

investore

Managed by Stride Investment
Management Limited

**Interim Report
For the six months ended
30 September 2016**

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Highlights

NZX Listing	12 July 2016
Capital raised	\$185m
Net profit after income tax	\$2.34m
Distributable profit ¹ after income tax	\$7.4m
Cash dividend guidance for FY17	5.13cps
Investment property values	\$642.8m
Bank loan to value ratio	40.6%
Occupancy	99.7%
WALT ²	14.4 years

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 5 to the interim financial statements for the six months ended 30 September 2016.

2. Weighted Average Lease Term (WALT).

About Investore

Investore Property Limited (Investore) is a commercial property ownership business that invests in quality large format retail property assets.

On 12 July 2016, Investore became the first company in the property sector to list on the NZX Main Board in six years. The previous listing in the sector was that of Stride Property Limited in 2010.

Investore has been designated as a "Non-Standard" (NS) issuer by NZX Limited (NZX). A copy of the waivers granted by NZX in respect of Investore can be found at www.nzx.com/companies/IPL. Further waivers granted by NZX which relate to Investore can be found at www.nzx.com/companies/SPG.

Investore is New Zealand's only listed property entity with an investment strategy focused on large format retail properties. High occupancy, long lease terms and nationally recognised tenants are the key characteristics of properties that comprise this specialised segment of the property market.

Properties owned by Investore deliver a stable rental income stream derived from long term leases held by tenants who are nationally recognised retailer tenants. In general, properties have a single tenant or a limited number of tenants with usually no more than 15 specialty tenants supporting the anchor retailer.

Located primarily in main urban areas throughout New Zealand, the principal features of Investore's property portfolio include:

- anchor tenants that occupy more than 50% of the net lettable area of the property and provide more than 50% of the rental income
- building improvements that are typically large, free-standing and usually single-floor structures with minimal maintenance and capital expenditure requirements
- easy vehicle access and ample car parking on the property
- a net lettable area for the Anchor Tenant typically in excess of 2,000 square metres
- uses that include, but are not limited to, grocery, bulky goods retailing, factory outlets, general merchandise and convenience retailing
- leases structured mostly as net leases
- property or land able to be converted into large format retail real estate through asset management activities such as change of use, leasing, development and redevelopment initiatives
- property or land located adjacent to or adjoining existing assets that provides the opportunity for future re-developments and improved returns to existing large format retail properties.

Investore is managed by Stride Investment Management Limited (SIML).

Investment philosophy & strategy

Investore's investment philosophy is centred on the premise that large format retail properties have a specific, differentiating set of attributes that can provide a reliable income return to shareholders.

These attributes are:

- quality tenants, including nationally recognised retail tenants, offering rental income stability
- long weighted average lease terms (WALT), and
- buildings requiring low maintenance and capital expenditure requirements over the building life.

These attributes provide a higher proportion of rental income to pass through to shareholders when compared to some other property assets such as shopping malls and offices.

Investore's investment strategy is to:

- invest in quality large format retail properties that maximise distributions and total returns to shareholders over the medium to long term
- actively manage the properties to increase their values and income growth prospects
- grow rental income by attracting and retaining quality tenants on long leases. Income increases result from a combination of structured, market and turnover based rental reviews targeting New Zealand properties that are well located within established markets
- source investment opportunities through Stride Investment Management Limited's (SIML) investment pipeline and market coverage to acquire additional large format retail properties
- enhance Investore shareholder returns by optimising Investore's capital structure with bank loan to value ratio (LVR) of not more than 50% (or such lower LVR set by the Board with the agreement of SIML)
- regularly review and rebalance the portfolio to ensure that progress and performance are consistent with Investore's investment objectives
- actively manage the portfolio's WALT to offset the natural expiry of time
- source opportunities to re-develop and/or expand properties to meet current and prospective tenant requirements.

Chairman's Report

I am delighted to provide this first interim report for Investore following the very successful capital raising which concluded earlier this year.



As you may be aware, the offer closed early and was over-subscribed which demonstrates clearly that our view of the potential for this sector is shared by many in the investment community. On behalf of the Board, I would like to thank our investors for their support and enthusiasm for this venture.

Investore was listed on the NZX Main Board on 12 July 2016 and occupies a unique niche in the New Zealand listed property sector with its singular focus on investment in large format retail properties. The key attributes of these property assets, namely high occupancy, long lease terms and nationally recognised tenants, provide a solid and reliable income stream for investors in a market segment that is resilient to changeable market conditions.

Prior to listing, six properties were transferred from the Stride Property Group to Investore. Since listing, Investore has completed the purchase of 14 properties from Shopping Centres Australasia Property Group Trustee NZ Limited. Investore, through its property manager Stride Investment Management Limited (SIML), is proceeding with its stated strategy. This involves actively managing the properties to increase their values, growing rental income and, as the company develops, identifying opportunities to invest in similar and complementary properties.

Also since listing, Investore has executed the hedging plan outlined in the disclosure document and as at 30 September 2016, is in compliance with the minimum cover limit policy set by the Board of fixed interest rate. Investore is actively seeking further acquisition opportunities which intend to be funded using remaining funding of approximately \$90 million and remain within the LVR target of 48%.

Investore will provide a comparison of the results against the prospective financial information, as contained in the Product Disclosure Statement dated 10 June 2016, when it releases its annual results for the full year ended 31 March 2017.

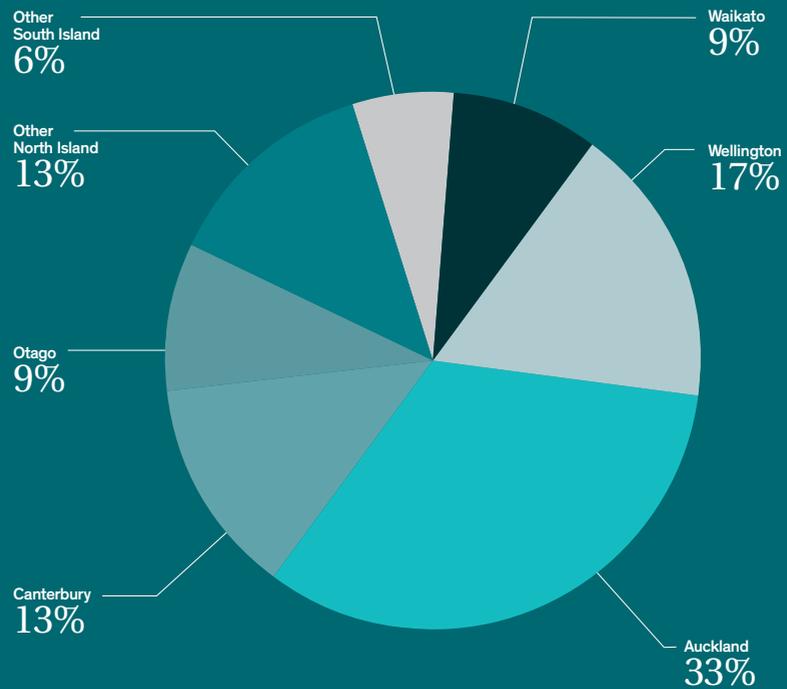
The Board of Investore confirms guidance for the company's initial annual cash dividend at 5.13cps. This is in line with the indicative range provided in the disclosure information issued prior to the capital raising and share distribution. The first quarterly dividend of 1.38cps is due to be paid on 9 December 2016.

I look forward to reporting our full year's results to you at the conclusion of the FY17 year.

Mike Allen
Chairman

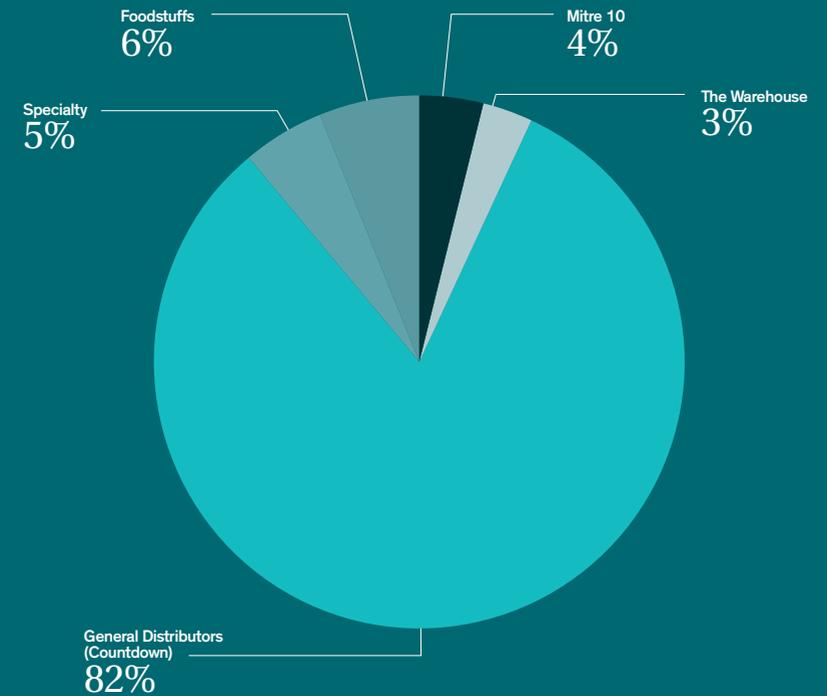
Geographic diversification of Investore Portfolio

(Based on Contract Rental¹ at 30 September 2016)



Tenant diversification of Investore Portfolio

(Based on Contract Rental at 30 September 2016)



1. Contract rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at 30 September 2016, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2016, and assuming no default by the tenant.

Manager's Report

Stride Investment Management Limited (SIML) acts as manager for Investore and is responsible for the day to day operation of Investore and its property portfolio.

SIML's duties are to manage, supervise and protect Investore's interests in relation to each property and to provide general administration and management services to Investore in accordance with the management agreement.

Activity during this first reporting period has focused on settlement of the acquisition properties, establishing management processes and reporting requirements

At 30 September 2016, the company's assets, which comprises of 39 properties, were valued at \$642.8m. The Weighted Average Lease Term (WALT) for Investore's property portfolio was 14.4 years. Geographical distribution of the company's properties was 72% North Island and 28% South Island with the largest concentration, 33%, being located in Auckland.

General Distributors (Countdown) currently occupies 82% of the portfolio, 6% is tenanted by Foodstuffs and the balance is tenanted by Mitre 10, The Warehouse and various specialty retailers. A new development located in Tay Street, Invercargill, is scheduled to open in March 2017 with Animates as the anchor tenant.



Peter Alexander
Chief Executive
Stride Investment Management Limited



Financial Statements

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Statement of Comprehensive Income

For the six months ended 30 September 2016

	Notes	Unaudited 6 Months 30 Sep 16 \$'000	Audited 6 Months 31 Mar 16 \$'000
Rental income	3	14,214	7,721
Property operating expenses		(901)	(232)
Net rental income		13,313	7,489
Less corporate expenses			
Management fees expenses		(695)	-
Administration expenses		(433)	(187)
Transaction costs	13	(850)	-
Total corporate expenses		(1,978)	(187)
Net profit before net finance expenses, other expenses and income tax		11,335	7,302
Finance income		35	10
Finance expense		(3,839)	(2,831)
Swap break costs		(3,680)	-
Net finance expenses	4	(7,484)	(2,821)
Net profit before other expenses and income tax		3,851	4,481
Other expenses			
Net change in fair value of investment properties	7	(934)	(801)
Net profit before income tax		2,917	3,680
Income tax expense	8	(582)	(706)
Net profit after income tax attributable to shareholders		2,335	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		1,056	(2,050)
Total other comprehensive income after tax		1,056	(2,050)
Total comprehensive income after tax attributable to shareholders		3,391	924
Basic earnings per share (\$)	11	0.02	29,737.90
Diluted earnings per share (\$)	11	0.02	29,737.90

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

Statement of Changes in Equity

For the six months ended 30 September 2016

	Notes	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total \$000
Balance at 1 October 2015		-	-	-	-
Transactions with shareholders:					
Issue of shares		-	-	-	-
Dividend paid		-	(900)	-	(900)
Total transactions with shareholders		-	(900)	-	(900)
Other comprehensive income:					
Movement in cash flow hedges, net of tax		-	-	(2,050)	(2,050)
Total other comprehensive income		-	-	(2,050)	(2,050)
Net 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	11	387,615	-	-	387,615
Capital raising expenses	11,13	(5,366)	-	-	(5,366)
Dividend paid		-	(1,205)	-	(1,205)
Total transactions with shareholders		382,249	(1,205)	-	381,044
Other comprehensive income:					
Movement in cash flow hedges, net of tax		-	-	1,056	1,056
Total other comprehensive income		-	-	1,056	1,056
Net profit after income tax		-	2,335	-	2,335
Total comprehensive income		-	2,335	1,056	3,391
Balance at 30 September 2016		382,249	3,204	(994)	384,459

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

Statement of Financial Position

As at 30 September 2016

	Notes	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Current assets			
Cash and cash equivalents		3,426	34
Trade and other receivables		323	112
Prepayments		144	68
Current tax		234	-
Other current assets		151	174
		4,278	388
Non-current assets			
Investment properties	7	642,825	287,000
Property, plant and equipment		4	-
Deferred tax asset	8	769	796
		643,598	287,796
Total assets		647,876	288,184
Current liabilities			
Trade and other payables	12	1,883	966
Derivative financial instruments		14	-
Current tax		-	704
Advance from related party	12	-	123,893
		1,897	125,563
Non-current liabilities			
Bank borrowings	10	260,153	159,749
Derivative financial instruments		1,367	2,848
		261,520	162,597
Total liabilities		263,417	288,160
Net assets			
Share capital	11	382,249	-
Retained earnings		3,204	2,074
Reserves		(994)	(2,050)
Equity		384,459	24
Net Tangible Assets (NTA) per share		\$1.47	\$236.86

For and on behalf of the Board of Directors, dated 16 November 2016:



Mike Allen
Chairman



Kate Healy
Director

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

Statement of Cash Flows

For the six months ended 30 September 2016

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
	Notes	
Cash flows from operating activities		
Rent received	13,730	7,334
Interest received	35	10
Interest paid	(3,409)	(2,341)
Operating expenses (including goods and services tax)	(2,807)	(356)
Income tax paid	(1,200)	-
Net cash provided by operating activities	6	4,647
Cash flows from investing activities		
Capital expenditure on investment properties	(1,191)	(101)
Acquisition of investment properties	(268,310)	(287,505)
Property, plant and equipment purchased	(4)	-
NZX bond	(75)	-
Cash flows applied to investing activities	(269,580)	(287,606)
Cash flows from financing activities		
Proceeds from equity issued	185,000	-
Capital raising expenses	(5,366)	-
Drawdown of bank borrowings	101,000	160,000
Refinancing of bank borrowings	(898)	-
Swap break expense	(3,680)	-
Advance from related party	3,396	123,893
Repayment of advance from related party	(11,624)	-
Dividend paid	(1,205)	(900)
Net cash provided by financing activities	266,623	282,993
Net increase in cash and cash equivalents held	3,392	34
Opening cash and cash equivalents	34	-
Closing cash and cash equivalents	3,426	34

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

Notes to the Financial Statements

For the six months ended 30 September 2016

Note 1: Accounting Policies

Reporting entity

The unaudited interim 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. Investore is designated as a profit entity for financial reporting purposes.

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. Investore settled on the acquisition of 19 large format retail properties previously owned by Antipodean Supermarkets Limited and Antipodean Properties Limited in November 2015. Investore acquired six large format retail properties from certain members of the Stride Group (the "Stride Property Group") for a total consideration of \$86.95 million between the period 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.

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 from SCA, new funding arrangements, a capital raise and listing on the NZX. All such transactions have occurred as anticipated in the PFI.

The financial statements were approved for issue by the Board of Directors (the Board) on 16 November 2016.

Basis of preparation

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*. The interim 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.

The interim 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.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 1: Accounting Policies (continued)

Significant accounting policies, estimates and judgements

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

As Investore was incorporated on 1 October 2015, the comparative period for the statement of comprehensive income and statement of cashflow covers the six months financial results since incorporation to 31 March 2016.

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. Investore tenant, General Distributors Limited (Countdown), contributes 82% of Investore's portfolio contract rental as at balance date.

Note 3: Rental Income

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Rental income	13,906	7,526
Fixed rental income	308	195
	14,214	7,721

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 4: Net Finance Expenses

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

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Finance income		
Interest income:		
– Bank interest income	35	9
– Other finance income	–	1
	35	10
Finance expense		
Interest expense:		
– Bank borrowings interest	(3,715)	(2,766)
– Other finance expense	(124)	(65)
	(3,839)	(2,831)
Swap break costs	(3,680)	–
Net finance expenses	(7,484)	(2,821)

As at 31 March 2016, Investore had interest rate derivative contracts with a notional amount of \$110,000,000. On 12 July 2016, Investore broke these swaps for a cost of \$3,679,860. In the current period, Investore has entered into new interest rate derivative contracts with a notional amount of \$190,000,000.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 5: Distributable Profit

Investor'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:

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Net profit before income tax	2,917	3,680
Non-recurring and non-cash adjustments:		
– Net change in fair value of investment properties	934	801
– Swap break cost	3,680	-
– Amortisation of stepped rentals	(308)	(195)
– One-off transaction costs	850	-
– Refinancing cost amortisation	302	-
Distributable profit before income tax	8,375	4,286
Current tax expense	(966)	(704)
Distributable profit after income tax	7,409	3,582
Pre–demerger distributable profit after income tax	2,912	-
Post–demerger distributable profit after income tax	4,497	-
Distributable profit after income tax	7,409	-
Adjustments to funds from operations:		
– Maintenance capital expenditure	(542)	(101)
Adjusted Funds From Operations (AFFO)	6,867	3,481
Weighted average number of shares for purpose of basic and diluted distributable profit per share	130,885,967	100
Basic and diluted distributable profit after income tax per share – weighted (\$)	0.06	35,813.95
AFFO basic and diluted distributable profit after income tax per share – weighted (\$)	0.05	35,805.45

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 6: Statement of Cash Flows Reconciliation

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Reconciliation of net profit after income tax attributable to shareholders to net cash provided by operating activities:		
Net profit after income tax attributable to shareholders	2,335	2,974
(Less)/add non-cash items:		
Movement in deferred tax (note 8)	(384)	2
Net change in fair value of investment properties	934	801
Refinancing expenses	(596)	(251)
Amortisation of stepped rentals	(308)	(195)
	1,981	3,331
Add activity classified as financing activity:		
Refinancing of bank borrowings	898	-
Swap break cost	3,680	-
	6,559	3,331
Movement in working capital:		
Increase in trade and other receivables	(211)	(112)
Decrease/(increase) in prepayments and other current assets	22	(242)
Increase in trade and other payables	917	966
(Decrease)/increase in tax payable	(938)	704
Net cash provided by operating activities	6,349	4,647

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 7: Investment Properties

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Opening balance	287,000	-
Acquisitions	-	287,505
Stride Property Group investment properties transferred	86,950	-
SCA investment properties acquired	267,400	-
Property acquisition costs	910	-
Subsequent capital expenditure	1,191	101
Amortisation of stepped rentals	308	195
Net change in fair value	(934)	(801)
Closing balance	642,825	287,000

Investore acquired six large format retail properties from the Stride Property Group for a total consideration of \$86.95 million. 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.

Capital expenditure commitments contracted for:

As at 30 September 2016, Investore had the following major commitments:

- \$1,404,455 in total for various capital expenditure works to be undertaken on a number of investment properties this financial period.

Valuation basis

The Board has reviewed the fair value of the investment properties as at 30 September 2016 on an asset by asset basis after considering recent comparable transactional evidence of market sales and leasing activity and is satisfied that there has been no significant change to the overall carrying value, other than the following two investment properties which were subject to independent valuations due to significant capital expenditure works undertaken.

	Valuer	Valuation Unaudited 30 Sep 16 \$000	Valuation Audited 31 Mar 16 \$000
35 MacLaggan Street, Dunedin	JLL	10,250	9,500
172 Tay Street, Invercargill	Savills	18,725	18,000

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 7: Investment Properties (continued)

Valuation basis (continued)

These valuations were 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. The investment properties were valued by Jones Lang LaSalle Limited ("JLL") and Savills (NZ) Limited ("Savills"). Both valuations are dated effective 30 September 2016. Valuers are engaged on terms ensuring no valuer values the same investment property for more than three consecutive years.

With regard to these two investment properties, the valuers took into account:

- occupancy (leased area as a proportion of the total net lettable area) on individual investment properties (average is 100.00% at balance date);
- average lease term (weighted average lease term ("WALT") at balance date is 12.88 years); and
- discount rates (ranged from 8.13% to 9.25%).

Capitalisation rates ranged from 6.50% to 8.00% for the investment properties valued.

Investment property measurements are categorised as Level 3 in the fair value hierarchy as inputs for the valuations are not based on observable market data. During the period, there were no transfers of investment properties between levels of the fair value hierarchy.

At 31 March 2016, the investment properties owned by Investore were revalued on the basis of current market valuations made by independent registered valuers. The adopted fair value of the investment properties was a weighted combination of the following methodologies: using market data and the capitalisation of net contracted income, capitalisation of market income, and discounted cash flow analysis adopting a ten year investment horizon.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 8: Income Tax

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

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
The income tax expense is represented by		
Current tax	(966)	(704)
Deferred tax	384	(2)
Income tax expense per the statement of comprehensive income	(582)	(706)
Net profit before income tax	2,917	3,680
Prima facie income tax using the company tax rate of 28%	(817)	(1,030)
(Increase)/decrease in income tax due to:		
Net change in fair value of investment properties	(261)	(224)
Non-taxable income	87	55
Depreciation	801	516
Non-deductible expenses	(227)	(11)
Swap break costs	(504)	-
Temporary differences	(45)	(10)
Current tax expense	(966)	(704)
Depreciation	329	(12)
Other	55	10
Deferred tax charged to profit or loss	384	(2)
Income tax expense per the statement of comprehensive income	(582)	(706)
Gross movement on deferred income tax account		
Opening balance	796	-
Charged to profit or loss	384	(2)
Credited to other comprehensive income	(411)	798
Closing balance	769	796

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 8: Income Tax (continued)

	Audited 31 Mar 16 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Unaudited 6 months 30 Sep 16 \$000
Deferred tax assets				
Derivative financial instruments	798	-	(411)	387
Building depreciation	-	329	-	329
Other temporary differences	10	43	-	53
	808	372	(411)	769
Deferred tax liabilities				
Building depreciation	(12)	12	-	-

Note 9: Derivative Financial Instruments

As at 31 March 2016, Investore had interest rate derivative contracts with a notional amount of \$110,000,000. On 12 July 2016, Investore broke these swaps for a cost of \$3,679,860. In the current period, Investore has entered into new interest rate derivative contracts with a notional amount of \$190,000,000.

At balance date, the fixed interest rates ranged from 2.1825% to 2.5425%, the weighted average interest rate was 2.33%, and the main floating rate was BKBM. Gains and losses recognised in the cash flow hedge reserve in equity on interest rate derivative contracts as at 30 September 2016 will be continuously released to the statement of comprehensive income within finance expenses until the repayment of the bank borrowings.

Investore's policy, unless the Board and its manager (Stride Investment Management Limited ("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 30 September 2016, the percentage of drawn debt hedged was 72.8%.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 10: Bank Borrowings

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Non-current		
Facility drawn down	261,000	160,000
Borrowing costs	(847)	(251)
Total borrowings	260,153	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.	4.36%	4.22%

During the period, 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 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 2.215% as at 30 September 2016.

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%, and 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 EBIT to total interest and financing costs must be greater than 1.75 times. Investore has 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 6 years.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 11: Equity

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Share Capital		
Opening balance	-	-
Issue of shares	387,615	-
Capital raising expenses	(5,366)	-
Closing balance	382,249	-
Number of shares on issue	000	000
Opening 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	-

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value.

Investore has appointed SIML as its exclusive provider of on-going 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 has advised Investore that it has 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.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 11: Equity (continued)

On 11 July 2016, Investore issued 124.2 million shares at \$1.49 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.

Basic and diluted earnings per share

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

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$000
Net profit after income tax attributable to shareholders	2,335	2,974
Weighted average number of shares for purpose of basic and diluted earnings per share	130,885,967	100
Basic and diluted earnings per share – weighted (\$)	0.02	29,737.90

Note 12: Related Party Disclosures

	Unaudited 30 Sep 16 \$000	Audited 31 Mar 16 \$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	618	-
Building management fee expense	77	-
Accounting fee expense	55	-
Project management fee expense	39	-
The following balance was payable to a related party:		
Stride Property Limited	217	123,893
Stride Investment Management Limited	1	-

Investore has appointed SIML as its exclusive provider of on-going real estate investment management ("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. The appointment of SIML as manager of Investore took effect on the date of the management agreement.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 12: Related Party Disclosures (continued)

Prior to the NZX listing of Investore, in place of payment of fees, SIML's operating costs and expenses applicable to REIM services carried out under the management agreement were reimbursed by Investore on a cost recovery basis.

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

SIML and Stride shares are stapled and jointly listed on NZX. There is 100% commonality of shareholding in both entities. Stride and SIML boards are constitutionally required to be comprised of the same directors.

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. Both Tim Storey and John Harvey received an in specie shareholder distribution of 31,638 shares 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.

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

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

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 (refer note 7) were transferred by Stride 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 are held by Stride; and
- (iii) the remaining intercompany balance of \$11 million was repaid in cash.

Notes to the Financial Statements (continued)

For the six months ended 30 September 2016

Note 13: Other Services Provided by Auditors

A total amount of \$217,014 has been paid to PricewaterhouseCoopers for other services in relation to the IPO, of which \$114,149 has been included in the transaction costs in the Statement of Comprehensive Income and \$102,865 has been capitalised into the capital raising expenses in the Statement of Changes in Equity.

Note 14: Contingent Liabilities

Investore has no contingent liabilities at balance date.

Note 15: Subsequent Events

Following the earthquake on 14 November 2016, preliminary inspections of Investore's properties indicated that some damage had occurred at the Countdown store in Blenheim, however, on 15 November 2016, structural engineers confirmed that no significant structural damage had occurred and the store opened for trading.

On 16 November 2016, the Board approved a cash dividend of 1.38 cents per share for the period 12 July 2016 to 30 September 2016 to be paid on 9 December 2016 to all shareholders on the register at the close of business on 1 December 2016. This dividend will carry imputation credits of 0.4139 cents per share. This dividend has not been recognised in the financial statements.

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

Independent Review Report

To the shareholders of Investore Property Limited



Report on the interim Financial Statements

We have reviewed the accompanying financial statements of Investore Property Limited, ("the Company") on pages 13 to 30 which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors responsibility for the Financial Statements

The Directors of the Company are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Company. Our firm carries out other services for the Company in the areas of assurance and financial due diligence. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company, are not prepared, in all material respects, in accordance with NZ IAS 34.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants Auckland, 16 November 2016

Corporate Directory

Board of Directors

Mike Allen (Chairman)
(appointed 9 June 2016)

Kate Healy
(appointed 9 June 2016)

Tim Storey

John Harvey

Michael Stiassny
(resigned 9 June 2016)

David van Schaardenburg
(resigned 9 June 2016)

Michelle Tierney
(resigned 9 June 2016)

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Manager

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Auditors

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Share Registrar

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Legal Advisers

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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

Investore Property Limited

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