Shopping Centre Investments Ltd

19 March 2024

Dear Shareholder,

This is my report for the six-month period ended 31 March 2024.

Interest rates and the downturn in economic activity continue to be the dominating factors impacting upon the financial results achieved by this enterprise. These constraints have been in existence for some considerable time and the cost-of-living commentary signifies more issues to come. This has been illustrated by several National liquidations and receiverships and retrenchment in the commercial construction sector.

Despite these negative indicators The Mall has enjoyed increased Tenant trading, and this is very much against the National indicators. A graph, within this communication, identifying The Hub turnover for the calendar years 2021, 2022, and 2023 portrays a somewhat astonishing illustration and reinforces the validity of the strategies and policies that are in place plus of course the professionalism and dedication of the Mall Management team.

Though this is a paramount indicator of success it is disappointing that this has not been reflected in a wave of new tenants. You will note there has been some recent vacancies including such tenants as Esquires, Silvermoon and Bra N Things, all of which are National chains. For a positive spin there have been a substantial number of completed renewals and reviews of existing tenants in the last six months and if overall trading had slumped these renewals may not have taken place.
Colliers have allocated greater resources to its leasing team and the Board's main focus at the immediate is to improve occupancy rates. The current occupancy rate is 93.1%.
To maintain initiatives and morale the Annual Strategy meeting between the Board and Colliers will take place on the 4 April, detailed discussion papers have been circulated to both parties.

There is much rhetoric and speculation around as to the direction of interest rates, previous commentary was that interest rates would peak in late 2023 and begin to modestly decline from that time. This timeline has now been extended to perhaps late 2024 with a more modest outlook as to when and how much interest rates may reduce. There is some indication that we may have reached that watershed but that will remain at that level for some time.
There was a window of opportunity at the very beginning of February 2024 resulting in the Board entering into two Swap Arrangements for a two and three year term. At the immediate the Company has a 51% cover of the total liability of $66 million.
Until interest rates decline the Company has limited cash resources and it is very much a balancing act to allocate such resources between the repayment of debt, assets improvements and shareholder return. Despite this the Company has made every effort to maintain the quarterly dividend even if of modest proportions.

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You will have noted a December quarter dividend payment was completed and I am pleased to announce that a March quarter payment at the same rate will be made on the 28 March 2024. [Annual gross rate of 2.50%].

The Board has maintained a program of term loan reduction and of capital improvements, mainly to the travellators and air conditioning units. For the former, since the monthly inception of principal repayments in November 2022, the Company has reduced its term loan liability by one million dollars, for the latter the capex replacement budget for 2023/2024 is $300,000 with a cash reserve account being maintained. If you are fortunate to own a Tesla motor vehicle you will note that they have just installed in our car park one of the fastest charging facilities in the South Island. The Company has met again the Toitu Enviro-Mark gold accreditation standard and has been certified for another year.

The annual financial statements for the year ended 29 February 2024 are at present under construction; these will identify rentals received, similar to the previous year, perhaps a small decrease but the excellent increase in percentage rentals is a positive factor. Interest charges and a bad debt write off will be negative factors and the capex / repair total will be identifiable.
The main item of note will be the determined valuation, this has disappointed in the past despite The Mall having such advantages as growing demographics, rental increases, completion of earthquake strengthening. Previously the capitalization rate was influenced by local sales, the assets of which were severely compromised. I fear the national trading recession will now provide a reason for further conservative calculations but again our position is unique and against that flow.

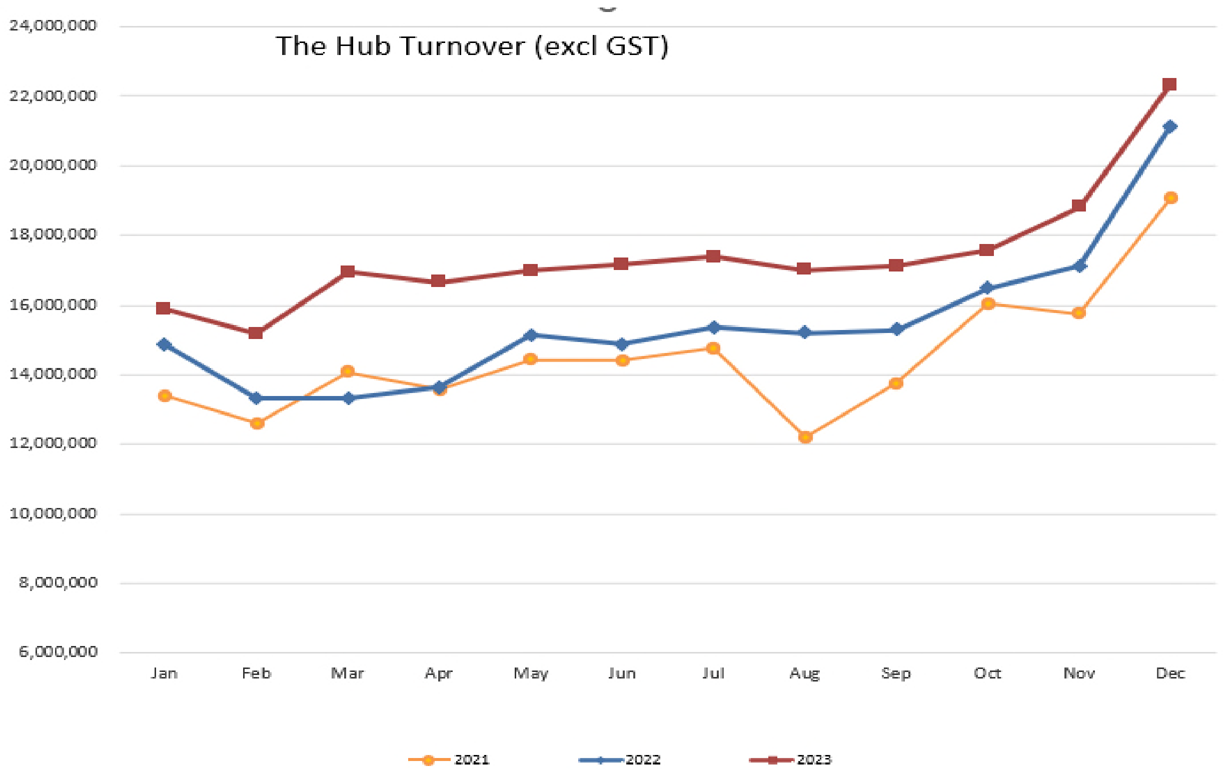
I would urge you to revisit our website [scil.co.nz], the USX website and trading platform [usx.co.nz] and the Mall's detailed marketing website [thehubhornby.co.nz] for detailed explanations and Hub information.

Despite gloomy economic conditions the Board has the confidence of providing strategies, policies, and an effective instore Management team that place the complex in the best possible light.

Best wishes

Michael Keyse
Chairman
Shopping Centre Investments Limited

The Hub Tenant Turnover



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