

## **DIRECTORS' REVIEW**

### **Financial Performance:**

CDL Investments New Zealand Limited ("CDI") made an unaudited operating profit after tax of \$5.02 million (2022: \$22.90 million) for the six month period ending 30 June 2023. We achieved an operating profit before tax of \$6.98 million (2022: \$31.81 million). Total revenue and other income for the period was \$11.97 million (2022: \$47.81 million). Net Asset Backing (at cost) for the period under review was 104.99 cents per share (2022: 104.08 cents per share).

The results reflect the dramatic change in market sentiment which started in Q3 2022 and has continued into 2023. It is also important to note that our results for the same period in 2022 were boosted by a one-off contribution from the sale of commercial land at Wiri.

We do expect market and consumer sentiment to moderate and improve over the remainder of 2023 and into 2024 but we also recognise that current economic pressures are unlikely to result in any dramatic market upswing in the immediate term.

### **Portfolio update:**

During the last six months, we have sought to make acquisitions to support and grow our existing land portfolio. We have entered into contracts for a total of 48.32 hectares of land in Hamilton (adjacent to our existing land holding) with two new acquisitions in Nelson/ Tasman and one in Christchurch. One purchase in Hamilton settled in early August. These acquisitions complement our existing holding with the Nelson/ Tasman and Christchurch properties providing us with short term development opportunities and the Hamilton property allowing design improvements to our future master planning.

Work is being done to prepare the groundwork for additional stages at Prestons Park (Canterbury) as well as completing infrastructure works around the local area including the Snellings Drain and Mairehau Road upgrades. The maturity of the development allows us to pace our future development appropriately to match demand.

Development planning work also continues for the Iona Block land in Havelock North. The Stage 1 subdivision consent has now been granted and we planning to commence construction later in the year as soon as the subdivision infrastructure plans and infrastructure provision agreements are approved. In addition, the development team has lodged the Iona Stage 2 resource consent applications with the Hastings District and Hawkes Bay Regional Councils.

Our diversification into commercial property over recent years now comes into its own and provides us with additional revenue which will also assist our year-end results.

### **Commentary and Outlook:**

There is much to be positive about even in a tough trading environment. Shareholders can take comfort from the fact that the Board and Management are both equally determined to ensure that the company remains secure over the long term both financially and from an asset point of view. The company's strong cash reserves means that CDI not only remains in a strong position to withstand this difficult trading period, but is in a financial position to maintain its long term approach and grow the company's portfolio for the current and future generations. This is an environment we have encountered before and the cyclical nature of the property markets mean that we will always encounter, and need to deal with, market peaks and troughs.

While we are optimistic that we can increase the number of sales in the second half of this year, we recognise that the total number of section sales that we will achieve in 2023 will be below the number we have seen in previous years. This will have a corresponding impact on our overall results for the year but we fully expect that 2023 will be another profitable year.

With new development managers coming on board this year, we continue to add to our highly capable and experienced team, all of whom are well equipped to deal with our current and future challenges. We also remain on track to grow our future development portfolio which will secure our position for the next few years. Management is actively looking at other opportunities to add to our land portfolio including projects which are already consented and can be completed and made ready for sale relatively quickly. We look forward to sharing more with shareholders and the wider market at the appropriate time.



**Colin Sim**  
**Chairman**  
**8 August 2023**