

## Pineapple Corporation plc

Dear Shareholder,

I am pleased to be able to report on further progress with our business since the previous update in December 2016.

### Property income distribution (PID)

The final PID will be 8.5 pence per share payable on March 31<sup>st</sup> 2017. Together with the PID of 8 pence per share paid in September 2016 this will make a total of 16.5 pence per share of PID paid during the 2016/17 accounting year. This compares with an ordinary dividend of 7.5 pence per share and a PID of 8 pence per share in 2015/16, an increase of approximately 6.5%.

Our aim is to steadily increase dividend payments subject to the constraints of cash generated by the business and taking advantage of buying opportunities when possible.

There is great caution and delay in normal bank funding so key shareholders have also supported purchases by short term funding to acquire opportunities such as the Munster Road office building detailed below. The solution to this will be to strengthen the capital base of the company or issuing bonds where it can be done with the correct pricing and redemption structure. I will expand on this after the March 31, 2017 accounts are finalised.

### Developments

The following important developments have taken place during the last 3 months:

- Delta House extension

Plans for the Delta House extension are progressing well. We anticipate starting the development in about three months' time and it should be completed before the company's next year end (31<sup>st</sup> March 2018). This will add about 6,000 square feet of lettable artist studio space, generating an extra gross revenue of approximately £180,000 per annum. The cost will be some £1.2 million by current estimates.

- Stanhope House, Portsmouth

Following the successful planning application for redevelopment as student accommodation, we have negotiated the sale of our interest in this property to our co-developers. We are to receive £2.5 million in cash and a 4,000 square feet retail unit in the completed development (suitable for use by a food retailer such as Sainsbury's), on a 999 year lease at a peppercorn rent. Current value of this additional investment property is approximately £1 million, so we will receive a total consideration of approximately £3.5 million for a property which is in our books at £1.87 million. The purchaser has also suggested making financial compensation in place of the retail space and this is currently under negotiation but either way the end result will be similar to the £3.5 million gross figure.

- Acquisition of freehold premises at 298 Munster Road, Fulham

We have recently acquired the freehold interest in an office building with significant development potential in Munster Road in Fulham. At a cost of £2.8 million (including stamp duty and legal fees) and based on an anticipated annual rental of £275,000 when rent is reviewed in March 2019 it shows a net reversionary yield of 9.8% per annum. Development opportunities are to be considered prior to March 2019 when there is a landlord's option to terminate the occupational lease.

- Alpha House

Our occupational tenants at this 45,000 square feet warehouse in Wimbledon have exercised their option to enter into a new ten year lease at a full market rent. The commencing rent (July 2017) is currently being negotiated, but we anticipate a significant increase on the current rental of £370,000 p.a.

Lease extensions and freehold sales

Since October 2016 lease extensions on our ground rent portfolio have brought in £227,000 and enfranchisements of freehold interests have brought in £34,000 to date.

Funding issues

Currently the company is experiencing great caution and delay in receiving normal bank funding for any new projects or acquisitions the Directors are considering. This is to the extent that the Directors are hampered from taking advantage of special opportunities that arise from time to time. A good example of this is the Munster Road property shown above where key shareholders stepped in with personal finance to support this acquisition.

The solution to this continuing problem will be either to strengthen the capital base or issue bonds with an appropriate pricing and redemption structure. The Directors are currently investigating these possibilities and I will provide further information during the next quarter when the 2017 accounts have been finalised.

With kind regards,



Chairman

March 2017