

investore

Managed by Stride Investment
Management Limited



Contents

Highlights	2
Results Overview	5
Our Strategy	6
Chairman's Report	10
Board of Directors	12
Manager's Report	14
Portfolio 2017	16
Financial Statements	19
Corporate Governance	54
Investor Relations	60
Statutory Information	62
Corporate Directory	64

Highlights

\$185m Capital raise

\$28.5m Profit after income tax **\$17.0m** Up on forecast

\$17.6m Distributable profit¹ after income tax **\$0.5m** Up on forecast

5.35cps Cash dividend for FY17 **4.3%** Up on forecast

12 July 2016 NZX listing

\$267.4m SCA Portfolio acquisition

\$660.4m Investment property values

99.8% Occupancy

14.3 years WALT²

39.5% Bank loan to value ratio

¹ Distributable profit is a non-GAAP measure and consists of net profit/(loss) before income tax, adjusted for non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information, including the calculation of distributable profit and the adjustments to net profit before income tax, is set out in note 6 to the financial statements on page 28.

² Weighted Average Lease Term (WALT).



Results Overview

Financial Performance	2017 Audited (\$m)	2017 Forecast (\$m)	Change (\$m)	Change (%)
Net rental income	35.0	34.9	0.1	0.4
Profit before net finance expenses, other income/(expenses) and income tax	30.4	30.1	0.2	0.8
Net finance expenses	(13.3)	(12.9)	(0.4)	(3.3)
Profit before other income/(expenses) and income tax	17.1	17.2	(0.2)	(1.0)
Other income/(expenses) ¹	13.7	(1.2)	15.0	1,210.9
Profit before income tax	30.8	16.0	14.8	92.4
Income tax expense	(2.3)	(4.5)	2.2	49.7
Profit after income tax attributable to shareholders	28.5	11.5	17.0	147.8
Basic earnings per share – weighted	15.12 cents	4.2 - 4.4 cents		
Distributable profit before income tax	21.2	20.7	0.5	2.4
Distributable profit after income tax	17.6	17.2	0.5	2.6
Property values	660.4	646.0	14.4	2.2
Bank debt drawn	261.0	267.8	6.8	2.5
Bank loan to value ratio	39.5%	41.4%		
Net tangible asset per share	\$1.55	\$1.40 - \$1.46		

¹ Other income/(expenses) includes net change in fair value of investment properties; 2017 Actual \$13.7m and 2017 Forecast (\$1.2m).
Note: Values in the table above are calculated based on the audited numbers in the financial statements for 2017 and the forecast numbers as contained in the Product Disclosure Statement dated 10 June 2016, and the information published on the online "offer register" in connection with the initial public offer carried out by Investore, and may not sum accurately due to rounding.

Our Strategy

The focus of Investore’s investment strategy is to invest in quality, large format retail properties throughout New Zealand that maximise distributions and total returns to shareholders over the medium to long term.

High occupancy, long lease terms and nationally recognised tenants are the key characteristics that underpin Investore’s property portfolio.

Collectively these attributes provide a higher proportion of rental income in the hands of investors than some other property assets which typically experience more regular leasing activity and higher lifecycle costs.

Investore’s portfolio consists largely of retailers that target non-discretionary customer spending. The portfolio is geographically diversified across New Zealand, with a weighting to the major urban areas of Auckland, Hamilton, Wellington and Christchurch.

A critical component of Investore’s investment strategy is to actively manage the properties in its portfolio to increase their values and income growth prospects.

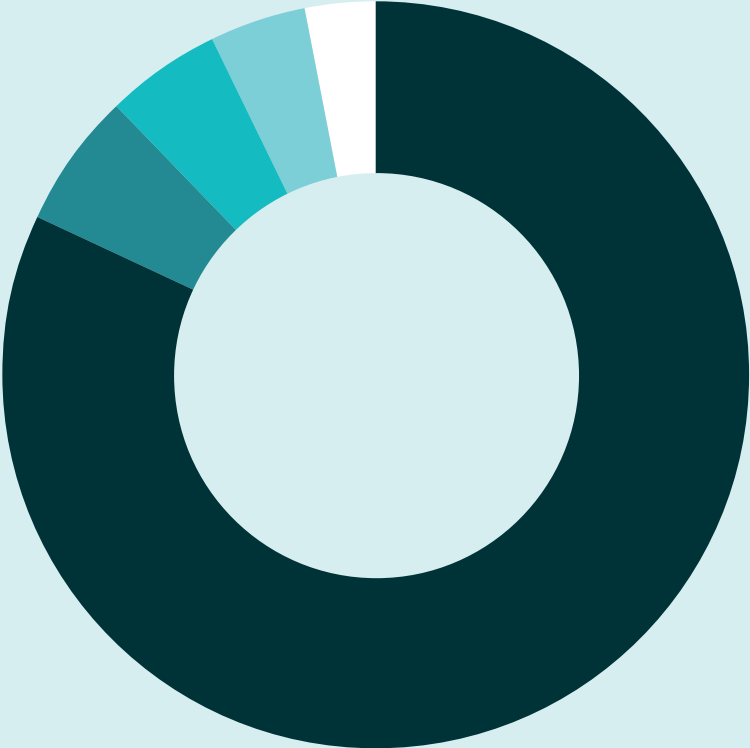
Growth in rental income is derived from a combination of structured, market and turnover based rental reviews from properties that are well located in established markets. Management of the portfolio and the day to day operation of the company is undertaken by Stride Investment Management Limited (SIML), part of the NZX-listed stapled Stride Property Group, under a management agreement between Investore and SIML.

The identification of additional investment opportunities is also part of SIML’s mandate. To achieve this, SIML utilises its investment pipeline and market coverage to evaluate and potentially acquire further large format retail properties.

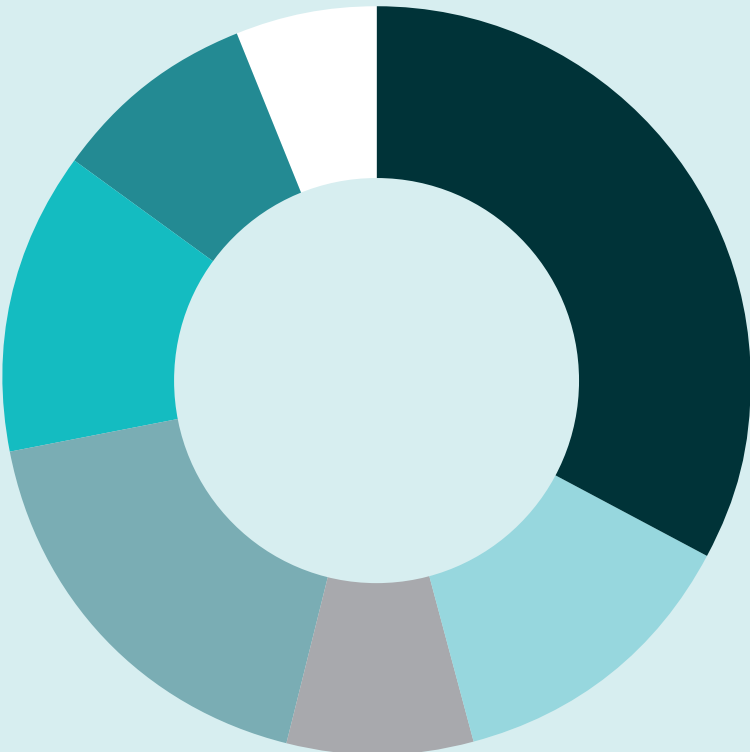
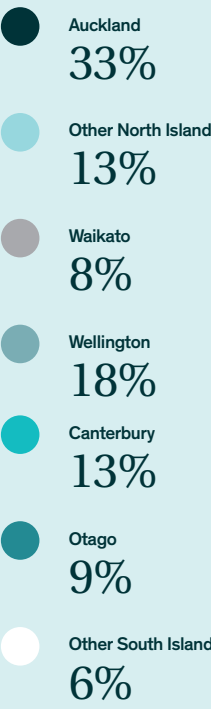
Funds for the future acquisition of properties that meet Investore’s criteria will be derived from debt and/or equity, a manner consistent with Investore’s capital management strategy and its long-term

target of a maximum loan to value ratio of 48%. The portfolio is regularly reviewed to ensure that progress and performance are consistent with Investore’s investment strategy. The weighted average lease term (WALT) of the portfolio is actively managed to offset the natural expiry of time, and opportunities to redevelop and/or expand properties are considered where these will meet current or prospective tenant requirements.

Tenant diversification of Investore Portfolio
(based on Contract Rental)
As at 31 March 2017



Geographic diversification of Investore Portfolio
(based on Contract Rental)
As at 31 March 2017



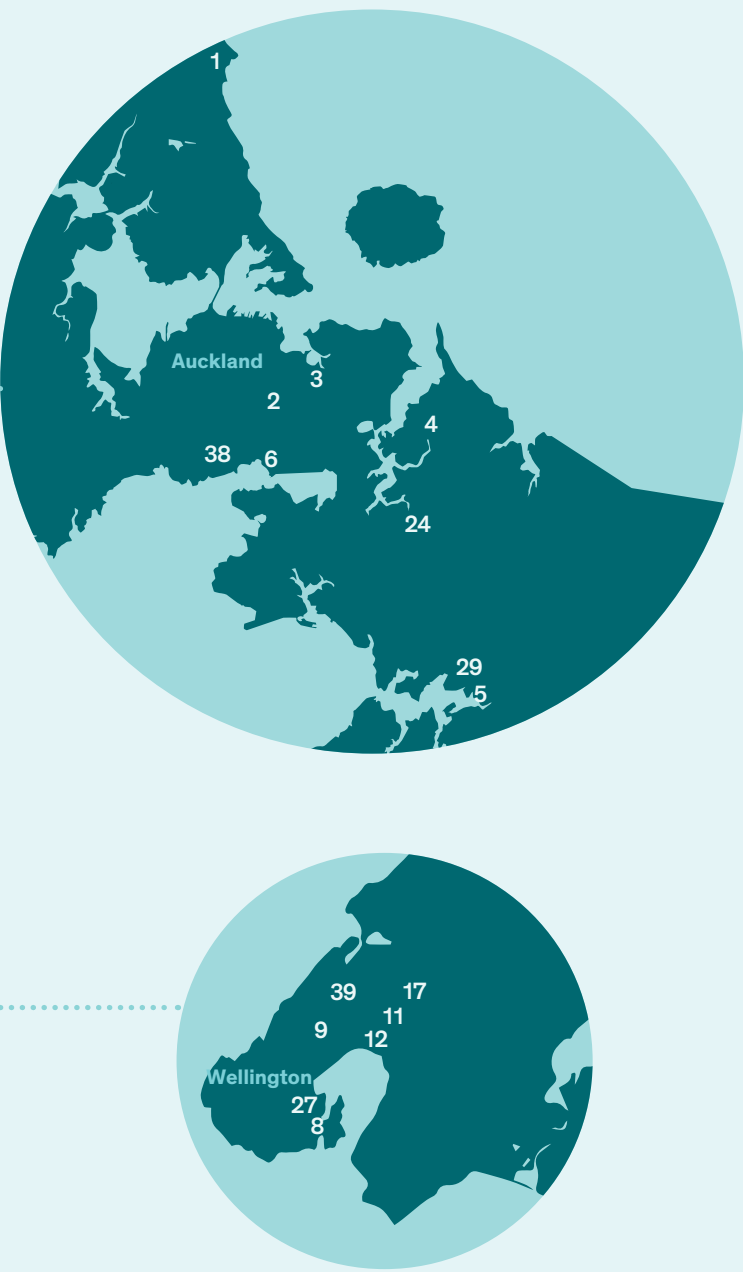
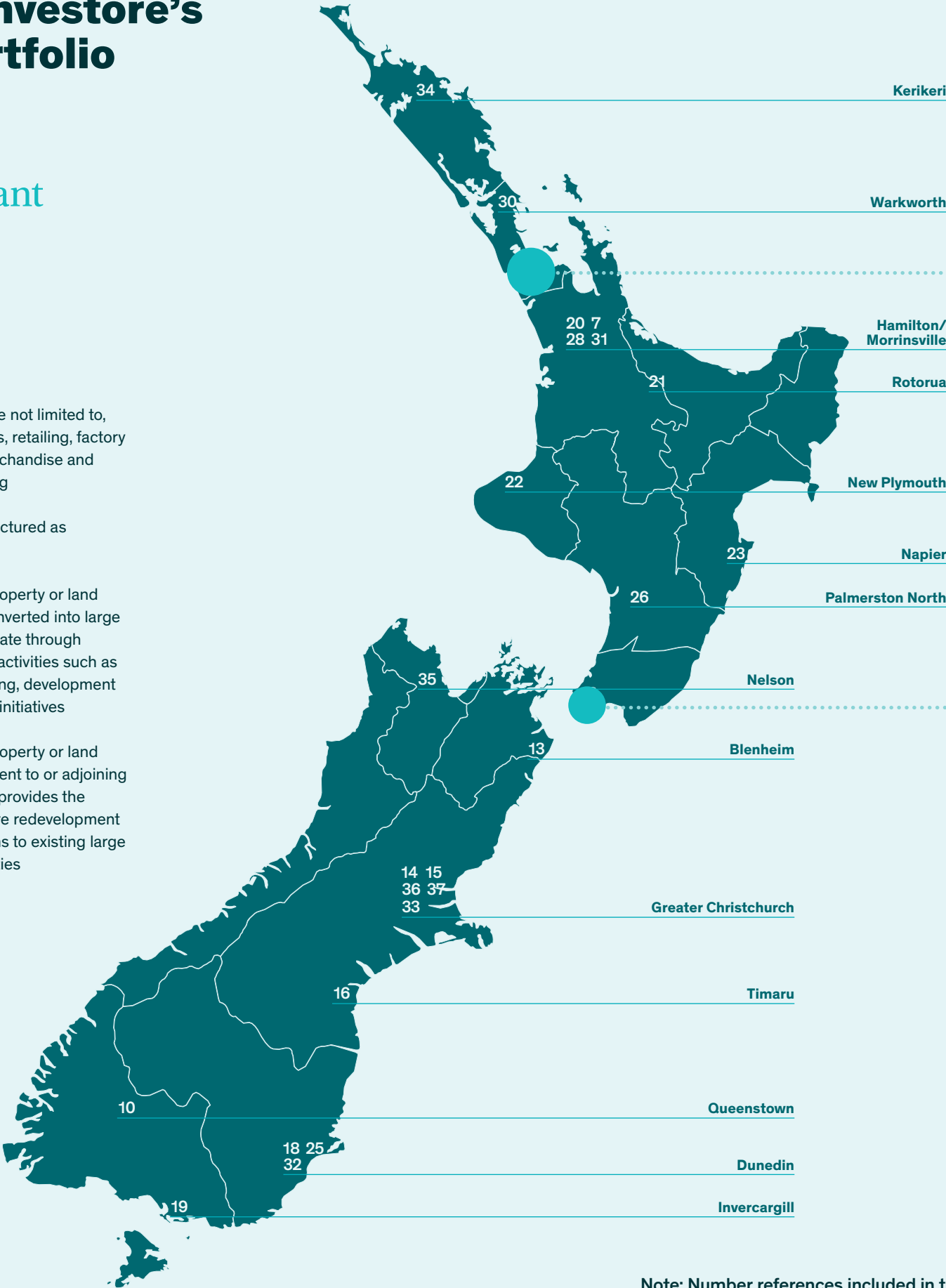
Key characteristics of Investore’s Large Format Retail portfolio

Investore’s portfolio comprises properties tenanted by significant national retailers.

The properties and tenancies exhibit common traits that define the large format retail category targeted by Investore, namely:

- A single tenant or a limited number of tenants and generally no more than 15 specialty tenants. The anchor tenant or tenants will typically occupy more than 50% of the net lettable area and provide 50% of the rental income from the property. This ensures that most income is contracted with significant and nationally recognised companies
- Building improvements are typically large, free-standing, rectangular and usually single floor structures on a concrete slab. Building improvements are straight-forward, with limited indoor common areas and public amenities, thus minimising maintenance and capital expenditure requirements
- The properties are well serviced by car parking facilities, with most customers expected to access the property by car
- Anchor tenants’ net lettable area is usually more than 2,000 m². Specialty tenants are typically more than 150 m² although in some limited cases may be 60 m² or less

- Uses include, but are not limited to, grocery, bulky goods, retailing, factory outlets, general merchandise and convenience retailing
- Most leases are structured as net leases
- They may include property or land that is able to be converted into large format retail real estate through asset management activities such as change of use, leasing, development and redevelopment initiatives
- They may include property or land that is located adjacent to or adjoining existing assets that provides the opportunity for future redevelopment and improved returns to existing large format retail properties



Overview	As at 31 March 2017
Properties throughout New Zealand	39
Tenants (no.)	73
Net Lettable Area (m²)	174,327
Occupancy	99.8%
Net Contract Rental	\$43.4m
WALT (years)	14.3
Independent Valuation	\$660.4m

Note: Number references included in the map above correspond to the Portfolio 2017 listed on pages 16 and 17.

Chairman’s Report

Investore Property Limited has had a successful first year of operation with all key results in line with the prospective financial information¹.

¹ As contained in the Product Disclosure Statement dated 10 June 2016 and the information published on the online “offer register” in connection with the initial public offer carried out by Investore.

Attractive and stable returns are a hallmark of Investore’s investment strategy and this is reflected in our results at the conclusion of Investore’s first financial year. Property values have grown by 3% gross during the year, occupancy rates have remained very high at 99.8% and the weighted average lease term has remained steady at 14.3 years as at 31 March 2017.

Investore continues to occupy a unique position on the NZX Main Board with its focus on large format retail properties. As we have seen during the period since Investore was listed on 12 July 2016, large format retail properties offer a reliable income stream for investors in a market segment that is resilient and able to withstand a wide range of market conditions.

Investore’s assets and day to day operations are managed by Stride Investment Management Limited’s (SIML) experienced management team that provides a full range of real estate investment management services. SIML actively works to identify potential opportunities for additional investment by Investore. In addition to broadening the geographical spread of the company’s properties, some of these potential opportunities include the potential to further diversify the tenant

profile. Investore retains funding resources of approximately \$100 million for further additions to its portfolio and the process of evaluation of these opportunities is ongoing. Any further investment will be carried out below the long term maximum loan to value ratio of approximately 48%.

During the year, changes were made to Auckland’s Unitary Plan which, for some of Investore’s properties, offer the possibility of further development to increase their value and returns to investors. On behalf of Investore, SIML is considering the implications of these changes and will engage in discussions with anchor tenants as and when appropriate.

For the year ended 31 March 2017, the profit after income tax of \$28.5 million was \$17 million higher than the prospective financial information, mainly due to a change in fair value of investment properties of \$13.7 million. The swap break expenses were \$1 million higher but this was offset by lower finance expenses of \$0.6 million, largely as a result of entering into new swaps with more favourable interest rates, and a lower income tax expense. In total \$3.1 million of fees were paid to SIML to 31 March 2017 which was in line with the prospective financial information.

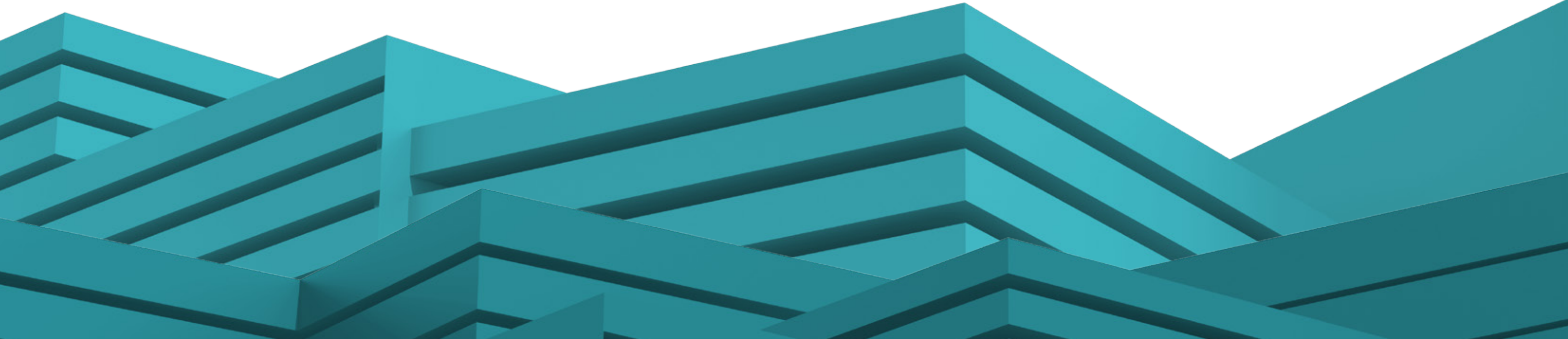
For the fourth quarter of the 31 March 2017 financial year, being the period 1 January 2017 to 31 March 2017, the Board has approved a cash dividend of 2.06 cps. The final quarter’s dividend will lift the full year’s cash dividend to 5.35 cps, an increase of 0.21 cps on previous guidance.

The Board confirms guidance for an annual cash dividend of 7.46 cps to shareholders for the 2018 financial year.

We are also very pleased to report that the Investore IPO was recently recognised at the INFINZ 2017 Industry Awards, winning the award for NZ Equity Market Transaction of the Year. This award recognises the great support Investore received from the market, and unique investment opportunity for investors on the NZX.

On behalf of the Board, I would like to thank our investors for their ongoing support. The outlook for Investore is for continued, steady growth from its existing portfolio, together with the opportunity for additional gains from new investments.

Mike Allen
Chairman



Board of Directors



Mike Allen
Chairman and
Independent
Director

Mike was appointed Chair of Investore in 2016. He has extensive experience in investment banking and general management in both New Zealand and the United Kingdom. Mike is currently a Director of Coats Group PLC, Godfrey Hirst Australia (and related companies), China Construction Bank (New Zealand) Limited, Waikato-Tainui Fisheries Limited, Tainui Group Holdings Limited, Taumata Plantations Limited and Ngai Tahu Tainui, Go-Bus Holdings Limited (and related companies), Canterbury Spinners Limited and Breakwater Consulting Limited. Mike holds a Bachelor of Commerce and a Bachelor of Laws from the University of Otago.



Kate Healy
Independent
Director

Kate was appointed as an independent director of Investore in 2016. Kate has held the position of Chief Operating Officer at Ngati Whatua Orakei Whai Rawa Limited, the commercial arm of Ngati Whatua Orakei, since August 2013. Prior to that she was a partner at a national law firm specialising in commercial property and property finance. Kate is a current member of the Institute of Directors of New Zealand (Inc.), and also of the New Zealand Law Society. She is also the Deputy Chair of the Keystone New Zealand Property Education Trust, a not-for-profit focused on assisting tertiary students studying in property and construction related disciplines, and a National Councillor of the Property Council New Zealand.



Tim Storey
Director –
SIML nominee

Tim has more than 30 years' experience as a company director across a range of sectors from property to entertainment, and as a commercial lawyer practicing in Australia and New Zealand, retiring from the Bell Gully partnership in 2006. Tim is a member of the Institute of Directors in New Zealand (Inc.) and is a director of JustKapital Litigation Partners Limited (ASX Listed) and a number of private companies. Tim is also a director and the Chair of Stride Property Limited and Stride Investment Management Limited.



John Harvey
Director –
SIML nominee

John has over 35 years' professional experience as a chartered accountant. He was a partner in PricewaterhouseCoopers for 23 years and held a number of management and governance responsibilities. He holds a Chartered Accountant (CA) designation from Chartered Accountants Australia and New Zealand. John retired from PwC in June 2009 to pursue a career as a director. He is a member of the Institute of Directors in New Zealand (Inc.) and is currently a director of Port Otago Limited, Kathmandu Holdings Limited, Heartland Bank Limited, Ballance Agri-Nutrients Limited and Chairman of New Zealand Opera Limited. John is also a director of Stride Property Limited and Stride Investment Management Limited.

Manager’s Report

Stride Investment Management Limited (SIML) is contracted to manage, supervise and enhance Investore’s interests in relation to each property and to work with Investore’s Board to seek to ensure the maximum possible returns to its investors.

SIML also seeks to ensure growth in rental income from Investore’s portfolio by attracting and retaining quality tenants on long term leases.

In its first year of operation, the emphasis by SIML has been on consolidation of the investment portfolios acquired by Investore following the \$185 million capital raising. Business process efficiencies and cost management have also been key areas of focus. SIML implemented Investore’s hedging plan and has entered into interest rate swaps at favourable rates to provide greater surety of future costs. Internal processes for managing Investore’s business are in place and operating efficiently.

At 31 March 2017, the company’s assets, comprising 39 properties, were valued at \$660.4 million, up 2.7% gross from their valuation as at 30 September 2016. The WALT for the property portfolio was 14.3 years, in line with forecasts made at the time of the initial public offer. During the year, Investore agreed to a new 12-year lease with Mitre 10 (New Zealand) Limited over the property at the corner of Te Irirangi Drive and Bishop Dunn Place, Auckland, from November 2017. Geographical distribution of Investore’s properties remained unchanged at 72% North Island and 28% South Island, with the largest concentration, 33%, being in Auckland.

Similarly, the tenancy profile of the portfolio remains largely unchanged with General Distributors (Countdown) occupying 82% of the portfolio, Foodstuffs with 6% and the balance tenanted by Mitre 10, The Warehouse and various specialty retailers. As part of any future investments, further diversification of anchor tenants will be a contributing factor.

In February 2017, a new \$2.2 million development located at Tay Street, Invercargill, was completed. This 820 m² development consists of two retail tenancies, Animates and a medical facility.

Through its network in the property sector, SIML is examining further opportunities for Investore, in line with Investore’s stated investment policy. SIML believes that there continues to be significant opportunity to grow Investore’s portfolio with corresponding growth and returns to Investore’s investors. SIML has actively considered a select group of potential acquisitions since listing. While those acquisition opportunities were transacted at prices higher than SIML supported, those transactions resulted in market evidence that has benefitted Investore’s property valuations as at 31 March 2017. SIML continues to see opportunities to grow Investore’s portfolio and is actively considering other opportunities in line with

Investore’s investment strategy. As these opportunities are analysed and considered, they will be presented to the Board of Investore for consideration.

Overall, the first year’s operations for Investore have reflected good progress and outcomes in line with the forecasts. SIML believes that there is further potential to grow and increase returns to Investore’s shareholders.

J. Whooley

Jennifer Whooley
Chief Financial Officer
Stride Investment Management Limited

[Signature]

Philip Littlewood
General Manager Investment Management
Stride Investment Management Limited

Animates Development,
Tay Street, Invercargill



Portfolio 2017

Overview	As at 31 March 2017	As at 31 March 2016
Properties	39	19
Tenants (no.)	73	21
Net Lettable Area (m²)	174,327	71,896
Net Contract Rental ¹ (\$m)	43.4	18.4
WALT ² (years)	14.3	17.5
Occupancy Rate (% by Area)	99.8	100.0
Portfolio Value (\$m)	660.4	287.0

Address	City	Tenants (no.)	Major Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT ² (years)	Valuation (\$000)	Net Contract Rental ¹ (\$000)	Market Cap Rate	Contract Yield
1. 24 Anzac Road	Auckland	1	Countdown	100.0%	4,382	17.9	21,940	1,259	5.75%	5.74%
2. 326 Great South Road	Auckland	1	Countdown	100.0%	4,633	17.9	30,280	1,723	5.75%	5.69%
3. 35a St Johns Road	Auckland	1	Countdown	100.0%	4,457	17.9	21,400	1,286	6.00%	6.01%
4. 507 Pakuranga Road	Auckland	1	Countdown	100.0%	4,812	17.9	17,600	1,069	6.00%	6.07%
5. 3 Averill Street	Auckland	2	Countdown	100.0%	5,435	16.3	16,600	1,295	7.00%	7.80%
6. Cnr Church & Selwyn Streets	Auckland	1	Countdown	100.0%	2,011	7.9	10,500	640	6.25%	6.10%
7. 66 Studholme Street	Morrinsville	1	Countdown	100.0%	1,724	7.9	6,500	447	6.25%	6.87%
8. 47 Bay Road	Wellington	1	Countdown	100.0%	3,460	17.9	10,900	733	6.50%	6.72%
9. 91 Johnsonville Road	Wellington	2	Countdown, The Warehouse	100.0%	6,316	12.8	20,000	1,508	6.75%	7.54%
10. 64 Gorge Road	Queenstown	1	Fresh Choice	100.0%	1,727	17.9	9,900	534	5.75%	5.39%
11. 14 Russell Street	Upper Hutt	1	Countdown	100.0%	3,037	7.9	9,100	675	6.88%	7.42%
12. 261 High Street	Lower Hutt	1	Countdown	100.0%	5,078	17.9	16,800	1,188	6.50%	7.07%
13. 51 Arthur Street	Blenheim	1	Countdown	100.0%	3,136	17.9	11,200	750	6.50%	6.70%
14. 87 - 97 Hilton Street	Kaipoi	1	Countdown	100.0%	3,025	17.9	12,000	789	6.50%	6.57%
15. 219 Colombo Street	Christchurch	1	Countdown	100.0%	3,976	17.9	18,500	1,162	6.13%	6.28%
16. Cnr Victoria & Browne Streets	Timaru	1	Countdown	100.0%	2,767	17.9	8,960	584	6.25%	6.52%
17. 13 - 19 Queen Street	Upper Hutt	1	Countdown	100.0%	3,427	17.9	9,000	659	6.75%	7.32%
18. 309 Cumberland Street	Dunedin	1	Countdown	100.0%	4,123	17.9	18,800	1,191	6.25%	6.34%
19. 172 Tay Street	Invercargill	2	Countdown	97.6%	5,162	16.7	21,100	1,393	6.50%	6.60%
20. Cnr Anglesea & Liverpool Streets	Hamilton	1	Countdown	100.0%	5,265	1.8	6,200	813	9.50%	13.12%
21. 230 - 240 Fenton Street	Rotorua	1	Countdown	100.0%	5,172	3.4	15,000	1,050	7.25%	7.00%
22. 78 Courtenay Street	New Plymouth	1	Pak'nSave	100.0%	8,522	12.5	26,000	1,635	6.25%	6.29%

Address	City	Tenants (no.)	Major Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT ² (years)	Valuation (\$000)	Net Contract Rental ¹ (\$000)	Market Cap Rate	Contract Yield
23. 9 Gloucester Street	Napier	1	New World	100.0%	4,386	12.5	15,500	942	6.13%	6.08%
24. Cnr Te Irirangi Drive & Bishop Dunn Place	Auckland	1	Mitre 10	100.0%	12,124	12.6	28,700	1,517	5.25%	5.29%
25. 35 MacLaggan Street	Dunedin	1	The Warehouse	100.0%	6,433	4.3	10,250	819	8.00%	7.99%
26. Cnr Fernlea Avenue & Roberts Line	Palmerston North	6	Countdown	100.0%	3,611	13.8	13,000	911	6.75%	7.01%
27. Cnr Hanson Street, John Street & Adelaide Road	Wellington	6	Countdown	98.7%	4,881	14.3	24,700	1,551	6.25%	6.28%
28. Cnr Hukanui & Thomas Roads	Hamilton	7	Countdown	100.0%	4,504	13.2	15,500	1,046	6.50%	6.75%
29. 226 Great South Road	Auckland	12	Countdown	100.0%	7,384	10.2	37,500	2,485	6.25%	6.63%
30. 3 - 7 Mill Lane	Warkworth	5	Countdown	98.0%	3,815	15.0	20,800	1,358	6.00%	6.53%
31. Cnr Bridge & Anglesea Streets	Hamilton	1	Countdown	100.0%	4,200	16.1	18,500	1,150	6.13%	6.22%
32. 323 Andersons Bay Road	Dunedin	1	Countdown	100.0%	4,071	15.7	17,400	1,222	6.75%	7.02%
33. 17 Chappie Place	Christchurch	1	Countdown	100.0%	4,317	15.7	19,400	1,291	6.50%	6.65%
34. Cnr Butler & Kerikeri Roads	Kerikeri	1	Countdown	100.0%	3,887	15.7	17,300	1,220	6.63%	7.05%
35. Cnr Putaitai Street & Main Road	Nelson	1	Countdown	100.0%	2,659	15.7	11,900	807	6.63%	6.78%
36. 40 - 50 Ivory Street	Rangiora	1	Countdown	100.0%	3,759	15.7	15,200	1,027	6.75%	6.75%
37. Cnr Rolleston & Masfield Drives	Rolleston	1	Countdown	100.0%	4,251	15.7	17,200	1,142	6.63%	6.64%
38. 112 Stoddard Road	Auckland	1	Countdown	100.0%	4,200	10.9	23,100	1,450	6.00%	6.28%
39. 3 Main Road	Wellington	1	Countdown	100.0%	4,200	16.0	16,200	1,104	6.50%	6.81%
Total Portfolio		73		99.8%	174,327	14.3	660,430	43,423	6.36%	6.57%

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

¹ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant under the terms of the relevant lease as at 31 March 2017, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2017, and assuming no default by the tenant.

² Weighted Average Lease Term (WALT).

Financial Statements

Statement of Comprehensive Income	20
Statement of Changes in Equity	21
Statement of Financial Position	22
Statement of Cash Flows	23
Notes to the Financial Statements	24
Independent Auditor's Report	49



Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	12 Months 2017 \$000	6 Months 2016 \$000
Rental income	3	37,398	7,721
Direct property operating expenses		(2,384)	(232)
Net rental income		35,014	7,489
Less corporate expenses			
Management fees expense	17	(2,653)	-
Administration expenses		(1,113)	(187)
Transaction costs	4	(889)	-
Total corporate expenses		(4,655)	(187)
Profit before net finance expenses, other income/(expenses) and income tax		30,359	7,302
Finance income		93	10
Finance expense		(9,716)	(2,831)
Finance expense – swap break expense		(3,680)	-
Net finance expenses	5	(13,303)	(2,821)
Profit before other income/(expenses) and income tax		17,056	4,481
Other income/(expenses)			
Net change in fair value of investment properties	9	13,720	(801)
Profit before income tax		30,776	3,680
Income tax expense	12	(2,260)	(706)
Profit after income tax attributable to shareholders		28,516	2,974
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	15	4,058	(2,050)
Total other comprehensive income after tax		4,058	(2,050)
Total comprehensive income after tax attributable to shareholders		32,574	924
Basic earnings per share (\$)	15	0.15	29,738
Diluted earnings per share (\$)	15	0.15	29,738

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

Please refer to note 21 for a comparison of the prospective financial information included in the Disclosure Information to Investore's actual results for the year ended 31 March 2017.

Statement of Changes in Equity

For the year ended 31 March 2017

	Notes	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance at 1 October 2015		-	-	-	-
Transactions with shareholders:					
Issue of shares		-	-	-	-
Dividends paid	7	-	(900)	-	(900)
Total transactions with shareholders		-	(900)	-	(900)
Other comprehensive income:					
Movement in cash flow hedges, net of tax	15	-	-	(2,050)	(2,050)
Total other comprehensive income		-	-	(2,050)	(2,050)
Profit after income tax		-	2,974	-	2,974
Total comprehensive income		-	2,974	(2,050)	924
Balance at 31 March 2016		-	2,074	(2,050)	24
Transactions with shareholders:					
Issue of shares	15	387,615	-	-	387,615
Capital raising expenses	15	(5,368)	-	-	(5,368)
Dividends paid	7	-	(9,817)	-	(9,817)
Total transactions with shareholders		382,247	(9,817)	-	372,430
Other comprehensive income:					
Movement in cash flow hedges, net of tax	15	-	-	4,058	4,058
Total other comprehensive income		-	-	4,058	4,058
Profit after income tax		-	28,516	-	28,516
Total comprehensive income		-	28,516	4,058	32,574
Balance at 31 March 2017		382,247	20,773	2,008	405,028

Statement of Financial Position

As at 31 March 2017

	Notes	2017 \$000	2016 \$000
Current assets			
Cash and cash equivalents	8, 16	4,377	34
Trade and other receivables	10, 16	412	112
Prepayments		80	68
Other current assets		404	174
		5,273	388
Non-current assets			
Investment properties	9	660,430	287,000
Derivative financial instruments	13, 16	2,714	–
Property, plant and equipment		3	–
Deferred tax asset	12	538	796
		663,685	287,796
Total assets		668,958	288,184
Current liabilities			
Trade and other payables	11, 16	2,273	966
Derivative financial instruments	13, 16	12	–
Current tax liability		1,404	704
Advance from related party	17	–	123,893
		3,689	125,563
Non-current liabilities			
Bank borrowings	14	260,241	159,749
Derivative financial instruments	13	–	2,848
		260,241	162,597
Total liabilities		263,930	288,160
Net assets		405,028	24
Share capital	15	382,247	–
Retained earnings		20,773	2,074
Reserves		2,008	(2,050)
Equity		405,028	24

For and on behalf of the Board of Directors, dated 29 May 2017:


Mike Allen
Chairman


Kate Healy
Director

Statement of Cash Flows

For the year ended 31 March 2017

	Notes	12 Months 2017 \$000	6 Months 2016 \$000
Cash flows from operating activities			
Rent received		35,940	7,334
Interest received		93	10
Interest paid		(9,067)	(2,341)
Operating expenses (including goods and services tax)		(6,593)	(356)
Income tax paid		(2,175)	–
Net cash provided by operating activities	8	18,198	4,647
Cash flows from investing activities			
Capital expenditure on investment properties		(3,387)	(101)
Acquisition of investment properties		(268,398)	(287,505)
Property, plant and equipment purchased		(4)	–
NZX bond		(75)	–
Net cash applied to investing activities		(271,864)	(287,606)
Cash flows from financing activities			
Proceeds from equity issued		185,000	–
Capital raising expenses		(5,368)	–
Repayment of bank borrowings		(160,000)	–
Drawdown of bank borrowings		261,000	160,000
Refinancing of bank borrowings		(898)	–
Finance expense – swap break expense		(3,680)	–
Advance from related party		3,396	123,893
Repayment of advance from related party		(11,624)	–
Dividends paid		(9,817)	(900)
Net cash provided by financing activities		258,009	282,993
Net increase in cash and cash equivalents held		4,343	34
Opening cash and cash equivalents		34	–
Closing cash and cash equivalents		4,377	34

Notes to the Financial Statements

For the year ended 31 March 2017

Note 1: Accounting Policies

Reporting entity

The financial statements presented are those of Investore Property Limited (“Investore”) (formerly Stride LFR Limited). Investore is domiciled in New Zealand and is registered under the Companies Act 1993. Investore is also an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of Investore have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

Effective from 10 June 2016, Stride LFR Limited changed its name to Investore Property Limited.

Investore was incorporated on 1 October 2015 as a subsidiary company of Stride Property Limited (“Stride”). Investore was established to invest in large format retail property throughout New Zealand.

On 11 July 2016, Stride distributed shares in Investore to Stride shareholders and Investore issued shares to investors in connection with its initial public offer (IPO). Investore entered into a listing agreement with NZX Limited (“NZX”) and its ordinary shares were quoted, and commenced trading on the main board equity security market of NZX, on 12 July 2016. Investore's ticker code is IPL.

The Prospective Financial Information (PFI) issued on 10 June 2016 in connection with the IPO contained several key assumptions with respect to transactions that were anticipated to occur before 30 September 2016, including the acquisition of large format retail properties, new funding arrangements, a capital raise and listing on the NZX. All such transactions have occurred as anticipated in the PFI (note 21).

The financial statements were approved for issue by the Board of Directors (the Board) on 29 May 2017.

Basis of preparation

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

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

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

As Investore was incorporated on 1 October 2015, the comparative period for the statement of comprehensive income and statement of cash flows covers the six months financial results since incorporation to 31 March 2016, therefore, results may not be directly comparable to the prior period.

Significant accounting policies, estimates and judgements

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

Note 1: Accounting Policies (continued)

Significant accounting policies, estimates and judgements (continued)

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

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

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

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

New standards, amendments and interpretations

The new standards, amendments to published standards, and interpretations which may impact Investore and which are mandatory for Investore's financial periods beginning on or after 1 April 2017 or later periods, but which Investore has not adopted early, are as follows:

- NZ IFRS 9: *Financial Instruments* (Effective date: periods beginning on or after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in NZ IAS 39 Financial Instruments – Recognition and Measurement.

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

Investore intends to adopt NZ IFRS 9 effective from 1 April 2018. Given the nature of financial assets and financial liabilities held and cash flow hedging undertaken, from the initial assessment performed, the impact of NZ IFRS 9 will likely be minimal.

- NZ IFRS 15: *Revenue from contracts with customers* (Effective date: periods beginning on or after 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Revenues of Investore are derived from the rental income from its investment properties. Investore does not have any bundled services with tenants, there are normally no other performance obligations in the lease agreements with tenants, rental rates are fixed or may have CPIs included and determination of when revenue should be recognised is straight forward.

Investore intends to adopt NZ IFRS 15 effective from 1 April 2018. Based on the initial assessment performed, the impact of NZ IFRS 15 is likely to be minimal.

- NZ IFRS 16: *Leases* (Effective date: periods beginning on or after 1 January 2019) replaces the current guidance in NZ IAS 17 Leases. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a “right-of-use” for most lease contracts.

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

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

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

Note 1: Accounting Policies (continued)

Changes in accounting policies

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

Note 2: Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board, as it makes all key strategic resource allocation decisions (such as those concerning acquisition, divestment 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 82% of Investore's portfolio contract rental as at balance date.

Note 3: Rental Income

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 amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Where a lease provides for fixed rental increases over the term of the lease, these are spread on a straight-line basis over the non-cancellable portion of the lease to which they relate.

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

	2017 \$000	2016 \$000
Rental income	36,542	7,526
Fixed rental increases	856	195
	37,398	7,721

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Investore has determined that it retains all significant risks and rewards of ownership of the leases and has therefore classified all leases as operating leases.

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

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

	2017 \$000	2016 \$000
No later than 1 year	45,829	18,643
Later than 1 year and no later than 5 years	171,504	75,263
Later than 5 years	427,708	240,128
	645,041	334,034

Note 4: Corporate Expenses

	2017 \$000	2016 \$000
Administration expenses includes:		
Auditors' remuneration		
– Audit and review of financial statements	128	36
– Other assurance services – share registry and operating expense audit	8	–
– Accounting advice	–	–
Transaction costs	889	–

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

A total amount of \$217,014 has been paid to PricewaterhouseCoopers for due diligence services in relation to the IPO, of which \$114,149 has been included in transaction costs in the Statement of Comprehensive Income and \$102,865 has been capitalised into capital raising expenses in the Statement of Changes in Equity (note 15). The prior year audit fees of \$36,000 were paid for by Stride on behalf of Investore.

Note 5: Net Finance Expenses

Interest income is recognised on a time-proportional basis using the effective interest rate.

Borrowing costs are expensed when incurred and are recognised using the effective interest rate.

	2017 \$000	2016 \$000
Finance income		
Interest income:		
– Bank interest income	93	9
– Other finance income	–	1
	93	10
Finance expense		
Interest expense:		
– Bank borrowings interest	(9,592)	(2,766)
– Other finance expense	(124)	(65)
	(9,716)	(2,831)
Finance expense – swap break expense (note 13)	(3,680)	–
Net finance expenses	(13,303)	(2,821)

Note 6: Distributable Profit

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

	2017 \$000	2016 \$000
Profit before income tax	30,776	3,680
Non-recurring and non-cash adjustments:		
– Net change in fair value of investment properties	(13,720)	801
– Finance expense – swap break expense	3,680	–
– Spreading of fixed rental increases	(856)	(195)
– One-off transaction costs	889	–
– Refinancing cost amortisation	454	–
Distributable profit before income tax	21,223	4,286
Current tax expense	(3,580)	(704)
Distributable profit after income tax	17,643	3,582
Pre-demerger distributable profit after income tax	2,912	3,582
Post-demerger distributable profit after income tax	14,731	–
Distributable profit after income tax	17,643	3,582
Adjustments to funds from operations:		
– Maintenance capital expenditure	(1,350)	(101)
Adjusted Funds From Operations (AFFO)	16,293	3,481
Weighted average number of shares for purpose of basic and diluted distributable profit per share	188,619,184	100
Basic and diluted distributable profit after income tax per share – weighted (\$)	0.09	35,814
AFFO basic and diluted distributable profit after income tax per share – weighted (\$)	0.08	34, 805

Note 7: Dividends Paid and Proposed

	2017 \$000	2016 \$000
The following dividends were declared and paid during the year:		
Dividend paid to Stride prior to demerger	1,205	900
Q2 2017 Interim dividend 1.38 cents	3,612	–
Q3 2017 Interim dividend 1.91 cents	5,000	–
Total dividends paid	9,817	900

Dividend approved subsequent to balance date:
Q4 2017 Final dividend 2.06 cents per share (note 20).

Dividends are recognised as a liability in Investore's financial statements in the period in which the dividends are approved.

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

Note 8: Statement of Cash Flows Reconciliation

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

	2017 \$000	2016 \$000
Cash and cash equivalents		
Cash at bank	4,377	–
Cash on deposit	–	34
	4,377	34
Reconciliation of profit after income tax attributable to shareholders to net cash flows from operating activities:		
Profit after income tax attributable to shareholders	28,516	2,974
(Less)/add non-cash items:		
Movement in deferred tax (note 12)	(1,320)	2
Net change in fair value of investment properties	(13,720)	801
Amortisation of facility fees	(446)	–
Spreading of fixed rental increases	(856)	(195)
	12,174	3,582
Less activity classified as investing activity:		
Capitalised expenditure on investment properties	(180)	–
	11,994	3,582
Add/(less) activities classified as financing activity:		
Refinancing of bank borrowings	898	(251)
Finance expense – swap break expense	3,680	–
	16,572	3,331
Movement in working capital:		
Increase in trade and other receivables	(300)	(112)
Increase in prepayments and other current assets	(167)	(242)
Increase in trade and other payables	1,393	966
Increase in tax payable	700	704
Net cash provided by operating activities	18,198	4,647

Note 9: Investment Properties

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

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

Lease incentives are capitalised to the respective investment properties in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

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

Investment properties are not depreciated for accounting purposes.

	2017 \$000	2016 \$000
Opening balance	287,000	–
Acquisitions from Antipodean Properties Limited & Antipodean Supermarkets Limited	–	287,505
Stride Property Group investment properties transferred	86,950	–
SCA investment properties acquired	267,400	–
Property acquisition costs	937	–
Subsequent capital expenditure	3,567	101
Spreading of fixed rental increases	856	195
Net change in fair value	13,720	(801)
Closing balance	660,430	287,000

Investore acquired six large format retail properties from Stride Property Group for a total consideration of \$86.95 million between April and June 2016. Investore further acquired another 14 large format retail properties from Shopping Centres Australasia Property Group Trustee NZ Limited (“SCA”) for a total consideration of \$267.4 million, with six properties acquired on 12 July 2016 and a further eight properties acquired on 28 September 2016.

In the prior year, Investore acquired 19 large format retail properties previously owned by Antipodean Properties Limited and Antipodean Supermarkets Limited in November 2015.

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

Capital expenditure commitments contracted for:

As at 31 March 2017, Investore had the following major commitments:

- \$Nil (2016: \$1,971,000) in total for various capital expenditure works to be undertaken on a number of investment properties in the next financial year.

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

Investore has no other material capital commitments as at balance date.

Note 9: Investment Properties (continued)

Valuation basis

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

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

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

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

The Income Capitalisation approach is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure, and upcoming expiries, including allowance for lessee incentives and leasing costs.

The Discounted Cash Flow approach adopts a ten year investment horizon and makes appropriate allowances for rental income growth and leasing costs on expiries, with an estimated terminal value at the end of the investment period. The Present Value is a reflection of market based income (inflows) and expenditure (outflows) projections over the ten year period discounted at a market analysed return.

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

The valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring no valuer values the same investment property for more than three consecutive years. The investment properties have been valued by Savills (NZ) Limited (“Savills”), CIVAS Limited (“Colliers”) and Jones Lang LaSalle Limited (“JLL”). In the prior year all investment properties were valued by Savills. All valuations are dated effective 31 March.

At each reporting date, Stride Investment Management Limited's (“SIML”) asset managers:

- verify all major inputs to the independent valuation report; and
- hold discussions with the Directors on the processes and results of the valuations.

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

Note 9: Investment Properties (continued)

Breakdown of valuation by valuer	2017 \$000	2016 \$000
Colliers	296,400	–
JLL	72,950	–
Savills	291,080	287,000
	660,430	287,000

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

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

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

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

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

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

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

Note 9: Investment Properties (continued)

Valuation basis (continued)

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted discount rate. It may also result in an adjustment to the terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted discount rate forms part of the discounted cash flow approach.

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

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

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

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

	Market capitalisation rate	Discount rate	Market rental \$/sqm	Rental growth rate (average 10 years)
As at 31 March 2017	5.25%-9.50%	7.00%-11.00%	137-373	0.85%-4.01%
As at 31 March 2016	5.75%-7.00%	7.50%-8.68%	192-370	1.84%-3.84%

Note 9: Investment Properties (continued)

Valuation basis (continued)

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

	Valuer	2017 \$000	Market cap rate %	Occupancy %	WALT (years)
24 Anzac Road, Auckland	Savills	21,940	5.75	100.0	17.9
326 Great South Road, Auckland	Savills	30,280	5.75	100.0	17.9
35a St Johns Road, Auckland	Savills	21,400	6.00	100.0	17.9
507 Pakuranga Road, Auckland	Savills	17,600	6.00	100.0	17.9
3 Averill Street, Auckland	Savills	16,600	7.00	100.0	16.3
Cnr Church & Selwyn Streets, Auckland	Savills	10,500	6.25	100.0	7.9
66 Studholme Street, Morrinsville	Savills	6,500	6.25	100.0	7.9
47 Bay Road, Wellington	Savills	10,900	6.50	100.0	17.9
91 Johnsonville Road, Wellington	Savills	20,000	6.75	100.0	12.8
64 Gorge Road, Queenstown	Savills	9,900	5.75	100.0	17.9
14 Russell Street, Upper Hutt	Savills	9,100	6.88	100.0	7.9
261 High Street, Lower Hutt	Savills	16,800	6.50	100.0	17.9
51 Arthur Street, Blenheim	Savills	11,200	6.50	100.0	17.9
87 - 97 Hilton Street, Kaiapoi	Savills	12,000	6.50	100.0	17.9
219 Colombo Street, Christchurch	Savills	18,500	6.13	100.0	17.9
Cnr Victoria & Browne Streets, Timaru	Savills	8,960	6.25	100.0	17.9
13 - 19 Queen Street, Upper Hutt	Savills	9,000	6.75	100.0	17.9
309 Cumberland Street, Dunedin	Savills	18,800	6.25	100.0	17.9
172 Tay Street, Invercargill	Savills	21,100	6.50	97.6	16.7
Cnr Anglesea & Liverpool Streets, Hamilton	JLL	6,200	9.50	100.0	1.8
230 - 240 Fenton Street, Rotorua	JLL	15,000	7.25	100.0	3.4
78 Courtenay Street, New Plymouth	JLL	26,000	6.25	100.0	12.5
9 Gloucester Street, Napier	JLL	15,500	6.13	100.0	12.5
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	Colliers	28,700	5.25	100.0	12.6
35 MacLaggan Street, Dunedin	JLL	10,250	8.00	100.0	4.3
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers	13,000	6.75	100.0	13.8
Cnr Hanson Street, John Street & Adelaide Road, Wellington	Colliers	24,700	6.25	98.7	14.3
Cnr Hukanui & Thomas Roads, Hamilton	Colliers	15,500	6.50	100.0	13.2
226 Great South Road, Auckland	Colliers	37,500	6.25	100.0	10.2
3 - 7 Mill Lane, Warkworth	Colliers	20,800	6.00	98.0	15.0
Bridge & Anglesea Streets, Hamilton	Colliers	18,500	6.13	100.0	16.1
323 Andersons Bay Road, Dunedin	Colliers	17,400	6.75	100.0	15.7
17 Chappie Place, Christchurch	Colliers	19,400	6.50	100.0	15.7
Cnr Butler & Kerikeri Roads, Kerikeri	Colliers	17,300	6.63	100.0	15.7
Cnr Putaitai Street & Main Road, Nelson	Colliers	11,900	6.63	100.0	15.7
40 - 50 Ivory Street, Rangiora	Colliers	15,200	6.75	100.0	15.7
Cnr Rolleston & Masfield Drives, Rolleston	Colliers	17,200	6.63	100.0	15.7
112 Stoddard Road, Auckland	Colliers	23,100	6.00	100.0	10.9
3 Main Road, Wellington	Colliers	16,200	6.50	100.0	16.0
Total		660,430	6.36	99.80	14.3

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

Note 9: Investment Properties (continued)

Valuation basis (continued)

	Valuer	2016 \$000	Market cap rate %	Occupancy %	WALT (years)
24 Anzac Road, Auckland	Savills	20,700	6.00	100.0	18.9
326 Great South Road, Auckland	Savills	29,000	6.00	100.0	18.9
35a St Johns Road, Auckland	Savills	21,400	6.13	100.0	18.9
507 Pakuranga Road, Auckland	Savills	17,400	6.00	100.0	18.9
3 Averill Street, Auckland	Savills	16,400	7.00	100.0	17.3
Cnr Church & Selwyn Streets, Auckland	Savills	10,100	6.25	100.0	8.9
66 Studholme Street, Morrinsville	Savills	6,500	6.25	100.0	8.9
47 Bay Road, Wellington	Savills	11,500	6.25	100.0	18.9
91 Johnsonville Road, Wellington	Savills	20,800	6.50	100.0	13.7
64 Gorge Road, Queenstown	Savills	10,300	5.75	100.0	18.9
14 Russell Street, Upper Hutt	Savills	9,000	6.63	100.0	8.9
261 High Street, Lower Hutt	Savills	17,200	6.13	100.0	18.9
51 Arthur Street, Blenheim	Savills	11,500	6.25	100.0	18.9
87 - 97 Hilton Street, Kaiapoi	Savills	12,100	6.25	100.0	18.9
219 Colombo Street, Christchurch	Savills	18,400	6.00	100.0	18.9
Cnr Victoria & Browne Streets, Timaru	Savills	8,600	6.25	100.0	18.9
13 - 19 Queen Street, Upper Hutt	Savills	9,600	6.63	100.0	18.9
309 Cumberland Street, Dunedin	Savills	18,500	6.25	100.0	18.9
172 Tay Street, Invercargill	Savills	18,000	6.50	100.0	18.9
Total		287,000	6.24	100.0	17.5

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

Note 10: Trade and Other Receivables

Trade and other receivables are recognised and carried initially at their fair value plus directly attributable costs, and subsequently measured at amortised cost less impairment losses. An impairment provision is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Investore will not be able to collect all of the amounts due under the original terms of the invoice. No receivables were considered impaired at 31 March 2016 or 31 March 2017 and no debts were written off during the periods then ended.

	2017 \$000	2016 \$000
Current		
Trade and other receivables	412	112
Carrying amount	412	112
Less than 30 days overdue	209	23
Over 30 days overdue	203	89

Note 11: Trade and Other Payables

Trade and other payables represent unsecured liabilities for goods and services provided to Investore prior to the end of the financial period which are unpaid. As trade and other payables are usually paid within 30 days, they are carried at face value.

	2017 \$000	2016 \$000
Current		
Unsecured liabilities		
Trade payables	718	415
Sundry creditors and accruals	1,555	551
	2,273	966

Note 12: Income Tax

Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at the reporting date.

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

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of the investment property will be recovered through sale. Investment properties are independently valued each year (note 9) and the valuation includes a split between the land and building components. Deferred tax is provided on the depreciation claimed to date on the building component of the investment properties and this places reliance on the valuation split provided by the valuers.

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

The deferred tax has been shown as a non-current asset in the statement of financial position.

	2017 \$000	2016 \$000
The income tax expense is represented by		
Current tax	(3,580)	(704)
Deferred tax	1,320	(2)
Income tax expense per the statement of comprehensive income	(2,260)	(706)
Profit before income tax	30,776	3,680
<i>Prima facie income tax using the company tax rate of 28%</i>	(8,618)	(1,030)
Decrease in income tax due to:		
Net change in fair value of investment properties	3,842	(224)
Non-taxable income	240	55
Depreciation	1,767	516
Non-deductible expenses	(262)	(11)
Finance expense – swap break expense	(504)	–
Temporary differences	(45)	(10)
Current tax expense	(3,580)	(704)
Depreciation	1,276	(12)
Other	44	10
Deferred tax credited/(charged) to profit or loss	1,320	(2)
Income tax expense per the statement of comprehensive income	(2,260)	(706)
Imputation credits available for use in subsequent reporting periods	1,408	–

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

Note 12: Income Tax (continued)

	2017 \$000	2016 \$000
Gross movement in net deferred tax liability		
Opening balance	796	–
Credited/(charged) to profit or loss	1,320	(2)
(Charged)/credited to other comprehensive income	(1,578)	798
Closing balance	538	796

	2016 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2017 \$000
Deferred tax assets				
Derivative financial instruments	798	–	(798)	–
Building depreciation	–	1,264	–	1,264
Other temporary differences	10	44	–	54
	808	1,308	(798)	1,318
Deferred tax liabilities				
Derivative financial instruments	–	–	(780)	(780)
Building depreciation	(12)	12	–	–
	(12)	12	(780)	(780)

	1 Oct 2015 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	31 Mar 2016 \$000
Deferred tax assets				
Derivative financial instruments	–	–	798	798
Other temporary differences	–	10	–	10
	–	10	798	808
Deferred tax liabilities				
Building depreciation	–	(12)	–	(12)

Note 13: Derivative Financial Instruments

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

Investore has fair valued its interest rate derivatives as Level 2 as at 31 March 2017 (2016: Level 2), as all significant inputs required to fair value are observable. There have been no transfers between Level 1 and 2 during the period.

Interest rate derivative fair values are independently valued and are calculated using a discounted cash flow model using forward interest rates extracted from observable yield curves. Discount rates include an adjustment for counterparty credit risk. The effect of discounting is generally insignificant for Level 2 derivatives.

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

	2017 \$000	2016 \$000
Total active interest rate derivative contracts (notional)	220,000	110,000

Investore designates its interest rate derivatives as hedges of the interest flows on its borrowings. These are cash flow hedges. The effective portion of change in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance expenses.

At balance date, if the floating interest rates on hedged bank borrowings had been 1% higher, with other variables remaining constant, equity would have been \$7,113,262 (2016: \$4,260,229) higher for the period. If the floating interest rates on the hedged bank borrowings had been 1% lower, with other variables remaining constant, equity would have been \$7,583,706 (2016: \$4,811,850) lower for the period. This represents the change in the fair value of the interest rate derivatives. There would have been no impact on profit during the period. The interest rate sensitivity analysis is performed by using an instantaneous parallel shift in the par yield curve at the testing date.

Investore does not hold derivative financial instruments for trading purposes.

On 12 July 2016, Investore broke interest rate swaps with a notional value of \$110,000,000 for a cost of \$3,679,860. In the current year, Investore has entered into new interest rate derivative contracts with a notional amount of \$220,000,000.

At balance date, the fixed interest rates ranged from 2.18% to 3.01% (2016: 3.07% to 3.21%), and the weighted average interest rate was 2.42% (2016: 3.13%).

Investore's policy, unless the Board and its manager (SIML) agree otherwise, is to maintain debt/borrowings within the following fixed/floating interest rate risk control limits:

- 70% – 100% over 0 to 1 years
- 55% – 100% over 1 to 3 years
- 20% – 80% over 3 to 5 years
- 0% – 60% over 5 to 10 years

As at 31 March 2017, the percentage of drawn bank debt hedged was 84%.

Gains and losses recognised in the cash flow hedge reserve in equity (note 15) on interest rate derivative contracts as at 31 March 2017 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.

Note 14: Bank Borrowings

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

	2017 \$000	2016 \$000
Non-current		
Facility drawn down	261,000	160,000
Borrowing costs	(759)	(251)
Total borrowings	260,241	159,749
Facility drawn down	261,000	160,000
Undrawn facility available	109,000	–
Total facility available	370,000	160,000
Weighted average interest rate for debt (inclusive of current interest rate derivatives, margins and line fees) at balance date.	4.40%	4.22%

During the year, Investore refinanced its bank facility. On 12 July 2016, it repaid its existing \$160 million facility and replaced it with a new bank facility for \$370 million in total. The bank facility consists of Facility A for \$165 million expiring 9 June 2019, Facility B for \$165 million expiring 9 June 2021 and Facility C for \$40 million expiring 9 June 2020. Investore’s secured borrowings are via syndicated senior secured facilities with ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand Limited. The bank security on the facilities is managed through a security agent who holds a first registered mortgage on all the investment properties owned by Investore and a registered first ranking security interest under a General Security Deed over substantially all the assets of Investore. The interest rate on the facility was 3.05% as at balance date (2016: 3.36%).

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

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

Note 15: Equity

Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Investore has 261,771,833 shares authorised as at 31 March 2017. 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.

	2017 \$000	2016 \$000
Opening balance	–	–
Issue of shares	387,615	–
Capital raising expenses	(5,368)	–
Closing balance	382,247	–
	Shares 000	Shares 000
Opening balance	–	–
Issue of shares to Stride shareholders prior to the demerger	91,114	–
Issue of shares to Stride prior to demerger	46,496	–
New equity capital raised on market	124,162	–
Closing balance	261,772	–
Number of shares ending balance		
Stride Property Limited holding in Investore Property Limited	52,092	–
Existing shareholders equity transferred from Stride Property Limited	91,114	–
New equity capital raised on market (excluding Stride Property Limited)	118,566	–
Closing balance	261,772	–

Investore has appointed SIML as its exclusive provider of ongoing real estate investment management (“REIM”) services. The management agreement between Investore and SIML and Investore’s Constitution each provide that, for such time as SIML is the manager of Investore, SIML will have the right to appoint two directors to the Investore Board. Each of Tim Storey and John Harvey have been appointed by SIML under this right. The Board is constitutionally required to be made up of four directors, with shareholders not associated with SIML to elect the other two directors by way of ordinary resolution. The chairperson is a director elected by shareholders not associated with SIML and, provided that the chairperson is independent of SIML, holds a casting vote in respect of resolutions of the Board. Ordinarily, all directors of a company that has its shares quoted on the NZX Main Board would be elected by shareholders by ordinary resolution, but NZX has issued a waiver to permit SIML to have this right of appointment. NZX has also issued a waiver to allow the directors appointed by SIML to vote on board resolutions to the extent that those directors are restricted from voting on the grounds that they are “interested” in the matter solely due to being directors of SIML but for no other reason.

An issuer which does not comply with all of the requirements of the NZX Listing Rules may be granted listing with the designation “Non-Standard” or “NS”. A term of the waiver granted to Investore to permit SIML to have the right to appoint two directors was that Investore would be given a Non-Standard Designation upon its listing and the quotation of its shares.

As at 31 March 2016, Investore had 100 shares on issue which were owned by Stride Property Limited (“Stride”). Stride’s holding in Investore of 52.1 million shares is a combination of 46.5 million shares retained and 5.56 million shares acquired under the IPO giving it a cornerstone shareholding of 19.9%. Stride is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds. However, Stride advised Investore in June 2016 that it had no present intention to sell or otherwise dispose of any of the 19.9% shareholding in Investore. Other than in the case of a proposed transaction affecting Investore shareholders generally, Stride does not intend to review its optimal shareholding level in Investore until 1 April 2018 at the earliest.

On 11 July 2016, Investore issued 124.2 million shares at \$1.49 per share under the IPO. The total number of shares after issue was 261,771,883 and quotation of Investore shares occurred on NZX on 12 July 2016.

Note 15: Equity (continued)

Basic and diluted earnings per share

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

	2017 \$000	2016 \$000
Profit after income tax attributable to shareholders	28,516	2,974
Weighted average number of shares for purpose of basic and diluted earnings per share	188,619,184	100
Basic and diluted earnings per share – weighted (\$)	0.15	29,738
Reserves	2017 \$000	2016 \$000
Cash flow hedge reserve		
Opening balance	(2,050)	-
Reclassification to profit or loss – swap break expense	2,050	-
Movement in fair value of interest rate derivatives	2,788	(2,848)
Tax on fair value movement	(780)	798
Closing balance	2,008	(2,050)

Note 16: Financial Instruments and Risk Management

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

Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets.

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

Financial liabilities

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

Note 16: Financial Instruments and Risk Management (continued)

Summary of financial instruments	2017 \$000	2016 \$000
Non-derivative financial assets		
Classified as loans and receivables		
Cash and cash equivalents	4,377	34
Trade and other receivables	412	112
NZX Bond	75	-
Total non-derivative financial assets	4,864	146
Non-derivative financial liabilities at amortised cost		
Trade and other payables	2,273	966
Advance from related party	-	123,893
Bank borrowings	260,241	159,749
Total non-derivative financial liabilities	262,514	284,608
Interest rate derivative at fair value – asset	2,714	-
Interest rate derivative at fair value – liability	(12)	(2,848)
Total derivative financial instruments used for hedging	2,702	(2,848)

Financial risk management

Investore’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Risk management is the responsibility of the Board. The Board identifies and evaluates financial risks in close co-operation with SIML. The Board provides written principles 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.

Market risk

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

Investore's interest rate risk arises from bank borrowings (note 14). Borrowings issued at variable rates expose Investore to cash flow interest rate risk. Borrowings issued at fixed rates expose Investore to fair value interest rate risk. The long term interest rate policy provides bands that are applied on a rolling basis, which provide for both a high level of fixed interest rate cover over the near term, as well as a lengthy period of known fixed interest rate cover for a portion of term debt.

Investore manages its cash flow interest rate risk by using floating to fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating to fixed rates. Under the interest rate derivatives, Investore agrees with other parties to exchange, at quarterly intervals, the difference between floating contract rates and fixed rate interest amounts calculated by reference to the agreed notional principal amounts. As Investore holds interest rate derivatives, there is a risk that their economic value will fluctuate because of changes in market interest rates. The value of interest rate derivatives is disclosed in note 13 and it is acknowledged that there will be fluctuations in their economic value as a result of changes in market interest rates.

At balance date, \$41,000,000 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 \$410,000 respectively.

Note 16: Financial Instruments and Risk Management (continued)

Market risk (continued)

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

	2017 \$000	2016 \$000
Financial assets		
Cash and cash equivalents	4,377	34
NZX Bond	75	–
Financial liabilities		
Bank borrowings	260,241	159,749

The interest rate applicable at balance date for cash and cash equivalent balances was 1.25% (2016: 2.25%), for the NZX Bond was 1.25% and for bank borrowings was 3.79% (2016: 4.54%). Investore's exposure to interest rates is hedged through the use of interest rate derivatives. The weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings at balance date was 4.40% (2016: 4.22%).

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.

Credit risk

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

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit, and ensures that only those customers with appropriate credit histories are provided with credit. In addition, receivable balances are monitored on an ongoing basis, with the result that Investore's exposure to bad debts is not significant. As Investore's tenant, General Distributors Limited (GDL), contributes most of Investore's portfolio contract rental, Investore is exposed to a significant concentration of credit risk. GDL is a large national retailer, the operator of Countdown supermarkets in New Zealand and an ultimate subsidiary of Woolworths Limited. Amounts which are past due are not considered impaired as the tenants have demonstrated a good past payment history.

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

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

Note 16: Financial Instruments and Risk Management (continued)

Liquidity risk

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

Investore generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the bank facility available to cover potential shortfalls. Further detail about the undrawn bank facility available is given in note 14. The following table outlines Investore's liquidity profile based on contractual non-discounted cash flows.

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
31 March 2017						
Trade and other payables	2,273	2,273	–	–	–	–
Secured bank borrowings	280,964	3,085	3,085	6,169	268,625	–
Derivative financial instruments	20,605	2,662	2,444	4,887	9,774	838
	303,842	8,020	5,529	11,056	278,399	838

31 March 2016

Trade and other payables	966	966	–	–	–	–
Advance from related party	123,893	123,893	–	–	–	–
Secured bank borrowings	195,491	1,676	1,676	3,353	167,035	21,751
Derivative financial instruments	15,452	1,723	1,715	3,440	8,574	–
	335,802	128,258	3,391	6,793	175,609	21,751

Capital risk management

Investore's capital structure includes debt and equity, comprising shares, reserves and retained earnings as shown in the statement of financial position. Investore's objectives when managing capital are to safeguard Investore's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Investore may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

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

Fair values

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

Note 17: Related Party Disclosures

	2017 \$000	2016 \$000
The following transactions with a related party took place:		
Stride Property Limited		
Advance (repaid)/from parent (prior to initial public offering)	(11,624)	123,893
Demerger dividend paid	(1,205)	–
Stride Investment Management Limited		
Asset management fee expense	2,386	–
Building management fee expense	267	–
Accounting fee expense	180	–
Project management fee expense	131	–
Leasing fee expense	137	–
Maintenance fee expense	10	–
The following balance was payable to a related party:		
Stride Property Limited	–	123,893
Stride Investment Management Limited	37	–

Investore has appointed SIML as its exclusive provider of ongoing REIM services. SIML charges management fee expenses for managing Investore's assets. SIML was formed on 16 February 2016 as a wholly-owned subsidiary of Stride. On 29 April 2016, SIML acquired Stride's REIM business, including the employment of all of Stride's staff, to create a company focused solely on REIM services. SIML has been the manager of Investore since 29 April 2016. The management services are currently provided under a management agreement between SIML and Investore dated 10 June 2016.

Prior to the NZX listing of Investore, SIML recharged costs and expenses directly to Investore.

The balance payable to Stride and SIML was unsecured, non-interest bearing and payable on demand.

The demerger of Investore from Stride occurred on 11 July 2016 by Stride distributing the ordinary shares that it held in Investore to its shareholders. No consideration was payable by shareholders for the distribution of Investore shares to them by Stride under the demerger (i.e., those Investore shares were distributed to shareholders for no additional consideration). The share issue ratio was one share in Investore for every four shares held in Stride. Investore Directors Tim Storey and John Harvey received an in specie shareholder distribution of 31,638 shares from Stride each on 11 July 2016 under the demerger.

Upon completion of the capital raising and demerger, Investore ceased to be a wholly-owned subsidiary of Stride. However, Stride retained a 19.9% holding in Investore.

Director Mike Allen acquired 25,000 shares and Director Kate Healy acquired 17,500 shares in Investore on 11 July 2016 through the capital raise.

In the current year the Directors in total received dividends of \$3,481.

	2017 \$000	2016 \$000
Directors' fees	94	–
Chairman's fees	57	–
	151	–

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

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

Note 17: Related Party Disclosures (continued)

As at 31 March 2016, Investore was a 100% subsidiary of Stride and owned the Antipodean Supermarkets Portfolio valued at \$287 million. The acquisition of these assets was originally funded by a bank loan of \$160 million and shareholder advance from Stride of \$127 million. Prior to the listing of Investore, six large format retail properties valued at \$86.95 million (note 9) were transferred by Stride Property Group to Investore, by way of shareholder advance.

The settlement of the resultant intercompany balance of \$214 million occurred by way of the following transactions:

- (i) \$134 million was capitalised into equity and shares were distributed to Stride's shareholders;
- (ii) \$69 million was capitalised into equity and shares were retained by Stride; and
- (iii) the remaining intercompany balance of \$11 million was repaid in cash.

Note 18: Operating Lease Commitments

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

Investore is committed under eleven (2016: ten) operating leases where Investore is the lessee. There are seven leases at the corner of Anglesea and Liverpool Streets, Hamilton, one at 3 Averill Street, Auckland, one at 70 Studholme Street, Morrinsville, one at 51 Arthur Street, Blenheim, and one at the corner of Bridge and Anglesea Streets, Hamilton. The additional lease in this financial year is at the corner of Bridge and Anglesea Streets, Hamilton.

The commitments below only reflect the amounts payable under current signed lease contracts up until the next rent review, at which time the terms of the leases will be renegotiated. The lease at 3 Averill Street, Auckland, expires in October 2089 and the annual lease is \$383,000, all other leases expire at the next rent review.

	2017 \$000	2016 \$000
Payable		
– no later than 1 year	694	648
– later than 1 year and no later than 5 years	1,997	2,343
– later than 5 years	750	474
	3,441	3,465

Note 19: Contingent Liabilities

Investore has no contingent liabilities at balance date.

Note 20: Subsequent Events

On 29 May 2017, Investore declared a cash dividend for the period 1 January 2017 to 31 March 2017 of 2.06 cents per share, to be paid on 20 June 2017 to all shareholders on Investore's register at the close of business on 13 June 2017. This dividend will carry imputation credits of 0.5404 cents per share. This dividend has not been recognised in the financial statements.

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

Note 21: Prospective Financial Information

On 10 June 2016, Investore issued a Product Disclosure Statement and published information on the online register maintained by the Companies Office and the Registrar of Financial Service Providers (together the “Disclosure Information”) in connection with the IPO. The following is a comparison of the prospective financial information included in the Disclosure Information to Investore’s actual results for the year ended 31 March 2017.

	2017 Actual \$000	2017 Prospective Base case \$000
Statement of comprehensive income		
Net rental income	35,014	34,876
Corporate expenses	(4,655)	(4,762)
Net finance expenses	(13,303)	(12,879)
Profit before other income and income tax	17,056	17,235
Profit before income tax	30,776	16,000
Income tax expense	(2,260)	(4,492)
Profit after income tax	28,516	11,508
Movement in cash flow hedges, net of tax	4,058	2,050
Total comprehensive income after tax	32,574	13,558
Statement of financial position		
Current assets	5,273	8,707
Non-current assets	663,685	646,021
Current liabilities	(3,689)	(2,753)
Non-current liabilities	(260,241)	(267,875)
Equity	405,028	384,100
Statement of cash flows		
Net cash provided by operating activities	18,198	18,269
Net cash applied to investing activities	(271,864)	(272,619)
Net cash provided by financing activities	258,009	262,788
Net increase in cash and cash equivalents held	4,343	8,438

Commentary

The Actual numbers have been prepared in the same manner and on the same basis as the Prospective Base Case numbers contained in the Disclosure Information.

Profit before other income and income tax is lower than in the prospective financial information, mainly due to the higher swap break expenses (\$1,010,000), offset by lower finance expenses \$606,000 largely as a result of entering into new swaps with more favourable interest rates.

Profit before income tax is \$14,776,000 higher than the prospective financial information, largely reflecting the fair value revaluation movement of \$14,955,000 in the investment properties as at 31 March 2017. The prospective financial information had assumed no increase in the portfolio value.

Income tax expense is lower mainly as a result of a lower \$2,265,000 deferred tax expense as compared to the prospective financial information. This is a result from the assessed valuation split between the land and building components as provided by the valuers. 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.

The movement in cash flow hedges, net of tax, is higher than the prospective financial information by \$2,008,000 as a result of entering into new swaps with more favourable interest rates and the actual movement in the interest rate curve as at balance date.

Equity is \$20,928,000 higher than the prospective financial information, mainly due to the fair value movement in the investment properties, lower income tax expense, higher movement in cash flow hedges, offset by the higher net finance expenses as explained above.

The statement of cash flows is in line with the prospective financial information.



Independent Auditor’s Report

To the shareholders of Investore Property Limited

The financial statements comprise:

- the statement of financial position as at 31 March 2017
- 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
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the financial statements of Investore Property Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 March 2017, 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 assurance over the share register, tenancy marketing and operating expenses, and financial due diligence in respect of the initial public offering of the Company. The provision of these other services has not impaired our independence as auditor of the Company.

Our audit approach

Overview

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

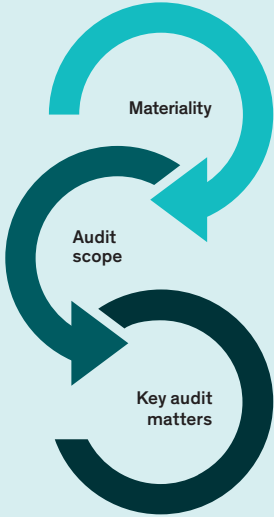
Overall materiality was \$853,000, which represents 5% of profit before tax, excluding valuation movements relating to investment properties.

We chose profit before tax, excluding valuation movements relating to investment properties as the benchmark because, in our view, it is a proxy for distributable profit and accordingly is the benchmark against which the performance of the Company is most commonly measured by users.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above \$42,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have two key audit matters:

- capital raising activities
- valuation of investment properties.



Materiality

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

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

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.

Our scoping includes the audit of financial statement line items that are above materiality. We also focused on capital raising activities and the valuation of investment properties, in particular.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were 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 these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Capital raising activities</p> <p>On 11 July 2016, the Company issued 124.2 million shares at \$1.49 under an Initial Public Offering (IPO). Capital raising costs of \$5.368 million were incurred.</p> <p>The quotation of Company shares occurred on the NZX on 12 July 2016.</p> <p>This was an area of audit focus due to the complex nature of the transactions that occurred and the significance of the transactions to the Company.</p>	<p>We performed the following audit procedures to respond to the assessed audit risk arising from the Company's capital raising activities:</p> <ul style="list-style-type: none">• obtained an understanding of the background of the capital raising activities through discussions with the Manager, their consultants, and the Directors and reviewed the relevant legal agreements and other correspondence• validated receipt of the IPO proceeds and agreed the issue of equity securities to the Company's share register (managed by a third party) and the NZ Companies Office• verified that the settlement of the \$214 million payable to Stride was completed in accordance with contractual agreements and was accounted for appropriately

Key audit matters

How our audit addressed the key audit matters

Prior to the IPO the following transactions occurred:

- Settlement of a \$214 million payable to Stride Property Limited (Stride) in respect of the acquisition of investment properties and other intercompany transactions in June 2016. The settlement included:
 - converting \$69 million debt into equity (46.5 million shares). This, when combined with a further 5.56 million shares acquired by Stride under the IPO, resulted in Stride taking a 19.9% equity holding in the Company
 - issuing (91.114 million) shares with a value of \$134 million to Stride shareholders in place of debt
 - repayment of \$11 million in cash to Stride which included a \$1.2 million dividend.

Subsequent to the settlement of the payable, the Company demerged from Stride and appointed Stride Investment Management Limited (the Manager) as its provider of real estate investment management services.

These transactions are described in detail in *Note 1: Accounting Policies, Reporting entity, Note 15: Equity* and *Note 17: Related Party Disclosures* of the financial statements.

Valuation of investment properties

As disclosed in *Note 9: Investment Properties*, the Company had a portfolio of large format retail investment properties with a valuation of \$660 million on the statement of financial position as at 31 March 2017.

This is an area of audit focus because of the quantum of the investments and valuation of investment properties is inherently subjective with judgments required for a number of market inputs.

The valuations were performed on behalf of the Company by independent registered valuers who are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring no valuer values the same investment property for more than three consecutive years.

Two approaches are used: the Income Capitalisation approach and the Discounted Cash Flow approach, to derive a market value range for each property and then a point estimate.

- tested the cut-off process implemented by management and the assumptions applied to determine the Company's distributable profit at 11 July 2016, immediately prior to divestment, which determined the \$1.2 million dividend paid to Stride
- tested, on a sample basis, that transaction costs recorded in equity were directly attributable to the IPO and that it was appropriate to deduct these costs from equity
- reviewed the disclosures in the financial statements of the transactions for compliance with accounting standards.

From the procedures performed, we have no matters to report.

On a sample basis, with particular emphasis on high value properties and any other properties where we would have expected a significant change in the valuation based on market reports from large valuation firms, we performed the following procedures:

- assessed the reasonableness of the market related key assumptions (i.e. capitalisation rates and market rentals) used in the Income Capitalisation approach valuation by comparing the valuation metrics used by the valuers to:
 - recent market activity (where also identified by other valuers), taking into account location and environmental factors or
 - newly agreed lease agreements.
- agreed the forecast contractual income and weighted average lease terms to lease agreements with tenants
- considered whether seismic assessments have been taken into account in the valuation
- agreed values of recently acquired properties to the sale and purchase agreements
- analysed the underlying reason for differences, outside a threshold, between the Income Capitalisation approach value and Discounted Cash Flow approach value by property.

Key audit matters

How our audit addressed the key audit matters

Valuation of investment properties

For each investment property, assumptions and estimates are made in respect of:

- forecast future rentals, based on the location, type and quality of the property, and supported by the terms of any existing lease
- vacancy assumptions based on current and expected future market conditions after expiry of any current lease
- maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life and to address seismic related matters
- the discount rate derived from recent comparable market transactions.

We also engaged our own in-house valuation expert to critique and independently assess, based on our experts market and valuation knowledge, the work performed and assumptions used by the valuers.

Because of the subjectivity involved in determining valuations for individual properties and the existence of acceptable alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the individual property valuations used by management. The above procedures did not indicate that the individual property values tested were outside this range. We also found no evidence of bias in determining the values.

A small difference in any one of the key market input assumptions, when aggregated, could result in a material misstatement of investment properties.

The Manager verifies all major inputs to the valuations, assesses property valuation movements against prior year and holds discussions with the Directors on the process and results of the valuation.

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 the 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 Karen Shires.

For and on behalf of:



Chartered Accountants
29 May 2017
Auckland

Corporate Governance

The Board is committed to undertaking its corporate governance responsibilities in accordance with best practice governance principles. The Board believes that Investore's corporate governance practices generally meet the requirements of the principles and guidelines set out in the New Zealand Financial Markets Authority's Corporate Governance Handbook (the Principles) and the NZX Corporate Governance Best Practice Code (the NZX Code), except where expressly stated otherwise below.

The Board has adopted a set of policies and charters in relation to corporate governance which can be found in the Corporate Responsibility section of Investore's website (www.investoreproperty.co.nz). These include a Code of Ethics, a Board Charter, a Market Disclosure Policy, an Audit & Risk Committee Charter, a Health & Safety Charter and a Diversity Policy.

The following report is based on the Principles.

Principle 1: Ethical Standards

Directors should set high standards of ethical behaviour, and hold management accountable for delivering those standards throughout the organisation.

Investore has adopted a Code of Ethics that sets out how Directors and contractors and others engaged by Stride Investment Management Limited (SIML) should conduct themselves to maintain high ethical standards and to avoid conflict between their private financial activities and their part in the conduct of Company business.

At the date of this Annual Report, no instances of unethical behaviour had been identified and reported to the Board.

Investore has policies to prevent insider trading which are contained in its Securities Trading Policies and Guidelines. These guidelines require Directors, SIML (and its directors, senior managers and employees to the extent required by SIML's securities trading policy) and trusts and companies controlled by such persons to obtain consent before they trade in Investore's shares. The policy provides for limited trading windows at the time of Company announcements at the end of the financial year and financial half year and upon release of a disclosure document offering securities of the same class as Investore's listed securities. Trading shares while in possession of material information is prohibited at all times. Directors and other persons subject to the policy have a duty of confidentiality regarding any confidential information in relation to Investore and are not allowed to disclose such information to third parties without ensuring that appropriate procedures are in place to ensure that confidentiality is maintained.

Principle 2: Board Composition and Performance

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

Board Size and Composition

Investore's Constitution permits a maximum of four Directors on the Board, which does not contain a majority of independent Directors. The Board comprises:

- an independent non-executive Chairman (who holds a casting vote in respect of resolutions of the Board);
- a second independent non-executive Director; and
- two non-executive Directors (nominated by SIML).

SIML, as manager, has the right to appoint and remove two (but not less than two) Directors. Both of the SIML appointed Directors are also directors of SIML. The other two Directors, being the two independent Directors, are appointed (and subject to removal) in the normal manner (by shareholders who are not associated with SIML). Details of the Directors' skills and expertise are contained in the profiles on pages 12 and 13.

Diversity

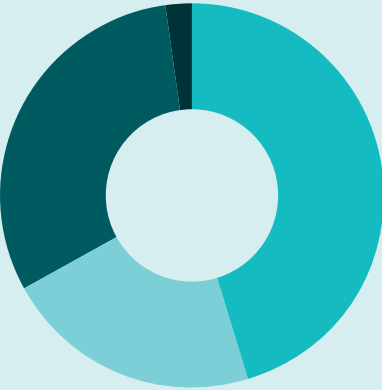
Investore is committed to providing a positive working environment where diversity, in all of its forms, is respected and embraced. Investore has implemented a Diversity Policy and the Board has reviewed its diversity achievements against the Diversity Policy. The Board considers that Investore has achieved its objectives under the Diversity Policy for the period to 31 March 2017. The Board will ensure that its recruitment procedures provide for a wide range of potential candidates to be considered at Board level.

As at 31 March 2017, Investore had one female Director (2016: one) out of the four (2016: five) appointed Directors.

Investore is managed by SIML and does not have any officers or employees. As at 31 March 2017, SIML had 44 female full-time employees (2016: 19); 21 female part-time employees (2016: 8); 30 male full-time employees (2016: 18); and 2 male part-time employees (2016: 2).

Gender Diversity of the Manager – Stride Investment Management Limited

- Female full-time 44 (45%)**
- Female part-time 21 (22%)**
- Male full-time 30 (31%)**
- Male part-time 2 (2%)**



Director Independence

In addition to the NZX requirements, a non-executive Director is considered to be independent providing he or she:

- does not hold more than 5% of Investore's class of listed voting securities;
- is not employed in an executive capacity by Investore or its subsidiaries;
- is not a principal or employee of a professional advisor to Investore and/or its entities whose billing exceeds 10% of the advisor's total revenues;
- is not a significant supplier to or customer of Investore. (A significant supplier is defined as one whose revenues from Investore exceed 10% of the supplier's total revenue, and a significant customer is defined as one whose purchases from Investore exceed 10% of the customer's total purchases);
- has no material contractual relationship with Investore;
- has no other interest or relationship that could interfere with his or her ability to act in the best interests of Investore and independently of management; and
- is determined by the Board to be independent in character and judgement.

In addition, under Investore's Constitution, if SIML has exercised its director appointment rights, the Chairperson must be Independent of SIML and the Board must include two Directors who are Independent of SIML. "Independent of SIML" means, in respect of a Director (including any alternate Director), that:

- the Director is not an Associated Person (as defined in the Listing Rules) of any of the following:
 - SIML;
 - a person who holds or controls more than 25% of the ordinary shares of SIML; or
 - a related company of a person who holds or controls more than 25% of the ordinary shares of SIML;
- the Director was not appointed by SIML under its appointment rights in the Constitution;
- the Director is not an executive officer of SIML and has no Disqualifying Relationship (as defined in the Listing Rules) with SIML; or
- pursuant to any Ruling (as defined in the Listing Rules) or other written consent of NZX Limited, the Director is to be treated as being independent of SIML.

The Board has reviewed the status of each of the Directors and confirms that, as at 31 March 2017, Mike Allen and Kate Healy are independent.

Composition

As at 31 March 2017, the Board comprised the following:

Michael Nicholas Allen	Chairman and Independent Director (appointed 9 June 2016)
Kathryn Alexandra Healy	Independent Director (appointed 9 June 2016)
Timothy Ian Mackenzie Storey	Director (appointed 1 October 2015)
Edward John Harvey	Director (appointed 15 October 2015)

Each of Michael Stiassny, David van Schaardenburg and Michelle Tierney resigned from the Board on 9 June 2016.

Non-SIML nominees

In the case of the Directors not appointed by SIML, candidates for appointment as a Director are identified and recommended by the Board and are voted on by shareholders.

Board Performance

The Board will undertake an annual evaluation of its performance, both as a group and as individual Directors. As Investore was listed on 12 July 2016, no annual evaluation has taken place as yet. The outcomes from the performance review will be used to improve Board processes and identify areas for improvement for the following year.

The NZX Code encourages Directors to take a portion of their remuneration under a performance-based equity security compensation plan. Investore does not operate any form of equity compensation scheme for Directors.

Investore has produced a detailed Governance Manual for the Board and training is provided as and when required.

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 has established the Audit & Risk Committee.

Audit & Risk Committee

Kate Healy, Chairperson (Independent)
Mike Allen (Independent)
John Harvey

The Audit & Risk Committee's Charter requires that the Audit & Risk Committee be comprised solely of non-executive Directors, with at least two members being Independent Directors. The Chairperson of the Audit & Risk Committee shall be an Independent Director and may not be the Chairperson of the Board. All Audit & Risk Committee members need to be financially literate, and at least one member must have accounting or related financial management expertise (in the case of Investore, John Harvey).

Meetings of the Audit & 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 Chairperson, or if requested by any Audit & Risk Committee member or the external auditor.

The NZX Code proposes that Directors who are not members of the Audit & Risk Committee and employees should only attend Audit & Risk Committee meetings at the invitation of the Audit & Risk Committee. Investore's Audit & Risk Committee Charter provides Directors who are not members of the Audit & Risk Committee with the right to attend meetings of the Audit & Risk Committee.

The Audit & Risk Committee provides assistance to the Directors in fulfilling their responsibility to the shareholders, potential shareholders and investment community relating to corporate accounting and reporting practices of Investore, and the quality, integrity and transparency of financial reports of Investore. In so doing, it is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Directors, the external auditors and SIML about the financial management of Investore.

The Board believes that the Audit & Risk Committee has the appropriate level of financial expertise to perform its duties.

Meeting Attendance	Board Meetings	Audit & Risk Committee Meetings
Total Number of Meetings Held	6	2
Mike Allen	6	2
Kate Healy	6	2
John Harvey	6	2
Tim Storey	6	2

Principle 4: Reporting and Disclosure

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

To meet the requirements of the NZX, Investore has adopted a Market Disclosure Policy to provide guidance in the area of market disclosure and the release of material information.

Investore is committed to:

- ensuring that shareholders and the market are provided with full and timely information about its activities;
- complying with the general and continuous disclosure principles contained in the NZX Main Board Listing Rules and the Companies Act 1993; and
- ensuring that all market participants have equal opportunities to receive externally available information issued by Investore.

A Disclosure Committee, comprising the Chief Executive Officer of SIML (such role currently being performed by the Chief Financial Officer and the General Manager Investment Management of SIML), the Chief Financial Officer of SIML (Disclosure Officer) and Chairperson, 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.

SIML, as the manager of Investore, is responsible for the implementation and operation of risk management, including internal control and audit systems. The Audit & Risk Committee reviews the annual and half-year financial statements with SIML and the external auditors and has direct access, as necessary, to Investore's external auditors. As the Board is ultimately responsible for preparing the Annual Report (including financial statements that comply with generally accepted accounting practice), annual financial statements are signed by two Directors after approval by the whole Board and the external auditors provide an opinion that the financial statements present fairly, in all material respects, the financial position of Investore as at 31 March 2017, and its financial performance and cash flows for the year then ended, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Principle 5: Remuneration

The remuneration of Directors and executives should be transparent, fair, and reasonable.

The remuneration paid to Directors is disclosed on page 63 of this Annual Report and in the notes to the financial statements on page 46. The Board is responsible for recommending Director remuneration packages to shareholders.

Principle 6: Risk Management

Directors should have a sound understanding of the key risks faced by the business. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

The Board is responsible for risk management generally and delegates this responsibility to SIML. Investore has in place business risk management processes and policies to minimise its exposure to financial and operational risk. Internal systems have been designed to:

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

The Board has established an Audit & Risk Committee which, under the Audit & Risk Committee Charter, is responsible for:

- Ensuring that SIML has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks.
- Reviewing the procedures for identifying business risks and controlling their financial impact on Investore.
- Reviewing SIML's and the external auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management.
- Ensuring that the Board regularly reviews reports on the principal business risks at least annually (including any developments in relation to key risks).
- Reviewing key insurance policy terms and cover adequacy and making recommendations to the Board for adoption of the insurance cover.

Principle 7: Auditors

The Board should ensure the quality and independence of the external audit process.

The Audit & Risk Committee is responsible for the monitoring of the external audit process. It has responsibilities under the Audit & Risk Committee Charter to:

- Meet with the external auditors and SIML to review the scope of work of the proposed audit and half year review for the current year and the procedures to be utilised, the adequacy of the external auditor's compensation and, at the conclusion thereof, review such audit or review, including any comments or recommendations of the external auditors.
- Review reports received from regulators and other legal and regulatory bodies, including matters that may have a material effect on the financial statements or related company compliance policies.
- Review the internal audit function of Investore (if any), including, the independence and authority of Investore's reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the external auditors.
- Receive on a regular basis a summary of findings from any completed internal audits and a progress report on the internal audit plan (if any), with explanations for any deviations from the original plan.
- Report the results of the annual audit to the Board, including whether the financial statements comply with applicable laws and regulations. If requested by the Board, invite the external auditors to attend the full Board meeting to assist in reporting the results of the annual audit or to answer other Directors' questions (alternatively, the other Directors, particularly any other Independent Directors, may be invited to attend the Audit & Risk Committee meeting during which the results of the annual audit are reviewed).
- Review the nature and scope of other professional services provided to Investore by the external auditors and consider the relationship to the auditor's independence.
- On an annual basis, assess and confirm to the Board the independence of the external auditor.
- Make recommendations to the Board as to the appointment or discharge of external auditors.
- Establish the external auditor's fees, subject to shareholder approval.
- Review and monitor the ratio of non-audit to audit fees.
- Ensure that the external auditor or lead audit partner is changed at least every five years.

The Audit & Risk Committee is responsible for maintaining free and open communication between the Directors, the external auditors and SIML and for providing sufficient opportunity for the external auditors to meet with the members of the Audit & Risk Committee without SIML present. The external auditor has a standing invitation to attend any meeting of the Audit & Risk Committee, but may be excluded from an Audit & Risk Committee meeting at the request of the chairperson of the Audit & Risk Committee as considered necessary. Directors are free to make direct contact with the external auditor as necessary to obtain independent advice and information.

Principle 8: Shareholder Relations

The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

Investore believes a high level of disclosure and communication to shareholders is very important. Shareholders deserve to be provided with all the information possible about the performance of their investment and to be informed of any significant transactions by Investore.

Further information regarding shareholder relations, including reporting to shareholders, the Annual Meeting and investor services, can be found in the Investor Relations section on pages 60 and 61.

Principle 9: Stakeholder Interests

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

Investore recognises that there are a number of significant stakeholders in Investore that are affected by Investore's activities. Investore aims to manage its business to produce positive outcomes for all stakeholders, including tenants, contractors, service providers, banks and the communities in which its properties reside.

Investor Relations

Investore believes a high level of disclosure and communication to shareholders is very important. Shareholders deserve to be provided with all the information possible about the performance of their investment and to be informed on any significant transactions by Investore.

Reporting To Shareholders

Reporting to shareholders is provided through the Annual Report and Interim Report. Events of interest within Investore's portfolio that occur between regular reporting periods are communicated on-line, via market announcements to the NZX (www.nzx.com, stock code IPL) and on Investore's website (www.investoreproperty.co.nz), meeting the need for the market to be informed in a timely manner.

The Annual Report and Interim Report will be available electronically on Investore's website and shareholders can request hard copies by contacting Investore's Share Registrar (contact details below).

Annual Meeting

Shareholders are encouraged to attend the Annual Meeting and take the opportunity to meet the Board and to ask questions about the performance of Investore. The Chairperson will provide time for questions from the floor to be answered by the appropriate member of the Board or SIML. Investore's external auditor will attend the meeting and is available to take questions on the preparation of the financial statements and the auditor's report.

The first Annual Meeting is scheduled for 11.00 am on 8 September 2017, at Ellerslie Racecourse, 80 - 100 Ascot Ave, Greenlane, Auckland.

Share Registrar

The Share Registrar is the first point of contact for shareholders with queries about their investments. Computershare Investor Services Limited (Computershare) is the Share Registrar for Investore and has responsibility for administering and maintaining the share register. Computershare can be contacted as detailed below:

Phone: +64 9 488 8777
Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz
Mail: Computershare Investor Services Limited, Private Bag 92119, Victoria Street West, Auckland 1142

Shareholders can view their holding details and update their personal details online on Computershare's Investor Centre website - visit www.computershare.co.nz/investorcentre - you will need your Investor Number and FIN to access this service.

Substantial Product Holders

As at 31 March 2017, the following persons were substantial product holders in Investore for the purposes of the Financial Markets Conduct Act 2013 according to notices given by them under that Act:

Shareholder	Number of Ordinary Shares
Stride Property Limited	52,091,786
ANZ New Zealand Investments Limited and related bodies corporate	35,021,069
Salt Funds Management Limited	19,315,254
Westpac Banking Corporation and related bodies corporate	13,163,784

The number of ordinary shares listed in the table are as per the last substantial product holder notice filed. As this notice is required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of 20 largest holdings of quoted equity securities on page 61.

The total number of ordinary shares of Investore as at 31 March 2017 was 261,771,833.

Shareholder Distribution as at 31 March 2017 – 20 largest holdings of quoted equity securities*

Rank	Holder Name	Number of Shares	% of Total Issued Shares
1.	Stride Property Limited	52,091,786	19.90
2.	Forsyth Barr Custodians Limited	17,330,211	6.62
3.	ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	15,755,987	6.02
4.	JBWere (NZ) Nominees Limited	15,261,468	5.83
5.	Guardian Nominees NO 2 A/C Westpac W/S Enhanced Cash Trust – NZCSD	13,359,738	5.10
6.	Accident Compensation Corporation – NZCSD	12,595,370	4.81
7.	Citibank Nominees (New Zealand) Limited – NZCSD	10,077,088	3.85
8.	Custodial Services Limited A/C 3	8,022,511	3.06
9.	BNP Paribas Nominees (NZ) Limited – NZCSD	7,192,483	2.75
10.	ANZ Wholesale Property Securities – NZCSD	6,890,140	2.63
11.	MFL Mutual Fund Limited – NZCSD	6,656,769	2.54
12.	BNP Paribas Nominees (NZ) Limited – NZCSD	6,554,207	2.50
13.	ANZ Wholesale Australasian Share Fund – NZCSD	5,560,082	2.12
14.	National Nominees New Zealand Limited – NZCSD	4,176,288	1.60
15.	Custodial Services Limited A/C 2	3,923,612	1.50
16.	Custodial Services Limited A/C 4	3,472,673	1.33
17.	FNZ Custodians Limited	3,210,551	1.23
18.	Generate Kiwisaver Public Trust Nominees Limited – NZCSD	3,147,380	1.20
19.	Custodial Services Limited A/C 18	2,264,369	0.87
20.	Mint Nominees Limited – NZCSD	1,700,511	0.65
Shares held by 20 largest shareholders		199,243,224	76.11
Balance of shares held		62,528,609	23.89
Total Issued Shares		261,771,833	100.00

Shareholder Distribution as at 31 March 2017 – spread of quoted equity security holders*

Shareholder Range	Number of Shareholders	Number of Shares	% of Total Issued Shares
1 to 499	225	68,818	0.03
500 to 999	446	324,923	0.12
1,000 to 1,999	1,135	1,663,861	0.64
2,000 to 4,999	1,795	5,754,209	2.20
5,000 to 9,999	1,307	8,974,330	3.43
10,000 to 49,999	1,142	21,201,166	8.10
50,000 to 99,999	82	5,420,548	2.07
100,000 to 499,999	46	7,648,654	2.91
500,000 to 999,999	5	3,319,969	1.27
1,000,000 and above	11	207,395,355	79.23
Total	6,194	261,771,833	100.00

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

Statutory Information

Entries Recorded in the Interests Register

The following interest register entries were recorded for Investore for the year ended 31 March 2017.

Directors’ Interests in Transactions

Specific disclosures

There were no specific disclosures made during the year of any interests in transactions entered into by Investore.

General disclosures

Michael Nicholas Allen	Ngai Tahu Tainui, Go-Bus Holdings Limited and related companies	Director
Kathryn Alexandra Healy	Property Council New Zealand	National Councillor
Edward John Harvey	No additional interest register entries recorded	Director
Timothy Ian Mackenzie Storey	No additional interest register entries recorded	Director

Share dealings by directors

Mike Allen (25,000 ordinary shares) and Kate Healy (17,500 ordinary shares) subscribed for ordinary shares under the initial public offering carried out by Investore pursuant to a product disclosure statement dated 10 June 2016.

Each of Tim Storey and John Harvey received 31,638 ordinary shares in Investore pursuant to an in specie distribution by Stride Property Limited on 11 July 2016.

No other share dealings by directors were recorded during the year ended 31 March 2017.

Securities of Investore in which each Director had a relevant interest as at 31 March 2017

Director	Ordinary Shares
Michael Nicholas Allen	25,000
Kathryn Alexandra Healy	17,500
Timothy Ian Mackenzie Storey	31,638
Edward John Harvey	31,638

Loans to Directors

There are no loans to Directors.

Use of Company Information

No Director has requested, pursuant to section 145(3) of the Companies Act 1993, to use information received in their capacity as a Director that would not otherwise have been available to them.

NZX Waivers

The following waivers from the NZX Main Board Listing Rules were granted to Investore or relied on by Investore during the 12 months preceding 31 March 2017.

Listing Rules 3.3.5 to 3.3.15

Listing Rules 3.3.5 to 3.3.15 stipulate certain requirements in relation to the appointment, removal and rotation of directors. A waiver from Listing Rules 3.3.5 to 3.3.15 was granted, to the extent that SIML, as the manager of Investore, has exercised its right to appoint two Directors (the SIML Appointed Directors). This waiver is subject to a number of conditions, including that:

- the Chairman of the Board is independent and has a casting vote on any board resolutions;
- Investore is not permitted to count any votes cast by Stride Property Limited (and its Associated Persons (as defined in the Listing Rules) (other than votes cast by a Director in respect of shares owned or held in their personal capacity)) on the election or removal of the Independent Directors; and
- that this waiver be disclosed as a part of Investore's offer documents and half-year and annual reports.

This waiver was requested, and granted, to ensure that SIML, whilst it is the manager of Investore, is able to have influence over the strategic direction of Investore by being able to appoint two (but not less than two) Directors and to remove any such Director and appoint another in their place. The SIML Appointed Directors are not required to retire by rotation under Listing Rule 3.3.11.

An issuer which does not comply with all of the requirements of the NZX Listing Rules may be granted listing with the designation “Non-Standard” or “NS”. A term of the waiver granted to Investore to permit SIML to have the right to appoint two Directors was that Investore would be given a Non-Standard Designation upon its listing and the quotation of its shares.

Listing Rule 3.4.3

Listing Rule 3.4.3 limits the ability of directors to vote on matters in which they are “interested” for the purposes of the Companies Act 1993. A waiver from Listing Rule 3.4.3 was granted to permit the SIML Appointed Directors to vote in matters in which they are “interested” solely due to their directorship of both Investore and SIML. This waiver is subject to the conditions that:

- the Chairman of the Board is independent and has a casting vote on any board resolutions;
- SIML Appointed Directors be identified in offer documents, half-year and annual reports;
- that each Director certify to NZX Regulation that any board resolution that they approve will be in the best interests of Investore; and
- that this waiver be disclosed as a part of Investore's offer documents and half-year and annual reports.

This waiver was requested, and granted, to ensure that SIML Appointed Directors were not restricted from voting on Investore board resolutions solely due to being directors of SIML.

A copy of the waivers granted by NZX Limited in respect of Investore can be found at www.nzx.com/companies/IPL. Further waivers granted by NZX Limited which relate to Investore can be found at www.nzx.com/companies/SPG.

Directors’ Remuneration

The non-executive Directors of Investore received fees as set out below.

Director	Director Fees 2017 \$
Mike Allen	56,972
Kate Healy	33,750
Tim Storey	30,000
John Harvey	30,000
	150,722

Directors' fees relate to the period from 11 July 2016 to 31 March 2017. No director fees were paid in the prior period.

Donations and Sponsorships

Investore made no donations in the year ending 31 March 2017.

Indemnities and Insurance

As permitted by Investore's constitution, Investore has entered into a deed of access, indemnity and insurance to indemnify its directors and the directors of its subsidiaries (each, a Director) 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 willful default or fraud, criminal liability, liability for failure to act in good faith and 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.

Auditor’s Fees

Note four to the Financial Statements on page 27 contains the amounts paid by Investore to the auditor, PricewaterhouseCoopers, as audit fees (\$128,100) and other assurance services – share registry and tenant reporting (\$7,700) and other services in relation to the IPO (\$217,014). Given the level of fees paid for other services and that the work did not impact the financial statements or the audit, the Board does not believe that this work compromised auditor independence.

Directors’ Statement

This Annual Report is dated 29 May 2017 and is signed for and on behalf of the Board by:


.....
Mike Allen
Chairman


.....
Kate Healy
Director

Corporate Directory

Board of Directors

Mike Allen
Kate Healy
Tim Storey
John Harvey

Registered Office

Level 12, 34 Shortland Street
Auckland 1010
PO Box 6320, Wellesley Street
Auckland 1141, New Zealand
W investoreproperty.co.nz

Share Registrar

Computershare Investor Services Limited

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

Manager

Stride Investment Management Limited
Level 12, 34 Shortland Street
Auckland 1010
PO Box 6320, Wellesley Street
Auckland 1141, New Zealand
T +64 9 912 2690

Legal Advisers

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

Level 21, ANZ Centre
171 Featherston Street
PO Box 1291, Wellington 6140

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand
Commonwealth Bank of Australia
Westpac New Zealand Limited

Auditors

PricewaterhouseCoopers

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

Investore Property Limited

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