

investore

Managed by Stride Investment
Management Limited



**Annual Report
2021**

Investore has been designated as a “Non-Standard” (NS) issuer by NZX. A copy of the waivers granted by NZX from NZX Listing Rules 2.21 to 2.8.1 and 2.10.1 in respect of Investore’s “NS” designation can be found at www.nzx.com/companies/IPL/documents

Contents

2	FY21 Highlights
4	Portfolio
6	Chair’s Letter
10	Board of Directors
12	Manager’s Report
14	Targeted Growth
16	Investore’s Portfolio
18	Continued Optimisation of the Portfolio
20	Proactive Capital Management
22	Sustainability
26	Financial Summary
28	Financial Statements
63	Independent Auditor’s Report
68	Corporate Governance
85	Statutory Disclosures
92	Glossary
93	Corporate Directory

FY21 Highlights

For 12 months ended 31 March 2021 (FY21)

Investore has performed strongly during FY21, as a result of its focus on quality large format retail properties, a class of assets that has demonstrated earnings and value resilience during the COVID-19 period

\$29.9m
profit before other income
/ (expense) and income tax

Up \$3.2m
from FY20 (\$26.7m)

\$161.3m
profit after income tax

Up \$132.6m
from FY20 (\$28.6m)

\$29.1m
distributable profit¹ after
current income tax

Up \$8.0m
from FY20 (\$21.1m)

4.04%
weighted average interest
rate as at 31 March 2021

7.60 cents
per share cash dividend
for FY21

\$105m
equity capital raised in April
and May 2020, with net
proceeds used to pay down
debt and position Investore
to continue its targeted
growth strategy

\$125m
listed bonds issued in August
2020, providing a balanced
debt profile, with 53% bank
debt and 47% listed bonds²

1. See glossary on page 92.
2. Based on debt facility limits.

Bunnings, Te Rapa



Portfolio

(all values are as at 31 March 2021, unless otherwise stated)

\$1.038bn
portfolio value¹

\$139.3m
or 15.5% net valuation gain for the 12 months ended 31 March 2021², testament to Investore's singular focus on large format retail property

9.8 years
WALT³

26.8%
loan to value ratio⁴

Down 4.5%
since 31 March 2020

Following balance date, Investore has agreed to acquire Countdown Petone for \$37.3m and has a conditional agreement to acquire Waimak Junction development land for \$10.5m. Investore has agreed in principle to construct a Countdown supermarket on part of this land, with the site estimated to have a total cost on completion of the Countdown supermarket of \$31m, and further land available for development

43 properties
across the country, from Kerikeri to Invercargill

32 properties (82%)
located in North Island

11 properties (18%)
located in South Island

5.23%
average portfolio capitalisation rate

56 rent reviews
completed across 77,500 sqm, resulting in a 2.3% increase to previous rentals



Countdown, Petone

1. Portfolio value excludes: (1) \$7.0 million of seismic works to be completed by SPL on the three large format retail properties acquired from SPL on 30 April 2020, and the balance of the rental guarantee of \$0.1 million from SPL; and (2) lease liabilities. Portfolio value includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in the financial statements.
2. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on independent valuations of those three properties obtained in preparation for the acquisition in April 2020.
3. See glossary on page 92.
4. LVR is calculated based on independent valuations, which include seismic works and rental underwrites to be funded by SPL in relation to the three properties acquired from SPL and settled in April 2020.

Chair's Letter

Dear Investors,

The Board of Directors of Investore is pleased to present the Annual Report of Investore for the year to 31 March 2021 (FY21). FY21 has presented a number of opportunities and challenges for Investore. Investore's financial position is a testament to the opportunities taken by Investore during FY21, and the company is in an excellent position to continue to pursue its growth strategy.



Mike Allen

Large format retail property has performed exceptionally well during the period impacted by COVID-19, as tenants in these types of properties are primarily supermarkets and other national retailers that thrived during the year. Investore has benefited from this strong market demand with its net portfolio valuation increasing by \$139.3 million or 15.5% in the 12 months to 31 March 2021. Investore's portfolio is now valued in excess of \$1 billion.

This market demand for large format retail properties has endorsed Investore's strategy of focussing solely on this asset class, but has also made for a competitive market when seeking to deploy funds. As investors will be aware, Investore raised \$105 million in additional equity capital in April and May 2020 for the purpose of providing funding flexibility to continue Investore's growth strategy. The Board is committed to ensuring that Investore remains disciplined in its approach to acquisitions and will only deploy capital for acquisitions where the metrics complement Investore's existing portfolio and where Investore can deliver on its strategy of maximising returns to investors over the medium to long term.

Investore was very pleased therefore to be able to further its growth strategy with agreements to acquire two additional properties post balance date, both of which are attractive opportunities for Investore.

Acquisitions

Post balance date Investore has entered into an unconditional agreement to acquire a property at Petone in Wellington for \$37.3 million. This property is anchored by Countdown, has a long WALT¹ of 11 year, and is 100% occupied, and accordingly aligns well with the existing Investore portfolio.

In addition, Investore has a conditional agreement to acquire a 3.5ha parcel of land at Waimak Junction, Kaiapoi, North Canterbury, for \$10.5 million. Investore has agreed in principle with Countdown to construct a new supermarket on this site, leaving the balance of the land for future development. This acquisition remains conditional on receipt of resource consents for the development and concluding a final,

documented agreement to lease with Countdown. The Waimak Junction development will be held as a long-term investment by Investore.

Investore expects the capital commitment for these two acquisitions, together with the cost of the first stage of development of the Waimak Junction land, to be approximately \$68.5 million. Investore will fund this capital expenditure from available debt facilities, which will take Investore's LVR¹ on a pro forma basis as at 31 March 2021, as if all acquisitions and current and planned developments were completed as at that date, to 31.2%. The Board considers this level of LVR to be conservative given the stable nature of Investore's portfolio, with its relatively long WALT¹.

Financial Performance

Investore's financial results for FY21 have been very pleasing considering the challenging economic environment created by COVID-19.

Profit after income tax at \$161.3 million is considerably higher than FY20 (FY20: \$28.6 million), primarily due to the net valuation gain across the portfolio of \$139.3 million for FY21, compared with FY20. Contributing to this improved profit position is higher net rental income, being \$7.7 million higher than FY20 (FY21: \$55.8 million; FY20: \$48.1 million). This increased net rental income is largely due to the addition to the portfolio of the three properties acquired from SPL in April 2020. In addition, Investore has benefited from improved turnover rent in FY21, up \$0.45 million from FY20.

Investore's portfolio has a strong weighting to Countdown branded supermarkets, with Countdowns representing 64% of Investore's portfolio by Contract Rental¹ as at 31 March 2021. Countdown performed very strongly during 2020, contributed to by the COVID-19 lockdown periods, with supermarket sales benefiting from most other forms of retail requiring to be closed.

Countdown New Zealand reported a 7.1% increase in sales for the year to 28 June 2020, and a 36.8% increase in online sales over the same period. However, while online sales are growing significantly, they still represent only 9.1% of Countdown's total sales. Investore has benefited from these improved sales, through higher turnover rental, up 81% to \$1.0 million for the year ended 31 March 2021. Investore proactively works with Countdown to facilitate online sales where appropriate,

including through upgrading facilities to enable pickup bays for online customers.

Somewhat offsetting the higher net rental income were increased corporate expenses, plus swap termination expense of \$3.5 million, resulting in profit before other income/(expense) and income tax of \$29.9 million (FY20: \$26.7 million). Corporate expenses at \$9.2 million were \$1.8 million higher than FY20 (FY20: \$7.5 million), largely due to increased management expenses. The higher base management fees are a result of Investore's higher portfolio value, although with a higher portfolio value Investore benefits from a lower rate for asset management fees of 0.45% of portfolio value over \$750 million. The expenses relating to swap terminations were associated with the issue of the second listed bond in August 2020, the net proceeds of which were used to pay down debt and consequently interest rate swaps that related to that debt were terminated, with a resulting cost.

The financial statements incorporate the effects of COVID-19, with gross rental receivables \$0.9 million lower than they would otherwise have been due to rent relief provided to tenants, offset by income tax expense being \$2.2 million lower than it would otherwise have been due to the reintroduction of building depreciation deduction claims for commercial properties from April 2020. The rent relief provided to tenants exceeded that which Investore was contractually obliged to provide, but the Investore Board determined it was important to assist smaller tenants that were required to close due to Government-imposed restrictions. In addition, as explained on the following page, in many cases Investore obtained an extension to its lease term in recognition of its support for the tenant.

Proactive Capital Management

As shareholders are aware, one of Investore's strategic pillars is the proactive management of capital in order to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns to investors. Investore has delivered on this commitment during FY21 through raising additional equity capital of \$105 million in April and May 2020, issuing a new listed bond in August 2020, which raised \$125 million of gross proceeds with net proceeds used to pay down debt, extending bank facilities and securing new bank debt facilities of \$80 million.

1. See glossary on page 92.

Chair's Letter

The issue of the second listed bond, following Investore's first bond issue in April 2018, extended the tenor of Investore's debt to 3.8 years as at 31 March 2021. The IPL020 bond has a term of seven years and a fixed interest rate of 2.4%, which was the lowest New Zealand unrated bond issuance at the time of issue, providing further evidence of the strength of Investore's business and support for its strategy of investing in large format retail property.

The Investore Board considers that the longer term of listed bonds aligns well with the relatively long WALT¹ of Investore's portfolio, and the Board will look to maintain a balance of debt sources as the company grows.

Portfolio

Investore's portfolio of 43 properties as at 31 March 2021 continues to demonstrate strong metrics, with a portfolio value in excess of \$1 billion, a relatively long WALT of 9.8 years, and 99.1% occupancy.

Investore has continued to improve its portfolio during FY21, although some capital projects were put on hold at the request of the tenant due to the need to manage the impacts of COVID-19. However, we are now seeing these capital projects recommencing, and we expect to undertake further refurbishments to continue to optimise the portfolio over the coming financial year.

Governance

The Investore Board has been very active during FY21, guiding the company through an equity capital raise in April and May 2020, and a listed bond issue in August 2020. In addition, the Board very closely monitored the business during the period impacted by COVID-19, to ensure that the potential impacts of the lockdown periods were understood and the market was kept informed.

The Board engaged an external adviser to review and report on the Board's operations during the year. While the Board considers that it functions well and is effective, the Board is always seeking to improve its performance for the benefit of shareholders. The review confirmed that the Investore Board is characterised by a healthy, collaborative, open dynamic and made some suggestions for continuous improvement. As a result of this review, the Board has revised some of its processes, including making more time for strategic discussions.

The Manager and Management Fees

Investore's Manager, Stride Investment Management Limited (SIML), has provided an excellent level of service during the period impacted by COVID-19, which presented a number of challenges. SIML undertook negotiations with tenants that were forced to close due to COVID-19 lockdown restrictions, and the Board is pleased with the outcome of those arrangements, with rent abatements and deferrals being offset in many cases by an increased lease term. Investore also had a high proportion of tenants that were able to remain open and trading, such as supermarkets, and this presented its own challenges in ensuring that these tenants were able to continue to operate safely and efficiently. The Investore Board considers that the SIML team dealt with the varying challenges presented by COVID-19 in a capable and efficient manner.

During the year in review, the Board commissioned an independent review of fees charged by the Manager, to provide comfort to the Board that the fees are fair



Countdown, Newtown

and reasonable, and consistent with fees charged for similar services in the market. The Board is pleased to report that the independent review concluded that, relative to scale, Investore's current management expense ratio is favourable to its peers, and Investore's current management fees are fair and consistent with both other New Zealand listed property vehicles and Investore's Australian large format retail peers.

Outlook

Looking forward, Investore will continue with its strategy of targeted growth, as market conditions allow. With available debt facilities of \$127.7 million (after allowing for current commitments for acquisitions and developments), the Investore Board considers that it is well placed to continue to grow its portfolio of large format retail properties. In doing so, the Board will ensure a clear focus is maintained on managing capital so as to ensure Investore continues to maximise returns to investors over the medium to long term.

The growth in Investore's portfolio will also come from improving and enhancing current properties, through developments or capital refurbishments, and Investore expects to continue its strategy of portfolio optimisation over the coming year.

Investore currently expects to pay a cash dividend of 7.60 cents per share for FY22, in accordance with its dividend policy of paying between 95 and 100% of distributable profit¹. The Board will continue to review dividend guidance as and when acquisitions occur.

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

Mike Allen

Chair of the Board
Independent Director

COVID-19

Investore's singular focus on large format retail property with tenants that primarily fall within the "everyday needs" category means that a high proportion of tenants were able to remain open and trading under all Alert Levels. Supermarket tenants in particular were extremely busy managing demand during the lockdown periods, while other tenants were not able to trade during Alert Levels 3 or 4. Investore therefore took a tenant-by-tenant approach to arrangements agreed with tenants for these periods, seeking to support smaller tenants where possible, while also seeking a benefit for Investore through an extension to the lease term where it provided rent relief that the tenant may not otherwise have been entitled to. As a result of these negotiations, Investore has achieved a weighted average lease extension of seven months across all COVID-19 arrangements agreed with tenants.

Having completed all rent abatement negotiations with tenants to date, these arrangements have resulted in a reduction in gross rent receivables for FY21 of \$0.9 million. Offsetting this FY21 cost, Investore has benefited from the reintroduction of building depreciation deduction claims for commercial properties at a level of two percent a year on diminishing value, which commenced in April 2020. This resulted in a reduction in current tax of \$2.2 million for FY21, more than offsetting the rent abatement arrangements agreed with tenants.

1. See glossary on page 92.

Board of Directors



1

Mike Allen

Chair of the Board and Independent, Non-Executive Director

Appointed 9 June 2016, last elected 2019

Mike is the independent Chair of Investore and has considerable governance experience across a range of listed and unlisted entities. Mike is currently a director of China Construction Bank (New Zealand) Limited and Taumata Plantations Limited, Chair of QuayStreet Asset Management Limited, and is an advisor to a number of private companies. Prior to his governance career, Mike had an executive career in investment banking and general management in New Zealand and the United Kingdom.

2

Gráinne Troute

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

Appointed 19 April 2018, last elected 2018

Gráinne is an independent Director of Investore and is the Chair of the Audit and Risk Committee. Prior to commencing a governance career Gráinne had extensive experience in highly competitive and customer-focussed sectors, in listed and unlisted organisations, including at McDonald's New Zealand and SKYCITY Entertainment Group. Gráinne is currently a director of Tourism Holdings Limited, Summerset Group Holdings Limited and Chair of Tourism Industry Aotearoa.

3

Adrian Walker

Independent, Non-Executive Director

Appointed 3 April 2020, last elected 2020

Adrian is a very experienced commercial property executive, with over 30 years' experience in the property sector, including 20 years as the General Manager of Property at Woolworths NZ (owner of Countdown brand supermarkets). Adrian has a deep knowledge of the New Zealand property industry and the supermarket sector, and has a strong background in property, financial planning, and strategic management.

4

Tim Storey

SIML Nominee and Non-Executive Director

Tim has extensive experience across a range of business sectors, having practiced as a lawyer in both New Zealand and Australia. Tim was a partner in the Bell Gully partnership before retiring in 2006. Tim is Chair of Stride Property Limited and Stride Investment Management Limited and is Chair of ASX listed LawFinance Limited.

5

John Harvey

SIML Nominee and Non-Executive Director

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

6

Emma McDonald

Future Director

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

Manager's Report

Dear Investors,

Stride Investment Management Limited (SIML) is very proud to have managed Investore during FY21, a period that saw an unparalleled level of activity as a result of the impacts of COVID-19.

The SIML team has been very active during FY21, assisting Investore in undertaking its capital management initiatives, including the equity capital raise, second listed bond issue, and navigating the impacts of COVID-19 across the portfolio.

On behalf of Investore, SIML has completed 86 negotiations with tenants in relation to the COVID-19 lockdown periods and achieved a weighted average lease extension of seven months across all COVID-19 arrangements agreed with tenants.



Mitre 10 MEGA, Botany

While a lot of attention has been on managing the COVID-19 impacts during FY21, SIML is also focused on assisting Investore to achieve its strategic objective of optimisation of the portfolio, and during FY21 SIML completed a number of key transactions in this area, including:

- Undertaking capital upgrade works at the Mt Wellington Shopping Centre, including upgrading the basement carpark. There has been a noticeable improvement in the usage of the basement carpark since these works have been completed, which benefits tenants in encouraging customers to visit the centre.
- In conjunction with these capital upgrade works to Mt Wellington Shopping Centre, Countdown has agreed to extend the lease of the Mt Wellington Countdown for a further six years to December 2026. This has resulted in an improvement in the valuation of this property.
- Completion of the refurbishment of the Browns Bay Countdown, continuing the programme of coordinated refurbishments with Countdown across the portfolio.
- Completing 65 lease transactions during FY21 (excluding COVID-19 transactions), including 56 rent reviews over 77,500 sqm, resulting in a 2.3% increase to previous rentals.

As Manager, it is important to SIML that its managed entities are adopting a responsible approach to asset ownership and management and that SIML assists Investore to meet its sustainability objectives. To that end, during FY21 SIML has worked with the Investore Board to refresh the Investore sustainability strategic plan, and to focus efforts on those areas of sustainability that SIML and Investore consider will have the greatest benefits for Investore, its tenants, its investors, and the environment. By way of example, SIML has worked with Tesla to install new supercharger charging stations at Johnsonville Countdown. These charging stations enable a vehicle to be charged in around 30 minutes, which is perfect for customers completing their supermarket shopping. On behalf of Investore, we hope to continue to install EV charging stations across the portfolio. Other initiatives completed in this area, as well as a description of the sustainability strategic plan, can be found on pages 22 to 25.

Finally, SIML has been very pleased to assist Investore to continue to execute its strategy of targeted growth, with agreements to acquire two new properties announced in May 2021. These transactions are the outcome of several months' work by SIML on behalf of Investore in negotiating terms and completing due diligence, and we are pleased to be able to deliver high quality acquisitions that complement Investore's portfolio. We look forward to continuing to support Investore in its targeted growth strategy.

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

Philip Littlewood

Chief Executive Officer
Stride Investment Management Limited

Fabio Pagano

Investore Fund Manager
Stride Investment Management Limited



Philip Littlewood



Fabio Pagano

Targeted Growth

One of Investore's strategic pillars is to undertake considered acquisitions and developments which deliver growth, while continuing to enhance geographical and/or tenant portfolio diversification, and where appropriate, consider disposals to maintain balance sheet capacity and optionality.

Investore's singular focus on large format retail property means that over 80% of Investore's portfolio (by Contract Rental¹) was able to remain open and trading under all COVID-19 Alert Levels, and an even greater proportion was able to open for click and collect sales under Alert Level 3.

This ability to withstand the lockdown restrictions has meant that large format retail property is in high demand for investors, which has resulted in strong market conditions for large format retail property. This has been seen in the strong valuation gains that Investore has experienced during FY21. It has also made execution of Investore's growth strategy challenging as there is a lot of competition for large format retail property in the market, driving up prices. Investore seeks to ensure that its growth is managed in a considered manner and provides value to shareholders.

Post balance date Investore has entered into an unconditional agreement to acquire a property at Petone in Wellington which is anchored by Countdown. This property has a long WALT¹ of 11 years, and is 100% occupied, and accordingly aligns well with the Investore portfolio. In addition, Investore has a conditional agreement to acquire a 3.5ha parcel of land at Waimak Junction, Kaiapoi, for \$10.5 million. Investore has agreed in principle to construct a Countdown supermarket on this site, leaving 1.6ha for future development. This acquisition remains conditional on receipt of resource consents and concluding a final documented agreement to lease with Countdown.

Countdown Petone

\$37.3m purchase price

WALT¹ 11 years

100% occupied

5 specialty tenants across 600 sqm NLA¹, including Westpac, St Pierre's Sushi, Pita Pit, Spice Traders and a local bakery

Settlement expected 21 May 2021



Countdown, Petone

1. See glossary on page 92.

Waimak Junction Development Land

This 3.5ha site at Waimak Junction, Kaiapoi, provides an opportunity for Investore to develop a large format retail centre, with the first stage to be anchored by a Countdown supermarket. Investore has reached agreement in principle with Countdown to develop a new supermarket on the site. The site also includes an already completed McKeown's self-service fuel station. The estimated total committed development cost, including the land cost and expected cost of the stage 1 development, is \$31 million, with stage 1 expected to be completed in 2023. This development will be held as a long-term investment by Investore. The remainder of the site, being an area of 1.6ha, will be held for future large format retail development.



Waimak Junction Concept Plan, Kaiapoi

Investore's Portfolio

Investore's portfolio demonstrates a number of characteristics that have resulted in it benefiting from the market conditions created by COVID-19 over the past 12 months.

	As at 31 March 2021	As at 31 March 2020 including three properties acquired from SPL ¹	As at 31 March 2020
Number of Properties	43	43	40
Number of Tenants	130	130	78
Net Lettable Area (NLA) (sqm)	246,272	246,176	208,125
Net Contract Rental ² (\$m)	57.1	56.2	47.5
WALT ² (years)	9.8	10.4	11.5
Market Capitalisation Rate (%)	5.23	6.08	6.06
Occupancy Rate by Area	99.1	99.7	99.7
Portfolio Value (\$m)	1,037.9 ³	895.2 ³	761.4 ⁴

A focus on large format retail property means that Investore's portfolio has a relatively long WALT², at 9.8 years. Investore negotiated rent abatement and deferral arrangements with some tenants that were not able to continue to trade during the COVID-19 lockdown periods, and in return Investore sought extensions to lease terms or an early renewal of the lease. This resulted in a weighted average lease extension of seven months being achieved across COVID-19 rent arrangements, which has contributed to Investore's WALT.

Lease Expiry Profile by Contract Rental² as at 31 March 2021



*Numbers may not sum due to rounding

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

2. See glossary on page 92.

3. Excludes lease liabilities. Under the sale and purchase agreement between SPL and Investore related to three large format retail properties acquired by Investore in April 2020, SPL is to complete seismic works of \$7.0m and has provided a rental guarantee. The valuations of the three large format retail properties have been prepared on the basis that the seismic works had been completed, and the seismic strengthening costs have been recorded as a \$7.0m non-current prepayment. The value of the rental guarantee (FY21: \$0.1m; Pro forma as at 31 March 2020: \$0.5m) has also been recorded as a non-current prepayment. Portfolio value as at 31 March 2021 includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in the financial statements.

4. Excludes lease liabilities.



Continued Optimisation of the Portfolio

This strategic pillar focuses on development of existing properties to meet the needs of tenants and the surrounding catchment, which may include acquiring sites adjacent to existing assets, to provide development options for the future, focusing on increasing rental returns from the portfolio.

Investore has conducted a programme of refurbishing its supermarkets in conjunction with Countdown. However, during FY21, these refurbishments were largely put on hold due to the requirements of the supermarkets in meeting the needs of customers, particularly during the lockdown periods. Given the uncertainty of when or where a lockdown may arise, supermarket operators elected to defer significant capital upgrades.

Investore was also focused on supporting its tenants during the lockdown period, with different tenant groups requiring different support. The busy tenants sought additional assistance with, for example, security, and ensuring the premises were suitable for the different patronage required by COVID-19, including physical separation and reduced numbers of persons allowed in the store.

Notwithstanding this uncertain period, the internal refurbishments of Countdown Newtown and Countdown Browns Bay were completed during FY21. It is Investore's experience that refurbished stores generate more traffic and higher sales.

As life slowly returns to something more normal, Investore is seeing capital expenditure programmes recommence, with the supermarkets starting to recommit to these upgrade programmes. Investore looks forward to resuming its collaborative approach of refurbishing and revitalising its supermarket portfolio with supermarket operators during FY22.



Tesla charging station, Johnsonville

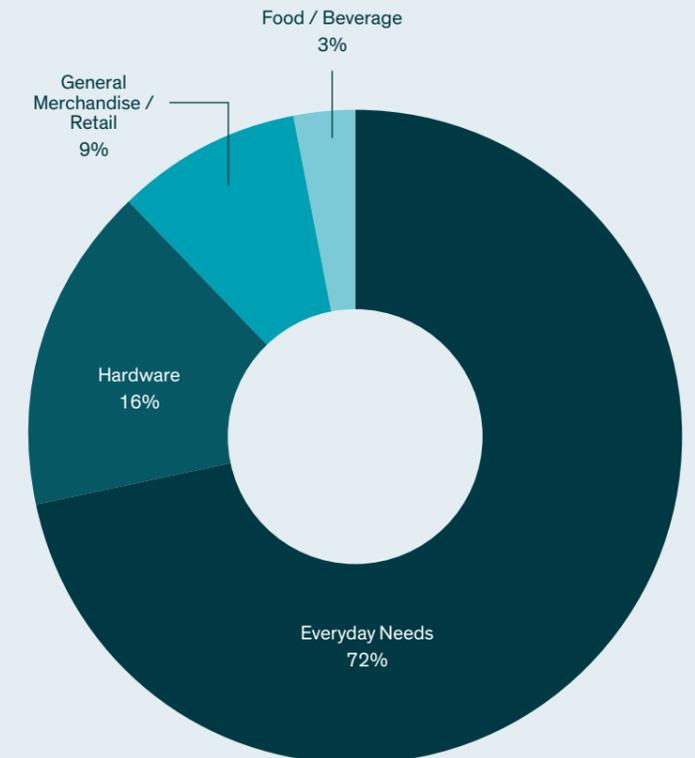
Corner site acquired adjacent to Investore's Countdown Papakura, with the structures demolished to improve carparking for Countdown and enhance the overall amenity of the site

Works completed on the basement carpark at Mt Wellington Shopping Centre, following the acquisition of this property from SPL. These works improved the ambience and safety of the site and has resulted in higher numbers of customers using the carpark. Countdown has subsequently renewed its lease on this site for a 6-year period to 2026

Tesla EV supercharger stations have been installed at Johnsonville Countdown, and became operational in May 2021. These charging stations enable Tesla vehicles to be recharged in around 30 minutes, perfect for a supermarket visit

Investore's portfolio continues to have a very high proportion (by Contract Rental¹) of tenants that are focused on "everyday needs". This concentration, together with the relatively long WALT¹, ensures Investore's portfolio delivers long term sustainable outcomes.

Portfolio Tenant Classification by Contract Rental¹ as at 31 March 2021



Anchor Tenant Concentration by Contract Rental¹ as at 31 March 2021



1. See glossary on page 92.

Proactive Capital Management

Capital management is an important focus for the Board of Investore, to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns to investors.

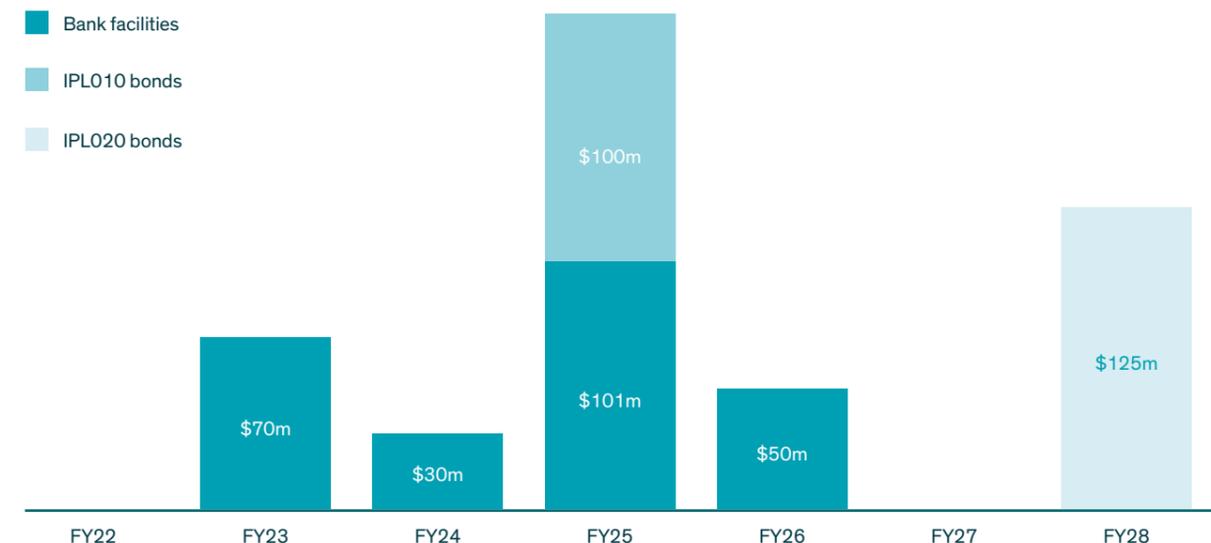
Investore's stable portfolio and relatively long WALT aligns with a more stable and balanced debt profile, which assists to provide sustainable returns for Investore's shareholders. During FY21 Investore undertook a number of key capital management initiatives aimed at extending Investore's debt expiry profile and maintaining a prudent approach to capital management, particularly given the uncertainty surrounding the impact of COVID-19. These transactions included:

\$125m of 7-year listed bonds issued in August 2020 with a fixed interest rate of 2.4%. The net proceeds of the offer were used to pay down bank debt and provide a more balanced debt profile between bank debt and listed bonds

\$105m gross proceeds from equity capital raising undertaken during April and May 2020, with net proceeds used to pay down bank debt and provide funding flexibility for future growth

\$80m of new bank debt facilities secured and \$101m of bank debt facilities extended to June 2024

Debt maturity profile as at 31 March 2021



Key Debt Metrics

	As at 31 March 2021	As at 31 March 2020
Facility limit	\$476m	\$370m
Debt facilities drawn	\$280m	\$238m
Weighted average debt maturity (years)	3.8	2.2
LVR ¹ (%) (Covenant: ≤ 65%)	26.8	31.3
Interest cover ratio (Covenant: ≥ 1.75x)	3.1x	2.7x
WALT ² (Covenant: > 6.0 years)	9.7	11.4
% of drawn debt fixed	100%	94%
Weighted average fixed rate maturity (years)	3.9	2.4

1. See glossary on page 92.
2. The unexpired lease term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.

Investore has committed, post balance date, to acquiring Countdown Petone for \$37.3m, and has a conditional agreement to purchase a parcel of development land at Waimak Junction, with Investore agreeing in principle to develop a Countdown supermarket on that site. The total commitment associated with these initiatives is \$68.5m, which Investore will fund through available debt facilities. Taking this commitment into account, as if the expenditure had occurred as at 31 March 2021, Investore's pro forma LVR¹ would be 31.2% and it would have undrawn debt facilities of \$128 million.

Sustainability

Investore works closely with its Manager, SIML, in its approach to sustainability. During FY21, SIML refreshed its approach to sustainability and established a Board Sustainability Committee to ensure a dedicated focus on the impact of climate related issues and the sustainability performance of SIML and its managed entities, including Investore.

Governance

At Investore, the Board as a whole considers sustainability issues as they affect Investore's business. The Investore Board works closely with the SIML Sustainability Committee to ensure that the Investore Board is aware of and considers the key sustainability issues for its business.

Strategy

The Investore sustainability strategic plan was refreshed during FY21, in conjunction with SIML, and three distinct goals were established, with a series of objectives and actions which flow from these goals.

Sustainability Strategic Plan

Objective	Contribute to a resilient community	Develop shared prosperity	Protect the planet
Description	We want to ensure leading health and safety performance and support a connected and inclusive society	We want to foster long-term prosperity by investing in and managing outstanding places that reward everyone connected with them	We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future

UN Sustainable Development Goals



Risk Management

Transition Risks – risks associated with transitioning to a low-carbon economy

During FY21 the Investore Board considered the key risks, at a high level, that may be faced by Investore in relation to climate change, and, in accordance with the Taskforce on Climate-related Financial Disclosures, categorised those risks into two categories – transition risks, being those associated with transitioning to a low-carbon economy; and physical risks, being risks arising as a result of changes in the physical climate and acute climate events.

A summary of the key climate change risks assessed by the business is set out below. Investore will work with SIML during FY22 to undertake further work to refine and develop these risks to form a detailed and comprehensive climate risk assessment for Investore.

Risk	Description	Potential impact
Current and emerging regulatory changes	Regulatory changes/ increased standards around climate change	<ul style="list-style-type: none"> Increased costs for development or maintenance More restrictive requirements e.g. planning/consent requirements
Changes to energy prices	Potential supply constraint from climate impact on supply Impact on energy infrastructure due to climate change	<ul style="list-style-type: none"> Increased operational costs for Investore and its tenants, leading to higher total cost of occupation for tenants
Changing customer behaviour	Reduced demand from customers for tenants in carbon-intensive industries Customers choosing more climate friendly properties to work in and/or visit	<ul style="list-style-type: none"> Reduced revenue Increased vacancies Increased cost to ensure assets remain competitive
Increased expectations from investors and tenants	Investors and tenants require buildings/ portfolios to reduce their carbon impact	<ul style="list-style-type: none"> Reduced demand for Investore's buildings if they have not sought to manage carbon footprint, leading to reduced revenue Unable to attract key investors Increased costs from transition to more efficient buildings & technologies
Increased litigation exposure	Climate change litigation occurs due to inadequate or mis-timed climate change response	<ul style="list-style-type: none"> Increased costs from litigation Ability to insure against loss compromised/not available Damage to reputation
Insurability of assets compromised	Assets may become uninsurable due to exposure to climate change events	<ul style="list-style-type: none"> Increased costs from self-insurance Stranded assets if tenants/ Investore unable to obtain insurance



Bunnings, Te Rapa

Sustainability

Physical Risks – risks from changes in the physical climate and acute climate events

Risk	Description	Potential impact
Increased frequency of severe/extreme weather events	Extreme weather events causing damage to assets increases e.g. storms, floods, rainfall, cyclones	<ul style="list-style-type: none"> Ability to obtain insurance compromised and/or increased insurance costs Disruption to operations Higher operating and capital costs to repair damage and improve resilience of assets
Increased frequency of fire events	Due to droughts, heatwaves, and similar events	<ul style="list-style-type: none"> Threat to physical assets Disruption to operations Impact to air quality, surrounding infrastructure e.g. roads, power supply Increased insurance costs
Rising mean temperatures	Average temperature rises and increased extreme heat events	<ul style="list-style-type: none"> Increased operating expenses for cooling buildings Increased expenditure to install/upgrade cooling systems Spot price of electricity more volatile Productivity of outdoor work reduces, with impact on construction costs, timeframes Cost of water increases
Sea level rise	Rising sea levels over time may impact on assets close to waterfront	<ul style="list-style-type: none"> Costs of repair from damage due to sea surges, inundation Ability to insure assets compromised Reduced asset life leading to early write-off, stranded assets Assets inaccessible, isolated due to damaged infrastructure e.g. roads, rail, power
Water stress	Ease of access to water reduced	<ul style="list-style-type: none"> Water unavailable to undertake business operations Cost of water increases Increased regulatory requirements around use of water

Achievements

Key achievements for FY21 have been:

- Investore has started measuring its greenhouse gas emissions through the BraveGen software system implemented by its Manager, SIML.
- An initial list of climate related risks has been developed and these are reported on the previous pages. During FY22 Investore will work with its Manager, SIML, to complete further work to formalise this climate risk assessment, in preparation for reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) framework.
- New Tesla superchargers have been installed at Investore's Johnsonville Countdown supermarket, and these became operational in May 2021. These superchargers are ideal for a supermarket environment as they enable a car to be fully charged in around 30 minutes. Investore is now exploring options to install more EV charging stations at other sites, as well as electric bicycle facilities across its network.
- Investore is preparing to complete the Global Real Estate Sustainability Benchmarking (GRESB) assessment for FY22, which will require Investore to obtain energy consumption data from tenants.

Investore is in discussions with its major tenants to trial solar panels on the roof of single tenant stores, which will materially reduce the tenant's electricity costs, while also reducing demand for electricity from the national network.

Metrics

Investore has commenced the process of gathering emissions data to enable it to record and report on its greenhouse gas emissions. Investore has control over a small portion of emissions from its portfolio due to the fact that a high proportion of properties owned by Investore are standalone and with a sole tenant, and accordingly the tenant is responsible for all energy consumption within the building. Investore is working with its tenants to understand their emissions, to the extent this information is available. Investore, through its Manager, SIML, is using the New Zealand-developed BraveGen software to capture greenhouse gas emissions data.

Once Investore's baseline year data has been fully determined, this data will be independently audited to ensure Investore is able to confidently report and record progress against its baseline emissions.

Investore, as part of the group of entities managed by SIML, has elected to adopt the operational control method of reporting its greenhouse gas emissions. This means that the Manager, SIML, will report Investore's emissions as part of its greenhouse gas reporting. However, the emissions of each entity managed by SIML, including Investore, will be separately tracked and reported, meaning that Investore will also be able to manage and report on its own emissions, although Investore notes that this will necessarily involve an element of double counting.

Financial Summary

FY21 represents five years since Investore commenced operations, with its listing on the NZX on 12 July 2016. Accordingly, Investore is pleased to present its first five year financial summary table, enabling investors to understand trends for key financial metrics.



Countdown, Palmerston North

The Five Year Financial Summary table reflects the numbers in the financial statements for each respective year.

Five Year Financial Summary	2021 (\$m)	2020 (\$m)	2019 (\$m)	2018 (\$m)	2017 (\$m)
Net rental income	55.8	48.1	47.4	44.2	35.0
Profit before net finance expense, other income/(expense) and income tax	46.6	40.6	41.4	38.7	30.4
Net finance expense	(16.6)	(13.9)	(14.4)	(11.9)	(13.3)
Profit before other income/(expense) and income tax	29.9	26.7	27.0	26.8	17.1
Other income/(expense)	139.0	7.7	17.1	26.1	13.7
Profit before income tax	169.0	34.4	44.1	52.9	30.8
Income tax expense	(7.7)	(5.8)	(5.5)	(6.7)	(2.3)
Profit after income tax	161.3	28.6	38.6	46.2	28.5
Basic earnings per share - weighted	44.60 cents	10.40 cents	14.78 cents	17.64 cents	15.12 cents
Distributable profit ¹ before income tax	33.1	26.3	26.3	26.0	21.2
Distributable profit after income tax	29.1	21.1	20.9	20.5	17.6
Basic distributable profit after income tax per share - weighted	8.05 cents	7.66 cents	8.01 cents	7.85 cents	9.35 cents
Investment properties value	1,037.9 ²	761.4	761.2	738.3	660.4
Drawn debt facilities	280.0	238.4	318.5	307.4	261.0
Borrowings loan to value ratio	26.8% ³	31.3%	41.8%	41.6%	39.5%
NTA per share ⁴	\$2.08	\$1.73	\$1.70	\$1.64	\$1.55
Adjusted NTA per share ⁵	\$2.08	\$1.74	\$1.71	\$1.64	\$1.54

Values in the table above are calculated based on the numbers in the financial statements for each respective financial year and may not sum accurately due to rounding.

The Five Year Financial Summary table reflects the numbers in the financial statements for each respective year. On 11 July 2016, Stride Property Limited (SPL) distributed shares in its subsidiary Investore Property Limited (Investore) to SPL 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.

1. See glossary on page 92.
2. Includes 35 MacLaggan Street, Dunedin, which is held as property intended for sale at \$9.4 million and excludes the seismic works and rental underwrites (total \$7.1 million) to be funded by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020.
3. Includes the seismic works and rental underwrites (total \$7.1 million) to be completed by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020.
4. Excludes intangible assets.
5. Excludes intangible assets and after tax fair value of interest rate derivatives.

Financial Statements

29	Statement of Comprehensive Income
30	Statement of Changes in Equity
31	Statement of Financial Position
32	Statement of Cash Flows
34	Notes to the Financial Statements

Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 \$000	2020 \$000
Gross rental income		64,514	54,416
Direct property operating expenses		(8,701)	(6,342)
Net rental income	2.1	55,813	48,074
Less corporate expenses			
Asset management fee expense	4.0	(4,965)	(4,109)
Performance fee expense	4.0	(2,076)	(1,523)
Administration expenses		(2,183)	(1,819)
Total corporate expenses		(9,224)	(7,451)
Profit before net finance expense, other income/(expense) and income tax		46,589	40,623
Finance income		4	52
Finance expense		(13,091)	(13,727)
Finance expense - swap termination expense		(3,553)	(199)
Net finance expense	5.3	(16,640)	(13,874)
Profit before other income/(expense) and income tax		29,949	26,749
Other income/(expense)			
Net change in fair value of investment properties	2.2	139,287	7,716
Loss on rental guarantee		(294)	-
Net change in fair value of derivative financial instruments		24	(18)
Profit before income tax		168,966	34,447
Income tax expense	7.3	(7,706)	(5,832)
Profit after income tax attributable to shareholders		161,260	28,615
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	5.5	3,051	(464)
Total comprehensive income after tax attributable to shareholders		164,311	28,151
Basic and diluted earnings per share (cents)	3.1	44.60	10.40

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

Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Cents per share	Number of shares 000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance 31 Mar 20			304,499	455,641	73,744	(2,694)	526,691
Transactions with shareholders:							
Q4 2020 final dividend		1.900	-	-	(6,995)	-	(6,995)
Q1 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
Q2 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
Q3 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
New shares issued	5.4		63,636	102,652	-	-	102,652
Total transactions with shareholders			63,636	102,652	(27,980)	-	74,672
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		-	-	-	3,051	3,051
Total other comprehensive income			-	-	-	3,051	3,051
Profit after income tax			-	-	161,260	-	161,260
Total comprehensive income			-	-	161,260	3,051	164,311
Balance 31 Mar 21			368,135	558,293	207,024	357	765,674
Balance 31 Mar 19			260,076	379,609	65,830	(2,230)	443,209
Transactions with shareholders:							
Q4 2019 final dividend		1.935	-	-	(5,033)	-	(5,033)
Q1 2020 interim dividend		1.900	-	-	(4,941)	-	(4,941)
Q2 2020 interim dividend		1.900	-	-	(4,941)	-	(4,941)
Q3 2020 interim dividend		1.900	-	-	(5,786)	-	(5,786)
New shares issued			44,423	76,032	-	-	76,032
Total transactions with shareholders			44,423	76,032	(20,701)	-	55,331
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		-	-	-	(464)	(464)
Total other comprehensive income			-	-	-	(464)	(464)
Profit after income tax			-	-	28,615	-	28,615
Total comprehensive income			-	-	28,615	(464)	28,151
Balance 31 Mar 20			304,499	455,641	73,744	(2,694)	526,691

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

Statement of Financial Position

As at 31 March 2021

	Notes	2021 \$000	2020 \$000
Current assets			
Cash at bank		6,800	4,229
Trade and other receivables	7.4	451	543
Prepayments		286	53
Other current assets		1,172	1,227
		8,709	6,052
Investment properties classified as held for sale	2.5	9,400	-
		18,109	6,052
Non-current assets			
Investment properties	2.2	1,043,872	772,547
Deposit and other prepayments on investment property	2.2	7,081	5,385
Derivative financial instruments	5.2	1,788	2,323
Deferred tax asset	7.3	-	318
		1,052,741	780,573
Total assets		1,070,850	786,625
Current liabilities			
Trade and other payables	7.5	5,723	5,914
Current tax liability		734	1,085
Lease liabilities	2.3	55	52
Derivative financial instruments	5.2	498	231
		7,010	7,282
Non-current liabilities			
Borrowings	5.1	277,363	236,946
Lease liabilities	2.3	15,363	11,065
Derivative financial instruments	5.2	900	4,641
Deferred tax liability	7.3	4,540	-
		298,166	252,652
Total liabilities		305,176	259,934
Net assets			
Share capital		558,293	455,641
Retained earnings		207,024	73,744
Reserve	5.5	357	(2,694)
Equity		765,674	526,691

For and on behalf of the Board of Directors, dated 18 May 2021:



Mike Allen
Chair of the Board



Gráinne Troute
Chair of the Audit and Risk Committee

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

Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2021 \$000	2020 \$000
Cash flows from operating activities			
Gross rental received		64,003	52,754
Direct property operating and corporate expenses		(15,235)	(11,982)
Performance fee expenses		(1,961)	(1,501)
Rental guarantee		(558)	-
Interest received		4	52
Interest paid		(10,907)	(13,998)
Swap termination expenses	5.2	(2,153)	(1,563)
Fixed rate bond issuance expenses		(1,418)	-
Refinancing of bank borrowings		(448)	(41)
Income tax paid		(4,395)	(5,387)
Net cash provided by operating activities		26,932	18,334
Cash flows from investing activities			
Capital expenditure on investment properties		(4,710)	(1,436)
Acquisition of investment properties		(135,858)	(6,984)
Deposit on investment properties		-	(5,000)
Proceeds from disposal of investment properties		-	19,046
Net cash (applied to)/provided by investing activities		(140,568)	5,626
Cash flows from financing activities			
Proceeds from equity issued		105,000	77,740
Capital raising expenses		(2,348)	(1,708)
Repayment of bank borrowings from capital raise		(102,000)	(75,800)
Proceeds from issuance of fixed rate bonds		125,000	-
Repayment of bank borrowings from fixed rate bonds issuance		(118,650)	-
Drawdown of bank borrowings		137,250	14,700
Repayment of bank borrowings		-	(19,030)
Dividends paid		(27,980)	(20,701)
Lease liabilities payments		(65)	(43)
Net cash provided from/(applied to) financing activities		116,207	(24,842)
Net increase/(decrease) in cash and cash equivalents held		2,571	(882)
Opening cash and cash equivalents		4,229	5,111
Closing cash and cash equivalents		6,800	4,229
Cash and cash equivalents at year end comprises:			
Cash at bank		6,800	4,229
Cash and cash equivalents at year end		6,800	4,229

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

Statement of Cash Flows (continued)

For the year ended 31 March 2021

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

	Notes	2021 \$000	2020 \$000
Profit after income tax attributable to shareholders		161,260	28,615
Add/(less) non-cash items:			
Movement in deferred tax	7.3	4,054	273
Current tax movement in cash flow reserve	7.3	(392)	392
Net change in fair value of investment properties		(139,287)	(7,716)
Loss on rental guarantee		294	-
Spreading of fixed rental increases		(179)	(1,095)
Capitalised lease incentives - rent free		(54)	(20)
Lease incentives amortisation - rent free		9	5
Capitalised lease incentives - cash incentives		(32)	(30)
Lease incentives amortisation - cash incentives		11	3
Capitalised lease incentives - COVID-19 abatements		(857)	-
Lease incentives amortisation - COVID-19 abatements		126	-
Movement in loss allowance	7.4	32	17
Borrowings establishment costs amortisation		683	486
Accrued interest movement in derivative financial instruments	5.2	(69)	63
Amortisation of swap termination expense		1,401	-
Net change in fair value of derivative financial instruments	5.2	(24)	18
		26,976	21,011
(Less)/add activities reclassified (to)/from operating activities			
Movement in borrowings/bond transaction costs classified as operating activities		(1,863)	(1,604)
Movement in working capital items relating to investing activities		1,006	(1,827)
Movement in working capital items relating to financing activities		1,441	-
		27,560	17,580
Movement in working capital:			
Decrease/(increase) in trade and other receivables		92	(145)
Increase in prepayments and other current assets		(178)	(601)
(Decrease)/increase in trade and other payables		(191)	1,721
Decrease in current tax liability		(351)	(221)
Net cash provided by operating activities		26,932	18,334

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

Notes to the Financial Statements

For the year ended 31 March 2021

1.0	General information	35
1.1	Reporting entity	35
1.2	Basis of preparation	35
1.3	New standards, amendments and interpretations	35
1.4	Fair value estimation	35
1.5	Significant accounting policies, estimates and judgements	35
1.6	COVID-19 impacts	35
1.7	Significant events and transactions	36
1.8	Non-GAAP measures	36
2.0	Property	37
2.1	Net rental income	37
2.2	Investment properties	38
2.3	Lease liabilities	44
2.4	Capital expenditure commitments contracted for	45
2.5	Investment properties classified as held for sale	45
3.0	Investor returns	46
3.1	Basic and diluted earnings per share (EPS)	46
3.2	Distributable profit	47
4.0	Related party disclosures	48
5.0	Capital structure and funding	49
5.1	Borrowings	49
5.2	Derivative financial instruments	51
5.3	Net finance expense	53
5.4	Share capital	54
5.5	Reserve	54
5.6	Capital risk management	54
6.0	Financial instruments and risk management	55
6.1	Financial assets at amortised cost	55
6.2	Financial liabilities at amortised cost	56
6.3	Financial risk management	56
6.4	Interest rate risk	56
6.5	Credit risk	57
6.6	Liquidity risk	57
6.7	Fair values	57
7.0	Other	58
7.1	Operating segments	58
7.2	Corporate expenses	58
7.3	Tax	59
7.4	Trade and other receivables	61
7.5	Trade and other payables	61
7.6	Contingent liabilities	62
7.7	Subsequent events	62

1.0 General Information

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

1.1 Reporting entity

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

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

The financial statements were approved for issue by the Board of Directors of Investore (the Board) on 18 May 2021.

1.2 Basis of preparation

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

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

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

1.3 New standards, amendments and interpretations

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

1.4 Fair value estimation

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

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

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

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

1.5 Significant accounting policies, estimates and judgements

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

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

Judgements made by the Board and SIML in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. In particular information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes as follows:

- Investment properties (note 2.2);
- Derivative financial instruments (note 5.2);
- Lease liabilities (note 2.3); and
- Deferred tax (note 7.3).

1.6 COVID-19 impacts

The global COVID-19 pandemic and resulting impacts on credit and property markets has increased the level of uncertainty around certain estimates in these financial statements.

As at 31 March 2021, Investore has provided rent abatements of \$0.9 million. Rental abatements have been accounted for as lease modifications. In addition, Investore has provided for \$0.1 million rental income abatements yet to be formally agreed with the affected tenants.

As at 31 March 2020, the independent valuations of Investore's portfolio were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. As at 31 March 2021, the 'material valuation uncertainty' clause has been removed on all of the independent valuations.

1.0 General Information (continued)

1.7 Significant events and transactions

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

Acquisition of three properties from Stride Property Limited (SPL)

On 30 April 2020, Investore settled on the acquisition of three large format retail properties from SPL for \$140.75 million (refer note 2.2).

Equity capital raise

During April and May 2020, Investore undertook an equity capital raise which resulted in a gross amount of \$105 million raised, with 63,636,364 shares issued at \$1.65 per share (refer note 5.4). The net proceeds were used to repay \$102 million of Investore's bank borrowings.

Issuance of fixed rate bonds (IPL020)

On 31 August 2020, Investore issued \$125 million of fixed rate bonds with a 7-year term, paying an interest rate of 2.40% (refer note 5.1). The net proceeds were used to repay \$119 million of Investore's bank borrowings. In relation to this transaction, on 31 August 2020, Investore terminated interest rate derivative contracts with a notional value of \$40 million for a cost of \$2.2 million (refer note 5.2).

Bank refinancing

Effective from 16 April 2020, Investore refinanced \$101 million of debt facility, extending this facility for a further three years to 9 June 2024. In addition, during the year, Investore secured a new \$50 million, 5-year facility and a new \$30 million 3-year facility (refer note 5.1).

Revaluation of investment properties

Investore undertook independent valuations of the entire portfolio as at 31 March 2021, which resulted in a net change in fair value of investment properties of \$139.3 million (2020: \$7.7 million) (refer note 2.2).

1.8 Non-GAAP measures

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

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

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

2.0 Property

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

2.1 Net rental income

Accounting Policy

Investment property is leased by Investore to tenants under operating leases with rent payable monthly. Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties or investment properties classified as held for sale in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Where a lease provides for fixed rental increases over the term of the lease, they are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

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

	2021 \$000	2020 \$000
Gross rental income		
Rental income	57,805	49,401
Service charge income recovered from tenants	5,832	3,905
Spreading of fixed rental increases	179	1,095
Capitalised lease incentives	54	20
Lease incentives amortisation	(9)	(5)
Capitalised lease incentives - COVID-19 abatements	857	-
Lease incentives amortisation - COVID-19 abatements	(126)	-
Rental income abatement provision due to COVID-19	(78)	-
Total gross rental income	64,514	54,416
Direct property operating expenses		
Service charge expenses to tenants	(7,177)	(4,616)
Movement in loss allowance	(32)	(17)
Other non-recoverable property operating expenses	(1,492)	(1,709)
Total direct property operating expenses	(8,701)	(6,342)
Net rental income	55,813	48,074

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

Accounting Policy

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

Properties leased out under operating leases are included in investment properties and investment properties classified as held for sale as separately disclosed in the statement of financial position.

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

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

	2021 \$000	2020 \$000
Within one year	57,976	49,848
Between one and two years	57,109	49,033
Between two and three years	55,848	48,701
Between three and four years	54,009	48,358
Between four and five years	51,145	47,201
Later than five years	308,231	343,623
Future rentals receivable	584,318	586,764

2.0 Property (continued)

2.2 Investment properties

Accounting Policy

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

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

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

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

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

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

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

Right-of-use assets are measured on initial recognition as the initial lease liability, plus any initial indirect costs incurred, less any lease incentives received. Right-of-use assets that meet the definition of investment property are presented within investment property. Investore applies the fair value model to investment property, including right-of-use assets that meet the definition of investment property.

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

As at 31 March 2020, a \$5 million deposit had been paid in relation to the purchase of three large format retail properties, being Bunnings Mt Roskill, Auckland, Mt Wellington Shopping Centre, Auckland, and Bay Central Shopping Centre, Tauranga, from SPL for \$140.75 million. Settlement of the acquisitions was completed on 30 April 2020. Under the sale and purchase agreement, SPL is to complete seismic works of \$7.0 million and provided a rental guarantee of \$0.5 million. As at 31 March 2021, the seismic works had not commenced and \$0.1 million of the rental guarantee had not been utilised. The valuations as at 31 March 2021 for these properties were prepared on the basis that the seismic works had been completed. Consequently, \$7.1 million has been recognised as a prepayment on investment property (non-current asset).

2.0 Property (continued)

2.2 Investment properties (continued)

	2021 \$000	2020 \$000
Opening balance	772,547	742,125
Initial add back of lease liabilities	-	11,160
Re-assessment of lease liabilities	4,366	-
Property acquisitions	133,647	6,984
Transfer to investment properties classified as held for sale	(9,400)	-
Net change in fair value	139,287	7,716
Subsequent capital expenditure	2,449	3,425
Spreading of fixed rental increases	179	1,095
Capitalised lease incentives	86	50
Lease incentives amortisation	(20)	(8)
Capitalised lease incentives - COVID-19 abatements	857	-
Lease incentives amortisation - COVID-19 abatements	(126)	-
Closing balance	1,043,872	772,547
Comprising:		
Investment property per independent valuations	1,035,535	761,430
Less prepayment on investment property	(7,081)	-
	1,028,454	761,430
Lease liabilities	15,418	11,117
Total	1,043,872	772,547

The net change in fair value of \$139,287,000 (2020: \$7,716,000) includes (\$65,000) (2020: (\$43,000)) in relation to the change in the value of the lease liabilities.

Valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring that no valuer values the same investment property for more than three consecutive years. All valuations are dated effective 31 March 2021.

As at 31 March 2020, the independent valuations of Investore's portfolio were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. As at 31 March 2021, the 'material valuation uncertainty' clause has been removed on all of the independent valuations.

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

Investment property measurements are categorised as Level 3 in the fair value hierarchy. During the year, there were no transfers of investment properties between levels of the fair value hierarchy (2020: nil transfers).

The following tables provide a summary of the valuation of the individual investment properties, their net lettable area (NLA), market capitalisation rate (cap rate), contract yield, occupancy and weighted average lease term (WALT) for the purpose of providing further detail of the assets which are considered to be the most relevant to the operations of Investore. Colliers¹ refers to the valuer CVAS (NZ) Limited and Colliers² refers to the valuer CVAS (WLG) Limited.

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

2.0 Property (continued)

2.2 Investment properties (continued)

As at 31 Mar 21	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Auckland							
24 Anzac Road	CBRE	4,382	28,900	4.63	4.51	100.0	13.9
326 Great South Road	CBRE	4,633	41,200	4.38	4.34	100.0	13.9
35A St Johns Road	Colliers ¹	4,457	25,200	4.75	5.27	100.0	13.9
507 Pakuranga Road	Colliers ¹	4,812	23,800	4.63	4.76	100.0	13.9
3 Averill Street	JLL	5,435	18,000	7.50	8.08	100.0	13.4
Cnr Church & Selwyn Streets	JLL	2,011	13,400	4.88	4.90	100.0	3.9
Cnr Te Irirangi Drive & Bishop Dunn Place	Bayleys	12,205	41,500	4.38	4.45	100.0	9.7
112 Stoddard Road	Savills	4,200	29,700	4.68	4.86	100.0	6.9
226 Great South Road	Savills	7,362	42,000	5.75	5.98	100.0	8.8
20-24 Neville Street	Savills	3,816	29,000	4.88	4.92	100.0	11.0
2 Carr Road	CBRE	11,693	53,400	4.13	4.58	100.0	6.2
295 Penrose Road	CBRE	9,014	40,300	6.00	6.64	100.0	4.7
Waikato							
66-76 Studholme Street, Morrinsville	Colliers ¹	1,724	7,400	5.88	6.24	100.0	3.9
Cnr Anglesea & Liverpool Streets, Hamilton	Savills	5,265	8,700	10.25	10.63	100.0	2.8
Cnr Bridge & Anglesea Streets, Hamilton	Savills	4,200	22,300	5.25	5.19	100.0	12.1
Cnr Hukanui & Thomas Roads, Hamilton	Savills	4,506	18,900	5.63	5.70	100.0	10.8
446 Te Rapa Road, Hamilton	Bayleys	12,763	40,000	4.50	4.47	100.0	8.9
Bay of Plenty							
230 - 240 Fenton Street, Rotorua	Savills	5,172	23,700	5.00	4.81	100.0	9.4
26-48 Old Taupo Road, Rotorua	Bayleys	13,940	33,900	4.75	4.89	100.0	8.9
65 Chapel Street, Tauranga	JLL	17,360	52,500	6.63	6.91	99.6	4.4
Wellington							
47 Bay Road	Colliers ²	3,460	16,000	4.75	4.77	100.0	13.9
91 Johnsonville Road	JLL	6,316	21,500	6.13	4.20	75.0	9.9
13 - 19 Queen Street, Upper Hutt	Colliers ²	3,427	13,000	5.25	5.93	100.0	13.9
14 Russell Street, Upper Hutt	JLL	3,037	10,300	6.13	7.27	100.0	3.9
261 High Street, Lower Hutt	Colliers ²	5,078	23,750	5.00	5.23	100.0	13.9
Cnr Hanson Street, John Street & Adelaide Road	Colliers ²	4,882	28,500	4.90	5.85	98.7	10.4
3 Main Road	JLL	4,200	22,000	5.00	5.30	100.0	11.9
Other North Island							
Cnr Butler & Kerikeri Roads, Kerikeri	Savills	3,887	23,300	5.00	5.11	100.0	11.7
53 Leach Street, New Plymouth	Colliers ¹	8,522	37,200	4.75	4.73	100.0	8.5
9 Gloucester Street, Napier	Colliers ¹	4,386	21,400	4.75	4.71	100.0	8.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers ²	3,611	16,250	5.49	5.71	100.0	10.6
Cnr Tremaine Avenue & Railway Road, Palmerston North	Colliers ²	13,730	31,000	5.25	5.59	100.0	8.9
Canterbury							
87 - 97 Hilton Street, Kaiapoi	CBRE	3,025	14,700	5.88	6.06	100.0	13.9
219 Colombo Street, Christchurch	CBRE	3,976	22,100	5.13	5.47	100.0	13.9
Cnr Victoria & Browne Streets, Timaru	JLL	4,032	12,435	5.99	6.28	85.0	13.2
40 - 50 Ivory Street, Rangiora	Savills	3,786	18,900	5.63	5.70	100.0	11.7
Cnr Rolleston & Masefield Drives, Rolleston	Savills	4,251	24,500	5.00	4.92	100.0	11.7
24 Brighton Mall, Christchurch	Colliers ¹	2,207	6,300	6.00	6.33	100.0	7.4
Other South Island							
Cnr Putaitai Street & Main Road, Nelson	CBRE	2,659	15,000	5.38	5.79	100.0	11.7
51 Arthur Street, Blenheim	CBRE	3,136	12,700	5.88	6.12	100.0	13.9
309 Cumberland Street, Dunedin	JLL	4,123	25,100	5.00	4.97	100.0	13.9
172 Tay Street, Invercargill	JLL	5,161	25,800	5.63	5.88	100.0	12.5
Total		239,840	1,035,535	5.20	5.42	99.0	9.9

2.0 Property (continued)

2.2 Investment properties (continued)

As at 31 Mar 20	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Auckland							
24 Anzac Road	CBRE	4,382	24,100	5.38	5.40	100.0	14.9
326 Great South Road	CBRE	4,633	36,300	4.88	4.93	100.0	14.9
35A St Johns Road	Colliers ¹	4,457	21,400	5.63	6.24	100.0	14.9
507 Pakuranga Road	Colliers ¹	4,812	18,600	5.88	5.99	100.0	14.9
3 Averill Street	JLL	5,435	17,000	7.63	8.50	100.0	13.7
Cnr Church & Selwyn Streets	JLL	2,011	11,000	5.75	5.95	100.0	4.9
Cnr Te Irirangi Drive & Bishop Dunn Place	CBRE	12,124	35,000	5.00	5.28	100.0	10.7
112 Stoddard Road	Savills	4,200	23,300	5.88	6.24	100.0	7.9
226 Great South Road	Savills	7,362	37,500	6.38	6.68	100.0	8.7
20-24 Neville Street	Savills	3,816	23,200	6.00	6.14	100.0	11.7
Waikato							
66-76 Studholme Street, Morrinsville	Colliers ¹	1,724	6,500	6.50	7.10	100.0	4.9
Cnr Anglesea & Liverpool Streets, Hamilton	Savills	5,265	7,500	11.25	11.17	100.0	3.8
Cnr Bridge & Anglesea Streets, Hamilton	Savills	4,200	18,100	6.63	6.50	100.0	13.1
Cnr Hukanui & Thomas Roads, Hamilton	Savills	4,506	16,300	6.50	6.73	100.0	10.8
446 Te Rapa Road, Hamilton	JLL	12,763	31,250	5.50	5.58	100.0	9.7
Bay of Plenty							
230 - 240 Fenton Street, Rotorua	Savills	5,172	18,200	6.25	6.26	100.0	10.4
26-48 Old Taupo Road, Rotorua	JLL	13,940	27,000	5.75	5.99	100.0	9.7
Wellington							
47 Bay Road	Colliers ²	3,460	12,850	6.00	5.94	100.0	14.9
91 Johnsonville Road	JLL	6,316	20,750	6.50	7.28	100.0	9.9
13 - 19 Queen Street, Upper Hutt	Colliers ²	3,427	10,900	6.38	6.94	100.0	14.9
14 Russell Street, Upper Hutt	JLL	3,037	9,500	7.25	7.28	100.0	4.9
261 High Street, Lower Hutt	Colliers ²	5,078	19,150	6.00	6.26	100.0	14.9
Cnr Hanson Street, John Street & Adelaide Road	Colliers ²	4,882	26,250	6.00	6.37	98.7	11.1
3 Main Road	JLL	4,200	19,500	5.75	5.92	100.0	12.9
Other North Island							
Cnr Butler & Kerikeri Roads, Kerikeri	Savills	3,887	18,600	6.38	6.54	100.0	12.7
53 Leach Street, New Plymouth	Colliers ¹	8,522	28,900	5.88	5.97	100.0	9.5
9 Gloucester Street, Napier	Colliers ¹	4,386	16,800	5.88	5.89	100.0	9.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers ²	3,611	14,000	6.50	6.61	100.0	11.3
Cnr Tremaine Avenue & Railway Road, Palmerston North	Colliers ²	13,730	26,200	6.25	6.48	100.0	9.7
Canterbury							
87 - 97 Hilton Street, Kaiapoi	CBRE	3,025	13,200	6.25	6.76	100.0	14.9
219 Colombo Street, Christchurch	CBRE	3,976	19,400	5.63	6.23	100.0	14.9
Cnr Victoria & Browne Streets, Timaru	JLL	4,032	11,930	6.33	6.16	85.0	14.1
40 - 50 Ivory Street, Rangiora	Savills	3,786	17,200	6.13	6.30	100.0	12.7
Cnr Rolleston & Masefield Drives, Rolleston	Savills	4,251	19,600	6.13	6.14	100.0	12.7
24 Brighton Mall, Christchurch	Colliers ¹	2,207	6,100	6.50	6.73	100.0	8.4
Other South Island							
Cnr Putaitai Street & Main Road, Nelson	CBRE	2,659	12,800	6.13	6.36	100.0	12.7
51 Arthur Street, Blenheim	CBRE	3,136	11,200	6.50	6.94	100.0	14.9
35 MacLaggan Street, Dunedin	Colliers ¹	6,433	9,900	7.75	8.42	100.0	1.3
309 Cumberland Street, Dunedin	JLL	4,123	21,500	5.75	5.74	100.0	14.9
172 Tay Street, Invercargill	JLL	5,161	22,950	6.25	6.49	100.0	13.5
Total		208,125	761,430	6.06	6.29	99.7	11.5

2.0 Property (continued)

2.2 Investment properties (continued)

Breakdown of valuations by valuer	2021 \$000	2020 \$000
CBRE Limited (CBRE)	228,300	152,000
CVAS (NZ) Limited (Colliers ¹)	121,300	108,200
CVAS (WLG) Limited (Colliers ²)	128,500	109,350
Jones Lang LaSalle (JLL)	201,035	192,380
Savills (NZ) Limited (Savills)	241,000	199,500
Bayleys Valuations Limited (Bayleys)	115,400	-
Investment property per independent valuations	1,035,535	761,430

A valuation is determined based on a range of unobservable inputs. They are unobservable as they are not freely available or explicit in the market and are developed by analysing transactional data. Key unobservable inputs are the capitalisation rate, discount rate, gross market rent, rental growth rates and terminal yield. The following table details the key unobservable inputs and the ranges adopted:

	Cap rate %	Discount rate %	Gross market rental \$/m ²	Rental growth rate %	Terminal yield %
As at 31 Mar 21	4.13-10.25	3.50-7.75	147-488	(0.04)-2.72	4.63-10.25
As at 31 Mar 20	4.88-11.25	4.75-9.50	114-401	0.05-3.24	5.38-10.50

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate and discount rate, assuming the capitalisation rate or discount rate moved equally on all the properties, is provided below. The metrics chosen are those where movements are likely to have the most significant impact on fair value. In the prior year, as a result of COVID-19, Investore increased the range in the sensitivities (shown as 'N/A' in the current year).

	Cap rate %				Discount rate %			
	-0.50	-0.25	+0.25	+0.50	-0.50	-0.25	+0.25	+0.50
As at 31 Mar 21								
Change \$000	N/A	52,073	(50,333)	N/A	N/A	18,510	(20,194)	N/A
Change %	N/A	5	(5)	N/A	N/A	2	(2)	N/A
As at 31 Mar 20								
Change \$000	71,025	33,516	(30,411)	(59,197)	37,333	18,304	(17,138)	(33,540)
Change %	9	4	(4)	(8)	5	2	(2)	(4)

Valuation techniques used:

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

2.0 Property (continued)

2.2 Investment properties (continued)

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. There were no changes to the valuation techniques during the year.

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

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

Generally, a change in the assumption made for the adopted cap rate is accompanied by a directionally similar change in the adopted discount rate. It may also result in an adjustment to the terminal yield.

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

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

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

2.0 Property (continued)

2.3 Lease liabilities

Accounting Policy

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

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

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

Investore is committed under eleven (2020: eleven) leases where Investore is the lessee:

- Corner of Anglesea and Liverpool Streets, Hamilton (seven);
- 3 Averill Street, Auckland (one);
- 70 Studholme Street, Morrinsville (one);
- 51 Arthur Street, Blenheim (one); and
- Corner of Bridge and Anglesea Streets, Hamilton (one).

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

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

During the year, Investore executed the right of renewal for one of the seven ground leases at the investment property at the corner of Anglesea and Liverpool Streets, Hamilton, for a further 21 years. As at 31 March 2021, the lease liabilities and right-of-use asset has been re-assessed by \$4,366,000 to reflect the rent review. The remaining six leases at this investment property have a right of renewal date of January 2024.

	2021 \$000	2020 \$000
Right of use asset		
Opening balance	11,117	11,160
Re-assessment on rent review	4,366	-
Depreciation	(65)	(43)
Closing balance	15,418	11,117

Lease liabilities

Opening balance	11,117	11,160
Re-assessment on rent review	4,366	-
Cash lease payments	(847)	(705)
Finance lease interest	782	662
Closing balance	15,418	11,117
Current liabilities	55	52
Non-current liabilities	15,363	11,065
Total lease liabilities	15,418	11,117

2.0 Property (continued)

2.4 Capital expenditure commitments contracted for

As at 31 March 2021, Investore had the following commitment (2020: \$0.576 million in addition to the balance of the acquisition cost of \$135.75 million to purchase three large format properties from SPL):

- \$0.246 million for the completion of the roof replacement at the property at 172 Tay Street, Invercargill.

Investore has no other material commitments as at balance date.

2.5 Investment property classified as held for sale

Accounting Policy

Investore reclassifies an investment property to investment properties classified as held for sale when:

- the carrying value of the property is expected to be recovered through sale;
- the property is available for sale immediately subject only to terms that are usual and customary for such transactions; and
- the transaction is highly probable to occur.

The carrying value of the investment properties held for sale is the contracted sale price, being the best indicator of fair value. If a contracted price is not available, the fair value is determined by an independent valuation.

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

During the current year, the Board approved disposing the property at 35 MacLaggan Street, Dunedin. Upon the change in intention from holding the investment property to disposing it, Investore reclassified the property from investment properties to investment properties classified as held for sale. The investment property was valued by CVAS (NZ) Limited at \$9.4 million as at 31 March 2021.

3.0 Investor Returns

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

3.1 Basic and diluted earnings per share (EPS)

Accounting Policy

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

	2021 \$000	2020 \$000
Profit after income tax attributable to shareholders	161,260	28,615
Weighted average number of shares for purpose of basic and diluted EPS	361,535	275,192
Basic and diluted EPS - weighted (cents)	44.60	10.40

3.0 Investor Returns (continued)

3.2 Distributable profit

Accounting Policy

Investore's dividend policy is to target a cash dividend to shareholders that is between 95% and 100% of its distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Investore's underlying and recurring earnings from its operations. Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax.

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

	2021 \$000	2020 \$000
Profit before income tax	168,966	34,447
Non-recurring, non-cash and other adjustments:		
Net change in fair value of investment properties	(139,287)	(7,716)
Reversal of lease liabilities movement in investment properties	(65)	(43)
Net change in fair value of derivative financial instruments	(24)	18
Loss on rental guarantee	294	-
Spreading of fixed rental increases	(179)	(1,095)
Capitalised lease incentives - rent free	(54)	(20)
Lease incentives amortisation - rent free	9	5
Capitalised lease incentives - cash incentives	(32)	(30)
Lease incentives amortisation - cash incentives	11	3
Capitalised lease incentives - COVID-19 abatements	(857)	-
Lease incentives amortisation - COVID-19 abatements	126	-
Borrowings establishment costs amortisation	683	486
Finance expense- swap termination expense	3,553	199
Distributable profit before current income tax	33,144	26,254
Current tax expense	(3,652)	(5,559)
Adjusted for:		
Income tax movement in cash flow hedges (note 7.3)	(392)	392
Distributable profit after current income tax	29,100	21,087
Adjustments to funds from operations:		
Maintenance capital expenditure	(1,299)	(3,231)
Adjusted Funds From Operations (AFFO)	27,801	17,856
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	361,535	275,192
Basic and diluted distributable profit after current income tax per share - weighted (cents)	8.05	7.66
AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)	7.69	6.49

4.0 Related Party Disclosures

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

	2021 \$000	2020 \$000
The following transactions with a related party took place		
SIML		
Asset management fee expense	(4,965)	(4,109)
Performance fee expense	(2,076)	(1,523)
Leasing fee expense	(449)	(45)
Building management fee expense	(428)	(396)
Accounting fee expense	(250)	(250)
Project management fee expense	(96)	(131)
Capital raising fee expense	(89)	-
Maintenance fee expense	(40)	(33)
Disposal fee expense	-	(97)
Total	(8,393)	(6,584)
SPL		
Dividends paid	(5,259)	(4,095)
Consideration paid on the acquisition of investment properties (note 2.2)	(135,750)	(5,000)
Consideration received for issue of shares in capital raise	16,522	12,944
The following balance was payable to a related party		
SIML	(707)	(617)

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

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

SIML received performance fees of \$775,494 for the quarter ended 30 June 2020 (quarter ended 30 June 2019: \$523,110), \$670,205 for the quarter ended 30 September 2020 (quarter ended 30 September 2019: \$484,808) and is due to receive a performance fee of \$630,009 for the quarter ended 31 March 2021 (quarter ended 31 March 2020: \$514,942). The performance fee for the year ended 31 March 2021 was capped at \$2,075,708, being 0.2% of Investore's portfolio value as at 31 March 2021, with \$2,258,399 of excess performance fee to be carried forward into subsequent quarters. The carried forward return for the performance fee calculation for the quarter ended 30 June 2021 is a positive 0.02% (quarter ended 30 June 2020: deficit of 3.16%) which has been calculated in accordance with the management agreement.

As part of Investore's \$105 million equity capital raise (refer note 5.4), SPL paid Investore \$16,522,301 to acquire 10,013,516 shares on 5 May 2020. Following that capital raising SPL's shareholding in Investore became 18.8%, being 69,201,977 shares (2020: 19.4%, being 59,188,461 shares). SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds.

In the current year, Directors in total received dividends of \$14,341 (2020: \$8,840). Directors' fees recognised in administration expenses comprise the following:

	2021 \$000	2020 \$000
Directors' fees	187	143
Chair's fees	85	81
	272	224

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

5.0 Capital Structure And Funding

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

5.1 Borrowings

Accounting Policy

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

	2021 \$000	2020 \$000
Non-current		
Bank facility drawn down	55,000	138,400
Fixed rate bonds	225,000	100,000
Unamortised borrowings establishment costs	(2,637)	(1,454)
Total net borrowings	277,363	236,946
Weighted average interest rate for debt (inclusive of current interest rate derivatives, bonds, margins and line fees) at balance date	4.04%	4.63%
Interest rate on the bank facility (excluding margin) at balance date	1.64%	2.53%

	Issue date	Expiry date	Interest rate	Total \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
31 Mar 21							
Bank Facility A	-	31 Aug 2022	Floating	70,000	40,000	30,000	30,000
Bank Facility D	-	16 Apr 2025	Floating	50,000	50,000	-	-
Bank Facility E	-	9 Jun 2024	Floating	101,163	76,163	25,000	25,000
Bank Facility F	-	4 Nov 2023	Floating	30,000	30,000	-	-
Bonds IPL010	18 Apr 2018	18 Apr 2024	4.40%	100,000	-	100,000	106,971
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	121,404
				476,163	196,163	280,000	283,375

	Issue date	Expiry date	Interest rate	Total \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
31 Mar 20							
Bank Facility A	-	31 Aug 2022	Floating	70,000	-	70,000	70,000
Bank Facility B	-	9 Jun 2021	Floating	165,000	131,600	33,400	33,400
Bank Facility C	-	9 Jun 2021	Floating	35,000	-	35,000	35,000
Bonds IPL010	18 Apr 2018	18 Apr 2024	4.40%	100,000	-	100,000	102,494
				370,000	131,600	238,400	240,894

5.0 Capital Structure And Funding (continued)

5.1 Borrowings (continued)

Bank borrowings

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

In April 2020, Investore refinanced \$101 million of debt facility extending this facility for a further three years to June 2024 and secured a new \$50 million, 5-year facility. On 31 August 2020, following the issuance of \$125 million fixed rate bonds, Investore cancelled \$99 million of bank facility that was due to expire in June 2021.

On 3 November 2020, Investore secured a new \$30 million 3-year facility.

Fixed rate bonds

On 31 August 2020, Investore issued \$125 million of fixed rate bonds with a 7-year term, expiring on 31 August 2027, paying an interest rate of 2.40% (IPL020). The fixed rate bonds are quoted on the NZX Debt Market and their fair value is based on their listed market price as at balance date.

Interest on the 6 year fixed rate bonds issued in 2018 (IPL010), paying an interest rate of 4.40% is payable quarterly in April, July, October and January in equal instalments, whilst interest on IPL020 is payable quarterly in August, November, February and May also in equal instalments.

Security

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

Net debt reconciliation

Below sets out an analysis of net debt and the movements in net debt.

	2021 \$000	2020 \$000
Cash and cash equivalents	6,800	4,229
Borrowings	(277,363)	(236,946)
Lease liabilities	(15,418)	(11,117)
Net debt	(285,981)	(243,834)

	Liabilities from financing activities			Cash \$000	Total \$000
	Borrowings \$000	Leases \$000	Sub-total \$000		
As at 1 Apr 19	(316,631)	(11,166)	(327,797)	5,111	(322,686)
Cash flows	80,130	705	80,835	(882)	79,953
Other changes	(445)	(656)	(1,101)	-	(1,101)
As at 31 Mar 20	(236,946)	(11,117)	(248,063)	4,229	(243,834)
Cash flows	(41,597)	847	(40,750)	2,571	(38,179)
Re-assessment on rent review	-	(4,366)	(4,366)	-	(4,366)
Other changes	1,180	(782)	398	-	398
As at 31 Mar 21	(277,363)	(15,418)	(292,781)	6,800	(285,981)

5.0 Capital Structure And Funding (continued)

5.2 Derivative financial instruments

Accounting Policy

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

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

Hedge ineffectiveness for interest rate swaps may occur due to:

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

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

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

	2021 \$000	2020 \$000
Notional value of interest rate derivatives - fixed rate payer	80,000	150,000
Notional value of interest rate derivatives - fixed rate receiver	25,000	25,000
Total	105,000	175,000
Interest rate derivative assets - non-current	1,788	2,323
Interest rate derivative liabilities - current	(498)	(231)
Interest rate derivative liabilities - non-current	(900)	(4,641)
Fair values of interest rate derivatives	390	(2,549)
Fixed interest rates payer range	2.27%-2.54%	2.27%-3.01%
Fixed interest rate receiver	4.40%	4.40%
Weighted average fixed interest rate (excluding margins)	2.14%	2.64%
Percentage of drawn debt fixed	100%	94%

5.0 Capital Structure And Funding (continued)

5.2 Derivative financial instruments (continued)

Investore enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Investore hedged 100% of its floating rate borrowings as at 31 March 2021 (2020: 94%). As all critical terms matched during the period, the economic relationship was 100% effective, with the exception of the \$25 million fixed rate receiver interest rate swap.

On 21 March 2018, Investore entered into a \$25 million forward start fixed rate receiver swap for the duration of the IPL010 fixed rate bonds with the effect of converting a portion of the IPL010 \$100 million fixed rate bonds to floating interest rate. The life to date ineffective portion on the receiver swap, due to the misalignment to the fixed rate bonds as a result of the bonds commencing on 18 April 2018, is a fair value loss of \$44,128 (2020: fair value loss of \$68,346), resulting in a fair value gain movement of \$24,218 (2020: fair value loss movement of \$18,026) being recognised in the current year in the statement of comprehensive income.

On 25 November 2019, Investore terminated interest rate derivative contracts with a notional value of \$30 million for a cost of \$1,562,453. Of the total swap termination expense incurred, \$161,915 was recognised as finance expense in the period ended 31 March 2020 and \$1,400,538 had been recognised in equity as other reserve as at 31 March 2020. Following the repayment of bank debt on the receipt of the \$125 million from the fixed rate bonds and the cancellation of the \$99 million bank facility, the amount remaining in other reserve has been expensed in the current period to finance expense as the hedged future cashflows are no longer expected to occur.

On 31 August 2020, Investore terminated interest rate derivative contracts with a notional value of \$40 million for a cost of \$2,152,916. This cost has been expensed to the statement of comprehensive income as the hedged future cashflows are no longer expected to occur.

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2020: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 31 March 2021 of between 0.35% for the 90-day BKBM, and 1.95% for the 10-year swap rate (2020: 0.49% and 0.91% respectively). There were no changes to these valuation techniques during the reporting period.

As at 31 March 2021, the fair value of the interest rate derivatives includes an accrued interest liability of \$44,075 (2020: \$113,085).

The following sensitivity analysis represents the change in fair value of the interest rate derivatives and shows the effect on equity if the floating interest rates on swaps (hedged bank borrowings) had been 0.25% higher or lower, with other variables remaining constant.

	2021		2020	
	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000
Impact on equity	(66)	67	315	(316)

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

Investore does not hold derivative financial instruments for trading purposes.

5.0 Capital Structure And Funding (continued)

5.3 Net finance expense

Accounting Policy

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

	2021 \$000	2020 \$000
Finance income		
Bank interest income	4	49
Other finance income	-	3
Total finance income	4	52
Finance expense		
Bank borrowings interest	(6,150)	(8,670)
Fixed rate bonds interest	(6,159)	(4,395)
Lease liability interest	(782)	(662)
	(13,091)	(13,727)
Finance expense - swap termination expense (note 5.2)	(3,553)	(199)
Total finance expense	(16,644)	(13,926)
Net finance expense	(16,640)	(13,874)

5.0 Capital Structure And Funding (continued)

5.4 Share capital

Accounting Policy

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

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

Investore had 368,135,033 shares on issue as at 31 March 2021 (2020: 304,498,669).

Investore undertook an equity capital raise during April and May 2020 which resulted in a gross amount of \$105 million raised, \$85 million from an institutional placement which settled on 5 May 2020, and \$20 million from a share purchase plan which settled on 20 May 2020, resulting in 63,636,364 shares being issued at \$1.65 per share.

5.5 Reserve

	2021 \$000	2020 \$000
Cash flow hedge reserve		
Opening balance	(2,694)	(2,230)
Swap termination	3,553	-
Swap termination taxation benefit	(995)	-
Movement in fair value of interest rate derivatives	718	(669)
Tax on fair value movement	(201)	187
Transferred to profit or loss	(24)	18
Closing balance	357	(2,694)

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts (interest rate swaps) as at 31 March 2021 will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss, until the repayment of the bank borrowings.

5.6 Capital risk management

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

6.0 Financial Instruments And Risk Management

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

Accounting Policy

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

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

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

	2021 \$000	2020 \$000
Summary of financial instruments		
Financial assets at amortised cost		
Cash at bank	6,800	4,229
Trade and other receivables	451	543
NZX bond	75	75
Derivative financial instruments		
Used for hedging	1,764	2,323
Held for trading at fair value through profit and loss	24	-
Total financial assets	9,114	7,170
Financial liabilities at amortised cost		
Trade and other payables	5,723	5,914
Lease liabilities	15,418	11,117
Borrowings	277,363	236,946
Derivative financial instruments		
Used for hedging	1,398	4,854
Held for trading at fair value through profit and loss	-	18
Total financial liabilities	299,902	258,849

6.1 Financial assets at amortised cost

Accounting Policy

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

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

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

6.0 Financial Instruments And Risk Management (continued)

6.2 Financial liabilities at amortised cost

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

6.3 Financial risk management

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

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

6.4 Interest rate risk

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

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

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

At balance date, the total drawn bank debt was fully hedged (2020: \$13.4 million drawn debt not hedged). In the prior period, if floating interest rates were 1% higher or 1% lower, with other variables remaining constant, the 12-month finance expense would have been higher or lower by \$96,480 after tax respectively on the amount of drawn debt not hedged.

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

	2021 \$000	2020 \$000
Financial assets		
Cash at bank	6,800	4,229
Financial liabilities		
Bank borrowings	55,000	138,400
Fixed rate bonds	225,000	100,000
Interest rates applicable at balance date		
Cash at bank	0.05%	0.05%
Bank borrowings	1.58%	2.05%
Fixed rate bonds IPL010	4.40%	4.40%
Fixed rate bonds IPL020	2.40%	-
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	4.04%	4.63%

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

6.0 Financial Instruments And Risk Management (continued)

6.5 Credit risk

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

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

As 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 Group Limited.

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

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

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

6.6 Liquidity risk

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

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

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

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
31 Mar 21						
Trade and other payables	5,723	5,723	-	-	-	-
Secured bank borrowings	65,455	1,367	1,367	34,782	27,939	-
Fixed rate bonds	257,670	3,700	3,700	7,400	113,620	129,250
Lease liabilities	35,782	690	298	969	4,475	29,350
Derivative financial instruments	(424)	307	(35)	(285)	(411)	-
	364,206	11,787	5,330	42,866	145,623	158,600
31 Mar 20						
Trade and other payables	5,914	5,914	-	-	-	-
Secured bank borrowings	145,469	2,106	2,106	70,560	70,697	-
Fixed rate bonds	117,820	2,200	2,200	4,400	109,020	-
Lease liabilities	27,778	262	298	559	2,409	24,250
Derivative financial instruments	2,166	835	719	928	(316)	-
	299,147	11,317	5,323	76,447	181,810	24,250

6.7 Fair values

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

7.0 Other

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

7.1 Operating segments

Accounting Policy

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

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 64% of Investore's portfolio contract rental as at 31 March 2021 (2020: 72%).

7.2 Corporate expenses

	2021 \$000	2020 \$000
Administration expenses includes:		
Auditor's remuneration		
Audit and review of financial statements	157	166
Other assurance services - operating expense audits	15	13
	172	179
Other services - agreed procedures for proxy vote	-	4
Total Auditor's remuneration	172	183

7.0 Other (continued)

7.3 Tax

Accounting Policy

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

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

	2021 \$000	2020 \$000
Income tax		
Current tax	(3,652)	(5,559)
Deferred tax	(4,054)	(273)
Income tax expense per the statement of comprehensive income	(7,706)	(5,832)
Profit before income tax	168,966	34,447
Prima facie income tax using the company tax rate of 28%	(47,310)	(9,645)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	39,000	2,160
Reversal of lease liabilities movement in investment properties	18	12
Movement in fair value of derivative financial instruments	7	(5)
Non-taxable income	216	311
Other permanent differences	170	-
Depreciation	4,368	1,728
Depreciation recovered on disposal of investment property	-	(53)
Non-deductible expenses	(498)	(98)
Temporary differences	(18)	(65)
Swap termination expense released from reserve	392	46
Over-provision in prior year	3	50
Current tax expense	(3,652)	(5,559)
Investment property depreciation	(4,029)	(338)
Other	(25)	65
Deferred tax charged to profit or loss	(4,054)	(273)
Income tax expense per the statement of comprehensive income	(7,706)	(5,832)
Imputation credits available for use in subsequent reporting periods	739	1,290

In the current period, the income tax benefit of \$392,280 arising from the swap termination expenses in the cash flow hedges in the prior year has been recognised in the statement of comprehensive income.

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

7.0 Other (continued)

7.3 Tax (continued)

Accounting Policy

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

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

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

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

	2020 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2021 \$000
Deferred tax assets				
Derivative financial instruments	1,308	-	(973)	335
Other temporary differences	71	(25)	-	46
	1,379	(25)	(973)	381
Deferred tax liabilities				
Depreciation on investment properties	(435)	(4,029)	-	(4,464)
Derivative financial instruments	(626)	-	169	(457)
	(1,061)	(4,029)	169	(4,921)
	318	(4,054)	(804)	(4,540)

	2019 \$000	\$000	\$000	2020 \$000
Deferred tax assets				
Derivative financial instruments	1,242	-	66	1,308
Other temporary differences	6	65	-	71
	1,248	65	66	1,379
Deferred tax liabilities				
Derivative financial instruments	(355)	-	(271)	(626)
Depreciation on investment properties	(97)	(338)	-	(435)
	(452)	(338)	(271)	(1,061)
	796	(273)	(205)	318

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

7.0 Other (continued)

7.4 Trade and other receivables

Accounting Policy

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

	2021 \$000	2020 \$000
Current		
Trade and other receivables	533	593
Less loss allowance	(82)	(50)
	451	543
Carrying amount	451	543
Less than 30 days overdue	284	31
Over 30 days overdue	249	562
Less impaired assets	(82)	(50)
Movement in loss allowance		
Opening balance	(50)	(33)
Additional loss allowance	(82)	(50)
Reduction in loss allowance	50	28
Bad debts written off	-	5
Closing balance	(82)	(50)

7.5 Trade and other payables

Accounting Policy

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

	2021 \$000	2020 \$000
Current		
Unsecured liabilities		
Trade payables	637	274
Related party payables (note 4.0)	707	617
Rent in advance	767	510
Capital expenditure payables and accruals	1,320	2,058
Other accruals and payables	2,292	2,455
	5,723	5,914

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

7.0 Other (continued)

7.6 Contingent liabilities

Investore has no contingent liabilities at balance date (2020: \$nil).

7.7 Subsequent events

On 7 May 2021, Investore entered into an unconditional agreement to acquire the property at 45-49 Jackson Street, Petone, Wellington, for \$37.25 million. This property is anchored by Countdown. Settlement is expected to occur on 21 May 2021.

On 18 May 2021, Investore announced it has entered into a conditional agreement to acquire a 3.5ha parcel of land at Waimak Junction, Kaiapoi, North Canterbury, for \$10.47 million. Investore has reached agreement in principle with Countdown to construct a new supermarket on a portion of this site, leaving the balance of the land for future development.

Investore expects the capital commitment for these two acquisitions, together with the cost of stage one of the development of the Waimak Junction land, to be approximately \$68.5 million which will be funded from available debt facilities.

On 18 May 2021, Investore declared a cash dividend for the period 1 January 2021 to 31 March 2021 of 1.90 cents per share, to be paid on 2 June 2021 to all shareholders on Investore's register at the close of business on 26 May 2021. This dividend will carry imputation credits of 0.200611 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 auditor's report

To the shareholders of Investore Property Limited



Our opinion

In our opinion, the accompanying financial statements of Investore Property Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2021, 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).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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.

Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 services over operating expense audits. The provision of these other services has not impaired our independence as auditor of the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter, which is the valuation of investment property. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Independent auditor's report (continued)

To the shareholders of Investore Property Limited



Description of the key audit matter

Valuation of investment property

As disclosed in Note 2.2 of the financial statements, the Company's investment properties at valuation totalled \$1,035.5 million (excluding lease liabilities) which represents the majority of the assets held by the Company as at 31 March 2021.

The valuation of the Company's property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, location and the expected future rental income for each property. A small percentage difference in any one of the key individual assumptions used in the property valuations, when aggregated, could result in a material misstatement of the overall valuation of investment properties.

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

As discussed in Notes 1.6 and 2.2 of the financial statements, the 'material valuation uncertainty' clause presented in the 31 March 2020 valuations due to COVID-19 no longer applies and has been removed from all of the independent valuations for 31 March 2021.

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

For each property, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rate, discount rate, gross market rental, rental growth rate and terminal yield.

Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole.

How our audit addressed the key audit matter

Valuation of investment property

The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.

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

In assessing the individual valuations, we read the valuation reports for all properties. We also held separate discussions with each of the Valuers in order to gain an understanding of the assumptions and estimates used and the valuation methodology applied. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at the balance date.

We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties at 31 March 2021.

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

We considered whether or not there was a bias in determining significant assumptions in individual valuations and found no evidence of bias.

We also assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer, in their performance of the valuations, was compromised.

It was also evident from our discussions with the Manager and the Valuers and from our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole.

We considered the appropriateness of disclosures made in the financial statements.

Independent auditor's report (continued)

To the shareholders of Investore Property Limited



Our audit approach

Overview

Materiality

Overall materiality: \$1,487,000, which represents approximately 5% of profit before tax excluding the net change in fair value of investment properties.

We applied this benchmark because, in our view, it is reflective of the metric against which the performance of the Company is most commonly measured by users.

Key audit matter

As reported above, we have one key audit matter being the valuation of investment property.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

Independent auditor's report (continued)

To the shareholders of Investore Property Limited



Countdown, Rotoruna

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Samuel Shuttleworth.

For and on behalf of:

Chartered Accountants

18 May 2021

Auckland



Corporate Governance

The Board of Investore has established a framework of policies, practices, and processes as part of its governance framework that are intended to ensure that Investore implements best practice standards of corporate governance. The Board sets the strategic direction and objectives for the business, identifies and manages risks, and strives to continuously improve performance.

This section of the Annual Report provides an overview of those corporate governance policies, practices and processes adopted and followed by Investore. This statement is current as at 1 May 2021.

Overview of Investore

Investore is a New Zealand incorporated company, whose fully paid ordinary shares are quoted on the NZX Main Board equity securities market under the ticker code 'IPL', with a 'nonstandard' (NS) designation. Investore has a 'non-standard' designation due to certain waivers that have been granted from the Listing Rules, which reflect the nature and operations of Investore. These waivers are described on pages 90 and 91.

Investore was established by SPL as a separate listed company in 2016 to invest in large format retail property throughout New Zealand. Investore is a listed Portfolio Investment Entity (PIE) for taxation purposes.

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

Management of Investore

Investore does not have any employees of its own and has appointed SIML as the manager of Investore's portfolio and its business pursuant to a Management Agreement between Investore and SIML. Under this Management Agreement, SIML is responsible for the management and maintenance of Investore's property portfolio and its business, negotiating the acquisition and disposal of property, development management, treasury and capital management, and ensuring Investore meets its financial, reporting, and other statutory and regulatory obligations.

Corporate Governance

The Board has adopted a corporate governance framework that is appropriate for the size and nature of Investore's operations. The Board reviews and assesses Investore's governance structures and processes to ensure they remain appropriate and effective and are consistent with best practice standards. This section of the Annual Report provides an overview of Investore's corporate governance framework and includes commentary on Investore's compliance with each of the eight corporate governance

principles and recommendations of the NZX Code for the year ended 31 March 2021, together with other legal and regulatory disclosures.

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

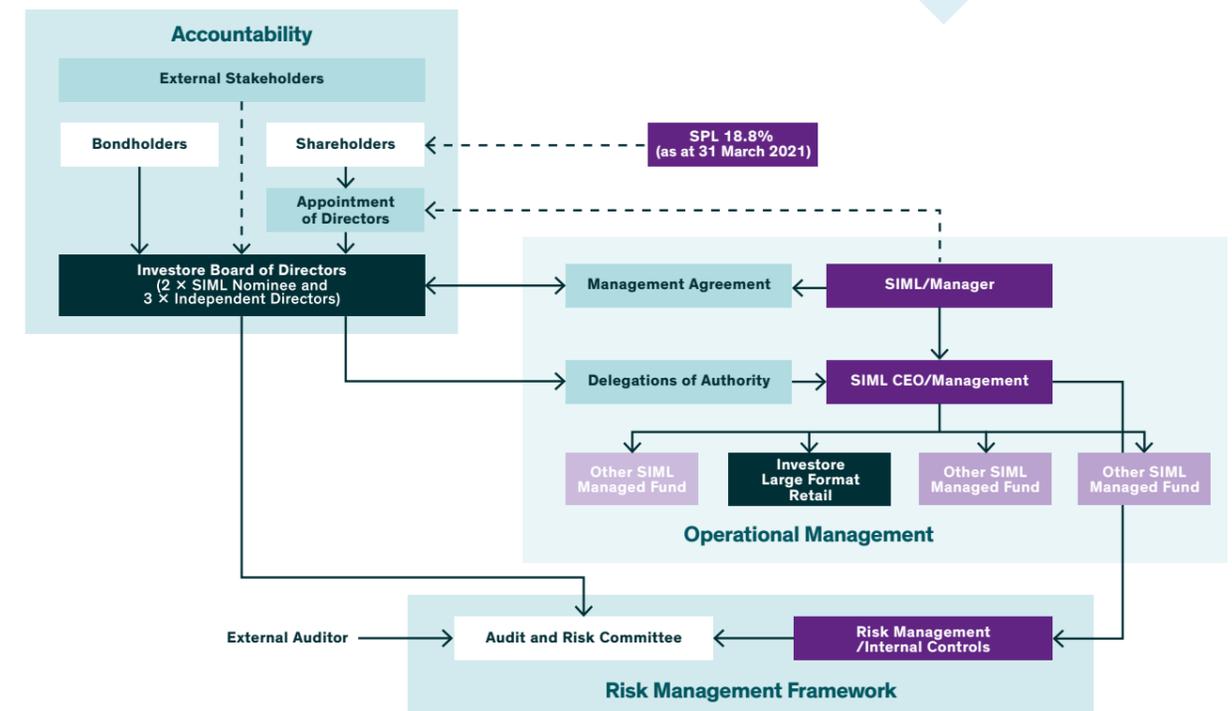
- No Remuneration Committee has been established (NZX Code Recommendation 3.3) and no Remuneration Policy has been adopted (NZX Code Recommendation 5.2), due to Investore having no employees. Director remuneration is considered by the Board as a whole and then recommended to shareholders for approval.
- No Nomination Committee has been established to recommend Director appointments (NZX Code Recommendation 3.4), as this function is assumed by the whole Board.

- As there is no Chief Executive of Investore, the requirement to disclose the remuneration arrangements in place for the Chief Executive does not apply (NZX Code Recommendation 5.3).

Investore's Website:

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

Diagram 1 – Governance Framework



Principle 1: Code of Ethical Behaviour

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

The Board sets a standard of ethical behaviour for the conduct of Investore’s business and adopts an ethics-based approach to Investore’s operations and decision-making. This approach is underpinned by a number of policies, as described below. Investore does not have a whistleblower policy, as it has no employees.

Code of Ethics

Investore has adopted a Code of Ethics which sets the standard expected by Investore of its Directors and of the employees of the Manager when conducting the business of Investore. Key principles of Investore’s Code of Ethics:

Act with honesty and integrity and demonstrate respect for others

Protect Investore’s assets and resources, including its confidential or sensitive information

Make every effort to protect the reputation of Investore and avoid a conflict between an individual’s private financial activities and the business activities of Investore

Adhere to all legal and compliance obligations

The Code of Ethics is supported by other policies, including the Manager’s Conflicts Policy, Securities Trading Policy and Market Disclosure Policy (see Principle 4: Reporting and Disclosure for a description of the Market Disclosure Policy).

Conflicts of Interest

Investore and the Board remain extremely conscious of the risk posed by conflicts of interest, particularly given the relationship between Investore, Stride Property Group, and other entities managed by SIML. The management of perceived and actual conflicts of interest is an integral feature of Investore’s day-to-day governance practices. The principles that govern the management of conflicts of interest are addressed in a number of Investore’s governance documents, including the Constitution, the Board Charter, the Code of Ethics, and a range of internal policies of SIML, the Manager. SIML has adopted a Conflicts Policy which Investore has approved, and which guides SIML in identifying and managing conflicts of interest in its operations, including its management of the business of Investore. In addition to the standing Conflicts Policy, the Board and SIML adopt transaction-specific conflicts protocols as appropriate, particularly for example, in any transaction involving Investore and another entity managed by SIML, such as SPL.

Securities Trading Policy

The Board has adopted a Securities Trading Policy which contains processes and procedures governing trading in Investore securities. The Securities Trading Policy raises awareness about the insider trading provisions within the Financial Markets Conduct Act 2013 (FMCA) and reinforces those requirements with additional internal compliance requirements. Directors of Investore and directors and employees of SIML who wish to trade in quoted financial products of Investore must comply with the Securities Trading Policy, which imposes limited trading windows and requires all persons to whom the policy applies to obtain approval prior to trading. Speculative trading is not permitted. A minimum hold period of six months for any securities acquired is imposed, except in exceptional circumstances and with the prior approval of the Company Secretary.

Principle 2: Board Composition and Performance

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

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

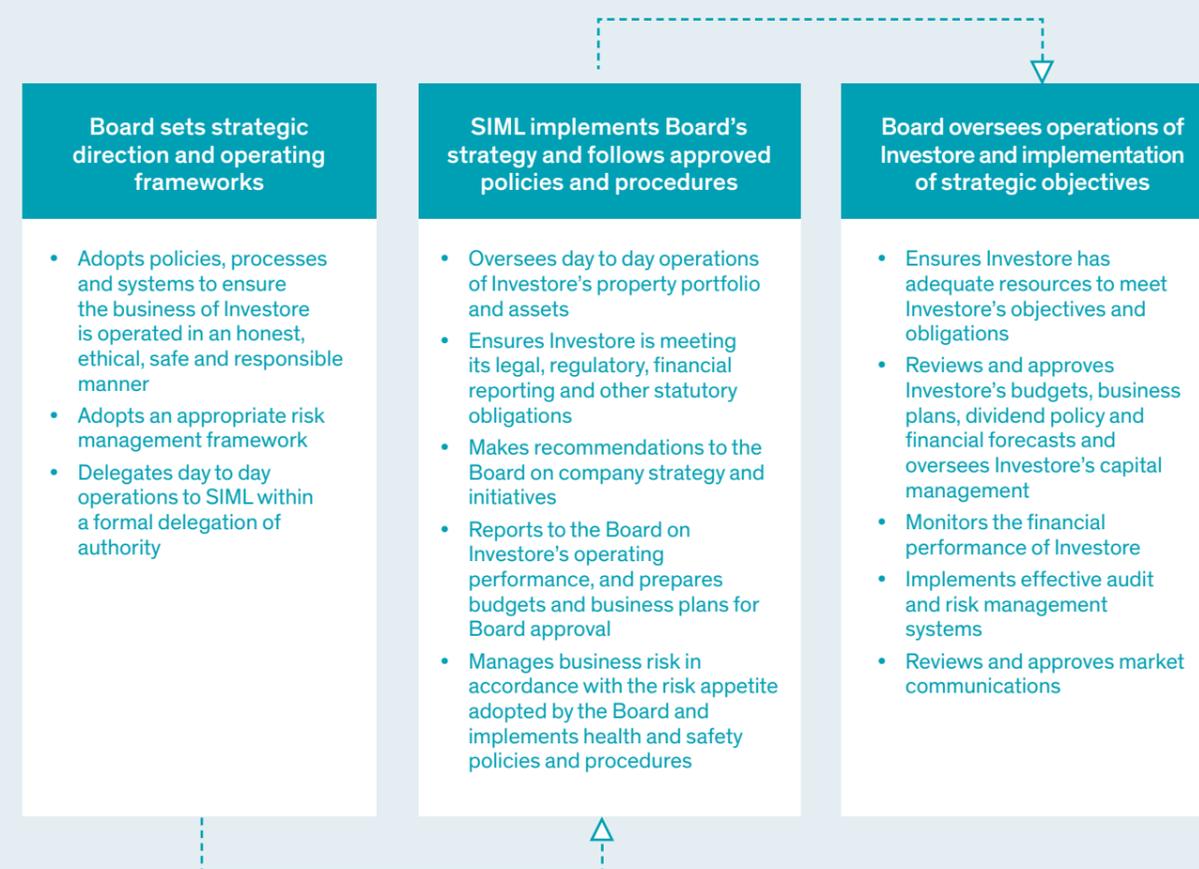
The Board’s roles and responsibilities are formalised in a Board Charter, which is available on the Company’s

website. The Board Charter outlines the functions that are reserved for the Board and those that are formally delegated to SIML as Manager. Directors review the Board Charter annually, to ensure it remains consistent with the Board’s objectives and responsibilities and sets an appropriate balance between the governance matters for which the Board retains responsibility and those operational matters which have been delegated to the Manager.

The Board retains responsibility for setting the strategic direction of Investore, overseeing performance and communicating to the market. The Board delegates the day-to-day management of Investore’s business to SIML as Manager by way of the Management Agreement and sets appropriate operating parameters through formal delegations of authority.

The relationship between the Board and SIML is a closely linked one, with regular communication and interaction, as depicted in Diagram 2.

Diagram 2 – Board and Manager Roles and Responsibilities



Composition of the Board and Director Independence

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

- At least two Directors who are 'Independent of the Manager' (as described below) where the Board is comprised of four Directors, and at least three Directors who are Independent of the Manager where the Board is comprised of five Directors.
- A non-executive Chair, who holds a casting vote in respect of Board resolutions in the case of an equality of votes, provided that the Chair is Independent of the Manager.
- At least two Directors who are ordinarily resident in New Zealand.

SIML, as Manager, has the right to appoint and remove two Directors. The two SIML appointed Directors, Tim Storey and John Harvey, are also directors of SIML and SPL.

The independent Directors (being both 'Independent of the Manager' and independent Directors pursuant to the Listing Rules) are appointed and subject to removal in the normal manner by Investore shareholders who are not associated with SIML. This means that SPL, as a shareholder of Investore, is not eligible to vote on the appointment of the independent Directors.

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

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

- The Director is not an 'Associated Person' (as defined in the Listing Rules) of SIML, any person who holds or controls more than 25% of the ordinary shares of SIML, or any related company of a person who holds or controls more than 25% of the ordinary shares of SIML;
- The Director was not appointed by SIML under its appointment rights in the Constitution;

- The Director is not an executive officer of SIML and has no 'Disqualifying Relationship' (as defined in the Listing Rules) with SIML; or
- Pursuant to any NZX Regulation ruling or other written consent of NZX, the Director is to be treated as being independent of SIML.

The Directors of Investore who held the office of Director during the 12 months to 31 March 2021, their status and date of appointment, expertise, and experience, is set out on pages 10 and 11, with their attendance at meetings set out on page 77.

The Board has reviewed the status of each of the Directors and confirms that, as at the date of release of this Annual Report, Directors Mike Allen, Gráinne Troute and Adrian Walker are independent Directors, on the basis that none of these directors have any current or prior relationship with Investore or any substantial product holder of Investore (other than his or her role as a director of Investore), and none of these directors has been a director of Investore for a length of time that may compromise independence. Accordingly, as at the date of this Annual Report, Investore's Board comprises a majority of independent directors, consistent with the recommendation in the NZX Code.

The Chair of the Board, Mike Allen, is an independent Director and is independent of the Manager. In addition, the Chair of the Board and the Chief Executive Officer of the Manager are separate.

The company secretary of Investore is an employee of SIML, as Investore has no employees. The company secretary has direct access to the Chair of the Board and Chair of the Audit and Risk Committee, to raise matters as appropriate.

Appointment of Directors

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

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

and professional expertise, and these will be considered against the Board's assessment of its needs at the time and having regard to the strategy of Investore.

Before appointing a new director, the Board undertakes appropriate pre-appointment checks, including background checks on education, employment experience, criminal history, and bankruptcy.

As reported in the Annual Report for FY20, Director Adrian Walker was appointed as a Director on 3 April 2020. He was subsequently elected as a Director by Investore shareholders at the Annual Shareholder Meeting on 9 September 2020. No other directors were appointed during FY21.

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

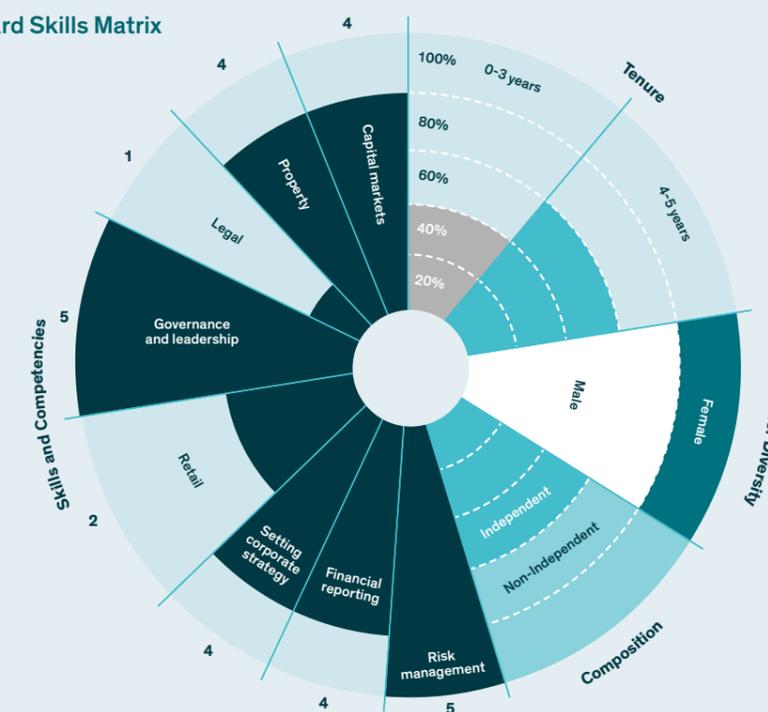
Directors' Skills and Experience

The Board regularly reviews its skills and experience against the Board's perceived skill requirements given Investore's business and its current strategic requirements.

The Board is conscious to ensure that it collectively has an appropriate mix of skills, knowledge, experience, and diversity to enable the Board to meet its responsibilities and to bring different perspectives to Board discussions. A balance is sought between Directors with experience and knowledge of the property sector, the history and operations of Investore and the Manager, and new Directors who bring new thinking, perspectives, skills and experience.

Set out in Diagram 3 is a summary of the identified mix of skills and experience among Directors that the Board has identified. This skills matrix takes account of the nature of the Company's business interests and its strategic principles. Individual Director profiles are also set out on the Investore website and on pages 10 and 11 of this Annual Report. The current mix of skills and experience is considered appropriate for the responsibilities and requirements of governing Investore.

Diagram 3 – Board Skills Matrix



Professional Development

The Board conducts continuing professional development for Directors, which includes briefings from senior SIML managers and industry experts. This is intended to enable Directors to maintain the knowledge and skill set required for the office of a Director of Investore, particularly focused on knowledge specific to the property industry, macroeconomic factors, and new regulatory and governance practices, all of which may impact on Investore's business and operations. All Directors undertake appropriate training to remain current on how to best perform their duties as Directors.

Board Review

Directors carry out an annual performance review and during FY21 the Board engaged an independent external review of its performance and its engagement with SIML management. The Board's objective with this external review was to enhance Board effectiveness by strengthening governance and leadership, and ensuring these are aligned with achieving the organisation's purpose in a sustainable way.

The review consisted of separate interviews with each Director as well as with key members of SIML management. The report provided an overview of the Board's effectiveness and confirmed that the Investore Board is characterised by a healthy, collaborative, open dynamic. The report made some suggestions for further refinement of the Board's operations. The Board met with the assessor to discuss the suggestions and agree how best to address each suggestion. As a result, the Board has modified its meeting process and will reassess the effectiveness of this new approach after a period of time.

Diversity

The Investore Board understands that different perspectives contribute to a more successful business and recognises the value in diversity of thinking and skills. Investore is committed to promoting diversity on its Board by attracting, developing, and retaining high calibre Directors from a diverse pool of individuals and skill sets. The Board also monitors diversity and inclusion practices of the manager, SIML.

The Board has adopted a Diversity Policy, which applies to the Board, given that Investore has no employees. Investore's Diversity Policy is available on its website. Investore aligns its Diversity Policy with SIML's Diversity Policy. For more information on the Manager's diversity strategy, refer to the FY21 Annual Report of Stride (when available) at www.strideproperty.co.nz

Investore has conducted a review of its Diversity Policy and the performance of Investore against its annual objectives for the year in review, and notes its progress towards achieving its objectives in Table 1. In addition, Investore has promoted diversity during FY21 through its participation in the Future Directors' programme, with the appointment of Emma McDonald as a Future Director, and the work of the Board in mentoring and supporting Emma.

The Investore Board notes that SIML has undertaken a number of initiatives during FY21 intended to improve its diversity practices, including becoming a Diversity Works member and completing the Diversity and Inclusion Stocktake and revising and improving its flexible work policy.

Gender composition of the Board of Investore

	As at 31 March 2021	As at 31 March 2020
Male	4 (80%)	3 (75%)
Female	1 (20%)	1 (25%)

Table 1 - Diversity Objectives and Progress FY21

Objective	Progress as at 31 March 2021
Recruitment Ensure recruitment procedures provide for a wide range of potential Director candidates to be considered at Board level	When conducting a search for a new Director, Investore considers diversity as one of the factors for consideration and encourages applications from a diverse range of Director candidates and utilises a variety of channels.
Reporting SIML will report periodically to the Board on diversity related matters within its business, including diversity of employees	Investore has adopted a Diversity Policy to apply to the Board which is aligned with SIML's Diversity Policy. The Investore Board takes an active approach to oversight of the Manager's diversity approach. SIML reported to the Investore Board on progress in its diversity objectives, a summary of which can be found in the Stride Annual Report for FY21 (when available).

Principle 3: Board Committees

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

Committees play an important role in Investore's governance framework, allowing a subset of the Board to focus on a particular area of importance, while still ensuring the Board as a whole is responsible for decision-making for the Company.

The Board has one standing committee in operation, the Audit and Risk Committee, to assist in the exercise of its functions and duties. The Board may also establish non-standing committees, as required, to deal with specific matters. During FY21 the Board established two temporary Due Diligence Committees, one to oversee planning and preparation for the equity capital raising undertaken during April and May 2020, and the second to oversee planning and preparation for the listed bond issue undertaken during August 2020. The purpose of the Due Diligence Committees was to ensure that the Company met its legal obligations in relation to the equity and debt raises. In both cases, all members of the Board were members of the Due Diligence Committee, along with representatives of the Manager and advisers.

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

Audit and Risk Committee

The Audit and Risk Committee operates under a written Charter which is reviewed annually by the Committee to ensure that it remains appropriate and current. This Charter is available in the Governance section of the Investore website. The Charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors,

and have at least three members, with the majority of members being independent Directors. At least two Directors on the Committee must be independent of SIML. The Chair of the Audit and Risk Committee is to be an independent Director and may not be the Chair of the Board. All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen for the position of Audit and Risk Committee member and at least one member must have accounting or related financial management expertise.

The Audit and Risk Committee currently comprises three Directors, of whom two, Gráinne Troute and Mike Allen, are independent Directors. The third member of the Committee, John Harvey, is a SIML-appointed Director with considerable financial and audit experience, having been a partner at PwC for 23 years. The Chair of the Committee, Gráinne Troute, is an independent Director and is not the Chair of the Board.

Directors who are not committee members have a standing invitation to, and regularly attend, the Audit and Risk Committee meetings. Meetings of the Audit and Risk Committee are held at least twice a year, having regard to Investore's reporting and audit cycle. Additional meetings may be held at the discretion of the Chair, or if requested by any Audit and Risk Committee member or the external auditor. The NZX Code recommends that employees (which in this case, would be senior management of SIML) should only attend Audit and Risk Committee meetings at the invitation of the Committee. The Chief Executive Officer and senior management of SIML, and the external auditor, have a standing invitation to attend Audit and Risk Committee meetings. The Audit and Risk Committee are free to, and do, meet separately with the external auditor, without senior management of SIML present, to discuss audit matters. The Audit and Risk Committee provides assistance to Directors in fulfilling their responsibility to investors in relation to the reporting practices of Investore, and the quality, integrity, and transparency of the financial reports of Investore.

The primary roles of the Audit and Risk Committee are:

Financial Reporting	Audit	Risk
<ul style="list-style-type: none"> Review financial statements and obtain the external auditor's views on disclosures and content of the financial statements to be presented to investors Review with SIML and external auditors the results of analysis of significant financial reporting issues and practices, including changes in accounting principles 	<ul style="list-style-type: none"> Recommend appointment of external auditors and monitor services provided by auditors to ensure independence is maintained Agree scope of half year review and annual audit, review audit opinion and review auditor's compensation and recommend such to the Board Report results of annual audit to the Board, including whether the financial statements comply with applicable laws and regulations 	<ul style="list-style-type: none"> Monitor and review the risk management framework established by the Manager Review key business risks and controls, and review reports on effectiveness of systems for internal control, financial reporting and risk management Review and approve key insurance policy terms and cover adequacy and recommend such to the Board

Due Diligence Committees

During the year in review a temporary Board Committee was established to oversee the equity capital raising undertaken in April and May 2020 to provide flexibility in funding to further pursue Investore's growth strategy. Given the capital raising was undertaken during the COVID-19 lockdown period, which involved a level of uncertainty and potential risk for Investore, it was determined that all Directors would participate in the Due Diligence Committee, along with members of SIML management and representatives of Investore's advisers.

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

The Due Diligence Committee was responsible for ensuring that all material information known to Investore was disclosed to the market and that the offer materials did not contain any statement that was false, misleading, or deceptive or which was unsubstantiated, and contained all of the information required by statute and the Listing Rules. The Committee also established a

system of continuing enquiry, review, and monitoring of developments between the date of the offer materials and the allotment of shares, to ensure no material information arose which should be disclosed to the market during this period.

A second Due Diligence Committee was formed in July 2020 to oversee the offer of Investore's second tranche of listed bonds, which were listed in August 2020. All Directors participated in the Due Diligence Committee, along with members of SIML management and representatives of Investore's advisers. The Due Diligence Committee operated in a similar fashion to the Due Diligence Committee formed earlier in the year for the purpose of the April and May 2020 equity capital raising and had a similar role.

Board and Committee Meetings and Attendance

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

Directors also attend briefings with senior managers of SIML on an ad hoc basis and attend investor briefings in connection with their role as a Director of Investore. These attendances are not included in the disclosure in Table 2 below but comprise an important element of Investore Director responsibilities. In addition, the Board held a strategy day during FY21, to review and reassess, to review and reassess the Company's strategic priorities. All Directors attended this strategy day.

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

Table 2 - Board and Committee Meeting Attendance for Period 1 April 2020 to 31 March 2021

	Board	Audit and Risk Committee	Due Diligence Committee and Related Board Meetings
Number of meetings in FY21	8	5	10
Mike Allen	8	5	9
Gráinne Troute	8	5	9
Adrian Walker*	7	5	10
Tim Storey	8	5	10
John Harvey	8	5	9

Note: Director Adrian Walker was appointed on 3 April 2020 following the Board meeting held that day.

Takeover Protocols

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

Principle 4: Reporting and Disclosure

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

Market Disclosure Policy

Investore has a Market Disclosure Policy, available on Investore’s website, to ensure the Company meets its obligation to keep the market informed of all material information. This policy sets out Investore’s commitments in relation to market disclosure, to:

Ensure that shareholders, bondholders, and the market are provided with full and timely information about Investore’s activities

Comply with the continuous disclosure principles contained in statute and in the Listing Rules

Ensure that all market participants have equal opportunities to receive externally available information issued by Investore

The Policy requires all directors and executive officers of SIML and Directors of Investore to inform the Chief Executive Officer of SIML or the SIML General Manager Corporate Services (who is also the Disclosure Officer under the Policy) of any potentially material information or proposal immediately after the relevant person becomes aware of that information or proposal. A Disclosure Committee, comprising Investore’s Chair and SIML’s Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services, is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

This policy and Investore’s compliance with the policy were reviewed by the Board during FY21.

Availability of Key Governance Documents

Investore is committed to ensuring that investors and potential investors are informed as to Investore’s key governance policies and charters, and accordingly, key documents are available on Investore’s website. These include: Board Charter, Audit and Risk Committee Charter, annual and interim reports, announcements, key corporate governance policies and other investor related material (as recommended in the NZX Code).

A remuneration policy has not been prepared by Investore as Investore has no employees. However, information regarding Director remuneration is made available to investors when shareholders are asked to approve any changes to Director remuneration and is reported in the annual reports of Investore.

Financial Reporting

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

Non-Financial Reporting

Risks

The Audit and Risk Committee establishes processes to identify and consider the material business risks faced by Investore. The Board also regularly receives risk management reports and reviews key risks to the business of Investore and the controls implemented to manage exposure to those risks. All identified risks have specific mitigation strategies where appropriate, and the Manager regularly reviews the effectiveness of these strategies.

Environmental Sustainability, Social Responsibility and Corporate Governance

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

The Investore sustainability strategic plan was refreshed during FY21, in conjunction with SIML, and three distinct goals were established, with a series of objectives and actions which flow from these goals.

Sustainability Strategic Plan

Objective	Contribute to a resilient community	Develop shared prosperity	Protect the planet
Description	We want to ensure leading health and safety performance and support a connected and inclusive society	We want to foster long-term prosperity by investing in and managing outstanding places that reward everyone connected with them	We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future
UN Sustainable Development Goals	 3 GOOD HEALTH AND WELL-BEING	 8 DECENT WORK AND ECONOMIC GROWTH	 11 SUSTAINABLE CITIES AND COMMUNITIES
	 5 GENDER EQUALITY	 11 SUSTAINABLE CITIES AND COMMUNITIES	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	 10 REDUCED INEQUALITIES		 13 CLIMATE ACTION

During FY21 the Investore Board considered the key risks, at a high level, that may be faced by Investore in relation to climate change, and, in accordance with the Taskforce on Climate-related Financial Disclosures, categorised those risks into two categories – transition risks, being those associated with transitioning to a low-carbon economy; and physical risks, being risks arising as a result of changes in the physical climate and acute climate events. A description of these risks can be found on pages 23 and 24 of this Annual Report. Investore will work with SIML during FY22 to undertake further work to refine and develop these risks to form a detailed and comprehensive climate risk assessment for Investore.

Principle 5: Remuneration

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

Directors are remunerated in the form of Directors' fees as approved by shareholders, with a higher level of remuneration for the Chair of the Board and an additional amount for the Chair of the Audit and Risk Committee, to reflect the additional time and responsibilities that these positions require. No Director of Investore is entitled to any remuneration other than by way of Directors' fees and the reasonable reimbursement of travel, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director. Directors do not participate in any Company share or option plan.

The Board is collectively responsible for recommending Director remuneration packages to shareholders. As previously advised to the market, Investore intends to review Director remuneration every two years. Investore remains committed to the principle that remuneration is set and managed in a manner which is fair, transparent, and reasonable.

Investore does not have a remuneration policy because it has no employees, and accordingly pays no executive remuneration.

Table 3 sets out Director remuneration for those Directors who held office in the year to 31 March 2021. These fees are consistent with those approved by shareholders at the annual meeting of Investore in 2019. As noted at that annual meeting, Investore does not operate a fee pool, and has no pool for additional attendances.

Table 3 - Directors' Remuneration

Director	Remuneration
Mike Allen	\$85,000
Gráinne Troute	\$51,500
Adrian Walker	\$45,000
Tim Storey	\$45,000
John Harvey	\$45,000
Total*	\$271,500

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

Principle 6: Risk Management

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

Risk Management Framework

The Board recognises that identification and management of risks to Investore's business is essential to the continued success of Investore. The Board is responsible for overseeing and approving Investore's risk management strategy and policies, as well as ensuring effective audit, risk management and compliance systems are in place.

The Audit and Risk Committee assists the Board in fulfilling its risk assurance and audit responsibilities and the Board then delegates the implementation of a Board approved risk management framework to the Manager, SIML. Investore has established a risk management framework, supported by a set of risk-based policies appropriate for Investore, including a Treasury Policy, the Manager's Conflicts Policy, Investment Mandate and Delegations of Authority (which are endorsed and approved by Investore).

The principal purpose of this framework is to integrate risk management into Investore's operations, and to formalise risk management as part of Investore's internal control and corporate governance arrangements.

As part of the risk management framework, the Manager maintains a comprehensive risk register for Investore, recording the key risks to its business, and assigning each risk a rating based on the likelihood and impact of the risk, both before and after application of controls. The risk register is reviewed on a semi-annual basis and the high and critical risks are reported to the Board, as well as an assessment of any new risks.

The Board focused on the risks posed by COVID-19 during the year in review, while also being aware that this was not the only issue faced by the business. As reported in the “Sustainability” section of this Annual Report, the Board is conscious of the risks posed by climate change, and during FY22 will continue to develop a comprehensive understanding of the risks posed to Investore's business through climate change and the response to climate change.

Management of Health and Safety Risk

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

Investore's health and safety approach reflects the externally managed nature of its business. In appointing SIML to manage the Investore business, Investore relies on SIML to ensure that Investore is complying with its health and safety obligations. The Investore Board works closely with SIML to understand the key risks to Investore's business from a health and safety perspective, ensure that these risks are eliminated or minimised, and that SIML is implementing appropriate systems and procedures to ensure effective management of health and safety risks when managing Investore's assets and business.

SIML sets key performance indicators on an annual basis and reports regularly against those key performance indicators to the Investore Board. In addition, the Investore Board reviews any incidents across the Investore sites and SIML's remedial actions in relation to incidents, and seeks to ensure that there is continual learning from any incidents or near misses. During FY21 Investore continued to promote a positive health and safety culture throughout its area of influence, including SIML, tenants and its supply chain.

A key area of focus for both Investore and SIML is contractor management, through ensuring that contractors with appropriate health and safety practices are engaged, and when engaged they are minimising risks to staff, public and tenants in undertaking their activities. During FY21, the key health and safety issue facing Investore was the impact of COVID-19 on its operations and those of its tenants. As many of the Investore tenants are considered 'essential businesses' within the Government definition on the www.covid19.govt.nz website, the sites those tenants

operated from were required to be kept operational. Investore, in conjunction with its tenants, identified those contractors that were required to keep the sites operational and safe, and identified and reviewed those contractors' processes and procedures for safe operating. As the alert levels changed, Investore's key focus was on ensuring appropriate information was provided to contractors and tenants regarding operational expectations such as physical distancing, contact tracing and sanitising, and monitoring to ensure these expectations were being met.

Principle 7: Auditors

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

PwC is the auditor of Investore. The principles that govern the relationship between Investore and its external auditors are set out in the Audit and Risk Committee Charter, which includes the Audit Independence Guidelines. These Guidelines require compliance with the Listing Rules, which requires rotation of the lead audit partner at least every five years. Investore, in conjunction with SIML, has determined to rotate its lead audit partner for FY22, meaning that the FY21 audit will be the final audit for the current lead partner.

Investore does not have a policy of rotating its audit firm, on the basis that there is a limited pool of external audit firms within New Zealand and Investore engages the other major firms for non-audit services, meaning they would be conflicted if approached to act as auditor. As Investore has been operational for five years only, Investore's Audit and Risk Committee will continue to consider its audit independence framework.

Investore's Audit Independence Guidelines set out a description for determining the non-audit services that may be provided by the external auditor without compromising the external auditor's independence. The Audit and Risk Committee regularly monitor non-audit services provided by the external auditor and confirm whether these services prejudice the maintenance of independence of the auditor. Any non-audit services provided by the external auditor must be approved by the Chair of the Audit and Risk Committee. The purpose of the audit independence framework is to ensure that audit independence is maintained, both in fact and appearance, so that Investore's external financial reporting is both reliable and credible. For FY21, PwC, as auditor, did not provide any services other than audit and review of financial statements and other assurance services.

Director John Harvey was formerly a partner at PwC, the audit firm for Investore. However, as John Harvey retired from the PwC partnership in 2009, the Board has determined that his prior relationship with PwC does not prejudice the independence of the auditor.

The Audit and Risk Committee meet at least twice a year with the external auditors, with the opportunity

to meet without any representatives of the Manager present. The Board invites the external auditor to attend meetings of the Audit and Risk Committee as required. Directors are free to make direct contact with the external auditor as necessary to obtain independent advice and information. The external auditor also attends shareholder meetings to answer questions from shareholders in relation to the audit.

Investore engages SIML to manage its business, as it has no employees. Investore therefore has no internal audit function, and Investore is aware that SIML, as Manager, does not operate an internal audit function due to its size. However, the Investore Board and/or Manager engage consultants to undertake internal reviews from time-to-time on a project-by-project basis, and can monitor, amongst other things, internal controls, risk management or the integrity of financial systems. Such projects can operate both with and independently from the Manager, with findings reported directly to the Board.

Principle 8: Shareholder Rights and Relations

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

Investor Communications

The Board believes that open communication with investors is very important to ensure effective governance and oversight of the business of Investore. Investors deserve to be provided with such information as may be required to enable them to make informed decisions about their investment in Investore.

The Board has adopted a Market Disclosure Policy that establishes procedures aimed at ensuring Directors are aware of and fulfil their disclosure obligations under the Listing Rules. Significant market announcements require the prior approval of the Board. Material announcements are posted on Investore's page on the NZX website, www.nzx.com, under the ticker “IPL”, and are also posted on Investore's website, enabling investors to access these announcements easily. In addition, the Investore website has copies of all presentations and reports (including annual and interim reports) released by Investore, and shareholders are encouraged to

refer to the website www.investoreproperty.co.nz for information on the Company.

While annual and interim reports are made available on the NZX website, www.nzx.com, and are also available on Investore's website, www.investoreproperty.co.nz, investors can also request hard copies by contacting Investore's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report).

The Company encourages investors to receive investor communications by electronic means where possible. Investore participates in the regular initiative undertaken by its share registrar, Computershare, to encourage investors to receive communications electronically, as this saves money for Investore and benefits the environment through avoiding the use of resources for printed documents.

Shareholder Meetings

Investore's shareholders have the right to vote on major decisions in accordance with the Listing Rules.

The Board endeavours, where possible, to distribute every Notice of Meeting for shareholder meetings at least 20 working days prior to any shareholder meeting. During FY21, shareholders were given at least 20 working days' notice of the Annual Shareholder Meeting held on 9 September 2020. This meeting was initially set to be held in person, but due to the Auckland lockdown restrictions imposed in August 2020, the Board determined that the risk of the meeting not being able to go ahead was too great and accordingly elected to change the meeting to a virtual meeting. The Board would prefer to hold a physical meeting where possible.

Shareholders are encouraged to attend Investore's Annual Shareholder Meeting and take the opportunity to meet the Board and senior managers of the Manager. All Directors and senior managers of the Manager attend shareholder meetings and are available for questions. The Chair provides time for questions from the floor, and these are answered by the appropriate member of the Board or Manager. Investore's external auditor attends the meeting and is available to take questions on the preparation of the financial statements and the auditor's report. The next Annual Shareholder Meeting for Investore is scheduled to be held on 8 July 2021.

Statutory Disclosures

Capital Raising

Investore undertook an equity capital raise during April and May 2020 (the Capital Raise), comprising:

- an \$85 million underwritten share placement (Placement); and
- a retail offer to eligible shareholders of up to \$15 million, with the ability to accept additional applications of up to \$5 million at Investore's discretion (Retail Offer).

The Capital Raise was successfully completed on 20 May 2020 and Investore elected to accept additional applications under the Retail Offer. Accordingly, just over 63.6 million shares were issued at \$1.65 per share, equating to \$105 million of gross proceeds raised. The net proceeds of the Capital Raise were used to repay debt, providing funding flexibility for Investore to continue its strategy of targeted growth.

The Retail Offer permitted each eligible shareholder to apply for up to \$50,000 of additional shares in Investore, under Listing Rule 4.3.1(c) as modified by the class waiver and ruling issued by NZX Regulation dated 19 March 2020 and the waiver issued by NZX Regulation to Investore dated 29 April 2020. The effect of the class waiver and ruling issued by NZX Regulation was to temporarily increase the aggregate dollar value of shares that may be issued to each shareholder under a Share Purchase Plan to \$50,000 in any 12-month period, for a short period of time, to assist issuers to raise capital given the impacts of COVID-19. The waiver issued by NZX Regulation to Investore in respect of this Capital Raise was to permit Investore to issue shares under the Share Purchase Plan of up to \$50,000 per registered holder, even though Investore undertook a capital raise in November and December 2019, which included a Share Purchase Plan component.

The Investore Board determined, having received advice on options for the structure of the Capital Raise, to undertake the Capital Raising by way of the Placement and Retail Offer (rather than under a pro rata structure such as a rights or entitlement offer) for a number of reasons:

- Due to the need to move quickly given the COVID-19 period, the Placement and Retail Offer enabled Investore to prepare and undertake the Capital Raise in a short period of time as Investore could use the precedents it had developed for the capital raise in November and December 2019 as a base. This enabled Investore to bring the Capital Raise to market in a short period of time;
- The Placement and Retail Offer could be, and was, sized and structured in such a way as to enable almost all shareholders to apply for at least their pro rata shareholding in Investore;
- By relying on the NZX class waiver and ruling, the Retail Offer of up to \$50,000 worth of shares per registered holder enabled approximately 98% of Investore's shareholders to participate in the Retail Offer to a level which at least maintained their pre-offer holding;
- The Retail Offer enabled smaller shareholders to participate in the equity raising at the same price as institutions in the Placement but with the benefit of having a longer offer period to consider participation.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of the Board during the period 1 April 2020 to 31 March 2021 pursuant to section 140 of the Companies Act 1993, are shown in Table 4.

Table 4 – Interests Register Entries

Director	Company	Position
Mike Allen (Chair)	Breakwater Consulting Limited	Director
	China Construction Bank (New Zealand) Limited	Director
	Tainui Group Holdings Limited	Director (1)
	Waikato-Tainui Fisheries Limited	Director (1)
	Taumata Plantations Limited	Director
	QuayStreet Asset Management Limited	Chair (2)
	Johnston's Coachlines (NZ) Limited	Director (1)
	Go-Bus Transport Limited	Director (1)
	Go-Bus Holdings Limited	Director (1)
	Ngai Tahu Tainui Go Bus Holdings Limited	Director (1)
Abano Healthcare Group Limited	Director (1)	
Gráinne Troute	Tourism Holdings Limited	Director
	Summerset Group Holdings Limited	Director
	Tourism Industry Aotearoa	Chair (2)
Adrian Walker	Nil	
Tim Storey	Stride Property Limited and subsidiaries	Chair
	Stride Investment Management Limited	Chair
	Industre Property Nominee Limited and related entities	Director (2)
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
John Harvey	LawFinance Limited	Chair
	Stride Property Limited and subsidiaries	Director
	Stride Investment Management Limited	Director
	Pomare Investments Limited	Director / Shareholder
	Kathmandu Holdings Limited	Director
	Heartland Bank Limited	Director
Port of Napier Limited	Director	

(1) Entries removed by notices given by Directors during the year ended 31 March 2021.

(2) Entries added by notices given by Directors during the year ended 31 March 2021.

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

Director	Nature of interest
Tim Storey and John Harvey	An interest declared by Directors Tim Storey and John Harvey, who are Directors of Stride Property Limited, and are interested in the acquisition by Stride Property Limited of shares in Investore under the equity capital raisings conducted by Investore during FY21.

Directors of Subsidiary Companies

Investore Property Limited had no subsidiaries as at 31 March 2021.

Indemnity and Insurance

As permitted by Investore's Constitution, Investore has entered into a deed of access, indemnity, and insurance to indemnify its Directors for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act 1993. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and in the best interests of the relevant company, or liabilities that cannot be legally indemnified.

Investore also has a Directors and Officers liability insurance policy in place. Among other things, the Directors and Officers liability insurance policy excludes cover for deliberate dishonesty, insider trading, fines and penalties (except for legally indemnifiable civil fines or civil penalties), liability arising out of a breach of professional duty other than as a professional director, and liability for which the insured is legally indemnified.

Use of Company Information

No notices have been received by Investore under section 145 of the Companies Act 1993 with regard to the use of Investore's information received by Directors in their capacities as Directors of Investore.

Loans to Directors

There are no loans to the Directors of Investore.

Directors' Interests in Shares

Directors disclosed the following relevant interests in Investore shares as at 31 March 2021:

Director	Relevant interest held in ordinary shares
Mike Allen	56,592
Gráinne Troute	32,590
Tim Storey	49,759
John Harvey	49,759

Directors are not required to hold shares in the Company, but may choose to do so in order to demonstrate alignment of interests in the performance of the Company with shareholders.

Twenty Largest Registered Shareholders as at 31 March 2021

Name	Number of Shares	Percentage of Shares
Stride Property Limited	69,201,977	18.80
Forsyth Barr Custodians Limited	31,293,196	8.50
Accident Compensation Corporation - NZCSD	29,246,624	7.94
JBWere (NZ) Nominees Limited	18,511,762	5.03
HSBC Nominees (New Zealand) Limited - NZCSD	16,029,427	4.35
FNZ Custodians Limited	15,512,926	4.21
Citibank Nominees (New Zealand) Limited – NZCSD	13,126,725	3.57
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	12,736,316	3.46
BNP Paribas Nominees (NZ) Limited – NZCSD	11,742,930	3.19
National Nominees Limited – NZCSD	10,693,513	2.90
New Zealand Depository Nominee Limited	8,698,175	2.36
Generate KiwiSaver Public Trust Nominees Limited – NZCSD	8,126,693	2.21
ANZ Wholesale Australasian Share Fund – NZCSD	7,602,569	2.07
ANZ Wholesale Property Securities - NZCSD	5,362,572	1.46
MFL Mutual Fund Limited – NZCSD	5,260,426	1.43
Custodial Services Limited	5,085,947	1.38
BNP Paribas Nominees (NZ) Limited – NZCSD	4,920,521	1.34
Hobson Wealth Custodians Limited	4,714,223	1.28
Custodial Services Limited A/C 3	4,622,869	1.26
Custodial Services Limited A/C 2	2,937,033	0.80
	285,426,424	77.53

Numbers may not sum due to rounding.

Twenty Largest Registered Bondholders (IPL010) as at 31 March 2021

Name	Units	% Units
National Nominees Limited - NZCSD	14,388,000	14.39
Forsyth Barr Custodians Limited	13,691,000	13.69
FNZ Custodians Limited	13,156,000	13.16
Hobson Wealth Custodians Limited	6,607,000	6.61
HSBC Nominees (New Zealand) Limited - NZCSD	5,518,000	5.52
Custodial Services Limited <A/C 4>	5,239,000	5.24
Custodial Services Limited <A/C 2>	3,473,000	3.47
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	3,275,000	3.28
JBWere (NZ) Nominees Limited	3,000,000	3.00
Custodial Services Limited <A/C 3>	2,789,000	2.79
Investment Custodial Services Limited	2,410,000	2.41
ANZ Fixed Interest Fund - NZCSD	1,744,000	1.74
Custodial Services Limited <A/C 18>	1,669,000	1.67
Custodial Services Limited <A/C 1>	1,627,000	1.63
Mint Nominees Limited - NZCSD	1,600,000	1.60
FNZ Custodians Limited	1,102,000	1.10
Hobson Wealth Custodian Limited	930,000	0.93
BNP Paribas Nominees (NZ) Limited - NZCSD	900,000	0.90
Commonwealth Bank of Australia - NZCSD	654,000	0.65
Forsyth Barr Custodians Limited	548,000	0.55
	84,320,000	84.32

Numbers may not sum due to rounding.

Twenty Largest Registered Bondholders (IPL020) as at 31 March 2021

Name	Units	% Units
Forsyth Barr Custodians Limited	26,145,000	20.92
FNZ Custodians Limited	15,314,000	12.25
National Nominees Limited - NZCSD	11,500,000	9.20
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	9,396,000	7.52
Hobson Wealth Custodians Limited	7,751,000	6.20
Custodial Services Limited <A/C 4>	5,871,000	4.70
TEA Custodians Limited Client Property Trust Account - NZCSD	5,215,000	4.17
HSBC Nominees (New Zealand) Limited - NZCSD	4,250,000	3.40
Queen Street Nominees ACF PIE Funds - NZCSD	4,000,000	3.20
ANZ Fixed Interest Fund - NZCSD	3,546,000	2.84
JBWere (NZ) Nominees Limited	3,210,000	2.57
Citibank Nominees (New Zealand) Limited - NZCSD	2,680,000	2.14
Custodial Services Limited <A/C 2>	2,573,000	2.06
Investment Custodial Services Limited	2,190,000	1.75
Custodial Services Limited <A/C 3>	1,860,000	1.49
Forsyth Barr Custodians Limited	1,748,000	1.40
FNZ Custodians Limited	1,110,000	0.89
NZPT Custodians (Grosvenor) Limited - NZCSD	1,000,000	0.80
Custodial Services Limited <A/C 18>	972,000	0.78
Custodial Services Limited <A/C 16>	746,000	0.60
	111,077,000	88.86

Numbers may not sum due to rounding.

Substantial Product Holders as at 31 March 2021*

As at 31 March 2021, the names of all persons who are substantial product holders in Investore pursuant to sub-part 5 of part 5 of the Financial Markets Conduct Act 2013 are noted below:

Name	Date of substantial product holder notice	Relevant interest in the number of ordinary shares	% of ordinary shares held
Stride Property Limited	20 May 2020	69,201,977	18.8
ANZ New Zealand Investments	16 November 2020	29,952,148	8.1
Accident Compensation Corporation	31 March 2021	28,746,624	7.8
Salt Funds Management Limited	16 December 2020	22,332,090	6.1
Forsyth Barr Investment Management Limited	13 November 2020	18,464,665	5.0

*The number of ordinary shares listed in the table are as per the last substantial product holder notice filed on or prior to 31 March 2021.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2021

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 - 99	25	0.49	1,018	0.00
100 - 199	14	0.27	1,843	0.00
200 - 499	126	2.46	46,885	0.01
500 - 999	294	5.74	212,171	0.06
1,000 - 1,999	731	14.27	1,070,639	0.29
2,000 - 4,999	1,322	25.81	4,277,163	1.16
5,000 - 9,999	1,070	20.89	7,427,376	2.02
10,000 - 49,999	1,297	25.32	25,757,195	7.00
50,000 - 99,999	138	2.69	9,253,666	2.51
100,000 - 499,999	70	1.37	12,204,576	3.32
500,000 - 999,999	4	0.08	2,629,662	0.71
1,000,000 and over	31	0.61	305,252,839	82.92
Total	5,122	100.00	368,135,033	100.00

Distribution of Holders of IPL010 Listed Bonds as at 31 March 2021

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 - 9,999	37	7.40	209,000	0.21
10,000 - 49,999	355	71.00	6,784,000	6.78
50,000 - 99,999	57	11.40	3,219,000	3.22
100,000 - 499,999	31	6.20	5,468,000	5.47
500,000 - 999,999	4	0.80	3,032,000	3.03
1,000,000 and over	16	3.20	81,288,000	81.29
Total	500	100.00	100,000,000	100.00

Distribution of Holders of IPL020 Listed Bonds as at 31 March 2021

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 - 9,999	38	11.80	259,000	0.21
10,000 - 49,999	193	59.94	4,084,000	3.27
50,000 - 99,999	33	10.25	1,965,000	1.57
100,000 - 499,999	36	11.18	6,430,000	5.14
500,000 - 999,999	4	1.24	2,903,000	2.32
1,000,000 and over	18	5.59	109,359,000	87.49
Total	322	100.00	125,000,000	100.00

Donations

Investore made no donations in the year ended 31 March 2021.

Credit Rating

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

Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Investore during FY21.

Auditor's Fees

As noted, PwC has continued to act as auditor for Investore and the amount payable by Investore to PwC, for audit fees and non-audit work fees, in respect of FY21 is set out in note 7.2 to the Financial Statements.

NZX Waivers

During FY21 Investore was granted or relied on certain waivers from the Listing Rules, which are described below. A copy of these waivers is available at www.nzx.com/companies/IPL

Investore has been granted a number of waivers from the Listing Rules in relation to its structure, including the right of SIML to appoint two directors, which are outlined below.

Listing Rules 2.2.1 to 2.8.1

Listing Rules 2.2.1 to 2.8.1 stipulate certain requirements in relation to the appointment, removal and rotation of Directors. A waiver from Listing Rules 2.2.1 to 2.8.1 was granted to the extent that SIML, as the Manager of Investore, has exercised its right to appoint two Directors (the SIML appointed Directors). This waiver is subject to a number of conditions, including that:

- the Chair of the Board must be independent and have a casting vote on any Board resolutions;
- Investore is not permitted to count any votes cast by SPL (and its Associated Persons (as defined in the Listing Rules) (other than votes cast by a Director in respect of shares owned or held in their personal capacity)) on the election or removal of the independent Directors;
- Investore will continue to be identified by a "Non-Standard Designation" (NS Designation);
- the NS Designation be disclosed as a part of Investore's offer documents and annual reports; and
- this waiver is disclosed as part of Investore's annual reports.

This waiver was requested and granted to ensure that SIML, while it is Manager of Investore, is able to have influence over the strategic direction of Investore by being able to appoint two (but not less than two) Directors and to remove any such Director and appoint another in their place.

Listing Rule 2.10.1

Listing Rule 2.10.1 limits the ability of Directors to vote on matters in which they are "interested" for the purposes of the Companies Act 1993. A waiver from Listing Rule 2.10.1 was granted to permit the SIML appointed Directors to vote on matters in which they are "interested" solely due to their directorship of both Investore and SIML. This waiver is subject to the conditions that:

- the Chair of the Board must be independent and have a casting vote on any Board resolutions;
- any Directors appointed by SIML must be identified in Investore's offer documents and its annual reports;

- at any time that a new person is appointed to the Investore Board, that each Director certifies to NZX Regulation that any Board resolution that they approve will, in their opinion, be in what the Director believes to be the best interests of Investore; and
- that this waiver is disclosed as a part of Investore's 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.

In addition, on 29 April 2020 Investore was granted certain waivers in connection with the equity capital raise undertaken in April and May 2020, which are outlined below:

Listing Rule 5.2.1

Rule 5.2.1 prohibits an issuer entering into a material transaction with a related party, unless that material transaction is approved by an ordinary resolution or is conditional on such approval, subject to certain limited exceptions. A waiver from Rule 5.2.1 was granted to Investore to permit certain related parties to participate in the Placement announced by Investore on 29 April 2020 without the requirement to obtain the approval of shareholders. The "related parties" to which the waiver related were those shareholders who held more than 10% of Investore's shares, being SPL, ANZ New Zealand Investments Limited and related bodies corporate, and Salt Funds Management Limited. The waiver was required to enable Investore to allocate more shares in the Placement to these related parties than they would be entitled to under their pro rata allocation, to provide Investore flexibility to allocate shares in the Placement so as to maximise the amount received for those shares. The waiver was subject to the conditions that:

- Investore was not unduly influenced in its decision to undertake the Placement by the related parties;
- the related parties who participate in the placement will not be involved in, or influence, any allocation decision in relation to the Placement;
- the related parties will derive no benefit as a result of the related party relationship, other than solely through participation in the placement on the same terms and conditions as all other equity security holders or as participants in the Placement on commercial terms; and
- the waiver, its conditions and its implications are disclosed in this Annual Report.

The Independent Directors of Investore were required to certify to NZX that the above conditions were satisfied.

Limb (a) of the definition of "Share Purchase Plan"

The definition of Share Purchase Plan in the Listing Rules provides that the consideration payable for the equity securities issued under the Share Purchase Plan must not exceed \$15,000 per registered holder in any 12-month period. This definition was amended by way of a class waiver and ruling issued by NZX Regulation dated 19 March 2020 to increase the limit per registered holder to \$50,000. Investore sought and was granted a waiver from limb (a) of the definition of "Share Purchase Plan" to the extent that the definition would prevent Investore from accepting applications in excess of \$50,000 per registered holder in any 12-month period as a result of the capital raising undertaken in November and December 2019.

The waiver was granted on the conditions that:

- the consideration payable for the shares issued in the Share Purchase Plan announced on 29 April 2020 does not exceed \$50,000 per registered holder or, in the case of shares held through a custodian, each beneficial owner; and
- the waiver, its conditions and its implications are disclosed in this Annual Report.

Directors' Statement

This Annual Report is dated 18 May 2021 and is signed for and on behalf of the Board of Directors of Investore Property Limited by:



Mike Allen
Chair of the Board



Gráinne Troute
Chair of the Audit and Risk Committee

Glossary

Board	Board of Directors of Investore Property Limited
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at the relevant date, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant
Distributable Profit	Distributable profit is a non-GAAP measure and consists of profit/ (loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 3.2 to the Financial Statements
FY20	The financial year ended 31 March 2020
FY21	The financial year ended 31 March 2021
FY22	The financial year ended 31 March 2022
Investore or the Company	Investore Property Limited
Listing Rules	The main board listing rules of NZX
LVR	Loan to value ratio
NLA	Net Lettable Area
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2020
SIML or the Manager	Stride Investment Management Limited, the Manager of Investore under a Management Agreement dated 10 June 2016 (as may be amended from time to time)
SPL	Stride Property Limited
WALT	Weighted Average Lease Term

Corporate Directory

Board of Directors

Mike Allen (Chair)
Gráinne Troute
Adrian Walker (appointed 3 April 2020)
Tim Storey (SIML Appointed Director)
John Harvey (SIML Appointed Director)

Registered Office

Level 12, 34 Shortland Street, Auckland 1010
PO Box 6320, Victoria Street West
Auckland 1142, New Zealand

W investoreproperty.co.nz

Manager

Stride Investment Management Limited
Level 12, 34 Shortland Street, Auckland 1010
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Auckland 1142, New Zealand

T +64 9 912 2690

Auditor

PwC
PwC Tower
15 Customs Street West, Auckland 1010
Private Bag 92162, Auckland 1142

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Victoria Street West
Auckland 1142

T +64 9 488 8777

F +64 9 488 8787

E enquiry@computershare.co.nz

Legal Adviser

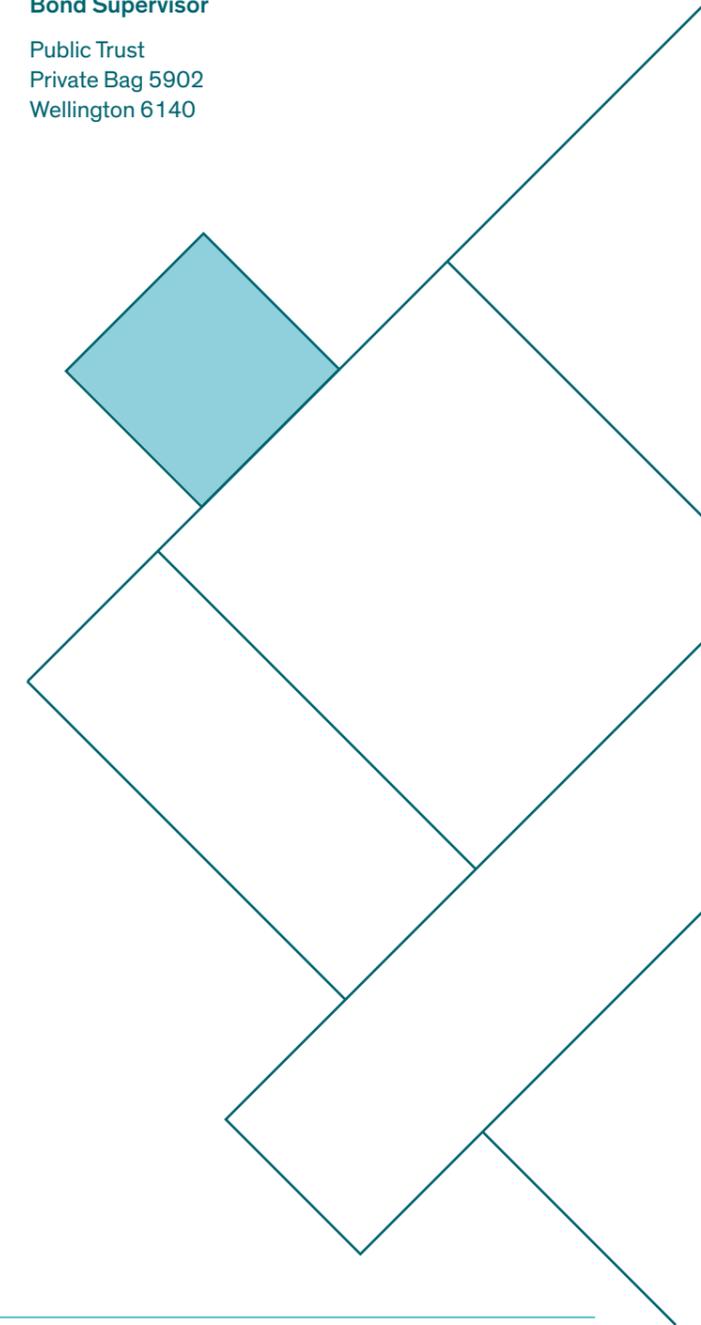
Bell Gully
Level 21, Vero Centre
48 Shortland Street, Auckland 1010
PO Box 4199, Auckland 1140

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand
China Construction Bank, New Zealand Branch
Commonwealth Bank of Australia
Industrial and Commercial Bank of China Limited, Auckland Branch
Westpac New Zealand Limited

Bond Supervisor

Public Trust
Private Bag 5902
Wellington 6140



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