



# 2023 Annual Report

[SCIL.CO.NZ](https://www.scil.co.nz)

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## Year in Review

### FINANCIAL HIGHLIGHTS

Increase in Rental Income

From \$9.62m to

**\$9.99m**

Increase in Gross Profit

From \$9.54m to

**\$10.04m**

Decrease in Valuation of  
Property Asset

From \$129.000m to

**\$121.280m**

Decrease in Profit before  
Income Tax

From \$7,958,712 to

**(\$4,963,676)**

## Year in Review

### FINANCIAL HIGHLIGHTS CONTINUED

#### Net Operating Income

Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
3.76m	4.90m	5.49m	5.90m	4.32m

#### Dividend Rates – cents per share gross

Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
4.75 cents	4.00 cents	4.25 cents	5.25 cents	4.56 cents





# Chair's Report For The Year Ended 28 February 2023

**MICHAEL KEYSE**  
CHAIR



Despite the impact of rising interest rates coupled with negative National and International factors resulting in a subsequent reduction in the valuation of the complex, the Board has continued to exercise careful control over factors that it has a direct influence.

This is reflected in the continuance of regular quarterly dividends, the improvement in gross rentals, the reduction in Operating Contributions and the maintenance of other Operating Expenses at levels commensurate with last year.

The attached audited financial statements for the year ended 28 February 2023 identify a year of mixed fortunes for the enterprise dominated by the impact of New Zealand's monetary policy In its efforts to curb Inflation.

There has been much debate and rhetoric surrounding the almost never-ending round of Interest rate rises, I leave it to you to surmise whether this aggressive policy has been excessive or not and the timings appropriate.

# Chair's Report For The Year Ended 28 February 2023

CONTINUED

**MICHAEL KEYSE**  
CHAIR

The rise of interest rates has been the extreme dominant factor in determining our financial results for the year and this is not only reflected in the impact upon the operating profit but also upon the determined valuation of the complex. To illustrate this factor, if we compare the interest rate at year commencement to the year end rate this represents an increase of 140%.

It is disappointing to record a substantial negative change in the value of the Investment property. The cost of the recently commissioned lift and the wash up of the seismic repairs were further factors. The determined Capitalization Rate employed for Financial Reporting purposes increased from 7.25% to 8.00% due solely to exterior influences.

Much of the Valuation Report is commercially sensitive but a robust summary will be presented at the Annual General Meeting.

The percentage decrease compares favorably with that announced recently by listed public companies.

## Revenue

Gross Rentals Increased from last year \$9.62 million to \$9.99 million and there is a timely CPI increase from one of the major anchor tenants commencing 1 September 2023.

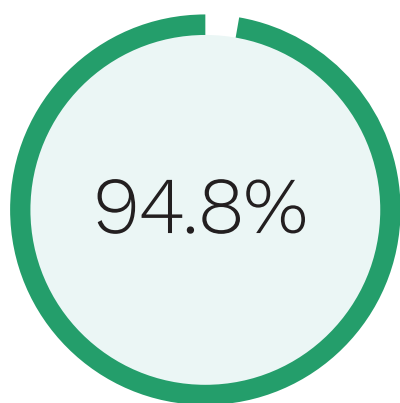
Both anchor tenants enjoyed significant increases in their annual turnovers and our percentage rental income was at record levels. Despite the recessionary pressures the overall tenancy trading revenue has been maintained since the commencement of this financial year and can only inspire confidence for any leasing enquiries.

## Interest Rates

We continue to receive an offset from our Swap arrangement but this matures 4 November 2024. The Board reassesses the situation with some care, principal repayments, though modest, commenced from December 2022. Of critical note will be whether the country will continue to experience further regular increases in the Reserve Bank rate, there is an indication that this may have run its course.

## Bank Covenants

The Board has successfully negotiated a reduction in the requirements. They will be reassessed next February.



**OCCUPANCY PERCENTAGE**  
AT FEBRUARY 2023



# Chair's Report For The Year Ended 28 February 2023

CONTINUED

**MICHAEL KEYSE**  
CHAIR

**69** million  
Number of Shares on Issue

**243**  
Number of Shareholders

**3.25** Cents  
Gross  
Latest dividend rate  
declared (at annual gross  
rate, RWT to be deducted)



## Dividends

The dividend rate has reduced to 3.25 cents per share to meet the interest rate rises. The Board has continued to maintain its commitment to complete quarterly payments and I am pleased to announce the 30 June 2023 payment will be completed at the same rate as the previous quarter. Future dividends are subject to regular assessment and future interest rate announcements will directly impact on this.

## Improvements

A program of improvement to the first tranche of travellers has commenced and this is a three year program, also a planned replacement of air conditioning units and roof improvements has begun. High standards of cleanliness and presentation have been enforced.

## Sustainability

The ability to bear the prestigious Environmark Toitu logo has continued, the new EV charging stations are In operation and the Board continues to explore the possibility of installing solar panels in the car park area.

## Place In the Community

I cannot but applaud the commitment and energy of the Management team to the production of interesting and varied communal activities and the efforts to Improve our standing within the extended Hornby area. Prior to the AGM there is an Invitation extended to all shareholders to accompany Jason Marsden on a short tour of the complex, you can ascertain, first hand, as to the accuracy of my comments.

I wish to recognize the fine contributions of the Management team, the dedication of Andrew Kidd at Nexia, the efforts of the Colliers administrative team, and the expertise of Evan Harris. These contributions have been very much appreciated during what has proved to be a difficult year.

**Michael Keyse**  
Chair

# Report From The Centre Manager

**JASON MARSDEN**  
SENIOR CENTRE  
MANAGER



Despite some challenging economic and societal times, The Hub’s fundamentals have not only remained robust but have shown some very pleasing growth.

Over the last 12 months measured foot fall was up 4.8% on the 12 months prior. Whilst we are all acutely aware of the high inflation the country is experiencing, our total turnover has outstripped this with a massive 11.9% increase for the same 12 month period. The Hub’s unique catchment area growth and daily influx of local workers buoys the Centre along, especially our supermarket and ready to eat food retailers.

# 85

Total number of tenancies.  
As at latest balance date 28 February 2023

# 24,850

Total lettable Area

The Covid pandemic saw more people driven to online purchasing, as well as working and studying from home. Some may say this has changed retail or at least accelerated the move online however, most people seek human interaction and often the experience of purchasing a discretionary item can add immensely to the overall experience. As physical retailers the challenge is to ensure we are providing an experience as well as desirable items. Leveraging off the success of our ready to eat food tenants, The Hub launched a weekly Night Market. Hosting around 30-40 vendors each week this has driven Thursday evening patronage to new highs, supporting our permanent tenants on our sole late night. Even our permanent food retailers have reported increases in business. This not only provides a point of difference for the Centre, adding a unique activity, but an experience that demands repeat visits. Customers have an ongoing



# Report From The Centre Manager CONTINUED

**JASON MARSDEN**  
SENIOR CENTRE  
MANAGER

need to eat, and the variety of different, nontraditional shopping centre foods sees patrons make many visits, trying different offerings each time.

New Zealand is seeing an increase in retail-related crime, and The Hub is not immune from this. To support our retailers, we recently hosted a security seminar. Our Operations Manager, Kiri Thomson, invited Matt Wood, CEO of October Protection Group, to deliver a talk about how to best deal with retail crime, which occasionally can include aggressive shoplifters. Surprisingly 80% of Matt's time was spent talking about the retail staff side of the equation, the importance of taking a step back, assessing, and ensuring they are looking after themselves. Happy, engaged staff thrive when dealing with happy pleasant customers, and the dollars in the till at the end of the day reflect this. Our focus during the recent uptick in retail crime has been on supporting our retailers, both in a commercial sense but also at a personal health and wellbeing level, for without this holistic approach, a business cannot survive, let alone thrive.

Recently The Hub brand has undergone some refinements, an evolution rather than a revolution, and this refresh has ensured that our marketing remains contemporary and reflects the evolving Centre. More will be shared on this at the AGM This was timely as we also prepare new leasing collateral with many leases coming up for renewal as we roll over six or so years on from the last redevelopment.

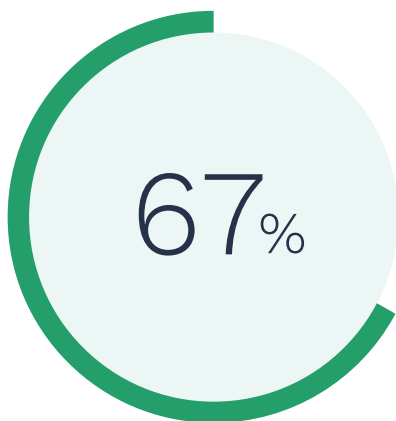
I would like to take this opportunity to acknowledge Evan Harris, who has been a constant force and a huge resource throughout the entire SCIL ownership of The Hub. His knowledge is immeasurable, and this, combined with his good humour, can steady the rockiest of times, perhaps because he has seen it all in his long career. As Evan retires, it is excellent to have Gerhard Geldenhuys assume the mantle; his presence and ideas are already highly regarded asset.

As always, I would like to express my thanks to the Board of SCIL for their support over the last twelve months, along with the Colliers onsite management team, our Property Manager, Joanna Koster, and the shareholders who have taken the time to check-in. It is always great to see shareholders onsite and I welcome any who wish to visit, either alongside our AGM or throughout the year.

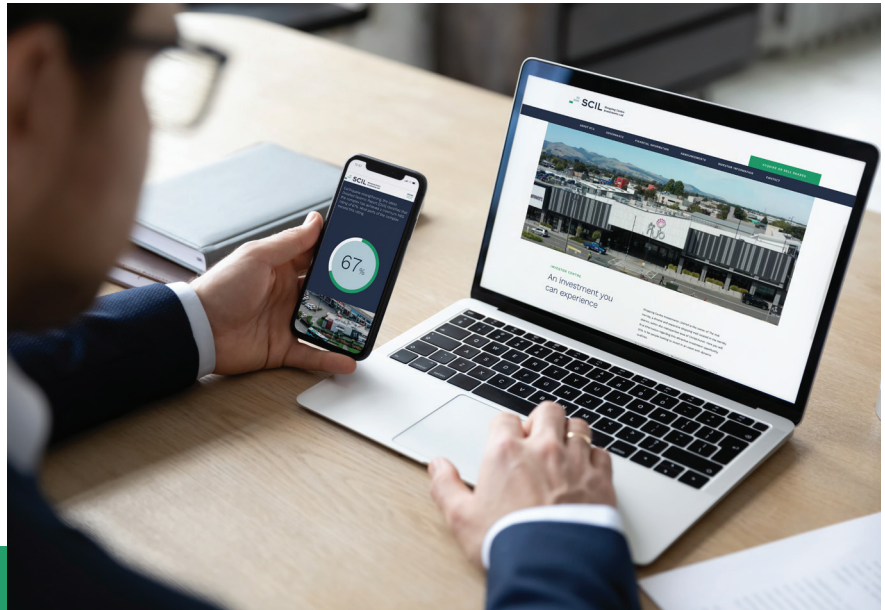
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Earthquake strengthening, the latest Detailed Seismic Report [DSA] identifies that the complex has achieved a minimum NBS rating of 67%. Most parts of the complex exceed this rating.

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# Website Introduction



SCIL.CO.NZ

A detailed website is available online and a notification to the link has previously been sent to all shareholders

The Menu headings are:

**1. About SCIL**

- An introduction as to “Who we are”.
- A description of the “Journey so Far”.
- A detailed “Strategy Declaration” with 5 key declarations.
- A link to full details of the Management Team headed by Jason Marsden.

**2. Governance**

The governance policies, practices and processes are defined within the Statement of Board Governance and the Board Charter. Both these the Statement and the Board Charter are detailed within the website.

**Statement of Board Governance**

Comprises 8 principles and is a critical component of the overall Governance Function.

**Board Charter**

This defines the Company’s direction and the setting of operational goals.

**Directors**

A brief introduction to the 4 Directors.

### **3. Financial Information**

Details as to the structure of the Company.  
The 2023 Annual Report which contains the audited financial statements for the Year ended 28 February 2023.

The 2022 Annual Report.  
2022 Unaudited Half Year Report.

A “Fact Sheet” which highlights Key Information as well as a short summary of results for previous years in graph and table form.

Details of Gross Dividend rates.

### **4. Announcements**

This contains the various previous interim and annual Chairman’s Reports.

The latest Annual General Meeting [AGM] notice and Attachments including the Proxy Form.

A link back to the audited financial accounts.

### **5. Investor Information**

Secondary Listing details [Unlisted Securities Exchange “USX”].

Link to the USX website.

Details as to Sharebroker registration associated with the USX.

Accessing the Share Register, Dividend and Advice Notices via Computershare.

Link to Computershare, advice as how to Log In

a) Common Shareholder Number (CSN)

b) Authorisation Code (FIN)

### **6. Contact**

Ability to contact the Company by way of e mail, form for completion.

Direct links to:

a) Computershare

b) Companies Office

# Secondary Listing

The Company is a registered member within the USX Unlisted Securities Exchange.

This is a secondary listing and is a Trading and Information Platform which provides liquidity and transparency.

Trading, by way of bids and offers, is carried out by a determined number of sharebrokers that are registered with the Unlisted Securities Exchange, on behalf of shareholders and intending investors.

Such Brokers undertake the trading exercise and arrange the settlements.

The “Log In” website provides market information with an Issuer Profile and includes the prices and volume movements detailed within Historical Pricing Charts.

The USX operates under an Exemption in regard to the clauses of the Financial Markets Conduct Act.

Any investor must first sign an Investor Information and Disclaimer form.

**The advantages of the USX listing as per their information summary are:**

1. Lower compliance and cost option
2. Arms-length transparent price discovery
3. Hands off market participation
4. No need for regular and costly valuations
5. Facilitates communication with investors and shareholders
6. Lower transaction costs
7. Enables exposure to greater investor interest and publicity
8. USX initiated Issuer Profiles



AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2023

2023

# Financial Results

**SHOPPING CENTRE INVESTMENTS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 28TH FEBRUARY 2023

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHOPPING CENTRE INVESTMENTS LIMITED AND GROUP

### Opinion

We have audited the consolidated financial statements of Shopping Centre Investments Limited (“the Company”) and its subsidiaries (together, “the Group”), which comprise the consolidated statement of financial position as at 28 February 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 28 February 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and International Financial Reporting Standards (“IFRS”).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (“ISAs (NZ)”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or its subsidiaries.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of Investment Property - Key Audit Matter**

As disclosed in note 7 of the consolidated financial statements the Group's Investment Property is carried at fair value. The property was valued at \$121.28m (2023: \$129.00m). The revaluation loss recognised in the consolidated statement of profit or loss and other comprehensive income was \$9.8m (2022: \$1.9m gain).

We include the valuation of the investment property as a key audit matter due to the following reasons:

- The significance to the financial statements: The investment property accounts for 93.6% of the total assets (2023: 93.4%) making it the most significant balance on the consolidated statement of financial position;
- The complexity of the valuation model: The valuation model is complex and relies on various estimates and underlying assumptions, such as capitalisation rates, current market rent and anticipated growth based on available market data and transactions; and
- The property valuation requires the use of judgments specific to the property, as well as consideration of the prevailing market conditions. At 28 February 2023 the property market, and economy as a whole, were significantly impacted by ongoing economic uncertainty and market volatility resulting from increasing inflation and threat of recession. Significant assumptions used in the valuations are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. A small difference in any one of the key assumptions could result in a significant change to the valuation of a property.

#### **How the matter was addressed in our audit**

Our procedures included, but were not limited to, the following:

- Reading the valuation report for the group's investment property and reviewing the valuation methodology and the reasonableness of the significant underlying assumptions.
- Discussing with management the nature of key assumptions and the expected impacts of economic conditions on these assumptions.
- Assessing the competence, objectivity, and integrity of the independent registered valuers. We assessed their professional qualifications and experience.
- Holding discussions with the valuer to understand the valuation process adopted. With the purpose of the meeting being to identify and challenge the critical judgement areas in the valuation model and to confirm the valuation approach was in accordance with NZ IFRS 13 *Fair Value Measurement*, and NZ IAS 40 *Investment Property*.
- Using our in-house valuation specialists to assess the appropriateness of the valuation methodology and challenge the reasonableness of the underlying assumptions. Our specialists focused on the appropriateness of the valuation methodology chosen, and the appropriateness of the capitalisation rates and discount rates applied.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the Chairman's Report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

## Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Warren Johnstone.

*BDO Christchurch Audit Limited*

BDO Christchurch Audit Limited  
Christchurch  
New Zealand  
22 June 2023

SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 28TH FEBRUARY 2023



	Notes	Group	
		2023	2022
		\$	\$
<b>Operating Income</b>			
Rent Received	13	9,994,988	9,624,413
		9,994,988	9,624,413
<b>Other Income</b>			
Insurance Proceeds Received		467,720	425,644
Interest Received on Assets Amortised at Cost		27,570	8,952
Power Commissions & Recoveries		184,148	162,247
		679,438	596,843
<b>Less Overhead Expenses</b>			
Management Contributions		83,629	89,288
Operating Contributions		552,720	587,492
Power Supplies		50,133	47,874
Audit Fees (BDO Christchurch - Statutory Audit)		41,500	40,500
Directors Fees	24	203,000	205,579
Interest Expense on Convertible Notes	6	-	21,105
Interest Expense on Lease Liabilities	12	263,667	253,953
Interest Expense on Liabilities at Amortised Cost		3,652,659	2,074,136
Other Operating Expenses	14	1,031,163	1,000,049
Repairs - Expenditure Related to Insurance Proceeds		476,981	-
		6,355,452	4,319,976
<b>Operating Profit / (Loss)</b>		<b>4,318,974</b>	<b>5,901,280</b>
<b>Non Operating Income and Expenses</b>			
Net change in the value of the:			
Investment Properties	7	(9,800,959)	1,882,161
Derivative Financial Instruments	11	518,309	175,271
		(9,282,650)	2,057,432
<b>Profit / (Loss) before Income Tax</b>		<b>(4,963,676)</b>	<b>7,958,712</b>
<b>Income Tax Benefit / (Expense)</b>			
Income Tax	15 & 16	(1,164,219)	(1,616,020)
		(1,164,219)	(1,616,020)
<b>Profit / (Loss) Attributable to Shareholders</b>		<b>(6,127,895)</b>	<b>6,342,692</b>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income attributable to Shareholders</b>		<b>(6,127,895)</b>	<b>6,342,692</b>

The accompanying Notes form part of these Financial Statements.

28TH FEBRUARY 2022

Notes	Group				
	Share Capital	Convertible Notes	Accumulated Losses	Accumulated Losses Attribution Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 28 February 2021</b>	<b>62,856,275</b>	<b>10,518,011</b>	<b>(13,984,326)</b>	<b>(5,247,174)</b>	<b>54,142,786</b>
<b>Total Comprehensive Income for the Year</b>					
Profit / (Loss) for the Year	-	-	6,342,692	-	6,342,692
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>6,342,692</b>	<b>-</b>	<b>6,342,692</b>
<b>Transactions with Owners recorded directly in Equity</b>					
Dividends to Shareholders	-	-	(3,014,693)	-	(3,014,693)
Transfer to/(from) Accumulated Losses Attribution Reserve	10,518,011	(10,518,011)	-	-	-
5	-	-	(1,882,162)	1,882,162	-
<b>Balance at 28 February 2022</b>	<b>73,374,286</b>	<b>-</b>	<b>(12,538,489)</b>	<b>(3,365,012)</b>	<b>57,470,785</b>

28TH FEBRUARY 2023

Notes	Group				
	Share Capital	Convertible Notes	Accumulated Losses	Accumulated Losses Attribution Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 28 February 2022</b>	<b>73,374,286</b>	<b>-</b>	<b>(12,538,489)</b>	<b>(3,365,012)</b>	<b>57,470,785</b>
<b>Total Comprehensive Income for the Year</b>					
Profit / (Loss) for the Year	-	-	(6,127,895)	-	(6,127,895)
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>(6,127,895)</b>	<b>-</b>	<b>(6,127,895)</b>
<b>Transactions with Owners recorded directly in Equity</b>					
Dividends to Shareholders	-	-	(3,531,497)	-	(3,531,497)
Transfer to/(from) Accumulated Losses Attribution Reserve	-	-	9,800,959	(9,800,959)	-
5	-	-	-	-	-
<b>Balance at 28 February 2023</b>	<b>73,374,286</b>	<b>-</b>	<b>(12,396,922)</b>	<b>(13,165,971)</b>	<b>47,811,393</b>

Dividends for the period (cents per share)

	Group	
	2023	2022
Dividend	0.0513	0.0438
Shares dividends paid on	3,531,497	3,014,693
	68,907,243	68,907,243

The accompanying Notes form part of these Financial Statements.

		Group	
		2023	2022
Notes		\$	\$
<b>Current Assets</b>			
	Cash and Cash Equivalents	18 1,538,696	1,875,460
	Colliers Trust Account	78,181	92,611
	Accounts & Other Receivables	19 981,038	700,459
	Derivative Financial Instrument	11 693,580	175,271
	<b>Total Current Assets</b>	<b>3,291,495</b>	<b>2,843,801</b>
<b>Non Current Assets</b>			
	Investment Properties	7 121,280,000	129,000,000
	Capital Works in Progress	8 -	457,236
	Capital Repairs Subject to Insurance Claim	8 -	456,871
	Leasehold Asset	9 90,146	94,602
	Leasing Costs	20 686,399	752,139
	Right-of-Use Assets	12 4,349,217	4,222,662
	Tax Paid in Advance	15 477,894	1,126,572
	<b>Total Non Current Assets</b>	<b>126,883,656</b>	<b>136,110,082</b>
	<b>Total Assets</b>	<b>130,175,151</b>	<b>138,953,883</b>

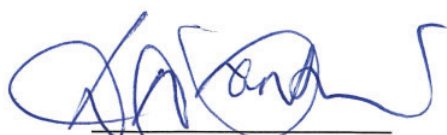
The accompanying Notes form part of these Financial Statements.



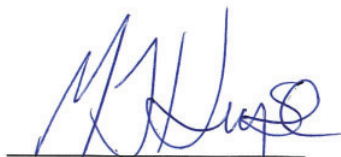
SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT THE 28TH FEBRUARY 2023

	Notes	Group	
		2023	2022
		\$	\$
<b>Shareholders' Equity</b>			
Share Capital	5	73,374,286	73,374,286
Accumulated Losses		(12,396,922)	(12,538,489)
Accumulated Losses Attribution Reserve	5	(13,165,971)	(3,365,012)
<b>Total Shareholders' Equity</b>		<b>47,811,393</b>	<b>57,470,785</b>
<b>Current Liabilities</b>			
Accounts Payable	21	224,825	220,047
Interest Accrued		341,714	169,905
Bonds Prepaid		154,731	172,704
Income Received in Advance		84,305	-
Lease Liabilities	12	62,306	58,385
GST Payable		164,487	170,258
Provision for Deferred Maintenance		12,449	12,449
Provision for GOC Refund	22	475,388	347,419
Deficit Funds Received		81,400	81,400
Term Loans - ASB Bank	10	66,812,500	-
<b>Total Current Liabilities</b>		<b>68,414,105</b>	<b>1,232,567</b>
<b>Term Liabilities</b>			
Term Loans - ASB Bank	10	-	67,000,000
Lease Liabilities	12	5,206,010	5,016,359
Deferred Tax Liability	16	8,743,643	8,234,172
<b>Total Term Liabilities</b>		<b>13,949,653</b>	<b>80,250,531</b>
<b>Total Equity and Liabilities</b>		<b>130,175,151</b>	<b>138,953,883</b>

Signed for and on behalf of the Board of Directors which authorised the issue of the financial statements on the 22 June 2023



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 YEAR ENDED 28TH FEBRUARY 2023



Notes	Group	
	2023	2022
	\$	\$
<b>Cash flows from operating activities</b>		
<i>Cash was provided from:</i>		
Rentals Received	10,056,550	9,611,054
Interest Received	25,698	8,102
Power Commissions & Recoveries	186,697	159,507
Net GST Inflows	3,887	55,655
	10,272,832	9,834,318
<i>Cash was disbursed to:</i>		
Payments for Services	(1,641,216)	(1,419,436)
Payments for Direct Expenses	(636,468)	(676,541)
Interest Paid	(3,480,850)	(2,059,009)
Interest Received/(Refunded)	-	-
Income Tax Paid	(6,067)	(942)
Net GST Outflows	-	-
	(5,764,601)	(4,155,928)
<b>Net Cash Flows from operating activities</b>	<b>28 4,508,231</b>	<b>5,678,390</b>
<b>Cash flows from investing activities</b>		
<i>Cash was provided from:</i>		
Insurance Proceeds	467,720	425,644
Transfer from Colliers Trust Account	14,430	13,939
	482,150	439,583
<i>Cash was disbursed to:</i>		
Investment Properties	(1,286,186)	(2,407,147)
	(1,286,186)	(2,407,147)
<b>Net Cash Flows from investing activities</b>	<b>(804,036)</b>	<b>(1,967,564)</b>
<b>Cash flows from financing activities</b>		
<i>Cash was disbursed to:</i>		
Convertible Notes Interest	28 -	(475,877)
Dividends Paid	(3,531,497)	(3,014,693)
Lease Liabilities - Interest	28 (263,667)	(253,954)
Lease Liabilities - Principal	28 (58,295)	(55,630)
Loan - ASB	28 (187,500)	-
	(4,040,959)	(3,800,154)
<b>Net Cash Flows from financing activities</b>	<b>(4,040,959)</b>	<b>(3,800,154)</b>
Net Increase (Decrease) in cash & cash equivalents held	(336,764)	(89,328)
Cash & cash equivalents at beginning of the year	1,875,460	1,964,788
Cash & cash equivalents at end of the year	<b>18 1,538,696</b>	<b>1,875,460</b>

The accompanying Notes form part of these Financial Statements.



**1 REPORTING ENTITY**

The financial statements as at and for the year ended 28 February 2023 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 general accounting policies applied in the preparation of the financial statements are set out below. Accounting policies for specific contents are identified in the relevant note. These policies have been consistently applied by all members of the Group to all years presented, unless otherwise stated.

**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"), International Financial Reporting Standards ("IFRS") 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 and derivatives 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.

**Standards and amendments to existing standards not yet in effect and not early adopted**

At the date of authorisation of the financial statements for the Group for the year ended 28 February 2023, the following standards and interpretations were in issue but not yet effective:

Standards/ Interpretations	Effective Date (Annual periods commencing on or after)
NZ IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current)	1 January 2023
NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)	1 January 2023
NZ IAS 12 Income Taxes (Amendment - Deferred Tax related to Assets & Liabilities arising from a Single Transaction)	1 January 2023

The above standards are not expected to have a material impact on the Group's financial statements when they come into effect.

Other standards and interpretations in issue but not yet effective are expected to have an impact on the financial statements of the Group in the period of initial application.

## 2 ACCOUNTING POLICIES (continued)

### B BASIS OF CONSOLIDATION

#### (i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### (ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### C OPERATING CONTRIBUTIONS

Operating Contributions are the Parent's share of the Mall's operating expenses that cannot be charged to tenants. The Parent's share of the operating expenses covers charges for non-lettable areas and vacant tenancies.

### D FINANCE INCOME AND FINANCE COSTS

Interest income comprises interest receivable on funds invested and is recognised as it accrues in the profit or loss using the effective interest method.

Interest expense and bank fees comprise interest and bank fees payable on funds borrowed, convertible notes, derivative financial instruments and leases.

Interest expense is recognised as it accrues in the profit or loss, using the effective interest method.

Interest expense is recognised in the profit or loss except in relation to qualifying assets as defined in NZ IAS 23 (Borrowing Costs), where is included in the cost of investment properties under construction. Where borrowing costs are specific to a particular investment property under construction, the rate at which borrowing costs are capitalised is determined by reference to specific borrowing costs of the Group.

### E GOODS AND SERVICES TAX

These financial statements have been prepared on a goods and services tax (GST) exclusive basis except for the accounts receivable and accounts payable balances which are stated inclusive of GST.

## 2 ACCOUNTING POLICIES (continued)

### F FINANCIAL INSTRUMENTS

#### i *Non derivative financial instruments*

The Group's accounting policy for its financial assets at amortised cost and recorded at fair value through profit or loss is as follows:

##### *At Amortised Cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for expected credit losses.

Expected credit losses for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating expenses in the consolidated statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand and deposits held on call with banks.

##### *Fair Value Through Profit or Loss*

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial Liabilities" section for out-of-the-money derivatives classified as liabilities). They are recognised in the Consolidated Statement of Financial Position.

Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss. Fair value movements hereon are recognised through profit or loss.

The Group's accounting policy for its financial liabilities amortised at cost and recorded at fair value through profit or loss is as follows:

##### *Amortised at Cost*

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes the interest payable while the liability is outstanding.

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate.

The debt component of the convertible notes is accounted for as a financial liability and measured at amortised cost until extinguished on conversion.



## 2 ACCOUNTING POLICIES (continued)

### F FINANCIAL INSTRUMENTS (continued)

#### ii *De-recognition of financial instruments*

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

### G IMPAIRMENT

#### i *Non financial assets*

The carrying amounts of the Group's non financial assets, other than investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash generating units).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

If a cash generating unit is impaired, the impairment is assigned to the assets on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount after depreciation that would have been determined if no impairment loss had been recognised.



## 2 ACCOUNTING POLICIES (continued)

### H LEASES - as Lessee

The accounting policy for leases as Lessor are stipulated in Note 12.

All leases are accounted for by recognising a right-of-use asset and a lease liability, except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term.

Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 12).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.



**2 ACCOUNTING POLICIES (continued)**

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

**Nature of leasing activities (in the capacity as lessee)**

The Group leases a number of properties in the jurisdiction from which it operates. Of the two leases, one provides payments to increase every two years by inflation, and the other to be reset periodically to market rental rates.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable.

The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the reporting date to lease payments that are variable.

	Group			
	Lease Contracts	Fixed Payments	Variable Payments	Sensitivity
	Number	%	%	+/- \$
<b>2023 Year</b>				
Property leases with payments linked to inflation	1	-	50	127,469
Property leases with periodic uplifts to market rentals	1	-	50	106,463
	2	-	100	233,932
<b>2022 Year</b>				
Property leases with payments linked to inflation	1	-	50	145,205
Property leases with periodic uplifts to market rentals	1	-	50	108,532
	2	-	100	253,737

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk.

Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

At 28 February 2023 the carrying amounts of lease liabilities are not reduced because the leases do not contain any break clauses (2022: no reduction to lease liabilities).



### 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 7)
- Deferred Taxation (refer Note 16)

### 4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, and liquidity risk. The Group's overall risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on the Group's financial well being.

The Group's principal financial instruments comprise borrowings. The main purpose of these borrowings is to raise finance for the Group. The Group uses derivative financial instruments, principally interest rate swaps, to mitigate its exposure to interest rate risk.

The Group has various other financial assets and liabilities, such as accounts receivable, accounts payable, related party balances and cash and cash equivalents, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk (interest rate risk), credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks.

Details of the significant accounting policies, including the basis of measurement and recognition in respect of each class of financial instrument, financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

A summary of financial instruments by category can be found in note 29 to the financial statements. A summary of financial instruments by items of income, expense, gains or losses is disclosed in Profit or Loss.

#### A Market Risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from interest rate risk alone, as the Group has no significant exposure to currency risk or other price risk.

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's term loan obligations with a floating interest rate.

With the Group's borrowings currently on floating interest rates, the Directors regularly review the interest rates to determine whether a band of the Group's borrowings need to be fixed.

The Group uses derivative financial instruments, principally interest rate swaps, to exchange its floating short term interest rate exposure for fixed long term interest rate exposure in accordance with its policy bands.

As the Group holds derivative financial instruments, there is a risk that their fair value will fluctuate because of underlying changes in market interest rates. This is accepted as a product of the Group's interest rate economic hedging policy.

The value of derivative financial instruments is disclosed in the Statement of Financial Position.

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**A Market Risk (Continued)**

The sensitivity analysis following has been determined based on the exposure to interest rates for both derivative and non derivative instruments at the year end. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the year end was outstanding for the whole year. A 100 basis point increase or decrease (2022: 100 basis point) is used when reporting interest rate risk internally and represents the Board's assessment of the reasonably possible changes in interest rates.

<i>Non Derivative Instruments</i>	Group					
	28th Feb 2023	Gain / (Loss) increase of plus 1.00%	Gain / (Loss) decrease of plus 1.00%	28th Feb 2022	Gain / (Loss) increase of plus 1.00%	Gain / (Loss) decrease of plus 1.00%
<b>Financial Assets</b>						
Cash and Cash Equivalents	1,538,696	15,387	(15,387)	1,875,460	18,755	(18,755)
	1,538,696	15,387	(15,387)	1,875,460	18,755	(18,755)
<b>Financial Liabilities</b>						
ASB Loan*	66,812,500	668,125	(668,125)	67,000,000	670,000	(670,000)
	66,812,500	668,125	(668,125)	67,000,000	670,000	(670,000)

\*The sensitivity analysis for the ASB Loan of 100 basis points (2022: 100) is applied to the interest rate of 7.18% (2022: 3.56%) and this derives the resulting impact on the Group.

The impact on equity of the Group of the + / - 1.00% movement would be \$469,971 [\$652,738 less 28%] (2022: +/-1.00% \$468,896 [\$651,254 less 28%])

<i>Derivative Instruments</i>	Group					
	28th Feb 2023	Gain / (Loss) increase of plus 1.00%	Gain / (Loss) decrease of plus 1.00%	28th Feb 2022	Gain / (Loss) increase of plus 1.00%	Gain / (Loss) decrease of plus 1.00%
<b>Financial Assets</b>						
Derivate Financial Instrument	693,580	6,936	(6,936)	175,271	1,753	(1,753)
	693,580	6,936	(6,936)	175,271	1,753	(1,753)

The impact on equity of the Group of the + / - 1.00% movement would be \$4,994 [\$6,936 less 28%] (2022: +/-1.00% \$1,262 [\$1,753 less 28%])

**B Credit Risk**

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge its obligations and the Group will suffer financial loss as a result. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents, Colliers Trust Account, accounts receivable, other receivables and loans to subsidiaries.

With respect to the credit risk arising from cash and cash equivalents, there is limited credit risk as cash is deposited with the ASB Bank, a registered bank in New Zealand. The credit rating of this bank is AA- (Standard and Pools) (2022 credit rating: AA- (Standard and Pools))

With respect to the credit risk arising from accounts receivable, the Group only enters into lease arrangements over its investment properties with creditworthy third parties. It is the Group's policy to subject all potential tenants to credit verification procedures. In addition accounts receivable balances are monitored on an ongoing basis and overdue accounts followed up rigorously. Amounts which are past due are not considered impaired when payment is expected shortly.

With respect to the credit risk arising from interest rate swap arrangements, there is limited credit risk as the counterparty is a registered counterparty and is a registered bank in New Zealand. The credit rating for the bank is AA- (Standard and Pools).

Further details of the Group's accounts receivable, including details of the Group's impairment allowances, are disclosed in note 19 to the financial statements.

**4 FINANCIAL RISK MANAGEMENT (Continued)**

**C Liquidity Risk**

Liquidity risk is the risk that the Group will have difficulty realising assets and raising sufficient funds to satisfy commitments associated with financial liabilities.

The maturities of the Group's accounts payable, accruals and other liabilities are detailed in the table below. The amounts stated below are undiscounted.

The maturities of the Group's borrowings based on the remaining period is more than one year (2022: more than one year), with all borrowings due later than one year (2022: more than one year).

Further details of the Group's borrowings, including the maturities of the Group's borrowings, are disclosed in note 10 to the financial statements. Details of the renegotiated finance facility are detailed in Note 30.

The table below analyses the Group's financial liabilities (principal and interest) by the relevant contracted maturity groupings based on the remaining period as at 28 February 2023 and 28 February 2022.

2023 Year	Group					
	Carrying Amount	Total Contractual cash flows	0-1 year	1-2 years	2-5 years	> 5 years
<b>Financial Liabilities</b>						
Accounts Payable	224,825	224,825	224,825	-	-	-
ASB Loan	66,812,500	79,526,325	5,547,138	5,493,288	68,485,900	-
Total as at 28 February 2023	67,037,325	79,751,150	5,771,963	5,493,288	68,485,900	-

2022 Year	Group					
	Carrying Amount	Total Contractual cash flows	0-1 year	1-2 years	2-5 years	> 5 years
<b>Financial Liabilities</b>						
Accounts Payable	220,047	220,047	220,047	-	-	-
ASB Loan	67,000,000	73,384,494	2,385,200	2,385,200	68,614,094	-
Total as at 28 February 2022	67,220,047	73,604,541	2,605,247	2,385,200	68,614,094	-

The maturity analysis of the Group's liquidity risk is based on the Group's maturity dates set out in its term loan facilities. All loan facilities are committed facilities with a reputable, independently rated, first tier trading bank. Banking covenants are monitored quarterly and reported to the lenders each quarter to ensure the Group is in compliance. The Group was in compliance during the current and prior year and subsequent to the year end.

**5 SHARE CAPITAL AND RESERVES**

	Share	Group
	Numbers	\$
Authorised and issued share capital at 1 March 2021	55,125,794	62,856,276
Compulsory Conversion of Convertible Notes to Shares	13,781,449	10,518,010
Authorised and Issued share capital at 28 February 2022	68,907,243	73,374,286
Authorised and issued share capital at 1 March 2022	68,907,243	73,374,286
Authorised and Issued share capital at 28 February 2023	68,907,243	73,374,286

All ordinary shares on issue are fully paid, carry equal voting rights, share equally in dividends and have no par value.

**Convertible Notes**

The Parent issued 13,781,449 convertible notes at 6.75% p.a. for \$13,781,449 on 11 September 2017.

The notes compulsorily converted into ordinary shares of the Parent on 11 September 2021. The conversion rate is 1 share for each note held. As the convertible notes have a compulsory conversion to equity on a fixed-for-fixed basis on maturity, the non-interest component of the convertible note is recognised in equity on issue of the convertible note to the note holder. The initial fair value of the liability component is the present value of the interest payments, discounted at market rate of interest for a similar instrument with a similar credit status that does not have a conversion option.

The liability is subsequently recognised on an amortised cost basis until maturity. The amount recognised in share capital is not subsequently remeasured, (see note 6).

**Accumulated Losses Attribution Reserve**

	Group	
	2023	2022
As at 1 March	(3,365,012)	(5,247,174)
Transfer from Accumulated Losses	(9,800,959)	1,882,162
As at 28 February	(13,165,971)	(3,365,012)

The Accumulated Losses Attribution Reserve consists of the fair value adjustments recorded against the investment properties.

International Financial Reporting Standards and the New Zealand equivalents to the International Financial Reporting Standards require fair value adjustments to be recorded through the Profit or Loss.

In the 2021 reporting year and for all future years, the Directors decided to identify the total fair value adjustments recorded against investment properties separately from Accumulated Losses within the Statement of Changes in Equity to clearly identify the split between the two different accounts. This is achieved via a transfer from Accumulated Losses to the Attribution Reserve.

The 2021 transfer is for the overall movement in fair value adjustments recorded at reporting date. This reflects all gains and losses since the first revaluation of the investment property. Future transfers will reflect that current year's fair value movement only along with any transfers back to Accumulated Losses.

There are no restrictions on this reserve and transfers can be made back to Accumulated Losses.





**6 CONVERTIBLE NOTES**

The Parent issued 13,781,449 convertible notes at 6.75% p.a. for \$13,781,449 on 11 September 2017.

On 11 September 2021 the notes were compulsorily converted into ordinary shares of the Parent. Upon conversion, the equity component of the convertible notes was settled on to the ordinary shares of the Parent (see Note 5). The conversion rate is 1 share for each note held. As the convertible notes have a compulsory conversion to equity on a fixed-for-fixed basis on maturity, the non-interest component of the convertible note is recognised in equity on issue of the convertible note to the note holder. The initial fair value of the liability component is the present value of the interest payments, discounted at market rate of interest for a similar instrument with a similar credit status that does not have a conversion option. The liability is subsequently recognised on an amortised cost basis until maturity. The amount recognised in share capital is not subsequently remeasured, (see note 5).

The reconciliation of the Convertible Notes interest paid to Note Holders and the amount recognised in the Profit or Loss is detailed as follows:

	Group	
	2023	2022
Interest paid to note holders	-	496,981
Liability Component amortised during year	-	(475,876)
Interest Expense recognised in profit or loss	-	21,105



		Group	
		2023	2022
<b>7 INVESTMENT PROPERTIES</b>			
As at 1 March		129,000,000	125,580,000
Additions - Lift	8	1,509,331	-
Additions - Strengthening	8	289,493	1,537,838
Additions - Other Capital Items	8	282,135	-
		131,080,959	127,117,838
Fair Value Adjustment		(9,800,959)	1,882,162
As at 28 February		<b>121,280,000</b>	<b>129,000,000</b>
<b>These totals comprise</b>			
Main Complex known as the Hornby Hub		121,280,000	129,000,000
		121,280,000	129,000,000

The property is secured against the borrowings from ASB. Details of the borrowings and security are included in note 10.

#### 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 recognised in Profit or Loss and then transferred to the Accumulated Losses Attribution Reserve are detailed in Note 5.

## 7 INVESTMENT PROPERTIES (Continued)

### 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.

### 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 year, 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.

### Earthquake Disclosure

Christchurch and related areas suffered a 7.1 magnitude earthquake on the 4 September 2010, a 6.3 magnitude earthquake on the 22 February 2011, a 6.3 magnitude earthquake on the 13 June 2011 and a 6.0 magnitude earthquake on the 23 December 2011 with various other after shocks during this time, almost on a daily basis. No damage was incurred from the earthquake in November 2016. As at reporting date these after shocks have almost ceased but remain a threat.

The assets of the company suffered only minor damage and were available for operation at all times apart from a limited period when the buildings were being assessed for safety reasons. During the 2021 financial year, cracking to the dycore flooring was identified while strengthening works have been undertaken. Structex have identified this cracking as being a result of the 2011 earthquakes and have confirmed this to the insurer. The cracking repairs were completed in the 2022 financial year, and the insurance proceeds related to the expenditure were received during the 2023 financial year.

### Critical general factors are as follows:

- Material damage insurance policies have funded the cost of all repairs to reinstate the buildings.
- The land forming part of the property was not subject to liquefaction and to the best of the Directors' knowledge there are no sub soil issues which would prevent future development of the property.
- All repairs have been completed.

### DSA Report prepared by Structex, dated 28 February 2022

On 28 February 2022, Structex issued a Detailed Seismic Assessment (DSA) report to the Group identifying that the seismic strengthening work completed throughout the Mall has resulted in the main building structure achieving a seismic rating of at least 67% NBS (Importance Level 3). Higher seismic ratings have been achieved in other areas such as the Banking Precinct and Farmers areas. The Importance Level 3 is a higher standard than for stand alone buildings as it is for buildings that contains large crowds and may pose a risk to large numbers of people in close proximity.

## 7 INVESTMENT PROPERTIES (Continued)

### Valuation

The properties were valued as at the 28 February 2023 by Gary Sellars, an independent registered valuer of the firm CVAS (CHC) Limited trading as Colliers. Gary Sellars is a member of the Property Institute of New Zealand (MPINZ). (2022: Tim Arnott and Anisha Segar of CBRE Limited.)

The valuation methodology adopted is the market income valuation approach which takes into account the current market rental income from rents received, and allowances for vacancies can be made.

Last year, 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.

In response to escalating inflation levels in late 2021, the Reserve Bank of New Zealand (RBNZ) embarked on a steep monetary tightening cycle, with wholesale interest rates increasing from 0.25% to 5.25%. Further increases have not been ruled out. At the same time, there have been instances of bank failures in North America and Europe and global debt levels are at historic highs. Compounding these issues are ongoing global geopolitical challenges. There is a high probability of New Zealand entering into recession in 2023.

The result of the above is a marked reduction in investor sentiment compared with 2021 and value write downs are occurring across most property segments and at most price points. These changes have occurred incrementally over the course of 2022 and into 2023 and it is possible that there will be further market changes over the course of 2023.

At the date of valuation, there remains a shortage of recent sales transactions from which to accurately determine current market values, which increases the uncertainty around Colliers valuation conclusions. Colliers also consider that there is the possibility of further value changes over the course of 2023.

In light of these prevailing marketing conditions, Colliers strongly recommend that the valuation of all property be kept under frequent review as valuation advice could become outdated significantly more quickly than is normally the case. Colliers reiterate, in accordance with the accepted definition, that the market value is concluded "as at the valuation date" and is based on Colliers' interpretation of events, evidence (such as it is) and sentiment up to that date. It is the value on that day.

A capitalisation rate of 8.00% 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 8.25% to produce a market value of \$121,280,000. 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.

In 2022, 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.

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

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

- 1 Colliers were instructed to assess the market value for financial reporting purposes on the basis that the lessee's interest in the property at 21 Carmen Road is excluded. Colliers have completed the financial reporting valuation on this basis.
- 2 Colliers were instructed to assess the market value for mortgage security purposes including the lessee's interest in the property at 21 Carmen Road is included. Colliers have completed the financial reporting valuation on this basis.
- 3 Colliers Real Estate Management Limited has provided financial data in relation to tenancy schedules, operating expenses summaries and budgets. Colliers have relied upon this information in completing the valuations.
- 4 Colliers' valuations have been completed on the assumption that the building(s) and associated site development can be adequately covered by normal full reinstatement insurance, including earthquake cover both now and in the future. Should this not be the case or should the situation change in the future, Colliers caution that the valuations may change.

**7 INVESTMENT PROPERTIES (Continued)**

*2022 Year Assumptions:*

The assumptions CBRE 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.

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.
2023	\$ 9,163,434
2022	\$ 8,956,809

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.
2023	8.00% - 9.50%
2022	6.875%

**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.
2023	9.50%
2022	7.25%

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.
2023	8.50%
2022	7.50%

**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	Fair Value Measurement
		Sensitivity to Increase in Input	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.

The variables used within the valuation include the valuer relying on estimates and making assumptions around capitalisation rates, the market rent and anticipated growth based on available market data and transactions.

**8 CAPITAL WORKS IN PROGRESS & SEISMIC STRENGTHENING WORK**

	Group	
	2023	2022
As at 1 March	914,107	2,805
Additions - Capital Repairs subject to Insurance Claim	20,110	456,871
Additions - Lift	1,052,095	454,431
Additions - Seismic Strengthening Works	7 289,493	1,537,838
Additions - Other Works	7 282,135	-
	2,557,940	2,451,945
Less		
Transfer to Investment Properties	7 (2,080,959)	(1,537,838)
Transfer to Statement of Profit or Loss (Dycore Repairs)	(476,981)	-
	(2,557,940)	(1,537,838)
As at 28 February	-	914,107
Recorded in the Statement of Financial Position as follows:		
Capital Works in Progress	-	457,236
Capital Repairs subject to Insurance Claim	-	456,871
	-	914,107

**ACCOUNTING POLICIES**

Fair value measurement on seismic strengthening, lift, and capital repairs works is only applied if the fair value is considered to be reliably measurable.

In order to evaluate whether the fair value of the seismic strengthening, lift, and capital repairs works 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, lift, and capital repairs work costs are identified and recognised at cost until completion of the works.

**NOTES**

Additions of \$2,080,959 include no capitalised interest for the year ending 28 February 2023 (2022: \$1,537,838 / \$0).

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.

Capital Repairs subject to Insurance Claim are initially carried at cost. The value of Capital Repairs subject to Insurance Claim 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. On 12 April 2021, it was confirmed that these repairs would be covered by an insurance claim. The insurance claim was submitted to the insurer on 15 March 2022.

Following the receipt of the insurance claim in two tranches (\$260,869 on 20 July 2022 and \$206,851 on 3 November 2022), the total cost of the repairs were transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.



**9 LEASEHOLD ASSET**

	Group	
	2023	2022
As at 1 March	94,603	99,356
Depreciation	(4,457)	(4,753)
	90,146	94,603

Situated on leasehold land, the subsidiary company Hornby Enterprises Limited holds this asset which comprises a sealed car park of 112 spaces with surrounding security fence.

The carparks are subject to a reciprocal lease with the Hornby Working Men's Club (HWMC). In consideration for a lease of 212 carparks from the HWMC (\$148,824 annually), the Parent has granted a lease of 112 carparks (with lease income of \$78,624) to the HWMC. Both leases are for terms of 35 years. The HWMC pays the Parent its monthly rent, and the Parent then pays its monthly rent to the HWMC.

**10 BORROWINGS**

	Group	
	2023	2022
Balance of ASB Term Loan at 28 February:		
Current	66,812,500	-
Non-Current	-	67,000,000
	66,812,500	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.

**i Maturities**

The maturities of the Group's borrowings are disclosed in Note 4(C - Liquidity Risk). The values identified within this disclosure are undiscounted and reflect both the principal repayments and expected interest payments.

**NOTES**

**ii Facility**

The Group has facilities with the ASB Bank for \$67,000,000 facility (fully drawn)

Amount	Matures	Reset Maturity Date	Floating
66,812,500	1/11/2025	3/03/2023	

On 1 November 2022, the overdraft facility of \$750,000 was relinquished in accordance with the Deed of Amendment and Restatement that was signed in December 2021.

Monthly principal repayments of \$62,500 commenced in December 2022.

On 23 March 2023, ASB extended the loan maturity date by one year from 1 November 2024 to 1 November 2025.

The Interest Cover Ratio covenant was also reduced from 2.0 times to 1.5 times.

The Board accepted the offer from ASB and signed Amendment to Committed Cash Advances Facility Agreement on 29 March 2023.

**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 7, and the leasehold property is detailed in note 9.

**iv Other**

The floating interest rate on the term loan facility of \$67,000,000 at reporting date was:

2023	2022
7.18%	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 7.

**10 BORROWINGS (Continued)**

The covenants on all borrowings require a loan to value ratio of not more than 52% (2022: 55%) and an interest cover ratio (that is, the ratio of earnings before interest to interest) of not less than 1.5:1 (2022: 2.0:1).

The Group complied with the interest cover ratio covenant during the current year, but not the loan to value ratio.

The Group complied with the covenants in the prior year.

As at and for the year ended 28 February 2023 the Group had a loan to value ratio of 55.09% (2022: 53.52%), an interest cover ratio of 2.23 (2022:3.43) and registered mortgage security of \$66,812,500 (2022: \$67,000,000)

Until 2022, the Company had previously honoured its covenant obligations, including capital ratios, since the present loans were taken out in July 2017. Due to a reduction in the fair value of the investment property, the loan to value ratio covenant has not been met in 2023.

As at 28 February 2023, due to the decrease in the value of the mall, the Group's loan to value ratio rose to 55.09%. As this exceeded the maximum ratio of 52.00% as stated in the ASB loan document, the ASB had the right to demand repayment of the loan. The term loan is therefore recorded as a current liability.

On 17 May 2023, ASB issued a confirmation of breach of covenant notice however they advised that no action will be taken, and this will be reassessed as at 29 February 2024. The receipt of this advice does not alter the classification of the loan as a current liability as this confirmation was received post reporting date.

The Board have acknowledged receipt of ASB's letter dated 17 May 2023 regarding the breach of the covenant and that no action will be taken. The Board expect that the loan will be renewed on 29 February 2024 and will be done so on acceptable terms.

**11 DERIVATIVE FINANCIAL INSTRUMENTS**

	Group	
	2023	2022
Fair value of fixed interest rate swaps with start dates that have commenced	693,580	175,271
At 28 February	693,580	175,271

The fair value of the interest rate derivative is determined from valuations prepared by ASB Bank using valuation techniques classified as Level 2 in the fair value hierarchy (2022: Level 2). These are based on the present value of estimated future cash flows based on the term and maturity of the contract and the current market interest rate at reporting date.

**i Maturities**

The Group had derivative financial instruments in place being fixed interest swaps totalling \$13,400,000 (2022: \$13,400,000)

Interest rate of 2.31% (2022: 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 balance date the swap rate, after the necessary calculations, equates to 4.90% (2022: 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 \$693,580. (2022: \$175,251)

**12 LEASES**

	Group	
	2023	2022
<b>Right-of-Use Assets - Land</b>		
At 1 March	4,222,662	4,343,256
Amortisation	(125,312)	(120,594)
Effect of modification to lease terms	251,867	-
At 28 February	4,349,217	4,222,662

	Group	
	2023	2022
<b>Lease Liabilities - Land</b>		
At 1 March	5,074,744	5,130,374
Effect of modification to lease terms	251,867	-
Interest Expense	263,667	253,954
Lease Payments	(321,962)	(309,584)
At 28 February	5,268,316	5,074,744

## 12 LEASES (continued)

	Group	
	2023	2022
<b>Lease Liabilities Due (Undiscounted)</b>		
Up to 3 months	80,772	77,396
Between 3 and 12 months	242,316	232,188
Between 1 and 2 years	323,088	309,584
Between 2 and 5 years	969,264	928,752
More than 5 years	10,195,716	9,871,263
	<b>11,811,156</b>	<b>11,419,183</b>

The lease liabilities due are not discounted, and are the current contractual cash commitments over the term of the leases. The weighted average incremental borrowing rate applied to lease liabilities on 1 March 2023 was 4.95% (2022: 4.95%).

### Lease Commitments

At reporting date, the Group as lessee had lease commitments to:

Lessor	Description	Lease Commencement	Lease Expiry
Hornby Working Mens' Club	212 car parks	1 September 2013	30 August 2048
S R Halliwell	23 Carmen Road	1 April 2010	31 March 2035 (Right of Renewal)

The lease with S R Halliwell contains three rights of renewals, being 31 March 2035, 31 August 2048 and 31 August 2058. The final expiry date of the lease is 31 August 2068.

	Group	
	2023	2022
Lease payments made:		
Hornby Working Mens' Club	148,824	148,824
S R Halliwell	173,138	160,760
	<b>321,962</b>	<b>309,584</b>

## 13 RENT RECEIVED

	Group	
	2023	2022
Base Rent	8,771,045	8,954,275
Covid-19 Rent Relief	(3,458)	(228,582)
Percentage Rent	580,206	326,721
Casual Leases Rent	249,287	204,969
Car Park - Hornby Working Mens' Club	78,624	78,624
Sign	171,261	160,378
Sundry	148,023	128,028
	<b>9,994,988</b>	<b>9,624,413</b>

The contractual future minimum property base rent income to be received on property owned by the Group at balance date is as follows:

	2023	2022
Within one year	8,068,942	6,527,621
One year or later and not later than five years	21,043,165	14,279,985
Later than five years	2,228,079	1,444,535
	<b>31,340,186</b>	<b>22,252,141</b>

The weighted average lease duration by rental income is 4.09 years (2022: 4.2 years).

### 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 (see Note 20). Contingent rents associated with leases entered into with tenants are recognised in revenue when the factors triggering contingent rents occur.

Covid-19 Rent Relief was accounted for using the Covid-19 Rent Relief Amendment, therefore the leases are treated as variable leases instead of as modifications to the leases.

**14 OTHER EXPENSES**

		Group	
		2023	2022
	Accounting Fees	136,348	131,504
	Administration Expenses	9,167	10,975
	Bad Debts Written Off	-	1,018
	Consultant's Fees	5,701	10,797
	Credit Losses Allowance	53,453	1,597
12	Depreciation - Right-of-Use Assets	125,313	120,594
	Electricity	28,503	32,528
	Insurance / Rates / Body Corp Fees	25,833	24,063
20	Lease Incentives - Amortised	173,957	102,382
20	Leasing Fees - Amortised	65,654	52,026
	Legal Fees	76,035	68,705
	Listing Fees (USX)	13,754	-
	Non Deductible Expenses	1,073	1,655
	Registry Services (Computershare)	12,963	-
	Repairs - General	228,629	369,713
	Supervisor Fees	-	10,956
	Travelling Expenses	-	535
	Valuation Fees	39,131	36,920
	Other Operating Expenses	35,649	24,081
		<b>1,031,163</b>	<b>1,000,049</b>
Throughout the year fees have been paid to Colliers for:			
	Leasing Fees		
	<i>Colliers Real Estate</i>		
	<i>Management Limited</i>	24	73,873
	<i>88,114</i>		
	Valuations		
	<i>CVAS (CHC) Limited</i>		3,120
			27,780
			<b>76,993</b>
			<b>115,894</b>

	Group	
	2023	2022
<b>15 TAXATION</b>		
Reconciliation of income tax (expense) / benefit and accounting profit multiplied by statutory tax rate:		
<b>Profit / (Loss) before taxation</b>	<b>(4,963,676)</b>	<b>7,958,712</b>
Prima facie income tax calculated at the statutory income tax rate of 28% (2022: 28%)	1,389,829	(2,228,439)
<i>Plus tax effect of</i>		
Unrealised net change in value of investment properties	(2,744,269)	527,005
Depreciation	801,373	846,159
Depreciation - Right-of-Use Assets	(35,088)	(33,766)
Expected Credit Losses	(14,967)	(447)
Incentives and Fit Out Contributions	24,853	34,047
Insurance Proceeds Received but Not Utilised	(119,180)	119,180
Interest - Convertible Notes	-	133,246
Interest - Lease Liabilities	(73,827)	(71,108)
Leasing Fees - Deductible in Year Incurred	20,684	24,672
Leasing Fees - Amortised	(18,383)	(14,568)
Losses on Disposal	24,376	-
Non Deductible Expenses	(300)	(464)
Operating Leases Payments	90,150	86,684
	<b>(654,749)</b>	<b>(577,799)</b>
Losses brought forward	-	-
(Taxation Due) / Losses available to be carried forward	<b>(654,749)</b>	<b>(577,799)</b>
<b>Deferred Taxation (refer Note 16)</b>		
Depreciation Recoverable	(616,822)	(846,159)
Expected Credit Losses	14,967	447
Insurance Proceeds Received but Not Utilised	119,180	(119,180)
Lease Incentives Paid	(45,560)	41,727
Lease Liabilities	54,200	(15,576)
Liability Component of Convertible Notes	-	(133,246)
Right-of-Use Assets	(35,435)	33,766
	<b>(509,470)</b>	<b>(1,038,221)</b>
<b>Income tax benefit (expense) reported in Profit or Loss</b>	<b>(1,164,219)</b>	<b>(1,616,020)</b>
<b>Tax Paid in Advance</b>		
Provisional Tax Paid	1,126,750	1,703,426
Resident with holding tax paid	5,892	943
	<b>1,132,642</b>	<b>1,704,369</b>
Less Provision for Taxation	(654,748)	(577,799)
Total Tax Paid in Advance	<b>477,894</b>	<b>1,126,570</b>

#### 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.

**16 DEFERRED TAXATION**

	Deferred Tax Liabilities		Deferred Tax Assets		Net Deferred Tax	
	2023	2022	2023	2022	2023	2022
<b>Group</b>						
Depreciation Recoverable	(9,169,596)	(8,552,775)	-	-	(9,169,596)	(8,552,775)
Expected Credit Losses	-	-	18,557	3,590	18,557	3,590
Insurance Proceeds Received	-	(119,180)	-	-	-	(119,180)
Lease Liabilities	-	-	1,475,129	1,420,929	1,475,129	1,420,929
Lease Incentives Paid	-	-	150,048	195,609	150,048	195,609
Right-of-Use Assets	(1,217,781)	(1,182,346)	-	-	(1,217,781)	(1,182,346)
	<b>(10,387,377)</b>	<b>(9,854,301)</b>	<b>1,643,734</b>	<b>1,620,128</b>	<b>(8,743,643)</b>	<b>(8,234,172)</b>

Movement in temporary differences during the year

	Opening Balance	Recognised in Profit or Loss (Note 15)	Recognised in Equity	Closing Balance
<b>Group: 2023 Year</b>				
Depreciation	(8,552,775)	(616,822)	-	(9,169,597)
Expected Credit Losses	3,590	14,967	-	18,557
Insurance Proceeds Received but Not Utilised	(119,180)	119,180	-	-
Lease Liabilities	1,420,929	54,200	-	1,475,129
Lease Incentives Paid	195,609	(45,560)	-	150,049
Right-of-Use Assets	(1,182,346)	(35,435)	-	(1,217,781)
	<b>(8,234,172)</b>	<b>(509,470)</b>	<b>-</b>	<b>(8,743,643)</b>
<b>Group: 2022 Year</b>				
Depreciation	(7,706,616)	(846,159)	-	(8,552,775)
Expected Credit Losses	3,143	447	-	3,590
Insurance Proceeds Received but Not Utilised	-	(119,180)	-	(119,180)
Lease Liabilities	1,436,505	(15,576)	-	1,420,929
Lease Incentives Paid	153,882	41,727	-	195,609
Liability Component of Convertible Notes	133,246	(133,246)	-	-
Right-of-Use Assets	(1,216,112)	33,766	-	(1,182,346)
	<b>(7,195,952)</b>	<b>(1,038,221)</b>	<b>-</b>	<b>(8,234,172)</b>

**ACCOUNTING POLICIES**

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, nor differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**16 DEFERRED TAXATION (continued)**

**ACCOUNTING POLICIES (continued)**

No material uncertain tax positions exist as at reporting date. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax expense in the period in which such determination is made.

**KEY JUDGEMENT**

Deferred tax is provided on the accumulated depreciation claimed on the building component and the fit out components. Investment properties are valued each year by registered valuers (as outlined in note 7). These values include an allocation of the valuation between the land and buildings components. The calculation of deferred tax on depreciation recovered places reliance on the land and building split provided by the valuers.

**17 IMPUTATION CREDIT ACCOUNT**

	Group	
	2023	2022
Opening Imputation credit balance	3,016	2,073
Taxation Paid (Income Tax)	177	-
Taxation Paid (RWT deducted)	5,982	943
	9,175	3,016
Less Refunds	-	-
Closing imputation credit balance	<b>9,175</b>	<b>3,016</b>

**18 CASH AND CASH EQUIVALENTS**

		Group	
		2023	2022
Cash and cash equivalents comprise	Interest Rate		
Cash at Bank	0.00%	246,745	41,815
ASB Maintenance Reserve Fund	1.55%	601,894	800,281
ASB Savings Account	2.05%	690,057	1,033,364
		<b>1,538,696</b>	<b>1,875,460</b>

All funds held are held in either a chequing or savings account. No funds were held on term deposit at 28 February 2023.

**19 ACCOUNTS RECEIVABLE**

	Group	
	2023	2022
Rentals due	815,424	685,937
Power Commissions & Recoverables Due	18,550	21,099
Other Receivables	213,340	6,246
	1,047,314	713,282
Provision for Expected Credit Losses	(66,276)	(12,823)
Total	<b>981,038</b>	<b>700,459</b>
Due less than 30 days (current)	981,038	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.

**19 ACCOUNTS RECEIVABLE (continued)**

	Group	
	2023	2022
<u>Provision for Expected Credit Losses</u>		
Opening Provision at 1 March	(12,823)	(11,226)
Bad Debts Written Off	-	1,018
Release or (Additional) Expected Credit Losses Provision	(53,453)	(2,615)
Closing Provision at 28 February	(66,276)	(12,823)

Due to a lack of useful historical data on which to base receivable impairment analysis, the Group has assessed its expected credit losses for each individual debtor applying judgement using the property managers experience, customer knowledge and interactions and expected economic factors. This has resulted in an increase in the expected credit losses provision to \$66,276 (2022: \$12,823). This credit loss provision reflects the uncertainty associated with the collection of certain outstanding debts at year end.

**20 LEASING COSTS**

		Group	
		2023	2022
Leasing costs consist of the following:			
<b>Leasing Fees</b>			
Opening Balance		195,869	159,782
Incurred during the year		73,872	88,113
Amortised	<b>14</b>	(65,654)	(52,026)
Closing Balance		204,087	195,869
<b>Lease Incentives</b>			
Opening Balance		556,270	285,652
Incurred during the year		100,000	373,000
Amortised	<b>14</b>	(173,957)	(102,382)
Closing Balance		482,313	556,270
<b>Total Leasing Costs</b>		<b>686,400</b>	<b>752,139</b>

**ACCOUNTING POLICIES**

Where lease incentives are offered, and leasing fees paid, these 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.

**21 ACCOUNTS PAYABLE**

	Group	
	2023	2022
Accruals and other liabilities in respect of investment properties	29,064	87,335
Other accounts payable, accruals and other liabilities	195,761	132,712
Total	224,825	220,047
Due less than 30 days (current)	224,825	220,047



## 22 PROVISION FOR GOC REFUND

	Group	
	2023	2022
Provision for rent refund due to tenants		
Opening Provision at 1 March	347,419	328,050
Additional Provision during the year	438,651	150,084
Refunds to tenants	(310,682)	(130,716)
Closing Provision at 28 February	475,388	347,419

The Provision for GOC (Gross Occupancy Cap) Refund identifies the estimated rent that is to be refunded to tenants. A Gross Occupancy Cap limits a tenants occupancy expense (rent paid) to a percentage (as per the lease agreement) of their turnover. Therefore, if their calculated occupancy expense is less than the rent paid to the Group then they will receive a refund for the overpaid rent.

The Provision for GOC Refund recognised during the year is calculated based on the turnover provided by tenants to Colliers (the Property Manager). However, it is not paid out until certified turnover figures have been provided to the Group.

## 23 GROUP COMPANIES

As at the 28 February 2023 Shopping Centre Investments Limited held shareholdings in the following subsidiaries:

Subsidiary	Balance Date	Incorporated		Shareholding	
		in NZ	Domiciled	2023	2022
BC Chalmers Investments Ltd	28/02/2023	23/08/2005	New Zealand	100.00%	100.00%
Hornby Enterprises Ltd	28/02/2023	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.

B C 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.

## 24 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 year ending 28 February 2023 were:

Director	Entity		Directors Fees Paid	
			2023	2022
Nigel Atherfold	Shopping Centre Investments Limited	A: 25/07/2022	24,083	-
Michael Keyse	Chairman Shopping Centre Investments Limited	A: 19/08/2013	80,000	76,250
Sarah Ott	Shopping Centre Investments Limited	A: 30/03/2021	41,500	36,625
Tom Pryde	Shopping Centre Investments Limited	R: 27/07/2021	-	14,579
David Rankin	Shopping Centre Investments Limited	A: 15/07/2014	41,500	39,250
Tony Sewell	Shopping Centre Investments Limited	R: 25/07/2022	15,917	38,875
(Key: A = Appointed and R = Retired)			203,000	205,579

Michael Keyse, in addition to his Director role, also carries out further duties as there is no appointment of a determined CEO. The fee paid to him takes into account these additional demands.

No Directors Fees were payable at 28 February 2023 (2022: \$3,000)



#### 24 RELATED PARTY DISCLOSURES (continued)

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

Michael Keyse, a director of Shopping Centre Investments Limited, was also a consultant to Nexia Christchurch Limited Chartered Accountants until 31 December 2017, with whom the Company and Group has transacted with during the year. Nexia Christchurch Limited prepare the Company's annual financial statements, and monthly reports for the Board.

Michael Keyse has a beneficial interest in the Sherwood Family Trust which holds 555,304 shares at 28 February 2023. These were shares originally held through MacGibbons Investments Limited, which the Trust had a 33.3% interest in. MacGibbons Investments Limited held 1,665,914 shares at 28 February 2022.

Michael Keyse also holds 110,910 shares of Shopping Centre Investments Limited in his own name (2022: Held 110,910 shares).

Steve Benton, a shareholder, was previously a Director of Rede Advisers. During the year, Rede Advisers were paid \$9,167 for administration fees.

This Company was instrumental in obtaining significant shareholder funds from its client base and also assisted in the raising of funds secured by second and third mortgages. This Company, on a regular basis, advises, answers and reports to its participating shareholder base.

(2022: \$10,615 paid for administration fees)

Steve Benton has a beneficial interest the Styche Benton Family Trust which holds 593,828 shares at 28 February 2023. (2022: Held 593,828 shares).

David Rankin, a director of Shopping Centre Investments Limited, has a beneficial interest in the D H Rankin Children's Trust which holds 608,000 shares as at 28 February 2023. David Rankin is also a director of Livingstone First Realty Limited which holds 50,000 shares at 28 February 2023.

(2022: D H Rankin Childrens Trust held 608,000 shares.)

(2022: Livingstone First Realty Limited held 50,000 shares.)

David Rankin is also a Trustee of the Rotary Club of Cashmere Charitable Trust which held 10,000 shares at 28 February 2023. (2022: Held 10,000 shares.)

Tony Sewell, a director of Shopping Centre Investments Limited until 25 July 2022, has a beneficial interest in the Fermanagh Trust which holds 84,000 shares as at 28 February 2023 (2022: Held 84,000 shares).

Colliers Real Estate Management Limited are the managers of the shopping centre.

Evan Harris, the National Retail Consultant of Colliers Real Estate Management Limited and oversees leasing for Shopping Centre Investments Limited, has a beneficial interest in the E E Harris Family Trust which holds 247,960 shares at 28 February 2023 (2022: Held 247,960 shares).

Joanna Koster, an Associate Director - Retail of Colliers Real Estate Management Limited and oversees leasing and property management of Shopping Centre Investments Limited, holds 86,786 shares as at 28 February 2023 (2022: Held 86,786 shares).

Jason Marsden, employed by Colliers Real Estate Management Limited and is the Mall Manager at The Hub, holds 97,003 shares as at 28 February 2023 (2022: Held 97,003 shares).

Kiri Thomson, employed by Colliers International Real Estate Management Limited and is the Operations Manager at The Hub, jointly holds 20,000 shares as at 28 February 2023 (2022: Held 20,000 shares).

**24 RELATED PARTY DISCLOSURES (continued)**

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

	Group	
	2023	2022
<b>Accounting, secretarial and administrative support:</b>		
Colliers Intl. Real Estate Mgmt Ltd	73,873	88,114
Cruickshank Pryde	-	2,060
Nexia Christchurch Limited	135,598	131,503
Rede Advisers	9,167	10,615
<b>Total value of transactions with related parties</b>	<b>218,638</b>	<b>232,292</b>

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

	2023		2022	
	Trade receivable	Trade payable	Trade receivable	Trade payable
Colliers Intl. Real Estate Mgmt Ltd	-	-	-	35,127
Nexia Christchurch Limited	-	13,469	-	18,683
<b>Total</b>	<b>-</b>	<b>13,469</b>	<b>-</b>	<b>53,810</b>

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 its subsidiary companies B C Chalmers Investments Limited and Hornby Enterprises Limited.

Balances owing to Shopping Centre Investments Limited by:

	Advance		Impairment		Net Advance	
	2023	2022	2023	2022	2023	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
	<b>5,485,859</b>	<b>5,485,859</b>	<b>5,341,751</b>	<b>5,341,751</b>	<b>144,108</b>	<b>144,108</b>

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.



## 25 CAPITAL COMMITMENTS

### 2023 Year:

As at 28 February 2023, the Group has no capital commitments.

### 2022 Year:

As at 28 February 2022, the Group had capital commitments totalling \$984,418 (of total cost of \$1,441,289) to complete the installation of a new passenger lift. These works are expected to be completed by September 2022.

2023 update: These works were completed during the year and the lift was operational from December 2022.

The subsidiaries have no capital commitments relating to any matters.

## 26 CONTINGENT LIABILITIES

As at 28 February 2023 the Group had no contingent liabilities (2022: nil)

## 27 SUBSEQUENT EVENTS

### 2023 Year:

On 10 March 2023, the Board passed a resolution approving a gross dividend of 0.8125 cents per share to be paid 31 March 2023. The gross dividend paid was \$559,871.

On 23 March 2023, ASB submitted an Amendment to the Committed Cash Advances Facility Agreement which extended the maturity date of the loan from 1 November 2024 to 1 November 2025. The Board approved and signed the Amendment document on 29 March 2023.

ASB also advised on 23 March 2023 that they would adjust the Interest Cover Ratio from 2.0 times to 1.5 times (this is to be documented within a further Loan Facility Amendment).

On 28 April 2023, the investment property was subject to a ram raid resulting in damage to entrance doors and flooring. An insurance claim has been lodged, though the extent of the damage is still to be quantified.

As at 28 February 2023, due to the decrease in the value of the mall, the Group's loan to value ratio rose to 55.09%. As this exceeded the maximum ratio of 52.00% as stated in the ASB loan document, the ASB had the right to demand repayment of the loan. The term loan is therefore recorded as a current liability.

On 17 May 2023, ASB issued a confirmation of breach of covenant notice however they advised that no action will be taken, and this will be reassessed as at 29 February 2024. The receipt of this advice does not alter the classification of the loan as a current liability as this confirmation was received post reporting date.

### 2022 Year:

On 2 March 2022, the Board passed a resolution approving a gross dividend of 1.375 cents per share to be paid 25 March 2022. The gross dividend paid was \$947,474

On 15 March 2022, the insurance claim of \$462,955 plus GST was submitted to the insurer to recover the costs of repairing the cracking in the hollowcore flooring. The claim has not yet been paid out.

On 4 April 2022, Computershare took over management of the Parent's share register from Nexia New Zealand.

One lease incentive totalling \$100,000 plus GST, which was agreed to prior to the end of the financial year, has been paid in April 2022.

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

	Group	
	2023	2022
<b>Net Income</b>	<b>(6,127,895)</b>	<b>6,342,692</b>
<i>Non cash and non operating items</i>		
Unrealised net change in value of investment property	9,800,959	(1,882,161)
Unrealised net change in value of derivative financial instruments	(518,309)	(175,271)
Bad Debts	-	1,018
Depreciation	129,771	125,347
Insurance Proceeds	(467,720)	(425,644)
Interest on Lease Liabilities	263,667	253,953
Tax Expense	654,748	577,799
Deferred tax	509,471	1,038,221
	10,372,587	(486,738)
Cash flow from operations before working capital changes	4,244,692	5,855,954
<b>Movements in Working Capital</b>		
Increase / (Decrease) in Accounts Payable	54,740	60,285
Increase / (Decrease) in Interest Accrued (Loans)	171,809	36,232
Increase / (Decrease) in Bonds	(17,973)	-
Increase / (Decrease) in Credit Losses Allowance	53,453	1,597
Increase / (Decrease) in GST Payable	3,888	55,656
(Increase) / Decrease in Interest Accrued	(1,872)	(850)
(Increase) / Decrease in Leasing Fees	(8,219)	(36,087)
(Increase) / Decrease in Lease Incentives	73,957	(270,618)
Increase / (Decrease) in Provision for GOC Refund	127,969	19,369
(Increase) / Decrease in Accounts Receivable	(188,026)	(42,443)
(Increase) / Decrease in Prepayments	(119)	238
(Increase) / Decrease Future Tax Benefits	(6,068)	(943)
	263,539	(177,564)
<b>Net Cash Flows from Operating Activities</b>	<b>4,508,231</b>	<b>5,678,390</b>

**28 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**

	2023	2022	Cash Flows	Non-Cash Changes	
				Reclassification Between Short and Long Term	2023
<b>Long-term borrowings</b>					
Lease Liabilities		5,016,359	(272,408)	(118,567)	4,625,384
Term Loans - ASB		67,000,000	(187,500)	(66,812,500)	-
		72,016,359	(459,908)	(66,931,067)	4,625,384
<b>Short-term borrowings</b>					
Lease Liabilities		58,385	(49,554)	44,423	53,254
Term Loans - ASB		-	-	66,812,500	66,812,500
		58,385	(49,554)	66,856,923	66,865,754
		72,074,744	(509,462)	(74,144)	71,491,138

	2022	2021	Cash Flows	Reclassification	
				Between Short and Long Term	2022
<b>Long-term borrowings</b>					
Lease Liabilities		5,074,743	(253,953)	195,569	5,016,359
Term Loans - ASB		67,000,000	-	-	67,000,000
		72,074,743	(253,953)	195,569	72,016,359
<b>Short-term borrowings</b>					
Liability Component of Convertible Notes		475,877	(475,877)	-	-
Lease Liabilities		55,631	(55,631)	58,385	58,385
		531,508	(531,508)	58,385	58,385
		72,606,251	(785,461)	253,954	72,074,744

## 29 FINANCIAL INSTRUMENTS - BY CATEGORY

The Group has the following Financial Instruments:

### 2023 Year

	Group			
	Assets at amortised cost	Liabilities at amortised cost	Assets at fair value through Profit or Loss	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	1,538,696	-	-	1,538,696
Colliers Trust Account	78,182	-	-	78,182
Accounts Receivable	981,038	-	-	981,038
Derivative Financial Instruments	-	-	693,580	693,580
<b>Total as at 28 February 2023</b>	<b>2,597,916</b>	<b>-</b>	<b>693,580</b>	<b>3,291,496</b>

### Financial Liabilities

	Group			
	Assets at amortised cost	Liabilities at amortised cost	Assets at fair value through Profit or Loss	Total carrying amount
Accounts payable, accruals & other liabilities	-	224,825	-	224,825
ASB Loan	-	66,812,500	-	66,812,500
<b>Total as at 28 February 2023</b>	<b>-</b>	<b>67,037,325</b>	<b>-</b>	<b>67,037,325</b>

### 2022 Year

	Group			
	Assets at amortised cost	Liabilities at amortised cost	Assets at fair value through Profit or Loss	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	1,875,460	-	-	1,875,460
Colliers Trust Account	92,611	-	-	92,611
Accounts Receivable	700,459	-	-	700,459
Derivative Financial Instruments	-	-	175,271	175,271
<b>Total as at 28 February 2022</b>	<b>2,668,530</b>	<b>-</b>	<b>175,271</b>	<b>2,843,801</b>

### Financial Liabilities

	Group			
	Assets at amortised cost	Liabilities at amortised cost	Assets at fair value through Profit or Loss	Total carrying amount
Accounts payable, accruals & other liabilities	-	220,047	-	220,047
ASB Loan	-	67,000,000	-	67,000,000
<b>Total as at 28 February 2022</b>	<b>-</b>	<b>67,220,047</b>	<b>-</b>	<b>67,220,047</b>

## ACCOUNTING POLICIES

The following items in the Consolidated Statement of Financial Position are classified as financial instruments: cash cash equivalents, Colliers Trust Account, accounts receivable, derivative financial instruments, accounts payable and the ASB loan. All financial instruments are recorded at amortised cost with the exception of derivative financial instruments, which are recorded at fair value through profit or loss.

### ASB Loan

The ASB Loan is a financial instrument that is recorded at amortised cost.

However, due to worsening credit spreads the fair value of the ASB Loan at 28 February 2023 has been calculated using the Fair Value Hierarchy Level 2 with discount rates of 7.18% to 7.41% (2022: 3.56% to 4.31%).

The worsening credit spreads lead to the use of Fair Value Hierarchy Level 2 as the calculation relies upon the RBNZ 90 day BKBM rate, which is a quoted rate available as at and post reporting date.

The fair value of the ASB Loan at 28 February 2023 is \$66,769,041 (2022: \$64,913,153)



### 30 CAPITAL MANAGEMENT POLICIES

The Company and Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the loan to value ratio. The ratio is calculated as borrowings divided by investment properties.

During the year ended 28 February 2023, the Group's strategy was to maintain a loan to value ratio of no more than 52%.

The covenants on all borrowings require a loan to value ratio of not more than 52% (2022: 55%) and an interest cover ratio (that is, the ratio of earnings before interest to interest) of not less than 1.50:1 (2022: 2.00:1).

The Group complied with the interest cover ratio covenant during the current year, but not the loan to value ratio.

The Group complied with the covenants in the prior year.

As at and for the year ended 28 February 2023, the Group had a loan to value ratio of 55.09% (2022: 53.52%).

The Group had an interest cover ratio of 2.23 (2022: 3.43) and registered mortgage securities of \$66,812,500.

As at 28 February 2023 the funds drawn totalled \$66,812,500 (2022: \$67,000,000)

The Company's capital management objectives are:

- The Director's assess the cash flow requirements and the covenants before resolving to declare a dividend. Subject to these conditions being met, dividends are generally paid on a quarterly basis.
- The Director's assess the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.
- Until 2022, the Company had previously honoured its covenant obligations, including capital ratios, since the present loans were taken out in July 2017. Due to a reduction in the fair value of the investment property, the loan to value ration covenant has not been met in 2023.  
 On 17 May 2023, ASB issued a confirmation of breach of covenant notice however they advised that no action will be taken and this will be reassessed as at 29 February 2024.  
 On an annual basis, the Board advises the ASB in regards to whether or not the covenant obligations have been met.
- Additional bank covenants, not listed above, on all borrowings require:
  - \* Undertake seismic strengthening work to ensure all land and buildings secured meet no less than 67% of the New Building Standards.
- The Board expect that the term loan will be renewed at 29 February 2024 and will be done so on acceptable terms.

### 31 Dividend Payout Ratio

	Group	
	2023	2022
Cash Flows from Operations	<b>4,508,231</b>	<b>6,104,034</b>
Less amount retained	976,734	3,089,341
<b>Cash Dividend</b>	<b>3,531,497</b>	<b>3,014,693</b>
Payout Ratio	78%	49%
Cash Dividend (cents per share)	0.0513	0.0438

Dividends paid as follows	2023			2022		
	Date	Rate (cps)	Gross	Date	Rate (cps)	Gross
	25/03/2022	0.01375	947,475	26/03/2021	0.01250	689,072
	30/06/2022	0.01250	861,341	30/06/2021	0.01250	689,072
	30/09/2022	0.01250	861,341	10/09/2021	0.01250	689,072
	21/12/2022	0.01250	861,341	15/12/2021	0.01375	947,475
			<b>3,531,497</b>			<b>3,014,693</b>



SUMMARY OF FINANCIAL RESULTS FOR THE FIVE YEAR PERIOD 2019 TO 2023

# Five Year Financial Summary

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# Summary Of Financial Results For The Five Year Period 2019 To 2023

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019	2020	2021	2022	2023
Rent Received	8,522,543	9,384,254	9,259,886	9,624,413	9,994,988
Insurance Recoveries	-	-	-	425,644	467,720
Interest Received	1,105	8,410	(3,412)	8,952	27,570
Sundry Income	156,520	182,279	160,844	162,247	184,148
	8,680,168	9,574,943	9,417,318	10,221,256	\$10,674,426
<b>DIRECT EXPENSES</b>					
Management Contributions	67,754	70,467	53,107	89,288	83,629
Operating Contributions	684,382	628,059	497,834	587,492	552,720
	752,136	698,526	550,941	676,780	636,349
<b>Gross Profit</b>	<b>7,928,032</b>	<b>8,876,417</b>	<b>8,866,377</b>	<b>9,544,476</b>	<b>10,038,077</b>
<b>OVERHEAD EXPENSES</b>					
Audit Fees	41,500	40,651	32,800	40,500	41,500
Directors Fees	183,000	183,000	183,000	205,579	203,000
Interest	2,898,193	2,653,021	1,946,299	2,074,136	3,652,659
Interest Expense on Conv Notes	255,025	185,394	102,737	21,105	0
Interest Expense on Lease Liabilities	-	253,460	256,553	253,953	263,667
Other Operating Expenses	794,642	656,287	851,085	1,047,923	1,558,277
	4,172,360	3,971,813	3,372,474	3,643,196	5,719,103
<b>Net Operating Income</b>	<b>3,755,672</b>	<b>4,904,604</b>	<b>5,493,903</b>	<b>5,901,280</b>	<b>4,318,974</b>
Unrealised net change investment properties	(6,197,851)	(3,451,413)	(4,697,631)	1,882,161	(9,800,959)
Derivative Financial Instruments	-	-	-	175,271	518,309
Impairment Development Costs	-	-	(22,452)	-	-
Unrealised Fair Value Derivatives	-	-	-	-	-
	(2,442,179)	1,453,191	773,820	7,958,712	(4,963,676)
Deferred Tax	(836,106)	(1,177,678)	(1,544,981)	(1,616,020)	(1,164,219)
<b>Net Income</b>	<b>(3,278,285)</b>	<b>275,513</b>	<b>(771,161)</b>	<b>6,342,692</b>	<b>(6,127,895)</b>
<b>Equity Opening</b>	65,733,864	59,837,103	57,256,794	54,142,786	57,470,785
Effect of Adoption NZIFRS16	-	(650,792)	-	-	-
Convertible Notes	-	-	-	-	-
Net Income	(3,278,285)	275,513	(771,161)	6,342,692	(6,127,895)
Distributions	(2,618,476)	(2,205,031)	(2,342,847)	(3,014,693)	(3,531,497)
<b>Equity Closing</b>	<b>59,837,103</b>	<b>57,256,793</b>	<b>54,142,786</b>	<b>57,470,785</b>	<b>47,811,393</b>

# Summary Of Financial Results For The Five Year Period 2019 To 2023

CONTINUED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019	2020	2021	2022	2023
<b>SHAREHOLDER EQUITY</b>					
Share Capital	62,856,275	62,856,275	62,856,275	73,374,286	73,374,286
Convertible Notes	10,518,011	10,518,011	10,518,011	-	-
Accumulated Losses	(13,537,183)	(16,117,492)	(13,984,326)	(12,538,489)	(12,396,922)
Accumulated Losses Attribution Reserve	-	-	(5,247,174)	(3,365,012)	(13,165,971)
	59,837,103	57,256,794	54,142,786	57,470,785	47,811,393
<b>CURRENT LIABILITIES</b>					
Accounts Payable	1,243,639	325,323	434,704	532,536	523,262
Income Received in Advance	-	-	-	-	84,305
Interest Accrued	194,231	187,063	133,673	169,905	341,714
Liability Component of Convertible Notes	747,403	827,510	475,877	-	-
GST Payable	81,389	184,862	120,640	170,258	164,487
Provision for Deferred Maintenance	12,449	12,449	12,449	12,449	12,449
Provision for GOC Cap refunds	378,470	484,145	328,050	347,419	475,388
Term Loan Current Portion	-	-	-	-	66,812,500
	2,657,581	2,021,352	1,505,393	1,232,567	68,414,105
<b>TERM LIABILITIES</b>					
Term Loan	66,025,000	67,525,000	67,000,000	67,000,000	-
Lease Liabilities	-	5,018,055	5,074,743	5,016,359	5,206,010
Liability Component of Convertible Notes	1,303,387	475,877	-	-	-
Deferred Tax Liability	4,570,782	5,748,460	7,195,951	8,234,172	8,743,643
	71,899,169	78,767,392	79,270,694	80,250,531	13,949,653
<b>Total Equity and Liabilities</b>	<b>134,393,853</b>	<b>138,045,538</b>	<b>134,918,873</b>	<b>138,953,883</b>	<b>130,175,151</b>
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	838,859	2,186,190	2,071,338	1,968,071	1,616,877
Accounts Receivable	536,851	782,685	673,255	700,459	981,038
Derivative Financial Instrument	-	-	-	175,271	693,580
Tax Paid in Advance	1,800,589	1,799,709	-	-	-
	3,176,299	4,768,584	2,744,593	2,843,801	3,291,495
<b>NON CURRENT ASSETS</b>					
Investment Properties	130,600,000	128,300,000	125,580,000	129,000,000	121,280,000
Capital Works in Progress	-	-	2,805	457,236	-
Capital Repairs subject Insurance Claim	-	-	-	456,871	-
Leasehold Asset	109,877	104,435	99,356	94,602	90,146
Leasing Costs	507,677	521,091	445,434	752,139	686,399
Right of Use of Assets	-	4,351,428	4,343,257	4,222,662	4,349,217
Tax Paid in Advance	-	-	1,703,428	1,126,572	477,894
<b>Total Assets</b>	<b>134,393,853</b>	<b>138,045,538</b>	<b>134,918,873</b>	<b>138,953,883</b>	<b>130,175,151</b>

# Additional Information

## Corporate Governance

The governance policies, practices and processes are defined within the Statement of Board Governance and Board Charter.

The Statement of Board Governance comprises 8 principles based on the contents of publications by the Institute of Directors, the handbook for Directors published by the FMA (Financial Marketing Authority) and though not a member of the NZX Exchange the “NZX Corporate Governance Code has been referred to.

These principles are detailed within the Company website, the headings of which are:

1. Code of Ethical Behaviour
2. Board Composition and Performance
3. Board Committees
4. Reporting and Disclosure
5. Remuneration
6. Risk Management
7. Auditors
8. Shareholder Rights and Relations

## The Board Charter

The role of the Charter is to define the Company’s direction and to set operational goals.

The goals of the company are:

1. To provide a Mall of Regional stature with at least two anchor tenants in place.
2. To put in place a suitable divergence and quality of tenants to attract maximum rental returns and provide an interesting and eclectic range of products and services to attract shoppers at maximum levels. With such goals it would be anticipated that the Company would maximise its income producing potential and that returns satisfactory to the stakeholders would be achieved.
3. To maximise the asset value of the investment, aim for a diversification of asset holdings and to improve the liquidity of the shareholder investment.
4. To identify that the entity has responsibilities to its community base, to promote an environment of well-being and sustainability.

# Board of Directors



## **MICHAEL KEYSE** Board Chair

Michael is a Fellow of, Chartered Accountants Australia New Zealand, and previously a Senior Partner of Hilson Fagerlund Keyse, Chartered Accountants, Christchurch. Michael, before retiring from public practice, was an advisor to a diverse range of clients and was instrumental in establishing a number of successful property syndications.

His experience in Public Practice has allowed him to forge positive relationships with other professional advisors including bankers, valuers, lawyers, project managers, property management professionals, architects, structural engineers, and financial advisors.

Michael has acted as an accountant for a public company and is experienced in prospectus construction and audit. He has overseen various trusteeships and executive positions for several charitable bodies, the largest of which bestowed upon him a life membership in recognition of his professional stewardship. Michael holds Directorships in a varied number of private companies.

## **SARAH OTT** Independent Board Member

Sarah joined the board of SCIL in March 2021 and is an experienced Chartered Accountant with a broad commercial background having held a range of public practice roles, both commercial and corporate. Sarah has significant experience in the governance of investment entities, including a directorship of a property syndicate manager for ten years, seeing it through the cycle of acquisition, development and sale. She also chairs the board of a significant family investment company and is a trustee and advisor to a number of family investment entities.

Having worked in financial, operational and investment management, Sarah has significant experience in governance and management of property based investments.

Sarah is currently the independent Chair of Halland Investments Limited, and has previously been the Director of Ocean Partners Property Management and an Executive Director at Ernst Young.



**DAVID RANKIN**  
Board Member

Appointed Director July 2014. David is a Director of Livingstone Realty Limited having formerly been Principal Officer and Director of H G Livingstone Ltd when it was managing 27 Shopping Centres throughout New Zealand. With over 30 years of experience in the real estate industry, he is a Life Member and former Director of The Real Estate Institute of New Zealand, Chartered Member of the Institute of Directors, is qualified in valuation and has been a Registered Valuer.

David is a Director and former Chairman of Addington Raceway Ltd, is Chairman of NZ Metropolitan Properties Ltd and was Chairman of a Co-operative Company for several years.

Due to his senior position and experience David has project managed and sat on the development boards for commercial developments which included overseeing construction contracts, leasing and rent reviews

**NIGEL ATHERFOLD**  
Board Member

Nigel joined the board in July 2022. He is an experienced director. In the last 15 years he has served on boards that have covered the spectrum from farming to manufacturing to consumer-branded goods, from start-ups to rapid growth to mature companies.

He is currently on the boards of Landcorp Farming Limited (deputy chair), Rural Equities Limited, Melody Dairies GP Limited, Spring Sheep Dairy NZ Management Limited, and Terracostosa Limited.

The early part of his career was spent in the property finance and corporate banking areas of New Zealand's major banks before spending five years in the treasury division of New Zealand Dairy Board. He has been self-employed since 2006 and is part-owner of an economics and treasury risk management advisory firm TDB Advisory Limited.

He has a bachelors degree in economics degree and a masters degree in corporate finance.





# Directory

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**Email:** info@scil.co.nz  
**Website:** nexia.co.nz

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**Telephone:** +64 3 349 2790  
**Senior Centre Manger:** Jason Marsden  
**Operations Manager:** Kiri Thomson

## Registrar

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**Facsimile:** +64 9 488 8787  
**E Mail:** enquiry@computershare.co.nz

## Auditor

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Chartered Accountants  
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**Telephone:** +64 3 379 5155

## Managing Agents

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Christchurch 8141  
**Telephone:** +64 3 379 6280  
**National Retail Property Cons:** Evan Harris  
**Assoc Director:** Joanna Koster

## Legal Advisors

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## DIRECTORS

Chair: **Michael Keyse**  
Independent Director: **Sarah Ott**  
Non-Executive Directors: **David Rankin, Nigel Atherfold**

