

## **CHIEF EXECUTIVE'S ADDRESS ANNUAL MEETING 15 OCTOBER 2019**

Having only just joined the Company same time around last year, this is the first year that I will report to the annual meeting.

Therefore, I am very glad that it has been a successful year with a good result.

The Company recorded a trading surplus of \$9.3m which is in line with last year's results and with a significant valuation uplift, the Company's net surplus improved to \$9.7m which is an improvement of \$0.3m over last year.

While there was a decrease in earnings from our joint venture interest in Northport by \$220,000 compared to last year, your Company's other business units performed strongly and delivered an additional \$160,000 over last year's result.

The reduced earnings from Northport are mainly the result of a reduction in log exports, which is a continuation of last year's trend.

Overall cargo volumes have decreased by 5% to 3,300,000t.

However, there are some real good news stories to be told, not the least being the recent announcements by the Upper North Island Supply Chain Study Group, but also around the development of Northport as a container port.

With close to 13,000 TEU passing across the berth face in 2019, this is an improvement of almost 5,000 containers or 61% over the previous year.

And while this does not make up for the reduced log exports yet, it is a very promising trend, especially since MSC will be offering a fortnightly service all year round at Northport from now on.

The Parent Company had a very good year, more than doubling last year's profits.

The earnings from the Company's property holdings are in line with the previous year. Once a new tenant is signed up, there is usually a 9-12 month project period before earnings are achieved.

The Company has successfully completed two new building projects over the past financial year.

The first one was the development of the Manaia Business Centre, a complex of four new commercial units at 250m<sup>2</sup> each, on a site along Marsden Bay Drive. This project was completed in May this year and was fully tenanted since the beginning of September.

The earnings from this development will have a positive effect on the property earnings for the current financial year.

The second project was the construction of two 4,000m<sup>2</sup> bulk storage warehouses on our land holdings close to the port.

Construction started in January with the first warehouse handed to the Client at the end of June. The second warehouse recently at the end of September.

With an original budget of just less than \$8 million, this project was completed in only nine months and within budget.

As with the first project, the current financial year will see the benefits of this new development.

Other developments on our property holdings included the construction of a 600-metre road access way to access our land holdings from McEwan Road on the southern end of our land, and the relocation of the container storage facility, which was required for the Manaia Business Centre.

The already positive trend on the boatyard operations from 2018 has improved significantly.

A highlight of the previous year was certainly the establishment of the SailGP team on our boatyard and at Northport, for the testing of their new F50 foiling catamarans.

The average number of vessels on the yard has increased from 10 to 17 which is a 70% increase over the previous year.

This very satisfying development was the result of targeted marketing initiatives and great service on excellent facilities which result in a high return/retention rate.

The increase in boats on our yard also has positive effects for our associated business. So that, in December last year, the Company erected a second smart shelter structure on the Boatyard as a permanent leased base for our boat builder.

Another completed project was the construction of a 7,800m<sup>2</sup> Trailer Boat Park and Boat Sales Yard along Marsden Bay Drive.

With the continued growth of the operations we would soon run out of space on the boatyard and have therefore started the construction of an additional one hectare of hardstand area as an extension of the boatyard. Completion is expected in April.

The positive developments in the diversification in Cargo at Northport, as well as the strong growth in the Parent Company, despite the continued downwards trend in log exports, have allowed us to once again increase the dividend payments per share compared with last year. A dividend of 16 cents per share for the 2019 financial year was distributed. This is a two percent increase over the previous year.

With the recent Government discussion and the greater presence of Northport and Northland in the news, there has been a steadily increasing level of interest in our land holdings over the last year.

With the recent release of the second part of the Upper North Island Supply Chain Study, we only expect this interest to grow.

All this bodes very well for the future of your Company.