

DIRECTORS' REVIEW

Financial Performance

For the year ended 31 December 2019, CDL Investments New Zealand Limited ("CDI") recorded a profit after tax of \$34.1 million (2018: \$33.6 million). This result is the tenth consecutive year of profit growth for the company-

Property sales & other income totaled \$91.8 million (2018: \$85.0 million). Profit before tax also increased to \$47.4 million (2018: \$46.7 million). Given slowing market conditions, the Board believes that this is a very creditable result.

At 31 December 2019 shareholders' funds increased to \$235.5 million (2018: \$210.6 million) and total assets were \$240.7 million (2018: \$217.6 million). Net tangible asset per share (at book value) was 84.5 cents (2018: 75.7 cents).

Land portfolio

The independent market value of CDI's land holdings was \$315.6 million reflecting sales made in 2019 (2018: \$337.8 million) as at 31 December 2019. At cost, the portfolio was valued at \$182.7 million (2018: \$169.7 million) in line with CDI's accounting policies.

During the year, CDI acquired a total of 9.7 hectares of land in Hawkes Bay. Management is targeting further acquisitions but only if pricing and location are competitive in line with the company's investment criteria.

We announced in late December that sales of the first stages had commenced at our Dominion Road (Papakura, South Auckland) and Kewa Road (North Shore, Auckland) subdivisions. Both of these developments are well located and well priced and we expect to recognise these sales in the current year with development on further stages to be also undertaken as well.

The commercial areas located at Prestons Park (Canterbury) and Stonebrook (Rolleston, Selwyn District) are progressing well. Stonebrook is on track for completion and letting out in the first half of this year with construction of Prestons Park due to be completed by the end of this year with letting in early 2021.

Dividend Announcement

The Board has resolved to maintain its fully imputed ordinary dividend at 3.5 cents per share payable on 15 May 2020. The record date will be 1 May 2020. The Dividend Reinvestment Plan will apply to this dividend.

Summary and Outlook

In the 2019 interim report, we noted that trading conditions were "challenging" and it is a credit to the work of the CDI team, particularly in the latter part of 2019, that we have been able to deliver a result better than the last few years in a slowing market. These challenges are set to continue in 2020 but we are confident that the location and quality of our developments are in areas which have high demand and will prove attractive to buyers.

The Board has set realistic goals for the year ahead and we are targeting an earnings result for 2020 which reflects current market conditions. Shareholders can be confident that CDI has the land resources, the product expertise and the future pipeline to achieve positive earnings and will be able to withstand the cyclical nature of the property markets.

On behalf of my fellow directors, I thank our staff for their contributions to a profitable result in 2019.



Colin Sim
Chairman
10 February 2020