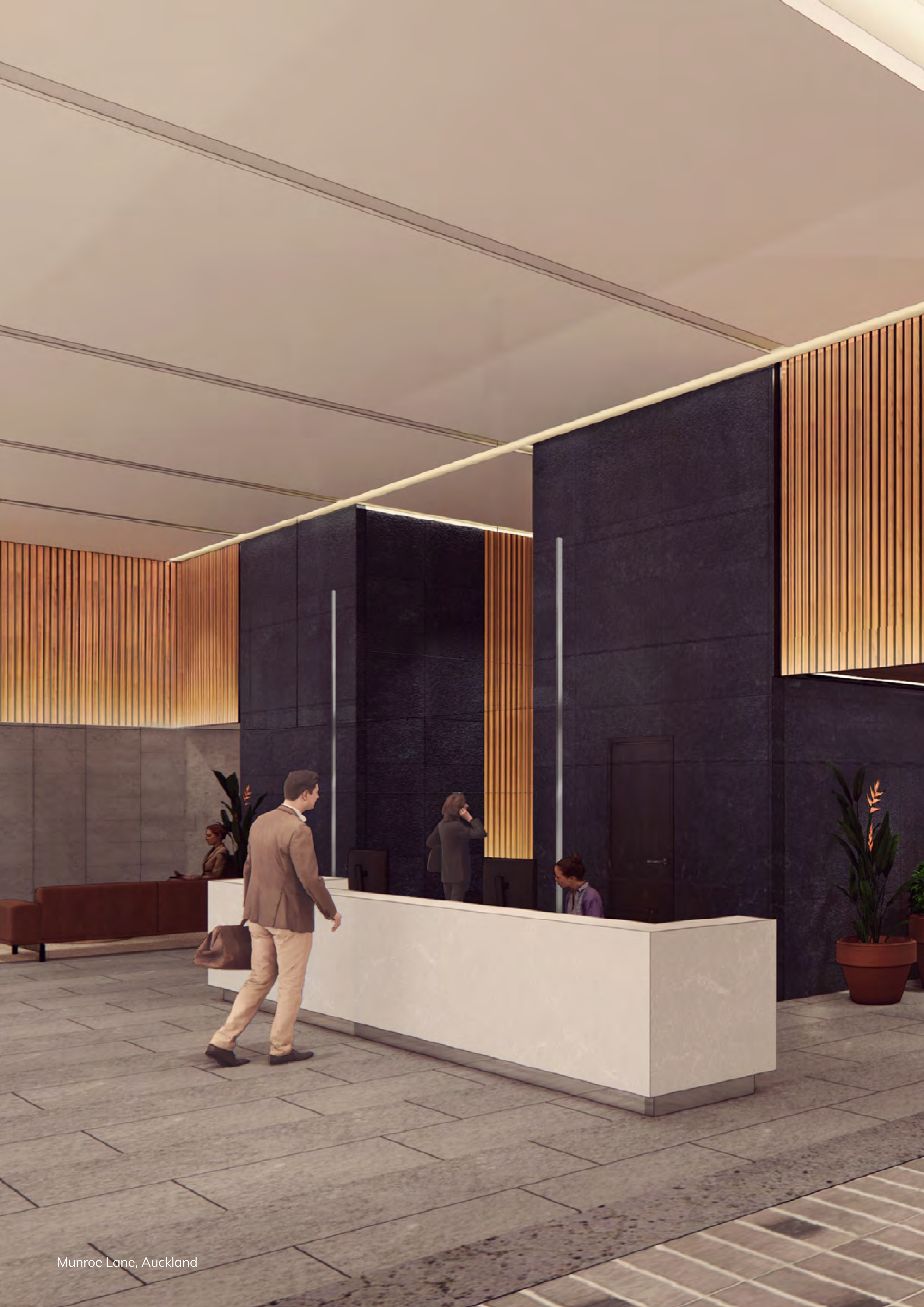
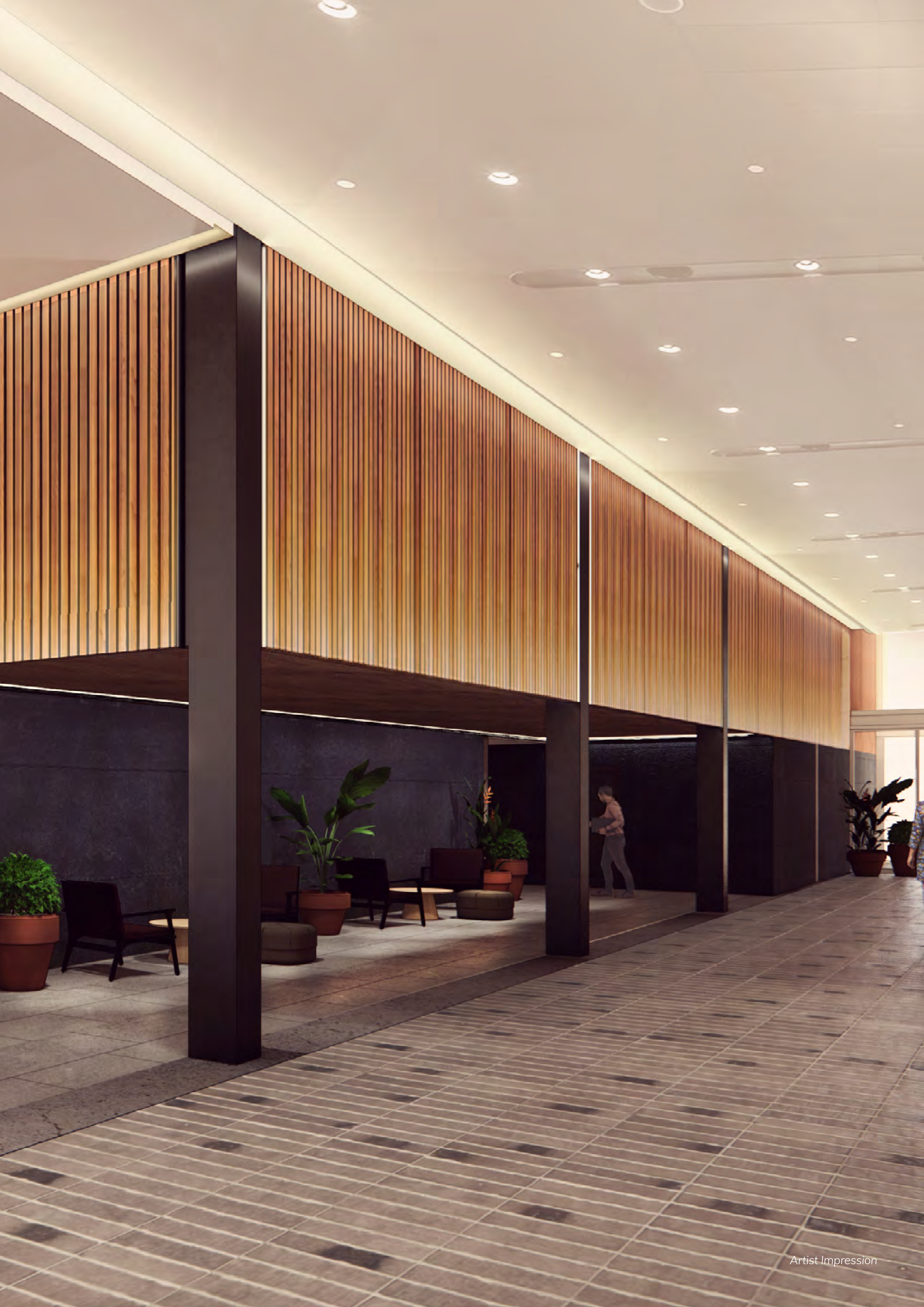

ASSET PLUS+

MANAGED BY Centuria

# ANNUAL REPORT 2021



Munroe Lane, Auckland



Artist Impression

# Contents

# Chairman's Letter

Over the past 12 months we have further progressed our transformation to move towards a quality, diversified portfolio, giving us a solid base from which to pursue future value-add initiatives.

The successful capital raise in October 2020 was the final step in securing the Munroe Lane, Albany development opportunity, which we believe will be transformational for Asset Plus.

We now have sufficient funds in conjunction with a revised bank facility to deliver this project, which is expected to be completed in December 2022. The development is anchored by Auckland Council as the key tenant, and is expected to materially increase portfolio WALE given the 15 year lease from completion.

The development is tracking well and scheduled for completion within the targeted date. All delivery costs have now been fixed. In addition, transactional evidence is increasingly favourable for comparable long dated income producing assets secured with blue chip tenants. This is evidenced by the Munroe Lane "as-if complete" valuation, which has increased to $146.85 million (assuming the property is fully leased).

We are very pleased to have obtained Resource Consent for the potential and preferred redevelopment of 35 Graham Street, Auckland Central, and our current plan is to lease this development opportunity. Marketing is now underway, and the leasing success will determine the ultimate scale of the project as we seek a level of pre-commitment before commencing this potential material redevelopment.

A full scale redevelopment with the addition of three further levels remains our preferred approach, and would further increase our weighting towards the desirable Auckland market. WALE would also increase, as well as the overall scale and quality of the portfolio.

It is pleasing to see a number of material leasing transactions occurring in early 2021, indicating that central, modern, efficient, and sustainable office premises remain in demand despite the trend towards working from home in the wake of the COVID-19 pandemic.

The scale of potential development opportunities before us (which remain subject to shareholder approvals where needed), relative to the current size of the balance sheet, requires a prudent capital management approach. As we continue to progress these activities, we are giving consideration to future capital structure as well as earnings streams through the current, and potential development windows.

The successful divestment of Eastgate Shopping Centre has been structured with a deferred settlement to support earnings during part of the Munroe Lane development window, and reflects our strategy to divest non-core assets which lack potential value-add opportunities. The asset is being divested at a small discount to carrying value, but the valuation gains across the balance of the portfolio mean that NTA is forecast to hold constant at 44.8 cents per share in the near term.

The existing portfolio continues to be actively managed, with a number of renewals completed across the retail portfolio and new leases secured during the year - a positive result given the constraints placed on both tenants and landlords as a result of COVID-19.

The impact of COVID-19 has been widely felt across the economy, and Asset Plus has not escaped this – particularly given our portfolio's weighting to retail assets. We were fortunate to have a number of essential services tenants within the retail portfolio, which insulated us somewhat. Ultimately, while earnings for the financial year were broadly in line with expectations, the impacts of the pandemic meant we worked closely with tenants to provide rental abatement and relief as required, which reduced net income on a 'like for like' basis.

Historically low interest rates are clearly driving investor demand and appetite for commercial property. The office sector has been impacted by COVID-19, with some stock coming to the market for sub-lease. However, recent transactional evidence suggests that the Auckland office sector remains attractive, with supportive long-term demand drivers.

It is our belief that office culture is integral to the engagement of staff and therefore success of most businesses, and while today's working environment allows for more location flexibility, demand for office space is likely to remain durable in the long term.

As previously indicated, the dividend will continue to be reviewed on a quarterly basis moving forward, having regard to the operating cash flow and capital requirements of the business.

Finally, we thank you, our shareholders, for your continued support, which we do not take for granted. We look forward to presenting further updates to you on the implementation of our strategic initiatives in the coming months.

Regards,

**Bruce Cotterill**
**Chairman**

# Key Points
## from the Financial Year

### NET PROFIT AFTER TAX

$15.95 million ($14.69 million loss in the prior year).

### ADJUSTED FUNDS FROM OPERATIONS[1] OF

$5.82 million ($4.74 million in the prior year).

### LOAN TO VALUE RATIO

54% (34.3% at 31 March 2020).

### PORTFOLIO OCCUPANCY

98.0%

[1] AFFO 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. The calculation of AFFO has been reviewed by Asset Plus' auditor, Grant Thornton Audit Limited. A reconciliation between Net Profit After Tax and AFFO can be found on page 16.

## NET TANGIBLE ASSETS

44.8

cents per share

▼ reduced from 56.7 cps

Driven by capital raise

**Munroe Lane development progressing on timetable - target completion of December 2022**

## WALE

2.75

years

▼ down from 3.16 years (prior year)

**Secured resource consent for preferred development option at 35 Graham Street**


**Sale of Eastgate for $43.45m (non-core asset) with a deferred settlement**

# Key Strategic Priorities

### Increase the scale of the portfolio

With the successful equity raise to fund the Munroe Lane development completed, the portfolio value is expected to increase by approximately $122 million, based on the as-if complete valuation – a material increase given the current portfolio value of $172.80 million.

Subject to leasing commitment, the potential redevelopment of 35 Graham Street would further increase the portfolio value materially.

### Set a strong platform for sustainable growth moving forward

Successful delivery of the Munroe Lane development is expected to significantly enhance the quality, WALE, and age of the portfolio while reweighting towards the Auckland and office sectors, both considered desirable. Successful execution of this development will provide a stable platform to leverage further opportunities.

If pre-leasing is secured for the 35 Graham Street development, a clear pathway will be available for further growth opportunities.

### Provide an appropriate yield reflective of the value-add, and total return approach adopted

The Munroe Lane development is expected to provide a yield on cost of approximately 5.8%, which is attractive in conjunction with the anticipated development margin given the high quality tenant, and extended lease term of 15 years over almost two thirds of the building.

The potential 35 Graham Street development is also expected to provide an attractive total return, subject to achieving pre-leasing.

# General Update

## Impact of COVID-19

The impacts of COVID-19 were widespread, with the government mandated lockdown having a profound impact on all businesses and landlords throughout the country. Despite our portfolio's weighting to the retail sector, we were fortunate to have a number of 'essential service' tenants who were able to continue trading throughout the disruptions. Rental abatements were provided, as contractually required under leases, and tenants were supported through rental relief to ensure the longevity and survival of all tenants in the portfolio.

It is pleasing to see the rebound in activity, foot traffic, and sales in the intervening period. The impact of COVID-19 reduced operating income as rental relief and abatement was provided to tenants totalling $0.4 million, net of subsequent recoveries.

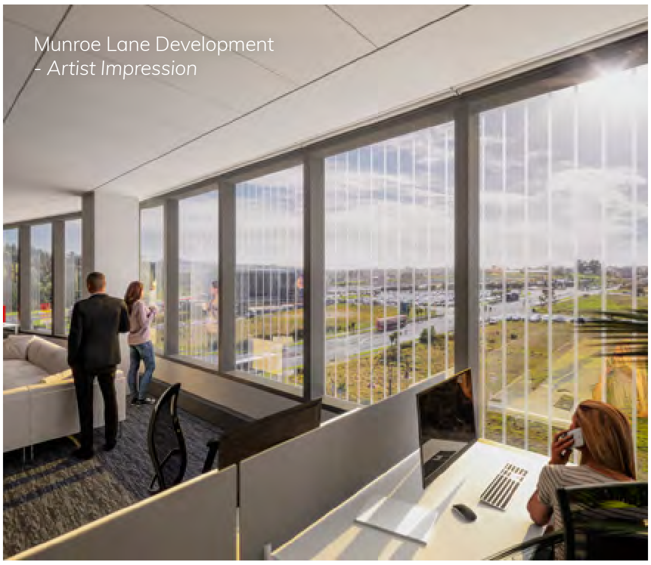
Given a number of tenants' successful trading performance subsequent to the lockdowns, we have recovered some rental relief. The relief and abatement provided has been predominantly offset by the tax benefits of reintroduction of depreciation on buildings.

## Equity Raise to fund Munroe Lane Development

A $100.1 million equity raise was launched in March 2020, and subsequently withdrawn given market volatility amid the onset of COVID-19. Management successfully negotiated extensions to the Auckland Council Agreement to Develop and Lease, in order to satisfy the landlord funding and shareholder approval conditions, which was ultimately pushed out to 30 October 2020.

A smaller $60.2 million equity raise was launched in September 2020, which was successfully completed in conjunction with revised bank facility agreements with BNZ, providing sufficient funding to complete the Munroe Lane development. During the capital raise it was also signalled that divestment of non-core assets would provide further financial capability in due course, and reduce the look through LVR to a target of 35%.

Works are now well underway with the Munroe Lane development, with a targeted completion expected in late 2022.


Munroe Lane Development
- *Artist Impression*


Munroe Lane Development
- *Artist Impression*

# General Update
## (continued)

### 35 Graham Street proposed development

The impacts of COVID-19 were widespread, and diverted a large number of office-based tenants' focus from expansion and relocation opportunities to basic survival mode, adapting to involuntary Working From Home (WFH), and understanding the potential future implications of this unprecedented disruption.

As a result, major leasing transactions during the 2020 calendar year were suppressed, with instances of sub-lease space coming to the market from those most impacted by the pandemic. This has affected anticipated timeframes available to pre-lease this proposed development, somewhat offset by the six month extension we were able to secure from Auckland Council over the basement and ground floors to December 2021.

It is pleasing to see a number of major corporate leasing transactions occurring in the early part of this year, and a demonstrated flight to quality, with large floorplates in modern, sustainable and efficient buildings remaining in demand.

We are confident that this unique development opportunity will attract leasing pre-commitment, but are mindful that alternative smaller scale redevelopment options remain available.

Resource Consent (RC) for the preferred full scale development option was obtained in early 2021, and we are engaging with a number of potential and target tenants through Colliers, our appointed leasing agent.

### Purchase of Kamo

During the year, bare industrial land was purchased in Kamo, Whangarei. This land represents a potential long term development opportunity. The land has already demonstrated value accretion with a $0.5 million uplift subsequent to purchase.

### Divestment of Eastgate Mall

As signalled in both the March and September equity raisings, a pathway to reduce the look-through LVR was identified through disposal of non-core assets during the Munroe Lane development period.

Eastgate has always been a challenging asset. While the asset was high yielding, it was also high risk – with a volatile income stream and value profile. We have now unconditionally sold this asset to a private purchaser, with settlement scheduled between August 2021 and February 2022 – ensuring we continue to derive near term income from the asset.


35 Graham Street
- *Artist Impression*

# *Performance of the portfolio

| | Carrying Value[2] ($m) | Occupancy (%) | WALE (Years) | Passing Rent Yield (%) |
|---|---|---|---|---|
| Eastgate | 42.56 | 94.5 | 4.15 | 8.37 |
| Stoddard Road | 41.50 | 100.0 | 4.18 | 6.48 |
| 35 Graham Street | 61.01 | 100.0 | 0.50 | 6.69 |
| 6-8 Munroe Lane | 25.02 | NA | NA | NA |
| Kamo | 2.71 | NA | NA | NA |
| **Total** | **172.80** | **98.0** | **2.75** | |

[2] Carrying value includes work in progress (WIP) relating to costs incurred in relation to current and future development work which were not included in the inputs to the valuation calculation by the independent valuers.

# ESG Initiatives

## Social

During implementation of the Munroe Lane development we have instigated a number of broader outcome initiatives in conjunction with partners, including:

### Supplier diversity

Icon Construction are working with Amotai (NZ Government's intermediary for supplier diversity), which has resulted in four additional Amotai registered subcontractors being provided an opportunity to tender for various packages on the project.

### Health & Wellness

The site is being accredited through Mates in Construction, and Icon will also participate in the annual R U OK day, which is an Australian initiative.

### Employment Opportunities

Commitment to employ a minimum of two graduates for the project through their established graduate programme.

Further commitment to engage ten apprentices, cadets and/or trainees for the project through the subcontractor supply chain, including Māori, Pasifika, women and long-term unemployed.

### Learning Opportunities

The site will be offered to relevant educational providers for learning opportunities in the architectural, engineering and construction fields.

**Te Aranga Design Principles**

Te Aranga design principles have been embedded into the design and construction of the building from the outset. These principles are based on the historical narrative for the site as told by Mana Whenua and provide direction to influence and guide design processes aligned to local Māori values, principles and aspirations to help shape the built environment and create distinctive outcomes. The internal laneway or 'portage' is a modern interpretation of the nearby Lucas Creek – which was a hive of activity and interaction between the coasts, encouraging both trade and the exchange of ideas. This is of great significance, as now this building with Auckland Council as anchor tenant will become a hub within Albany, and the North of Auckland, embodying these traits in a contemporary way. Iwi have appointed a number of artists to progress the design of these principles into the physical elements of the building, our engagement with iwi will culminate with the bestowing of a name which will be revealed at the grand opening and blessing of the site on completion.

Learn more about Te Aranga design principles here:
www.aucklanddesignmanual.co.nz/design-subjects/maori-design/te_aranga_principles

Artist Impression

## Case study: Munroe Lane

A number of sustainability initiatives have been adopted throughout the design and construction of the Munroe Lane development, including:

- Registering the development with the NZ Green Building Council to obtain a design and built 5 Star Green Star rating.
- A target 5-star NABERSNZ energy rating, which remains subject to the tenant(s) operating the building as designed, and within the operational hours.
- Use of second hand sheet piles for 70% of the temporary retention, reducing carbon footprint from materials that would have otherwise been sourced and shipped from China. All surplus materials and offcuts have subsequently been recycled locally.
- Landfill waste reduction target of 70%, with monthly audits and reporting occurring.
- Stockpiling of excavated materials as clean-bulk fill for future building and infrastructure projects.
- Reuse of site offices from previous projects (relocated from Christchurch and Dunedin).

# Munroe Lane
## – Current development

Munroe Lane, Auckland

Artist's impressions of the Munroe Lane development


**The Munroe Lane development is advancing in line with timetable and with forecast costs. The as-if complete valuation has increased from $142.00 million to $146.85 million (on a fully leased basis) on the back of a continued flight to quality assets.**

| Munroe Lane | 31-Mar-20 | 31-Mar-21 | Change |
|---|---|---|---|
| Carrying Value | $7.5m | **$25.02m** | △ |
| Valuation as-if Complete[3] | $142.00m | **$146.85m** | △ |
| Occupancy (As is currently pre-leased)[3] | 63% | **63%** | — |

Resource Consent for the development was obtained in May 2020, with the Landlord funding and shareholder approval condition under the Agreement to Develop and Lease with Auckland Council originally scheduled for fulfilment by the end of April 2020. As a result of COVID-19, subsequent government mandated lockdowns and withdrawal of the equity raise in March 2020, we successfully negotiated an extension to the condition with Council until the end of July 2020. The condition was then further extended until the end of October 2020, which was fulfilled on the back of the successful equity raise launched in September 2020.

A construction contract was entered with Icon Construction on the back of a successful Early Contractor Involvement (ECI) agreement. At the time of entering the contract, just over 80% of costs were fixed, with the balance now competitively tendered. We are pleased to advise that all fixed costs[4] have come in within the original budget, with our contingency of $5.75 million remaining intact.

Works are physically progressing well on site, however we have been exposed to the global shipping impacts of COVID-19 and local resourcing issues at the Ports of Auckland, which delayed arrival of critical materials to complete the temporary retention works. This has created a 12 day delay, which was also considered a delay event under the ADL and has subsequently extended the Target Completion Date from 16 December 2022 until early 2023. At this stage we remain on track to finish the project in late 2022, and are instigating mitigation measures to ensure no further material delays from offshore procurement sources.

The 15 year lease to Auckland Council accounts for over 63% of the building (by income). This remains a very attractive position proposition, with demand for similar products from local and global investors continuing to have a positive impact on the as-if complete valuation.

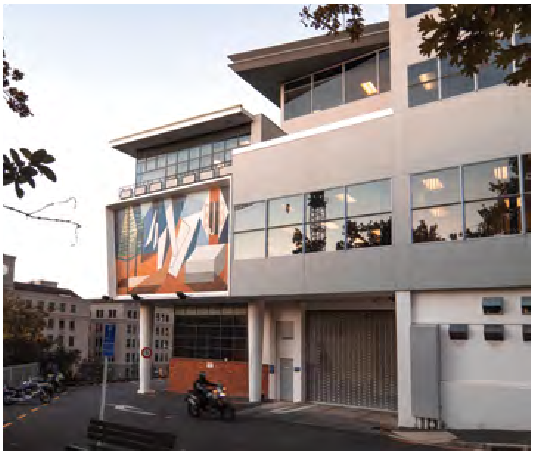
[3] The valuation as-if complete is on a fully leased basis

[4] All fixed costs are subject to variation provisions which are not unusual for a construction contract of this nature.

# 35 Graham Street

## – Future potential development

35 Graham Street, Auckland



**The valuation for 35 Graham Street has rebounded over the past 12 months, despite the shortening WALE.**

**The property is well positioned in a central location with a number of redevelopment options available, providing Asset Plus with an ability to pivot to take advantage of any scenario.**

| 35 Graham Street | On Acquistion | 31-Mar-21 | Change |
|---|---|---|---|
| Carrying Value[5] | $58.0m | **$61.01m** | △ |
| Net Contract Income | $3.975m | **$3.975m** | ▭ |
| Passing Initial Yield | 6.85% | **6.69%** | ▽ |
| Cap. Rate | 6.00% | **5.75%** | ▽ |
| Net Market Rental | $3.960m | **$4.335m** | △ |
| WALE (years) | 2.0 | **0.5** | ▽ |

35 Graham Street was purchased in June 2019 for $58 million from Auckland Council. At the time of the transaction, a two-year lease was entered into with Auckland Council to provide Asset Plus with income and time to work through potential redevelopment options. The lease has subsequently been extended until the end of 2021 over the lower two levels.

Work has progressed on the preferred full scale development option, which includes adding an additional three floors to the existing building. Internationally renowned architects Woods Bagot have designed the scheme, which has now achieved Resource Consent, and Colliers have been appointed as exclusive leasing agent.

If this development goes ahead, it will target a 6 star Green Star rating, and the proposed retention of 1.8 million kilograms of reinforced concrete from the original structure will result in estimated carbon savings equivalent to 13,000 flights between Auckland and Queenstown.

A final decision on the development of 35 Graham Street has yet to be made by the Asset Plus Board. Consideration is being given to the scale of the proposed redevelopment given vacancy rates, market sentiment, tenant pre-commitment, and the significant capital requirements for the preferred development option.

The fundamentals of this property remain appealing, particularly in a post COVID working environment – habour views, large and efficient floorplates, ample local amenity, ease of accessibility and proximity to transport networks without being in the core CBD still resonate with tenants. We have seen a number of corporates relocate and commit to new modern workplaces in this precinct recently, and expect this trend to continue as employers look to attract and retain talent, in a hybrid office and working from home model.

The property also provides options for reduced scale redevelopment which continue to be explored, and could be more appealing given current market supply and demand metrics.

[5] The carrying value represents the independent valuation of $59.50 million plus WIP of $1.51 million.

# Stoddard Road

22 Stoddard Road,
Mt Roskill, Auckland



**The large format commercial property market has performed strongly during the period, with a flight to quality assets and firming capitalisation rates. As a result, the Stoddard Road Centre valuation has increased from $37.5 million to $41.5 million, or 10.67%.**

| 22 Stoddard Road | 31-Mar-20 | 31-Mar-21 | Change |
|---|---|---|---|
| Carrying Value | $37.5m | **$41.5m** | △ |
| Net Contract Income | $2.689m | **$2.688m** | ▽ |
| Passing Initial Yield | 7.03% | **6.48%** | ▽ |
| Cap. Rate | 6.25% | **6.00%** | ▽ |
| Net Market Rent | $2.366m | **$2.545m** | △ |
| WALE (years) | 4.00 | **4.18** | △ |

The Centre continues to perform well with no tenants having defaulted on their rent payments during the period and the Centre remaining fully occupied.

During the financial year, a total of six lease renewals were completed, making up 22% of the Centre's income stream.

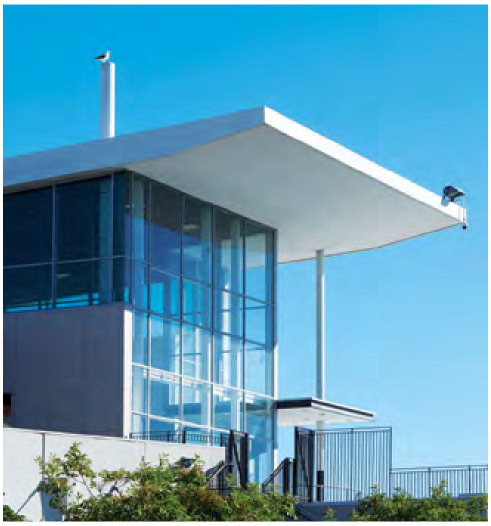
Our future leasing focus has now turned to the one lease renewal due in the next financial year, making up 5.9% of the total rental income for the Centre.

The total amount of rent relief and abatement provided as a result of COVID-19 equated to circa 7% of the annual rent roll for the property or approximately $196,000.

# Eastgate Shopping Centre

## (Unconditionally sold)

Cnr Buckleys Road & Linwood Avenue, Christchurch




**Despite the impact of COVID-19 on the retail sector, we have seen a positive rebound in both turnover and foot traffic at Eastgate subsequent to the government mandated lockdowns. During the year, a lease was secured with Restaurant Brands for the South Island's first Taco Bell restaurant, which is due for completion in mid 2021. Caroline Eve has committed to lease space within the Centre which has remained vacant since 2015. A number of lease renewals totalling 8.17% of the Centre's income have been finalised, resulting in the WALE remaining relatively static, despite the shortening WALE of the anchor tenants.**

| Eastgate | 31-Mar-20 | 31-Mar-21 | Change |
|---|---|---|---|
| Carrying Value[6] | $46.9m | **$42.56m** | ▽ |
| Net Contract Income | $3.661m | **$3.422m** | ▽ |
| Passing Initial Yield | 7.80% | **8.37%** | = |
| Cap. Rate | 8.38% | - | = |
| Net Market Rental | $4.087m | **$3.8m** | ▽ |
| WALE (years) | 4.53 | **4.15** | ▽ |

[6] The carrying value represents the sale price less the committed fit out works cost for Taco Bell.

After working through an off-market process, an unconditional sale at $43.45 million was announced on 22 February 2021. Settlement is floating at the purchaser's election, but must occur between 22 August 2021 and 22 February 2022 (with the purchaser required to give 20 working days' notice of their intention to settle).

The financial year got off to a slow start with the initial Level 3 & 4 COVID-19 lockdowns shutting the Centre for all but a handful of 'essential service' tenants. To support non-essential businesses as well as meeting contractual lease obligations, rent relief and abatement was provided to many of the tenants within the Centre. The total amount of rent relief and abatement provided equated to circa 4% of the annual rent roll for the property or approximately $201,000.

In May 2020 the Bargain Chemist lease commenced, and this has been a well-received addition to the Centre. With the increase in foot traffic within the Centre generated by Bargain Chemist we have been able to secure lease renewals from an increasing number of tenants, and attracted a new tenant, Caroline Eve. The bulk of this 200m² tenancy has been vacant since it was constructed post-earthquake, and this tenancy will help draw foot traffic further into the mall towards Lincraft.

An Agreement to Lease with Restaurant Brands for a Taco Bell restaurant was executed in August 2020. Construction is currently underway on this new building, which is located on an external site adjacent to the existing KFC. The 10 year lease is expected to commence in July 2021.

# Finance Report

## Five Year Financial Summary

| | 2021 $'000 | 2020 $'000 | 2019 $'000 | 2018 $'000 | 2017 $'000 |
|---|---|---|---|---|---|
| **Total Net Revenue** | **9,953** | **10,959** | **9,151** | **11,704** | **11,906** |
| Administration Expenses | (1,736) | (1,644) | (1,766) | (2,225) | (2,612) |
| Redundancy Costs | - | - | - | (726) | - |
| Net Finance Costs | (1,144) | (1,664) | (1,079) | (2,821) | (2,726) |
| **Total Operating Income** | **7,073** | **7,651** | **6,306** | **5,932** | **6,568** |
| Gain/(Loss) on Sale of Property, Plant and Equipment | - | - | (14) | (29) | (87) |
| Loss on Sale of Investment Property | (321) | 46 | (915) | (2,970) | - |
| Unrealised Interest Rate Swap Gain/(Loss) | - | - | 133 | 79 | 732 |
| Fair Value Gain/(Loss) in Value of Investment Property | 9,187 | (19,115) | (1,767) | (2,945) | (1,651) |
| Transaction Costs | (12) | (1,774) | (224) | (686) | (1,339) |
| Sale of Management Rights | - | - | - | 4,500 | - |
| **Net Profit/(Loss) Before Taxation** | **15,927** | **(13,192)** | **3,519** | **3,881** | **4,223** |
| Income Tax Expense | 22 | (1,496) | 284 | (786) | (1,150) |
| **Profit and Total Comprehensive Income** | **15,949** | **(14,688)** | **3,803** | **3,095** | **3,073** |
| Basic and Diluted Weighted Average Earnings Per Share | 6.00 | (9.07) | 2.35 | 1.91 | 1.90 |

## Financial Result Summary

| | 2021 $'000 | 2020 $'000 | Variance $'000 | Comments |
|---|---|---|---|---|
| **Total Net Revenue** | **9,953** | **10,959** | **(1,006)** | As a result of COVID-19 restrictions, rent relief and abatements totaling $0.4 million were provided to tenants. The net impact on revenue for FY21 was:<br>• Rental abatement $64k<br>• Rental relief $141k<br>$488k for underwrite fees associated with the sale of the Heinz Watties property was received in 2020.<br>The remainder of the movement in rent recognised is the net effect of an increase in office rent of $961k as a result of the 35 Graham Street acquisition in June 2020 and the decrease in industrial rent of $1,621k due to the sale of Heinz Watties in the prior year (December 2020). This is a net decrease of $660k. |
| Administration Expenses | (1,736) | (1,644) | (92) | |
| Net Finance Costs | (1,144) | (1,664) | 520 | Finance costs have decreased as a result of the capital raise as proceeds were applied as a debt repayment. This was partly offset by a new loan structure in place from October 2020 which increased line fees. The FY21 finance costs include:<br>• Line fees $638k (FY20: $418k);<br>• Interest of $402k (FY20: $1,184k);<br>• Loan Establishment fees amortisation of $104k (FY$20: $55k) |
| **Total Operating Income** | **7,073** | **7,651** | **(578)** | |
| Loss on Sale of Investment Property | (321) | 46 | (367) | Impact of partially impairing a receivable as well as contribution to capital costs (which have now been completed) in respect to the AA Centre. |
| Fair Value Gain/(Loss) in Value of Investment Property | 9,187 | (19,115) | 28,302 | The movement in fair value is mainly attributed to a rebound in valuations as there was a significant downgrade in valuations as a result of COVID-19 in the prior year due to the material uncertainty at that time. COVID-19 continues to create a degree of uncertainty but economic conditions have been buoyant leading to cap rate compression. The fair value gain of $9.2 million is a 6.5% gain against carrying values. |
| Transaction Costs | (12) | (1,774) | 1,762 | The prior year included material due diligence costs as well as the costs incurred with respect to the withdrawn capital raise. |
| **Net Other Gains/Losses** | **8,854** | **(20,843)** | **29,697** | |
| **Net Profit/(Loss) Before Taxation** | **15,927** | **(13,192)** | **29,119** | |
| **Income Tax** | **22** | **(1,496)** | **1,518** | Tax reflects the impact of the released deferred tax liability at Eastgate ($1.14 million) as well as the benefits of building depreciation ($0.4 million). |
| **Profit and Total Comprehensive Income** | **15,949** | **(14,688)** | **30,637** | |

## Adjusted Funds from Operations - Reconciliation to Net Profit After Tax

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Statutory Net Profit After Tax** | **15,949** | **(14,688)** |
| **Investment Property and Inventory** | | |
| Loss/(Gain) From Sales of Investment Property | 321 | (46) |
| Fair value (Gain)/Loss on Investment Property | (9,187) | 19,115 |
| Depreciation on Owner Occupied PP&E | - | 63 |
| **Deferred Tax** | | |
| Deferred Tax Expense | (1,143) | (522) |
| Tax on Depreciation Recover (Non-Operating) | - | 527 |
| **Other Unrealised Or One-Off Items** | | |
| Other Income (Underwriting) | - | (488) |
| **Net Operating Income After Tax** | **5,940** | **3,961** |
| Transaction Costs - Cancelled Capital Raise | - | 785 |
| Amortisation of Lease Incentives and Leasing Costs | 143 | 285 |
| Amortisation of Rent Relief due to COVID-19 | 141 | - |
| **Funds From Operations (FFO)** | **6,224** | **5,031** |
| Incentives Granted/Commissions Paid | (51) | (207) |
| Rent Relief due to COVID-19 | (332) | - |
| Maintenance CAPEX | (22) | (80) |
| **Adjusted Funds From Operations (AFFO)[7]** | **5,819** | **4,744** |
| AFFO CPS - Weighted Average Number of Shares | 2.19 | 2.93 |

[7] AFFO 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. The calculation of AFFO has been reviewed by Asset Plus' auditor, Grant Thornton Audit Limited.

## Balance Sheet

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cash | 3,109 | 98 |
| Investment Properties | 130,234 | 143,559 |
| Properties Held for Sale | 42,560 | - |
| Other Assets | 3,070 | 1,420 |
| **Total Assets** | **178,973** | **145,077** |
| Bank Debt | 9,400 | 49,250 |
| Other Liabilities | 7,212 | 4,032 |
| **Total Liabilities** | **16,612** | **53,282** |
| **Equity** | **162,361** | **91,795** |
| **Net Tangible Assets Per Share ($)** | **0.448** | **0.567** |

## Capital Management

$9.4 million of debt is currently drawn which represents a LVR of 5.4% as at 31 March 2021 (34.3% in the prior year). The loan facility limit was increased to $130 million post the capital raise of $60.2 million. The NTA is now 44.8 cents per share (down from 56.7 cents per share in the prior year) driven by the $60.2 million capital raise at an issue price of 30 cents. There are now three debt facilities. An investment, working capital and development facility. Debt is progressively drawn down to fund the Munroe Lane development.

It is intended that the net proceeds from the sale of Eastgate Shopping Centre are applied as a debt repayment.

## Dividends

A final quarter dividend of 0.45 cents per share has been declared. Total cash dividends paid for the year are 1.8 cents per share. Dividends are declared quarterly in arrears. This represents a pay out ratio of 97% (based on AFFO) and based off the additional shares issued as part of the $60.2 million capital raise. The dividend remains subject to quarterly review.

# Director Profiles

## Bruce Cotterill

### Chairman, Non-Executive Independent Director

Bruce Cotterill joined the Board of Asset Plus in April 2017. Bruce is an experienced CEO, Chairman and Company Director, who has excelled in a number of sectors and in a range of extremely demanding roles. This includes businesses going through major transformation brought about by financial performance, structural change and cultural issues. As a CEO he has led real estate group Colliers, both in New Zealand and Australia, Kerry Packer's ACP Magazines, and iconic New Zealand sportswear company Canterbury International. As CEO of Yellow Pages Group he was appointed to lead that company through a period of dramatic change, including the restructure of the Company's $1.8 billion of debt. Bruce was Chairman of Noel Leeming Group for 8 years until that Company's sale to The Warehouse.

## Carol Campbell

### Non-Executive Independent Director

Carol Campbell joined the Board of Asset Plus in May 2015 and chairs the Audit and Risk Committee. Carol is a Fellow Chartered Accountant and a member of Chartered Accountants Australia and New Zealand. Carol has extensive financial experience and a sound understanding of efficient Board governance. Carol holds a number of directorships across a broad spectrum of companies, including T&G Global, New Zealand Post, NZME and the Fisher Listed Investment companies – Kingfish, Barramundi and Marlin Global, where she is also Chair of the Audit and Risk Committee. She is also a Director of Kiwibank. Carol was a Director of The Business Advisory Group for 11 years, a Chartered Accountancy Practice, and prior to that a partner at Ernst & Young for over 25 years.

## Paul Duffy

### Non-Executive Director

Paul Duffy has over 36 years' experience in the property investment/development industry, including CEO/ executive director of DNZ Property Fund (now named Stride Property) for 13 years. During his career, Paul held the position of General Manager of Fletcher Property Limited and was Joint Managing Director of US Real Estate Subsidiaries for the Abu Dhabi Investment Authority. In this role he oversaw the formation of a large real estate portfolio in the United States and Europe. Paul is currently a Director of Leighs Construction and a number of private companies. Paul is the former chairman of the Manager, and is therefore not an independent director.

Paul joined the Board in April 2017.

## John McBain

### Non-Executive Director

John joined the Centuria Capital Limited ("CNI") Board (formerly Over Fifty Group) on 10 July 2006. He was appointed as Chief Executive Officer of the Over Fifty Group in April 2008 and serves as Joint CEO with Jason Huljich. John was also a founding director and major shareholder in boutique funds manager Century Funds Management, which was established in 1999 and acquired by the Over Fifty Group in July 2006. Prior to joining CNI, John held senior positions in a number of property development and property investment companies in Australia, New Zealand and the United Kingdom. As a director of both the largest shareholder and the Manager, John is therefore not an independent director. John joined the Board in September 2020.

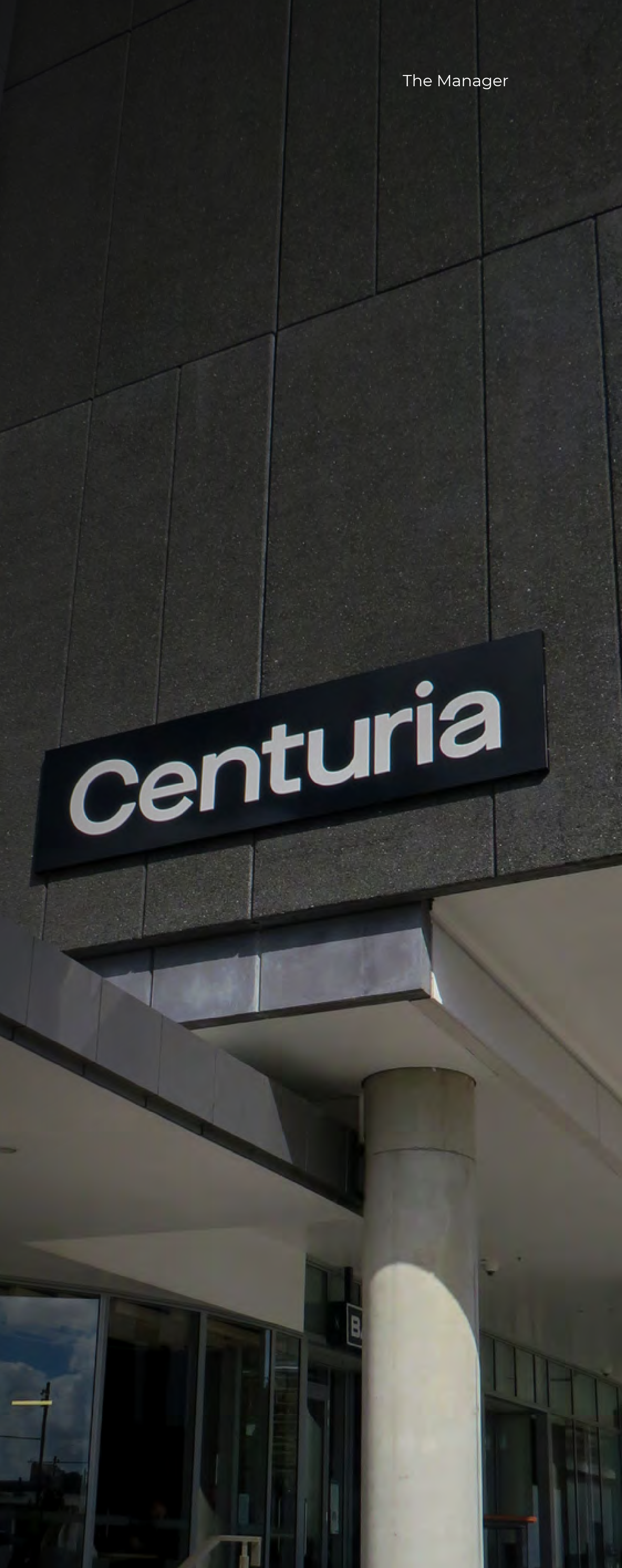
## Allen Bollard

### Non-Executive Independent Director

Allen has a long background in accounting, business analysis, risk management, tax, and finance, mostly in property and construction. Starting as a partner in a major accounting firm, he was then CFO for three listed property companies and for ten years was CEO/CFO of Tramco Group, which managed and financed several large privately held leasehold land owning partnerships including Viaduct Harbour Holdings, Tram Lease, Quay Lease, Kiwi Forests, Wairakei Pastoral and Calland Properties Ltd. He is now an independent business and finance consultant and Director, still advising Tramco and is an independent trustee for the Wyborn and Green families. He is the Government approved independent director of Tamaki Makaurau Community Housing Joint Venture and Chair of the Odyssey House Board of Trustees.

Allen joined the Board in April 2017.

# The Manager




Founded in 2001, Centuria NZ* is a leading fund manager with operations across New Zealand and Australia. Centuria NZ owns or manages 65 properties across the office, retail and industrial sectors, with $2.2 billion of assets under management.

Centuria NZ employs 42 staff across offices in Auckland, Christchurch and New Plymouth, with specialist expertise in asset management and development management, as well as other essential professional functions including accounting, treasury and investor relations, legal, compliance and company secretariat.

The Manager of Asset Plus, Centuria NZ, has recently undergone a change of ownership following ASX listed Centuria Capital Group's takeover of Augusta Capital, which became effective on 7 September 2020. Centuria Capital manages A$15.5 billion** of real estate across Australia and New Zealand.

The scale of Centuria's business allows a vantage point from which to understand the market and unlock real estate opportunities. Centuria has comprehensive and up-to-date knowledge and insights pertaining to property buyers/sellers, tenants and, importantly, the constant and subtle shifts to lending and bank sentiment.

Understanding this sentiment has a critical bearing on the investment strategies ultimately determined for each property it manages. Centuria's wide market reach, coupled with its professional expertise across all the key areas of asset management, represents the value proposition which will underpin its strategy for the future growth and success of the Asset Plus portfolio.

Centuria Capital (NZ) No.1 Ltd, as the shareholder of the manager, owns 19.99% of Asset Plus and increased its stake from 18.85% through participation in the Equity Raise completed in early October 2020.

*The manager's name changed on 7 April 2021 from Augusta Funds Management Limited to Centuria Funds Management (NZ) Limited (Centuria NZ).*

***Centuria Capital group's asset under management are expected to increased from approximately a $10.5 billion to A$15.5 billion following the completion of it's proposed acquisition of CAX-listed Primewest Group.*

# Corporate Governance

The Board of Asset Plus is committed to maintaining the highest standards of business behaviour and accountability.

Accordingly, the Board has adopted corporate governance policies and practices designed to promote responsible conduct.

The corporate governance framework is set out in Asset Plus' Corporate Governance Manual, a copy of which can be found at the Company's website: www.assetplusnz.co.nz/corporate-governance.

This section sets out Asset Plus' corporate governance policies, practices and processes with reference to the NZX Corporate Governance Code's eight key principles and supporting recommendations. The Board considers that it has followed the recommendations of the NZX Corporate Governance Code except as set out below under each Principle.

This Corporate Governance Statement is current as at 31 March 2021.

## Principle 1 – Code of Ethical Behaviour

> Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

A Code of Ethics has been adopted by which the Company has set out expectations for all Directors, officers, any employees and representatives to act in a manner consistent with its guiding principles and the values set out in its Code of Ethics. This Code sets out clear expectations of ethical decision-making and personal behaviour in regard to confidentiality, securities trading, transparency, company information, conflict resolution processes, workplace responsibilities, environmental responsibility and stakeholder interaction. A copy of the Code of Ethics is included in the Corporate Governance Manual available at www.assetplusnz.co.nz/corporate-governance.

Any illegal or unethical behaviour is to be reported to the Board. The Chairman may determine whether an exception or waiver is granted. Otherwise a sub-committee of the Board will be formed to determine what action should be taken.

Asset Plus' manager, Centuria, has also adopted a Code of Conduct which applies to its employees and directors. The Code sets out the minimum standards expected of Centuria's employees and directors and is intended to facilitate decisions that are consistent with Centuria values, business goals and legal and policy obligations. A copy of the Centuria Code of Ethics is available at https://centuria.com.au/wp-content/uploads/2020/09/Centuria-Code-of-Conduct.pdf.

Asset Plus has also adopted a Share Trading Policy which sets out the rules for dealing in the listed financial products of Asset Plus. The policy prohibits trading by directors of Asset Plus without the written consent of the Company Secretary. The Board may set 'no trade' periods around the release of the Annual and Interim reports, changes in Asset Plus' capital structure or where there is significant acquisition or divestment activity. A copy of the policy is available at www.assetplusnz.co.nz/corporate-governance.

Centuria has also adopted an Insider Trading Policy which sets out the rules for dealing in the financial products of any entity that Centuria NZ manages (including Asset Plus). The policy prohibits trading by any employee or director of Centuria without the written consent of the Centuria NZ Chair. Other than in exceptional circumstances, all trading is prohibited during blackout periods for 30 days prior to half- and full-year balance dates until the first trading day after the relevant results are announced.

## Principle 2 – Board Composition and Performance

> To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

### Board Charter

The Asset Plus Board has adopted a Board Charter and Governing Principles which sets out that the specific responsibilities of the Board and its Committees include:

- oversight of the Company including its control and accountability procedures and systems;
- setting the strategic direction and objectives of the Company;
- overseeing the audit and monitor risk;
- approval of operating plans including annual business plans and budgets;
- monitoring actual results against the annual business plan, budget and strategic objectives;
- delegating the appropriate authority of the management of the Company, and monitoring management's performance on a regular basis;
- setting the remuneration of the Directors;
- approval and monitoring of the progress of capital expenditure, capital management initiatives and acquisitions and divestments;
- approval of capital structure and dividend policies; and
- oversight of disclosure and monitoring of price sensitive matters affecting the Company.

### Director nominations and appointments

The Board has adopted a Nomination Committee Charter which sets out the procedure for nominating and appointing potential directors to the Board. Given its size, the full Board of Asset Plus acts as the Nominations Committee. The responsibilities set out in the Nomination Committee Charter are:

- to identify and nominate candidates to fill Board vacancies as and when they arise;
- before making an appointment, to evaluate the balance of skills, knowledge and experience on the Board and, in light of the evaluation, to determine the role and capabilities required for the appointment;
- to formulate succession plans for Directors taking into account the challenges and opportunities facing the Company and the skills and expertise accordingly required to govern the Company in the future;
- to regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and to make any changes;
- to keep under review the leadership requirements of the Company, both non-executive and executive, with a view to ensuring the continued ability of the Company to compete efficiently in the marketplace; and
- to consider such other matters relating to Board nomination or succession issues as may be identified by the Board.

Formal agreements are entered into with all new directors.

## Board composition

Director profiles are on page 18 and director shareholdings are listed on page 27.

Directors undertake continuing education to keep their skills current and understand how to best perform their duties.

The Board Charter sets out that the Board will review its performance as a whole on an annual basis and instigate additional comprehensive reviews as may be deemed necessary from time to time. External consultants may be commissioned as needed to assist in the assessment of individual director performance, the effectiveness of the Board's processes and/or the Board's own effectiveness.

The factors relevant to determining that Bruce Cotterill, Allen Bollard and Carol Campbell were independent directors were that they are non-executive directors, they have either no shareholder or, in the case of Carol Campbell, a holding of less than 1% and that they have no other business relationship with Asset Plus.

The factors relevant to determining that Paul Duffy is not an independent director is that, until recently, he is a director of both the Manager and the largest shareholder.

The factors relevant to determining that John McBain is not an independent director is that, he is a director and beneficial owner of both the Manager and the largest shareholder.

## Diversity

Asset Plus has not adopted a diversity policy as it no longer has any employees following externalisation of management to Centuria and accordingly has not complied with this recommendation for the entire period in which the NZX Corporate Governance Code has been in place.

Breakdown of Gender Composition of Asset Plus' Directors and Officers.

| | Male | | Female | |
|---|---|---|---|---|
| **Financial Year** | **Directors** | **Officers** | **Directors** | **Officers** |
| Year ending 31 March 2021 | 4 | 3 | 1 | 0 |
| Year ending 31 March 2020 | 3 | 3 | 1 | 0 |

## Chair and CEO

In accordance with the NZX Corporate Governance Code and as a result of management being externalised, Asset Plus' Chair is not also its CEO.

# Principle 3 – Board Committees

> The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Asset Plus Board has established a separate Audit and Risk Committee comprising of three directors. The Corporate Governance Manual also includes charters for Nominations Committee and Remuneration Committee. However, the full Board undertakes the responsibilities of those Committees. Given the size and operations of Asset Plus, the Board does not consider that any further committees are necessary other than Due Diligence Committees which are established to consider potential acquisitions.

## Audit and Risk Committee

The Audit and Risk Committee's primary objectives are:

- to set the principles and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of the external audit. This objective enables the Board to satisfy itself that management is discharging its responsibilities in accordance with established processes and, wherever practical, best practice methodologies; and
- to ensure the efficient and effective management of all business risks, and the efficient and effective compliance with Asset Plus' Risk Management Policy.

Key responsibilities for the Audit and Risk Committee include:

- Establishing guidelines for the selection, appointment and/ or removal of the external auditor as well as the rotation of the lead partner of the audit firm;
- Ensuring the external auditor is discharging its responsibilities, including monitoring the effectiveness, objectivity and independence of the external auditor;
- Reviewing draft financial statements, NZX preliminary announcements and annual and interim reports;
- Reviewing accounting policies and practices;
- Reviewing the risk management policy and the Manager's risk management reporting; and
- Reviewing the Delegated Authority Policy annually.

The members are all independent directors being Carol Campbell (Chair), Allen Bollard and Bruce Cotterill. The Audit and Risk Committee is required to meet at least twice a year, with 5 meetings being held in the 2021 financial year.

Representatives of the Manager only attend meetings of the Audit and Risk Committee at the invitation of the committee.

## Remuneration Committee

The full Board acts as the Remuneration Committee. The Remuneration Committee Charter is included in the Corporate Governance Manual. The responsibilities include setting and reviewing all components of the remuneration of non-executive Directors.

## Nominations Committee

The full Board acts as the Nominations Committee. The Nominations Committee Charter is included in the Corporate Governance Manual. The responsibilities are as set out on page 19.

## Takeover protocols

In June 2018, the Board adopted protocols setting out the procedures to be followed if a takeover offer is received.

# Principle 4 – Reporting and Disclosure

> The board should demand integrity in financial and non financial reporting, and in the timeliness and balance of corporate disclosures.

## Continuous disclosure

Asset Plus has adopted a disclosure policy setting out its approach to disclosing material information and communication with shareholders or analysts. Asset Plus recognises that the cornerstone of New Zealand and international securities law is full and fair disclosure of material information and that the timely, non-exclusionary distribution of information to the public is crucial to the efficiency and integrity of the capital markets.

A copy of the policy is available on Asset Plus' website at www.assetplusnz.co.nz/corporate-governance, along with the Corporate Governance Manual.

## Principle 5 – Remuneration

“ The remuneration of directors and executives should be transparent, fair and reasonable.

Remuneration of directors is reviewed by the Board.

The director remuneration pool was approved at $300,000 when Asset Plus was formed following the corporatisation of the National Property Trust in 2011. In June 2017, the Asset Plus Board approved the following director fees which have continued to be paid during the past year:

### Director remuneration

| Director | Base director fees | Committee fees | Annual fee | Amount paid during the year |
|---|---|---|---|---|
| Bruce Cotterill | $90,000 – chair | - | $90,000 | $90,000 |
| Carol Campbell | $65,000 | $10,000 – Chair of Audit and Risk Committee | $75,000 | $75,000 |
| Allen Bollard | $65,000 | $5,000 – Member of Audit and Risk Committee | $70,000 | $70,000 |
| Paul Duffy | $65,000 | - | $65,000 | $65,000 |
| John McBain | - | - | - | - |
| **Total** | | | **$300,000** | **$300,000** |
| **Approved pool** | | | **$300,000** | |

As Asset Plus no longer has any employees, it does not have a remuneration policy. Accordingly, Asset Plus has not complied with this recommendation for the entire period in which the NZX Corporate Governance Code has been in place.

### Chief Executive remuneration

Following the externalisation of management to Centuria, Asset Plus no longer has a CEO.

## Principle 6 – Risk Management

> Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Asset Plus has a risk management policy (set out in the Corporate Governance Manual). As part of this a range of risks have been identified from financial/ operational risk to investment market risk with causes, potential outcomes and risk management strategies detailed.

Asset Plus also relies on Centuria's risk management framework to identify, oversee, manage and control risks that Asset Plus faces. Key risks have been identified including interest rate and treasury risk, leasing risk, cyber security, construction and development risk, compliance with regulatory obligations, property risks (such as tenant default), fraud and health and safety risks.

Centuria is responsible under the management agreement for advising the Asset Plus Board on risk management matters. The Audit and Risk Committee will receive such reports and oversee risk management.

### Health and safety

Centuria oversees health and safety compliance on a day to day basis for Asset Plus in conjunction with the property managers for each property. Each property has a hazard register which is managed on a day to day basis by the property managers and overseen by Centuria's asset managers.

Centuria's management team oversees compliance with Centuria's health and safety framework including regular reporting to the Board. This includes monthly reporting to the Board on key health and safety statistics, incidents and hazard remedies.

The Asset Plus Board also considers health and safety issues at each board meeting and as they arise if necessary. A key focus for the Asset Plus Board is ensuring that hazards are identified and remedied and that reporting identifies the progress with remedial actions.

A health and safety assessment is conducted on all new properties to identify all relevant hazards prior to acquisition.

## Principle 7 – Auditors

> The board should ensure the quality and independence of the external audit process.

The Audit and Risk Committee Charter sets out Asset Plus' framework for managing relationships with its auditor. This includes the ability for directors to communicate directly with auditors and for auditors to attend meetings of the Audit and Risk Committee without management present. Any non-audit services provided by the audit firm must be approved by the Audit and Risk Committee.

Grant Thornton is the auditor of Asset Plus with the audit partner rotated every 5 years. Grant Thornton attends each annual shareholder meeting and is available to answer shareholder questions at the meeting.

Asset Plus has no separate internal audit function as it has no employees. It relies on the Manager's compliance assurance and risk management processes for ensuring continued improvement.

## Principle 8 – Shareholder Rights and Relations

> The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

Asset Plus' website at www.assetplusnz.co.nz includes a range of information including bios for directors, copies of the Corporate Governance Manual, the constitution and historical annual and interim reports.

The Company engages with shareholders through annual and interim reports, results conference calls, presentations to shareholders and the annual shareholder meeting.

Shareholders have the right to receive communications electronically by notifying the share registrar. Major decisions which require approval under the NZX Main Board Listing Rules are submitted to shareholders for approval. All voting at shareholder meetings (such as the 2020 meeting for the Munroe Lane development) is conducted by a poll.

The annual shareholders notice of meeting will be provided to shareholders at least 20 working days prior to the annual meeting.

Recommendation 8.4 of the NZX Corporate Governance Code was not complied with in respect of the capital raising announced in September 2020 as a placement was used for part of the offer. Not all shareholders were able to participate in the placement. A placement was used to enable the maximum amount of capital to be raised at the start of the offer and provide greater certainty on the amount of capital that would be raised. The Board considered this was required in order to have a higher chance of successfully completing the offer and satisfying the funding and shareholder approval condition for the Munroe Lane Development. Shareholders were still able to participate through the entitlement offer that was available to all existing shareholders.

## Statutory disclosures

### Principal Activities

Asset Plus Limited is a listed commercial property investment company investing solely in New Zealand real estate.

### Board Composition

The table below sets out details of the current directors of Asset Plus Limited and its subsidiary, including the date on which they were appointed.

No one ceased to be a director of the Company or its subsidiary during the year ending 31 March 2021.

| Director | Date Appointed |
|---|---|
| Bruce Cotterill | 21 April 2017 |
| Carol Campbell | 25 May 2015 |
| Allen Bollard | 21 April 2017 |
| Paul Duffy | 21 April 2017 |
| John McBain | 8 September 2020 |

### Board Attendance

Directors attended the following formal meetings of the Board in the year to 31 March 2021.

| Director | Board Meetings Held while a Director | Board Meetings attended | Audit & Risk Commitee Meetings attended |
|---|---|---|---|
| Bruce Cotterill | 19 | 18 | 5 |
| Carol Campbell | 19 | 19 | 5 |
| Allen Bollard | 19 | 19 | 5 |
| Paul Duffy | 19 | 18 | - |
| John McBain | 7 | 7 | - |

### Interest Register Record

The following entries were made in the interests register during the year ended 31 March 2021:

**John McBain:**

Director and beneficial owner of Centuria Capital Limited, Centuria Funds Management (NZ) Limited, Centuria Capital (NZ) Limited, Centuria Capital (NZ) No.1 Limited, Centuria Capital (NZ) No.2 Limited, Centuria Property Holdco Limited, Centuria Lakeview Holdings Limited, Augusta Industrial Fund Limited, Augusta Industrial Fund No.1 Limited and Augusta Industrial Fund No.2 Limited.

Paul Duffy:

Resigned as a director of Augusta Funds Management Limited, Augusta Capital Limited, Augusta Capital No.1 Limited, Augusta Property Holdco Limited and Augusta Lakeview Holdings Limited.

## NZX Waivers Received

On 10 September 2020, the Company was granted waivers from NZX Listing Rules 4.19.1 and 5.2.1 in connection with the capital raising announced in September 2020.

The waiver from NZX Listing Rule 4.19.1 allowed certain shares applied for by Augusta Capital Limited and Salt Funds Management Limited under the Placement and Institutional Entitlement Offer components of the capital raising to be issued at the same time as shares were issued under the Retail Entitlement Offer. This issue date was longer than the 10 Business Day period following the closing date for the Institutional Entitlement Offer and Placement that is required under Listing Rule 4.19.1. The waiver ensured that Asset Plus continued to meet the PIE eligibility requirements as, if Augusta and Salt had acquired their full entitlements from the Institutional Entitlement Offer and the Placement, they would each have held more than 20% until shares were issued under the Retail Entitlement offer.

The waiver from NZX Listing Rule 5.2.1 allowed related parties of Asset Plus to participate in the shortfall bookbuild at the conclusion of the capital raising without shareholder approval being required but subject to certain conditions being met (including that the related parties were not involved in or did not influence allocation decisions). The waiver mirrored an existing exclusion in the NZX Listing Rules for accelerated rights offers.

## Share Dealings by Directors

Carol Campbell was issued 49,504 ordinary shares on 2 October 2020 as part of the Retail Entitlement Offer.

Securities of the Company in which each Director had a relevant interest as at 31 March 2021:

| Director | Holding | Security Held | Nature of Relevant Interest |
|---|---|---|---|
| Carol Campbell | 99,509 | Ordinary Shares | Registered holder and beneficial owner |

## Indemnity and Insurance

The Company has effected Directors and Officers liability insurance at prevailing rates for all Directors.

The Company and its subsidiaries have continued to indemnify the Directors for any costs referred to in Section 162(3) of the Companies Act 1993 and any liability or costs referred to in Section 162(4) of the Act.

## Donations

The Company did not make any donations in the year to 31 March 2021 (2020: Nil).

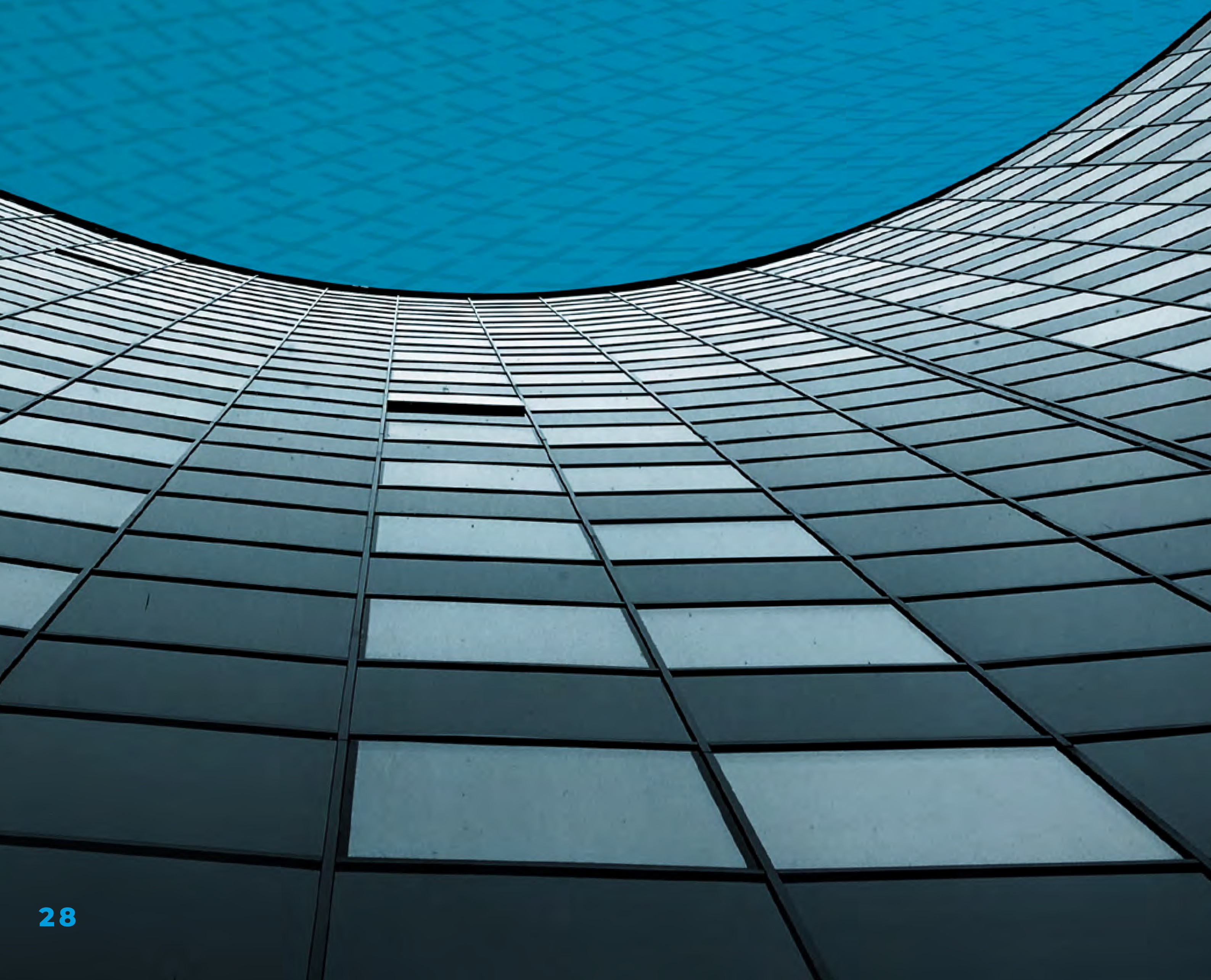
## Audit Fees

Amounts paid to the Auditor of the Company:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Grant Thornton Audit Fees | 65 | 63 |
| **In addition to the audit fee the following other fees were paid to Auditors:** | | |
| Other Assurance Services | 49 | 42 |
| **Total** | **114** | **105** |

# 2021 FINANCIALS

Consolidated Financial Statements for the year ended 31 March 2021





# Contents



The notes set out on pages 35 to 53 form part of, and should be read in conjunction with, the consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Gross Rental Revenue | | 13,900 | 14,466 |
| Direct Property Operating Expenses | | (3,947) | (3,995) |
| **Net Rental Revenue** | **5** | **9,953** | **10,471** |
| Other Revenue | 6 | - | 488 |
| **Total Net Revenue** | | **9,953** | **10,959** |
| Administration Expenses | | (1,736) | (1,644) |
| Net Finance Costs | | (1,144) | (1,664) |
| **Total Operating Expenses** | **7** | **(2,880)** | **(3,308)** |
| **Total Operating Income** | | **7,073** | **7,651** |
| (Loss)/Gain on Sale of Investment Property | | (321) | 46 |
| Fair Value Gain/(Loss) in Value of Investment Properties | 12 | 9,187 | (19,115) |
| Transaction Costs | 8 | (12) | (1,774) |
| **Net Profit/(Loss) Before Taxation** | | **15,927** | **(13,192)** |
| **Income Tax** | **9** | **22** | **(1,496)** |
| **Net Profit/(Loss) Before Taxation** | | **15,949** | **(14,688)** |
| Other Comprehensive Income | | - | - |
| **Total Comprehensive Gain/(Loss) For the Year, Net of Tax** | | **15,949** | **(14,688)** |
| **Basic/Diluted Earnings Per Share** | **18** | **6.00** | **(9.07)** |



The notes set out on pages 35 to 53 form part of, and should be read in conjunction with, the consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

| | Note | Share Capital $'000 | Accumulated Losses $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening Balance at 01 April 2019** | | **134,089** | **(21,775)** | **112,314** |
| Net Loss After Taxation | | - | (14,688) | **(14,688)** |
| **Total Comprehensive Loss For the Year, Net of Tax** | | **-** | **(14,688)** | **(14,688)** |
| Dividends | 19 | - | (5,831) | **(5,831)** |
| **Closing Balance at 31 March 2020** | | **134,089** | **(42,294)** | **91,795** |

| | Note | Share Capital $'000 | Accumulated Losses $'000 | Total $'000 |
|---|---|---|---|---|
| **Opening Balance at 01 April 2020** | | **134,089** | **(42,294)** | **91,795** |
| Net Profit After Taxation | | - | 15,949 | 15,949 |
| **Total Comprehensive Income For the Year, Net of Tax** | | **-** | **15,949** | **15,949** |
| Shares Issued | 17 | 60,239 | - | 60,239 |
| Issue Costs | | (1,602) | - | (1,602) |
| Dividends | 19 | - | (4,020) | (4,020) |
| **Closing Balance at 31 March 2021** | | **192,726** | **(30,365)** | **162,361** |

# Consolidated Statement of Financial Position

As at 31 March 2021

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | | 3,109 | 98 |
| Trade and Other Receivables | 11 | 2,291 | 1,190 |
| Prepayments | 11 | 340 | 230 |
| **Total Current Assets** | | **5,740** | **1,518** |
| **Properties Held for Sale** | **13** | **42,560** | **-** |
| **Non-Current Assets** | | | |
| Investment Properties | 12 | 130,234 | 143,559 |
| Prepayments | 11 | 439 | - |
| **Total Non-Current Assets** | | **130,673** | **143,559** |
| **Total Assets** | | **178,973** | **145,077** |
| **Current Liabilities** | | | |
| Trade Payables, Accruals and Provisions | 15 | 5,807 | 1,804 |
| Taxation Payable | | 866 | 707 |
| Other Current Liabilities | | 335 | 175 |
| **Total Current Liabilities** | | **7,008** | **2,686** |
| **Non-Current Liabilities** | | | |
| Borrowings | 14 | 9,400 | 49,250 |
| Deferred Taxation | 9 | 204 | 1,346 |
| **Total Non-Current Liabilities** | | **9,604** | **50,596** |
| **Total Liabilities** | | **16,612** | **53,282** |
| **Net Assets** | | **162,361** | **91,795** |
| **Contributed Capital** | | 192,726 | 134,089 |
| **Accumulated Losses** | | (30,365) | (42,294) |
| **Shareholders' Equity** | | **162,361** | **91,795** |

The Board of Directors of Asset Plus Limited approved the consolidated financial statements for issue on 27 May 2021.

**Bruce Cotterill**
Chairman

**Carol Campbell**
Chair Audit and Risk Committee



The notes set out on pages 35 to 53 form part of, and should be read in conjunction with, the consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Cash Flows from Operating Activities**<br>**Cash was provided from/(applied to):** | | |
| Gross Rental Revenue | 12,812 | 15,256 |
| Other Income | 5 | 507 |
| Operating Expenses | (5,967) | (7,286) |
| Interest Income | - | 7 |
| Interest Expense | (930) | (1,654) |
| Taxation Paid | (961) | (896) |
| **Net Cash Inflow from Operating Activities** | **4,959** | **5,934** |
| **Cash Flows from Investing Activities**<br>**Cash was provided from/(applied to):** | | |
| Sale of Investment Property | 2 | 29,249 |
| Deposit Received from Investment Property Held for Sale | 1,500 | - |
| Purchase of Investment Property | (2,277) | (65,873) |
| Capital Expenditure on Investment Properties | (15,014) | (2,641) |
| Capitalised Fiance Costs on Investments | (92) | - |
| **Net Cash Outflow from Investing Activities** | **(15,881)** | **(39,265)** |
| **Cash Flows from Financing Activities**<br>**Cash was provided from/(applied to):** | | |
| Repayment of Borrowings | (55,600) | (28,000) |
| Proceeds from Borrowings | 15,750 | 66,750 |
| Loan Establishment Costs | (835) | - |
| Distributions made to Shareholders | (4,020) | (5,836) |
| Proceeds from Capital Raise | 60,239 | - |
| Share Capital Raising Costs | (1,601) | (266) |
| **Net Cash Inflow from Financing Activities** | **13,933** | **32,648** |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | 3,011 | (683) |
| Cash and Cash Equivalents at the Beginning of the Year | 98 | 781 |
| **Cash and Cash Equivalents at the End of the Year** | **3,109** | **98** |

The notes set out on pages 35 to 53 form part of, and should be read in conjunction with, the consolidated financial statements.

# Reconciliation of Net Profit to Net Cash Flow from Operating Activities

For the year ended 31 March 2021

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Net (Loss)/Profit after Taxation** | **15,949** | **(14,688)** |
| **Items Classified as Investing or Financing Activities:** | | |
| Unrealised (Gain)/Loss in Fair Value of Investment Properties | (9,187) | 19,115 |
| Loss/(Gain) on Disposal of Investment Property | 321 | (46) |
| Capital Raising Costs | - | 820 |
| Movement in Deferred Taxation | (1,142) | (522) |
| Loan Establishment Costs | 103 | |
| **Movements in Working Capital Items:** | | |
| Accounts Receivable and Prepayments | (965) | 806 |
| COVID-19 Rent Relief | (191) | - |
| Amortisation of Lease Costs and Incentives | 143 | - |
| Leasing Fees Paid and Leasing Fees Granted | (69) | - |
| Trade and Other Payables | (161) | (734) |
| Taxation Payable | 158 | 1,120 |
| **Non-Cash Item** | | |
| Depreciation | - | 63 |
| **Net Cash Inflow from Operating Activities** | **4,959** | **5,934** |



The notes set out on pages 35 to 53 form part of, and should be read in conjunction with, the consolidated financial statements.

## 1. Corporate Information

The consolidated financial statements comprise of Asset Plus Limited (the "Company") and its subsidiary (collectively the "Group").

The Company is a limited liability company incorporated and domiciled in New Zealand whose shares are listed on the New Zealand Stock Exchange. The Company is a FMC reporting entity under the Financial Markets Conduct Act 2013. The registered office is located in Level 2, Bayley's House, 30 Gaunt Street, Wynyard Quarter, Auckland.

The nature of the operations and principal activities of the Group are investing in commercial property in New Zealand.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"), the Companies Act 1993, the requirements set out in section 7 of the Financial Markets Conduct Act 2013 and the Main Board Listing Rules of the NZX. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000), except where otherwise indicated.

### (b) Statement of Compliance

The consolidated financial statements comply with *New Zealand equivalents to International Financial Reporting Standards* ('NZ IFRS') and *International Financial Reporting Standards* (IFRS), as appropriate for a profit-oriented entity that falls into the Tier 1 for profit category as determined by the New Zealand Accounting Standards Board.

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except where new accounting standards which have been issued and are effective for the current reporting period, or which are issued but not yet effective and may be early adopted, have been adopted for the first time. No accounting standards have been early adopted.

The Group has adopted the accounting standards which are issued and effective for reporting periods beginning on or after 1 January 2020. These have not had a material impact on the financial statements.

**New standards, interpretations and amendments adopted by the Group from 1 April 2020, but that have not had a material impact on the financial statements:**

- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material)
- Revisions to the Conceptual Framework for Financial Reporting;
- Definition of a Business (Amendments to IFRS 3).

#### Accounting standards that are issued but not yet effective

Several other amendments and interpretations apply for the first time from 1 April 2021, but are not expected to have a material impact on the consolidated financial statements of the Group.

### (c) Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and equity at the end of the annual reporting period and revenue, expenses and cash flows during the year ended 31 March 2021, and it's comparative period, of the entities controlled by the Company. A controlled entity is any entity over which Asset Plus Limited has the power to direct relevant activities, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of investor return. The existence and effect of potential voting rights that are currently exercisable or convertible are considered, if those rights are substantive, when assessing whether a Company controls another entity.

In preparing these consolidated financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases.

The financial statements of the subsidiariy are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

The table below represents the Company's investment in its subsidiary at each reporting date:

| | Percentage Held | |
|---|---|---|
| | 31 March 2021 | 31 March 2020 |
| Asset Plus Investments Limited | 100% | 100% |

### (d) Goods and Services Tax (GST)

Revenue and expenses are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the item as applicable.

All items in the consolidated statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced. Cash flows are included in the consolidated statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities is classified as part of operating activities.

## 3. Significant Accounting Estimates and Judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires Directors to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Although the Group has internal control systems in place to ensure that estimates can be reliably measured, actual results may differ from these estimates. 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.

**Fair value measurements**

A number of the Group's accounting policies and disclosures require measurement at fair value. Fair values are categorised into different levels in 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).

The areas involving a high degree of judgement or areas where assumptions are significant to the Group include the following:

- Determination of Deferred Taxes (Note 9)
- Impairment of Receivables (Note 11)
- Determination of Fair Value of Investment Property (Note 12)
- Classification of Investment Property Held for Sale (Note 13)

**COVID-19 global pandemic**

The outbreak of the Coronavirus (COVID-19) was declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020. In response to the pandemic, regions of New Zealand entered into periods of different alert levels with the implementation of varying travel restrictions and a range of quarantine and "social distancing" measures. Any rental abatement or relief provided to tenants to assist them with any negative impact of these measures is detailed in Note 5.

The introduction of restrictions on people and businesses alongside significant economic stimulus packages have resulted in fluctuations in asset values. As at 31 March 2021, registered property valuers in New Zealand consider it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 and its ongoing impact means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. Some valuations are reported on the basis of 'material valuation uncertainty' existing at the time they issued their report. Consequently, less certainty (and a higher degree of caution) should be attached to the valuations than would normally be the case. Valuers do also note that demand for perceived "safe" assets appears to remain strong with the few transactions which have occurred. In the consolidated statement of financial position, the Group's property assets have been impacted by COVID-19, refer to Note 12.

**Going Concern**

The financial statements have been prepared under the going concern assumption, which assumes the Group will be able to pay its debts as they fall due in the normal course of business. As part of management's assessment of the Group's ability to continue as a going concern, the following uncertainties relating to events or conditions have been taken into account:

At 31 March 2021, the current liabilities of the Group exceeded its current assets by $1,268,000.

The Board has considered all information available at the date of signing the consolidated financial statements (refer to subsequent event Note 23) and is of the opinion that the Group is a going concern based on:

- Available liquidity levels, undrawn and available debt on the loan facilities and forecast operating cashflows for at least 12 months being sufficient to cover future obligations when they fall due, and;
- Forecast cashflows have taken into consideration tenant known circumstances, expected future expenses and provisions to fund any anticipated cash requirements in the current environment.

## 4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, cash, trade receivables and payables. Financial assets and liabilities are recognised on the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and fair value risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group has exposure to interest rate risk to the extent that it borrows for fixed terms at floating interest rates. The Directors will assess this risk on an ongoing basis and if deemed significant, will instruct the Group to enter into interest rate swaps to manage material exposure. The Group's exposure to interest rate risk and the effective weighted interest rates for each class of financial asset and financial liability were:

| As at 31 March 2021 | Effective interest rate range | Less than 1 year $'000 | 1 - 2 years $'000 | 2 years + $'000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | 0.05% - 0.25% | 3,109 | - | - |
| Trade Receivables and Other Receivables | | 2,292 | - | - |
| **Total Financial Assets** | | **5,401** | **-** | **-** |
| **Financial Liabilities** | | | | |
| Trade Payables and Other Payables | | 2,040 | - | - |
| Borrowings | 1.31% - 2.17% | - | - | 9,400 |
| **Total Financial Liabilities** | | **2,040** | **-** | **9,400** |
| **As at 31 March 2020** | | | | |
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | 0.10% | 98 | - | - |
| Trade Receivables and Other Receivables | | 1,190 | - | - |
| **Total Financial Assets** | | **1,288** | **-** | **-** |
| **Financial Liabilities** | | | | |
| Trade Payables and Other Payables | | 225 | - | - |
| Borrowings | 2.90% - 4.40% | - | - | 49,250 |
| **Total Financial Liabilities** | | **225** | **-** | **49,250** |

The Group's assets and liabilities which are subject to interest rate changes, consist of cash and cash equivalents and secured bank loans. The following demonstrates the sensitivity to the Group profit and equity, resulting from a reasonably possible change in interest rates. This analysis assumes all other variables remain constant.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **1% increase** | | |
| Cash and Cash Equivalents | 16 | 4 |
| Borrowings | (94) | (493) |
| **1% decrease** | | |
| Cash and Cash Equivalents | (16) | (4) |
| Borrowings | 94 | 493 |

### Fair value risk

A comparison between financial assets and financial liabilities fair value and carrying amounts is set out below. The net fair value is not materially different from the carrying value. The methods used for determining fair value have been disclosed in Note 16.

| As at 31 March 2021 | Note | Designated as fair value $'000 | Amortised cost $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | | - | 3,109 | 3,109 | 3,109 |
| Trade Receivable and Other Receivables | | - | 2,292 | 2,292 | 2,292 |
| **Total Financial Assets** | | **-** | **5,401** | **5,401** | **5,401** |
| **Financial Liabilities** | | | | | |
| Trade Payables and Other Payables | | - | (2,040) | (2,040) | (2,040) |
| Borrowings | 14 | - | (9,400) | (9,400) | (9,400) |
| **Total Financial Liabilities** | | **-** | **(11,440)** | **(11,440)** | **(11,440)** |
| **As at 31 March 2020** | | | | | |
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | | - | 98 | 98 | 98 |
| Trade Receivable and Other Receivables | | - | 1,190 | 1,190 | 1,190 |
| **Total Financial Assets** | | **-** | **1,288** | **1,288** | **1,288** |
| **Financial Liabilities** | | | | | |
| Trade Payables and Other Payables | | - | (225) | (225) | (225) |
| Borrowings | 14 | - | (49,250) | (49,250) | (49,250) |
| **Total Financial Liabilities** | | **-** | **(49,475)** | **(49,475)** | **(49,475)** |

### Credit risk

In the Board's opinion, the Group trades only with recognised, creditworthy third parties, whose obligations to the Group are contractually enforceable under tenancy agreements and car park licences. Financial instruments, which potentially subject the Group to credit risk, principally consist of bank balances, receivables and advances to tenants.

With respect to credit risk arising from the other financial assets of the Group, which comprise interest received on cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Bank of New Zealand, who is the counter party in respect to these financial assets of the Group, currently holds an AA- credit rating (issued by Standard & Poors).

### Liquidity risk

Liquidity risk arises from the Group's financial liabilities and the ability to meet all its obligations to repay financial liabilities as and when they fall due. The Group actively monitors its position to ensure that sufficient funds are available to meet liabilities as they arise. Liquidity is monitored on a regular basis and reported to the Board monthly.

The table on the next page reflects all contractually fixed pay-offs for settlement and repayments resulting from recognised financial liabilities. This table is based on all interest rate variables being held constant over the relevant period of time. It does not allow for potential future margin or base rate changes as these can not be easily identified as at balance date. All payments are undiscounted and the timing of the cash flows is based on the contractual terms of the underlying contract. Interest payable is based on the drawn debt at balance date.

| As at 31 March 2021 | Balance $'000 | Contractual cash flows $'000 | On demand $'000 | < 1 year $'000 | 1 - 2 years $'000 | 2 - 5 years $'000 | > 5 years $'000 |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables and Other payables | 2,040 | 2,040 | - | 2,040 | - | - | - |
| Borrowings (Note 14) | 9,400 | 9,400 | - | - | - | 9,400 | - |
| Interest and fees payable to the bank | 448 | 4,839 | - | 1,941 | 1,931 | 968 | - |
| **Total** | **11,888** | **16,279** | **-** | **3,981** | **1,931** | **10,368** | **-** |

| As at 31 March 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Financial Liabilities** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade payables and Other payables | 225 | 225 | - | 225 | - | - | - |
| Borrowings (Note 14) | 49,250 | 49,250 | - | - | - | 49,250 | - |
| Interest and fees payable to the bank | 27 | 3,229 | - | 1,454 | 1,427 | 348 | - |
| **Total** | **49,502** | **52,704** | **-** | **1,679** | **1,427** | **49,598** | **-** |

## Capital Management

The Group's capital includes contributed capital and accumulated loss.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.
The impact of the level of capital on Shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantage and security afforded by a sound capital position.

The Group's policies in respect of capital management and allocation, including loan covenants are reviewed quarterly by the Board of Directors.

## Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## Financial Instruments

The Group classifies its financial assets as fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortised cost according to the Group's business objectives for managing the financial assets and based on the contractual cash characteristics of the financial assets. At each reporting date, the Group classifies all its financial liabilities as amortised cost or FVTPL.

## 5. Net Rental Revenue

### Accounting policy

**Rental Revenue**

Rental revenue is the Group's primary revenue stream. Net rental revenue is recognised in accordance with NZ IFRS 16 Leases. Substantially all property owned by the Group is leased to third party tenants. As the Group retains substantially all the risks and benefits of ownership of its investment properties, it accounts for leases with its tenants as operating leases and begins recognising income when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognised on a straight-line basis over the term of the lease; including any lease incentives which are amortised to profit and loss over the same period and reduce rental income recognised.

Net rental revenue is measured based on the consideration specified in the relevant rental agreement. The lease term varies between properties and individual tenants within those properties.

Rental abatements were provided to some of the tenants due to COVID-19 and this has reduced the rental income for the year. Total abatements for the year ended 31 March 2021 are $65,000 (2020:$Nil). In addition rental relief was provided to some of the tenants due to COVID-19 which was classified as a lease modification. Total relief granted for the year ended 31 March 2021 is $332,000 (2020: $Nil). The relief granted has been capitalised and is amortised on a straight-line basis over the remaining lease period.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Rental charged to tenants in the ordinary course of business | 12,174 | 12,720 |
| Operating cost recoveries from tenants and customers | 2,071 | 1,727 |
| Capitalised lease incentive adjustments | (143) | - |
| Lease abatement due to COVID-19 | (65) | - |
| Lease relief due to COVID-19 | (332) | - |
| Spreading of rent relief COVID-19 | 191 | - |
| **Total gross operating revenue** | **13,896** | **14,447** |
| Other revenue | 4 | 19 |
| **Gross rental revenue** | **13,900** | **14,466** |
| **Direct Property operating costs[1]** | **(3,947)** | **(3,995)** |
| **Net rental revenue** | **9,953** | **10,471** |

*[1] Property operating costs represent property maintenance and operating expenses.*

*Leasing fees are capitalised and amortised over the lease term to which they relate.*

Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Within one year | 7,522 | 11,041 |
| After one year but not more than five years | 7,589 | 21,283 |
| More than five years | 1,495 | 6,302 |

The above rental receivables are based on contracted amounts as at 31 March 2021 and 31 March 2020. Actual rental amounts collected in future will differ due to upward rental review provisions within the lease agreements. There are multiple leases and tenants. The rent review mechanisms and frequency vary for each lease. Each lease has renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the minimum lease terms and do not include any options for renewal due to the uncertainty as to whether the options will be exercised. The figures above also exclude the recovery of rates and insurance disclosed under lease income in accordance with NZ IFRS 16 since this is a variable lease payment that does not depend on an index or rate.

The future minimum receivable rental for the Eastgate Shopping Centre is assumed to be the earliest possible settlement date for the unconditional sale of Eastgate Shopping Centre, being 22 August 2021. Refer to Note 13 for further details on the sale of the Eastgate Shopping Centre.

## 6. Other Revenue

No other revenue was recognised in the current year. In the comparative year, the sale of the Heinz Wattie's Distribution Centre in Hastings settled on 17 December 2019. The Group had agreed to underwrite the purchaser's capital raising. No call was made on the underwrite and a fee of $487,500 was received.

## 7. Administration Expenses and Net Finance Costs

### Accounting policy

**Interest Revenue**

Interest revenue consists of interest accrued on cash deposits and is recognised using the effective interest method.

**Interest and Finance Costs**

Finance costs, including borrowing costs and interest payable on borrowings, are recognised in the consolidated statement of comprehensive income when incurred. Borrowing costs incurred that do not relate to qualifying assets are treated as an expense and are not capitalised. Prepaid loan establishment fees are recognised on the consolidated statement of financial position sheet and capitalised (if related to a qualifying asset) or expensed over the term of the loan agreement (Note 14) a straight line basis.

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Administration expenses** | | | |
| Management fees | | (788) | (824) |
| Directors' fees | 20 | (300) | (300) |
| Auditor's remuneration | | (114) | (105) |
| Professional fees | | (280) | (277) |
| Other administration costs[1] | | (254) | (138) |
| **Total administration expenses** | | **(1,736)** | **(1,644)** |
| **Net finance costs** | | | |
| Interest and finance costs[2] | | (1,144) | (1,671) |
| Interest revenue | | - | 7 |
| **Total net finance costs** | | **(1,144)** | **(1,664)** |
| **Auditor's remuneration as follows:** | | | |
| Audit of the annual financial statements | | (65) | (63) |
| Other assurance services | | (49) | (42) |
| **Total auditor's remuneration** | | **(114)** | **(105)** |

[1] *Other administration costs include office costs, registry, New Zealand Stock Exchange fees and shareholder communications costs.*

[2] *In addition to Interest paid on the loan the Interest and finance costs include line fees of $400,000 and amortised loan establishment fees of $104,000.*

## 8. Transaction Costs

During the year ended 31 March 2021 $0.012 million of transaction costs were recognised. During the comparative reporting period (ended 31 March 2020), investigative work was undertaken to acquire two separate property-based businesses. This cost included substantive due diligence, financial investigative and legal costs for the Company collectively known as transaction costs. During the period ended 31 March 2020, $0.989 million of transaction costs were incurred. In addition $0.785 million of costs were incurred in relation to the Company's rights offer that was cancelled in March 2020.

## 9. Income Tax

### Accounting policy

Income tax in the consolidated statement of comprehensive income comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax on the taxable income for the year, using rates enacted or substantially enacted at balance date, and any adjustment to income tax payable in respect of previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

Deferred tax is provided for using the liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of any deferred income tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

The Group has applied the rebuttable presumption under *NZ IAS 12* that deferred tax on investment property measured using the fair value model in *NZ IAS 40* is determined on the basis that its carrying amount will be recovered through sale.

The Group holds investment properties for the purpose of capital appreciation and rental income and therefore the measurement of any related deferred tax reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale. In New Zealand there is no capital gains tax, therefore the tax consequences on sale will be limited to depreciation previously claimed for tax purposes (i.e. depreciation recovered).

Major components of income tax for the year ended 31 March are:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| *Current tax* | | |
| Current income tax charge | (1,143) | (2,132) |
| Prior year tax adjustment | 22 | 114 |
| **Current tax** | **(1,121)** | **(2,018)** |
| *Net deferred income tax* | | |
| Investment property building depreciation | 1,135 | 439 |
| Other | 8 | 83 |
| **Net deferred income tax** | **1,143** | **522** |
| **Income tax reported in the consolidated statement of comprehensive income** | **22** | **(1,496)** |

A reconciliation of the income tax expense applicable to net profit before income tax at 28%, to the income tax expense in the consolidated statement of comprehensive income for the year ended 31 March is as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net profit/(loss) before tax | 15,927 | (13,192) |
| **Income taxation expense (28%)** | **(4,460)** | **3,694** |
| Adjust for revaluations of investment property | 2,498 | (5,352) |
| Adjust for non-deductible expenses | (7) | (501) |
| Adjust for capital loss on disposal of investment property | (90) | - |
| Adjust for development loan facility fees | 139 | - |
| Adjustment for deferred tax (depreciation on buildings) | 1,135 | - |
| Adjustment for prior period | 22 | - |
| Adjustment for depreciation (claimed in financial year) | 653 | 386 |
| Other | 132 | 277 |
| **Income tax reported in the consolidated statement of comprehensive income** | **22** | **(1,496)** |

| **Deferred income tax** | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net deferred income tax liability relates to the following: | | |
| *Deferred income tax liabilities* | | |
| Investment properties recoverable depreciation | (213) | (1,347) |
| Other | 9 | 1 |
| **Net deferred income tax liabilities** | **(204)** | **(1,346)** |
| **Deferred taxation** | **(204)** | **(1,346)** |

## 10. Segment Reporting

The principal business activity of the Group is to invest in New Zealand properties. Investment properties have similar economic characteristics, methods of management and are under leases of various terms. Segment reporting is presented in a consistent manner with internal reporting provided to the chief operating decision maker, the Board. The Board receives internal financial information on a property by property basis, assesses property performance and decides on the resource allocation. The Group operates only in New Zealand. On this basis all of the Group's properties have been aggregated into a single reporting segment to most appropriately reflect the nature and financial effects of the business activities. The Group has no unallocated revenue, expenses, assets or liabilities and this approach has been applied to comparative periods.

## 11. Trade Receivables, Other Receivables and Prepayments

### Accounting policy

Trade receivables, other receivables and prepayments are initially recognised at fair value plus transaction costs and subsequently carried at amortised costs using the effective interest rate method less an allowance for any impairment losses. Due to their short term nature, trade receivable, other receivables and prepayments are not discounted.

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses. The impairment of trade receivables is assessed on a collective basis (grouped based on the days past due), as they possess shared credit risk characteristics.

Further disclosure details on the expected credit loss model have not been included in the financial statements as the amounts involved are considered by the Directors of the Group to be immaterial.

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Trade receivables | 441 | 235 |
| GST receivable | 201 | - |
| Expected credit losses | (75) | (26) |
| **Total trade receivables** | **567** | **209** |
| Colliers Property Trust Account (Eastgate) | 1,056 | 484 |
| Other receivables | 668 | 497 |
| **Total other receivables** | **1,724** | **981** |
| **Total trade and other receivables** | **2,291** | **1,190** |

Trade receivables are non-interest bearing and are on < 30 day terms.

| | | |
|---|---|---|
| Loan establishment fees (unamortised) | 731 | 77 |
| Other prepayments | 48 | 153 |
| **Prepayments** | **779** | **230** |

Non-current prepayments include $439,000 of unarmortised loan establishment fees. All other prepayments are classified as current.

## 12. Investment & Development Properties

### Accounting policy

Investment properties which are held exclusively to earn rentals and/or for capital appreciation are classified as investment properties at their acquisition date. These are initially recognised at cost plus related costs of acquisition. After initial recognition, investment properties are stated at fair value as determined by an independent registered valuer. Investment properties are valued annually. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment properties that are being constructed or developed for future use are classified as development properties and are measured at cost, as cost represents the fair value. Development properties are carried at fair value when fair value can be reliably determined, which is expected to be upon completion. All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure is capitalised. Gains or losses arising from changes in the fair value of development properties held at fair value are included in profit or loss in the year in which they arise. Development properties are re-classified as Investment properties upon practical completion of the development and the property is held to be leased out under an operating lease.

In the absence of an active market, alternative valuation techniques are utilised which may include discounted cash flow projections, capitalisation of income or sales comparison approach as appropriate to the property being valued. The valuations are prepared by considering the aggregate of the estimated cash flows expected from rental income, the occupancy rates, average lease terms and capitalisation rates which reflect the current market conditions. The estimate of fair value is a judgement which has been made based on the market conditions which apply at each reporting date.

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 disposal of an investment property are recognised in profit or loss in the period of derecognition.

The tables below outline the movements in the carrying values for all directly owned investment properties:

**As at 31 March 2021**

| Investment Properties | Opening fair value balance $'000 | Acquisitions $'000 | Capex $'000 | Lease amortisation & other $'000 | Gain/ (loss) on revaluation $'000 | Transfer to assets held for sale $'000 | Carrying value at balance date $'000 | WIP[1] $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Eastgate Shopping Centre ** | 46,950 | - | 308 | 26 | (4,724) | (42,560) | - | - | - |
| Stoddard Road | 37,500 | - | - | 91 | 3,909 | - | 41,500 | - | 41,500 |
| Graham Street | 50,100 | - | - | - | 9,400 | - | 59,500 | 1,508 | 61,008 |
| **Development Properties** | | | | | | | | | |
| Munroe Lane | 7,500 | - | - | - | 261 | - | 7,761 | 17,258 | 25,019 |
| Kamo* | - | 2,259 | - | - | 341 | - | 2,600 | 107 | 2,707 |
| **Total investment & development properties** | **142,050** | **2,259** | **308** | **117** | **9,187** | **(42,560)** | **111,361** | **18,873** | **130,234** |

*The acquisition of 34 Springs Flat Road, Kamo, Whangarei was settled on 29 July 2020.*

***Eastgate Shopping Centre was transferred to held for sale when the sale and purchase agreement became unconditional on 22 February 2021.*

*(1) WIP (work in progress) relates to costs incurred in relation to future development work which were not included in the inputs to the valuation calculation by the independent valuers. These costs include design, consents and other direct costs capitalised as development costs.*

**As at 31 March 2020**

| Investment Properties | Opening fair value balance $'000 | Acquisitions $'000 | Capex $'000 | Lease amortisation & other $'000 | Gain/ (loss) on revaluation $'000 | GTransfer to assets held for sale $'000 | Carrying value at balance date $'000 | WIP[1] $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Eastgate Shopping Centre | 54,577 | - | 1,234 | (39) | (8,822) | - | 46,950 | - | 46,950 |
| Stoddard Road | 39,500 | - | - | (10) | (1,990) | - | 37,500 | - | 37,500 |
| Graham Street * | - | 58,580 | - | - | (8,480) | - | 50,100 | 396 | 50,496 |
| **Development Properties** | | | | | | | | | |
| Munroe Lane ** | - | 7,323 | - | - | 177 | - | 7,500 | 1,113 | 8,613 |
| **Total investment & development properties** | **94,077** | **65,903** | **1,234** | **(49)** | **(19,115)** | **-** | **142,050** | **1,509** | **143,559** |

** The acquisition of 35 Graham Street, Auckland was approved by shareholders at a special meeting held on 17 June 2019. The purchase of this property settled on 28 June 2019.*

*** The acquisition of 6 - 8 Munroe Lane, Albany, Auckland settled on 2 December 2019.*

*(1) WIP (work in progress) relates to costs incurred in relation to future development work which were not included in the inputs to the valuation calculation by the independent valuers. These costs include design, consents and other direct costs capitalised as development costs.*

The independent valuations are adjusted for the carrying value of capitalised lease incentives and capitalised leasing fees as in determining the carrying amount of investment property under the fair value model, an entity does not double count assets or liabilities that are recognised as separate assets or liabilities.

Graham Street is recognised as an investment property as it is still income producing and therefore is carried at fair value. The WIP in relation to the future development at Graham Street is carried at cost. The land at Munroe lane Kamo is valued separately from the WIP from the development, Land is valued at fair value, WIP is carried at cost.

All properties that are not expected to be sold in the next 12 months were valued on a fair value basis at each reporting date by independent registered valuers, listed below, who are members of the Institute of Valuers of New Zealand. These valuers are experienced in valuing commercial properties. The fair values of the investment properties at each reporting date are as follows:

**As at 31 March 2021**

| | Valuer | Capitalisation rate % | Occupancy rate % | WALE Years | Valuation $'000 |
|---|---|---|---|---|---|
| **Stoddard Road**<br>22 Stoddard Road, Auckland | Jones Lang LaSalle | 6.00 | 100.00 | 4.18 | 41,500 |
| **Graham Street**<br>35 Graham Street, Auckland Central | Jones Lang LaSalle | 5.75 | 100.00 | 0.50 | 59,500 |
| **Munroe Lane**<br>6 - 8 Munroe Lane, Albany, Auckland | Jones Lang LaSalle | N/A | N/A | N/A | 7,761 |
| **Kamo**<br>34 Springs Flat Road, Kamo, Whangarei | Jones Lang LaSalle | N/A | N/A | N/A | 2,600 |
| | | | **97.56** | **2.72** | **111,361** |

Eastgate Shopping Centre has not been independently valued as at 31 March 2021 - refer to Note 13 Property Held for Sale.

As at 31 March 2020

| | Valuer | Capitalisation rate % | Occupancy rate % | WALE Years | Valuation $'000 |
|---|---|---|---|---|---|
| **Eastgate Shopping Centre** Cnr Buckleys Road & Linwood Avenue, Christchurch | Jones Lang LaSalle | 8.38 | 95.33 | 4.53 | 46,950 |
| **Stoddard Road** 22 Stoddard Road, Auckland | Colliers | 6.25 | 100.00 | 4.00 | 37,500 |
| **Graham Street** 35 Graham Street, Auckland Central | Colliers | 6.50 | 100.00 | 1.24 | 50,100 |
| **Munroe Lane** 6 - 8 Munroe Lane, Albany, Auckland | Jones Lang LaSalle | N/A | N/A | N/A | 7,500 |
| | | | **98.37** | **3.16** | **142,050** |

The valuation techniques and significant unobservable inputs are as follows:

| Description | Valuation technique | Unobservable inputs | Sensitivity Of Fair Value To Changes In the estimated fair value would increase/(decrease): |
|---|---|---|---|
| Investment and development properties | Capitalisation of net income | The capitalisation rate range applied is 5.75% - 6.00% (2020: 6.25% - 8.38%) | Capitalisation rate was lower (higher). |
| | | The net market rental income per sqm $302.56 - $349.48 (2020: $152.98 - $323.10). The represents the valuers' assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. | Retail and office rental income per square meter was higher (lower). |
| | Discounted Cash Flow | The discount rate range applied is 6.50% - 7.00% (2020: 8.00% - 8.50%). | The discount rate was lower (higher). |
| | | Occupancy rate range applied is 100.00% (2020: 95.33% - 100.00%). | The occupancy rate was higher (lower). |
| | | Rental growth rate range is 0.50% - 3.00% (2020: 0.00% - 3.00%) over 10 years. | Office rental growth was higher (lower). |
| | | A letting up period range of 6 - 9 months (2020: 12 - 24 months) has been allowed at the end of each existing lease of the properties. | Letting up period was lower (higher). |
| | Sales Income Approach | The per square meter rate range applied is $67.5 - $1,850 per square meter. | Rate per square metre was higher (lower). |

Investment property values are assessed within a range indicated by at least two valuation approaches, other than undeveloped land. Most commonly the capitalisation of net income approach and the discounted cash flow approach are used to value income producing properties. The sales comparison approach is used to appraise both developed and undeveloped plots of land.

Estimates are used in these valuations. These include the capitalisation rate in the income capitalisation approach, the discount rate in the discounted cash flow approach and rate per square meter in the sales comparison approach. The approaches are also influenced by other estimates relating to market rental levels, vacancy rates, letting-up allowances and the cost of ongoing operating expenses, capital expenditure, other capital payments, time, location, quality and overall condition.

Among other factors, all valuation approaches consider the quality of the building and its location, tenant quality, lease terms and any lease incentive costs such as rent-free periods and other costs not paid by the tenant.

## Impact of COVID-19

The valuations take into account the impact of COVID-19 in inputs and market evidence adopted. Some valuations state that there may be a greater range around their opinion of "market value" than would normally be the case and/or that values and incomes may change more rapidly and significantly than during standard market conditions.

### Valuation Sensitivity

This sensitivity analysis outlines how movements in the discount rate and capitalisation rate impact to the fair value of the investment properties that use the Discounted Cash Flow and Capitalisation valuation approaches. The discount rate is used in the discounted cash flow approach and the capitalisation rate is used in the capitalisation approach.

| 35 Graham Street | +25bps | Adopted Value | -25bps |
|---|---|---|---|
| Capitalisation rate | 55,300 | 58,400 | 61,800 |
| Discount rate | 59,100 | 60,400 | 61,700 |
| **Adopted Value*** | **57,200** | **59,500** | **61,750** |

| Stoddard Road | +25bps | Adopted Value | -25bps |
|---|---|---|---|
| Capitalisation rate | 39,885 | 41,554 | 43,369 |
| Discount rate | 40,623 | 41,343 | 42,080 |
| **Adopted Value*** | **40,254** | **41,500** | **42,725** |

*The adopted value for the sensitivity of +25bps and -25bps is taken as the average value between the two approaches.

The sensitivity analysis are estimates only and assume all other variables used to calculate the property valuations remain constant.

## 13. Properties Held for Sale

### Accounting policy

Investment property is transferred to investment property held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. The property is held at the realisable value, being fair value less cost to sell. These properties are held for immediate sale in their present condition or the Group has committed to selling the asset through entering into a contractual sales and purchase agreement. The value of these properties is reassessed at each reporting date with gains and losses arising from changes in fair values being recognised in profit and loss.

Investment properties which meet the requirements of assets held for sale will be reclassified on the date these requirements are met. These properties will continue to be measured under the fair value model with any gains or losses being recognised in profit or loss in accordance with *NZ IAS 40 Investment Properties*. Revenue on the sale of properties held for sale is recognised when the risks and rewards have transferred to the buyer.

The table below outlines the movements in the carrying values for all properties held for sale during the year:

**As at 31 March 2021**

| Property | Opening balance $'000 | Transfer from investment properties $'000 | Capex $'000 | Lease amortisation & other $'000 | Gain on Sale $'000 | Disposal $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|---|
| Eastgate Shopping Centre | - | 42,560 | - | - | - | - | 42,560 |
| **Total** | **-** | **42,560** | **-** | **-** | - | **-** | **42,560** |

On 22 February 2021 the Group entered into an unconditional sale of purchase agreement to dispose of Eastgate Shopping Centre. The sale price is $43.45m and is expected to settle no earlier than 22 August 2021 (6 months from the date of the agreement) and no later than 22 February 2022 (12 months from the date of the agreement). The carrying value represents the sale price less the committed fit out works cost for Taco Bell.

As at 31 March 2020

| Property | Opening balance $'000 | Transfer from investment properties $'000 | Cost of sale of transaction $'000 | Loss on Sale $'000 | Disposal $'000 | Closing balance $'000 |
|---|---|---|---|---|---|---|
| AA Centre (99 Albert Street) | - | - | - | 23 | (23) | - |
| Heinz Wattie's Warehouse | 28,890 | 204 | (17) | 23 | (29,100) | - |
| **Total** | **28,890** | **204** | **(17)** | **46** | **(29,123)** | **-** |

These properties were initially classified as investment properties and were subsequently reclassified to properties held for sale.

## 14. Borrowings

### Accounting policy

Borrowings are classified as financial liabilities at amortised costs. They are initially recognised at fair value of the consideration less directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are recognised as an expense when incurred, unless they relate to a qualifying asset and are capitalised when incurred. Borrowing costs capitalised on qualifying assets during the year were $497k (2020:Nil).

| Facility | Bank | Loan maturity | 2021 $'000 | 2020 $'000 |
|---|---|---|---|---|
| Working Capital Facility | BNZ | 30/09/2023 | - | - |
| Investment Facility | BNZ | 30/09/2023 | 9,400 | 49,250 |
| Development Facility | BNZ | 30/09/2023* | - | - |
| **Total** | | | **9,400** | **49,250** |

** The development facility expires the earlier of 30 September 2023 and the Conversion Date, being the date the loan converts to an Investment Facility. In the loan agreement the conversion date is defined as the date that the Agent (acting on the instructions of the Majority Lenders) determines that Practical Completion has occurred.*

**Financing facilities available**

At reporting date, the following financial facilities had been negotiated and were available:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Facilities used at reporting date - secured bank loan (BNZ) | 9,400 | 49,250 |
| Facilities unused at reporting date - secured bank loan (BNZ) | 120,600 | 25,750 |
| **Total** | **130,000** | **75,000** |

### Loan security

The loan is secured by a registered first mortgage over the investment properties of the Group, an assignment of leases over all present and directly acquired properties mortgaged to the BNZ Bank and a first general security interest over the assets of the Group. The facility limit was increased from $75 million to $130 million on 30 October 2020. The current facility matures in September 2023.

### Loan covenants – BNZ bank

During the year ended 31 March 2021 all loan covenants were met (2020: all met).

## 15. Trade Payables, Accruals and Provisions

### Accounting policy

**Trade and other payables**

Trade payables are classified as financial liabilities and are initially measured at fair value less any transaction costs and subsequently carried at amortised cost and due to their short term nature, are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of these goods and services.

**Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade payables | 196 | 158 |
| GST payable | - | 11 |
| Other payables | 1,844 | 67 |
| **Total trade and other payables** | **2,040** | **236** |
| Interest accrual | 10 | 27 |
| Opex accruals | 1,066 | 473 |
| Capex accruals | 2,691 | 514 |
| Capital raising cost accruals | - | 554 |
| **Total accruals** | **3,767** | **1,568** |
| **Total trade payables, accruals and provisions** | **5,807** | **1,804** |

Trade payables are non-interest bearing and are normally settled on 30 day terms. Interest payable is settled quarterly throughout the financial year. Other payables are non-interest bearing and have an average term of 6 months.

## 16. Fair Value Measurement

### Accounting policy

Financial assets/liabilities classified as fair value through profit and loss ("FVTPL") are initially recognised at their fair value and are subsequently measured at fair value at each reporting date. Gains and losses recorded on each revaluation date are recognised within net earnings. Transaction costs of financial assets classified as FVTPL are expensed in the consolidated statement of comprehensive income.

The table below sets out the comparison by category of carrying amounts, fair values, and fair value movement hierarchy of the Group's investment properties and borrowings:

| | | Year ended 31 March 2021 | | | Year ended 31 March 2020 | | |
|---|---|---|---|---|---|---|---|
| | | **Quoted market** Price (Level 1) | **Market observable** Outputs (Level 2) | **Non market** Outputs (Level 3) | **Quoted market** Price (Level 1) | **Market observable** Outputs (Level 2) | **Non market** Outputs (Level 3) |
| Investment properties | Note 12 | - | - | 130,234 | - | - | 143,559 |
| Properties held for sale | Note 13 | - | - | 42,560 | - | - | - |
| Borrowings | Note 14 | - | (9,400) | - | - | (49,250) | - |

The quoted market price (Level 1) represents the fair value determined based on quoted prices in active markets as at the reporting date. For financial instruments not quoted in active markets (Level 2) the Group uses present value techniques, with a comparison to similar instruments for which market observable prices exist and other relevant models used by market participants, which includes current swap rates on offer and also the current floating interest rate (interest rate swaps). For properties held for sale and investment properties (Level 3), the Group uses present value techniques based on forecasted future earnings.

There are no transfers between Level 1, 2 or 3 during the financial year ended 31 March 2021 (2020: None).

The Group has also assessed possible impairment for 12-month expected loss or life-time expected loss on trade and other receivables and notes that the outcome of this is $75,000 (2020:Nil).

## 17. Equity

### Accounting policy

Equity instruments issued by the Group are recorded as the proceeds are received, net of direct issue costs.

### Issued capital and reserves

| | 2021 | 2020 |
|---|---|---|
| *Ordinary shares* | | |
| Number of issued and fully paid shares | 362,718 | 161,920 |

Ordinary shares have no par value. Fully paid and ordinary shares carry one vote per share, and share equally in dividends and any surplus on winding up.

On 10 September 2020, the Company announced an equity raising of approximately $60.2 million (200.8 million shares) via a $12.1 million underwritten placement (40.5 million shares) and a $48.1 million entitlement offer (160.3 million shares). On 2 October 2021, the Company successfully completed the equity raising.

## 18. Earnings Per Share

### Accounting policy

Earnings per share is calculated by dividing the profit/(loss) attributable to shareholders (excluding distributions) of the Group by the weighted average number of ordinary shares on issue during the period.

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Total comprehensive (loss)/income for the year, net of tax | 15,694 | (14,688) |
| Weighted average number of ordinary shares ('000) | 265,683 | 161,920 |
| **Earnings per share (cents) - basic and fully diluted** | **6.00** | **(9.07)** |

## 19. Dividends Paid to Shareholders

Dividends paid during each reporting period comprised:

| | 2021 CPS | 2021 $'000 | 2021 Date Paid | 2020 CPS | 2020 $'000 | 2020 Date Paid |
|---|---|---|---|---|---|---|
| Q4 prior year net dividend | 0.000 | - | n/a | 0.900 | 1,457 | 20/06/19 |
| Q1 net dividend | 0.450 | 740 | 12/08/20 | 0.900 | 1,458 | 4/09/19 |
| Q2 net dividend | 0.450 | 1,640 | 11/12/20 | 0.900 | 1,458 | 18/12/19 |
| Q3 net dividend | 0.450 | 1,640 | 3/03/21 | 0.900 | 1,458 | 13/03/20 |
| **Total paid during the year** | **1.350** | **4,020** | | **3.600** | **5,831** | |

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Imputation credit account** | | |
| At 31 March the imputation credits available for use in subsequent reporting periods are | 943 | 938 |

## 20. Remuneration

| Key management personnel costs | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Directors' remuneration | 300 | 300 |
| **Total** | **300** | **300** |

## 21. Related Parties

Centuria Funds Management (NZ) Limited (formerly Augusta Funds Management Limited) owns the management contract rights of the Group. The parent of Centuria Funds Management (NZ) Limited, Centuria Capital (NZ) No.1 Limited (formerly Augusta Capital Limited), owns 19.99% of Asset Plus Limited (2020: 18.85%). Transactions with Centuria Funds Management (NZ) Limited are deemed to be related parties because the Company is managed by Centuria Funds Management (NZ) Limited under the terms of the signed management contract.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Fees paid and owing to the manager ($'000)** | **Fees charged** | **Fees owed** | **Fees charged** | **Fees owed** |
| Management fees | 788 | 213 | 824 | 199 |
| Lease renewal fees | 843 | - | 227 | - |
| Property management fees | 171 | 44 | 192 | 46 |
| Acquisition fees | - | - | 658 | - |
| Development management fees | 335 | 335 | 250 | 250 |
| **Total** | **2,137** | **592** | **2,151** | **495** |

| Consolidated Statement of Changes in Equity | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Dividend paid to Augusta Capital Limited | 762 | 1,099 |

## 22. Commitments and Contingencies

### Capital commitments

At 31 March 2021 the Group has the following capital commitments (2020: nil):

- Capital commitments of $850,000 in regards to fit out works for Taco Bell at Eastgate Shopping Centre.
- Capital commitments of $104,444,000 in regards to the development at Munroe Lane.

### Guarantees

BNZ has provided a bond to the New Zealand Stock Exchange for the sum of $75,000, being the amount required to be paid by all Issuers listed on the New Zealand Stock Exchange, and the Company has provided a General Security Agreement over its assets in favour of BNZ as security for this bond (31 March 2020: $75,000).

### Contingent liabilities

At the reporting date the Group had no material contingent liabilities (2020: nil).

## 23. Subsequent Events

Susbequent to year-end the fund manager's name changed from Augusta Funds Management Limited to Centuria Funds Management (NZ) Limited, effective 7 April 2021. There were no other subsequent events.

# Independent Auditor's Report

GrantThornton

## To the Shareholders of Asset Plus Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Asset Plus Limited ("the Company") and its subsidiaries ("the Group") on pages 30 to 53 which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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.

Our firm carries out other assignments for the Group in the area of related assurance services. The provision of these services has not impaired our independence as auditor of the Group. The firm has no other interest in the Group.

Grant Thornton

## Key Audit Matters

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

| Why the audit matter is significant | How our audit addressed the Key Audit Matter |
|---|---|
| **Investment Property valuation**<br><br>In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.<br><br>The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements.<br><br>The estimates and underlying assumptions are reviewed on an ongoing basis.<br><br>As at 31 March 2021, Investment Property is carried at fair value of $130 million. Investment Property includes valuations that were performed by independent registered valuers. There are a number of risks that can have a material impact on the investment property in the consolidated financial statements, principally:<br><br>• The independent registered valuers have included a material valuation uncertainty clause in their report arising from the COVID-19 pandemic for Stoddard Road. This clause highlights the uncertainties surrounding property valuations due to the absence of relevant transactional evidence of current market pricing. This results in less certainty and greater estimation in the valuation of investment property. Assumptions made include capitalisation rates, discount rates, market rent and expected growth based on market data and market transactions. These assumptions along with others included consideration of the impact of the COVID-19 pandemic.<br><br>• The methods and assumptions used by the property valuers, may not be considered appropriate.<br><br>• The calculation of the fair value amount for each of the investment properties including Development Property, as well as the revaluation adjustment for the year may not be correct; and<br><br>• The data provided to the property valuers may not be appropriate. | We have:<br><br>• Obtained and agreed the schedule of investment properties to the respective independent valuation reports, performed by valuation experts.<br><br>• Evaluated the qualifications and work of each valuation expert, for each of the investment properties.<br><br>• Inquired about and documented the methods and assumptions used by the expert and considered the appropriateness of those assumptions and methods used, for each property valuation. Documented and considered how those assumptions had taken into account uncertainties arising from the COVID-19 pandemic.<br><br>• Confirmed each property valuation was performed in accordance with appropriate accounting standards for use in determining the carrying value of investment property as at 31 March 2021.<br><br>• Recalculated the revaluation adjustment to be recorded for the year of each investment property as at 31 March 2021.<br><br>• Tested the appropriateness of data provided to the expert, for each property valuation.<br><br>• Ensured property held for sale are recorded at appropriate fair value at measurement date and any estimation or judgements by management are reasonable and appropriate for reporting purposes.<br><br>• Ensured costs capitalised during the period and carrying amounts of Development Property at reporting date including any estimation or judgements by management are reasonable and appropriate for reporting purposes.<br><br>• Considered the adequacy of the disclosures made in Note 3 Significant Accounting Estimates and Judgements and Note 12 Investment and Development Properties, to the consolidated financial statements, which sets out the key judgements and estimates including valuation techniques and significant unobservable inputs applied to determine fair value of the investment property. These notes explain that there is material estimation uncertainty and there has been a material impact on the valuation of investment properties; and<br><br>• Discussed with management changes in the investment property portfolio, including any property development, controls in place surrounding the valuation process and the impact COVID-19 pandemic has had on the investment property portfolio including rent abatements, occupancy risk, growth rates. |

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## Other Information

The Directors are responsible for the other information in the Group's Annual Report. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

## Directors' responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the Audit of the Consolidated 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 consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

## Restriction on use of our report

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders, as a body 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 Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

**Grant Thornton New Zealand Audit Limited**

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**K Price**
Partner, Auckland
27 May 2021

# Shareholder Statistics

### Twenty Largest Shareholders

Top 20 Shareholders (with expanded NZCSD Sub-Register) as at 21 May 2021.

| Rank | Investor Name | Total Shares | % Issued Capital |
|---|---|---|---|
| 1 | Centuria Capital (NZ) No.1 Limited | 72,507,288 | 19.99 |
| 2 | HSBC Nominees (New Zealand) Limited | 38,016,935 | 10.48 |
| 3 | Accident Compensation Corporation | 32,025,280 | 8.83 |
| 4 | FNZ Custodians Limited | 13,208,953 | 3.64 |
| 5 | Leveraged Equities Finance Limited | 11,574,806 | 3.19 |
| 6 | New Zealand Depository Nominee | 7,366,681 | 2.03 |
| 7 | Forsyth Barr Custodians Limited | 5,682,048 | 1.57 |
| 8 | Cogent Nominees Limited | 5,602,581 | 1.54 |
| 9 | Wairahi Investments Limited | 5,000,000 | 1.38 |
| 10 | Premier Nominees Limited | 4,299,338 | 1.19 |
| 11 | National Nominees New Zealand Limited | 3,931,771 | 1.08 |
| 12 | Tea Custodians Limited | 3,663,744 | 1.01 |
| 13 | Premier Nominees Ltd Armstrong Jones Property Securities Fund | 3,482,647 | 0.96 |
| 14 | Forsyth Barr Custodians Limited | 3,465,216 | 0.96 |
| 15 | New Zealand Permanent Trustees Limited | 2,950,598 | 0.81 |
| 16 | Francis Ivor Charles Jasper & Victoria Jane Carpenter & Anthony Francis Segedin | 2,900,000 | 0.8 |
| 17 | Cypress Capital Limited | 2,887,359 | 0.8 |
| 18 | Investment Custodial Services Limited | 2,825,864 | 0.78 |
| 19 | Forsyth Barr Custodians Limited | 2,359,430 | 0.65 |
| 20 | New Zealand Permanent Trustees Limited | 2,154,237 | 0.59 |

## Spread of shareholders

The following is a spread of quoted security holders as at 21 May 2021.

| Range | Holders | Shares | % Issued Shares |
|---|---|---|---|
| 1-1,000 | 88 | 56,851 | 0.02 |
| 1,001-5,000 | 387 | 1,159,799 | 0.32 |
| 5,001-10,000 | 338 | 2,649,173 | 0.73 |
| 10,001-50,000 | 857 | 21,970,446 | 6.06 |
| 50,001-100,000 | 268 | 20,107,760 | 5.54 |
| Greater than 100,000 | 287 | 316,773,772 | 87.33 |

## Substantial Security Holders

As at 31 March 2021 the following Shareholders had filed substantial security notices in accordance with the Financial Markets Conduct Act 2013.

| Shareholder | Number of ordinary shares relevant interest disclosed for |
|---|---|
| Augusta Capital Limited* | 72,507,288 |
| Salt Funds Management Limited | 48,196,433 |
| Westpac Banking Corporation (and related bodies corporate) | 38,434,922 |
| Accident Compensation Corporation | 31,086,689 |
| **Total ordinary shares on issue at 31 March 2021** | **362,717,801** |

**Augusta Capital Limited changed its name to Centuria Capital (NZ) No.1 Limited on 7 April 2021.*

This annual report is dated 27 May 2021 and is signed on behalf of the board by:

**Bruce Cotterill**

Chairman

**Carol Campbell**

Chair Audit and Risk Committee

# Directory

## Company

**Asset Plus Limited**

PO Box 37953, Parnell 1151
Phone: 09 300 6161

www.assetplusnz.co.nz

**Directors**

Bruce Cotterill
Allen Bollard
Carol Campbell
Paul Duffy
John McBain

## Bankers

**Bank of New Zealand**

Level 6
Deloitte Centre
80 Queen Street
Auckland

## Auditor

**Grant Thornton New Zealand Audit Partnership**

Level 4
Grant Thornton House
152 Fanshawe Street

PO Box 1961
Auckland 1140

## Registrar

**Link Market Services Limited**

Level 11
Deloitte Centre
80 Queen Street
Auckland 1010

PO Box 91976
Auckland 1142

Phone: 09 375 5998
Fax: 09 375 5990

## Manager

**Centuria Funds Management (NZ) Limited**

Level 2
Bayleys House
30 Gaunt Street
Wynyard Quarter
Auckland 1010

PO Box 37953
Parnell 1151

ASSET PLUS+

MANAGED BY Centuria