

2022

Chairman's Report



Chair's Report For The Year Ended 28 February 2022

MICHAEL KEYSE
CHAIR



“It has been a remarkable year, in a number of aspects, despite the ravages of the COVID epidemic and its continuing economic aftermath still present today.”

I am pleased to announce that the Company has constructed a detailed and informative web site and this will be presented, in some depth, at the forthcoming Annual General Meeting. If you are unable to attend that meeting, I commend that you visit the site once it is released. It attempts, in logical form, to highlight and identify the financial results achieved and responds to a number of specific shareholder requirements. The menu construction is summarised within the 2022 Annual Report.

It has been a remarkable year, in a number of aspects, despite the ravages of the COVID epidemic and its continuing economic aftermath still present today. This impact has been lessened, even negated by the policies put in place by the proactive and skilful Management team, the response to the motivational program submitted to our tenants by that team, the fair but firm program of tenant relief instituted by the Board.

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Meeting our Strategic Aims

We have a clear strategy and it is appropriate that my report measures the results obtained against those strategies.

1. To improve the value of the Investment

- a. *To maintain and develop this high quality property in a key location.*

The high level of presentation is obvious to any visitor to the Mall.

Strict adherence to uncompromising levels of cleanliness, of safety, a close review of the standards of fit out are apparent and a credit to our Operations Manager, Kiri Thomson. A long term plan of maintenance, replacement, and hazard control is in place and reserve funds in physical terms are available to meet these initial demands.

The upgrading of the original escalators is in train and these will provide a reliable and quieter environment.

- b. *To attract and maintain a sustainable tenant base.*

To reach an occupancy percentage of 98% at February 2022 was remarkable in light of the Covid environment.

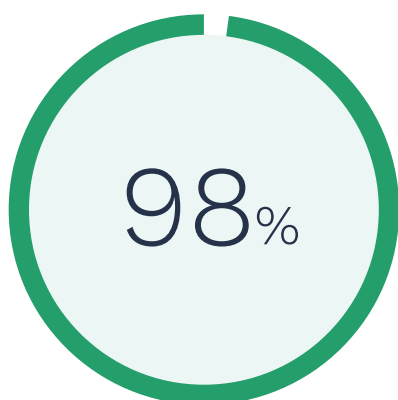
Due to the leasing efforts of our Agents and the positive incentive policy maintained by the Board we have attracted three new International tenants who were installed immediately before Christmas. These included Cotton On, Cotton On Kids and Starbucks. The latter has had a direct impact on our social media exposure.

- c. *To maintain a capital program of Improvement*

This year end sees the final completion of the seismic repairs which lifts us to an NBS rating that satisfies any intending tenancy demands as well as meeting the ASB Bank covenant requirements. This is indeed a milestone.

A large lift is being installed within the Pak n Save to meet the increasing patronage of that tenant. This will speed access from the top carpark and provide improved accessibility. Scheduled for completion September 2022.

Permanent access walkways are being installed on a regular basis.



OCCUPANCY PERCENTAGE
AT FEBRUARY 2022



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2. To improve Shareholder Liquidity

We have applied for membership to the secondary market with the USX Unlisted Securities Exchange. Registration is almost finished and I see no impediment for this not to be completed. I am hopeful this will be concluded before the AGM. I refer you to our website and the separate heading content within the 2022 Annual Report.

This is a secondary listing and is a Trading and Information Platform which provides liquidity and transparency with current and previous market movements.

Allied to this is the immediate development of the Website facility to provide a visual and proactive tool for the promotion of liquidity to our shareholders. This will also act as a reference and facilitator for the deliberations of your personal advisors.

3. Increase awareness of Investment

With the website and our initial approaches to the local sharebrokers we have the ability to increase the awareness of the attributes and advantages of this shopping precinct.

The USX website will also have factual information about the Company with a developed "Issuer Profile". This includes financial data, various tables and ratios.

Our website will work very much in tandem with the existing and new revised website operated by our marketing arm under the instigation of our contract Management team. This has Facebook commentary and identifies the individual tenancies, hours of operation, facilities, promotions, and items of community interest.

4. Maintain and Improve Shareholder Return

For the financial year in review the dividend rate has increased from an initial 5 cents per share gross per annum to a 5.5 cents rate at year end. Quarterly distributions were as follows for the year: 1.25 cents, 1.25 cents, 1.375 cents, 1.375 cents, an average of 5.25 cents gross (RWT deducted)

Distributions increased from \$2.3 million to \$3.0 million, an increase of 28.68%. (some allowance must be made due to the convertible note conversion)

5. Improve Sustainability

I refer you to the report from our Centre Manager and his comment that The Hub has been chosen as a finalist in the South Island Property Council awards for Excellence in Sustainability, to be announced in December 2022.

69 million
Number of Shares on Issue

243
Number of Shareholders

5.50 Cents
Gross
Latest dividend rate
declared (at annual gross
rate, RWT to be deducted)

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The previous Property Council accolade, "Award of Excellence Best in the Retail Category 2018" identified the sustainability features inherent in the design and this has led to the recent granting of the gold standard award with authority to bear the prestigious Enviromark Toitu logo.



Various dedicated vehicle battery charging stations are in place.

The Financial Impact of these Strategic Policies

The practical impact of these successful strategies are reflected in the financial results for the year.

1. Despite Covid the rental received increased from \$9.26 m to \$9.62 m. This can be subject to some distortion due to Covid but I bring to your attention the 2019 rent roll of \$8.52 m.
2. Gross Profit, that is Income less Management and Operating Contributions increased from \$8.86 m to \$9.54 m.
3. Net Operating Income increased from \$5.49 m to \$5.90 m.
4. Most impressive was the Net Income increase from a loss of \$771,161 to a gain of \$6,342,692, this takes into account a positive net change in the registered valuation of the Investment Property.
5. An increase in the registered valuation of the complex from \$125.580 million to \$129.000 million.
6. An increase in Shareholder Equity from \$54.143 m to \$57.471 million.



Future Indications

As I write this there is a National and International climate of despondency and concern.

The Companies interest rate charge has increased in just a short term by 66 percent and more hikes are imminent. International pressures continue to mount due to climate change, open warfare and inflationary pressures. There is a marked lack of confidence in the present World leaders.

One line of thought is that we are in the process of a short sharp corrective shift but matters will improve in the medium term.

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At present we have a high tenancy base, we have a modest swap arrangement in place to alleviate some of the interest rate hikes, we have completed our schedule of cash draining seismic improvements, a number of our leases are CPI adjusted, our demographics continue to improve, from November 2022 we have a budgeted allowance to commence term loan repayments to reduce our gearing ratio, our maintenance demands are relatively modest, our previous strategic aims and infrastructure has been completed as I have illustrated.

The Board will continue to exercise a prudent and conservative approach. Hopefully, for the reasons listed above, and with the timely introduction of these supportive strategies the Company should be well placed to weather the storm.

I express my thanks to the talented and conscientious Management team at The Hub headed by Jason Marsden and Kiri Thomson who continue to act over and beyond expectations, the professional and timely assistance rendered by Andrew Kidd of Nexia, Chartered Accountants, the unsung efforts of the Colliers administrative team headed by Evan Harris and Joanna Koster and the expertise of Andy Wilkinson to see the seismic repairs reach final fruition. On behalf of the Board I wish to thank its investors, our tenants and their customers for their proactive support and loyalty.

Michael Keyse
Chair



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