SHOPPING CENTRE INVESTMENTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

SHOPPING CENTRE INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

		Group	
		Unaudited 6 Months 31 Aug 2022	Unaudited 6 Months 31 Aug 2021
	Notes	$	$
Operating Income			
Rent Received	9	4,894,722	4,745,438
		4,894,722	4,745,438
Other Income			
Insurance Proceeds Received		479,713	-
Interest Received/(Refunded) on Assets Amortised at Cost		5,060	5,226
Power Commissions & Recoveries		85,436	77,205
		570,209	82,431
Less Overhead Expenses			
Management Contributions		42,552	47,784
Operating Contributions		255,059	276,699
Power Supplies		24,852	25,302
Audit Fees (BDO Christchurch - Statutory Audit)		41,500	40,500
Directors Fees	14	100,000	107,579
Interest Expense on Convertible Notes		-	21,105
Interest Expense on Lease Liabilities	8	136,204	126,977
Interest Expense on Liabilities at Amortised Cost		1,583,927	947,600
Other Operating Expenses	10	890,743	551,423
		3,074,837	2,144,969
Operating Profit / (Loss)		**2,390,094**	**2,682,900**
Non Operating Income and Expenses			
Net change in the value of the Derivative Financial Instruments		377,707	-
		377,707	-
Profit / (Loss) before Income Tax		**2,767,801**	**2,682,900**
Income Tax Benefit / (Expense)			
Income Tax	11	(776,030)	(897,499)
		(776,030)	(897,499)
Profit / (Loss) Attributable to Shareholders		**1,991,771**	**1,785,401**
Other Comprehensive Income		-	-
Total Comprehensive Income attributable to Shareholders		**1,991,771**	**1,785,401**

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 AUGUST 2022

31ST AUGUST 2021		**Group**				
	Notes	**Share Capital**	**Convertible Notes**	**Accumulated Losses**	**Accumulated Losses Attribution Reserve**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at 28 February 2021		**62,856,275**	**10,518,011**	**(13,984,326)**	**(5,247,174)**	**54,142,786**
Total Comprehensive Income for the Year						
Profit / (Loss) for the Year		-	-	1,785,401	-	1,785,401
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income for the Year		-	-	1,785,401	-	1,785,401
Transactions with Owners recorded directly in Equity						
Dividends to Shareholders		-	-	(1,378,145)	-	(1,378,145)
Balance at 31 August 2021		**62,856,275**	**10,518,011**	**(13,577,070)**	**(5,247,174)**	**54,550,042**

31ST AUGUST 2022		**Group**				
	Notes	**Share Capital**	**Convertible Notes**	**Accumulated Losses**	**Accumulated Losses Attribution Reserve**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at 28 February 2022		**73,374,286**	**-**	**(12,538,489)**	**(3,365,012)**	**57,470,785**
Total Comprehensive Income for the Year						
Profit / (Loss) for the Year		-	-	1,991,771	-	1,991,771
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income for the Year		-	-	1,991,771	-	1,991,771
Transactions with Owners recorded directly in Equity						
Dividends to Shareholders		-	-	(1,808,816)	-	(1,808,816)
Transfer to Accumulated Losses Attribution Reserve		-		-	-	-
Balance at 31 August 2022		**73,374,286**	**-**	**(12,355,534)**	**(3,365,012)**	**57,653,740**

	Group	
	31 Aug 2022	**31 Aug 2021**
Dividends for the period (cents per share)	**0.0263**	**0.0250**
Dividend	1,808,816	1,378,145
Shares dividends paid on	68,907,243	55,125,794

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT THE 31ST AUGUST 2022

		Group	
		Unaudited 6 Months 31 Aug 2022	**Audited Year Ended 28 Feb 2022**
	Notes	**$**	**$**
Current Assets			
Cash and Cash Equivalents		2,126,083	1,875,460
Colliers Trust Account		92,994	92,611
Accounts & Other Receivables	**12**	699,182	700,459
Derivative Financial Instrument	**7**	552,978	175,271
Total Current Assets		**3,471,237**	**2,843,801**
Non Current Assets			
Investment Properties	**4**	129,111,167	129,000,000
Capital Works in Progress	**5**	1,249,572	457,236
Capital Repairs Subject to Insurance Claim		-	456,871
Leasehold Asset		92,373	94,602
Leasing Costs		748,468	752,139
Right-of-Use Assets	**8**	3,819,820	4,222,662
Tax Paid in Advance	**11**	765,307	1,126,572
Total Non Current Assets		**135,786,707**	**136,110,082**
Total Assets		**139,257,944**	**138,953,883**

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT THE 31ST AUGUST 2022

		Group	
		Unaudited 6 Months 31 Aug 2022	Audited Year Ended 28 Feb 2022
	Notes	$	$
Shareholders' Equity			
Share Capital		73,374,286	73,374,286
Accumulated Losses		(12,355,534)	(12,538,489)
Accumulated Losses Attribution Reserve		(3,365,012)	(3,365,012)
Total Shareholders' Equity		**57,653,740**	**57,470,785**
Current Liabilities			
Accounts Payable		225,065	220,047
Interest Accrued		300,921	169,905
Bonds Prepaid		203,102	172,704
Defit Funds Received		81,400	81,400
Lease Liabilities	8	25,339	58,385
GST Payable		230,931	170,258
Provision for Deferred Maintenance		12,449	12,449
Provision for GOC Refund		199,091	347,419
Total Current Liabilities		**1,278,298**	**1,232,567**
Term Liabilities			
Term Loans - ASB Bank	6	67,000,000	67,000,000
Lease Liabilities	8	4,678,638	5,016,359
Deferred Tax Liability		8,647,268	8,234,172
Total Term Liabilities		**80,325,906**	**80,250,531**
Total Equity and Liabilities		**139,257,944**	**138,953,883**

Signed for and on behalf of the Board of Directors which authorised the issue of the financial statements on the 27th October 2022

D H Rankin
Director

M J Keyse
Director

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2022

	Notes	Group	
		Unaudited 6 Months 31 Aug 2022	**Unaudited 6 Months 31 Aug 2021**
		$	**$**
Cash flows from operating activities			
Cash was provided from:			
Rentals Received		5,036,780	5,232,716
Insurance Proceeds Received		260,869	-
Interest Received/(Refunded)		5,443	5,233
Power Commissions & Recoveries		86,443	71,944
Net GST Inflows		17,577	-
		5,407,112	5,309,893
Cash was disbursed to:			
Payments for Services		(274,378)	(523,818)
Payments for Direct Expenses		(567,905)	(393,786)
Interest paid		(1,452,909)	(952,555)
Income Tax Paid		(1,668)	(252)
Net GST Outflows		-	(76,686)
		(2,296,860)	(1,947,097)
Net Cash Flows from operating activities	**18**	**3,110,252**	**3,362,796**
Cash flows from investing activities			
Cash was disbursed to:			
Investment Properties		(890,011)	(1,508,098)
Transfer to Colliers Trust Account		(383)	(51,132)
		(890,394)	(1,559,230)
Net Cash Flows from investing activities		**(890,394)**	**(1,559,230)**
Cash flows from financing activities			
Cash was disbursed to:			
Convertible Notes Interest	**18**	-	(475,877)
Dividends Paid		(1,808,816)	(1,378,145)
Lease Liabilities - Interest	**18**	(136,204)	(126,976)
Lease Liabilities - Principal	**18**	(24,215)	(27,816)
		(1,969,235)	(2,008,814)
Net Cash Flows from financing activities		**(1,969,235)**	**(2,008,814)**
Net Increase (Decrease) in cash & cash equivalents held		250,623	(205,248)
Cash & cash equivalents at beginning of the period		1,875,460	1,964,788
Cash & cash equivalents at end of the period		2,126,083	1,759,540

The accompanying Notes form part of these Financial Statements.

1 REPORTING ENTITY

The financial statements as at and for the six months ended 31 August 2022 are those for Shopping Centre Investments Limited (the Company) and its controlled entities (the Group), B C Chalmers Investments Limited and Hornby Enterprises Limited.

The Company and its controlled entities are limited liability companies incorporated and domiciled in New Zealand and are registered under the New Zealand Companies Act 1993.

The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with that Act.

The registered office of the Company is Level Four, 123 Victoria Street, Christchurch 8013.

The Company and Group's principal activity is property investment and management.

The financial statements were authorised for issue by the Directors on the sign off date stated on the Statement of Financial Position.

2 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the 2022 annual financial statements.

A **BASIS OF PREPARATION**

Statement of Compliance

The financial statements for the Group have been prepared in accordance with the Financial Reporting Act 2013, the Companies Act 1993, New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

Preparation of Financial Statements

The financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair value, as set out below.

The New Zealand dollar is the functional currency of the Parent and each subsidiary.
All financial information is presented in New Zealand dollars, rounded to the nearest dollar.

New standards and amendments to existing standards effective after 1 March 2022

There were no new standards or amendments to existing standards that came into effect from 1 March 2022 that had a material impact on the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, the Board and Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group.

All judgements, estimates and assumptions are believed to be reasonable based on the current set of circumstances available to the Board. Actual results may differ from the judgements, estimates and assumptions made by the Board.

The significant judgements, estimates and assumptions made in the preparation of these financial statements are detailed in the following notes:

- Investment Properties (refer Note 4)
- Deferred Taxation

		Group	
		Unaudited	Audited
		31 Aug 2022	28 Feb 2022
4 INVESTMENT PROPERTIES			
As at beginning of period		129,000,000	125,580,000
Additions - Strengthening	**5**	-	1,537,838
Additions - Other Capital Items		111,167	-
		129,111,167	127,117,838
Fair Value Adjustment		-	1,882,162
As at end of period		**129,111,167**	**129,000,000**
These totals comprise			
Main Complex known as the Hornby Hub		129,111,167	129,000,000
		129,111,167	129,000,000

The property is secured against the borrowings from ASB. Details of the borrowings and security are included in note 6.

ACCOUNTING POLICIES

Investment properties are held to both earn rental income and for long term capital appreciation, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

After initial recognition at cost including directly attributable transaction costs, investment properties are stated at fair value, on the basis of current market valuations made by registered public valuers on an annual basis. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Gains or losses on the disposal on investment properties are recognised in the profit or loss in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser.

The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of the current market conditions. The fair value also reflects, on a similar basis, the cash outflows that could be expected in respect of the property. The fair value also reflects, on a similar basis, the highest and best use of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit out and a deferred tax liability is recognised where the building components of the registered valuation exceeds the tax book value of the building.

Fair value adjustments of the investment properties are recognised in Profit or Loss and then transferred to the Accumulated Losses Attribution Reserve.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Registered public valuers have been used to determine the fair value of investment properties. The fair value was determined using a combination of both direct capitalisation and discounted cash flow approaches. The discounted cash flow method is used to cross check against the value against the primary method, being the direct capitalisation method.

Using a direct capitalisation approach the subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.

Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

4 INVESTMENT PROPERTIES (Continued)

NOTES

Fair value reflects the highest and best use of the investment property at the end of the reporting period. Investment property measurements are categorised as level 3 in the fair value hierarchy. During the period, there were no transfers of investment properties between levels of the fair value hierarchy.

The contents of the Fair Value hierarchy table are included within this note.

Valuation

The properties have not been revalued for the interim accounts for the six months ended 31 August 2022, as the Directors' have adopted the valuation completed as at 28 February 2022 by Tim Arnott and Anisha Segar of the firm CBRE Limited. This represents the Directors' best estimate of fair value at 31 August 2022.

The properties were valued as at the 28 February 2022 by Tim Arnott and Anisha Segar, registered valuers of the firm CBRE Limited. Both Tim Arnott and Anisha Segar are members of the Property Institue of New Zealand (MPINZ). (2021: Gary Sellars of Colliers International Valuation (Christchurch) Limited.)

The valuation methodology adopted applied an equal weighting between both Capitalisation Approach (Market income) and Discounted Cash Flow Approach, but with a strong focus on the conclusions drawn from the Discounted Cashflow method when choosing the Capitalisation rate.
Last year, the valuation methodology adopted was the market income valuation approach.

Commercial property value growth has been strong for many sectors in recent years, even with disruption casued by Covid-19 since early 2020. This growth is attributable to historically low interest rates, alternative investment markets demonstrating more risk and volatility and low vacancy rates in some sectors (particularly industrial). Prime quality strongly leased property transactions continue to show some yields at historical lows.

Notwithstanding current bouyant conditions in many parts of the property market, the ongoing impact of Covid-19 on the global economy (including the emergence of more infectious strains) means that values and incomes may change more rapidly and significantly than during normal market conditions. CBRE notes that the Reserve Bank increased the OCR from October 2021 with further rises signalled. Retail interest rates have risen sharply in recent months. Following CBRE's discussions with a wide range of market participants, the sentiment is that record low borrowing is at an end and many expect a possible softening of yields in 2022.

Historical cycles have shown that commercial property yields can soften rapidly in the event of a market downturn. Should economic and property market conditions deteriorate in the future, then the market value of this asset may decline. This inherent risk factor should be considered in any lending or investment decisions.

A capitalisation rate of 6.875% was adopted under the capitalisation (market income) valuation approach to produce a market value of $129,000,000. As part of the valuation assessment, the discounted cashflow investment valuation approach was considered whilst adopting a discount rate of 7.25% to cross check the market income valuation.

In 2021 a capitalisation rate of 7.40% was adopted under the market income valuation approach, with turnover and casual rent being capitalised at 9.50% and power recoveries and commissions income being capitalised at 8.00% to produce a market value of $125,580,000. As part of the valuation assessment, the discounted cashflow investment valuation approach was considered whilst adopting a discount rate of 9.50% to cross check the market income valuation.

There are no other material changes to the approach in the valuation methodology.

The assumptions CBRE have used in determining the value of the investment properties are as follows:

1 The valuation is prepared on the basis of sound average efficient management and expertise, which is considered essential to operate the property.
2 There are no side agreements that would have an adverse effect on the market value of the property.
3 CBRE's valuation includes rental growth assumptions throughout a defined cash flow period. These assumptions have been based on prevailing economic and market conditions as at the date of the valuation.
4 All outstanding rent reviews are settled in accordance with CBRE's forecast parameters.
5 Where any lease terms modelled based on deal approval forms, answers to property specific queries or unexecuted lease documentation, CBRE make their valuation on the basis that executed terms do not materially differ.

2021 Year Assumptions:

The assumptions Colliers used in determining the value of the investment properties are as follows:

1 There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.
2 The property manager will continue to manage the property in a prudent and professional manner.
3 There will be no new taxes or rates introduced which have a direct impact on the property over the projected period.
4 Market rents have been used in lieu of the actual lease agreements due to the development being completed and the majority of new leases reflect the current market conditions.
5 A prudent 3% perpetual vacancy allowance has been made for general turnover of tenants and the time it takes to re-fill the tenancy.
6 The dycore cracking repairs will be covered by an insurance claim. Thus the valuation has not been adjusted to allow for the cost of these works.

4 INVESTMENT PROPERTIES (Continued)

The table below explains the key inputs used to measure fair value for investment properties.

Valuation Techniques		
Capitalisation Approach		A valuation technique which determines fair value by assessing the current market rental for the property, and capitalising at an appropriate yield. Adjustments can then be made for vacancies and other capital adjustments (i.e. difference in contract rent) where appropriate.
Discounted Cash Flow Investment Valuation Approach		A valuation technique which requires explicit assumptions to be made regarding the prospective income and expenses of a property over an assumed holding period, typically ten years. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Unobservable Inputs within the Market Income (MI) Valuation Approach		
Gross Market Rent		The annual amount for which a tenancy within a property is expected to achieve under a new arm's length leasing transaction, including a fair share of property operating expenses.
Feb-22	$ 8,956,809	
Feb-21	$ 9,130,027	
Core Capitalisation Rate		The rate of return, determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value.
Feb-22	6.875%	
Feb-21	7.40% - 10.00%	
Unobservable Inputs within the Discounted Cash Flow (DCF) Investment Valuation Approach		
Discount Rate		The rate, determined through analysis of comparable, market-related sales transactions, which is applied to a property's future net cash flows to convert those cash flows into a present value.
Feb-22	7.25%	
Feb-21	9.50%	
Terminal Capitalisation Rate		The rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value.
Feb-22	7.50%	
Feb-21	8.00%	

Sensitivity Analysis

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant Inputs	Methodology	**Fair Value Measurement Sensitivity to Increase in Input**	**Fair Value Measurement Sensitivity to Decrease in Input**
Gross Market Rent	MI, DCF	Increase	Decrease
Core Capitalisation Rate	MI	Decrease	Increase
Discount Rate	DCF	Decrease	Increase
Terminal Capitalisation Rate	DCF	Decrease	Increase

Due to the number of variables that go into the valuation of the investment property, the financial impact on the fair value cannot be reliably determined.

5 CAPITAL WORKS IN PROGRESS & SEISMIC STRENGTHENING WORK

		Group	
		Unaudited	Audited
		31 Aug 2022	28 Feb 2022
As at beginning of period		914,107	2,805
Additions - Capital Repairs subject to Insurance Claim		15,432	456,871
Additions - Lift		556,131	454,431
Additions - Seismic Strengthening Works	**4**	236,205	1,537,838
Additions - Other Works	**4**	-	-
		1,721,875	2,451,945
Less			
Capital Repairs offset with Insurance Claim		(472,302)	-
Transfer to Investment Properties	**4**	-	(1,537,838)
		(472,302)	(1,537,838)
As at end of period		1,249,572	914,107

ACCOUNTING POLICIES

Fair value measurement on seismic strengthening work is only applied if the fair value is considered to be reliably measureable.

In order to evaluate whether the fair value of the seismic strengthening work can be determined reliably the Board considers the following factors, among others:

- The provisions of the construction contract.
- The projections as determined by the independent quantity surveyor.
- The stage of completion.
- Whether the project is standard (typical for the market) or non standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

Where fair value cannot be determined, seismic strengthening costs are identified and recognised at cost until completion of the works.

NOTES

Capital work in progress had additions of $807,768 , which do not include any capitalised interest for the six months ended 31 August 2022.
(Year Ended 28 February 2022: $2,449,140).

Capital Works in Progress are initially carried at cost. The value of Capital Works in Progress is assessed annually by the Directors. Where there is evidence that costs previously capitalised no longer meet the criteria, or are no longer relevant, they are written off.

Seismic Strengthening Work is initially carried at cost. The value of Seismic Strengthening Work costs is assessed annually by the Directors. Where there is evidence that costs previously capitalised no longer meet the criteria, or are no longer relevant, they are written off.

6 BORROWINGS

i *Maturities*

The maturities of the Group's borrowings based on the remaining period are as follows:

	Group	
	Unaudited	Audited
	31 Aug 2022	28 Feb 2022
0 to 1 year	-	-
1 to 2 years	-	-
2 to 5 years	67,000,000	67,000,000
Total	67,000,000	67,000,000

ACCOUNTING POLICIES

Borrowings are recognised initially at fair value, plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

NOTES

ii *Facility*

	Amount	Matures		Reset Maturity Date	Floating
The Group has facilities with the ASB Bank for					
$67,000,000 facility (fully drawn)	67,000,000	1/11/2024		5/09/2022	
$750,000 overdraft facility (not yet drawn)	-	1/11/2022			

On 26 October 2021, an overdraft facility for $750,000 with ASB was signed by the Directors. The facility was originally intended to be relinquished in three tranches ($250,000 at 28 February 2022, $250,000 at 31 August 2022 and the final tranche, including cancellation of the facility, at 28 February 2023.

Following a Deed of Amendment and Restatement in relation to the Group's ASB lending being signed in December 2021, the terms of the overdraft facility were amended so that the $750,000 facility would be relinquished in full on 1 November 2022.

iii *Security*

The facilities are secured by way of a registered mortgage security over the land and buildings, which comprises the investment property. In addition, a general security deed is in place. The Bank is also secured by a deed of assignment of lease between the Company and the Mutual School of Art Inc (The Hornby WMC Inc) over 212 car parks situated on the leasehold property at 39 Carmen Road owned by the subsidiary Hornby Enterprises Ltd.

The value of the property is detailed in note 4.

iv *Other*	31 Aug 2022	28 Feb 2022
The floating interest rate on the term loan of $67,000,000 at reporting date was:	5.50%	3.56%

All borrowings are interest only until the maturity date.

No borrowing costs were capitalised to investment properties during the year (2022: $0) - Note 4.

7 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	Unaudited	Audited
	31 Aug 2022	28 Feb 2022
Fair value of fixed interest rate swaps with start dates		
that have commenced	552,978	175,271
At 28 February	552,978	175,271

i *Maturities*

The Group had derivative financial instruments in place being fixed interest swaps totalling $13,400,000 (28 Feb 2022: $13,400,000)
Interest rate of 2.31%.
The maturity date is 4 November 2024.

The monthly swap charge is calculated as follows; interest at the floating rate is charged on the full amount of the loan, the swap additional charge is then calculated at the fixed rate less the BBR-FRA rate. As at reporting date the swap rate, after the necessary calculations, equates to 4.95%.

ii *Unrealised net change in fair value of derivative financial instruments:*

The unrealised net change in fair value of derivative financial instruments was a gain of $377,707. (2022: $175,271)

8 LEASES

	Group	
	Unaudited	Audited
Right-of-Use Assets - Land	31 Aug 2022	28 Feb 2022
At 1 March	4,222,662	4,343,256
Effect of modification to lease terms	(346,552)	-
Amortisation	(56,290)	(120,594)
At 31 August	3,819,820	4,222,662

	Group	
Lease Liabilities - Land	31 Aug 2022	28 Feb 2022
At 1 March	5,074,744	5,130,374
Effect of modification to lease terms	(346,552)	-
Interest Expense	136,205	253,954
Lease Payments	(160,419)	(309,584)
At 31 August	4,703,978	5,074,744

9 RENT RECEIVED

	Group	
	Unaudited	Unaudited
	31 Aug 2022	31 Aug 2021
Base Rent	4,524,620	4,488,270
Covid-19 Rent Relief	(3,458)	(5,863)
Percentage Rent	15,206	358
Casual Leases Rent	131,667	60,102
Car Park	39,312	39,312
Sign	81,323	80,264
Sundry	106,052	82,995
	4,894,722	4,745,438

ACCOUNTING POLICIES

The Group enters into retail leases with tenants on its investment property. The Group has determined that it retains all significant risks and rewards of ownership and has therefore classified the leases as operating leases.

Rental income from investment properties is recognised in the profit or loss on a straight line basis over the term of the lease. Where lease incentives are offered, they will be capitalised within the Statement of Financial Position and amortised on a straight line basis only over the length of the lease to which they relate. Contingent rents associated with leases entered into with tenants are recognised in revenue when the factors triggering contingent rents occur.

Covid-19 Rent Relief provided to tenants did not meet the requirements to be treated as a lease modification, and as a result the variable lease payments were recognised in Profit or Loss at the time that the reduction was triggered.

10 OTHER EXPENSES

		Group	
		Unaudited	Unaudited
		31 Aug 2022	31 Aug 2021
Accounting Fees		80,738	82,284
Administration Expenses		-	6,817
Bad Debts Written Off		-	1,018
Consultant's Fees		5,503	1,187
Credit Losses Allowance		(6,497)	44,189
Depreciation - Right-of-Use Assets	**8**	56,290	60,297
Electricity		9,906	24,011
Insurance / Rates / Body Corp Fees		21,625	20,085
Lease Incentives - Amortised		88,541	41,866
Leasing Fees - Amortised		30,047	25,127
Legal Fees		51,955	26,582
Listing Fees (USX)		3,556	-
Non Deductible Expenses		62	791
Registry Fees (Computershare)		7,219	-
Repairs		14,366	158,902
Repairs (Dycore Repairs)		472,302	-
Supervisor Fees		-	7,981
Travelling Expenses		-	535
Valuation Fees		36,011	36,920
Other Operating Expenses		19,119	12,831
		890,743	551,423

Throughout the six month period fees have been paid to Colliers for:

Leasing Fees	*Colliers Intl. Real Estate Mgmt Ltd*	33,748	20,782
Valuations	*Colliers Intl. Valuation (ChCh) Ltd*	-	24,580
		33,748	45,362

	Group	
	Unaudited	Unaudited
	31 Aug 2022	31 Aug 2021
11 TAXATION		
Reconciliation of income tax (expense) / benefit and accounting profit multiplied by statutory tax rate:		
Profit / (Loss) before taxation	**2,767,801**	**2,682,900**
Prima facie income tax calculated at the statutory income tax rate of 28% (August 2021: 28%)	(774,984)	(751,212)
Plus tax effect of		
Depreciation	411,039	432,442
Depreciation - Right-of-Use Assets	(15,761)	(16,883)
Expected Credit Losses	1,819	(12,373)
Incentives and Fit Out Contributions	12,427	17,023
Interest - Convertible Notes	-	-
Interest - Lease Liabilities	(38,137)	(35,554)
Leasing Fees - Deductible in Year Incurred	4,177	5,819
Leasing Fees - Amortised	(8,413)	(6,917)
Non Deductible Expenses	(17)	(221)
Operating Leases Payments	44,917	43,342
	(362,934)	(324,534)
Losses brought forward	-	-
(Taxation Due) / Losses available to be carried forward	(362,934)	(324,534)
Deferred Taxation		
Depreciation Recoverable	(411,039)	(432,442)
Expected Credit Losses	(1,819)	12,373
Lease Incentives Paid	(9,218)	(28,746)
Lease Liabilities	(103,815)	(7,788)
Liability Component of Convertible Notes	-	(133,246)
Losses Utilised (Incurred)	-	-
Right-of-Use Assets	112,795	16,884
	(413,096)	(572,965)
Income tax benefit (expense) reported in Profit or Loss	(776,030)	(897,499)
Tax Paid in Advance		
Provisional Tax Paid	1,126,573	1,703,429
Resident with holding tax paid	1,668	253
	1,128,241	1,703,682
Less Provision for Taxation	(362,934)	(324,534)
Total Tax Paid in Advance	765,307	1,379,148

ACCOUNTING POLICIES

Tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

12 ACCOUNTS RECEIVABLE

	Group	
	Unaudited	Audited
	31 Aug 2022	28 Feb 2022
Rentals due	419,079	685,937
Power Commissions & Recoverables Due	20,092	21,099
Insurance Proceeds Due	218,844	-
Other Receivables	47,494	6,246
	705,508	713,282
Provision for Credit Losses	(6,326)	(12,823)
Total	699,182	700,459
Due less than 30 days (current)	699,182	700,459

All receivables are considered collectable as they are trading within current terms.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses using an expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on a similar credit risk.

The expected loss rates are based on the Group's current at risk tenants over the debtors total (including OPEX and marketing).

	Unaudited	Audited	Group Unaudited	Group Audited
	31 Aug 2022	28 Feb 2022	31 Aug 2022	28 Feb 2022
At 31 August 2022 the expected loss provision for trade receivables is as follows:				
Rental debtors totalling:			63,920	(63,359)
Current	0.00%	0.00%	390	7,079
30 Days	0.00%	0.00%	-	5,744
60 Days	0.00%	0.00%	5,936	-
90+ Days	0.00%	0.00%	-	-
			6,326	12,823
Invoice Written Off Post Reporting Date			-	-
Provision for Credit Losses			6,326	12,823
Rental Debtors consist of:				
Rentals due			419,078	687,651
Less Net August (February) Rental Funds Due			(355,158)	(396,648)
Less Accrued Percentage Rentals			-	(354,362)
			63,920	(63,359)

The credit loss for at 31 August 2022 (and 28 February 2022) reflects the total debt owed by the identified at risk tenant - therefore no percentages are displayed above.

13 GROUP COMPANIES

As at the 31 August 2022 Shopping Centre Investments Limited held shareholdings in the following subsidiaries:

Subsidiary	Balance Date	Incorporated in NZ	Domiciled	Shareholding 2022	Shareholding 2021
BC Chalmers Investments Ltd	28/02/2022	23/08/2005	New Zealand	100.00%	100.00%
Hornby Enterprises Ltd	28/02/2022	8/08/2008	New Zealand	100.00%	100.00%

Hornby Enterprises Ltd — This company has a long term leasehold interest in a property at 23 Carmen Road. A sealed car park has been constructed on this leasehold land comprising 112 car parks which is leased long term to the Hornby Working Men's Club. 212 carparks are in turn leased from that entity.

BC Chalmers Investments Limited — This company previously held property and leased property along Chalmers Street. In the year ended 29 February 2012, the property held was transferred to the Parent.

There have been advances by the parent company to the various subsidiaries, these are interest free and repayable on demand. Though impaired these have not been written off.

14 RELATED PARTY DISCLOSURES

The parent entity is Shopping Centre Investments Limited. Shopping Centre Investments Limited has control over B C Chalmers Investments Limited and Hornby Enterprises Limited.

Key management personnel within the group is any person or persons having the authority and responsibility for planning, directing and controlling the activities of the Company and group, directly or indirectly, including any director. Key management personnel within the Company and Group are detailed below. There are no other key management personnel apart from directors.

Directors within the Company and Group for the six months ending 31 August 2022 were:

			Directors Fees Paid	
			Unaudited	Unaudited
Director	**Entity**		31 Aug 2022	31 Aug 2021
Michael Keyse	Shopping Centre Investments Limited	A: 19/08/2013	40,000	37,500
Nigel Atherfold	Shopping Centre Investments Limited	A: 25/07/2022	4,083	-
Sarah Ott	Shopping Centre Investments Limited	A: 30/03/2021	20,000	17,500
Tom Pryde	Shopping Centre Investments Limited	R: 27/07/2021	-	14,579
David Rankin	Shopping Centre Investments Limited	A: 15/07/2014	20,000	19,000
Tony Sewell	Shopping Centre Investments Limited	R: 25/07/2022	15,917	19,000
(Key: A = Appointed and R = Retired)			100,000	107,579

No Directors Fees were payable at 31 August 2022 (31 August 2021: Nil).

From time to time directors of the Group or their related entities provide services to the Company and Group.

The Shares and Convertible Notes held by Related Parties as at 31 August 2022 has not changed from the holdings disclosed in the annual financial statements for the year ended 28 February 2022.

14 RELATED PARTY DISCLOSURES (continued)

Details in respect of these related party transactions is set out below:

	Group	
	Unaudited	Unaudited
	31 Aug 2022	31 Aug 2021
Accounting, secretarial and administrative support:		
Colliers Intl. Real Estate Mgmt Ltd	33,748	20,782
Cruickshank Pryde	-	-
Nexia Christchurch Limited	80,738	82,284
Rede Advisers	-	6,457
Total value of transactions with related parties	**114,486**	**109,523**

The Company and Group had the following trade payables and trade receivables outstanding with related parties:

	31 August 2022		28 February 2022	
	Trade receivable	Trade payable	Trade receivable	Trade payable
Colliers Intl Real Estate Mgmt Ltd	-	3,742	-	35,127
Nexia Christchurch Limited	-	11,973	-	18,683
Total	**-**	**15,715**	**-**	**53,810**

The terms and conditions of the above balances are unsecured creditors with terms of payment to be made within 14 days of the invoice date.

The parent company has provided intercompany advances to it's subsidiary companies B C Chalmers Investments Limited and Hornby Enterprises Limited.

Balances owing to Shopping Centre Investments Limited by:

	Advance		Impairment		Net Advance	
	31 Aug 2022	28 Feb 2022	31 Aug 2022	28 Feb 2022	31 Aug 2022	28 Feb 2022
B C Chalmers Ltd	2,556,181	2,556,181	2,556,181	2,556,181	-	-
Hornby Enterprises Ltd	2,929,678	2,929,678	2,785,570	2,785,570	144,108	144,108
	5,485,859	**5,485,859**	**5,341,751**	**5,341,751**	**144,108**	**144,108**

The advances to the subsidiaries have been impaired by the Directors as the subsidiaries have insufficient assets to repay the advances. These balances are eliminated on consolidation.

The terms and conditions of the above advances are that they are interest free and repayable on demand.

15 CAPITAL COMMITMENTS

As at 31 August 2022, the Group has capital commitments totalling $498,010 (of total cost of $1,511,377) to complete the installation of a new passenger lift. These works are expected to be completed by October 2022.

The subsidiaries have no capital commitments relating to any matters.

16 CONTINGENT LIABILITIES

As at 31 August 2022 the Group had no contingent liabilities (28 February 2022: nil)

17 SUBSEQUENT EVENTS

On 30 August 2022, the Board passed a resolution approving a gross dividend of 1.25 cents per share to be paid 30 September 2022. The gross dividend paid was $861,341.

18 RECONCILIATION OF REPORTED INCOME / (LOSS) WITH CASH FLOWS from Operating Activities

	Group	
	Unaudited	Unaudited
	31 Aug 2022	31 Aug 2021
Net Income	**1,991,771**	**1,785,401**
Non cash and non operating items		
Unrealised net change in value of investment property	-	-
Unrealised net change in value of derivative financial instruments	(377,707)	-
Bad Debts	-	1,018
Capital Repairs transferred to Profit or Loss	472,302	-
Depreciation	58,520	62,674
Interest on Lease Liabilities	136,204	126,977
Tax Expense	362,934	324,534
Deferred tax	413,096	572,965
	1,065,349	1,088,168
Cash flow from operations before working capital changes	3,057,120	2,873,569
Movements in Working Capital		
Increase / (Decrease) in Accounts Payable	(16,239)	39,306
Increase / (Decrease) in Interest Accrued (Loans)	131,018	16,150
Increase / (Decrease) in Bonds	30,398	-
Increase / (Decrease) in Credit Losses Allowance	(6,497)	44,189
Increase / (Decrease) in GST Payable	17,577	(76,686)
(Increase) / Decrease in Interest Accrued	382	7
(Increase) / Decrease in Leasing Fees	15,130	3,918
(Increase) / Decrease in Lease Incentives	(11,459)	41,866
Increase / (Decrease) in Provision for GOC Refund	(148,327)	(86,924)
(Increase) / Decrease in Accounts Receivable	84,449	551,654
(Increase) / Decrease in Prepayments	(41,631)	(44,001)
(Increase) / Decrease in GST Receivable	-	-
(Increase) / Decrease Future Tax Benefits	(1,668)	(252)
	53,132	489,227
Net Cash Flows from Operating Activities	**3,110,252**	**3,362,796**

18 RECONCILIATION OF REPORTED INCOME / (LOSS) WITH CASH FLOWS from Operating Activities (continued)

ACCOUNTING POLICIES

The following is the definition of the terms used in the Statement of Cash Flows:

i ***Cash and cash equivalents*** means cash, demand deposits and other highly liquid (being those with original maturities of three months or less) investments in which the group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts. Cash does not include receivables or payables or any borrowing that forms part of a term liability.

ii ***Operating activities*** include all transactions and other events that are neither investing nor financing activities.

iii ***Investing activities*** include those relating to the addition, acquisition, and disposal of investment properties and any addition and reduction of subsidiary investment and loans.

iv ***Financing activities*** are those activities that result in changes in the size and composition of the capital structure of the Group, including dividends paid.

Cash Flows from Financing Activities

			Non-Cash Changes			
31 August 2022	1 Mar 2022	Cash Flows	Reclassification Between Short and Long Term	FX Movements	Fair Value Changes	31 Aug 2022
Long-term borrowings						
Lease Liabilities	5,016,359	(160,419)	(177,302)		-	4,678,638
Term Loans - ASB	-	-	-	-	-	-
	5,016,359	(160,419)	(177,302)	-	-	4,678,638
Short-term borrowings						
Lease Liabilities	58,385	(24,215)	(8,831)	-	-	25,339
Term Loans - ASB	67,000,000	-	-	-	-	67,000,000
	67,058,385	(24,215)	(8,831)	-	-	67,025,339
	72,074,744	(184,634)	(186,133)	-	-	71,703,977

31 August 2021	1 Mar 2021	Cash Flows	Reclassification Between Short and Long Term	FX Movements	Fair Value Changes	31 Aug 2021
Long-term borrowings						
Liability Component of Convertible Notes	-	-	-	-	-	-
Lease Liabilities	5,074,743	(126,976)	126,976	-	-	5,074,743
Term Loans - ASB	67,000,000	-	(67,000,000)	-	-	-
	72,074,743	(126,976)	(66,873,024)	-	-	5,074,743
Short-term borrowings						
Liability Component of Convertible Notes	475,877	(475,877)	-	-	-	-
Lease Liabilities	55,631	(27,815)	-	-	-	27,816
Term Loans - ASB	-	-	67,000,000	-	-	67,000,000
	531,508	(503,692)	67,000,000	-	-	67,027,816
	72,606,251	(630,668)	126,976	-	-	72,102,559

19 Dividend Payments

	31 August 2022			31 August 2021		
Dividends paid as follows	Date	Rate (cps)	Gross	Date	Rate (cps)	Gross
	25/03/2022	0.01375	947,475	31/03/2021	0.01250	689,072
	28/06/2022	0.01250	861,341	30/06/2021	0.01250	689,072
			1,808,816			**1,378,145**
Cash Dividend (cents per share)			0.0263			0.0250

20 Covid-19 Global Pandemic

Disclosure from Audited Financial Statements for the year ended 28 February 2022

2022 Year:

On 17 August 2021, New Zealand moved to Alert Level 4 with all of New Zealand then moving to Alert Level 2 on 31 August 2021 and to Level 2 on 7 September 2021.
During Alert Levels 3 and 4 the operation of many of the Group's tenants were restricted to varying degrees, and at Alert Level 2 businesses were able to operate with restrictions in place around social distancing and mass gatherings.

The move in Alert Levels resulted in the Group offering rental relief across the majority of the Group's tenants. This rent relief included abatements for rental income payable in the month of September 2021. Further assistance was considered on a case by case basis. The rent abatements were $228,582 plus GST for the reporting year.

Since moving into the Red traffic light on 24 January 2022, tenants have been able to continue to trade with restrictions around social distancing. From February 2022, Covid-19 began spreading throughout Canterbury.
No rental relief has been provided to the tenants as a result of moving to Red or due to reduced ability to trade due to staff shortages through illness or isolating.

2021 Year:

In response to the Covid-19 global pandemic, New Zealand entered a nationwide Alert Level 4 lockdown on 26 March 2020.
During Alert Levels 3 and 4 the operation of many of the Group's tenants were restricted to varying degrees, and at Alert Level 2 businesses were able to operate with restrictions in place around social distancing and mass gatherings. At Alert Level 1, businesses were able to operate with no restrictions around social distancing and mass gatherings.

New Zealand moved from Alert Level 4 to Alert Level 3 on 28 April 2020, to Alert Level 2 on 14 May 2020 and to Alert Level 1 on 9 June 2020. Alert levels were increased to Level 3 in Auckland and Level 2 across the rest of New Zealand on 12 August 2020 following new cases of community transmission of Covid-19. Areas outside of Auckland moved back to Alert Level 1 on 22 September 2020, and Auckland remained at Alert Level 2 until 8 October 2020. Alert levels were again changed on 18 February 2021 due to new community transmission cases with Auckland moving to Alert Level 3 and the rest of New Zealand to Alert Level 2. On 18 February 2021, the rest of New Zealand moved to Alert Level 1 while Auckland remained in Alert Level 2 until 23 February 2021. On 28 February 2021, Auckland was moved to Alert Level 3 with the rest of New Zealand moving to Alert Level 2. On 7 March 2021, the rest of New Zealand moved to Alert Level 1 while Auckland remained in Alert Level 2 until 12 March 2021.

The pandemic resulted in the Group offering rental relief across the majority of the Group's tenants. This rent relief included abatements for rental income payable in the months of April and May and rental deferrals in June and July. Further assistance was considered on a case by case basis. The rent abatements were $471,863 plus GST for the reporting year.