

DIRECTORS' REVIEW

Financial Performance

CDL Investments New Zealand Limited ("CDI") recorded a profit after tax of \$13.5 million for 2023 (2022: \$31.2 million) which reflects the challenging trading environment seen over the past twelve months. While the Board is disappointed that the level of profit is significantly less than previous years, it is appreciative of the work put in by Management to achieve the results in 2023. The Board believes that CDI has established a platform for future revenue growth, particularly from the company's newer residential developments.

Profit before tax for 2023 was commensurate with the company's performance and was \$18.7 million (2022: \$43.3 million). Property sales, rental income & other income totalled \$31.2 million (2022: \$67.3 million). There were no one-off gains from land sales in 2023 as compared to \$29 million recognised in the previous year.

At year end, CDI's shareholders' funds increased to \$313.7 million (2022: \$308.9 million) and total assets also increased to \$319.2 million (2022: \$313.7 million). Net tangible assets per share (at book value) also increased to 107.9 cents (2022: 107.0 cents).

CDI's property holdings as at 31 December 2023 as independently valued was \$412.6 million (2022: \$405.4 million). This takes into account new acquisitions made in 2023 as well as the sales recorded. At cost, the portfolio was valued at \$260.4 million (2022: \$239.5 million) in line with CDI's accounting policies.

Property Portfolio

In 2023, we purchased and settled a total of 37.5 hectares of land. Our acquisitions were in the Waikato, Nelson / Marlborough and Canterbury regions with the majority being new projects, not adjacent to existing land holdings. Management is working on development schemes and resource consent applications for these new acquisitions to allow development work to commence in the near term.

Post balance date, the purchase of 10.8 hectares of land in Nelson was settled during January 2024.

Residential sales in 2023 were strongest at Prestons Park (Christchurch) with a small number of sales coming from the Auckland subdivisions (Kewa Road & Christian / Tram Valley Road), which are now sold out.

Solid progress has been made at our Iona Block development in Havelock North where we have secured resource consents for Stage 1 and commenced construction. We are confident that works will progress to a stage where off-the-plan sales can start in Q2 2024. The Stage 2 resource consent has been lodged and is currently being processed by Hastings District and Hawkes Bay Regional Councils.

CDI's commercial projects including the warehouses in Wiri, South Auckland and the neighbourhood centres located at Prestons Park and Stonebrook are performing as expected and contributed \$2.5 million, representing approximately 8% of total revenue in 2023. The high inflationary environment during 2023 impacted lease conversion rates with a number of tenants unable to secure sufficient finance to proceed.

Dividend Announcement

The Board resolved to maintain its fully imputed ordinary dividend at 3.5cents per share payable on 17 May 2024. The Board carefully considered the dividend amount and decided to provide a consistent return to shareholders. This is a sign of the confidence the Board has in the company's future prospects. The level of dividend will allow the company to retain enough cash resources to allow completion of its development work during this year.

The record date will be 3 May 2024. The Dividend Reinvestment Plan will apply to this dividend.

Summary and Outlook

The dramatic downward market shifts we encountered from the end of 2022 (which carried into 2023) should not continue into 2024. With a new government promising reform of convoluted consent processes and the prospect of some additional fast-tracking, we feel that residential property development as a whole should stabilise during 2024 and start to tick upward through 2025, if not earlier.

Market conditions are presenting some interesting opportunities which the Board has asked Management to assess and consider carefully. We are encouraging Management to broaden their horizons and look at property types and potential acquisitions in the residential and commercial spheres which they may not have considered previously.

For those reasons, the Board and Management currently expect CDI's revenues and profits in 2024 to be better than those in 2023. Further updates will be provided as the year progresses. The Board and Management share an optimistic outlook for 2024, particularly if sales from Havelock North commence before the end of the year. We will be doing everything practicable to keep to our development timelines so our sales targets can be met.

I would like to offer my thanks to our loyal shareholders on behalf of the Board for your invaluable support during 2023.



Colin Sim
Chairman
26 February 2024