

CHAIR'S REPORT FOR THE YEAR ENDED 29 FEBRUARY 2024

The past year has been one of careful endeavour, of "holding the line" in the face of some considerable exterior challenges most notably being the current leasing environment, New Zealand's economic recessionary impact on National retail sales, and the continuing increase in interest rates.

The pleasing aspect and outcome of these endeavors is a positive conclusion from our Valuers which has improved the equity of the Company by 4.5 million dollars.

As identified in my communications during the year our occupancy percentage rates have reduced but these reductions have been minimized due to several factors.

The professional persistence and application of the Collier's Leasing Team, the construction of attractive leasing presentations as illustrated by the Leasing Showcase accessed via the Marketing Hub website (I would urge you to visit this site) the continued maintenance of the high standard of presentation and service by our Management team.

There has been somewhat of a litmus test due to a concerted number of renewals of leases during the past twelve months due to the timing of the previous constructions. Though the negotiating environment has been difficult, the majority of the negotiations have reached a satisfactory conclusion.

Despite the reported malaise in National retail sales our complex has recorded excellent tenant turnover figures, and this is illustrated by the colourful graph included within this Annual Report. This has acted very much as a promotional catalyst and has impacted upon the confidence and the positive perception of The Mall and the outcomes of the various negotiations undertaken.

Interest Charges

The direction of interest rates continues to be subject to various speculations from the informed and the uninformed. One could form the prejudiced view that neither of them offers any clear direction.

It was anticipated that at this time we would have seen some reduction in rates, but this has not eventuated. A positive indicator is that the previous consistent increases have plateaued and for the past twelve months our interest charge rate has remained at similar levels with the peak being July 2023. The Board, taking advantage

of a small window of opportunity, entered into two Swap Arrangements for two and three year terms respectively. This has increased our cover to 51% of the total liability.

The Board remains positive that eventually the original prognosis will eventuate, it must be kept in mind that a simple one percent reduction will improve our cashflow by \$660,000 per annum. One, by a simple review of the financial accounts, can interpret the proportional Impact of such an Improvement.

Infrastructural Improvements

Despite this period being one of restraint and careful husbandry much needed repairs and improvements to our traveller systems have continued in the interim. The total considerable amount expended is listed within Note 12 "Other Expenses". This program will conclude by the end of next year with a more modest \$300k being budgeted for.

Dividends

It was with a great deal of reluctance that the dividend rate was reduced from the June 2023 quarter being a result of the direct impact of the continuing interest rate rises. This reflected our Bank Covenant obligations and the necessity to maintain a prudent and responsible fiscal policy.

As a shareholder, I appreciate that this is now a modest return but the Board successfully, during the past twelve months and as previously indicated, committed itself to declaring regularly quarterly dividends.

I have referred to the proportional impact upon cash flow if interest rates should start to decline.

Valuation

The most satisfying outcome was the recognition by our Valuers of the positive factors that are associated with this Complex. The degree of presentation, the positive interactions between Management and our tenants (identified by shareholders who meet with Jason Marsden from time to time), between the Board and Senior Management, the continuing improvement in our local demographics (refer the census data), interactive and innovative community participation (refer to the Marketing Website for specific detail), the emphasis and formal recognition of our sustainability program (refer the continuance of the Toitu Enviro-Mark, the new charging Installations), the tangible recognition of our standards by National Bodies for which a further one has just been added.

The fair value determined at year end was \$126,000,000, previous year \$121,280,000.

Prior to the AGM there is an invitation extended to all shareholders to accompany Jason Marsden on a short tour. This will give you the opportunity to identify the accuracy of my rhetoric.

Again, I recommend that you visit our website [scil.co.nz], the USX website and trading platform [usx.co.nz], the Mall's detailed marketing website (the hubhornby.co.nz), the associated Leasing Showcase attached to the marketing website. From viewing this information, you can gauge the degree of professionalism achieved.

My grateful thanks and recognition of the fine contributions from both the Governance and Operational members comprising the Mall "Family".

Michael Keyse: Chair