**Central Wool Growers Ltd – AGM Thursday 7th December 2023**

**Report of the Board –**

The business continues to be totally focussed on its properties. We continue our good relationship with Mole Valley who maintained 7 depots with us during the year and in addition, we had the 3 additional tenants on our Stamford site - BLS, Priory Vets and Optima Self Storage. However, the year has seen a change at our Stamford site with BLS relinquishing their lease on Unit 2 in March for operational reasons. We work closely with all of our tenants in order to maintain good relationships.

The majority of the leases with our tenants will be due for renewal in 2025 and 2026 but at this stage we have no reason to believe that they will not take up the options to renew. We have been working closely with our key tenant Mole Valley during the year to ensure that everything is in place for them to continue their long association with us.

In terms of trading results, the years’ figures reflect the rental income from our properties together with associated costs. You have heard from the Auditor’s report of an operating profit before financial income and costs of £391k which was slightly down on the previous year’s operating profit figure of £420k. The key issue related to rising costs in a challenging market place, but nonetheless we still achieved better than our budgeted figure of £389k.

We continue to remain vigilant towards our key ongoing challenges and we continue to meet our principle goals.

For the current trading year, the budget looks somewhat different reflecting recent changes in the tenancies of some of our properties. Since the year end, we have re-let Unit 2 at Stamford to Smartbox Self Storage, who took occupation from July this year. BLS have relinquished Unit 3 from the end of October and we have sold our unit at Darley Dale after Mole indicated that they would not be taking up another lease there in 2025. It is just too small for them. However, the sale proceeds will enable us to make certain necessary improvements to some of our other properties which will ensure that Mole Valley renew their leases for a further period, thus protecting our future income streams.

This is all reflected in our budget for the current year for which we have forecast an operating profit of £270k. Less than the previous year but this takes account of all of the changes alluded to plus the significant legal costs in making the changes to our tenant base. This is before any exceptional FRS 17 allocated pension costs and tax, and to the end of the first qtr, ie September, we remain on track.

However, the changes which are being made this year will stand us in good stead moving forward and we are confident of declaring profits in excess of £400k in future years as a direct result of the changes being made now.

In terms of organisation, Julie Gregg, our Company Secretary, runs the day to day administration, alongside the Board of Nick Kidd and myself, both taking more of a hands on approach where required.

Our property interests continue to be managed by Andrew Leech at Richardsons in Stamford, and our day to day bookwork and accounts are undertaken by Duncan & Toplis. Our legal work is undertaken by Roythornes.

The Pension Fund as ever remains our biggest challenge and you can see from the accounts that the deficit figure has decreased for the fourth year in a row from £12.3m to £10.5m to £6.4m and now £5.039m at the end of June 23. It is heartening to see a further move downward but we don’t get complacent, knowing that the figure is affected by a number of different factors which could just as easily increase the deficit next year.

Nonetheless, it is extremely encouraging to report a balance sheet showing an increased positive net worth of £2.021m.

We continue to work very closely with the Trustees to deliver our agreed Recovery Plan and we have planned our payments to ensure that the Scheme is fully funded by 2034 in line with the plan. The next Triennial review of the scheme is due as at 31st Dec 2023.

The Board continues to recognise that our key ongoing challenge is to deal with the Pension Fund liability which, out of necessity, is driving everything that we do.

 Finally, I would like to record once again my thanks for the hard work of Nick Kidd, my vice chairman, during the period. His support continues to be invaluable.

Thank you

Steve Fleming (Non Exec Chairman).