

# investore

Managed by Stride Investment  
Management Limited

Investore Property Limited

# Annual Report 2020

“The Board of Investore is pleased to present the Annual Report for Investore for FY20, a year in which the Company undertook a number of transactions designed to further its targeted growth strategy, while also delivering positive underlying financial performance”

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Investore has been designated as a “Non-Standard” (NS) issuer by NZX. A copy of the waivers granted by NZX from NZX Listing Rules (January 2020) 2.2.1 to 2.8.1 and 2.10.1 in respect of Investore’s “NS” designation can be found at [www.nzx.com/companies/IPL/documents](http://www.nzx.com/companies/IPL/documents)

Capitalised and technical terms are defined in the glossary on page 96, before the back cover.





# FY20 Highlights

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. Our strategy is based on four principles – active portfolio management, targeted growth, continued optimisation of the portfolio, and proactive capital management

Profit before other income/  
(expense) and income tax

**\$26.7m**

down \$0.2m from FY19 (\$27.0m)

Profit after income tax

**\$28.6m**

down \$9.9m primarily due to a lower net valuation increase (\$7.7m) compared with FY19 (\$17.2m)

Distributable profit<sup>1</sup> after  
current income tax

**\$21.1m**

up \$0.2m from FY19 (\$20.9m)

**7.60 cents**

per share cash dividend

<sup>1</sup> See glossary on page 96, before the back cover.

Note: Values above are calculated based on the numbers in the financial statements for each respective financial period and may not sum due to rounding.



# 1.

## Active Portfolio Management

Total portfolio value<sup>1</sup> of

**\$761.4m**

as at 31 March 2020<sup>2</sup>, representing a net valuation gain of **1.0%** from 31 March 2019. Valuations were impacted by COVID-19, changing by between 0% and -7.5% from draft valuations received prior to the impact of COVID-19

**40** rent reviews

completed across 125,000 sqm, resulting in a **4.0%** increase to previous rentals

# 2.

## Targeted Growth

Investore purchased or agreed to purchase five properties during FY20, for an aggregate purchase price of **\$147.7m**

	<b>Countdown</b> <b>New Brighton</b>	<b>\$5.75m</b>	<b>Settled 23 August 2019</b>
	<b>Land adjacent to existing</b> <b>Papakura Countdown</b>	<b>\$1.2m</b>	<b>Settled 19 March 2020</b>
	<b>Bunnings</b> <b>Carr Road</b>	<b>\$48.5m</b>	<b>Settled 30 April 2020</b>
	<b>Mt Wellington</b> <b>Shopping Centre</b>	<b>\$39.25m</b>	<b>Settled 30 April 2020</b>
	<b>Bay Central</b> <b>Shopping Centre</b>	<b>\$53.0m</b>	<b>Settled 30 April 2020</b>

<sup>1</sup> Excludes lease liabilities of \$11.1m.

<sup>2</sup> Due to COVID-19, Investore's 31 March 2020 valuations have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. The opinion of value has been determined at the valuation date based on a certain set of assumptions, however these could change in a short period of time due to subsequent events.

# 3.

## Continued Optimisation of the Portfolio

Refurbishment programme continuing with key tenant Countdown, including a focus on "pickup" bays, better enabling online orders

# 4.

## Proactive Capital Management

Placement and retail share offer completed in late 2019, raising

**\$77.7m** gross proceeds

Post balance date, Investore completed a further capital raising, raising

**\$105m** gross proceeds

providing funding flexibility to continue Investore's strategy to grow its portfolio

Following completion of the post balance date capital raising, and acquisition of three properties on 30 April, Investore's Loan to Value Ratio (LVR) is

**30.4%**

a reduction of **11.4%** from 31 March 2019

Refinancing of

**\$35m** of bank debt completed

**\$101m** of bank debt refinanced post balance date for a further 3 years to June 2024 and a new \$50m 5 year facility secured

### COVID-19

Investore's focus on tenants that provide 'everyday needs' to consumers means it is well placed to weather the current COVID-19 crisis

Over 80% of Investore's portfolio (including the three properties acquired from Stride Property Limited (SPL)) by Contract Rental<sup>3</sup> comprise 'essential businesses' as advised by the Government, with a limited number of leases permitting tenants to suspend or abate rental payments due to Government restrictions

<sup>3</sup> See glossary on page 96, before the back cover.







# Chair's Letter

Dear Investors,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Investore for the year to 31 March 2020.

FY20 was a positive year for Investore, and we have been very active in seeking to deliver on our strategy of targeted growth outlined in our FY19 Annual Report.

## Financial Performance

Investore's financial performance for FY20 was consistent with the prior financial year. Net rental income was higher, at \$48.1m compared with \$47.4m for FY19, which the Board considers to be very positive given that Investore settled the sale of Countdown Dunedin South on 1 April 2019, and accordingly did not receive rental income from this property for the year. On a comparative basis, excluding Countdown Dunedin South and Countdown New Brighton which was acquired in August 2019, and excluding lease expenses that are no longer treated as direct operating expenses under NZ IFRS 16, net rental income increased over the year by \$0.9m or 2.0%, demonstrating higher underlying portfolio income and reduced direct property operating expenses.

Overall, profit before other income/(expense) and income tax was marginally lower than FY19 at \$26.7m (FY19: \$27.0m). Profit after income tax was lower than FY19 due to a net valuation movement of \$7.7m for FY20 compared with a net valuation movement in FY19 of \$17.2m. This net valuation movement for FY20 of +1% is pleasing given the impact of COVID-19 on property valuations, and is the result of Investore's unique position in the New Zealand publicly listed property sector, with its singular focus on quality large format retail properties. The resilience of Investore's portfolio in the economic climate created by COVID-19 has led to the valuations remaining relatively robust. Investore's net tangible assets per share (NTA) as at 31 March 2020 was \$1.73 (FY19: \$1.70) and, taking into account the most recent capital raise and acquisition of the three properties from SPL, the NTA would be \$1.69 as at 31 March 2020 if those transactions had been completed on that date.

## Targeted Growth

During the year in review Investore acquired, or agreed to acquire, five properties, consistent with our strategy of targeted growth and acquisitions that enhance geographical and/or tenant portfolio diversification. Each of these acquisitions were approved by the Board because they enhanced the portfolio:

- Countdown New Brighton was acquired in August 2019 for a purchase price of \$5.75m. This property is well-located in an area of Christchurch that the Christchurch City Council has earmarked for redevelopment, and we believe this property will benefit from the revitalisation of the area.
- In March 2020 Investore acquired a small property adjacent to its existing Countdown in Papakura, Auckland for \$1.2m. This site had a retail structure on it which was at the end of its useful life. Following settlement, Investore has embarked upon a project to demolish the existing building and expand the Countdown carpark and improve customer access to the store. This acquisition was undertaken to meet the needs of Countdown, Investore's tenant, and is an example of Investore working with its tenants to ensure that the site meets the tenant's needs and to drive improved customer visitation where possible.
- In November 2019 Investore announced that it had agreed to acquire three large format retail properties from SPL for a total purchase price of \$140.75m. These three properties comprise a standalone Bunnings at Carr Road, Mt Roskill, Auckland, a Countdown-anchored shopping centre at Mt Wellington, Auckland, and a large format retail shopping centre, Bay Central Shopping Centre in Tauranga. The key benefits of the transaction included improving the portfolio tenant diversification with new nationally recognised tenants such as Rebel Sport, Briscoes, Hunting & Fishing and Freedom Furniture, increasing Investore's exposure to the growing regions of Auckland and Tauranga, and strengthening long-standing relationships with existing core tenants including Countdown and Bunnings.

In preparation for settlement of the acquisition from SPL, Investore obtained updated independent valuations of the three properties to be acquired, which show a decline in value of \$7.0m or -5% from that assessed at the time of entry into the sale and purchase agreement. This movement is primarily due to the impact of COVID-19 and is consistent with the valuation change seen in Investore's other properties between the initial draft and revised valuations



as at 31 March 2020. Despite the decline in valuation due to COVID-19, the Board remains confident in this acquisition, given the benefits it delivers to the Investore portfolio.

The acquisition of the three properties from SPL settled on 30 April 2020, and including these properties, Investore's portfolio is valued at \$895.2m.<sup>1</sup>

Since balance date Investore has successfully completed a capital raising, with \$105m gross proceeds received. The Board considers Investore to be conservatively funded given its property profile. It has significant capital resources available to continue its strategy of targeted growth.

## Governance

One of Investore's important governance features is majority independent Director representation on the Investore Board, with the Manager, SIML, having the right to appoint two Directors to the Board. The Board embarked on a thorough search for a third independent Director following the resignation of Director Kate Healy in May 2019. The Investore Board was very pleased to announce the appointment of independent Director Adrian Walker to the Investore Board on 3 April 2020. Adrian was previously a senior executive with Woolworths NZ, the owner of the Countdown branded supermarkets in New Zealand, responsible for their New Zealand property portfolio. Investore will benefit greatly from Adrian's thorough knowledge of the property and supermarket industries in New Zealand, as well as his strong background in financial planning and strategic management.

In addition, Investore is very pleased to participate in the Institute of Directors' "future directors" programme, a programme which seeks to encourage directorship by giving talented people the opportunity to observe a company board while giving the company exposure to the talent and benefits a different perspective can bring. Emma McDonald joined Investore as a future director on 17 April 2020 for a period of two years. The Board is pleased to be able to assist Emma with her development as a director and will benefit greatly from Emma's perspectives, given her strong project management experience.

The Board is mindful of the potential for conflicts of interest and takes a conservative position to management of conflicts of interest when they arise. During FY20, the Investore Board was conscious of carefully managing the actual and perceived conflicts of interest involved in the acquisition of the three properties from SPL, given the relationship between Investore and Stride Property Group. The Board established

an independent and robust process where shareholders would have confidence in the integrity of all aspects of the transaction process, which included:

- The independent Investore Directors negotiated the sale and purchase agreements on an arms' length basis with the board of SPL, with the assistance of independent legal advisors for Investore and for the independent Directors.
- The standing conflicts protocol was adhered to in negotiating the transaction, and a transaction-specific conflicts protocol was also adopted.
- Independent valuations of all properties were obtained by Investore from Savills (NZ) Limited, with the valuations supporting the purchase price at the time of entry into the sale and purchase agreements.
- The SIML-appointed Investore Directors, Tim Storey and John Harvey, abstained from voting on the Board approval of the transaction.

## Proactive Capital Management

One of Investore's key strategic pillars is proactive capital management, to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns for investors. The Board is actively involved in all decision-making regarding capital management and regularly assesses the business's capital position to ensure it is optimally positioned to support delivery of Investore's strategy to maximise distributions and total returns to investors over the medium to long term. During the year in review, Investore refinanced \$35m of its banking facilities, and undertook a capital raising in connection with the acquisition of the three properties from SPL, raising \$77.7m of gross proceeds. The net proceeds of the capital raising were used to pay down drawn debt while the conditions to the settlement of the acquisition were being satisfied, with debt subsequently used to fund the purchase price. The capital raise was structured to be as fair as possible to all existing shareholders and enabled almost all shareholders to participate through either the placement or the retail offer.

Since balance date, Investore has also refinanced a further \$101m of debt facilities for a further 3 years to June 2024, secured a new \$50m, 5 year facility with its banking group and introduced another bank to its syndicate, China Construction Bank, New Zealand Branch. Investore's next maturing bank debt is \$99m of facility due to mature in June 2021.

<sup>1</sup> Excludes lease liabilities. Under the sale and purchase agreement SPL is to complete seismic works of \$7m and has provided a rental guarantee of \$0.5m. The valuations of the three large format retail properties have been prepared on the basis that the seismic works had been completed, and the seismic strengthening costs and rental guarantee have been recorded as a \$7.5m non-current prepayment.

# Chair's Letter (cont)

In addition, as announced on 29 April 2020, Investore has undertaken a further capital raise, raising \$105m in gross proceeds, with the net proceeds being used to pay down debt and reduce Investore's loan to value ratio.

Following the refinancing and including the additional \$50m facility described above, Investore has \$420m of total debt facilities available, including bank facilities and bonds. Following settlement of the acquisition of the three properties from SPL and after paying down debt using the net proceeds of the most recent capital raising, Investore has a loan to value ratio of 30.4%, well within the Board's stated maximum of 48%. With \$148m of undrawn banking facility headroom available, Investore is well positioned to continue its strategy of growing its portfolio through considered acquisitions to enhance Investore's portfolio and support delivery of Investore's overall objective of maximising distributions and total returns to investors over the medium to long term.

Investore continues to consider additional capital management initiatives, if market conditions allow, which may include a second bond issue.

## The Manager and Management Fees

The Board is pleased with the level of service provided by the Manager. The Manager's relationships with Investore's tenants and its knowledge of the market has assisted Investore to secure a number of key transactions for its portfolio, including the acquisition of Countdown New Brighton and the refurbishment of a number of Countdown supermarkets. In addition, the Manager has worked hard to manage and mitigate the impact of COVID-19 on Investore while also supporting tenants where possible.

For FY20, \$6.6m of management fees were incurred to SIML, equating to 0.9% of the value of Investore's assets under management as at 31 March 2020. This is higher than FY19 fees of \$5.6m, primarily due to performance fees incurred to SIML of \$1.5m, compared with \$0.5m in FY19.

The fees paid to SIML include an asset management fee for the provision of management services, which is calculated as a percentage of the value of properties (other than development properties) per year, which percentage reduces from 0.55% to 0.45% for the value of properties above \$750m. Accordingly, as the value of Investore's portfolio grows, the marginal cost of asset management fees reduces.

The performance fee incurred to SIML during FY20 of \$1.5m is in accordance with the terms of the Management Agreement, and is calculated based on shareholder returns, including a carry forward provision<sup>1</sup>.

Consistent with its policy of reviewing fees every two years, the Investore Board intends to undertake a further review of the Manager and its performance in FY21 in accordance with the terms of the Management Agreement with SIML. This will include a review of the management fee structure to ensure it remains fair and broadly consistent with comparable listed property entities.

## 'Everyday Needs' Focus and COVID-19

Towards the end of March 2020, the key issue affecting the world was COVID-19. As investors know, New Zealand quickly moved to a lockdown state, with only 'essential businesses' (as defined on the Government's website, covid19.govt.nz) able to remain open and trading, although they were required to ensure protective physical distancing measures were in place.

Investore focusses on large format retail properties, with tenants that operate in categories that are 'everyday needs', such as supermarkets, pharmacies, and hardware stores. These types of businesses drive repeat, regular visitation to Investore's properties, and support customer visitation to other stores in centres anchored by a supermarket or other non-discretionary retail tenant. These 'everyday needs' tenants represent categories of spend that remain resilient through different market conditions.

Investore's strategy of investing solely in these large format retail properties, with nationally recognised, quality tenants that operate in the 'everyday needs' categories, has meant that COVID-19 has had a limited impact on Investore's business to date. Including the three SPL properties acquired on 30 April 2020, over 80% of Investore's portfolio is classed as 'essential businesses' as set out on the Government website covid19.govt.nz, including supermarkets, pharmacies and hardware stores, a vital part of the supply chain for New Zealanders.

In addition, Investore has a limited number of leases (by Contract Rental<sup>2</sup>) which contain contractual rights for tenants to suspend or abate rental payments due to the Government lockdown restrictions. Investore expects net revenue to remain relatively resilient in the COVID-19 environment and based on discussions to date with tenants, expects reduced gross rent receivable for FY21 as a result of COVID-19 of

between \$1m and \$2m (assuming no further deterioration in economic conditions due to COVID-19 and no further Government intervention). Investore is also discussing deferred payment arrangements with other tenants, but expects almost all deferred rental will be received within FY21.

Offset against the expected cost of COVID-19 to Investore is the expected benefit from changes made to the tax system by the Government as part of its financial support package in response to COVID-19 and its impact on the economy. The Government has reintroduced building depreciation deduction claims for property owners with commercial properties at a level of two percent a year on diminishing value, starting in April 2020. This is estimated to provide a financial benefit to Investore of approximately \$2.2m for FY21.

## Outlook

Over the coming year Investore will continue with its strategy of targeted growth to support its objective of maximising distributions and total returns to investors over the medium to long term. Investore will maintain a disciplined investment approach, focussed on opportunities that enhance the existing Investore portfolio. The Investore Board expects to continue its proactive, prudent capital management approach to support execution of its growth strategy and its objective of maximising distributions and total returns over the medium to long term.

Following the most recent capital raise in April and May 2020 and resulting lower loan to value ratio, and after allowing for the benefits of the recent acquisition of the three properties from SPL and the tax effect of the new depreciation allowances described above, before the contribution arising from any future acquisitions, and assuming no further deterioration in economic conditions due to COVID-19, Investore currently expects to pay a minimum cash dividend of 7.60 cents per share for FY21, in accordance with its dividend policy of paying between 95 and 100% of distributable profit<sup>3</sup>.

On behalf of the Board, I would like to thank investors for their continued support of Investore.



MIKE ALLEN

Chair of the Board  
Independent Director

## Investore's focus for the year ahead is:

Targeted growth to enhance the portfolio and maximise returns to investors over the medium to long term

Monitoring the impact of COVID-19, seeking to minimise the impact to Investore's business, while also assisting tenants to maintain profitable, sustainable businesses

Continue to invest in refurbishment of stores and enhancing customer visitation

Maintain disciplined capital management to allow for the execution of our strategy

<sup>1</sup> For further information on the calculation of performance fees, refer to note 4.0 within the FY20 Financial Statements, and for more information on the background to the performance fee structure, refer to the Product Disclosure Statement dated 10 June 2016 at [http://www.investoreproperty.co.nz/documents/Product\\_Disclosure\\_Statement\\_100616.pdf](http://www.investoreproperty.co.nz/documents/Product_Disclosure_Statement_100616.pdf)

<sup>2</sup> See glossary on page 96, before the back cover.



# Board of Directors



**Mike Allen**

**Chair of the Board  
Independent,  
Non-Executive Director**

*Appointed 9 June 2016  
Last elected 2019*

Mike is the independent Chair of Investore. Mike has considerable governance experience and is currently a director of Abano Healthcare Group Limited, China Construction Bank (New Zealand) Limited, Taumata Plantations Limited, and Ngai Tahu Tainui Go-Bus Holdings Limited. Prior to his governance career, he had an executive career in investment banking and general management experience in New Zealand and the United Kingdom.



**Gráinne Troute**

**Chair of the Audit and  
Risk Committee  
Independent,  
Non-Executive Director**

*Appointed 19 April 2018  
Last elected 2018*

Gráinne is an independent Director of Investore and is the Chair of the Audit and Risk Committee. Gráinne has over 30 years' experience in listed and unlisted organisations, in highly competitive and customer-focussed sectors, including McDonald's New Zealand and SKYCITY Entertainment Group. Gráinne is currently a director of Tourism Holdings Limited, Summerset Group Holdings Limited and Chair of Tourism Industry Aotearoa.



**Adrian Walker**

**Independent,  
Non-Executive Director**

*Appointed 3 April 2020*

Adrian is a very experienced commercial property executive, with over thirty years' experience in the property sector, including twenty years as the General Manager of Property at Woolworths NZ (owner of Countdown brand supermarkets). Adrian brings to Investore a deep knowledge of the property industry in New Zealand, as well as the supermarket sector, a sector that makes up a significant portion of Investore's property portfolio. Adrian has a strong background in property, financial planning and strategic management.



**Tim Storey**

**SIML Nominee and  
Non-Executive Director**

Tim has more than 30 years of experience across a range of business sectors, having practised as a lawyer in Australia and New Zealand. Tim was a partner in the Bell Gully partnership, having retired in 2006, and is Chairman of Stride Property Limited, Stride Investment Management Limited and is Chairman of ASX listed LawFinance Limited.



**John Harvey**

**SIML Nominee and  
Non-Executive Director**

John has over 35 years' professional experience as a chartered accountant, including at PricewaterhouseCoopers (PWC) where he was a partner for 23 years and held a number of management and governance roles. John retired from PWC in 2009 to pursue a career as a professional independent director. He is currently a director of Stride Property Limited, Stride Investment Management Limited, Kathmandu Holdings Limited, Heartland Bank Limited and Port of Napier Limited.



**Emma McDonald**

**Future Director**

Emma has been appointed as a future director programme participant by Investore under the Institute of Directors' future directors programme. Emma is a director of Pragmatix, a project management business, and has considerable experience in project management, having previously been in project management and bid management roles with Fletcher Construction and Shell International. Emma brings valuable experience and insights to the Investore Board, and participates in Investore Board meetings but does not vote or have any role as a director.



# Delivering on Strategy

Since listing in 2016, Investore has undertaken a number of initiatives aligned with its four strategic principles which underpin Investore's delivery of its 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

## 1.

### Active Portfolio Management

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

- 10.4 years WALT
- 99.7% occupancy by area
- 71% of leases by Contract Rental<sup>1</sup> expiring in 2030 or beyond
- Acquisitions have added new nationally recognised quality tenant brands to the portfolio, including Bunnings (acquisition in February 2018), Hunting & Fishing, Freedom Furniture, Briscoes and Rebel Sport (acquisition in April 2020)
- Continued good relationship with Countdown through programme of refurbishments that align with Countdown's store strategy

## 2.

### Targeted Growth

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

- Acquisition of three large format retail properties from SPL in April 2020 for an aggregate purchase price of \$140.75m, being Bunnings Carr Road, Mt Wellington Shopping Centre and Bay Central Shopping Centre, enhancing both the geographical and tenant diversification of the portfolio
- Acquisition of Countdown New Brighton, Christchurch, in August 2019, for \$5.75m, at an initial yield of 7.2%
- Three Bunnings properties acquired from SPL in February 2018 for a combined purchase price of \$78.5m, adding the Bunnings brand to Investore's stable of tenants and enhancing tenant diversification of the portfolio
- Sale of Countdown Dunedin South settled 1 April 2019 for \$19.3m, representing an initial yield of 6.3% and a 5.6% premium to the 31 March 2018 value
- Disposal of Countdown in Hornby, Christchurch, and Fresh Choice Queenstown completed in March 2018 for an aggregate sales price of \$32.6m, 11.3% above book value, representing a weighted average initial yield of 5.8%
- \$2.2m development in Invercargill completed in February 2017, consisting of two retail tenancies, Animates and a medical facility

## 3.

### Continued Optimisation of the Portfolio

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

- Property adjacent to existing Investore-owned Countdown Papakura acquired in March 2020 for \$1.2m, enabling expansion of carpark and improved customer access
- Bunnings has given notice of an intention to undertake capital upgrade works for Bunnings Carr Road (acquired in April 2020) to a value of up to \$6m at Investore's cost, including expansion of the trade sales area, with associated improvements rental and a new ten year lease to commence on completion
- Programme of refurbishment of existing Countdown stores agreed with General Distributors, the Countdown store operator, including improving pickup bays, helping to drive increased "click and collect" orders, improve sales and deliver customers to the centre, driving additional demand at stores within Countdown anchored centres
- Extension of Mitre 10 MEGA, Botany completed in December 2018, at a cost of \$2.8m
- Properties acquired in Timaru adjacent to existing Countdown, between July and November 2017, for an aggregate price of \$1.4m, to provide future development capacity

## 4.

### Proactive Capital Management

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

- Placement and share purchase plan completed in May 2020, raising \$105m gross proceeds
- Placement and retail offer completed in December 2019, raising \$77.7m gross proceeds
- Following completion of the latest capital raising and acquisition of the three properties from SPL, Investore's loan to value ratio is 30.4%, well within the Board's stated maximum of 48%
- Bank debt monitored and refinanced proactively. \$186m of bank debt refinanced since April 2019<sup>2</sup>. No debt maturing until June 2021, with a weighted average debt maturity of 3.3 years<sup>3</sup>
- \$100m successful inaugural retail bond issue completed April 2018
- Share buyback programme conducted over period August 2018 to May 2019, with 1.7m shares being acquired at an average price of \$1.53 per share, below the NTA per share of \$1.70 as at March 2019. The Board considered the buyback to be an efficient use of balance sheet capacity

Note: All metrics are as at 31 March 2020, as if the acquisition of the three properties from SPL had settled as at that date.

<sup>1</sup> See glossary on page 96, before the back cover.

<sup>2</sup> Includes new \$50m facility put in place in April 2020, as announced on 28 April 2020.

<sup>3</sup> As at 31 March 2020, as if the new facility and extended facility announced on 28 April 2020 had been in place at that time.

# Manager's Report

Dear Investors,

Stride Investment Management Limited (SIML) is proud to continue to support Investore in achieving its strategic objective of investing in quality, large format retail properties and actively managing shareholder's capital to maximise distributions and total returns over the medium to long term.



SIML has a team which is dedicated to management of Investore's business and also draws on other specialist support functions within SIML in order to provide the highest level of service to Investore.

The SIML team works hard to develop and nurture relationships with key Investore tenants, and this positive working relationship has led to a number of benefits for Investore during the year in review. It was due to the SIML team's relationship with Countdown operator, General Distributors Limited, that Investore was able to acquire the Countdown at New Brighton in Christchurch. This property is well located in a region that has been earmarked for development by the Christchurch City Council, and both Investore and SIML are confident that it will be a valuable investment for Investore. In connection with the acquisition, SIML, on behalf of Investore, negotiated a new nine year lease of the property to Countdown, which expires in 2028, immediately improving the value of the property.

In addition, SIML seeks, on behalf of Investore, to actively work with Countdown on refurbishments of stores across New Zealand. Three refurbishments were completed during FY20, with refurbishment of a further three stores currently underway. These refurbishments reflect a positive working relationship between SIML, on behalf of Investore, and the Countdown team, as Investore undertakes upgrades of its facilities at the same time as Countdown invests in

refurbishing the interior of the store. We continue to see a positive outcome from the refurbishments with sales from these stores outperforming the broader portfolio of Countdown supermarkets.

Investore derives turnover rental from its Countdown stores, calculated based on sales at the individual store, and with a minimum level of sales before turnover rent applies. Investore is seeing an increase in turnover rent which, while coming from a low base, is up \$0.2m or 65% to \$0.55m during the year to 31 March 2020, based on unaudited sales. Investore continues to work proactively with Countdown on initiatives to drive increased sales, thereby benefiting Investore through improved turnover rent.

SIML is also working collaboratively with Countdown on other initiatives to drive customer visitation to our properties, thereby benefiting not only Countdown but other Investore tenants in centres anchored by a Countdown supermarket. In particular, Investore is investing in improving accessibility and efficiency of the "pickup" bay, where customers can collect their "click and collect" orders. By supporting Countdown to improve the ease with which customers can collect their online orders, this will result in more people visiting centres anchored by a Countdown supermarket to collect their groceries, thereby driving increased visitation to other tenants within the centre.

As an active portfolio manager, we have completed 47 lease transactions in the 12 months to 31 March 2020, including 40 rent reviews over 125,000 sqm, resulting in a 4% increase to previous rentals. One new lease was secured and six leases were renewed, supporting Investore's 99.7% portfolio occupancy by area and long WALT<sup>1</sup>, which at 11.5 years (or 10.4 years following the acquisition of the three properties from SPL), is one of the longest in the New Zealand listed property sector.

In addition to leasing activity, SIML has also been very proud to assist Investore with its acquisitions and capital raisings undertaken during the year and following balance date. With the recent acquisitions, SIML is working to ensure these deliver value to Investore's portfolio, including by securing amenity upgrades, such as the planned expansion of Bunnings in Mt Roskill.

More recently, SIML has worked hard to understand and manage the impact of COVID-19 on Investore's portfolio. While the large proportion of Investore's portfolio has remained open and operating at all COVID-19 alert levels as 'essential businesses', SIML has worked proactively with other tenants to support them where possible during the lockdown period and following.

In conjunction with the Investore Board, SIML has been planning for the year ahead, during which Investore intends to continue its strategy of targeted growth to enhance the portfolio, and SIML looks forward to continuing to support Investore in delivering on this strategy.

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

  
**PHILIP LITTLEWOOD**

Chief Executive Officer  
Stride Investment Management Limited

  
**FABIO PAGANO**

Investore Fund Manager  
Stride Investment Management Limited

<sup>1</sup> See glossary on page 96, before the back cover.





# Benefits of Large Format Retail Property

Investore's singular and unique focus is on investing in large format retail property, a category that delivers resilient cash flows that support distributions

## Investore defines Large Format Retail property as

- A large, free-standing, usually rectangular, single floor structure on a concrete slab
- The site is well serviced by convenient vehicle access and plenty of carparking on site
- Building improvements and maintenance of the asset require straightforward enhancement and/or upkeep, with typically low lifecycle maintenance
- Sites generally have a single anchor or limited number of tenants and the majority of rental income is received from lease arrangements with nationally recognised brands and companies
- Leases are structured in order to ensure Investore has the security of long lease terms and a stable income stream, net of operating costs
- Typical anchor tenants include non-discretionary or 'everyday needs' retail

## Tenants

- Tenants are nationally recognised brands, such as Countdown, New World, Bunnings, Mitre 10, Rebel Sport, Briscoes, Hunting & Fishing, Freedom Furniture, McDonald's, Resene, Animates
- Tenants focus on 'everyday needs' categories which are resilient to market fluctuations and trends
- Anchor tenants draw people to the sites on a regular basis

## Benefits of Large Format Retail Property

- Lower total occupancy costs for tenants compared with other forms of retail in New Zealand, evidenced by average net Contract Rental<sup>1</sup> of \$228 per sqm of net lettable area across the portfolio
- Demand for tenant goods and services tends to be resilient to market trends
- Relatively low lifecycle costs of 0.3% of asset value per annum on average
- Supports Investore's objective of providing a stable and secure return to investors

<sup>1</sup> See glossary on page 96, before the back cover.

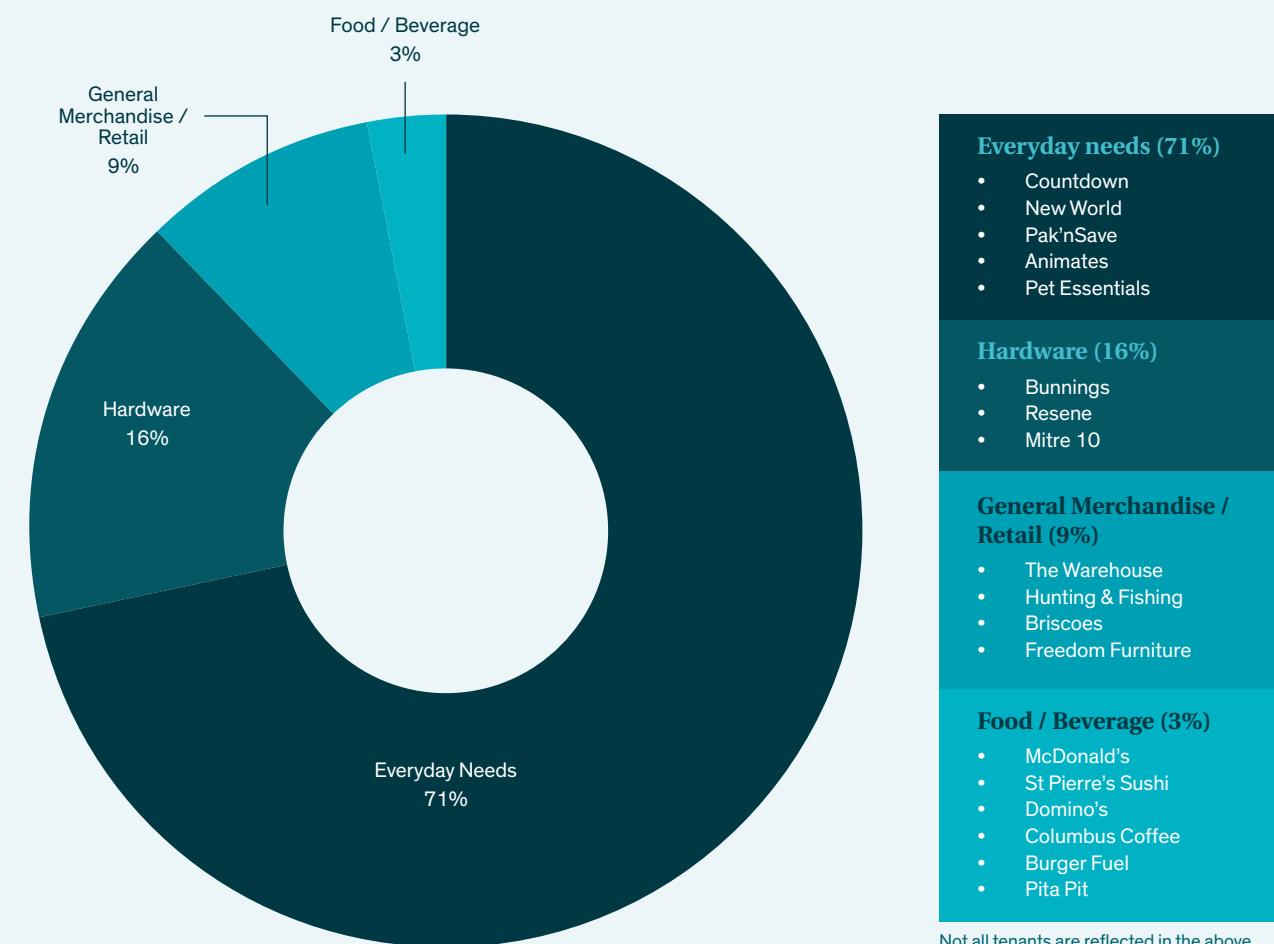
# Key Characteristics of Investore's Portfolio

- Anchor tenants contribute 87% of Contract Rental<sup>1</sup>
- 71% of Investore's portfolio by Contract Rental is categorised as 'everyday needs', drawing customers to the properties on a regular basis and providing a strong tenant proposition
- Long portfolio WALT<sup>1</sup> of 10.4 years
- 71% of leases by Contract Rental expiring in 2030 or beyond
- High occupancy rate of 99.7% by area
- Specialty retailers comprise a small proportion of Contract Rental
- Investore's portfolio comprises 59 hectares of commercial property with an average site coverage of 41%, providing future development opportunities

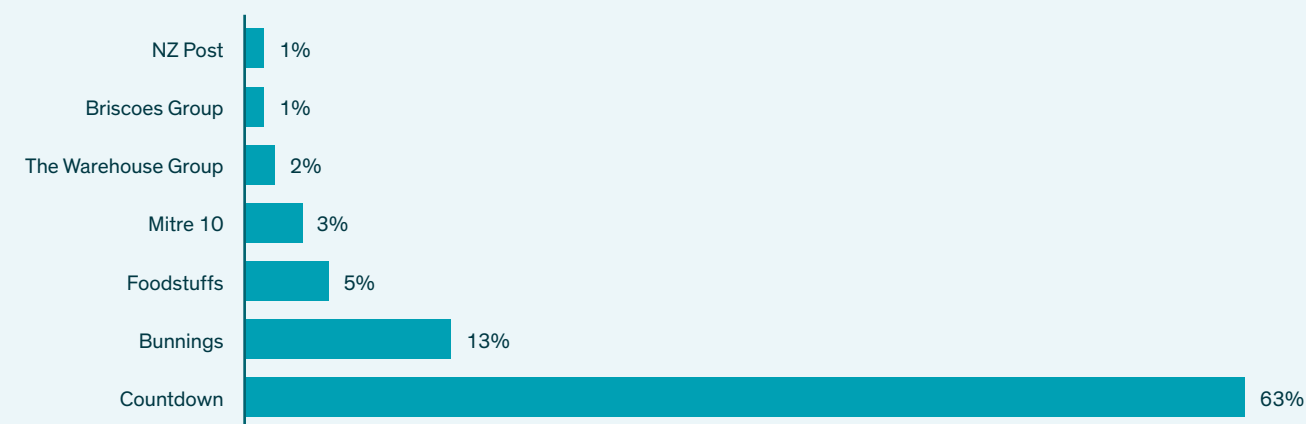
## Portfolio by Tenant Type

Type of tenant	% of portfolio by Net Lettable Area	% of portfolio by Contract Rental <sup>1</sup>
Anchor tenants	90	87
Mini-major tenants	5	6
Other retail tenants	5	7
<b>Total</b>	<b>100</b>	<b>100</b>

## Portfolio Tenant Classification<sup>2</sup>



## Anchor Tenant Concentration<sup>2</sup>



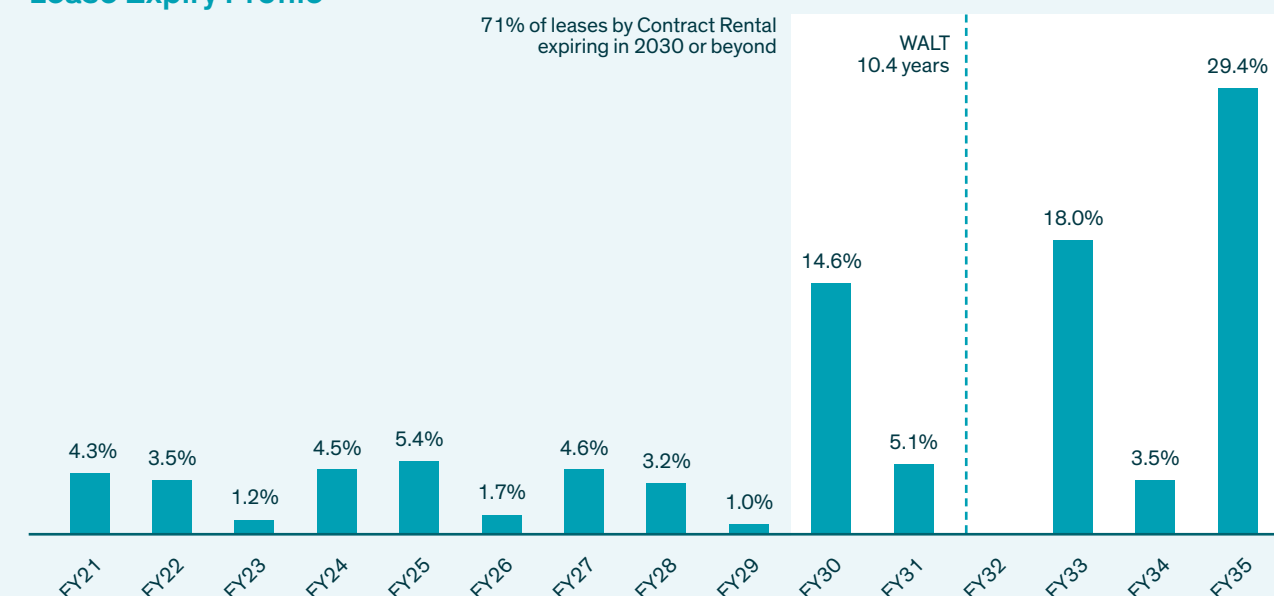
Note: All metrics are as at 31 March 2020, as if the acquisition of the three properties from SPL had settled as at that date, unless otherwise specified.

<sup>1</sup>Numbers in charts may not sum due to rounding.

<sup>2</sup> See glossary on page 96, before the back cover.

<sup>3</sup> By Contract Rental as at 31 March 2020, as if the acquisition of the three properties from SPL had settled as at that date.

## Lease Expiry Profile<sup>2</sup>





# Portfolio Summary

While Investore's portfolio is singularly focused on large format retail properties, within that category it seeks to ensure geographical diversification and diversification by tenant type. Recent transactions have reduced the concentration of Countdown within the portfolio, and increased Investore's exposure to New Zealand's growth regions of Auckland and Tauranga

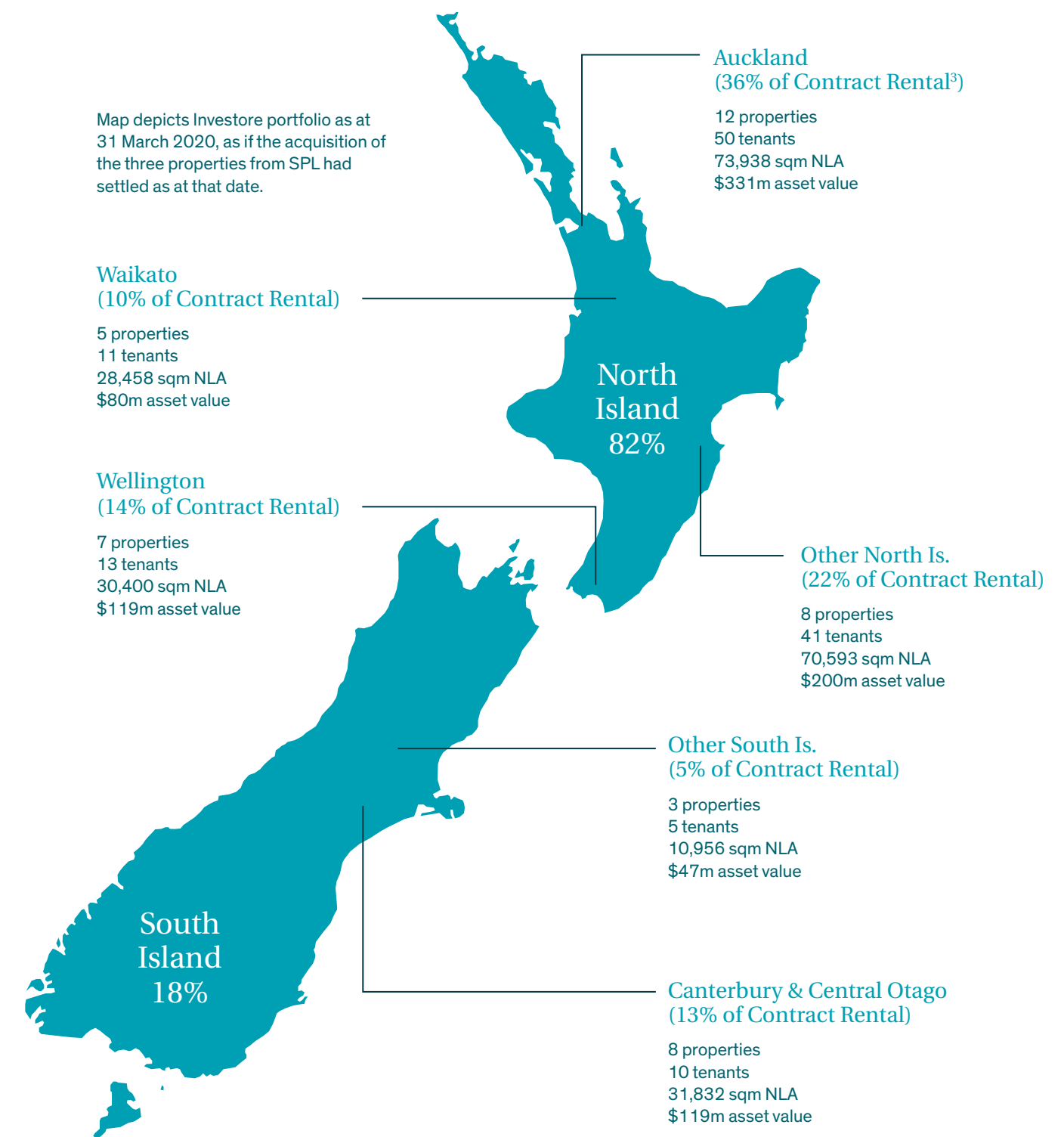
	As at 31 March 2020 including three properties acquired from SPL <sup>1</sup>	As at 31 March 2020	As at 31 March 2019 (excluding Dunedin South) <sup>2</sup>
Number of Properties	43	40	39
Number of Tenants	130	78	77
Net Lettable Area (sqm) (NLA)	246,176	208,125	205,909
Net Contract Rental <sup>3</sup> (\$m)	56.2	47.5	46.4
WALT <sup>3</sup> (years)	10.4	11.5	12.4
Market Capitalisation Rate (%)	6.08	6.06	6.04
Occupancy Rate by Area	99.7	99.7	99.9
Portfolio Value (\$m)	895.2 <sup>4</sup>	761.4 <sup>5</sup>	742.1
Number of Properties North Island	32	29	29
Number of Properties South Island	11	11	10
Contract Rental North Island (%)	82	79	78
Contract Rental South Island (%)	18	21	22



Bunnings, Te Rapa

<sup>1</sup> As at 31 March 2020, as if the acquisition of the three properties from SPL on 30 April 2020 had settled as at 31 March 2020.

<sup>2</sup> Excludes the property at 323 Andersons Bay Road, Dunedin South, that was held for sale and subsequently settled on 1 April 2019.



\* Numbers may not sum due to rounding.

<sup>3</sup> See glossary on page 96, before the back cover.

<sup>4</sup> Excludes lease liabilities. Under the sale and purchase agreement SPL is to complete seismic works of \$7m and has provided a rental guarantee of \$0.5m. The valuations of the three large format retail properties have been prepared on the basis that the seismic works had been completed, and the seismic strengthening costs and rental guarantee have been recorded as a \$7.5m non-current prepayment.

<sup>5</sup> Excludes lease liabilities.

# Proactive Capital Management

Investore's strategy is to proactively manage its capital in order to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns to investors

One of the key characteristics of large format retail properties is their relatively long WALT<sup>1</sup>. As at 31 March 2020, the WALT of Investore's portfolio of properties was 10.4 years (including the three properties acquired from SPL, as if those properties had been owned by Investore on 31 March 2020). Investore's capital management strategy is to align Investore's debt profile with its long WALT profile, to the extent possible, while also managing its cost of debt and seeking diversity in its funding sources.

Investore's most recent capital raise, completed in May 2020, provides Investore with significant debt facility headroom, providing funding flexibility and positioning Investore well to secure investment opportunities that may arise to enable Investore to continue its objective of maximising distributions and total returns to investors over the medium to long term.

## Key Transactions Completed

\$35m bank facility refinanced September 2019	Post balance date Investore secured a new \$50m, 5 year bank facility	Post balance date Investore extended the term of \$101m of debt facility for a further three years to June 2024
Placement and retail offer completed in November and December 2019, raising gross proceeds of \$77.7m	Investore announced a further capital raise on 29 April 2020, comprising a placement and share purchase plan, raising gross proceeds of \$105m	

## Key Debt Metrics

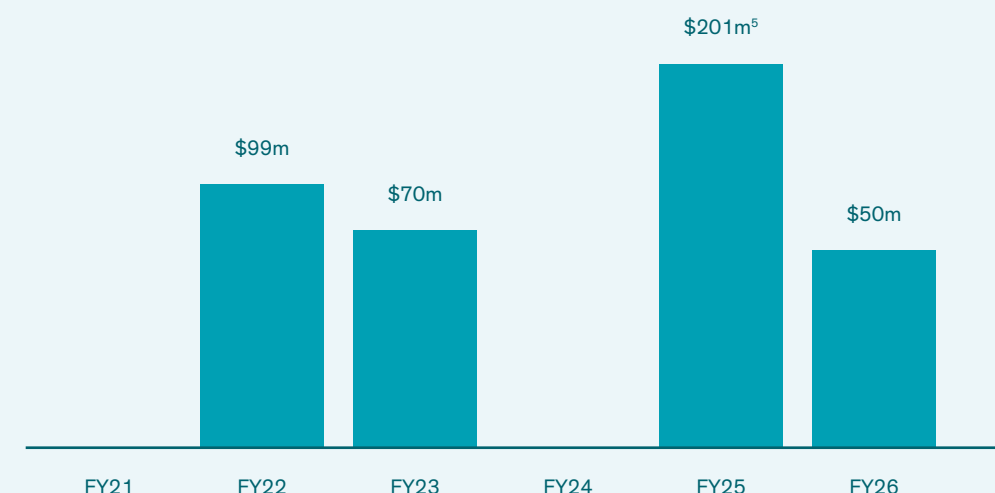
	31 March 2020 Adjusted <sup>2</sup>	31 March 2020	31 March 2019
Facility limit (\$m)	\$420	\$370	\$370
Drawn debt (\$m)	\$272	\$238	\$319
Average debt maturity (yrs)	3.3	2.2	3.1
LVR <sup>1</sup> (%) (Covenant: ≤65%)	30.4%	31.3%	41.8%
Interest cover ratio (Covenant: ≥1.75x)	n/a	2.7x	2.9x
WALT <sup>3</sup> (yrs) (Covenant: > 6.0 years)	10.4	11.4	12.4
% debt fixed or hedged	83%	94%	96%
Average fixed/hedged interest rate maturity (yrs)	2.4	2.4	3.0

<sup>1</sup> See glossary on page 96, before the back cover.

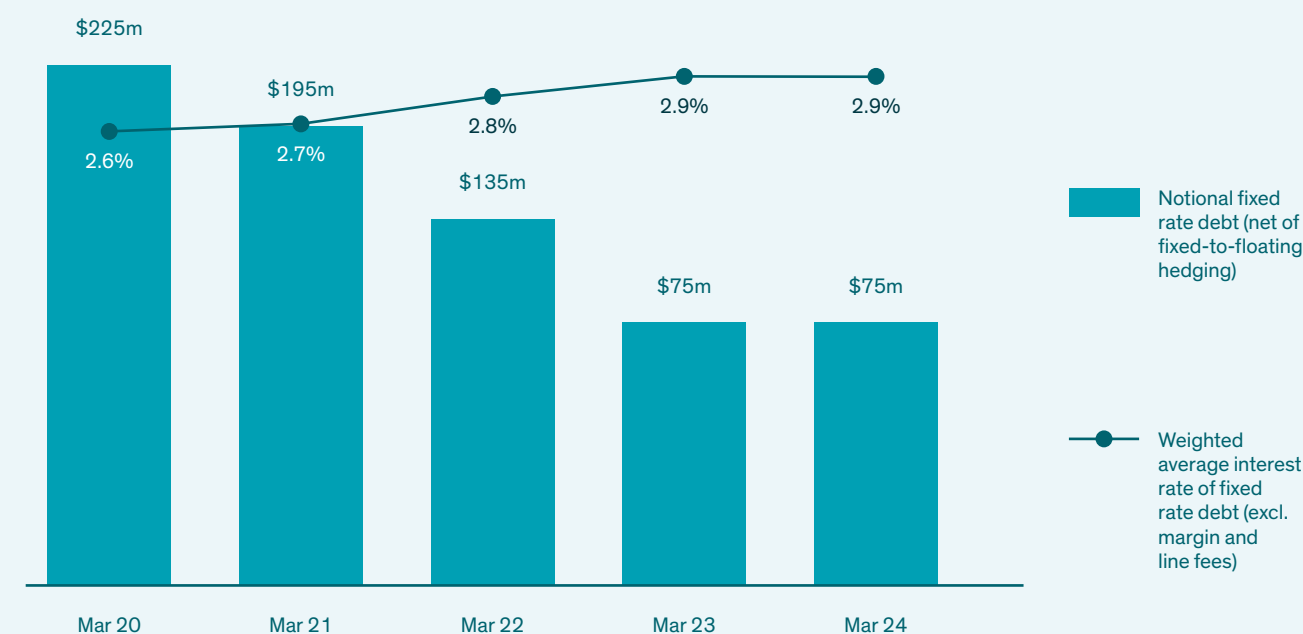
<sup>2</sup> As at 31 March 2020, assuming that the acquisition of the three properties from SPL had settled and the capital raise announced in April 2020 had completed as at that date, and as if the new facility and extended facility announced on 28 April 2020 had been in place at that date.

<sup>3</sup> The unexpired lease term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

## Debt facilities expiry profile<sup>4</sup>



## Fixed interest rate profile as at 31 March 2020



<sup>4</sup> As at 31 March 2020, as if the new facility and extended facility announced on 28 April 2020 had been in place at that time.

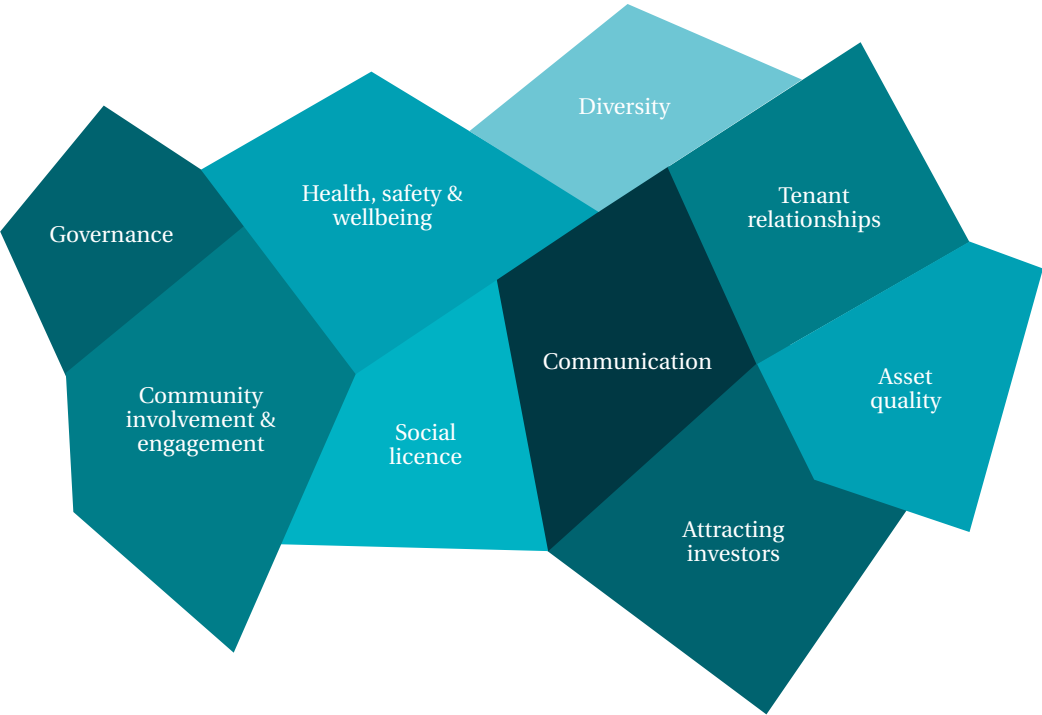
<sup>5</sup> Includes \$100m of bonds expiring in FY25.



# Sustainability

As we reported in the Annual Report for FY19, Investore embarked on progressing its sustainability approach through the development of a materiality matrix and gap analysis during FY19. In the past year Investore has built on this work, with the assistance of SIML, by implementing a sustainability strategic plan, linking the outcomes of the gap analysis and materiality matrix to Investore’s sustainability goals. The strategic plan sets the direction for improving sustainability across Investore to achieve its long-term strategy.

The key sustainability issues identified by Investore through the materiality matrix that was completed in FY19 as being of most importance to stakeholders and also having the greatest impact on Investore’s business were:



Investore’s strategic plan is based on the three key pillars for a successful, sustainable business – people, planet (or places in Investore’s case) and prosperity, and seeks to address each of the material issues identified above within each of these pillars. A detailed three year plan which identifies specific actions against each objective is being prepared, and Investore is working proactively with its tenants in order to ensure that its sustainability activities align with those of its major tenants, in order to achieve the most effective outcome.

## Investore Sustainability Strategic Plan and FY20 Achievements

Pillar	People	Planet/Places	Prosperity
Material issues	<ul style="list-style-type: none"><li>• Health, safety and wellbeing</li><li>• Communication</li><li>• Diversity</li><li>• Governance</li><li>• Community involvement and engagement</li></ul>	<ul style="list-style-type: none"><li>• Tenant relationships</li><li>• Asset quality</li></ul>	<ul style="list-style-type: none"><li>• Attracting investors</li><li>• Social licence</li></ul>
Objectives	<ul style="list-style-type: none"><li>• Provide leading health and safety performance in the NZ property market</li><li>• Engage and communicate with stakeholders as transparently as possible</li><li>• Contribute to and undertake activities which benefit our local communities</li><li>• Understand our tenants’ sustainability goals so we can work jointly to achieve positive outcomes</li></ul>	<ul style="list-style-type: none"><li>• Minimise adverse contributions toward climate change from Investore’s operations</li><li>• Consider the impact on the environment from our activities</li><li>• Ensure our assets are resilient to potential climate change impacts</li></ul>	<ul style="list-style-type: none"><li>• Provide sustainable returns to our investors</li><li>• Maintain the ability to attract capital through more than just financial returns</li><li>• Embed ethical and transparent business practices throughout our operations</li><li>• Embed sustainability within our organisational decision making</li><li>• Lead by example to raise the standards of sustainability within the industry</li></ul>
FY20 achievements	<ul style="list-style-type: none"><li>• The Investore Board actively monitors health and safety performance, including reviewing all incidents and near misses to understand the learnings and eliminate any ongoing risks, and understand and manage critical risks across the business</li><li>• The Investore Board provides regular market updates and seeks to ensure its reporting is clear and accessible, communicating with all stakeholders in a timely and fulsome manner</li><li>• Investore is in discussion with key tenants to understand the sustainability goals of those tenants and seeks to work with the tenants to ensure sustainability efforts align and complement each other</li></ul>	<ul style="list-style-type: none"><li>• Investore entered into a Supercharger Partnership with American automotive and energy company Tesla for the installation of three dedicated charging stations for the new Tesla Model 3 at Countdown Johnsonville</li><li>• SIML, as Manager, is tracking carbon emissions, in order to be able to manage and minimise these emissions</li><li>• We have supported our tenants’ refurbishment programmes with installation of LED lighting at several stores, including Mitre 10 Botany, Bunnings Palmerston North and Countdown refurbishments</li></ul>	<ul style="list-style-type: none"><li>• As described in this report, Investore’s strategy is to maximise distributions and total returns over the medium to long term</li><li>• Investore has adopted a Code of Ethics which sets the standard expected by Investore of its Directors and of the employees of SIML when conducting the business of Investore</li><li>• SIML, as Manager, has established a sustainability committee, which will ensure that sustainability considerations are a part of the business of Investore and all key decision-making</li></ul>





Bay Central  
Shopping Centre,  
Tauranga



# Financial Statements

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## Statement of Comprehensive Income

For the year ended 31 March 2020

		2020 \$000	2019 \$000
Notes			
Gross rental income		54,416	54,666
Direct property operating expenses		(6,342)	(7,243)
<b>Net rental income</b>	<b>2.1</b>	<b>48,074</b>	47,423
<b>Less corporate expenses</b>			
Management fee expense	<b>4.0</b>	(4,109)	(4,066)
Performance fee expense	<b>4.0</b>	(1,523)	(493)
Administration expenses		(1,819)	(1,475)
<b>Total corporate expenses</b>		<b>(7,451)</b>	(6,034)
<b>Profit before net finance expense, other income/(expense) and income tax</b>		<b>40,623</b>	41,389
Finance income		52	89
Finance expense		(13,926)	(14,485)
<b>Net finance expense</b>	<b>5.3</b>	<b>(13,874)</b>	(14,396)
<b>Profit before other income/(expense) and income tax</b>		<b>26,749</b>	26,993
<b>Other income/(expense)</b>			
Net change in fair value of investment properties	<b>2.2</b>	7,716	17,206
Net change in fair value of derivative financial instruments		(18)	(88)
<b>Profit before income tax</b>		<b>34,447</b>	44,111
Income tax expense	<b>7.3</b>	(5,832)	(5,549)
<b>Profit after income tax attributable to shareholders</b>		<b>28,615</b>	38,562
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	<b>5.5</b>	(464)	(2,097)
<b>Total comprehensive income after tax attributable to shareholders</b>		<b>28,151</b>	36,465
<b>Basic and diluted earnings per share (cents)</b>	<b>3.1</b>	<b>10.40</b>	14.78

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 2020

		Cents per share	Number of shares 000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Notes							
<b>Balance 1 Apr 18</b>			261,772	382,247	46,944	(133)	429,058
<b>Transactions with shareholders:</b>							
Q4 2018 final dividend		1.880	-	-	(4,921)	-	(4,921)
Q1 2019 interim dividend		1.865	-	-	(4,871)	-	(4,871)
Q2 2019 interim dividend		1.865	-	-	(4,851)	-	(4,851)
Q3 2019 interim dividend		1.935	-	-	(5,033)	-	(5,033)
Share buyback	<b>5.4</b>		(1,696)	(2,638)	-	-	(2,638)
<b>Total transactions with shareholders</b>			(1,696)	(2,638)	(19,676)	-	(22,314)
<b>Other comprehensive income:</b>							
Movement in cash flow hedges, net of tax	<b>5.5</b>		-	-	-	(2,097)	(2,097)
<b>Total other comprehensive income</b>			-	-	-	(2,097)	(2,097)
Profit after income tax			-	-	38,562	-	38,562
<b>Total comprehensive income</b>			-	-	38,562	(2,097)	36,465
<b>Balance 31 Mar 19</b>			<b>260,076</b>	<b>379,609</b>	<b>65,830</b>	<b>(2,230)</b>	<b>443,209</b>
<b>Transactions with shareholders:</b>							
Q4 2019 final dividend		1.935	-	-	(5,033)	-	(5,033)
Q1 2020 interim dividend		1.900	-	-	(4,941)	-	(4,941)
Q2 2020 interim dividend		1.900	-	-	(4,941)	-	(4,941)
Q3 2020 interim dividend		1.900	-	-	(5,786)	-	(5,786)
Issue of shares	<b>5.4</b>		44,423	77,740	-	-	77,740
Capital raising expenses			-	(1,708)	-	-	(1,708)
<b>Total transactions with shareholders</b>			<b>44,423</b>	<b>76,032</b>	<b>(20,701)</b>	<b>-</b>	<b>55,331</b>
<b>Other comprehensive income:</b>							
Movement in cash flow hedges, net of tax	<b>5.5</b>		-	-	-	(464)	(464)
<b>Total other comprehensive income</b>			-	-	-	(464)	(464)
Profit after income tax			-	-	28,615	-	28,615
<b>Total comprehensive income</b>			-	-	28,615	(464)	28,151
<b>Balance 31 Mar 20</b>			<b>304,499</b>	<b>455,641</b>	<b>73,744</b>	<b>(2,694)</b>	<b>526,691</b>

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 2020

	Notes	2020 \$000	2019 \$000
<b>Current assets</b>			
Cash at bank		4,229	5,111
Trade and other receivables	7.4	543	415
Prepayments		53	53
Other current assets		1,227	1,011
		6,052	6,590
Investment property classified as held for sale		-	19,046
		6,052	25,636
<b>Non-current assets</b>			
Investment properties	2.2	772,547	742,125
Deposit and other prepayments on investment property		5,385	-
Derivative financial instruments	5.2	2,323	1,320
Deferred tax asset	7.3	318	796
		780,573	744,241
<b>Total assets</b>		786,625	769,877
<b>Current liabilities</b>			
Trade and other payables	7.5	5,914	4,193
Current tax liability		1,085	1,306
Lease liabilities	2.3	52	-
Derivative financial instruments	5.2	231	90
		7,282	5,589
<b>Non-current liabilities</b>			
Borrowings	5.1	236,946	316,631
Lease liabilities	2.3	11,065	-
Derivative financial instruments	5.2	4,641	4,448
		252,652	321,079
<b>Total liabilities</b>		259,934	326,668
<b>Net assets</b>		526,691	443,209
Share capital		455,641	379,609
Retained earnings		73,744	65,830
Reserve	5.5	(2,694)	(2,230)
<b>Equity</b>		526,691	443,209

For and on behalf of the Board of Directors, dated 3 June 2020:

**Mike Allen**  
Chair of the Board

**Gráinne Troute**  
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 2020

	Notes	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Gross rental received		52,754	53,208
Operating expenses		(11,982)	(12,994)
Performance fee expenses		(1,501)	-
Interest received		52	89
Interest paid		(13,998)	(13,817)
Income tax paid		(5,387)	(5,308)
<b>Net cash provided by operating activities</b>		19,938	21,178
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		(1,436)	(5,545)
Acquisition of investment properties		(6,984)	-
Deposit on investment properties		(5,000)	-
Proceeds from disposal of investment properties		19,046	-
<b>Net cash provided by/(applied to) investing activities</b>		5,626	(5,545)
<b>Cash flows from financing activities</b>			
Proceeds from equity issued		77,740	-
Capital raising expenses		(1,708)	-
Repayment of bank borrowings from capital raise		(75,800)	-
Net (repayment)/drawdown of bank borrowings		(4,330)	11,130
Dividends paid		(20,701)	(19,676)
Refinancing of bank borrowings		(41)	(105)
Lease liabilities payments		(43)	-
Swap break expense	5.2	(1,563)	-
Repayment of bank borrowings from bonds proceeds		-	(100,000)
Net proceeds from issuance of fixed rate bonds		-	98,568
Share buyback costs		-	(2,638)
<b>Net cash applied to financing activities</b>		(26,446)	(12,721)
<b>Net (decrease)/increase in cash and cash equivalents held</b>		(882)	2,912
Opening cash and cash equivalents		5,111	2,199
<b>Closing cash and cash equivalents</b>		4,229	5,111
<b>Cash and cash equivalents at year end comprises:</b>			
Cash at bank		4,229	5,111
<b>Cash and cash equivalents at year end</b>		4,229	5,111

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

## Statement of Cash Flows (continued)

For the year ended 31 March 2020

Reconciliation of profit after income tax attributable to shareholders to net cash flows from operating activities			
	Notes	2020 \$000	2019 \$000
<b>Profit after income tax attributable to shareholders</b>		<b>28,615</b>	38,562
<b>Add/(less) non-cash items:</b>			
Movement in deferred tax	7.3	273	208
Income tax movement in cash flow reserve	7.3	392	-
Net change in fair value of investment properties		(7,716)	(17,206)
Spreading of fixed rental increases		(1,095)	(1,318)
Capitalised lease incentives		(50)	(11)
Lease incentives amortisation		8	1
Movement in loss allowance	7.4	17	(11)
Borrowings establishment costs amortisation		486	586
Accrued interest movement in derivative financial instruments	5.2	63	(57)
Net change in fair value of derivative financial instruments	5.2	18	88
Depreciation		-	1
		<b>21,011</b>	20,843
<b>Less activity classified as investing activity:</b>			
Movement in working capital items relating to investing activities		(1,827)	1,400
		<b>19,184</b>	22,243
<b>Movement in working capital:</b>			
Increase in trade and other receivables		(145)	(170)
Increase in prepayments and other current assets		(601)	(324)
Increase/(decrease) in trade and other payables		1,721	(615)
(Decrease)/increase in current tax liability		(221)	44
<b>Net cash provided by operating activities</b>		<b>19,938</b>	21,178

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 2020

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## 1.0 General Information

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

### 1.1 Reporting entity

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

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

The financial statements were approved for issue by the Board of Directors of Investore (the Board) on 3 June 2020.

### 1.2 Basis of preparation

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

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

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

### 1.3 Adoption of new standard - NZ IFRS 16 Leases

Investore has adopted NZ IFRS 16 *Leases* (NZ IFRS 16) from 1 April 2019 which has replaced the previous guidance in NZ IAS 17 *Leases* (NZ IAS 17). As a lessor of investment property leased to customers, NZ IFRS 16 has resulted in no changes to the recognition and measurement of leases as compared to existing accounting policies. However, where Investore is a lessee it is required to recognise a lease liability reflecting future lease payments and a right-of-use asset applying the fair value model given the ground lease is held solely for the purpose of holding the related investment property building.

Investore had eleven operating leases as at 31 March 2019 where Investore was the lessee. There were 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.

As a lessee, Investore has applied NZ IFRS 16 using the simplified retrospective approach. Under this approach, Investore has recognised lease liabilities of \$11,160,000 as at 1 April 2019, representing the present value of the remaining lease cash flows with the right-of-use asset embedded in the fair value of the underlying investment property. The prior period comparatives have not been restated, as permitted under the specific transitional provisions in the standard.

#### Adjustments recognised on adoption of NZ IFRS 16

On adoption of NZ IFRS 16, Investore has recognised a right-of-use asset within the fair value of investment property and a corresponding lease liability within interest bearing liabilities in relation to leases which had previously been classified as operating leases under the principles of NZ IAS 17. The liabilities were measured at the present value of the remaining lease payments, discounted at a rate of 5.88%, being the incremental borrowing rate applied to the lease liability as at 1 April 2019. The discount rate is based on the weighted average interest rate of debt at 31 March 2019 of 4.38% plus 1.50% to factor in the additional lease term and smaller asset value compared to Investore's portfolio.

## 1.0 General Information (continued)

### 1.3 Adoption of new standard – NZ IFRS 16 Leases (continued)

#### Adjustments recognised on adoption of NZ IFRS 16 (continued)

A reconciliation between the operating lease commitments disclosed as at 31 March 2019 and the lease liabilities recognised on adoption of NZ IFRS 16 on 1 April 2019 is provided below.

	\$000
Operating lease commitments disclosed as at 31 March 2019	1,793
Operating lease commitments from next review to final lease expiry	37,722
Discounted using the lessee's incremental borrowing rate at the date of initial application	(28,355)
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>11,160</b>
Of which were:	
Current lease liabilities	43
Non-current lease liabilities	11,117
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>11,160</b>

Lease liabilities recognised as at 1 April 2019 differs to that reported as at 30 September 2019 due to SIML revisiting the estimated maturity of several ground leases. As a result of this, the revised lease liabilities and right-of-use asset at 30 September 2019 would have been approximately \$11.13 million, an increase of \$3.50 million from that previously reported. The impact on the reported lease liabilities interest and depreciation of the right-of-use asset for the period ended 30 September 2019 was not material.

In applying NZ IFRS 16 for the first time, Investore has used the practical expedient permitted by the standard of the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The commitments shown as at 31 March 2019 reflected amounts payable under current signed lease contracts up until the next rent review, at which time the terms of the leases may be renegotiated.

### 1.4 New standards, amendments and interpretations

At the date of approval of the financial statements, there were no relevant standards in issue but not applied.

### 1.5 Fair value estimation

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

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

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

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

### 1.6 Significant accounting policies, estimates and judgements

In the application of NZ IFRS, the Board and SIML 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 SIML.

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

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

- Investment properties (note 2.2);
- Derivative financial instruments (note 5.2); and
- Deferred tax (note 7.3).

## 1.0 General Information (continued)

### 1.6 Significant accounting policies, estimates and judgements (continued)

#### COVID-19

COVID-19 Alert Level 4 came into force at 11:59pm Wednesday 25 March 2020; New Zealand moved to Alert Level 3 at 11:59pm on Monday 27 April 2020 and Alert Level 2 at 11:59pm Wednesday 13 May 2020. As at 31 March 2020, around 90% (reducing to over 80% after including the three properties that were acquired from Stride Property Limited (SPL) post balance date on 30 April 2020) of Investore's portfolio by gross contract rental was categorised as Essential Businesses, based on the advice from the New Zealand Government available on the covid19.govt.nz website. These tenants include supermarkets, hardware stores, pet stores and pharmacies.

The global COVID-19 pandemic and resulting impacts on credit and property markets has increased the level of uncertainty around estimates in these financial statements. An assessment of the impact of COVID-19 on Investore's statement of financial position is set out in the following table, based on the information available at the time of preparing these financial statements.

Item	COVID-19 assessment	Notes
Cash	No impact to the carrying value of cash on hand.	
Trade and other receivables, prepayments and other current assets	Investore has increased the expected credit loss allowance in trade and other receivables by \$0.05 million following a credit risk assessment on its debtors that were not an essential service and based on Investore's understanding and experience with the tenant.  Subsequent to balance date, Investore received \$405,914 from General Distributors Limited in relation to turnover rent which had been included in the over 30 days overdue carrying amount as at 31 March 2020.	7.4
Investment properties	Due to the uncertainty related to the COVID-19 pandemic that has led to a reduction in the number of real estate transactions and has impacted the availability of market data relating to conditions as at 31 March 2020, the independent valuations of Investore's portfolio as at 31 March 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. The opinion of value has been determined at the valuation date based on a certain set of assumptions commonly used by valuers, however these could change in a short period of time due to subsequent events.  Investore had received draft valuations of its portfolio in early March 2020, and these valuations were subsequently withdrawn by the valuers due to the impact of COVID-19. With Investore's singular focus on quality large format retail properties, the resilience of Investore's portfolio in the economic climate created by COVID-19 has led to the valuations remaining relatively robust. The valuers reassessed a number of their assumptions including for rental growth, downtime and ongoing trading conditions. The revised valuations reflect changes in the value of individual properties of between 0% and -7.5% from the original draft valuations.  As at 31 March 2020, a \$5 million deposit had been paid in relation to the purchase of three large format retail properties from SPL for \$140.75 million. Settlement of the acquisitions was completed on 30 April 2020. In preparation for the settlement, Investore received updated independent valuations which showed a decline in value of \$7.0 million or -5.0% from that assessed at the time of entry into the sale and purchase agreement. This movement is primarily due to the impact of COVID-19, and is consistent with the valuation change seen in Investore's other properties, reflecting the impacts of COVID-19.	2.2, 7.7
Right of use assets and lease liabilities	Investore is committed under eleven leases where Investore is the lessee. Investore is not currently seeking any rent relief from lessors or considered any changes to extension of leases within the lease portfolio resulting from COVID-19.	2.3
Derivative financial instruments	COVID-19 has impacted interest rate derivatives through the drop in interest rates and an increase in Investore's own credit risk spread.	5.2
Borrowings	Borrowings are held at amortised cost. Subsequent to balance date, Investore refinanced \$101 million of debt facility which was due to mature in June 2021, extending this facility for a further three years to 9 June 2024. In addition, Investore has secured a new \$50 million, 5 year facility with its banking group.	5.1, 7.7
Capital	Subsequent to balance date, Investore undertook a capital raise during April and May 2020 which resulted in a gross amount of \$105 million raised of which \$102 million was used to repay bank debt. The purpose of the offer was to enable Investore to manage any unexpected downside scenarios and provide funding flexibility to continue Investore's strategy to grow its portfolio, positioning it well to secure investment opportunities that may arise.	7.7

## 1.0 General Information (continued)

### 1.7 Significant events and transactions

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

#### Sale of 323 Andersons Bay Road, Dunedin

On 1 April 2019, Investore disposed of the property at 323 Andersons Bay Road, Dunedin, for \$19.328 million gross of transaction costs.

#### Acquisition of 24 Brighton Mall, Christchurch

On 23 August 2019, Investore acquired the property at 24 Brighton Mall, Christchurch, for \$5.75 million excluding transaction costs.

#### Acquisition of 210 - 214 Great South Road, Auckland

On 19 March 2020, Investore acquired the property at 210 - 214 Great South Road, Auckland, for \$1.20 million excluding transaction costs.

#### Capital raise and acquisition of properties from Stride Property Limited (SPL)

Investore undertook a capital raise during November and December 2019 which resulted in a gross amount of \$77.7 million raised; \$65 million from an institutional placement, which settled on 25 November 2019, and \$12.7 million from a retail offer which settled on 10 December 2019 with 44,423,056 shares issued at \$1.75 per share.

Investore entered into conditional contracts to purchase three large format retail properties from SPL for a purchase price of \$140.75 million. Under the sale and purchase agreement, SPL is to complete seismic works of \$7 million and has provided a rental guarantee of \$0.5 million. The net proceeds from the capital raise in November and December 2019 were used to pay down debt, providing capacity to fund these acquisitions. The properties the subject of the transaction are:

- Bunnings Mt Roskill, Auckland;
- Mt Wellington Shopping Centre, Auckland; and
- Bay Central Shopping Centre, Tauranga.

On 16 January 2020, the Investore shareholders approved the acquisition of the three properties at a Special Meeting. As at balance date, the acquisition remained subject to Overseas Investment Office (OIO) consent. On Friday 24 April 2020, OIO consent was received and Investore settled on the acquisition of the three properties on 30 April 2020. Refer note 7.7.

### 1.8 Non-GAAP measures

The statement of comprehensive income includes two non-GAAP measures; Profit before net finance expense, other income/(expense) and income tax; and Profit before other income/(expense) and income tax. These non-GAAP measures have been presented to assist investors in understanding the different aspects of Investore's financial performance.

Note 3.2 sets out Investore's calculation for distributable profit and Adjusted Funds From Operations (AFFO) which are both non-GAAP measures. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Investore's underlying and recurring earnings from its operations. AFFO is intended as a supplementary measure of operating performance. Cash spent during the period on capital expenditure as part of maintaining a building's grade / quality, but not expensed as part of distributable profit after tax, is adjusted to reflect cash earnings for the year.

These non-GAAP measures do not have a standard meaning prescribed by GAAP and therefore may not be compared to information presented by other entities.



## 2.0 Property

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

### 2.1 Net rental income

#### Accounting Policy

Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Where a lease provides for fixed rental increases over the term of the lease, they are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

Income generated from service charges recovered from tenants is included in the gross rental income with the service charge expenses to tenants shown in the direct property operating expenses. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

	2020 \$000	2019 \$000
<b>Gross rental income</b>		
Rental income and service charge income recovered from tenants	53,306	53,338
Spreading of fixed rental increases	1,095	1,318
Capitalised lease incentives	20	11
Lease incentives amortisation	(5)	(1)
<b>Total gross rental income</b>	<b>54,416</b>	54,666
<b>Direct property operating expenses</b>		
Service charge expenses to tenants	(3,956)	(3,669)
Movement in loss allowance	(17)	11
Other non-recoverable property operating expenses	(2,369)	(3,585)
<b>Total direct property operating expenses</b>	<b>(6,342)</b>	(7,243)
<b>Net rental income</b>	<b>48,074</b>	47,423

Other non-recoverable property operating expenses represents property maintenance and operating expenses not recoverable from tenants and property leasing expenses.

Investore has reviewed its portfolio for the impact of the Government moving the country to Alert Level 4 through to Level 2 and:

- After including the three properties that were acquired from SPL post balance date on 30 April 2020, over 80% of Investore's tenants by gross rental comprise Essential Businesses as defined on the New Zealand Government's covid19.govt.nz website, and accordingly were permitted to remain open and trading. In addition, a number of additional tenants reopened for trade during Alert Level 3 with the remainder able to open at Level 2.
- A small number of leases provide a contractual right to suspend rental payments in the situation where their premises are inaccessible, including because of the New Zealand Government shutdown order. At the commencement of the Alert Level 4 lockdown period in late March 2020, Investore determined that, excluding Essential Businesses as defined on the Government's covid19.govt.nz website, leases which entitled the tenant to a contractual right to suspend rental payments would represent a loss of rental income of \$0.02 million over an Alert Level 4 four week shutdown period. Annualised, these tenants would comprise only \$0.2 million, or approximately 0.4%, of gross rental income. This figure excludes the leases associated with the three properties acquired from SPL on 30 April 2020, after New Zealand moved out of Alert Level 4.

## 2.0 Property (continued)

### 2.1 Net rental income (continued)

#### Accounting Policy

Lessors classify each of its leases as either an operating or finance lease based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Properties leased out under operating leases are included in investment properties in the statement of financial position.

As a lessor, Investore has determined that it retains substantially all the risks and rewards of ownership of properties and has therefore classified all leases as operating leases.

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

	2020 \$000	2019 \$000
Within one year	49,848	48,627
Between one and two years	49,033	48,988
Between two and three years	48,701	47,968
Between three and four years	48,358	47,733
Between four and five years	47,201	47,439
Later than five years	343,623	380,607
<b>Future rentals receivable</b>	<b>586,764</b>	621,362

## 2.0 Property (continued)

### 2.2 Investment properties

#### Accounting Policy

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

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

Investore reclassifies an investment property to investment property classified as held for sale when Investore has a commitment to sell the investment property and has an active programme underway to market the property at fair value. The carrying value of the investment property held for sale is the contracted sale price, being the best indicator of fair value.

Investore leases various properties under non-cancellable operating lease agreements. At the inception of a lease contract where Investore is the lessee, Investore assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains a lease, the right-of-use assets are measured on initial recognition as the initial lease liability, plus any initial indirect costs incurred, less any lease incentives received. Right-of-use assets that meet the definition of investment property are presented within investment property. Investore applies the fair value model to investment property, including right-of-use assets that meet the definition of investment property.

Investment property is adjusted for cash flows relating to lease liabilities already recognised separately on the statement of financial position and also reflected in the investment property valuations.

During the current year, Investore settled on the sale of 323 Andersons Bay Road, Dunedin, on 1 April 2019, for \$19.328 million. On 23 August 2019, Investore acquired the property at 24 Brighton Mall, Christchurch, for \$5.75 million excluding transaction costs and on 19 March 2020, Investore acquired the property at 210 - 214 Great South Road, Auckland, for \$1.20 million excluding transaction costs. The valuation for 210 - 214 Great South Road, Auckland, has been included in the valuation for 3 Averill Street, Auckland.

	2020 \$000	2019 \$000
<b>Opening balance</b>	<b>742,125</b>	738,330
Initial add back of lease liabilities	<b>11,160</b>	-
Property acquisitions	<b>6,984</b>	-
Net change in fair value	<b>7,716</b>	17,206
Subsequent capital expenditure	<b>3,425</b>	4,145
Spreading of fixed rental increases	<b>1,095</b>	1,318
Capitalised lease incentives	<b>50</b>	11
Lease incentives amortisation	<b>(8)</b>	(1)
Transfer to investment property classified as held for sale	-	(19,046)
Transfer from work in progress	-	162
<b>Closing balance</b>	<b>772,547</b>	<b>742,125</b>
Comprising:		
Investment property at valuation	<b>761,430</b>	742,125
Add back lease liabilities	<b>11,117</b>	-
<b>Total</b>	<b>772,547</b>	<b>742,125</b>

The net change in fair value of \$7,716,000 (2019: \$17,206,000) includes (\$43,000) (2019: N/A) in relation to the change in the value of the lease liabilities.

## 2.0 Property (continued)

### 2.2 Investment properties (continued)

Valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring that no valuer values the same investment property for more than three consecutive years. All valuations are dated effective 31 March 2020.

As reported in note 1.6, due to the uncertainty related to the COVID-19 pandemic that has led to a reduction in the number of real estate transactions and has impacted the availability of market data relating to conditions as at 31 March 2020, the independent valuations of Investore's portfolio as at 31 March 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. The opinion of value has been determined at the valuation date based on a certain set of assumptions commonly used by the valuers, however these could change in a short period of time due to subsequent events.

Breakdown of valuation by valuer	2020 \$000	2019 \$000
CBRE Limited (CBRE)	<b>152,000</b>	134,800
CIVAS Limited (Colliers <sup>1</sup> )	<b>108,200</b>	350,900
Colliers International (Wellington Valuation) Limited (Colliers <sup>2</sup> )	<b>109,350</b>	67,750
Jones Lang LaSalle (JLL)	<b>192,380</b>	188,675
Savills (NZ) Limited (Savills)	<b>199,500</b>	-
	<b>761,430</b>	742,125

The following tables provide a summary of the valuation of the individual investment properties, their net lettable area, market capitalisation rate (cap rate), contract yield, occupancy and weighted average lease term (WALT) for the purpose of providing further detail of the assets which are considered to be the most relevant to the operations of Investore. There were no changes to the valuation techniques during the period. Colliers<sup>1</sup> refers to the valuer CIVAS Limited and Colliers<sup>2</sup> refers to the valuer Colliers International (Wellington Valuation) Limited.

The cap rate %, contract yield %, occupancy % and WALT years for the total of investment properties in the following tables are weighted averages. The totals may not sum due to rounding.



## 2.0 Property (continued)

### 2.2 Investment properties (continued)

As at 31 Mar 2020	Valuer	Net lettable area m <sup>2</sup>	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Cnr Butler & Kerikeri Roads, Kerikeri	Savills	3,887	18,600	6.38	6.54	100.0	12.7
3 - 7 Mill Lane, Warkworth	Savills	3,816	23,200	6.00	6.14	100.0	11.9
24 Anzac Road, Auckland	CBRE	4,382	24,100	5.38	5.40	100.0	14.9
112 Stoddard Road, Auckland	Savills	4,200	23,300	5.88	6.24	100.0	7.9
Cnr Church & Selwyn Streets, Auckland	JLL	2,011	11,000	5.75	5.95	100.0	4.9
326 Great South Road, Auckland	CBRE	4,633	36,300	4.88	4.93	100.0	14.9
35a St Johns Road, Auckland	Colliers <sup>1</sup>	4,457	21,400	5.63	6.24	100.0	14.9
507 Pakuranga Road, Auckland	Colliers <sup>1</sup>	4,812	18,600	5.88	5.99	100.0	14.9
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	CBRE	12,124	35,000	5.00	5.28	100.0	10.7
226 Great South Road, Auckland	Savills	7,362	37,500	6.38	6.68	100.0	8.9
3 Averill Street, Auckland	JLL	5,435	17,000	7.63	8.50	100.0	13.3
66 - 76 Studholme Street, Morrinsville	Colliers <sup>1</sup>	1,724	6,500	6.50	7.10	100.0	4.9
Cnr Anglesea & Liverpool Streets, Hamilton	Savills	5,265	7,500	11.25	11.17	100.0	3.8
Cnr Hukanui & Thomas Roads, Hamilton	Savills	4,506	16,300	6.50	6.73	100.0	10.8
Cnr Bridge & Anglesea Streets, Hamilton	Savills	4,200	18,100	6.63	6.50	100.0	13.1
446 Te Rapa Road, Hamilton	JLL	12,763	31,250	5.50	5.58	100.0	9.7
230 - 240 Fenton Street, Rotorua	Savills	5,172	18,200	6.25	6.26	100.0	10.4
26 - 48 Old Taupo Road, Rotorua	JLL	13,940	27,000	5.75	5.99	100.0	9.7
53 Leach Street, New Plymouth	Colliers <sup>1</sup>	8,522	28,900	5.88	5.97	100.0	9.5
9 Gloucester Street, Napier	Colliers <sup>1</sup>	4,386	16,800	5.88	5.89	100.0	9.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers <sup>2</sup>	3,611	14,000	6.50	6.61	100.0	11.4
Cnr Tremaine Avenue & Railway Road, Palmerston North	Colliers <sup>2</sup>	13,730	26,200	6.25	6.48	100.0	9.7
14 Russell Street, Upper Hutt	JLL	3,037	9,500	7.25	7.28	100.0	4.9
13 - 19 Queen Street, Upper Hutt	Colliers <sup>2</sup>	3,427	10,900	6.38	6.94	100.0	14.9
261 High Street, Lower Hutt	Colliers <sup>2</sup>	5,078	19,150	6.00	6.26	100.0	14.9
91 Johnsonville Road, Wellington	JLL	6,316	20,750	6.50	7.28	100.0	9.6
3 Main Road, Wellington	JLL	4,200	19,500	5.75	5.92	100.0	13.0
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers <sup>2</sup>	4,882	26,250	6.00	6.37	98.7	11.5
47 Bay Road, Wellington	Colliers <sup>2</sup>	3,460	12,850	6.00	5.94	100.0	14.9
Cnr Putaitai Street & Main Road, Nelson	CBRE	2,659	12,800	6.13	6.36	100.0	12.7
51 Arthur Street, Blenheim	CBRE	3,136	11,200	6.50	6.94	100.0	14.9
40 - 50 Ivory Street, Rangiora	Savills	3,786	17,200	6.13	6.30	100.0	12.7
87 - 97 Hilton Street, Kaiapoi	CBRE	3,025	13,200	6.25	6.76	100.0	14.9
219 Colombo Street, Christchurch	CBRE	3,976	19,400	5.63	6.23	100.0	14.9
24 Brighton Mall, Christchurch	Colliers <sup>1</sup>	2,207	6,100	6.50	6.73	100.0	8.4
Cnr Rolleston & Masefield Drives, Rolleston	Savills	4,251	19,600	6.13	6.14	100.0	12.7
Cnr Victoria & Browne Streets, Timaru	JLL	4,032	11,930	6.33	6.16	85.0	14.0
309 Cumberland Street, Dunedin	JLL	4,123	21,500	5.75	5.74	100.0	14.9
35 MacLaggan Street, Dunedin	Colliers <sup>1</sup>	6,433	9,900	7.75	8.42	100.0	1.33
172 Tay Street, Invercargill	JLL	5,161	22,950	6.25	6.49	100.0	13.5
<b>Total</b>		<b>208,125</b>	<b>761,430</b>	<b>6.06</b>	<b>6.29</b>	<b>99.7</b>	<b>11.5</b>

## 2.0 Property (continued)

### 2.2 Investment properties (continued)

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

2.0 Property (continued)

2.2 Investment properties (continued)

Accounting Policy

The fair value of an investment property represents the estimated price for which a property could be sold for at the date of valuation in an orderly transaction between market participants. The predominant methods for assessing the current fair value of an investment property are the Income Capitalisation and the Discounted Cash Flow approaches. Each approach derives a value based on market inputs, including:

- recent comparable transactions where available;
- forecast future rentals, based on the actual location, type and quality of the investment property, and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- vacancy assumptions based on current and expected future market conditions after expiry of any current lease; and
- appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cash flows.

In addition, consideration is given to the maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life.

At each reporting date, SIML's asset managers verify all major inputs to the independent valuation report and assess property valuation movements when compared to the prior year valuation report. SIML's executive team review the valuations performed by the independent registered 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. This review includes review of specific independent valuations and discussions with the independent valuers as considered necessary. Ultimately, Investore's Directors are responsible for reviewing and approving the investment property valuations.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. During the year, there were no transfers of investment properties between levels of the fair value hierarchy (2019: nil transfers).

Valuation techniques used:

- Income Capitalisation approach** - is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Adjustments are then made to the value to reflect under or over renting, pending capital expenditure, and upcoming expiries, including allowance for lessee incentives and leasing expenses.
- Discounted Cash Flow approach** - adopts a ten-year investment horizon and makes appropriate allowances for rental income growth and leasing expenses on expiries, with an estimated terminal value at the end of the investment period. The terminal yield is used to derive the terminal value. Terminal yield rate estimates are based on comparable transaction data and also consider matters such as building age and the market environment at the end of the investment period (10 years). The present value reflects the market based income and expenditure projections, discounted at a rate of return referred to as a discount rate. In selecting the discount rate many factors are considered, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments and the rates of return earned by comparable properties in the past.

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.

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

2.0 Property (continued)

2.2 Investment properties (continued)

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

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

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

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

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value, given the discount rate will determine the rate in which the terminal value is discounted to the present value. An increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. A decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield could also potentially offset the impact to fair value. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value. The valuers also anticipate that certain tenants may request abatement or other concessions. In determining fair value of investment properties, the valuers have taken this into consideration.

## 2.0 Property (continued)

### 2.2 Investment properties (continued)

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

	Cap rate %	Discount rate %	Market rental \$/m <sup>2</sup>	Rental growth rate %	Terminal yield %
<b>As at 31 Mar 20</b>	<b>4.88-11.25</b>	<b>4.75-9.50</b>	<b>114-401</b>	<b>0.05-3.24</b>	<b>5.38-10.50</b>
<b>As at 31 Mar 19</b>	5.00-9.00	4.88-9.50	108-384	0.03-4.45	5.38-9.00

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate and discount rate, assuming the capitalisation rate or discount rate moved equally on all the properties, is as follows:

	Cap rate				Discount rate			
	-0.50%	-0.25%	+0.25%	+0.50%	-0.50%	-0.25%	+0.25%	+0.50%
<b>As at 31 Mar 20</b>								
Change \$000	<b>71,025</b>	<b>33,516</b>	<b>(30,411)</b>	<b>(59,197)</b>	<b>37,333</b>	<b>18,304</b>	<b>(17,138)</b>	<b>(33,540)</b>
Change %	<b>9</b>	<b>4</b>	<b>(4)</b>	<b>(8)</b>	<b>5</b>	<b>2</b>	<b>(2)</b>	<b>(4)</b>
<b>As at 31 Mar 19</b>								
Change \$000	N/A	30,740	(28,297)	N/A	N/A	13,103	(12,758)	N/A
Change %	N/A	4	(4)	N/A	N/A	2	(2)	N/A

As a result of COVID-19, Investore has increased the range in sensitivities provided for the current year which has resulted in some comparatives not being able to be provided (N/A).

## 2.0 Property (continued)

### 2.3 Lease liabilities

#### Accounting Policy

Investore leases various properties under non-cancellable operating lease agreements. At the inception of a contract, Investore assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities are measured based on the present value of the fixed and variable lease payments, less any cash lease incentives receivable. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Investore, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Investore is committed under eleven (2019: eleven) leases where Investore is the lessee. Refer to note 1.3 for details.

The leases all relate to ground rent on leasehold properties and contain renewal and termination options exercisable only by Investore. In determining the lease term, Investore considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or Investore becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

	2020 \$000	2019 \$000
Interest on lease liabilities recognised in profit or loss	<b>662</b>	-
Total cash outflow for leases shown in the statement of cash flows	<b>705</b>	-
No later than one year	<b>52</b>	-
Later than one year but no later than five years	<b>382</b>	-
Later than five years	<b>10,683</b>	-
<b>Total lease liabilities recognised in the balance sheet</b>	<b>11,117</b>	-

### 2.4 Capital expenditure commitments contracted for

As at 31 March 2020, Investore had the following commitments (2019: \$2,440,930):

- \$140.75 million in relation to the contracts to purchase three large format retail properties from SPL. A deposit of \$5 million had been paid as at 31 March 2020 and the settlement of the acquisitions was completed on 30 April 2020; and
- \$0.576 million for demolition costs to create a carpark at the property at 210 - 214 Great South Road, Auckland.

Investore has no other material commitments as at balance date.



### 3.0 Investor Returns

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

#### 3.1 Basic and diluted earnings per share

##### Accounting Policy

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

	2020 \$000	2019 \$000
<b>Profit after income tax attributable to shareholders</b>	<b>28,615</b>	38,562
Weighted average number of shares for purpose of basic and diluted earnings per share ('000s)	<b>275,192</b>	260,903
<b>Basic and diluted earnings per share - weighted (cents)</b>	<b>10.40</b>	14.78

### 3.0 Investor Returns (continued)

#### 3.2 Distributable profit

##### Accounting Policy

Investore's dividend policy is to target a cash dividend to shareholders that is between 95% and 100% of its distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Investore's underlying and recurring earnings from its operations.

Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax.

Adjusted Funds From Operations (AFFO) is also a non-GAAP measure and is intended as a supplementary measure of operating performance. Although there is no standard meaning or measure per GAAP, AFFO has been determined based on guidelines established by the Property Council of Australia. Cash spent during the period on capital expenditure as part of maintaining a building's grade / quality, but not expensed as part of distributable profit after current income tax, is adjusted to enable the investors to see the cash generating ability of the business.

	2020 \$000	2019 \$000
<b>Profit before income tax</b>	<b>34,447</b>	44,111
<b>Non-cash adjustments:</b>		
Net change in fair value of investment properties	<b>(7,716)</b>	(17,206)
Reversal of lease liabilities movement in investment properties	<b>(43)</b>	-
Net change in fair value of derivative financial instruments	<b>18</b>	88
Spreading of fixed rental increases	<b>(1,095)</b>	(1,318)
Capitalised lease incentives - rent free	<b>(20)</b>	(11)
Lease incentives amortisation - rent free	<b>5</b>	1
Capitalised lease incentives - cash incentives	<b>(30)</b>	-
Lease incentives amortisation - cash incentives	<b>3</b>	-
Borrowings establishment costs amortisation	<b>486</b>	586
Swap break expense	<b>199</b>	-
Depreciation	<b>-</b>	1
<b>Distributable profit before current income tax</b>	<b>26,254</b>	26,252
Current tax expense	<b>(5,559)</b>	(5,341)
Adjusted for:		
Income tax movement in cash flow hedges (note 7.3)	<b>392</b>	-
<b>Distributable profit after current income tax</b>	<b>21,087</b>	20,911
<b>Adjustments to funds from operations:</b>		
Maintenance capital expenditure	<b>(3,231)</b>	(1,258)
<b>Adjusted Funds From Operations (AFFO)</b>	<b>17,856</b>	19,653
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	<b>275,192</b>	260,903
<b>Basic and diluted distributable profit after current income tax per share - weighted (cents)</b>	<b>7.66</b>	<b>8.01</b>
<b>AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)</b>	<b>6.49</b>	<b>7.53</b>

## 4.0 Related Party Disclosures

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

	2020 \$000	2019 \$000
<b>The following transactions with a related party took place</b>		
<b>SIML</b>		
Asset management fee expense	(4,109)	(4,066)
Performance fee expense	(1,523)	(493)
Building management fee expense	(396)	(400)
Accounting fee expense	(250)	(250)
Project management fee expense	(131)	(158)
Disposal fee expense	(97)	-
Leasing fee expense	(45)	(215)
Maintenance fee expense	(33)	(43)
<b>Total</b>	<b>(6,584)</b>	<b>(5,625)</b>
<b>SPL</b>		
Dividends paid	(4,095)	(3,913)
Deposit paid for acquisition of three large format properties (note 1.6)	(5,000)	-
Consideration received for issue of shares in capital raise	12,944	-
<b>The following balance was payable to a related party</b>		
SIML	(617)	(541)

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

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

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

The performance fee expense is calculated and payable on a quarterly basis as 10% of the actual increase in shareholder returns (being share price, adjusted for dividends, and other changes in capital structure), which is above 2.5% and under 3.75% in a quarter. Where shareholder returns exceed 3.75% in a quarter, no payment is due for the actual amount of the increase above 3.75% but the amount of the increase above 3.75% is carried forward and added to the calculation of shareholder returns in the next seven quarters. However, if shareholder returns are less than 2.5% in a quarter, the deficit is carried forward and subtracted from the calculation of shareholder returns in the next seven quarters. Additionally, the performance fee for any twelve month period is capped at 0.2% of the value of Investore's portfolio value, and any excess performance fee is carried forward into the following quarter.

SIML received performance fees of \$523,110 for the quarter ended 30 June 2019, \$484,808 for the quarter ended 30 September 2019 and is due to receive a performance fee of \$514,942 for the quarter ended 31 March 2020 (quarter ended 31 March 2019: \$493,222). The performance fee payable for the year ended 31 March 2020 was capped at \$1,522,860, being 0.2% of Investore's portfolio value as at 31 March 2020, with \$804,829 of excess performance fee to be carried forward into subsequent quarters. The carried forward return for the performance fee calculation for the quarter ended 30 June 2020 is a deficit of 3.16% (quarter ended 30 June 2019: positive 7.98%) which has been calculated in accordance with the management agreement.

## 4.0 Related Party Disclosures (continued)

On 25 November 2019, SPL paid Investore \$12,944,181 to acquire 7,396,675 shares under Investore's capital raise. As at 31 March 2020, SPL has a cornerstone shareholding in Investore of 19.4%, being 59,188,461 shares (2019: 19.9%, being 51,791,786 shares). SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds.

Subsequent to balance date, Investore undertook a capital raise (refer note 7.7). On 5 May 2020, SPL paid Investore \$16,522,301 to acquire 10,013,516 shares. Following that capital raising SPL's shareholding in Investore became 18.8%, being 69,201,977 shares.

In the current year, Directors in total received dividends of \$8,840 (2019: \$9,490). Directors' fees recognised in administration expenses comprise the following:

	2020 \$000	2019 \$000
Directors' fees	143	163
Chair's fees	81	70
	<b>224</b>	<b>233</b>

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



## 5.0 Capital Structure and Funding

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

### 5.1 Borrowings

#### Accounting Policy

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

	2020 \$000	2019 \$000
<b>Non-current</b>		
Bank facility drawn down	138,400	218,530
Fixed rate bonds	100,000	100,000
Unamortised borrowings establishment costs	(1,454)	(1,899)
<b>Total net borrowings</b>	<b>236,946</b>	<b>316,631</b>
<b>Total bank facility available</b>	<b>270,000</b>	<b>270,000</b>
Bank facility drawn down	138,400	218,530
Undrawn bank facility available	131,600	51,470
Facility A	70,000	70,000
Facility B	165,000	165,000
Facility C	35,000	35,000
<b>Total bank facility available</b>	<b>270,000</b>	<b>270,000</b>
<b>Bank facility expiry date</b>		
Facility A	31 Aug 2022	31 Aug 2022
Facility B	9 Jun 2021	9 Jun 2021
Facility C	9 Jun 2021	9 Jun 2020
Weighted average interest rate for debt (inclusive of current interest rate derivatives, bonds, margins and line fees) at balance date	4.63%	4.38%
Interest rate on the bank facility (excluding margin) at balance date	2.53%	2.54%

#### Bank borrowings

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

Effective from 30 September 2019, Investore refinanced Facility C for \$35 million by extending the tenor to 9 June 2021.

Subsequent to balance date, Investore refinanced \$101 million of facility which was due to mature in June 2021, extending this facility for a further three years to 9 June 2024. In addition, Investore has secured a new \$50 million, 5 year facility with its banking group. Refer note 7.7.

## 5.0 Capital Structure and Funding (continued)

### 5.1 Borrowings (continued)

#### Fixed rate bonds

On 18 April 2018, Investore issued \$100 million of fixed rate bonds with a six-year term, expiring on 18 April 2024, paying an interest rate of 4.40%.

The bonds are quoted on the NZX Debt Market and their fair value was \$102,493,666 (2019: \$103,266,143) based on their listed market price as at balance date. The fixed rate bonds are classified as Level 1 in the fair value hierarchy. Interest is payable quarterly in April, July, October and January in equal instalments.

#### Security

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

### 5.2 Derivative financial instruments

#### Accounting Policy

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

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

Hedge ineffectiveness for interest rate swaps may occur due to:

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

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

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.

Notional values	2020 \$000	2019 \$000
Notional value of interest rate swaps - fixed rate payer	150,000	230,000
Notional value of interest rate swaps - fixed rate receiver	25,000	25,000
	<b>175,000</b>	<b>255,000</b>
Fixed interest rates payer range	<b>2.27%-3.01%</b>	2.19%-3.01%
Fixed interest rate receiver	<b>4.40%</b>	4.40%
Weighted average fixed interest rate (excluding margins)	<b>2.64%</b>	2.58%
Percentage of drawn debt fixed	<b>94%</b>	96%

## 5.0 Capital Structure and Funding (continued)

### 5.2 Derivative financial instruments (continued)

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

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

On 21 March 2018, Investore entered into a \$25 million forward start fixed rate receiver swap for the duration of the fixed rate bonds with the effect of converting a portion of the \$100 million fixed rate bonds to floating interest rate. The life to date ineffective portion on the receiver swap, due to the misalignment to the fixed rate bonds as a result of the bonds commencing on 18 April 2018, is a fair value loss of \$68,346 (2019: fair value loss of \$50,320), resulting in a fair value loss movement of \$18,026 (2019: fair value loss of \$88,134) being recognised in the current year in the statement of comprehensive income.

On 2 April 2019, Investore broke interest rate derivative contracts with a notional value of \$20 million for a cost of \$37,100.

On 25 November 2019, Investore broke interest rate derivative contracts with a notional value of \$30 million for a cost of \$1,562,453. Of the total swap break expense incurred, \$161,915 has been recognised as finance expense in the current period and \$1,400,538 has been recognised in equity as other reserves as at 31 March 2020. The amount of swap break expense in reserves will be amortised to finance expense over the remaining original life of the interest rate derivative contract or until the repayment of the bank borrowings, whichever comes first.

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 (2019: 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 2020 of between 0.49% for the 90-day BKBM, and 0.91% for the 10-year swap rate (2019: 1.85% and 2.16% respectively). There were no changes to these valuation techniques during the reporting period.

As at 31 March 2020, the fair value of the interest rate derivatives was a net liability of \$2,549,350, including an accrued interest liability of \$113,085 (2019: net liability of \$3,217,393, including an accrued interest liability of \$49,696).

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

	2020		2019	
	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000
<b>Impact on equity</b>	<b>315</b>	<b>(316)</b>	923	(929)

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

Investore does not hold derivative financial instruments for trading purposes.

## 5.0 Capital Structure and Funding (continued)

### 5.3 Net finance expense

#### Accounting Policy

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

	2020 \$000	2019 \$000
<b>Finance income</b>		
Bank interest income	49	58
Other finance income	3	31
	<b>52</b>	89
<b>Finance expense</b>		
Bank borrowings interest	(8,670)	(10,103)
Fixed rate bonds interest	(4,395)	(4,382)
Lease liability interest	(662)	-
Swap break expense (note 5.2)	(199)	-
	<b>(13,926)</b>	(14,485)
<b>Net finance expense</b>	<b>(13,874)</b>	(14,396)



## 5.0 Capital Structure and Funding (continued)

### 5.4 Share capital

#### Accounting Policy

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

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. Investore had 304,498,669 shares on issue as at 31 March 2020 (2019: 260,075,613).

On 1 August 2018, Investore announced an on-market share buyback programme to purchase up to 5% of its ordinary shares over a 12-month period. During the prior financial year, Investore acquired and cancelled 1,696,220 ordinary shares on market at an average price of \$1.53 for a total consideration of \$2,599,984. Incremental costs of \$38,151 incurred were deducted from equity. On 21 May 2019, Investore announced the buyback programme had been concluded.

Investore undertook a capital raise during November and December 2019 which resulted in a gross amount of \$77.7 million raised, \$65 million from an institutional placement, which settled on 25 November 2019, and \$12.7 million from a retail offer which settled on 10 December 2019 with 44,423,056 shares issued at \$1.75 per share.

Subsequent to balance date, Investore undertook a capital raise which resulted in a gross amount of \$105 million raised, \$85 million from an institutional placement which settled on 5 May 2020, and \$20 million from its share purchase plan which settled on 20 May 2020, resulting in 63,636,364 shares being issued at \$1.65 per share. Refer note 7.7.

### 5.5 Reserve

	2020 \$000	2019 \$000
<b>Cash flow hedge reserve</b>		
<b>Opening balance</b>	<b>(2,230)</b>	(133)
Movement in fair value of interest rate derivatives	<b>(669)</b>	(3,035)
Tax on fair value movement	<b>187</b>	850
Transferred to profit or loss	<b>18</b>	88
<b>Closing balance</b>	<b>(2,694)</b>	(2,230)

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts (interest rate swaps) as at 31 March 2020 will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss, until the repayment of the bank borrowings.

### 5.6 Capital risk management

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

Subsequent to balance date, Investore received permission to negotiate rent relief outcomes with individual tenants as long as Investore's total net income reduction as a result of the agreements reached with tenants is not greater than that allowed for by the valuers in the 31 March 2020 valuations.

## 6.0 Financial Instruments and Risk Management

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

#### Accounting Policy

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

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

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

Summary of financial instruments	2020 \$000	2019 \$000
<b>Financial assets at amortised cost</b>		
Cash at bank	<b>4,229</b>	5,111
Trade and other receivables	<b>543</b>	415
NZX bond	<b>75</b>	75
<b>Derivative financial instruments</b>		
Used for hedging	<b>2,323</b>	1,320
<b>Total financial assets</b>	<b>7,170</b>	6,921
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	<b>5,914</b>	4,193
Lease liabilities	<b>11,117</b>	-
Borrowings	<b>236,946</b>	316,631
<b>Derivative financial instruments</b>		
Used for hedging	<b>4,854</b>	4,450
Held for trading at fair value through profit and loss	<b>18</b>	88
<b>Total financial liabilities</b>	<b>258,849</b>	325,362

### 6.1 Financial assets at amortised cost

#### Accounting Policy

Depending on the purpose for which the assets were acquired, Investore classifies its assets as financial assets at fair value through profit or loss and financial assets at amortised cost. Classification is determined at initial recognition and this designation is re-evaluated at every reporting date.

Financial assets at amortised cost are those assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

On initial recognition of a financial asset, Investore assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortised cost. At each reporting date, the credit risk on a financial asset, apart from trade receivables, is assessed to determine whether there has been a significant increase in the credit risk by considering both forward-looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. As a result of COVID-19, Investore has increased the expected credit loss allowance for trade receivables by \$0.05 million following a credit risk assessment on its debtors that were not an essential service and based on Investore's understanding and experience with the tenant.

## 6.0 Financial Instruments and Risk Management (continued)

### 6.2 Financial liabilities at amortised cost

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

### 6.3 Financial risk management

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

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

### 6.4 Interest rate risk

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

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

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

At balance date, \$13.4 million (2019: \$13.5 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 \$96,480 (2019: \$97,416) after tax respectively.

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

	2020 \$000	2019 \$000
<b>Financial assets</b>		
Cash at bank	4,229	5,111
<b>Financial liabilities</b>		
Bank borrowings	138,400	218,530
Fixed rate bonds	100,000	100,000
<b>Interest rates applicable at balance date</b>		
Cash at bank	0.05%	1.25%
Bank borrowings	2.05%	3.18%
Fixed rate bonds	4.40%	4.40%
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	4.63%	4.38%

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

## 6.0 Financial Instruments and Risk Management (continued)

### 6.5 Credit risk

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

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit and ensures that only those customers with appropriate credit histories are provided with credit. In addition, receivable balances are monitored on an ongoing basis, with the result that Investore's exposure to bad debts is not significant. Amounts which are past due are not considered impaired as the majority are due from tenants who have demonstrated a good payment history. As a result of COVID-19, Investore has increased the expected credit loss allowance for trade receivables by \$0.05 million following a credit risk assessment on its debtors that were not an essential service and based on Investore's understanding and experience with the tenant.

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

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

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

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

### 6.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Subsequent to balance date, Investore refinanced \$101 million which was due to mature in June 2021, extending this facility for a further three years to 9 June 2024. In addition, Investore has secured a new \$50 million, 5 year facility with its banking group. Investore's liquidity position is monitored on a regular basis and is reviewed quarterly by the Board to ensure compliance with internal policies and covenants per Investore's banking facility and fixed rate bonds.

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

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

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
<b>31 Mar 20</b>						
Trade and other payables	5,914	5,914	-	-	-	-
Secured bank borrowings	145,469	2,106	2,106	70,560	70,697	-
Fixed rate bonds	117,820	2,200	2,200	4,400	109,020	-
Lease liabilities	27,778	262	298	559	2,409	24,250
Derivative financial instruments	2,166	835	719	928	(316)	-
	299,147	11,317	5,323	76,447	181,810	24,250
<b>31 Mar 19</b>						
Trade and other payables	4,193	4,193	-	-	-	-
Secured bank borrowings	240,098	4,461	4,461	42,833	188,343	-
Fixed rate bonds	122,220	2,200	2,200	4,400	13,200	100,220
Derivative financial instruments	2,316	513	433	768	614	(12)
	368,827	11,367	7,094	48,001	202,157	100,208

### 6.7 Fair values

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



## 7.0 Other

This section contains additional information to assist in understanding the financial performance and position of Investore.

### 7.1 Operating segments

#### Accounting Policy

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

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 72% of Investore's portfolio contract rental as at 31 March 2020 (2019: 73%).

Subsequent to balance date, Investore settled on the acquisition of the three large format retail properties from SPL (refer note 7.7). Following settlement, Countdown's contribution to Investore's portfolio contract rental reduced to 63% (assuming settlement had occurred as at 31 March 2020).

### 7.2 Corporate expenses

	2020 \$000	2019 \$000
<b>Administration expenses includes:</b>		
<b>Auditor's remuneration</b>		
Audit and review of financial statements	166	150
Other assurance services - operating expense audits	13	14
	179	164
Other services - agreed upon procedures for proxy vote	4	4
<b>Total Auditor's remuneration</b>	183	168

## 7.0 Other (continued)

### 7.3 Tax

#### Accounting Policy

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

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

	2020 \$000	2019 \$000
<b>Income tax</b>		
Current tax	(5,559)	(5,341)
Deferred tax	(273)	(208)
<b>Income tax expense per the statement of comprehensive income</b>	<b>(5,832)</b>	<b>(5,549)</b>
<b>Profit before income tax</b>	<b>34,447</b>	<b>44,111</b>
<b>Prima facie income tax using the company tax rate of 28%</b>	<b>(9,645)</b>	<b>(12,351)</b>
<b>Decrease/(increase) in income tax due to:</b>		
Net change in fair value of investment properties	2,160	4,818
Reversal of lease liabilities movement in investment properties	12	-
Movement in fair value of derivative financial instruments	(5)	(25)
Non-taxable income	311	370
Depreciation	1,728	1,854
Depreciation recovered on disposal of investment property	(53)	-
Non-deductible expenses	(98)	(14)
Temporary differences	(65)	7
Deductible swap break expense	46	-
Over-provision in prior year	50	-
<b>Current tax expense</b>	<b>(5,559)</b>	<b>(5,341)</b>
Investment property depreciation	(338)	(201)
Other	65	(7)
<b>Deferred tax charged to profit or loss</b>	<b>(273)</b>	<b>(208)</b>
<b>Income tax expense per the statement of comprehensive income</b>	<b>(5,832)</b>	<b>(5,549)</b>
<b>Imputation credits available for use in subsequent reporting periods</b>	<b>1,290</b>	<b>1,333</b>

In the current period, the income tax benefit of \$392,280 arising from the swap break expense in the cash flow hedges has been recognised in other comprehensive income.

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

## 7.0 Other (continued)

### 7.3 Tax (continued)

#### Accounting Policy

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

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

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

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

	2019 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2020 \$000
<b>Deferred tax assets</b>				
Other temporary differences	6	65	-	71
Derivative financial instruments	1,242	-	66	1,308
	1,248	65	66	1,379
<b>Deferred tax liabilities</b>				
Depreciation on investment properties	(97)	(338)	-	(435)
Derivative financial instruments	(355)	-	(271)	(626)
	(452)	(338)	(271)	(1,061)
	796	(273)	(205)	318

	2018 \$000	\$000	\$000	2019 \$000
<b>Deferred tax assets</b>				
Depreciation on investment properties	104	(104)	-	-
Other temporary differences	13	(7)	-	6
Derivative financial instruments	37	-	1,205	1,242
	154	(111)	1,205	1,248
<b>Deferred tax liabilities</b>				
Depreciation on investment properties	-	(97)	-	(97)
Derivative financial instruments	-	-	(355)	(355)
	-	(97)	(355)	(452)
	154	(208)	850	796

As part of its COVID-19 support package the New Zealand Government has reintroduced a 2% diminishing value depreciation deduction for commercial properties, starting in April 2020 for Investore. This is estimated to provide a financial benefit to Investore of approximately \$2.2 million for the year ended 31 March 2021.

## 7.0 Other (continued)

### 7.4 Trade and other receivables

#### Accounting Policy

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

	2020 \$000	2019 \$000
<b>Current</b>		
Trade and other receivables	593	448
Less loss allowance	(50)	(33)
	543	415
<b>Carrying amount</b>	543	415
Less than 30 days overdue	31	348
Over 30 days overdue	562	100
Less impaired assets	(50)	(33)
<b>Movement in loss allowance</b>		
<b>Opening balance</b>	(33)	(44)
Loss allowance	(50)	(33)
Reversal of previous loss allowance	28	24
Bad debts written off	5	20
Closing balance	(50)	(33)

Subsequent to balance date, Investore received \$405,914 from General Distributors Limited in relation to turnover rent which had been included in the over 30 days overdue carrying amount as at 31 March 2020.

### 7.5 Trade and other payables

#### Accounting Policy

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

	2020 \$000	2019 \$000
<b>Current</b>		
<b>Unsecured liabilities</b>		
Trade payables	274	703
Related party payables (note 4.0)	617	541
Rent in advance	510	509
Capital expenditure accruals	2,058	231
Other accruals and payables	2,455	2,209
	5,914	4,193

Other accruals and payables include Goods and Services Tax, interest expense accruals, tenant deposits, direct property operating expense accruals and other corporate expense accruals.



### 7.6 Contingent liabilities

Investore has no contingent liabilities at balance date (2019: \$nil).

### 7.7 Subsequent events

On 3 April 2020, Adrian Walker was appointed to the Board as an Independent Director. As required by the NZX Listing Rules, Adrian Walker will retire and stand for election by shareholders at the 2020 Annual Shareholder Meeting.

Effective from 16 April 2020, Investore refinanced \$101 million of debt facility which was due to mature in June 2021 extending this facility for a further three years to 9 June 2024. In addition, Investore has secured a new \$50 million, 5 year facility with its banking group which now includes China Construction Bank, New Zealand Branch.

On 17 April 2020, Emma McDonald was invited to participate as an observer to the Board for a period of two years as part of the Institute of Directors' "future directors" programme, a programme which seeks to encourage directorship by giving talented people the opportunity to observe a company board while giving the company exposure to the talent and benefits a different perspective can bring. Ms McDonald is not a director of Investore, has no formal role or authority and observes only by invitation of the Board.

Following receipt of consent from the Overseas Investment Office on Friday 24 April 2020 for Investore to acquire three large format retail properties from SPL, settlement of the acquisitions occurred on 30 April 2020. The purchase price for these assets was \$140.75 million. Under the sale and purchase agreement, SPL is to complete seismic works of \$7 million and has provided a rental guarantee of \$0.5 million. In preparation for the acquisition, Investore received updated independent valuations of the properties to be acquired which showed a decline in value of \$7.0 million or -5.0% from that assessed at the time of entry into the sale and purchase agreement. This movement is primarily due to the impact of COVID-19, and is consistent with the valuation change seen in Investore's other properties, reflecting the impacts of COVID-19 which were between 0% and -7.5% from the original draft valuations (refer note 1.6). With regards to the acquisition of the property at 2 Carr Road, Auckland, Bunnings has given notice of an intention to undertake capital upgrade works to a value of up to \$6 million at Investore's cost, including expansion of the trade sales area with associated improvements rental and a new 10-year lease to commence on completion.

Investore undertook a capital raise during April and May 2020 which resulted in a gross amount of \$105 million raised, \$85 million from an institutional placement which settled on 5 May 2020, and \$20 million from its share purchase plan which settled on 20 May 2020, resulting in 63,636,364 shares being issued at \$1.65 per share. The purpose of the offer was to enable Investore to manage any unexpected downside scenarios and provide funding flexibility to continue Investore's strategy to grow its portfolio, positioning it well to secure investment opportunities that may arise. Upon completion of the capital raising SPL's shareholding in Investore became 18.8%, being 69,201,977 shares.

On 3 June 2020, Investore declared a cash dividend for the period 1 January 2020 to 31 March 2020 of 1.90 cents per share, to be paid on 18 June 2020 to all shareholders on Investore's register at the close of business on 11 June 2020. This dividend will carry imputation credits of 0.332954 cents per share. This dividend has not been recognised in the financial statements.

Investore has been in discussions with tenants that require assistance with the effects of COVID-19 and based on discussions to date with tenants, Investore expects the impact of COVID-19 to result in reduced gross rent receivable for the year ended 31 March 2021 of between \$1 million and \$2 million. In addition, Investore expects to offer rent deferrals to certain tenants which will be structured to be repaid by 31 March 2021.

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

### To the shareholders of Investore Property Limited

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

### Our opinion

In our opinion, the accompanying financial statements of Investore Property Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2020, 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 upon procedures for the proxy vote at the Annual Shareholder Meeting. The provision of these other services has not impaired our independence as auditor of the Company.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter, which is the valuation of investment property, including material valuation uncertainty arising from COVID-19. 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.



Description of the key audit matter

Valuation of investment property, including material valuation uncertainty arising from COVID-19

As disclosed in Note 2.2 of the financial statements, the Company’s investment properties at valuation totalled \$761.4 million which represents the majority of the assets held by the Company as at 31 March 2020.

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 property. A small percentage difference in individual property valuation assumptions, when aggregated, could result in a material misstatement of the valuation.

The valuations were performed by independent registered valuers, CBRE Limited, CIVAS Limited, Colliers International (Wellington Valuation) Limited, Jones Lang LaSalle, and Savills (NZ) Limited (the Valuers) as engaged by Stride Investment Management Limited (the Company’s Manager). The Valuers engaged by the Manager are experienced in the markets in which the Company operates and are rotated across the portfolio on a three-yearly cycle.

As discussed in Note 1.6 and Note 2.2 of the financial statements, the Valuers have included a material valuation uncertainty clause in their valuation reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the point estimate valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties. We have, therefore, given specific audit focus and attention to this area.

In determining a property’s valuation, the Valuers generally used two approaches to determine the fair value of an investment property: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the Valuers derive a point estimate.

For each property, 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 rate, discount rate, market rental, rental growth rate and terminal yield, which are then adjusted to recognise the impacts of COVID-19.

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.

How our audit addressed the key audit matter

The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 31 March 2020 has resulted in a wider range of possible values than at previous financial reporting year ends.

We considered the adequacy of the disclosures made in the Note 1.6 Significant accounting policies, estimates and judgements and Note 2.2 Investment properties to the financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties.

We discussed with the Manager and obtained sufficient appropriate audit evidence to demonstrate that the Manager’s assessment of the suitability of the inclusion of the valuations in the statement of financial position and disclosures made in the financial statements was appropriate.

We held discussions with the Manager to understand the movements in the Company’s investment property portfolio, changes in the condition of each property, the controls in place over the valuation process, and the impact that COVID-19 has had on the Company’s investment property portfolio including tenant rent abatements and tenant occupancy risk arising from changes in the estimated churn on lease renewal.

In assessing the individual valuations, we read the valuation reports for all properties. We also held separate discussions with each of the Valuers in order to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation rate, discount rate, market rental, rental growth rate, and terminal yield. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at balance date.

We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties at 31 March 2020.

Our work over the assumptions focused on the largest properties in the portfolio where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We engaged our own in-house valuation specialist to critique and independently assess the work performed and assumptions used by the Valuers on a sample basis. In particular, we obtained an understanding of the key inputs in the valuation, agreed contractual rental and lease terms to lease agreements with tenants, considered whether seismic assessments and/or capital maintenance requirements had been taken into account in the valuations with reference to supporting documentation and validated that COVID-19 relief provided to tenants had been factored into the valuations and that changes in tenant occupancy risk were also incorporated.

We also 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.

It was also evident from our discussions with the Manager and the Valuers and from 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.



Our audit approach



Overview

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

Overall materiality: \$1,340,000

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$67,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As noted above, we have one key audit matter being the valuation of investment property, including material valuation uncertainty arising from COVID-19.

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	\$1,340,000.
How we determined it	Approximately 5% of profit before tax excluding the net change in fair value of investment properties.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is reflective of the metric against which the performance of the Company is commonly measured by users.

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.





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:

*Pringlehouse Coopers*

Chartered Accountants  
3 June 2020  
Auckland





# Corporate Governance

The Board of Investore recognises strong corporate governance as important to the performance of Investore for all stakeholders. The Board has established a framework of policies, practices and processes which are intended to ensure that Investore implements best practice standards of corporate governance. This section of the Annual Report provides an overview of those corporate governance policies, practices and processes adopted and followed by Investore. This statement is current as at 1 May 2020.

## Overview of Investore

Investore is a New Zealand incorporated company, whose fully paid ordinary shares are quoted on the NZX Main Board equity securities market under the ticker code 'IPL', with a 'non-standard' (NS) designation. The 'non-standard' designation reflects that Investore has the benefit of certain waivers from the Listing Rules, which are intended to reflect the nature and operations of Investore. These waivers are described on page 95.

Investore was established by 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 shareholding in Investore. Investore's assets and operations are externally managed by SIML, the real estate investment management business that is part of the NZX listed stapled group, Stride Property Group. SIML, as Manager, has appointed two Directors to the Investore Board.

Investore is a listed Portfolio Investment Entity (PIE) for taxation purposes.

## Management of Investore

SIML has responsibility for the management of Investore pursuant to the Management Agreement between Investore and SIML. SIML's responsibilities include management and maintenance of Investore's property portfolio, negotiating the acquisition and disposal of property, any development and construction planning and management, treasury and capital management, and ensuring Investore meets its financial, reporting, and other statutory and regulatory obligations. Investore does not have any employees of its own.

## Corporate Governance

The Board has adopted a corporate governance framework that is consistent with the size and nature of Investore's operations. The Board reviews and assesses Investore's governance structures and processes to ensure they are consistent with best practice standards and remain current and effective. The corporate governance practices of Investore have been reviewed during the year, to reflect the NZX Code.

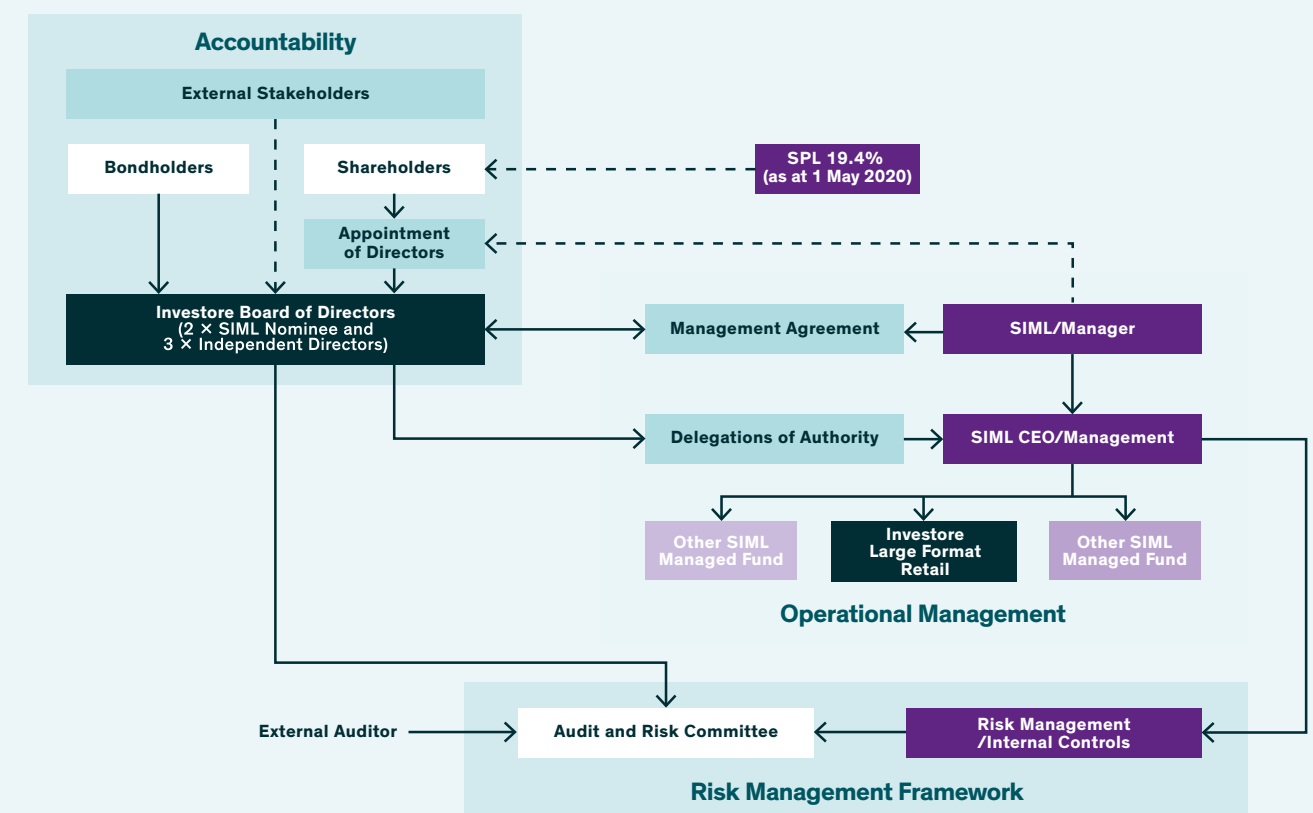
This section of the Annual Report provides an overview of Investore's corporate governance framework and includes commentary on Investore's compliance with each of the eight corporate governance principles and recommendations of the NZX Code for the year ended 31 March 2020, together with other legal and regulatory disclosures.

Investore's corporate governance framework and practices are materially consistent with the NZX Code, subject to the following exceptions:

- No Remuneration Committee has been established (NZX Code Recommendation 3.3) and no Remuneration Policy has been adopted (NZX Code Recommendation 5.2), due to Investore having no employees. Director remuneration is considered by the Board as a whole and then recommended to shareholders for approval.
- As there is no Chief Executive of Investore, the requirement to disclose the remuneration arrangements in place for the Chief Executive does not apply (NZX Code Recommendation 5.3).
- Investore held a special meeting of shareholders on 16 January 2020 (the Special Meeting) in relation to the proposed acquisition of three large format properties from SPL, as well as the capital raising undertaken to partially fund this acquisition. The NZX Code states that

the Board should ensure that notices of special meetings are posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting (NZX Code Recommendation 8.5). In the case of the Special Meeting, this was organised as soon as possible following completion of the capital raising announced on 19 November 2019, with the notice of Special Meeting released on 13 December 2019 and the meeting held on 16 January 2020. The Christmas period meant that, while more than one month's notice of the Special Meeting was provided, less than 20 working days' notice was provided (Investore gave 16 working days' notice). The Board approved the date of the Special Meeting to ensure as many as possible of the Directors were able to attend, and Investore notes that the notice period did comply with the requirements of the Companies Act 1993. The Board also took a number of steps to ensure that shareholders were aware of the Special Meeting, including engaging with the Shareholders Association, prior to Christmas.

Diagram 1 – Governance Framework



## Investore's Website

For additional information on Investore's key corporate governance documents and policies, please refer to the Investore website at [www.investoreproperty.co.nz](http://www.investoreproperty.co.nz)

## Principle 1: Code of Ethical Behaviour

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

Investore and the Board consider that ethical behaviour underpins the overall corporate governance practices of Investore and SIML, as Manager. The Board adopts an ethics-based approach to its operations and decision making.

### Code of Ethics

Investore has adopted a Code of Ethics which sets the standard expected by Investore of its Directors and of the employees of the Manager when conducting the business of Investore. In summary, the Code of Ethics requires that representatives of Investore:

- act with honesty and integrity and demonstrate respect for others;
- protect Investore's assets and resources, including its confidential or sensitive information;
- adhere to all legal and compliance obligations; and
- make every effort to protect the reputation of Investore and avoid a conflict between an individual's private financial activities and the business activities of Investore.

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

### Conflicts of Interest

The principles that govern the management of conflicts of interest are addressed in a number of Investore's governance documents, including the Constitution, the Board Charter, the Code of Ethics, and a range of internal policies of the Manager.

Due to the relationship between Investore and Stride Property Group, the management of perceived and actual conflicts of interest is an integral feature of Investore's day-to-day governance practices. SIML, the Manager, has adopted a Conflicts Policy which guides SIML in identifying and managing conflicts of interest. Investore has approved this Conflicts Policy.

In addition to the standing conflict protocols, the Board considers conflicts of interest for specific transactions, and this was evidenced in the management of the acquisition of three large format retail properties from SPL during the year in review. The Board was particularly mindful of the conflict of interest issues raised as a result of this transaction, given that SIML manages and advises both Investore (the purchaser) and SPL (the vendor), and that two members of the SPL Board (being Tim Storey and John Harvey) are also directors of Investore.

The Board was conscious to ensure that it adopted an independent and robust process where shareholders would have confidence in the integrity of all aspects of the acquisition process, and that any subsequent Board recommendation in

favour of the acquisition was made on the basis that it delivers the best outcome for Investore and its shareholders. The following measures were adopted to ensure an independent process:

- Mike Allen, the Chair of Investore, and Gráinne Troute, being the two independent directors of Investore at the time, negotiated the sale and purchase agreements on an arms' length basis with the Board of SPL, with the assistance of independent legal advisors.
- Independent legal advisers were appointed to advise Investore on the acquisition and, in addition, the independent Directors took their own legal advice on governance matters to ensure complete transparency and robustness of advice. Separate legal advisors were engaged by SPL.
- The SIML conflicts protocol was adhered to in negotiating the acquisition, and in addition, a transaction-specific conflicts protocol was adopted, which established processes and procedures for ensuring the independence of advisors and transaction teams and the management of information to ensure confidentiality and separation.
- Independent valuations of all properties were obtained by Investore from Savills (NZ) Limited.
- In accordance with the requirements of the Listing Rules, both the valuers, Savills (NZ) Limited, and Northington Partners Limited, who prepared the Independent Appraisal Report, were approved by NZX.
- The SIML appointed Investore Directors, Tim Storey and John Harvey, abstained from voting on the Board approval of the transaction and the independent Directors held their own discussions without wider Director participation.

### Securities Trading Policy

The Board has adopted a Securities Trading Policy which contains processes and procedures governing 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. Directors of Investore and directors and employees of SIML who wish to trade in quoted financial products of Investore must comply with the Securities Trading Policy, which imposes limited trading windows and requires all persons to whom the policy applies to obtain approval prior to trading. Speculative trading is not permitted, except in exceptional circumstances and with the prior approval of the Company Secretary, with a minimum holding period of six months imposed.

## 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

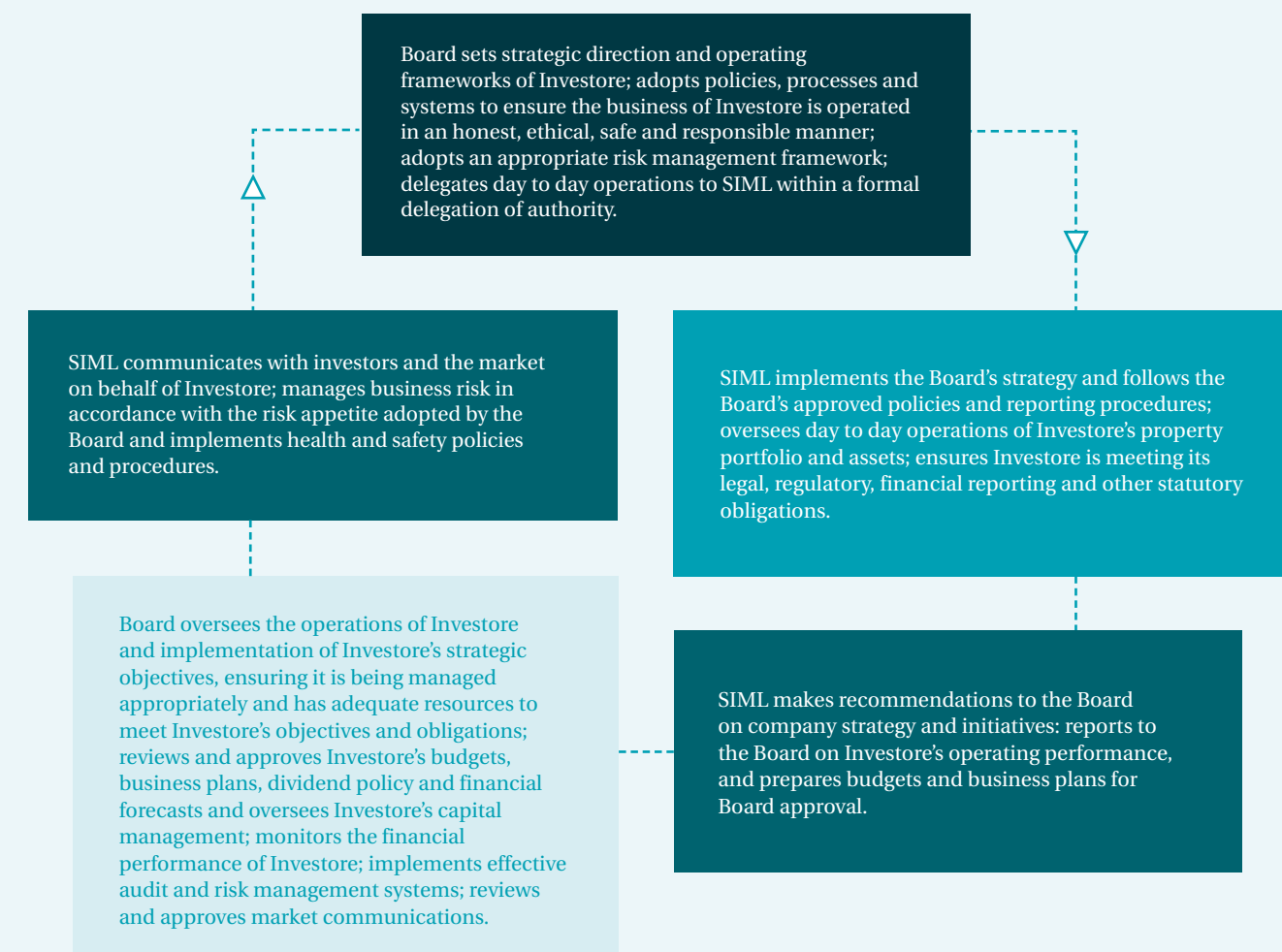
The Board is responsible for overseeing the effective management and operation of Investore. The Board's role is to represent the interests of Investore's stakeholders and ensure that the operations of Investore are managed in a way that is consistent with the achievement of Investore's strategy and business objectives, within a framework of regulatory and ethical compliance.

The Board's roles and responsibilities are formalised in a Board Charter, which is available on the Company's website. The Board Charter outlines the functions that are reserved for the Board and those that are formally delegated to SIML as Manager. Directors review the Board Charter annually, to

ensure it remains consistent with the Board's objectives and responsibilities and appropriately reflects the distinction between the Board's responsibilities and those of the Manager.

The Board retains responsibility for setting the strategic direction of Investore, overseeing performance and communicating to the market. The Board delegates the day to day management of Investore's business to SIML as Manager by way of the Management Agreement, and sets appropriate operating parameters through formal delegations of authority. The relationship between the Board and SIML is a closely linked one, with regular communication and interaction, as depicted in Diagram 2.

Diagram 2 – Board and Manager Roles and Responsibilities



Composition of the Board and Director Independence

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 where the Board is comprised of four Directors, and at least three independent Directors where the Board is comprised of five Directors.
- An independent non-executive Chair, who holds a casting vote in respect of Board resolutions.
- At least two Directors who are ordinarily resident in New Zealand.

SIML, as Manager, has the right to appoint and remove two Directors. The two SIML appointed Directors, Tim Storey and John Harvey, are also directors of SIML. The independent Directors are appointed and subject to removal in the normal manner by Investore shareholders who are not associated with SIML. This means that SPL, as a shareholder of Investore, is not eligible to vote on the appointment of the independent Directors.

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

‘Independent of the Manager’ means, in respect of a Director, that:

- The Director is not an ‘Associated Person’ (as defined in the Listing Rules) of SIML, any person who holds or controls more than 25% of the ordinary shares of SIML, or any 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, 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 2020, their status and date of appointment, skills and expertise, is set out on pages 12 and 13, with their attendance at meetings set out on page 84.

The Board has reviewed the status of each of the Directors and confirms that, as at the date of release of this Annual Report, Directors Mike Allen, Gráinne Troute and Adrian Walker are independent Directors, having regard to the factors set out in the NZX Code.

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

Appointment of Directors

Potential candidates for appointment as an independent Director are nominated by the Board or shareholders and are voted on by the shareholders of Investore. The Board may appoint Directors to fill a casual vacancy, but where a Director is appointed to fill a casual vacancy, that Director is 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. Before appointing a new director, the Board undertakes appropriate pre-appointment checks, including background checks on education, employment experience, criminal history, and bankruptcy.

During the year in review Director Kate Healy resigned in order to explore other opportunities in Australia where she now resides. The Board conducted a thorough review of its skills and experience and identified any gaps in expertise that a new director could bring to the Board. Following a comprehensive search, the Board appointed a new independent Director, Adrian Walker, on 3 April 2020. Adrian brings to the Investore Board a deep knowledge of the property industry in New Zealand, as well as the supermarket sector, a sector that makes up a significant portion of Investore’s portfolio.

All new non-executive Directors are appointed by way of a formal letter of appointment setting out the key terms and conditions of their appointment, including expected time commitment, remuneration entitlements and indemnity and insurance arrangements. New Directors are provided with an induction pack containing key governance information, policies and relevant information necessary to prepare new Directors for their role. New Directors also meet each of the key members of management of SIML as part of an induction programme, designed to provide new Directors with an overview of Investore, its strategy and operations, and the market in which it operates.

Directors’ Skills and Experience

The Board regularly reviews its skills and experience, particularly when there is a gap on the Board to be filled. The Board is conscious to ensure that it collectively has an appropriate mix of skills, knowledge, experience and diversity to enable the Board to meet its responsibilities and to bring different perspectives to Board discussions. A balance is sought 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 in Diagram 3 is a summary of the identified mix of skills and experience among Directors that the Board seeks to maintain and develop. This skills matrix takes account of the nature of the Company’s business interests and its strategic principles. Individual Director profiles are also set out on the Investore website and on pages 12 and 13 of this Annual Report.

Diagram 3 – Board Skills Matrix



Professional Development, Training & Independent Advice

The Board conducts continuing professional development for Directors, which includes visits to properties owned by Investore and potential acquisition sites, and briefings from senior SIML managers and industry experts. This is intended to enable Directors to maintain the knowledge and skill set required for the office of a Director of Investore, particularly focussed on 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.

All Directors are entitled to access information and independent advice if they individually or collectively consider it necessary to properly execute their roles and responsibilities.

Board Self-Review

Directors carry out an annual performance review and evaluation of the Board, its Charter and committee(s), with Directors’ views sought and discussed on issues relevant to the Board and its governance practices. The Board undertook an internal self-review in FY20 as part of the appointment of Adrian Walker as a new Director.



Diversity

The Investore Board understands that different perspectives contribute to a more successful business, and that different perspectives are often the result of diversity. Investore is committed to promoting diversity on its Board by attracting, developing and retaining high calibre Directors from a diverse pool of individuals and skill sets.

The Board has adopted a Diversity Policy, which applies to the Board, given that Investore has no employees. Investore aligns its Diversity Policy with SIML's Diversity Policy. For more information on the Manager's diversity strategy, refer to the FY20 Annual Report of Stride (when available) at [www.strideproperty.co.nz](http://www.strideproperty.co.nz)

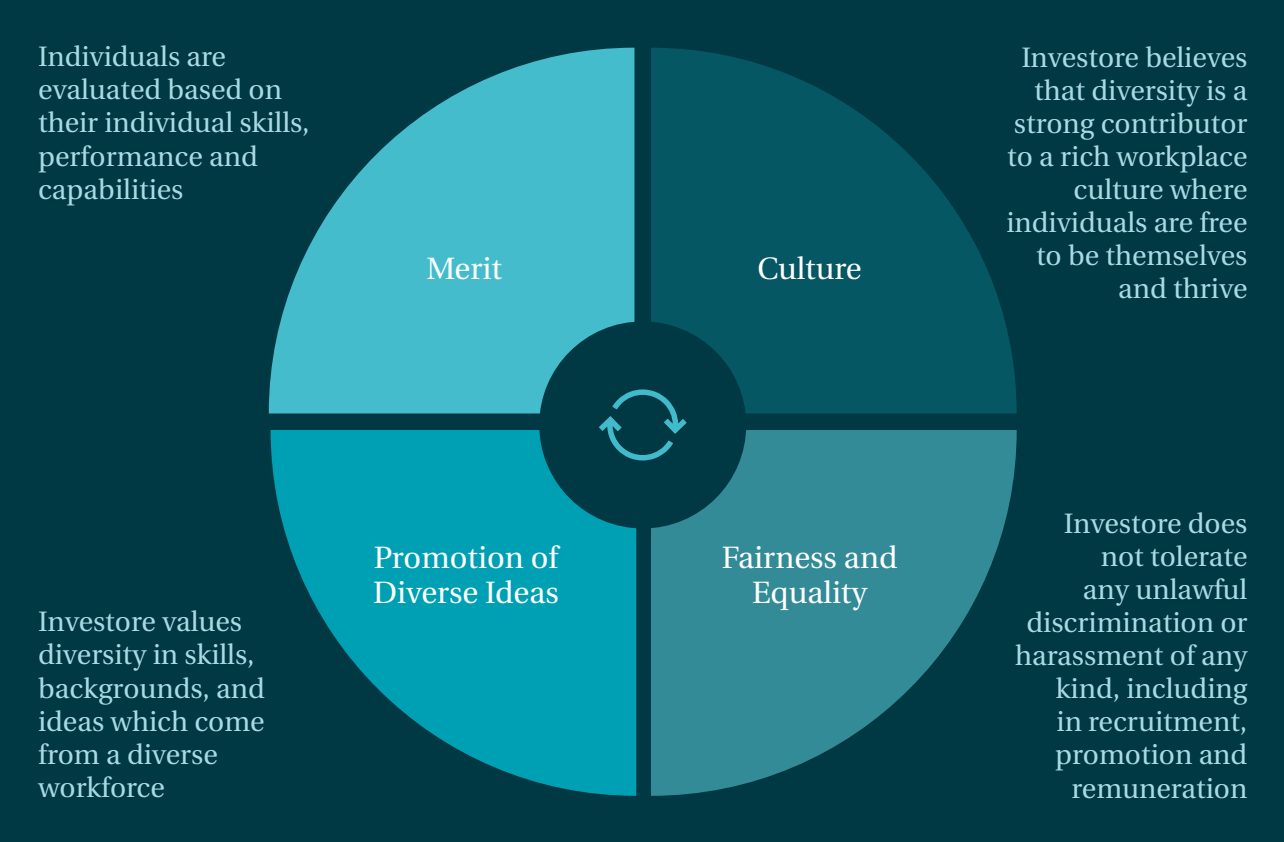
Gender Composition of the Board of Investore

	As at 31 March 2020	As at 31 March 2019
Male*	3 (75%)	3 (60%)
Female	1 (25%)	2 (40%)

\* Adrian Walker was appointed a director on 3 April 2020. Following his appointment, the Board comprises four male Directors (80%) and one female Director (20%).

The Investore Diversity Policy takes a broad approach to diversity, considering a number of different factors which contribute to a diverse and productive Board, including gender, experiences, age, religious beliefs, capabilities, sexual preference, family and cultural heritage. The four key principles of diversity for Investore are set out in Diagram 4.

Diagram 4 – Principles of Investore’s Diversity Policy



Investore has conducted a review of its Diversity Policy and the performance of Investore against its annual objectives for the year in review, with its progress towards achieving its objectives summarised in Table 1.

Table 1 - Diversity Objectives and Progress FY20

Objective	Progress as at 31 March 2020
<b>Recruitment</b> Ensure recruitment procedures provide for a wide range of potential Director candidates to be considered at Board level	In conducting a search for a new Director, Investore considers diversity as one of the factors for consideration in selecting a new Director. Investore 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. The Board undertook a comprehensive process during FY20 in the search for a new independent Director to support Investore in its next phase of development. The independent Directors of Investore sought diversity in the candidates for directorship, and Director Adrian Walker was appointed on 3 April 2020.
<b>Reporting</b> SIML will report periodically to the Board on diversity related matters within its business, including diversity of employees	Investore has adopted a Diversity Policy to apply to the Board which is aligned with SIML's Diversity Policy. This ensures a synergy of approach to diversity at a governance and operational level, with SIML undertaking the day to day operation of the business of Investore. Oversight of the Manager's diversity approach is important to Investore. SIML reported to the Investore Board on progress in its diversity objectives, a summary of which can be found in the Stride Annual Report for FY20 (when available).

Principle 3:  
Board Committees

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

The Board acknowledges that committees play a crucial part in Investore’s governance framework, allowing a subset of the Board to focus on a particular area of importance, while still ensuring the Board as a whole is responsible for decision-making for the Company.

For the year in review, the Board had one standing committee in operation, the Audit and Risk Committee, to assist in the exercise of its functions and duties. In addition, during FY20 the Board established a temporary Due Diligence Committee, comprising members of the Board, the Manager and advisers, to oversee planning and preparation for the capital raising undertaken during November and December 2019, and to ensure that the Company met its legal obligations in relation to that capital raising.

The NZX Code recommends that a Remuneration Committee and a Nominations Committee be established to recommend remuneration packages for Directors and senior employees and to recommend director appointments to the Board. As Investore has no employees and a relatively small Board, the function of Director remuneration and appointment is undertaken by the full Board, with both Director remuneration and independent Director appointments ultimately requiring shareholder approval.

Audit and Risk Committee

The Audit and Risk Committee operates under a written Charter which is reviewed annually by the Committee to ensure that it remains appropriate and current. The Charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors, and have at least three members, with the majority of members being independent Directors. At least two Directors on the Committee must be independent of SIML. The Chair of the Audit and Risk Committee is to be an independent Director and may not be the Chair of the Board.

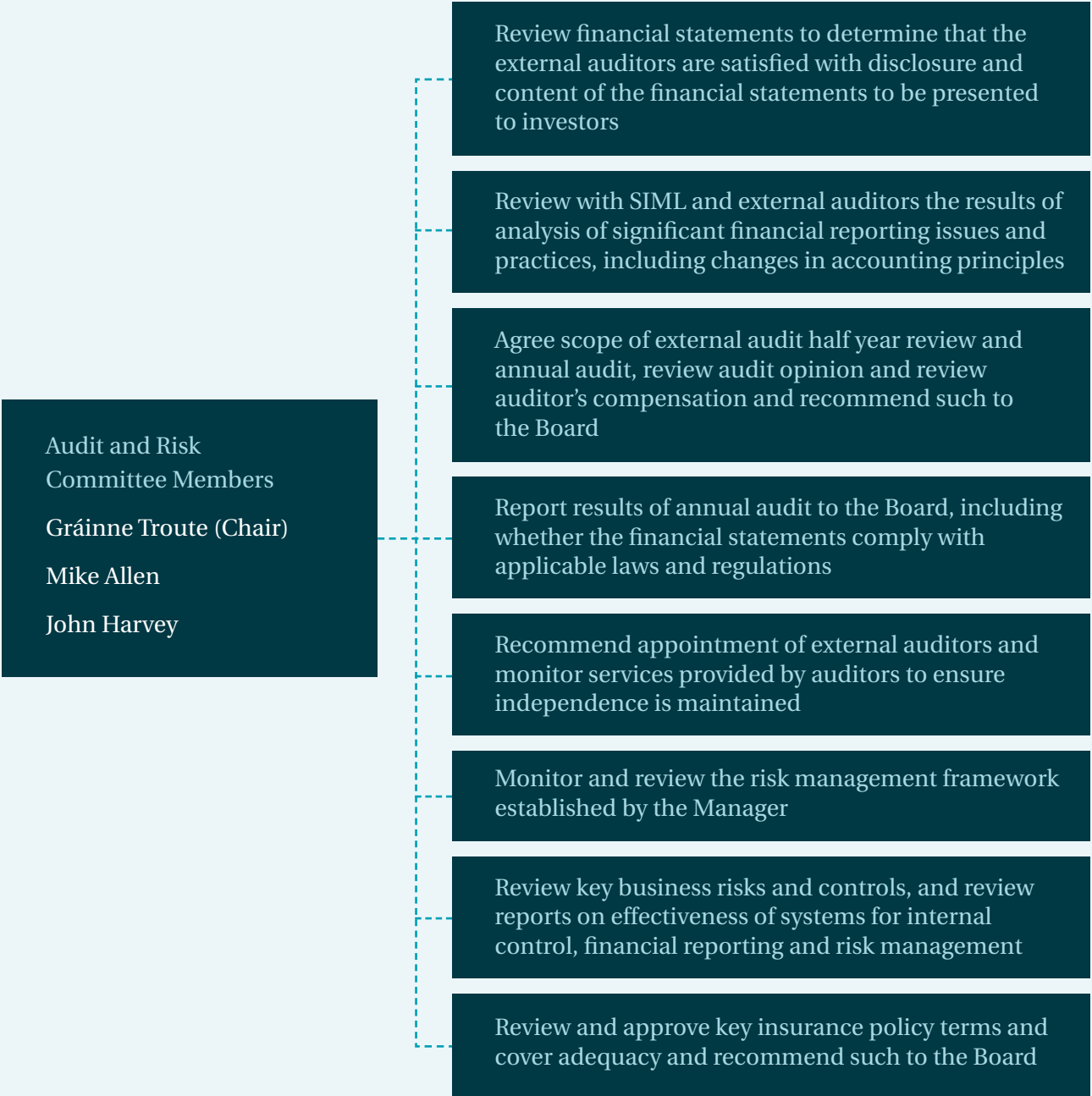
All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen for the position of Audit and Risk Committee member and at least one member must have accounting or related financial management expertise. Directors who are not committee members have a standing invitation to, and regularly attend, the Audit and Risk Committee meetings.

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

The NZX Code recommends that 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 Chief Executive Officer and senior management of SIML, and the external auditor, have a standing invitation to attend Audit and Risk Committee meetings. The Audit and Risk Committee are free to, and do, meet separately with the external auditor, without senior management of SIML present, to discuss audit matters.

The Audit and Risk Committee provides assistance to Directors in fulfilling their responsibility to investors in relation to the reporting practices of Investore, and the quality, integrity, and transparency of the financial reports of Investore.

Diagram 5 - Audit and Risk Committee Membership and Responsibilities



A copy of the Audit and Risk Committee Charter can be found on Investore’s website at [www.investoreproperty.co.nz](http://www.investoreproperty.co.nz)

Due Diligence Committee

During the year in review a temporary Board Committee was established to oversee the capital raising undertaken to partially fund the acquisition of the three large format retail properties from SPL. This Due Diligence Committee comprised two independent Directors, Mike Allen and Gráinne Troute, as well as members of SIML management and representatives of Investore’s advisers. All Investore Directors were invited to attend the Due Diligence Committee meetings, although the Directors appointed by SIML did not vote on matters that involved a conflict of interest given their role as directors of SPL.

The key function of the Due Diligence Committee was to oversee and coordinate the due diligence process for the capital raising, which comprised an institutional placement and a retail offer.

The Due Diligence Committee was responsible for ensuring that all material information known to Investore was disclosed to the market, and ensuring that the offer materials did not contain any statement that was false, misleading or deceptive or which was unsubstantiated, and contained all of the information required by statute and the Listing Rules. The Committee also established a system of continuing enquiry, review and monitoring of developments between the date of the offer materials and the allotment of the shares, to ensure no material information arose which should be disclosed to the market during this period.

A similar Committee and process was established for the capital raising announced post balance date on 29 April 2020.

Board and Committee Meetings and Attendance

The Board schedules a minimum of six meetings per year, at which Directors receive written reports and presentations from SIML’s Chief Executive Officer and senior management covering a review of operations and financial results for the period in review, an overview of matters for Board approval, and an outline of key health, safety and sustainability matters and, as appropriate, risk and governance reports. The Board regularly considers performance against strategy, sets strategic plans and approves initiatives to meet the Company’s strategic principles.

Additional Board and Committee meetings are called as required. The Board notes that it has met more regularly in recent months to review operational matters and the impact of COVID-19 on Investore’s business and financial performance, in order to ensure that the market and investors are kept informed.

Directors also visit Investore’s assets and potential assets for acquisition, attend briefings with senior managers of SIML on an ad hoc basis and attend investor briefings in connection with their role as Director of Investore. These attendances are not included in the disclosure in Table 2 below, but comprise an important element of Investore Director responsibilities.

The number of Board and Committee meetings held during the year and details of Directors’ attendance at those meetings are disclosed in Table 2.

Table 2 - Board and Committee Meeting Attendance for Period 1 April 2019 to 31 March 2020

	Board	Audit and Risk Committee	Due Diligence Committee and Related Board Meetings*
Number of Meetings in FY20	8	4	10
Mike Allen	8	4	9
Kate Healy**	1	1	-
Gráinne Troute	8	4	10
Tim Storey	8	4	8
John Harvey	8	4	8

\* Directors Mike Allen and Gráinne Troute were members of the Due Diligence Committee. Directors Tim Storey and John Harvey attended some Committee meetings, but did not attend all meetings due to the conflict of interest given their position as directors of SPL.  
\*\* Director Kate Healy resigned with effect from 22 May 2019.

Takeover Protocols

The Board has established takeover protocols, available on Investore’s website, which set out the procedure to be followed in the event a takeover offer for Investore is made or it is foreseeable that an offer may be imminent. The protocols provide for an independent takeover committee to be formed, comprising independent Directors of Investore, to oversee the takeover process and ensure compliance with Investore’s obligations under the Takeovers Code. The protocols also govern the procedure for communications with the bidder, and with the market and investors.

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

Investore has a Market Disclosure Policy, available on Investore’s website, to ensure the Company meets its obligation to keep the market informed of all 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 statute and in the Listing Rules;
- Ensuring that all market participants have equal opportunities to receive externally available information issued by Investore.

The Policy obliges all directors and executive officers of SIML and Directors of Investore to inform the Chief Executive Officer of SIML or the SIML General Manager Corporate Services (who is also the Disclosure Officer under the Policy) of any potentially material information or proposal immediately after the relevant person becomes aware of that information or proposal. A Disclosure Committee, comprising Investore’s Chair and SIML’s Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services, 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.

Availability of Key Governance Documents

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

The Board notes that it has not established a remuneration policy due to the fact that it has no employees. Information regarding Director remuneration is made available to investors when shareholders are asked to approve any changes to Director remuneration, and is reported in the Annual Reports of Investore.

Financial Reporting

Investore is committed to appropriate financial and non-financial reporting. Investore’s Audit and Risk Committee is responsible for overseeing Investore’s financial reporting, including ensuring that such reporting is balanced, clear and objective. Further information on the Audit and Risk Committee process and responsibilities is contained in the commentary on Principle 3.

Non-Financial Reporting

Part of the role of the Audit and Risk Committee is to establish processes to identify and consider in detail the material business risks of the Company, including those reported by SIML, the Manager. The Board also regularly receives risk management reports, and reviews key risks to the business of Investore and the controls implemented to manage exposure to those risks. These include portfolio risks, business risks, compliance risks, as well as risks related to individual projects or sites. All identified risks have specific mitigation strategies where appropriate, and the Manager regularly reviews the effectiveness of these strategies.

Environmental Sustainability, Social Responsibility and Corporate Governance

Investore is committed to ensuring that Environmental Sustainability, Social Responsibility and Corporate Governance (ESG) are key considerations in the operation and governance of its business. In practice, Investore aligns its approach to ESG factors with that of the Manager.

As reported in the Annual Report for FY19, Investore embarked on progressing its sustainability approach through the development of a materiality matrix and gap analysis. In the past year Investore has built on this work, with the assistance of SIML, by implementing a Sustainability Strategic Plan, linking the outcomes of the gap analysis and materiality assessment to Investore’s sustainability goals. The strategic plan sets the direction for improving sustainability across Investore to achieve its long-term strategy.

The key sustainability issues identified by Investore through the materiality matrix that was completed in FY19 as being of most importance to stakeholders and also having the greatest impact on Investore’s business were:

Health, safety & wellbeing	Attracting investors	Tenant relationships
Governance	Communication	Asset quality
Diversity	Social licence	Community involvement & engagement

Investore’s strategic plan is based on the three key pillars for a successful, sustainable business – people, planet (or places in Investore’s case) and prosperity, and seeks to address each of the material issues identified above within each of these pillars. A detailed three year plan which identifies specific actions against each objective is being prepared, and Investore is working proactively with its tenants in order to ensure that its sustainability activities align with those of its major tenants, in order to achieve the most effective outcome.

The key objectives contained in Investore’s sustainability strategic plan, as well as achievements for FY20 can be found on pages 26 and 27 of this Annual Report.



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 remuneration for the Chair of the Board and an additional amount for the Chair of the Audit and Risk Committee, to reflect the additional time and responsibilities that these positions require. The Board is collectively responsible for recommending Director remuneration packages to shareholders.

Directors’ remuneration was reviewed in 2019, as previously signalled to the market, being three years since Investore was listed. The Board engaged Ernst & Young to provide an independent report on Directors’ remuneration for Investore, utilising Ernst & Young’s database of directors’ remuneration in New Zealand. The report benchmarked the remuneration paid to Investore’s Directors against an industry peer group of NZX listed companies, selected on the basis of comparable market capitalisation. A summary of that report was made available to shareholders when considering the resolution to increase Directors’ remuneration at the 2019 Annual Shareholder Meeting. In proposing an increase in remuneration, the Board took into account the Ernst & Young independent benchmark report, as well Director workloads and responsibilities, and Investore’s performance.

Shareholders approved an increase in Directors’ remuneration at the 2019 Annual Shareholder Meeting with effect from 1 July 2020, increasing non-executive Director remuneration from \$40,000 to \$45,000 per annum; the Chair’s remuneration was increased from \$70,000 to \$85,000 per annum; and the remuneration of the Chair of the Audit and Risk Committee was increased from \$5,000 to \$6,500 per annum. Audit and Risk Committee Members receive no additional remuneration.

As previously advised to the market, Investore intends to review Director remuneration every two years. Investore remains committed to the principle that remuneration is set and managed in a manner which is fair, transparent and reasonable.

Investore does not have a remuneration policy because it has no employees and, as previously advised to shareholders, Directors receive remuneration solely by way of Director fees which are approved by shareholders. 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.

Table 3 sets out Director remuneration for those Directors who held office in the year to 31 March 2020.

Table 3 - Directors’ Remuneration

Director	Remuneration
Mike Allen (Chair)	\$81,250
Gráinne Troute (Chair of Audit and Risk Committee since May 2019)	\$49,161
Tim Storey	\$43,750
John Harvey	\$43,750
Kate Healy (resigned 22 May 2019)	\$6,429
<b>Total*</b>	<b>\$224,340</b>

\* Total Directors’ fees exclude GST and reimbursed costs directly associated with carrying out Director duties. No additional fees were paid to Directors who were members of the Due Diligence Committee.

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

The Board considers that identification and management of the risks to Investore’s business is an important part of its responsibilities. 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 robust risk management framework in place, supported by a set of risk-based policies appropriate for Investore, including a Treasury Policy, the Manager’s Conflicts Policy, Investment Mandates and Delegations of Authority (which are endorsed and approved by Investore). The principal purpose of this framework is to integrate risk management into Investore’s operations, and to formalise risk management as part of Investore’s internal control and corporate governance arrangements.

As part of the risk management framework, the Manager maintains a comprehensive risk register for Investore, recording the key risks to its business, and assigning each risk a risk rating based on the likelihood and impact of the risk, as well as mitigation strategies and the risk rating after implementation of the mitigation strategies.

The Board receives a report on the material risks facing Investore on a quarterly basis, as well as mitigation strategies that are in place to manage those risks. The Manager also reports on any changes to the risk level or any new material risks that the business is facing. These risks include financial, operational, compliance, reputational, and health and safety risks, among others.

The key risk facing Investore since March 2020 has been COVID-19, and the Board has met more regularly to monitor the impact of COVID-19 on Investore’s business, including operational and financial performance. The Board has also sought to keep the market updated with timely information on the impact of COVID-19 on Investore’s business through regular business updates.

Management of Health and Safety Risk

Investore’s health and safety framework reflects its commitment to health and safety. The Board acknowledges that effective governance of health and safety is essential for the continued success of Investore. As reported in the FY19 Annual Report, Investore’s health and safety approach reflects the externally managed nature of its business. In appointing SIML to manage the Investore business, Investore relies on SIML to ensure that Investore is complying with its health and safety obligations. The Investore Board works closely with SIML to understand the key risks to Investore’s business from a health and safety perspective, ensure that these risks are eliminated or minimised, and that SIML is implementing appropriate systems and procedures to ensure effective management of health and safety risks when managing Investore’s assets and business.

During FY20, Investore, in conjunction with SIML as Manager, has continued to implement a best practice health and safety framework for management of its business, based on the four key health and safety pillars that form the basis of Investore’s health and safety strategy, which is aligned with the SIML health and safety strategy.

Investore’s Health and Safety Pillars



## Principle 7: Auditors

The Investore Board continues to review achievement by SIML of the key performance indicators underpinning each of these strategic pillars.

For the year in review, Investore continued to develop and embed a positive health and safety culture throughout its area of influence, including SIML, tenants and its supply chain. Contractor management has continued to be a key area of focus for Investore and SIML, ensuring that contractors with appropriate health and safety practices are engaged, and when engaged they are minimising risk to staff, public and tenants in undertaking their activities. In addition, during FY20 risk assessments have been refreshed for sites to identify risks and seek to eliminate or minimise those risks.

In March 2020, the key health and safety issue facing Investore, as with most businesses, was the impact of COVID-19 on its operations and those of its tenants. As many of the Investore tenants are considered 'essential businesses' within the Government definition on the [www.covid19.govt.nz](https://www.covid19.govt.nz) website, the sites those tenants operated from were required to be kept operational. Investore, in conjunction with its tenants, identified those contractors that were required to keep the sites operational and safe, and identified and reviewed those contractors' processes and procedures for safe operating. As the alert levels have changed, Investore's key focus has been ensuring appropriate information is provided to contractors and tenants regarding operational expectations such as physical distancing, contact tracing and sanitising, and monitoring to ensure these expectations are being met.

**“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 key framework for the relationship between the issuer and its external auditors is comprised in the Audit and Risk Committee Charter, which includes the Audit Independence Guidelines.

These Guidelines require compliance with the Listing Rules, which requires rotation of the lead audit partner at least every five years. The Guidelines also set out a description for determining the non-audit services that may be provided by the external auditor without compromising the external auditor's independence. The Audit and Risk Committee regularly monitor non-audit services provided by the external auditor and confirm whether these services prejudice the maintenance of independence of the auditor.

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

The external auditor also attends shareholder meetings to answer questions from shareholders in relation to the audit.

### Internal Audit Function

Investore engages SIML to manage its business, as it has no employees. 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.

## Principle 8: Shareholder Rights and Relations

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

### Investor Communications

The Board believes that open communication with shareholders and bondholders is very important to ensure effective governance and oversight of the business of Investore. Investors deserve to be provided with all the information possible about the performance of their investment and to be informed on any significant matters relating to their investment in Investore.

Investore is committed to notifying the market of any material information related to its operations, as required by the Listing Rules. Material announcements are posted on Investore's page on the NZX website, [www.nzx.com](https://www.nzx.com)

The Board has adopted a Market Disclosure Policy that establishes procedures aimed at ensuring Directors are aware of and fulfil their disclosure obligations under the Listing Rules (as discussed under Principle 4). Significant market announcements, including the announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require the prior approval of the Board.

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

### Investore's Website

Material information released to the market is also made available (following the release) on Investore's website, enabling broader access to Investore's information by investors and stakeholders. The Investore website has copies of all presentations and reports released by Investore, and shareholders are encouraged to refer to the website [www.investoreproperty.co.nz](https://www.investoreproperty.co.nz) for information on the Company.

The Annual Reports and Interim Reports are available electronically on Investore's website and investors can request hard copies by contacting Investore's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report). Each notice of meeting for shareholder meetings and transcripts of those meetings are made available on Investore's website and on the NZX.

The Company encourages investors to receive investor communications by electronic means where possible.

### Notice of Shareholder Meetings

In order for shareholders to fully participate in shareholder meetings, the Board will endeavour where possible, to distribute the Notice of Meeting at least 20 working days prior to any shareholder meeting. During FY20 shareholders were given at least 20 working days' notice of the Annual Shareholder Meeting held on 28 June 2019.

Investore notes that the notice of meeting for the special meeting held in January 2020 to approve the acquisition of three large format retail properties from SPL and to ratify certain issues of shares, as further described below, was distributed on 13 December 2019, with the meeting held on 16 January 2020. While this was less than the 20 working days' notice period recommended by the NZX Code (being 16 working days) due to the Christmas period, the Board notes that more than one calendar month's notice was provided, and the Board engaged early with the New Zealand Shareholders Association in order to ensure shareholders had sufficient time to prepare for the meeting and to receive the recommendation of the New Zealand Shareholders Association in relation to the matters for consideration at the meeting. The Board notes that it will always endeavour to provide at least 20 working days' notice of meetings, unless special circumstances mean this is not possible.

### Annual Shareholder Meetings

Shareholders are encouraged to attend Investore's Annual Shareholder Meeting and take the opportunity to meet the Board and senior managers of the Manager. All Directors and senior managers of the Manager attend the shareholder meetings and are available for questions.

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

The next Annual Shareholder Meeting for Investore is scheduled to be held in August 2020. Shareholders will be given notice of the date, time and method of holding the meeting in due course.

### Special Shareholder Meeting

During the year in review, Investore undertook one significant transaction requiring shareholder approval, namely the acquisition of three large format retail properties from SPL, which has been described elsewhere in this Annual Report. That acquisition was conditional on shareholder approval of the transaction, among other things. Investore convened a special meeting of shareholders on 16 January 2020 to consider and, if thought fit, approve the acquisition of these three properties. The transaction was approved by shareholders, with 99.79% of the eligible votes cast in person or by proxy in favour of the transaction.

Investore undertook a capital raising during November and December 2019 to partially fund the acquisition described above. The proceeds of the capital raising were used to pay down debt, and the available debt facilities were subsequently used to fund the purchase price of the acquired properties on settlement. At the special shareholder meeting in January 2020, shareholders were also asked to ratify the previous issue of shares under the placement and the retail offer, as further described in the notice of meeting dated 13 December 2019. These share issues were ratified by shareholders, with the relevant resolutions being passed by 99.97% and 99.99% respectively of the votes cast in person or by proxy.

### Capital Raising

As previously noted, Investore undertook a capital raising during November and December 2019 (the Capital Raise), which comprised:

- a \$65 million underwritten share placement (Placement); and
- a retail offer to eligible shareholders of up to \$15 million, with the ability to accept over-subscriptions of up to \$5 million at Investore's discretion (Retail Offer).

The Capital Raise was successfully completed on 10 December 2019 with just over 44.4 million shares issued at \$1.75 per share, equating to \$77.7 million of gross proceeds raised. The net proceeds of the Capital Raise were used to repay debt, and the available bank facility was then used to settle the acquisition of the three properties from SPL on 30 April 2020.

The Retail Offer permitted each eligible shareholder to apply for up to \$50,000 of additional shares in Investore, with the first \$15,000 of shares offered under Listing Rule 4.3.1(c) (Share Purchase Plan) and the remainder offered under Listing Rule 4.5 (15% Placement). Investore was required to scale applications received in excess of \$15,000 as it did not have sufficient placement capacity to meet all demand received. Accordingly, while Investore received applications for \$14.7m of shares under the Retail Offer, only \$12.7m of shares were issued.

The Investore Board determined, having received advice on options for the structure of the Capital Raise, to undertake the capital raising during November and December 2019 by way of the Placement and Retail Offer for a number of reasons:

- Due to the timing of release of Investore's interim results on 13 November 2019 and entry into the agreement to acquire the three assets from SPL on 19 November 2019, the Placement and Retail Offer were able to be completed before the Christmas holiday period, while other forms of capital raising may not have been able to be completed in this time period;
- The Placement and Retail Offer could be, and was, sized and structured in such a way as to enable almost all shareholders to apply for at least their pro rata shareholding in Investore;
- By utilising the additional placement capacity to enable shareholders to apply for up to \$50,000 worth of shares in the Retail Offer, shareholders with holdings of up to approximately \$380,000 were able to maintain their pro rata shareholding. Investore expects that shareholders with holdings greater than this amount would likely have been able to participate in the Placement either directly as an institution or indirectly through the retail broker channel;
- The Retail Offer enabled smaller shareholders to participate in the equity raising at the same price as institutions in the Placement but with the benefit of having a longer offer period to consider participation.

# Statutory Disclosures

### Disclosures of Interest

The general disclosures of interest made by Directors of the Board during the period 1 April 2019 to 31 March 2020 pursuant to section 140 of the Companies Act 1993, are shown in Table 4.

Table 4 – Interests Register Entries

Director	Company	Position
Mike Allen (Chair)	Breakwater Consulting 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 (1)	Director
	Johnston's Coachlines (NZ) Limited	Director
	Go-Bus Transport Limited	Director
	Go Bus Limited	Director
	Go-Bus Holdings Limited	Director
Gráinne Troute	Ngai Tahu Tainui Go Bus Holdings Limited	Director
	Abano Healthcare Group Limited	Director
	Tourism Holdings Limited	Director
	Summerset Group Holdings Limited	Director
Tim Storey	Evolve Education Group Limited (1)	Director
	Stride Property Limited	Chairman
	Stride Investment Management Limited	Chairman
	Stride Holdings Limited	Director
	Diversified NZ Property Fund Limited (1)	Director
	Farming NZ Management Limited (1)	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chairman
John Harvey	JustKapital Litigation (NZ) Partners Limited	Director
	Stride Property Limited	Director
	Stride Investment Management Limited	Director
	Stride Holdings Limited	Director
	Pomare Investments Limited	Director/Shareholder
	Kathmandu Holdings Limited	Director
	Heartland Bank Limited	Director
	Port of Napier Limited	Director

(1) Entries removed by notices given by Directors during the year ended 31 March 2020.



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

Director	Nature of the Interest
Tim Storey and John Harvey	An interest noted by Directors Tim Storey and John Harvey, who are Directors of Stride Property Limited and Stride Holdings Limited, and are interested in the acquisition by Investore Property Limited of three properties from Stride Property Limited and Stride Holdings Limited
Kate Healy (ceased 22 May 2019)	An interest noted with the Bank of New Zealand (BNZ), which is part of Investore's syndicated senior bank facilities. Kate Healy's husband is Chief Customer Officer, Business Bank and Private Bank, at National Australia Bank of which the BNZ is a subsidiary

Directors of Subsidiary Companies

Investore Property Limited had no subsidiaries as at 31 March 2020.

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 1993. 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.

Use of Company Information

No notices have been received by Investore under section 145 of the Companies Act 1993 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.

Directors’ Interests in Shares

Directors disclosed the following relevant interests in Investore shares as at 31 March 2020:

Director	Relevant interest held in ordinary shares
Mike Allen	39,689
Gráinne Troute	23,500
Tim Storey	37,638
John Harvey	37,638

\* Directors participated in the share purchase plan conducted by Investore in May 2020, and have increased their shareholding as a result post balance date. Details of the current shareholdings of Directors can be found in the disclosure notices required to be filed by Directors with NZX.

Twenty Largest Registered Shareholders as at 30 April 2020

Name	Number of Shares	% of Shares
Stride Property Limited	59,188,461	19.44
Accident Compensation Corporation – NZCSD	24,829,189	8.15
HSBC Nominees (New Zealand) Limited – NZCSD	19,846,474	6.52
Forsyth Barr Custodians Limited	17,241,464	5.66
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	15,403,710	5.06
JBWere (NZ) Nominees Limited	11,969,120	3.93
National Nominees Limited – NZCSD	11,776,112	3.87
FNZ Custodians Limited	10,849,006	3.56
BNP Paribas Nominees (NZ) Limited (COGN40) – NZCSD	10,047,967	3.30
Citibank Nominees (New Zealand) Limited - NZCSD	8,881,825	2.92
BNP Paribas Nominees (NZ) Limited (BPSS40) - NZCSD	7,078,954	2.32
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	6,678,891	2.19
ANZ Wholesale Australasian Share Fund - NZCSD	6,634,263	2.18
MFL Mutual Fund Limited – NZCSD	5,807,132	1.91
New Zealand Depository Nominee Limited	5,733,555	1.88
ANZ Wholesale Property Securities - NZCSD	4,985,305	1.64
Custodial Services Limited A/C 3	3,712,221	1.22
Custodial Services Limited A/C 4	3,100,736	1.02
TEA Custodians Limited Client Property Trust Account - NZCSD	2,952,326	0.97
Investment Custodial Services Limited	2,342,970	0.77
	239,059,681	78.51

Twenty Largest Registered Bondholders as at 30 April 2020

Name	Units	% Units
National Nominees Limited - NZCSD	18,088,000	18.09
Forsyth Barr Custodians Limited	15,518,000	15.52
FNZ Custodians Limited	11,320,000	11.32
Investment Custodial Services Limited	5,603,000	5.60
Custodial Services Limited - A/C 4	4,613,000	4.61
Custodial Services Limited - A/C 2	3,488,000	3.49
HSBC Nominees (New Zealand) Limited – NZCSD	3,355,000	3.36
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	3,275,000	3.28
JBWere (NZ) Nominees Limited	3,005,000	3.01
Custodial Services Limited - A/C 3	2,894,000	2.89
BNP Paribas Nominees (NZ) Limited - NZCSD	1,800,000	1.80
Custodial Services Limited - A/C 18	1,606,000	1.61
Mint Nominees Limited - NZCSD	1,600,000	1.60
Custodial Services Limited - A/C 1	1,597,000	1.60
FNZ Custodians Limited - DTA Non Resident A/C	1,223,000	1.22
Investment Custodial Services Limited	600,000	0.60
Forsyth Barr Custodians Limited	554,000	0.55
Custodial Services Limited - A/C 16	520,000	0.52
Rita Maria Halanke	400,000	0.40
Su Li	300,000	0.30
Total	81,359,000	81.36

## Substantial Product Holders as at 31 March 2020\*

As at 31 March 2020, 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 product holder notice	Relevant interest in the number of shares	% of shares held at date of notice
Stride Property Limited	12 July 2016	52,091,786	19.9
ANZ New Zealand Investments Limited and related bodies corporate	11 December 2019	34,232,852	11.24
Salt Funds Management Limited	25 November 2019	30,344,475	10.21
Accident Compensation Corporation	26 November 2019	21,408,097	7.20
Westpac Banking Corporation and related bodies corporate	1 November 2019	15,697,171	6.04

\* The number of ordinary shares listed in the table are as per the last substantial product holder notice filed prior to 31 March 2020. A number of notices have been filed since 31 March 2020, and as substantial product holder notices are 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.

## Distribution of Ordinary Shares and Shareholdings as at 30 April 2020

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 - 99	25	0.50	1,036	0.00
100 - 199	16	0.32	2,135	0.00
200 - 499	130	2.61	47,947	0.02
500 - 999	305	6.12	220,258	0.07
1,000 - 1,999	770	15.44	1,132,062	0.37
2,000 - 4,999	1,316	26.39	4,228,950	1.39
5,000 - 9,999	1,014	20.34	6,992,360	2.30
10,000 - 49,999	1,229	24.65	24,067,082	7.90
50,000 - 99,999	109	2.19	7,331,779	2.41
100,000 - 499,999	54	1.08	9,185,706	3.02
500,000 - 999,999	7	0.14	5,221,727	1.71
1,000,000 and over	11	0.22	246,067,627	80.81
<b>Total</b>	<b>4,986</b>	<b>100.00</b>	<b>304,498,669</b>	<b>100.00</b>

## Distribution of Holders of Listed Bonds as at 30 April 2020

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 to 9,999	41	6.93	225,000	0.23
10,000 to 49,999	418	70.61	8,303,000	8.30
50,000 to 99,999	77	13.01	4,384,000	4.38
100,000 to 499,999	42	7.09	6,110,000	6.11
500,000 to 999,999	3	0.51	1,674,000	1.67
1,000,000 and over	11	1.86	79,304,000	79.30
<b>Total</b>	<b>592</b>	<b>100*</b>	<b>100,000,000</b>	<b>100*</b>

\* Numbers may not sum due to rounding.

## Donations

Investore made no donations in the year ended 31 March 2020.

## 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 9.9.3 in relation to Investore during FY20.

## Auditor's Fees

As noted, PricewaterhouseCoopers has continued to act as auditor for Investore and the amount payable by Investore to PricewaterhouseCoopers, for audit fees and non-audit work fees undertaken in respect of FY20 is set out in note 7.2 to the Financial Statements.

## NZX Waivers

During FY20 Investore was granted or relied on certain waivers from the Listing Rules, which are described below. NZX Regulation reviewed the waivers that had been granted to Investore in relation to the Listing Rules dated 1 October 2017 and issued a new set of waivers on 20 March 2020. The 20 March 2020 waivers are described below, although the effect of the waivers is substantially the same as the waivers granted from the previous listing rules, and the reference to the previous listing rules is also noted below. A copy of these waivers is available at [www.nzx.com/companies/IPL](http://www.nzx.com/companies/IPL)

### Listing Rules 2.2 to 2.8 (Rules 3.3.5 to 3.3.15 of 1 October 2017 Listing Rules)

Listing Rules 2.2 to 2.8 stipulate certain requirements in relation to the appointment, removal and rotation of Directors. A waiver from Listing Rules 2.2 to 2.8 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 Chair of the Board must be independent and have 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;
- Investore will continue to be identified by a "Non-Standard Designation" (NS Designation); and
- The NS Designation be disclosed as a part of Investore's offer documents and annual reports.

This waiver was requested and granted to ensure that SIML, while it is 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.

### Listing Rule 2.10.1 (Rule 3.4.3 of 1 October 2017 Listing Rules)

Listing Rule 2.10.1 limits the ability of Directors to vote on matters in which they are "interested" for the purposes of the Companies Act 1993. A waiver from Listing Rule 2.10.1 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 Chair of the Board must be independent and have a casting vote on any Board resolutions;
- any Directors appointed by SIML must be identified in Investore's offer documents and its annual reports;
- at any time that a new person is appointed to the Investore Board, that each Director certifies to NZX Regulation that any Board resolution that they approve will, in their opinion, be in what the Director believes to be the best interests of Investore; and
- that this waiver is disclosed as a part of Investore's offer documents 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.

## Directors' Statement

This Annual Report is dated 3 June 2020 and is signed for and on behalf of the Board of Directors of Investore Property Limited by:

  
**Mike Allen**  
Chair of the Board

  
**Gráinne Troute**  
Chair of the Audit and Risk Committee

# Glossary

Board	Board of Directors of Investore Property Limited
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at the relevant date, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant
Distributable profit	Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 3.2 to the Financial Statements
FY20	The financial year ended 31 March 2020
FY19	The financial year ended 31 March 2019
Investore or the Company	Investore Property Limited
LVR	Loan to value ratio
Listing Rules	The main board listing rules of NZX
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2020
SIML or the Manager	Stride Investment Management Limited, the Manager of Investore under a Management Agreement dated 10 June 2016 (as may be amended from time to time)
SPL	Stride Property Limited
WALT	Weighted Average Lease Term

# Corporate Directory

## Board of Directors

Mike Allen (Chair)  
Gráinne Troute  
Tim Storey (SIML Appointed Director)  
John Harvey (SIML Appointed Director)  
Adrian Walker (appointed 3 April 2020)  
Kate Healy (ceased as a Director on 22 May 2019)

## Registered Office

Level 12, 34 Shortland Street, Auckland 1010  
PO Box 6320, Victoria Street West  
Auckland 1142  
New Zealand  
**W** investoreproperty.co.nz

## Manager

Stride Investment Management Limited  
Level 12, 34 Shortland Street, Auckland 1010  
PO Box 6320, Victoria Street West  
Auckland 1142  
New Zealand  
**T** +64 9 912 2690

## Auditor

PricewaterhouseCoopers  
PricewaterhouseCoopers Tower  
Level 22, 188 Quay Street  
Private Bag 92162, Auckland 1142

## Share Registrar

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road, Takapuna  
Private Bag 92119, Victoria Street West  
Auckland 1142  
**T** +64 9 488 8777  
**F** +64 9 488 8787  
**E** enquiry@computershare.co.nz

## Legal Adviser

Bell Gully  
Level 21, Vero Centre  
48 Shortland Street, Auckland 1010  
PO Box 4199, Auckland 1140

## Bankers

ANZ Bank New Zealand Limited  
Bank of New Zealand  
China Construction Bank, New Zealand Branch  
Commonwealth Bank of Australia  
Westpac New Zealand Limited

## Bond Supervisor

Public Trust  
Level 9, 34 Shortland Street  
Auckland 1010  
PO Box 1598, Auckland 1140



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Auckland 1010  
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New Zealand  
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**W** [investoreproperty.co.nz](http://investoreproperty.co.nz)

