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# Financial results

For the year ended 31 March 2023

29 May 2023



# OVERVIEW

1. Result summary
2. Key metrics
3. Significant activities
4. Financial performance
5. Funding update
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# Result summary

- Total loss for the year net of tax of \$13.05m (FY22 profit of \$2.93m).
- Result impacted by \$13.04m of revaluation and disposal losses and reduced rental income, due to divestments and lower occupancy (35 Graham Street).
- AFFO<sup>1</sup> loss of \$0.28m (\$4.22m profit in FY22).
- Net rental income of \$3.47m, down \$4.26m on the previous year, primarily due to Auckland Council exit at 35 Graham Street and the sale of Eastgate in August 2022.
- Munroe Lane development effectively complete with Auckland Council lease commencement on 17 May 2023.

1. AFFO stands for 'Adjusted Funds From Operations', and is non-GAAP financial information, calculated based on guidance issued by the Property Council of Australia. Asset Plus considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities. The calculation of AFFO has been reviewed by Asset Plus' auditor, Grant Thornton New Zealand Audit Limited. A reconciliation of AFFO is set out in Appendix 1.



# Key metrics

Portfolio value

Properties\*

Occupancy\*

WALE\*

Loan-to-value  
Ratio\*

Net tangible  
assets

March 2023

**\$216.6m**

(reducing to \$182m)\*

**3\*\***

(reducing to 2)\*

**37.0%**

(increasing to 42%)\*

**1.2 years**

(increasing to 6.5 years)\*

**31.5%**

(reducing to 20%)\*

**40.4 cps**

March 2022

**\$216.4m**

**5**

**58.0%**

**2.2 years**

**25.7%**

**44.0 cps**

\*Post balance impact of Stoddard Road divestment on 1 May 2023 and Munroe Lane lease start on 17 May 2023.

\*\*35 Graham Street is unconditionally sold with a deferred settlement but is represented in the metrics above.



# Significant activity during the year



Munroe Lane development effectively complete, with Auckland Council lease now commenced on 17 May 2023



Settlement of Eastgate and Kamo properties now completed



Unconditional sale of 35 Graham Street with a deferred settlement

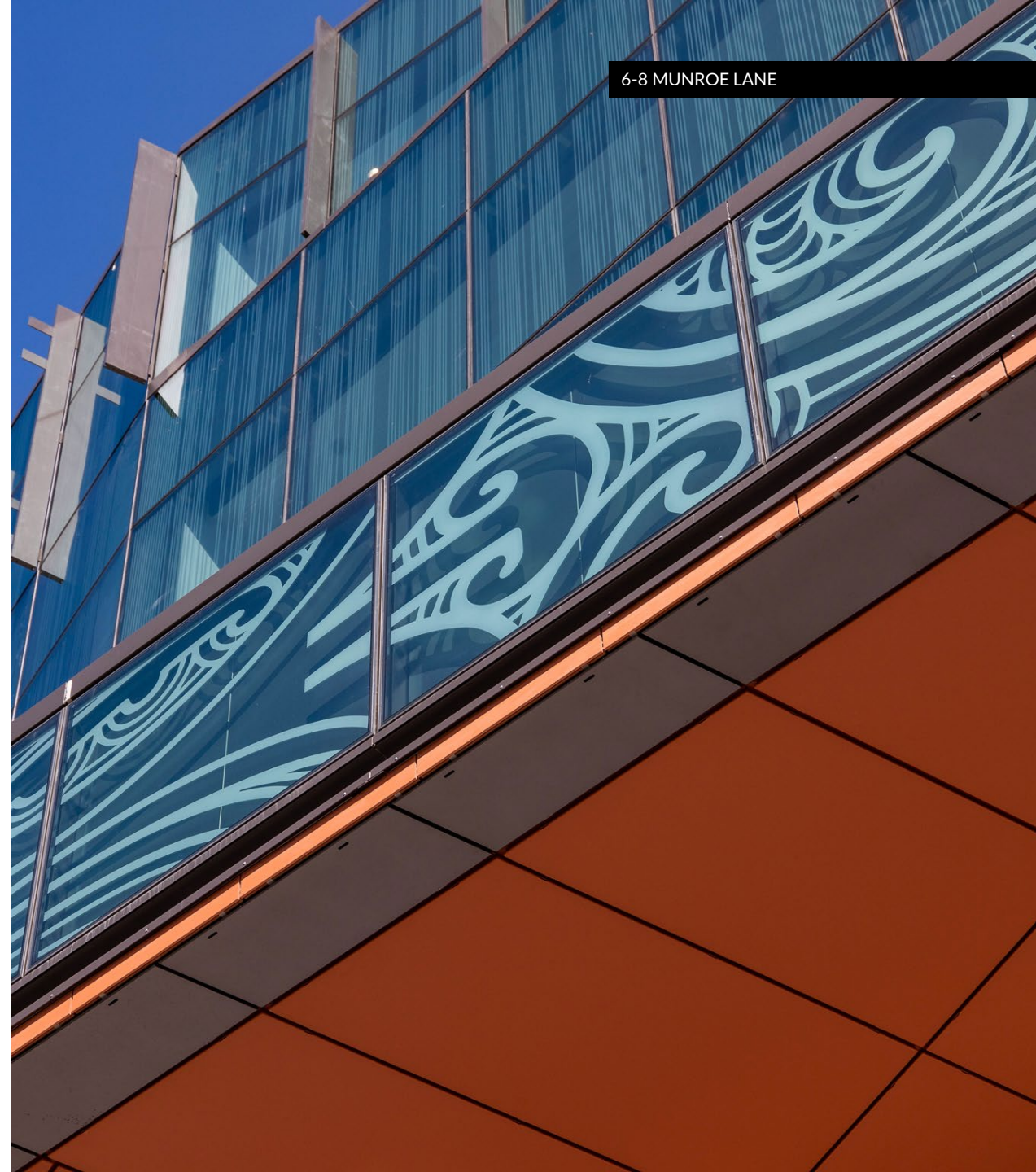


Stoddard Road unconditionally sold and now settled (post-balance date on 1 May 2023)



Loan facilities extended to 31 March 2025

6-8 MUNROE LANE





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# Financial performance

# Financial Performance

	Mar-23 (\$m)	Mar-22 (\$m)	Var (\$)
Gross Rental Revenue	6.38	11.93	(5.55)
Direct Property Operating Expenses	(2.91)	(4.20)	1.29
<b>Net Rental Revenue</b>	<b>3.47</b>	<b>7.73</b>	<b>(4.26)</b>
Administration Expenses	(1.94)	(1.71)	(0.23)
Net Finance Costs	(2.00)	(1.55)	(0.45)
<b>Total Operating Income/(Loss)</b>	<b>(0.47)</b>	<b>4.47</b>	<b>(4.94)</b>
Fair Value Movement on Investment Properties including disposal	(13.04)	(1.01)	(12.03)
<b>Profit/(Loss) Before Taxation</b>	<b>(13.51)</b>	<b>3.46</b>	<b>(16.97)</b>
Tax Benefit/(Expense)	0.46	(0.53)	0.99
<b>Total Comprehensive Income (Loss) for the Period</b>	<b>(13.05)</b>	<b>2.93</b>	<b>(15.98)</b>
AFFO	(0.28)	4.22	
AFFO CPS	(0.07)	1.16	

- Net rental income reduced by \$4.26 million. The primary driver was the impact of 35 Graham Street now being fully vacant. Impact of \$2.17 million.
- The impact of the Eastgate settlement also reduced net rental income by \$2.28m. Stoddard Road net rental increased by \$0.20 million due to rental growth and reduced abatements.
- Management fees were marginally higher by \$0.11 million due to the impact of the Munroe Lane development, offset against the Eastgate divestment.
- Finance costs were higher by \$0.45 million due to both higher average debt levels (\$0.22 million), higher interest rate environment (\$0.72 million) in FY23 as well as higher amortised loan fees (\$0.07 million) in FY23. Offset by lower lines fees (\$0.33 million) and higher interest income (\$0.23 million) in FY23.
- There is a fair value loss of \$13.04 million driven by cap rate softening at Munroe Lane (down \$7 million), the Stoddard Road sale price (down \$7.2 million), a \$0.25 million loss on disposal at Kamo and a loss of \$0.1 million at Eastgate. The 35 Graham Street fair value increased \$1.5 million due to discount unwind.
- There is a tax loss for the period and a deferred tax asset recognised to the extent of the deferred tax liability.
- AFFO reconciliation and waterfall is appended.

# Net Rental Performance

	Mar-23 (\$m)	Mar-22 (\$m)	Var (\$)
Stoddard Road	2.62	2.42	0.20
35 Graham Street	(0.51)	1.66	(2.17)
Eastgate	1.42	3.70	(2.28)
Other	(0.06)	(0.05)	(0.01)
<b>Current portfolio</b>	<b>3.47</b>	<b>7.73</b>	<b>(4.26)</b>

- 35 Graham Street was 99% vacant for the period – a small amount of carpark income was received. Net rental reduced by \$2.17 million. The prior year included full rental for three months then 50% income for the next six months. There is also the added impact of fully unrecovered operating costs which were \$0.57 million for the full year.
- The Eastgate settlement occurred in August 2022, which was the other key reason for the reduction in rental income at Eastgate. Net rental reduced by \$2.28 million accordingly.
- Stoddard Road net rental marginally increased by \$0.20 million. There was minimal material abatement booked this year (FY22 \$0.1 million) and there was also some modest rental growth in FY23. The Centre remained 100% occupied.
- Munroe Lane rent commenced on 17 May 2023 (post balance date) in respect to the Auckland Council lease.



# Administration & Finance Expenses

	Mar-23 (\$m)	Mar-22 (\$m)	Var (\$)
Management Fees	1.13	0.99	(0.14)
Directors' Fees	0.30	0.30	-
Audit Fees	0.10	0.09	(0.01)
Professional Fees	0.23	0.17	(0.06)
Other Administration Costs	0.18	0.16	(0.02)
<b>Total Administration Expenses</b>	<b>1.94</b>	<b>1.71</b>	<b>(0.23)</b>
Interest & Finance Costs	2.24	1.56	(0.68)
Interest Revenue	(0.24)	(0.01)	0.23
<b>Total Net Finance Costs</b>	<b>2.00</b>	<b>1.55</b>	<b>(0.45)</b>

- Management fees were slightly higher as the weighted average portfolio value marginally increased due to the Munroe Lane development but was offset by the Eastgate settlement in August 2022.
- Finance costs increased by \$0.68 million. This was due to higher interest rates during the period (\$0.72 million) as well as marginally higher average drawn debt in FY23 (\$0.22 million). There was however a saving on line fees of \$0.33 million as the facility limit reduced when Eastgate settled in August 2022. There was also higher amortised loan fees in FY23 representing \$0.07 million.
- Interest income was higher by \$0.23 million due to funds held in the lockbox as well as Munroe Lane retention funds held in trust.
- Interest on the investment and working capital facilities are not capitalised.
- The investment and working capital facilities were fully drawn across the full year while the prior year they were only partially drawn. The investment facility did however reduce by \$40 million on the settlement of Eastgate in August 2022.

# Balance Sheet

	Mar-23 (\$m)	Mar-22 (\$m)	Var (\$)
Cash	4.9	4.4	0.5
Investment & Development Property	118.6	170.0	(51.5)
Properties Held For Sale	98.0	46.4	51.6
Other Assets	8.0	3.9	4.2
<b>Total Assets</b>	<b>229.5</b>	<b>224.7</b>	<b>4.8</b>
Bank Debt	71.4	55.7	15.7
Other Liabilities	11.6	9.4	2.2
<b>Total Liabilities</b>	<b>83.0</b>	<b>65.1</b>	<b>17.9</b>
<b>Equity</b>	<b>146.5</b>	<b>159.6</b>	<b>(13.1)</b>
<b>Net Tangible Assets Per Share (\$)</b>	<b>0.404</b>	<b>0.440</b>	
<b>LVR Ratio</b>	<b>31.5%</b>	<b>25.7%</b>	

- Investment and Development property comprises just Munroe Lane (\$118.6 million). The fair value can now be reliably measured and an unrealised development loss of \$7 million has been recorded.
- 35 Graham Street and Stoddard Road are both held for sale as at Balance Date. During the year Eastgate and Kamo were sold.
- 35 Graham St fair value of \$61.7 million reflects the future settlement proceeds on a discounted basis (applying an 8.5% discount rate which has increased from 5.5% during the year).
- Stoddard Road fair value of \$36.3 million has been determined based on the sale price net of disposal costs. The property settled post balance date on 1 May 2023.
- Other assets include a \$5 million cash lockbox held by BNZ.
- Deposits received of \$6.5 million on deferred settlements (recognised under other liabilities).
- \$40 million of bank debt was repaid on Eastgate settlement. Debt was also drawn down progressively during the year to fund the Munroe Lane development.
- NTA reduced during the period to 40.4 cents per share due to revaluation losses.
- LVR is 31.5% at balance date based on drawn debt which reduced to ~20% post balance date after Stoddard Road settlement.





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# Funding update

# Funding

## Loan facilities as at 31 March 2023

	New Limits \$m	Drawn – 31 March 2023 \$m	Margin %	Line Fee %	Total %
Working Capital	\$14.1m	\$14.1m	1.98%	1.32%	3.30%
Investment	\$4.7m	\$4.7m	1.98%	1.32%	3.30%
Development	\$66.2m	\$52.6m	2.25%	1.45%	3.70%
<b>Total Facility</b>	<b>\$85.0m*</b>	<b>\$71.4m</b>			

## Loan covenants

	LVR at all times	ICR	Lockbox
Working Capital & Investment	45%	Not tested	\$5m (EBIT + lockbox > 1.5x ICR)
Development	N/A	N/A	N/A
<b>Total Facility</b>	<b>50%</b>	<b>N/A</b>	

- Extension of loan facilities to 31 March 2025 – previously 30 September 2023. Facility limit increased from \$83.5 million to \$85 million.
- Removal of ICR covenant. Removal of leasing milestones in respect to Munroe Lane.
- Cash lockbox provided as a new covenant. Initially \$5 million but to equate to the actual EBIT shortfall to an ICR of 1.5x. Lockbox can reduce over time but only once leasing is secured, rental income is derived and the ICR shortfall is less than \$5 million. APL to report EBIT and leasing updates so that lockbox sizing can be tested.
- The Development facility converts to investment facility on Munroe Lane practical completion which is expected to be in mid June 2023. LVR covenant reverts to <45% thereafter.
- If the 35 Graham Street settlement is deferred, then the additional deposit received of \$7.1 million will be applied as a debt repayment.
- No hedging is in place due to the 35 Graham Street exit. The base rate as at balance date is 5.175% before margin and line fee (5.835% base rate as at 29 May 2023).
- \*Post balance date the facility limit has reduced to \$52 million as a result of the settlement of Stoddard Road. The development facility converts to an investment facility of \$37.9 million (when Munroe Lane reaches practical completion) plus the working capital facility which stands at \$14.1 million.
- Drawn debt as at 29 May 2023 is \$38.8 million.





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# Portfolio update

# Munroe Lane, Albany

- Effectively complete with Auckland Council lease commencing on 17 May 2023.
- Practical Completion expected in mid June 2023 once final commissioning is completed, post Auckland Council's fit-out.
- Level 3 was initially handed over to Auckland Council for their fit-out on 23 November 2022 with subsequent floors handed over monthly thereafter.
- The development was 91% complete by cost, and 94% complete by time as at balance date.
- As at 29 May the development is effectively 100% complete excluding commissioning that cannot be completed until the Tenant fit-out is finished.
- Project was delayed five months from the original mid December 2022 target completion date largely as a result of the impacts from Covid-19.
- Following completion of construction and subject to leasing, the Company will consider the sale of the property.





# Munroe Lane, Albany (continued)

- The fair value as at 31 March represents the completed valuation based on a committed occupancy basis less costs to complete excluding lease incentives.
- The as if complete valuation based on just the Auckland Council (committed) lease is \$126 million. Forecast costs to complete are \$7.4 million. Therefore, a fair value of \$118.6 million as at balance date.
- Development loss now \$7 million (based on a committed occupancy basis). Yield on cost now 5.5% (based on fully leased or market rental). Total development cost (excluding incentives) are \$133 million.
- The development margin (loss) can be reliably measured at balance date. In prior periods it has been measured at cost as it could not be reliably measured and no development margin was recognised.

	March 2023	March 2022
Valuation (committed occupancy)	\$126.0m	\$139.4m
Total development cost (ex incentives)	\$133.0m	\$129.5m
Development profit (loss)	(\$7.0m)	\$9.9m
Accounting treatment	Fair value	Held at cost
Yield on cost (fully leased)	5.51%	5.80%



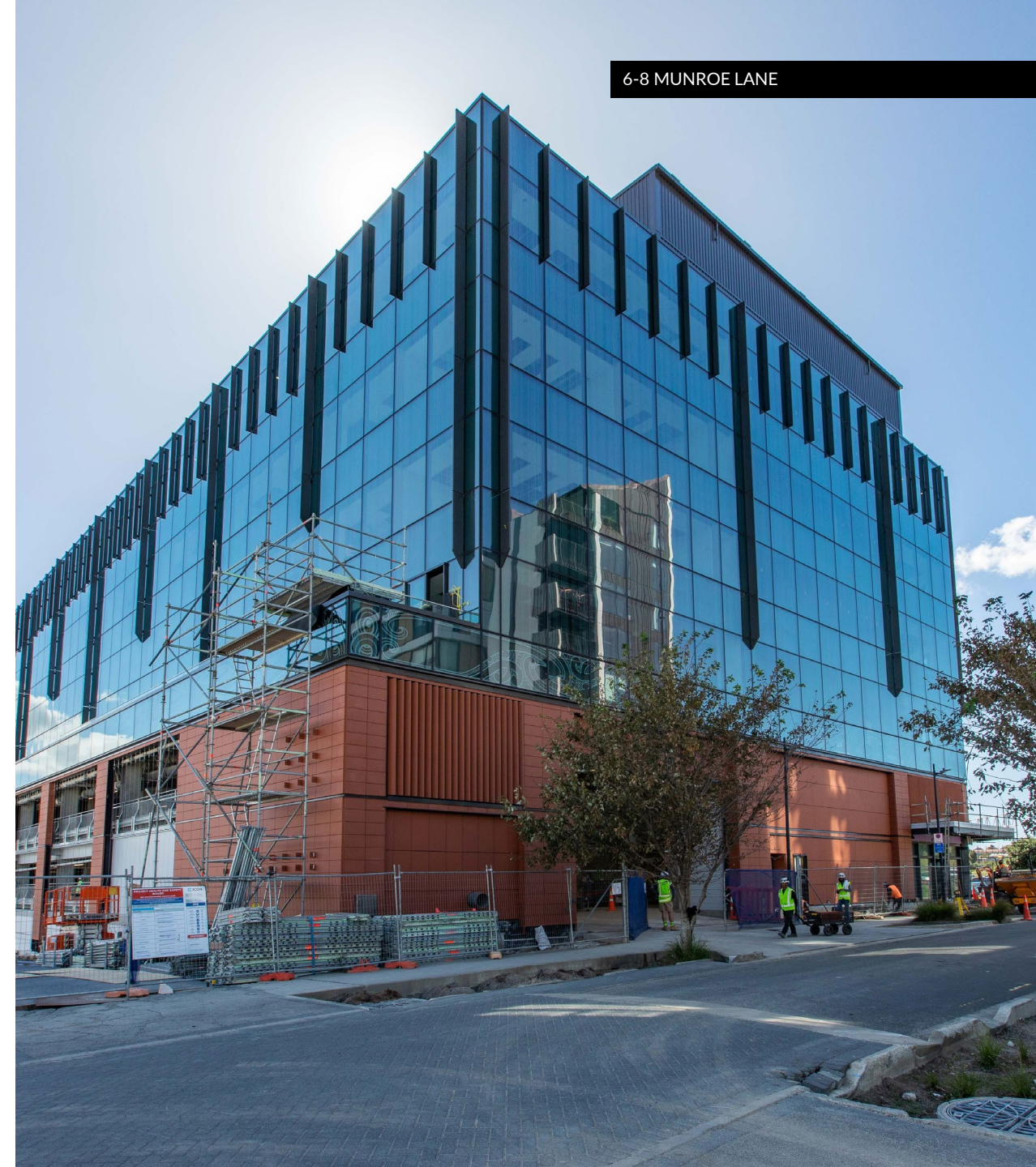


# Munroe Lane - leasing update

- Heads of Agreement signed with reputable café operator for kiosk located in the heart of the ground floor lobby.
- Leasing interest has increased as the development nears completion.
- Scarcity of full floor plate occupiers in the market – may necessitate splitting floor plates into smaller tenancies.
- Direct marketing initiatives remain ongoing to target potential occupiers.
- Auckland Council now looking to sublease Level 5 given mayoral mandate to reduce costs.

Floor	Area
Ground	142m <sup>2</sup> of front of house/office or F&B space
Level 1	239m <sup>2</sup> of F&B/retail/service retail/office
Level 2	1,935m <sup>2</sup> of office – a number of configurations available
Level 6	2,729m <sup>2</sup> of office – can be split into 3 tenancies

6-8 MUNROE LANE





# Stoddard Road, Auckland

- Sale settled on 1 May 2023, post-balance date. This followed an open market sales campaign which commenced in February 2023.
- WALE for the Centre was 2.9 years at balance date with occupancy remaining at 100%.
- 5-year lease extension secured with the Coffee Club, representing 3.7% of the total net rental income for the Centre.
- 3-year lease renewal agreed with ASB from early 2023, represents 3.6% of the Centre's income.
- Market rent review with The Warehouse was settled with a 1.3% increase to their net rent.
- Occupier demand for this strategically located Centre remained strong with continued retailer enquiry via leasing agents, despite 100% occupancy.





# Divestment of 35 Graham Street

- Unconditionally sold, with a deferred settlement date of 1 December 2023 at the earliest.
- Purchaser has a right to defer settlement for a further 12 months, subject to additional consideration of \$3.0 million and a further deposit of 10% (taking deposit total to 20%).
- The purchaser has to notify APL on or prior to 1 October 2023 if they wish to extend settlement by 12 months to 1 December 2024.
- If settlement is extended the total deposit received will be \$13.6 million and the sale price increases to \$68 million.
- As the settlement is deferred, the current net present value is \$61.7 million (based on the discounted forecast settlement cash flows).





# Other recent divestments



## Eastgate

- Sale price of \$43.45 million
- Settled on 29 August 2022 after title issue was rectified by management
- \$40 million debt repayment with the balance of sale proceeds retained as working capital



## Kamo

- Sale price of \$2.7 million
- Settled on 30 November 2022
- Funds from the divestment applied to the cash lockbox of \$5 million





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# Outlook



# Outlook

- The dividend remains suspended which is subject to quarterly review. It is likely to remain suspended until the future direction of the company is confirmed.
- The company is forecast to still be in an operating loss position post-Munroe Lane completion, absent further leasing, up until the 35 Graham Street settlement. The 35 Graham Street settlement date will be known on or prior to 1 October 2023.
- Key focus remains successfully leasing the balance of the Munroe Lane development. Thereafter, we will look to sell Munroe Lane.
- Ultimately, if Munroe Lane was to sell, the Board anticipates being in the unique position of the Company having zero debt and significant cash reserves with which to consider a range of options. This includes a possible wind-up and return of capital or pivoting in a new direction.
- We wish to emphasise that the current variables, being the leasing of Munroe Lane and the final settlement of 35 Graham Street, will influence the timing of such decisions, while market conditions at the time are likely to dictate the ultimate outcome.
- Any steps to sell Munroe Lane, or to subsequently wind up the Company, will require shareholder approval, and we would likely anticipate asking shareholders to vote on both decisions at the same time.



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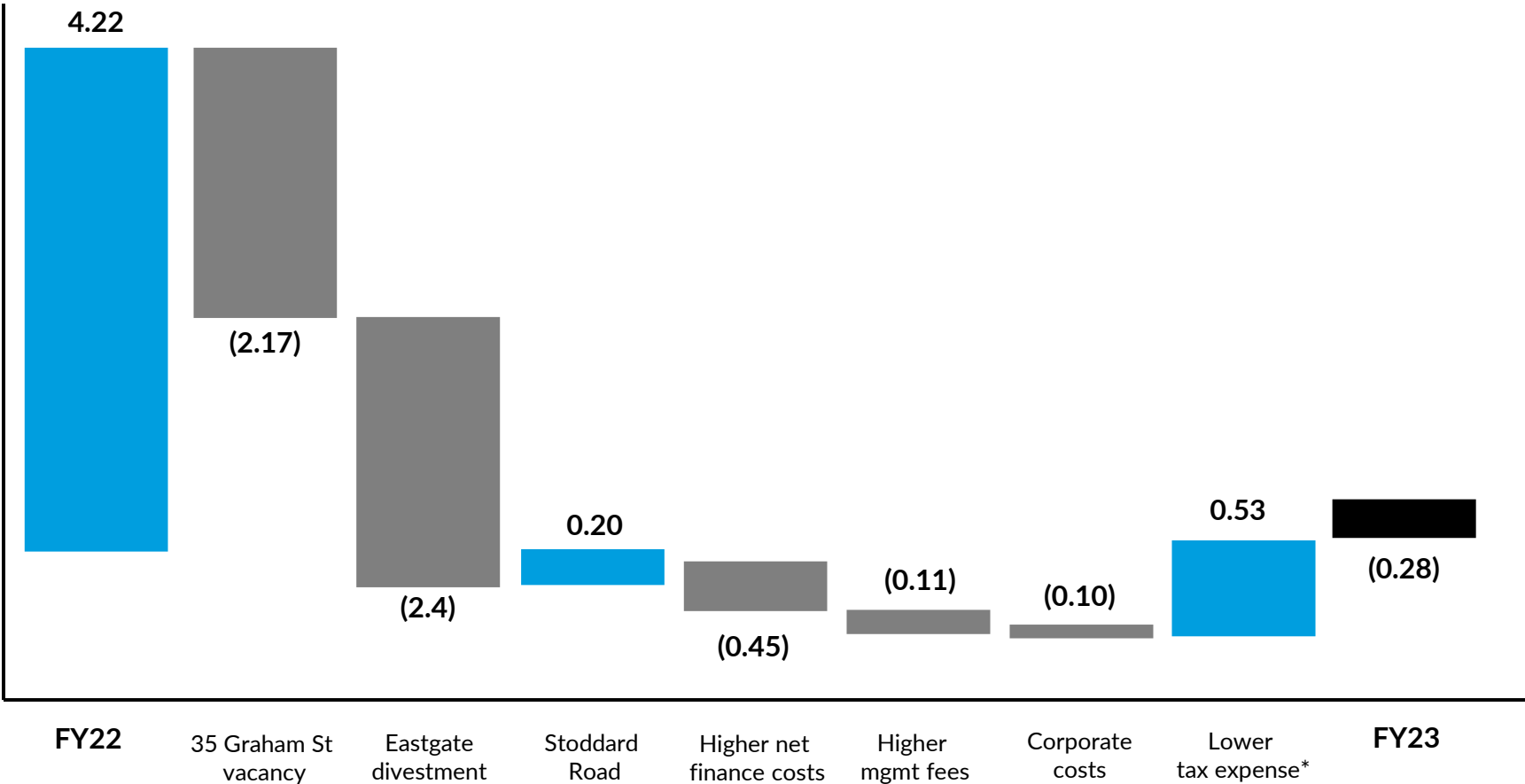
# Appendices



# Appendix 1 – AFFO reconciliation

	March 23 (\$m)	March 22 (\$m)
<b>Comprehensive Income (Loss) Net of Tax</b>	(13.05)	2.93
<i>Add back</i>		
Fair value movement on Investment Property (including loss on disposal)	13.04	1.01
Non-FFO Deferred Tax Expenses	(0.41)	0.21
<b>Net Operating Income (Loss) After Tax</b>	(0.42)	4.15
Amortisation of Lease Incentives and Leasing Costs	0.13	0.19
Amortisation of Rent Relief due to COVID-19	0.09	0.07
<b>Funds From Operations (FFO)</b>	(0.20)	4.41
Incentives and Leasing Costs Paid	(0.03)	(0.10)
Rent Relief Due to COVID-19	-	(0.03)
Maintenance CAPEX	(0.05)	(0.06)
<b>Adjusted Funds from Operations</b>	(0.28)	4.22
<b>AFFO (CPS)</b>	(0.07)	1.16

# Appendix 2 – Adjusted Funds From Operations (AFFO)



The above graph is represented in \$m.

\* Due to tax losses

# Appendix 3 – Portfolio summary

	Properties Held for Sale		
	Munroe Lane, Albany	35 Graham Street, Auckland	Stoddard Road, Auckland (now settled post balance date)
<b>Valuation/ Carrying Value (\$m)</b>	\$118.6 <sup>2</sup> (Mar-22: \$67.5)	\$61.7 <sup>1</sup> (Mar-22: \$59.0)	\$36.3 (Mar-22: \$43.5)
<b>WALE (years)</b>	10.0 year WALE from PC (Auckland Council lease only)	0.00 (Mar-22: 0.00)	3.10 (Mar-22: 3.50)
<b>Occupancy (%)</b>	63%	0% (Mar-22: 0%)	100% (Mar-22: 100%)
<b>Net Rental Income (\$m)</b>	\$7.6m based on fully leased rent (committed net rental is \$4.7m)	\$0.03m but OPEX of \$0.6m (Mar-22:\$nil but OPEX of \$0.55m)	\$2.62 (Mar-22: \$2.42)
<b>Passing yield (%)</b>	6% based on fully leased rental	N/A (Mar-22: N/A)	7.00% (Mar-22: 6.37%)
<b>Comments</b>	<ul style="list-style-type: none"> <li>Acquired in December 2019, under development with 63% pre-leased to Auckland Council on 15-year term.</li> <li>Practical completion forecast to be in mid June 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Sold for \$65.0m, unconditionally on 3 June 2022.</li> <li>1 December 2023 settlement date, but Purchaser can defer settlement by 12 months for additional consideration of \$3.0m and further 10% deposit. Notice to be given by 1 October 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Now sold post balance date on 1 May 2023.</li> <li>The fair value at 31 March 2023 reflects the sale price less disposal costs.</li> </ul>
<b>Largest tenant exposures</b>	Auckland Council	Vacant	The Warehouse

1. 35 Graham Street fair value reflects the net present value of future settlement cash flows.  
2. Carried at fair value as at 31 March 2023. Prior year Munroe Lane is carried at the fair value of land plus cost.



# Appendix 4 – Portfolio movements

	Opening balance (\$m)	Transfer to properties held for sale (\$m)	Capex & Other movements (\$m)	Fair Value movement (\$m)	Sale of Property (\$m)	WIP (\$m)	Fair Value March 2023 incl. WIP (\$m)
<b><u>Properties held for sale</u></b>							
Eastgate	43.5	-	-	(0.1)	(43.4)	-	-
Kamo – bare land	2.9	-	-	(0.2)	(2.7)	-	-
35 Graham Street	-	59.0	1.2	1.5	-	-	61.7
22 Stoddard Road	-	43.5	-	(7.2)	-	-	36.3
<b><u>Development property</u></b>							
6-8 Munroe Lane	7.8	-	-	(7.0)	-	117.8	118.6
<b>Total</b>	<b>54.2</b>	<b>102.5</b>	<b>1.2</b>	<b>(13.0)</b>	<b>(46.1)</b>	<b>117.8</b>	<b>216.6</b>

- The fair value loss reported was \$13.04m – a decrease of 5.7% against carrying value including WIP (which was written down by \$7 million).
- The Munroe Lane “as if complete” committed occupancy valuation has reduced from \$139m to \$126m (assuming just the Auckland Council lease) due to cap rate compression. Munroe Lane is approximately 94% complete as at 31 March 2023 on a time basis (91% on a cost basis). The fair value of \$118.6m (including WIP) reflects this valuation less costs to complete of \$7.4m.
- The 35 Graham Street fair value reflects the net present value of future settlement cash flows.
- The Stoddard Road fair value is the sale price less costs of disposal.
- The table above includes all property held as at 31 March 2023, including those assets held for sale. 35 Graham Street and Stoddard Road were transferred to held for sale during the financial year.
- Eastgate and Kamo were both divested during FY23.

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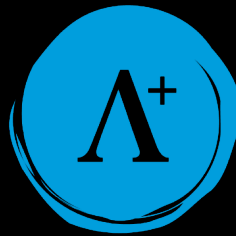
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