28 November 2023

Dear Shareholder,

During the first half of the financial year we have continued to see a number of external factors providing an increasingly challenging business environment. Notwithstanding, we are pleased to confirm that despite these factors, the company has successfully delivered on a number of our objectives, including:

- Completion of the Munroe Lane development
- Commencement of the Auckland Council lease at Munroe Lane
- The sale and subsequent settlement of 22 Stoddard Road

The now completed Munroe Lane development adds a:

- newly constructed
- highly specified
- sustainable
- well located decentralised office building
- with extensive campus style floor plates

to the portfolio with a blue-chip tenant covenant in Auckland Council across two thirds of the property.

Whilst the balance of the property has proven difficult to lease in the wake of Covid-19, and the subsequent economic environment, we remain confident that the fundamentals of the building will attract tenant commitment in due course. With the building now completed, leasing enquiry and inspections have increased, with a number of potential tenants considering Munroe Lane. Unfortunately, the majority of these tenants have elected to remain in their existing premises or relocate into lower cost accommodation with decisions driven by price, despite the clear quality and sustainability benefits of Munroe Lane. Given the current economic environment the challenging conditions will remain as we seek to lease the balance of the space in the short term.

The Auckland Council lease at Munroe Lane commenced on 17 May 2023, bolstering the income to partially offset prior period divestments, and the vacancy at 35 Graham Street. As a result, Adjusted Funds From Operations (AFFO) reduced from a $0.01 million profit in the prior period to a $0.23 million loss for the period.

The high inflationary environment and tightening monetary policy has adversely impacted the fair value of assets in the period with a $4.59 million reduction in the fair value of the assets of the company. This was primarily driven by the valuation for the completed Munroe Lane property reducing by $5.5 million as a result of the market softening, with a 0.25% expansion in the capitalisation rate. As a result, NTA has reduced from 40.4 cps as at 31 March 2023 to 39.1 cps as at 30 September 2023.

The Stoddard Road property was sold and settled earlier this year after a successful on market campaign that attracted three comparable offers. The property transacted quickly and settled in May with the sale proceeds being applied towards debt reduction.

The purchaser of the 35 Graham Street property has now also formally exercised their right to extend settlement until 29 November 2024. A further deposit of $7.1 million has been received and applied as a debt repayment. The purchase price has also increased by $3.0 million increasing the total purchase consideration to $68.0 million.

The development finance facility has converted to an investment facility with the practical completion of Munroe Lane in July. There remains $9.9 million of undrawn funds for completion and leasing of the Munroe Lane development. The lockbox of $5 million has also subsequently reduced to $4 million post balance date as a result of testing in accordance with covenants.

The company's key focus remains leasing the balance of the Munroe Lane development. As signalled previously following further substantive leasing at Munroe Lane, the company will look to divest that property, subject to market conditions at the time.

If a sale of Munroe Lane occurs it will position the company to consider its options, including a wind up of the company, or a pivot into a new direction. As previously indicated, 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 contemporaneously.

Thank you as always for your continued support.

Regards,

Bruce Cotterill
Chairman

[1] AFFO stands for 'Adjusted Funds From Operations', and is a 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. A reconciliation of AFFO to Total Comprehensive Income Net of Tax is included in the accompanying results presentation.