



29 November 2022

Dear Shareholder,

In an increasingly challenging environment, Asset Plus has continued to capitalise on opportunities for the benefit of shareholders, while maintaining as a near term focus, the successful delivery of the development at 6-8 Munroe Lane, Albany.

After ongoing delays brought about by COVID-19, it is pleasing to be able to report that the development at Munroe Lane recently reached a significant milestone with the building now fully weathertight and the two tower cranes dismantled. With completion now expected in the second quarter of the 2023 calendar year, this property will add to the portfolio a brand new, sustainable, well located office building with a blue-chip tenant covenant across two thirds of the property.

As we move on from the disruption of the last three years, the economic impacts left in the wake of the pandemic are difficult to overstate. The most immediate of those is clearly the persistent inflation which is currently having a profound impact on the New Zealand economy.

As the Reserve Bank of New Zealand works within its mandate to bring inflation under control with significant tightening of monetary policy, the consequences are becoming ever more material. We have spoken previously about the need for prudent capital management, and this remains the company's overarching focus.

Following recent successful divestments from the portfolio including Eastgate, 35 Graham Street and Kamo, the Stoddard Road property will be marketed for sale in the first quarter of the New Year.

Realising value from this property at or close to its carrying value while further reducing the company's leverage would be a positive outcome in the current economic climate, particularly given the forecast cost of debt servicing versus the yield on the property.

Stoddard Road has provided an essential revenue stream through the development window of Munroe Lane as rental income has reduced due to the divestment of Eastgate and the vacancy at 35 Graham Street since the start of 2022.

However, with the Auckland Council lease over approximately 63% of the lettable area at Munroe Lane due to commence in the coming months, the Board feels now is an appropriate time to explore a potential sale of Stoddard Road which would be marginally accretive to the company's financial performance in a significantly higher interest rate environment.

Eastgate settled at the end of August after an unforeseen title issue arose. That issue was dealt with effectively by management, under trying circumstances and with difficult time pressures, and the settlement occurred within the necessary timeframes. The Board would like to thank the key management personnel who made a substantial contribution to ensuring a satisfactory outcome on this matter.

NTA has remained constant throughout the period since 31 March 2022 at 44.0 cents, with occupancy



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and WALE across the portfolio reducing on the back of the divestment of Eastgate and vacancy at 35 Graham Street.

The result for the interim period ended 30 September 2022 was materially reduced due to the vacancy at 35 Graham Street and the associated loss of rental income, meaning AFFO<sup>1</sup> was breakeven for the period, as had been previously signalled when the dividend was suspended back in March 2022.

Despite a challenging funding environment, the company has successfully secured an extension to the bank facilities through to 31 March 2025, doing so ahead of the current expiry in September 2023. Key features of the new arrangement include an increase in the facility limit to \$85 million, deletion of the ICR covenant with a \$5 million lockbox facility in its place. That lockbox can reduce as earnings, driven by future leasing at Munroe Lane, increase.

The company's key focus remains the successful completion of the Munroe Lane development as well as leasing the residual space within that development. We remain confident of the strong fundamental aspects of that development and still maintain a positive view that the space will attract tenants despite the wider economic headwinds.

Further, following completion of construction and leasing at Munroe Lane, the company will review its ownership of that property, subject to market conditions at the time.

Ultimately, the Board anticipates being in the unique position of the Company having zero debt and significant cash reserves. This would represent a strong balance sheet position, with a number of options then available to the company.

Thank you as always for your continued support.

Regards,

Bruce Cotterill  
Chairman

<sup>1</sup> AFFO stands for 'Adjusted Funds From Operations', and is a non-GAAP financial information, calculated based on guidance issued by the Property Council of Australia. Asset Plus considers that AFFO is a useful measure for shareholders and management because it assists in assessing the Company's underlying operating performance. This non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities.