

14 November 2023

Dear Shareholder,

This is a brief commentary to accompany the unaudited financial statements for the six month period ended 31 August 2023. These statements have been sent to all shareholders and can also be accessed on the SCIL website. <https://scil.co.nz>.

No revaluation of assets has taken place.

This commentary should be read in conjunction with the Chairman's Quarterly Report September 2023.

The Operating Profit identified is substantially less than that reported for the corresponding six-month period last year. The two factors impacting on this are one, the reduction in gross rentals (and the corresponding increase in Operating Contributions), two, the increase in Term Loan interest from \$1.584 million to \$2.476 million.

The second factor is by far the most influential and I refer you to the widespread national commentary.

The present indication is that interest rates will begin to reduce but that any reduction of significance will be delayed to the latter part of the 2024 calendar year and into 2025. I am pleased to advise that the latest monthly floating rate for SCIL has reduced from the previous, let us hope that this becomes a regular trend, even if of modest proportions. Our previous Board interest rate projections for cash flow purposes have not been exceeded.

Any substantial improvement in profitability is dependent upon a reduction in rates. Our cash resources are limited but we continue to meet term loan repayments of \$62,500 per month. (\$750,000 pa).

The majority of our tenancies continue to enjoy improvements in their turnover figures when compared with previous periods, especially the two anchors. This is contrary to present economic conditions. Foot counts also continue to improve, and this reflects the positive demographic factors and the high standard of presentation and the initiatives of the Management team.

There has been some attrition, and the retail leasing market is flat.

The Board has been in close collaboration with its Managing Agents Colliers to ensure problematic spaces are marketed, in a timely anticipated fashion, to their maximum potential. Hopefully, in my December quarter report, I can confirm that one of the larger vacancies has been filled.

As a percentage of leased space available, the following occupied percentages, as at 31 August 2023, were:

[based on square metres]

Overall: 96% comprising Anchors 100%, Food Court 100%, Fashion 88.6%, Speciality 90.9%.

This compares favourably with other large retail operations within Christchurch.

Operating Expenses include the substantial improvements to the traveller infrastructure of \$301,223. The ability to claim these as repairs has been taken advantage of. This program will extend into the 2024/2025 financial year and has been budgeted for. Most of the funding for these works were provided for by the careful cash reserve accumulations in the previous two years.

For the determination of dividends, the Operating Profit has been taken into account which is before taxation and the Financial Reporting adjustments. These latter items include deferred taxation calculations and the valuation of the derivative financial instrument. There are further Financial Reporting adjustments such as the amortisation of Lease Incentives and Leasing Fees and the Interest Expense on Lease Liabilities.

You will have noted my comments above as to the capital / repair program. Finally, these interims do not accrue any percentage rentals from tenants, these substantial amounts only being invoiced at year end (29 February 2024).

The Board has conservatively reduced the dividend rate from the September 2023 quarter but has consistently followed a policy of quarterly announcements. An announcement will be made just prior to Christmas.

I look forward to reporting to you next when we have the optimism of the lead up to Christmas, I hope that will be reflected in greater tenancy interest and the finalisation of ongoing rental renewals which to date have proved positive. That the resolution of the political scene will prove beneficial and a progression downwards of interest rates will continue??

Best wishes



Michael Keyse  
Chairman  
Shopping Centre Investments Limited

**SHOPPING CENTRE INVESTMENTS LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

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SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 AUGUST 2023

		Group		
		Unaudited 6 Months 31 Aug 2023	Unaudited 6 Months 31 Aug 2022	
Notes		\$	\$	
<b>Operating Income</b>				
	Rent Received	9	4,462,368	4,894,722
			4,462,368	4,894,722
<b>Other Income</b>				
	Insurance Proceeds Received		-	479,713
	Interest Received/(Refunded) on Assets Amortised at Cost		17,246	5,060
	Power Commissions & Recoveries		90,345	85,436
			107,591	570,209
<b>Less Overhead Expenses</b>				
	Management Contributions		42,818	42,552
	Operating Contributions		331,586	255,059
	Power Supplies		21,511	24,852
	Audit Fees (BDO Christchurch - Statutory Audit)		44,825	41,500
	Directors Fees	14	100,000	100,000
	Interest Expense on Lease Liabilities	8	130,391	136,204
	Interest Expense on Liabilities at Amortised Cost		2,475,801	1,583,927
	Other Operating Expenses	10	791,189	890,743
			3,938,121	3,074,837
	<b>Operating Profit / (Loss)</b>		<b>631,838</b>	<b>2,390,094</b>
<b>Non Operating Income and Expenses</b>				
	Net change in the value of the Derivative Financial Instruments		(145,016)	377,707
			(145,016)	377,707
	<b>Profit / (Loss) before Income Tax</b>		<b>486,822</b>	<b>2,767,801</b>
<b>Income Tax Benefit / (Expense)</b>				
	Income Tax	11	(141,592)	(776,030)
			(141,592)	(776,030)
	<b>Profit / (Loss) Attributable to Shareholders</b>		<b>345,230</b>	<b>1,991,771</b>
	<b>Other Comprehensive Income</b>		-	-
	<b>Total Comprehensive Income attributable to Shareholders</b>		<b>345,230</b>	<b>1,991,771</b>

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 AUGUST 2023

31ST AUGUST 2022

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

31ST AUGUST 2023

Notes	Group				
	Share Capital	Convertible Notes	Accumulated Losses	Accumulated Losses Attribution Reserve	Total
	\$	\$	\$	\$	\$
Balance at 28 February 2023	73,374,286	-	(12,396,922)	(13,165,971)	47,811,393
Total Comprehensive Income for the Year					
Profit / (Loss) for the Year	-	-	345,230	-	345,230
Other Comprehensive Income	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>345,230</b>	<b>-</b>	<b>345,230</b>
Transactions with Owners recorded directly in Equity					
Dividends to Shareholders	-	-	(1,119,743)	-	(1,119,743)
Transfer to Accumulated Losses Attribution Reserve	-	-	-	-	-
<b>Balance at 31 August 2023</b>	<b>73,374,286</b>	<b>-</b>	<b>(13,171,435)</b>	<b>(13,165,971)</b>	<b>47,036,880</b>

	Group	
	31 Aug 2023	31 Aug 2022
Dividends for the period (cents per share)	0.0163	0.0263
Dividend	1,119,743	1,808,816
Shares dividends paid on	68,907,243	68,907,243

The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT THE 31ST AUGUST 2023

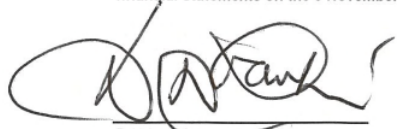
		Group	
		Unaudited 6 Months 31 Aug 2023	Audited Year Ended 28 Feb 2023
Notes		\$	\$
<b>Current Assets</b>			
	Cash and Cash Equivalents	1,247,609	1,538,696
	Colliers Trust Account	133,034	78,181
12	Accounts & Other Receivables	339,200	981,038
7	Derivative Financial Instrument	548,563	693,580
	<b>Total Current Assets</b>	<b>2,268,406</b>	<b>3,291,495</b>
<b>Non Current Assets</b>			
4	Investment Properties	121,446,570	121,280,000
5	Capital Works in Progress	-	-
	Leasehold Asset	88,050	90,146
	Leasing Costs	667,808	686,399
8	Right-of-Use Assets	4,286,560	4,349,217
11	Tax Paid in Advance	482,896	477,894
	<b>Total Non Current Assets</b>	<b>126,971,884</b>	<b>126,883,656</b>
	<b>Total Assets</b>	<b>129,240,290</b>	<b>130,175,151</b>

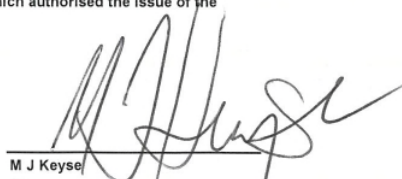
The accompanying Notes form part of these Financial Statements.

SHOPPING CENTRE INVESTMENTS LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT THE 31ST AUGUST 2023

	Group	
	Unaudited	Audited
	6 Months 31 Aug 2023	Year Ended 28 Feb 2023
Notes	\$	\$
<b>Shareholders' Equity</b>		
Share Capital	73,374,286	73,374,286
Accumulated Losses	(13,171,435)	(12,396,922)
Accumulated Losses Attribution Reserve	(13,165,971)	(13,165,971)
<b>Total Shareholders' Equity</b>	<b>47,036,880</b>	<b>47,811,393</b>
<b>Current Liabilities</b>		
Accounts Payable	184,964	224,825
Interest Accrued	420,721	341,714
Bonds Prepaid	196,237	154,731
Income Received in Advanced	84,305	84,305
Lease Liabilities	8 31,153	62,306
GST Payable	147,550	164,487
Provision for Deferred Maintenance	12,449	12,449
Provision for GOC Refund	515,886	475,388
Deficit Funds Received	81,400	81,400
Term Loans - ASB Bank	6 66,437,500	66,812,500
<b>Total Current Liabilities</b>	<b>68,112,165</b>	<b>68,414,105</b>
<b>Term Liabilities</b>		
Term Loans - ASB Bank	6 -	-
Lease Liabilities	8 5,206,010	5,206,010
Deferred Tax Liability	8,885,235	8,743,643
<b>Total Term Liabilities</b>	<b>14,091,245</b>	<b>13,949,653</b>
<b>Total Equity and Liabilities</b>	<b>129,240,290</b>	<b>130,175,151</b>

Signed for and on behalf of the Board of Directors which authorised the issue of the financial statements on the 6 November 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 SIX MONTHS ENDED 31 AUGUST 2023

	Notes	Group	
		Unaudited	Unaudited
		6 Months 31 Aug 2023	6 Months 31 Aug 2022
		\$	\$
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Rentals Received		5,090,438	5,036,780
Insurance Proceeds Received		-	260,869
Interest Received/(Refunded)		19,800	5,443
Power Commissions & Recoveries		85,284	86,443
Net GST Inflows		13,839	17,577
		5,209,361	5,407,112
<i>Cash was disbursed to:</i>			
Payments for Services		(849,309)	(274,378)
Payments for Direct Expenses		(419,175)	(567,905)
Interest Paid		(2,396,794)	(1,452,909)
Income Tax Paid		(5,003)	(1,668)
Net GST Outflows		-	-
		(3,670,281)	(2,296,860)
<b>Net Cash Flows from operating activities</b>	<b>18</b>	<b>1,539,080</b>	<b>3,110,252</b>
<b>Cash flows from investing activities</b>			
<i>Cash was disbursed to:</i>			
Investment Properties		(119,029)	(890,011)
Transfer to Colliers Trust Account		(54,852)	(383)
		(173,881)	(890,394)
<b>Net Cash Flows from investing activities</b>		<b>(173,881)</b>	<b>(890,394)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was disbursed to:</i>			
Dividends Paid		(1,119,743)	(1,808,816)
Lease Liabilities - Interest	<b>18</b>	(130,391)	(136,204)
Lease Liabilities - Principal	<b>18</b>	(31,153)	(24,215)
Loan - ASB	<b>18</b>	(375,000)	-
		(1,656,287)	(1,969,235)
<b>Net Cash Flows from financing activities</b>		<b>(1,656,287)</b>	<b>(1,969,235)</b>
Net Increase (Decrease) in cash & cash equivalents held		(291,088)	250,623
Cash & cash equivalents at beginning of the period		1,538,696	1,875,460
Cash & cash equivalents at end of the period		1,247,609	2,126,083

The accompanying Notes form part of these Financial Statements.



## 1 REPORTING ENTITY

The financial statements as at and for the six months ended 31 August 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 accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the 2023 annual financial statements.

### A BASIS OF PREPARATION

#### **Statement of Compliance**

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

#### **Preparation of Financial Statements**

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

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

#### **New standards and amendments to existing standards effective after 1 March 2023**

There were no new standards or amendments to existing standards that came into effect from 1 March 2023 that had a material impact on the Group.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

- Investment Properties (refer Note 4)
- Deferred Taxation

SHOPPING CENTRE INVESTMENTS LIMITED  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 For the Six Months Ended 31st August 2023

**4 INVESTMENT PROPERTIES**

		Group	
		Unaudited	Audited
		31 Aug 2023	28 Feb 2023
As at beginning of period		121,280,000	129,000,000
Additions - Lift	5	8,735	1,509,331
Additions - Strengthening	5	-	289,493
Additions - Other Capital Items		157,835	282,135
		<u>121,446,570</u>	<u>131,080,959</u>
Fair Value Adjustment		-	(9,800,959)
As at end of period		<b>121,446,570</b>	<b>121,280,000</b>
<b>These totals comprise</b>			
Main Complex known as the Hornby Hub		121,446,570	121,280,000
		<u>121,446,570</u>	<u>121,280,000</u>

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

**ACCOUNTING POLICIES**

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

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

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

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

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

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

**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

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

**4 INVESTMENT PROPERTIES (Continued)**

**NOTES**

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

**Valuation**

The properties have not been revalued for the interim accounts for the six months ended 31 August 2023, as the Directors' have adopted the valuation completed as at 28 February 2023 by Garry Sellars of the firm CVAS (CHC) Limited trading as Colliers, plus the cost of assets acquired to date. This represents the Directors' best estimate of fair value at 31 August 2023.

The valuation methodology, inputs and assumptions are the same as those disclosed in the annual financial statements for the year ended 28 February 2023.

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

		Group	
		Unaudited	Audited
		31 Aug 2023	28 Feb 2022
	As at beginning of period	-	914,107
	Additions - Capital Repairs subject to Insurance Claim	-	20,110
	Additions - Lift	8,735	1,052,095
	Additions - Seismic Strengthening Works	4	289,493
	Additions - Other Works	4	282,135
		166,570	2,557,940
	Less		
	Transfer to Investment Properties	4	(2,080,959)
	Transfer to Statement of Profit or Loss (Dycore Repairs)		(476,981)
		(166,570)	(2,557,940)
	As at end of period	-	-

**ACCOUNTING POLICIES**

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

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

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

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

**NOTES**

Capital work in progress had additions of \$0, which do not include any capitalised interest for the six months ended 31 August 2023.  
 (Year Ended 28 February 2023: \$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.

**6 BORROWINGS**

**i Borrowings**

Balance of ASB Term Loan  
 Current  
 Non-Current  
**Total**

Group	
Unaudited	Audited
31 Aug 2023	28 Feb 2023
66,437,500	66,812,500
-	-
66,437,500	66,812,500

**ACCOUNTING POLICIES**

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

**NOTES**

**ii Facility**

The Group has facilities with the ASB Bank for \$66,437,500 facility (fully drawn)

Amount	Matures	Reset Maturity Date	Floating
66,437,500	1/11/2025	4/09/2023	

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 4.

**iv Other**

The floating interest rate on the term loan of \$66,437,500 at reporting date was:

31 Aug 2023	28 Feb 2023
8.25%	7.18%

All borrowings are being amortised.

No borrowing costs were capitalised to investment properties during the year (2023: \$0) - Note 4.

The covenants on all borrowings require a loan to value ratio of not more than 52% (2023: 55%) and an interest cover ratio (that is, the ratio of earnings before interest to interest) of not less than 1.5:1 (2023: 2.0:1).

The covenants are calculated on an annual basis and therefore have not been assessed as at 31 August 2023.

The Group complied with the interest cover ratio covenant during the 2023 year, but not the loan to value ratio.

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 met 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.

**7 DERIVATIVE FINANCIAL INSTRUMENTS**

	Group	
	Unaudited	Audited
	31 Aug 2023	28 Feb 2023
Fair value of fixed interest rate swaps with start dates that have commenced	548,563	693,580
At 28 February	548,563	693,580

**i Maturities**

The Group had derivative financial instruments in place being fixed interest swaps totalling \$13,400,000 (28 Feb 2023: \$13,400,000)

Fixed interest rate of 2.31% (2023: 2.31%).

The maturity date is 4 November 2024.

The monthly swap settlement is calculated as follows:

The notional amount times the monthly NZD-BBR-BID rate less the fixed rate of 2.31%. If the BID rate exceeds the fixed rate, then a settlement amount is received by the Group. The BID rate at period end was 5.66% (2023: 4.59%)

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

The unrealised net change in fair value of derivative financial instruments was a loss of \$145,016

(August 2022: gain of \$377,707 / February 2023: gain of \$518,309).

**8 LEASES**

**Right-of-Use Assets - Land**

	Group	
	Unaudited	Audited
	31 Aug 2023	28 Feb 2023
At beginning of period	4,349,217	4,222,662
Amortisation	(62,657)	(125,312)
Effect of modification to lease terms	-	251,867
At end of period	4,286,560	4,349,217

**Lease Liabilities - Land**

	Group	
	31 Aug 2023	28 Feb 2023
	At beginning of period	5,268,316
Effect of modification to lease terms	-	251,867
Interest Expense	130,391	263,667
Lease Payments	(161,544)	(321,962)
At end of period	5,237,163	5,268,316

**9 RENT RECEIVED**

	Group	
	Unaudited	Unaudited
	31 Aug 2023	31 Aug 2022
Base Rent	4,142,285	4,524,620
Covid-19 Rent Relief	-	(3,458)
Percentage Rent	44,980	15,206
Casual Leases Rent	50,496	131,667
Car Park	39,312	39,312
Sign	83,377	81,323
Sundry	101,918	106,052
	4,462,368	4,894,722

**ACCOUNTING POLICIES**

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

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

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

SHOPPING CENTRE INVESTMENTS LIMITED  
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10 OTHER EXPENSES

	Group	
	Unaudited	Unaudited
	31 Aug 2023	31 Aug 2022
Accounting Fees	90,543	80,738
Bad Debts Written Off	11,377	-
Consultant's Fees	14,534	5,503
Credit Losses Allowance	23,441	(6,497)
Depreciation - Right-of-Use Assets	62,657	56,290
Electricity	17,601	9,906
Insurance / Rates / Body Corp Fees	24,033	21,625
Lease Incentives - Amortised	82,155	88,541
Leasing Fees - Amortised	44,912	30,047
Legal Fees	61,327	51,955
Listing Fees (USX)	9,854	3,556
Non Deductible Expenses	270	62
Registry Fees (Computershare)	8,781	7,219
Repairs	301,223	14,366
Repairs (Dycore Repairs)	-	472,302
Valuation Fees	26,090	36,011
Other Operating Expenses	12,391	19,119
	<b>791,189</b>	<b>890,743</b>

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

Leasing Fees	<i>Colliers Intl. Real Estate</i>		
	<i>Mgmt Ltd</i>	108,475	33,748
Valuations	<i>CVAS (CHC) Limited - Colliers</i>	28,590	-
		<b>137,065</b>	<b>33,748</b>

SHOPPING CENTRE INVESTMENTS LIMITED  
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For the Six Months Ended 31st August 2023

	Group	
	Unaudited	Unaudited
	31 Aug 2023	31 Aug 2022
<b>11 TAXATION</b>		
Reconciliation of income tax (expense) / benefit and accounting profit multiplied by statutory tax rate:		
<b>Profit / (Loss) before taxation</b>	<b>486,822</b>	<b>2,767,801</b>
Prima facie income tax calculated at the statutory income tax rate of 28% (August 2022: 28%)	(136,310)	(774,984)
<i>Plus tax effect of</i>		
Depreciation	382,169	411,039
Depreciation - Right-of-Use Assets	(17,544)	(15,761)
Expected Credit Losses	(6,563)	1,819
Incentives and Fit Out Contributions	7,500	12,427
Interest - Lease Liabilities	(36,509)	(38,137)
Leasing Fees - Deductible in Year Incurred	30,373	4,177
Leasing Fees - Amortised	(12,575)	(8,413)
Non Deductible Expenses	(76)	(17)
Operating Leases Payments	45,232	44,917
	<b>255,697</b>	<b>(362,933)</b>
Losses brought forward	-	-
(Taxation Due) / Losses available to be carried forward	<b>255,695</b>	<b>(362,933)</b>
<b>Deferred Taxation</b>		
Depreciation Recoverable	(382,169)	(411,039)
Expected Credit Losses	6,563	(1,819)
Lease Incentives Paid	(30,503)	(9,218)
Lease Liabilities	(8,723)	(103,815)
Liability Component of Convertible Notes	-	-
Losses Utilised	-	-
Right-of-Use Assets	17,544	112,794
	<b>(397,287)</b>	<b>(413,097)</b>
<b>Income tax benefit (expense) reported in Profit or Loss</b>	<b>(141,592)</b>	<b>(776,030)</b>
<b>Tax Paid in Advance</b>		
Provisional Tax Paid	477,894	1,126,573
Resident with holding tax paid	5,002	1,668
	<b>482,896</b>	<b>1,128,241</b>
Less Provision for Taxation	-	(362,934)
Total Tax Paid in Advance	<b>482,896</b>	<b>765,307</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.

**12 ACCOUNTS RECEIVABLE**

	Group	
	Unaudited	Audited
	31 Aug 2023	28 Feb 2023
Rentals due	354,852	815,424
Power Commissions & Recoverables Due	23,611	18,550
Other Receivables	50,454	213,340
	428,917	1,047,314
Provision for Credit Losses	(89,717)	(66,276)
<b>Total</b>	<b>339,200</b>	<b>981,038</b>
Due less than 30 days (current)	339,200	981,038

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.

	Group	
	31 Aug 2023	28 Feb 2023
<u>Provision for Expected Credit Losses</u>		
Opening Provision at beginning of period	(66,276)	(12,823)
Bad Debts Written Off	-	-
Release or (Additional) Expected Credit Losses Provision	(23,441)	(53,453)
<b>Closing Provision at end of period</b>	<b>(89,717)</b>	<b>(66,276)</b>

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 \$89,717 (2023: \$66,276). This credit loss provision reflects the uncertainty associated with the collection of certain outstanding debts.



**13 GROUP COMPANIES**

As at the 31 August 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.

BC Chalmers Investments Limited This company previously held property and leased property along Chalmers Street. In the year ended 29 February 2012, the property held was transferred to the Parent. There have been advances by the parent company to the various subsidiaries, these are interest free and repayable on demand. Though impaired these have not been written off.

**14 RELATED PARTY DISCLOSURES**

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

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

Directors within the Company and Group for the six months ending 31 August 2023 were:

Director	Entity		Directors Fees Paid	
			Unaudited	Unaudited
			31 Aug 2023	31 Aug 2022
Michael Keyse	Shopping Centre Investments Limited	A: 19/08/2013	40,000	40,000
Nigel Atherfold	Shopping Centre Investments Limited	A: 25/07/2022	20,000	4,083
Sarah Ott	Shopping Centre Investments Limited	A: 30/03/2021	20,000	20,000
David Rankin	Shopping Centre Investments Limited	A: 15/07/2014	20,000	20,000
Tony Sewell	Shopping Centre Investments Limited	R: 25/07/2022	-	15,917
(Key: A = Appointed and R = Retired)			100,000	100,000

No Directors Fees were payable at 31 August 2023 (31 August 2022: Nil).

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

The Shares held by Related Parties as at 31 August 2023 has not changed from the holdings disclosed in the annual financial statements for the year ended 28 February 2023.

**14 RELATED PARTY DISCLOSURES (continued)**

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

	Group	
	Unaudited	Unaudited
	31 Aug 2023	31 Aug 2022
<b>Accounting, secretarial and administrative support:</b>		
Colliers Intl. Real Estate Mgmt Ltd	108,475	33,748
Nexia Christchurch Limited	90,543	80,738
<b>Total value of transactions with related parties</b>	<b>199,018</b>	<b>114,486</b>

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

	31 August 2023		28 February 2023	
	Trade receivable	Trade payable	Trade receivable	Trade payable
Colliers Intl Real Estate Mgmt Ltd	-	9,533	-	-
Nexia Christchurch Limited	-	14,537	-	13,469
<b>Total</b>	<b>-</b>	<b>24,070</b>	<b>-</b>	<b>13,469</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	
	31 Aug 2023	28 Feb 2023	31 Aug 2023	28 Feb 2023	31 Aug 2023	28 Feb 2023
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.

**15 CAPITAL COMMITMENTS**

As at 31 August 2023, the Group has no capital commitments.

**16 CONTINGENT LIABILITIES**

As at 31 August 2023 the Group had no contingent liabilities (28 February 2023: nil)

**17 SUBSEQUENT EVENTS**

On 1 September 2023, the Board passed a resolution approving a gross dividend of 0.625 cents per share to be paid 30th September 2023. The gross dividend paid was \$430,670.

**18 RECONCILIATION OF REPORTED INCOME / (LOSS) WITH CASH FLOWS**

**from Operating Activities**

	Group	
	Unaudited	Unaudited
	31 Aug 2023	31 Aug 2022
<b>Net Income</b>	<b>345,230</b>	<b>1,991,771</b>
<i>Non cash and non operating items</i>		
Unrealised net change in value of investment property	-	-
Unrealised net change in value of derivative financial instruments	145,017	(377,707)
Bad Debts	11,377	-
Capital Repairs transferred to Profit or Loss	-	472,302
Depreciation	64,750	58,520
Interest on Lease Liabilities	130,390	136,204
Tax Expense	-	362,934
Deferred tax	141,592	413,096
	493,126	1,065,349
Cash flow from operations before working capital changes	838,356	3,057,120
<b>Movements in Working Capital</b>		
Increase / (Decrease) in Accounts Payable	(23,619)	(16,239)
Increase / (Decrease) in Interest Accrued (Loans)	79,008	131,018
Increase / (Decrease) in Bonds	41,507	30,398
Increase / (Decrease) in Credit Losses Allowance	23,441	(6,497)
Increase / (Decrease) in GST Payable	13,838	17,577
(Increase) / Decrease in Interest Accrued	2,554	382
(Increase) / Decrease in Leasing Fees	100,748	15,130
(Increase) / Decrease in Lease Incentives	(82,155)	(11,459)
Increase / (Decrease) in Provision for GOC Refund	40,499	(148,327)
(Increase) / Decrease in Accounts Receivable	554,677	84,449
(Increase) / Decrease in Prepayments	(44,771)	(41,631)
(Increase) / Decrease in GST Receivable	-	-
(Increase) / Decrease Future Tax Benefits	(5,002)	(1,668)
	700,725	53,132
<b>Net Cash Flows from Operating Activities</b>	<b>1,539,080</b>	<b>3,110,252</b>

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

**ACCOUNTING POLICIES**

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

- i **Cash and cash equivalents** means cash, demand deposits and other highly liquid (being those with original maturities of three months or less) investments in which the group has invested as part of its day to day cash management. Cash includes current liabilities such as negative cash balances in the form of overnight bank overdrafts. Cash does not include receivables or payables or any borrowing that forms part of a term liability.
- ii **Operating activities** include all transactions and other events that are neither investing nor financing activities.
- iii **Investing activities** include those relating to the addition, acquisition, and disposal of investment properties and any addition and reduction of subsidiary investment and loans.
- iv **Financing activities** are those activities that result in changes in the size and composition of the capital structure of the Group, including dividends paid.

**Cash Flows from Financing Activities**

	Non-Cash Changes					31 Aug 2023
	1 Mar 2023	Cash Flows	Reclassification Between Short and Long Term	FX Movements	Fair Value Changes	
<b>31 August 2023</b>						
<b>Long-term borrowings</b>						
Lease Liabilities	5,206,010	(130,391)	130,391			5,206,010
Term Loans - ASB						-
	5,206,010	(130,391)	130,391	-	-	5,206,010
<b>Short-term borrowings</b>						
Lease Liabilities	62,306	(31,153)	-			31,153
Term Loans - ASB	66,812,500	(375,000)				66,437,500
	66,874,806	(406,153)	-	-	-	66,468,653
	72,080,816	(536,544)	130,391	-	-	71,674,663
<b>31 August 2022</b>						
<b>Long-term borrowings</b>						
Lease Liabilities	5,016,359	(160,419)	(177,302)	-	-	4,678,638
Term Loans - ASB						-
	5,016,359	(160,419)	(177,302)	-	-	4,678,638
<b>Short-term borrowings</b>						
Lease Liabilities	58,385	(24,215)	(8,831)	-	-	25,339
Term Loans - ASB	67,000,000	-	-			67,000,000
	67,058,385	(24,215)	(8,831)	-	-	67,025,339
	72,074,744	(184,634)	(186,133)	-	-	71,703,977

**19 Dividend Payments**

Dividends paid as follows	31 August 2023			31 August 2022		
	Date	Rate (cps)	Gross	Date	Rate (cps)	Gross
	31/03/2023	0.00813	559,871	25/03/2022	0.01375	947,475
	30/06/2023	0.00813	559,871	28/06/2022	0.01250	861,341
			<b>1,119,743</b>			<b>1,808,816</b>
Cash Dividend (cents per share)			0.0163			0.0263