

## CHAIR'S REPORT FOR THE YEAR ENDED 28 FEBRUARY 2023

*Despite the impact of rising interest rates coupled with negative National and International factors resulting in a subsequent reduction in the valuation of the complex, the Board has continued to exercise careful control over factors that it has a direct influence.*

*This is reflected in the continuance of regular quarterly dividends, the improvement in gross rentals, the reduction in Operating Contributions and the maintenance of other Operating Expenses at levels commensurate with last year.*

The attached audited financial statements for the year ended 28 February 2023 identify a year of mixed fortunes for the enterprise dominated by the impact of New Zealand's monetary policy. In its efforts to curb Inflation.

There has been much debate and rhetoric surrounding the almost never-ending round of Interest rate rises, I leave it to you to surmise whether this aggressive policy has been excessive or not and the timings appropriate.

The rise of interest rates has been the extreme dominant factor in determining our financial results for the year and this is not only reflected in the impact upon the operating profit but also upon the determined valuation of the complex. To illustrate this factor, if we compare the interest rate at year commencement to the year end rate this represents an increase of 140%.

It is disappointing to record a substantial negative change in the value of the Investment property. The cost of the recently commissioned lift and the wash up of the seismic repairs were further factors.

The determined Capitalization Rate employed for Financial Reporting purposes increased from 7.25% to 8.00% due solely to exterior influences.

Much of the Valuation Report is commercially sensitive but a robust summary will be presented at the Annual General Meeting.

The percentage decrease compares favorably with that announced recently by listed public companies.

### Revenue

Gross Rentals increased from last year \$9.62 million to \$9.99 million and there is a timely CPI increase from one of the major anchor tenants commencing 1 September 2023.

Both anchor tenants enjoyed significant increases in their annual turnovers and our percentage rental income was at record levels. Despite the recessionary pressures the overall tenancy trading revenue has been maintained since the commencement of this financial year and can only inspire confidence for any leasing enquiries.

#### Interest Rates

We continue to receive an offset from our Swap arrangement but this matures 4 November 2024. The Board reassesses the situation with some care, principal repayments, though modest, commenced from December 2022. Of critical note will be whether the country will continue to experience further regular increases in the Reserve Bank rate, there is an indication that this may have run its course.

#### Bank Covenants

The Board has successfully negotiated a reduction in the requirements. They will be reassessed next February.

#### Dividends

The dividend rate has reduced to 3.25 cents per share to meet the interest rate rises. The Board has continued to maintain its commitment to complete quarterly payments and I am pleased to announce the 30 June 2023 payment will be completed at the same rate as the previous quarter. Future dividends are subject to regular assessment and future interest rate announcements will directly impact on this.

#### Improvements

A program of improvement to the first tranche of travellers has commenced and this is a three year program, also a planned replacement of air conditioning units and roof improvements has begun. High standards of cleanliness and presentation have been enforced.

#### Sustainability

The ability to bear the prestigious Environmark Toitu logo has continued, the new EV charging stations are in operation and the Board continues to explore the possibility of installing solar panels in the car park area.

#### Place In the Community

I cannot but applaud the commitment and energy of the Management team to the production of interesting and varied communal activities and the efforts to improve our standing within the extended Hornby area. Prior to the AGM there is an invitation extended to all shareholders to accompany Jason Marsden on a short tour of the complex, you can ascertain, first hand, as to the accuracy of my comments.

I wish to recognize the fine contributions of the Management team, the dedication of Andrew Kidd at Nexia, the efforts of the Colliers administrative team, and the expertise of Evan Harris. These contributions have been very much appreciated during what has proved to be a difficult year.

Michael Keyse  
Chair