
Less Distribution to Shareholders and PIE Tax	7	-	1,831	1,831
Total Transactions with shareholders	**7**	**-**	**1,831**	**1,831**
Equity as at 31 March 2024		**18,593,981**	**(1,874,305)**	**16,719,676**
Opening Equity 1 April 2022		**18,593,981**	**5,200,239**	**23,794,220**
Net Loss for the year		-	(2,689,572)	(2,689,572)
Total Comprehensive Loss for the year		**-**	**(2,689,572)**	**(2,689,572)**
Less Distribution to Shareholders and PIE Tax	7	-	(1,013,250)	(1,013,250)
Total Transactions with shareholders	**7**	**-**	**(1,013,250)**	**(1,013,250)**
Equity as at 31 March 2023		**18,593,981**	**1,497,417**	**20,091,398**

650 GREAT SOUTH ROAD LIMITED
Statement of Financial Position
As at 31 March 2024

	Note	2024 $	2023 $
Current Assets			
Cash and Cash Equivalents	2	86,031	991,521
Trade & Other Receivables	3	92,132	85,017
		178,163	1,076,538
Non-Current Assets			
Investment Property	4	31,300,000	34,000,000
		31,300,000	34,000,000
Total Assets		**31,478,163**	**35,076,538**
Current Liabilities			
Trade and Other Payables	5	313,487	441,176
Borrowings	6	14,445,000	14,505,000
PIE Tax Liability		-	38,964
		14,758,487	14,985,140
Total Liabilities		14,758,487	14,985,140
Equity			
Share Capital	7	18,593,981	18,593,981
Retained Earnings		(1,874,305)	1,497,417
		16,719,676	20,091,398
Total Liabilities and Equity		**31,478,163**	**35,076,538**

These financial statements have been issued for and on behalf of the Board by:

Neil Tuffin

_______________ Neil J Tuffin, Director

29 July 2024

Mark Hughson

_______________ Mark Hughson, Director

29 July 2024

These financial statements should be read in conjunction with the accompanying notes.

BTSR

650 GREAT SOUTH ROAD LIMITED

Statement of Cash Flows
For the year ended 31 March 2024

	Note	2024 $	2023 $
Cash Flow from Operating Activities			
Cash was provided from:			
Rental Receipts		1,777,494	2,715,454
Interest Received		6,541	11,650
Operating Recoveries		477,209	499,782
Goods and Services Tax Received (Net)		-	8,941
Other Income		129,334	1,133,179
		2,390,578	4,369,006
Cash was applied to:			
Payments to Suppliers		(1,273,146)	(1,169,830)
Goods and Services Tax Paid (Net)		(16,986)	-
Interest Paid		(1,267,376)	(796,273)
		(2,557,508)	(1,966,103)
Net Cash Flow (to)/from Operating Activities	**8**	**(166,930)**	**2,402,903**
Cash Flow to Investing Activities			
Cash was provided from:			
Short Term Investment		-	419,000
		-	419,000
Cash was applied to:			
Additions – Investment Property		(601,015)	(1,057,193)
		(601,015)	(1,057,193)
Net Cash Flow (to) Investing Activities		**(601,015)**	**(638,193)**
Cash Flow to Financing Activities			
Cash was applied to:			
Distributions to Shareholders and Inland Revenue		(77,545)	(1,073,825)
ASB Loan Repayments		(60,000)	(330,000)
		(137,545)	(1,403,825)
Net Cash Flow (to) Financing Activities		**(137,545)**	**(1,403,825)**
Net movement in cash and cash equivalents		(905,490)	360,885
Cash and cash equivalents at start of year		991,521	630,636
Cash and cash equivalents at end of year	**2**	**86,031**	**991,521**

These financial statements should be read in conjunction with the accompanying notes.

1 Statement of Accounting Policies

Reporting Entity
These are the financial statements of 650 Great South Road Limited (“the Company”), a company incorporated in New Zealand under the Companies Act 1993 and domiciled in New Zealand. The Company was incorporated for the purpose of purchasing the land and buildings at 650 Great South Road, Ellerslie, Auckland. For purposes of complying with generally accepted accounting practice in New Zealand (“NZ GAAP”) the company is a Tier 1 for-profit entity.

The Company is an FMC Reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The Company’s registered office is 181 No.3 Line, Whanganui East, Whanganui 4500.

The nature of the Company's business is commercial property investment.

The entity's Manager, Maat Consulting Limited, is responsible for the day-to-day management of the Company.

The Directors of the Company as at 31 March 2024 were Mark Geoffrey Hughson and Neil James Tuffin.

Portfolio Investment Entity (“PIE”)
The Company is a Multi-rate PIE (“MRP”) under the Portfolio Investment Entity regime. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to the Company's investments must be allocated to shareholders in proportion to their holdings in the Company, with tax payable at the prescribed investor rate (PIR).

The tax payable by the Company on the net income allocated to shareholders for any given period will depend on the net income allocated to shareholders for that period and their PIR. The Company will adjust the amount of a distribution to be paid to shareholders to address the difference in PIRs between shareholders and to reflect the tax paid to Inland Revenue on a shareholder’s behalf.

Taxable income is attributed annually to 31 March or at any time shareholders dispose of their investment (or a part of their investment) in the Company. If shareholders dispose of their shares in full, any tax liability on the Company’s net income attributable to their investment will be deducted from any PIE income attributable to them. If shareholders sell a portion of their shares during the year, this results in tax being attributed in proportion to the amount they have sold.

Summary of General Accounting Policies
Statement of Compliance
The financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards and the Financial Reporting Act 2013.

The financial statements were authorised for issue by the Manager of the Company on 29 July 2024. Once issued the Manager of the Company does not have the power to amend these financial statements.

Basis of Preparation
The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Company, with the exception of the remeasurement of the investment property for which the fair value basis of accounting has been applied.

The financial statements are presented in New Zealand dollars, which is the Company's functional currency, and are rounded to the nearest whole dollar.

The accounting policies set have been applied consistently throughout the year unless otherwise stated.

1 Statement of Accounting Policies (continued)

Summary of General Accounting Policies (continued)

Changes in Accounting Policies

Standards effective and adopted in the current year

In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 1 – Disclosures of Accounting Policies. An entity is now required to disclose material accounting policy information instead of significant accounting policies. The amendments clarify how material accounting policy information can be identified, as well as defining what is considered material accounting policy information. These amendments are applied prospectively and are effective for annual periods beginning on or after 1 January 2023. There have been no material changes to the accounting policy information disclosed following the implementation of these amendments.

The following amendments to standards are effective for accounting periods beginning on or after 1 January 2024. Earlier application is permitted however, the Scheme has not early adopted the following amended standard in preparing these financial statements.

- ***Amendments to IAS1: Classification of Liabilities as Current or Non-current***

  The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that for a liability to be classified as non-current, the right to defer settlement of a liability must exist at least 12 months after the reporting period. The right must have substance and exist at the end of the reporting period and the classification of the liability must be unaffected by the likelihood that the company will exercise that right.

  The Manager intends to adopt the amendments when they become effective. No material impact is expected on the financial statements of the Scheme.

- ***Amendments to IAS1: Non-current Liabilities with Covenants***

  On 31 October 2022, the IASB issued amendments to IAS 1 'Non-current liabilities with covenants.' The amendments clarify how the classification of a liability is affected by conditions where an entity must comply with covenants on or before the end of the reporting period. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions, so users understand the risk that the liabilities could become repayable within twelve months after the reporting date. Such information includes the carrying amount of the liability, disclosure of covenants and facts and circumstances, if any, that indicate the entity may have difficulty complying with covenants.

  The Manager intends to adopt the amendments when they become effective. Other than additional disclosures, no material impact is expected on the financial statements of the Scheme.

  There are no other accounting standards issued but not yet effective that will materially impact the Company.

Going Concern – Material Uncertainty

The financial statements have been prepared under the going concern assumption which assumes the Company will be able to pay its debts as they fall due in the normal course of business

At reporting date, current liabilities exceed current assets by $14.580,324 predominantly due to the $14.445,000 borrowings from ASB bank which expire on 30 April 2024. As disclosed in note 14, subsequent to year end the loan was renewed through to 20 August 2024. In addition, an overdraft facility of $150,000 was approved in May 2024 and an increase of the overdraft limit to $360,000 was approved on 11 July 2024. The Company breached the "Net Rental Coverage (NRC)" covenant of 1.50 times during the year, falling to circa 0.72 times at 31 March 2024.

1 Statement of Accounting Policies (continued)

Going Concern – Material Uncertainty (continued)

The property had a vacancy rate of circa 58% by floor area at year end. One significant lease which comprises 26.16% of the floor area expires on 31 July 2025. Subsequent to year end, as outlined in note 14, this tenant signed a lease agreement for a further 11.46% of the floor area which expires on the 31 August 2030.

Management intends to obtain additional funding through a capital raise of $1.75m to pay for fit-out costs which Management expects will secure tenants for the vacant space. The Company is reliant on securing new tenants to increase the Company's net rental income in order for the Company to comply with the loan covenants and continue to pay monthly interest payments. Based on an initial expression of interest, Investors have indicated a willingness to subscribe to a further $1.42m and therefore Management expects the capital raise to be successful and the intention is to have the capital raise completed by late August/September 2024.

In the interim, Management expect that ASB will extend the facility until the capital raise is completed and new tenants are secured. Following completion of the capital raise and securing new tenants, Management expects the loan to be extended for a longer term. Management have also held positive discussions with a potential tenant to lease 5.54% of the floor area.

There is material uncertainty regarding the capital raise and the ability to secure tenants. If the capital raise is unsuccessful and new tenants cannot be secured, the covenants will continue to be in breach and the loan will be payable on demand. If this loan is called upon, the Company may not be able to pay its debts as they fall due.

The validity of the going concern assumption is dependent on the successful outcome of these matters. Should this not be the case, the Company may be unable to realise the value of its assets and discharge its liabilities in the normal course of the business.

Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical estimate, assumptions and judgements used relate to the investment property and the adoption of the going concern principle.

The investment property is carried at fair value, which requires the selection of an appropriate valuation methodology and the use of estimates. More information on the determination of the investment property's fair value is provided in Note 4.

Income

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and that the amounts can be reliably measured.

Operating lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight line-basis, as a reduction of rental income.
Revenue from operating expenses recovered is recognised at the point in time when the related operating expenses is incurred.

2 Cash and Cash Equivalents

	2024 $	2023 $
ASB Call Accounts	86,031	991,521
	86,031	991,521

The interest rate paid on bank balances and call deposits was 2.90% at 31 March 2024 (2023: 2.25%).

3 Trade and Other Receivables

	2024 $	2023 $
Accounts receivable	42,506	224
Interest Accrued	8, 175	8,175
Other Receivables	11,032	48,091
Prepayments – Insurance	30,419	28,527
	92,132	85,017

4 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at its fair value. Fair value is determined annually by independent external valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Company and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred. Where part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The investment property and the leases are considered as a single asset because the associated leases on the property, including any movement in lease terms, directly impact the property's fair value. Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal and is calculated as the difference between the net disposal proceeds and the carrying value of the item.

(i) Reconciliation of Fair Value

The following table shows a reconciliation from the opening balances to the closing balances for fair values:

	2024 $	2023 $
Carrying amount at beginning of year	34,000,000	37,800,000
Capital movements		
Additions	478,369	990,452
Movement in accrual for lease direct costs	7,264	(29,208)
Movement in accrual for fixed rental increases/lease incentives	(77,402)	(62,516)
Unrealised change in fair value of investment property	(3,108,231)	(4,698,728)
Carrying amount at end of year	31,300,000	34,000,000

4 Investment Property (continued)

(ii) Valuation and Fair Value Measurement

The investment property is a five-level commercial office building built in 1997 situated at 650 Great South Road in Ellerslie. The current tenants are Ministry of Health and Kahui Tu Kaha.

The manager uses independent property experts to provide their assessment of the fair value of the Investment Property. Management have adopted this valuation for financial reporting purposes and consider it to be the fair value of the investment property.

Investment property was valued as at 31 March 2024 and 31 March 2023 by Jones Lang LaSalle (JLL). JLL is an independent valuer and member of the New Zealand Institute of Valuers. The valuation was completed in accordance with current Australian and New Zealand Valuation and Property Standards, and in particular with IVS Framework and General Standards; NZVGP 502; ANZVGP 111; ANZVGP 112; NZ IFRS 13 and NZ IAS 40. The fair value reflects the Valuer's assessment of highest and best use of the property.

As part of the valuation process, the Manager verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer.

Valuations reflect, where appropriate: the quality of the tenants in occupation, or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness, the allocation of maintenance and insurance responsibilities between the Company and the tenant and the remaining economic life of the property. The valuation assumes:

- when rent reviews or lease renewals are pending with anticipated revisionary increases, that all notices and where appropriate counter notices have been served and within the appropriate time;
- where tenants are on a month-by-month leasing arrangement for car parks, the valuation assumes a three-month term from the date of valuation, with expiry of these leases on 30 June 2024.
- the building has a strength rating of 103% of the seismic loading standard NZ1170:2004 and has not been classified as earthquake prone based on a report completed in March 2012;
- the building does not have any structural or water penetration issues and is free of asbestos and contamination;
- present value of letting up allowance of $1,692,228 (2023: $1,260,100);
- $2,976,868 (2023: $2,435,098) of short-term capital expenditure spread over the next 2 periods.

In the current market there is a limited number of comparable property sales transactions and in the current environment valuations may change more often and by larger amounts than would normally be the case.

The fair value of the investment property is categorised into a fair value hierarchy based on the inputs used in the valuation technique adopted as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

4 Investment Property (continued)

(ii) Valuation and Fair Value Measurement (continued)

Investment property measurements as at 31 March 2024 and 2023 have been categorised as level 3 in the fair value hierarchy using the valuation techniques noted above.

The fair value was determined by reference to the following valuation techniques (using level 3 inputs):

a) **Direct Capitalisation Approach –** market income and contract income: The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.

b) **Discounted Cash Flow Approach**: Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Significant inputs used together with the impact on fair value of a change in inputs:

			Measurement Sensitivity	
	2024	**2023**	**Increase in fair value**	**Decrease in fair value**
Market capitalisation rate (%)[1]	7.50	7.00	Decrease	Increase
Net Market rental ($ per annum)[2]	2,765,196	2,723,521	Increase	Decrease
Discount rate (%)[3]	7.75	7.50	Decrease	Increase
Rental growth rate (%)[4]	2.57	2.57	Increase	Decrease
Terminal capitalisation rate (%)[5]	7.63	7.13	Decrease	Increase

1 The capitalisation rate applied to the market rental to assess a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, customer covenant, size and quality of the property.
2 The valuer's assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3 The rate applied to future cash flows reflecting transactional evidence from similar properties.
4 The rate applied to the market rental over the future cash flow projection.
5 The rate used to assess the terminal value of the property.

Generally, a change in the assumption made for the adopted market capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted market capitalisation rate forms part of the direct capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach. Both valuation methodologies are considered when determining an investment property's fair value.

When calculating the direct capitalisation approach, the market rental has a strong interrelationship with the adopted market capitalisation rate given the methodology involves assessing the total market rental income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the market rent and an increase in the adopted market capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the market rent and a decrease in the adopted market capitalisation rate. A directionally opposite change in the market rent and the adopted market capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal capitalisation rate have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value. In theory, an increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the discount rate and an increase in the adopted terminal capitalisation rate. A directionally similar change in the adopted discount rate and the adopted terminal capitalisation rate could potentially magnify the impact to the fair value.

4 Investment Property (continued)

Valuation Sensitivity
A sensitivity analysis that shows how a change to capitalisation and discount rates would affect the value of the Company's property is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on the fair value of the investment property.

The capitalisation rate relates to the income capitalisation approach and the discount rate relates to the discounted cash flow approach. Generally, a change in the capitalisation rate is accompanied by a directionally similar change in the discount rate. The table below assesses each of these inputs in isolation and assumes all other inputs are held constant.

	Adopted Value	Capitalisation Rate	Capitalisation Rate	Discount Rate	Discount Rate
		-25bp	+25bp	-25bp	+25bp
31 March 2024					
Adopted Value ($)	31,300000				
Impact of assumption change ($)		1,300,000	(1,100,000)	600,000	(700,000)
Impact of assumption change (%)		4.15	(3.51)	1.92	(2.24)
31 March 2023					
Adopted Value ($)	34,000,000				
Impact of assumption change ($)		1,400,000	(1,400,000)	700,000	(600,000)
Impact of assumption change (%)		4.12	(4.12)	2.06	(1.76)

5 Trade and Other Payables

	2024	2023
	$	$
Accounts Payable	120,557	200,547
Accrued Expenses	68,274	118,112
Payable to Shareholders for Distributions	-	40,384
	188,831	359,043
Non-Financial Instruments		
GST Payable	14,419	16,301
Rent Received in Advance	110,237	65,832
	124,656	82,133
	313,487	441,176

These amounts represent:
- Unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid.
- Refund due to shareholders following calculation of attributed profit and related tax.
- GST payable to Inland Revenue.
- Lease Income received in advance.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

	2024	2023
	$	$
Current	14,445,000	14,505,000
	14,445,000	14,505,000

The Company has a term loan with the ASB Bank. Monthly principal repayments of $30,000 ceased on 1 May 2023, interest is payable monthly. The borrowings are secured by way of a registered first mortgage over the property at 650 Great South Road, Ellerslie, Auckland, Assignment by Way of Security over Leases and a general security over all other assets and undertakings of the company.

ASB Term Loan: $14,445,000 – Current Expiry: 30 April 2024. The loan expired on 31 May 2023 and the following extensions have been provided throughout the year:

1 June 2023 to 30 November 2023 – 6 months
1 December 2023 to 28 February 2024 – 3 months
1 March 2024 to 30 April 2024 – 2 months

Post balance date, the loan has been extended through to 20 August 2024 (Refer Note 14).

Floating Interest rate at 31 March 2024: 8.44% (2023: 7.73%)
Current Portion: $14,4455,000 (2023: $14,505,000)

<u>Covenants</u>

Loan to Value Ratio (LVR) does not exceed 50%.
Net Rental Coverage is to be maintained at a minimum of 1.5 times the actual interest cost.

The Company breached the Net Rental Coverage covenant during the year, it decreased to 0.72 times as at 31 March 2024. This will only be corrected when new tenants are found to lease the current vacant space (Refer Note 1).

7 Equity

	2024 Number	2023 Number
Authorised Capital (# of shares)		
- A Shares (no par value)	100	100
- B Shares (no par value)	19,300,000	19,300,000
	19,300,100	19,300,100

In 2017, the Company issued 19,300,000 B shares in 386 parcels of 50,000 each. The minimum initial investment from each investor was $50,000 (being 1 parcel of 50,000 shares in the Company) and in multiples of $50,000 thereafter. Each B share confers upon the holder equal rights and obligations in respect of entitlements to income and capital of the Company and one vote in respect of matters on which investors are entitled to vote, in accordance with the terms of the Property Ownership and Management Deed. All B Shares on issue are fully paid, carry equivalent voting rights, share equally in dividends and any surplus and have no par value.

7 Equity (continued)

The Company has issued 100 A shares to Maat Consulting Limited. These shares confer upon the holder the right to appoint and remove all of the Directors, but no right to vote at meetings of shareholders or to income or capital distributions of the Company, in accordance with the terms of the Property Ownership and Management Deed. A Shares have no par value.

Distributions on B shares have been paid at a rate of 0% per annum of the initial investment from 1 April 2023 to 31 March 2024 (2023: 6.5% per annum of the initial investment from 1 April 2022 to 30 September 2022, 6% from 1 October 2022 to 31 January 2023 and 0% from 1 February 2023 to 31 March 2023.) This equals 0 cents per share (2023: 5.25 cents), gross of Inland Revenue tax paid.

Equity includes shares, (net of issue costs) and retained earnings. The capital management objectives include maintaining sufficient cash reserves to meet liabilities as they fall due to preserve and enhance the shareholders' capital value, make distributions to shareholders and meet bank covenants (Note 6).

8 Cash Flow

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:

- Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities; and
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

	2024 $	2023 $
Net (Loss)/Profit for the Year	(3,373,553)	(2,689,572)
Non-cash items		
Plus: Fair Value Loss on Investment Property	3,108,231	4,654,049
Plus: Lease Incentive Amortisation	77,402	107,195
Plus: Amortisation of Lease Direct Costs	87,977	109,708
	(99,943)	2,181,380
Movement in working capital items		
- (Increase) in trade and other receivables	(7,115)	(3,700)
- (Decrease)/Increase in trade and other payables	(127,689)	129,213
- Decrease in amounts owed to Shareholders	40,384	109,768
- Decrease/(Increase) in amounts owed for investment property additions	70,200	(13,758)
- Lease Direct Costs capitalised	(42,795)	-
- Other	28	-
Net Cash Flow from Operating Expenses	(166,930)	2,402,903

The loan with the ASB Bank Limited expired on 28 February 2024 and the balance of $14,445,000 was repaid and then subsequently drawn down for a further 2 months. $60,000 (2023: $330,000) of loan principal repayments were paid and recorded in the Statement of Cash Flows during the year.

9 Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments carried on the Statement of Financial Position includes cash and cash equivalents (Note 2), trade and other receivables (Note 3), current payables (Note 5) and borrowings (Note 6). A financial instrument is recognised if the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flow expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligation specified in the contract expires or are discharged or cancelled.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs.

Subsequent measurement of financial assets that are debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Company classifies its assets is amortised cost because they are held for collection of the contractual cash flows and those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured at amortised cost, less provisions for impairment. Interest income from these financial assets is included in finance income using the effective interest method.

Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables.

Financial liabilities at amortised cost includes current payables and borrowings. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Impairment provisions for current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix to determine the lifetime expected credit losses. During this process, the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

The expected loss rates are based on the Company's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

9 Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the values and future cash flows of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its borrowings. Management actively review exposure through sensitivity analysis in strategic reviews. As at reporting date, the Company had the following assets and liabilities exposed to interest rate risk:

	2024	2023
	$	$
Cash and cash equivalents	86,031	991,521
Borrowings	(14,445,000)	(14,505,000)

The following demonstrates the sensitivity to the Company's profit and equity, resulting from a change in interest rates which are considered reasonably possible, with all other variables held constant. The sensitivity percentage in the 2023 year is based on an increase/decrease of 0.75%, rather than 0.50% in the 2024 year. This is due to the Official Cash Rate (OCR) increasing on 5th April 2023 by 0.50 basis points and on 24th May 2023 by 0.25 basis points. After this, there has been no further increases.

2024	Carrying Amount $	+0.5%	-0.5%
Financial Assets			
Cash and cash equivalents	86,031	430	(430)
Financial Liabilities			
Borrowings	(14,445,000)	(72,225)	72,225
Net Impact		(71,795)	71,795

2023	Carrying Amount $	+0.75%	-0.75%
Financial Assets			
Cash and cash equivalents	991,521	7,436	(7,436)
Financial Liabilities			
Borrowings	(14,505,000)	(108,788)	108,788
Net Impact		(101,352)	101,352

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's policy for management of liquidity risk is to maintain a minimum level of funds in a bank account to meet working capital requirements. The Company manages its risk by monitoring cash flow on an ongoing basis. Management has frameworks in place to monitor the Company's liquidity and to ensure that the banking covenants are complied with. The directors note that the loan facility matures on 30 April 2024 and can confirm that this has been renewed post balance date per Note 6.

9 Financial Instruments (continued)

Liquidity risk (continued)

The following table details the remaining undiscounted contractual maturity for the Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

2024	Less than 1 year $	1 - 5 years $	Total $
Financial liabilities at amortised cost			
Payables	(120,557)	-	(120,557)
Borrowings	(14,445,000)	-	(14,445,000)
Interest payable on borrowings	(146,967)	-	(146,967)
Total financial liabilities	(14,712,524)	-	(14,712,524)

2023	Less than 1 year $	1 - 5 years $	Total $
Financial liabilities at amortised cost			
Payables	(200,547)	-	(200,547)
Borrowing	(14,505,000)	-	(14,505,000)
Interest payable on borrowings	(282,551)	-	(282,551)
Total financial liabilities	(14,988,098)	-	(14,988,098)

Credit Risk

Credit risk is the risk that the counterparty to a transaction with the Company will fail to discharge its obligations, causing the Company to incur a financial loss. Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and trade and other receivables.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is solely deposited with ASB Bank Limited, which is rated AA- based on rating agency Standard and Poor's (Australia) Pty Limited.

With respect to the credit risk arising from accounts receivable, the Company has a policy to assess the creditworthiness of prospective tenants and rent payments are required in advance. The Company manages its exposure to credit risk on an ongoing basis, through regular communication with the tenant. To date, credit risk arising from accounts receivables is not significant, as rental income is received monthly in advance. No financial assets are past due and impaired.

Maximum exposures to credit risk at reporting date are the carrying amounts of financial assets in this Note.

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity. In order to maintain or adjust the capital structure, the Company may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital structure includes borrowings and shareholder equity. The Company monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. Refer to Note 6 for more detail on the Company's borrowing covenants.

Carrying value is considered to approximate fair value for all of the Company's financial instruments.

10 Related Parties

The Company employed the services of Maat Consulting Limited and Maat Commercial Property Management Limited, as manager of the Property and the Company during the period. The management agreement was entered into on terms disclosed in the Company's Product Disclosure Statement dated 22 April 2016. Mark Geoffrey Hughson and Neil James Tuffin are directors of 650 Great South Road Limited, Maat Consulting Limited and Maat Commercial Property Management Limited.

	Fees Paid or Payable $	Amount Outstanding/ (Owed) at Balance Date $
2024		
Maat Consulting Limited		
- Audit Preparation Fee	3,011	3,011
- Accounting fees	12,250	586
	15,261	3,597
Maat Commercial Property Management Limited		
- Management fees – Property	43,896	(10,968)
	43,896	(10,968)
2023		
Maat Consulting Limited		
- Audit Preparation Fee	2,896	2,896
- Accounting fees	11,475	-
	14,371	2,896
Maat Commercial Property Management Limited		
- Management fees – Property	54,864	-
	54,864	-

The management agreement and Product Disclosure Statement both state that the management fees payable are 2.02% of "gross rental income", plus inflation adjusted accounting fees. The manager has been charging fees based on "actual lease income received" only up until 31 March 2023. From the 2024 financial year, the manager has commenced charging fees based on 2.02% of "gross rental income", being "base rent received from the tenants plus the recovery of the property's operating expenditure and excluding incentive adjustments". The manager is not going to charge the Company for the underpayment in previous years. The manager will present a resolution at the 2024 AGM for approval to add a clear definition of "Gross Rental Income" to the management agreement.

Since the 31 March 2020 financial year, Maat Consulting Limited has been charging an annual fee of $2,500 + GST, and adjusted by annual CPI, for the end of year audit work. This fee has been disclosed in the related party note every year, however, it was not included in the management agreement or product disclosure statement. The manager will present a resolution at the 2024 Annual General Meeting to get the management agreement updated.

Until these discrepancies are resolved, a contingent asset exists in relation to any overcharges listed above and a contingent liability in relation to any undercharges listed above.

The management agreement refers to a "Contingency Fund" which is maintained to meet any costs which may occur including (but not limited to) those costs associated with valuing the Property, legal costs incurred by the Company, the removal of Tenants' fixtures, fittings and chattels and reinstating premises in cases where a Tenant is not obligated to do so. It is important to note that due to Covid rent relief provided and higher than forecast interest rates, any funds accumulated to cover these costs have been depleted. However, the property is managing to pay these bills from the current rental income received.

10 Related Parties (continued)

Mark Hughson is a non-beneficiary trustee of 1 trust that holds 2 parcels in the Company and received a share of the distributions as disclosed in Note 7 above.

Related party balances are current, unsecured, interest free and there are no guarantees given or received and are payable on demand.

The Directors did not receive any remuneration or other benefits from the Company during the year ended 31 March 2024 (2023: $Nil).

11 Lessor Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company's investment property has the following minimum lease payments receivable under non-cancellable operating leases:

	2024 $	2023 $
Within one year	1,169,632	1,485,875
Between one and two years	538,206	774,368
Between two and three years	-	259,821
Between three and four years	-	-
Between four and five years	-	-
Later than five years	-	-
	1,707,838	2,520,064

The leases were assigned to the Company on acquisition of the property. They are subject to rent reviews and have renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the fixed lease terms and do not include any options to right of renewal due to the uncertainty as to whether the options will be exercised.

12 Capital Commitments

The Company has no capital commitments (2023: $Nil).

13 Contingent Liabilities

Except as disclosed in Note 10, the Company has no material contingent liabilities at reporting date.

14 Subsequent Events

The ASB loan was renewed for a further 3.5 months from 30 April 2024 to 20 August 2024 and an overdraft facility of $360,000 was provided to assist with managing cashflow.

A new tenant has signed an Agreement to Lease for a 954.80sqm tenancy (11.46% by area) on Level 1 to commence on 1 September 2024. Fit-out works have commenced.

A potential tenant due to commence their lease no later than 1 June 2024 terminated their lease on 18 April 2024, due to the Company being unable to fulfill the tenancy fit out requirements. On 28 May 2024, a repayment demand for financial losses by the tenant of $141,238 was received. However, Management is now in negotiations with this tenant again to sign another lease and there is more confidence to be able to fulfill the fit-out requirements in the timeframe due to the pending capital raise. This would mean that only a small portion of the $141k will be owed to the tenant

There were no other material subsequent events to report.

Baker Tilly Staples Rodway Audit Limited
109-113 Powderham Street
PO Box 146, New Plymouth 4340
New Zealand

T: +64 6 757 3155
F: +64 6 757 5081
E: taranaki@bakertillysr.nz
W: www.bakertillysr.nz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 650 Great South Road Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 650 Great South Road Limited ('the Company') on pages 3 to 20 which comprise the statement of financial position as at 31 March 2024, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2024, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Company. Our audit work has been undertaken so that we might state to the Shareholders of the Company those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders of the Company as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services we have no relationship with, or interests in, 650 Great South Road Limited. The provision of these other assurance services has not impaired our independence.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company's current liabilities exceed its current assets by $14,580,324. The loan with ASB Bank matures on the 20th of August 2024 and the Company has breached one of the loan covenants at year end and therefore the loan was classified as current and repayable on demand. Management's intention is to obtain additional funding through a capital raise in order to secure new tenants to increase net rental income so that the Company complies with the loan covenants. As explained in note 1, the validity of the going concern assumption is dependant on the successful outcome of the capital raise and securing tenants for the vacant space. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Should the Company not be able to continue as a going concern then this may impact the ability to realise the assets and discharge the liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
VALUATION OF INVESTMENT PROPERTY As disclosed in Note 4, the Company owns an investment property at 650 Great South Road, Ellerslie. The fair value of the property as at 31 March 2024 was $31.3m which represents over 99% of the Company's total assets. The valuation was carried out by a third-party valuer, Jones Lang LaSalle Limited (the valuer). The valuer was engaged by the Company and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. We identified the valuation of investment property as a key audit matter as the fair value involves significant judgement and estimation, particularly in selecting the appropriate valuation methodology and in determining the underlying assumptions. The valuation is also sensitive to key assumptions applied, including the capitalisation rate, discount rate, and terminal yield rate.	Our procedures in relation to the valuation of investment property included: ▪ Reviewing the valuation report for the Company's investment property. We confirmed the valuation approach for the property was in accordance with professional valuation standards and NZ IFRS 13 *Fair Value Measurement* and was suitable for determining the fair value of the investment property as at 31 March 2024; ▪ Evaluating the independent external valuers' competence, capabilities and objectivity including assessing the valuer's qualifications and expertise and reading their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work; ▪ Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the market and comparison to similar investment properties and valuations prepared by other valuers for similar property types;

Key Audit Matter	How our audit addressed the key audit matter
Due to the nature of the property the valuer considers other market information when determining a market value for the property. The Company has adopted the assessed value determined by the valuer.	▪ On a sample basis, reviewing the accuracy and relevance of the input data used, and assessing its consistency with information obtained during the audit; ▪ Evaluating the disclosures relating to the investment property included in Note 4 of the financial statements, including ensuring that disclosures adequately explained that there is a limited number of comparable property sales transactions and valuations may change more often in the current environment and by larger amounts than would normally be the case.

Emphasis of Matter – Related Party Disclosures

We draw attention to Note 10 of the financial statements, which describes the discrepancies and the effect of the changes made in the level of management fees charged to the Company by its property manager. Our opinion is not modified in respect to this matter.

Other Matter

The financial statements of 650 Great South Road Limited for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 31 July 2023.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2024 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/

The engagement director on the audit resulting in this independent auditor's report is D F Goodall.

Baker Tilly Staples Rodway

BAKER TILLY STAPLES RODWAY AUDIT LIMITED
New Plymouth, New Zealand
29 July 2024

650 GREAT SOUTH ROAD LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

650 GREAT SOUTH ROAD LIMITED
Financial Statements
For the year ended 31 March 2023

Contents

	Page
Directory	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-19
Independent Auditor's Report	20-22

650 GREAT SOUTH ROAD LIMITED

Directory
For the year ended 31 March 2023

Nature of Business	Commercial Property Investment
Address	Unit B4 17 Corinthian Drive Albany 0632 Auckland
Directors	Neil James Tuffin Mark Geoffrey Hughson
Registered Office	Unit B4 17 Corinthian Drive Albany 0632 Auckland
Proportionate Ownership Units	386 parcels of $50,000 each.
Manager	Maat Consulting Limited Unit B4 17 Corinthian Drive Albany 0632 Auckland
Auditor	BDO Auckland Auckland
Solicitors	Meredith Connell Auckland
Bankers	ASB Bank Limited
IRD Number	119-442-184
Companies Office Register Number	5952867

650 GREAT SOUTH ROAD LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Note	2023 $	2022 $
Income			
Rental Income		2,545,069	2,062,709
Property Operating Expenses Recovered		508,726	485,950
Interest Income – financial assets at amortised cost		11,284	8,810
Other Income		1,133,179	8,902
		4,198,258	2,566,371
Expenses			
Amortisation – leasing expenses		109,708	25,557
Statutory Audit Fees		15,547	14,097
Interest Expense – financial assets at amortised cost		889,303	487,891
Property Operating Expenses		1,181,052	673,044
Other Expenses		38,171	29,554
		2,233,781	1,230,143
		1,964,477	1,336,228
Fair Value (Loss)/Gain on Investment Property	5	(4,654,049)	1,576,411
Total Non-Operating Income and Expenses		**(4,654,049)**	**1,576,411**
(Loss)/Profit for the year attributable to shareholders		**(2,689,572)**	**2,912,639**
Other Comprehensive Income After Income Tax		-	-
Total Comprehensive (Loss)/Income for the year attributable to shareholders		**(2,689,572)**	**2,912,639**

These financial statements should be read in conjunction with the accompanying notes.

650 GREAT SOUTH ROAD LIMITED

Statement of Changes in Equity
For the year ended 31 March 2023

	Notes	Share Capital $	Retained Earnings $	Total $
Opening Equity 1 April 2022		**18,593,981**	**5,200,239**	**23,794,220**
Net Loss for the period		-	(2,689,572)	(2,689,572)
Total Comprehensive Loss for the period		**-**	**(2,689,572)**	**(2,689,572)**
Less Distribution to Shareholders and PIE Tax	**8**	-	(1,013,250)	(1,013,250)
Total Transactions with shareholders	**8**	**-**	**(1,013,250)**	**(1,013,250)**
Equity as at 31 March 2023		**18,593,981**	**1,497,417**	**20,091,398**
Opening Equity 1 April 2021		**18,593,981**	**3,783,350**	**22,377,331**
Net Profit for the period		-	2,912,639	2,912,639
Total Comprehensive Income for the period		**-**	**2,912,639**	**2,912,639**
Less Distribution to Shareholders and PIE Tax	**8**	-	(1,495,750)	(1,495,750)
Total Transactions with shareholders	**8**	**-**	**(1,495,750)**	**(1,495,750)**
Equity as at 31 March 2022		**18,593,981**	**5,200,239**	**23,794,220**

These financial statements should be read in conjunction with the accompanying notes.

650 GREAT SOUTH ROAD LIMITED
Statement of Financial Position
As at 31 March 2023

	Note	2023 $	2022 $
Current Assets			
Cash and Cash Equivalents	**2**	991,521	630,636
Trade & Other Receivables	**3**	85,017	81,317
Short Term Investments	**4**	-	419,000
PIE Tax Asset		-	10,230
		1,076,538	1,141,183
Non-Current Assets			
Investment Property	**5**	34,000,000	37,800,000
		34,000,000	37,800,000
Total Assets		**35,076,538**	**38,941,183**
Current Liabilities			
Trade and Other Payables	**6**	441,176	311,963
Borrowings	**7**	14,505,000	14,835,000
PIE Tax Liability		38,964	-
		14,985,140	15,146,964
Total Liabilities		14,985,140	15,146,963
Equity			
Share Capital	**8**	18,593,981	18,593,981
Retained Earnings		1,497,417	5,200,239
		20,091,398	23,794,220
Total Liabilities and Equity		**35,076,538**	**38,941,183**

These financial statements have been issued for and on behalf of the Board by:

Neil Tuffin

_______________________Neil J Tuffin, Director

16 August 2023

Mark Hughson

_______________________Mark Hughson, Director

16 August 2023

These financial statements should be read in conjunction with the accompanying notes.

650 GREAT SOUTH ROAD LIMITED

Statement of Cash Flows
For the year ended 31 March 2023

	Note	2023 $	2022 $
Cash Flow from Operating Activities			
Cash was provided from:			
Rental Receipts		2,715,454	2,131,635
Interest Received		11,650	9,864
Operating Recoveries		499,782	530,656
Goods and Services Tax Received (Net)		8,941	-
Other Income		1,133,179	8,902
		4,369,006	2,681,057
Cash was applied to:			
Payments to Suppliers		(1,169,830)	(757,568)
Goods and Services Tax Paid (Net)		-	(12,890)
Interest Paid		(796,273)	(486,926)
		(1,966,103)	(1,257,384)
Net Cash Flow from Operating Activities	**9**	**2,402,903**	**1,423,673**
Cash Flow to Investing Activities			
Cash was provided from:			
Short Term Investment		419,000	881,000
		419,000	881,000
Cash was applied to:			
Additions – Investment Property		(1,057,193)	(225,646)
		(1,057,193)	(225,646)
Net Cash Flow (to) / from Investing Activities		**(638,193)**	**655,354**
Cash Flow to Financing Activities			
Cash was applied to:			
Distributions to Shareholders and Inland Revenue		(1,073,825)	(1,550,461)
ASB Loan Repayments		(330,000)	(270,000)
		(1,403,825)	(1,820,461)
Net Cash Flow (to) Financing Activities		**(1,403,825)**	**(1,820,461)**
Net movement in cash and cash equivalents		360,885	258,566
Cash and cash equivalents at start of year		630,636	372,070
Cash and cash equivalents at end of year	**2**	**991,521**	**630,636**

1 Statement of Accounting Policies

Reporting Entity

These are the financial statements of 650 Great South Road Limited ("the Company"), a company incorporated in New Zealand under the Companies Act 1993 and domiciled in New Zealand. The Company was incorporated for the purpose of purchasing the land and buildings at 650 Great South Road, Ellerslie, Auckland. For purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP") the company is a Tier 1 for-profit entity.

The Company is an FMC Reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The Company's registered office is Unit B4, 17 Corinthian Drive, Albany 0755, Auckland.
The nature of the Company's business is commercial property investment.

The entity's Manager, Maat Consulting Limited, is responsible for the day-to-day management of the Company.

The Directors of the Company as at 31 March 2023 were Mark Geoffrey Hughson and Neil James Tuffin.

Portfolio Investment Entity ("PIE")

The Company is a Multi-rate PIE ("MRP") under the Portfolio Investment Entity regime. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to the Company's investments must be allocated to shareholders in proportion to their holdings in the Company, with tax payable at the prescribed investor rate (PIR).

The tax payable by the Company on the net income allocated to shareholders for any given period will depend on the net income allocated to shareholders for that period and their PIR. The Company will adjust the amount of a distribution to be paid to shareholders to address the difference in PIRs between shareholders and to reflect the tax paid to Inland Revenue on a shareholder's behalf.

Taxable income is attributed annually to 31 March or at any time shareholders dispose of their investment (or a part of their investment) in the Company. If shareholders dispose of their shares in full, any tax liability on the Company's net income attributable to their investment will be deducted from any PIE income attributable to them. If shareholders sell a portion of their shares during the year, this results in tax being attributed in proportion to the amount they have sold.

Summary of General Accounting Policies

Statement of Compliance

The financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards and the Financial Reporting Act 2013.

The financial statements were authorised for issue by the Manager of the Company on 16 August 2023. Once issued the Manager of the Company does not have the power to amend these financial statements.

Basis of Preparation

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Company, with the exception of the remeasurement of the investment property for which the fair value basis of accounting has been applied.

The financial statements are presented in New Zealand dollars, which is the Company's functional currency, and are rounded to the nearest whole dollar.

The accounting policies set have been applied consistently throughout the year unless otherwise stated.

1 Statement of Accounting Policies (continued)

Summary of General Accounting Policies (continued)

Basis of Preparation (continued)

There are no accounting standards issued but not yet effective that will materially impact the Company.

Going Concern

The financial statements have been prepared under the going concern assumption which assumes the Company will be able to pay its debts as they fall due in the normal course of business. The Manager of the Company has considered all information available at the date of signing the financial statements and is of the opinion that the Company is a going concern based on available liquidity levels and forecast operating cashflows being sufficient to cover future obligations when they fall due. At reporting date, current liabilities exceed current assets by $13,908,602 due to the borrowings from the ASB bank expiring on 31 May 2023. Post balance date, the loan was renewed for a further 6-months through to 30 November 2023 with the condition that the "Net Rental Coverage (NRC)" shall not be less than 1.5 times by 30 November 2023. At the time of renewing the loan, the NRC was 1.21 times and was at 0.93 times at 30 June 2023. Management is currently marketing the vacant tenancies on the Ground floor and Level 1 and intends on completing a further capital raise to lower the debt with the ASB. If $5m is repaid to the ASB by 30 November 2023 and the current tenants remain in the premises, the NRC will increase to 1.81 times. There is a material uncertainty regarding the ability of the Company to raise the required capital prior to 30 November 2023.

If the going concern assumption is not valid, the consequence is the Company may be unable to realise the value of its assets and discharge its liabilities in the normal course of the business. The financial statements do not include any adjustments that may be made to reflect the situation should the Company be unable to continue as a going concern. Such adjustments may include realizing assets at other than the amounts at which they are recorded in the financial statements.

Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical estimate assumptions and judgements used relate to the investment property and application of the going concern principle..

The investment property is carried at fair value, which requires the selection of an appropriate valuation methodology and the use of estimates. More information on the determination of the investment property's fair value is provided in Note 5.

Income

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and that the amounts can be reliably measured.

Operating lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight line-basis, as a reduction of rental income.
Revenue from operating expenses recovered is recognised at the point in time when the related operating expenses is incurred.

2 Cash and Cash Equivalents

	2023 $	2022 $
ASB Call Accounts	991,521	630,636
	991,521	630,636

The interest rate paid on bank balances and call deposits was 2.25% (2022: 0.30%) during the year ended 31 March 2023.

3 Trade and Other Receivables

	2023 $	2022 $
Accounts receivable	224	13,224
Interest Accrued	8,175	8,541
Opex Recovery Receivables	48,091	33,788
Prepayments – Insurance	28,527	25,764
	85,017	81,317

4 Short Term Investments

	2023 $	2022 $
Term Deposit – ASB Bank - Closed 9 March 2023	-	419,000
	-	419,000

5 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at its fair value. Fair value is determined annually by external valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Company and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred. Where part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The investment property and the leases are considered as a single asset because the associated leases on the property, including any movement in lease terms, directly impact the property's fair value. Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal and is calculated as the difference between the net disposal proceeds and the carrying value of the item.

5 Investment Property (continued)

(i) Reconciliation of Fair Value

The following table shows a reconciliation from the opening balances to the closing balances for fair values:

	2023 $	2022 $
Carrying amount at beginning of year	37,800,000	36,000,000
Capital movements		
Additions	990,452	282,087
Movement in accrual for lease direct costs	(29,208)	18,255
Movement in accrual for fixed rental increases/lease incentives	(62,516)	(76,753)
Unrealised change in fair value of investment property	(4,698,728)	1,576,411
Carrying amount at end of year	34,000,000	37,800,000

(ii) Valuation and Fair Value Measurement

The investment property is a five-level commercial office building built in 1997 situated at 650 Great South Road in Ellerslie. The tenants are Ministry of Health, Kahui Tu Kaha and Northern Regional Alliance.

The manager uses independent property experts to provide their assessment of the fair value of the Investment Property. Management have adopted this valuation for financial reporting purposes and consider it to be the fair value of the investment property.

Investment property was valued as at 31 March 2023 and 31 March 2022 by Jones Lang LaSalle (JLL). JLL is an independent valuer and member of the New Zealand Institute of Valuers. The valuation was completed in accordance with current Australian and New Zealand Valuation and Property Standards, and in particular with IVS Framework and General Standards; NZVGP 502; ANZVGP 111; ANZVGP 112; NZ IFRS 13 and NZ IAS 40. The fair value reflects the Valuer’s assessment of highest and best use of the property.

As part of the valuation process, the Manager verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer.

The fair value of the investment property is categorised into a fair value hierarchy based on the inputs used in the valuation technique adopted as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5 Investment Property (continued)

(ii) Valuation and Fair Value Measurement (continued)

Investment property measurements as at 31 March 2023 and 2022 have been categorised as level 3 in the fair value hierarchy using the valuation techniques noted above.

The fair value was determined by reference to the following valuation techniques (using level 3 inputs):

a) **Direct Capitalisation Approach –** market income and contract income: The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.

b) **Discounted Cash Flow Approach**: Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Significant inputs used together with the impact on fair value of a change in inputs:

			Measurement Sensitivity	
	2023	**2022**	**Increase in input**	**Decrease in input**
Market capitalisation rate (%)[1]	7.00	6.25	Decrease	Increase
Net Market rental ($ per annum)[2]	2,723,521	2,707,327	Increase	Decrease
Discount rate (%)[3]	7.50	7.25	Decrease	Increase
Rental growth rate (%)[4]	2.57	2.57	Increase	Decrease
Terminal capitalisation rate (%)[5]	7.13	6.50	Decrease	Increase

1 The capitalisation rate applied to the market rental to assess a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, customer covenant, size and quality of the property.
2 The valuer's assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3 The rate applied to future cash flows reflecting transactional evidence from similar properties.
4 The rate applied to the market rental over the future cash flow projection.
5 The rate used to assess the terminal value of the property.

Generally, a change in the assumption made for the adopted market capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted market capitalisation rate forms part of the direct capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach. Both valuation methodologies are considered when determining an investment property's fair value.

When calculating the direct capitalisation approach, the market rental has a strong interrelationship with the adopted market capitalisation rate given the methodology involves assessing the total market rental income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the market rent and an increase in the adopted market capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the market rent and a decrease in the adopted market capitalisation rate. A directionally opposite change in the market rent and the adopted market capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal capitalisation rate have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value. In theory, an increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the discount rate and an increase in the adopted terminal capitalisation rate. A directionally similar change in the adopted discount rate and the adopted terminal capitalisation rate could potentially magnify the impact to the fair value.

5 Investment Property (continued)

(ii) Valuation and Fair Value Measurement (continued)

Valuation Sensitivity

A sensitivity analysis that shows how a change to capitalisation and discount rates would affect the value of the Company's property is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on the fair value of the investment property.

The capitalisation rate relates to the income capitalisation approach and the discount rate relates to the discounted cash flow approach. Generally, a change in the capitalisation rate is accompanied by a directionally similar change in the discount rate. The table below assesses each of these inputs in isolation and assumes all other inputs are held constant.

	Adopted Value	Capitalisation Rate	Capitalisation Rate	Discount Rate	Discount Rate
		-25bp	+25bp	-25bp	+25bp
31 March 2023					
Adopted Value ($)	34,000,000				
Impact of assumption change ($)		1,400,000	(1,400,000)	700,000	(600,000)
Impact of assumption change (%)		4.12	(4.12)	2.06	(1.76)
31 March 2022					
Adopted Value ($)	37,800,000				
Impact of assumption change ($)		1,800,000	(1,600,000)	800,000	(700,000)
Impact of assumption change (%)		4.76	(4.23)	2.12	(1.85)

6 Trade and Other Payables

	2023	2022
	$	$
Accounts Payable	200,547	109,141
Accrued Expenses	118,112	23,039
Payable to Shareholders for Distributions	40,384	150,152
	359,043	282,332
Non-Financial Instruments		
GST Payable	16,301	29,631
Rent Received in Advance	65,832	-
	82,133	29,631
	441,176	311,963

These amounts represent:

- Unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid.
- Refund due to shareholders following calculation of attributed profit and related tax.
- GST payable to Inland Revenue.
- Lease Income received in advance.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

	2023	2022
	$	$
Current	14,505,000	14,835,000
	14,505,000	14,835,000

The Company has a term loan with the ASB Bank. Monthly principal repayments of $30,000 commenced on 30 July 2021 and interest is also payable monthly. The borrowings are secured by way of a registered first mortgage over the property at 650 Great South Road, Ellerslie, Auckland, Assignment by Way of Security over Leases and a general security over all other assets and undertakings of the company.

ASB Term Loan: $14,505,000 – Current Expiry: 31 May 2023. The loan expired on 31 May 2022 and was renewed for a further year through to 31 May 2023. Post balance date, the loan has been extended for a further six months through to 30 November 2023. The new terms of the loan include a "Net Rental Coverage (NRC)" condition that the NRC is increased to at least 1.5 times by 30th November 2023 and monthly principal repayments of $30,000 have been ceased from 1 June 2023 to help with cashflow. Refer to Note 1 - Going Concern for further information.
Floating Interest rate at 31 March 2023: 7.73% (2022: 4.06%)
Current Portion: $14,505,000 (2022: $14,835,000)

Covenants

Loan to Value Ratio (LVR) does not exceed 50%.
Net Rental Coverage is to be maintained at a minimum of 2.5 times of the actual interest cost. This was lowered to 1.5 times of the actual interest cost when the loan was renewed on 31 May 2023.

The Company breached the Net Rental Coverage covenant during the year, it decreased to 1.10 times as at 31 March 2023 and was still breached post balance date, being 0.93 times at 30 June 2023 (Refer Note 1).

8 Equity

	2023	2022
	Number	Number
Authorised Capital (# of shares)		
- A Shares (no par value)	100	100
- B Shares (no par value)	19,300,000	19,300,000
	19,300,100	19,300,100

In 2017, the Company issued 19,300,000 B shares in 386 parcels of 50,000 each. The minimum initial investment from each investor was $50,000 (being 1 parcel of 50,000 shares in the Company) and in multiples of $50,000 thereafter. Each B share confers upon the holder equal rights and obligations in respect of entitlements to income and capital of the Company and one vote in respect of matters on which investors are entitled to vote, in accordance with the terms of the Property Ownership and Management Deed. All B Shares on issue are fully paid, carry equivalent voting rights, share equally in dividends and any surplus and have no par value.

The Company has issued 100 A shares to Maat Consulting Limited. These shares confer upon the holder the right to appoint and remove all of the Directors, but no right to vote at meetings of shareholders or to income or capital distributions of the Company, in accordance with the terms of the Property Ownership and Management Deed. A Shares have no par value.

8 Equity (continued)

Distributions on B shares have been paid at a rate of 6.5% per annum of the initial investment from 1 April 2022 to 30 September 2022, 6% from 1 October 2022 to 31 January 2023 and 0% from 1 February 2023 to 31 March 2023. (2022: 9% per annum of the initial investment from 1 April 2021 to 30 September 2021 and 6.5% from 1 October 2021 to 31 March 2022. This equals 5.25 cents per share (2022: 7.75 cents), gross of Inland Revenue tax paid.

As disclosed in the Product Disclosure Statement, $1,350,000 of the funds raised from shareholders will be specifically applied to the upgrade of the air conditioning system over the 6-year period from date of purchase to 31 March 2022. It was anticipated that $750,000 of this expenditure would be incurred in the 3 years forecast to 31 March 2019. The balance of $600,000 would be retained and identified separately for expenditure required in the subsequent 3 years. The amount of the forecast expenditure and its timing was based on an independent engineer's report. The majority of the work has been completed in the 2022 and 2023 financial years. A revised quote for the work was provided and totaled $1,069,000 but when adding an amount spent on 30 November 2020 for $50,000, this totals $1,119,000. As at 31 March 2023, $1,084,891 has been spent, leaving $34,109 remaining. The balance between the $1,350,000 and $1,119,000 of $231,000 has been used for operating expenditure throughout the 2022 year as disclosed in the 2021 annual report. It is expected that all the air conditioning work will be completed by 31 March 2024.

Equity includes shares, (net of issue costs) and retained earnings. The capital management objectives include maintaining sufficient cash reserves to meet liabilities as they fall due to preserve and enhance the shareholders' capital value, make distributions to shareholders and meet bank covenants (note 7).

9 Cash Flow

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:
- Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities; and
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

	2023 $	2022 $
Net (Loss)/Profit for the Year	(2,689,572)	2,912,639
Non-cash items		
Plus/(Less) Fair Value Loss/(Gain) on Investment Property	4,654,049	(1,576,411)
Plus: Lease Incentive Amortisation	107,195	76,754
Plus: Amortisation of Lease Direct Costs	109,708	25,557
	2,181,380	1,438,539
Movement in working capital items		
- (Increase)/Decrease in trade and other receivables	(3,700)	43,420
- Increase in trade and other payables	129,213	80,245
- Decrease/(Increase) in amounts owed to Shareholders	109,768	(38,277)
- (Increase) in amounts owed for investment property additions	(13,758)	(56,441)
- Lease Direct Costs capitalised	-	(43,813)
Net Cash Flow from Operating Expenses	2,402,903	1,423,673

9 Cash Flow (continued)

The loan with the ASB Bank Limited expired on 31 May 2022 and the balance of $14,775,000 was repaid and then subsequently drawn down for a further 1-year term. $330,000 (2022: $270,000) of loan principal repayments were paid and recorded in the Statement of Cash Flows during the year.

10 Financial Instruments

Non-derivative Financial Instruments
Non-derivative financial instruments carried on the Statement of Financial Position includes cash and cash equivalents (Note 2), trade and other receivables (Note 3), short-term investments (Note 4), current payables (Note 6) and borrowings (Note 7). A financial instrument is recognised if the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flow expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligation specified in the contract expires or are discharged or cancelled.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs.

Subsequent measurement of financial assets that are debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Company classifies its assets is amortised cost because they are held for collection of the contractual cash flows and those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured at amortised cost, less provisions for impairment. Interest income from these financial assets is included in finance income using the effective interest method.

Financial assets measured at amortised cost includes cash and cash equivalents and trade and other receivables and short-term investments.

Financial liabilities at amortised cost includes current payables and borrowings. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment
The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Impairment provisions for current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix to determine the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

The expected loss rates are based on the Company's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

10 Financial Instruments (continued)

Interest rate risk

Interest rate risk is the risk that the values and future cash flows of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its borrowings. Management actively review exposure through sensitivity analysis in strategic reviews. As at reporting date, the Company had the following assets and liabilities exposed to interest rate risk:

	2023	2022
	$	$
Cash and cash equivalents	991,521	630,636
Short term investments	-	419,000
Borrowings	(14,505,000)	(14,835,000)

The following demonstrates the sensitivity to the Company's profit and equity, resulting from a change in interest rates which are considered reasonably possible, with all other variables held constant. The sensitivity percentage in the 2023 year is based on an increase/decrease of 0.75%, rather than 0.50% in the 2022 year. This is due to the Official Cash Rate (OCR) increasing on 5th April 2023 by 0.50 basis points and on 24th May 2023 by 0.25 basis points. After this, it is forecast for the OCR to remain at this level.

2023	**Carrying Amount $**	**+0.75%**	**-0.75%**
Financial Assets			
Cash and cash equivalents	991,521	7,436	(7,436)
Financial Liabilities			
Borrowings	(14,505,000)	(108,788)	108,788
Net Impact		(101,352)	101,352

2022	**Carrying Amount $**	**+0.5%**	**-0.5%**
Financial Assets			
Cash and cash equivalents	630,636	3,153	(3,153)
Short term investments	419,000	2,095	(2,095)
Financial Liabilities			
Borrowings	(14,835,000)	(74,175)	74,175
Net Impact		(68,927)	68,927

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's policy for management of liquidity risk is to maintain a minimum level of funds in a bank account to meet working capital requirements. The Company manages its risk by monitoring cash flow on an ongoing basis. Management has frameworks in place to monitor the Company's liquidity and to ensure that the banking covenants are complied with. The directors note that the loan facility matures on 31 May 2023 and can confirm that this has been renewed post balance date per Note 7.

10 Financial Instruments (continued)

Liquidity risk (continued)
The following table details the remaining undiscounted contractual maturity for the Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

2023	Less than 1 year $	1 - 5 years $	Total $	Carrying Amount $
Financial liabilities at amortised cost				
Payables	(263,876)	-	(263,876)	(263,876)
Borrowings	(14,505,000)	-	(14,505,000)	(14,505,000)
Interest payable on borrowings	(282,551)	-	(282,551)	(95,167)
Total financial liabilities	(15,051,427)	-	(15,051,427)	(14,864,043)

2022	Less than 1 year $	1 - 5 years $	Total $	Carrying Amount $
Financial liabilities at amortised cost				
Payables	(280,683)	-	(280,683)	(280,683)
Borrowing	(14,835,000)	-	(14,835,000)	(14,835,000)
Interest payable on borrowings	(100,658)	-	(100,658)	(1,650)
Total financial liabilities	(15,216,341)	-	(15,216,341)	(15,117,333)

Credit Risk
Credit risk is the risk that the counterparty to a transaction with the Company will fail to discharge its obligations, causing the Company to incur a financial loss. Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and trade and other receivables.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is solely deposited with ASB Bank Limited, which is rated AA- based on rating agency Standard and Poor's (Australia) Pty Limited.

With respect to the credit risk arising from accounts receivable, the Company has a policy to assess the creditworthiness of prospective tenants and rent payments are required in advance. The Company manages its exposure to credit risk on an ongoing basis, through regular communication with the tenant. To date, credit risk arising from accounts receivables is not significant, as rental income is received monthly in advance. No financial assets are past due and impaired.

Maximum exposures to credit risk at reporting date are the carrying amounts of financial assets in this Note.

Capital Risk Management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity. In order to maintain or adjust the capital structure, the Company may adjust the amount of distributions paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital structure includes borrowings and shareholder equity. The Company monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. Refer to Note 7 for more detail on the Company's borrowing covenants.

Carrying value is considered to approximate fair value for all of the Company's financial instruments.

11 Related Parties

The Company employed the services of Maat Consulting Limited and Maat Commercial Property Management Limited, as manager of the Property and the Company during the period. The management agreement was entered into on terms disclosed in the Company's Product Disclosure Statement dated 22 April 2016. Mark Geoffrey Hughson and Neil James Tuffin are directors of 650 Great South Road Limited, Maat Consulting Limited and Maat Commercial Property Management Limited.

	Fees Paid or Payable $	Amount Outstanding at Balance Date $
2023		
Maat Consulting Limited		
- Audit Preparation Fee	2,896	2,896
- Accounting fees	11,475	-
	14,371	2,896
Maat Commercial Property Management Limited		
- Management fees – Property	54,864	-
	54,864	-
2022		
Maat Consulting Limited		
- Audit Preparation Fee	2,815	2,714
- Accounting fees	11,067	-
	13,882	2,714
Maat Commercial Property Management Limited		
- Management fees – Property		
- Accounting fees		
	54,864	-
	54,864	-

The management agreement and Product Disclosure Statement both state that the management fees payable are 2.02% of "gross rental income", plus inflation adjusted accounting fees. The manager has been charging fees based on "actual lease income received" only. Based on this calculation, management fees have been overpaid by $1,289 during the 2023 financial year and since purchasing the property management fees have been overpaid by $35,871. However, if the "gross rental income" was used in the calculation, the managers have been underpaid by $29,900 since purchasing the property. Management are in the process of working on a proposal to remedy the error. This will be fully disclosed to shareholders for their discussion and approval at the 2023 Annual General Meeting.

Since the 31 March 2020 financial year, Maat Consulting Limited has been charging an annual fee of $2,500 + GST, and adjusted by annual CPI, for the end of year audit work. This fee has been disclosed in the related party note every year, however, it was not included in the management agreement. The manager will present a resolution at the 2023 Annual General Meeting to get the management agreement updated.

Until these discrepancies are resolved, a contingent asset exists in relation to any overcharges listed above and a contingent liability in relation to any undercharges listed above.

The management agreement refers to a "Contingency Fund" which is maintained to meet any costs which may occur including (but not limited to) those costs associated with valuing the Property, legal costs incurred by the Company, the removal of Tenants' fixtures, fittings and chattels and reinstating premises in cases where a Tenant is not obligated to do so. It is important to note that due to Covid rent relief provided and higher than forecast interest rates, any funds accumulated to cover these costs have been depleted. However, the property is managing to pay these bills from the current rental income received.

11 Related Parties (continued)

Related party balances are current, unsecured, interest free and there are no guarantees given or received and are payable on demand.

The Directors did not receive any remuneration or other benefits from the Company during the year ended 31 March 2023 (2022: $Nil).

12 Lessor Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company's investment property has the following minimum lease payments receivable under non-cancellable operating leases:

	2023	**2022**
	$	**$**
Within one year	1,485,875	1,965,624
Between one and two years	774,368	1,462,098
Between two and three years	259,821	774,368
Between three and four years	-	259,821
Between four and five years	-	-
Later than five years	-	-
	2,520,064	4,461,911

The leases were assigned to the Company on acquisition of the property. They are subject to rent reviews and have renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the fixed lease terms and do not include any options to right of renewal due to the uncertainty as to whether the options will be exercised.

13 Capital Commitments

The Company has no capital commitments. (2022: $Nil)

14 Contingent Liabilities

Except as disclosed in Note 11, the Company has no material contingent liabilities at reporting date (2022: $Nil).

15 Subsequent Events

The ASB loan was renewed for a further 6 months from 31 May 2023. Please refer to Note 7 for the terms of the loan.

Part 7 of the Financial markets Conduct Act 2013 requires regulated entities to file audited financial statements with the Registrar within four months of the entity's balance date. The audited financial statements for the year 31 March 2023 were delayed due to the resolution of an accounting treatment and work around the proposed resolution to the material uncertainty described in Note 1. These matters have been resolved and the audited financial statements were completed and filed on 16 August 2023.

There were no other material subsequent events to report.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 650 GREAT SOUTH ROAD LIMITED

Opinion

We have audited the financial statements of 650 Great South Road Limited ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Material Uncertainty Related to Going Concern

We draw attention to the going concern section of Note 1 to the financial statements, which indicates that the Company is in breach of the financial reporting covenants in relation to its borrowings. Therefore, the Company's borrowings are on demand which means its current liabilities exceeded its total assets by $13,908,602 at 31 March 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Notes 1 and 7, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter and Why	How the Matter Was Addressed in Our Audit
Valuation of Investment Property	
The Company's investment property is recorded at fair value of $34 million and this represents the majority of assets held as at 31 March 2023. The valuation of the investment property is set out in Note 5 to the financial statements. The valuation of the investment property has been identified as a key audit matter due to the inherently subjective judgements and assumptions used in the valuation methods and the material impact on the financial statements that would arise from small changes in these judgements and assumptions. The Company has engaged an independent third-party Valuer to perform the valuation as per its policy. The Valuer is a reputable firm, with experience in the market in which the Company operates, and performed its work in accordance with International Valuation Standards and NZ IFRS. The valuation methods used for assessing the fair value include a combination of the capitalisation of income and discounted cash flow methodologies. The valuations are calculated using actual and forecast inputs, including contract and market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms. Adjustments are made to observable market data of similar properties to reflect the specific nature and location of the investment property. Management reviews the valuation report and conclusion of the Valuer. The Company has adopted the fair value determined by the Valuer.	We assessed the Valuer's experience, professional accreditations and its objectivity. This included reviewing the Valuer's reported experience and qualifications and the scope of work being performed in line with professional valuation and accounting standards. In addition, we considered Management's process for the review of assumptions used by the Valuer in finalising fair value. We read the valuation report and checked for any limitations in scope in the valuation reports that would impact the reliability of the valuations. The key inputs in the valuations, including contract and market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms, were tested to our audit evidence, compared to prior year in order to understand any significant changes, and compared to other reputable valuation firms' publications where appropriate. Our work included understanding and challenging the assumptions used in order to conclude on the appropriateness of the key inputs to the valuation methods. We assessed the adequacy of the disclosures made in respect of the valuation of investment property in the financial statements.

Emphasis of Matter – Related Party Disclosures

We draw attention to Note 11 to the financial statements, which describes the effect of the errors made in the level of management fees charged to the Company by its property manager. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Matt Coulter.

BDO Auckland

BDO Auckland
Auckland
New Zealand
16 August 2023

650 GREAT SOUTH ROAD LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

650 GREAT SOUTH ROAD LIMITED
Financial Statements
For the year ended 31 March 2022

Contents

	Page
Directory	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Equity	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-19
Independent Auditor's Report	20-22

650 GREAT SOUTH ROAD LIMITED

Directory
For the year ended 31 March 2022

Nature of Business	Commercial Property Investment
Address	Unit B4 17 Corinthian Drive Albany 0632 Auckland
Directors	Neil James Tuffin Mark Geoffrey Hughson
Registered Office	Unit B4 17 Corinthian Drive Albany 0632 Auckland
Proportionate Ownership Units	386 parcels of $50,000 each.
Manager	Maat Consulting Limited Unit B4 17 Corinthian Drive Albany 0632 Auckland
Auditor	BDO Auckland Auckland
Solicitors	Meredith Connell Auckland
Bankers	ASB Bank Limited
IRD Number	119-442-184
Companies Office Register Number	5952867

650 GREAT SOUTH ROAD LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Note	2022 $	2021 $
Income			
Rental income		2,062,709	2,384,153
Property operating expenses recovered		485,950	481,137
Interest income – financial assets at amortised cost		8,810	24,159
Sundry income		8,902	15,576
		2,566,371	2,905,025
Expenses			
Statutory audit fees		14,097	13,624
Interest expense – financial assets at amortised cost		487,891	414,022
Property operating expenses		698,601	651,556
Other expenses		29,554	24,133
		1,230,143	1,103,335
Total Operating Earnings		**1,336,228**	**1,801,690**
Fair Value Gain on Investment Property	**5**	1,576,411	1,353,896
Total Non-Operating Income and Expenses		**1,576,411**	**1,353,896**
Profit for the year attributable to shareholders		**2,912,639**	**3,155,586**
Other Comprehensive Income After Income Tax		**-**	**-**
Total Comprehensive Income for the year attributable to shareholders		**2,912,639**	**3,155,586**

These financial statements should be read in conjunction with the accompanying notes.

650 GREAT SOUTH ROAD LIMITED

Statement of Changes in Equity
For the year ended 31 March 2022

	Notes	Share Capital $	Retained Earnings $	Total $
Opening Equity 1 April 2021		**18,593,981**	**3,783,350**	**22,377,331**
Net Profit for the period		-	2,912,639	2,912,639
Total Comprehensive Income for the period		**-**	**2,912,639**	**2,912,639**
Less Distribution to Shareholders and PIE Tax	**8**	-	(1,495,750)	(1,495,750)
Total Transactions with shareholders	**8**	**-**	**(1,495,750)**	**(1,495,750)**
Equity as at 31 March 2022		**18,593,981**	**5,200,239**	**23,794,220**
Opening Equity 1 April 2020		**18,593,981**	**2,364,764**	**20,958,745**
Net Profit for the period		-	3,155,586	3,155,586
Total Comprehensive Income for the period		**-**	**3,155,586**	**3,155,586**
Less Distribution to Shareholders and PIE Tax	**8**	-	(1,737,000)	(1,737,000)
Total Transactions with shareholders	**8**	**-**	**(1,737,000)**	**(1,737,000)**
Equity as at 31 March 2021		**18,593,981**	**3,783,350**	**22,377,331**

These financial statements should be read in conjunction with the accompanying notes.

650 GREAT SOUTH ROAD LIMITED
Statement of Financial Position
As at 31 March 2022

	Note	2022 $	2021 $
Current Assets			
Cash and Cash Equivalents	**2**	630,636	372,070
Trade & Other Receivables	**3**	81,317	124,738
Short Term Investments	**4**	419,000	1,300,000
PIE Tax Asset on Distribution		10,230	-
		1,141,183	1,796,808
Non-Current Assets			
Investment Property	**5**	37,800,000	36,000,000
		37,800,000	36,000,000
Total Assets		**38,941,183**	**37,796,808**
Current Liabilities			
Trade and Other Payables	**6**	311,963	231,718
Borrowings	**7**	14,835,000	15,105,000
PIE Tax Liability on Distribution		-	82,759
		15,146,964	15,419,477
Total Liabilities		15,146,963	15,419,477
Equity			
Share Capital	**8**	18,593,981	18,593,981
Retained Earnings		5,200,239	3,783,350
		23,794,220	22,377,331
Total Liabilities and Equity		**38,941,183**	**37,796,808**

These financial statements have been issued for and on behalf of the Board by:

Neil Tuffin

______________________________Neil J Tuffin, Director

29 July 2022

Mark Hughson

______________________________Mark Hughson, Director

29 July 2022

650 GREAT SOUTH ROAD LIMITED

Statement of Cash Flows
For the year ended 31 March 2022

	Note	2022 $	2021 $
Cash Flow from Operating Activities			
Cash was provided from:			
Rental Receipts		2,131,635	2,402,858
Interest Received		9,864	27,745
Operating Recoveries		530,656	493,571
Net Goods and Services Tax Received		-	9,620
Other Income		8,902	15,576
		2,681,057	2,949,370
Cash was applied to:			
Payments to Suppliers		(757,568)	(617,167)
Net Goods and Services Tax Paid		(12,890)	-
Interest Paid		(486,926)	(414,421)
		(1,257,384)	(1,031,588)
Net Cash Flow from Operating Activities	**9**	**1,423,673**	**1,917,782**
Cash Flow to Investing Activities			
Cash was provided from:			
Short Term Investment		881,000	-
		881,000	-
Cash was applied to:			
Additions – Investment Property		(225,646)	(49,925)
		(225,646)	(49,925)
Net Cash Flow from/(to) Investing Activities		**655,354**	**(49,925)**
Cash Flow to Financing Activities			
Cash was applied to:			
Distributions to Shareholders and Inland Revenue		(1,550,461)	(1,786,881)
ASB Loan Repayments		(270,000)	-
		(1,820,461)	(1,786,881)
Net Cash Flow (to) Financing Activities		**(1,820,461)**	**(1,786,881)**
Net movement in cash and cash equivalents		258,566	80,976
Cash and cash equivalents at start of year		372,070	291,094
Cash and cash equivalents at end of year	**2**	**630,636**	**372,070**

These financial statements should be read in conjunction with the accompanying notes.

1 Statement of Accounting Policies

Reporting Entity
These are the financial statements of 650 Great South Road Limited ("the Company"), a company incorporated in New Zealand under the Companies Act 1993 and domiciled in New Zealand. The Company was incorporated for the purpose of purchasing the land and buildings at 650 Great South Road, Ellerslie, Auckland. For purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP") the company is a Tier 1 for-profit entity.

The Company is an FMC Reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

The Company's registered office is Unit B4, 17 Corinthian Drive, Albany 0755, Auckland.

The nature of the Company's business is commercial property investment.

The entity's Manager, Maat Consulting Limited, is responsible for the day to day management of the Company.

The Directors of the Company as at 31 March 2022 were Mark Geoffrey Hughson and Neil James Tuffin.

Portfolio Investment Entity ("PIE")
The Company is a Multi-rate PIE ("MRP") under the Portfolio Investment Entity regime. The tax regime applicable to a PIE provides that all taxable income, losses and tax credits related to the Company's investments must be allocated to shareholders in proportion to their holdings in the Company, with tax payable at the prescribed investor rate (PIR).

The tax payable by the Company on the net income allocated to shareholders for any given period will depend on the net income allocated to shareholders for that period and their PIR. The Company will adjust the amount of a distribution to be paid to shareholders to address the difference in PIRs between shareholders and to reflect the tax paid to Inland Revenue on a shareholder's behalf.

Taxable income is attributed annually to 31 March or at any time shareholders dispose of their investment (or a part of their investment) in the Company. If shareholders dispose of their shares in full, any tax liability on the Company's net income attributable to their investment will be deducted from any PIE income attributable to them. If shareholders sell a portion of their shares during the year, this results in tax being attributed in proportion to the amount they have sold.

Summary of General Accounting Policies

Statement of Compliance
The financial statements comply with NZ GAAP, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards and the Financial Reporting Act 2013.

The financial statements were authorised for issue by the Manager of the Company on 29 July 2022. Once issued the Manager of the Company does not have the power to amend these financial statements.

Basis of Preparation
The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Company, with the exception of the remeasurement of the investment property for which specific accounting policies are identified.

The financial statements are presented in New Zealand dollars, which is the Company's functional currency, and are rounded to the nearest whole dollar.

The accounting policies set have been applied consistently throughout the year unless otherwise stated.

1 Statement of Accounting Policies (continued)
Summary of General Accounting Policies (continued)

Basis of Preparation (continued)

There are no accounting standards issued but not yet effective that will materially impact the Company.

Significant changes during the period
Covid-19 global pandemic

In March 2020, the World Health Organisation designated Covid-19 to be a pandemic, threatening the health and well-being of large numbers of people across multiple countries. The global outbreak has caused escalating levels of societal uncertainty. In response, the New Zealand Government entered the country into well-documented stages of lockdown.

The pandemic has not had a significant impact on the Company.

Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical estimate assumptions and judgements used relate to the investment property.

The investment property is carried at fair value, which requires the selection of an appropriate valuation methodology and the use of estimates. More information on the determination of the investment property's fair value is provided in Note 5.

Income

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and that the amounts can be reliably measured.

Operating lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight line-basis, as a reduction of rental income.

Revenue from operating expenses recovered is recognised at the point in time when the related operating expenses is incurred.

2 Cash and Cash Equivalents

	2022 $	2021 $
ASB Call Accounts	630,636	372,070
	630,636	372,070

The interest rate paid on bank balances and call deposits was 0.30% (2021: 0.05% and 0.08%) during the year ended 31 March 2022.

3 Trade and Other Receivables

	2022 $	2021 $
Accounts receivable	13,224	66,883
Interest Accrued	8,541	9,596
Opex Recovery Receivables	33,788	24,006
Prepayments – Insurance	25,764	24,253
	81,317	124,738

4 Short Term Investments

	2022 $	2021 $
Term Deposit – ASB Bank	419,000	1,300,000
- Maturing 9 September 2022; 1.45% (2021:0.80%)		
	419,000	1,300,000

5 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at its fair value. Fair value is determined annually by external valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Company and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred. Where part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The investment property and the leases are considered as a single asset because the associated leases on the property, including any movement in lease terms, directly impact the property's fair value.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal and is calculated as the difference between the net disposal proceeds and the carrying value of the item.

5 Investment Property (continued)

(i) Reconciliation of Fair Value

The following table shows a reconciliation from the opening balances to the closing balances for fair values:

	2022 $	2021 $
Carrying amount at beginning of year	36,000,000	34,661,878
Capital movements		
Additions	282,087	49,926
Movement in accrual for lease direct costs	18,255	(18,255)
Movement in accrual for fixed rental increases/lease incentives	(76,753)	(47,445)
Unrealised change in fair value of investment property	1,576,411	1,353,896
Carrying amount at end of year	37,800,000	36,000,000

(ii) Valuation and Fair Value Measurement

The investment property is a five-level commercial office building built in 1997 situated at 650 Great South Road in Ellerslie. The tenants are Ministry of Health, Kahui Tu Kaha, Northern Regional Alliance and Unisys New Zealand Limited

The manager uses independent property experts to provide their assessment of the fair value of the Investment Property. Management have adopted this valuation for financial reporting purposes and consider it to be the fair value of the investment property.

Investment property was valued as at 31 March 2022 and 31 March 2021 by Jones Lang LaSalle (JLL) JLL is an independent valuer and member of the New Zealand Institute of Valuers. The valuation was completed in accordance with current Australian and New Zealand Valuation and Property Standards, and in particular with IVS Framework and General Standards; NZVGP 502; ANZVGP 111; ANZVGP 112; NZ IFRS 13 and NZ IAS 40. The fair value reflects the Valuer’s assessment of highest and best use of the property.

As part of the valuation process, the Manager verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer.

5 Investment Property (continued)

(ii) Valuation and Fair Value Measurement (continued)

The fair value of the investment property is categorised into a fair value hierarchy based on the inputs used in the valuation technique adopted as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Investment property measurements as at 31 March 2022 and 2021 have been categorised as level 3 in the fair value hierarchy using the valuation techniques noted above.

The fair value was determined by reference to the following valuation techniques (using level 3 inputs):

a) **Direct Capitalisation Approach –** market income and contract income: The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
b) **Discounted Cash Flow Approach**: Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Significant inputs used together with the impact on fair value of a change in inputs:

			Measurement Sensitivity	
	2022	**2021**	**Increase in input**	**Decrease in input**
Market capitalisation rate (%)[1]	6.25%	6.25%	Decrease	Increase
Net Market rental ($ per annum)[2]	2,707,327	2,640,347	Increase	Decrease
Discount rate (%)[3]	7.25%	7.25%	Decrease	Increase
Rental growth rate (%)[4]	2.57%	2.50%	Increase	Decrease
Terminal capitalisation rate (%)[5]	6.50%	6.50%	Decrease	Increase

1 The capitalisation rate applied to the market rental to assess a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, customer covenant, size and quality of the property.
2 The valuer's assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3 The rate applied to future cash flows reflecting transactional evidence from similar properties.
4 The rate applied to the market rental over the future cash flow projection.
5 The rate used to assess the terminal value of the property.

Generally, a change in the assumption made for the adopted market capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted market capitalisation rate forms part of the direct capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach. Both valuation methodologies are considered when determining an investment property's fair value.

5 Investment Property (continued)

(ii) Valuation and Fair Value Measurement (continued)

When calculating the direct capitalisation approach, the market rental has a strong interrelationship with the adopted market capitalisation rate given the methodology involves assessing the total market rental income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the market rent and an increase in the adopted market capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the market rent and a decrease in the adopted market capitalisation rate. A directionally opposite change in the market rent and the adopted market capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal capitalisation rate have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value. In theory, an increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the discount rate and an increase in the adopted terminal capitalisation rate. A directionally similar change in the adopted discount rate and the adopted terminal capitalisation rate could potentially magnify the impact to the fair value.

Valuation Sensitivity
A sensitivity analysis that shows how a change to capitalisation and discount rates would affect the value of the Company's property is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on the fair value of the investment property.

The capitalisation rate relates to the income capitalisation approach and the discount rate relates to the discounted cash flow approach. Generally, a change in the capitalisation rate is accompanied by a directionally similar change in the discount rate. The table below assesses each of these inputs in isolation and assumes all other inputs are held constant.

	Adopted Value	**Capitalisation Rate**	**Capitalisation Rate**	**Discount Rate**	**Discount Rate**
		-25bp	+25bp	-25bp	+25bp
31 March 2022					
Adopted Value ($)	37,800,000				
Impact of assumption change ($)		1,800,000	(1,600,000)	800,000	(700,000)
Impact of assumption change (%)		4.76	(4.23)	2.12	(1.85)
31 March 2021					
Adopted Value ($)	36,000,000				
Impact of assumption change ($)		1,700,000	(1,700,000)	800,000	(700,000)
Impact of assumption change (%)		4.72	(4.72)	2.22	(1.94)

6 Trade and Other Payables

	2022	**2021**
	$	**$**
Accounts Payable	109,141	41,148
Accrued Expenses	173,191	132,246
GST Payable	29,631	58,324
	311,963	231,718

These amounts represent unsecured liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

	2022	2021
	$	$
Current	14,835,000	15,105,000
	14,835,000	15,105,000

The Company has a term loan with the ASB Bank. Monthly principal repayments of $30,000 commenced on 30 July 2021 and interest is also payable monthly. The borrowings are secured by way of a registered first mortgage over the property at 650 Great South Road, Ellerslie, Auckland, Assignment by Way of Security over Leases and a general security over all other assets and undertakings of the company.

ASB Term Loan: $14,835,000 – Current Expiry: 31 May 2022. Post balance date, the loan has been extended for a further one-year term through to 31 May 2023. The directors are confident that the loan will be renewed for a further term on expiry.
Floating Interest rate at 31 March 2022: 4.06% (2021: 2.74%)
Current Portion: $14,835,000 (2021: $15,105,000)

Covenants

Loan to Value Ratio (LVR) not to exceed 50%.
Net Rental Coverage is to be maintained at a minimum of 2.5 times of the actual interest cost.
The Company complied with all covenants during the current year.

8 Equity

	2022	2021
	Number	Number
Authorised Capital (# of shares)		
- A Shares (no par value)	100	100
- B Shares (no par value)	19,300,000	19,300,000
	19,300,100	19,300,100

In 2017, the Company issued 19,300,000 B shares in 386 parcels of 50,000 each. The minimum initial investment from each investor was $50,000 (being 1 parcel of 50,000 shares in the Company) and in multiples of $50,000 thereafter. Each B share confers upon the holder equal rights and obligations in respect of entitlements to income and capital of the Company and one vote in respect of matters on which investors are entitled to vote, in accordance with the terms of the Property Ownership and Management Deed. All B Shares on issue are fully paid, carry equivalent voting rights, share equally in dividends and any surplus and have no par value.

The Company has issued 100 A shares to Maat Consulting Limited. These shares confer upon the holder the right to appoint and remove all of the Directors, but no right to vote at meetings of shareholders or to income or capital distributions of the Company, in accordance with the terms of the Property Ownership and Management Deed. A Shares have no par value.

8 Equity (continued)

Distributions on B shares have been paid at a rate of 9% per annum of the initial investment from 1 April 2021 to 30 September 2021 and 6.5% per annum of the initial investment from 1 October 2021 to 31 March 2022 (2021: 9% per annum). This equals 7.75 cents per share (2021: 9.0 cents), gross of Inland Revenue tax paid.

As disclosed in the Product Disclosure Statement, $1,350,000 of the funds raised from shareholders will be specifically applied to the upgrade of the air conditioning system over the 6-year period from date of purchase to 31 March 2022. It was anticipated that $750,000 of this expenditure would be incurred in the 3 years forecast to 31 March 2019. The balance of $600,000 would be retained and identified separately for expenditure required in the subsequent 3 years. The amount of the forecast expenditure and its timing was based on an independent engineer's report. As at 31 March 2022, $286,693 has been spent. $419,000 of funds continues to be held on Term Deposit with the ASB Bank and a further $413,307 is held in a separate ASB Bank account for more immediate air conditioning works being completed. $231,000 has been used for operating expenditure throughout the 2022 year as disclosed in the 2021 annual report. It is expected that all the air conditioning works will be completed by 31 March 2024.

Equity includes shares, (net of issue costs) and retained earnings. The capital management objectives include maintaining sufficient cash reserves to meet liabilities as they fall due to preserve and enhance the shareholders' capital value, make distributions to shareholders and meet bank covenants (note 7).

9 Cash Flow

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The following terms are used in the Statement of Cash Flows:

- Operating activities are the principal revenue producing activities of the Company and other activities that are not investing or financing activities; and
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

	2022 $	2021 $
Net Profit for the Year	2,912,639	3,155,586
Non-cash items		
(Less) Fair Value Gain on Investment Property	(1,576,411)	(1,353,896)
Plus Lease Incentive Amortisation	76,754	47,445
Plus Amortisation of Lease Direct Costs	25,557	18,255
	1,438,539	1,867,390
Movement in working capital items		
- Decrease in trade and other receivables	43,420	66,277
- Increase/(Decrease) in trade and other payables	80,245	(164,022)
- (Increase)/Decrease in amounts owed to Shareholders	(38,277)	148,137
- (Increase) in amounts owed for investment property additions	(56,441)	-
- Lease Direct Costs capitalised	(43,813)	-
Net Cash Flow from Operating Expenses	1,423,673	1,917,782

All transactions in relation to financing liabilities were non-cash.

10 Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments carried on the Statement of Financial Position includes cash and cash equivalents (Note 2), trade and other receivables (Note 3), short-term investments (Note 4), current payables (Note 6) and borrowings (Note 7). A financial instrument is recognised if the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flow expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligation specified in the contract expires or are discharged or cancelled.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs.

Subsequent measurement of financial assets that are debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Company classifies its assets is amortised cost because they are held for collection of the contractual cash flows and those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured at amortised cost, less provisions for impairment. Interest income from these financial assets is included in finance income using the effective interest method.

Financial assets measured at amortised cost includes cash and cash equivalents and trade receivables and short-term investments.

Financial liabilities at amortised cost includes current payables and borrowings. Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Impairment provisions for current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix to determine the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

The expected loss rates are based on the Company's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Interest rate risk

Interest rate risk is the risk that the values and future cash flows of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its borrowings. Management actively review exposure through sensitivity analysis in strategic reviews. As at reporting date, the Company had the following assets and liabilities exposed to interest rate risk:

	2022	**2021**
	$	**$**
Cash and cash equivalents	630,636	372,070
Short term investments	419,000	1,300,000
Borrowings	(14,835,000)	(15,105,000)

10 Financial Instruments (continued)

Interest rate risk (continued)
The following demonstrates the sensitivity to the Company's profit and equity, resulting from a change in interest rates which are considered reasonably possible, with all other variables held constant.

2022	**Carrying Amount $**	**+0.5%**	**-0.5%**
Financial Assets			
Cash and cash equivalents	630,636	3,153	(3,153)
Short term investments	419,000	2,095	(2,095)
Financial Liabilities			
Borrowings	(14,835,000)	(74,175)	74,175
Net Impact		(68,927)	68,927

2021	**Carrying Amount $**	**+0.5%**	**-0.5%**
Financial Assets			
Cash and cash equivalents	372,070	1,860	(1,860)
Short term investments	1,300,000	6,500	(6,500)
Financial Liabilities			
Borrowings	(15,105,000)	(75,525)	75,525
Net Impact		(67,165)	67,165

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's policy for management of liquidity risk is to maintain a minimum level of funds in a bank account to meet working capital requirements. The Company manages its risk by monitoring cash flow on an ongoing basis. Management has frameworks in place to monitor the Company's liquidity and to ensure that the banking covenants are complied with. The directors note that the loan facility matures on 31 May 2022 and can confirm that this has been renewed post balance date per Note 7.

The following table details the remaining contractual maturity for the Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

2022	**Less than 1 year $**	**1 - 5 years $**	**Total $**	**Carrying Amount $**
Financial liabilities at amortised cost				
Payables	(280,683)	-	(280,683)	(280,683)
Borrowings	(14,835,000)	-	(14,835,000)	(14,835,000)
Interest payable on borrowings	(100,658)	-	(100,658)	(1,650)
Total financial liabilities	(15,216,341)	-	(15,216,341)	(15,117,333)

10 Financial Instruments (continued)

Liquidity risk (continued)

2021	Less than 1 year $	1 - 5 years $	Total $	Carrying Amount $
Financial liabilities at amortised cost				
Payables	(172,224)	-	(172,224)	(172,224)
Borrowing	(15,105,000)	-	(15,105,000)	(15,105,000)
Interest payable on borrowings	(69,168)	-	(69,168)	(1,171)
Total financial liabilities	(15,346,392)	-	(15,346,392)	(15,278,395)

Credit Risk
Credit risk is the risk that the counterparty to a transaction with the Company will fail to discharge its obligations, causing the Company to incur a financial loss. Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents and trade and other receivables.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is solely deposited with ASB Bank Limited, which is rated AA- based on rating agency Standard and Poor’s (Australia) Pty Limited.

With respect to the credit risk arising from accounts receivable, the Company has a policy to assess the creditworthiness of prospective tenants and rent payments are required in advance. The Company manages its exposure to credit risk on an ongoing basis, through regular communication with the tenant. To date, credit risk arising from accounts receivables is not significant, as rental income is received monthly in advance. No financial assets are past due and impaired.

Maximum exposures to credit risk at reporting date are the carrying amounts of financial assets in this Note.

Capital Risk Management
The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company’s capital structure includes borrowings and shareholder’s equity. The Company monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. Refer to Note 7 for more detail on the Company’s borrowing covenants.

Carrying value is considered to approximate fair value for all of the Company’s financial instruments.

11 Related Parties

The Company employed the services of Maat Consulting Limited and Maat Commercial Property Management Limited, as manager of the Property and the Company during the period. The management agreement was entered into on terms disclosed in the Company's Product Disclosure Statement dated 22 April 2016. Mark Geoffrey Hughson and Neil James Tuffin are directors of 650 Great South Road Limited, Maat Consulting Limited and Maat Commercial Property Management Limited.

	Fees Paid or Payable $	Amount Outstanding at Balance Date $
2022		
Maat Consulting Limited		
- Audit Preparation Fee	2,815	2,714
- Accounting fees	11,067	-
	13,882	2,714
Maat Commercial Property Management Limited		
- Management fees – Property	54,864	-
	54,864	-
2021		
Maat Consulting Limited		
- Audit Preparation Fee	2,500	2,500
- Accounting fees	10,487	-
	12,987	2,500
Maat Commercial Property Management Limited		
- Management fees – Property		
- Accounting fees	54,864	-
	54,864	-

Related party balances are current, unsecured, interest free and there are no guarantees given or received and are payable on demand.

The Directors did not receive any remuneration or other benefits from the Company during the year ended 31 March 2022 (2021: $Nil).

12 Lessor Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company's investment property has the following minimum lease payments receivable under non-cancellable operating leases:

	2022 $	2021 $
Not later than one year	1,965,624	1,768,174
Later than one year and not later than five years	2,496,287	2,091,418
Later than five years	-	-
	4,461,911	3,859,592

The leases were assigned to the Company on acquisition of the property. They are subject to rent reviews and have renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the fixed lease terms and do not include any options to right of renewal due to the uncertainty as to whether the options will be exercised.

13 Capital Commitments

The Company has no capital commitments. (2021: $Nil)

14 Contingent Liabilities

The Company has no material contingent liabilities at balance date. (2021: $Nil)

15 Subsequent Events

The ASB loan was renewed for a further 12 months from 31 May 2022. The terms of the loan remain the same except for an increased margin of 2.80%, up from 2.75%.

There were no other material subsequent events to report.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 650 GREAT SOUTH ROAD LIMITED

Opinion

We have audited the financial statements of 650 Great South Road Limited ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter and Why	How the Matter Was Addressed in Our Audit
Valuation of Investment Property	
The Company's investment property is recorded at fair value of $37.8 million and this represents the majority of assets held as at 31 March 2022. The valuation of the investment property is set out in Note 5 to the financial statements. The valuation of the investment property has been identified as a key audit matter due to the inherently subjective judgements and assumptions used in the valuation methods and the material impact on the financial statements that would arise from small changes in these judgements and assumptions. The Company has engaged an independent third-party Valuer to perform the valuation as per its policy. The Valuer is a reputable firm, with experience in the market in which the Company operates, and performed their work in accordance with International Valuation Standards and NZ IFRS. The valuation methods used for assessing the fair value include a combination of the capitalisation of	We assessed the Valuer's experience, professional accreditations and its objectivity. This included reviewing the Valuer's reported experience and qualifications and the scope of work being performed in line with professional valuation and accounting standards. In addition, we considered Management's process for the review of assumptions used by the Valuer in finalising fair value. We read the valuation report and checked for any limitations in scope in the valuation reports that would impact the reliability of the valuations. The key inputs in the valuations, including contract and market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms, were tested to our audit evidence, compared to prior year in order to understand any significant changes, and compared to other reputable valuation firms' publications where appropriate.

Key Audit Matter and Why (continued)	How the Matter Was Addressed in Our Audit (continued)
income and discounted cash flow methodologies. The valuations are calculated using actual and forecast inputs, including contract and market rentals, capital expenditure requirements, yields, occupancy, and weighted average lease terms. Adjustments are made to observable market data of similar properties to reflect the specific nature and location of the investment property. Management reviews the valuation report and conclusion of the Valuer. The Company has adopted the fair value determined by the Valuer.	Our work included understanding and challenging the assumptions used in order to conclude on the appropriateness of the key inputs to the valuation methods. We assessed the adequacy of the disclosures made in respect of the valuation of investment property in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Blair Stanley.

BDO Auckland

BDO Auckland
Auckland
New Zealand
29 July 2022