CHAIRMAN'S ADDRESS – BRUCE COTTERILL

It's my pleasure to present the Chairman's address for Asset Plus for the 2022 financial year.

I'll start by saying that, in an increasingly uncertain economic environment, the Board and Management of Asset Plus have, as always, been focused on securing opportunities and managing our portfolio to deliver the best outcome for our shareholders.

As we all know, the continuing effects of the Covid-19 pandemic have created a great deal of uncertainty in property and investment markets, with widespread impacts resulting from government mandated lockdowns.

The consequences for the property sector have been significant, with workers forced to work from home for extended periods, retailers closing and companies deferring major property decisions given the wider economic uncertainty.

The construction sector has also been profoundly impacted by supply chain interruptions and associated cost escalations.

The arrival of inflation and, as a result, a changing interest rate environment has further complicated matters, with central banks moving with increasing urgency to combat the unprecedented inflation we are all seeing in our daily lives.

We noted last year that the scale of potential development opportunities before us required a prudent capital management strategy given the size of the company's balance sheet.

With this changing environment, we have elected to take up opportunities to restructure the portfolio with a view to substantially de-risking the company going forward.

You will recall the first such decision came with the opportunity to sell Eastgate Shopping Centre in Christchurch in early 2021 with an extended settlement date. We later elected to defer the scheduled settlement date further to facilitate a subdivision application by the purchaser. That decision has bolstered short term earnings for the company, and also allowed a full year depreciation claim to be made to 31 March 2022.

As an update, the property was due to settle on August 12th – however an unforeseen issue with the title has caused that settlement to be delayed. Stephen will update you all further on this matter shortly. However, at this point in time we remain confident that the issue can be resolved within the timeframe, and that we will be able to provide clear title to enable settlement to occur on or before the final date as dictated by the settlement notice which is 31st August.

Subsequently, an opportunity arose to sell our property at 35 Graham Street in Auckland came about as a result of us receiving an unsolicited offer. Again, we have a delayed settlement – at either of December 2023 or December 2024

These sales outcomes mitigate the balance sheet constraints that may have hampered the Company in this changing environment. It sets the company on a pathway back to a very conservative gearing position of circa 10% once Graham Street is settled (that's against a sector average of approximately 30%).

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

The Graham Street sale also removes all leasing and development risk for the property, in what is a currently very challenging leasing and development environment. With a sale price of $65 million, the transaction will realise capital above the 31 March 2022 independent valuation undertaken by JLL of $56 million. As many of you will recall, shareholders approved this sale at a Special Meeting held on 3 June 2022.

The company's focus in the near term is now on the successful completion of the Munroe Lane development. Munroe Lane will add to the portfolio a brand new sustainable building with a 5 star Green-Star design rating and with a blue chip tenant covenant across two thirds of the property. Construction activity continues to progress well, albeit delayed as a result of Covid-19.

We do have some leasing yet to complete at Munroe Lane. The leasing market has remained challenging. However, leasing interest is building as the property continues to take shape. Those of you who have driven past lately will see that the main structure is rather impressive, and having visited the site recently, I was impressed by the shape of the floorplates and the natural light that has been created by the unique design. We therefore remain confident that the fundamentals of the property remain attractive, and tenants will be secured in time.

It seems that demand for high quality, long dated income producing assets continues to have some appeal, and the as-complete fully leased valuation increased as at 31 March 2022, from $146.85m to $147.50m.

Covid-19 continues to impact on investment portfolios, and we have not been spared with further rental abatement and relief provided to our tenants to ensure their longevity. Pleasingly, we've now renewed the majority of leases across the portfolio for the year.

The Stoddard Road Centre continues to operate well and enjoys 100% occupancy with contract income increasing by $80,000 over the past financial year.

We've continued to work closely with the company's funder, BNZ, throughout the year to navigate the changing environment and they have been supportive of our divestment decisions. We are now working with BNZ to extend the debt facilities ahead of their expiry in September 2023.

In that regard, we have agreed an amendment to our banking facilities, meaning that the Interest Cover Ratio (ICR) will not be tested for the period from 1 April 2022 until 31 March 2023 inclusive. The need for this is primarily driven by the upcoming divestment of Eastgate – meaning a reduction in income, while the Munroe Lane property remains under development.

Dividends equating to 97% of AFFO were paid throughout the year. This reflected a change in strategy from that articulated in the September 2020 capital raise, whereby we undertook to fund any shortfall in dividends from capital. However, as shareholders know, during the year we paused dividend payments as the changing environment and capital constraints on the company meant that a more prudent approach was appropriate at this point in time. The dividend remains subject to quarterly review. However it currently remains suspended until sufficient operating earnings are generated to support a policy that is sustainable going forward.

Finally, on behalf of the Board, we acknowledge that this is a challenging time for many investors and we thank our shareholders for their ongoing support.

I'll now pass over to Stephen Brown-Thomas who will give the Manager's presentation, providing a more detailed update on the financial result, portfolio metrics, and outlook.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

THE MANAGER'S PRESENTATION – STEPHEN BROWN-THOMAS

Thank you, Bruce, and good afternoon everyone – great to see you here in person after the past few meetings have been virtual only. I am Stephen Brown-Thomas, the Asset Plus Fund Manager from Centuria NZ, the external manager of Asset Plus.

The challenges we faced last financial year as a result of Covid-19 have carried over into the FY22 year. Despite those challenges we have delivered a stable result, with total profit for the year of $2.93m versus the prior year of $15.95m. The prior year result was driven through revaluation gains, post the FY20 loss on the back of the pandemic and market uncertainty. Adjusted funds from operation or AFFO has reduced from $5.82m to $4.22m as a result of the Council lease at Graham St coming to an end in December 2021.

The Munroe Lane development continues to progress well, albeit it is delayed as a result of Covid-19 impacts. We'll discuss this in further detail shortly.

An opportunity arose to divest the 35 Graham Street property, which was approved by Shareholders at a special meeting in early June. Given the challenging market conditions and risks associated with delivery of the proposed redevelopment this was a prudent step to take.

The settlement of Eastgate was deferred to allow the Purchaser to complete a proposed subdivision, with new titles now issued. However, a Building Act Certificate issue has arisen preventing settlement from occurring that we are working our way through now. Again, I will speak to this in further detail shortly.

As noted, a Building Act Certificate issue was identified just ahead of settlement when our lawyers lodged the pre-validation of the transfer of titles with Land Information New Zealand, or LINZ. That pre-validation was rejected on the basis that there was a Building Act Certificate on the adjoining McDonalds restaurant title that binds it to Eastgates titles. Our titles do have a certificate on them, however they are not bound to the adjoining McDonalds title.

This isn't a straightforward issue to explain, however in short, the Eastgate titles cannot be transferred until they are decoupled from the McDonalds title through removal of the Building Act Certificate on the McDonalds title.

In theory this situation should never have eventuated, as the sole purpose of the Certificate is to prevent transfer of the parcels of land with the certificate on them to separate ownership. However, after investigation it appears the issue materialised back in 2005/2006 when the company completed a land swap with McDonalds.

The only way this issue could have been identified by us earlier would be if we ordered and reviewed a copy of the McDonalds title, which we had no need to do given the property is not owned by the Company. The Purchaser also did not identify this issue in their due diligence on the property.

We have made an application to Council to remove the certificate in question, and we need to demonstrate how the area the certificate covers, complies and meets Building Act requirements. Minor fire protection works are required to achieve this, and we've lodged a Building Consent exemption with Council. They have agreed to remove the certificate on the basis we provide a cash bond to secure our obligations, with that agreement currently being drafted and expected to be executed by the end of the week. This would then allow settlement to occur by 31 August.

Given we could not complete settlement as originally scheduled on the 12th of August, the Purchaser has issued a settlement notice which gives us until the 31st of August to settle the transaction before they can cancel the agreement or sue for specific performance.

Given the agreement with Council, which now only remains subject to entering the documentation we remain confident that the issue can be resolved ahead of 31 August, allowing settlement to occur.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

Naturally we've had ongoing dialogue with BNZ to keep them updated on the matter, they remain supportive and understand it's an unprecedented issue that was outside of our control. If Eastgate does not settle it will not impact on our ability to draw under the Munroe Lane development facility. Given the pending refinance any restructuring required as a result of settlement not occurring could be dealt with as part of that process.

Once settlement does occur the revised portfolio metrics are as shown here. The portfolio value reflects the movement in cost at Munroe Lane since 31 March 2022 in addition to the reduction as a result of the Eastgate divestment.

Turning to Munroe Lane now, you can visually see the progress made with the external façade now progressing as shown with this photo from early August. Construction as at the end of July is 68% complete, with $43.5 million cost to complete.

We received the NZ Green Building Council 5 Star Green Star Design and Built rating during the year.

The project budget has now been reset on the back of the impacts of Covid-19 on delivery costs, delays, assumed increase in incentives and associated funding costs due to the prolongation of the delivery timeframe and increasing interest rates. The total project budget has increased up to $137.6m. The as-complete and fully leased valuation also increased by $650,000 during the period up to $147.5m, which was up from the $142.0m at the September 2020 capital raise. The committed occupancy as-complete valuation reflecting the lease commitment of Auckland Council only is $139.0m.

As a result of the reset budget, the forecast development margin will reduce from 9.8% to 7.2%, and yield on cost reduces from 5.9% to 5.5%.

Our committed occupancy at Munroe Lane remains at 63%, through the Auckland Council lease. The impacts of Covid-19 have been fairly profound for the office market in the area, with available space on the North Shore increasing from effectively nothing when we entered the ADL with Council, to peaking at around 35,000m2 of available space. Wider macroeconomic conditions are now also changing with tenant confidence remaining somewhat muted.

We are aware of a number of substantial tenant mandates on the horizon, with IRD currently undertaking a market sounding exercise for occupation from late 2024. There is also another substantial tenant who we've worked with that pushed out their required occupation target until late 2024, given current market uncertainty.

The fundamentals of the space remain attractive and we are confident that these will attract and secure tenants in time, there may just be a disconnect between when the building is complete and ready to occupy versus leases commencing. All feedback on the property and product to date has been extremely positive from both agents, and prospective tenants.

We continue to maintain our excellent working relationship with Auckland Council, with their team excited about the pending move into the soon to be completed premises.

35 Graham Street has been unconditionally sold for $65.0m to Mansons TCLM. Settlement is scheduled for December 2023, however Mansons have an option to extend this to December 2024 if they pay an additional $3.0m consideration and increase the deposit to $13.6m.

The initial $6.5m deposit has been received and has been used to retire debt.

We are working on short term leasing opportunities to bolster holding income, given the uncertainty of tenure available these are predominantly storage and car parking related as opposed to office-based accommodation.

Stoddard Road continues to perform well, with the valuation increasing from $41.5m to $43.5m on the back of market demand for similar product.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61

We maintain 100% occupancy with 14.7% of the centre's income secured for the year. We did continue to support our tenants through rental abatement and relief during the Auckland regional lockdowns in the period.

Looking forward the anchor tenant, The Warehouse, has an initial lease expiry in February 2025 which will mean the WALE will continue to reduce until a renewal is secured.

We've already covered off the current status of the delay in settlement for Eastgate, however once settled the majority of the proceeds will be utilised to repay debt, with the balance retained as working capital.

We've continued to manage the Eastgate centre to bolster income ahead of settlement, with two new tenants secured in the period and 11 lease renewals or extensions obtained during the year.

Of note was the Taco Bell opening in June 2021 which was the 5th largest opening week for any Taco Bell globally.

The centre is continuing to be managed by our team until settlement occurs.

Moving to Kamo now. The property has been unconditionally sold for $2.7m with settlement scheduled for 30 November 2022.

Those proceeds will be utilised to repay debt, however the facility limit will be retained providing further undrawn capability.

Set out here is a breakdown of the current debt facilities the company has with BNZ. We have sufficient headroom to complete the Munroe Lane development in conjunction with working capital reserves.

Once Eastgate settles the facility limit will decrease by $40.0m.

As noted the facilities are expiring in September 2023, with the company starting discussions on refinancing with BNZ at present.

There is no hedging in place at present, given the changing nature of the portfolio including the timing of the 35 Graham Street settlement.,

Our immediate focus is on resolving the issue at Eastgate to provide clear title and allow settlement to occur prior to the 31st of August. We remain confident that we will have resolution of this issue within the required timeframe.

Our main focus continues to be the successful delivery of the Munroe Lane development and leasing the residual space within that development. As noted, we remain confident that the fundamental aspects of this property remain attractive, and that tenant commitment will be secured in time.

Management are commencing negotiations on the refinancing of the company's debt facilities ahead of expiry in September 2023.

Options for the company remain limited until we complete and lease the balance of the Munroe Lane development. The settlement of Eastgate in the near term, and 35 Graham Street in either December 2023, or December 2024 are also key drivers in driving balance sheet capability.

The dividend remains subject to quarterly review by the Board but is currently suspended until the company has sufficient operating earnings to support any ongoing dividend.

That now concludes the manager's presentation, I'll hand back over to Bruce now to facilitate any shareholder questions.

Auckland Office
Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010

Auckland Postal
PO Box 37953, Parnell, Auckland 1151

Contact
Enquiries@centuria.co.nz | +64 (9) 300 61 61