



Managing Directors Address AHC Limited Annual General Meeting 2015

In 2015 the company obtained significant increase in profit largely on the back of revaluations of investment properties. (Worongary, Southside and Parkhurst shopping centres)

This process has continued throughout the year and the companies investment properties have continued a strong increase in valuations, whilst not always formally through bank valuations but simply the strength in the market.

This is in the main is occurring due to the lack of quality neighbourhood, sub-regional and regional retail centres, being available For Sale!, which in turn continues to enhance capital growth within each of the shopping centre sub sectors. There is clearly a 'weight of funds' driving pricing dynamics, particularly from overseas investors (China, Taiwan and Korea) chasing comparatively higher returns not available in their own markets. This combined with an existing strong appetite from local institutions including superfunds, is again fuelling compression of retail investment yields, particularly for quality grade assets such as those held by AHC Limited.

It was as a result of the continued compression of retail investment yields that in August 2015 the Southside Shopping Centre was offered For Sale by AHC Limited in an expression of interest campaign. Put simply the company was of the view that the opportunity had arisen to capitalise on the market strength, take the strong profits and position the business for the future. More about this later

We are happy to announce today that the campaign was successful with the company now agreeing terms to an unconditional sale of the centre at \$28.3million which would reflect an initial yield of 6.46%. A simply fantastic result by any measure. The sale whilst unconditional is due to settle on 13 November 2015.

Project Status

Parkhurst Town Centre – This project will commence construction in full imminently. The site contains all development approvals and operational works approvals to allow full commencement. The company has completed full site clearing and demolition of pre existing buildings on site as well as undertaken necessary external infrastructure works critical to the site such as upgrading of external water infrastructure and the construction of the external stormwater discharge to the site. The company is now working with the NAB to complete minor prerequisite construction drawdown requirements. We hope to have this completed within the next fortnight in order to undertake a full construction start in November 2015.



Worongary Town Centre – The centre continues to perform strongly for the company which is why we are continuing to undertake critical upgrades to the centre. The centre forecourt has recently had improvement works finished to the forecourt ground surface and in 2016 we will likely further upgrade the Eat Street visual appeal from the car park.

Priceline Pharmacy we are informed will be operational in December 2015 with transition works due to commence in mid November in the pharmacy.

A Chinese massage therapist will also open in December in the old Mckalas Cafe tenancy 10

However of most importance the company is preparing to commence an additional 708m² expansion of the centre with agreed terms with a vet clinic and a fitness centre and ongoing negotiations with a fresh fruit and veg operator. This would be programmed to complete in around March 2016 and will once again provide good uplift to the centre valuation.

Southside Town Centre – As advised the centre has now been sold in an unconditional sale due to complete settlement in November 2015.

It will be the intention of the company to utilize these proceeds to

1. Pay down debt as required by the NAB
2. Return capital to shareholders – by agreement of the board and quantum as yet not confirmed
3. Utilize cash reserves to enhance other projects – Howard, Drury Lane
4. Utilize cash to obtain other retail investment sites

Howard – The Company has lodged a development application with the Fraser Coast Regional Council for a 212 lotRV lifestyle over 50's village under the MHE – Manufactured housing estates legislation, 65 -75 bed Aged Care facility and ILU retirement village.

The site has the strongest of support from the highest levels of council and the company is excited about the prospects of the development.

The company is responding to information requests of council and we are hopeful of development approval in the near term given the extensive preliminary consultant work undertaken on the site.

It is not foreseen that any major delays will be incurred.



Drury Lane – The site is readying a commencement with operational works approvals drafted by Fraser Coast Regional Council largely agreed by AHC Limited.

The company will initially develop 19 lots over around 55,000m²

As a result of ongoing agreements with the FCRC it is the opinion of the board that the value of the industrial lots will have improved as a result of greater exposure from the connector road being built by the local authority through the AHC estate.

General Business – In this period of low interest rates the directors have positioned the company strongly with fixed low interest rate facilities over the company's existing investments and we shall look to further capitalize on this on completion of the Parkhurst Town Centre in Rockhampton as this is envisaged to be another long term holding investment.

The strategy of the business remains unchanged in 2015 as we will continue to search for green field retail development sites predominantly in Queensland. We would be hopeful of securing further neighbourhood or district/sub regional sites for development in the future as we are constantly assessing sites put forward.

We are of the opinion that shareholders should be pleased with results of the company in 2015 and its strongest financial position in the company history. We thank the shareholders for the ongoing support of the business.