

24<sup>th</sup> November 2020

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Dear «Salutation»

## **SUPERSTORE PROPERTIES LIMITED (COMPANY) – SHAREHOLDER UPDATE**

Thank you to the shareholders who attended or sent in their proxy for the annual general meeting (**AGM**) on the 28<sup>th</sup> of September 2020. The minutes are available on the Investment Services Limited (**ISL**) website and included with this letter.

All resolutions at the AGM were passed. Damien Prendergast was reappointed and I was appointed to replace Craig Dennis, who retired due to other business commitments. In addition, David Penrose resigned as he had a conflict of interest with being both the CEO of ISL and a board member of the Company. Thank you to Craig and David who have stepped in during a very busy period in the Company's history and have been able to improve a number of areas of the governance, reporting and operations and to Damien for his continued support and valuable input.

I have been chairing the Company for 8 weeks now. It has been a challenging and intensive time as we have worked through the underlying issues and matters which have arisen within the Company on an almost daily basis. I believe we have made good progress over this time. Having said that there is still plenty to do to achieve what we need to. A brief commentary and update on some of the main matters follows (together with a letter from ISL on operational matters):

### **Dividend – November 2020**

A gross dividend of 20 cents per share has been declared for the period to the 3<sup>rd</sup> of November 2020. This shows as a net dividend on your statement of 14.4 cents per share. The gross dividend is fully imputed and will be paid on Tuesday the 24<sup>th</sup> of November 2020. Please find enclosed your dividend statement.

### **Fraud Recovery**

The board has continued to work with ISL. Unfortunately, there has been no further recovery of the defrauded funds at this stage. The Serious Fraud Office is continuing to investigate but has not advised us yet of the outcome of its investigations.

### **Finance**

We have successfully extended and renewed the ANZ loan. You will recall from the AGM that this had not been confirmed at that time and was outstanding.

### **Unsolicited offers to purchase the properties**

We have received unsolicited offers to purchase the two properties since the AGM. The offers were considered by the board and, after considering various factors, the board decided not to pursue the offers at this time. The following factors were taken into consideration in reaching this decision:

A sale of the properties would likely be followed by a liquidation of the Company which would require a special resolution of shareholders. An informal poll of the major shareholders indicated that (particularly given the AGM voting participation) there was not the 75% approval support from shareholders necessary to undertake the transactions.

The shareholders' questionnaires undertaken earlier this year also suggested that the shareholder sentiment was to continue with the status quo of holding the properties.

The properties are positioned and operating well.

The feedback from our property team and others in the market is that good properties are hard to find at the moment and market capitalisation rates are declining. We are experiencing this with First NZ

Properties Limited at the moment. Therefore, if there is to be a sale of the properties and the Company does not liquidate, it would be difficult to replace the properties generating similar yields.

Given the current market conditions, the best way to establish the real market value of the properties would be to place them on the open market and run a competitive bid process and this had not occurred at the time of receiving the offers.

There were no other special circumstances or reasons which caused the board to pursue the offers.

The board concluded that pursuing the offers was not in the best interests of the Company at this time and, in any event, based on the information available to the board, there did not appear to be the necessary level of shareholder support to approve the transactions.

If shareholders have opinions on this matter, we would like to hear from you as we are interested in your views. You can do this by e-mailing me or Damien at: [info@investmentservices.co.nz](mailto:info@investmentservices.co.nz).

### **Claims against ISL and others**

The directors have put ISL and others on notice that they believe there are some irregularities in the historic operation of the management of the Company, including the fraud. The Company's lawyers have prepared a draft statement of claim for consideration by ISL. Following this, the directors will be seeking feedback from ISL and negotiating to settle the claims or taking further action.

### **Management Contract**

The directors are in negotiations with Penrose Property Management Limited, concerning a new management contract in line with the resolution passed at the AGM.

### **Insurance Cover**

The directors' and officers' liability insurance policy is currently being reviewed by VERO. At this stage, VERO has declined to renew this policy but has not advised why. We are working with the Company's insurance broker and several other insurance companies to endeavour to get new insurance cover put in place.

If you have any questions or queries you can contact me or Damien by e-mail at:  
[info@investmentservices.co.nz](mailto:info@investmentservices.co.nz)

Yours sincerely

John Murray  
Chair

Dear Shareholder

**SUPERSTORE PROPERTIES LTD – OPERATIONS UPDATE**

**Financial**

All rentals and other payments have been received from the tenants since the last report. All payments have been made on time.

**The Warehouse, Tauranga**

No issues have arisen with this property in the last few months.

**Placemakers Cranford Street, Christchurch**

We are still working with the insurance company to finalise a payment for the seismic repairs to the drive through area floor.

Cranford street has had a significant upgrade as the new northern motorway is going to feed onto it when it opens in the next few months. This will improve traffic flow to our site. The neighbouring property is currently being developed into a petrol station.

Thank you for your support.

Kind Regards



David Penrose  
CEO  
Investment Services Ltd