

investore

Managed by Stride Investment
Management Limited



Interim Report

For the six months ended 30 September 2021

Contents

2	Highlights
4	Chair and Manager's Overview
6	Targeted Growth
8	Active Portfolio Management
10	Proactive Capital Management
12	Glossary
15	Consolidated Interim Financial Statements
38	Corporate Directory

Highlights

For the six months ended 30 September 2021 (HY22)

\$83.8m

Total acquisitions¹ for the six months ended 30 September 2021

\$1,149m

portfolio value² as at 30 September 2021, representing a net valuation increase for the six months to 30 September 2021 of \$44.8m or 4.1%

\$15.4m

profit before other income/ (expense) and income tax

Up \$3.2m from HY21

\$56.9m

profit after income tax

Down \$34.1m from HY21 due to a lower revaluation movement compared with the prior period

\$13.3m

distributable profit³ after current income tax

Down \$0.4m from HY21

1. Includes the acquisition of the property at Waimak Junction, Kaiapoi, for \$10.5m, which acquisition remains conditional.
2. Portfolio value excludes: (1) the seismic works to be completed by Stride Property Limited (SPL) and the rental guarantee provided by SPL (total \$5.6 million) in relation to the three large format retail properties acquired from SPL on 30 April 2020; (2) lease liabilities;
3. See glossary on page 12.
4. Assuming no further economic deterioration due to COVID-19 and subject to the actual financial impact of COVID-19 restrictions and Government mandated rent abatements.
5. LVR is calculated based on independent valuations as at 30 September 2021, which include seismic works and rental guarantees to be funded by SPL in relation to the three properties acquired from SPL and settled in April 2020. The independent valuations also exclude lease liabilities.



\$2.20

net tangible assets per share as at 30 September 2021

Up 5.8% from 31 March 2021

9.5 years

Weighted Average Lease Term (WALT) as at 30 September 2021

7.90cps

cash dividend guidance⁴ for FY22

Up 3.9% from guidance provided in May 2021

99.0%

portfolio occupancy by area

29.8%

Loan to Value Ratio⁵ as at 30 September 2021

\$70m

debt facility refinanced for a further 12 months, with no debt now expiring until FY24



Chair and Manager's Overview

Dear Investors,

The Board of Directors of Investore Property Limited (Investore) is pleased to present the interim report for the first six months of FY22 to 30 September 2021 (HY22). Investore's focus during HY22 has been on pursuing its strategy of targeted growth, with \$83.8 million of acquisitions¹, growing Investore's portfolio value² to \$1.15 billion as at 30 September 2021.

Investore's portfolio of 44 properties delivered a gross valuation increase for the six months to 30 September 2021 of approximately \$46.9 million or 4.3% and a net valuation increase of \$44.8 million or 4.1%.

Investore has completed the acquisition of two high quality large format retail properties during the six months in review, putting into effect its strategy of targeted growth. These two acquisitions, being the Rebel Sport / Briscoes site at 4 Carr Road, Mt Roskill, and Countdown, Petone, are strategically important for Investore's portfolio and contribute to Investore's attractive portfolio metrics.

The property at 4 Carr Road neighbours the existing Investore-owned Bunnings Carr Road property, and will provide opportunities for better utilisation of the two sites. Countdown, Petone, with its relatively long WALT of 11 years, contributes to the Investore portfolio WALT of 9.5 years as at 30 September 2021.

These acquisitions enabled the Investore Board to review its dividend guidance for FY22, and as shareholders will be aware, in early August Investore announced an increase in the expected cash dividend for FY22 to 7.90 cents per share.

Investore also has a conditional agreement to acquire development land at Waimak Junction, Kaiapoi, which acquisition remains conditional on receipt of the necessary resource consents to complete the development. This land will provide Investore with further growth opportunities, including the development of a Countdown supermarket, the terms for which have been agreed with Woolworths NZ.

Investore has performed well during HY22, delivering positive results from operations. Net rental income was

\$0.6 million higher than HY21 at \$28.0 million, largely due to the acquisition of the properties at Carr Road, Auckland, and Countdown, Petone, partially offset by a small reduction in income due to the divestment of MacLaggan Street, Dunedin. Higher corporate expenses, primarily due to higher management fees as a result of the increased value of the Investore portfolio, resulted in profit before net finance expense, other income / (expense) and income tax of \$22.3 million, compared with \$22.4 million for HY21. Financing expenses were lower in HY22, as HY21 expenses were impacted by a swap termination expense, resulting in profit before other income / (expense) and income tax of \$15.4 million, up \$3.2 million from HY21.

As noted, Investore's portfolio benefited from a net valuation increase of \$44.8 million, contributing to profit after income tax of \$56.9 million. This is \$34.1 million lower than in HY21, due to the lower net revaluation movement (HY22: \$44.8 million; HY21: \$83.7 million).

Investore delivered positive distributable profit³, with distributable profit before income tax of \$15.7 million, \$0.5 million higher than HY21. Higher current tax expenses resulted in distributable profit after current income tax of \$13.3 million, \$0.4 million lower than HY21.

As shareholders will be aware, COVID-19 has had a significant impact on the New Zealand retail sector during the six months to 30 September 2021, with Alert Level 3 and 4 restrictions being imposed from the middle of August.

Large format retail property continues to perform well during periods impacted by COVID-19 restrictions as many tenants in these types of properties

are designated as providing "essential services" and are permitted to remain open and trading. Furthermore, Investore has benefited from its geographically diversified portfolio. The different trading restrictions that have been placed on different areas of the country has meant the large majority of Investore's tenants have only been impacted by a relatively short period of restrictions, as 63% of tenants (by Contract Rental³) are located outside of the Auckland region.

Although many tenants were able to remain open and trading during all COVID-19 Alert Levels, Investore still has a number of tenants that were not able to trade during either Alert Level 3 or 4. The Government enacted legislation in November 2021 mandating that commercial landlords provide rent abatement to tenants that are unable to access their premises due to COVID-19 restrictions, regardless of contractual provisions agreed between landlord and tenant in their signed lease. While it is still too soon to determine the exact financial impact of this legislation, Investore has provided for \$1.03 million of rent abatements for the period to 30 September 2021, and expects abatements may be required for up to six weeks following that date for limited tenants in Auckland and Waikato, given the recent reopening of retail in Auckland and Waikato. Investore will work with its tenants to agree a fair abatement arrangement for both Investore and its tenants.

After the acquisitions of Carr Road, Mt Roskill and Countdown, Petone, Investore's loan to value ratio is 29.8% as at 30 September 2021. Investore continues to have a significant amount of undrawn debt facilities as at 30 September 2021, as a result of the capital management initiatives undertaken during FY21.

Investore's undrawn debt facilities, together with its relatively low loan to value ratio, provide further opportunity for Investore to continue to pursue its targeted growth strategy. The Investore Board will seek to ensure that any acquisitions support Investore's objective of maximising distributions and total returns to shareholders over the medium to long term.

The improved cash dividend guidance for Investore for FY22 of 7.90 cents per share announced in early August represented a 3.9% increase on the guidance announced in May 2021 and evidences the value of Investore's targeted growth strategy for shareholders. Investore expects to maintain this dividend guidance for FY22, subject to the actual financial impact of COVID-19 restrictions and Government-mandated rent abatements and assuming no further economic deterioration due to COVID-19 restrictions.

The Investore Board also announced in August 2021 a revised dividend policy, widening the payout ratio to between 90% and 100% of distributable profit³ (previously between 95% and 100% of distributable profit). This widening of the distribution policy will enable greater flexibility for dividend outcomes in the future, while allowing Investore to retain earnings if required to support its strategic objectives.

Looking forward to the remainder of FY22, the Investore Board expects to continue with its strategy of targeted growth as opportunities arise and will ensure a disciplined focus is maintained on managing and minimising the impacts of COVID-19 on the Investore business.

The Investore Board is also considering a further listed bond issue during FY22, consistent with Investore's strategy of proactively managing capital, to extend the tenor of Investore's debt, lower the weighted average cost of debt and increase the percentage of drawn debt hedged.

On behalf of the Board, we thank investors for their continued support of Investore.

Mike Allen

Mike Allen

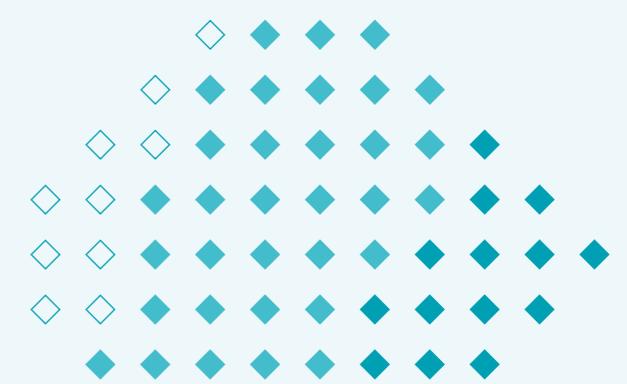
Chair of the Board



1. Includes the acquisition of the property at Waimak Junction, Kaiapoi, for \$10.5m, which acquisition remains conditional.
2. Portfolio value excludes: (1) \$5.6 million of seismic works to be completed by SPL and the rental guarantee provided by SPL in relation to the three large format retail properties acquired from SPL on 30 April 2020; (2) lease liabilities;

3. See glossary on page 12.

Targeted Growth



One of Investore's key 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.

The execution of this growth strategy has been demonstrated during HY22, with three acquisitions announced to date, for a total purchase price of \$83.8 million:

- Countdown, Petone, acquired in late May 2021 for \$37.3 million
- 4 Carr Road, Mt Roskill, Auckland, acquired in August 2021 for \$36 million
- Development land at Waimak Junction, Kaiapoi, for \$10.5 million. This acquisition remains conditional on receipt of resource consents required for the development

While Investore is a long-term holder of investment property, it will consider strategic divestments where required to maintain balance sheet capacity or for reasons specific to individual properties. As an example, during HY22 Investore sold the property at 35 MacLaggan Street, Dunedin, for \$10.2 million, with settlement occurring in early August 2021. Investore took the opportunity to divest this property as the tenancy was coming to an end, and Investore was able to negotiate an attractive price, representing an 8.5% premium to the property's most recent valuation.

4 Carr Road, Mt Roskill, Auckland

Investore is very pleased to have delivered the strategic acquisition of the property at 4 Carr Road, Mt Roskill, Auckland. This property is a high quality, large format retail asset, which was redeveloped extensively in 2018 and 2019. The property is currently 100% occupied with a long WALT and supports the strong metrics of the Investore portfolio.

This property also provides considerable opportunity to optimise the Investore portfolio, being located beside an existing Investore property at 2 Carr Road, Mt Roskill, tenanted by Bunnings. This acquisition will enable Investore to optimise site utilisation across both properties, enhancing the customer experience, while also providing significant future opportunities, as the two properties represent together 3.85ha of prime land in a central Auckland location.

Key metrics

Purchase price	\$36m
Capitalisation Rate	4.0%
WALT ²	9.8 years
Net Lettable Area	5,332 sqm
Land area	11,432 sqm
Occupancy (by area)	100%
Key tenants	Briscoes, Rebel Sport

Portfolio Value¹



1. Excludes lease liabilities. The FY21 and HY22 portfolio values exclude the seismic works to be completed by SPL and rental guarantee provided by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020 (HY22 total: \$5.6m; FY21 total: \$7.1m).

2. See glossary on page 12.

Active Portfolio Management

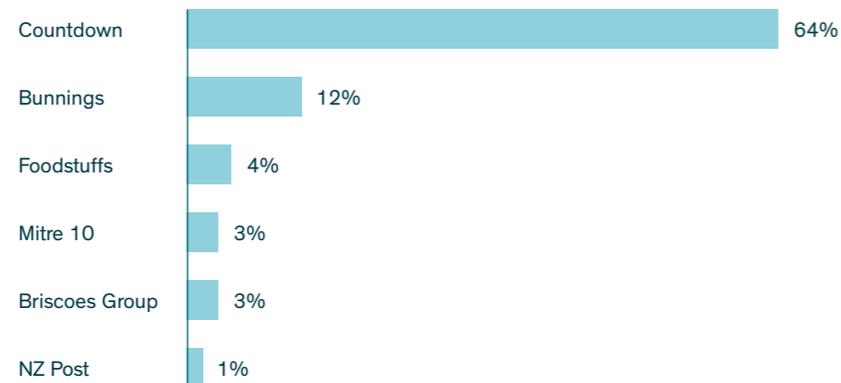
Investore's strategy is to invest in quality, large format retail properties throughout New Zealand, and actively manage shareholders' capital to maximise distributions and total returns over the medium to long term.

The Investore portfolio demonstrates desirable metrics due to its focus on large format retail properties, with a high concentration of anchor tenants, tenants that are classified as "everyday needs", and a long weighted average lease term.

Portfolio metrics

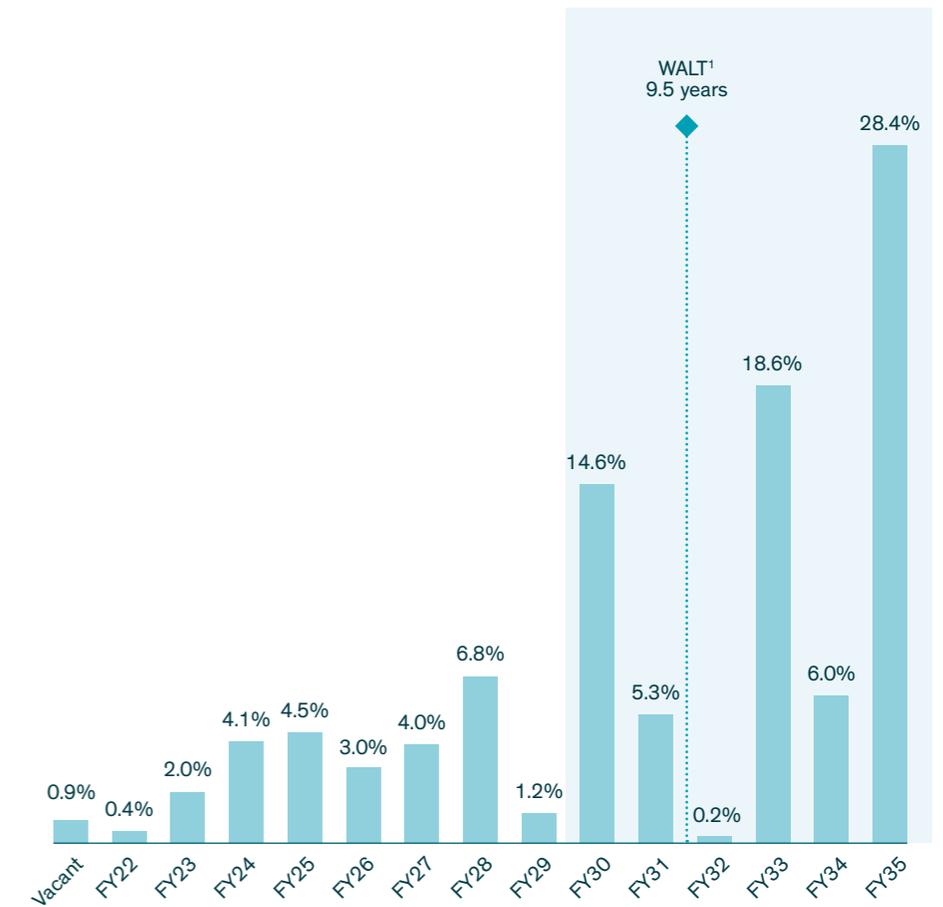
	As at 30 September 2021	As at 31 March 2021
Number of Properties	44	43
Number of Tenants	140	130
Net Lettable Area (sqm)	249,784	246,272
Net Contract Rental ¹ (\$m)	58.8	57.1
WALT ¹ (years)	9.5	9.8
Average Portfolio Capitalisation Rate (%)	4.93	5.23
Occupancy Rate by Area	99.0	99.1
Portfolio Value ² (\$m)	1,148.6	1,037.9

Anchor tenant classification by Contract Rental¹ as at 30 September 2021



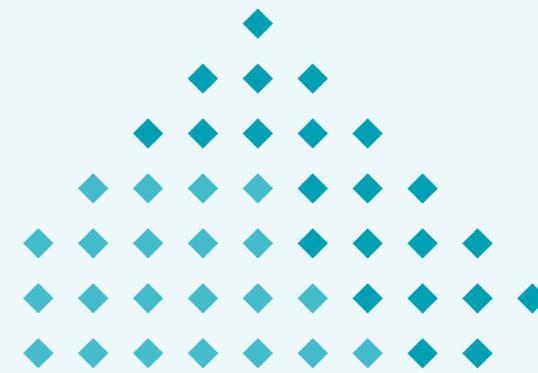
Lease expiry profile³ by Contract Rental¹ as at 30 September 2021

The Investore portfolio has a weighted average lease expiry of 9.5 years as at 30 September 2021, with over 73% of Contract Rental¹ expiring in FY30 and beyond. This provides Investore with certainty of income over the medium to long term.



- See glossary on page 12.
- Portfolio value excludes: (1) the seismic works to be completed by SPL and rental guarantee provided by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020 (30 September 2021: \$5.6m; 31 March 2021: \$7.1m); (2) lease liabilities.
- Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the entire portfolio as at 30 September 2021 as a percentage of Contract Rental.

Proactive Capital Management



Countdown, Stoke

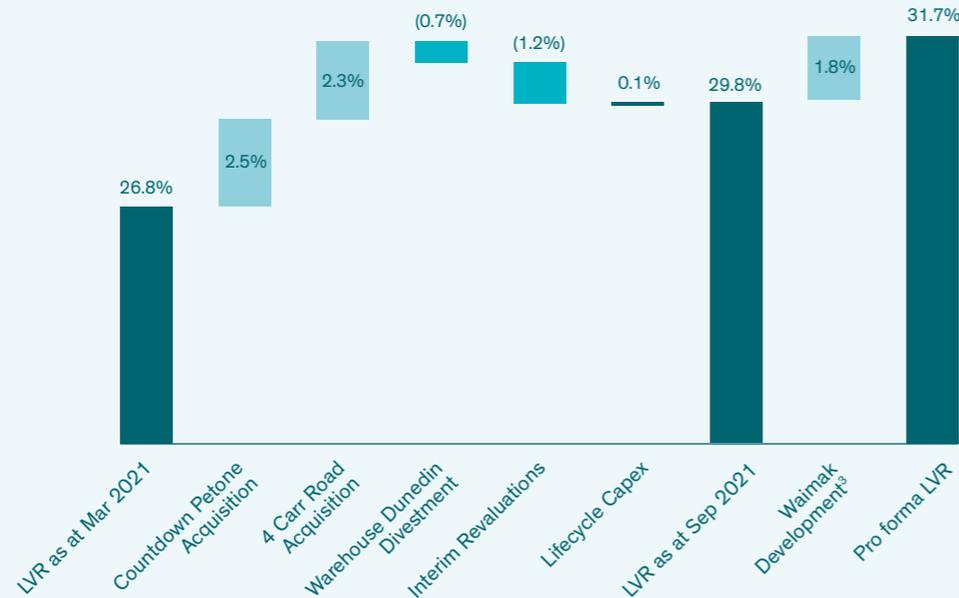
Investore's strategy is to proactively manage its capital to maintain a healthy and flexible balance sheet for growth, while preserving sustainable returns to investors.

Investore undertook a number of capital management initiatives in FY21, which resulted in it having a relatively low loan to value ratio, with considerable debt facility headroom, enabling it to pursue its strategy of targeted growth. Investore has executed this strategy during HY22, undertaking \$83.8 million of acquisitions¹. As at 30 September 2021, Investore has \$132 million of debt facility headroom (or \$101 million after committed acquisitions and developments, including Waimak Junction, Kaiapoi) to undertake further acquisitions during the remainder of FY22 and into FY23. If Investore utilised all of this headroom, it would have an LVR² of 41.3%.

Investore recently refinanced \$70 million of debt facilities to extend the term for a further 12 months to August 2023. Investore now has no debt expiring until FY24.

Investore is considering issuing a third listed bond during FY22, to extend the tenor of Investore's debt, which will better align with its relatively long WALT², and to lower its average cost of debt and increase the percentage of drawn debt that is hedged.

Loan to Value Ratio⁴



Numbers may not sum due to rounding.

- Includes the acquisition of the property at Waimak Junction, Kaiapoi, for \$10.5m, which remains conditional.
- See glossary on page 12.
- Investore has a conditional agreement to acquire 3.5ha of development land at Waimak Junction, Kaiapoi, for \$10.5m. The commitment, including the cost of the land and the Stage 1 development, is expected to be \$31m. The agreement to acquire land at Waimak Junction remains conditional on receipt of resource consents.
- LVR is calculated based on independent valuations as at 30 September 2021, which include seismic works and rental guarantees to be funded by SPL in relation to the three properties acquired from SPL and settled in April 2020. The independent valuations also exclude lease liabilities.
- 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.



Key Debt Metrics

	As at 30 September 2021	As at 31 March 2021
Facility Limit (\$m)	476	476
Debt Facilities Drawn (\$m)	344	280
Weighted Average Debt Maturity (years)	3.5	3.8
LVR ⁴ (%) (Covenant: ≤65%)	29.8	26.8
Interest Cover Ratio (Covenant: ≥1.75x)	3.7x	3.1x
WALT ⁵ (years) (Covenant: >6.0 years)	9.4	9.7
% of Drawn Debt Fixed	67%	100%
Weighted Average Fixed Interest Rate Maturity (years)	4.2	3.9

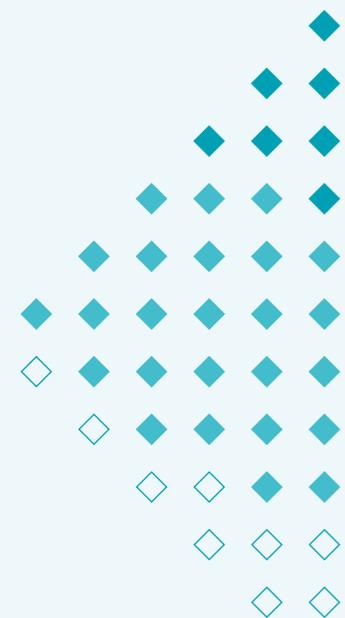
Glossary



Bay Central, Tauranga



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 Consolidated Interim Financial Statements
FY21	The financial year ended 31 March 2021
FY22	The financial year ending 31 March 2022
HY21	The six months ended 30 September 2020
HY22	The six months ended 30 September 2021
Investore	Investore Property Limited
LVR	Loan to Value Ratio
NLA	Net Lettable Area
SIML	Stride Investment Management Limited
SPL	Stride Property Limited
Stride	Stride Property Group, comprising the stapled entities of SPL and SIML
WALT	Weighted Average Lease Term





Consolidated Interim Financial Statements



16	Consolidated Statement of Comprehensive Income
17	Consolidated Statement of Changes in Equity
18	Consolidated Statement of Financial Position
19	Consolidated Statement of Cash Flows
21	Notes to the Financial Statements

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2021

	Notes	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Gross rental income		33,008	31,966
Direct property operating expenses		(4,981)	(4,556)
Net rental income	2.1	28,027	27,410
Less corporate expenses			
Asset management fee expense	4.0	(2,776)	(2,383)
Performance fee expense	4.0	(1,667)	(1,446)
Administration expenses		(1,280)	(1,194)
Total corporate expenses		(5,723)	(5,023)
Profit before net finance expense, other income/(expense) and income tax		22,304	22,387
Finance income		6	2
Finance expense		(6,945)	(6,661)
Finance expense - swap termination expense		-	(3,553)
Net finance expense	5.3	(6,939)	(10,212)
Profit before other income/(expense) and income tax		15,365	12,175
Other income/(expense)			
Net change in fair value of investment properties	2.2	44,770	83,744
Gain on disposal of investment property		576	-
Loss on rental guarantee		-	(87)
Net change in fair value of derivative financial instruments		9	41
Profit before income tax		60,720	95,873
Income tax expense	6.1	(3,776)	(4,835)
Profit after income tax attributable to shareholders		56,944	91,038
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cashflow hedges, net of tax		19	2,874
Total comprehensive income after tax attributable to shareholders		56,963	93,912
Basic and diluted earnings per share (cents)	3.1	15.47	25.65

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

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Cents per share	Number of shares 000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance 31 Mar 21 (Audited)		368,135	558,293	207,024	357	765,674
Transactions with shareholders:						
Q4 2021 final dividend	1.900	-	-	(6,995)	-	(6,995)
Q1 2022 interim dividend	1.975	-	-	(7,271)	-	(7,271)
Total transactions with shareholders		-	-	(14,266)	-	(14,266)
Other comprehensive income:						
Movement in cash flow hedges, net of tax		-	-	-	19	19
Total other comprehensive income		-	-	-	19	19
Profit after income tax		-	-	56,944	-	56,944
Total comprehensive income		-	-	56,944	19	56,963
Balance 30 Sep 21 (Unaudited)		368,135	558,293	249,702	376	808,371
Balance 31 Mar 20 (Audited)		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)
New shares issued		63,636	102,667	-	-	102,667
Total transactions with shareholders		63,636	102,667	(13,990)	-	88,677
Other comprehensive income:						
Movement in cash flow hedges, net of tax		-	-	-	2,874	2,874
Total other comprehensive income		-	-	-	2,874	2,874
Profit after income tax		-	-	91,038	-	91,038
Total comprehensive income		-	-	91,038	2,874	93,912
Balance 30 Sep 20 (Unaudited)		368,135	558,308	150,792	180	709,280

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

Consolidated Statement of Financial Position

As at 30 September 2021

	Notes	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
Current assets			
Cash at bank		4,368	6,800
Trade and other receivables		1,532	451
Prepayments		1,360	286
Other current assets		1,397	1,172
		8,657	8,709
Investment properties classified as held for sale		-	9,400
		8,657	18,109
Non-current assets			
Investment properties	2.2	1,167,110	1,043,872
Deposit and other prepayments on investment property		5,590	7,081
Derivative financial instruments	5.2	924	1,788
		1,173,624	1,052,741
		1,182,281	1,070,850
Total assets			
Current liabilities			
Trade and other payables		7,214	5,723
Current tax liability		309	734
Lease liabilities		87	55
Derivative financial instruments	5.2	426	498
		8,036	7,010
Non-current liabilities			
Borrowings	5.1	341,814	277,363
Lease liabilities		18,378	15,363
Deferred tax liability		5,682	4,540
Derivative financial instruments	5.2	-	900
		365,874	298,166
		373,910	305,176
Total liabilities			
Net assets			
Share capital		558,293	558,293
Retained earnings		249,702	207,024
Reserves	5.5	376	357
		808,371	765,674

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

Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

	Notes	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Cash flows from operating activities			
Gross rent received		33,069	30,425
Interest received		6	2
Operating expenses		(9,132)	(8,228)
Performance fee expenses		(1,482)	(1,290)
Interest paid		(6,640)	(6,375)
Refinancing of bank borrowings		(99)	(389)
Income tax paid		(2,790)	(3,089)
Rental guarantee		-	(558)
Swap break expenses		-	(2,152)
Bond issuance expenses		-	(1,415)
		12,932	6,931
Net cash provided by operating activities			
Cash flows from investing activities			
Capital expenditure on investment properties		(1,778)	(2,667)
Acquisition of investment properties		(73,387)	(135,307)
Acquisition of other assets		(278)	-
Proceeds from disposal of investment properties		10,190	-
		(65,253)	(137,974)
Net cash applied to investing activities			
Cash flows from financing activities			
Drawdown of bank borrowings		74,300	137,250
Repayment of bank borrowings		(10,100)	-
Dividends paid		(14,265)	(13,990)
Lease liabilities payments		(46)	(26)
Proceeds from equity issue		-	105,000
Capital raising expenses		-	(2,333)
Repayment of bank borrowings from capital raise		-	(102,000)
Proceeds from issuance of fixed rate bonds		-	125,000
Repayment of bank borrowings from bond proceeds		-	(118,650)
		49,889	130,251
Net cash provided by financing activities			
		(2,432)	(792)
Net decrease in cash and cash equivalents held			
Opening cash and cash equivalents			
		6,800	4,229
Closing cash and cash equivalents			
		4,368	3,437

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

Consolidated Statement of Cash Flows (continued)

For the six months ended 30 September 2021

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

	Notes	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Profit after income tax attributable to shareholders		56,944	91,038
Add/(less) non-cash items:			
Movement in deferred tax	6.1	1,410	3,758
Current tax movement in cash flow reserve		-	(392)
Net change in fair value of investment properties		(44,770)	(83,744)
Gain on disposal of investment property		(576)	-
Spreading of fixed rental increases		(20)	(123)
Capitalised lease incentives		(28)	(8)
Lease incentives amortisation		18	5
Capitalised lease incentives - COVID-19 abatements		(10)	(832)
Lease incentives amortisation - COVID-19 abatements		73	55
Rental income abatement provision due to COVID-19		-	141
Movement in loss allowance		32	25
Borrowings establishment cost amortisation		350	360
Accrued interest movement in derivative financial instruments		(68)	(66)
Net change in fair value of derivative financial instruments		(9)	(41)
Loss on rental guarantee		-	87
Amortisation of swap break expenses		-	1,401
		13,346	11,664
Add/(less) activities reclassified from/(to) operating activities:			
Movement in working capital items relating to investing activities		999	1,686
Movement in borrowings/bond transaction costs classified as operating activities		(99)	(1,804)
		14,246	11,546
Movement in working capital:			
Increase in trade and other receivables		(1,081)	(444)
Increase in prepayments and other current assets		(1,299)	(946)
Decrease in current tax liability		(425)	(1,620)
Increase/(decrease) in trade and other payables		1,491	(1,605)
Net cash provided by operating activities		12,932	6,931

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

Notes to the Financial Statements

For the six months ended 30 September 2021

1.0 General Information

1.1 Reporting entity	22
1.2 Basis of preparation	22
1.3 New standards, amendments and interpretations	22
1.4 Significant accounting policies, estimates and judgements	22
1.5 COVID-19 impacts	23
1.6 Significant events and transactions	23
1.7 Non-GAAP measures	23

2.0 Property

2.1 Net rental income	24
2.2 Investment properties	25
2.3 Capital expenditure commitments contracted for	27

3.0 Investor Returns

3.1 Basic and diluted earnings per share (EPS)	28
3.2 Distributable profit	29

4.0 Related Party Disclosures

	30
--	----

5.0 Capital Structure and Funding

5.1 Borrowings	31
5.2 Derivative financial instruments	33
5.3 Net finance expense	34
5.4 Share capital	34
5.5 Reserve	34

6.0 Other

6.1 Income tax	35
6.2 Operating segments	36
6.3 Investment in subsidiaries	36
6.4 Contingent liabilities	36
6.5 Subsequent events	36

1.0 General Information

This section sets out Investore's accounting policies that relate to the unaudited interim consolidated financial statements (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 (the Parent) and its subsidiary Investore Property (Carr Road) Limited (refer note 1.6 and 6.3) (together referred to as "Investore"). The Parent is domiciled in New Zealand and is registered under the Companies Act 1993. The Parent 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 the Parent (the Board) on 16 November 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 and the NZX Main Board Listing Rules.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand International Accounting Standard 34 (NZ IAS 34) *Interim Financial Reporting* and International Accounting Standard 34 (IAS 34) *Interim Financial Reporting*. For the purposes of complying with NZ GAAP Investore is a for-profit entity.

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.

The financial statements do not contain all the disclosures normally included in an annual financial report, and should be read in conjunction with the audited 2021 annual financial statements.

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 Significant accounting policies, estimates and judgements

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

1.0 General Information (continued)

1.5 COVID-19 impacts

Investore has a high proportion of tenants that are classified as "essential businesses" and able to remain open and trading at all COVID-19 Alert Levels. The introduction by the Government of legislation mandating rent abatement by landlords is expected to result in Investore incurring additional rent abatement costs than previously anticipated. Investore has provided for \$1.03 million of rental income abatements yet to be formally agreed with the tenants for the period to 30 September 2021, and expects abatements may be required for up to six weeks following that date for limited tenants in Auckland and Waikato.

1.6 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 investment properties

On 21 May 2021, Investore acquired a property at 45-49 Jackson Street, Petone, Wellington, anchored by a Countdown Supermarket for a purchase price of \$37.25 million.

On 13 August 2021, Investore acquired a company (refer note 6.3), Investore Property (Carr Road) Limited, which owns a large format retail property at 4 Carr Road, Auckland, for \$36.0 million. The property is anchored by Rebel Sport and Briscoes with two other retail tenancies. It is located immediately adjacent to Investore's existing property on Carr Road which is occupied by Bunnings Warehouse. The acquisition of the shares in Investore Property (Carr Road) Limited does not constitute an acquisition of a business but rather an acquisition of an asset as substantially all of the fair value of the identifiable assets acquired were concentrated in the investment property.

Divestment of 35 MacLaggan Street, Dunedin

On 2 August 2021, Investore divested the property at 35 MacLaggan Street, Dunedin, for \$10.2 million gross before transaction costs.

Bank refinancing

In September 2021, Investore refinanced \$70 million of bank debt facility, extending this facility for a further one year to 31 August 2023.

Revaluation of investment properties

Investore undertook independent valuations of the entire portfolio as at 30 September 2021, which resulted in a net change in fair value of investment properties of \$44.77 million (30 Sep 20: \$83.74 million).

Change to distribution policy

In August 2021, the Board amended Investore's Distribution Policy to a payout ratio of between 90% and 100% of distributable profit. The Distribution Policy was previously to pay out between 95% and 100% of distributable profit.

1.7 Non-GAAP measures

The consolidated 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 period.

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

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Gross rental income		
Rental income	34,068	31,204
Spreading of fixed rental increases	20	123
Capitalised lease incentives	28	8
Lease incentives amortisation	(11)	(5)
Capitalised lease incentives – COVID-19 abatements	10	832
Lease incentives amortisation – COVID-19 abatements	(73)	(55)
Rental income abatement provision due to COVID-19	(1,034)	(141)
Total gross rental income	33,008	31,966
Direct property operating expenses		
Service charge expenses to tenants	(4,383)	(3,579)
Movement in loss allowance	(32)	(25)
Other non-recoverable property operating expenses	(566)	(952)
Total direct property operating expenses	(4,981)	(4,556)
Net rental income	28,027	27,410

The loss allowance balance of \$1 14,000 as at 30 September 2021 (30 Sep 20: \$75,000) relates to tenants adversely affected by COVID-19.

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

2.0 Property (continued)

2.2 Investment properties

	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
Opening balance	1,043,872	772,547
Re-assessment of lease liabilities	3,093	4,366
Property acquisitions	73,231	133,647
Transfer to investment properties classified as held for sale	-	(9,400)
Net change in fair value	44,770	139,287
Recognition of prepayment in investment properties	1,451	-
Subsequent capital expenditure	726	2,449
Spreading of fixed rental increases	20	179
Capitalised lease incentives	28	86
Lease incentives amortisation	(18)	(20)
Capitalised lease incentives - COVID-19 abatements	10	857
Lease incentives amortisation - COVID-19 abatements	(73)	(126)
Closing balance	1,167,110	1,043,872
Comprising:		
Investment property per independent valuations	1,154,235	1,035,535
Less prepayment on investment property	(5,590)	(7,081)
	1,148,645	1,028,454
Lease liabilities	18,465	15,418
Total	1,167,110	1,043,872

In the previous financial year, Investore purchased three large format retail properties, being Bunnings Mt Roskill, Auckland, Mt Wellington Shopping Centre, Auckland and Bay Central Shopping Centre, Tauranga, from Stride Property Limited (SPL). 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 30 September 2021, \$1.45 million of the seismic works have been completed and \$0.04 million of the rental guarantee had not been utilised. The valuations as at 30 September 2021 for these properties were prepared on the basis that the seismic works had been completed. Consequently, \$5.59 million has been recognised as a prepayment on investment property (non-current asset).

Valuations are performed by independent registered valuers who hold an annual practicing certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. All investment properties were valued by independent valuers as at 30 September 2021. The investment properties were valued either by CVAS (NZ) Limited (Colliers), CVAS (WLG) Limited (Colliers Wellington), Jones Lang LaSalle Limited (JLL), Savills (NZ) Limited (Savills), Bayleys Valuations Limited (Bayleys) or CBRE Limited (CBRE) as indicated. The valuations are dated effective 30 September 2021.

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

The \$18.47 million (31 Mar 21: \$15.42 million) lease liabilities are in respect to the ground leases at the corner of Anglesea and Liverpool Streets, Hamilton (seven), 3 Averill Street, Auckland (one), 70 Studholme Street, Morrinsville (one), 51 Arthur Street, Blenheim (one), and the corner of Bridge and Anglesea Streets, Hamilton (one).

As at 30 September 2021, the lease liabilities and right-of-use assets have been re-assessed by \$3.09 million upwards in total, primarily to reflect a rent review for the ground lease at 3 Averill Street, Auckland.

2.0 Property (continued)

2.2 Investment properties (continued)

Property	Region	Valuer	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
24 Anzac Road	Auckland	CBRE	30,700	28,900
326 Great South Road	Auckland	CBRE	44,200	41,200
35A St Johns Road	Auckland	Colliers	25,300	25,200
507 Pakuranga Road	Auckland	Colliers	24,600	23,800
3 Averill Street	Auckland	JLL	18,000	18,000
Cnr Church & Selwyn Streets	Auckland	JLL	14,000	13,400
Cnr Te Irirangi Drive & Bishop Dunn Place	Auckland	Bayleys	44,000	41,500
112 Stoddard Road	Auckland	Savills	29,800	29,700
226 Great South Road	Auckland	Savills	42,500	42,000
20-24 Neville Street	Auckland	Savills	31,000	29,000
2 Carr Road	Auckland	CBRE	54,400	53,400
4 Carr Road	Auckland	Savills	36,000	-
295 Penrose Road	Auckland	CBRE	43,500	40,300
66-76 Studholme Street, Morrinsville	Waikato	Colliers	7,700	7,400
Cnr Anglesea & Liverpool Streets, Hamilton	Waikato	Savills	8,100	8,700
Cnr Bridge & Anglesea Streets, Hamilton	Waikato	Savills	23,200	22,300
Cnr Hukanui & Thomas Roads, Hamilton	Waikato	Savills	18,900	18,900
446 Te Rapa Road, Hamilton	Waikato	Bayleys	42,600	40,000
230-240 Fenton Street, Rotorua	Bay of Plenty	Savills	24,600	23,700
26-48 Old Taupo Road, Rotorua	Bay of Plenty	Bayleys	36,600	33,900
65 Chapel Street, Tauranga	Bay of Plenty	JLL	54,500	52,500
47 Bay Road	Wellington	Colliers Wellington	17,250	16,000
91 Johnsonville Road	Wellington	JLL	20,500	21,500
13-19 Queen Street, Upper Hutt	Wellington	Colliers Wellington	14,000	13,000
14 Russell Street, Upper Hutt	Wellington	JLL	10,400	10,300
261 High Street, Lower Hutt	Wellington	Colliers Wellington	25,500	23,750
Cnr Hanson Street, John Street & Adelaide Road	Wellington	Colliers Wellington	30,000	28,500
3 Main Road	Wellington	JLL	23,500	22,000
45-49 Jackson Street	Wellington	Savills	37,500	-
Cnr Butler & Kerikeri Roads, Kerikeri	Other North Island	Savills	23,600	23,300
53 Leach Street, New Plymouth	Other North Island	Colliers	39,300	37,200
9 Gloucester Street, Napier	Other North Island	Colliers	22,600	21,400
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Other North Island	Colliers Wellington	17,250	16,250
Cnr Tremaine Avenue & Railway Road, Palmerston North	Other North Island	Colliers Wellington	33,500	31,000
87-97 Hilton Street, Kaiapoi	Canterbury	CBRE	14,300	14,700
219 Colombo Street, Christchurch	Canterbury	CBRE	22,800	22,100
Cnr Victoria & Browne Streets, Timaru	Canterbury	JLL	12,785	12,435
40-50 Ivory Street, Rangiora	Canterbury	Savills	19,600	18,900
Cnr Rolleston & Masefield Drives, Rolleston	Canterbury	Savills	25,500	24,500
24 Brighton Mall, Christchurch	Canterbury	Colliers	6,600	6,300
Cnr Putaitai Street & Main Road, Nelson	Other South Island	CBRE	15,700	15,000
51 Arthur Street, Blenheim	Other South Island	CBRE	13,100	12,700
309 Cumberland Street, Dunedin	Other South Island	JLL	26,750	25,100
172 Tay Street, Invercargill	Other South Island	JLL	28,000	25,800
Total			1,154,235	1,035,535

2.0 Property (continued)

2.2 Investment properties (continued)

In determining the valuations, the valuers took into account:

- occupancy (leased area as a proportion of the total net lettable area) on individual investment properties (average is 99.0% at balance date) (31 Mar 21: 99.0%);
- average lease term (weighted average lease term (WALT) at balance date is 9.5 years (31 Mar 21: 9.9 years));
- discount rates (ranged from 3.13% to 7.75%) (31 Mar 21: 3.50% to 7.75%); and
- capital expenditure works of \$0.49 million relating to tenancy works at 91 Johnsonville Road, Wellington, and roof replacement at 172 Tay Street, Invercargill.

Capitalisation rates ranged from 4.00% to 11.00% (31 Mar 21: 4.13% to 10.25%).

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.

	Cap rate %		Discount rate %	
	-0.25	+0.25	-0.25	+0.25
Unaudited 30 Sep 21				
Change \$000	64,842	(56,380)	22,173	(21,270)
Change %	6	(5)	2	(2)
Audited 31 Mar 21				
Change \$000	52,073	(50,333)	18,510	(20,194)
Change %	5	(5)	2	(2)

2.3 Capital expenditure commitments contracted for

As at 30 September 2021, Investore had committed to \$0.526 million (31 Mar 21: \$0.246 million) in total for capital expenditure works to be undertaken over the next 12 months.

With regard to the property at 2 Carr Road, Auckland, Bunnings is planning to undertake an expansion of the trade zone and associated improvements along with the planned seismic upgrades funded by SPL. Investore will contribute approximately \$14 million towards the expansion and improvement works with an associated improvements rental and a new 12-year lease on completion.

On 18 May 2021, Investore announced that it had entered into a conditional agreement to acquire a 3.5 hectare 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. The contract remains conditional upon receiving resource consent. Investore expects the total commitment, including the cost of the land and the stage one development of the Waimak Junction land to be approximately \$31 million which will be funded from available debt facilities.

Subsequent to balance date, Investore has committed approximately \$10 million towards capital projects with its key tenants, including \$8 million towards expansion plans for 570 Pakuranga Road, Auckland, and \$2 million for upgrades to 26 - 48 Old Taupo Road, Rotorua. Both projects have a realised return and associated lease tenure extensions.

Investore has no other material commitments as at balance date.

3.0 Investor Returns

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

3.1 Basic and diluted earnings per share (EPS)

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Profit after income tax attributable to shareholders	56,944	91,038
Weighted average number of shares for purpose of basic and diluted EPS	368,135	354,970
Basic and diluted EPS - weighted (cents)	15.47	25.65

3.0 Investor Returns (continued)

3.2 Distributable profit

Dividend Policy

Investore's dividend policy is to target a cash dividend to shareholders that is between 90% 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.

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Profit before income tax	60,720	95,873
Non-recurring, non-cash and other adjustments:		
Net change in fair value of investment properties	(44,770)	(83,744)
Gain on disposal of investment property	(576)	-
Reversal of lease liabilities movement in investment properties	(46)	(26)
Net change in fair value of derivative financial instruments	(9)	(41)
Spreading of fixed rental increases	(20)	(123)
Capitalised lease incentives	(28)	(8)
Lease incentives amortisation	18	5
Capitalised lease incentives - COVID-19 abatements	(10)	(832)
Lease incentives amortisation - COVID-19 abatements	73	55
Borrowings establishment costs amortisation	350	360
Loss on rental guarantee	-	87
Amortisation of swap break expenses	-	1,401
Finance expense - swap termination expense	-	2,152
Distributable profit before current income tax	15,702	15,159
Current tax expense	(2,366)	(1,077)
Adjusted for:		
Income tax movement in cash flow hedges	-	(392)
Distributable profit after current income tax	13,336	13,690
Adjustments to funds from operations		
Maintenance capital expenditure	(472)	-
Adjusted Funds From Operations (AFFO)	12,864	13,690
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	368,135	354,970
Basic and diluted distributable profit after current income tax per share - weighted (cents)	3.62	3.86
AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)	3.49	3.86

4.0 Related Party Disclosures

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

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
The following transactions with a related party took place		
SIML		
Asset management fee expense	(2,776)	(2,383)
Performance fee expense	(1,667)	(1,446)
Building management fee expense	(218)	(217)
Accounting fee expense	(125)	(125)
Disposal fee expense	(128)	-
Leasing fee expense	(61)	(408)
Maintenance fee expense	(12)	(19)
Project management fee expense	(3)	(22)
Capital raising fee expense	-	(89)
Total	(4,990)	(4,709)
SPL		
Dividends paid	(2,682)	(2,630)
Consideration paid on the acquisition of investment properties	-	16,522
Consideration received for issue of shares in capital raise	-	(135,750)
	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
The following balance was payable to a related party		
SIML	(760)	(707)

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 a performance fee of \$0.85 million for the quarter ended 30 June 2021 (quarter ended 30 June 2020: \$0.78 million) and is due to receive a performance fee of \$0.82 million for the quarter ended 30 September 2021 (quarter ended 30 September 2020: \$0.67 million). The carried forward return for the performance fee calculation for the quarter ended 31 December 2021 is a 0.37% deficit (31 Mar 21: carried forward return for the quarter ended 30 June 2021 was a positive 0.02%) which has been calculated in accordance with the management agreement.

As at 30 September 2021, SPL's shareholding in Investore is 18.8%, being 69.202 million shares (31 Mar 21: 18.8%, being 69.202 million shares).

5.0 Capital Structure and Funding

Investore's capital structure includes debt and equity, comprising shares and retained earnings as shown in the consolidated 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

	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
Non-current		
Bank facility drawn down	119,200	55,000
Fixed rate bonds	225,000	225,000
Unamortised borrowings establishment costs	(2,386)	(2,637)
Total net borrowings	341,814	277,363
Weighted average interest rate for debt (inclusive of current interest rate derivatives, bonds, margins and line fees) at balance date	3.37%	4.04%

Unaudited 30 Sep 21	Issue date	Expiry date	Interest rate	Total amount \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
Bank Facility A		31 Aug 2023	Floating	70,000	7,300	62,700	62,700
Bank Facility D		16 Apr 2025	Floating	50,000	18,500	31,500	31,500
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	104,815
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	120,821
				476,163	131,963	344,200	344,836

Audited 31 Mar 21	Issue date	Expiry date	Interest rate	Total amount \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
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

Bank borrowings

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

In September 2021, Investore refinanced \$70 million of debt facility, extending this facility for a further one year to 31 August 2023.

Fixed rate bonds

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) is payable quarterly in April, July, October and January in equal instalments, whilst interest on the 7 year fixed rate bonds issued in 2020 (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 its subsidiary and a registered first ranking security interest under a General Security Deed over substantially all the assets of Investore and its subsidiary.

5.0 Capital Structure and Funding (continued)

5.1 Borrowings (continued)

Net debt reconciliation

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

	Unaudited 30 Sep 21 \$000			Audited 31 Mar 21 \$000	
Cash and cash equivalents	4,368			6,800	
Borrowings	(341,814)			(277,363)	
Lease liabilities	(18,465)			(15,418)	
Net debt	(355,911)			(285,981)	
	Liabilities from financing activities			Cash	Total
	Borrowings	Leases	Sub-total	Cash	Total
	\$000	\$000	\$000	\$000	\$000
As at 31 Mar 20 (Audited)	(236,946)	(11,117)	(248,063)	4,229	(243,834)
Cash flows	(41,597)	847	(40,750)	2,571	(38,179)
Re-assessment	-	(4,366)	(4,366)	-	(4,366)
Other changes	1,180	(782)	398	-	398
As at 31 Mar 21 (Audited)	(277,363)	(15,418)	(292,781)	6,800	(285,981)
Cash flows	(64,200)	773	(63,427)	(2,432)	(65,859)
Re-assessment	-	(3,093)	(3,093)	-	(3,093)
Other changes	(251)	(727)	(978)	-	(978)
As at 30 Sep 21 (Unaudited)	(341,814)	(18,465)	(360,279)	4,368	(355,911)

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments

	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
Notional value of interest rate swaps - fixed rate payer	30,000	80,000
Notional value of interest rate swaps - fixed rate receiver	25,000	25,000
Total	55,000	105,000
Interest rate derivative assets - non-current	924	1,788
Interest rate derivative liabilities - current	(426)	(498)
Interest rate derivative liabilities - non-current	-	(900)
Fair value of interest rate derivatives	498	390
Fixed interest rates payer	2.38%	2.27%-2.54%
Fixed interest rate receiver	4.40%	4.40%
Percentage of drawn debt fixed	67%	100%

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 67% of its floating rate borrowings as at 30 September 2021 (31 Mar 21: 100%). 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 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 \$35,259 (31 Mar 21: fair value loss of \$44,128), resulting in a fair value gain movement of \$8,869 (31 Mar 21: fair value gain movement of \$24,218) being recognised in the current period in the consolidated statement of comprehensive income.

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 (31 Mar 21: 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 30 September 2021 of between 0.65%, for the 90-day BKBM, and 2.24%, for the 10-year swap rate (31 Mar 21: 0.35% and 1.95%, respectively). There were no changes to these valuation techniques during the reporting period.

As at 30 September 2021, the fair value of the interest rate derivatives includes an accrued interest asset of \$23,976 (31 Mar 21: accrued interest liability \$44,075).

5.0 Capital Structure and Funding (continued)

5.3 Net finance expense

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Finance income		
Bank interest income	6	2
Total finance income	6	2
Finance expense		
Bank borrowings interest	(2,528)	(3,886)
Fixed rate bonds interest	(3,690)	(2,448)
Lease liabilities interest	(727)	(327)
Total finance expense	(6,945)	(6,661)
Finance expense - swap termination expense	-	(3,553)
Total finance expense	(6,945)	(10,214)
Net finance expense	(6,939)	(10,212)

5.4 Share capital

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 30 September 2021 (31 Mar 21: 368,135,033).

5.5 Reserve

	Unaudited 30 Sep 21 \$000	Audited 31 Mar 21 \$000
Cash flow hedge reserve		
Opening balance	357	(2,694)
Movement in fair value of interest rate derivatives	39	718
Tax on fair value movement	(11)	(201)
Transferred to profit or loss	(9)	(24)
Swap termination	-	3,553
Swap termination taxation benefit	-	(995)
Closing balance	376	357

Gains and losses recognised in the cash flow hedge reserve in equity on interest rate derivative contracts as at 30 September 2021 will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss, until the repayment of the underlying borrowings.

6.0 Other

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

6.1 Income tax

	Unaudited 30 Sep 21 \$000	Unaudited 30 Sep 20 \$000
Income tax		
Current tax	(2,366)	(1,077)
Deferred tax	(1,410)	(3,758)
Income tax expense per the consolidated statement of comprehensive income	(3,776)	(4,835)
Profit before income tax	60,720	95,873
Prima facie income tax using the company tax rate of 28%	(17,002)	(26,845)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	12,536	23,448
Gain on disposal of investment property	161	-
Reversal of lease liabilities movement in investment properties	13	7
Movement in fair value of derivative financial instruments	2	11
Non-taxable income	30	194
Other permanent differences	17	30
Depreciation	2,186	2,154
Non-deductible expenses	(83)	(444)
Temporary differences	(226)	(24)
Swap termination expense released from reserve	-	392
Current tax expense	(2,366)	(1,077)
Investment property depreciation	(1,634)	(3,755)
Other	224	(3)
Deferred tax charged to profit or loss	(1,410)	(3,758)
Income tax expense per the consolidated statement of comprehensive income	(3,776)	(4,835)

6.0 Other (continued)

6.2 Operating segments

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 30 September 2021 (30 Sep 20: 63%).

6.3 Investment in subsidiaries

Accounting Policy

A subsidiary is an entity controlled by the Parent whereby the Parent has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiary are included in the financial statements of Investore from the date that control commences until the date that control ceases. The subsidiary applies the same accounting policies as Investore.

The acquisition method of accounting has been used to consolidate the subsidiary of the Parent. All inter-group transactions and balances between group companies have been eliminated on consolidation.

Investore has the following subsidiary. It is 100% owned, has a 31 March balance date, and is principally involved in the ownership of an investment property.

- Investore Property (Carr Road) Limited - acquired on 13 August 2021

Investore Property (Carr Road) Limited is a company which owns a large format retail property at 4 Carr Road, Mt Roskill, Auckland. The property owned by Investore Property (Carr Road) Limited is presented as part of Investore's investment property.

6.4 Contingent liabilities

Investore has no contingent liabilities at balance date (31 Mar 21: \$nil).

6.5 Subsequent events

On 16 November 2021, Investore declared a cash dividend for the period 1 July 2021 to 30 September 2021 of 1.975 cents per share, to be paid on 1 December 2021 to all shareholders on Investore's register at the close of business on 24 November 2021. This dividend will carry imputation credits of 0.307375 cents per share. This dividend has not been recognised in the financial statements.

Independent auditor's review report

To the shareholders of Investore Property Limited



Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Investore Property Limited (the Company) and its subsidiary (the Group) on pages 16 to 36 which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, and its financial performance and cash flows for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibility is further described in the Auditor's responsibility for the review of the consolidated interim financial statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of other assurance over operating expense statements. The provision of these other services has not impaired our independence.

Directors' responsibility for the consolidated interim financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. A review of consolidated interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Who we report to

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

The engagement partner on the review resulting in this independent auditor's review report is Philip Taylor.

For and on behalf of:

Chartered Accountants Auckland
16 November 2021

Corporate Directory

Board of Directors

Mike Allen (Chair)
Gráinne Troute
Adrian Walker
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
PO Box 6320, Victoria Street West, 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

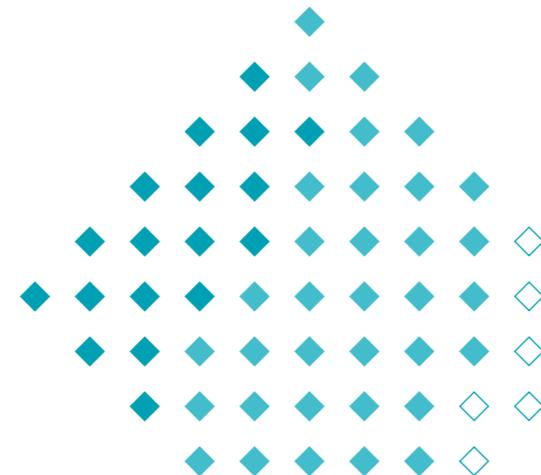
Bell Gully
Level 21, Vero Centre
48 Shortland Street, Auckland 1010
PO Box 4199, Auckland 1140

Bankers

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

Bond Supervisor

Public Trust
Private Bag 5902
Wellington 6140



Investore Property Limited

Level 12, 34 Shortland Street
Auckland 1010

PO Box 6320

Victoria Street West,
Auckland 1142, New Zealand

T +64 9 912 2690

F +64 9 912 2693

W investoreproperty.co.nz

