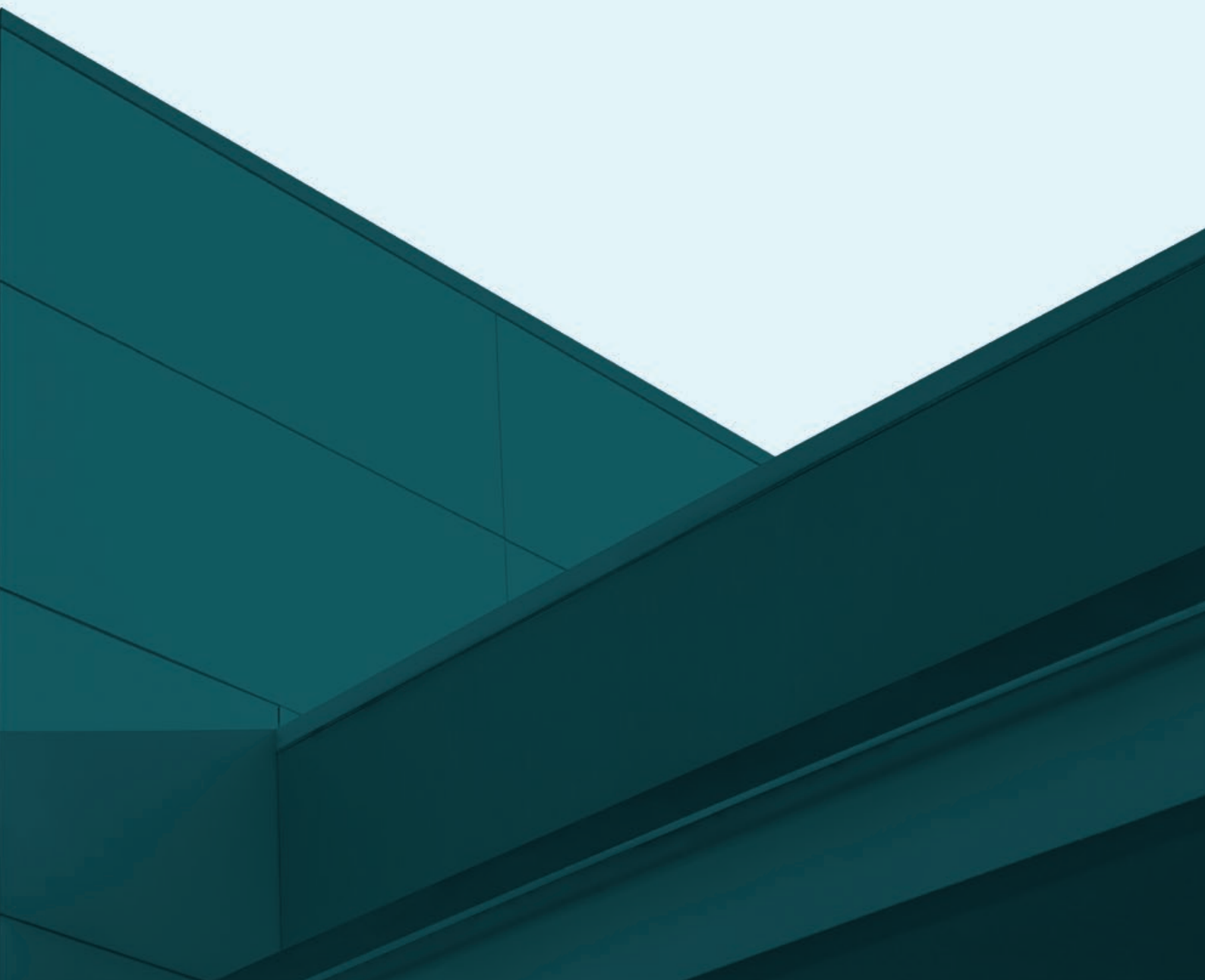

investore

Managed by Stride Investment
Management Limited

Investore Property Limited

Annual Report 2019





Managed by Stride Investment
Management Limited

Investore Property Limited (Investore) is listed on the NZX Main Board and is an established direct investor in large format retail property throughout New Zealand.

Investore’s investment objective is to provide a stable and secure return to its investors through investment in quality, large format retail assets.

As at 31 March 2019, Investore proudly owned 40 properties¹, having a total portfolio value of \$761.2 million.

Investore is managed by Stride Investment Management Limited (SIML or the Manager), a specialist real estate investment manager.

Investore has been designated as a “Non-Standard” (NS) issuer by NZX Limited (NZX). A copy of the waivers granted by NZX from NZX Listing Rules (October 2017) 3.3.5 to 3.3.15 and 3.4.3 in respect of Investore’s “NS” designation can be found at www.nzx.com/companies/IPL/documents

1. Includes the property at 323 Andersons Bay Road, Dunedin South, that was held for sale and subsequently settled on 1 April 2019.

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FY19 Highlights

for the year ended 31 March 2019

Financial Results

\$27.0m	Profit before other income/ (expense) and income tax	up \$0.2m	on FY18
\$38.6m	Profit after income tax	down \$7.6m	on FY18, due largely to a lower net valuation movement of \$5.9 million in the comparative periods
\$20.9m	Distributable profit ¹ after current income tax	up \$0.4m	on FY18
7.60cps	Cash dividend for FY19	up 0.14cps	on FY18, following an increase in FY19 dividend guidance, up 1.9%

Capital Management

\$100m	Bond issue Q1 FY19	\$70m	Bank refinancing extended to 2022	41.8%	Loan to value ratio as at 31 March 2019
1,696,220 shares purchased and cancelled²					
12 month share buyback programme of up to 5% of ordinary shares					

Countdown & specialty tenants
Cnr Fernlea Avenue & Roberts Line
Kelvin Grove
Palmerston North

1. Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 3.2 to the Financial Statements.

2. Representing 0.65% of the shares on issue immediately prior to the launch of the share buyback programme, announced 1 August 2018.

Portfolio Characteristics

As at 31 March 2019

\$761.2m³	Investment property value	up \$22.8m (3.1%)	From the portfolio valuation as at FY18 ⁴
12.4 years	WALT ⁵	99.9%	Occupancy
\$1.70	NTA ⁶ per share		

Portfolio Management Initiatives

Countdown Dunedin
South, sale at a 5.6%
premium to book value

Mitre 10 Mega
Botany, Auckland⁷
development completed

Countdown Rotorua⁸,
new 10-year lease renewal
to commence FY21

Countdown Hamilton⁹,
new 5-year lease renewal

3. Includes the property at 323 Andersons Bay Road, Dunedin South, that was held for sale and subsequently settled on 1 April 2019.

4. Comparison to FY18, is in respect of all of the same 40 properties in the portfolio as at 31 March 2018 and as at 31 March 2019.

5. Weighted Average Lease Term.

6. Net Tangible Asset.

7. Cnr Te Irirangi Drive and Bishop Dunn Place.

8. 230-240 Fenton Street, Rotorua.

9. Cnr Anglesea and Liverpool Streets, Hamilton.

Our Strategy

Investore's strategy is to invest in quality, large format retail properties throughout New Zealand, and actively manage shareholders' capital, to maximise distributions and total returns over the medium to long term.

Investore's strength is this singular focus — it is the only NZX listed company concentrated on the large format retail property asset class. With Investore's tenant's focus on non-discretionary retail, Investore is well positioned to optimise returns, providing a secure income stream for our investors.

Bunnings
446 Te Rapa Road
Hamilton

Strategic Principles

Active Portfolio Management

1.

Focus on owning properties with long lease terms and high occupancy, with nationally recognised quality tenant brands, and maintaining strong and enduring tenant relationships that support the portfolio

12.4 years WALT¹

99.9% Occupancy

Active management of lease expiries at Rotorua and Hamilton during FY19, resulting in a **\$2 million (or 9%)** combined, weighted net valuation uplift

Eight specialty lease renewals completed in FY19 at three Investore sites

Nationally recognised quality tenant brands

Targeted Growth

2.

Considered acquisitions and developments which deliver growth, while continuing to enhance geographical and/or tenant portfolio diversification, and where appropriate, consider disposals to maintain balance sheet capacity and optionality

Sale of Dunedin South property (settled 1 April 2019) for **\$19.328 million** representing an initial yield of **6.26%** & a **5.6%** premium to the property's 31 March 2018 value

Completion of the divestment programme that commenced in FY18 – **Three** properties sold

SIML appointed a dedicated resource for Investore within its senior management team

Continued Optimisation of the Portfolio

3.

Development of existing properties to meet the needs of tenants and the surrounding catchment, which may include acquiring sites adjacent to existing assets, to provide development options for the future

Three Countdown-operated Investore sites refurbished during FY19, at Greenlane Auckland, Upper Hutt and Lower Hutt

Completion of Mitre 10 Mega, Botany, Auckland development

Proactive Capital Management

4.

Proactive capital management to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns to investors

\$100 million successful inaugural retail bond issue completed 18 April 2018

\$70 million bank refinancing, increasing average tenor of debt facilities, with next debt facility maturity FY21

Steady Loan to Value Ratio at **41.8%** as at 31 March 2019, well within the Board's stated maximum of **48%**

1. Weighted Average Lease Term.

Chair's Report

Dear Investors,
On behalf of the Board of Directors, I am pleased to present the Annual Report of Investore Property Limited (Investore) for the year to 31 March 2019 (FY19), in which we have produced a very pleasing financial result and positioned Investore for future growth.

NTA Per Share

March-19	\$1.70
March-18	\$1.64
March-17	\$1.55
July-16	IPO ¹ \$1.47



Mike Allen
Chair of the Board
Independent Director

The theme of this year's Annual Report and FY19, is the focus on delivering shareholder returns through the company's strategic principles of active portfolio management, targeted growth, continued optimisation of the portfolio and proactive capital management. Our concerted effort on developing each of these strategic principles supports our commitment to maximise and deliver attractive and stable returns to our investors².

Shareholder Returns

A notable financial highlight for the year was Investore's announcement on 18 December 2018 that the Board had revised targeted dividend guidance, announcing an increase of 0.14 cents per share for FY19 (up 1.9% on the previously forecast FY19 dividend), taking the annual cash dividend for FY19 to 7.60 cents per share. The revised guidance followed a solid performance for the six months ended 30 September 2018 (HY19) and positive activity post HY19 with two new successful lease renewals at Countdown-operated sites in Rotorua and Hamilton³, and the sale of Countdown Dunedin South⁴.

We are pleased to have delivered value to shareholders with a Total Shareholder Return of 20.4%⁵ during FY19, due to increased dividends and share price over the period. Pleasingly, the share price rose from \$1.40 per share on

3 April 2018 (first trading day of FY19) to \$1.61 per share as at 29 March 2019 (the last trading day for FY19). While Investore's share performance is consistent with a general trending up on the NZX for the period, contributing to share performance was the increase in forecast dividend for FY19 and positive market sentiment to the share buyback programme. We are also pleased to confirm a further lift in Net Tangible Assets (NTA) of 3.7%, from \$1.64 as at 31 March 2018 to \$1.70 as at 31 March 2019, which contributed to a 15.6% increase in NTA in the 2.7 years since Investore's NZX listing on 12 July 2016.

Financial Performance Supported by Portfolio Strategy

In our third year as an NZX listed company, Investore has improved its operating performance, with profit before other income/(expense) and income tax at \$27.0 million (FY18 \$26.8 million) and distributable profit after current income tax of \$20.9 million (FY18 \$20.5 million), both higher than the comparable period. This is as a result of increased net rental income from holding the three Bunnings operated properties (acquired from Stride Property Limited) for a full 12-month period and the divestment of two supermarket properties, the Fresh Choice in Queenstown and the Countdown in Hornby, Christchurch in FY18. Additional rental has also been received in connection with the

development at Mitre10, Mega, Botany, Auckland in the last quarter of FY19. Profit after income tax of \$38.6 million (FY18 \$46.2 million), was down overall on the previous period, due largely to lower revaluation movements compared to FY18.

We also note that Adjusted Funds From Operations (AFFO) was \$1.1 million higher in the period at \$19.7 million, compared with \$18.5 million in the prior year, influenced by a reduction in maintenance capital expenditure at \$1.3 million (FY18 \$2.0 million). Total equity was also up \$14.2 million on FY18, adding 6 cents per share to Investore's NTA, a reflection of the quality and underlying value of Investore's portfolio of assets.

Proactive Capital Management

Investore completed a number of initiatives to restructure its debt funding mix and profile during FY19. This has essentially lengthened and diversified our funding arrangements, and will assist us in securing future strategic acquisition and development opportunities, as and when they may present.

As investors will be aware, FY19 saw the company execute a successful \$100 million inaugural six-year senior secured fixed rate bond issue (including oversubscriptions of \$25 million), which

was issued on 18 April 2018, with a fixed interest rate of 4.4% per annum. The bond issue extended the overall tenor of Investore's funding facilities, resulting in improved alignment between Investore's debt profile and its property portfolio's long weighted average lease term (WALT) profile. Equally important, the bond provided Investore with diversification of funding sources, which now comprises both bank and bond borrowings.

Continuing with the theme of capital management, and following the bond issue, Investore refinanced \$70 million of its \$270 million of banking facilities during the year. As a result, there is no debt maturing until FY21, with an increase in average tenor of debt facilities to 3.1 years as at 31 March 2019 (compared with 2.2 years at 31 March 2018).

The Board continues to take a conservative position on interest rate risk, with 96% of Investore's drawn debt having a fixed interest rate at balance date (compared with 75% at 31 March 2018). We also note the lower interest rate environment currently observed in the broader market means that if such rates persist over the coming years, Investore's interest expense would reduce as existing interest rate hedging matures and the lower rates take effect.

In August 2018, Investore advised shareholders of its intention to undertake a 12-month share buyback programme, reserving the right to acquire up to 5% of its ordinary shares on issue, which we believed was an efficient use of balance sheet capacity. As at the date of this Annual Report, Investore has acquired and cancelled 1,696,220 ordinary shares (representing 0.65% of the shares on issue immediately prior to the launch of the buyback programme), with the average price of shares purchased at \$1.53. By acquiring shares at a discount to the intrinsic value of the shares (i.e., Net Tangible Assets), the buyback was an appropriate use of shareholder funds, in the absence of a new acquisition or development being available that met the company's investment mandate. The Board advises that the programme has now been concluded.

Investore is considering additional capital management initiatives in the future where market conditions are conducive to such initiatives, which may include a second bond issue. With a healthy and flexible balance sheet, the Board intends to execute a considered and disciplined investment strategy to enhance the quality of the portfolio through strategic acquisitions and developments, to continue our delivery of enduring shareholder returns.

1. Initial Public Offering of shares in Investore Property Limited, with its shares quoted on the main board equity security market of NZX on 12 July 2016.

2. For further information on how each of the strategic principles have been supported during FY19, refer to page 5 of this Annual Report.

3. 230-240 Fenton Street, Rotorua, and the corner of Anglesea and Liverpool Streets, Hamilton.

4. 323 Andersons Bay Road, Dunedin.

5. TSR is calculated as: (Closing price on the last traded day of the year to 31 March 2019 + Dividends paid during the year to 31 March 2019 – Closing price on the last traded day of the year to 31 March 2018) / Closing price on the last traded day of the year to 31 March 2018.

Chair's Report Continued

The Manager

To deliver value for our tenants and investors, the Board draws on the expertise of our manager, Stride Investment Management Limited (SIML or Manager). SIML has an experienced senior management team and employee base, that has continued to provide Investore with a full range of in-house real estate investment management and corporate services throughout the year.

During FY19 and aligned with the two-year anniversary of Investore's listing, the Board undertook a review of the Manager and its performance in accordance with the terms of the Management Agreement and this also included a review of the management fee structure to ensure it remains fair and broadly consistent with comparable listed property entities. This was a valuable process and the Board continues to feel well supported by SIML, who assists Investore day-to-day in the execution of a number of important initiatives.

Management Fees

For FY19, \$5.6 million of management fees were incurred to SIML, which is \$0.8 million higher than FY18. These fees equate to 0.74% of the value of Investore's assets under management at 31 March 2019. This includes an inaugural performance fee of \$493,222 payable to SIML for the period 1 January 2019 to 31 March 2019. In general terms, the performance fee is calculated and payable on a quarterly basis as 10% of the actual increase in

shareholder returns (being share price, as adjusted for dividends, and other changes in capital structure) that exceeds 2.5% in any quarter and capped at 3.75%, adjusted for any carried forward surplus/deficit returns over a rolling 24-month period⁶.

Governance

During FY19, Investore announced the appointment of Gráinne Troute as an independent Director to the Board. Shareholders will recall the amendment made to the Constitution of Investore, as approved by shareholders at the 2017 Annual Shareholder Meeting, to increase the independent representation on the Board for the benefit of shareholders and the company.

In other changes, the Board announces that Director Kate Healy is to resign from the Board of Investore to explore other opportunities in Australia, where she now resides⁷. Kate has been a Director and Chair of the Audit and Risk Committee, since Investore's listing on 12 July 2016 and the company has benefitted from her legal and property skills and commercial acumen, as it has transitioned to the successful company it is today. The Board thanks Kate for her valuable contribution and our best wishes go with her, for the future. The Board will commence a formal process to identify a new independent Director for the Board, noting that the independent majority representation on the Investore Board is an important governance feature.

Targeted Growth and Outlook

Your Board's focus for the 2020 financial year (FY20) is targeted yield growth. The Board considers that Investore's current portfolio provides an excellent basis for disciplined and considered investment. We have an exceptionally stable underlying portfolio, which puts Investore in a healthy position to maintain predictable income streams, whilst providing the ability to secure investment opportunities as and when they present.

Investore will maintain a disciplined investment strategy, aimed at enhancing the quality of the existing portfolio. Above all, our focus remains fixed on the creation of shareholder value.

The Board confirms annual cash dividend guidance of 7.60 cents per share to shareholders for FY20.

On behalf of the Board, I would like to thank our investors, both shareholders and bondholders, for their ongoing support of Investore.



Mike Allen
Chair of the Board
Independent Director

6. For further information on the current quarterly performance fee, refer to note 4.0 within the FY19 Financial Statements and for more information on the background to the performance fee structure, refer to the Product Disclosure Statement dated 10 June 2016 at www.investoreproperty.co.nz/documents/Product_Disclosure_Statement_100616.pdf
7. Effective from 22 May 2019.

Values in the Chair's Report are calculated based on the numbers in the financial statements, for each respective financial period and may not align exactly, due to the rounding.



Countdown
326 Great South Road
Greenlane, Auckland

Proactive Capital & Portfolio Management

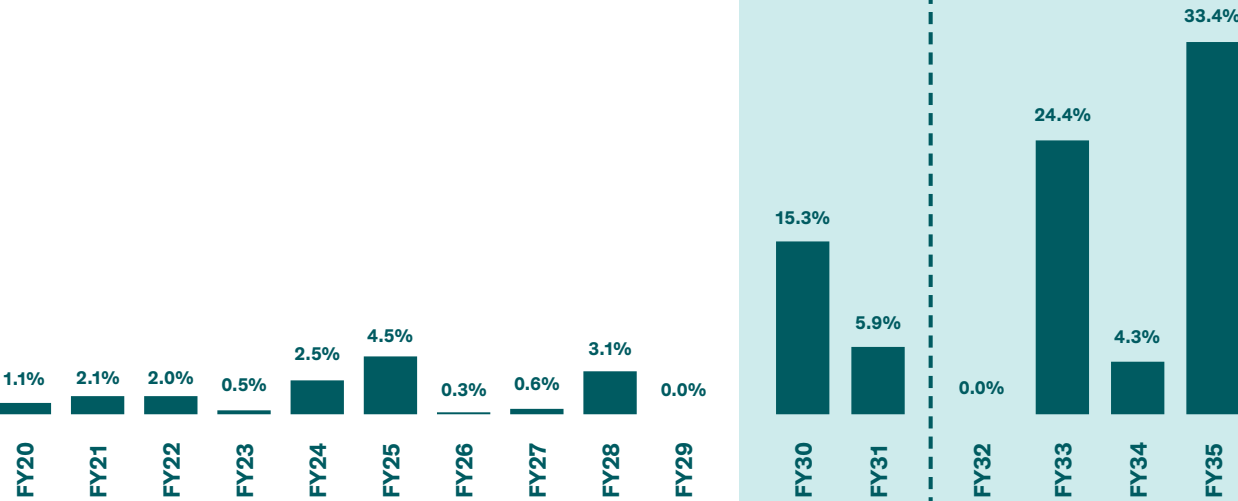
Investore partners with tenants to maintain strong and enduring relationships and this is key to the company's strategy. Examples in the year in review include the early renewal and extension of the lease for a further ten years and associated refurbishment commitment, at the Countdown-operated site at 230-240

Fenton Street, Rotorua, and renewed five-year lease at the Countdown-operated site at the corner of Anglesea and Liverpool Streets, Hamilton; the development at Mitre 10 Mega, Botany, Auckland and new 12-year lease; and the completion of three Countdown refurbishments.

Associated with this and Investore's proactive capital management strategy, is the alignment between Investore's debt profile and the portfolio lease expiry, and long weighted average lease term (WALT) profile.

Portfolio Lease Expiry¹ by Contract Rental²

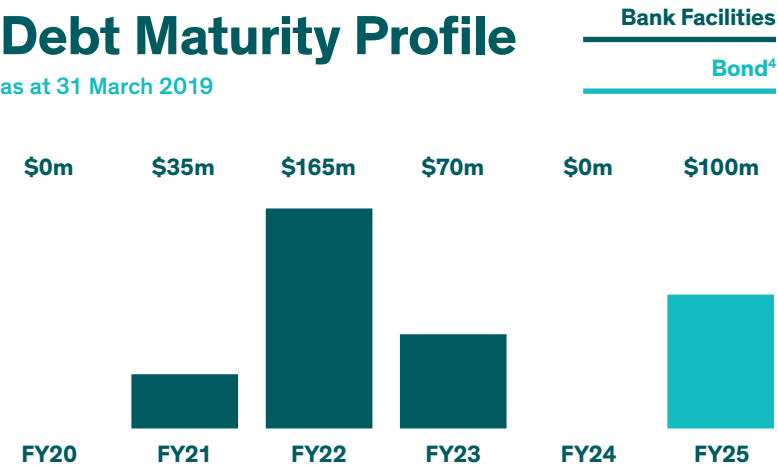
as at 31 March 2019



1. Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the entire portfolio as at 31 March 2019, as a percentage of Contract Rental.
 2. Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at 31 March 2019, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at 31 March 2019, and assuming no default by the tenant.
 3. See footnote 2.

Debt Maturity Profile

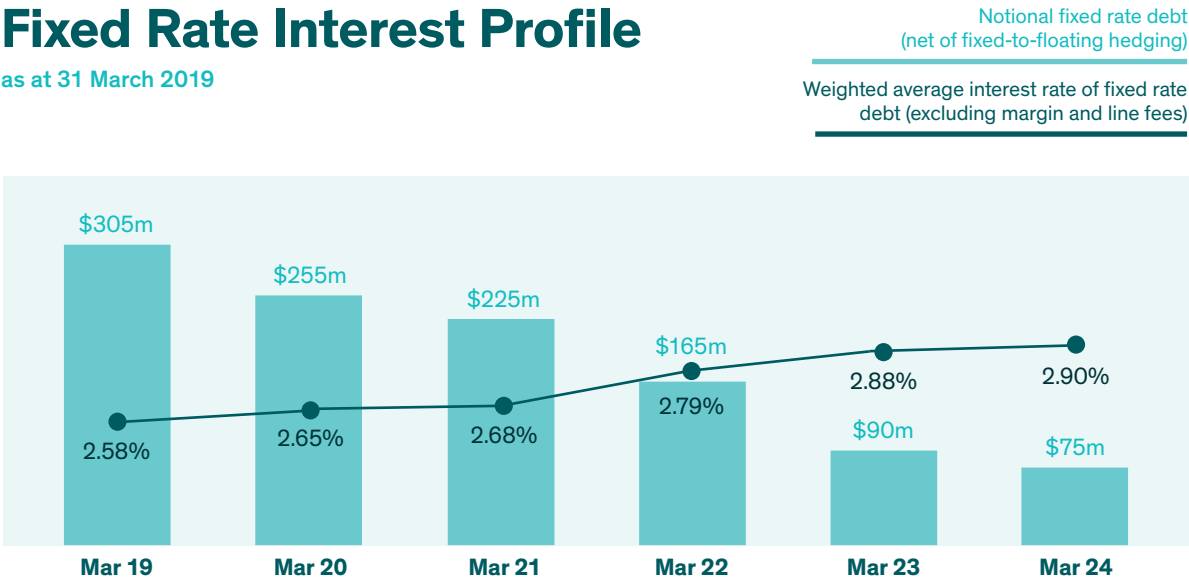
as at 31 March 2019



The enhanced flexibility of Investore's debt profile becomes an important lever going forward, to secure future strategic acquisition and development opportunities, as and when they may present.

Fixed Rate Interest Profile

as at 31 March 2019



4. The bonds have a 6-year term, expiring 18 April 2024.

Board of Directors



JOHN HARVEY
BCom, FCA, CFInstD

SIML Nominee & Non-Executive Director
Appointed 15 October 2015

KATE HEALY¹
LLM, MBA, CMInstD

Chair of the Audit & Risk Committee, Independent & Non-Executive Director
Appointed 9 June 2016 and re-elected 27 June 2018

MIKE ALLEN
BCom, LLB, CMInstD

Chair of the Board, Independent & Non-Executive Director
Appointed 9 June 2016 and re-elected 8 September 2017

GRÁINNE TROUTE
GradDipBusStuds(HRM), CMInstD

Independent & Non-Executive Director
Appointed 19 April 2018 and re-elected 27 June 2018

TIM STOREY
LLB, BA, CMInstD

SIML Nominee & Non-Executive Director
Appointed 1 October 2015

Mike was appointed independent Chair of Investore in 2016. He has extensive experience in investment banking and general management in both New Zealand and the United Kingdom. Mike is currently a Director of NZX listed Abano Healthcare Group Limited, China Construction Bank (New Zealand) Limited, Tainui Group Holdings Limited (and associated companies), Taumata Plantations Limited, Ngai Tahu Tainui Go-Bus Holdings Limited (and related companies), and director of other private companies.

Kate was appointed as an independent Director of Investore in 2016. Kate was previously a partner at a national law firm specialising in commercial property and property finance, and was Chief Operating Officer for four years at Ngati Whatua Orakei Whai Rawa Limited. Kate currently consults on legal and property related issues and is a current member of the Institute of Directors in New Zealand (Inc.) and Australian Institute of Company Directors.

Gráinne was appointed as an independent Director of Investore in 2018 and has over 30 years of executive and director experience in both listed and unlisted organisations, across highly competitive customer-focussed sectors such as McDonald's New Zealand and SKYCITY Entertainment Group. Gráinne is a Chartered Member of the Institute of Directors in New Zealand (Inc.) and is also a director of Tourism Holdings Limited, Evolve Education Group Limited and Summerset Group Holdings Limited.

John has over 35 years' professional experience as a chartered accountant. He was a partner in PricewaterhouseCoopers (PwC) for 23 years where he held a number of management and governance responsibilities. John retired from PwC in June 2009 to pursue a career as a professional independent director. He is a Chartered Fellow of the Institute of Directors in New Zealand (Inc.) and is currently a director of Stride Property Limited and SIML, Kathmandu Holdings Limited, Heartland Bank Limited and Port of Napier Limited.

Tim has more than 30 years' business experience across a range of sectors and has practised as a lawyer in Australia and New Zealand, retiring from the Bell Gully partnership in 2006. Tim is a member of the Institute of Directors in New Zealand (Inc.) and is Chairman of LawFinance Limited (ASX Listed) and of Stride Property Limited and SIML, and director of a number of private companies.

1. Director Kate Healy will cease being a Director of Investore from 22 May 2019.

Manager's Report

Dear Investors,
As the Manager of Investore, SIML has proudly continued to support Investore throughout FY19, focussing on actively managing the portfolio through enhancements and improvements, and executing a number of the Board's capital management initiatives.

Philip Littlewood
Chief Executive Officer
— Stride Investment
Management Limited



Fabio Pagano
Investore Fund Manager
— Stride Investment
Management Limited

As the only NZX listed company concentrating on large format retail, we consider this niche positioning to be at the core of Investore's success, and a key contributor to Investore's commitment to deliver stable and enduring returns to investors.

Active Portfolio Management

Underlying Investore's FY19 performance has been the emphasis on active portfolio management, which SIML has provided day-to-day as Manager throughout the year, by:

- Managing the portfolio to increase value and income growth prospects.
- Partnering with Investore's tenants, to maintain strong and enduring relationships.
- Seeking future quality development and investment opportunities, which fit the investment mandate (of long lease terms, nationally recognised tenants and high occupancy rates) and align with a strategy of considered and disciplined investment.

Tangible examples of these initiatives during the year in review include:

- A successful and early renewal of a new 10-year lease at the Countdown-operated property at 230-240 Fenton Street, Rotorua, commencing in FY21, which includes the commitment by General Distributors Limited to a comprehensive refurbishment, with associated works undertaken by Investore to the property.

- A newly secured 5-year lease renewal of the Countdown-operated property at the corner of Anglesea and Liverpool Streets, Hamilton, which took effect from 1 February 2019.
- The sale of the Countdown-operated property at Dunedin South, for \$19.328 million, with settlement having occurred on 1 April 2019, providing a 5.6% premium to the property's value recorded in Investore's FY18 financial statements. The sale completed the divestment programme announced by Investore on 13 November 2017, which has resulted in average sales prices achieved of 9.1% premium to book values (equating to \$4.3 million). This provides evidence for strong investor demand for Investore's portfolio of assets.

- The completion of the development project at Mitre 10 Mega, Botany, Auckland. Following the completion in December 2018, Mitre 10 Mega entered into a new lease for a further period of 12 years, with Investore receiving a rental return on this investment over the duration of the lease.

- The completion of three refurbishments at Countdown sites at Greenlane, Lower Hutt and Upper Hutt, taking the total to ten completed Countdown refurbishments over the past 24 months.

- As Manager, we actively work to align Investore's capital expenditure programme with that of its major tenants, which promotes renewed or extended lease arrangements, with a trend of improved turnover for refurbished stores, and further strengthens the landlord/tenant relationship.

A Unique and Resilient Portfolio

Investore's mandate is to invest in quality large format retail property throughout New Zealand and being the only NZX listed company in the property sector with this particular focus is a key strength.

Being strategically focussed on assets aligned with non-discretionary spending, such as the grocery retail sector, makes Investore's business model more robust through market cycles and the inevitable changes in consumer behaviour.

For the year in review, we continue to see growth across the portfolio, especially in non-discretionary spend for our supermarket operated assets.

As at 31 March 2019, Investore's portfolio comprised of 40 properties¹, valued at \$761.2 million, representing a net valuation gain of \$17.2 million or 2.3% from 31 March 2018.

Investore's Portfolio at a Glance	As at 31 March 2019 ²	31 March 2019 (excluding Dunedin South)
Number of Properties	40	39
Number of Tenants	78	77
Net Lettable Area (m ²)	209,980	205,909
Net Contract Rental ³ (\$m)	47.6	46.4
Weighted Average Lease Term (years)	12.4	12.4
Market Capitalisation Rate (%)	6.05	6.04
Portfolio Value (\$m)	761.2	742.1

As seen on pages 20 to 23, Investore's portfolio has a higher weighting to the North Island, representing 76% of net Contract Rental³ from the North Island, and 24% from South Island locations as at 31 March 2019, which aligns with the geographic population spread across New Zealand.

Investore's total portfolio comprises of 51.3 hectares of land for commercial use, and the current buildings (excluding car parking) occupy less than half of this land, with average site coverage at 41%. While these properties are currently leased with 99.9% occupancy, underpinning Investore's income is a significant commercial property portfolio that can respond to possible future changes in retailers' requirements, and provide long term opportunities for further site intensification.

Additional Resourcing

Supporting our focus on resourcing for Investore, SIML made two more executive appointments during FY19, Fabio Pagano, to the newly created role of Investore Fund Manager and Steve Penney to the vacant role of General Manager Investment. These roles strengthen SIML's depth of offering to Investore, across a full range of real estate investment management services.

The Investore Fund Manager role in particular is important for Investore, as the company evolves and targets growth. Supported by a newly established internal team, this has been proactively established by SIML to assist the company in the further execution of its strategic vision, with an emphasis on the development of Investore's business and operations.

As touched on in the Chair's Report, disciplined and considered investment is a key focus for Investore going forward. While Investore is well positioned for growth, as Manager, we will always have

regard to prudent and sound investment, as we seek out quality opportunities. SIML continues to actively identify, on Investore's behalf, future quality development and investment prospects through its opportunities pipeline, which fit the strategic investment profile and mandate of Investore, with the goal to preserve and grow returns for investors.

Thank you for your continued support of Investore and of Stride Investment Management Limited as Manager.

Philip Littlewood
Chief Executive Officer — Stride
Investment Management Limited

Fabio Pagano
Investore Fund Manager — Stride
Investment Management Limited

1. Includes the property at 323 Andersons Bay Road, Dunedin South, that was held for sale and subsequently settled on 1 April 2019.

2. Refer to footnote 1.

3. Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant to Investore by the tenant under the terms of the relevant lease as at 31 March 2019, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at 31 March 2019, and assuming no default by the tenant.

A Unique & Resilient Portfolio



New Zealanders spent over \$23 billion last year on consumables, which includes groceries and liquor retail spending, up 3.8% on the previous year².

Countdown stores delivered comparable sales growth of 3.8%³ in the March 2019 quarter, across their 180 stores within New Zealand, of which 33 stores are owned by Investore.

Investore is the only NZX listed company with a focussed mandate to invest in quality large format retail property throughout New Zealand.

As an owner of this asset class, Investore's tenant's focus on the non-discretionary retail sector within New Zealand.

Investore is the largest third-party owner of Countdown operated stores in New Zealand, and is also landlord for other large national retailers, including Bunnings NZ, Foodstuffs and Mitre 10.

The focus on the non-discretionary retail sector by our tenants, helps ensure income earned from our portfolio composition is more resilient through market cycles and changes in consumer behaviours, when compared to a discretionary retail sector.

Investore continues to target tenants with a focus on this resilient sector by applying its management capability, industry knowledge and networks to deliver growth opportunities to investors.



1. Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at 31 March 2019, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at 31 March 2019, and assuming no default by the tenant.

2. Statistics NZ: Electronic card transactions: March 2019 <https://www.stats.govt.nz/information-releases/electronic-card-transactions-march-2019>
 3. Woolworths Group Limited, announced third quarter sales result.

Why Large Format Retail?

Characteristics of Large Format Retail

- Physically, a large, free-standing, and usually rectangular, single floor structure on a concrete slab.
- The site is well serviced by convenient vehicle access and plenty of carparking on-site.
- Building improvements and maintenance of the asset require straightforward enhancement and/or upkeep, with typically low lifecycle maintenance.
- The sites generally have a single anchor tenant or limited number of tenants, with the anchor tenant occupying more than 50% of the net lettable area (and generally more than 90%) and providing 50% (and generally 90% to 100%) of the rental income from the property, ensuring that the majority of the rental income is received from lease arrangements with nationally recognised brands and companies.
- Anchor tenants' net lettable area is usually more than 2,000m², with specialty tenants typically occupying more than 150m², although in some limited cases this may be as small as 60m².
- Leases are structured in order to ensure Investore has the security of long lease terms and a stable income stream, net of operating costs.
- Typical anchor tenants include non-discretionary retail spend areas, such as grocery, and also other general merchandise and convenience retailing, including trade hardware.



Countdown 261 High Street Lower Hutt

- FY19 valuation of \$18.5 million (up \$0.5 million from FY18).
- A recently refurbished store, where Investore worked with the tenant's refurbishment plan and Investore upgraded the exterior façade and carparking amenities.
- Countdown occupies 100% of the site's net lettable area of 5,078m², being one of Investore's larger 100% GDL leased sites, with no specialty tenants.
- Net contract rental for the site is \$1.128 million per annum, with the lease having a WALT of 15.9 years, with further rights of renewal.
- The site has 148 car parking bays adjacent to the building, in addition to 104 car parks in the basement with easy ramp access from the carpark to the store.
- The store is conveniently located in central Lower Hutt along two key urban roads.



Bunnings 446 Te Rapa Rd Hamilton

- FY19 valuation of \$28.4 million (up \$0.4 million from FY18).
- Bunnings occupies 100% of the site's net lettable area of 12,763m², with no specialty tenants.
- The site has 296 car parking bays for customers, which are highly accessible off the main arterial Te Rapa Road.
- Built in 2007, this asset has lower associated maintenance costs than older assets.
- Net contract rental for the site is \$1.7 million per annum, with the lease having a WALT of 10.7 years, with further rights of renewal.
- This store is conveniently located in a growth hub of Hamilton.

Portfolio Snapshot North Island

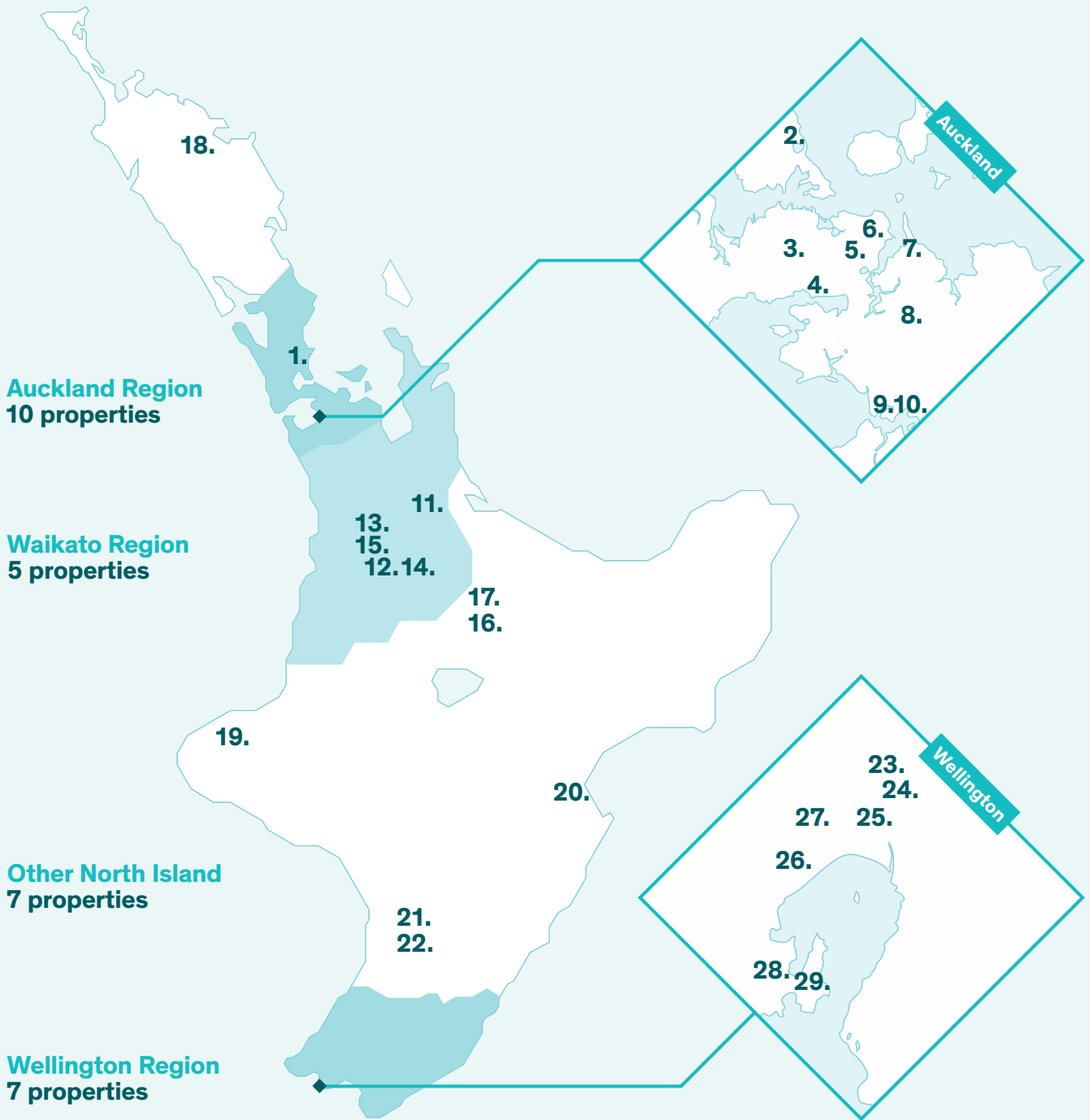
as at 31 March 2019

	Address	Location	Major Tenant(s)	Tenants	Net Lettable Area (m ²)	Valuation (\$000)	Market Cap Rate %	Net Contract Rental ¹ (\$000)	Contract Yield %	Occupancy %	WALT ² (years)
Auckland											
1	3 – 7 Mill Lane	Warkworth	Countdown	5	3,815	22,800	5.75	1,419	6.22	98.0	13.0
2	24 Anzac Road	Browns Bay	Countdown	1	4,382	22,800	5.38	1,250	5.48	100.0	15.9
3	112 Stoddard Road	Mount Roskill	Countdown	1	4,200	24,000	5.75	1,432	5.97	100.0	8.9
4	Cnr Church & Selwyn Streets	Onehunga	Countdown	1	2,011	10,500	6.00	630	6.00	100.0	5.9
5	326 Great South Road	Greenlane	Countdown	1	4,633	34,300	5.13	1,714	5.00	100.0	15.9
6	35A St Johns Road	Meadowbank	Countdown	1	4,457	21,200	5.50	1,262	5.95	100.0	15.9
7	507 Pakuranga Road	Highland Park	Countdown	1	4,812	18,200	5.88	1,060	5.82	100.0	15.9
8	Cnr Te Irirangi Drive & Bishop Dunn Place	Botany	Mitre 10	1	12,124	34,100	5.00	1,804	5.29	100.0	11.7
9	226 Great South Road	Takanini	Countdown	12	7,384	39,700	6.00	2,457	6.19	100.0	9.2
10	3 Averill Street	Papakura	Countdown	2	5,435	16,250	7.50	1,292	7.95	100.0	14.2
Waikato											
11	66 – 76 Studholme Street	Morrinsville	Countdown	1	1,724	6,500	6.50	438	6.74	100.0	5.9
12	Cnr Anglesea & Liverpool Streets	Hamilton	Countdown	1	5,265	7,000	9.00	803	11.48	100.0	4.8
13	Cnr Hukanui & Thomas Roads	Hamilton	Countdown	7	4,504	16,900	6.13	1,061	6.28	100.0	11.8
14	Cnr Bridge & Anglesea Streets	Hamilton	Countdown	1	4,200	19,900	6.00	1,218	6.12	100.0	14.1
15	446 Te Rapa Road	Hamilton	Bunnings	1	12,763	28,400	5.88	1,700	5.99	100.0	10.7
Other North Island											
16	230 – 240 Fenton Street	Rotorua	Countdown	1	5,172	17,300	6.13	1,140	6.59	100.0	11.4
17	26 – 48 Old Taupo Road	Rotorua	Bunnings	1	13,940	25,500	6.00	1,578	6.19	100.0	10.7
18	Cnr Butler & Kerikeri Road	Kerikeri	Countdown	1	3,887	18,900	6.38	1,218	6.44	100.0	13.7
19	53 Leach Street	New Plymouth	PAK'nSAVE	1	8,522	28,000	5.88	1,691	6.04	100.0	10.5
20	9 Gloucester Street	Napier	New World	1	4,386	16,400	5.88	971	5.92	100.0	10.5
21	Cnr Fernlea Avenue & Roberts Line	Palmerston North	Countdown	6	3,611	14,300	6.25	923	6.46	100.0	12.3
22	Cnr Tremaine Avenue & Railway Road	Palmerston North	Bunnings	1	13,730	26,050	6.00	1,615	6.20	100.0	10.7
Wellington											
23	14 Russell Street	Upper Hutt	Countdown	1	3,037	9,500	7.25	702	7.39	100.0	5.9
24	13 – 19 Queen Street	Upper Hutt	Countdown	1	3,427	11,200	6.38	787	7.02	100.0	15.9
25	261 High Street	Lower Hutt	Countdown	1	5,078	18,500	6.25	1,128	6.10	100.0	15.9
26	91 Johnsonville Road	Johnsonville	Countdown / The Warehouse	2	6,316	21,000	6.63	1,545	7.36	100.0	10.6
27	3 Main Road	Tawa	Countdown	1	4,200	17,500	6.00	1,166	6.66	100.0	14.0
28	Cnr Hanson Street, John Street & Adelaide Road	Newtown	Countdown	6	4,881	26,800	6.00	1,651	6.16	98.7	12.3
29	47 Bay Road	Kilbirnie	Countdown	1	3,460	12,000	6.25	724	6.04	100.0	15.9
Total North Island				62	165,355	585,500	5.98	36,381	6.21	99.9	12.0

Totals may not sum due to rounding. The WALT, Market Cap Rate and Contract Yield for the North Island portfolio are weighted averages.

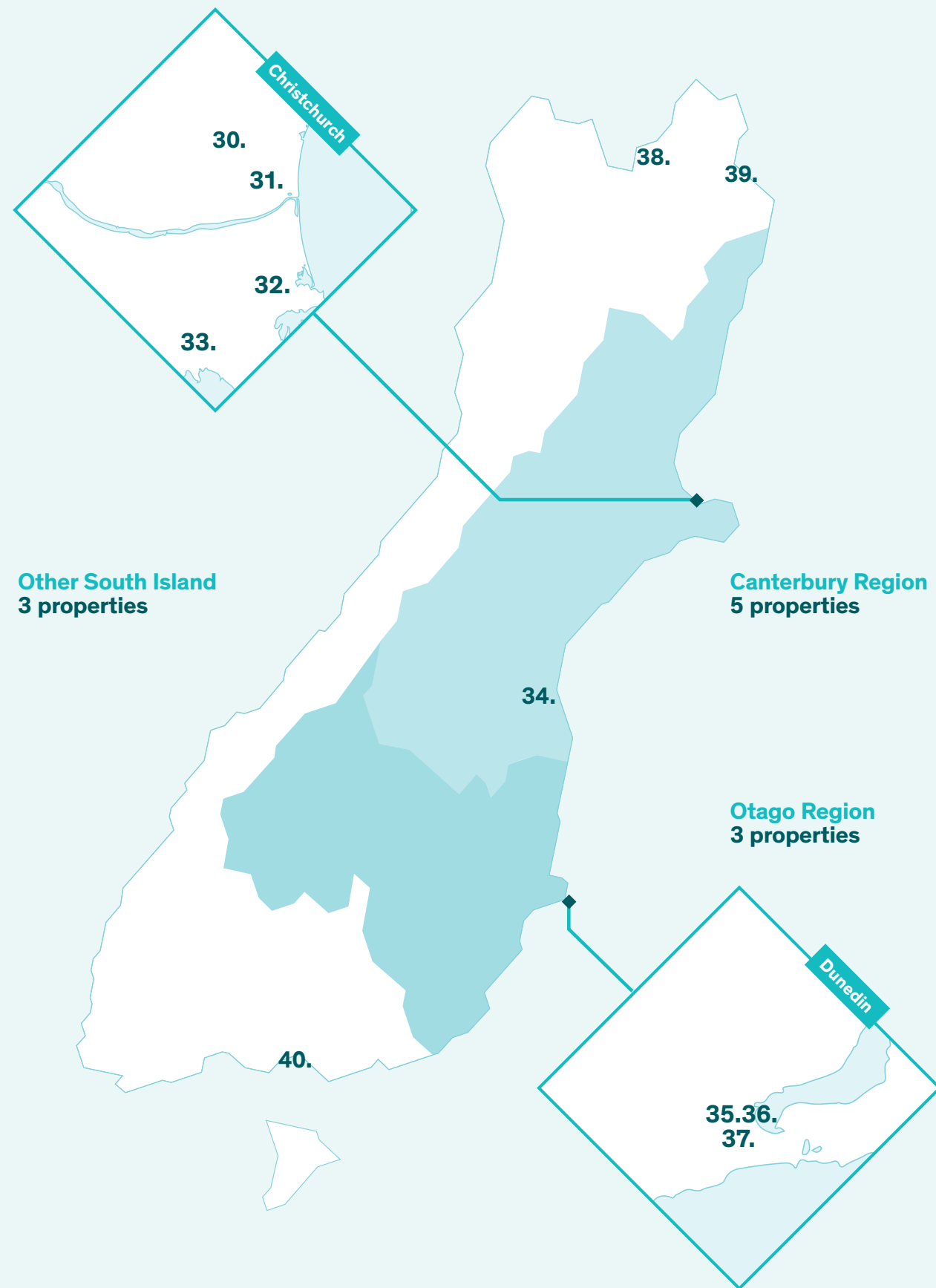
1. Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant to Investore under the terms of the relevant lease as at 31 March 2019, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at 31 March 2019, and assuming no default by the tenant.

2. Weighted Average Lease Term (WALT).



North Island Portfolio Summary as at 31 March 2019	Metric	Percentage of Total Portfolio
Property count	29	73%
Net Contact Rental ³ (\$m)	36.4	76%
Market Capitalisation Rate (%)	6.0	–
Value (\$m)	585.5	77%
Net Lettable Area (m ²)	165,355	79%
Population (m)	3.7	77%
Specialty tenant count	32	86%
Key specialty tenants	Resene, Animates, Burger Fuel, Westpac, McDonald's, Snap Fitness	

3. See footnote 1.



Portfolio Snapshot South Island

as at 31 March 2019

Address	Location	Major Tenant(s)	Tenants	Net Lettable Area (m ²)	Valuation (\$000)	Market Cap Rate %	Net Contract Rental ¹ (\$000)	Contract Yield %	Occupancy %	WALT ² (years)
Canterbury										
30 40 – 50 Ivory Street	Rangiora	Countdown	1	3,759	17,000	6.25	1,083	6.37	100.0	13.7
31 87 – 97 Hilton Street	Kaiapoi	Countdown	1	3,025	13,700	6.00	857	6.26	100.0	15.9
32 219 Colombo Street	Beckenham	Countdown	1	3,976	19,100	5.75	1,154	6.04	100.0	15.9
33 Cnr Rolleston & Masefield Drives	Rolleston	Countdown	1	4,251	19,800	6.13	1,207	6.10	100.0	13.7
34 Cnr Victoria & Browne Streets	Timaru	Countdown	4	4,032	11,625	6.33	745	6.41	100.0	14.2
Otago										
35 309 Cumberland Street	Dunedin	Countdown	1	4,123	19,300	6.13	1,181	6.12	100.0	15.9
36 35 MacLaggan Street	Dunedin	The Warehouse	1	6,433	10,600	7.50	839	7.92	100.0	2.3
37 323 Andersons Bay Road ³	Dunedin	Countdown	1	4,071	19,046	6.38	1,210	6.35	100.0	13.7
Other South Island										
38 Cnr Putaitai Street & Main Roads	Nelson	Countdown	1	2,659	12,400	6.50	814	6.56	100.0	13.7
39 51 Arthur Street	Blenheim	Countdown	1	3,136	10,800	6.50	740	6.85	100.0	15.9
40 172 Tay Street	Invercargill	Countdown	3	5,161	22,300	6.25	1,425	6.39	100.0	14.5
Total South Island			16	44,625	175,671	6.28	11,256	6.41	100.0	13.8

Totals may not sum due to rounding. The WALT, Market Cap Rate and Contract Yield for the South Island portfolio are a weighted average.

South Island Portfolio Summary as at 31 March 2019		Metric	Percentage of Total Portfolio
Property count		11	27%
Net Contract Rental ⁴ (\$m)		11.3	24%
Market Capitalisation Rate (%)		6.3	–
Value (\$m)		175.7	23%
Net Lettable Area (m ²)		44,625	21%
Population (m)		1.1	23%
Specialty tenant count		5	14%
Key specialty tenants		Animates, Triton Hearing	

1. Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant to Investore under the terms of the relevant lease as at 31 March 2019, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at 31 March 2019, and assuming no default by the tenant.

2. Weighted Average Lease Term (WALT).

3. This property at 323 Andersons Bay Road, Dunedin South, was held for sale and this was subsequently settled on 1 April 2019.

4. See footnote 1.

Working With Our Tenants

“As our largest landlord in New Zealand, Investore is an important business partner for Countdown. We see plenty of opportunity to work constructively with Investore, through the likes of store refurbishments and expansion projects, to improve our store network and thus add value for both organisations.”

MATTHEW GRAINGER
Head of Property
Woolworths New Zealand



Investore partners with its tenants on a variety of projects. This successful formula of working alongside our tenants has been a particular feature of Investore's approach and strategy, and is one that is valued by our tenants.

These projects are undertaken in an acknowledgement of the evolving requirements of retailers and their retail offering, that change in response to the surrounding needs of the community in which a store operates and the desired end-customer experience being targeted.

Why partnering is key throughout the landlord and tenant relationship

- Actively partnering with tenants is positive from an overall relationship perspective and is valued by tenants, but equally provides Investore valuable insight into a tenant's operations, enabling us to know our customer and their specific requirements better.
- A commitment by Investore to work alongside a tenant in support of any store initiative or refurbishment and undertake landlord works and improvements simultaneously, often results in the tenant prioritising a refurbishment investment at an Investore site, because of our commitment to their store.
- Any significant capital investment by a tenant generally signals the tenant's future commitment to the site, which again benefits Investore.
- Investore observes performance trends, indicating refurbished assets generally outperform the balance of the portfolio in terms of sales, which in turn creates additional value for Investore and for the tenant.



“We continue to work proactively with Investore to undertake upgrades and work across our Bunnings New Zealand stores, where we align our collective strategies on sustainability and refurbishments.”

DAVID ROTTURA
National Property Manager AUS/NZ
Bunnings Group Limited

Sustainability

As signalled in last year's Annual Report, a focus for FY19 was to commence the process of creating a more formalised sustainability strategy and framework and identify a broader range of issues that are material to business operations and to stakeholders.

To deliver on this, the Manager has engaged the services of an organisation called 'thinkstep' (Thinkstep), who assists entities worldwide in recalibrating their respective business strategy and operations for long term sustainability success. With the assistance of Thinkstep, the Manager has recently completed a work stream involving the

participation of the Investore and Stride Property Group Directors, as well as internal and external stakeholders from each of the entities managed by SIML (i.e., tenants, local council, suppliers, employees of the Manager), to determine the most material sustainability issues.

To prioritise the issues raised through stakeholder engagement, the Manager undertook a materiality workshop with its senior management. The workshop assessed the identified topics, in terms of impact on the business of SIML and its managed funds, including Investore. Stakeholders were then asked to rank the material items in terms of importance

to them. The results of this process are depicted below and show a close correlation between business impact identified by the Manager and stakeholder importance.

The next step is to develop and agree a comprehensive sustainability strategy based on the most important issues identified as a result of the sustainability materiality matrix. A number of items are likely to be able to be grouped and addressed within the strategy together. Going forward, Investore will report on progress against the sustainability strategy and the material issues for our business and stakeholders.

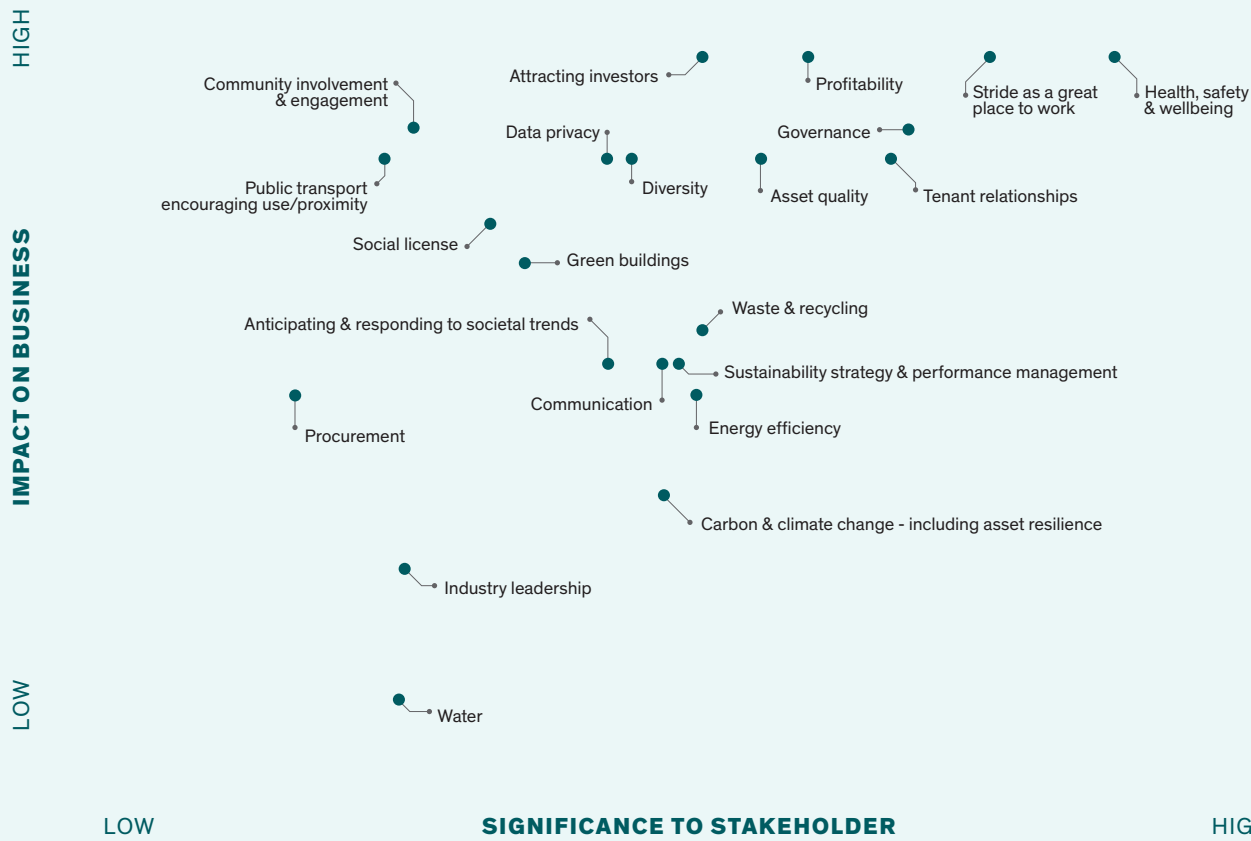
Investore aligns its sustainability objectives with that of SIML, and endorses the work of the Manager, which has been a key focus for FY19. With the assistance of Thinkstep, the sustainability vision of SIML and its managed funds (which includes Investore) is taking shape and Investore is proud to be on this journey.

For the year in review, through our refurbishment programme and other development works, Investore has taken the opportunity to install new energy efficient heating, ventilation and air conditioning systems, and LED lights throughout stores, supporting the tenant and Investore's commitment to reduce the environmental footprint of that asset.

Investore has also supported Countdown, in their sustainability goal of reducing carbon emissions, with one such initiative relating to a trial that launched in November 2018, involving five Waikato Countdown stores, where three electric vehicle charging stations were installed at each site and are available for use, free of charge for shoppers. One such site is Investore's Countdown at Rototuna, Hamilton.

Countdown
Corner Hukanui & Thomas Roads
Rototuna, Hamilton

Materiality Matrix



Investore's Focus for the Year Ahead

1. Disciplined and considered investment to target growth opportunities
2. Continued proactive capital management
3. Partnering with tenants in the execution of the FY20 store refurbishment programme
4. Evolve Investore's sustainability strategy



Mitre 10 Mega, Botany, Auckland

Phase 1

Portfolio Establishment

Oct 2015	Nov – Jun 2015/2016	Jul – Sep 2016
Investore established by SPL with a specialised large format retail portfolio	Acquired 25 large format retail properties	Investore listed on NZX, \$185 million capital raised Acquired 14 further large format retail properties

Phase 2

Portfolio Optimisation

Feb 2017	Jul – Nov 2017	Feb 2018
Animates Invercargill development completed	Acquired Timaru properties adjacent to existing property, providing a future development opportunity	Acquired three Bunnings operated properties for \$78.5 million

Phase 3

Considered & Disciplined Targeted Growth

Mar 2018	Apr 2018	Aug 2018	Dec 2018	Apr 2019
Sale completed for the disposal of Countdown in Hornby, Christchurch and Fresh Choice in Queenstown, for an aggregate of \$32.6 million	\$100 million of bonds issued with interest rate of 4.40% per annum Independent majority representation on the Board, with the appointment of a third independent Director	Share buyback programme commences Refinanced \$70 million of bank borrowings extended to 2022 SIML appoints Investore Fund Manager	FY19 dividend guidance increased to 7.60cps Mitre 10 Mega, Botany, Auckland development completed	Sale completed for disposal of Countdown Dunedin South for \$19.328 million, which concludes the divestment programme Thinkstep engaged to assist with ESG and sustainability strategy

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Countdown & specialty tenants
226 Great South Road
Takanini, Auckland

Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 \$000	2018 \$000
Gross rental income		54,666	50,394
Direct property operating expenses		(7,243)	(6,240)
Net rental income	2.1	47,423	44,154
Less corporate expenses			
Management fee expense	4.0	(4,066)	(3,674)
Performance fee expense	4.0	(493)	–
Administration expenses		(1,475)	(1,766)
Total corporate expenses		(6,034)	(5,440)
Profit before net finance expense, other income/(expense) and income tax		41,389	38,714
Finance income		89	138
Finance expense		(14,485)	(12,067)
Net finance expense	5.3	(14,396)	(11,929)
Profit before other income/(expense) and income tax		26,993	26,785
Other income/(expense)			
Net change in fair value of investment properties	2.3	17,206	23,135
Net change in fair value of derivative financial instruments	5.2	(88)	38
Gain on disposal of investment properties		–	2,895
Profit before income tax		44,111	52,853
Income tax expense	7.2	(5,549)	(6,683)
Profit after income tax attributable to shareholders		38,562	46,170
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	5.5	(2,097)	(2,141)
Total comprehensive income after tax attributable to shareholders		36,465	44,029
Basic and diluted earnings per share (cents)	3.1	14.78	17.64

The attached notes form part of and are to be read in conjunction with these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2019

	Notes	Cents per share	Number of shares 000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance 1 Apr 17			261,772	382,247	20,773	2,008	405,028
Transactions with shareholders:							
Q4 2017 final dividend		2.060	–	–	(5,392)	–	(5,392)
Q1 2018 interim dividend		1.860	–	–	(4,869)	–	(4,869)
Q2 2018 interim dividend		1.860	–	–	(4,869)	–	(4,869)
Q3 2018 interim dividend		1.860	–	–	(4,869)	–	(4,869)
Total transactions with shareholders			–	–	(19,999)	–	(19,999)
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		–	–	–	(2,141)	(2,141)
Total other comprehensive income			–	–	–	(2,141)	(2,141)
Profit after income tax			–	–	46,170	–	46,170
Total comprehensive income			–	–	46,170	(2,141)	44,029
Balance 31 Mar 18			261,772	382,247	46,944	(133)	429,058
Transactions with shareholders:							
Q4 2018 final dividend		1.880	–	–	(4,921)	–	(4,921)
Q1 2019 interim dividend		1.865	–	–	(4,871)	–	(4,871)
Q2 2019 interim dividend		1.865	–	–	(4,851)	–	(4,851)
Q3 2019 interim dividend		1.935	–	–	(5,033)	–	(5,033)
Share buyback	5.4		(1,696)	(2,638)	–	–	(2,638)
Total transactions with shareholders			(1,696)	(2,638)	(19,676)	–	(22,314)
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		–	–	–	(2,097)	(2,097)
Total other comprehensive income			–	–	–	(2,097)	(2,097)
Profit after income tax			–	–	38,562	–	38,562
Total comprehensive income			–	–	38,562	(2,097)	36,465
Balance 31 Mar 19			260,076	379,609	65,830	(2,230)	443,209

The attached notes form part of and are to be read in conjunction with these financial statements.

Statement of Financial Position

As at 31 March 2019

	Notes	2019 \$000	2018 \$000
Current assets			
Cash at bank		5,111	2,199
Trade and other receivables	7.3	415	234
Prepayments		53	176
Other current assets		1,011	1,003
		<u>6,590</u>	<u>3,612</u>
Investment property classified as held for sale	2.5	19,046	–
		<u>25,636</u>	<u>3,612</u>
Non-current assets			
Investment properties	2.3	742,125	738,330
Work in progress		–	162
Derivative financial instruments	5.2	1,320	647
Deferred tax asset	7.2	796	154
Property, plant and equipment		–	1
		<u>744,241</u>	<u>739,294</u>
Total assets		<u>769,877</u>	<u>742,906</u>
Current liabilities			
Trade and other payables	7.4	4,193	4,808
Current tax liability		1,306	1,262
Derivative financial instruments	5.2	90	–
		<u>5,589</u>	<u>6,070</u>
Non-current liabilities			
Borrowings	5.1	316,631	306,891
Derivative financial instruments	5.2	4,448	887
		<u>321,079</u>	<u>307,778</u>
Total liabilities		<u>326,668</u>	<u>313,848</u>
Net assets		<u>443,209</u>	<u>429,058</u>
Share capital		379,609	382,247
Retained earnings		65,830	46,944
Reserve	5.5	(2,230)	(133)
Equity		<u>443,209</u>	<u>429,058</u>

For and on behalf of the Board of Directors, dated 21 May 2019:

Mike Allen
Chair of the Board

Kate Healy
Chair of the Audit and Risk Committee

The attached notes form part of and are to be read in conjunction with these financial statements.

Statement of Cash Flows

For the year ended 31 March 2019

	2019 \$000	2018 \$000
Cash flows from operating activities		
Gross rent received	53,208	49,467
Interest received	89	138
Interest paid	(13,817)	(11,753)
Operating expenses	(12,994)	(10,787)
Income tax paid	(5,308)	(5,624)
Net cash provided by operating activities	<u>21,178</u>	<u>21,441</u>
Cash flows from investing activities		
Capital expenditure on investment properties	(5,545)	(2,212)
Acquisition of investment properties	–	(80,029)
Proceeds from disposal of investment properties	–	32,221
Net cash applied to investing activities	<u>(5,545)</u>	<u>(50,020)</u>
Cash flows from financing activities		
Dividends paid	(19,676)	(19,999)
Repayment of bank borrowings from bonds proceeds	(100,000)	–
Refinancing of bank borrowings	(105)	–
Net drawdown of bank borrowings	11,130	46,400
Net proceeds from issuance of fixed rate bonds	98,568	–
Share buyback costs	(2,638)	–
Net cash (applied to)/provided by financing activities	<u>(12,721)</u>	<u>26,401</u>
Net increase/(decrease) in cash and cash equivalents held	<u>2,912</u>	<u>(2,178)</u>
Opening cash and cash equivalents	<u>2,199</u>	<u>4,377</u>
Closing cash and cash equivalents	<u>5,111</u>	<u>2,199</u>
Cash and cash equivalents at year end comprises:		
Cash at bank	5,111	2,199
Cash and cash equivalents at year end	<u>5,111</u>	<u>2,199</u>

The attached notes form part of and are to be read in conjunction with these financial statements.

Statement of Cash Flows (continued)

For the year ended 31 March 2019

Reconciliation of profit after income tax attributable to shareholders to net cash flows from operating activities

	Notes	2019 \$000	2018 \$000
Profit after income tax attributable to shareholders		38,562	46,170
Add/(less) non-cash items:			
Movement in deferred tax	7.2	208	1,201
Net change in fair value of investment properties		(17,206)	(23,135)
Gain on disposal of investment properties		–	(2,895)
Spreading of fixed rental increases		(1,318)	(1,009)
Capitalised lease incentives		(11)	–
Lease incentives amortisation		1	–
Depreciation		1	2
Movement in loss allowance	7.3	(11)	44
Borrowings establishment costs amortisation		586	250
Accrued interest movement in derivative financial instruments	5.2	(57)	21
Net change in fair value of derivative financial instruments	5.2	88	(38)
		20,843	20,611
Less activity classified as investing activity:			
Movement in working capital items relating to investing activities		1,400	(1,002)
		22,243	19,609
Movement in working capital:			
(Increase)/decrease in trade and other receivables		(170)	134
Increase in prepayments and other current assets		(324)	(695)
(Decrease)/increase in trade and other payables		(615)	2,535
Increase/(decrease) in current tax liability		44	(142)
Net cash provided by operating activities		21,178	21,441

In the current period, the movement in prepayments and other current assets excludes prepaid transaction costs of \$439,000 in relation to the fixed rate bonds issued in April 2018, which had been incurred in the year ended 31 March 2018.

The attached notes form part of and are to be read in conjunction with these financial statements.

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1.0 General Information

This section sets out Investore’s accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a note, the policy is described within the note to which it relates.

1.1 Reporting entity

The financial statements presented are those of Investore Property Limited (Investore). Investore is domiciled in New Zealand and is registered under the Companies Act 1993. Investore is also an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Investore's principal activity is property investment in New Zealand. Investore is managed by Stride Investment Management Limited (SIML).

The financial statements were approved for issue by the Board of Directors of Investore (the Board) on 21 May 2019.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules dated 1 October 2017 (NZX Listing Rules) and New Zealand Generally Accepted Accounting Practice (NZ GAAP). The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). Investore is a for-profit entity for the purposes of financial reporting.

The financial statements have been prepared under the historical cost basis except for assets and liabilities stated at fair value as disclosed.

The financial statements have been presented in New Zealand dollars and have been rounded to the nearest thousand, unless stated otherwise.

1.3 Adoption of new standards

Investore has adopted NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from contracts with customers* from 1 April 2018.

NZ IFRS 9 *Financial Instruments*

Investore has applied NZ IFRS 9 retrospectively, but has elected not to restate comparative information.

Classification and measurement

The classification of financial instruments has not resulted in any reclassification between measurement categories for Investore's financial assets and liabilities. Derivative financial instruments that are in cash flow hedge relationships remain measured at fair value, and other financial instruments (including cash and cash equivalents, trade and other receivables, the NZX bond, trade payables, bank borrowings and fixed rate bonds) continue to be measured at amortised cost.

Hedging

Interest rate swaps in place as at 31 March 2019 qualify as cash flow hedges under NZ IFRS 9. Investore's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and are therefore treated as continuing hedges.

1.0 General Information (continued)

1.3 Adoption of new standards (continued)

NZ IFRS 15 *Revenue from contracts with customers*

The implementation of NZ IFRS 15 has required a change in the presentation of service charges in the statement of comprehensive income. Previously, Investore presented the income generated from service charges recovered from tenants as an offset to direct property operating expenses. In implementing NZ IFRS 15, these components have been separated out between income and expense as income falls under the scope of NZ IFRS 15 and cannot be netted off against related expenses. As a result, the 2018 comparatives have been restated as follows: gross rental income increased by \$3,139,000 and direct property operating expenses increased by \$3,139,000. These have also had a flow on impact to the statement of cash flows where gross rent received has increased by \$3,139,000 and operating expenses has also increased by \$3,139,000. There has been no change in the measurement basis of the service charge income under NZ IFRS from the previous standard NZ IAS 18 *Revenue*.

1.4 New standards, amendments and interpretations

At the date of approval of the financial statements, the following relevant standard was in issue but not applied as the standard is effective for accounting periods beginning on or after 1 January 2019.

NZ IFRS 16 *Leases*

NZ IFRS 16 replaces the current guidance in NZ IAS 17 *Leases* and requires a lessee to recognise a lease liability reflecting future lease payments and a “right-of-use” asset for most lease contracts.

As a lessor, there are no changes to Investore's current accounting treatment and disclosure of leases. However, Investore has eleven ground leases on investment properties. As a lessee, Investore will apply NZ IFRS 16 using the simplified retrospective approach. Under this approach, Investore will recognise a right of use asset and lease liability of approximately \$7,784,000 as at 1 April 2019, representing the present value of the remaining lease cash flows. There will be no deferred tax impact as the tax base is nil on initial recognition.

Investore intends to adopt NZ IFRS 16 effective from 1 April 2019.

1.5 Fair value estimation

Investore classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

1.0 General Information (continued)

1.6 Significant accounting policies, estimates and judgements

In the application of NZ IFRS, the Board and management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from the estimates, judgements and assumptions made by the Board and management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes as follows:

- Investment properties (note 2.3);
- Derivative financial instruments (note 5.2); and
- Deferred tax (note 7.2).

1.7 Significant events and transactions

The financial position and performance of Investore was affected by the following events and transactions that occurred during the reporting period:

Issuance of fixed rate bonds

On 18 April 2018, Investore issued \$100 million of fixed rate bonds with a six-year term expiring on 18 April 2024, paying an interest rate of 4.40%. The proceeds were used to repay \$100 million of Investore's bank borrowings.

Share buyback

On 1 August 2018, Investore announced that it would begin an on-market share buyback programme to purchase up to 5% of its ordinary shares (being 13,088,591 ordinary shares). Under the programme, Investore will only acquire shares on the NZX Main Board for a period of up to one year. The acquired shares are cancelled upon acquisition. As at 31 March 2019, Investore had acquired and cancelled 1,696,220 shares for a cost of \$2,638,135 (including transaction costs).

Sale of 323 Andersons Bay Road, Dunedin

On 11 December 2018, Investore announced that it had entered into an unconditional agreement for the sale of its property at 323 Andersons Bay Road, Dunedin, for \$19.328 million, with settlement occurring post balance date on 1 April 2019. The property has been separately disclosed as investment property classified as held for sale in the 2019 financial statements and the fair value reflects the sale price net of disposal costs.

1.8 Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current year (refer note 4.0). These reclassifications have no impact on the overall financial performance or financial position for the comparative period.

2.0 Property

This section covers property assets, being large format retail properties, which generate Investore's trading performance.

2.1 Net rental income

	2019 \$000	2018 \$000
Accounting Policy		
Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Where a lease provides for fixed rental increases over the term of the lease, they are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.		
Income generated from service charges recovered from tenants is included in the gross rental income with the service charge expenses to tenants shown in the direct property operating expenses. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.		
Gross rental income		
Rental income and service charge income recovered from tenants	53,338	49,385
Spreading of fixed rental increases	1,318	1,009
Capitalised lease incentives	11	–
Lease incentives amortisation	(1)	–
Total gross rental income	54,666	50,394
Direct property operating expenses		
Service charge expenses to tenants	(3,669)	(3,139)
Movement in loss allowance	11	(44)
Other non-recoverable property operating expenses	(3,585)	(3,057)
Total direct property operating expenses	(7,243)	(6,240)
Net rental income	47,423	44,154
Other non-recoverable property operating expenses represents property maintenance and operating expenses not recoverable from tenants and property leasing expenses.		

2.0 Property (continued)

2.1 Net rental income (continued)

Accounting Policy

Leases are classified at their inception as either an operating or finance lease based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Investore has determined that it retains all significant risks and rewards of ownership of properties and has therefore classified all leases as operating leases. Properties leased out under operating leases are included in investment properties and investment property classified as held for sale in the statement of financial position.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 \$000	2018 \$000
No later than 1 year	48,627	49,009
Later than 1 year and no later than 5 years	192,128	188,012
Later than 5 years	380,607	425,153
Future rentals receivable	621,362	662,174

The 2018 comparatives have been restated as a result of continuing analysis.

2.2 Operating lease commitments

Accounting Policy

Payments, including prepayments made under operating leases (net of any incentives received from the lessor), are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Investore is committed under eleven (2018: eleven) operating leases where Investore is the lessee. There are seven leases at the corner of Anglesea and Liverpool Streets, Hamilton, one at 3 Averill Street, Auckland, one at 70 Studholme Street, Morrinsville, one at 51 Arthur Street, Blenheim, and one at the corner of Bridge and Anglesea Streets, Hamilton.

	2019 \$000	2018 \$000
Rent expense	705	705

The commitments below only reflect the amounts payable under current signed lease contracts up until the next rent review, at which time the terms of the leases may be renegotiated.

	2019 \$000	2018 \$000
No later than 1 year	705	705
Later than 1 year and no later than 5 years	785	1,384
Later than 5 years	303	409
Future rentals payable	1,793	2,498

2.0 Property (continued)

2.3 Investment properties

Accounting Policy

Investment properties are held either to earn rental income or for capital appreciation or both. Investment property is initially stated at cost, including related transaction costs, and then at fair value as determined at least every 12 months by an independent registered valuer.

Any gain or loss arising from a change in the fair value of the investment property is recognised in the statement of comprehensive income within net change in fair value of investment properties. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to Investore and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the statement of comprehensive income during the period in which they are incurred.

Investment properties are de-recognised when they have been disposed. The net gain or loss on disposal is calculated as the difference between the carrying amount at the time of the disposal and the net proceeds on the disposal, and is included in the statement of comprehensive income in the reporting period in which the disposal occurs.

	2019 \$000	2018 \$000
Opening balance	738,330	660,430
Acquisitions	–	79,887
Transfer to investment property classified as held for sale	(19,046)	–
Disposals	–	(29,319)
Net change in fair value	17,206	23,135
Reduction in purchase price	–	(711)
Property acquisition costs	–	170
Subsequent capital expenditure	4,145	3,729
Transfer from work in progress	162	–
Spreading of fixed rental increases	1,318	1,009
Capitalised lease incentives	11	–
Lease incentives amortisation	(1)	–
Closing balance	742,125	738,330

Valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring that no valuer values the same investment property for more than three consecutive years. All valuations are dated effective 31 March 2019.

Breakdown of valuation by valuer	2019 \$000	2018 \$000
CBRE Limited (CBRE)	134,800	30,500
CIVAS Limited (Colliers ¹)	350,900	257,900
Colliers Wellington Limited (Colliers ²)	67,750	–
Jones Lang LaSalle (JLL)	188,675	155,850
Savills (NZ) Limited (Savills)	–	294,080
	742,125	738,330

The following tables provide a summary of the valuation of the individual investment properties, their net lettable area, market capitalisation rate (cap rate), contract yield, occupancy and weighted average lease term (WALT) for the purpose of providing further detail of the assets which are considered to be the most relevant to the operations of Investore. Colliers¹ refers to the valuer CIVAS Limited and Colliers² refers to the valuer Colliers Wellington Limited. The cap rate %, contract yield %, occupancy % and WALT years for the total of investment properties are weighted averages. The totals may not sum due to rounding.

2.0 Property (continued)

2.3 Investment properties (continued)

As at 31 Mar 2019	Valuer	Net lettable area m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Cnr Butler & Kerikeri Roads, Kerikeri	Colliers ¹	3,887	18,900	6.38	6.44	100.0	13.7
3 - 7 Mill Lane, Warkworth	Colliers ¹	3,815	22,800	5.75	6.22	98.0	13.0
24 Anzac Road, Auckland	CBRE	4,382	22,800	5.38	5.48	100.0	15.9
112 Stoddard Road, Auckland	Colliers ¹	4,200	24,000	5.75	5.97	100.0	8.9
Cnr Church & Selwyn Streets, Auckland	JLL	2,011	10,500	6.00	6.00	100.0	5.9
326 Great South Road, Auckland	CBRE	4,633	34,300	5.13	5.00	100.0	15.9
35a St Johns Road, Auckland	Colliers ¹	4,457	21,200	5.50	5.95	100.0	15.9
507 Pakuranga Road, Auckland	Colliers ¹	4,812	18,200	5.88	5.82	100.0	15.9
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	CBRE	12,124	34,100	5.00	5.29	100.0	11.7
226 Great South Road, Auckland	Colliers ¹	7,384	39,700	6.00	6.19	100.0	9.2
3 Averill Street, Auckland	JLL	5,435	16,250	7.50	7.95	100.0	14.2
66 - 76 Studholme Street, Morrinsville	Colliers ¹	1,724	6,500	6.50	6.74	100.0	5.9
Cnr Anglesea & Liverpool Streets, Hamilton	JLL	5,265	7,000	9.00	11.48	100.0	4.8
Cnr Hukanui & Thomas Roads, Hamilton	Colliers ¹	4,504	16,900	6.13	6.28	100.0	11.8
Cnr Bridge & Anglesea Streets, Hamilton	Colliers ¹	4,200	19,900	6.00	6.12	100.0	14.1
446 Te Rapa Road, Hamilton	JLL	12,763	28,400	5.88	5.99	100.0	10.7
230 - 240 Fenton Street, Rotorua	JLL	5,172	17,300	6.13	6.59	100.0	11.4
26 - 48 Old Taupo Road, Rotorua	JLL	13,940	25,500	6.00	6.19	100.0	10.7
53 Leach Street, New Plymouth	Colliers ¹	8,522	28,000	5.88	6.04	100.0	10.5
9 Gloucester Street, Napier	Colliers ¹	4,386	16,400	5.88	5.92	100.0	10.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers ¹	3,611	14,300	6.25	6.46	100.0	12.3
Cnr Tremaine Avenue & Railway Road, Palmerston North	Colliers ²	13,730	26,050	6.00	6.20	100.0	10.7
14 Russell Street, Upper Hutt	JLL	3,037	9,500	7.25	7.39	100.0	5.9
13 - 19 Queen Street, Upper Hutt	Colliers ²	3,427	11,200	6.38	7.02	100.0	15.9
261 High Street, Lower Hutt	Colliers ²	5,078	18,500	6.25	6.10	100.0	15.9
91 Johnsonville Road, Wellington	JLL	6,316	21,000	6.63	7.36	100.0	10.6
3 Main Road, Wellington	Colliers ¹	4,200	17,500	6.00	6.66	100.0	14.0
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers ¹	4,881	26,800	6.00	6.16	98.7	12.3
47 Bay Road, Wellington	Colliers ²	3,460	12,000	6.25	6.04	100.0	15.9
Cnr Putaitai Street & Main Road, Nelson	Colliers ¹	2,659	12,400	6.50	6.56	100.0	13.7
51 Arthur Street, Blenheim	CBRE	3,136	10,800	6.50	6.85	100.0	15.9
40 - 50 Ivory Street, Rangiora	Colliers ¹	3,759	17,000	6.25	6.37	100.0	13.7
87 - 97 Hilton Street, Kaiapoi	CBRE	3,025	13,700	6.00	6.26	100.0	15.9
219 Colombo Street, Christchurch	CBRE	3,976	19,100	5.75	6.04	100.0	15.9
Cnr Rolleston & Masefield Drives, Rolleston	Colliers ¹	4,251	19,800	6.13	6.10	100.0	13.7
Cnr Victoria & Browne Streets, Timaru	JLL	4,032	11,625	6.33	6.41	100.0	14.2
309 Cumberland Street, Dunedin	JLL	4,123	19,300	6.13	6.12	100.0	15.9
35 MacLaggan Street, Dunedin	Colliers ¹	6,433	10,600	7.50	7.92	100.0	2.3
172 Tay Street, Invercargill	JLL	5,161	22,300	6.25	6.39	100.0	14.5
Total		205,909	742,125	6.04	6.26	99.9	12.4

2.0 Property (continued)

2.3 Investment properties (continued)

As at 31 Mar 2018	Valuer	Net lettable area m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Cnr Butler & Kerikeri Roads, Kerikeri	Colliers ¹	3,887	18,100	6.50	6.68	100.0	14.7
3 - 7 Mill Lane, Warkworth	Colliers ¹	3,815	21,800	6.00	6.47	98.0	14.0
24 Anzac Road, Auckland	Savills	4,382	22,210	5.63	5.63	100.0	16.9
112 Stoddard Road, Auckland	Colliers ¹	4,200	23,200	6.00	6.19	100.0	9.9
Cnr Church & Selwyn Streets, Auckland	Savills	2,011	10,600	6.00	5.94	100.0	6.9
326 Great South Road, Auckland	Savills	4,633	31,000	5.50	5.52	100.0	16.9
35a St Johns Road, Auckland	Savills	4,457	21,400	6.00	5.96	100.0	16.9
507 Pakuranga Road, Auckland	Savills	4,812	18,000	5.88	5.88	100.0	16.9
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	CBRE	12,124	30,500	5.13	4.97	100.0	12.0
226 Great South Road, Auckland	Colliers ¹	7,384	38,800	6.25	6.62	100.0	9.6
3 Averill Street, Auckland	Savills	5,435	16,400	7.00	7.86	100.0	15.2
66 - 76 Studholme Street, Morrinsville	Savills	1,724	6,500	6.50	6.72	100.0	6.9
Cnr Anglesea & Liverpool Streets, Hamilton	JLL	5,265	5,800	10.00	14.02	100.0	0.8
Cnr Hukanui & Thomas Roads, Hamilton	Colliers ¹	4,504	16,000	6.50	6.56	100.0	12.2
Cnr Bridge & Anglesea Streets, Hamilton	Colliers ¹	4,200	18,500	6.13	6.16	100.0	15.1
446 Te Rapa Road, Hamilton	JLL	12,763	28,000	5.88	5.92	100.0	11.7
230 - 240 Fenton Street, Rotorua	JLL	5,172	16,150	6.88	6.59	100.0	2.4
26 - 48 Old Taupo Road, Rotorua	JLL	13,940	25,250	6.00	6.09	100.0	11.7
53 Leach Street, New Plymouth	JLL	8,522	27,500	6.00	6.03	100.0	11.5
9 Gloucester Street, Napier	JLL	4,386	16,250	5.88	5.86	100.0	11.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers ¹	3,611	13,900	6.50	6.57	100.0	12.8
Cnr Tremaine Avenue & Railway Road, Palmerston North	JLL	13,730	26,250	5.75	5.99	100.0	11.7
14 Russell Street, Upper Hutt	Savills	3,037	9,900	6.88	7.04	100.0	6.9
13 - 19 Queen Street, Upper Hutt	Savills	3,427	10,400	6.50	6.54	100.0	16.9
261 High Street, Lower Hutt	Savills	5,078	18,000	6.38	6.54	100.0	16.9
91 Johnsonville Road, Wellington	Savills	6,316	20,800	6.63	7.43	100.0	11.6
3 Main Road, Wellington	Colliers ¹	4,200	16,900	6.25	6.83	100.0	15.0
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers ¹	4,881	25,600	6.25	6.39	98.7	13.3
47 Bay Road, Wellington	Savills	3,460	11,100	6.38	6.51	100.0	16.9
Cnr Putaitai Street & Main Road, Nelson	Colliers ¹	2,659	12,000	6.50	6.63	100.0	14.7
51 Arthur Street, Blenheim	Savills	3,136	11,400	6.38	6.49	100.0	16.9
40 - 50 Ivory Street, Rangiora	Colliers ¹	3,759	16,100	6.50	6.63	100.0	14.7
87 - 97 Hilton Street, Kaiapoi	Savills	3,025	13,500	6.25	6.34	100.0	16.9
219 Colombo Street, Christchurch	Savills	3,976	19,050	6.00	6.06	100.0	16.9
Cnr Rolleston & Masefield Drives, Rolleston	Colliers ¹	4,251	18,700	6.38	6.36	100.0	14.7
Cnr Victoria & Browne Streets, Timaru	Savills	4,032	12,220	6.18	6.04	100.0	15.1
309 Cumberland Street, Dunedin	Savills	4,123	19,300	6.13	6.11	100.0	16.9
35 MacLaggan Street, Dunedin	JLL	6,433	10,650	7.75	7.60	100.0	3.3
323 Andersons Bay Road, Dunedin	Colliers ¹	4,071	18,300	6.38	6.61	100.0	14.7
172 Tay Street, Invercargill	Savills	5,161	22,300	6.25	6.37	100.0	15.5
Total		209,980	738,330	6.19	6.36	99.9	13.1

2.0 Property (continued)

2.3 Investment properties (continued)

Accounting Policy
The fair value of an investment property represents the estimated price for which a property could be sold for at the date of valuation in an orderly transaction between market participants. The predominant methods for assessing the current fair value of an investment property are the Income Capitalisation and the Discounted Cash Flow approaches. Each approach derives a value based on market inputs, including:
<ul style="list-style-type: none">recent comparable transactions;forecast future rentals, based on the actual location, type and quality of the investment property, and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;vacancy assumptions based on current and expected future market conditions after expiry of any current lease; andappropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cash flows.
In addition, consideration is given to the maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life.

At each reporting date, SIML's asset managers verify all major inputs to the independent valuation report. SIML's executive team review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the SIML Chief Executive Officer. Discussions of valuation processes and results are held between members of the executive team and the independent valuers, and the SIML Chief Executive Officer and Investore's Audit and Risk Committee, at least once every six months, in line with Investore's reporting dates. Ultimately, Investore's Directors are responsible for reviewing and approving the investment property valuations.

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 (2018: nil transfers).

Valuation techniques used:

- Income Capitalisation approach** – is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Adjustments are then made to the value to reflect under or over renting, pending capital expenditure, and upcoming expiries, including allowance for lessee incentives and leasing expenses.
- Discounted Cash Flow approach** – adopts a ten-year investment horizon and makes appropriate allowances for rental income growth and leasing expenses on expiries, with an estimated terminal value at the end of the investment period. The present value reflects the market based income and expenditure projections, discounted at a rate of return referred to as a discount rate. In selecting the discount rate many factors are considered, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments and the rates of return earned by comparable properties in the past.

In deriving a market value under each approach, all assumptions are based, where possible, on market based evidence and transactions for properties with similar locations, construction detail and quality of lessee covenant. The adopted market value is a combination of both the Income Capitalisation and the Discounted Cash Flow approaches.

2.0 Property (continued)

2.3 Investment properties (continued)

The key inputs used to measure fair value of investment properties, along with their sensitivity to significant increase or decrease, are stated below:

Significant input	Description	Fair value measurement sensitivity to significant:		Valuation method
		Increase in input	Decrease in input	
Cap rate	The capitalisation rate is applied to the market income to assess an investment property's value. The capitalisation rate is derived from detailed analysis of factors such as comparable sales evidence and leasing transactions in the open market taking into account location, tenant covenant - lease term and conditions, WALT, size and quality of the investment property.	Decrease	Increase	Income Capitalisation
Discount rate	The discount rate is applied to future cash flows of an investment property to provide a net present value equivalent. The discount rate adopted takes into account recent comparable market transactions, prospective rates of return for alternative investments and apparent risk.	Decrease	Increase	Discounted Cash Flow
Market rental	The valuer's assessment of net market rental for both occupied and vacant areas of the investment property.	Increase	Decrease	Income Capitalisation and Discounted Cash Flow
Rental growth rate	The rental growth rate applied to the market rental in the 10-year cash flow projection.	Increase	Decrease	Discounted Cash Flow
Terminal yield	The rate used to assess the terminal value of the property.	Decrease	Increase	Discounted Cash Flow

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted discount rate. It may also result in an adjustment to the terminal yield. The adopted capitalisation rate forms part of the Income Capitalisation approach and the adopted discount rate forms part of the Discounted Cash Flow approach.

When calculating fair value using the Income Capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate, given the methodology involves assessing the total net market income receivable from the investment property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. A decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate could also potentially offset the impact to fair value. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value, given the discount rate will determine the rate in which the terminal value is discounted to the present value.

An increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. A decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield could also potentially offset the impact to fair value. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

2.0 Property (continued)

2.3 Investment properties (continued)

The following table details the ranges used for each key significant input:

	Cap rate %	Discount rate %	Market rental \$/m ²	Rental growth rate %	Terminal yield %
As at 31 Mar 19	5.00-9.00	4.88-9.50	108-384	0.03-4.45	5.38-9.00
As at 31 Mar 18	5.13-10.00	5.13-10.25	105-372	1.00-4.01	6.00-9.75

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate and discount rate is as follows:

Impact on fair value	Cap rate		Discount rate	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
As at 31 Mar 19				
Change \$000	(28,297)	30,740	(12,758)	13,103
Change %	(4)	4	(2)	2
As at 31 Mar 18				
Change \$000	(27,831)	30,134	(12,819)	13,157
Change %	(4)	4	(2)	2

2.4 Capital expenditure commitments contracted for

As at 31 March 2019, Investore had the following major commitments:

- \$2,440,930 (2018: \$2,608,845) in total for various capital expenditure works to be undertaken on a number of investment properties in the next financial year.

Subsequent to balance date, Investore has committed to a further \$62,275 (2018: \$214,606) in total for various capital expenditure works to be undertaken on investment properties in the next financial year. Investore has no other material commitments as at balance date.

2.5 Investment property classified as held for sale

Accounting Policy

Investore reclassifies an investment property to investment property classified as held for sale when Investore commences the process of disposing the property. The carrying value of the investment property is the contracted sale price, net of sale costs, being the best indicator of fair value.

Any gain or loss arising from a change in the fair value is recognised in the statement of comprehensive income within net change in fair value of investment properties.

During the current year, the Board approved disposing the property at 323 Andersons Bay Road, Dunedin. Upon the change in intention from holding the investment property to disposing it, Investore reclassified the property from investment property to investment property classified as held for sale.

On 7 December 2018, Investore entered into an unconditional agreement for the sale of this property for \$19,328,000. As at 31 March 2019, the property is held at \$19,045,513, being the sales price, net of disposal costs of \$282,487. Settlement occurred post balance date on 1 April 2019 (note 7.7).

3.0 Investor Returns

This section sets out Investore's earnings per share and how distributable profit is calculated. Distributable profit is a non-GAAP measurement and is used by Investore to calculate profit available for distribution to shareholders by way of dividends.

3.1 Basic and diluted earnings per share

Accounting Policy

Basic and diluted earnings per share amounts are calculated by dividing profit after income tax attributable to shareholders by the weighted average number of shares on issue.

	2019 \$000	2018 \$000
Profit after income tax attributable to shareholders	38,562	46,170
Weighted average number of shares for purpose of basic and diluted earnings per share ('000s)	260,903	261,772
Basic and diluted earnings per share – weighted (cents)	14.78	17.64

3.2 Distributable profit

Accounting Policy

Investore's dividend policy is to target a cash dividend to shareholders that is between 95% and 100% of its distributable profit. Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax.

	2019 \$000	2018 \$000
Profit before income tax	44,111	52,853
Non-recurring and non-cash adjustments:		
Net change in fair value of investment properties	(17,206)	(23,135)
Gain on disposal of investment properties	–	(2,895)
Net change in fair value of derivative financial instruments	88	(38)
Spreading of fixed rental increases	(1,318)	(1,009)
Capitalised lease incentives	(11)	–
Lease incentives amortisation	1	–
Borrowings establishment costs amortisation	586	250
Depreciation	1	2
Distributable profit before current income tax	26,252	26,028
Current tax expense	(5,341)	(5,482)
Distributable profit after current income tax	20,911	20,546
Adjustments to funds from operations:		
Maintenance capital expenditure	(1,258)	(2,039)
Adjusted Funds From Operations (AFFO)	19,653	18,507
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	260,903	261,772
Basic and diluted distributable profit after current income tax per share – weighted (cents)	8.01	7.85
AFFO basic and diluted distributable profit after current income tax per share – weighted (cents)	7.53	7.07

4.0 Related Party Disclosures

This section sets out the transactions that have occurred during the relevant periods between Investore and SIML, as manager of Investore, and Stride Property Limited (SPL), which owns a cornerstone shareholding in Investore. The shares in each of SIML and SPL are Stapled Securities and together they comprise the Stride Property Group.

	2019 \$000	2018 \$000
The following transactions with a related party took place		
SIML		
Asset management fee expense	(4,066)	(3,674)
Performance fee expense	(493)	–
Building management fee expense	(400)	(392)
Accounting fee expense	(250)	(250)
Leasing fee expense	(215)	(32)
Project management fee expense	(158)	(148)
Maintenance fee expense	(43)	(27)
Disposal fee expense	–	(161)
Bonds fee expense	–	(175)
Total	(5,625)	(4,859)
SPL		
Dividends paid	(3,913)	(3,980)
The following balance was payable to a related party		
SIML	(541)	(4)

Investore has appointed SIML as its exclusive provider of ongoing real estate investment management services. Investore does not have any employees, accordingly, there are no senior managers of Investore who have a relevant interest in the shares of Investore.

During the current year, and aligned with the two-year anniversary of Investore's listing, the Board undertook a review of the Manager and its performance in accordance with the terms of the Management Agreement and this also included a review of the management fee structure to ensure it remains fair and broadly consistent with comparable listed property entities. This was a valuable process and the Board continues to feel well supported by SIML, who assists Investore day-to-day in the execution of a number of important initiatives.

SIML is entitled to an asset management fee for the provision of management services. The fee is calculated as follows:

- 0.55% of the value of the properties (other than development properties) per year up to the value of \$750 million; and
- 0.45% of the value of the properties (other than development properties) per year above the value of \$750 million calculated on a daily basis.

The performance fee expense is calculated and payable on a quarterly basis as 10% of the actual increase in shareholder returns (being share price, adjusted for dividends, and other changes in capital structure), which is above 2.5% and under 3.75% in a quarter. Where shareholder returns exceed 3.75% in a quarter, no payment is due for the actual amount of the increase above 3.75% but the amount of the increase above 3.75% is carried forward and added to the calculation of shareholder returns in the next seven quarters. However, if shareholder returns are less than 2.5% in a quarter, the deficit is carried forward and subtracted from the calculation of shareholder returns in the next seven quarters. A performance fee of \$493,222 is due to SIML for the quarter ended 31 March 2019. The carried forward return for the performance fee calculation for the quarter ended 30 June 2019 is 7.98% which has been calculated in accordance with the management agreement.

4.0 Related Party Disclosures (continued)

The comparative building management fee expense has been reclassified from management fee expense to direct property operating expenses in the statement of comprehensive income to align with the nature of the expense. The comparative was previously classified as management fee expense to align with the presentations in the Prospective Base Case financial information of the Product Disclosure Statement dated 10 June 2016 and the online register entry information prepared for Investore's initial public offering.

As at 31 March 2019, SPL has a cornerstone shareholding in Investore of 19.9%, being 51,791,786 shares (2018: 19.9% and 52,091,786 shares). SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds. As announced to the market on 1 August 2018, SPL and Investore have agreed that, during the period the Investore share buyback is continuing, Investore will co-ordinate the pausing of the buyback with SPL to enable SPL to commence any required sell down to comply with the Takeovers Code (Class Exemptions) Notice (No 2) 2001.

In the current year, Directors in total received dividends of \$9,490 (2018: \$8,081).

Director Gráinne Troute was appointed on 19 April 2018. Directors' fees recognised in administration expenses comprise the following:

	2019 \$000	2018 \$000
Directors' fees	163	125
Chair's fees	70	70
	233	195

No other benefits have been provided by Investore to a Director for services as a Director or in any other capacity, other than those amounts disclosed above.

5.0 Capital Structure and Funding

Investore's capital structure includes debt and equity, comprising shares and retained earnings as shown in the statement of financial position. This section sets out how Investore manages its capital structure, funding exposure to interest rate risk and related financing costs.

5.1 Borrowings

Accounting Policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless Investore has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2019 \$000	2018 \$000
Non-current		
Bank facility drawn down	218,530	307,400
Fixed rate bonds	100,000	–
Unamortised borrowings establishment costs	(1,899)	(509)
Total net borrowings	316,631	306,891
Total bank facility available	270,000	370,000
Bank facility drawn down	218,530	307,400
Undrawn bank facility available	51,470	62,600
Facility A	70,000	165,000
Facility B	165,000	165,000
Facility C	35,000	40,000
Total bank facility available	270,000	370,000
Bank facility expiry date		
Facility A	31 Aug 2022	9 Jun 2019
Facility B	9 Jun 2021	9 Jun 2021
Facility C	9 Jun 2020	9 Jun 2020
Weighted average interest rate for debt (inclusive of current interest rate derivatives, bonds, margins and line fees) at balance date	4.38%	4.25%
Interest rate on the bank facility (excluding margin) at balance date	2.54%	2.34%

Bank borrowings

Investore's bank borrowings are via syndicated senior secured facilities with ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand Limited.

On 18 April 2018, Investore used the proceeds from the issuance of the \$100 million of fixed rate bonds to repay and cancel \$100 million of Facility A of the bank facility (previously \$165 million).

On 31 August 2018, Investore refinanced part of its total bank facility. Facility A was increased by \$5 million to \$70 million and the tenor was extended by three years to 31 August 2022. Facility C was reduced by \$5 million to \$35 million.

5.0 Capital Structure and Funding (continued)

5.1 Borrowings (continued)

Fixed rate bonds

On 18 April 2018, Investore issued \$100 million of fixed rate bonds with a six-year term, expiring on 18 April 2024, paying an interest rate of 4.40%. The proceeds were used to repay and cancel \$100 million of Facility A of the bank facility.

The bonds are quoted on the NZX Debt Market and their fair value was \$103,266,143 based on their listed market price as at balance date. The fixed rate bonds are classified as Level 1 in the fair value hierarchy. Interest is payable quarterly in April, July, October and January in equal instalments.

Security

The bank borrowings and fixed rate bonds are managed through a security agent who holds a first registered mortgage on all the investment properties owned by Investore and a registered first ranking security interest under a General Security Deed over substantially all the assets of Investore.

5.2 Derivative financial instruments

Accounting Policy

Interest rate derivatives (derivative financial instruments) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at each reporting date. Fair value of over-the-counter derivatives, such as interest rate swaps, is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within the statement of comprehensive income.

	2019 \$000	2018 \$000
Notional Values		
Notional value of interest rate swaps - fixed rate payer - start dates commenced	230,000	230,000
Notional value of interest rate swaps - fixed rate receiver	25,000	–
Notional value of interest rate swaps - fixed rate receiver - forward starting	–	25,000
	255,000	255,000
Fixed interest rates payer range	2.19%-3.01%	2.19%-3.01%
Fixed interest rate receiver	4.40%	–
Weighted average fixed interest rate (excluding margins)	2.58%	2.48%
Percentage of drawn debt fixed	96%	75%

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments (continued)

Investore typically designates its interest rate derivatives as cash flow hedges of the interest flows on its variable rate borrowings. The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Investore enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Investore has not hedged 100% of its floating rate borrowings, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective, with the exception of the \$25 million fixed rate receiver interest rate swap.

On 21 March 2018, Investore entered into a \$25 million forward start fixed rate receiver swap for the duration of the fixed rate bonds with the effect of converting a portion of the \$100 million fixed rate bonds to floating interest rate. The life to date ineffective portion on the receiver swap, due to the misalignment to the fixed rate bonds as a result of the bonds commencing on the 18 April 2018, is a fair value loss of \$50,320 (2018: fair value gain of \$37,814), resulting in a fair value loss movement of \$88,134 (2018: fair value gain of \$37,814) being recognised in the current year in the statement of comprehensive income.

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2018: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 31 March 2019 of between 1.85%, for the 90-day BKBM, and 2.16%, for the 10-year swap rate (2018: 1.96% and 3.06% respectively). There were no changes to these valuation techniques during the reporting period.

As at 31 March 2019, the fair value of the interest rate derivatives was a liability of \$3,217,393, including an accrued interest liability of \$49,696 (2018: liability of \$239,622, including an accrued interest liability of \$107,101).

The following sensitivity analysis represents the change in fair value of the interest rate derivatives and shows the effect on equity if the floating interest rates on swaps (hedged bank borrowings) had been 1% higher or lower, with other variables remaining constant.

	2019		2018	
	Gain/(loss) on +1% \$000	Gain/(loss) on -1% \$000	Gain/(loss) on +1% \$000	Gain/(loss) on -1% \$000
Impact on equity	3,597	(3,811)	5,325	(5,756)

There would have been no impact on profit in either year as the change in fair value is taken to the cash flow hedge reserve. The interest rate sensitivity analysis is performed by using an instantaneous parallel shift in the yield curve at the testing date.

Investore does not hold derivative financial instruments for trading purposes.

5.0 Capital Structure and Funding (continued)

5.3 Net finance expense

Accounting Policy

Interest income is recognised on a time-proportional basis using the effective interest rate. Borrowing costs are expensed when incurred and are recognised using the effective interest rate.

	2019 \$000	2018 \$000
Finance income		
Bank interest income	58	94
Other finance income	31	44
	89	138
Finance expense		
Bank borrowings interest	(10,103)	(12,067)
Fixed rate bonds interest	(4,382)	–
	(14,485)	(12,067)
Net finance expense	(14,396)	(11,929)

5.4 Share capital

Accounting Policy

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. Investore has 260,075,613 shares on issue as at 31 March 2019 (2018: 261,771,833).

Ordinarily, all directors of a company that has its shares quoted on the NZX Main Board would be elected by shareholders by way of ordinary resolution, but NZX has issued a waiver to Investore which permits SIML to have the right to appoint two directors to the Investore Board. Tim Storey and John Harvey have been appointed to the Board by SIML under this right. NZX has also issued a waiver to allow the directors appointed by SIML to vote on resolutions of the Board to the extent that those directors are restricted from voting on the grounds that they are "interested" (as defined in the Companies Act 1993) in the matter solely due to being directors of SIML but for no other reason. An issuer which does not comply with all of the requirements of the NZX Listing Rules may be granted listing with the designation 'Non-Standard' or 'NS'. A term of the waiver granted to Investore to permit SIML to have the right to appoint two directors was that Investore would be given a Non-Standard Designation upon its listing and the quotation of its shares.

On 19 April 2018, Gráinne Troute was appointed to the Board as an Independent Director. As required by the NZX Listing Rules, Gráinne Troute retired and was elected by shareholders at the 2018 Investore Annual Meeting.

5.0 Capital Structure and Funding (continued)

5.4 Share capital (continued)

Under Investore's Constitution, if SIML has (or is deemed to have) appointed two directors to the Board, the chair of the Board must be a director elected by shareholders not associated with SIML and otherwise be independent of SIML and, provided the chair is independent of SIML, holds a casting vote in respect of the resolutions of the Board where there is an equality of votes.

On 1 August 2018, Investore announced an on-market share buyback programme to purchase up to 5% of its ordinary shares over a 12-month period. During the year, Investore acquired and cancelled 1,696,220 ordinary shares on market at an average price of \$1.53 for a total consideration of \$2,599,984 and the shares acquired were subsequently cancelled. Incremental costs of \$38,151 incurred were deducted from equity. The buyback programme was paused from the close of trading on 11 February 2019 pending the release of Investore's financial statements. On 21 May 2019, Investore announced the buyback programme has been concluded (note 7.7).

5.5 Reserve

	2019 \$000	2018 \$000
Cash flow hedge reserve		
Opening balance	(133)	2,008
Movement in fair value of interest rate derivatives	(3,035)	(2,920)
Tax on fair value movement	850	817
Transferred to profit or loss	88	(38)
Closing balance	(2,230)	(133)

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts (interest rate swaps) as at 31 March 2019 will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss, until the repayment of the bank borrowings.

5.6 Capital risk management

Investore's objectives when managing capital are to safeguard Investore's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Investore may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce borrowings. As part of its capital risk management, Investore is required to comply with covenants imposed under its banking facility and its fixed rate bonds (note 5.1). The Board regularly monitors these covenants and provides six-monthly compliance certificates to the banks and the Bond's Supervisor as part of this process. Investore has complied with these covenants during the relevant periods.

6.0 Financial Instruments and Risk Management

This section sets out Investore's exposure to financial assets and liabilities that potentially subject Investore to financial risk and how Investore manages those risks.

Accounting Policy

A financial instrument is recognised if Investore becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if Investore's contractual rights to the cash flows expire, or if Investore transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if Investore's obligations specified in the contract are extinguished.

Investore classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

	2019 \$000	2018 \$000
Summary of financial instruments		
Financial assets at amortised cost (2018: classified as loans and receivables)		
Cash at bank	5,111	2,199
Trade and other receivables	415	234
NZX bond	75	75
Derivative financial instruments		
Used for hedging	1,320	494
Held for trading at fair value through profit and loss	–	153
Total financial assets	6,921	3,155
Financial liabilities at amortised cost		
Trade and other payables	4,193	4,808
Borrowings	316,631	306,891
Derivative financial instruments		
Used for hedging	4,450	788
Held for trading at fair value through profit and loss	88	99
Total financial liabilities	325,362	312,586

6.0 Financial Instruments and Risk Management (continued)

6.1 Financial assets at amortised cost

Accounting Policy
Depending on the purpose for which the assets were acquired, Investore classifies its assets as financial assets at fair value through profit or loss and financial assets at amortised cost. Classification is determined at initial recognition and this designation is re-evaluated at every reporting date.
Financial assets at amortised cost are those assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

On initial recognition of a financial asset, Investore assesses on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortised cost. At each reporting date, the credit risk on a financial asset, apart from trade receivables, is assessed to determine whether there has been a significant increase in the credit risk by considering both forward-looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. For trade receivables, Investore has applied the simplified approach to measuring expected credit loss as prescribed by NZ IFRS 9, which uses a lifetime expected loss allowance.

6.2 Financial liabilities at amortised cost

Liabilities in this category are measured at amortised cost and include borrowings and trade and other payables.

6.3 Financial risk management

Investore's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. Investore's overall risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on its financial performance.

Risk management is the responsibility of the Board. The Board identifies and evaluates financial risks in close co-operation with SIML. The Board has a policy for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

6.4 Interest rate risk

As Investore has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

Investore's interest rate risk arises from bank borrowings (note 5.1) which are issued at variable rates and expose Investore to cash flow interest rate risk. The long term interest rate policy provides bands that are applied on a rolling basis, which provide for both a high level of fixed interest rate cover over the near term, as well as a lengthy period of known fixed interest rate cover for a portion of term debt. Investore manages its cash flow interest rate risk by predominately using floating to fixed interest rate derivatives which have the economic effect of converting bank borrowings from floating to fixed rates.

As Investore holds interest rate derivatives, there is a risk that their economic value will fluctuate because of changes in market interest rates. The value of interest rate derivatives is disclosed in note 5.2.

At balance date, \$13.5 million (2018: \$77.4 million) of drawn bank debt was not hedged. If floating interest rates were 1% higher or 1% lower, with other variables remaining constant, the 12-month finance expense would be higher or lower by \$97,416 (2018: \$557,280) after tax respectively.

6.0 Financial Instruments and Risk Management (continued)

6.4 Interest rate risk (continued)

Investore's exposure to variable interest rate risk and the weighted average interest rate for interest bearing financial assets and liabilities is as follows:

	2019 \$000	2018 \$000
Financial assets		
Cash at bank	5,111	2,199
NZX bond	—	75
Financial liabilities		
Bank borrowings	218,530	307,400
Fixed rate bonds	100,000	—
Interest rates applicable at balance date		
Cash at bank	1.25%	1.25%
NZX bond	—	1.25%
Bank borrowings	3.18%	3.69%
Fixed rate bonds	4.40%	—
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	4.38%	4.25%

Trade and other receivables and payables are interest free and have settlement dates within one year. All other assets and liabilities are non-interest bearing.

6.5 Credit risk

Investore incurs credit risk from trade receivables and transactions with financial institutions including cash balances and interest rate derivatives.

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit and ensures that only those customers with appropriate credit histories are provided with credit. In addition, receivable balances are monitored on an ongoing basis, with the result that Investore's exposure to bad debts is not significant. Amounts which are past due are not considered impaired as the majority are due from tenants who have demonstrated a good payment history.

As Investore's tenant, General Distributors Limited (GDL), contributes most of Investore's portfolio contract rental, Investore is exposed to a significant concentration of credit risk. GDL is a large national retailer, the operator of Countdown Supermarkets in New Zealand and an ultimate subsidiary of Woolworths Limited.

The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. Investore has placed its cash and deposits with Westpac New Zealand Limited, which is AA- rated (Standard & Poor's).

With respect to the credit risk arising from interest rate swap agreements, there is limited risk as all counterparties are registered banks in New Zealand whose credit ratings are all AA- (Standard & Poor's).

Investore is not exposed to any other concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of each class of financial assets as recorded in note 6.0.

6.0 Financial Instruments and Risk Management (continued)

6.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Investore's liquidity position is monitored on a regular basis and is reviewed quarterly by the Board to ensure compliance with internal policies and covenants per Investore's banking facility and fixed rate bonds.

Investore generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the bank facility available to cover potential shortfalls. Further detail about the undrawn bank facility available is given in note 5.1.

The following table outlines Investore's liquidity profile, as at 31 March, based on contractual non-discounted cash flows.

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
31 Mar 19						
Trade and other payables	4,193	4,193	–	–	–	–
Secured bank borrowings	240,098	4,461	4,461	42,833	188,343	–
Fixed rate bonds	122,220	2,200	2,200	4,400	13,200	100,220
Derivative financial instruments	2,316	513	433	768	614	(12)
	368,827	11,367	7,094	48,001	202,157	100,208
31 Mar 18						
Trade and other payables	4,808	4,808	–	–	–	–
Secured bank borrowings	322,133	5,661	5,661	170,857	139,954	–
Derivative financial instruments	2,442	436	419	764	1,115	(292)
	329,383	10,905	6,080	171,621	141,069	(292)

6.7 Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash at bank, trade and other receivables, NZX bond, trade and other payables and bank borrowings. The fair value of the fixed rate bonds is disclosed in note 5.1.

7.0 Other

This section contains additional information that is considered less significant in understanding the financial performance and position of Investore but is provided to comply with NZ IFRS.

7.1 Corporate expenses

	2019 \$000	2018 \$000
Administration expenses includes:		
Auditor's remuneration		
Audit and review of financial statements	150	143
Other assurance services - operating expense audits	14	28
	164	171
Other services – agreed procedures for proxy vote	4	3
Total Auditor's remuneration	168	174

7.0 Other (continued)

7.2 Tax

Accounting Policy

Income tax expense comprises current and deferred tax and is recognised in the statement of comprehensive income for the year. Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at the reporting date.

Investore is a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007 and is required to pay tax to Inland Revenue as required by the Income Tax Act 2007.

	2019 \$000	2018 \$000
Income tax		
Current tax	(5,341)	(5,482)
Deferred tax	(208)	(1,201)
Income tax expense per the statement of comprehensive income	(5,549)	(6,683)
Profit before income tax	44,111	52,853
Prima facie income tax using the company tax rate of 28%	(12,351)	(14,799)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	4,818	6,478
Gain on disposal of investment properties	–	811
Movement in fair value of derivative financial instruments	(25)	11
Non-taxable income	370	283
Depreciation	1,854	1,743
Non-deductible expenses	(14)	(16)
Temporary differences	7	41
Depreciation recovered on disposal of investment property	–	(33)
Deductible loss on disposal of investment property	–	67
Under-provision in prior year	–	(68)
Current tax expense	(5,341)	(5,482)
Investment property depreciation	(201)	(1,160)
Other	(7)	(41)
Deferred tax charged to profit or loss	(208)	(1,201)
Income tax expense per the statement of comprehensive income	(5,549)	(6,683)
Imputation credits available for use in subsequent reporting periods	1,333	1,396

Imputation credits available for use in subsequent reporting periods are based on a rate of 28% and represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits arising from provisional income tax paid.

7.0 Other (continued)

7.2 Tax (continued)

Accounting Policy

Deferred tax is provided, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Temporary differences include:

- tax liability arising from accumulated depreciation claimed on investment properties, where applicable;
- tax asset arising from loss allowance;
- tax liability arising from certain prepayments and other assets; and
- tax asset/liability arising from the unrealised gains/losses on the revaluation of interest rate swaps.

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of the investment property will be recovered through sale. Investment properties are independently valued each year and the valuation includes a split between the land and building components. Deferred tax is provided on the depreciation claimed to date on the building component of the investment properties and this places reliance on the valuation split provided by the valuers.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	2019 \$000	2018 \$000
Gross movement in net deferred tax asset		
Opening balance	154	538
Charged to profit or loss	(208)	(1,201)
Credited to other comprehensive income	850	817
Closing balance	796	154

	2018 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2019 \$000
Deferred tax assets				
Depreciation on investment properties	104	(104)	–	–
Other temporary differences	13	(7)	–	6
Derivative financial instruments	37	–	1,205	1,242
	154	(111)	1,205	1,248
Deferred tax liabilities				
Depreciation on investment properties	–	(97)	–	(97)
Derivative financial instruments	–	–	(355)	(355)
	–	(97)	(355)	(452)
	154	(208)	850	796

7.0 Other (continued)

7.2 Tax (continued)

	2017 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2018 \$000
Deferred tax assets				
Depreciation on investment properties	1,264	(1,160)	–	104
Other temporary differences	54	(41)	–	13
Derivative financial instruments	–	–	37	37
	1,318	(1,201)	37	154
Deferred tax liabilities				
Derivative financial instruments	(780)	–	780	–
	538	(1,201)	817	154

7.3 Trade and other receivables

Accounting Policy

Trade and other receivables are recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Investore has applied the simplified approach to measuring expected credit loss as prescribed by NZ IFRS 9, which uses a lifetime expected loss allowance. A loss allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Investore will not be able to collect all of the amounts due under the original terms of the invoice.

	2019 \$000	2018 \$000
Current		
Trade and other receivables	448	278
Less loss allowance	(33)	(44)
	415	234
Carrying amount	415	234
Less than 30 days overdue	348	148
Over 30 days overdue	100	130
Less impaired assets	(33)	(44)
Movement in loss allowance (2018: impairment provision)		
Opening balance	(44)	–
Loss allowance	(33)	(44)
Reversal of previous loss allowance	24	–
Bad debts written off	20	–
Closing balance	(33)	(44)

7.0 Other (continued)

7.4 Trade and other payables

Accounting Policy

Trade and other payables represent unsecured liabilities for goods and services provided to Investore prior to the end of the financial period which are unpaid. Trade and other payables are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

	2019 \$000	2018 \$000
Current		
Unsecured liabilities		
Trade payables	703	2,357
Related party payables (note 4.0)	541	4
Sundry creditors and accruals	2,949	2,447
	<u>4,193</u>	<u>4,808</u>

7.5 Operating segments

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board, as it makes all key strategic resource allocation decisions (such as those concerning acquisitions, divestments and significant capital expenditure).

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 73% of Investore's portfolio contract rental as at 31 March 2019 (2018: 73%).

7.6 Contingent liabilities

Investore has no contingent liabilities at balance date (2018: \$nil).

7.0 Other (continued)

7.7 Subsequent events

Subsequent to balance date, Investore has committed to a further \$62,275 in total for capital expenditure works to be undertaken on investment properties in the next financial year.

On 1 April 2019, Investore settled on the sale of its property at 323 Andersons Bay Road, Dunedin, for \$19.328 million and proceeds net of divestment expenses (including SIML disposal fee expense of \$96,640) were used to repay bank debt. Following the repayment of the bank debt, the percentage of drawn debt fixed increased to above 100%. Consequently, on 2 April 2019, Investore closed out interest rate swaps with a notional value of \$20 million for a cost of \$37,100 and the percentage of drawn debt fixed reduced to 95%.

On 21 May 2019, independent Director Kate Healy has advised the Board that she will be stepping down from the Investore Board with effect from 22 May 2019 to explore other opportunities in Australia, where she now resides. The Board will commence a formal process to identify a new independent Director for the Board, as the independent majority representation on the Board is an important governance feature for the company.

On 21 May 2019, Investore announced that the share buyback programme has been concluded.

On 21 May 2019, Investore declared a cash dividend for the period 1 January 2019 to 31 March 2019 of 1.935 cents per share, to be paid on 14 June 2019 to all shareholders on Investore's register at the close of business on 7 June 2019. This dividend will carry imputation credits of 0.5231 cents per share. This dividend has not been recognised in the financial statements.

There have been no other material events subsequent to balance date.

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Investore Property Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2019, its financial performance and its 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)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of other assurance services over operating expense audits and agreed procedures for proxy vote. The provision of these other services has not impaired our independence as auditor of the Company.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality: \$1,345,000

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$66,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have determined that there is one key audit matter:

- Valuation of Investment Properties

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	\$1,345,000
How we determined it	Approximately 5% of profit before tax excluding valuation movements relating to investment properties.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is more reflective of the metric against which the performance of the Company is most commonly measured.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter, which is the valuation of investment properties. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties <p>As disclosed in note 2.3 of the financial statements, the Company's Investment Properties at \$742 million represent the majority of the assets held by the Company as at 31 March 2019.</p> <p>The valuation of the Company's property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, location and the expected future rental income for each respective property.</p> <p>The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area.</p>	External valuations <p>We read the valuation reports for all properties and discussed the reports with each of the Valuers. We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of Investment Properties at 31 March 2019.</p> <p>It was evident from our discussions with the Manager and the Valuers and our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole.</p> <p>We assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised.</p>

Key audit matter	How our audit addressed the key audit matter
<p>The valuations are performed by independent registered valuers, CIVAS Limited, Colliers Wellington Limited, CBRE Limited and Jones Lang LaSalle Limited (the Valuers) as engaged by Stride Investment Management Limited (the Company's Manager).</p> <p>The Valuers engaged by the Manager are well known firms, with experience in the markets in which the Company operates and are rotated across the portfolio on a three-yearly cycle.</p> <p>In determining a property's valuation, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rates and current market rent and anticipated growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole.</p> <p>The Company has adopted the assessed values determined by the Valuers.</p>	<p>We carried out procedures, on a sample basis to test whether property-specific information supplied to the Valuers by the Manager reflected the underlying property records held by the Company. For the items tested, the information was consistent.</p> <p>Assumptions</p> <p>Our work over the assumptions focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We also engaged our own in-house valuation specialist to critique and challenge the work performed and assumptions used by the Valuers, on a sample basis. In particular, we compared the valuation metrics used by the Valuers to recent market activity.</p> <p>We concluded that the assumptions used in the valuations were supportable in light of available market evidence.</p> <p>Overall valuation estimates</p> <p>Because of the subjectivity involved in determining the appropriate valuations for individual properties with the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable for an individual property to evaluate the independent property valuations used by the Company. If we find an error in a property valuation or determine that the valuation is outside the reasonable range, we would evaluate the error or difference against overall materiality to determine if there is a material misstatement in the financial statements.</p> <p>The valuations adopted by the Company were all within an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.</p>

Information other than the financial statements and auditor’s report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, 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.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

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 Samuel Shuttleworth.

For and on behalf of:



Chartered Accountants
21 May 2019
Auckland

Corporate Governance

The Board of Directors of Investore Property Limited (defined as the Board and Investore) recognise robust corporate governance and stewardship as fundamental to the performance of Investore, and that ultimate responsibility for corporate governance resides with the Board.

This section of the Annual Report provides an overview of the corporate governance policies, practices and processes adopted and followed by the Board of Investore.

PAK'nSAVE
53 Leach Street
New Plymouth



The Governance Framework

Investore is a company incorporated in New Zealand under the Companies Act 1993 (Companies Act), whose fully paid ordinary shares are quoted on the NZX Main Board (NZX) equity securities market of NZX Limited under the ticker code 'IPL', with a 'non-standard' (NS) designation, and is identified as a listed Portfolio Investment Entity (PIE) for taxation purposes. During the year in review, Investore issued senior secured fixed rate bonds on 18 April 2018, which are listed on the NZX Debt Market (NZDX) operated by NZX Limited.

Investore was established by Stride Property Limited (SPL) as a separate listed company in 2016, to invest in large format retail property throughout New Zealand, with SPL holding its exposure to this type of property through its 19.9% shareholding in Investore. Investore's assets and operations are externally managed by Stride Investment Management Limited (SIML or the Manager), the real estate investment

management business that is part of the NZX listed stapled group, Stride Property Group (Stride). SIML, as Manager, has appointed two Directors to the Investore Board.

Relationship with SIML as Manager

The Manager has responsibility for the management of Investore in accordance with the Management Agreement between Investore and SIML. The Manager's responsibilities include the day-to-day management of Investore's property portfolio, negotiating the acquisition and disposal of property, any development and construction planning and management, treasury and funding management, and ensuring Investore meets its financial, reporting and other statutory and regulatory obligations. Investore does not employ any employees of its own. The Manager provides a highly experienced and diverse range of professionals with expertise across a range of areas to support Investore day-to-day.

Best Practice Corporate Governance

The Board has adopted an overall corporate governance framework in recognition that an effective corporate governance culture is essential to Investore's success. The Board reviews and assesses Investore's governance structures and processes to ensure they are consistent with best practice standards. The corporate governance practices of Investore have been reviewed during the year, to reflect the NZX Corporate Governance Code 2017 (NZX Code). Investore's corporate governance framework also takes into consideration contemporary governance standards in New Zealand.

What follows is an overview of Investore's corporate governance framework and includes commentary on Investore's compliance with each of the eight corporate governance principles and recommendations of the NZX Code for the year ended 31 March 2019 (FY19), together with other legal and regulatory disclosures.

It is on this basis that Investore confirms that its governance framework and practices are materially consistent with the NZX Code, subject to the following exceptions as a result of Investore's external management structure and size:

- No Remuneration Committee has been established (NZX Code Recommendation 3.3) and no Remuneration Policy has been adopted (NZX Code Recommendation 5.2), due to Investore having no employees. Director remuneration is considered by the Board as a whole and then recommended to shareholders for approval.
- No Nominations Committee has been established to recommend Director appointments (NZX Code Recommendation 3.4), as this function is assumed by the whole Board.
- As there is no Chief Executive of Investore, the requirement to disclose the remuneration arrangements in place for the Chief Executive does not apply (NZX Code Recommendation 5.3).

Where noted in this section of the Annual Report, Investore has also decided to report against certain items in the updated NZX Code (NZX Code 2019) in response to NZX's suggestion that issuers should be early adopters of the new NZX Code 2019¹.

NZX Principle 1 Code of Ethical Behaviour

“Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.”

Code of Ethics

Investore has adopted a Code of Ethics which is a formal statement acknowledging the commitment of the Board and employees of the Manager to upholding the highest standards of honesty, integrity and ethical conduct in their day-to-day behaviour and decision-making for Investore. The Manager recognises the importance of a work environment which actively promotes best practice and does not compromise business ethics or principles.

The Code of Ethics (which aligns to the principles of the Board Charter) guides the Directors and employees of the Manager in the practices necessary to:

- Maintain the highest standards of honesty, integrity and fairness in support of ethical decision making and behaviour.
- Adhere to all legal and compliance obligations.
- Avoid a conflict between an individual's private financial activities and the business activities of Investore.

- Deal in a fair manner with tenants, suppliers, stakeholders and investors.
- Report unethical practices, providing a clear and transparent mechanism for addressing reported incidents of behaviour that are inconsistent with the Code of Ethics.

The Code of Ethics is supported by other policies, including the Manager's Conflicts Policy, Securities Trading Policy and Market Disclosure Policy.

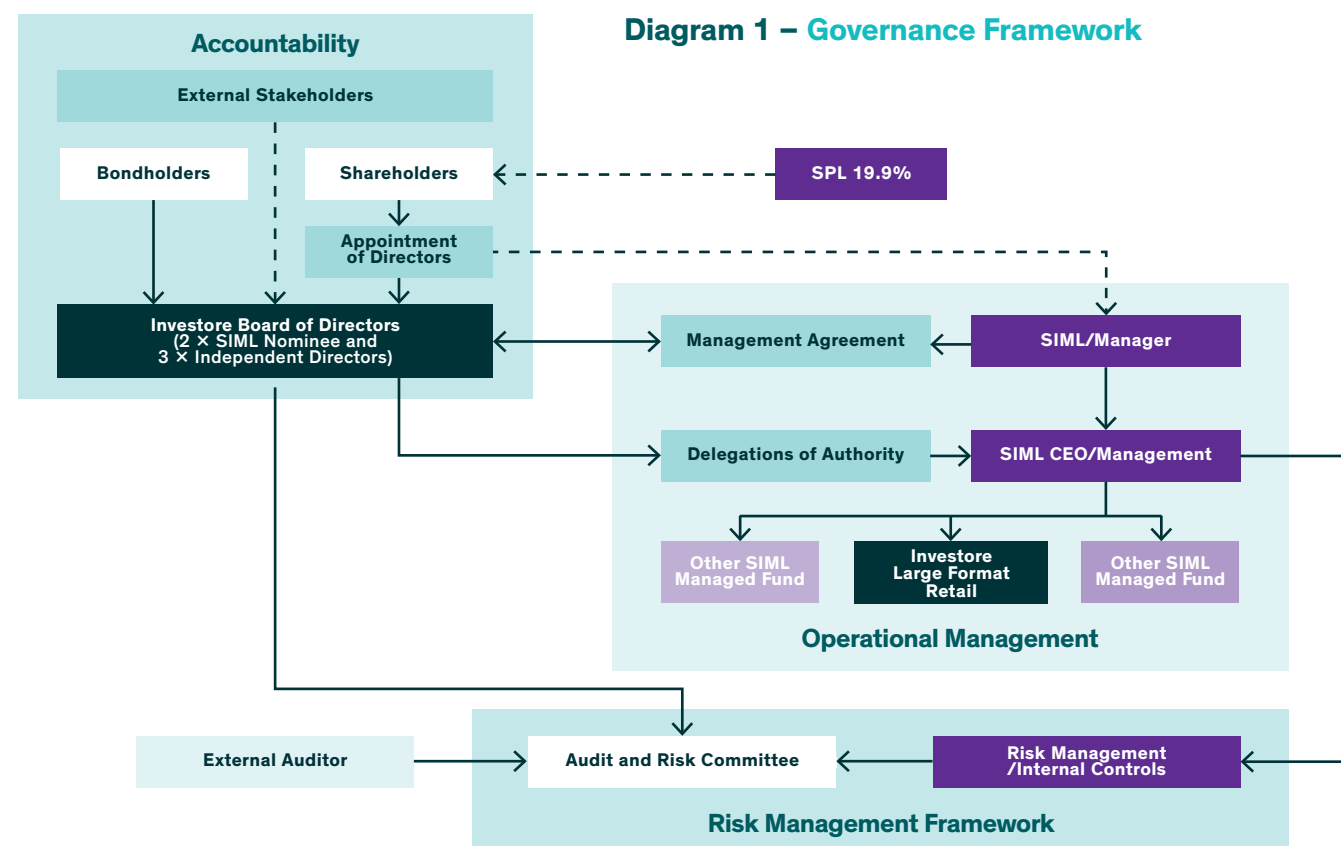
Conflicts of Interest

The principles that govern the management of conflicts of interest are addressed in a number of Investore's governance documents, including the Constitution, the Board Charter, the Code of Ethics, and a range of internal policies of the Manager. With the agreement of Investore, the Manager has adopted a specific Conflicts Policy that provides guidance on identifying and dealing with conflicts of interest. Due to the nature of the relationship between Investore, SIML and SPL, the management of and practices associated with real or perceived conflicts of interest at an investment or interested party level is a corporate governance priority for the Board and the Manager.

Securities Trading Policy & Guidelines

The Board has adopted a Securities Trading Policy providing guidance in relation to trading in Investore securities. The Securities Trading Policy raises awareness about the insider trading provisions within the Financial Markets Conduct Act 2013 (FMCA) and reinforces those requirements with additional internal compliance requirements, with which any Director of Investore or Director or employee of the Manager who wishes to trade in quoted financial products of Investore, must comply. The Manager implements specific trading windows throughout the year for Directors and employees of the Manager who wish to trade, with all trades requiring the written approval of the Chair of Investore. Speculative trading is prohibited, with a minimum holding period of six months imposed.

Diagram 1 – Governance Framework



Investore's Website

For additional information on Investore's key corporate governance documents and policies, please refer to the Investore website at www.investoreproperty.co.nz

1. Investore will transition to the NZX Listing Rules 2019 (which includes the NZX Code 2019) on 1 July 2019.

NZX Principle 2 Board Composition & Performance

“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

The Role of the Board & Key Responsibilities

The Board is responsible for overseeing the effective management and operation of Investore. The Board seeks to ensure that the business objectives of Investore are aligned with the expectations of shareholders and bondholders, and that the operations of Investore are managed effectively and in a way that is focussed on the delivery of Investore's strategy and business objectives, and within a framework of regulatory and ethical compliance.

Investore's Board Charter records the Board's commitment to best practice corporate governance and describes the specific responsibilities and practices that underpin the role of Directors and those formally delegated to the Manager. Directors review the Board Charter annually, to ensure it remains consistent with the Board's objectives and responsibilities, and ensures the delegations to the Manager align with the Management Agreement and reflect what occurs in practice. A summary of the principal responsibilities of the Board and the Manager are set out in Diagram 2.

Diagram 2 – Role of the Board and the Manager

Role of Board of Directors	Role of SIML/Manager
<p>The functions and responsibilities of the Investore Board include:</p> <ul style="list-style-type: none">• Setting the strategic direction and operating frameworks of Investore.• Delegating the day-to-day operations of Investore to SIML and its executives, subject to specific limits of authority and internal delegation, and reviewing the performance of SIML.• Adopting frameworks and systems designed to facilitate the business of Investore being conducted in an honest, ethical, responsible and safe manner.• Exercising judgement in relation to divestments, acquisitions and capital management.• Overseeing the operations of Investore, ensuring that it is being managed appropriately and has adequate resource to meet Investore's objectives.• Reviewing and approving Investore's budgets, business plans, dividend policy and financial forecasts, and monitoring the management of Investore's capital, including the progress of any significant capital expenditure, acquisition or divestment.• Monitoring the financial performance of Investore and the integrity of reporting, and establishing procedures to ensure the timely and accurate reporting of financial results, consistent with all legal and regulatory requirements.• Approving and regularly reviewing Investore's internal decision-making processes and any strategic policies and procedures, including any committee charter of the Board.• Implementing effective audit and risk management systems to ensure Investore operates within appropriate, legally compliant and approved risk parameters.• Reporting to and communicating with investors in a timely and balanced manner.• Implementing a formal and transparent process for review of Director remuneration, that can be presented to shareholders for approval.• Planning for Board succession and identifying candidates for Director vacancies (other than a Director who is appointed by the Manager), based on the needs of the Board and Investore.	<p>The function and responsibilities of the Manager include:</p> <ul style="list-style-type: none">• Managing and overseeing the day-to-day operations of Investore's property portfolio and assets, including the negotiation of any acquisition or disposal, and the supervision of any development.• Developing and making recommendations to the Board on any company strategy or initiative.• Implementing robust health and safety policies and procedures which support the Board conducting its business in a safe manner and meeting its legal requirements.• Managing and implementing the Board's approved strategy.• Managing business risk in accordance with the risk appetite approved by the Board.• Implementing the Board's approved policies and reporting procedures.• Ensuring Investore meets its legal, regulatory, financial reporting and other statutory obligations.• Communicating with investors and the market on behalf of Investore. <p>The Manager's responsibilities are subject to the:</p> <ul style="list-style-type: none">• Management Agreement.• Delegations of Authority from the Investore Board to SIML.• Any such other rights and powers reserved by the Board from time to time.

Composition of the Board & Director Appointment

Investore's Constitution requires the Board to have no less than four and no more than five Directors at any one time.

The Board must comprise:

- At least two independent Directors (defined to the right) where the Board is comprised of four Directors, and at least three Independent Directors where the Board is comprised of five Directors.
- An independent non-executive Chair, who holds a casting vote in respect of Board resolutions.

- At least two Directors who are ordinarily resident in New Zealand.

SIML, as Manager, has the right to appoint and remove two (but not less than two) Directors. Both of the Manager's appointed Directors, Tim Storey and John Harvey, are also directors of the Manager. The independent Directors are appointed and subject to removal in the normal manner by Investore shareholders who are not associated with SIML (which means that SPL is not eligible to vote on the appointment of the independent Directors).

Potential candidates for appointment as an independent Director are nominated by the Board and are voted on by the shareholders of Investore. The Board may appoint Directors to fill a casual vacancy. Where a Director is appointed to fill a casual vacancy, they are required to retire and stand for election at the first Annual Shareholder Meeting after their appointment.

To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of Director and will be selected on a range of factors, including property industry knowledge, business acumen, financial markets and governance

experience. Other relevant factors may include background, professional expertise and qualifications, and these will be considered against the Board's assessment of its needs at the time and having regard to the strategy of Investore.

Currently, at least one third of the Independent Directors (or the number nearest to one third) will retire at the Annual Shareholder Meeting each year and will be eligible for re-election at that meeting.¹ In each year, the Director(s) who retire are those who have been longest in office since their last election.² A Director may be appointed for further terms subject to their re-election being approved by shareholders.

Director Independence

Investore's Directors are considered to be 'Independent Directors' in accordance with the NZX Listing Rules dated 1 October 2017 (Listing Rules) (with additional guidance provided in the Board Charter on independence) and having regard to the non-exhaustive factors described in the NZX Code, are those Directors who are in summary, not substantial shareholders in Investore and are free of any business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement in acting as a Director of Investore. Materiality is assessed on a case-by-case basis and is based on qualitative and quantitative factors, including assessing the strategic importance, nature and value of any relationship.

Under Investore's Constitution, if SIML has exercised its Director appointment rights, the Chair must be 'Independent of the Manager' and the Board must include at least two Directors (where there are four Directors on the Board) or at least three Directors (where there are five Directors on the Board) who are 'Independent of the Manager'.

'Independent of the Manager' means, in respect of a Director (including any alternate Director), that:

- The Director is not an 'Associated Person' (as defined in the Listing Rules) of any of the following:

- SIML
- A person who holds or controls more than 25% of the ordinary shares of SIML
- A related company of a person who holds or controls more than 25% of the ordinary shares of SIML

- The Director was not appointed by SIML under its appointment rights in the Constitution

- The Director is not an executive officer of SIML and has no 'Disqualifying Relationship' (as defined in the Listing Rules) with SIML

- Pursuant to any NZX regulation ruling or other written consent of NZX Limited, the Director is to be treated as being independent of SIML

The Directors of Investore who held the office of Director during the 12 months to 31 March 2019, their status and date of appointment, skills and expertise, is set out on pages 12 and 13, with their attendance at meetings set out on page 79.

The Board has reviewed the status of each of the Directors and confirms that as at the date of the release of this Annual Report, Directors Mike Allen, Kate Healy and Gráinne Troute are independent Directors.

The Chair of the Board is Independent Director Mike Allen and the Chief Executive Officer of the Manager is Philip Littlewood.

1. This is currently consistent with the NZX Main Board/Debt Market Listing Rules 2017 (and Investore's Constitution and Board Charter), which Investore is operating under as at the date of the release of this Annual Report on 21 May 2019. Investore will transition to the new NZX Listing Rules 2019 on 1 July 2019, which will require Investore's independent Directors to stand for re-election on the later of, 3 years or the third Annual Shareholder Meeting after their appointment, and subsequently this change will require amendments to Investore's Constitution and Board Charter.

2. See footnote 1.

Director Nomination Process & Induction

The Board undertakes appropriate pre-appointment checks before appointing a Director, or putting forward to shareholders a candidate for election as a Director. This may include background checks on character, education, employment experience, criminal history, and bankruptcy, to assess suitability. The profile and key information of Director candidates standing for election or Directors standing for re-election at the Annual Shareholder Meeting is set out in the Notice of Meeting.

There are formal letters of appointment in place for all new non-executive Directors setting out the key terms and conditions of their appointment. New Directors are provided with an induction pack containing a Directors' duties guide, governance information, key policies and all other relevant information necessary to prepare new Directors for their role. Directors also participate in an induction programme, designed to provide new Directors with an overview of Investore, its operations, the market in which it operates and key personnel of the Manager.

Directors' Skills & Experience

The Board is structured in such a way that its composition includes Directors who collectively have a mix of skills, knowledge, experience, and diversity to meet and discharge the Board's responsibilities. A balance is maintained between Directors with experience and knowledge of the property sector, the history and operations of Investore and the Manager, and new Directors who bring fresh perspective and insight.

Set out below in Diagram 3 is a summary of the identified mix of skills and experience among Directors, that the Board currently seeks to maintain and develop. Individual Director profiles are also set out on pages 12 and 13 and on the Investore website, and provide insight into the skill set of the Board.

Professional Development, Training & Independent Advice

The Board is committed to continued professional development to enable Directors to maintain the knowledge and skill set required for the office of a Director of an issuer and to provide

Directors with knowledge specific to the property industry, macroeconomic factors and new regulatory and governance practices, all of which may impact on Investore's business and operations.

Director development is provided through regular management updates on key business functions, industry and portfolio wide developments and trends, with access to external education and professional development training at Investore's expense.

On-going training takes the form of individual Director training or collective training of the Board, site visits to Investore's properties and an annual Board strategy day, which includes external speakers engaging with the Board on topical issues.

All Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making and, with the Chair's consent, may seek independent professional advice at Investore's expense.

Board Self-Review

Directors carry out an annual performance review and evaluation of the Board, its Charter and committee(s), with Directors' views sought and discussed on issues relevant to the Board and its governance practices. Following the formal review and evaluation process undertaken in FY18 using the Better Boards tool and following the recruitment and subsequent appointment of Director Gráinne Troute in FY19 (selected following an assessment of the needs of the Board at the time), Directors have undertaken a less formal self-review of its processes, efficiency and effectiveness for the balance of FY19. Throughout the year, Directors have Board only time to consider various issues, with self-review a regular part of its activity across the reporting period.

Diversity

Investore believes that diversity is an essential component of a successful business, acknowledging and valuing the role diversity plays in strengthening an organisation and its performance.

Investore is committed to promoting diversity on its Board by attracting, developing and retaining high calibre Directors from a diverse pool of individuals and skill sets.

The Board has adopted a Diversity Policy for itself (noting Investore has no employees), with this policy aligned with the Manager's Diversity Policy. The Board considers that a synergy of approach to diversity at both a governance and operational level is important. For more information on the Manager's diversity strategy, refer to the FY19 Annual Report of Stride at www.strideproperty.co.nz (due for release on 29 May 2019). For information on the gender composition of the Board for FY19, refer to Table 1.

The Diversity Policy takes a holistic view of diversity which is broader than gender and is anchored around diversity of thought, and includes those differences resulting from varying experiences, age, religious beliefs, capabilities, sexual preference, family and cultural heritage. The four key principles of diversity for Investore are set out below in Table 2.

Table 1 Gender Composition of the Board

As at 31 March 2019, two out of five Directors were women (40%), by comparison as at 31 March 2018, one out of four Directors were women (25%)



The Diversity Policy addresses the practical application of a diverse and inclusive environment, setting out the process for an annual review and measurement of both the objectives of the Diversity Policy and progress in achieving them. Investore has conducted a review of its Diversity Policy and for the year in review, the Board considers that the company has achieved its objectives, with its progress towards achieving its objectives summarised in Table 3.

Diagram 3 – Directors' Skill Matrix

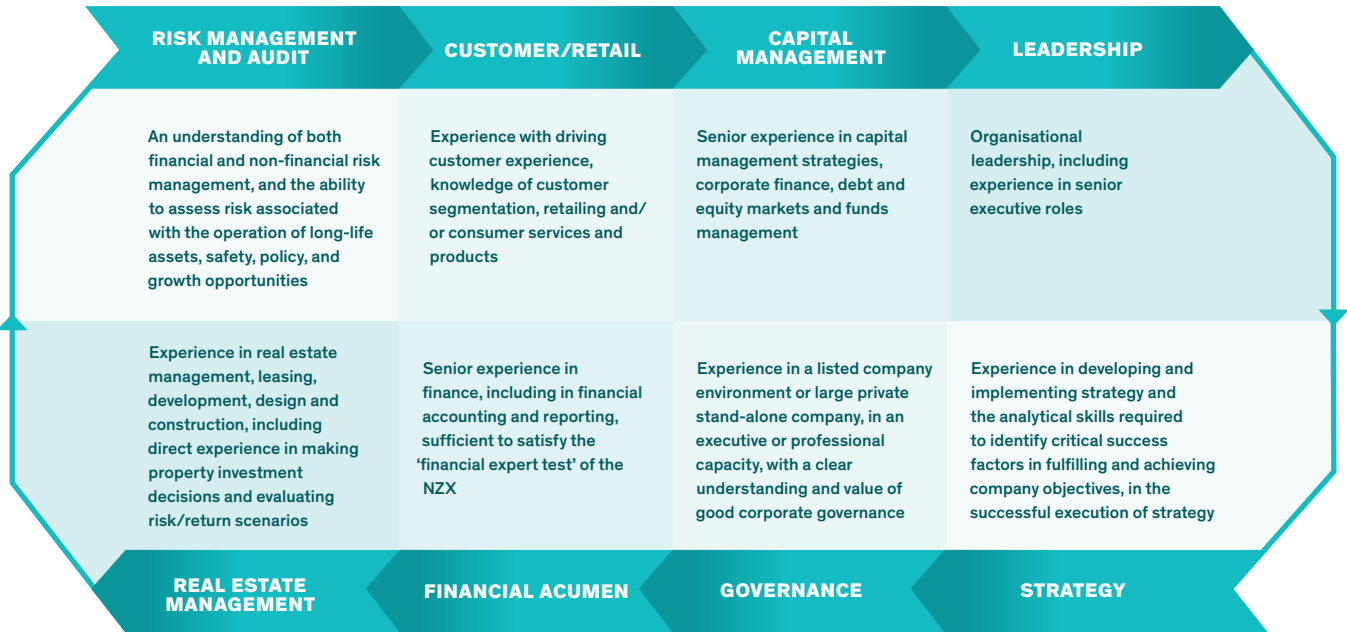


Table 2 4 Key Principles of the Diversity Policy

★	Merit	Individuals are evaluated based on their individual skills, performance and capabilities
=	Fairness and Equality	Investore does not tolerate any unlawful discrimination or harassment of any kind, including, but not limited to, in recruitment, promotion and remuneration
💡	Promotion of Diverse Ideas	Investore values diversity in skills, backgrounds, and ideas which come from a diverse workforce
😊	Culture	Investore believes that diversity is a strong contributor to a rich workplace culture where individuals are free to be themselves and thrive

Table 3 Diversity Objectives and Progress FY19

Objective	Progress as at 31 March 2019
Recruitment Ensure recruitment procedures provide for a wide range of potential Director candidates to be considered at Board level	Investore follows an efficient recruitment process, which encourages applications from a diverse range of Director candidates and utilises a variety of channels. These channels include the use of external recruiting agencies and internal referrals. As announced, the Board undertook a comprehensive process during FY18 in the search for a new independent Director to support Investore in its next phase of development, and Director Gráinne Troute was appointed effective 19 April 2018. The addition of a third independent Director broadens the diversity of thinking at the Board table, for the benefit of investors.
Reporting SIML will report periodically to the Board on diversity-related matters within its business	Investore has elected to adopt a Diversity Policy for its Board which is aligned with the Manager's Diversity Policy. This ensures a synergy of approach to diversity at a governance and operational level, the latter of which is undertaken by the Manager and its employees, who implement the strategic objectives and administration of Investore, as delegated by the Board. Oversight of the Manager's diversity approach is important to Investore.

NZX Principle 3 Board Committees

“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”

Board Committee Governance

The Board acknowledges that Board committees play a crucial part in the governance framework. For the year in review, the Board has relied on one standing committee, the Audit and Risk Committee, to assist in the exercise of its functions and duties. A summary of the role of the Audit and Risk Committee is set out in Diagram 4.

In addition, during the year in review the Board established a Share Buyback Pricing Committee, comprising of members of the Board and Manager, to assist with the review, monitoring and oversight of trading parameters for the share buyback. This temporary Committee has been established for a specific purpose, namely assisting the Board for the duration of the 12-month share buyback programme, announced on 1 August 2018.

The NZX Code recommends that a Remuneration Committee and a Nominations Committee be established to address at a high level the benchmarking of remuneration packages for Directors and senior employees and the recruitment and appointment of Directors.

For many issuers, these two objectives are combined into one Remuneration and Nominations Committee function. As Investore has no employees and a relatively small Board, the function of Director remuneration and recruitment is undertaken by the full Board, with both Director remuneration and appointments ultimately requiring shareholder approval. For more information on Director remuneration, refer to Table 5 on page 81.

Diagram 4 Audit and Risk Committee¹

Kate Healy² (Chair), Mike Allen and John Harvey

The principal purpose of the Audit and Risk Committee is to assist the Board in the proper and efficient discharge of its responsibilities in relation to:

- The integrity of external financial reporting prepared by the Manager
- Financial management
- Internal control systems
- Accounting policy and practice
- Appointment and performance of external auditors
- Related-party transactions
- The risk management framework and the monitoring of compliance within that framework

A copy of the Audit and Risk Committee Charter can be found at www.investoreproperty.co.nz

Committees

Audit and Risk Committee

The Audit and Risk Committee's Charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors, have at least three members, with the majority of members being Independent Directors. The Chair of the Audit and Risk Committee is to be an Independent Director and may not be the Chair of the Board. All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen for the position of Audit and Risk Committee member and at least one

member must have accounting or related financial management expertise. Refer to Diagram 4 for the membership of the Audit and Risk Committee, with it noted that Directors who are not committee members, regularly attend the Audit and Risk Committee meetings.

Meetings of the Audit and Risk Committee are held at least twice a year, having regard to Investore's reporting and audit cycle. Additional meetings may be held at the discretion of the Chair, or if requested by any Audit and Risk Committee member or the external auditor.

The NZX Code recommends that Directors who are not members of the Audit and Risk Committee and employees (which in this case, would be senior management of SIML) should only attend Audit and Risk Committee meetings at the invitation of the Committee. The Audit and Risk Committee Charter does not prevent Directors who are not members of the Audit and Risk Committee from attending meetings, and the Chief Executive Officer and senior management of SIML, and the external auditor, have a standing invitation to attend Audit and Risk Committee meetings.

The Audit and Risk Committee provides assistance to Directors in fulfilling their responsibility to investors and the

investment community, in relation to the reporting practices of Investore, and the quality, integrity and transparency of the financial reports of Investore. In so doing, it is the responsibility of the Audit and Risk Committee to maintain free and open communication between the Directors, the external auditors and SIML, as Manager, about the financial management of Investore.

Share Buyback Pricing Committee

For the year in review, a temporary Board Committee has been established, named the Share Buyback Pricing Committee, for the purpose of providing oversight of the work associated with the 12-month share buyback programme announced on 1 August 2018. The Share Buyback Pricing Committee comprises of two Directors, Mike Allen and Gráinne Troute, and members of SIML. The principal function of the committee is to meet at the beginning of the relevant week, review and oversee pricing, volumes and other considerations relevant to the share buyback programme and instruct the broker for the forthcoming trading week to acquire shares in accordance with the trading parameters set by the Board.

Takeover Protocols

While the Board has not established a standing independent takeover committee, it has adopted appropriate protocols to guide the Board in the event there is, or is the possibility of, a takeover offer or similar control transaction in respect of Investore.

Board and Committee Meetings and Attendance

The Board schedules a minimum of six meetings per year, at which Directors receive written reports and presentations from SIML's Chief Executive and senior management providing monthly monitoring, addressing and updating Directors on performance against strategy, and recommending matters for Board approval. Additional meetings are called as required.

The number of Board and Committee meetings held during the year and details of Directors' attendance at those meetings are disclosed in Table 4.

Directors also visit from time to time Investore's assets and participated in an annual strategy day, attended briefings with senior managers of SIML on an ad-hoc basis and attended investor briefings in connection with their role as Director of Investore during the year in review.

Table 4
Board and Committee Meeting Attendance

	Board	Audit and Risk Committee	Share Buyback Pricing Committee	Strategy Day
Number of meetings in FY19	8	3	7	1
Mike Allen	8	3	5	1
Kate Healy	8	3	0 ^{Note 2}	1
Tim Storey	8	3 ^{Note 1}	0 ^{Note 2}	1
John Harvey	8	3	0 ^{Note 2}	1
Gráinne Troute	8	3 ^{Note 1}	7	1

Note 1 These Directors are not members of the Audit and Risk Committee but attend the meeting.
Note 2 These Directors are not members of the Share Buyback Pricing Committee.

1. Director Gráinne Troute was appointed to the Audit and Risk Committee on 17 May 2019.
2. Director Kate Healy will cease being a Director of Investore from 22 May 2019.

NZX Principle 4 Reporting & Disclosure

“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

Market Disclosure Policy

To meet the requirements of the NZX, Investore has a Market Disclosure Policy to provide guidance in the area of continuous disclosure obligations and the release of material information. Investore is committed to:

- Ensuring that shareholders, bondholders and the market are provided with full and timely information about its activities.
- Complying with the general and continuous disclosure principles contained in the Listing Rules and the FMCA.
- Ensuring that all market participants have equal opportunities to receive externally available information issued by Investore.

A Disclosure Committee, comprising Investore's Chair and the Manager's Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services (who is the Disclosure Officer under the policy), is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

Corporate Governance Documents & Investore's Reports

The Board Charter and Audit and Risk Committee Charter, annual and interim reports, announcements, key corporate governance policies and other investor-related material (as recommended in the NZX Code) are available on the Investore website at www.investoreproperty.co.nz

Financial / Non-Financial Reporting and Disclosure

Financial Reporting

Investore is committed to appropriate financial and non-financial reporting. Oversight of Investore's financial reporting is applied through the Audit and Risk Committee, with more information on this function and process within the commentary on NZX Principle 3.

Non-Financial Reporting

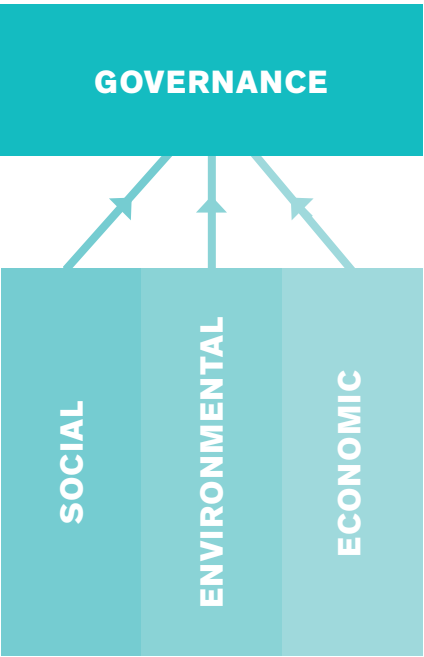
Investore, through the Manager, regularly reviews all financial and non-financial risks. These include risks at a portfolio level and for individual projects or sites. All identified risks have specific mitigation strategies where appropriate, and the Manager regularly reviews the effectiveness of these strategies.

The Board does not consider that Investore has significant exposure to environmental or social responsibility risks, and its corporate governance approach has been explained in this section of the Annual Report.

Environmental, Social Responsibility & Corporate Governance

Investore is committed to addressing issues related to Environmental Sustainability, Social Responsibility and Corporate Governance (ESG), and the risks associated with these, as well as other non-financial risks. This is undertaken in practice by aligning Investore's ESG strategy and objectives with that of the Manager. Both entities share a common view that the key elements of a sustainable and well-performing business involve the balance

of social, environmental and economic considerations, all of which are then supported through the foundations of strong governance.



As signalled in the FY18 Annual Report for both Investore and the Manager (i.e., Stride's FY18 Annual Report), a key focus for the current financial year was to commence the process of creating a more formalised ESG strategy and framework for the Manager and its managed funds, which currently works on a more site-specific and informal basis. To deliver on this, the Manager has engaged the services of an organisation called 'thinkstep' (Thinkstep), who assists entities worldwide in recalibrating their respective business strategy and operations for long term sustainability success.

With the assistance of Thinkstep, the Manager has recently completed a work stream involving the participation of the Investore and Stride Directors, as well as internal and external stakeholders from each of the entities managed by SIML (i.e., tenants, local council, suppliers, employees of the Manager), all of whom are in some way impacted by the activities and operations of the Manager and its managed funds, including Investore.

In partnership with Thinkstep, surveys, interviews and workshops were used to identify and rank the issues which stakeholders regard as material to the relevant fund's business. The rationale for including external stakeholders as well as internal, is an acknowledgment that while the respective boards and the management team can make a well-informed assessment of what matters to the business, it is essential to determine whether this aligns with what external stakeholders value. The end result is a list of material issues that are deemed important to achieving SIML and its managed funds' respective sustainability strategy and implementing a business model to create value.

The survey results informed the FY19 materiality matrix presented on page 26.

For more information on the work the Manager is undertaking in this area, please refer to the Stride FY19 Annual Report (due to be released 29 May 2019) at www.strideproperty.co.nz

NZX Principle 5 Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

As signalled at the 2017 Annual Shareholder Meeting, the Chair informed the market that Investore intended to review Directors' remuneration in 2019, which will be three years since listing and that the Board believed it was appropriate to review Directors' remuneration on a two-yearly cycle thereafter. Shareholders were advised that the Board would have regard to benchmarking data of entities similar in size to Investore and have regard to Director workloads and responsibilities, and Investore's performance when reviewing Directors' remuneration. Investore is committed to the principle that remuneration is set and managed in a manner which is fair, transparent and reasonable.

No Director of Investore is entitled to any remuneration other than by way of Directors' fees and the reasonable reimbursement of travel, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director. Directors do not participate in any company share or option plan.

In Table 5, the following people held office as Directors during the year to 31 March 2019 and received the noted remuneration for the period.

Directors' Remuneration

Directors are remunerated in the form of Directors' fees as approved by shareholders, with a higher level of remuneration for the Chair of the Board and an additional amount for the Chair of the Audit and Risk Committee, to reflect the additional time and responsibilities that these positions require. The Board is collectively responsible for recommending Director remuneration packages to shareholders.

Table 5
Directors' Remuneration

Director	FY19 Fees
Mike Allen (Chair)	\$70,000
Kate Healy (Chair of the Audit and Risk Committee)	\$45,000
Gráinne Troute ^{Note 1}	\$38,022
Tim Storey	\$40,000
John Harvey	\$40,000
Total ^{Note 2}	\$233,022

Note 1 Director Gráinne Troute was appointed on 19 April 2018.
Note 2 Total Directors' fees exclude GST and reimbursed costs directly associated with carrying out Director duties. No additional fees were provided to Directors who were members of the Share Buyback Pricing Committee.

NZX Principle 6
Risk Management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

Risk Management Framework

Identification and effective management of the risks of Investore and its operations is a priority for the Board. The Board is responsible for overseeing and approving the company's risk management strategy and policies, as well as ensuring effective audit, risk management and compliance systems are in place. The Audit and Risk Committee assists the Board in fulfilling its risk assurance and audit responsibilities and the Board then delegates the implementation of a Board approved risk management framework to the Manager.

Investore has a risk management framework which is supported by a set of risk-based policies appropriate for Investore, including a Treasury Policy, the Manager's Conflicts Policy, Investment Mandates and Delegations of Authority Policy (which are endorsed and approved by Investore). The principal purpose of this framework is to integrate risk management into Investore's operations, and to formalise risk management as part of Investore's internal control and corporate governance arrangements.

At a practical level, Investore's business risk management processes and policies minimise exposure to financial and operational risk. Internal systems have been designed to:

- Identify material risks.
- Assess the impact of specific risks.
- Identify strategies to mitigate risk.
- Monitor and report progress on risk mitigation strategies.

Management of Health and Safety Risk

Investore's health and safety framework reflects its commitment to health and safety, and acknowledges that effective governance of health and safety is essential for the continued and sustained success of Investore.

The Board aims for the highest level of safety across its sites and operates within a framework of continuous improvement in this area, working with the Manager and engaging tenants throughout the year to create healthy and safe environments.

For FY19, Investore has supported a Manager-led review of its health and safety framework and practices, which has resulted in the adoption of a new Investore Health and Safety Policy, a strategic Health and Safety Framework and corresponding work plan which supports the initiatives and operates across all of SIML's managed funds. At the heart of this is the articulation of four key strategic health and safety pillars that support achievement of the long-term goal set by the Manager and Investore. These are summarised in Diagram 5.

Some key health and safety initiatives undertaken during the year in review, include:

- Development of a new contractor management framework, to ensure that all contractors engaged on Investore sites undertaking landlord works have the appropriate health and safety practices and procedures in place. Investore is committed to ensuring it only partners with contractors who align with safe practices, in the recognition that Investore also has the ability to influence the safety practices of the industry in which it operates.
- Implementation of a new health and safety software system, which went live on 1 April 2019 and enables SIML employees to record incidents and risks immediately via mobile devices, creating real time and quality lag and lead indicator data, which enables a more comprehensive approach to risk and safety.
- Key performance indicators have been developed to monitor the progress of achieving the four strategic pillars. Regular reporting against these will be provided to the Board and monitored via internal and external reviews and audits.

Diagram 5 – Health & Safety Strategy



NZX Principle 7
Auditors

“The board should ensure the quality and independence of the external audit process.”

External Audit Function and Audit Independence

PricewaterhouseCoopers is the auditor of Investore. The Listing Rules require rotation of the lead audit partner at least every five years and this requirement is reflected in Investore's Audit Independence Guidelines that form part of the Audit and Risk Committee Charter.

The purpose of this requirement is to ensure that audit independence is maintained, both in fact and appearance, so that Investore's external financial reporting is both reliable and credible. The guidelines adopted provide guidance on the provision of external audit services by any person engaged to perform external audit services for Investore.

The Audit and Risk Committee meet at least twice a year with the external auditors, with the opportunity to meet without any representatives of the Manager present. The Board invites the external auditor to attend meetings of the Audit and Risk Committee as required. Directors are free to make direct contact with the external auditor as necessary to obtain independent advice and information.

Internal Audit Function

The Board and/or Manager engage consultants to undertake internal reviews from time-to-time on a project-by-project basis, and can monitor, amongst other things, internal controls, risk management or the integrity of financial systems. Such projects can operate both with and independently from the Manager, with findings reported directly to the Board.

NZX Principle 8 Shareholder Rights & Relations

“The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

Investor Relations

The Board believes that a high level of disclosure and communication to shareholders and bondholders is very important. Investors deserve to be provided with all the information possible about the performance of their investment and to be informed on any significant matters relating to their investment in Investore.

Investore is committed to notifying the market of any material information related to its operations, as required by the Listing Rules. It is mindful of the need to keep stakeholders informed through a timely, clear and balanced approach, which communicates both positive and negative news. The Board has adopted a Market Disclosure Policy that establishes procedures which are aimed at ensuring Directors are aware of and fulfil their disclosure obligations under the Listing Rules (which is discussed under NZX Principle 4). Significant market announcements, including the announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require the prior approval of the Board.

In addition to these general disclosure obligations, the Market Disclosure Policy requires Directors to regularly consider whether there is any information that may require disclosure in accordance with the Market Disclosure Policy, the Listing Rules, the FMCA and best practice in this area.

Investore’s Website and Material

Investore's website is actively used to complement the official release of material information to the market, enabling broader access to Investore's information by investors and stakeholders. The Investore website has copies of presentations and reports, and shareholders are encouraged to refer to the website www.investoreproperty.co.nz for information on the company.

For the year in review, reporting to shareholders was primarily undertaken through the Annual Report and Interim Report. Events of interest within Investore's portfolio, or relating to Investore's business, that occur between regular reporting periods are communicated on-line, via market announcements to the NZX (www.nzx.com) under the ticker code 'IPL' and on Investore's website, meeting the need for the market to be informed in a timely manner.

The Annual Reports and Interim Reports are available electronically on the website and investors can request hard copies by contacting Investore's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report).

The Company encourages investors to provide email addresses to enable the receipt of investor communications by electronic means, with 44% of Investore's shareholders and bondholders electing to receive at least one form of communication electronically as at 31 March 2019.

Shareholder Voting and Participation at the Shareholder Meetings

Investore's shareholders have one vote per share in Investore and have the right to vote on major decisions, in accordance with the Listing Rules and the Companies Act.

Investore is not permitted to count any votes cast by SPL (and its Associated Persons (as defined in the Listing Rules) (other than votes cast by a Director in respect of shares owned or held in their personal capacity)) on the election or removal of the independent Directors.

Each Notice of Meeting and transcripts of the Annual Shareholder Meeting are made available on Investore's website and on the NZX.

In order for shareholders to fully participate in an Annual Shareholder Meeting, the Board will endeavour where possible, to distribute the Notice of Meeting at least 20 working days prior to the Annual Shareholder Meeting, as recommended by the NZX Code 2019.

Annual Shareholder Meetings

Shareholders are encouraged to attend Investore's Annual Shareholder Meeting and take the opportunity to meet the Board and to ask questions about the performance of Investore.

The Chair provides time for questions from the floor and these are answered by the appropriate member of the Board or Manager. Investore's external auditor attends the meeting and is available to take questions on the preparation of the financial statements and the auditor's report.

The next Annual Shareholder Meeting for Investore is scheduled to be held on 28 June 2019, at the Pullman Hotel in Auckland.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of the Board during the reporting period pursuant to section 140 and section 211(e) of the Companies Act 1993, are shown in Table 6.

Table 6 – Interests Register Entries

Director	Position	Company
Mike Allen (Chair)	Director	Godfrey Hirst NZ Limited ¹
	Director	Breakwater Consulting Limited
	Director	Canterbury Spinners Limited ¹
	Director	China Construction Bank (New Zealand) Limited
	Director	Tainui Group Holdings Limited
	Director	Waikato-Tainui Fisheries Limited
	Director	Taumata Plantations Limited
	Director	Coats Group PLC
	Director	Johnston's Coachlines (NZ) Limited
	Director	Go-Bus Transport Limited
	Director	Go Bus Limited
	Director	Go-Bus Holdings Limited
	Director	Ngai Tahu Tainui Go Bus Holdings Limited
Gráinne Troute ³	Director	Abano Healthcare Group Limited ²
	Director	Tourism Holdings Limited
	Director	Summerset Group Holdings Limited
Tim Storey	Director	Evolve Education Group Limited
	Chairman	Stride Property Limited
	Chairman	Stride Investment Management Limited
	Director	Stride Holdings Limited
	Director	Diversified NZ Property Fund Limited
	Director	Reading New Zealand Limited ¹
	Director	Reading Properties New Zealand Limited ¹
	Director	Reading New Lynn Limited ¹
	Director	Reading Dunedin Limited ¹
	Director	Farming New Zealand Limited ¹
	Director	Farming NZ Management Limited
	Director	Prolex Limited
	Director	Prolex Investments Limited
	Director	Prolex Management Limited
John Harvey	Chairman	LawFinance Limited
	Director	JustKapital Litigation (NZ) Partners Limited
	Director	Stride Property Limited
	Director	Stride Investment Management Limited
	Director	Stride Holdings Limited
	Director/Shareholder	Pomare Investments Limited
	Chairman	New Zealand Opera Limited ¹
	Director	Kathmandu Holdings Limited
	Director	Heartland Bank Limited
	Director	Port of Napier Limited ²

The following declarations of interest were made pursuant to section 140(1) of the Companies Act 1993:

Director	Nature of the Interest
Kate Healy	An interest noted with the Bank of New Zealand (BNZ), which is part of Investore's syndicated senior bank facilities. Kate Healy's husband is Chief Customer Officer, Business Bank and Private Bank, at National Australia Bank of which the BNZ is a subsidiary.

1. Entries removed by notices given by Directors during the year ended 31 March 2019.
2. Entries added by notices given by Directors during the year ended 31 March 2019.
3. Director Gráinne Troute was appointed on 19 April 2018 so all of Gráinne's interests are deemed to have been added during the year ended 31 March 2019.

Directors of Subsidiary Companies

Investore Property Limited had no subsidiaries as at 31 March 2019.

Indemnity and Insurance

As permitted by Investore's Constitution, Investore has entered into a deed of access, indemnity and insurance to indemnify its Directors for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and in the best interests of the relevant company, or liabilities that cannot be legally indemnified. Investore also has a Directors and Officers liability insurance policy in place. Among other things, the Directors and Officers liability insurance policy excludes cover for deliberate dishonesty, insider trading, fines and penalties (except for legally indemnifiable civil fines or civil penalties), liability arising out of a breach of professional duty other than as a professional director, and liability for which the insured is legally indemnified. During FY19, the Board authorised the placement of insurance in respect of Investore's senior secured fixed rate bond offer in accordance with the Companies Act and Investore's Constitution.

Use of Company Information

No notices have been received by Investore under section 145 of the Companies Act with regard to the use of Investore's information received by Directors in their capacities as Directors of Investore.

Loans to Directors

There are no loans to the Directors of Investore.

Disclosures of Directors' Interests in Share Transactions

In accordance with section 211(1)(e) of the Companies Act, there were no Directors' interests in share transactions for Investore in FY19.

Directors' Interests in Shares

Directors disclosed the following relevant interests in Investore shares as at 31 March 2019:

Director	Relevant interest held in ordinary shares
Mike Allen	25,000
Kate Healy	17,500
Gráinne Troute	20,000
Tim Storey	31,638
John Harvey	31,638

Twenty Largest Registered Shareholders as at 31 March 2019*

Name	Number of shares	% of shares
Stride Property Limited	51,791,786	19.91
ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	18,699,450	7.19
HSBC Nominees (New Zealand) Limited – NZCSD	18,555,029	7.13
Accident Compensation Corporation – NZCSD	15,184,891	5.84
JBWere (NZ) Nominees Limited	12,597,882	4.84
National Nominees New Zealand Limited – NZCSD	10,450,285	4.02
Forsyth Barr Custodians Limited	10,315,524	3.97
BNP Paribas Nominees (NZ) Limited – NZCSD	9,635,517	3.70
FNZ Custodians Limited	7,775,480	2.99
Citibank Nominees (New Zealand) Limited – NZCSD	7,404,953	2.85
BNP Paribas Nominees (NZ) Limited – NZCSD	6,717,064	2.58
ANZ Wholesale Australasian Share Fund – NZCSD	5,596,504	2.15
MFL Mutual Fund Limited – NZCSD	5,564,846	2.14
ANZ Wholesale Property Securities – NZCSD	5,183,121	1.99
Custodial Services Limited A/C 3	4,274,082	1.64
Generate KiwiSaver Public Trust Nominees Limited – NZCSD	3,231,752	1.24
Mint Nominees Limited – NZCSD	2,879,677	1.11
Custodial Services Limited A/C 4	2,651,734	1.02
Custodial Services Limited A/C 2	2,181,824	0.84
New Zealand Depository Nominee Limited	1,933,456	0.74
Total	202,624,857	77.91%

* Shares held by New Zealand Central Securities Depository Limited (NZCSD) are grouped under a single legal holding as reflected in the spread of equity security holders. The 20 largest registered shareholders in the table above, shows the beneficial holder of the shares in the NZCSD register. Some numbers in the above table may not sum due to rounding.

Substantial Product Holders*

As at 31 March 2019, the names of all persons who are substantial product holders in Investore pursuant to sub-part 5 of part 5 of the Financial Markets Conduct Act 2013, are noted below:

	Date of substantial security notice	Relevant interest in the number of shares	% of shares held at date of notice
Stride Property Limited	12 June 2016	52,091,786	19.89%
ANZ New Zealand Investments Limited and related bodies corporate	2 June 2017	37,647,964	14.38%
Salt Funds Management Limited	9 July 2018	29,947,082	11.44%
Accident Compensation Corporation	13 September 2018	13,135,485	5.03%
Westpac Banking Corporation and related bodies corporate	22 January 2019	18,331,240	7.04%

* The number of ordinary shares listed in the table are as per the last substantial product holder notice filed. As this notice is required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of the 20 largest shareholdings to the left.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2019*



Size of the holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 to 499	194	3.70	58,286	0.02
500 to 999	358	6.82	259,558	0.10
1,000 to 1,999	872	16.61	1,282,258	0.49
2,000 to 4,999	1,465	27.90	4,679,727	1.80
5,000 to 9,999	1,102	20.99	7,603,218	2.92
10,000 to 49,999	1,095	20.86	20,836,718	8.01
50,000 to 99,999	82	1.56	5,391,636	2.07
100,000 to 499,999	53	1.01	8,516,510	3.27
500,000 to 999,999	5	0.10	3,439,440	1.32
1,000,000 and over	24	0.46	208,008,262	79.98
Totals	5,250	100%	260,075,613	100%

Distribution of Holders of Listed Bonds as at 31 March 2019*

Security Code: IPL010

Size of the holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 to 9,999	41	6.66	225,000	0.23
10,000 to 49,999	428	69.48	8,452,000	8.45
50,000 to 99,999	81	13.15	4,726,000	4.73
100,000 to 499,999	47	7.63	7,267,000	7.27
500,000 to 999,999	5	0.81	3,262,000	3.26
1,000,000 and over	14	2.27	76,068,000	76.07
Totals	616	100%	100,000,000	100%

* Totals may not sum due to rounding.

Investore Property Limited		
<p>Donations</p> <p>Investore made no donations in the year ended 31 March 2019.</p> <p>Credit Rating</p> <p>As at the date of this Annual Report, Investore does not have a credit rating.</p> <p>Exercise of NZX Disciplinary Powers</p> <p>The NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Investore during FY19.</p> <p>Auditor’s Fees</p> <p>As noted, PricewaterhouseCoopers has continued to act as auditor for Investore and the amount payable by Investore to PricewaterhouseCoopers, for audit fees and non-audit work fees undertaken in respect of FY19, is set out in note 7.1 to the Financial Statements.</p> <p>NZX Waivers</p> <p>The following waivers from the Listing Rules (dated 1 October 2017) were granted and/or relied on by Investore during the 12 months to 31 March 2019. A copy of these waivers is available at www.nzx.com/companies/IPL</p>	<p>Listing Rules 3.3.5 to 3.3.15</p> <p>Listing Rules 3.3.5 to 3.3.15 stipulate certain requirements in relation to the appointment, removal and rotation of Directors. A waiver from Listing Rules 3.3.5 to 3.3.15 was granted to the extent that SIML, as the Manager of Investore, has exercised its right to appoint two Directors (the SIML appointed Directors). This waiver is subject to a number of conditions, including that:</p> <ul style="list-style-type: none"> • The Chair of the Board is independent and has a casting vote on any Board resolutions; • Investore is not permitted to count any votes cast by SPL (and its Associated Persons (as defined in the Listing Rules) (other than votes cast by a Director in respect of shares owned or held in their personal capacity)) on the election or removal of the Independent Directors; and • That this waiver be disclosed as a part of Investore’s offer documents and half-year and annual reports. <p>This waiver was requested and granted to ensure that SIML, whilst it is the Manager of Investore, is able to have influence over the strategic direction of Investore by being able to appoint two (but not less than two) Directors and to remove any such Director and appoint another in their place. The SIML appointed Directors are not required to retire by rotation under Listing Rule 3.3.11.</p> <p>An issuer which does not comply with all of the requirements of the NZX Listing Rules may be granted listing with the designation “Non- Standard” or “NS”. A term of the waiver granted to Investore to permit SIML to have the right to appoint two Directors was that Investore would be given a Non-Standard Designation upon its listing and the quotation of its shares.</p>	<p>Listing Rule 3.4.3</p> <p>Listing Rule 3.4.3 limits the ability of Directors to vote on matters in which they are “interested” for the purposes of the Companies Act. A waiver from Listing Rule 3.4.3 was granted to permit the SIML appointed Directors to vote on matters in which they are “interested” solely due to their directorship of both Investore and SIML. This waiver is subject to the conditions that:</p> <ul style="list-style-type: none"> • The Chair of the Board is independent and has a casting vote on any Board resolutions; • SIML appointed Directors be identified in offer documents, half-year and annual reports; • That each Director certify to NZX Regulation that any Board resolution that they approve will be in the best interests of Investore; and • That this waiver be disclosed as a part of Investore’s offer documents and half-year and annual reports. <p>This waiver was requested, and granted, to ensure that SIML appointed Directors were not restricted from voting on Investore Board resolutions solely due to being Directors of SIML.</p> <div> <p>Directors’ Statement</p> <p>This Annual Report is dated 21 May 2019 and is signed for and on behalf of the Board of Directors of Investore Property Limited by:</p> <div>  <p>Mike Allen Chair of the Board</p> </div> <div>  <p>Kate Healy Chair of the Audit and Risk Committee</p> </div> </div>

Corporate Directory

Board of Directors

(as at 31 March 2019)

Mike Allen (Chair)

Kate Healy

Gráinne Troute

John Harvey (SIML Appointed Director)

Tim Storey (SIML Appointed Director)

Registered Office

Level 12, 34 Shortland Street

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Auckland 1141

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E enquiry@computershare.co.nz

Legal Adviser

Bell Gully

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48 Shortland Street

Auckland 1010

PO Box 4199

Auckland 1140

Bankers

ANZ Bank New Zealand Limited

Bank of New Zealand

Commonwealth Bank of Australia

Westpac New Zealand Limited

Auditor

PricewaterhouseCoopers

PricewaterhouseCoopers Tower

Level 22, 188 Quay Street

Private Bag 92162

Auckland 1142

Bond Supervisor

Public Trust

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Auckland 1010

PO BOX 1598

Auckland 1140

Manager

Stride Investment Management Limited

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