Dear Shareholder,

We are writing to provide you with an important update regarding your investment in Senior Trust Capital Limited (**STC**). We encourage you to read this update carefully.

In December 2024, the Financial Markets Authority (**FMA**) advised STC that they had opened an investigation into STC under the Financial Markets Authority Act 2011. The investigation is on-going. This update discloses the following matters that the FMA has requested that STC should disclose to its investors following discussions with it about STC's business activities.

STC is an issuer under a regulated offer of shares, where that offer has been continuously open. On 14 May 2025, STC made the decision to withdraw its regulated offer of shares, on the basis that:

- The STC Directors have considered and reviewed STC's business model and determined that an orderly wind down of STC with progressive repayments of investor capital is in the company's best interest and will provide the best outcome for the shareholders;
- Accordingly, STC is no longer inviting investment, and the current Product Disclosure Statement dated 3 November 2023 (**PDS**) is closed for applications; and
- STC will not be lending to new parties in the current market conditions.

The statement below (up until the heading "Dividends and Financial Performance") discloses the matters that the FMA has requested that STC disclose to its investors pursuant to discussions between the parties. The wording subsequent to the heading "Dividends and Financial Performance" is STC's own statement.

STC's PDS stated that its "key investment objective is to protect and grow our Shareholders' wealth. This is achieved through the income generated from our loans and any growth in the value of our Equity Investments."

Throughout its life, STC has regularly paid dividends to investors. The funds that it used to pay those dividends were substantially attributed to interest on loans paid by Borrowers. This was disclosed in the PDS. It recorded that "The Company's primary source of income is interest received from loans", and "Our loans will have a specified interest rate to help us achieve stable revenue streams and support our prime objective of being able to pay our Shareholders the Targeted Distribution Rate or better".

Although the dividends were primarily funded from interest payments made by Borrowers, during at least in the financial years ended 31 March 2023 (**FY23**) and 2024 (**FY24**), STC's Borrowers were not making sufficient trading income (e.g. from selling units and occupation rights agreements) to pay that interest. This was understood and expected by STC, which anticipated that the retirement villages would not generate trading income until after units are completed and sold. STC therefore provided Borrowers with various forms of support, including by:

- capitalising those Borrowers' monthly interest obligations. This means interest is not paid to STC in cash, but rather the unpaid interest was added to the loan balance; and/or

- advancing those Borrowers money so that they could use it to cover the interest on their borrowing from STC and other lenders. In other words:
  - money from new investors in STC was loaned to the Borrowers via the Borrowers drawing down on existing loans; and
  - Borrowers used that same money to pay the interest on loans back to STC or other lenders, including an associated investment company named Senior Trust Retirement Village Income Generator Limited (**STIG**).

Many of STC's Borrowers also borrowed from STIG. In some instances, Borrowers have borrowed from STC in order to meet interest payments owed to STIG, which was implemented by STC making a payment directly from its bank account to STIG's bank account. Again, STC understood and expected that the Borrowers would have lenders other than STC and disclosed that it might enter co-lending arrangements with STIG.

From STC's investors' perspective, the result is that the dividends they received in at least FY23 and FY24 considerably exceeded the interest payments that STC received that were attributable to the Borrowers' operating activities (i.e., from trading revenue rather than from additional borrowing). STC was instead able to pay dividends by a combination of:

- accepting new investor money, loaning that money to Borrowers, and receiving those funds back as interest payments from Borrowers;
- the Borrowers drawing down on existing loans from other parties (e.g. STIG) and using that debt to cover interest payments to STC;
- STC borrowing from a related party (including its own management company, Senior Trust Management Limited (**STML**) and Dadrew Family Trust (**DFT**), the family trust of its director, Mr John Jackson).

The focus of the FMA's inquiries to date has been on STC's conduct in the FY23 and FY24. The FMA considers that STC took the steps described above in those years.

As STC has now closed its offer, STC's ongoing ability to pay dividends at its targeted rates depends on the ability of the Borrowers to meet their obligations, including paying interest to STC and any other lenders, in circumstances where some of the methods by which they have previously paid interest will no longer be available without additional borrowing from lenders other than STC. Investors should be aware that share redemptions will only be available if and when funds are made available from the Borrowers making loan repayments.

Investors are reminded that shares such as those in STC differ from other financial products such as debt securities (e.g. a bond or a term deposit) or managed investment products (e.g. a unit in managed fund), for example, because:

- Dividends are discretionary. They should not be relied upon as offering a consistent income; and
- There is no right to redeem your investment or have your principal repaid. While STC does offer some processes to redeem your investment as set out below, it is not guaranteed that funds will be available to meet any request for redemption.

Any investors who may have queries about the above or their investment in general should seek advice from a legal or financial adviser.

Dividends and Financial Performance

We are mindful that STC has always aimed to maintain an attractive rate of return through distributions. While **dividends have never been guaranteed** and are entirely dependent on STC's financial performance and liquidity (which in turn is impacted by the performance of its Borrowers, investments and the economic environment), for over 12 years, STC has consistently paid a quarterly dividend. Since April 1, 2023, we have paid a dividend of 7.5% per annum tax-free income return.

For the reasons set out above, we are closely reviewing our ability to maintain this objective on a very regular basis. As previously stated in the PDS, the risks and challenges in maintaining distributions at any level continue to be ever-present, particularly with the difficult environment faced by our Borrowers and investments.

Steps to Support Cash Flow

The **downturn in the residential property market** has significantly impacted the retirement village sector, particularly the time it takes to sell new and recycled units, and the prices achieved for incoming residents' family homes. This has directly affected sales of retirement dwellings, which has been widely reported. STC has continuously reviewed and further adjusted its strategy in light of these ongoing conditions.

STC holds two major investments: **Orewa Sands and The Grove, Orewa.** The investment in Orewa Sands is in the form of a majority ownership in Forest Glen Limited Partnership, the developer and owner of Orewa Sands, where STC also lends to that party. The investment in The Grove, Orewa is through its position as a lender to both The Palm Grove Partnership, the operator of The Grove, Orewa and also as a lender to Ascension Villages Limited Partnership (**Ascension**), the 80% stakeholder in Palm Grove Partnership. STC also holds a nominal interest in Ascension Villages Limited Partnership which presently provides STC with the benefit of significant tax benefits which STC has in turn been passing through to STC's own investors.

Both Orewa Sands and The Grove, Orewa currently have a number of recently completed apartments to sell. Due to the market downturn, sales are now forecast to take longer than initially anticipated when these stages commenced. STC estimates that these apartments will progressively sell down within the next **3-5 years**, with sales at The Grove, Orewa, expected to settle during the next **3-4** years, and at Orewa Sands over the next **1-5** years).

In the meantime, we have continued to explore opportunities to draw funds from other parties, to generate cashflow, as permitted by STC's loan agreements (priority deeds and settlement structures). STC considers this to be commercially beneficial with a view to the respective Borrower in each case utilising the funding to bring the project to market and then into the revenue generating phase of initial sales and then recycled sales.

As a part of this strategy, STC has entered into or is proposing to enter into, the following arrangements:

- DFT has recently lent $5.7m to Ascension, which has in turn paid some of that money to STC to meet Ascension interest obligations which is necessary because Ascension has no income. As a term of that loan facility, DFT has prior ranking security on its lending, which ranks above STC's existing security on its lending to Ascension.

- To support STC's cashflow, STML has agreed that it will assign its existing $2.1m loan that it is owed by STC, to DFT. DFT will then release STC from its debt obligations, in exchange for DFT taking an assignment of $2.1m from the existing loan that Ascension presently owes STC. This is scheduled to occur 1st of July 2025.

- DFT has agreed in principal that it will continue its support of STC cashflow by further part purchases of STC's existing loan to Ascension, subject to DFT's funds availability and compliance with drawdown terms. The contracted arrangement will provide a form of commitment that will in turn support cashflow to STC assisting STC in lessening the impact of the downturn and timing of a slowly recovering property market.

- Forest Glen Limited Partnership has agreed a variation to its existing loan agreement with STIG (and other parties), for there to be an injection of **$8 million of equity** into the Forest Glen Limited Partnership from STC's (minority) joint venture partner, which is contracted to arrive no later than **24 November 2025**, after a $7 million payment to an unrelated senior lender. The $8 million equity injection will be sourced from sale and or refinance of the minority partner's Matakana property which comprises the collateral security for Orewa Sands, reducing the value of the collateral security by an equivalent amount. This equity injection is required to be immediately applied towards debt reduction of STIG, the first ranking security holder (ahead of STC) in Orewa Sands.

- Terms for extending the current BNZ facilities that are in place at **The Grove, Orewa** have been negotiated and agreed with BNZ, and that proposal has been presented to the Statutory Supervisor for consent. A response is expected shortly. That proposal provides for an extension of the BNZ repayment date, and more favourable treatment for The Grove, Orewa in its treatment of settlement proceeds.

- STC's loan to Ascension is scheduled for repayment in December 2026, however STC is presently considering a request by Ascension for an extension of the repayment date. STC is also considering what terms it would require in any agreed extension, together with the opportunity for DFT's on-going support being available in the manner set out above.

We will provide you with further updates on progress towards achieving these steps as milestones are reached, on a regular basis, within the proposed capital repayment and distribution program.

SENIOR TRUST
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Security of Your Investment and Share Redemptions

In relation to the security of your investment, as you are aware, the company annually values its assets/loans with reference to independent annual registered valuations of the properties, which are in turn reviewed independently by STC's auditor. The value of your investment may change if loans are impaired or asset values change.

Shareholders will not have the opportunity to request redemption of their shares from STC. STC will, however, pass on details of potential sellers to potential buyers that it becomes aware of from time to time, putting those parties in contact with each other. In those circumstances, STC will have no direct involvement in that process, leaving the parties to deal directly with each other. STC will not get involved with the setting of any share transaction price.

The wind down and proposed capital repayment program will be funded primarily from availability of capital sourced from repayment of loans from Borrowers. This is dependent upon agreement being reached with the Borrowers, which may not be able to be obtained.

Strengthening Independence and Future Operations

We are also changing the way that we deal with STIG. STC currently has co-lending arrangements with STIG at both The Grove, Orewa, and Orewa Sands. With a view to ensuring that in future the loan management is conducted on an arm's length commercial basis and to avoid any conflicts of interests, STC is reviewing and putting in place actions that ensure STC is entirely independent in its decision-making from STIG. This review and process has also included the termination of management services performed by STML and the physical relocation of STC's office. We also advise that John Jackson will not offer himself for re-election as a director of STC at STC's next Annual Shareholder Meeting.

These steps are intended to strengthen the existing separation between the companies and particularly support the independence of STC and STIG in their respective independent strategies.

STC's website has been updated for these changes. You will still be able to view and access your investor details and relevant documents via the investor portal using your personal login details.

We understand that these updates may prompt questions. If you require further clarification, please contact the investor relations team via email: registry@seniortrustcapital.co.nz. We are committed to keeping you informed and appreciate your continued investor support as we move in this new strategic direction.

Yours faithfully,

John Jackson	Andrew Franicevic	Clive Jimmieson
Director	Director	Executive Director