

investore

Managed by Stride Investment
Management Limited

**ANNUAL REPORT
2018**

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FINANCIAL RESULTS

\$46.2m

Profit after income tax

Up \$17.7m

On FY17

Up \$27m

On forecast¹

\$20.5m

Distributable profit² after
current income tax

Up \$2.9m

On FY17

Up \$0.1m

On forecast

7.46cps

Cash dividend for FY18

CAPITAL MANAGEMENT

\$100m

Bond issue subsequent to balance
date — provides diversity of funding
sources and extends debt tenor

3.5 yrs

Average debt term after issue of bonds

GOVERNANCE

Majority Independent Directors

Gráinne Troute appointed 19 April 2018 as third Independent Director

PORTFOLIO CHARACTERISTICS

As at 31 March 2018

\$738.3m

Portfolio valuation

13.1 yrs

WALT³

PORTFOLIO MANAGEMENT INITIATIVES

**Acquired 3 Bunnings
properties for \$78.5m**

Providing tenant diversification of income

**Sold 2 properties for \$32.6m,
11.3% above book value**

Acquired 2 Timaru properties

Adjacent to existing property for future development

**Mitre 10 Botany, Auckland
extension commenced
subsequent to balance date**

¹ Forecasts contained within the Product Disclosure Statement issued by Investore Property Limited (Investore) on 10 June 2016 and associated information published in the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with the initial public offering (IPO).

² Distributable profit is a non-GAAP measure and consists of net profit/(loss) before income tax, adjusted for 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 net profit before income tax, is set out in note 6 to the financial statements on page 34.

³ Weighted Average Lease Term (WALT).



RESULTS OVERVIEW

	2018 Audited (\$m)	2018 Forecast (\$m)	Change (\$m)	Change (%)
Net rental income	44.5	44.0	+0.6	+1.4%
Profit before net finance expenses, other income/(expenses) and income tax	38.7	38.4	+0.3	+0.7%
Net finance expenses	(11.9)	(12.7)	+0.7	+5.7%
Profit before other income/(expenses) and income tax	26.8	25.8	+1.0	+3.9%
Other income/(expenses) ¹	26.1	(0.6)	+26.6	+4,586.7%
Profit before income tax	52.9	25.2	+27.6	+109.7%
Income tax expense	(6.7)	(6.0)	(0.7)	(10.9%)
Profit after income tax attributable to shareholders	46.2	19.2	+27.0	+140.7%
Basic earnings per share - weighted	17.64 cps	7.0 - 7.3 cps		
Distributable profit before current income tax	26.0	25.4	+0.6	+2.5%
Distributable profit after current income tax	20.5	20.4	+0.1	+0.6%
Property values	738.3	648.5	+89.8	+13.8%
Bank debt drawn	307.4	270.3	(37.1)	(13.7%)
Bank loan to value ratio	41.6%	41.7%		+0.1%
Net tangible asset (NTA) per share	\$1.64	\$1.41 - \$1.47		

¹. Other income/(expenses) includes net change in fair value of investment properties; 2018 Actual \$23.1m and 2018 Forecast (\$0.6m). The 2018 Actual also includes gain on disposal of investment properties of \$2.9m. The 2018 Forecast had assumed no increase in the portfolio value and no property disposals.

Note: Values in the table above are calculated based on the audited numbers in the financial statements for 2018 and the forecast numbers contained in the Product Disclosure Statement issued by Investore Property Limited (Investore) on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with Investore's initial public offering (IPO) and may not sum accurately due to rounding.

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 large format retail property

The future strategy of Investore is:

Acquisition of properties adjacent to existing Investore properties to allow opportunities for future development, or development of existing properties at a tenant’s request

Continued focus on owning properties that have key characteristics of long lease terms, nationally recognised and quality tenants, and have a high occupancy rate

Selective acquisitions which enhance geographical and/or tenant diversification, and considered divestments to maintain balance sheet capacity

Due to Investore’s focus on large format retail property, the key characteristics of its portfolio are:

LONG LEASE TERMS

Weighted average lease term (WALT) of 13.1 years at 31 March 2018

Providing dependable income streams

NATIONALLY RECOGNISED QUALITY TENANTS

Countdown, The Warehouse, Mitre 10, Bunnings, Animates

Tenants target largely non-discretionary retail spend areas, such as grocery, retail and trade hardware, and general merchandise

HIGH OCCUPANCY RATE

99.9% occupied at 31 March 2018

Anchor tenants typically occupy more than 90% of net lettable area and provide 90 – 100% of rental income



CHAIRMAN'S REPORT

Investore has had a very active year in which performance exceeded the forecasts¹ for the IPO and a year in which we completed Investore's foundational strategy, positioning Investore for the next phase of its operations

DEAR SHAREHOLDER,

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 2018. During the year Investore successfully completed its foundational activities and achieved pleasing results. FY18 was the first complete financial year for Investore since it listed on the NZX Main Board securities market on 12 July 2016 and also brings to an end the forecast period for the company. The Board is pleased to report that the company outperformed the forecasts prepared for the IPO.

During the last year, your Board worked hard to execute the remaining aspects of its foundational strategic work programme and position Investore for the next phase of its development. Our focus is on the creation of shareholder value through continued, considered expansion and capital management. Investore is well placed for expansion, which will be delivered through enhancing our existing portfolio by acquiring or developing properties adjacent to sites currently owned, or by targeted acquisitions. The Board will also consider divestments that ensure the key portfolio characteristics that underpin Investore's strategy are maintained.

The Board strongly believes in Investore's unique position in the NZX listed property market, which sets it apart from others because of its focus on investing in standalone large format retail property. This sector provides some attractive and differentiating investment characteristics for shareholders:

- Long term leases – Investore's average weighted lease term for the portfolio as at 31 March 2018 is 13.1 years, with 81% of rentals (by Contract Rental²) not expiring until FY29 or later;
- A high and sustainable occupancy rate – Investore's occupancy rate is 99.9% as at 31 March 2018; and
- The major tenants are nationally recognised retailers with significant and long established businesses in New Zealand.

Investore is managed by Stride Investment Management Limited (SIML), which has an experienced management team that provides a full range of real estate investment management services. Under the direction of the Board, SIML has undertaken a number of initiatives during the year which positions Investore well for the future.

PROACTIVE CAPITAL MANAGEMENT

The Board has had a particular focus on capital management during the year in review. As shareholders will be aware, on 5 March 2018 the company announced an offer of \$75 million of senior secured fixed rate bonds, with the ability to accept oversubscriptions of up to \$25 million. The offer was very successful and positively received by the market, with \$100 million of bonds being issued on 18 April 2018. We would like to take this opportunity to thank bondholders for their vote of confidence in Investore, through their investment.

These bonds mature on 18 April 2024, extending the overall tenor of the company's funding facilities (comprising bank debt and bonds) to 3.5 years as at 18 April 2018, being the issue date of the bonds. The average tenor of funding at 18 April 2018 if the bonds had not been issued would have been 2.1 years. The longer tenor aligns with the Investore business, which has a long weighted average lease term of 13.1 years as at 31 March 2018. The bonds also provide important diversification of funding sources for Investore. The proceeds of the bond offer were used to repay a portion of Investore's existing bank debt.

The Board continues to take a conservative position on interest rate risk, with 75% of Investore's drawn debt having a fixed interest rate at balance date. After taking the recent bond issuance into account, this ratio increases to above 95% in one year's time, 80% in two years' and 70% in three years' time.

The Board has also been considering the company's loan to value ratio, to ensure that the company is well placed for any changes in debt markets. At the time of listing, the Board set a target loan to value ratio of approximately 48%. The Board has reviewed this target and has set a policy of a maximum 48% loan to value ratio. This is a subtle but important change which means that the Board is no longer actively seeking to meet a 48% loan to value ratio but now considers this as a maximum. The bank and bond covenants require the loan to value ratio to be no more than 65%, so the Board is taking a conservative approach of setting an internal maximum which is lower than that required by the bank or bond covenants.

Investore's loan to value ratio as at 31 March 2018 was 41.6%, well within the Board's stated maximum of 48%.

FINANCIAL PERFORMANCE

For the year ended 31 March 2018, the profit after income tax of \$46.2 million was significantly higher than the forecast prepared for the IPO (\$27 million higher than the forecast profit after income tax of \$19.2 million).

In total \$4.9 million of fees were incurred to SIML, the manager, for FY18, which is \$0.4 million higher than the forecast and reflects the activity by SIML in managing the disposals and bond initiatives. These fees equate to 0.66% of the value of Investore's assets under management at 31 March 2018.

For the fourth quarter of FY18, the Board has approved a cash dividend of 1.88 cents per share, taking the full year's cash dividend to 7.46 cents per share, consistent with previous guidance.

GOVERNANCE – ADDITIONAL INDEPENDENT DIRECTOR APPOINTED

On 19 April 2018 we announced the appointment of Gráinne Troute as an Independent Director to Investore's 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 of the Board for the benefit of shareholders and the company.

Gráinne brings extensive experience in retail and property, through her roles as an executive and as a director. With the appointment of Gráinne Troute, the Board comprises three independent Directors and two SIML-appointed Directors. I welcome Gráinne to the Board, and know she will serve shareholders well.

OUTLOOK

The Board confirms an annual cash dividend guidance of 7.46 cents per share to shareholders for the 2019 financial year.

The Board considers that Investore's current portfolio provides an excellent basis for considered growth. We have an exceptionally stable underlying portfolio, which puts Investore in a great position to maintain predictable income streams and gives us the ability to consider growth opportunities.

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



MIKE ALLEN
Chairman,
Independent Director

FY18 ACTIVITY AT A GLANCE

Acquisition of three Bunnings operated properties — the Board was very pleased with the overwhelming support shown by shareholders for the acquisition of the Bunnings properties from Stride Property Limited, with 99.9% of votes cast in favour of the acquisition

Disposal of two properties in Christchurch and Queenstown for 11.3% above combined book value

Acquisition of two properties in Timaru which are adjacent to Investore's existing Countdown property, providing the opportunity for future development of these sites to complement Countdown

Up to \$100 million senior secured fixed rate bond offer announced on 5 March 2018

¹ Forecasts contained within the Product Disclosure Statement issued by Investore Property Limited (Investore) on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with the initial public offering (IPO).

² 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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.



BOARD OF DIRECTORS



MIKE ALLEN — BCom, LLB, CMInstD

Chairman
Independent and Non-Executive Director
Appointment — 9 June 2016

Mike was appointed 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 Coats Group PLC, Godfrey Hirst Australia (and related companies), China Construction Bank (New Zealand) Limited, Waikato-Tainui Fisheries Limited, Tainui Group Holdings Limited, Taumata Plantations Limited, Ngai Tahu Tainui Go-Bus Holdings Limited (and related companies), Canterbury Spinners Limited and Breakwater Consulting Limited.



KATE HEALY — LLM, MBA

Chair of the Audit and Risk Committee
Independent and Non-Executive Director
Appointment — 9 June 2016

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.), the Australian Institute of Company Directors and the New Zealand Law Society.



JOHN HARVEY — BCom, CA, CFInstD

Director
SIML Nominee and Non-Executive Director
Appointment — 15 October 2015

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, Kathmandu Holdings Limited, Heartland Bank Limited and is Chairman of New Zealand Opera Limited.



TIM STOREY — LLB, BA

Director
SIML Nominee and Non-Executive Director
Appointment — 1 October 2015

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 JustKapital Limited (ASX Listed) and of Stride Property Limited, and director of a number of private companies.



GRÁINNE TROUTE — GradDipBusStuds(HRM), CMInstD

Director
Independent and Non-Executive Director
Appointment — 19 April 2018

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-focused 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.

MANAGER'S REPORT

Stride Investment Management Limited (SIML) is proud to manage Investore's property portfolio, and seeks to enhance and improve the portfolio and the returns to shareholders. This year has seen a lot of activity, which has positioned Investore well for future growth and returns

In Investore's second year of operations, SIML has focused on completing the foundational strategy set by the Investore Board. The year to 31 March 2018 has seen a number of transactions completed by SIML, on behalf of Investore, which have optimised Investore's portfolio for long term growth, including:

- The purchase of the three Bunnings operated properties from Stride Property Limited (SPL) for \$78.5 million, with attractive, fixed growth income, at a weighted initial yield of 6.13%. On acquisition, the WALT of each of the three properties was 11.75 years;
- The acquisition of two properties in Timaru adjacent to the current Countdown property owned by Investore, for a combined purchase price of \$1.4 million. These properties provide Investore with a future development opportunity to create a shopping hub of complementary properties around the Countdown; and
- The divestment of two supermarket properties, the Fresh Choice in Queenstown and the Countdown

in Hornby, Christchurch. These properties were forecast to provide a relatively lower growth profile when compared to the balance of the portfolio. The total sales price of \$32.6 million represented a weighted average initial yield of 5.78%. The sales values for these properties were on average 11.3% above Investore's book values, and shows the strong demand in the market for these types of assets.

The acquisition of the Bunnings operated properties and the divestment of the two supermarkets operated by General Distributors Limited (GDL) enabled Investore to improve its tenant diversification, with GDL (which operates Countdown branded supermarkets) reducing from 82% of contract rental¹ at the start of the financial year to 73% at the end of the financial year, and Bunnings now representing 10% of contract rental. Investore's portfolio has a higher weighting to the North Island, with 77% of contract rental from the North Island, and 23% from South Island locations as at 31 March 2018.

SIML is also managing an extension of the Mitre 10 Mega at Botany, Auckland,

on behalf of Investore. This development follows on from the Animates development in the 2017 financial year. In both cases, as with other Countdown refurbishments that have been undertaken by Investore, SIML works closely with Investore's tenants to expand and refurbish their premises. Investore will receive capital improvements rent from the development, and it also ensures the premises meet the tenant's overall business needs. These types of asset management initiatives have incremental benefits to the underlying properties and are highly accretive relative to direct investment.

As at 31 March 2018, Investore's portfolio comprised 40 properties, which were valued at \$738.3 million, up 3.3% net² from the portfolio valuation as at 31 March 2017. Investore's portfolio consists of a number of properties that have development potential, including the Timaru property mentioned previously. Investore's total portfolio amounts to 48.3 hectares of land zoned for commercial use, and the current buildings occupy less than half of this land, with average site coverage at 43%. So 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 development intensification.

In addition to the development potential, Investore's focus on large format retail properties has a number of additional positive benefits for investors:

- The average asset value in Investore's portfolio is very low, at \$18.5 million per property, providing very high asset liquidity if required;
- Standalone large format retail properties have lower maintenance costs over the long term, when compared to other property classes. Lifecycle costs across the Investore portfolio have been on average 0.35% of total property values per annum, approximately half the costs of retail and industrial properties and less than one third the cost of office properties. These costs directly impact the returns on investment for commercial property. The long term outlook for the portfolio is consistent with this track record.

SIML, as Manager, is proud to have worked with Investore's Board to deliver another year of out-performance, compared to the forecast³. Investore's distributable profit after current tax was again higher in FY18 when compared to the forecast for the same period, taking the aggregate distributable profit after current tax for FY17 and FY18 to 1.5% higher when compared to the forecasts. In addition, total equity was up \$45.6 million on forecast, adding 0.17 cents per share to Investore's Net Tangible Assets, from the time of the IPO, a reflection of the quality and value of Investore's portfolio of assets.



PHILIP LITTLEWOOD
Chief Executive Officer
Stride Investment Management Limited

Looking forward, we believe Investore is well positioned to achieve its strategy of stable and enduring returns to investors, while also having a number of very positive growth opportunities.



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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

² The valuation of all properties disposed of during the 12 months from 1 April 2017 have been disregarded in this calculation. As at 31 March 2017, the portfolio was valued at \$660.4 million.

³ Forecasts contained within the Product Disclosure Statement issued by Investore on 10 June 2016 and associated information published on the online register maintained by the Companies Office and the Registrar of Financial Service Providers on 10 June 2016 in connection with IPO.

The 2018 financial year has seen Investore complete its foundational phase, with the portfolio now well set for Investore's next phase, which will be focused on considered growth initiatives and with a view to ensuring stable and enduring returns to investors



CHARACTERISTICS OF LARGE FORMAT RETAIL PROPERTIES:

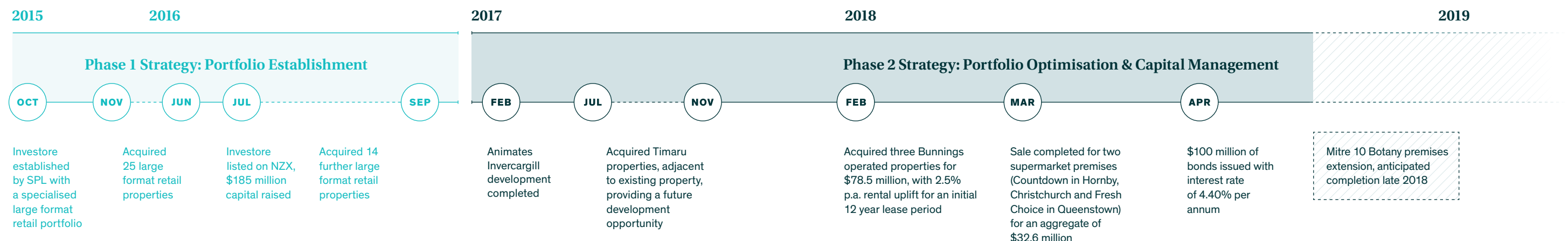
Typically large, free-standing, rectangular and usually single floor structures on a concrete slab — simple, straightforward construction with low maintenance

Sites generally have a single tenant or limited number of tenants, with the anchor tenant occupying more than 50% of the net lettable area (and typically more than 90%) and providing 50% (and typically 90% – 100%) of the rental income from the property — ensuring that most income is contracted with significant and nationally recognised companies

Properties have easy vehicle access and plenty of carparking on-site

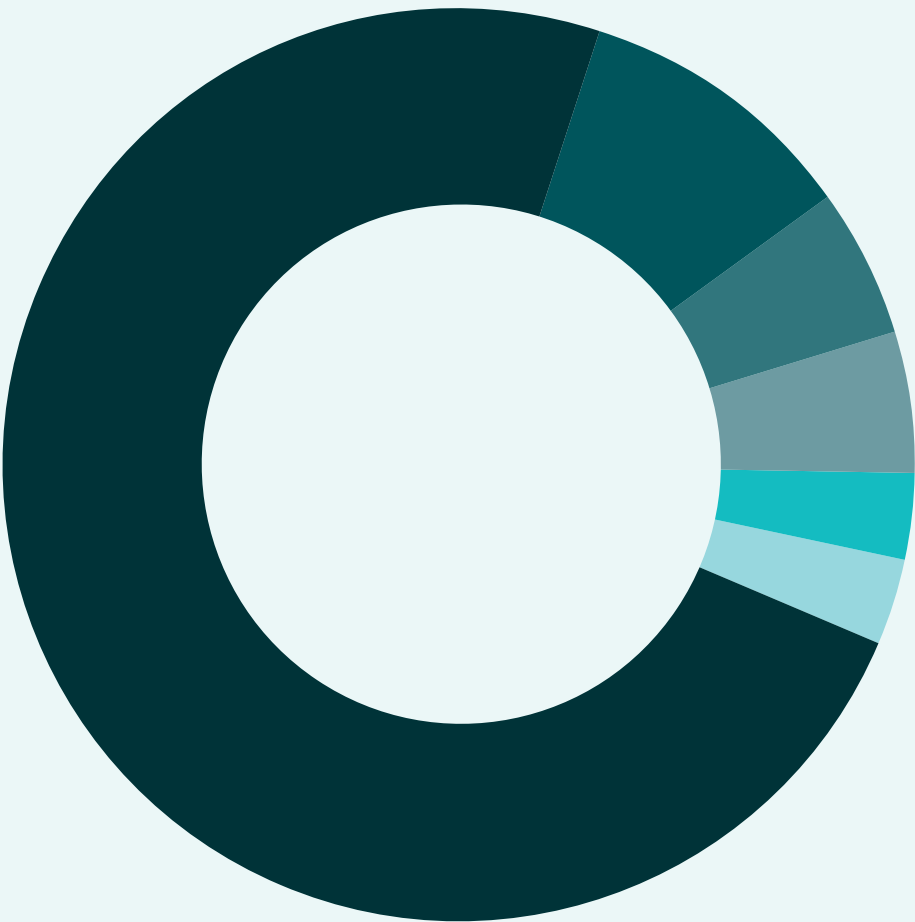
Most properties have leases structured to provide stable income, net of operating costs

Anchor tenants' net lettable area is usually more than 2,000 m². Specialty tenants are typically more than 150 m², although in some limited cases may be 60 m² or less



PORTFOLIO OVERVIEW

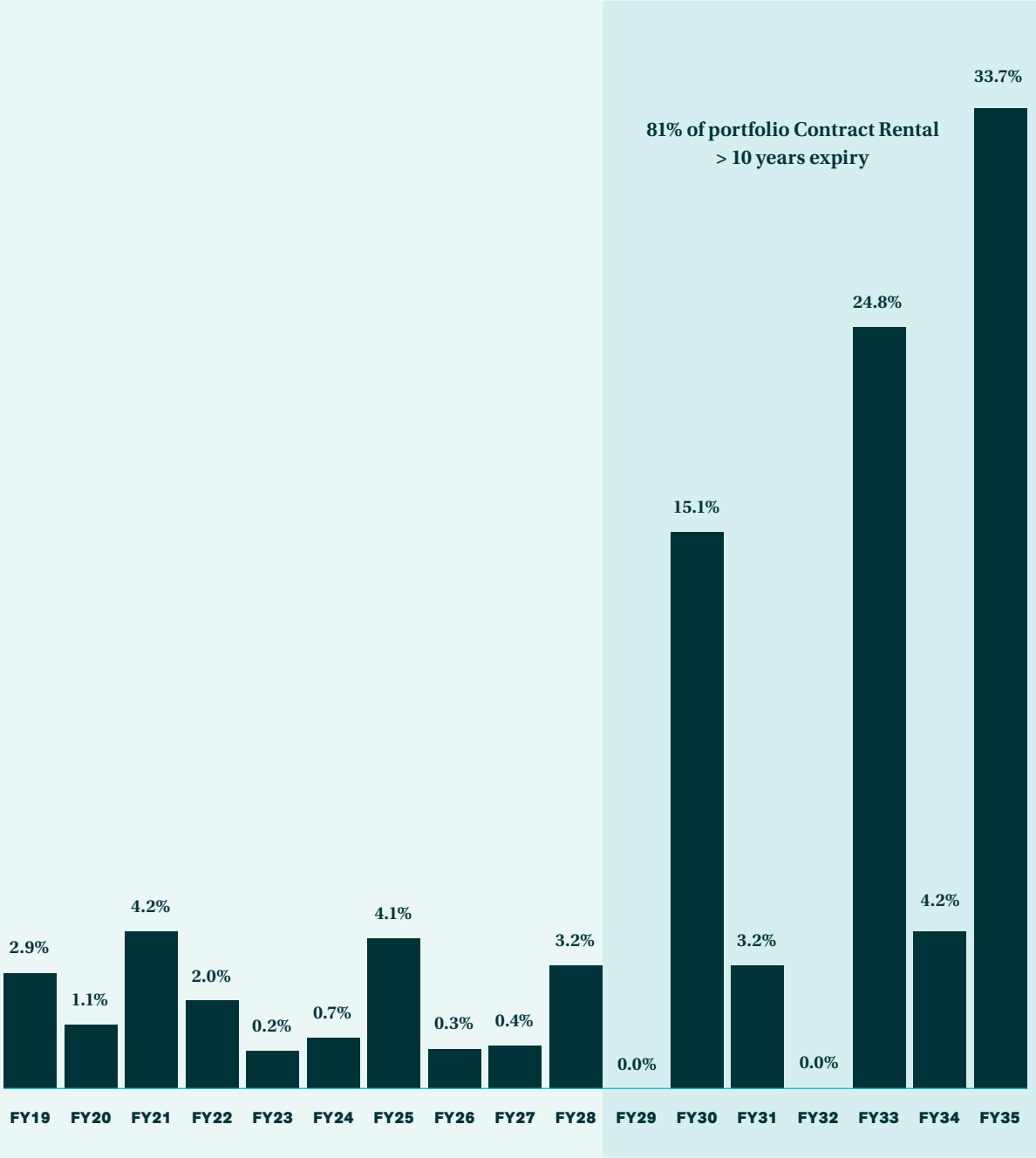
TENANT DIVERSIFICATION BY CONTRACT RENTAL¹
as at 31 March 2018



General Distributors Limited (Countdown)	73%
Bunnings	10%
Foodstuffs	5%
Specialty	6%
Mitre 10	3%
The Warehouse	3%

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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

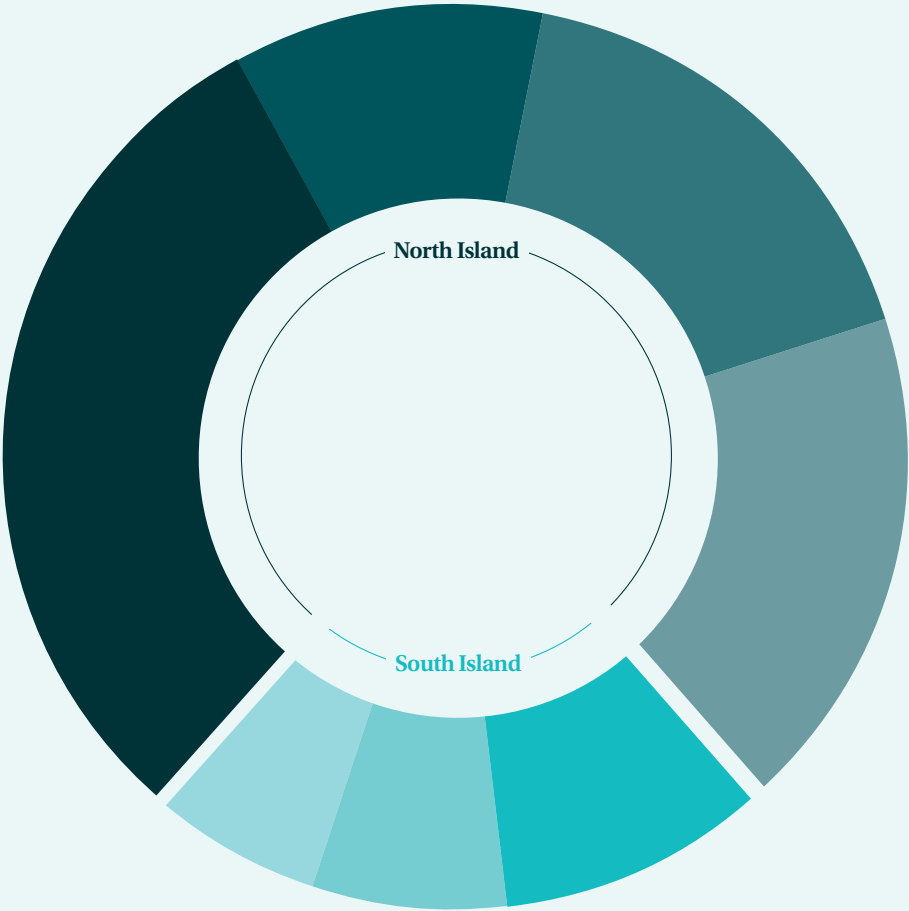
PORTFOLIO LEASE EXPIRY BY CONTRACT RENTAL¹
as at 31 March 2018



Note: Numbers may not sum accurately due to rounding.

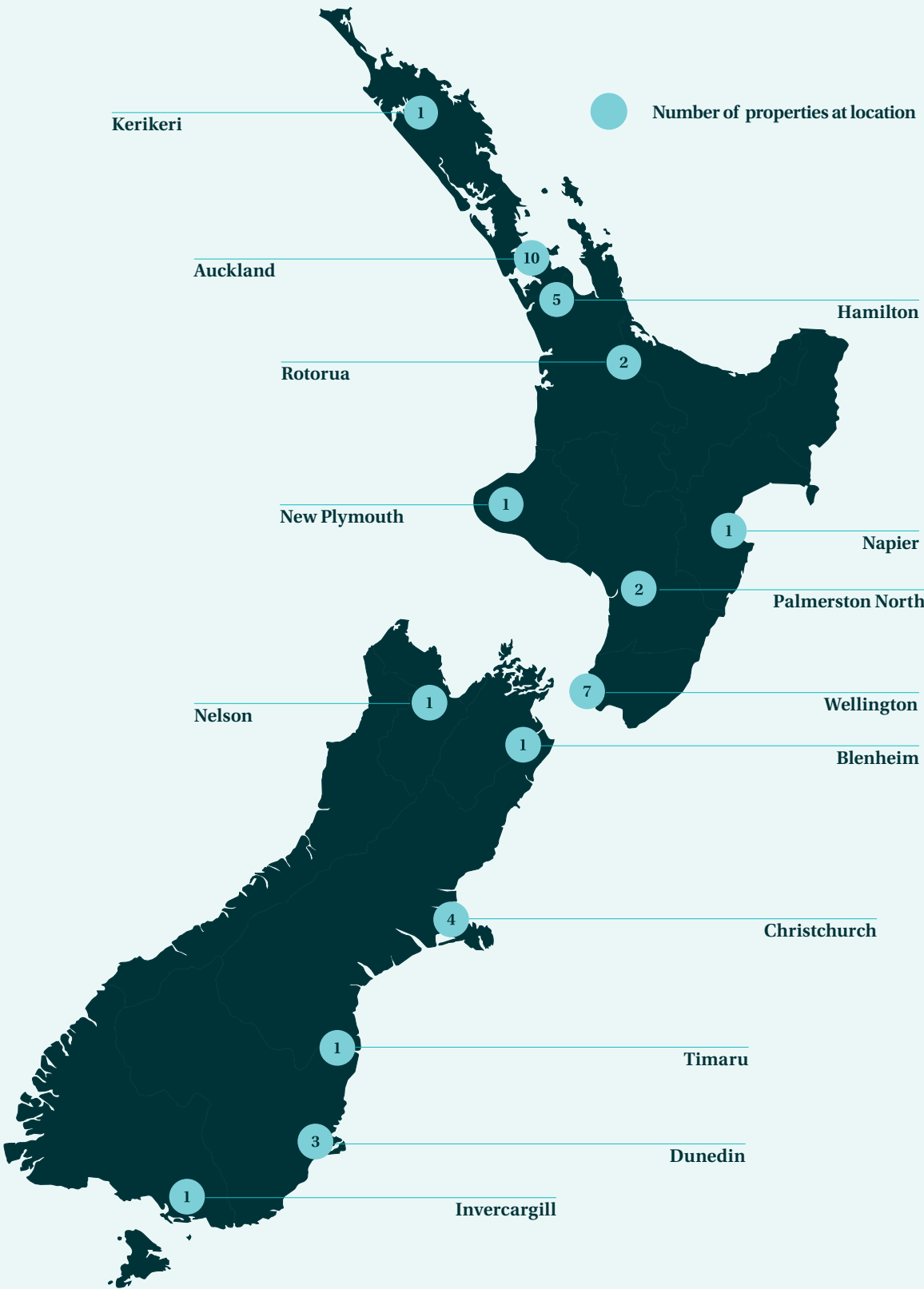
PORTFOLIO OVERVIEW

GEOGRAPHIC DIVERSIFICATION BY CONTRACT RENTAL¹
as at 31 March 2018



North Island 77%	<div></div>	Auckland	31%
	<div></div>	Waikato	11%
	<div></div>	Wellington	17%
	<div></div>	Other North Island	18%
South Island 23%	<div></div>	Canterbury	10%
	<div></div>	Otago	7%
	<div></div>	Other South Island	6%

PORTFOLIO BY LOCATION
as at 31 March 2018



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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant.

FEATURED PROPERTIES



Countdown — Timaru

CNR VICTORIA & BROWNE STREETS
TIMARU

Investore's growth strategy includes a focus on creating vibrant, multi-service local centres for the benefit of customers, tenants and shareholders. This can be achieved through the redevelopment of existing sites, or through the acquisition of properties adjacent to Investore's current portfolio of anchor stores

The acquisition during the 2018 financial year of adjacent properties to the Countdown Timaru site is a good example of this strategy

With Countdown as the anchor tenant, there is an opportunity to provide for new, complementary retailers at the location, increasing overall customer demand, and providing Investore with a future development opportunity to enhance portfolio quality and returns to shareholders

Mitre 10 — Botany

CNR TE IRIRANGI DRIVE & BISHOP DUNN PLACE
AUCKLAND

Investore partners with tenants by redeveloping its properties to meet the changing, and often growing, requirements of retailers. These redevelopments provide an opportunity for Investore to re-negotiate lease terms, and to enhance both the retail offer for customers and returns to shareholders

An example of this is the extension being undertaken at the premises of Mitre 10, Corner Te Irirangi Drive and Bishop Dunn Place, Auckland

This extension is due to be completed in late 2018. The extension will add a further 1,300 m² of net lettable area to the site, consisting of an extension to the trade warehouse, new inwards goods area and canopy



PORTFOLIO 2018

	As at 31 March 2018	As at 31 March 2017
Number of properties	40	39
Number of tenants	78	73
Net Lettable Area (m²)	209,980	174,327
Net Contract Rental¹ (\$m)	46.9	43.4
WALT² (years)	13.1	14.3
Occupancy rate (by area)	99.9%	99.8%
Portfolio Value (\$m)	738.3	660.4

Address	City	Tenants (no.)	Major Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT² (years)	Valuation (\$000)	Net Contract Rental¹ (\$000)	Market Cap Rate	Contract Yield
24 Anzac Road	Auckland	1	Countdown	100.0%	4,382	16.9	22,210	1,249	5.63%	5.63%
326 Great South Road	Auckland	1	Countdown	100.0%	4,633	16.9	31,000	1,713	5.50%	5.52%
35a St Johns Road	Auckland	1	Countdown	100.0%	4,457	16.9	21,400	1,276	6.00%	5.96%
507 Pakuranga Road	Auckland	1	Countdown	100.0%	4,812	16.9	18,000	1,059	5.88%	5.88%
3 Averill Street	Auckland	2	Countdown	100.0%	5,435	15.2	16,400	1,290	7.00%	7.86%
Cnr Church & Selwyn Streets	Auckland	1	Countdown	100.0%	2,011	6.9	10,600	630	6.00%	5.94%
66 Studholme Street	Morrinsville	1	Countdown	100.0%	1,724	6.9	6,500	437	6.50%	6.72%
47 Bay Road	Wellington	1	Countdown	100.0%	3,460	16.9	11,100	723	6.38%	6.51%
91 Johnsonville Road	Wellington	2	Countdown, The Warehouse	100.0%	6,316	11.6	20,800	1,546	6.63%	7.43%
14 Russell Street	Upper Hutt	1	Countdown	100.0%	3,037	6.9	9,900	697	6.88%	7.04%
261 High Street	Lower Hutt	1	Countdown	100.0%	5,078	16.9	18,000	1,178	6.38%	6.54%
51 Arthur Street	Blenheim	1	Countdown	100.0%	3,136	16.9	11,400	740	6.38%	6.49%
87 - 97 Hilton Street	Kaipoi	1	Countdown	100.0%	3,025	16.9	13,500	856	6.25%	6.34%
219 Colombo Street	Christchurch	1	Countdown	100.0%	3,976	16.9	19,050	1,153	6.00%	6.06%
Cnr Victoria & Browne Streets	Timaru	4	Countdown	100.0%	4,032	15.1	12,220	738	6.18%	6.04%
13 - 19 Queen Street	Upper Hutt	1	Countdown	100.0%	3,427	16.9	10,400	680	6.50%	6.54%
309 Cumberland Street	Dunedin	1	Countdown	100.0%	4,123	16.9	19,300	1,180	6.13%	6.11%
172 Tay Street	Invercargill	3	Countdown, Animates	100.0%	5,161	15.5	22,300	1,421	6.25%	6.37%
Cnr Anglesea & Liverpool Streets	Hamilton	1	Countdown	100.0%	5,265	0.8	5,800	813	10.00%	14.02%
230 - 240 Fenton Street	Rotorua	1	Countdown	100.0%	5,172	2.4	16,150	1,065	6.88%	6.59%
78 Courtenay Street	New Plymouth	1	Pak' n Save	100.0%	8,522	11.5	27,500	1,659	6.00%	6.03%
9 Gloucester Street	Napier	1	New World	100.0%	4,386	11.5	16,250	952	5.88%	5.86%
Cnr Te Irirangi Drive & Bishop Dunn Place	Auckland	1	Mitre 10	100.0%	12,124	12.0	30,500	1,517	5.13%	4.97%

Address	City	Tenants (no.)	Major Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT² (years)	Valuation (\$000)	Net Contract Rental¹ (\$000)	Market Cap Rate	Contract Yield
35 MacLaggan Street	Dunedin	1	The Warehouse	100.0%	6,433	3.3	10,650	809	7.75%	7.60%
Cnr Fernlea Avenue & Roberts Line	Palmerston North	6	Countdown	100.0%	3,611	12.8	13,900	914	6.50%	6.57%
Cnr Hanson Street, John Street & Adelaide Road	Wellington	6	Countdown	98.7%	4,881	13.3	25,600	1,636	6.25%	6.39%
Cnr Hukanui & Thomas Roads	Hamilton	7	Countdown	100.0%	4,504	12.2	16,000	1,050	6.50%	6.56%
226 Great South Road	Auckland	12	Countdown Animates	100.0%	7,384	9.6	38,800	2,568	6.25%	6.62%
3 - 7 Mill Lane	Warkworth	5	Countdown	98.0%	3,815	14.0	21,800	1,411	6.00%	6.47%
Cnr Bridge & Angelsea Streets	Hamilton	1	Countdown	100.0%	4,200	15.1	18,500	1,140	6.13%	6.16%
323 Andersons Bay Road	Dunedin	1	Countdown	100.0%	4,071	14.7	18,300	1,210	6.38%	6.61%
Cnr Butler & Kerikeri Roads	Kerikeri	1	Countdown	100.0%	3,887	14.7	18,100	1,210	6.50%	6.68%
Cnr Putaitai Street & Main Road	Nelson	1	Countdown	100.0%	2,659	14.7	12,000	795	6.50%	6.63%
40 - 50 Ivory Street	Rangiora	1	Countdown	100.0%	3,759	14.7	16,100	1,067	6.50%	6.63%
Cnr Rolleston & Masefield Drives	Rolleston	1	Countdown	100.0%	4,251	14.7	18,700	1,189	6.38%	6.36%
112 Stoddard Road	Auckland	1	Countdown	100.0%	4,200	9.9	23,200	1,436	6.00%	6.19%
3 Main Road	Wellington	1	Countdown	100.0%	4,200	15.0	16,900	1,155	6.25%	6.83%
446 Te Rapa Road	Hamilton	1	Bunnings	100.0%	12,763	11.7	28,000	1,657	5.88%	5.92%
Cnr Tremaine Avenue & Railway Road	Palmerston North	1	Bunnings	100.0%	13,730	11.7	26,250	1,573	5.75%	5.99%
26 - 48 Old Taupo Road	Rotorua	1	Bunnings	100.0%	13,940	11.7	25,250	1,537	6.00%	6.09%
Total Portfolio		78		99.9%	209,980	13.1	738,330	46,926	6.19%	6.36%

Totals may not sum due to rounding. The Occupancy %, WALT, Market Cap Rate and Contract Yield for the total of the investment properties are a weighted average.

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 2018, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2018, and assuming no default by the tenant. As at 31 March 2018 net contract rental has been adjusted to include \$0.4m of building manager's fees. In the financial statements these costs have been disclosed within the management fees expense in the Statement of Comprehensive Income.

² Weighted Average Lease Term (WALT).

FINANCIAL STATEMENTS

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 \$000	2017 \$000
Rental income		47,255	37,398
Direct property operating expenses		(2,709)	(2,384)
Net rental income	3	44,546	35,014
Less corporate expenses			
Management fees expense	17	(4,066)	(2,653)
Administration expenses		(1,766)	(1,113)
Transaction costs		-	(889)
Total corporate expenses		(5,832)	(4,655)
Profit before net finance expenses, other income and income tax		38,714	30,359
Finance income		138	93
Finance expense		(12,067)	(9,716)
Finance expense – swap break expense		-	(3,680)
Net finance expenses	5	(11,929)	(13,303)
Profit before other income and income tax		26,785	17,056
Other income			
Net change in fair value of investment properties	9	23,135	13,720
Gain on disposal of investment properties	9	2,895	-
Movement in fair value of derivative financial instruments	13	38	-
Profit before income tax		52,853	30,776
Income tax expense	12	(6,683)	(2,260)
Profit after income tax attributable to shareholders		46,170	28,516
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	15	(2,141)	4,058
Total comprehensive income after tax attributable to shareholders		44,029	32,574
Basic and diluted earnings per share (cents)	15	17.64	15.12

On 10 June 2016, Investore issued a Product Disclosure Statement and published information on the online register maintained by the Companies Office and the Registrar of Financial Service Providers (together the “Disclosure Information”) in connection with Investore’s initial public offering of shares (IPO).

Please refer to note 21 for a comparison of the prospective financial information included in the Disclosure Information to Investore’s actual results for the year ended 31 March 2018.

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 2018

	Notes	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance 31 Mar 16		-	2,074	(2,050)	24
Transactions with shareholders:					
Issue of shares	15	387,615	-	-	387,615
Capital raising expenses	15	(5,368)	-	-	(5,368)
Dividends paid	7	-	(9,817)	-	(9,817)
Total transactions with shareholders		382,247	(9,817)	-	372,430
Other comprehensive income:					
Movement in cash flow hedges, net of tax	15	-	-	4,058	4,058
Total other comprehensive income		-	-	4,058	4,058
Profit after income tax		-	28,516	-	28,516
Total comprehensive income		-	28,516	4,058	32,574
Balance 31 Mar 17		382,247	20,773	2,008	405,028
Transactions with shareholders:					
Dividends paid	7	-	(19,999)	-	(19,999)
Total transactions with shareholders		-	(19,999)	-	(19,999)
Other comprehensive income:					
Movement in cash flow hedges, net of tax	15	-	-	(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		382,247	46,944	(133)	429,058

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 2018

	Notes	2018 \$000	2017 \$000
Current assets			
Cash and cash equivalents	16	2,199	4,377
Trade and other receivables	10,16	234	412
Prepayments		176	80
Other current assets		1,003	404
		3,612	5,273
Non-current assets			
Investment properties	9	738,330	660,430
Work in progress		162	-
Derivative financial instruments	13,16	647	2,714
Deferred tax asset	12	154	538
Property, plant and equipment		1	3
		739,294	663,685
Total assets		742,906	668,958
Current liabilities			
Trade and other payables	11,16	4,808	2,273
Current tax liability		1,262	1,404
Derivative financial instruments	13,16	-	12
		6,070	3,689
Non-current liabilities			
Bank borrowings	14	306,891	260,241
Derivative financial instruments	13,16	887	-
		307,778	260,241
Total liabilities		313,848	263,930
Net assets		429,058	405,028
Share capital	15	382,247	382,247
Retained earnings		46,944	20,773
Reserve		(133)	2,008
Equity		429,058	405,028

For and on behalf of the Board of Directors, dated 28 May 2018:



MIKE ALLEN
Chairman



KATE HEALY
Director,
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 2018

	Notes	2018 \$000	2017 \$000
Cash flows from operating activities			
Rent received		46,328	35,940
Interest received		138	93
Interest paid		(11,753)	(9,067)
Operating expenses (including goods and services tax)		(7,648)	(6,593)
Income tax paid		(5,624)	(2,175)
Net cash provided by operating activities	8	21,441	18,198
Cash flows from investing activities			
Proceeds from disposal of investment properties		32,221	-
Capital expenditure on investment properties		(2,212)	(3,387)
Acquisition of investment properties		(80,029)	(268,398)
Property, plant and equipment purchased		-	(4)
NZX bond		-	(75)
Net cash applied to investing activities		(50,020)	(271,864)
Cash flows from financing activities			
Drawdown of bank borrowings		46,400	261,000
Repayment of bank borrowings		-	(160,000)
Dividends paid		(19,999)	(9,817)
Proceeds from equity issued		-	185,000
Capital raising expenses		-	(5,368)
Refinancing of bank borrowings		-	(898)
Finance expense – swap break expense		-	(3,680)
Advance from related party		-	3,396
Repayment of advance from related party		-	(11,624)
Net cash provided by financing activities		26,401	258,009
Net (decrease)/increase in cash and cash equivalents held		(2,178)	4,343
Opening cash and cash equivalents		4,377	34
Closing cash and cash equivalents		2,199	4,377

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

Note 1: Accounting Policies

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. The financial statements of Investore have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The financial statements were approved for issue by the Board of Directors (the Board) on 28 May 2018.

Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). Investore is a for-profit entity for the purposes of financial reporting. 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).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of assets and liabilities as identified in the specific accounting policies below and the accompanying notes.

The financial statements have been prepared using the New Zealand Dollar functional and reporting currency and have been rounded to the nearest thousand dollars (\$000), unless stated otherwise.

New standards, amendments and interpretations

New standards, amendments and interpretations have been published that are not yet effective and have not been early adopted by Investore. Those which may be relevant to Investore are explained below:

- *NZ IFRS 9: Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in NZ IAS 39 Financial Instruments – Recognition and Measurement.

Investore has loans and receivables and non-derivative financial assets (note 16) at amortised cost. Investore also has interest rate swaps in cash flow hedges.

NZ IFRS 9 is required to be adopted by Investore in the financial statements for the year ending 31 March 2019. Given the nature of the financial assets and financial liabilities held and cash flow hedging undertaken by Investore, from the initial assessment performed, the impact of NZ IFRS 9 will likely be minimal.

- *NZ IFRS 15: Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service.

The majority of the revenue of Investore is derived from the rental income from lease agreements with tenants of its investment properties. Accounting for lease income is out of scope of NZ IFRS 15. However, certain non-rental income streams, such as recovery of property operating expenses, are within scope of NZ IFRS 15.

NZ IFRS 15 is required to be adopted by Investore in the financial statements for the year ending 31 March 2019. Based on the initial assessment performed, the impact of NZ IFRS 15 is likely to be minimal.

Note 1: Accounting Policies (continued)

New standards, amendments and interpretations (continued)

- *NZ IFRS 16: Leases* 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.

Given that Investore is the lessor for the majority of its leases, NZ IFRS 16 is not expected to have significant impact on how Investore currently accounts for its leases. However, Investore has eleven ground leases on investment properties (note 18) and therefore Investore may recognise a right of use asset and lease liabilities in accordance with the new leasing standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Investore intends to adopt NZ IFRS 16 effective from 1 April 2019.

There are no other standards, amendments and interpretations that are not yet effective and that would be expected to have a material impact on Investore in the current or future reporting periods and on foreseeable future transactions.

Significant judgements, estimates and assumptions

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 9); and
- Deferred tax (note 12).

Changes in accounting policies

There have been no changes in accounting policies from the prior period and all policies have been applied consistently throughout the year.

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:

Investment property acquisitions

Following shareholder approval on 8 February 2018, Investore settled on the purchase of three Bunnings operated properties at Hamilton, Rotorua and Palmerston North on 28 February 2018 for \$78.5 million from Stride Property Limited.

Investment property disposals

Investore settled on the disposals of the Fresh Choice property at 64 Gorge Road, Queenstown, for \$11.1 million on 20 March 2018 and the Countdown supermarket at 17 Chappie Place, Christchurch, for \$21.5 million, on 23 March 2018, both amounts being prior to disposal costs.

Note 2: Operating Segments

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 2018 (2017: 82%).

Note 3: Net Rental Income

Rental income from the investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are 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, these are spread on a straight-line basis over the non-cancellable portion of the lease to which they relate.

	2018 \$000	2017 \$000
Rental income		
Rental income	46,246	36,542
Spreading of fixed rental increases	1,009	856
Total rental income	47,255	37,398

Leases are classified at their inception as either operating or finance leases 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 the leases and has therefore classified all leases as operating leases.

Property leased out under operating leases is included in investment properties in the statement of financial position.

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

	2018 \$000	2017 \$000
No later than 1 year	50,960	45,829
Later than 1 year and no later than 5 years	195,815	171,504
Later than 5 years	445,230	427,708
Future rentals receivable	692,005	645,041

Recoverable operating expenses are classified as a reduction of expenses instead of other income.

	2018 \$000	2017 \$000
Direct property operating expenses		
Service charge expenses	(3,139)	(2,071)
Service charge income recovered from tenants	3,139	2,071
Increase in doubtful debts provision	(44)	-
Other non-recoverable property costs	(2,665)	(2,384)
Total non-recoverable property costs	(2,709)	(2,384)

Other non-recoverable property operating expenses represents property maintenance and operating expenses not recoverable from tenants, property valuation fees and property leasing costs.

Note 4: Corporate Expenses

	2018 \$000	2017 \$000
Administration expenses includes:		
Auditor's remuneration		
– Audit and review of financial statements	143	128
– Other assurance services – operating expense audits ¹	28	5
– Other assurance services – share registry	-	3
– Other services – agreed procedures for proxy vote	3	-
Transaction costs	-	889

¹ Fees include \$14,175 which relates to financial year 2017 operating expense audit completed in the current year.

Transaction costs in 2017 of \$6,257,000 were paid out of the proceeds of the issue of new shares. The portion of NZX listing fees and advisor IPO cost that related to the issue of new shares, being \$5,368,000 were capitalised into capital raising expenses in the statement of changes in equity (note 15) with the remainder of \$889,000 being expensed. The capitalisation versus expense ratio was calculated based on the number of existing shares versus newly issued shares.

A total amount \$217,014 was paid to PricewaterhouseCoopers for due diligence services in relation to the IPO, of which \$114,149 was included in transaction costs in the statement of comprehensive income, and \$102,865 was capitalised into capital raising expenses in the statement of changes in equity (note 15).

Note 5: Net Finance Expenses

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.

	2018 \$000	2017 \$000
Finance income		
– Bank interest income	94	93
– Other finance income	44	-
	138	93
Finance expense		
Interest expense:		
– Bank borrowings interest	(12,067)	(9,592)
– Other finance expenses	-	(124)
	(12,067)	(9,716)
Swap break expense	-	(3,680)
Net finance expenses	(11,929)	(13,303)

Note 6: Distributable Profit

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 non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax as follows:

	2018 \$000	2017 \$000
Profit before income tax	52,853	30,776
Non-recurring and non-cash adjustments:		
– Net change in fair value of investment properties	(23,135)	(13,720)
– Gain on disposal of investment properties	(2,895)	–
– Movement in fair value of derivative financial instruments	(38)	–
– Spreading of fixed rental increases	(1,009)	(856)
– Refinancing cost amortisation	250	454
– Depreciation	2	–
– Finance expense - swap break expense	–	3,680
– One-off transaction costs	–	889
Distributable profit before current income tax	26,028	21,223
Current tax expense	(5,482)	(3,580)
Distributable profit after current income tax	20,546	17,643
Pre-demerger distributable profit after current income tax	–	2,912
Post-demerger distributable profit after current income tax	20,546	14,731
Distributable profit after current income tax	20,546	17,643
Adjustments to funds from operations:		
Maintenance capital expenditure	(2,039)	(1,350)
Adjusted Funds From Operations (AFFO)	18,507	16,293
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	261,772	188,619
Basic and diluted distributable profit after current income tax per share – weighted (cents)	7.85	9.35
AFFO basic and diluted distributable profit after current income tax per share – weighted (cents)	7.07	8.64

Note 7: Dividends Paid and Proposed

	2018 \$000	2017 \$000
The following dividends were declared and paid during the year:		
Dividend paid to Stride prior to demerger	–	1,205
Q4 2017 Final dividend 2.06 cents (Q4 2016 nil)	5,392	–
Q1 2018 Interim dividend 1.86 cents (Q1 2017 nil)	4,869	–
Q2 2018 Interim dividend 1.86 cents (Q2 2017 1.38 cents)	4,869	3,612
Q3 2018 Interim dividend 1.86 cents (Q3 2017 1.91 cents)	4,869	5,000
Total dividends paid	19,999	9,817

Dividends are recognised as a liability in Investore's financial statements in the period in which the dividends are approved. Subsequent to balance date, the Board approved the Q4 2018 Final dividend of 1.88 cents per share (note 20).

Supplementary dividends of \$49,928 (2017: \$17,280) were paid to shareholders not resident in New Zealand for which Investore received a foreign investor tax credit entitlement.

Note 8: Statement of Cash Flows Reconciliation

Cash and cash equivalents include cash in hand and deposits held at call with banks. These assets are short term in nature and the carrying value is approximate to their fair value. Cash and cash equivalents are classified as loans and receivables. They are subsequently measured at amortised cost.

	2018 \$000	2017 \$000
Reconciliation of profit after income tax attributable to shareholders to net cash flows from operating activities:		
Profit after income tax attributable to shareholders	46,170	28,516
Add/(less) non-cash items:		
Movement in deferred tax (note 12)	1,201	(1,320)
Net change in fair value of investment properties	(23,135)	(13,720)
Gain on disposal of investment properties	(2,895)	–
Movement in fair value of derivative financial instruments (note 13)	(38)	–
Accrued interest movement in derivative financial instruments (note 13)	21	–
Amortisation of borrowing costs	250	(446)
Depreciation	2	–
Movement in impairment provision (note 10)	44	–
Spreading of fixed rental increases	(1,009)	(856)
	20,611	12,174
Less activity classified as investing activity:		
Movement in working capital items relating to investing activities	(1,002)	(180)
	19,609	11,994
Add activities classified as financing activity:		
Refinancing of bank borrowings	–	898
Finance expense – swap break expense	–	3,680
	19,609	16,572
Movement in working capital:		
Decrease/(increase) in trade and other receivables	134	(300)
Increase in prepayments and other current assets	(695)	(167)
Increase in trade and other payables	2,535	1,393
(Decrease)/increase in tax payable	(142)	700
Net cash provided by operating activities	21,441	18,198

Note 9: Investment Properties

Investment properties comprise land, buildings and improvements that 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 every year 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 changes in fair value of investment properties. Subsequent expenditure is charged 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.

Lease incentives 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.

Investment properties are de-recognised when they have been disposed of. The net gain or loss on disposal of investment property is calculated as the difference between the carrying amount of the investment property 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.

Investment properties are not depreciated for accounting purposes. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered valuation exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building.

	2018 \$000	2017 \$000
Opening balance	660,430	287,000
Acquisitions	79,887	-
Disposals	(29,319)	-
Net change in fair value	23,135	13,720
Reduction in purchase price	(711)	-
Property acquisition costs	170	937
Subsequent capital expenditure	3,729	3,567
Spreading of fixed rental increases	1,009	856
Stride Property Group investment properties transferred	-	86,950
SCA investment properties acquired	-	267,400
Closing balance	738,330	660,430

Investore acquired properties in Timaru at 12 Heaton Street, on 19 July 2017 for \$430,000, and at 6 and 8 Heaton Street, for \$957,280 on 8 November 2017. These sites are immediately adjacent to the property already owned by Investore in Timaru at the corner of Victoria & Browne Streets. The combined sites are reported as ‘corner Victoria & Browne Streets, Timaru’.

On 28 February 2018, Investore acquired three Bunnings operated properties from Stride Property Limited, at Hamilton, Rotorua and Palmerston North, for \$78.5 million.

In March 2018, Investore settled on the disposals of the Fresh Choice property at 64 Gorge Road, Queenstown, and the Countdown supermarket at 17 Chappie Place, Christchurch, with the resulting gain on disposals of \$2.895 million reflected in the statement of comprehensive income.

When Investore purchased the property at 35a St Johns Road, Auckland, there was an amount held in retention, relating to an operating expense recovery shortfall. The retention had a release period of 24 months from the date of the agreement, and elapsed on 22 September 2017, resulting in a reduction of \$711,168 in the purchase price.

In the prior financial year, Investore acquired six large format retail properties from Stride Property Group, for a total consideration of \$86.95 million, between April and June 2016. Investore further acquired another fourteen large format retail properties from Shopping Centres Australasia Property Group Trustee NZ Limited (SCA) for a total consideration of \$267.4 million, with six properties acquired on 12 July 2016 and a further eight properties acquired on 28 September 2016.

Note 9: Investment Properties (continued)

Capital expenditure consists of fit-outs and other physical enhancements to the investment properties, with ownership of such capital amounts being retained by Investore.

Capital expenditure commitments contracted for

As at 31 March 2018, Investore had the following major commitments:

- \$2,608,845 (2017: \$nil) in total for various capital expenditure works to be undertaken on a number of investment properties over the next twelve months.

Subsequent to balance date, Investore has committed to a further \$214,606 (2017: \$73,486) in total for various capital expenditure works to be undertaken on a number of investment properties in the next financial year.

Investore has no other material commitments as at balance date.

Valuation basis

The fair value of an investment property represents the estimated highest or best use value for which an investment property could be sold on the date of valuation in an orderly transaction between market participants.

The accepted methods for assessing the current market value of an investment property are the Income Capitalisation and the Discounted Cash Flow approaches. Valuations of investment properties which are not yet complete are based on an independent valuer’s assessment of the fair value at completion and adjusted to reflect the stage of completion of a project and the costs to complete.

Each approach derives a value based on market inputs, including:

- recent comparable transactions;
- forecast future rentals, based on the actual location, type and quality of the investment properties, 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;
- maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life; and
- appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cash flows.

The Income Capitalisation approach is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Capital 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 costs.

The Discounted Cash Flow approach adopts a ten year investment horizon and makes appropriate allowances for rental income growth and leasing costs on expiries, with an estimated terminal value at the end of the investment period. The Present Value is a reflection of market based income (inflows) and expenditure (outflows) projections over the ten year period discounted at a rate of return referred to as a discount rate. In selecting the discount rate at which cash flows are to be present valued, 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.

The 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 no valuer values the same investment property for more than three consecutive years. The investment properties have been valued by Savills (NZ) Limited (Savills), CIVAS Limited (Colliers), CBRE Limited (CBRE) and Jones Lang LaSalle Limited (JLL). All valuations are dated effective 31 March.

Note 9: Investment Properties (continued)

Valuation basis (continued)

At each reporting date, Stride Investment Management Limited's (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 valuation.

Breakdown of valuation by valuer	2018 \$000	2017 \$000
CBRE	30,500	–
Colliers	257,900	296,400
JLL	155,850	72,950
Savills	294,080	291,080
	738,330	660,430

Investore fair values the investment properties by way of the following fair value measurement hierarchy 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.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. During the period, there were no transfers of investment properties between levels of the fair value hierarchy.

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

Significant input	Description	Fair value measurement sensitivity to significant:		Valuation method
		Increase in input	Decrease in input	
Market capitalisation 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, weighted average lease term (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 & 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

Note 9: Investment Properties (continued)

Valuation basis (continued)

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 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.

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

	Market capitalisation rate	Discount rate	Market rental \$/sqm	Rental growth rate (average 10 years)
As at 31 Mar 18	5.13%-10.00%	5.13%-10.25%	105-372	1.00%-4.01%
As at 31 Mar 17	5.25%-9.50%	7.00%-11.00%	137-373	0.85%-4.01%

Note 9: Investment Properties (continued)

Valuation basis (continued)

The following tables provide a summary of the valuation of the individual investment properties, their market cap rate, occupancy and WALT for the purposes of providing further detail of the assets which are considered to be the most relevant to the operations of Investore.

	Valuer	2018 \$000	Market cap rate %	Occupancy %	WALT years
24 Anzac Road, Auckland	Savills	22,210	5.63	100.0	16.9
326 Great South Road, Auckland	Savills	31,000	5.50	100.0	16.9
35a St Johns Road, Auckland	Savills	21,400	6.00	100.0	16.9
507 Pakuranga Road, Auckland	Savills	18,000	5.88	100.0	16.9
3 Averill Street, Auckland	Savills	16,400	7.00	100.0	15.2
Cnr Church & Selwyn Streets, Auckland	Savills	10,600	6.00	100.0	6.9
66 Studholme Street, Morrinsville	Savills	6,500	6.50	100.0	6.9
47 Bay Road, Wellington	Savills	11,100	6.38	100.0	16.9
91 Johnsonville Road, Wellington	Savills	20,800	6.63	100.0	11.6
14 Russell Street, Upper Hutt	Savills	9,900	6.88	100.0	6.9
261 High Street, Lower Hutt	Savills	18,000	6.38	100.0	16.9
51 Arthur Street, Blenheim	Savills	11,400	6.38	100.0	16.9
87 - 97 Hilton Street, Kaiapoi	Savills	13,500	6.25	100.0	16.9
219 Colombo Street, Christchurch	Savills	19,050	6.00	100.0	16.9
Cnr Victoria & Browne Streets, Timaru	Savills	12,220	6.18	100.0	15.1
13 - 19 Queen Street, Upper Hutt	Savills	10,400	6.50	100.0	16.9
309 Cumberland Street, Dunedin	Savills	19,300	6.13	100.0	16.9
172 Tay Street, Invercargill	Savills	22,300	6.25	100.0	15.5
Cnr Anglesea & Liverpool Streets, Hamilton	JLL	5,800	10.00	100.0	0.8
230 - 240 Fenton Street, Rotorua	JLL	16,150	6.88	100.0	2.4
78 Courtenay Street, New Plymouth	JLL	27,500	6.00	100.0	11.5
9 Gloucester Street, Napier	JLL	16,250	5.88	100.0	11.5
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	CBRE	30,500	5.13	100.0	12.0
35 MacLaggan Street, Dunedin	JLL	10,650	7.75	100.0	3.3
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers	13,900	6.50	100.0	12.8
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers	25,600	6.25	98.7	13.3
Cnr Hukanui & Thomas Roads, Hamilton	Colliers	16,000	6.50	100.0	12.2
226 Great South Road, Auckland	Colliers	38,800	6.25	100.0	9.6
3 - 7 Mill Lane, Warkworth	Colliers	21,800	6.00	98.0	14.0
Cnr Bridge & Anglesea Streets, Hamilton	Colliers	18,500	6.13	100.0	15.1
323 Andersons Bay Road, Dunedin	Colliers	18,300	6.38	100.0	14.7
Cnr Butler & Kerikeri Roads, Kerikeri	Colliers	18,100	6.50	100.0	14.7
Cnr Putaitai Street & Main Road, Nelson	Colliers	12,000	6.50	100.0	14.7
40 - 50 Ivory Street, Rangiora	Colliers	16,100	6.50	100.0	14.7
Cnr Rolleston & Masefield Drives, Rolleston	Colliers	18,700	6.38	100.0	14.7
112 Stoddard Road, Auckland	Colliers	23,200	6.00	100.0	9.9
3 Main Road, Wellington	Colliers	16,900	6.25	100.0	15.0
446 Te Rapa Road, Hamilton	JLL	28,000	5.88	100.0	11.7
Cnr Tremaine Avenue & Railway Road, Palmerston North	JLL	26,250	5.75	100.0	11.7
24 - 48 Old Taupo Road, Rotorua	JLL	25,250	6.00	100.0	11.7
Total		738,330	6.19	99.9	13.1

The market cap rate %, occupancy % and WALT years for the total of investment properties are weighted averages.

Note 9: Investment Properties (continued)

Valuation basis (continued)

	Valuer	2017 \$000	Market cap rate %	Occupancy %	WALT years
24 Anzac Road, Auckland	Savills	21,940	5.75	100.0	17.9
326 Great South Road, Auckland	Savills	30,280	5.75	100.0	17.9
35a St Johns Road, Auckland	Savills	21,400	6.00	100.0	17.9
507 Pakuranga Road, Auckland	Savills	17,600	6.00	100.0	17.9
3 Averill Street, Auckland	Savills	16,600	7.00	100.0	16.3
Cnr Church & Selwyn Streets, Auckland	Savills	10,500	6.25	100.0	7.9
66 Studholme Street, Morrinsville	Savills	6,500	6.25	100.0	7.9
47 Bay Road, Wellington	Savills	10,900	6.50	100.0	17.9
91 Johnsonville Road, Wellington	Savills	20,000	6.75	100.0	12.8
64 Gorge Road, Queenstown	Savills	9,900	5.75	100.0	17.9
14 Russell Street, Upper Hutt	Savills	9,100	6.88	100.0	7.9
261 High Street, Lower Hutt	Savills	16,800	6.50	100.0	17.9
51 Arthur Street, Blenheim	Savills	11,200	6.50	100.0	17.9
87 - 97 Hilton Street, Kaiapoi	Savills	12,000	6.50	100.0	17.9
219 Colombo Street, Christchurch	Savills	18,500	6.13	100.0	17.9
Cnr Victoria & Browne Streets, Timaru	Savills	8,960	6.25	100.0	17.9
13 - 19 Queen Street, Upper Hutt	Savills	9,000	6.75	100.0	17.9
309 Cumberland Street, Dunedin	Savills	18,800	6.25	100.0	17.9
172 Tay Street, Invercargill	Savills	21,100	6.50	97.6	16.7
Cnr Anglesea & Liverpool Streets, Hamilton	JLL	6,200	9.50	100.0	1.8
230 - 240 Fenton Street, Rotorua	JLL	15,000	7.25	100.0	3.4
78 Courtenay Street, New Plymouth	JLL	26,000	6.25	100.0	12.5
9 Gloucester Street, Napier	JLL	15,500	6.13	100.0	12.5
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	Colliers	28,700	5.25	100.0	12.6
35 MacLaggan Street, Dunedin	JLL	10,250	8.00	100.0	4.3
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers	13,000	6.75	100.0	13.8
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers	24,700	6.25	98.7	14.3
Cnr Hukanui & Thomas Roads, Hamilton	Colliers	15,500	6.50	100.0	13.2
226 Great South Road, Auckland	Colliers	37,500	6.25	100.0	10.2
3 - 7 Mill Lane, Warkworth	Colliers	20,800	6.00	98.0	15.0
Cnr Bridge & Anglesea Streets, Hamilton	Colliers	18,500	6.13	100.0	16.1
323 Andersons Bay Road, Dunedin	Colliers	17,400	6.75	100.0	15.7
17 Chappie Place, Christchurch	Colliers	19,400	6.50	100.0	15.7
Cnr Butler & Kerikeri Roads, Kerikeri	Colliers	17,300	6.63	100.0	15.7
Cnr Putaitai Street & Main Road, Nelson	Colliers	11,900	6.63	100.0	15.7
40 - 50 Ivory Street, Rangiora	Colliers	15,200	6.75	100.0	15.7
Cnr Rolleston & Masefield Drives, Rolleston	Colliers	17,200	6.63	100.0	15.7
112 Stoddard Road, Auckland	Colliers	23,100	6.00	100.0	10.9
3 Main Road, Wellington	Colliers	16,200	6.50	100.0	16.0
Total		660,430	6.36	99.8	14.3

The market cap rate %, occupancy % and WALT years for the total of investment properties are weighted averages.

Note 10: Trade and Other Receivables

Trade and other receivables are initially recognised and carried at their fair value plus directly attributable costs, and subsequently measured at amortised cost less impairment losses. An impairment provision 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. No bad debts have been written off in the respective periods.

	2018 \$000	2017 \$000
Current		
Trade and other receivables	278	412
Less impairment provision	(44)	-
	<u>234</u>	<u>412</u>
Carrying amount	234	412
Less than 30 days overdue	148	209
Over 30 days overdue	130	203
Less impaired assets	(44)	-
Movement in impairment provision		
Opening balance	-	-
Impairment provision	(44)	-
Closing balance	(44)	-

Note 11: Trade and Other Payables

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.

	2018 \$000	2017 \$000
Current		
Unsecured liabilities		
Trade payables	2,357	681
Related party payables (note 17)	4	37
Sundry creditors and accruals	2,447	1,555
	<u>4,808</u>	<u>2,273</u>

Note 12: Income Tax

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

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:

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

Note 12: Income Tax (continued)

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 (note 9) 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 current tax assets against current tax liabilities 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.

	2018 \$000	2017 \$000
The income tax expense is represented by		
Current tax	(5,482)	(3,580)
Deferred tax	(1,201)	1,320
Income tax expense per the statement of comprehensive income	(6,683)	(2,260)
Profit before income tax	52,853	30,776
<i>Prima facie income tax using the company tax rate of 28%</i>	(14,799)	(8,618)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	6,478	3,842
Gain on disposal of investment properties	811	-
Movement in fair value of derivative financial instruments	11	-
Non-taxable income	283	240
Depreciation	1,743	1,767
Non-deductible expenses	(16)	(262)
Temporary differences	41	(45)
Depreciation recovered on disposal of investment property	(33)	-
Deductible loss on disposal of investment property	67	-
Under-provision in prior year	(68)	-
Finance expenses – swap break expense	-	(504)
Current tax expense	(5,482)	(3,580)
Depreciation	(1,160)	1,276
Other	(41)	44
Deferred tax (charged)/credited to profit or loss	(1,201)	1,320
Income tax expense per the statement of comprehensive income	(6,683)	(2,260)
Imputation credits available for use in subsequent reporting periods	1,396	1,408

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.

	2018 \$000	2017 \$000
Gross movement in net deferred tax asset		
Opening balance	538	796
(Charged)/credited to profit or loss	(1,201)	1,320
Credited/(charged) to other comprehensive income	817	(1,578)
Closing balance	154	538

Note 12: Income 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	–
	(780)	–	780	–
	538	(1,201)	817	154
	2016 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2017 \$000
Deferred tax assets				
Depreciation on investment properties	–	1,264	–	1,264
Other temporary differences	10	44	–	54
Derivative financial instruments	798	–	(798)	–
	808	1,308	(798)	1,318
Deferred tax liabilities				
Depreciation on investment properties	(12)	12	–	–
Derivative financial instruments	–	–	(780)	(780)
	(12)	12	(780)	(780)
	796	1,320	(1,578)	538

Note 13: Derivative Financial Instruments

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.

At balance date, the outstanding interest rate derivative contracts were:

	2018 \$000	2017 \$000
Notional value of interest rate swaps – fixed rate payer – start dates commenced	230,000	220,000
Notional value of interest rate swaps – fixed rate receiver – forward starting	25,000	–
	255,000	220,000

Investore typically designates its interest rate derivatives as hedges of the interest flows on its variable rate borrowings. These are cash flow hedges. 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.

Note 13: Derivative Financial Instruments (continued)

At balance date, if the floating interest rates on hedged bank borrowings had been 1% higher, with other variables remaining constant, equity would have been \$5,325,400 (2017: \$7,113,262) higher for the period. If the floating interest rates on hedged bank borrowings had been 1% lower, with other variables remaining constant, equity would have been \$5,756,104 (2017: \$7,583,706) lower for the period. This represents the change in the fair value of interest rate derivatives. There would have been no material impact on profit during the period. The interest rate sensitivity analysis is performed by using an instantaneous parallel shift in the par yield curve at the testing date.

At 31 March 2018, the fixed interest rates ranged from 2.19% to 3.01% (2017: 2.18% to 3.01%), and the weighted average interest rate was 2.48% (2017: 2.42%). Gains and losses recognised in the cash flow hedge reserve in equity (note 15) on interest rate derivative contracts as at 31 March 2018 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.

Subsequent to balance date, Investore issued \$100 million of fixed rate bonds with a 6 year term expiring 18 April 2024 (note 20). On 21 March 2018, Investore entered into a \$25 million forward start fixed rate receiver swap for the duration of the bond. The effect of the fixed rate receiver swap is to convert a portion of the \$100 million bond to floating interest rate. The receiver swap was unhedged, and two \$15 million swaps were de-designated at this time, based on a last in, first out approach, resulting in a fair value loss of \$101,439 being recognised on the statement of comprehensive income from the date of de-recognition to balance date. This offset the fair value gain on the receiver swap of \$139,253, to give a net gain of \$37,814.

As at 31 March 2018, the fair value of the interest rate derivatives was a liability of \$239,622, including an accrued interest liability of \$107,101 (2017: asset of \$2,702,054, including an accrued interest liability of \$85,917).

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 (2017: 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 2018 of between 1.96%, for the 90-day BKBM, and 3.06%, for the 10-year swap rate (2017: 2.00% and 3.45%, respectively).

As at 31 March 2018, the percentage of drawn debt hedged was 75% (2017: 84%).

Note 14: Bank Borrowings

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.

	2018 \$000	2017 \$000
Non-current		
Facility drawn down	307,400	261,000
Borrowing costs	(509)	(759)
Total borrowings	306,891	260,241
Current		
Facility drawn down	307,400	261,000
Undrawn facility available	62,600	109,000
Total facility available	370,000	370,000
Weighted average interest rate for debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	4.25%	4.40%

Note 14: Bank Borrowings (continued)

As at 31 March 2018, Investore's bank facility consisted of Facility A for \$165 million expiring 9 June 2019, Facility B for \$165 million expiring 9 June 2021 and Facility C for \$40 million expiring 9 June 2020. Investore's secured 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. The security on the facilities is 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. The interest rate on the facility was 2.99% as at 31 March 2018 (2017: 3.05%).

Investore's bank debt facilities are subject to the following key covenants:

- The loan to value ratio (LVR) will not exceed 65%. Investore's bank debt margins are structured to increase if the LVR exceeds 55%, with a further step up if the LVR exceeds 60%.
- The ratio of earnings before interest and tax to total interest and financing costs must be greater than 1.75 times. Investore received a waiver from the syndicate to exclude the cost of \$3,679,860 for breaking the interest rate swaps from this ratio on the 30 September 2016 and 31 March 2017 calculation dates.
- The WALT is at all times greater than six years.

Investore has been compliant with bank covenants during the relevant periods.

Subsequent to balance date, Investore issued \$100 million of fixed rate bonds with a 6 year term expiring 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 (note 20). On 2 March 2018, the bank facility documentation was amended to take into account this bond issue, including by providing that the bond debt (as well as the bank debt) is secured by the security described above, and is taken into account in the LVR and interest cover ratio calculations described above.

Note 15: Equity

Share Capital

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 or options are shown in equity as a deduction, net of tax, from the proceeds. Investore has 261,771,833 shares authorised as at 31 March 2018. 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.

	2018 \$000	2017 \$000
Opening balance	382,247	-
Issue of shares	-	387,615
Capital raising expenses	-	(5,368)
Closing balance	382,247	382,247

	2018 Shares 000	2017 Shares 000
Opening balance	261,772	-
Issues of shares to Stride shareholders prior to the demerger	-	91,114
Issue of shares to Stride prior to the demerger	-	46,496
New capital raised on market	-	124,162
Closing balance	261,772	261,772

Investore has appointed SIML as its exclusive provider of ongoing real estate investment management services. The management agreement between Investore and SIML and Investore's Constitution each provide that, for such time as SIML is the manager of Investore, SIML will have the right to appoint two directors to the Board. Tim Storey and John Harvey have been appointed to the Board by SIML under this right.

Note 15: Equity (continued)

Share Capital (continued)

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. 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.

Under Investore's Constitution, the chairperson of the Board is a director elected by shareholders not associated with SIML and, provided the chairperson is independent of SIML, holds a casting vote in respect of the resolutions of the Board where there is an equality of votes. If SIML has appointed two directors to the Board, the chairperson must be a director who is not associated with SIML.

The Board proposed to amend Investore's Constitution at the Annual Meeting of Shareholders, held on 8 September 2017, to allow for an additional independent director to be appointed. These amendments were approved by shareholders at the Annual Meeting and Investore's Constitution was amended. A copy of the amended Constitution is available on Investore's website.

In summary, the key amendments made to the Constitution were to provide that:

- the Board will consist of a minimum of four directors and a maximum of five directors;
- where the Board consists of four directors, at least two of the directors must be independent of SIML;
- where the Board consists of five directors, at least three of the directors must be independent of SIML;
- the quorum for meetings of the Board will be three directors, irrespective of whether the directors have been appointed by SIML or by shareholders; and
- written resolutions of the Board will be valid if signed by 75% or more of the directors.

On 19 April 2018, Gráinne Troute was appointed to the Board as an Independent Director (note 20). The Board will now comprise of two Directors appointed by SIML, and three independent Directors appointed by Investore shareholders. As required by the NZX Listing Rules, Gráinne Troute will retire and stand for election by shareholders at the 2018 Investore Annual Meeting.

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.

As at 31 March 2018, Stride Property Limited has a cornerstone shareholding in Investore of 19.9%, being 52,091,786 shares. Stride Property Limited is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds.

Basic and diluted earnings per share

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.

	2018 \$000	2017 \$000
Profit after income tax attributable to shareholders	46,170	28,516
Weighted average number of shares for purpose of basic and diluted earnings per share ('000s)	261,772	188,619
Basic and diluted earnings per share – weighted (cents)	17.64	15.12

Reserve

Cash flow hedge reserve

Opening balance	2,008	(2,050)
Movement in fair value of interest rate derivatives	(2,958)	2,788
Tax on fair value movement	817	(780)
Reclassification to profit or loss – swap break expense	-	2,050
Closing Balance	(133)	2,008

Note 16: Financial Instruments and Risk Management

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.

Financial assets

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 loans and receivables. Classification is determined at initial recognition and this designation is re-evaluated at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial 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.

Loans and receivables are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method. Investore assesses at each balance date whether there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy) that a financial asset or a group of financial assets is impaired. The amount of the loss is recognised in the statement of comprehensive income.

Financial liabilities

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

Summary of financial instruments	2018 \$000	2017 \$000
Non-derivative financial assets		
<i>Classified as loans and receivables</i>		
Cash and cash equivalents	2,199	4,377
Trade and other receivables	234	412
NZX Bond	75	75
Total non-derivative financial assets	2,508	4,864
Non-derivative financial liabilities at amortised cost		
Trade and other payables	4,808	2,273
Bank borrowings	306,891	260,241
Total non-derivative financial liabilities	311,699	262,514
Interest rate derivative at fair value – asset	494	2,714
Interest rate derivative at fair value – liability	(788)	(12)
Total derivative financial instruments used for hedging	(294)	2,702
Interest rate derivative at fair value – asset	153	–
Interest rate derivative at fair value – liability	(99)	–
Total derivative financial instruments at fair value through profit or loss	54	–
Total derivative financial instruments	(240)	2,702

Note 16: Financial Instruments and Risk Management (continued)

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 cooperation 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.

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 14). Borrowings issued at variable rates expose Investore to cash flow interest rate risk. Borrowings issued at fixed rates expose Investore to fair value 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. Such interest rate derivatives have the economic effect of converting borrowings from floating to fixed rates. Under the interest rate derivatives, Investore agrees with other parties to exchange, at quarterly intervals, the difference between floating contract rates and fixed rate interest amounts calculated by reference to the agreed notional principal amounts. 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 13 and it is acknowledged that there will be fluctuations in their economic value as a result of changes in market interest rates.

At balance date \$77.4 million (2017: \$41.0 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 \$557,280 (2017: \$295,200) after-tax respectively.

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

	2018 \$000	2017 \$000
Financial assets		
Cash and cash equivalents	2,199	4,377
NZX Bond	75	75
Financial liabilities		
Bank borrowings	307,400	261,000

The interest rate applicable at balance date for cash and cash equivalent balances was 1.25% (2017: 1.25%), for the NZX Bond was 1.25% (2017: 1.25%) and for bank borrowings was 3.69% (2017: 3.79%). The weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings at balance date was 4.25% (2017: 4.40%).

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.

Note 16: Financial Instruments and Risk Management (continued)

Credit risk

In the normal course of business, Investore incurs credit risk from trade receivables and transactions with financial institutions.

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. 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. Amounts which are past due are not considered impaired as the majority are due from tenants who have demonstrated a good past payment history.

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 by Standard & Poor's.

Investore is not exposed to any other concentrations of credit risk.

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 banking covenants per Investore's syndicated lending facility.

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 14. 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 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)
31 Mar 17						
Trade and other payables	2,273	2,273	–	–	–	–
Secured bank borrowings	290,301	5,215	5,215	10,430	269,441	–
Derivative financial instruments	3,666	412	399	797	1,832	226
	296,240	7,900	5,614	11,227	271,273	226

Capital risk management

Investore's capital structure includes debt and equity, comprising shares and retained earnings as shown in the statement of financial position. 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 debt.

As part of its capital risk management, Investore is required to comply with covenants imposed under its banking facility (note 14). The Board regularly monitors these covenants and provides six monthly compliance certificates to the banks as part of this process. Investore has complied with these covenants during the current and previous years.

Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash and cash equivalents, trade and other receivables, NZX bond, trade and other payables and bank borrowings.

Note 17: Related Party Disclosures

	2018 \$000	2017 \$000
The following transactions with a related party took place		
Stride Investment Management Limited (SIML)		
Asset management fee expense	(3,674)	(2,386)
Building management fee expense	(392)	(267)
Management fee expense	(4,066)	(2,653)
Accounting fee expense	(250)	(180)
Project management fee expense	(148)	(131)
Leasing fee expense	(32)	(137)
Maintenance fee expense	(27)	(10)
Disposal fee expense	(161)	–
Bond fee expense	(175)	–
Stride Property Limited		
Advance repaid to parent (prior to initial public offering)	–	(11,624)
Demerger dividend paid	–	(1,205)
Dividends paid post demerger	(3,980)	(1,714)
The following balance was payable to a related party		
SIML	(4)	(37)

On 28 February 2018, Investore acquired three Bunnings operated properties from Stride Property Limited, at Hamilton, Rotorua and Palmerston North, for \$78.5 million. In the prior financial year, Investore acquired six large format retail properties from Stride Property Group, for a total consideration of \$86.95 million, between April and June 2016.

The management services are provided under a management agreement between SIML and Investore dated 10 June 2016, (as amended by way of deed of amendment dated 8 September 2017 (Deed of Amendment)). SIML and Investore entered into the Deed of Amendment in connection with the changes approved to Investore's Constitution at the Investore Annual Meeting on 8 September 2017.

In the current year, Directors in total received dividends of \$8,081 (2017: \$3,481). Directors' fees recognised in administration expenses comprise of the following:

	2018 \$000	2017 \$000
Directors' fees	125	94
Chairman's fees	70	57
	195	151

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.

Investore does not have any employees. Accordingly, there are no senior managers of Investore who have a relevant interest in the shares of Investore.

Note 18: Operating Lease Commitments

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 (2017: 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.

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 will be renegotiated. The lease at 3 Averill Street, Auckland, expires in October 2089 and the annual lease is \$383,000.

	2018 \$000	2017 \$000
Payable		
– no later than 1 year	705	694
– later than 1 year and no later than 5 years	1,384	1,997
– later than 5 years	409	750
	2,498	3,441

Note 19: Contingent Liabilities

Investore has no contingent liabilities at balance date (2017: \$nil).

Note 20: Subsequent Events

Subsequent to balance date, Investore has committed to a further \$214,606 in total for capital expenditure works to be undertaken on investment properties in the next financial year.

On 18 April 2018, Investore issued \$100 million of fixed rate bonds with a 6 year term expiring 18 April 2024, paying an interest rate of 4.40%. The proceeds were used to repay \$100 million of Investore's bank facility.

On 19 April 2018, Gráinne Troute was appointed to the Board. Ms Troute's appointment follows an amendment to the constitution of Investore approved by shareholders at the 2017 Annual Shareholder Meeting, facilitating the appointment of an additional and third independent Director, to increase the independent representation on the Board for the benefit of shareholders and the company. The Board will now comprise of two Directors appointed by Stride Investment Management Limited, and three independent Directors appointed by Investore shareholders. As required by the NZX Listing Rules, Gráinne Troute will retire and stand for election by shareholders at the 2018 Investore Annual Meeting.

On 28 May 2018, Investore declared a cash dividend for the period 1 January 2018 to 31 March 2018 of 1.88 cents per share, to be paid on 19 June 2018 to all shareholders on Investore's register at the close of business on 12 June 2018. This dividend will carry imputation credits of 0.5334 cents per share. This dividend has not been recognised in the financial statements.

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

Note 21: Prospective Financial Information

The following is a comparison of the Prospective Base Case (PBC) financial information included in the Disclosure Information to Investore's actual results for the year ended 31 March 2018. The Actual numbers have been prepared in the same manner and on the same basis as the PBC numbers contained in the Disclosure Information.

Note 21: Prospective Financial Information (continued)

	2018 Actual \$000	2018 PBC \$000
Statement of comprehensive income		
Net rental income	44,546	43,951
Corporate expenses	(5,832)	(5,507)
Net finance expenses	(11,929)	(12,653)
Profit before other income and income tax	26,785	25,791
Profit before income tax	52,853	25,210
Income tax expense	(6,683)	(6,027)
Profit after income tax	46,170	19,183
Movement in cash flow hedges, net of tax	(2,141)	–
Total comprehensive income after tax	44,029	19,183
Statement of financial position		
Current assets	3,612	9,600
Non-current assets	739,294	648,522
Current liabilities	(6,070)	(2,927)
Non-current liabilities	(307,778)	(271,690)
Equity	429,058	383,505
Statement of cash flows		
Net cash provided by operating activities	21,441	20,671
Net cash applied to investing activities	(50,020)	(2,501)
Net cash provided by/(applied to) financing activities	26,401	(17,277)
Net (decrease)/increase in cash and cash equivalents held	(2,178)	893

Profit before other income and income tax is higher than the PBC, mainly due to the additional net income from the acquisition of the three Bunnings operated properties on 28 February 2018 (note 9) and lower finance expenses as a result of entering into new swaps in FY17 with more favourable interest rates. The PBC had assumed no further acquisitions.

Profit before income tax is \$27,643,000 higher, reflecting the revaluation movement of \$23,716,000 in investment properties, including the \$711,168 purchase price adjustment on 35a St Johns Road, Auckland (note 9), and the \$2,895,000 gain on disposal of the properties at 64 Gorge Road, Queenstown, and 17 Chappie Place, Christchurch. The PBC had assumed no increase in the portfolio value and no property disposals.

The actual movement in cash flow hedges, net of tax, of \$2,141,000 is a result of the movement in the interest rate curve as at balance date as compared to the PBC where it was assumed that there was no change.

Current assets are lower by \$5,988,000 as a result of a lower cash and cash equivalents movement of \$7,166,000 reflecting a greater utilisation of cash balances than assumed. Non-current assets are higher than assumed in the PBC, primarily as a result of the acquisition of the three Bunnings operated properties (\$78,500,000) and the properties in Timaru at 6, 8 and 12 Heaton Street (\$1,387,280), the revaluation movement in the portfolio (2017: \$14,955,000 and 2018: \$23,716,000) and the disposal of the investment properties in Queenstown and Christchurch (\$29,319,000). Current liabilities are higher by \$3,143,000, reflecting the timing of the payment of capital expenditure works incurred. Non-current liabilities are higher by \$36,088,000, comprised of higher bank borrowings of \$37,203,000, reflecting the net effect of the acquisitions and disposals of investment properties, and lower deferred tax liability of \$2,002,000 which results from the assessed valuations split between the land and building components as provided by the valuers differing from that assumed in the PBC. 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.

Equity is \$45,553,000 higher than the PBC, of which \$20,928,000 relates to the opening position as at 31 March 2017 and \$24,625,000 relates to the current year movement reflecting the higher net rental income, lower net finance expenses, fair value revaluation movement in investment properties, gain on disposal of investment properties, and the movement in cash flow hedges as explained above.

In the statement of cash flows, the higher net cash applied to investing activities reflects the acquisition and the disposal of the investment properties. The net cash provided by financing activities was \$43,678,000 higher than the PBC resulting from the net bank drawdowns of \$46,400,000 on the acquisitions less proceeds from disposals of investment properties and the use of cash on hand for capital expenditure of \$2,212,000 in FY18.



INDEPENDENT AUDITOR’S REPORT

To the shareholders of Investore Property Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- 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 financial statements of Investore Property Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 March 2018, 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.

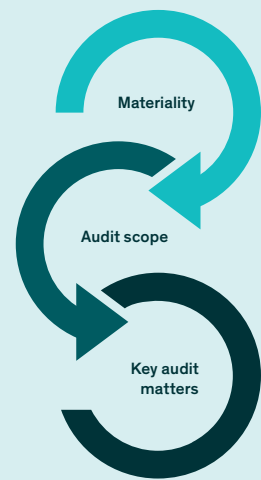
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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: \$1.48 million.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$74,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have 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	\$1.48 million.
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 judgment, 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
<p>Valuation of Investment Properties</p> <p>As disclosed in note 9 of the financial statements, the Company’s Investment Properties at \$738 million represent the majority of the assets held by the Company as at 31 March 2018.</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>	<p>External valuations</p> <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 2018.</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, Savills (NZ) Limited, CIVAS 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. 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
28 May 2018
Auckland

CORPORATE GOVERNANCE

Corporate governance is the system under which an organisation is guided, managed and measured, influencing:

- How an organisation’s objectives are achieved
- How its risks are monitored and assessed
- How its performance is optimised

Good corporate governance promotes market and investor confidence.

The Board of Directors of Investore Property Limited (defined as 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.

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. Investore also recently issued, in April 2018, senior secured fixed rate bonds which are listed on the NZ 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 assets, 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.

Best Practice Corporate Governance

The Board has adopted an overall corporate governance framework that is designed to meet best practice standards and recognises that an effective corporate governance culture is essential to Investore’s success.

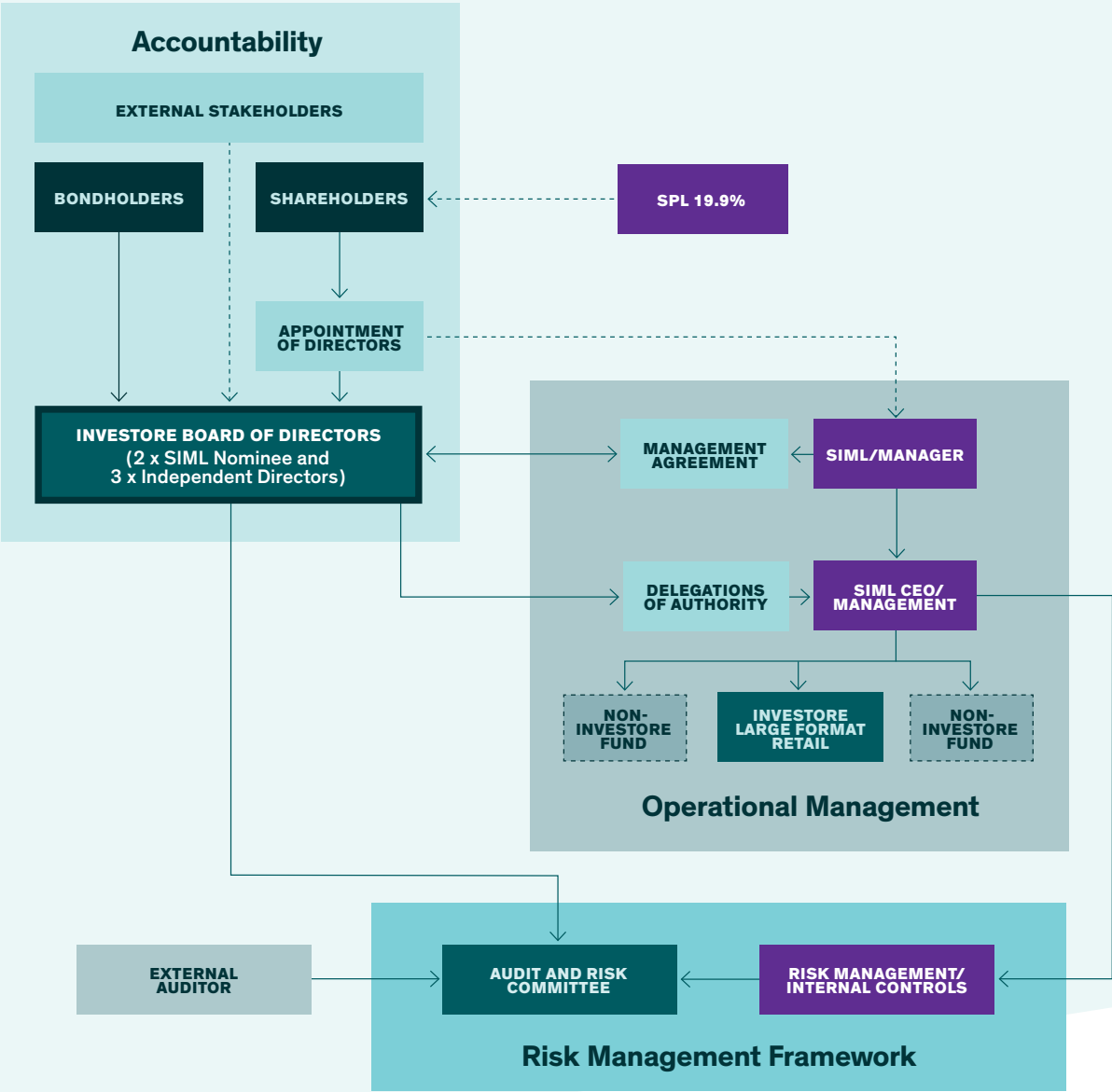
The Board reviews and assesses Investore’s governance structures and processes to ensure they are consistent with best practice standards. As part of the Board’s ongoing monitoring and review of Investore’s governance framework, the Investore Board has developed a Governance Manual (Manual) that is a feature of Investore’s governance framework. The Manual, along with the corporate governance practices of Investore, have been reviewed during the year, to reflect the new 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 2018 (FY18), together with other legal and regulatory disclosures. The governance framework for Investore and the Manager is materially consistent with the NZX Code, with some exceptions due to Investore’s external management structure and size:

- No Remuneration Committee has been established (as recommended by NZX Code Recommendation 3.3) and no Remuneration Policy has been adopted (as recommended by 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 (as recommended by NZX Code Recommendation 3.4), as this function is assumed by the whole Board which is currently comprised of five Directors, including two SIML nominee Directors.
- As there is no Chief Executive of Investore, the requirement to disclose the remuneration arrangements in place for the Chief Executive does not apply.

The governance framework is set out below in Diagram 1.

Diagram 1 – Governance Framework



Investore’s Website

For additional information on Investore’s corporate governance documents, please refer to the Investore website where the following is disclosed:

VIEW AT INVESTOREPROPERTY.CO.NZ

- Constitution
- Board Charter
- Audit and Risk Committee Charter and Audit Independence Guidelines
- Code of Ethics

- Diversity Policy
- Securities Trading Policy
- Market Disclosure Policy
- Takeovers Protocol
- Key Retail Bond Documentation

NZX PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

“Directors should set high standards of ethical behavior, model this behavior 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 maintaining 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 clients, 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 Conflicts Policy, Market 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, and 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 real or perceived conflicts of interest at an investment or interested party level is a corporate governance priority for the Board and the Manager.

The Conflicts Policy provides guidance to Directors and the Manager’s employees on the types of situations in which a conflict of interest may arise and sets out procedures for managing conflicts of interest. The purpose of the Conflicts Policy is to protect the integrity of decision-making and the reputation of Investore, the people who are engaged by it, and those who own it.

Each Director is required to fully disclose to the Board all relevant relationships he or she has with Investore and Stride and all private or other business interests (which includes relationships with competitors or third party suppliers), in order for the Board to assess a Director’s independence, or interest in any particular transaction or matter. All disclosures of interest (including the nature and extent of any interest) are recorded in the Disclosure of Interests Register for Investore, which is tabled and reviewed at the beginning of each Board meeting.

Securities Trading Policy and 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 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, and requires the written approval of the Chairman to authorise any trade. Speculative trading is also prohibited with a minimum holding period of six months imposed.

NZX PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

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

The Role of the Board and 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 focused 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 on page 62.

Diagram 2 – The Role of the Board and Manager

BOARD OF DIRECTORS	SIML AS MANAGER
<p>The function and responsibilities of the Investore Board includes:</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 senior managers, subject to specific limits of authority.• Adopting frameworks and systems designed to facilitate the business of Investore being conducted in an honest, ethical, responsible and safe manner.• 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 divestments.• 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.	<p>The function and responsibilities of the Manager includes:</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 and 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 on page 64) 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 Chairman, 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, currently Directors Mike Allen, Kate Healy and Gráinne Troute, 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.

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. In each year, the Director(s) who retire are those who have been longest in office since their last election. A Director may be appointed for further terms subject to their re-election being approved by shareholders.

During FY18, shareholders approved an amendment to Investore's Constitution to allow for an additional Independent Director to be appointed to increase the independent representation on the Board, for the benefit of shareholders and Investore. At the date of the release of this Annual Report, a third Independent Director has been appointed, Gráinne Troute. This was announced to the market on 19 April 2018 and Gráinne's appointment was to fill the vacancy that arose after shareholders approved the amendment to the Constitution. In accordance with the rules described above, Gráinne Troute will retire and stand for election at the Annual Shareholder Meeting to be held on 27 June 2018, in Auckland.

Director Independence

Investore currently has three Directors who are considered to be ‘Independent Directors’ in accordance with the NZX Listing Rules (Listing Rules) (with additional guidance provided in the Board Charter on independence), which in summary means that they are not substantial shareholders in Investore and are free of any business or other relationships 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 Chairman 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’, being SIML.

‘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; or
 - 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; or
- 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 2018, their status and date of appointment, skills and expertise, is set out on pages 10 and 11.

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 Trouté are Independent Directors.

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

Director Nomination Process and 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.

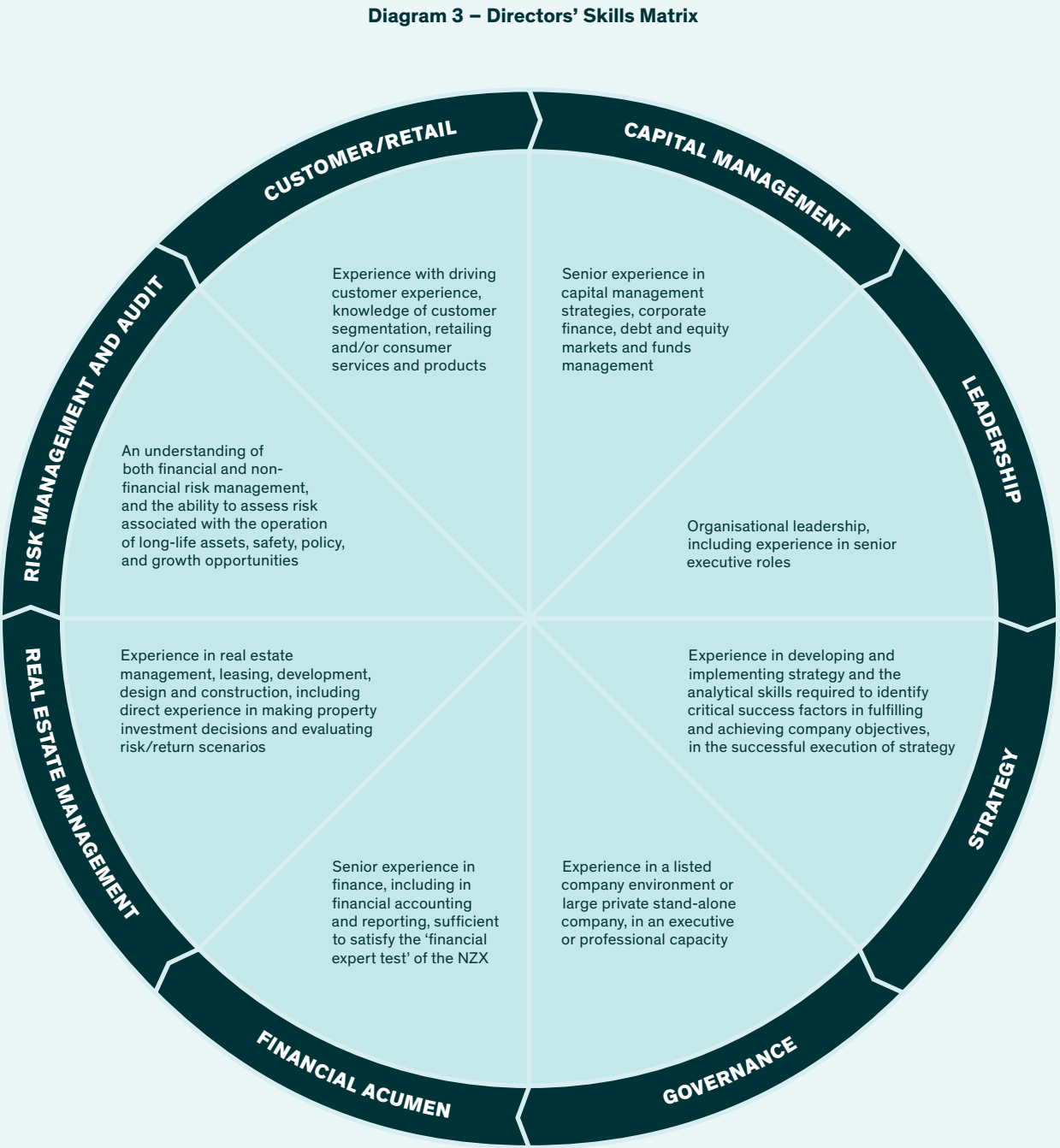
There are formal letters of appointment in place for all new non-executive Directors setting out the key terms and conditions of their appointment.

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 and 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 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 10 and 11 and on the Investore website, and provide insight into the skill set of the Board.



Professional Development, Training and 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 has in the past included 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 Chairman's consent, may seek independent professional advice at Investore's expense.

Board Self-Review

The Board undertakes an annual evaluation of its performance.

For FY18, the Board's self-review and evaluation process has been conducted utilising online questionnaires generated by the Institute of Directors in New Zealand. The Board has met to consider the report generated from the questionnaire results and identified areas for focus, to further strengthen Board process and development.





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. Investore recognises that diversity in skills, backgrounds and ideas fosters an inclusive culture where the performance of Investore is enhanced.

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.

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:

The Diversity Policy embraces four key principles:

	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

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 recently conducted a review of its Diversity Policy and will look to further evolve its strategy in these areas in FY19.

For the year in review, the Board considers that Investore has achieved its objectives under the Diversity Policy for FY18, with its progress towards achieving its objectives summarised below:

Table 1 – Diversity Objectives and Progress

Objective	Progress as at 31 March 2018
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 increases independent representation and 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	As noted above, 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.

Table 2 – Gender Composition of the Board

THE GENDER COMPOSITION OF THE INVESTORE BOARD IS AS FOLLOWS:
<ul style="list-style-type: none">As at 31 March 2018, one out of four Directors were women (25%), consistent with FY17As at 28 May 2018 (the date this Annual Report is released), two out of five Directors were women (40%)

For more information on diversity in relation to the Manager, refer to the FY18 Annual Report for Stride Property Group which can be found at www.strideproperty.co.nz

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 can 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 this Committee is set out in Diagram 4. In addition, during the year in review the Board established a Retail Bond Due Diligence Committee to assist with the processes required in connection with the issue of bonds by Investore. A summary of the role of this Committee is also set out in Diagram 4. This temporary Committee was established for a specific purpose, namely assisting with the bond issue and is no longer in operation.

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 of only four directors (five directors since 19 April 2018), 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 4 on page 71.

Details of the membership, composition and responsibilities of the Audit and Risk Committee and the Retail Bond Due Diligence Committee for FY18 is set out in Diagram 4.



¹ In addition to the Director members, non-member Directors also attended the meeting. Key SIML personnel and advisers were also members of the Retail Bond Due Diligence Committee. This committee was disestablished, following the issue of retail bonds in April 2018.

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 Chairman of the Board. All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen appropriate 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.

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 Chief Financial Officer 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.

Retail Bond Due Diligence Committee

For the year in review, a temporary Board Committee was established, named the Retail Bond Due Diligence Committee, for the purpose of providing oversight of the work associated with the issue of \$100 million senior secured fixed rate bonds issued on 18 April 2018 and quoted on NZDX from 19 April 2018. The Retail Bond Due Diligence Committee comprised two Directors, relevant external advisers and members of SIML Management.

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 6 meetings per year, at which Directors receive written reports and presentations from SIML's Chief Executive and 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 3.

Directors also visited Investore assets, 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 3 – Meeting Attendance				
	Board	Audit and Risk Committee	Retail Bond Due Diligence Committee ^{Note 2}	Strategy Day
No of meetings FY18	10	3	5	1
Mike Allen	10	3	1 ^{Note 1}	1
Kate Healy	10	3	5	1
Tim Storey	10	3 ^{Note 1}	4 ^{Note 1}	1
John Harvey	10	3	5	1

Note 1: Attendance at these meetings was in the capacity of a Director of the Board, not a committee member.

Note 2: Fixed rate bonds were issued on 18 April 2018. Some of the meetings noted occurred in FY19.

NZX PRINCIPLE 4 – REPORTING AND 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 adopted a Market Disclosure Policy to provide guidance in the area of market disclosure 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 Chairman and the Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services (who is the Disclosure Officer under the policy) of the Manager, 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.

Financial / Non-Financial 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 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.

Investore, through the Manager, regularly reviews all financial and non-financial risks, including those relating to ESG. 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 report. A key focus for FY19 is to formalise Investore's ESG policy, which currently operates on an indirect basis through its association with SIML as Manager, and the Manager's ESG policy and initiatives. As Investore has no employees of its own, and is a relatively new entity (having only listed in July 2016), it is maturing in its practices regarding ESG reporting.

For more information on the work the Manager is undertaking in this area, refer to the Stride Property Group Annual Report at www.strideproperty.co.nz

NZX PRINCIPLE 5 – REMUNERATION

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

Directors’ Remuneration

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

As signalled at the 2017 Annual Shareholder Meeting, the Chairman 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, flexible and transparent.

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.

The following people held office as Directors during the year to 31 March 2018 and received the following remuneration for the period:

Table 4 – Directors’ Remuneration	
Director	FY18 Fees
Mike Allen (Chairman)	\$70,000
Kate Healy (Chair of the Audit and Risk Committee)	\$45,000
Tim Storey	\$40,000
John Harvey	\$40,000
Total *	\$195,000

* Total Directors’ fees exclude GST and reimbursed costs directly associated with carrying out Director duties, for example travel. No additional fees were provided to Directors who were members of the Retail Bond Due Diligence Committee.

Other Remuneration

As Investore has no employees, the external management arrangement with SIML means that all remuneration costs of those employees of the Manager who assist with the day-to-day management of Investore, are met by SIML as their employer and not Investore.

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 approved and Investore endorsed Conflicts Policy, Investment Mandates and Delegations of Authority Policy. 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 sustained success of Investore.

The Investore Board actively monitors health and safety risks and performance through regular Board reporting. Investore owns properties that are occupied and managed by the tenant, and so the tenant has the daily interface with members of the public and manages direct health and safety risks related to its own operations. Investore works closely with the tenants to ensure that the risks that it is responsible for, which relate to the building structure and services provided by Investore, do not cause harm to workers and members of the public using facilities, with Investore and the tenant coordinating their efforts in relation to health and safety appropriately.

The Manager's employees make regular visits to each site to undertake safety observations and to meet with the tenant's employees to discuss, among other things, any health and safety risks and how the tenant, Investore and SIML as Manager, can work together to eliminate or minimise risks to health and safety.

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 meets at least twice a year with the external auditors, with the opportunity to meet without any members 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 AND RELATIONS

“The board should respect the rights of shareholders and foster 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. Shareholders and bondholders 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 within Investore.

Investore is committed to notifying the market of any material information related to its operations 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 preliminary 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 and best practice in this area.

Investore’s Website and Material

Investore’s website is used actively 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.

Reporting to shareholders is provided 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 Report and Interim Report are available electronically on Investore’s website and shareholders 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).

Investore encourages shareholders to provide email addresses to enable the receipt of shareholder communication by electronic means, with 29% of Investore’s shareholders electing to receive communication electronically as at 31 March 2018.

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.

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 28 days prior to the Annual Shareholder Meeting, as recommended by the NZX Code.

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 Chairman 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 auditors’ report.

The next Annual Shareholder Meeting for Investore is scheduled to be held on 27 June 2018, 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 5.

Table 5 – Interests Register Entries

Director ¹	Position	Company
Mike Allen (Chairman)	Director	Godfrey Hirst NZ Limited
	Director	Breakwater Consulting Limited
	Director	Canterbury Spinners Limited
	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
Kate Healy	Chief Operating Officer	Ngati Whatua Orakei Whai Rawa Limited ⁽²⁾
	Director	Keystone Nominees Limited ⁽²⁾
	National Councillor	Property Council New Zealand ⁽²⁾
Tim Storey	Chairman	Stride Property Limited and Stride Investment Management Limited
	Director	Stride Holdings Limited
	Director	Diversified NZ Property Fund Limited
	Director	Reading New Zealand Limited
	Director	Reading Properties New Zealand Limited
	Director	Reading New Lynn Limited
	Director	Reading Dunedin Limited
	Director	Farming New Zealand Limited
	Director	Farming NZ Management Limited
	Director	Prolex Limited
	Director	Prolex Investments Limited
	Director	Prolex Management Limited
	Chairman	JustKapital Limited
	Director	JustKapital Litigation (NZ) Partners Limited
John Harvey	Director	Stride Property Limited and Stride Investment Management Limited
	Director	Stride Holdings Limited
	Director	Port of Otago Limited ⁽²⁾
	Director/Shareholder	Pomare Investments Limited
	Chairman	New Zealand Opera Limited
	Director	Kathmandu Holdings Limited
	Director	Heartland Bank Limited
	Director	Chalmers Property Limited ⁽²⁾
	Director	Ballance Agri-Nutrients Limited ⁽²⁾

1. The appointment of Gráinne Troute on 19 April 2018 was outside the reporting period.
2. Entries removed by notices given by Directors during the year ended 31 March 2018.

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

Director	Nature of Interest
Tim Storey	An interest in the Bunnings Transaction between Stride Property Limited and Investore Property Limited as Directors of both companies, which related to the purchase of three Bunnings properties at Hamilton, Rotorua and Palmerston North for \$78.5 million, which was approved by Investore shareholders on 8 February 2018 and settled on 28 February 2018.
John Harvey	

Directors of Subsidiary Companies

Investore Property Limited had no subsidiaries as at 31 March 2018.

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 FY18, 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 FY18.

Directors’ Interests in Shares

Directors disclosed the following relevant interests in Investore shares as at 31 March 2018:

Director	Relevant interest held in ordinary shares
Mike Allen	25,000
Kate Healy	17,500
Tim Storey	31,638
John Harvey	31,368

Twenty Largest Registered Shareholders as at 31 March 2018 *

Name	Number of shares	% of shares
Stride Property Limited	52,091,786	19.89
HSBC Nominees (New Zealand) Limited - NZCSD	19,660,300	7.51
ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	17,668,740	6.74
Accident Compensation Corporation – NZCSD	13,399,157	5.11
Forsyth Barr Custodians Limited	12,473,099	4.76
JBWere (NZ) Nominees Limited	11,902,210	4.54
National Nominees New Zealand Limited – NZCSD	11,574,227	4.42
BNP Paribas Nominees (NZ) Limited – NZCSD	9,427,632	3.60
Citibank Nominees (New Zealand) Limited – NZCSD	7,299,698	2.78
BNP Paribas Nominees (NZ) Limited – NZCSD	6,567,590	2.50
MFL Mutual Fund Limited – NZCSD	6,261,769	2.39
ANZ Wholesale Property Securities – NZCSD	5,720,140	2.18
Custodial Services Limited A/C 3	5,616,925	2.14
ANZ Wholesale Australasian Share Fund – NZCSD	5,596,504	2.13
FNZ Custodians Limited	4,485,973	1.71
Generate KiwiSaver Public Trust Nominees Limited – NZCSD	3,231,752	1.23
Custodial Services Limited A/C 2	2,912,161	1.11
Custodial Services Limited A/C 4	2,824,636	1.07
Tea Custodians Limited Client Property Trust Account - NZCSD	2,402,748	0.91
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	1,716,200	0.65
Total	202,833,247	77.48%

* 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 2018, 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%
Westpac Banking Corporation and related bodies corporate	26 September 2017	15,822,903	6.04%
Salt Funds Management Limited	24 October 2017	27,250,424	10.41%
Accident Compensation Corporation	15 January 2018	13,565,200	5.18%

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 above.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2018*

Ticker IPL

Size of the holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 to 499	203	3.66	62,229	0.02
500 to 999	377	6.80	272,878	0.10
1,000 to 1,999	981	17.69	1,445,247	0.55
2,000 to 4,999	1,565	28.21	5,004,575	1.91
5,000 to 9,999	1,184	21.34	8,155,883	3.12
10,000 to 49,999	1,092	19.69	20,322,416	7.76
50,000 to 99,999	80	1.44	5,274,009	2.01
100,000 to 499,999	48	0.87	7,471,292	2.85
500,000 to 999,999	6	0.11	4,114,932	1.57
1,000,000 and over	11	0.20	209,648,372	80.09
Totals	5,547	100%	261,771,883	100%

Distribution of Holders of Listed Bonds as at 30 April 2018*

Security Code IPL010

Size of the holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 to 9,999	61	7.53	325,000	0.33
10,000 to 49,999	589	72.72	11,606,000	11.61
50,000 to 99,999	96	11.85	5,685,000	5.69
100,000 to 499,999	52	6.42	7,791,000	7.79
500,000 to 999,999	3	0.37	1,828,000	1.83
1,000,000 and over	9	1.11	72,765,000	72.77
Totals	810	100%	100,000,000	100%

*Some numbers in the above tables may not sum due to rounding

Donations

Investore made no donations in the year ended 31 March 2018.

Credit Rating

As at the date of this Annual Report, Investore does not have a credit rating.

Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under Listing Rule 5.4.2 in relation to Investore during FY18.

Auditor’s Fees

As noted, PwC has continued to act as auditor for Investore and the amount payable by Investore to PwC, and audit fees and non-audit work fees undertaken in respect of FY18, are set out in Note 4 to the Financial Statements on page 33 of the Annual Report.

NZX Waivers

The following waivers from the Listing Rules were granted and/or relied on by Investore during the 12 months to 31 March 2018. A copy of these waivers is available at www.nzx.com/companies/IPL

• Listing Rule 1.8.6

Listing Rule 1.8.6, such that Investore is not an Associated Person of SIML pursuant to Listing Rule 1.8.5 and therefore, Investore is not a Related Party of SIML (as these terms are defined in the Listing Rules).

• Listing Rules 3.3.5 to 3.3.15

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:

- The Chairman 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.

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.

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.

• Listing Rule 3.4.3

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:

- The Chairman 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.

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.

• Listing Rule 9.2.1

Listing Rule 9.2.1, to the extent required to allow Investore to enter into a variation of the Management Agreement with SIML, to reflect the proposed appointment of a third Independent Director, without obtaining shareholder approval to the variation of the Management Agreement.

Directors’ Statement

This Annual Report is dated 28 May 2018 and is signed for and on behalf of the Board of Directors of Investore Property Limited by:


.....
MIKE ALLEN
Chairman


.....
KATE HEALY
Director,
Chair of the Audit and Risk Committee

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mike Allen
John Harvey
Kate Healy
Tim Storey
Gráinne Troute

REGISTERED OFFICE

Level 12, 34 Shortland Street
Auckland 1010, PO Box 6320,
Wellesley Street, Auckland 1141,
New Zealand

W investoreproperty.co.nz

SHARE REGISTRAR

Computershare Investor Services Limited

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E enquiry@computershare.co.nz

MANAGER

Stride Investment Management Limited

Level 12, 34 Shortland Street
Auckland 1010
PO Box 6320, Wellesley Street
Auckland 1141, New Zealand

T +64 9 912 2690

LEGAL ADVISERS

Bell Gully

Level 21, Vero Centre
48 Shortland Street
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

FY19 CORPORATE CALENDAR FOR INVESTORE

2018

2019

MAY

FY18 Annual Results

FY18 Annual Report
Released

FY18 Q4 Dividend
Announcement

JUN

Annual Shareholder
Meeting – 27 June

AUG

FY19 Q1 Dividend
Announcement

NOV

FY19 Half
Year Results
Announcement

FY19 Q2 Dividend
Announcement

FEB

FY19 Q3 Dividend
Announcement

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