STRIDE

Stride Property Group
Annual Report 2022

This document comprises the Annual Report for each of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL), which are members of Stride Property Group (Stride).

Each of SPL, SIML and Stride has been designated as "Non-Standard" (NS) by NZX. The implications of investing in stapled securities of Stride are set out at page 161 of this report.

A copy of the waivers granted by NZX in respect of SPL, SIML and Stride's "NS" designation can be found at **www.nzx.com/companies/SPG/documents**

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Financial Highlights

for 12 months ended 31 March 2022 (FY22)

Stride delivered strong financial results during FY22

$46.5m

profit before other income/(expense) and income tax

from continuing operations
up $6.1m from FY21 ($40.4m)

$124.7m

profit before income tax

from continuing operations
down $16.7m from FY21 ($141.3m)

$112.3m

profit after income tax

from continuing operations
down $19.7m from FY21 ($132.0m)

$54.2m

distributable profit[1] after current income tax

up $7.9m from FY21 ($46.3m)

1. See glossary on page 162.
2. Excludes lease liabilities. Includes SPL's 51.7% interest in the unincorporated component of the Industre Property Joint Venture as at 31 March 2022 (for more information, see note 3.2 to the consolidated financial statements). Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment. Includes the office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street, which are investment properties classified as held for sale at $82.8m.

SPL's property portfolio continues to demonstrate strong metrics

SPL's directly held portfolio is valued[2] at $1.2bn as at 31 March 2022, a net valuation gain of $30.7m or 2.6% since 31 March 2021

SPL's look-through portfolio, including SPL's direct property holdings and its interests in the Stride managed entities, is valued at $1.7bn

46 Sale Street, Auckland

Strategic Highlights

FY22 has seen continued growth in Stride's real estate investment management business

215 Lambton Quay, Wellington

$603m growth in assets under management, growing from $3.0bn as at 31 March 2021 to $3.6bn as at 31 March 2022

$24.3m management fee income[1] (FY21: $24.2m) with recurring base management fees up 18.7% from FY21

Industre's portfolio has grown by $239m since 31 March 2021 to $849m, demonstrating the benefits of Stride's approach of managing both listed and unlisted entities

Office portfolio repositioned to meet changing market demands through the acquisition of 46 Sale Street and 110 Carlton Gore Road and sale of four office properties[2]

Stride continues to assess options for the establishment of Fabric[3], its office owning subsidiary, as a separate managed Product

Proactive capital management initiatives supported execution of Stride's strategy

$134m capital raise in late 2021 provided Stride with greater flexibility to progress its strategic objectives, and has subsequently enabled Stride to confirm the acquisition of the office property at 110 Carlton Gore Road

28.7% LVR[4] as at 31 March 2022, or 36.8% on a pro forma 31 March 2022 basis including committed acquisitions, developments and disposals

Stride has high levels of interest rate hedging, providing protection against rising interest rates

$400m green loan[5] established in Fabric, the first sustainable financing instrument for Stride and its Products

1. Net of management fees received from SPL.
2. The acquisition of 110 Carlton Gore Road, Auckland, became unconditional on 5 April 2022. The divestment of the Auckland office properties at 80 Greys Avenue, 25 Teed Street and 35 Teed Street became unconditional on 5 April 2022. The divestment of the property at 7-9 Fanshawe Street became unconditional on 2 May 2022.
3. Fabric Property Limited is a wholly owned subsidiary of SPL.
4. See glossary on page 162.
5. Green loans are loans made in accordance with Fabric's Green Finance Framework. For more information see page 54.

Chair and CEO's Report

Dear Shareholders

The Boards of Directors of Stride Property Limited (SPL) and Stride Investment Management Limited (SIML) (which together form Stride Property Group) are pleased to deliver Stride's annual report for FY22. Stride has continued to pursue its strategic objectives during FY22, while also navigating the challenges presented by COVID-19.

Stride's focus on pursuing strategic objectives has resulted in material growth in Stride's assets under management (AUM), with AUM growing by over $600 million, or 20%, during FY22, from $3 billion as at 31 March 2021 to $3.6 billion as at 31 March 2022. This demonstrates Stride's commitment to growing its real estate investment management business, a business that is managed by SIML, with SPL holding an investment in each Stride Product. This growth in AUM has contributed to the growth in recurring base management fees, with these fees growing 18.7%, from $13.5 million in FY21 to $16.1 million in FY22.

FY22 saw SPL commence a process to list its office property owning subsidiary, Fabric Property Limited (Fabric), as a separate listed entity. Due to market conditions, the Board of SPL made the decision to withdraw the demerger and initial public offering on 21 September 2021, which we believe was in the best interests of Stride shareholders as well as Fabric investors.

Stride remains committed to its strategy of growing its real estate investment management business, and we expect this will include the establishment of Fabric as a separate Stride Product at the appropriate time. To that end, Stride has continued to refine its office portfolio since September 2021, including committing to the acquisition of 110 Carlton Gore Road, Newmarket, Auckland[1], an office building that is currently under development and targeting a 6 star Green Star Design & As Built rating, and the divestment of four B grade office properties[2] from the existing office portfolio. Collectively, these transactions further improve the overall quality and sustainability of the Stride office portfolio, which we consider will ensure the portfolio meets the demands of the market and has "enduring demand".

Financial performance

Stride has again delivered positive financial results for FY22. Net rental income at $65.8 million was $15.1 million higher than FY21, due primarily to the acquisition of new office properties during FY21 and FY22. While corporate expenses were higher than in FY21, primarily due to $4.5 million of project costs related to Fabric, profit before other income / (expense) and income tax from continuing operations at $46.5 million was $6.1 million higher than FY21.

The net change in fair value of investment properties of $30.7 million was lower than the prior year (FY21: $38.8 million), but this was partially offset by increased share of profit from SPL's investment in the Stride Products (FY22: $65.6 million; FY21: $62.3 million). The carrying value of SPL's investment in Investore was impaired by $18.5 million, due in part to the current share price of Investore's shares on the NZX, and this was the primary driver for lower profit before income tax from continuing operations of $124.7 million, down $16.7 million from FY21 (FY21: $141.3 million). Stride remains confident in the value of Investore and its underlying portfolio of properties which remain in strong demand, but Investore's recent share price performance has resulted in the impairment assessment. Higher income tax expense (FY22: ($12.4 million); FY21: ($9.4 million)) contributed to lower profit after income tax from continuing operations for FY22 of $112.3 million (FY21: $132.0 million).

Distributable profit[3] after current income tax, which Stride considers to more closely align with Stride's underlying and recurring earnings from its operations, was $54.2 million for FY22, up $7.9 million from FY21 ($46.3 million).

Diversified business

Stride's business comprises a real estate investment management business (SIML) with a business that has direct and indirect property investments (SPL). This results in diversified revenue sources:

- Fees earned by SIML from its real estate investment management business. These fees comprise both recurring fees and activity and performance fees.
- Income from SPL's direct property investments, primarily comprising office and town centre properties.
- Income from SPL's investment in the Stride Products – Investore, Diversified, and Industre. These entities each specialise in a different commercial property sector, and accordingly provide a natural differentiation of income given their different focus.

These diversified revenue sources provide a degree of resilience in different market conditions.

Growth in assets under management

Stride's strategy is to create a group of Products in specific commercial property sectors to grow its investment management business. SIML will manage each of the Products and SPL will continue to own an interest in each of the Products.

SIML has been very active during FY22 in growing its assets under management, with AUM growing by over $600 million, with $430 million of this growth coming from existing Stride Products. This growth has come from a range of commercial asset sectors, and from a combination of acquisitions, asset development and valuation growth. By way of example:

- Investore Property Limited (Investore), which has a focus on large format retail property and is NZX listed, completed $73.8 million of acquisitions during FY22. Investore also has a conditional agreement to acquire a further parcel of land for $10.5 million, which, if this acquisition proceeds, represents an ongoing development opportunity for Investore to continue to grow its portfolio. In addition, Investore has continued to improve its existing portfolio, through improvements completed in collaboration with its tenants. These acquisitions and developments, together with a reduction in the average market capitalisation rate for Investore's portfolio (to 4.81% as at 31 March 2022), has contributed to an increase in the value of Investore's portfolio of $163.5 million during FY22.
- Industre Property Joint Venture (Industre), which invests in industrial properties, and is a joint venture between SPL and JPMAM, completed $87.7 million of acquisitions during FY22, many of which have redevelopment opportunities to deliver future portfolio growth, given their strategic location for future industrial and logistics sites. These acquisitions have contributed to Industre's portfolio growth during FY22, with its portfolio value increasing by $239 million. Industre also has a strong development pipeline, with three properties currently under construction, for a total investment of $37.5 million. Industre has three further properties that could be developed in the short to medium term, although there is no commitment to this development at present.

This growth in Stride's Products, and therefore SIML's assets under management, were funded by investors in Stride's Products and did not require further capital contributions from Stride. This is an important area of focus for Stride as it continues to further establish itself as a real estate investment manager, and evidences how Stride's business model requires less capital following the establishment of each of its Products.

SIML's focus will continue to be supporting the Stride Products, with a view to continuing to grow its real estate investment management business.

Focus on office portfolio

Stride continues to focus on its office portfolio, as it considers this portfolio is of sufficient quality and scale to become the next Stride Product. To assist with delivering on Stride's intentions in this sector, Stride has repositioned its office portfolio to ensure it continues to have enduring demand in a competitive environment, given the recent trend towards occupiers demanding higher quality, modern, and flexible workspaces, which better complement flexible working arrangements.

Stride's acquisitions of 46 Sale Street, Auckland, and 110 Carlton Gore Road, Auckland[1], have focussed the portfolio towards newer, higher quality, more sustainable properties, with a higher weighting to the Auckland market. Stride has also agreed to sell four B grade office assets[2], and together these transactions will result in the Stride office portfolio offering an attractive set of investment characteristics on a pro forma 31 March 2022 basis, compared with the position as at 31 March 2022:

- Prime and A grade properties will comprise 85% of the portfolio, up +14%
- Green assets[4] will comprise 74% of the portfolio, up +16%
- Auckland weighting of 50%, up +9%
- WALT of 7.8 years, up +1.4 years
- Weighted average age of the portfolio[5] of 9.7 years, down -5.1 years
- Weighted average contract yield at 5.3%, down -0.3%

1. The acquisition of 110 Carlton Gore Road, Auckland, became unconditional on 5 April 2022, and is expected to settle on completion of the development, currently projected to occur in early 2023.
2. The divestment of the Auckland office properties at 80 Greys Avenue, 25 Teed Street and 35 Teed Street became unconditional on 5 April 2022. The divestment of the property at 7-9 Fanshawe Street became unconditional on 2 May 2022.
3. See glossary on page 162.
4. Stride defines "green assets" as assets achieving 4 star NABERSNZ or 4 star Green Star ratings or better.
5. Property age measured since construction or last major refurbishment.

Chair and CEO's Report

34 Shortland Street, Auckland

Stride expects to establish Fabric as a separate Stride Product, and will continue to monitor market conditions to determine the appropriate time to progress this initiative.

SPL holds one office property directly, being 55 Lady Elizabeth Lane, Wellington. As noted in the interim report for FY22, works are required to improve the seismic performance of this property, although the exact nature of the works required is still being understood. As a result, the valuation of this property was reduced still further as at 31 March 2022, to $15 million. Stride has notified the tenants of this property of the draft seismic rating and continues to work with the tenants regarding the potential strengthening works.

Capital management

In order to support the ongoing growth of Stride's assets under management, Stride continues to focus on capital management initiatives. During FY22, Stride's key capital management transactions included a capital raise, debt refinancing, and interest rate hedging transactions, undertaken in anticipation of the current rising interest rate environment.

In November and December 2021, Stride undertook a capital raise, in order to provide Stride with greater flexibility for the establishment of its office fund, as well as progressing other strategic initiatives as part of Stride's broader investment management strategy. This capital raise has subsequently supported Stride entering into an unconditional agreement to acquire the property at 110 Carlton Gore Road, Auckland, which, as described, has improved the quality and attractiveness of the office portfolio. Stride sought to raise $120 million through the capital raising, and with both the placement and the retail offer being over subscribed, this resulted in Stride raising $133.9 million.

Stride refinanced its debt facilities during FY22, and as part of this transaction, $400 million of the facilities are classified as green loans[1], supported by Stride's predominantly green rated office portfolio.

Stride considers its earnings are well insulated from increases in interest rates over the short to medium term. As at 31 March 2022, Stride had hedging in place equal to 110% of drawn debt, in anticipation of further drawdowns associated with the committed growth of the office portfolio.

Proactive capital management is also a feature of the management of the Stride Products, with the SIML team concluding a total of $1.4 billion of debt transactions on behalf of Stride and the Stride Products during FY22, including $1.3 billion of bank debt facilities that have been refinanced, together with the issue of a further $125 million of listed bonds by Investore. The Investore bond was issued at a margin of 1.15% per annum, representing a record New Zealand low rate for an unrated issuance at the time, demonstrating the demand for Investore's portfolio.

1. Green loans are loans made in accordance with Fabric's Green Finance Framework. For more information see page 54.

People

The activity across the Stride portfolio and the Stride Products is only possible with a high calibre team, and Stride is very proud of its people. During FY22 Stride appointed a new Executive Team member, Jessica Rod, as General Manager Office. Jessica has been with Stride for nearly 20 years, and has been responsible for a number of key transactions within the portfolio over that time, including the recent acquisitions of 46 Sale Street and 110 Carlton Gore Road. Stride is very proud to be able to promote internally for such an important position.

Governance

During FY22 Stride appointed an additional director, Ross Buckley. Ross brings considerable management and financial experience, having been a partner at KPMG for 26 years and Executive Chair of KPMG for nearly 10 years. Ross retired from the KPMG partnership in October 2020 to pursue a governance career and is currently an independent director of ASB Bank Limited, independent Chair of Service Foods Limited, Massey University Council member, a member of the Audit Oversight Committee of the Financial Markets Authority, and National Council member and Chair of the Auckland Branch of the Institute of Directors.

Director John Harvey, the Chair of the Stride Audit and Risk Committee, announced his retirement from the Stride Boards after more than 12 years of service. Stride is very fortunate to have had a director of John's calibre, particularly through the formative years of Stride as a listed entity, including its listing process, the establishment of Investore as a separate entity, the creation of Industre, and the ongoing growth of Stride's assets under management. On behalf of the Stride Boards, we would like to acknowledge the immense contribution of John Harvey and wish him well in his retirement.

The appointment of Ross as a director was in anticipation of John's retirement, and we are pleased to announce that Ross has been appointed as the Chair of the Stride Audit and Risk Committee with effect from John's retirement on 31 May 2022. We know that Ross will bring a keen mind to the financial, risk and audit responsibilities of the Committee.

Sustainability

A key focus for the Stride Boards during FY22 has been Stride's commitment to ensuring it has a sustainable business. The Stride Sustainability Committee was established in late 2020, and has been very active in monitoring Stride's progress against its sustainability strategic plan during FY22. Key activities have included:

- Improving the sustainable performance of the office portfolio, including through obtaining green ratings and positioning the portfolio to obtain NABERSNZ ratings (which require 12 months of data, and accordingly a period of time following installation of appropriate metering);
- Implementation of sustainability-focussed policies and frameworks, including a Supplier Code of Conduct and Community Engagement Framework;
- Completing Stride's preliminary climate risk assessment;
- Implementing a software system to enable gathering of greenhouse gas emissions data, and undertaking a limited assurance review of the baseline data, to provide the baseline for Stride to set its future emissions reduction targets.

As a result of these activities and the focus of the Stride Sustainability Committee, Stride is providing more detailed information in this report on its climate risk exposure, aligned with the principles of the Taskforce on Climate-related Financial Disclosures, at page 42 and following. Stride is also publishing its first greenhouse gas inventory report in FY22, in conjunction with the release of this Annual Report.

Future direction and outlook

Stride's strategy is to establish a group of Products in specific sectors to provide growth in its investment management business. Stride continues to explore options for establishing Fabric, the office owning subsidiary of SPL, as a separate Stride Product, and will monitor market conditions to determine the appropriate time to undertake this strategic initiative.

FY23 will also see a continued focus on the growth of the Stride Products, including Investore and Industre, both of which have acquisition and development pipelines, providing future growth opportunities.

The Boards confirm that they currently intend to pay a combined cash dividend for SPL and SIML during FY23 of 9.91 cents per share.

On behalf of the Boards and staff, thank you for your continued support of Stride Property Group.

Tim Storey
Chair,
SPL and SIML

Philip Littlewood
Chief Executive Officer,
SIML

Board of Directors

Tim Storey
LLB, BA

Independent Director and Chair of the Board

Term of Office: Appointed to SPL on 1 April 2009 and to SIML on 16 February 2016; last elected 2019

Tim was appointed Chair of Stride in 2009. He has more than 30 years' experience across a range of sectors and has practiced as a lawyer in New Zealand and Australia, retiring from the Bell Gully partnership in 2006. Tim is a member of the Institute of Directors in New Zealand (Inc) and is Chair of LawFinance Limited (ASX listed), a director of Investore Property Limited and of a number of private companies.

John Harvey
BCom, FCA, CFInstD

Independent Director and Chair of the Audit and Risk Committee

Term of Office: Appointed to SPL on 15 September 2009 and to SIML on 16 February 2016; last elected 2021; retired with effect from 31 May 2022

John has over 35 years' professional experience as a chartered accountant, including 23 years as a partner in PwC. He is a chartered fellow of the Institute of Directors in New Zealand (Inc) and is a director of Port of Napier Limited, KMD Brands Limited (formerly Kathmandu Holdings Limited), Heartland Bank Limited, and Investore Property Limited.

Jacqueline Cheyne
BAcc, FCA, CMInstD

Independent Director and Chair of the Sustainability Committee

Term of Office: Appointed to SPL and SIML on 13 March 2019; elected 2019

Jacqueline has 25 years of experience in financial audit and advisory services, including 11 years as a partner at Deloitte in audit and assurance. Jacqueline led Deloitte's Corporate Responsibility and Sustainability services function for Deloitte New Zealand for nine years. Jacqueline is currently a member of the External Reporting Board, a member of the Audit Oversight Committee of the Financial Markets Authority, Chair of Snow Sports NZ, and a director of New Zealand Green Investment Finance Limited and PaySauce Limited.

Philip Ling
MSc, MRICS, CMInstD

Independent Director

Term of Office: Appointed to SPL and SIML on 26 June 2017; last elected 2020

Philip has over 30 years' experience in funds and property management, at both listed and unlisted entities, throughout New Zealand, Australia, the United Kingdom and Asia Pacific. Philip was CEO, Asia Pacific, of LaSalle Investment Management, a Chicago-based global real estate funds manager. Philip was LaSalle Investment Management's Chairman of the Asia Pacific Investment Committee, and a member of LaSalle's Global Management Committee. Philip is a Chartered Surveyor and a Professional Member of the Royal Institution of Chartered Surveyors.

Michelle Tierney
BA, MBA

Independent Director

Term of Office: Appointed to SPL on 17 July 2014 and to SIML on 16 February 2016; last elected 2020

Michelle has more than 20 years' experience in the property industry and is currently the Chief Operating Officer for SCA Property Group in Australia. She was previously the General Manager of Business Development and Strategy for the National Australia Bank Global Institutional Bank, Fund Manager of the $3.8 billion GPT Wholesale Shopping Centre Fund and Head of Property & Asset Management for ASX50 company The GPT Group. Michelle is a member of the Australian Institute of Company Directors and the Women's Leadership Institute Australia.

Ross Buckley
BBS, FCA, FCPA, CMInstD

Independent Director and Chair of the Audit and Risk Committee from 1 June 2022

Term of Office: Appointed to SPL and SIML on 9 August 2021; elected 2021

Ross retired from the global accounting and consulting firm KPMG in 2020, after 38 years with KPMG. Ross was Executive Chairman of KPMG in New Zealand and a member of KPMG's Asia Pacific Board and KPMG's Global Council for nearly 10 years. During his career with KPMG he managed the firm's Audit, Risk and Tax practices, in addition to the firms' People, Performance and Culture function. Ross is currently Chair of the Auckland Branch of the Institute of Directors, Massey University - Council member, a member of the Audit Oversight Committee of the Financial Markets Authority, a director of ASB Bank Limited, and Independent Chair of Service Foods Limited.

Nick Jacobson
LLB, BCom

Independent Director

Term of Office: Appointed to SPL and SIML on 18 July 2019; last elected 2021

Nick has over 30 years' experience with leading global and investment banks and global financial services companies, specialising in real estate advisory and capital markets across Australia, Europe, and Asia. Nick is currently Managing Director at Wingate in Sydney, Australia, investing in significant CRE private credit transactions. Nick was previously Managing Director and Head of Investment Banking Services at Goldman Sachs in Sydney, and Chairman of Goldman Sachs' Real Estate Investment Banking division.

People

Stride values its people highly, and this has been demonstrated with the introduction of additional benefits in FY22.

Queensgate Shopping Centre, Wellington

These benefits included:

- An additional week of annual leave per year
- Provision of one week's paid secondary carer leave for team members as they grow their families. In the first year of this benefit, three employees have taken this leave
- Increased long service leave entitlements for employees with 10 or more years of service. In FY22 one team member celebrated 20 years of service with Stride and 22 people celebrated 5 years of service
- Increased employer KiwiSaver contributions

Stride has a diverse workforce, and is proud of the fact that its workforce comprises 64% female and 36% male. In order to ensure Stride remains an open and inclusive place for all people to work, Stride implemented a number of initiatives during FY22:

- All employees were encouraged to complete unconscious bias training
- Completed an equal pay assessment of selected comparative roles and levels
- External benchmarking of salaries

> Stride contributes 5% of gross earnings to KiwiSaver for all employees who are contributing 4% of their earnings or above. Since introducing this initiative, 84% of eligible employees have taken up this benefit

Stride intends to continue to progress its diversity and inclusion practices, and has committed to establish an employee Diversity and Inclusion Committee to provide input on initiatives to foster and encourage diversity and inclusion at Stride.

Stride's teams have continued to deliver excellent results in often challenging conditions, including as a result of ongoing lockdowns.

Corporate Services

Stride's Corporate Services team manages governance, legal (including documenting leasing transactions), health & safety, IT, risk, compliance, external communications, insurance and sustainability across all of Stride and the Stride Products. This team won the Stride "team of the year" for FY22 as a result of its commitment to meeting the needs of its internal customers and quietly improving the way Stride does business. Some key achievements included improving IT security and upgrading IT hardware, including CCTV cameras at shopping centres; supporting the establishment of Fabric and the acquisitions and divestments of office properties; commitment to Stride's internal process improvement projects; and materially improving Stride's sustainability practices, including completing a preliminary climate risk assessment, implementing software to gather and calculate greenhouse gas emissions and implementing a number of sustainability policies and objectives.

Development

The Stride Development team delivers major development and refurbishment projects across all SIML-managed entities. This team successfully delivered the award-winning Waste Management Auckland Headquarters, and has most recently completed the refurbishment of the office building at 22 The Terrace, Wellington and the rebuild of the carpark and cinema at the Queensgate Shopping Centre in Wellington, which was demolished following the 2016 Kaikoura earthquake. The Development team completed over $150 million of projects during FY22 and are currently working on more than $400 million of additional developments across all Stride Products.

Office Asset Management

Stride's office portfolio has grown significantly over the past two years, and to support the growing office portfolio Jessica Rod was appointed as General Manager Office in September 2021, leading a team of professionals focussed on delivering best practice management of Stride's office portfolio in Auckland and Wellington. This team has had an active year, including managing lockdowns and consequent rent abatement negotiations, working on the establishment of Fabric, and managing the acquisition of 46 Sale Street and 110 Carlton Gore Road, as well as the disposal of four B grade office properties.

Safety

Stride continually seeks to ensure the safety of all those who work in or visit places managed by SIML. This approach presents continued challenges given the varied nature of properties managed by SIML and the activity levels across Stride and the Stride Products.

With the increasing number of refurbishment and development projects managed by SIML, SIML is proud of its progress in working with contractors to ensure these projects are delivered safely. SIML appoints an external auditor to review contractor health and safety performance for all major refurbishment and development projects. With a significant amount of work having been completed over the last 12 months on a number of sites, including an operational shopping centre, there was only one notifiable incident during the 12 months to 31 March 2022.

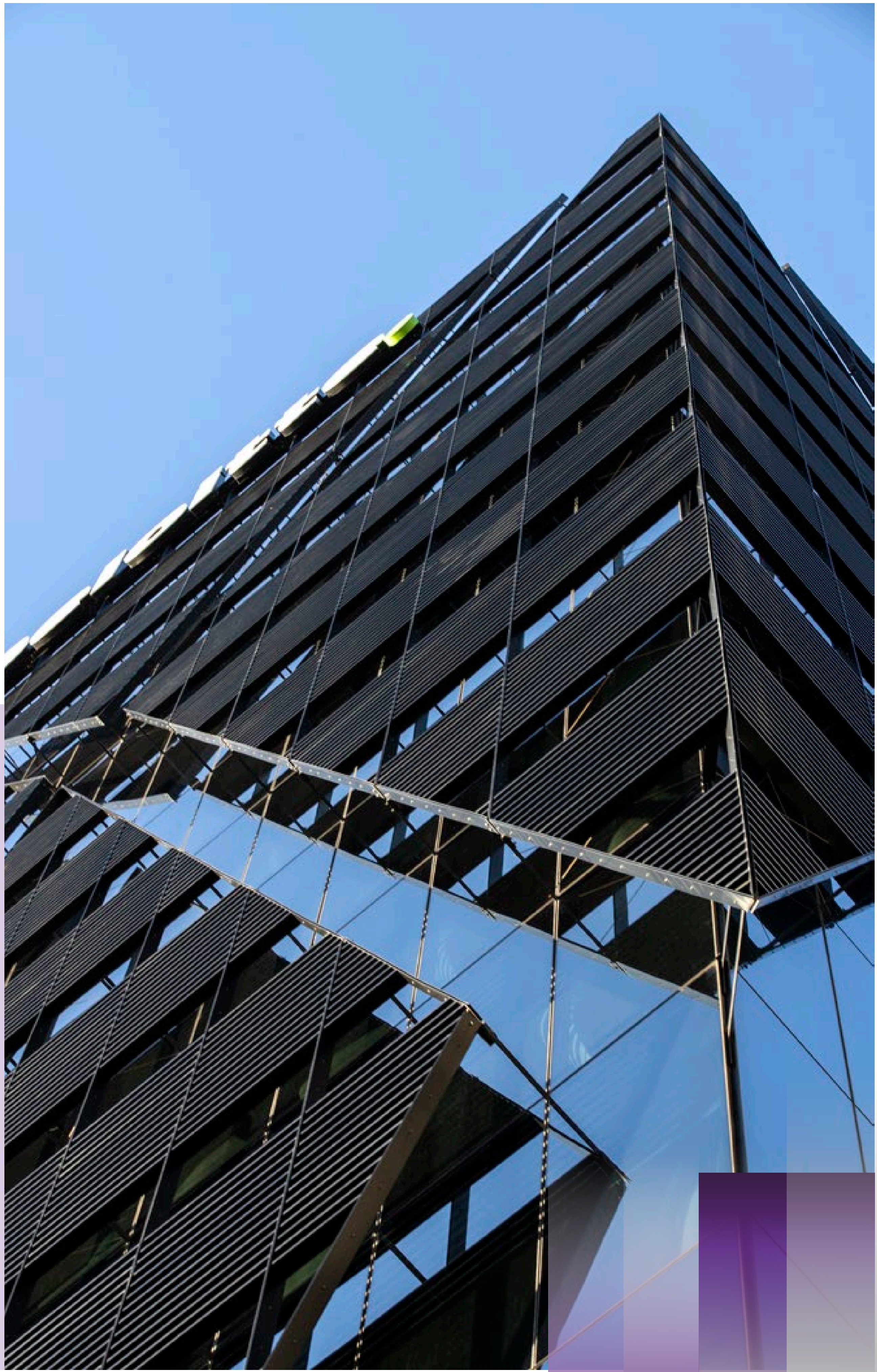
Across the properties managed by SIML, incidents have reduced overall, although we note this could be due, at least in part, to the impact of COVID-19, which has resulted in fewer days of operation for office and shopping centre properties.

95% average external safety audit score for three large Wellington development projects

43 recorded injuries across SIML managed properties (FY21: 78)

74% of all recorded injuries occurred at large retail sites

Main cause of incidents are slips and trips



Executive Team

Philip Littlewood
BProp, BCom, MBA

Chief Executive Officer

Philip joined Stride in 2014 and has overall responsibility for Stride Property Group. Philip has more than 20 years' experience in property investment management in New Zealand and overseas. Highlights of his work history include six years in the UK, including with Morgan Stanley's real estate merchant banking division, and partnership in a large private-equity real estate firm.

Jennifer Whooley
CA

Chief Financial Officer

Jennifer has more than 25 years' experience in the property industry and is responsible for Stride's overall financial plans and policies, ensuring the compliance of its accounting practices. Jennifer is also responsible for the people and culture function within Stride. Prior to joining Stride, Jennifer was Chief Accountant for Fletcher Property. Jennifer was named the EY CFO of the Year for 2018.

Adam Lilley
BCom, LLB, CA

General Manager Investment

Adam has 10 years' experience in the property and finance industries, and was previously an Institutional Equities Research Analyst at Craigs Investment Partners, specialising in the NZ listed property sector. Adam was previously an Investment Manager at Stride and rejoined in 2021 to lead Stride's Investment team.

Fabio Pagano
MBA

Investore Fund Manager

Fabio joined Stride in 2018 and brings over 15 years' international experience in retail management. Fabio is responsible for providing executive oversight and focus on Investore's business and operations. His broad experience has given him expertise across all aspects of leasehold and freehold portfolios. Immediately prior to joining Stride, Fabio held senior roles in the New Zealand Government across property and infrastructure areas.

Andrew Hay
BProp, MBA

General Manager Industrial

Andrew joined Stride in 2004 and has more than 20 years' property industry experience. Andrew is responsible for managing the business of Industre, including overseeing and growing Industre's industrial portfolio. Andrew is currently Auckland Branch President of the Property Council.

Mark Luker
Dip.Val.Prop

General Manager Development

Mark is responsible for Stride's development activities. He has over 25 years of experience in the property development and investment industry, acquired through complex large-scale retail and commercial development projects, both within New Zealand and Australia. Mark joined Stride from Kiwi Property Group, where he held the roles of General Manager Development and Project Director, Sylvia Park.

Roy Stansfield
ACA

General Manager Shopping Centres

Roy is responsible for the shopping centre portfolios owned and managed by Stride. His role includes all aspects of asset management, retail leasing and planning. Roy has 30 years' experience in the retail shopping centre industry. Prior to joining Stride, he was employed by Challenge Properties, St Lukes Group and Kiwi Property Group.

Louise Hill
BCom, LLB

General Manager Corporate Services

Louise has more than 20 years' legal experience and is responsible for a range of corporate functions within Stride, including legal, governance, compliance, IT, insurance, health and safety, sustainability and risk. Louise's previous roles included Head of Legal (NZ) for Fletcher Building and senior associate in the corporate/commercial team at Bell Gully.

Jessica Rod
BProp, BA

General Manager Office

Jessica is the most recent addition to the Stride Executive Team, having been appointed to the role of General Manager Office during FY22. Jessica has been with Stride for 20 years, most recently in the role of Investment Manager, where she was responsible for a number of recent office acquisitions, including the acquisition of the property at 110 Carlton Gore Road.

Performance

Diversified revenue sources

Stride combines a property ownership business (SPL) with a real estate investment management business (SIML). This results in Stride having diverse sources of income:

- Real estate investment management fees, comprising asset management fees, which are ongoing recurring fees, and activity based fees, which depend on the activity of the Stride Products, such as leasing and development
- Direct property income from SPL's directly owned property
- Indirect property income from SPL's investment in the Stride Products

These diverse sources of income provide Stride with a level of resilience in different market conditions and mean that Stride is not reliant on a particular category of income.

FY22 look-through revenue sources[1]

Office
35%

Industrial
14%

Large Format Retail
10%

Town Centre/Retail Shopping Centres
19%

Management fees
22%

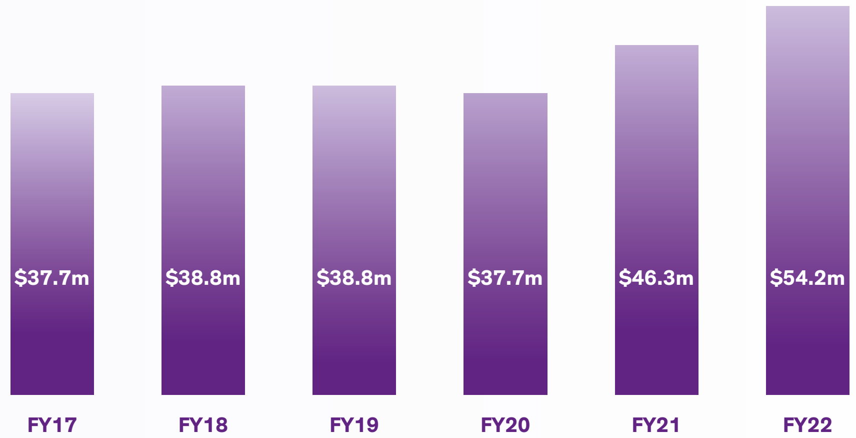
Recurring management fees
15%

Activity and performance fees
7%

1. Stride's revenue comprises SIML management fees and SPL revenue. SPL revenue comprises income derived from SPL's directly held property plus revenue derived from its interests in the Stride Products which is calculated based on net Contract Rental on a look-through basis as at 31 March 2022. Management fees comprise FY22 management fees from Stride Products (i.e. excluding fees from SPL, but including SPL building management fees which are recovered from tenants).
2. See glossary on page 162.

These diverse sources of revenue have contributed to Stride delivering growth in distributable profit[2] since FY17, particularly over the period since FY20 when Stride grew its real estate investment management business with the establishment of Industre.

Distributable profit[2] growth



110 Carlton Gore Road, Auckland

Real Estate Investment Management Business

Stride's strategy is to create a group of Products in specific commercial property sectors to grow its investment management business.

SIML will manage each of the Products and SPL will continue to own an interest in each of the Products. Stride has seen considerable growth in its assets under management during FY22, demonstrating the benefit of having distinct, diverse pools of capital for each Stride Product focussed on a defined commercial property class.

Stride benefits from growth in its Products through:

- Activity based fees associated with acquisition and development activity
- Higher portfolio values resulting in higher ongoing recurring fees as SIML's asset management fee is calculated as a specified percentage of portfolio value

SIML Management Fees

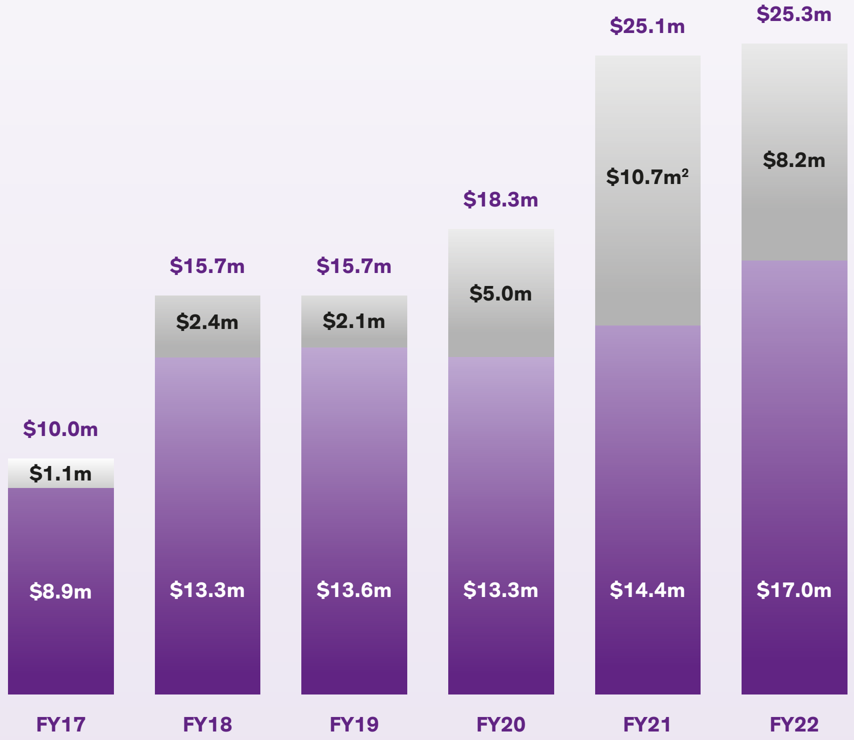
FY22 management fees[1] of $25.3m

18.7% growth in recurring fees from FY21

SIML management fee[1] growth

Recurring fees

Activity and performance fees



1. Net of management fees received from SPL but includes SPL building management fees which are recovered from tenants.
2. FY21 management fees included the one-off establishment fee associated with the commencement of Industre of $1.4m.

Note: Numbers in charts may not sum due to rounding.

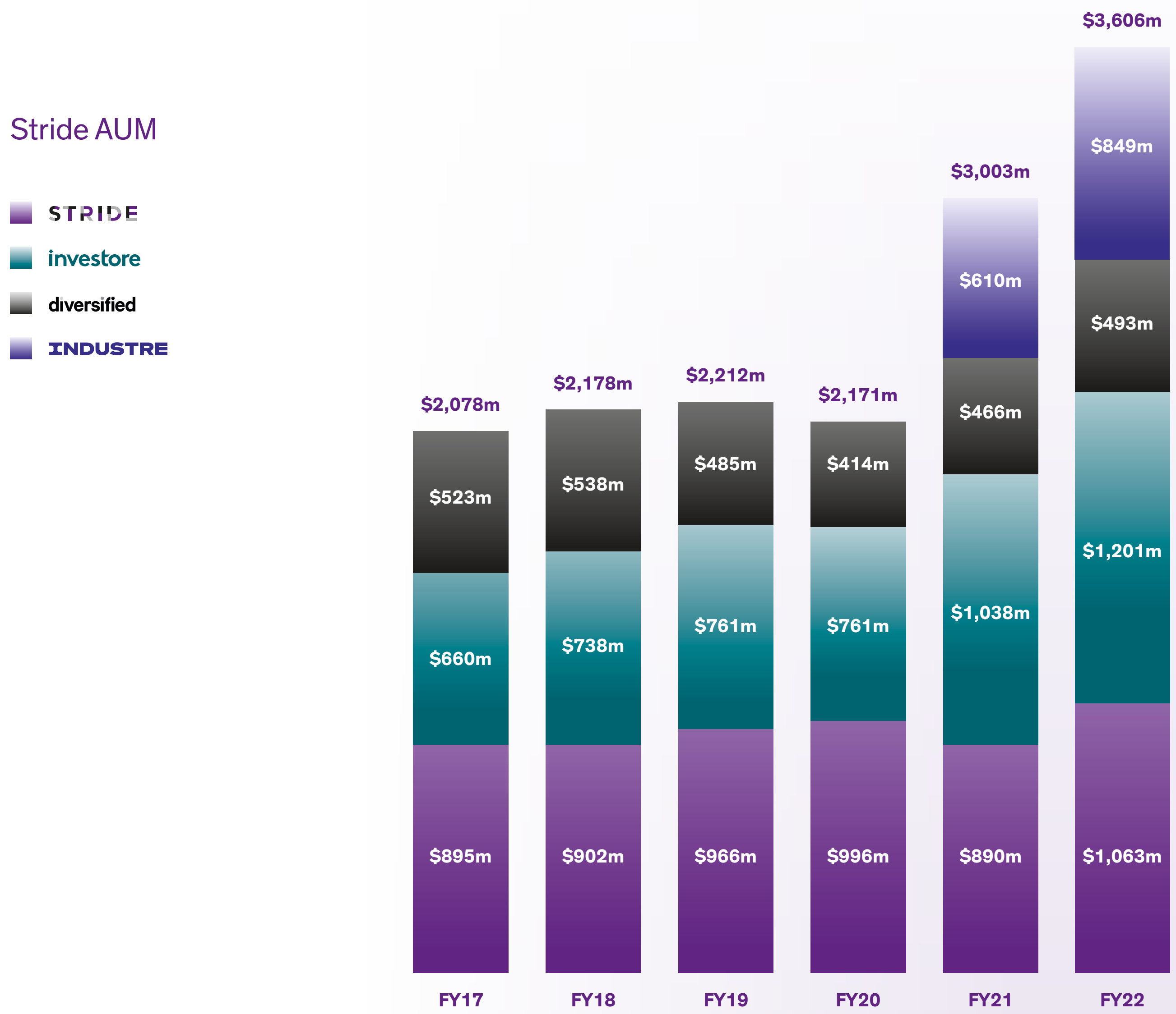
AUM growth

$3.6bn

assets under management as at 31 March 2022

Up $603m from 31 March 2021

Stride AUM

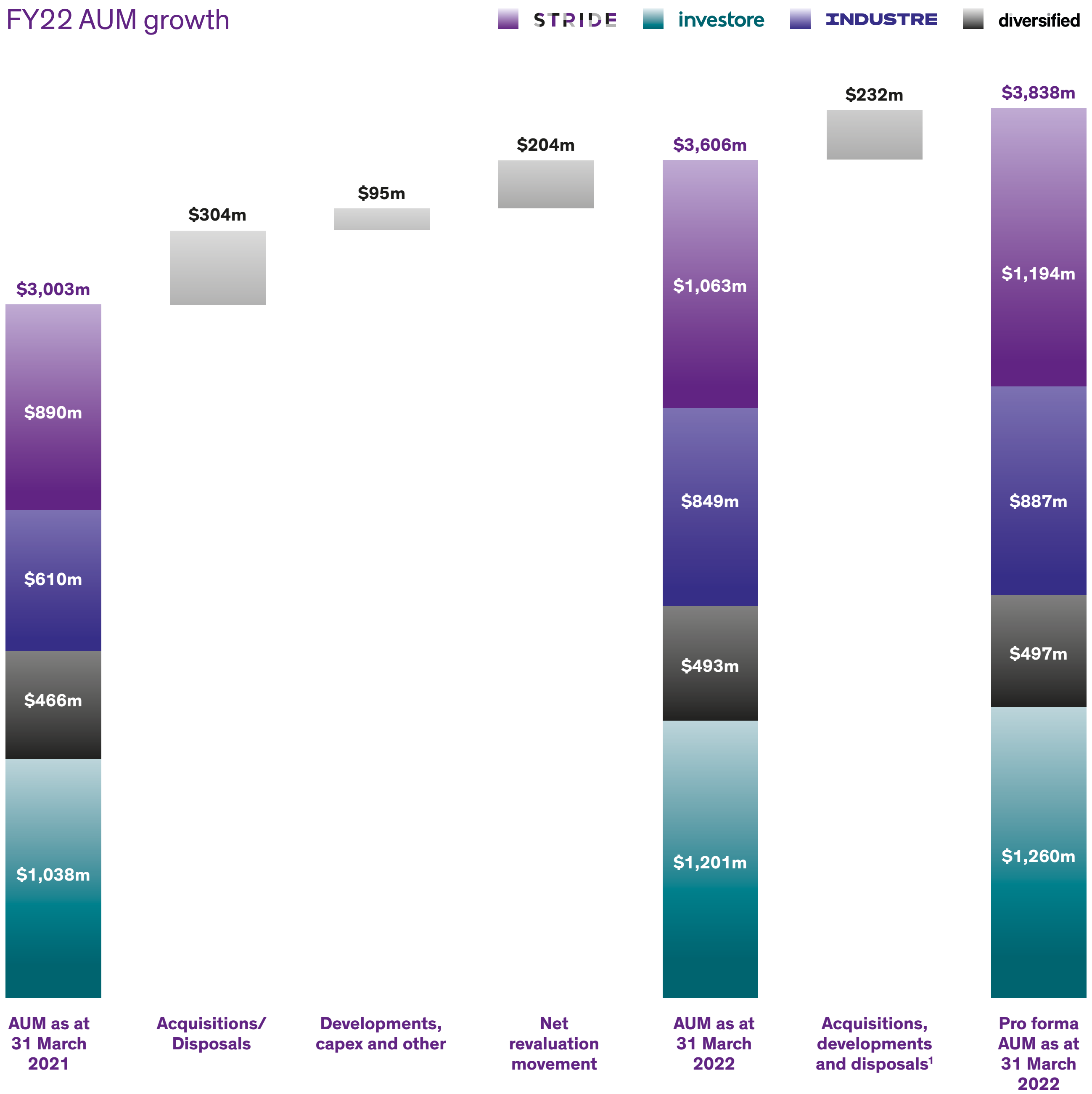


STRIDE

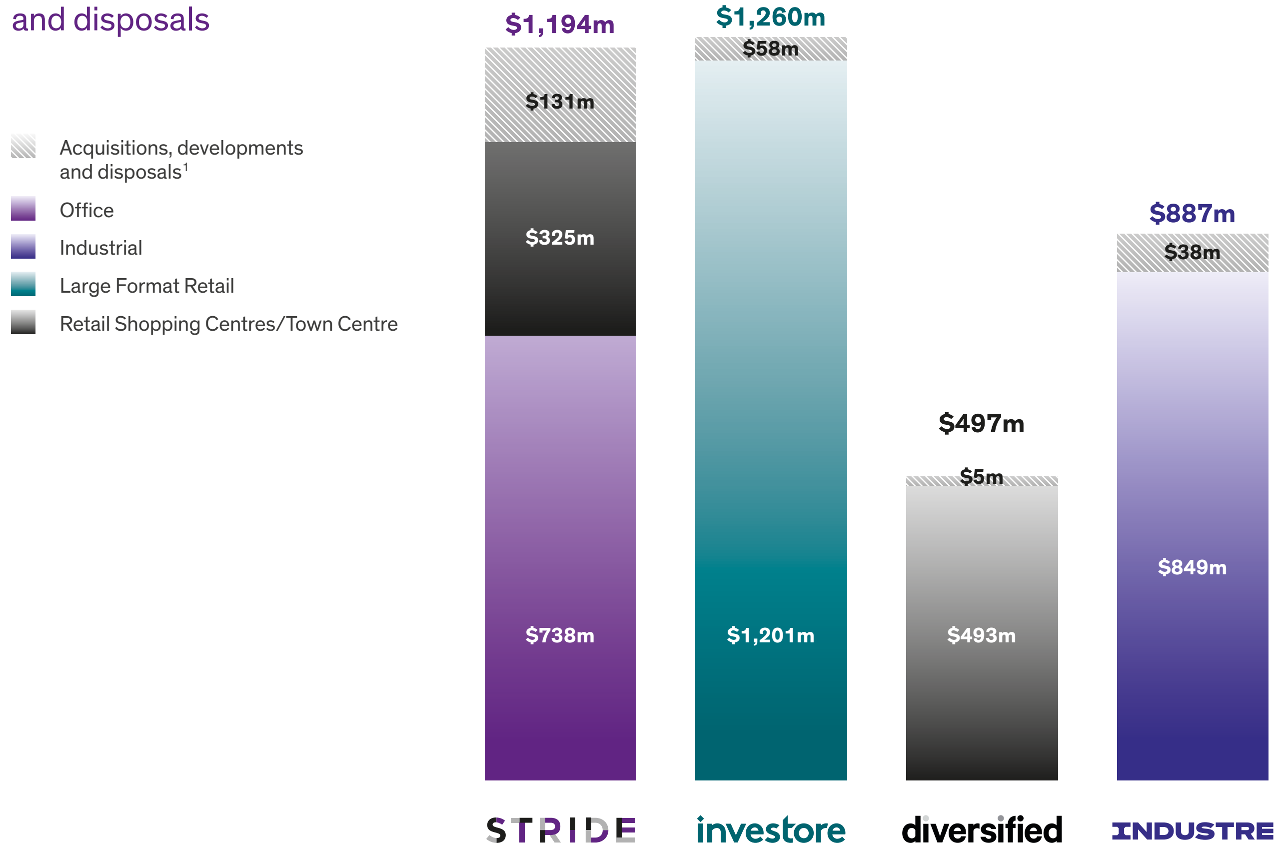
Products

Each Stride Product is developed to invest in a specific commercial property sector and has its own distinct balance sheet. Having a balance of listed and unlisted Products means that Stride has a diversified source of capital for growing the Stride Products. This growth potential has been demonstrated over the previous year, with assets under management growing by 20%, with a strong pipeline of acquisitions and developments for FY23.

FY22 AUM growth



Portfolio composition as at 31 March 2022 including acquisitions, developments and disposals



	STRIDE	investore	diversified	INDUSTRE
Sector focus	Office and Town Centre[2]	Large Format Retail	Retail Shopping Centres	Industrial
SPL Investment	100%	18.8%	2.1%	51.7%
Description	An NZX listed company, part of Stride Property Group	An NZX listed company	An Australian trust majority owned by Australian superannuation entities	A joint venture between Stride and a group of institutional investors advised by J.P. Morgan Asset Management (JPMAM)

Note: Numbers in charts may not sum due to rounding.

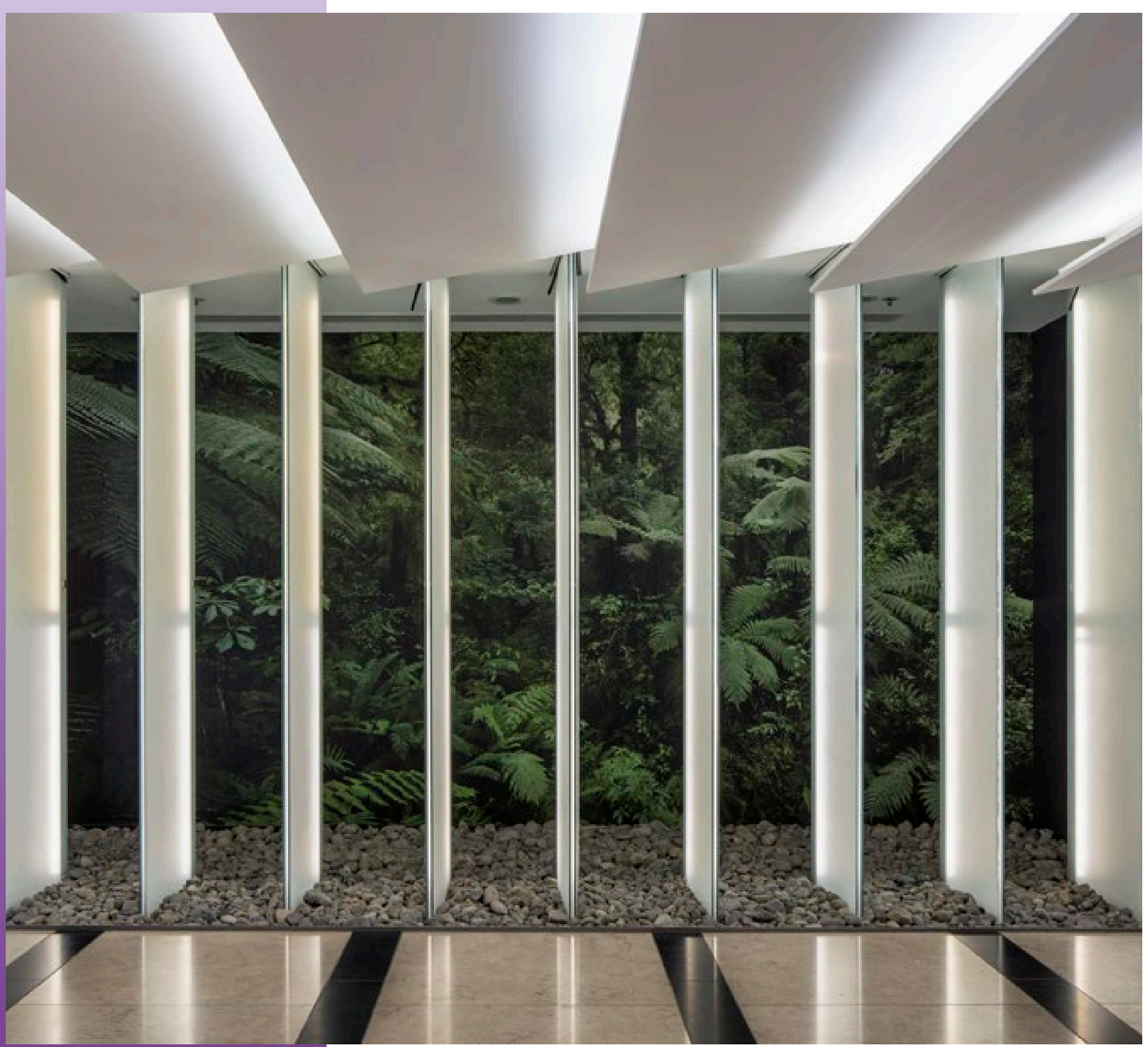
1. Acquisitions, developments and disposals comprise: (1) Stride: purchase price for 110 Carlton Gore Road; seismic strengthening costs for 34 Shortland Street; less the sale price for the disposal of the four office properties; (2) Investore: purchase price for the development land at Waimak Junction plus the estimated cost of Stage 1 of the development; and capital expenditure of $22.7m across the existing portfolio; (3) Diversified: remaining seismic strengthening costs for Queensgate Shopping Centre; (4) Industre: estimated costs of construction for three properties currently under development.
2. Stride office and town centre property excludes SPL's interest in the Industre unincorporated portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information).

SPL Look-Through Portfolio

SPL's property interests comprise its directly held portfolio together with its indirect interest in each of the portfolios owned by the Stride Products as a result of the interest SPL owns in each Stride Product. This results in SPL having exposure to each class of commercial property owned by SPL and the Stride Products. On a look-through basis, SPL's portfolio shows strong investment metrics as at 31 March 2022, benefiting from the diversity of the Stride Products combined with SPL's places.

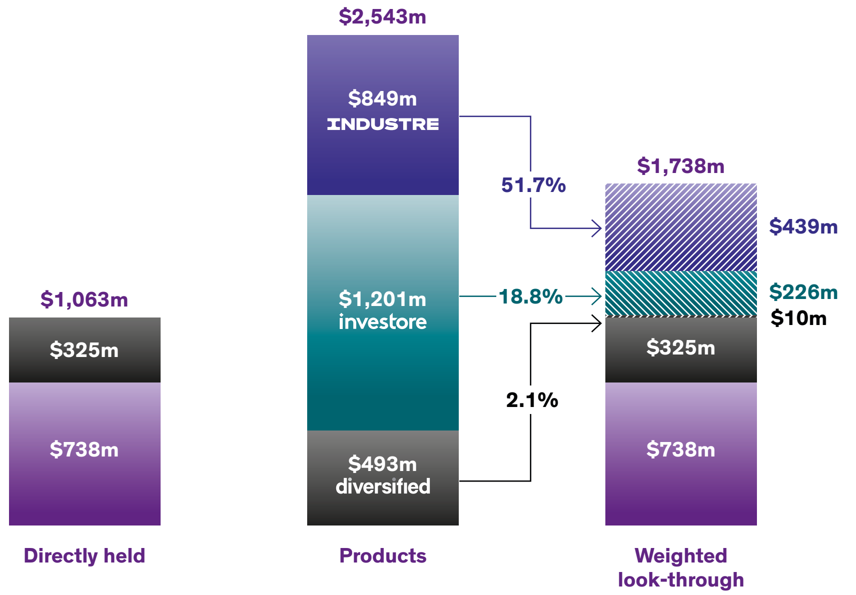
Look-through value ($m)	1,738
Look-through WALT (years)	6.6
Look-through occupancy (%)	97.8

1 Grey Street, Wellington



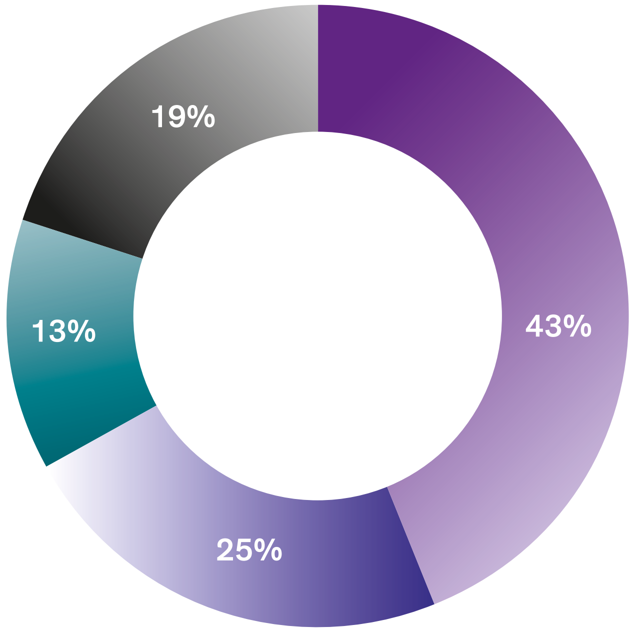
SPL's weighted look-through portfolio value[1] as at 31 March 2022

- Office
- Industrial
- Large Format Retail
- Retail Shopping Centres/ Town Centre



SPL's look-through portfolio has a strong weighting to the office sector, as a result of SPL building its office portfolio in anticipation of the establishment of Fabric as a separate Product. It is expected that this will reduce over time as Fabric is established as a Stride Product.

- Office
- Industrial
- Large Format Retail
- Retail Shopping Centres/ Town Centre



1. As at 31 March 2022, excluding committed acquisitions, developments and disposals and excluding lease liabilities.

SPL Places

Overview of SPL portfolio[1]

SPL's directly held portfolio consists of office and town centre properties. SPL has focussed on growing and repositioning its office portfolio over the past year, to ensure the office portfolio continues to demonstrate "enduring demand".

	Pro forma[2] 31 March 2022	31 March 2022	31 March 2021
Properties[3] (no.)	12	15	14
Tenants (no.)	321	358	347
Net Lettable Area (sqm)	148,046	151,212	135,350
Net Contract Rental[4] ($m)	67.9	63.0	54.5
WALT[4] (years)	6.6	5.6	5.5
Occupancy Rate (% by area)	96.2	96.1	97.6
Portfolio Value[5] ($m)	1,193.0	1,062.8[6]	889.6
FY22 Net Valuation Movement[7]		($3.7m) (0.6%)	

1. Excludes SPL's 51.7% interest as at 31 March 2022 in the unincorporated component of the Industre Property Joint Venture portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information).
2. As at 31 March 2022, as if the acquisition of 110 Carlton Gore Road, Auckland, and the divestment of the office properties at 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street had all occurred as at that date.
3. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.
4. See glossary on page 162.
5. Excludes lease liabilities; includes the value of Level 12, 34 Shortland Street, which houses Stride's head office, and is shown in the consolidated financial statements as property, plant and equipment.
6. Includes the following office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street, and 35 Teed Street, which are investment properties classified as held for sale at $82.8m.
7. Net valuation movements differ from the reported net change in fair values of investment properties in the consolidated financial statements due to adjustments made on consolidation.
8. Sales data is not collected for all tenants at Silverdale Centre as not all tenants are obliged to provide this information under the terms of their lease.
9. Excludes lease liabilities.

Town Centres

Stride continues to see strong growth in sales across its key town centre properties, with moving annual turnover (MAT) at NorthWest growing by 5.6% (or +9.0% on a like for like basis) and MAT at Silverdale Centre[8] growing by 3.2% (or 3.0% on a like for like basis). The performance of these centres can be attributed to their locations, with both centres located in high-growth regions of Auckland. SPL also owns a 50% interest in Johnsonville Shopping Centre, which represents a future development opportunity. The occupancy rates below exclude casually let units such as pop up shops or kiosks let under licence. If these occupied units were included, the occupancy rate would be 98.0% as at 31 March 2022.

	31 March 2022	31 March 2021
Properties[3] (no.)	4	4
Tenants (no.)	231	232
Net Lettable Area (sqm)	65,526	65,736
Net Contract Rental[4] ($m)	22.0	22.5
WALT[4] (years)	4.1	4.3
Occupancy Rate (% by area)	96.7	96.5
Portfolio Value[9] ($m)	324.5	309.9
FY22 Net Valuation Movement[7]	+$13.3m +4.3%	

NorthWest Shopping Centre, Auckland

STRIDE

Office

Stride has been very active in growing and repositioning its office portfolio over the past 24 months to meet market trends.

1. The acquisition of 110 Carlton Gore Road, Auckland, became unconditional on 5 April 2022.
2. The divestment of three office properties (80 Greys Avenue, 25 Teed Street and 35 Teed Street) became unconditional on 5 April 2022. The divestment of the property at 7-9 Fanshawe Street became unconditional on 2 May 2022. The sale price includes a commitment by Fabric to complete certain seismic strengthening works in relation to two of the office properties for a total of $0.8m.
3. As at 31 March 2022, as if the acquisition of 110 Carlton Gore Road, Auckland, and the divestment of the office properties at 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street and 35 Teed Street had all occurred as at that date.
4. See glossary on page 162.
5. Excludes lease liabilities. Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office, and is shown in the consolidated financial statements as property, plant and equipment.
6. Includes the following office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 25 Teed Street, and 35 Teed Street, which are investment properties classified as held for sale at $82.8m.
7. Net valuation movements differ from the reported net change in fair values of investment properties in the consolidated financial statements due to adjustments made on consolidation.
8. Stride defines "green assets" as assets achieving 4 star NABERSNZ or 4 star Green Star ratings or better.
9. Property age measured since construction or last major refurbishment.

Stride has indicated its intention to establish Fabric as its standalone office-owning Product. Stride is focussed on developing a portfolio of office properties that it considers will demonstrate enduring demand and therefore form the basis for a successful Stride Product.

$152m Acquisition of 46 Sale Street, Auckland

$213m Acquisition of 110 Carlton Gore Road, Newmarket, Auckland [1]

$83.6m Divestment of four non-core office properties post balance date[2]

	Pro forma[3] 31 March 2022	31 March 2022	31 March 2021
Properties (no.)	8	11	10
Tenants (no.)	90	127	115
Net Lettable Area (sqm)	82,520	85,687	69,614
Net Contract Rental[4] ($m)	45.9	40.9	31.9
WALT[4] (years)	7.8	6.4	6.3
Occupancy Rate (% by area)	95.7	95.4	98.6
Portfolio Value[5] ($m)	868.5	738.3[6]	579.7
FY22 Net Valuation Movement[7]		($17.0m) (2.3%)	

Recent transactions reposition Stride's office portfolio to meet key trends in the New Zealand office market.

Including the acquisition of the property at 110 Carlton Gore Road, Auckland, and the divestment of the four B grade Auckland office properties, SPL's office portfolio demonstrates strong characteristics with improved quality on a pro forma basis as at 31 March 2022.

	Pro forma[3] 31 March 2022	Compared with 31 March 2022
Valuation	$868.5m	+$130.2m
Prime and A grade properties	85%	+14%
Green assets[8]	74%	+16%
Auckland weighting (by value)	50%	+9%
WALT[4]	7.8 years	+1.4 years
Weighted average age of portfolio[9]	9.7 years	-5.1 years
Weighted average contract yield	5.3%	-0.3%

Key office market trends:

Market shift towards sustainably rated buildings as occupiers become more conscious of the need to ensure their business minimises its impact on the environment

74% SPL office portfolio green rated[8], up 16%

Flight to quality – occupiers are seeking to upgrade to newer, high quality and well-located spaces with flexible floorplates and lower density workspace configurations in order to attract existing employees back into the office and enhance office productivity

85% SPL office portfolio Prime or A grade, up 14%

High inflation and replacement costs will drive rental growth

73% SPL's office portfolio has been recently constructed or redeveloped. SPL has also "locked in" the acquisition price for 110 Carlton Gore Road, with the property being acquired in 12 months' time

INDUSTRE

Industre continues to grow, through a combination of acquisitions and developments.

$849m Portfolio value as at 31 March 2022

$87.7m Acquisitions completed during FY22

$239m Growth in portfolio during FY22

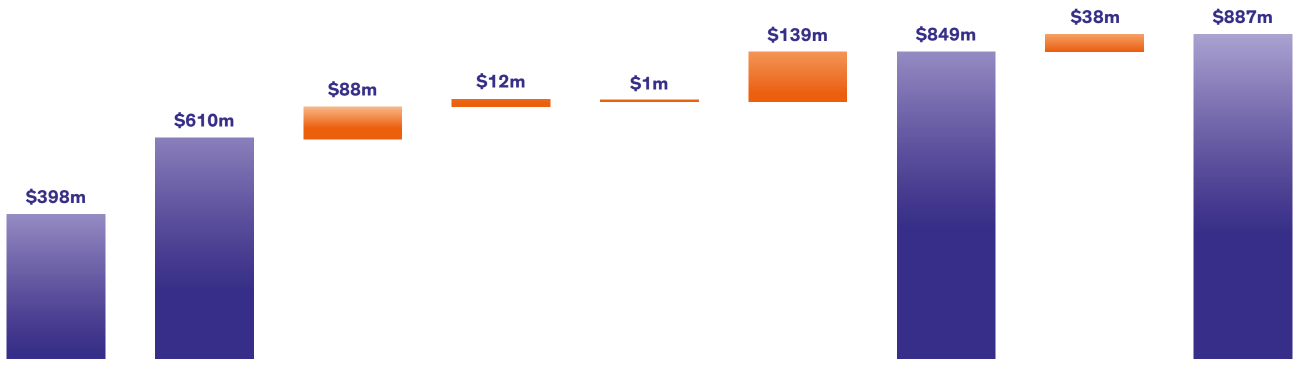
Industre invests in the industrial sector, with a primary focus on properties in the Auckland region. In continuing its strong growth trajectory, Industre targets properties that are well-located, primarily on key transport routes, with future development potential.

Industre's portfolio has grown by over $450 million since commencement on 1 July 2020, including acquisitions with a total purchase price of $195 million.

Industre has a strong pipeline of future growth, with three projects currently committed for development, for a total investment of $37.5 million, with each property being built to a targeted minimum 4 star Green Star Design & As Built standard.

Growth since the establishment of Industre has been funded by Stride's joint venture partner, JPMAM, with Stride's interest in Industre reducing as JPMAM invests to fund growth. Stride now has a 51.7% holding in Industre as at 31 March 2022.

Industre Portfolio Growth



Portfolio Overview

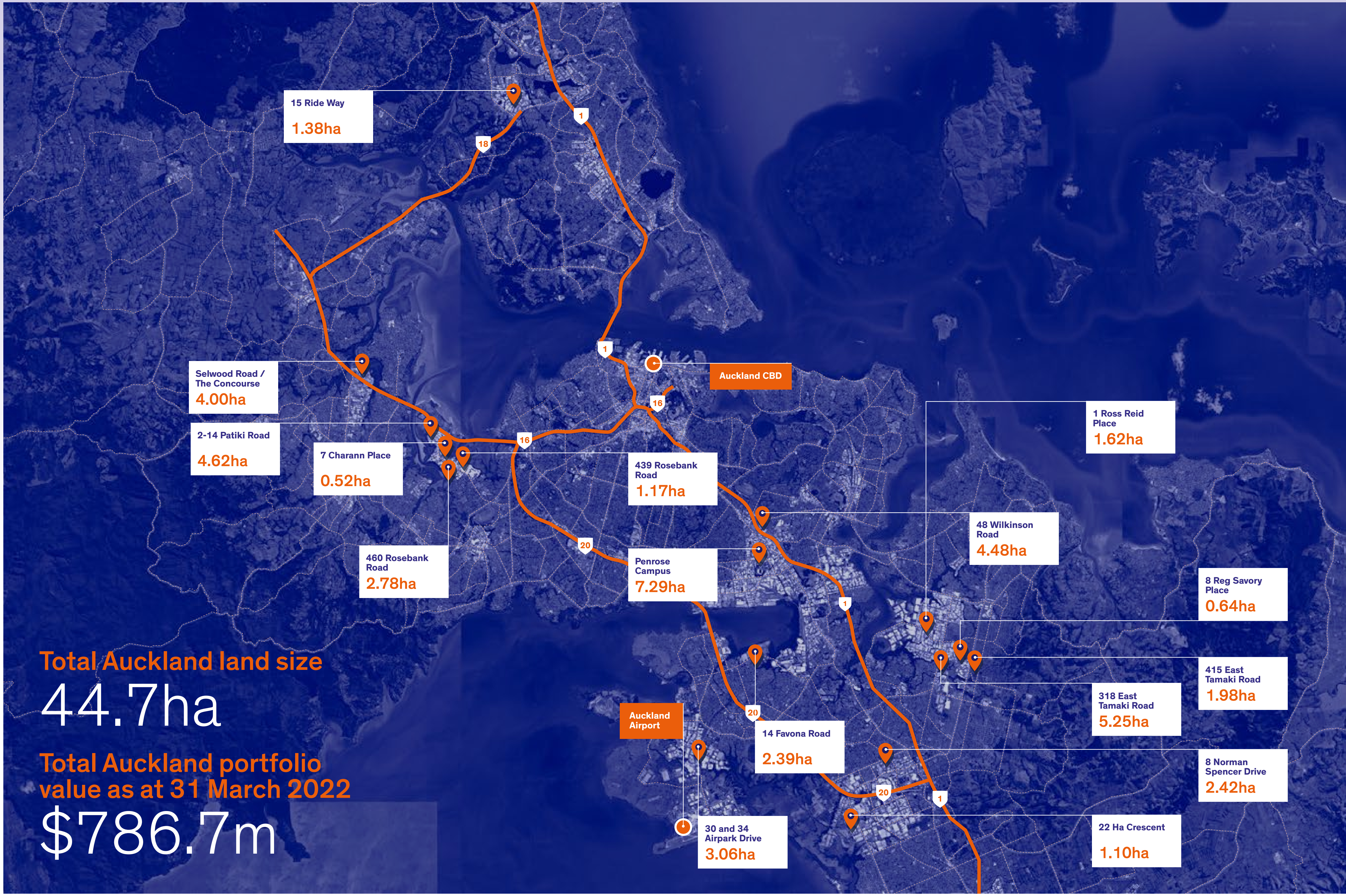
	31 March 2022	31 March 2021
Properties (no.)	22	18
Tenants (no.)	67	39
Net Lettable Area (sqm)	176,689	173,330
Net Contract Rental[2] ($m)	31.2	27.4
WALT[2] (years)	9.3	9.7
Occupancy Rate (% by area)	99.8	97.3
Portfolio Value ($m)	849.4	610.0
FY22 Net Valuation Movement	+$138.6m +19.5%	

1. Pro forma as at 31 March 2022 as if committed acquisitions and developments had been completed as at that date.
2. See glossary on page 162.

Penrose Campus, Auckland

INDUSTRE

Industre's Auckland portfolio comprises over 40 hectares of strategically located sites across Auckland, close to main arterial routes. The large property sizes present future development opportunity to meet the growing demands of the logistics industry. Industre also owns properties in Hamilton and Gisborne.



INDUSTRE
Financial Information

Summarised Statement of Financial Position ($000)

	Industre			Stride's interest		
	Joint Venture 2022	Joint Operations 2022	Total 2022	Joint Venture 2022	Joint Operations 2022	Total 2022
Assets						
Current assets	7,207	884	8,091	**3,729**	**457**	**4,186**
Investment properties	497,931	351,500	849,431	**257,612**	**181,854**	**439,466**
Other non-current assets	82,689	-	82,689	**42,781**	**-**	**42,781**
Total Assets	587,827	352,384	940,211	**304,122**	**182,311**	**486,433**
Liabilities						
Current liabilities	4,547	924	5,471	**2,354**	**478**	**2,832**
Borrowings	243,603	77,034	320,637	**126,031**	**39,857**	**165,888**
Other non-current liabilities	1,584	-	1,584	**820**	**-**	**820**
Total Liabilities	249,734	77,958	327,692	**129,205**	**40,335**	**169,540**
Net assets	338,093	274,426	612,519	**174,917**	**141,976**	**316,893**

Summarised Statement of Financial Performance ($000)

	Industre			Stride's interest		
	Joint Venture 2022	Joint Operations 2022	Total 2022	Joint Venture 2022	Joint Operations 2022	Total 2022
Income	19,323	14,808	34,131	**10,237**	**7,852**	**18,089**
Expenses	(10,574)	(7,735)	(18,309)	**(5,597)**	**(4,088)**	**(9,685)**
Change in fair value of investment properties	73,699	64,917	138,616	**38,955**	**34,386**	**73,341**
Net share of profit*	82,448	71,990	154,438	**43,595**	**38,150**	**81,745**

*This information relates to the year to 31 March 2022. Stride's share in Industre reduced from 56.33% as at 31 March 2021 to 51.74% as at 31 March 2022. Stride's net share of Industre's profit is calculated on the weighted average participating interest during the period.

diversified

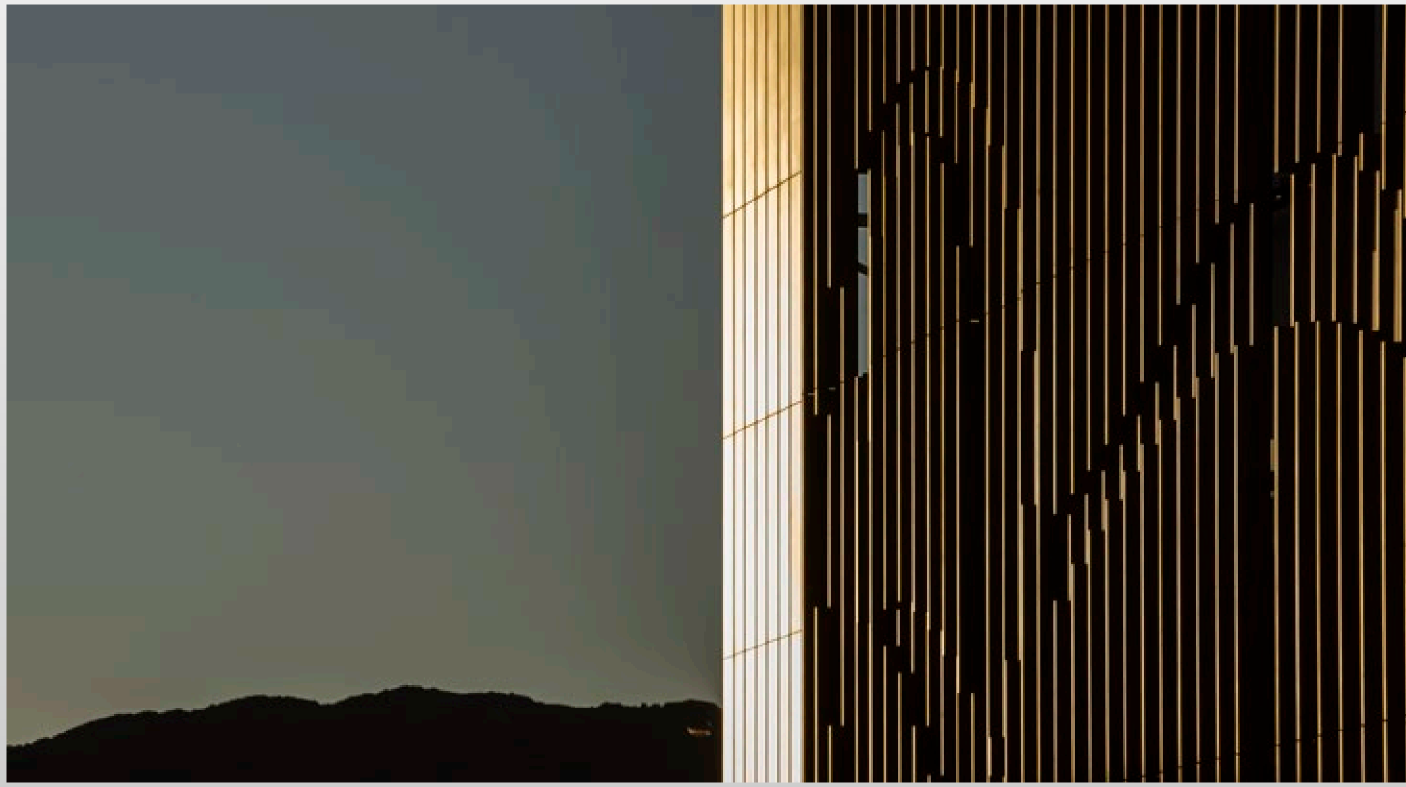
Stride is pleased to have delivered the completion of the rebuild of the carpark and cinema complex at Queensgate Shopping Centre during FY22. The carpark was opened in time for Christmas trading, with the cinema currently in the fit out stage, expected to be open for trading later in 2022. These improvements to the centre are expected to drive increased customer visitation, benefiting the whole centre.

Portfolio Overview

	31 March 2022	31 March 2021
Properties[1] (no.)	4	4
Tenants (no.)	356	335
Net Lettable Area (sqm)	105,185	105,064
Net Contract Rental[2] ($m)	38.2	37.9
WALT[2] (years)	3.0	3.4
Occupancy Rate (% by area)	94.2	93.8
Portfolio Value ($m)	492.6	465.6
FY22 Net Valuation Movement ($m)	($22.0m) (4.3%)	

1. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.
2. See glossary on page 162.

Queensgate Shopping Centre, Wellington



investore

Investore continues to deliver strong financial results, through its focus on investing in large format retail assets, an asset class that remains in demand.

$34.3m	profit before other income/(expense) and income tax, up $4.3m from FY21
$118.2m	profit after income tax, down $43.1m from FY21, due to a lower revaluation movement
$29.9m	distributable profit[1] after current income tax, up $0.8m from FY21
7.90	cents per share cash dividend for FY22, up 0.30 cents from FY21

Investore completed $73.8 million of acquisitions during FY22 in execution of its strategy of targeted growth. In addition, Investore has a further conditional agreement to acquire development land at Waimak Junction, Kaiapoi, for $10.5 million, which provides Investore with continued development opportunities.

Investore has also focussed on improving its current portfolio during FY22, through collaborating with key tenants to undertake capital projects that improve the overall customer experience and drive increased customer visitation to each property. Investore receives additional income as a result of these projects, through rental return on the investment or by way of increased turnover rent, and in addition these projects often deliver an increase in lease tenure, adding value to Investore's portfolio.

Investore's portfolio continues to demonstrate strong metrics, with a net valuation gain of $91 million or 8.2% in the 12 months to 31 March 2022, and average market capitalisation rate of 4.81%, down 0.4% from 31 March 2021.

Portfolio Overview

	31 March 2022	31 March 2021
Properties (no.)	44	43
Tenants (no.)	143	130
Net Lettable Area (sqm)	249,829	246,272
Net Contract Rental[2] ($m)	60.2	57.1
WALT[2] (years)	9.1	9.8
Occupancy Rate (% by area)	99.7	99.1
Portfolio Value ($m)	1,201.3[3]	1,037.9[4]
FY22 Net Valuation Movement	+$91m +8.2%	

Investore's continued focus during FY22 on proactive capital management has resulted in Investore having a strong capital position in the current rising interest rate environment.

3.77%	weighted average interest rate as at 31 March 2022, down from 4.04% as at 31 March 2021, due to Investore's proactive management of debt
100%	debt hedged or fixed, with no debt facilities expiring until FY24
29.5%	Loan to Value Ratio[5] as at 31 March 2022, with $120m bank debt facility headroom
$125m	5 year listed bonds issued February 2022 at 4.00% per annum interest rate

1. 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 Investore's consolidated financial statements.
2. See glossary on page162.
3. Portfolio value as at 31 March 2022 excludes: (1) seismic works ($3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired by Investore from SPL on 30 April 2020; and (2) lease liabilities.
4. Portfolio value as at 31 March 2021: (1) excludes seismic works and rental underwrites (total $7.1m) to be completed by SPL in relation to the three properties acquired by Investore from SPL and settled on 30 April 2020; (2) includes 35 MacLaggan Street, Dunedin, which was held as property intended for sale; (3) excludes lease liabilities.
5. Loan to Value Ratio is calculated based on independent valuations, which include seismic works to be funded by SPL in relation to 2 Carr Road, Auckland, acquired by Investore from SPL in April 2020. The independent valuations also exclude lease liabilities.

Capital Management

Stride takes an active and prudent approach to capital management, particularly in the current rising interest rate environment.

During FY22, Stride executed a number of capital management initiatives designed to ensure it has an appropriate balance sheet for the future.

Existing bank debt facilities refinanced, increasing available facilities to $600m to facilitate growth, and resulting in a reduction in the weighted average line fees and margin for the facilities

$400m of the newly arranged bank facilities are classified as green loans[1], supported by the office portfolio owned by Fabric

$134m capital raise completed December 2021 to provide greater balance sheet flexibility to support continued growth of Stride's funds management business

28.7% LVR[2] as at 31 March 2022, or 36.8% after taking into account committed acquisitions, disposals and developments

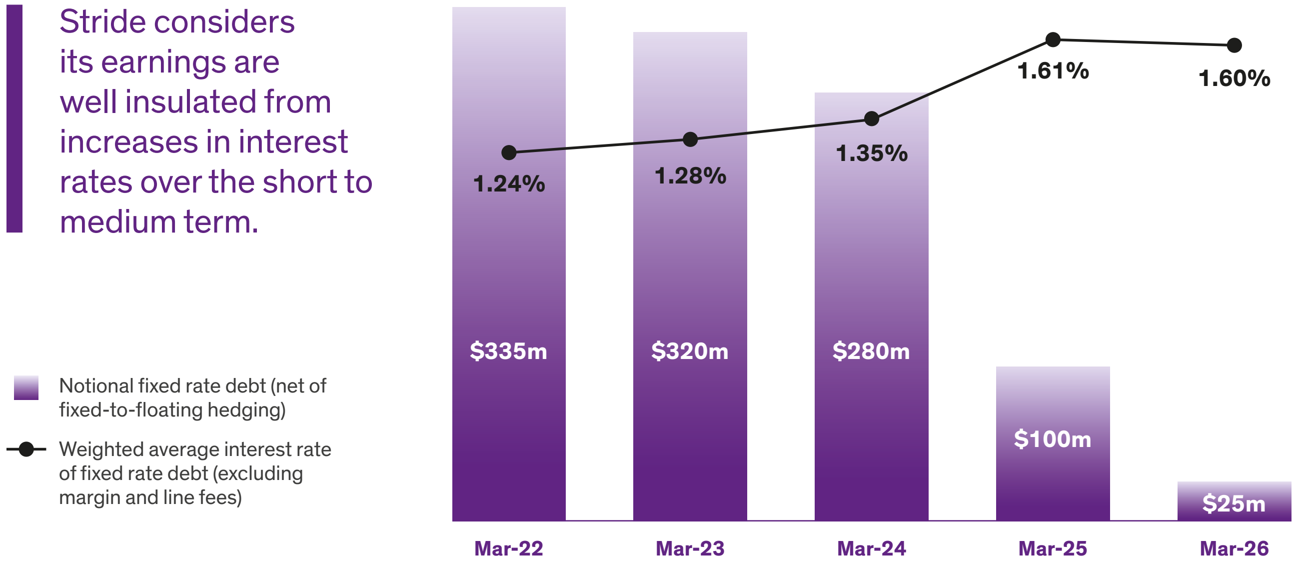
As at 31 March 2022, Stride had hedging in place equal to 110% of drawn debt, in anticipation of further drawdowns associated with the committed growth of the office portfolio

	31 March 2022	31 March 2021
Banking facility limit ($m)	600	455
Debt facilities drawn ($m)	306	261
Weighted average debt maturity (years)	3.4	2.4
LVR (Covenant: ≤ 50%) (%)	28.7	29.3

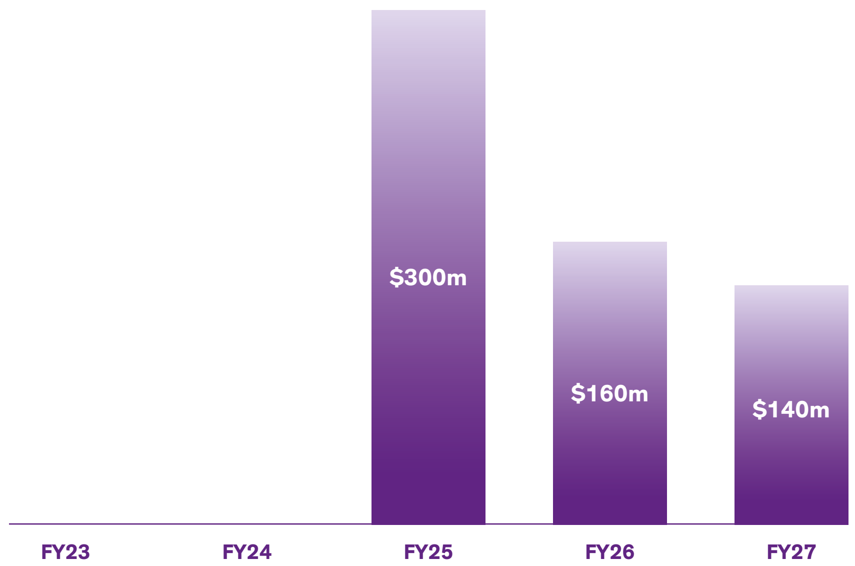
1. Green loans are loans made in accordance with Fabric's Green Finance Framework. For more information see page 54.
2. See glossary on page 162.

Fixed interest rate profile as at 31 March 2022

Stride considers its earnings are well insulated from increases in interest rates over the short to medium term.



Debt expiry profile as at 31 March 2022



Community Engagement

Stride is committed to actively engaging with the communities in which Stride operates to create mutually beneficial outcomes.

Stride has implemented a new Community Engagement Framework which governs Stride's community investment activities. Stride aims to maximise the positive impacts of its business activities on the community through:

- Actively engaging in partnerships that address social issues which generate shared value for both Stride and the community at national and local level
- Actively engaging with the communities in which Stride operates to create mutually beneficial outcomes

At a national level, Stride will focus on organisations, programmes and initiatives that provide opportunities for youth to access experiences that would not otherwise have been available to them and encourage continuing education.

At the local level Stride will focus on helping build the capacity of the communities in which we operate. We seek to provide spaces that facilitate social connection and cohesion and work with those organisations seeking to create equality in the community.

Stride sponsors the Graeme Dingle Foundation and recently committed to a further three year period of sponsorship with an increased contribution in order to provide further support for the work of the Graeme Dingle Foundation. The Graeme Dingle Foundation's purpose is to inspire school age New Zealand children to reach their full potential through programmes that help build self-esteem, promote good values and which teach valuable life, education and health skills. In addition to providing sponsorship, Stride also encourages its employees to volunteer as a mentor for one of the Graeme Dingle Foundation's programmes.

The shopping centres managed by Stride contribute to their communities in a range of ways, from providing free space to community groups, to hosting Christmas gift wrapping facilities which raise money for charities.

During FY22 Chartwell Shopping Centre, which is owned by Diversified and managed by SIML, ran a competition to design Chartwell's new reusable tote bag featuring the theme 'Sustainability in our Community'. There were two winners who each received a $500 Chartwell gift card.

All shopping centres host a Christmas gift wrapping booth, with the centres providing the space and wrapping materials and the proceeds going to a charity of choice. For Christmas 2021, Chartwell raised $9,450 for The Waterboy, which will go towards purchasing a mini-van for the charity. The goal of The Waterboy is to break down barriers to provide personal development opportunities to disadvantaged or minority youth and to use sport and mentoring as a major vehicle for creating stronger people. The objectives of this charity align with Stride's community engagement goal of addressing social issues to generate shared value for both Stride and the community.

For 2021, Queensgate Shopping Centre raised $12,835 through their gift wrapping service for the Wellington City Mission, which will be used to fund the Mission's continued support of the local community in Lower Hutt, including funding home visits by Mission social workers to individuals and families in the Hutt City region. Queensgate also partnered with The Breeze Wellington radio station and the initiative "Pack The Bus this Christmas" to collect donations of food and presents for the Wellington City Mission.

NorthWest Shopping Centre partners with The Salvation Army Westgate every Christmas to provide a gift wrapping service to customers, with donations going to The Salvation Army Westgate. For Christmas 2021, the gift wrapping service raised $11,443, which was 8.2% higher than that raised in 2020 and the largest amount raised since the partnership began in 2017. The Salvation Army uses the money received to further develop children's programmes in the NorthWest community. The centre also hosted a toy donation crate, with eleven supermarket trolley loads of toys being received and distributed to more than 200 families in need during Christmas.

The centres collaborate with their communities to help support and develop young people and people in need, particularly their local schools.

When a women's accessory store ceased trading at Queensgate Shopping Centre they left beyond a large amount of stock, and Queensgate took the opportunity to support their local schools by donating a majority of this stock to three low decile high schools in the Hutt Valley for use during the school ball season. The local schools were very grateful and commented on how this simple effort made such a difference to students' lives.

NorthWest Shopping Centre has also supported its local schools, through their "NorthWest Rewards Schools" initiative, where shoppers could vote for their favourite school, with every dollar spent equating to one vote. Thirteen West Auckland schools and almost 8,000 children took part in the initiative, with $6,000 being donated in total to three schools as a result.

Climate-Related Disclosures

The risks of climate change are increasingly well-known and understood. Stride recognises that tackling the issues caused by climate change requires all individuals, organisations and governments to reduce greenhouse gas emissions and prepare for a low carbon future.

A key focus for Stride during FY22 has been sustainability and establishing the groundwork for Stride's approach to the management of climate risk. This work has included undertaking a preliminary climate risk assessment, gathering greenhouse gas (GHG) emissions data across Scopes 1, 2 and 3, and continuing to progress green ratings for Stride's properties.

Stride is in the process of establishing its workplan for FY23, which will include setting emissions reduction targets, further refining the climate risk assessment and strategic response, preparing adaptation and transition plans, developing a responsible investment policy which will guide sustainable investments, and continuing to progress green building certifications across Stride and the Stride Products.

Stride also completes the Global Real Estate Sustainability Benchmarking (GRESB) assessment, which benchmarks Stride's sustainability performance against a peer group in the Asia Pacific region. Stride has been focussed during FY22 on undertaking a number of activities and initiatives to improve its sustainability practices, which we expect will improve Stride's GRESB score. Stride's target is to be in the upper quartile of its peer group for the GRESB assessment over time.

Net anthropogenic GHG emissions have increased since 2010 across all major sectors globally. An increasing share of emissions can be attributed to urban areas. Emissions reductions in CO_2 from fossil fuels and industrial processes, due to improvements in energy intensity of GDP and carbon intensity of energy, have been less than emissions increases from rising global activity levels in industry, energy supply, transport, agriculture and buildings. Average annual GHG emissions during 2010-2019 were higher than in any previous decade (IPCC Report April 2022).

FY22 Highlights

Climate risk assessment undertaken with preliminary climate risk ratings established

Board-mandated minimum green ratings for acquisitions and developments established, with sustainability factors considered for every acquisition and development

GHG emissions data collected, and limited assurance review completed on FY20, FY21 and FY22 Scope 1 and Scope 2 emissions. This will provide us with a base to begin to establish emissions reduction targets

Higher quality office portfolio:

- Refurbishment of 22 The Terrace, Wellington, completed - 5 star Green Star Design rating confirmed, and expected to achieve a 5 star Green Star As Built rating on completion
- Stride has an unconditional agreement to acquire the property at 110 Carlton Gore Road, Auckland[1] – this property is expected to achieve a 6 star Green Star Design & As Built (v3.2) rating, and a 5 star NABERSNZ rating
- Stride has agreed to sell four office properties[2] which it considers do not currently meet Stride's target green benchmarks

1. This agreement became unconditional on 5 April 2022.
2. The divestment of the Auckland office properties at 80 Greys Avenue, 25 Teed Street and 35 Teed Street became unconditional on 5 April 2022. The divestment of the property at 7-9 Fanshawe Street became unconditional on 2 May 2022.

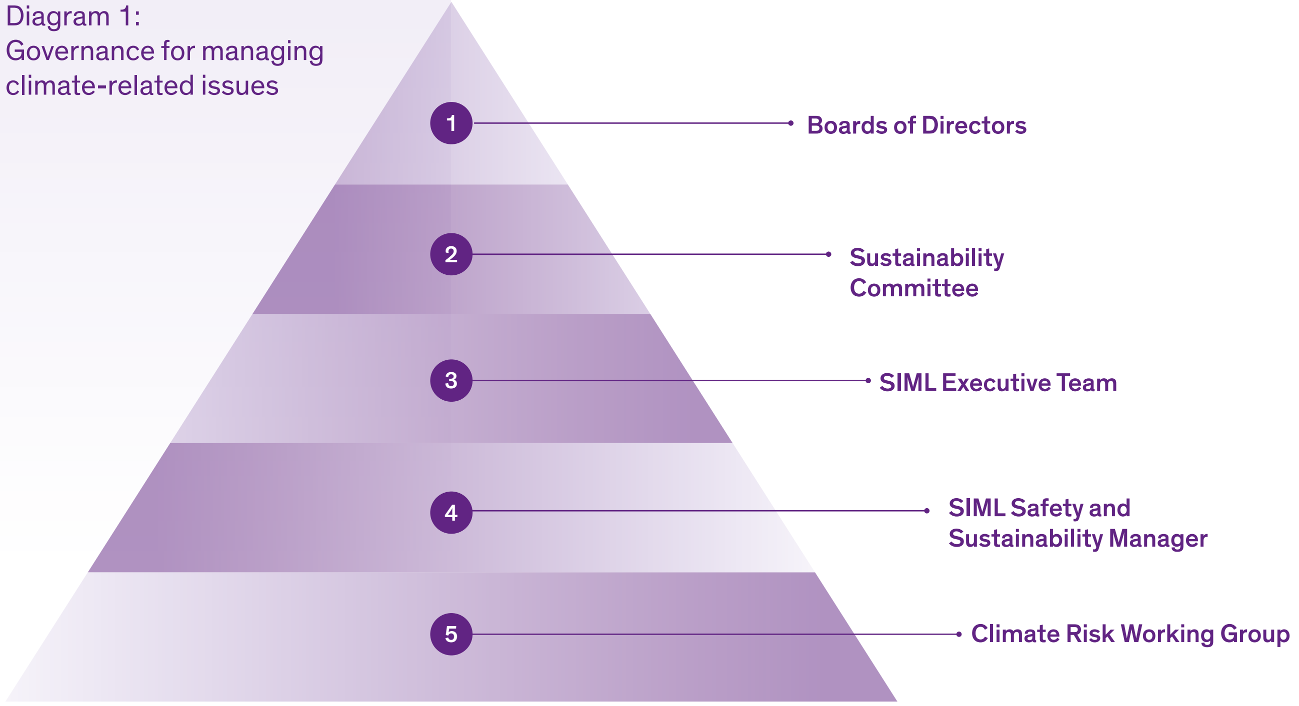
Climate-Related Disclosures

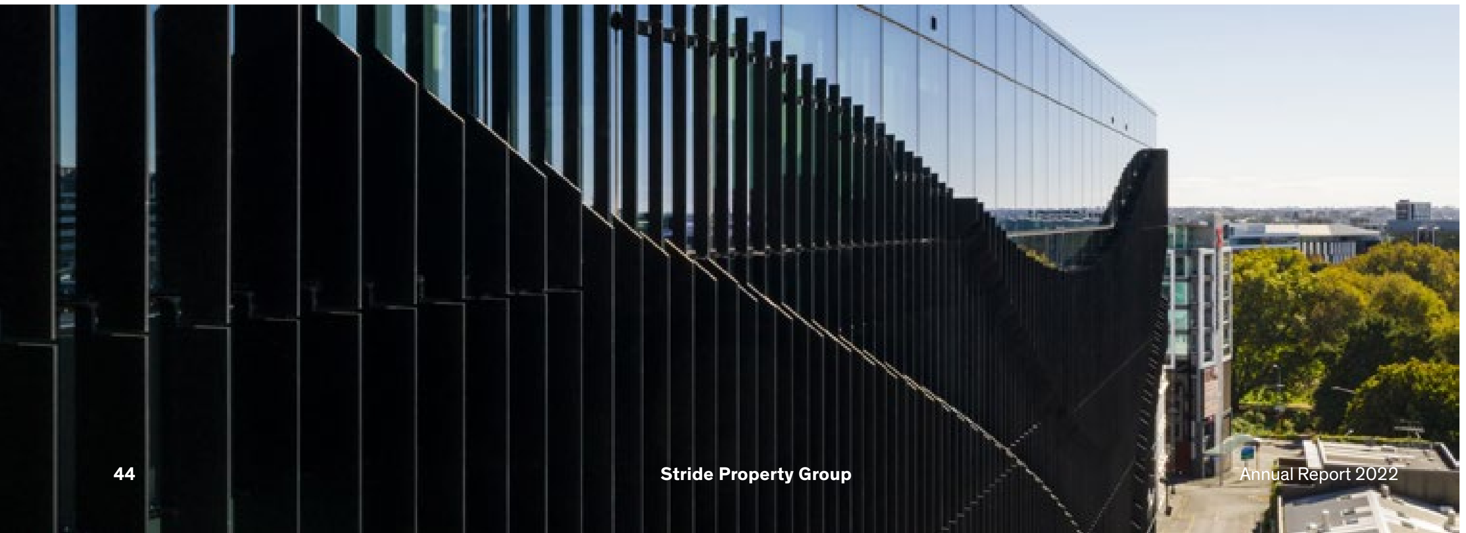
Governance

This section describes the role of the Stride Boards and the SIML team in overseeing, assessing and managing climate-related risks and opportunities.

Stride recognises the importance of understanding and strategically responding to climate-related risks and opportunities to protect and enhance company value. Accordingly, during FY21 Stride established the Board Sustainability Committee, which is responsible for, among other things, considering climate-related risks and initiatives and assessing how they may impact on Stride's business. The Sustainability Committee has a formal charter that governs its operations and sets out its purpose, and responsibilities.

Diagram 1:
Governance for managing climate-related issues





Role	Description
1 Boards of Directors	The SPL and SIML Boards have ultimate responsibility for overseeing the assessment of, and strategic response to, climate-related risks and opportunities for Stride. Climate-related risks are considered in the performance of the Boards' duties, primarily in relation to major investments such as acquisitions and developments. By way of example, the Boards have determined to divest four B grade office assets and commit to the acquisition of 110 Carlton Gore Road, Auckland, which is expected to achieve a 6 star Green Star Design & As Built (v3.2) rating, and a 5 star NABERSNZ rating on completion.
2 Sustainability Committee	The Sustainability Committee, chaired by Director Jacqueline Cheyne and including Director Tim Storey, Stride Board Chair, and Director Philip Ling, plays a critical role in relation to Stride's response to climate change and its approach to sustainability. The Committee oversees Stride's sustainability activities, including environmental and social sustainability activities and climate risk response; monitors progress in achieving Stride's sustainability strategic objectives; and reviews and recommends to the Boards Stride's sustainability reporting. The Committee meets quarterly and receives reports from the SIML Executive Team for each meeting relating to progress against Stride's sustainability strategic objectives and key projects, including Stride's climate risk assessment. All Sustainability Committee papers and minutes are made available to the full Stride Boards, and the Stride Boards receive a briefing on key activities of the Committee.
3 SIML Executive Team	SIML's Chief Executive Officer is accountable for ensuring that Stride is identifying, assessing and managing material risks, including climate change and other sustainability risks. The SIML Executive Team has been involved in the development of the climate risk assessment. Each member of the Executive Team is responsible for monitoring and assessing climate risk in their area of responsibility, in conjunction with Stride's sustainability team. The SIML Executive Team reports to the Sustainability Committee on sustainability topics and progress in addressing Stride's sustainability strategic actions, as well as climate-related risks and opportunities.
4 SIML Safety and Sustainability Manager	SIML's Safety and Sustainability Manager is responsible for formulating and driving implementation of Stride's environmental sustainability initiatives across Stride and the Stride Products. The Safety and Sustainability Manager works closely with the asset managers and facilities managers, as well as the fund managers, to implement sustainability initiatives to meet the objectives of Stride, the Stride Products and their investors and tenants. SIML's Safety and Sustainability Manager reports directly to the General Manager Corporate Services, who is a member of the Executive Team, and responsible for risk management across Stride, providing a link between climate risk management and business risk processes.
5 Climate Risk Working Group	During FY22 Stride formed a sustainability working group to provide input on Stride's climate risk assessment. This group was provided training on climate change and climate risks, along with climate risk terminology, to assist them in undertaking their role. The working group comprised all members of the SIML Executive Team, as well as participants from all areas of the organisation to ensure a wide perspective was brought to consider climate risks for Stride and the Stride Products. Other working groups may be established for specific sustainability related projects as required.

Climate-Related Disclosures

Climate Risk Management

Stride recognises that effective risk management is essential to achieve its strategic objectives

During FY22 Stride formed a climate risk working group to assess the impact of climate risk on the business of Stride and the Stride Products, under two scenarios:

- The low carbon scenario, where the world transitions to a low carbon economy and temperature rise is kept to between 0.3 and 1.7 degrees Celsius (Representative Concentration Pathway (RCP) 2.6)
- The business as usual scenario, where carbon emissions are not constrained and the temperature rise is between 2.6 and 4.8 degrees Celsius (RCP 8.5) and there is a 300% increase in hot days (>25 degrees Celsius)

The working group held a number of workshops to assess the risks and opportunities associated with climate risk, and the outcome was then moderated by the sustainability team within Stride. The draft risk assessment was presented to the Board Sustainability Committee, who also provided feedback and input on the assessment of the nature and level of risks.

Given the longer-term nature of climate risk impacts, the climate risk assessment is currently not integrated into Stride's overall enterprise risk management process. However, during FY23 Stride intends to better integrate the two risk approaches, to ensure a comprehensive approach to risk across Stride and the Stride Products.

Stride's Sustainability Strategy

Stride's sustainability strategic plan has three pillars, which align with certain UN Sustainability Development Goals. We have set a number of actions against each strategic pillar, and set out our progress against those actions during FY22 below. Progress against these actions is reported to every Sustainability Committee meeting for review, with the exception of the health and safety action items, which remains the responsibility of the full Boards.

Objective	Action	Progress
Contribute to a resilient community – We want to provide leading health and safety performance and support a connected and inclusive society	Be vigilant to ensure all operations are conducted safely, with a particular focus on key health and safety risks, including contractor management	Key health and safety metrics are outlined in this report, and include an average of 95% external audit safety scores across all major development projects during the year
Develop shared prosperity – we want to foster long term prosperity by investing in and managing outstanding places that reward everyone connected with them	Develop Community Engagement Programme Framework	This framework has been developed, and guides the approach of Stride to its community involvement. For more information on Stride's community involvement, see pages 40 and 41 of this report
	Develop Supplier Code of Practice	The Supplier Code of Practice has been developed, and is supported by Stride's Modern Slavery Policy which was recently adopted by the Stride Boards. This will be implemented during FY23 to ensure that Stride's suppliers support achievement of its sustainability strategy
	Develop a Green Financing Framework	Fabric Green Finance Framework developed and implemented
Protect the planet – We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future	Establish green ratings for our office properties - a minimum of a 4 star rating is being targeted	4 office properties currently have green ratings (Green Star or NABERSNZ). It has been identified that additional metering is required on the remaining portfolio to enable a NABERSNZ rating to be achieved, and we are nearing completion on installing that additional metering. A minimum of 12 months' data will then be required to enable a rating to be obtained
	Develop climate risk disclosure, including starting the development of reporting in line with the principles of the Taskforce on Climate-related Financial Disclosures (TCFD)	Preliminary climate risk assessment and strategy developed and reported as part of this report
	Set emissions reduction targets	A limited assurance review has recently been completed over Scopes 1 and 2 GHG emissions for FY20, FY21 and FY22. The next step is to develop emissions reduction targets during FY23

Climate-Related Disclosures

Strategy

The Strategy section provides information on the strategic implications of climate change for Stride

Stride's business strategy is to own and manage a diversified, high quality portfolio of property assets located in New Zealand. Stride takes a long term approach to its business and asset ownership. This long term investment approach aligns with Stride's sustainability goals, as Stride considers the long term impact of changes in regulation and climate change on its business and the assets it owns and manages.

Stride has begun the process of assessing the impact of climate change on its business and its strategy, beginning with a climate risk assessment, which is described on the following pages. The Stride Sustainability Committee and Stride Boards consider climate risk as part of the inputs in their overall strategic decision making, with further work on the impact of climate risk on the Stride strategy to be undertaken during FY23.

Stride is working to ensure our team is sufficiently skilled to identify the key risks and opportunities from climate change. We use external expertise where we consider this will support the SIML team to address and manage risks. Accountability for Stride's sustainability and climate-related targets and outcomes will be reinforced through key performance indicators for the Chief Executive Officer, the Executive Team and SIML's Safety and Sustainability Manager. These KPIs will be linked to short term incentive remuneration, with performance against KPIs reported regularly to the Sustainability Committee.

Climate Change Risks and Opportunities

During FY22 Stride formed a climate risk working group to undertake preliminary work to identify climate risks, related opportunities and the impact of climate risk on its business strategies using two scenarios - a low carbon scenario where temperature rise is kept to between 0.3 and 1.7 degrees Celsius (RCP 2.6), and a "business as usual" scenario where carbon emissions are not constrained and the temperature rise is between 2.6 and 4.8 degrees Celsius (RCP 8.5).

Outlined on the following pages is Stride's preliminary assessment of climate risks and opportunities that are most likely to materially affect Stride under the low carbon and the business as usual scenarios.

Transition climate risks arise from the transition to a lower carbon economy. Transitioning to a lower carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Physical climate risks resulting from climate change can be event driven or due to longer-term shifts in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

Stride's plan to manage the impacts of climate risk is linked to its business and asset life cycles to ensure that decisions are made in alignment with business imperatives, and with a longer-term decision-making process given the life of property assets. Sustainability and climate risk implications are considered as part of Stride's overall decision-making approach, particularly in relation to material financial investments.

In preparing the climate risk assessment, Stride adopted the following timeframes, which have been set taking into consideration business planning cycles and asset lifespans.

Short timeframe: To end of 2025

Medium timeframe: 2026 – 2035

Long timeframe: 2036 – 2050

Low Carbon Scenario – Less than 2°C Temperature Rise

Climate transition issues are more material in the low carbon scenario, where the focus on reducing carbon is much greater in the short term, driven by: growth of energy efficiency, renewables and low carbon technology; faster decarbonisation of transport and industry; changing methods of transportation; divestment from fossil fuels; more rapidly evolving investor mandates and financial institutional appetite for climate mitigation; increasing tenant demand for green properties, and faster evolution of climate regulation and carbon pricing.

Transition risks and opportunities

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Increasing expectation of tenants and occupiers for low carbon, energy efficient buildings that support changing modes of transport and electrification. Need to remain current with technological advances, such as growth of electrification of transport, divestment from fossil fuels and growth of renewables and low carbon technology	• Potential tenant vacancies if properties do not meet tenant sustainability demands • Opportunity to be an "early mover" to greener buildings and therefore attract higher rent • Increased capital expenditure required to upgrade buildings to be more energy efficient • Increasing expectation from tenants and customers that electric vehicle infrastructure is provided, requiring additional capital expenditure • Need to consider alternative electricity generation options such as solar energy to meet tenant demands for energy efficient solutions	Short / medium timeframe **Moderate risk**	Stride has established a policy of targeted minimum green ratings for properties that it acquires or develops, which will assist with ensuring its properties meet the demands of tenants Stride's repositioning of its office portfolio away from older, less efficient and non-core buildings to a greener portfolio demonstrates its commitment to addressing this risk Stride plans to set emissions reduction targets during FY23

Climate-Related Disclosures

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Policy and legal changes - Increasing standards for buildings, including embodied carbon assessments and operational emissions assessments at the time of building consent	• More costly to develop buildings, due to the need to ensure buildings meet the required standards. Rents may need to increase in order to make development of new buildings feasible, but this will be market dependent • There is currently an element of uncertainty around requirements for future building consents, which could impact commitment for new buildings given the long timeframe for the build process	Short / medium timeframe **Moderate risk**	Stride currently assesses embodied carbon as part of its process for new construction projects Continue to monitor Building Act and consents amendments, and adapt as required
Increased urbanisation with move of population to main cities	• Opportunity for assets located in urban areas with increasing demand for properties – Stride's office assets are well-located in urban areas and town centre assets are located in growing areas. As cities become more highly populated, this could lead to higher demand for well-located assets, driving higher asset values	Medium timeframe **Opportunity**	Continue to focus on investing in sustainable assets in central urban locations that are likely to benefit from increasing urbanisation

Business as Usual Scenario - 4°C Temperature Rise

Chronic and acute physical climate issues become most material under this scenario, as short-term efforts required to decarbonise fall short of environmental requirements. Under this scenario, greater focus and investment will be on adapting to higher temperatures and associated impacts, such as higher sea levels and more extreme weather events.

This may include more immediate investment to strengthen asset physical resilience; exiting assets that are in high-risk zones; careful due diligence on the impacts of forecast sea level rise and storms on existing assets; building properties that factor in higher resilience to storms, floods and wind, and have back up or alternative energy sources; deepening relationships with insurers and energy suppliers to monitor and maintain stable contracts and affordable access.

Climate-Related Disclosures

Physical risks

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Increase in sea level rise including greater sea surge events	• Asset values reduce, or useful life of asset is impacted, particularly for those assets located in coastal areas • Properties in exposed areas are damaged due to sea level rise and the likelihood of larger sea surges and inundation • Less tenant demand for properties at risk of sea level rise due to potential impacts on operation resulting from sea surge or inundation • Increased costs of maintenance and repair due to likely damage from sea and possibly more robust building materials required • Increased costs of insurance and/or inability to insure against this risk • Potential for higher rates as Councils seek increased funding to implement protection measures against sea inundation	Medium/long timeframe Moderate risk	Sea level rise risks are considered as part of due diligence for new assets Sea level rise risk has been assessed across the office portfolio. All office properties are at very low risk of inundation over the next 20 years, assuming present day water levels. All office properties have very low or low risk of inundation over the period of 20 to 50 years (assuming a 0.5m sea level rise over this period), with no likely risk of internal flooding of the buildings The response to this risk will be further informed by the individual property risk assessments to be undertaken in FY23
Rising temperatures	• Increased operating costs due to cooling are borne primarily by tenants, however Stride will bear increased operating costs for building common areas • Tenants may demand more energy efficient properties due to increased operating costs of cooling, or this may impact on the amount they can afford to pay in rent, thus impacting capital expenditure or income • Developments become more expensive as construction workers are able to spend less time outdoors due to high temperatures, prolonging timeframes for development and increasing costs	Medium timeframe Moderate risk	The need to future proof for rising temperatures is considered as part of capital upgrades across the portfolio, such as the recent improvements to 22 The Terrace, Wellington The response to this risk will also be further informed by individual property risk assessments to be undertaken during FY23

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Increased water scarcity from more and/or longer drought events, less rainfall, change in seasons (longer summers, shorter winters)	• Increased operating costs from greater water consumption due to increased heat and an increase in the price of water will impact tenants, but Stride will also bear the costs of increased water consumption for common areas • Increased operating costs, including higher water costs, may impact the amount that tenants are prepared to pay for rent for premises	Medium timeframe Moderate risk	Consider the need to develop water-efficient buildings as part of property development Risk impact to be further considered by individual property risk assessments to be undertaken during FY23
Increased frequency and severity of extreme weather events such as cyclones, storms, floods, fire	• Increased operational costs from repairing damage to properties • Increased capital expenditure from improving the resilience of assets to extreme weather events • Demand from tenants for properties that are resilient to extreme weather events may impact demand for Stride's properties, if Stride does not invest to make its properties resilient • Insurance costs expected to rise, and while insurance costs are primarily borne by tenants, this impacts overall costs of occupancy, thus potentially impacting amount of rent tenants can bear	Medium timeframe High risk	Ensure new developments are constructed to be resilient to climate risks Risk impact to be further considered by individual property risk assessments to be undertaken during FY23

Climate-Related Disclosures

Response to climate risk

Stride considers climate risk on its business, particularly when considering major investment decisions such as acquisitions and developments.

Climate risks and opportunities are considered as part of due diligence investigations for acquiring assets, to ensure that our investments are consistent with our long term risk appetite. The Stride Boards have implemented a policy that it will only acquire properties that have or can achieve a minimum 4 star Green Star rating or 4 star NABERSNZ rating or equivalent, and target acquisitions that have or can achieve a 5 star Green Star rating or 5 star NABERSNZ rating or equivalent. Where the property is not currently certified and Stride has obtained advice that the property is currently not of a standard that will achieve the required minimum rating, Stride will factor the capital expenditure required to improve the building into its considerations for the acquisition.

As an example, Stride recently decided to recycle capital through agreeing to sell four non-core office buildings that it assessed required major upgrades to reach a minimum 4 star Green Star or NABERSNZ rating, to support Stride committing to acquire an office building that is currently under development at 110 Carlton Gore Road, Auckland, which is expected to achieve a 6 star Green Star Design & As Built (v3.2) rating, and a 5 star NABERSNZ rating.

Development planning takes into consideration climate risk and tenant demand to ensure an asset's resilience to foreseeable climate impacts while also retaining strong tenant demand. The Stride Boards have a policy related to developments or major refurbishments of a whole building, which requires Stride to incorporate sustainability initiatives in that development or refurbishment, targeting a 5 star Green Star rating (or equivalent), and a minimum 4 star Green Star rating (or equivalent).

Examples of this include the major redevelopment of 22 The Terrace, Wellington, where sustainability initiatives were incorporated in the building upgrade, which was initially undertaken to seismically strengthen the building. A 5 star Green Star Design rating has been confirmed for this building, and it is expected to achieve a 5 star Green Star As Built rating on completion of the works.

Stride has put in place a Green Finance Framework for Fabric, which owns office assets. This Framework requires that the value of Fabric's green assets (which are defined as properties rated at least 4 star NABERSNZ or 5 star Green Star) exceeds the value of Fabric's green loans. The Framework complies with the Green Loan Principles published by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndication and Trading Association dated February 2021.

Fabric prepares a use of proceeds report to confirm its compliance with the Framework on an annual basis, and this is subject to an external assurance review.

FY23 – Next Steps

For FY23 Stride plans to:

- further refine its climate risk assessment, including taking steps to quantify the impact of each risk and opportunity, as well as define metrics that will assist us to monitor each risk
- assess the impact of climate risk on individual properties through a property-specific risk assessment. This will assist with the development of an adaptation plan for Stride

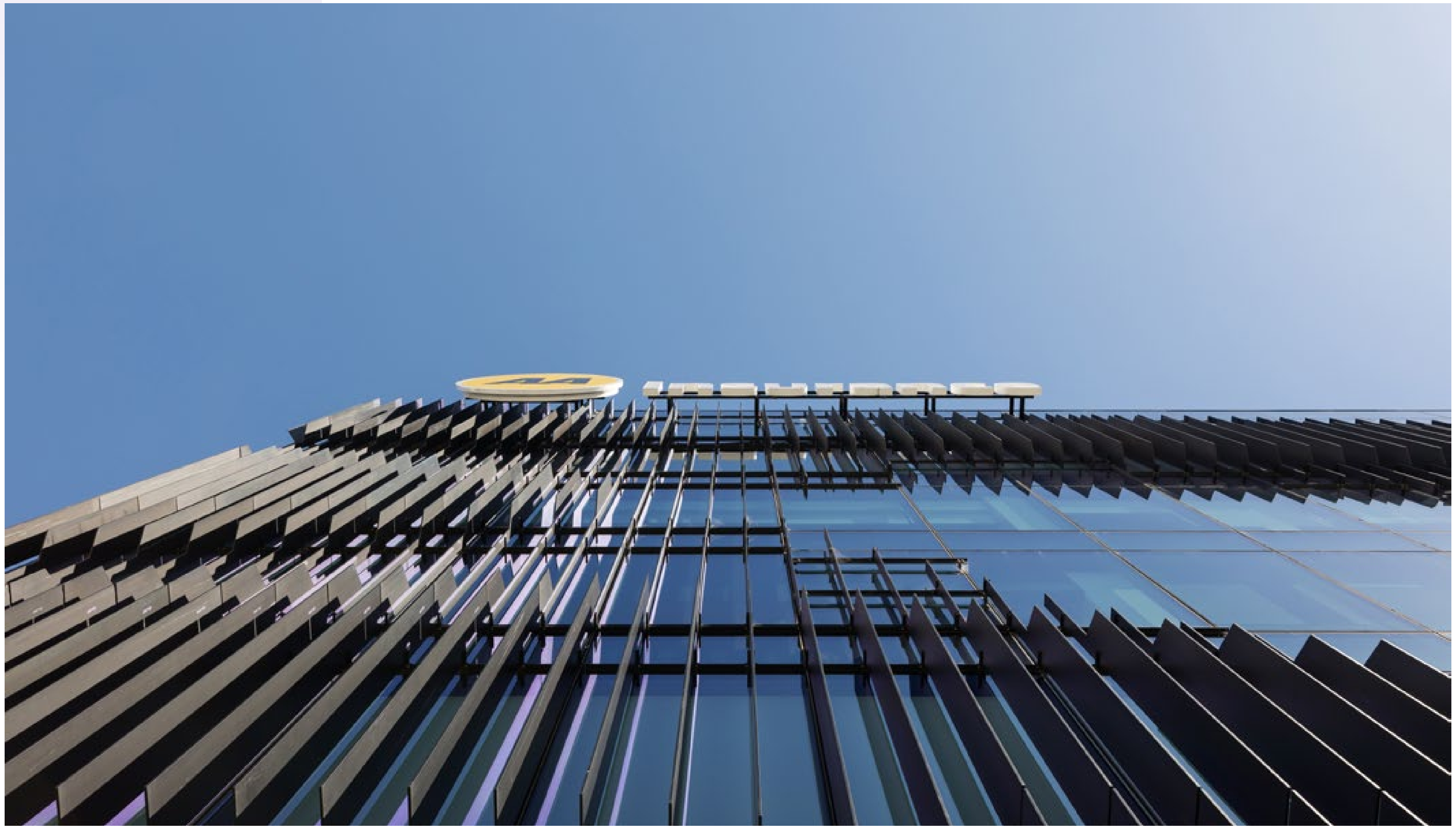
Stride understands that a sectoral climate risk scenario for the buildings and materials industry is to be developed, which is part of the recommendations of the New Zealand External Reporting Board in their work on developing climate disclosure standards for New Zealand. Stride has indicated an intention to be part of the development of this sectoral scenario, which we understand is to be led by the New Zealand Green Building Council during FY23. We will then assess any impact from those scenarios on our strategy and business and adapt our climate risk assessment and strategic response as appropriate.

Climate-Related Disclosures

Metrics and Targets

Tracking key indicators and progress against targets is important to enable Stride to measure and manage climate-related risks and opportunities

Stride recognises that it needs to contribute to the transition to a low carbon economy. As part of this commitment, Stride is collecting GHG emissions data which will enable Stride to put in place an emissions reduction plan. Stride is pleased to present its first Greenhouse Gas Inventory Report, which accompanies this Annual Report. Stride understands its Scope 1 and Scope 2 emissions, and is working with tenants to gather their emissions data, which is Scope 3 emissions for Stride and the Stride Products. Scope 3 tenant emissions are materially larger than Scope 1 and Scope 2 for Stride, and accordingly represent opportunities to achieve reductions, if we are able to work collaboratively with tenants to achieve reductions.



Approach to Measuring Greenhouse Gas Emissions

Stride prepares its GHG emissions inventory in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

Stride has adopted the "operational control" approach for accounting purposes to report GHG emissions for each Stride Product. This approach means that:

- Stride and each Stride Product account for base build emissions (such as refrigeration, natural gas and electricity associated with heating, cooling and lighting in common areas)
- Tenant GHG emissions are Scope 3 emissions for Stride and Stride Products
- SIML will report 100% of the emissions for Stride and each Stride Product on the basis that SIML is the property and fund manager and therefore has "operational control" of the Stride Products. Each Stride Product will still report emissions generated by its activities, including its owned properties, and the reports will make clear that these emissions have also been reported by Stride to explain any double accounting

Accounting for GHG emissions using the operational control approach is, we consider, the most appropriate method and will enable us to "manage what we measure". The contributors to Stride's GHG emissions and their categorisation are set out below.

Scope 1	Scope 2	Scope 3
GHG emissions which are a direct result of sources that are owned or controlled by an organisation, such as emissions associated with fuel combustion in boilers, furnaces, vehicles, etc	GHG emissions from the indirect consumption of an energy commodity (the most common is the emissions from the use of electricity produced by burning coal or gas in another facility)	Indirect emissions, other than Scope 2 emissions, that are generated in the wider economy, and include emissions from the goods we buy and activities we facilitate
Refrigerants (such as air conditioning) Natural gas, for example used for heating / boilers Diesel used in generators	Electricity used in common areas, for example lifts and lighting of common areas, and embedded electricity network emissions	Waste Water Flights, accommodation and fuel used in non-fleet vehicles Construction (embodied carbon) Tenant electricity/gas

Climate-Related Disclosures

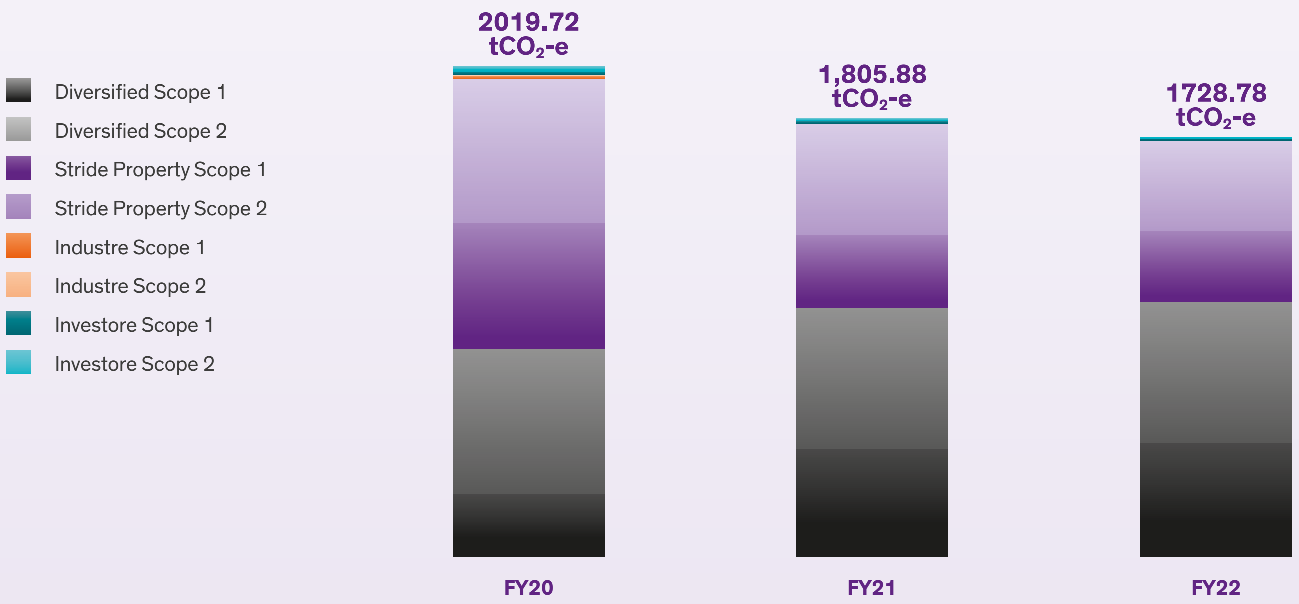
Greenhouse Gas Emissions

Stride is currently tracking Scope 1, 2 and 3 GHG emissions, although Scope 3 emissions are the most challenging for collection of data, as they are primarily tenant emissions, such as gas, water and electricity consumed by tenants and therefore rely on tenants sharing this data with Stride or providing authority for Stride to access this data directly from suppliers.

Stride's FY20, FY21 and FY22 Scope 1 and 2 GHG emissions were recently subject to a limited assurance review undertaken by Deloitte, and have been published as part of Stride's Greenhouse Gas Inventory Report for the year to 31 March 2022. This will provide us with a base to begin to establish emissions reduction targets, which we expect to undertake during FY23.

Set out below is a summary of the Scope 1 and 2 GHG emissions reported by Stride, which includes all of the emissions for SPL, Investore, Industre and Diversified. As can be seen, emissions have increased for most entities between FY20 and FY22, with the exception of Diversified. The primary reasons for these changes are:

- Stride – SPL acquired the office properties at 20 Customhouse Quay, 215 Lambton Quay and 34 Shortland Street part way during the year in FY21, which means FY21 only has a part period impact on Scope 1 and 2 emissions for these properties, where FY22 will have the full year impact of Scope 1 and 2 emissions for these properties. In addition, FY22 reflects emissions from 46 Sale Street, which was acquired in July 2021. One of SPL's office buildings also experienced a mechanical issue which saw a refrigerant gas release during FY22, impacting FY22 emissions. This issue has been addressed.
- Diversified – Diversified has been working to replace old refrigeration units with newer units which has improved Scope 1 emissions for Diversified during FY22. In addition, FY22 was impacted by a longer period of closures for Chartwell Shopping Centre, located in Hamilton.
- Investore – Investore's emissions have increased due to the acquisition of centres with common areas, such as Mt Wellington Shopping Centre and Bay Central Shopping Centre, acquired in April 2020.



Green ratings

Another important metric for Stride in relation to climate risk is the number of its properties that have a green rating. Stride has focused on obtaining more green ratings for its offices during FY22. 57% of Stride's office properties are green rated as at 31 March 2022, although this increases to 74% on a pro forma 31 March 2022 basis, assuming the acquisition of 110 Carlton Gore Road, Auckland (expected to achieve a 6 star Green Star Design & As Built (v3.2) rating, and a 5 star NABERSNZ rating) and the divestment of four Auckland office properties, being 25 Teed Street, 35 Teed Street, 80 Greys Avenue and 7-9 Fanshawe Street, none of which are green rated. Assessments are also underway in relation to the remaining office properties to seek ratings for these properties, with a target of obtaining 100% green ratings for Stride's office properties. Stride is also working with JPMAM on green ratings for select industrial properties which form part of the Industre portfolio.

Next Steps

The Boards consider that Stride has taken important steps in identifying and responding to climate risks, but it appreciates that there is still a lot of work to do.

Set out below are the key climate change response activities planned for FY23 and how these actions contributes to Stride better meeting its sustainability objectives.

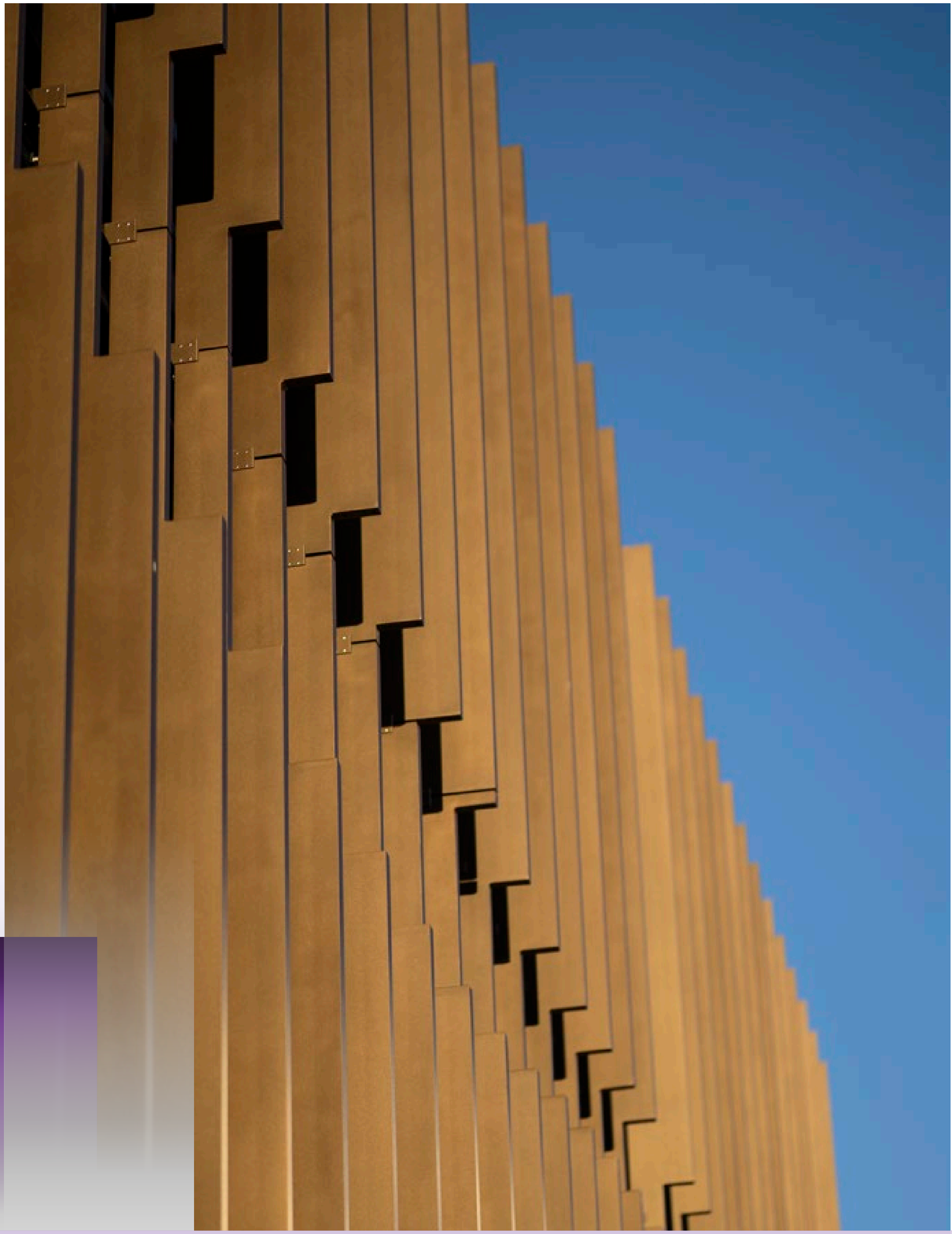
Better understanding and management of climate risks, enabling development of a comprehensive climate risk adaptation plan

- **Further refine climate risk assessment**
- **Quantify climate-related risks and opportunities**
- **Define metrics to assist with monitoring each climate risk identified and track data for each metric**

Establish a climate change transition plan, which will assist Stride to create efficient, climate-resilient places that deliver long term value and support a low carbon future

- **Undertake a climate risk assessment on a property by property basis**
- **Work to gather more Scope 3 data, particularly tenant emissions data**
- **Set emissions reduction targets**

Five Year Financial Summary



Five Year Financial Summary

The five year financial summary table reflects the numbers in the consolidated financial statements for each respective year.

On 1 July 2020, Industre commenced operations. Industre is a joint arrangement between SPL and a group of international institutional investors, through a special purpose vehicle, advised by J.P. Morgan Asset Management (JPMAM). On 1 July 2020, SPL held a 68.3% interest in Industre. This has reduced to 51.7% as at 31 March 2022 (31 March 2021: 56.3%).

The accounting for the arrangements by SPL is a combination of a joint operation (proportionate share of assets, liabilities, revenue and expenses) and joint venture (equity accounted). Only JPMAM's special purpose vehicle's participating interest has been treated as discontinued in respect of the joint operation as SPL retained a partial direct ownership interest in the properties. All of the financial performance and cash flows pertaining to the properties that have been transferred to the Industre joint venture have been treated as discontinued. The financial performance for the discontinued operations are for the period ended 30 June 2020 (2021 column) and the year ended 31 March 2020 (2020 column) and have been presented as "Profit/(loss) from discontinued operations".

Five Year Financial Summary	2022 ($m)	2021 ($m)	2020 ($m)	2019 ($m)	2018 ($m)
Net rental income[1]	**65.8**	50.7	50.4	57.3	59.1
Management fee income[1]	**24.3**	24.2	18.3	15.7	15.7
Profit before net finance expenses, other income/(expense) and income tax from continuing operations	**62.7**	53.9	46.3	53.7	57.1
Net finance expenses	**(16.1)**	(13.4)	(16.5)	(15.7)	(16.3)
Profit before other income/(expense) and income tax from continuing operations	**46.5**	40.4	29.8	38.0	40.7
Other income/(expense)	**78.1**	100.9	(28.9)	43.4	60.1
Profit before income tax from continuing operations	**124.7**	141.3	0.9	81.4	100.8
Income tax expense	**(12.4)**	(9.4)	(1.0)	(5.2)	(5.5)
Profit/(loss) after income tax from continuing operations	**112.3**	132.0	(0.1)	76.2	95.3
(Loss)/profit from discontinued operations	**-**	(0.1)	25.4	-	-
Profit attributable to shareholders	**112.3**	131.9	25.3	76.2	95.3
Basic earnings per share - weighted from continuing and discontinued operations	**22.7 cents**	32.99 cents	6.93 cents	20.86 cents	26.10 cents
Distributable profit before income tax[2]	**62.6**	52.4	47.7	45.8	48.4
Distributable profit after income tax	**54.2**	46.3	37.7	38.8	38.8
Basic distributable profit after income tax per share - weighted	**10.95 cents**	11.58 cents	10.32 cents	10.62 cents	10.63 cents
Property values[3]	**1,244.6**	1,050.5	996.1	966.3	902.2
Total assets	**1,642.3**	1,383.6	1,150.3	1,076.4	1,011.7
Bank debt drawn	**305.5**	261.0	386.2	332.9	307.7
Loan to value ratio	**28.7%**	29.3%	39.1%	34.3%	34.1%
Total equity	**1,231.1**	1,017.8	698.2	704.2	667.1
NTA per share	**$2.28**	$2.15	$1.91	$1.92	$1.82
Adjusted NTA per share[4]	**$2.25**	$2.15	$1.93	$1.94	$1.84

1 2021 figure has been restated to eliminate the building management fees charged from SIML to SPL.

2 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, share of profits in equity-accounted investments, dividends received from equity-accounted investments and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.2 to the consolidated financial statements.

3 Excludes lease liabilities. Includes investment properties classified as held for sale and SPL's 51.7% interest in the unincorporated component of the Industre Property Joint Venture. For more information, refer note 3.2 in the consolidated financial statements. Includes the value of Stride's head office located at 34 Shortland Street, Auckland, which is recognised in the consolidated financial statements as property, plant and equipment, refer note 8.7 in the consolidated financial statements.

4 Excludes after tax fair value of interest rate derivatives.

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 $000	2021 $000
Gross rental income		89,025	66,428
Direct property operating expenses		(23,191)	(15,739)
Net rental income	3.1	65,834	50,689
Management fee income		24,272	24,235
Less corporate expenses			
Corporate overhead expenses	8.2	(17,469)	(16,583)
Administration expenses	8.2	(5,435)	(4,468)
Project costs relating to Fabric Property Limited	1.8	(4,533)	-
Total corporate expenses		(27,437)	(21,051)
Profit before net finance expense, other income/(expense) and income tax from continuing operations		62,669	53,873
Net finance expense	5.3	(16,136)	(13,448)
Profit before other income/(expense) and income tax from continuing operations		46,533	40,425
Other income/(expense)			
Net change in fair value of investment properties	3.2	30,662	38,759
Share of profit in equity-accounted investments	7.2	65,607	62,264
Impairment of equity-accounted investment	7.2	(18,461)	-
(Loss)/gain on disposal of investment properties		(930)	313
Hedge ineffectiveness of cash flow hedges	5.2	1,250	(419)
Profit before income tax from continuing operations		124,661	141,342
Income tax expense	8.1	(12,369)	(9,390)
Profit after income tax from continuing operations attributable to shareholders		112,292	131,952
Loss from discontinued operations	7.4	-	(81)
Profit attributable to shareholders		112,292	131,871
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Deferred tax on share based payment expense		(58)	161
Movement in cash flow hedges, net of tax	5.6	14,589	2,527
Changes in cash flow hedge reserve in equity-accounted investments		2,157	(25)
Items that will not be reclassified to profit or loss			
Revaluation surplus	8.7	400	300
Total other comprehensive income after tax		17,088	2,963
Total comprehensive income after tax attributable to shareholders		129,380	134,834
Stride Property Limited (SPL) total comprehensive income after tax attributable to shareholders		117,850	122,795
Stride Investment Management Limited (SIML) total comprehensive income after tax attributable to shareholders		11,530	12,120
Total comprehensive income after tax attributable to shareholders from continuing operations		129,380	134,915
Total SPL comprehensive loss after tax from discontinued operations	7.4	-	(81)
Total comprehensive income after tax attributable to shareholders		129,380	134,834
Earnings per share (EPS) from continuing operations	4.1		
Basic EPS (cents)		22.70	33.01
Diluted EPS (cents)		22.63	32.90
EPS per share from continuing and discontinued operations	4.1		
Basic EPS (cents)		22.70	32.99
Diluted EPS (cents)		22.63	32.88

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 year ended 31 March 2022

	Notes	Number of shares 000	Share capital $000	Retained earnings $000	Other reserves $000	Total $000
Balance at 31 Mar 21		472,828	726,680	291,423	(317)	1,017,786
Transactions with shareholders:						
Dividends paid	4.3	-	-	(48,557)	-	(48,557)
Transfer to share capital on vesting of employee long term incentive rights	5.6	407	634	-	(634)	-
Lapsed long term incentive rights	5.6	-	-	296	(296)	-
Share based payment expense	5.6	-	-	-	1,049	1,049
New shares issued	1.8	66,954	131,426	-	-	131,426
Total transactions with shareholders		67,361	132,060	(48,261)	119	83,918
Total other comprehensive income		-	-	-	17,088	17,088
Profit after income tax		-	-	112,292	-	112,292
Total comprehensive income		-	-	112,292	17,088	129,380
Balance at 31 Mar 22		540,189	858,740	355,454	16,890	1,231,084
Balance at 31 Mar 20		365,352	500,749	201,050	(3,635)	698,164
Transactions with shareholders:						
Dividends paid	4.3	-	-	(41,530)	-	(41,530)
Transfer to share capital on vesting of employee long term incentive rights	5.6	55	204	-	(204)	-
Lapsed long term incentive rights	5.6	-	-	-	(159)	(159)
Forfeited long term incentive rights	5.6	-	-	32	(32)	-
Share based payment expense	5.6	-	-	-	750	750
New shares issued		107,421	225,727	-	-	225,727
Total transactions with shareholders		107,476	225,931	(41,498)	355	184,788
Total other comprehensive income		-	-	-	2,963	2,963
Profit after income tax		-	-	131,871	-	131,871
Total comprehensive income		-	-	131,871	2,963	134,834
Balance at 31 Mar 21		472,828	726,680	291,423	(317)	1,017,786

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

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 $000	2021 $000
Current assets			
Cash at bank		**20,621**	23,024
Trade and other receivables	8.5	**4,229**	9,068
Prepayments		**1,130**	184
Derivative financial instruments	5.2	**290**	-
Other current assets		**75**	173
		26,345	32,449
Investment properties classified as held for sale	3.5	**94,253**	-
		120,598	32,449
Non-current assets			
Investment properties	3.2	**1,171,317**	1,071,881
Deposit and other prepayments on investment property	3.4	**1,583**	2,250
Equity-accounted investments	7.2	**318,586**	265,707
Loan to associate	8.4	**3,398**	3,398
Other investments		**250**	250
Software	1.4	**-**	1,025
Property, plant and equipment	8.7	**7,050**	6,658
Derivative financial instruments	5.2	**19,535**	-
		1,521,719	1,351,169
Total assets		**1,642,317**	1,383,618
Current liabilities			
Trade and other payables	8.6	**22,547**	22,145
Lease liabilities	3.3	**3**	71
Current tax liability		**1,076**	4,876
Derivative financial instruments	5.2	**-**	553
		23,626	27,645
Lease liability associated with investment properties classified as held for sale	3.3	**11,433**	-
		35,059	27,645
Non-current liabilities			
Bank borrowings	5.1	**304,395**	259,860
Borrowings (joint operation participating interest)	7.3	**39,857**	43,169
Lease liabilities	3.3	**15,910**	27,383
Deferred tax liability	8.1	**16,012**	6,180
Derivative financial instruments	5.2	**-**	1,595
		376,174	338,187
Total liabilities		**411,233**	365,832
Net assets		**1,231,084**	1,017,786
Share capital		**858,740**	726,680
Retained earnings		**355,454**	291,423
Reserves	5.6	**16,890**	(317)
Equity		**1,231,084**	1,017,786
SPL equity		**1,218,001**	1,004,093
SIML equity (non-controlling interest)	5.5	**13,083**	13,693
Equity		**1,231,084**	1,017,786

For and on behalf of the Boards of Directors of SPL and SIML, dated 27 May 2022:

Tim Storey
Chair of the Boards

John Harvey
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 year ended 31 March 2022

	Notes	2022 $000	2021 $000
Cash flows from operating activities			
Gross rental received		**86,955**	65,809
Management fee income		**25,961**	23,346
Interest received		**1**	20
Direct property operating and corporate expenses		**(47,829)**	(29,984)
Interest paid		**(14,729)**	(11,632)
Borrowings establishment costs		**(1,226)**	(1,098)
Swap termination expenses		**(337)**	(9,293)
Income tax paid		**(12,467)**	(9,700)
Net cash provided by operating activities		**36,329**	27,468
Cash flows from investing activities			
Dividend income from equity-accounted investments	8.4	**9,443**	6,599
Acquisition of investment properties	1.8	**(152,307)**	(358,033)
Capital expenditure on investment properties		**(19,006)**	(16,994)
Seismic works on investment properties disposed of		**(2,345)**	-
Deposit and other prepayments made on investment property	3.4	**(1,583)**	(2,250)
Property, plant and equipment purchased		**(195)**	(5,781)
Software expenditure		**-**	(66)
Proceeds from disposal of investment properties		**-**	343,626
Investment in equity-accounted investments		**-**	(85,149)
Investment in other investments		**-**	(250)
Net cash applied to investing activities		**(165,993)**	(118,298)
Cash flows from financing activities			
Net proceeds from capital raise	1.8	**131,426**	225,727
Drawdown on bank borrowings		**173,600**	398,910
Repayment of bank borrowings		**(129,100)**	(524,150)
Lease liabilities payments		**(108)**	(370)
Dividends paid	4.3	**(48,557)**	(41,530)
Borrowings from joint venture		**-**	43,169
Net cash provided by financing activities		**127,261**	101,756
Net (decrease)/increase in cash and cash equivalents held		**(2,403)**	10,926
Opening cash and cash equivalents		**23,024**	12,098
Closing cash and cash equivalents		**20,621**	23,024

Stride Property Group (Stride) presents total group cash flows including continuing and discontinued operations. See note 7.4 for cash flows of discontinued operations for 2021.

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 year ended 31 March 2022

	Notes	2022 $000	2021 $000
Profit after income tax attributable to shareholders (including discontinued operations note 7.4)		**112,292**	131,871
Add/(less) non-cash items:			
Movement in deferred tax	8.1	**3,702**	1,141
Income tax movement in cash flow hedges		**-**	(387)
Net change in fair value of investment properties		**(30,662)**	(43,289)
Share of profit in equity-accounted investments		**(65,607)**	(62,264)
Impairment of equity-accounted investment		**18,461**	-
Loss on disposal of investment properties		**930**	3,847
Hedge ineffectiveness of cash flow hedges		**(1,250)**	1,075
Spreading of fixed rental increases		**(1,437)**	618
Capitalised lease incentives net of amortisation		**(943)**	(1,903)
Movement in loss allowance		**372**	47
Share based payment expense		**1,049**	750
Forfeited and lapsed long term incentive rights		**-**	(191)
Depreciation		**203**	480
Software asset expense	1.4	**1,025**	-
Software amortisation		**-**	389
Borrowings establishment cost amortisation		**1,261**	332
Non-cash interest income received		**(245)**	-
Amortisation of swap termination expenses		**-**	1,380
Accrued interest movement in derivative financial instruments		**(62)**	(288)
		39,089	33,608
(Add)/less activity reclassified (from)/to operating activities:			
Movement in working capital items relating to financing activities		**-**	2,413
Movement in working capital items relating to investing activities		**(2,127)**	791
Movement in borrowings transaction costs classified as operating activities		**(1,226)**	(9,293)
		35,736	27,519
Movement in working capital:			
Decrease/(increase) in trade and other receivables		**4,839**	(6,030)
Increase in prepayments and other current assets		**(848)**	(7)
Increase in trade and other payables		**402**	5,134
(Increase)/decrease in current tax liability		**(3,800)**	852
Net cash provided by operating activities		**36,329**	27,468

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 2022

1.0 General Information

This section sets out Stride Property Group's accounting policies that relate to the 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 Stride Property Limited and its subsidiaries Stride Holdings Limited, Stride Industrial Property Limited and Fabric Property Limited (together referred to as SPL), and Stride Investment Management Limited (SIML), each of SPL and SIML being a "Stapled Entity", and together the Stride Property Group (Stride). For accounting purposes, stapling gives rise to the combination of the Stapled Entities into a consolidated group. For the purposes of financial reporting, one of the combining entities is required to be identified as the parent entity of the consolidated group. In the case of Stride, SPL has been identified as the parent for the purposes of preparing the financial statements and consequently SIML's equity is presented as the non-controlling interest in the financial statements.

SPL is principally involved in the ownership of investment properties in New Zealand and SIML is principally involved in the management of real estate investment entities in New Zealand. SPL and SIML are both domiciled in New Zealand, are both registered under the Companies Act 1993 and are both FMC reporting entities under Part 7 of the Financial Markets Conduct Act 2013.

Shares of SPL and SIML are stapled and quoted on the Main Board equity securities market of NZX under the ticker code SPG.

The financial statements were approved for issue by the Board of Directors of SPL (SPL Board) and the Board of Directors of SIML (SIML Board), together the "Boards", on 27 May 2022.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). Stride is a for-profit entity for the purposes of financial reporting. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022 and waivers granted to Stride from certain of the NZX Listing Rules on May 2020, which each permit SPL and SIML, subject to the conditions of the exemption notice and waivers (respectively), to prepare financial statements in respect of Stride in place of separate financial statements of each Stapled Entity. Stride notes that the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022 came into force on 26 May 2022 and applies to Stride's accounting period ended 31 March 2022 and subsequent accounting periods, up to and including the accounting period ending 31 March 2026. The exemption notice is of the same effect as Stride's previous Financial Markets Conduct (Stride Property Group) Exemption Notice 2017, which expired on 6 April 2022.

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 consolidated statement of comprehensive income for the year ended 31 March 2021 has been restated to eliminate the building management fees charged from SIML to SPL. This has resulted in a restatement of direct operating expenses which has decreased by $0.8 million ($16.6 million to $15.7 million) and management fee income which has decreased by $0.8 million ($25.1 million to $24.2 million). There is no impact on the net cash position, profit attributable to shareholders or the consolidated statement of financial position.

The consolidated statement of cash flows for the year ended 31 March 2021 has been restated to correctly present the impact of rental income abatement provision due to COVID-19 and to eliminate the building management fees charged from SIML to SPL. This has resulted in a restatement of net cash provided by operating activities and net cash applied to investing activities as follows: gross rent received has increased by $0.4 million, ($65.4 million to $65.0 million), management fee income has decreased by $0.8 million ($24.2 million to $23.3 million) and capital expenditure on investment properties has decreased by $0.4 million (($17.4 million) to ($17.0 million)). A corresponding restatement has also been made to the rental income abatement provision due to COVID-19 non-cash adjustment, from $0.4 million to $nil, which formed part of the reconciliation of profit after income tax attributable to shareholders to net cash provided by operating activities. With regard to the presentation adjustment for the rental income abatement provision due to COVID-19 there is no impact on the net cash position, the consolidated statement of comprehensive income or the consolidated statement of financial position.

1.0 General Information (continued)

1.3 New standards, amendments and interpretations

In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was passed. It amends the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Public Audit Act 2001, mandating certain entities to disclose climate-related information. Entities are expected to publish climate-related statements for annual financial periods commencing on or after 1 January 2023 based upon climate standards issued by the External Reporting Board (XRB). Stride's first climate-related statement will be required for the year ending 31 March 2024.

The XRB intends to issue the following:

- Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1);
- Aotearoa New Zealand Climate Standard 2: Adoption of Climate-related Disclosures (NZ CS 2); and
- Aotearoa New Zealand Climate-related Disclosures Concepts (NZ CRDC).

NZ CS 1 will be the primary disclosure standard and will be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). NZ CS 2 will be an adoption standard to enable entities to begin their climate-related disclosure journey. NZ CRDC will be an authoritative notice containing key concepts, such as materiality. Stride continues to monitor the developments and guidance of the new climate-related disclosure requirements, with XRB aiming to publish these new standards by 31 December 2022.

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

1.4 Significant accounting policies, estimates and judgements

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

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

- Investment properties (note 3.2);
- Lease liabilities (note 3.3);
- Derivative financial instruments (note 5.2);
- Investment in associates - Investore Property Limited (Investore) (note 7.2);
- Industre joint venture (note 7.2); and
- Deferred tax (note 8.1).

SIML previously capitalised cost incurred in configuring its property management software as an intangible asset as SIML considered it would benefit from those costs to implement the cloud-based software over the expected term of the cloud computing arrangement. Following the publication of the IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (and ratified by the International Accounting Standards Board (IASB) in April 2021), SIML has reconsidered its accounting treatment and adopted the principles set out in the IFRIC agenda decision, which is to recognise those costs as intangible assets only if the activities create an intangible asset that SIML controls and the intangible asset meets the recognition criteria. As a result of this change in accounting policy, $1.0 million previously capitalised and included as software has been expensed and included in corporate overhead expenses for the year ended 31 March 2022 (refer note 8.2).

1.0 General Information (continued)

1.5 Fair value estimation

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data.

1.6 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 from continuing operations; and Profit before other income/(expense) and income tax from continuing operations. These non-GAAP measures have been presented to assist investors in understanding the different aspects of Stride's financial performance.

Note 4.2 sets out Stride's calculation of distributable profit and Adjusted Funds From Operations (AFFO) which are both non-GAAP measures. Distributable profit is presented to provide an earnings measure which more closely aligns to Stride'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 current income 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.

1.7 COVID-19 impacts

The COVID-19 Response (Management Measures) Legislation Act 2021, which was enacted in November 2021, mandated rent abatement by landlords and resulted in SPL incurring additional rent abatement costs. For the year ended 31 March 2022, SPL provided rental abatements of $2.6 million (2021: $3.4 million). Rental abatements accounted for as lease modifications amounted to $1.8 million (2021: $3.4 million). As a lease modification, the reduction in rental income is capitalised and spread over the remainder of the tenant's non-cancellable lease term. The remaining $0.8 million (2021: $ nil) of rental abatements were not treated as lease modifications and the reduction in rent was recognised in the period the rent relief occurred. In addition, SPL has provided for $1.0 million (2021: $0.4 million) rental income abatements yet to be agreed with the affected tenants. The assumptions on future impacts of COVID-19 considered by the valuers in their valuations are detailed in note 3.2.

1.0 General Information (continued)

1.8 Significant events and transactions

The financial position and performance of Stride was affected by the following events and transactions that occurred during the year:

Acquisition of investment property
On 30 June 2021, SPL acquired an office property at 46 Sale Street, Auckland, for a purchase price of $152.0 million. SPL incurred $0.3 million of costs in relation to the acquisition.

Withdrawal of proposed demerger and initial public offering (IPO) of Fabric Property Limited (Fabric)
On 13 September 2021, Stride announced the proposed demerger and IPO of SPL's wholly owned subsidiary, Fabric, which was to be Stride's latest managed product, investing in office properties. Due to market conditions, the Boards made the decision to withdraw the demerger and IPO on 21 September 2021. The Boards are conscious of ensuring that the process is in the best interests of Stride shareholders as well as Fabric investors. Stride remains committed to its strategy of growing its real estate investment management business, and the Boards will continue to consider the next steps for Stride's office portfolio, within Stride or as a separate entity. As at 31 March 2022, SPL incurred $4.5 million in project costs relating to Fabric, which have been expensed to the consolidated statement of comprehensive income.

Equity capital raise
During November and December 2021, Stride undertook an equity capital raise which resulted in a gross amount of $133.9 million raised, with 66,953,660 shares issued at $2.00 per share (refer note 5.4). Net proceeds, after transaction costs, of $131.4 million were used to repay $129.1 million of bank borrowings.

Bank debt facility refinancing
On 16 December 2021, SPL completed the refinancing of its bank debt facilities across a consortium of six banks, increasing total facilities available from $455.0 million to $600.0 million (refer note 5.1).

During the year, SPL entered into $200.0 million of interest rate derivatives for tenures of between 3-5 years (refer note 5.2).

Investment properties reclassified as investment properties held for sale
As at 31 March 2022, four Auckland office properties being: 21-25 Teed Street, 35 Teed Street, 7-9 Fanshawe Street and 80 Greys Avenue, with an aggregate value of $82.8 million and a right-of-use asset of $11.4 million in respect to a ground lease at 7-9 Fanshawe Street, were reclassified from investment properties to investment properties held for sale (refer note 3.5).

Revaluation of investment properties
SPL undertook independent valuations of the entire portfolio as at 31 March 2022 which resulted in a net change in fair value of investment properties of $30.7 million (2021: $43.3 million) (refer note 3.2) and a revaluation surplus on property, plant and equipment of $0.4 million (2021: $0.3 million) (refer note 8.7). The investment properties held by Investore, Industre Property Joint Venture (Industre) and Diversified NZ Property Trust (Diversified) were also valued by independent valuers as at 31 March 2022. SPL's share of the valuation gains/(losses) are reflected in share of profit in equity-accounted investments and, for those properties in the Industre joint operation, reflected in net change in fair value of investment properties.

Impairment of equity-accounted investment - Investore
On 31 March 2022, the market value of the investment in Investore, based on the quoted market price, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed. SPL has estimated the investment's recoverable amount by performing value in use (VIU) and fair value less costs of disposal valuation approaches. SPL has estimated the recoverable amount of the investment in Investore using VIU (as the higher of the two valuation approaches) resulting in an impairment loss of $18.5 million (2021: $ nil) against the carrying amount of the investment (refer note 7.2).

2.0 Operating Segments

This section sets out how Stride's revenue streams are reported internally, reflecting the two operating segments being SPL and SIML.

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the respective Board of each of SPL and SIML, as each makes all key strategic resource allocation decisions.

SPL's revenue streams are earned from investment properties owned in Auckland and Wellington in New Zealand. Given SPL's diverse client base, no one tenant represents greater than 10% of the portfolio contract rental. SPL also generates income from its share of profit in equity associates being Investore, Industre joint venture and Diversified (refer to note 7.2).

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industre, Diversified and SPL. For the revenue earned from Investore, Industre joint venture and Diversified, refer to note 8.4 on related party disclosures and to note 7.3 on Industre joint operation.

The following is an analysis of Stride's results, by reportable segments.

Segment profit	SPL $000	SPL eliminations $000	SIML $000	SIML eliminations $000	2022 $000
Net rental income	62,599	3,235	-	-	65,834
Management fee income	-	-	36,554	(12,282)	24,272
Total corporate expenses	(15,039)	7,484	(20,414)	532	(27,437)
Profit before net finance expense, other income and income tax	47,560	10,719	16,140	(11,750)	62,669
Net finance expense	(16,115)	-	(123)	102	(16,136)
Profit before other income and income tax	31,445	10,719	16,017	(11,648)	46,533
Other income					
Net change in fair value of investment properties	29,671	991	-	-	30,662
Share of profit in equity-accounted investments	65,607	-	-	-	65,607
Impairment of equity-accounted investment	(18,461)	-	-	-	(18,461)
Loss on disposal of investment properties	(930)	-	-	-	(930)
Hedge ineffectiveness of cash flow hedges	1,250	-	-	-	1,250
Profit before income tax	108,582	11,710	16,017	(11,648)	124,661
Income tax expense	(7,940)	-	(4,429)	-	(12,369)
Profit after income tax attributable to shareholders	100,642	11,710	11,588	(11,648)	112,292
Total other comprehensive income after tax	17,146	-	(58)	-	17,088
Total comprehensive income after tax attributable to shareholders	117,788	11,710	11,530	(11,648)	129,380

Transactions between SPL and SIML include management fees charged from SIML to SPL and net rental income charged from SPL to SIML. These transactions are eliminated on consolidation (refer note 8.4 for details on the composition of the transactions).

2.0 Operating Segments (continued)

Segment profit	SPL $000	SPL eliminations $000	SIML $000	SIML eliminations $000	2021 $000
Net rental income	49,322	3,495	-	-	52,817
Management fee income	-	-	35,010	(10,775)	24,235
Total corporate expenses	(8,145)	5,334	(18,247)	-	(21,058)
Profit before net finance expense, other income/(expense) and income tax	41,177	8,829	16,763	(10,775)	55,994
Net finance expense	(13,413)	-	(101)	66	(13,448)
Profit before other income/(expense) and income tax	27,764	8,829	16,662	(10,709)	42,546
Other income/(expense)					
Net change in fair value of investment properties	42,220	1,069	-	-	43,289
Share of profit in equity-accounted investments	62,264	-	-	-	62,264
Loss on disposal of investment properties	(4,020)	173	-	-	(3,847)
Hedge ineffectiveness of cash flow hedges	(1,075)	-	-	-	(1,075)
Profit before income tax	127,153	10,071	16,662	(10,709)	143,177
Income tax expense	(6,603)	-	(4,703)	-	(11,306)
Profit after income tax attributable to shareholders	120,550	10,071	11,959	(10,709)	131,871
Total other comprehensive income after tax	2,802	-	161	-	2,963
Total comprehensive income after tax attributable to shareholders	123,352	10,071	12,120	(10,709)	134,834

Reconciliation of profit after income tax attributable to shareholders to profit after income tax from continuing operations attributable to shareholders

Segment profit	SPL $000	SPL eliminations $000	SIML $000	SIML eliminations $000	2021 $000
Profit attributable to shareholders	120,550	10,071	11,959	(10,709)	131,871
Add back loss from discontinued operations	81	-	-	-	81
Profit after income tax from continuing operations attributable to shareholders	120,631	10,071	11,959	(10,709)	131,952

The SPL and SIML eliminations for the year ended 31 March 2021 have been restated due to the elimination of building management fees (refer note 1.2)

Segment assets and liabilities	SPL $000	SPL eliminations $000	SIML $000	SIML eliminations $000	Total $000
Balance at 31 Mar 22					
Total assets	**1,624,670**	**-**	**19,873**	**(2,226)**	**1,642,317**
Total liabilities	**406,797**	**(435)**	**6,789**	**(1,918)**	**411,233**
Balance at 31 Mar 21					
Total assets	1,365,091	-	20,665	(2,138)	1,383,618
Total liabilities	361,056	-	6,972	(2,196)	365,832

The elimination for segment total assets and total liabilities in the prior year has been restated. This elimination relates to the lease liability and right-of-use asset in relation to the operating lease for SIML's head office at 34 Shortland Street, Auckland, where SIML is the lessee. In the prior year, the elimination was recognised as a SPL elimination.

As at 31 March 2022, SPL had assets of $322.0 million (2021: $269.1 million) relating to equity-accounted investments (refer note 7.2) and loan to equity-accounted investments (refer note 8.4) which increased by $52.9 million from the prior financial year (2021: $161.8 million increase).

3.0 Property

This section covers property assets which generate Stride's trading performance.

3.1 Net rental income

Accounting policy

Investment property is leased by SPL 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 consolidated 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 are included in 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.

The recovery of employee expenses from SIML managed entities are included in the gross rental income (as service charges recovered from tenants) with the employee related costs shown in corporate overhead expenses.

SPL	2022 $000	2021 $000
Gross rental income		
Rental income	**69,485**	52,679
Service charge income recovered from tenants	**18,036**	12,282
Spreading of fixed rental increases	**1,437**	(325)
Capitalised lease incentives	**890**	409
Lease incentives amortisation	**(560)**	(639)
Capitalised lease incentives - COVID-19	**1,761**	3,387
Lease incentives amortisation - COVID-19	**(1,023)**	(952)
Rental income abatement provision due to COVID-19	**(1,001)**	(413)
Total gross rental income from continuing operations	**89,025**	66,428
Direct property operating expenses		
Rates and insurance	**(11,695)**	(7,390)
Property maintenance costs	**(5,730)**	(3,926)
Utilities	**(1,809)**	(1,301)
Other property operating expenses	**(3,460)**	(2,725)
Lease incentives amortisation	**(125)**	(444)
Movement in loss allowance	**(372)**	47
Total direct property operating expenses from continuing operations	**(23,191)**	(15,739)
Net rental income from continuing operations	**65,834**	50,689

3.0 Property (continued)

3.1 Net rental income (continued)

Accounting policy

Leases are classified at their inception 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 a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

SPL has determined that it retains all significant risks and rewards of ownership of properties and has therefore classified the leases as operating leases.

The future aggregate minimum rentals receivable under non-cancellable operating leases from continuing operations, including investment properties classified as held for sale of $16.0 million, are as follows:

	2022 $000	2021 $000
Within one year	**68,899**	60,515
Between one and two years	**61,053**	51,520
Between two and three years	**52,496**	43,516
Between three and four years	**42,804**	36,819
Between four and five years	**36,834**	28,712
Later than five years	**183,556**	182,498
Future rentals receivable	**445,642**	403,580

3.0 Property (continued)

3.2 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 consolidated 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 SPL and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the consolidated 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 consolidated statement of comprehensive income in the reporting period in which the disposal occurs.

SPL leases various properties under non-cancellable operating lease agreements. At the inception of a contract, SPL 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 properties and investment properties classified as held for sale. SPL 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 consolidated statement of financial position and also reflected in the investment property valuations.

SIML does not hold investment properties but provides management services over SPL's investment property portfolio.

In the prior financial year, SPL acquired an office building at 34 Shortland Street, Auckland. Stride's head office is located in this building and the value attributable to this floor has been recognised as property, plant and equipment (refer note 8.7). As at 31 March 2021, there was a $2.3 million prepayment recognised in relation to future building upgrade works at 34 Shortland Street, Auckland. The total cost of the building upgrade works has been re-assessed as $1.5 million with the remaining $0.8 million being released to the vendor. During the current year, $0.9 million of building upgrade works have been completed with $0.6 million of additional works expected to be completed within the next 12 months.

3.0 Property (continued)

3.2 Investment properties (continued)

SPL	Office $000	Town Centre $000	Industrial $000	Development $000	Total $000
Balance at 31 Mar 20	**197,614**	**317,920**	**351,440**	**24,425**	**891,399**
Disposals	-	-	(228,816)	(30,811)	(259,627)
Additions	371,899	-	10,000	-	381,899
Subsequent capital expenditure	1,920	2,120	969	8,627	13,636
Spreading of fixed rental increases	(230)	(452)	64	-	(618)
Capitalised lease incentives	153	245	10	-	408
Lease incentives amortisation	(222)	(383)	(197)	-	(802)
Capitalised lease incentives - COVID-19	523	2,114	568	-	3,205
Lease incentives amortisation - COVID-19	(178)	(661)	(61)	(8)	(908)
Reclassification	(11,000)	-	-	11,000	-
Net change in fair value	12,822	4,863	26,907	(1,303)	43,289
Balance at 31 Mar 21	**573,301**	**325,766**	**160,884**	**11,930**	**1,071,881**
Addition	**152,307**	**-**	**-**	**-**	**152,307**
Recognition of prepayment in investment properties	**1,684**	**-**	**-**	**-**	**1,684**
Subsequent capital expenditure	**3,702**	**885**	**46**	**15,955**	**20,588**
Spreading of fixed rental increases	**1,324**	**(253)**	**366**	**-**	**1,437**
Capitalised lease incentives	**541**	**189**	**73**	**87**	**890**
Lease incentives amortisation	**(365)**	**(308)**	**(7)**	**(5)**	**(685)**
Capitalised lease incentives - COVID-19	**180**	**1,543**	**38**	**-**	**1,761**
Lease incentives amortisation - COVID-19	**(189)**	**(825)**	**(2)**	**(7)**	**(1,023)**
Reclassification	**32,000**	**-**	**-**	**(32,000)**	**-**
Disposals	**-**	**-**	**(13,932)**	**-**	**(13,932)**
Transfer to investment properties classified as held for sale	**(94,253)**	**-**	**-**	**-**	**(94,253)**
Net change in fair value	**(21,182)**	**13,416**	**34,388**	**4,040**	**30,662**
Balance at 31 Mar 22	**649,050**	**340,413**	**181,854**	**-**	**1,171,317**
Comprised of:					
Investment property at valuation	**649,050**	**324,500**	**181,854**	**-**	**1,155,404**
Lease liabilities (note 3.3)	**-**	**15,913**	**-**	**-**	**15,913**
Balance at 31 Mar 22	**649,050**	**340,413**	**181,854**	**-**	**1,171,317**

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

During the year, the $13.9 million of disposals in relation to industrial investment properties relates to a reduction in SPL's proportionate ownership in the Industre joint operations (refer note 7.2).

The net change in fair value of $30.7 million (2021: $43.3 million, being $38.8 million from continuing operations and $4.5 million from discontinued operations) includes ($71,000) (2021: ($33,000)) in relation to the change in the value of the lease liabilities. In the current year, a revaluation movement of $1.0 million (2021: $1.1 million) arising from the elimination of fees charged by SIML to SPL (refer note 2.0), has been reflected in the consolidated statement of comprehensive income.

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 2022.

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 valuers for financial reporting purposes. This team reports directly to SIML's Chief Executive Officer. Discussions of valuation processes and results are held between members of SIML's executive team and the independent valuers. Discussions of valuation processes and results are also held between SIML's Chief Executive Officer and the Audit and Risk Committee, at least once every six months, in line with SPL's reporting dates. This review includes a review of specific independent valuations and discussions with the independent valuers as considered necessary. Ultimately, SPL'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 (2021: nil transfers).

3.0 Property (continued)

3.2 Investment properties (continued)

The following tables provide a summary of the valuation of the individual investment properties, their net lettable area, market capitalisation rate (cap rate), contract yield, occupancy and weighted average lease term (WALT) for the purpose of providing further detail of the assets which are considered to be the most relevant to the operations of SPL. Colliers[1] refers to the valuer CVAS (NZ) Limited and Colliers[2] refers to the valuer CVAS (WLG) Limited.

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

As at 31 Mar 22	Valuer	Net lettable area m²	$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
34 Shortland Street, Auckland	JLL	8,128	57,000	5.50	4.27	67.0	2.6
46 Sale Street, Auckland	JLL	11,352	154,200	4.63	5.27	100.0	6.5
55 Lady Elizabeth Lane, Wellington	Colliers[2]	5,217	15,000	5.38	17.62	100.0	7.1
1 Grey Street, Wellington	CBRE	10,492	67,850	6.13	6.46	100.0	4.9
215 Lambton Quay, Wellington	Colliers[2]	10,934	91,000	5.40	5.39	98.3	3.2
20 Customhouse Quay, Wellington	Colliers[2]	17,505	232,000	4.50	4.55	100.0	11.2
22 The Terrace, Wellington	JLL	4,811	32,000	5.88	5.31	85.8	4.9
Office total		**68,439**	**649,050**	**5.01**	**5.34**	**94.8**	**6.9**
Town Centre							
61 Silverdale Street, Auckland	Savills	23,008	100,500	6.25	6.79	100.0	3.6
NorthWest Shopping Centre, Auckland	Colliers[1]	27,766	152,500	6.50	7.20	96.7	4.7
NorthWest Two, Auckland	Colliers[1]	7,904	44,000	5.63	6.11	100.0	3.8
Johnsonville Shopping Centre, Wellington (50%)	CBRE	6,847	27,500	8.38	5.63	82.0	2.3
Town Centre total		**65,526**	**324,500**	**6.46**	**6.79**	**96.7**	**4.1**
Industrial (51.7% interest in Industre (joint operation) refer note 7.2)							
30 Airpark Drive, Auckland	Bayleys	8,162	24,054	4.50	3.50	100.0	2.7
20 Rockridge Avenue, Auckland	Savills	4,488	15,390	4.00	3.63	100.0	2.5
25 O'Rorke Road and 15 Rockridge Avenue, Auckland	Savills	18,626	77,259	3.87	3.76	100.0	6.9
318 East Tamaki Road, Auckland	JLL	5,047	65,151	3.88	3.88	100.0	22.8
Industrial total		**36,322**	**181,854**	**3.96**	**3.76**	**100.0**	**11.9**
		170,287	**1,155,404**	**5.25**	**5.50**	**96.6**	**6.5**

3.0 Property (continued)

3.2 Investment properties (continued)

As at 31 Mar 21	Valuer	Net lettable area m²	$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
7-9 Fanshawe Street, Auckland	CBRE	4,808	10,800	8.63	8.55	86.6	2.2
34 Shortland Street, Auckland	Savills	8,128	57,700	5.75	6.36	100.0	2.1
80 Greys Avenue, Auckland	Colliers[1]	5,658	22,700	6.75	7.22	100.0	2.2
21-25 Teed Street, Auckland	CBRE	4,027	26,900	5.63	6.32	100.0	2.0
35 Teed Street, Auckland	JLL	2,865	22,200	5.38	5.00	92.9	6.6
55 Lady Elizabeth Lane, Wellington	JLL	5,217	42,750	5.63	5.98	100.0	8.1
1 Grey Street, Wellington	CBRE	10,492	65,750	6.25	6.14	100.0	3.3
215 Lambton Quay, Wellington	Colliers[2]	10,934	85,000	5.60	6.00	99.0	3.2
20 Customhouse Quay, Wellington	Colliers[2]	17,484	228,000	4.50	4.48	99.9	12.3
Office total		69,614	561,800	5.35	5.52	98.6	6.4
Town Centre							
61 Silverdale Street, Auckland	Savills	23,008	97,000	6.38	6.73	99.1	4.6
NorthWest Shopping Centre, Auckland	Colliers[1]	27,978	149,000	6.75	7.88	97.5	4.3
NorthWest Two, Auckland	Colliers[1]	7,904	36,500	6.25	7.10	98.0	4.6
Johnsonville Shopping Centre, Wellington (50%)	CBRE	6,846	27,350	7.88	6.19	82.3	2.7
Town Centre total		65,736	309,850	6.67	7.28	96.5	4.3
Industrial (56.3% interest in Industre (joint operation) refer note 7.2)							
30 Airpark Drive, Auckland	Bayleys	8,887	22,251	4.80	4.04	100.0	3.7
20 Rockridge Avenue, Auckland	Savills	4,886	13,351	4.63	4.44	100.0	3.5
25 O'Rorke Road and 15 Rockridge Avenue, Auckland	Savills	20,331	62,190	4.83	4.57	96.9	3.7
318 East Tamaki Road, Auckland	JLL	5,495	63,092	4.25	4.25	100.0	23.8
Industrial total		39,599	160,884	4.58	4.36	98.4	11.3
Development							
*22 The Terrace, Wellington	JLL	-	11,930	-	-	-	-
		174,950	1,044,464	5.62	5.86	97.8	6.2

* The investment property at 22 The Terrace, Wellington, was under development and consequently the net lettable area, contract yield %, occupancy % and WALT were not applicable.

3.0 Property (continued)

3.2 Investment properties (continued)

As at 31 March 2021, the independent valuation of SPL's portfolio included one property, being Johnsonville Shopping Centre, Wellington, which was reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations.

As at 31 March 2022, the 'material valuation uncertainty' clause has been removed from the independent valuation of Johnsonville Shopping Centre, Wellington. The 'material valuation uncertainty' clause is therefore no longer included in any independent valuations of SPL's portfolio, however a number of the valuations contain a 'market volatility/market risk' clause making reference to volatility of the real estate market, to which values may change more significantly and rapidly than during standard market conditions.

Breakdown of valuations by valuer	2022 $000	2021 $000
CVAS (NZ) Limited (Colliers[1])	196,500	208,200
CVAS (WLG) Limited (Colliers[2])	338,000	313,000
Savills (NZ) Limited (Savills)	193,149	230,241
Jones Lang LaSalle Limited (JLL)	308,351	139,972
CBRE Limited (CBRE)	95,350	130,800
Bayleys Valuations Limited (Bayleys)	24,054	22,251
	1,155,404	1,044,464

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 rate and terminal yield. The following table details the key unobservable inputs and the ranges adopted across the various investment property classes by various valuers:

	Cap rate %	Discount rate %	Gross market rental $/m²	Rental growth rate %	Terminal yield %
As at 31 Mar 22					
Office	4.50-6.13	6.00-7.25	519-800	2.13-2.79	4.88-6.38
Town Centre	5.63-8.38	7.13-8.00	338-647	(0.88)-2.40	5.00-6.63
Industrial	3.87-4.50	5.63-5.90	146-196	2.82-2.99	4.13-4.50
Total portfolio	3.87-8.38	5.63-8.00	146-800	(0.88)-2.99	4.13-6.63
As at 31 Mar 21					
Office	4.50-8.63	6.00-9.00	350-790	1.84-2.96	5.13-8.63
Town Centre	6.25-7.88	7.63-8.13	335-594	(0.07)-2.34	6.25-6.50
Industrial	4.25-4.83	6.00-6.44	135-191	2.40-2.50	4.50-5.07
Total portfolio	4.25-8.63	6.00-9.00	135-790	(0.07)-2.96	4.50-8.63

In addition to the above key unobservable inputs, due to COVID-19, the valuers also made assumptions around rental rebates for tenancy occupancy disruption. In the current year, assumptions in relation to future rental rebates for tenancy occupancy disruption have been applied to NorthWest Shopping Centre, Auckland, NorthWest Two, Auckland, and Johnsonville Shopping Centre, Wellington. In the prior year, these assumptions were only applied to Johnsonville Shopping Centre, Wellington. The following table details the rental rebate allowances that have been adopted in the valuations across the various investment classes:

COVID-19 rental rebates	2022 $000	2021 $000
Office	-	-
Town Centre	(710)	(209)
Industrial	-	-
Total portfolio	(710)	(209)

3.2 Investment properties (continued)

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate or 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 %	
Impact on fair value	-0.25	+0.25	-0.25	+0.25
As at 31 Mar 22				
Change $000	61,652	(58,360)	22,404	(21,818)
Change %	5	(5)	2	(2)
As at 31 Mar 21				
Change $000	53,535	(47,995)	20,507	(19,893)
Change %	5	(4)	2	(3)

Predominant 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.

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.

Works are required to improve the seismic performance of the office property at 55 Lady Elizabeth Lane, Wellington, although the exact nature of the works required is still being confirmed, with engineers undertaking surveys of the property. In the current year, 55 Lady Elizabeth Lane, Wellington, has been fair valued by the **Residual Approach**, calculating what the property is expected to be worth on completion of the works on the property and deducting all expected costs to complete them, including a profit and risk allowance. The valuers took into account an estimated $26.0 million allowance to improve the seismic performance. As a result, the valuation of this property was reduced by the currently estimated cost of these works, contributing to a devaluation of this property by $28.0 million.

In the prior financial year, 55 Lady Elizabeth Lane, Wellington, was fair valued by a combination of both the Income Capitalisation and the Discounted Cash Flow approaches in line with the approach taken on all other valuations.

In the prior financial year, 22 The Terrace, Wellington, was valued on the Residual Approach due to the refurbishment programme at that time.

3.2 Investment properties (continued)

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

Significant input	Description	Fair value measurement sensitivity to significant: Increase in input	Decrease in input	Valuation method
Cap rate	The capitalisation rate is applied to the market rental to assess an investment property's value. The capitalisation rate is derived from detailed analysis of factors such as comparable sales evidence and leasing transactions in the open market, taking into account location, tenant covenant – lease term and conditions, WALT, size and quality of the investment property.	Decrease	Increase	Income Capitalisation
Discount rate	The discount rate is applied to future cash flows of an investment property to provide a net present value equivalent. The discount rate adopted takes into account recent comparable market transactions, prospective rates of return for alternative investments and apparent risk.	Decrease	Increase	Discounted Cash Flow
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
COVID-19 rental rebates	The COVID-19 rental rebate allowances made in the 10-year cash flow projection to allow for tenant disruption.	Decrease	Increase	Discounted Cash Flow

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

When calculating fair value using the Income Capitalisation approach, the gross market rent has a strong interrelationship with the adopted capitalisation 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 capitalisation 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 on 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 at 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.

3.3 Lease liabilities

Accounting policy

Stride leases, as lessee, various property under non-cancellable operating lease agreements. At the inception of a contract, Stride 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 the consolidated statement of comprehensive income 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 Stride, 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.

SIML has an operating lease for its head office at 34 Shortland Street, Auckland, where SIML is the lessee. SIML has recognised a right-of-use asset within property, plant and equipment and a corresponding lease liability within interest bearing liabilities in relation to this lease. A 5.13% discount rate was applied for property, plant and equipment, being the estimated incremental borrowing rate applied to the lease liabilities as at 1 April 2019. This lease and right-of-use asset is eliminated in these financial statements.

SPL is committed under three operating leases where SPL is the lessee. There is one at each of the following properties:

- NorthWest Shopping Centre, Auckland;
- 7-9 Fanshawe Street, Auckland; and
- 55 Lady Elizabeth Lane, Wellington.

The SPL leases relate to ground rent on leasehold properties and contain renewal and termination options exercisable only by SPL.

The liabilities were measured at the present value of the remaining lease payments, discounted at the rate as specified in the lease for investment property being 6.25% for NorthWest Shopping Centre, Auckland, and 7.00% for 7-9 Fanshawe Street, Auckland. The lease term is reassessed if an option is actually exercised (or not exercised) or SPL 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.

Included in the 31 March 2022 balance of investment property at valuation is an implicit right-of-use asset of $11.4 million (2021: $23.5 million) in relation to a peppercorn ground lease at 55 Lady Elizabeth Lane, Wellington, with an associated immaterial lease liability.

The total lease liabilities amount of $15.9 million is in respect of the NorthWest Shopping Centre, Auckland, investment property with a ground lease at 31 March 2022 (2021: $27.5 million). During the year an $11.4 million lease liability and associated right-of-use asset, in respect to the ground lease at 7-9 Fanshawe Street, Auckland, was reclassified to lease liability associated with investment properties classified as held for sale and investment properties classified as held for sale, respectively. Refer to note 6.6 for maturity profile.

Right-of-use asset	2022 $000	2021 $000
Opening balance	**27,454**	28,109
Reclassification	**(11,433)**	(306)
Depreciation	**(108)**	(349)
Closing balance	**15,913**	27,454
Lease liabilities		
Opening balance	**27,454**	28,109
Reclassification	**(11,433)**	(285)
Cash lease payments	**(1,886)**	(2,166)
Finance lease interest	**1,778**	1,796
Closing balance	**15,913**	27,454
Current liabilities	**3**	71
Non-current liabilities	**15,910**	27,383
Total lease liabilities	**15,913**	27,454

3.0 Property (continued)

3.4 Capital expenditure commitments contracted for

As at 31 March 2022, SPL has the following commitments:

- $2.9 million (2021: $15.8 million) to complete seismic and building upgrade works at 22 The Terrace, Wellington.
- $2.5 million (2021: $ 0.8 million) for further building upgrades at 34 Shortland Street, Auckland.
- $0.8 million (2021: $ nil) for seismic works at 25 Teed Street, Auckland, and 35 Teed Street, Auckland.
- $0.1 million (2021: $0.6 million) for various other capital expenditure works to be undertaken in the next financial year.

Stride has no other material capital commitments as at 31 March 2022.

During the year, SPL's wholly owned subsidiary, Fabric, entered into a conditional agreement to acquire a property at 110 Carlton Gore Road, Auckland, from Mansons CGR Limited for a purchase price of $217.5 million. As at 31 March 2022, a $1.0 million non-refundable deposit and $0.6 million of other costs associated with the purchase had been paid. Subsequent to balance date, the purchase price was reduced by $4.5 million to $213.0 million and the agreement became unconditional with Fabric paying a further $7.0 million deposit (refer note 8.10). This property is under construction and is currently expected to be completed in March 2023. The final purchase price is subject to adjustment following a final rentable area survey of the building on completion.

To receive a return on funds committed during the development period, a loan will be advanced by Fabric to the vendor during the development of up to $186.5 million, to be drawn down in stages according to specified milestones, and the vendor will pay interest on the amount outstanding at a rate of 5.0% per annum, with the loan amount to be set off against the purchase price on settlement. Subsequent to balance date Fabric advanced $124.5 million of this loan to the vendor (refer note 8.10).

3.5 Investment properties classified as held for sale

Accounting policy

Stride 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 consolidated statement of comprehensive income within net change in fair value of investment properties.

During the year, the SPL Board approved disposing the following office properties located in Auckland: 7-9 Fanshawe Street, 80 Greys Avenue, 21-25 Teed Street, and 35 Teed Street. Upon the change in intention from holding the investment properties to disposing of them, SPL reclassified the properties from investment properties to investment properties classified as held for sale at a value of $82.8 million. An associated right-of-use asset of $11.4 million for the ground lease at 7-9 Fanshawe Street was also reclassified from investment properties to investment properties classified as held for sale.

Subsequent to balance date, SPL's wholly owned subsidiary, Fabric, entered into an agreement to sell the four properties for $83.6 million and has agreed to complete seismic work on two of the properties for a total of $0.8 million (refer note 8.10). As part of this transaction, the ground lease associated with the $11.4 million right-of-use asset at 7-9 Fanshawe Street will be novated to the purchaser.

4.0 Investor Returns

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

4.1 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.

	2022 $000	2021 $000
Profit after income tax attributable to shareholders - continuing operations	**112,292**	131,952
Weighted average number of shares for purpose of basic EPS (000)	**494,726**	399,790
Basic EPS - SPL	**20.36**	30.02
Basic EPS - SIML	**2.34**	2.99
Basic EPS - weighted (cents)	**22.70**	33.01
Weighted average number of shares for purpose of diluted EPS (000)	**496,175**	401,062
Diluted EPS - SPL	**20.29**	29.92
Diluted EPS - SIML	**2.34**	2.98
Diluted EPS - weighted (cents)	**22.63**	32.90
Profit after income tax attributable to shareholders - discontinued operations	**-**	(81)
Weighted average number of shares for purpose of basic EPS (000)	**494,726**	399,790
Basic EPS - SPL	**-**	(0.02)
Basic EPS - SIML	**-**	0.00
Basic EPS - weighted (cents)	**-**	(0.02)
Weighted average number of shares for purpose of diluted EPS (000)	**496,175**	401,062
Diluted EPS - SPL	**-**	(0.02)
Diluted EPS - SIML	**-**	0.00
Diluted EPS - weighted (cents)	**-**	(0.02)
Profit after income tax attributable to shareholders - continuing and discontinued operations	**112,292**	131,871
Weighted average number of shares for purpose of basic EPS (000)	**494,726**	399,790
Basic EPS - SPL	**20.36**	30.00
Basic EPS - SIML	**2.34**	2.99
Basic EPS - weighted (cents)	**22.70**	32.99
Weighted average number of shares for purpose of diluted EPS (000)	**496,175**	401,062
Diluted EPS - SPL	**20.29**	29.90
Diluted EPS - SIML	**2.34**	2.98
Diluted EPS - weighted (cents)	**22.63**	32.88

The movement in the weighted average number of shares over the comparable periods reflects the 66.95 million shares issued during November and December 2021. Weighted average number of shares for the purpose of diluted EPS has been adjusted for 1,493,551 (2021: 1,391,424) rights issued under SIML's long term share incentive schemes, short term incentive rights and special grants.

Profit after income tax attributable to shareholders is lower in 2022 than 2021 by ($19.6 million) as a result of:

- higher net rental income of $15.1 million primarily due to the growth in the office investment property portfolio;
- project costs relating to the withdrawal of the proposed demerger and IPO of Fabric of ($4.5 million);
- higher net finance expense of ($2.7 million);
- lower net change in fair value of investment properties of ($8.1 million) over the comparable period; and
- impairment of equity-accounted investment in relation to Investore of ($18.5 million).

4.0 Investor Returns (continued)

4.2 Distributable profit

Accounting policy

Stride's dividend policy is to target a cash dividend to shareholders that is between 80% and 100% of its distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Stride'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, share of profits in equity-accounted investments, dividends received from equity-accounted investments 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 investors to see the cash generating ability of the business.

	2022 $000	2021 $000
Profit before income tax (including discontinued operations note 7.4)	**124,661**	143,177
Non-recurring, non-cash, and other adjustments:		
Net change in fair value of investment properties	**(30,662)**	(43,289)
Reversal of the lease liabilities movement in investment properties	**(71)**	(61)
Loss on disposal of investment properties	**930**	3,847
Project costs relating to Fabric Property Limited	**4,533**	-
Acquisition, development and disposal fee eliminated in SIML	**991**	1,946
Share of profit in equity-accounted investments	**(65,607)**	(62,264)
Impairment of equity-accounted investment	**18,461**	-
Dividend income from equity-accounted investments	**9,443**	6,599
Spreading of fixed rental increases	**(1,437)**	618
Capitalised incentives net of amortisation	**(943)**	(1,903)
Share based payment expense	**1,049**	750
Software asset expense	**1,025**	-
Software amortisation	**-**	389
Depreciation	**203**	480
Lease liabilities for head office	**(35)**	(505)
Borrowings establishment costs amortisation	**1,261**	332
Non-cash interest income received	**(245)**	-
Finance expense - swap termination expense	**337**	1,380
Hedge ineffectiveness of cash flow hedges	**(1,250)**	1,075
Forfeited and lapsed long term incentive rights	**-**	(191)
Elimination of gain on acquisition on head office lease liabilities and assets	**-**	(16)
Distributable profit before current income tax	**62,644**	52,364
Current tax expense	**(8,667)**	(10,165)
Adjusted for:		
Tax expense on bank borrowings capitalised interest	**(26)**	(50)
Tax expense on depreciation recovered on disposal of investment properties	**206**	3,700
Tax expense on disposal of investment property on revenue account	**-**	840
Income tax movement in cash flow hedges	**-**	(387)
Distributable profit after current income tax	**54,157**	46,302
Adjustments to funds from operations:		
Maintenance capital expenditure	**(4,100)**	(3,008)
Adjusted Funds From Operations (AFFO)	**50,057**	43,294

4.0 Investor Returns (continued)

4.2 Distributable profit (continued)

	2022 $000	2021 $000
Weighted average number of shares for the purpose of basic distributable profit per share (000)	**494,726**	399,790
Basic distributable profit after current income tax per share - weighted (cents)	**10.95**	11.58
AFFO basic distributable profit after current income tax per share - weighted (cents)	**10.12**	10.83
Weighted average number of shares for the purpose of diluted distributable profit per share (000)	**496,175**	401,062
Diluted distributable profit after current income tax per share - weighted (cents)	**10.91**	11.54
AFFO diluted distributable profit after current income tax per share - weighted (cents)	**10.09**	10.79

4.3 Dividends paid

Accounting policy

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

	2022 $000	2021 $000
The following dividends were declared and paid by SPL during the year:		
Q4 2021 final dividend 1.6075 cents (Q4 2020 2.1575 cents)	**7,607**	7,882
Q1 2022 interim dividend 1.9345 cents (Q1 2021 1.9275 cents)	**9,155**	7,042
Q2 2022 interim dividend 1.7475 cents (Q2 2021 1.9025 cents)	**8,270**	8,995
Q3 2022 interim dividend 1.9135 cents (Q3 2021 1.7275 cents)	**10,336**	8,168
Total dividends paid - SPL	**35,368**	32,087
The following dividends were declared and paid by SIML during the year:		
Q4 2021 final dividend 0.87 cents (Q4 2020 0.32 cents)	**4,117**	1,169
Q1 2022 interim dividend 0.543 cents (Q1 2021 0.55 cents)	**2,570**	2,010
Q2 2022 interim dividend 0.73 cents (Q2 2021 0.575 cents)	**3,455**	2,719
Q3 2022 interim dividend 0.564 cents (Q3 2021 0.75 cents)	**3,047**	3,545
Total dividends paid - SIML	**13,189**	9,443
Total dividends paid - Stride	**48,557**	41,530

Supplementary dividends of $0.23 million (2021: $0.16 million) were paid to SPL shareholders not resident in New Zealand for which SPL received a foreign investor tax credit entitlement.

Supplementary dividends of $0.22 million (2021: $0.08 million) were paid to SIML shareholders not resident in New Zealand for which SIML received a foreign investor tax credit entitlement.

5.0 Capital Structure and Funding

Stride'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 Stride manages its capital structure, funding exposure to interest rate risk and related financing costs (excluding borrowings within Industre joint operations, refer note 7.3).

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 consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless SPL has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2022 $000	2021 $000
Non-current		
Bank facility drawn down	**305,500**	261,000
Unamortised borrowing costs	**(1,105)**	(1,140)
Total net borrowings	**304,395**	259,860
Weighted average interest rate for debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	**3.55%**	4.13%

31 Mar 22	Expiry date	Interest rate	Total $000	Undrawn facility $000	Drawn amount $000	Fair value $000
Facility A	15 Dec 2024	Floating	**100,000**	**-**	**100,000**	**100,000**
Facility B	15 Dec 2025	Floating	**60,000**	**54,500**	**5,500**	**5,500**
Facility C	15 Dec 2026	Floating	**40,000**	**40,000**	**-**	**-**
Facility F1	15 Dec 2024	Floating	**100,000**	**-**	**100,000**	**100,000**
Facility F2	15 Dec 2025	Floating	**100,000**	**-**	**100,000**	**100,000**
Facility F3	15 Dec 2026	Floating	**100,000**	**100,000**	**-**	**-**
Facility F4	15 Dec 2024	Floating	**100,000**	**100,000**	**-**	**-**
			600,000	**294,500**	**305,500**	**305,500**
31 Mar 21						
Facility A	31 Aug 2022	Floating	170,000	-	170,000	170,000
Facility B	30 Jun 2024	Floating	134,938	134,938	-	-
Facility C	11 Dec 2023	Floating	150,000	59,000	91,000	91,000
			454,938	193,938	261,000	261,000

In December 2021, SPL refinanced its bank debt facilities across a consortium of six banks, increasing the facility by $145.1 million to $600.0 million and extending the expiry dates to between 15 December 2024 and15 December 2026.

In accordance with the Green Finance Framework (Framework) of Fabric, $400.0 million of the new facilities are classified as green loan facilities. The Framework has been developed to be consistent with the Asia Pacific Loan Market Association (APLMA) Green Loan Principles (2021).

SPL's bank borrowings are via syndicated senior secured facilities with ANZ Bank New Zealand Limited (ANZ), China Construction Bank Corporation (New Zealand Branch), Industrial and Commercial Bank of China Limited, Auckland Branch, MUFG Bank Limited (Auckland Branch), The Hongkong and Shanghai Banking Corporation Limited, incorporated in the Hong Kong SAR, acting through its New Zealand Branch, and Westpac New Zealand Limited. The bank security on the facilities is managed through a security agent who holds a first registered mortgage on all the investment properties directly owned by SPL and its subsidiaries and a registered first ranking security interest under a General Security Deed over substantially all the assets of SPL. SPL has been compliant with bank covenants during the respective periods.

SIML does not have any bank borrowings (2021: nil) however, it does have a $3.0 million overdraft facility with ANZ (2021: $3.0 million), which has not been utilised during the respective periods.

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.

	2022 $000	2021 $000
Cash and cash equivalents	**20,621**	23,024
Borrowings - non-current	**(304,395)**	(259,860)
Lease liabilities	**(15,913)**	(27,454)
Lease liability associated with investment properties classified as held for sale	**(11,433)**	-
Net debt	**(311,120)**	(264,290)

	Liabilities from financing activities				
	Borrowings $000	Leases $000	Sub Total $000	Cash $000	Total $000
As at 31 Mar 20	(385,865)	(28,109)	(413,974)	12,098	(401,876)
Cash flows	126,338	504	126,842	10,926	137,768
Re-assessment	-	151	151	-	151
Other changes	(333)	-	(333)	-	(333)
As at 31 Mar 21	**(259,860)**	**(27,454)**	**(287,314)**	**23,024**	**(264,290)**
Cash flows	**(43,274)**	**108**	**(43,166)**	**(2,403)**	**(45,569)**
Other changes	**(1,261)**	**-**	**(1,261)**	**-**	**(1,261)**
As at 31 Mar 22	**(304,395)**	**(27,346)**	**(331,741)**	**20,621**	**(311,120)**

Other changes include borrowings establishment cost amortisation.

As at 31 March 2022, lease liabilities include both lease liabilities and lease liability associated with investment properties classified as held for sale as disclosed in the consolidated statement of financial position.

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 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 consolidated 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.

SPL	2022 $000	2021 $000
Outstanding interest rate derivative contracts		
Active interest rate derivative contracts	335,000	230,000
Total notional principal value of interest rate derivative contracts	335,000	230,000
Interest rate derivative assets - current	290	-
Interest rate derivative assets - non-current	19,535	-
Interest rate derivative liabilities - current	-	(553)
Interest rate derivative liabilities - non-current	-	(1,595)
Fair values of interest rate derivative contracts	19,825	(2,148)
Fixed interest rates ranges	0.39% - 1.80%	0.39% - 3.59%
Weighted average fixed interest rate on active interest rate derivative contracts (excluding margins and line fees)	1.24%	1.52%
Percentage of drawn debt fixed	110%	88%

Interest rate derivative contracts with a notional value of $200.0 million were entered into with an effective date of 31 December 2021 and a range of termination dates between 31 December 2024 and 31 December 2026.

Following the refinancing of SPL's bank debt in December 2021, interest rate derivatives with a notional value of $60.0 million were terminated for a net cost of $0.3 million, which has been expensed to finance expense in the consolidated statement of comprehensive income (refer note 5.3).

At 31 March 2022, SPL had interest rate derivative contracts, with a notional value of $35.0 million, that had no drawn bank borrowings hedged against them. As the hedged relationship for these contracts did not exist, the fair value movement of $1.3 million has been recognised in other income in the consolidated statement of comprehensive income.

SPL typically designates its interest rate derivatives as cash flow hedges of the interest flows on its variable rate borrowings. SPL 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.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments (continued)

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 (2021: Level 2). Judgement is involved in determining the fair value by the independent treasury advisors. The fair values 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 2022 of between 1.61%, for the 90-day BKBM, and 3.41%, for the 10-year swap rate (2021: 0.35% and 1.96%, respectively). There have been no transfers between Level 1 and 2 during the respective periods. There were no changes to these valuation techniques during the reporting period.

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.

	2022		2021	
	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	(2,011)	1,993	(1,355)	1,343
Impact on profit	(110)	109	-	-

SPL does not hold derivative financial instruments for trading purposes.

SIML does not hold any interest rate derivatives (2021: nil).

5.3 Net finance expense

Accounting policy

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

Where SPL borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing, less any investment income on the temporary investment of those borrowings. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Where SPL borrows funds generally and uses them to fund a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of funding a qualifying asset.

	2022 $000	2021 $000
Finance income		
Bank interest income	1	20
Other finance income	245	-
	246	20
Finance expense		
Bank borrowings interest	(14,360)	(10,471)
Bank borrowings interest capitalised	93	179
Finance expense - lease liabilities	(1,778)	(1,796)
Finance expense - swap break expense	(337)	(1,380)
	(16,382)	(13,468)
Net finance expense	(16,136)	(13,448)

In the current year, $0.1 million of bank borrowing interest expense was capitalised using an average capitalisation rate of 1.61% (2021: $0.2 million and 2.41%).

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

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. SPL and SIML shares are "stapled" and jointly listed on the NZX (Stapled Securities). Each of SPL and SIML has 540,188,683 shares on issue as at 31 March 2022 (2021: 472,828,313).

Stapling of shares is a contractual and constitutional arrangement between the two Stapled Entities whereby each Stapled Entity's equity securities are combined with (or stapled to) the equity securities issued by the other Stapled Entity. The Stapled Entities have the same shareholders, and their shares cannot be traded or transferred independently of one another. The Stapled Securities are traded as a single economic unit with a single quoted price.

During November and December 2021, Stride undertook an equity capital raise which resulted in a gross amount of $133.9 million raised. Net proceeds, after transaction costs, of $131.4 million were used to repay $129.1 million of bank borrowings.

The Boards of SPL and SIML issued 406,710 Stapled Securities pursuant to employee share incentive schemes during the year.

5.5 SIML equity (non-controlling interest)

	Notes	Total $000
Balance 31 Mar 21		**13,693**
Transactions with shareholders:		
Dividends paid	**4.3**	**(13,189)**
Other movements in reserves		**415**
Issued capital net of capital raising expenses		**634**
Total transactions with shareholders		**(12,140)**
Total other comprehensive income		**(58)**
Profit after income tax		**11,588**
Total comprehensive income		**11,530**
Balance 31 Mar 22		**13,083**
Balance 31 Mar 20		5,633
Transactions with shareholders:		
Dividends paid	**4.3**	(9,443)
Other movements in reserves		387
Issued capital net of capital raising expenses		4,996
Total transactions with shareholders		(4,060)
Total other comprehensive income		161
Profit after income tax		11,959
Total comprehensive income		12,120
Balance 31 Mar 21		13,693

5.0 Capital Structure and Funding (continued)

5.6 Reserves

Reserves consist of the following Stride reserves	2022 $000	2021 $000
Cash flow hedge reserve	**13,040**	(1,549)
Share option reserve	**948**	887
Associate reserve - cash flow hedge	**2,202**	45
Revaluation surplus	**700**	300
Closing balance	**16,890**	(317)
Cash flow hedge reserve - SPL		
Opening balance	**(1,549)**	(4,076)
Movement in fair value of interest rate derivatives	**20,661**	2,130
Deferred tax on fair value movements	**(6,072)**	(596)
Amortisation of swap break interest	**-**	1,380
Current tax on swap break interest	**-**	(387)
Closing balance	13,040	(1,549)
Share option reserve - SIML		
Opening balance	**887**	371
Share based payment expense	**1,049**	750
Deferred tax on share based payment expense	**(58)**	161
Transfer to share capital on vesting of employee long term incentive rights	**(634)**	(204)
Lapsed long term incentive rights	**(296)**	(159)
Forfeited long term incentive rights	**-**	(32)
Closing balance	**948**	887
Associate reserve - cash flow hedge - SPL		
Opening balance	**45**	70
Changes in reserves of associate	**2,157**	(25)
Closing balance	**2,202**	45
Revaluation surplus - SPL		
Opening balance	**300**	-
Changes in revaluation surplus	**400**	300
Closing balance	**700**	300

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts (derivative financial instrument) 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.

5.7 Capital risk management

Stride's objectives when managing capital are to safeguard Stride'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, Stride 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, SPL is required to comply with covenants imposed under its banking facility. The Board regularly monitors these covenants and provides six-monthly compliance certificates to the banks as part of this process.

SPL has complied with these covenants during the relevant periods.

6.0 Risk Management

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

6.1 Financial instruments

Accounting policy

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

Stride 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.

Depending on the purpose for which the assets were acquired, Stride 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, Stride 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 and other 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.

Financial liabilities at amortised cost are measured at amortised cost and include borrowings and trade and other payables.

Summary of financial instruments	2022 $000	2021 $000
Financial assets at amortised cost		
Cash at bank	**20,621**	23,024
Trade and other receivables	**4,229**	9,068
NZX bond	**75**	75
Total financial assets	**24,925**	32,167
Financial assets at fair value through profit or loss		
Loan to associate	**3,398**	3,398
Total non-derivative financial assets at fair value through profit or loss	**3,398**	3,398
Derivative financial instruments		
Used for hedging	**19,825**	-
Total financial assets	**48,148**	35,565
Financial liabilities at amortised cost		
Trade and other payables recognised as financial liabilities	**13,211**	14,845
Lease liabilities	**15,913**	27,454
Lease liability associated with investment properties classified as held for sale	**11,433**	-
Borrowings (joint venture participating interest)	**39,857**	43,169
Bank borrowings	**304,395**	259,860
Derivative financial instruments		
Used for hedging	**-**	2,148
Total financial liabilities	**384,809**	347,476

6.0 Risk Management (continued)

6.2 Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash at bank, trade and other receivables, loans to associates, other current assets, deposits and other prepayments on investment properties, trade and other payables and bank borrowings.

6.3 Financial risk management

Stride's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. Stride'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 Boards. The Boards identify and evaluate financial risks in close co-operation with management. The Boards provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

6.4 Interest rate risk

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

SPL's interest rate risk arises from bank borrowings (note 5.1) which are issued at variable rates and expose SPL 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. SPL manages its cash flow interest rate risk by using floating to fixed interest rate derivatives which have the economic effect of converting borrowings from floating to fixed rates.

As at 31 March 2022, SPL had fixed 110% of its drawn debt (2021: 88%). As SPL 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.

SPL's exposure to interest rate fluctuations is limited to the extent of all the non-hedged portions of bank borrowings which at balance date was $nil (2021: $31.0 million). If floating interest rates were 0.25% higher or lower, with other variables remaining constant, the impact on total comprehensive income after tax attributable to shareholders would be $nil (2021: higher or lower by $55,800).

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

Summary of financial instruments	2022 $000	2021 $000
Financial assets		
Cash at bank	**20,621**	23,024
NZX bond	**75**	75
Loan to associate	**3,398**	3,398
Derivative financial instruments	**19,825**	-
Financial liabilities		
Bank borrowings	**304,395**	259,860
Borrowings (joint venture participating interest)	**39,857**	43,169
Derivative financial instruments	**-**	2,148
Interest rates applicable at balance date		
Cash at bank	**0.50%**	0.00%
NZX bond	**1.10%**	1.23%
Loan to associate	**4.05%**	3.33%
Bank borrowings	**1.20%**	1.39%
Borrowings (joint venture participating interest)	**1.59%**	0.41%
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	**3.55%**	4.13%

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 Risk Management (continued)

6.5 Credit risk

Stride incurs credit risk from trade receivables, accrued income receivable, loan to associate and transactions with financial institutions including cash balances and interest rate derivatives. Stride is not exposed to any concentrations of credit risk apart from the loan to associate.

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on all 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 Stride's exposure to bad debts is not significant.

As SPL has a wide spread of tenants over different industry sectors, it is not exposed to any significant concentration of credit risk.

The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only. Stride has placed its cash and deposits with ANZ Bank New Zealand Limited and Westpac New Zealand Limited, both 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).

The maximum exposure to credit risk is the carrying amount of each class of financial assets as reported in note 6.1.

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. Stride's liquidity position is monitored on a regular basis and is reviewed quarterly by the Boards to ensure compliance with internal policies and banking covenants as per SPL's syndicated lending facility.

SPL 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 Stride'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
As at 31 Mar 22						
Trade and other payables recognised as financial liabilities	**13,211**	**13,211**	**-**	**-**	**-**	**-**
Secured bank borrowings	**328,387**	**3,354**	**3,379**	**6,859**	**314,795**	**-**
Lease liabilities associated with investment properties classified as held for sale	**31,020**	**428**	**428**	**856**	**2,567**	**26,741**
Lease liabilities	**92,616**	**691**	**693**	**1,396**	**4,261**	**85,575**
Derivative financial instruments	**13,181**	**2,074**	**2,064**	**4,088**	**4,955**	**-**
	478,415	**19,758**	**6,564**	**13,199**	**326,578**	**112,316**
As at 31 Mar 21						
Trade and other payables recognised as financial liabilities	14,845	14,845	-	-	-	-
Secured bank borrowings	277,093	3,640	3,640	175,347	94,466	-
Lease liabilities	123,333	961	924	1,848	5,628	113,972
Derivative financial instruments	6,630	1,664	1,392	2,059	1,515	-
	421,901	21,110	5,956	179,254	101,609	113,972

SPL's portion of the borrowings in the Industre joint operation are with Industre Property Finance Limited (FinCo), which is part of the Industre joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo (refer note 7.3 for details).

7.0 Investments in Property Entities

This section sets out how the investments in property entities held by SPL are accounted for in Stride.

7.1 Industre

On 1 July 2020, Industre commenced operations. Industre is a joint arrangement between SPL and a group of international institutional investors, through a special purpose vehicle, advised by J.P. Morgan Asset Management (JPMAM). On 1 July 2020, SPL held a 68.3% interest in Industre. This has reduced to 51.7% as at 31 March 2022 (2021: 56.3%).

Over the long term, the strategy is for JPMAM to fund further portfolio growth until the respective economic contributions to the portfolio are 75%/25% (JPMAM/SPL).

The agreement between SPL and JPMAM in relation to their co-ownership requires unanimous consent from both parties for all relevant activities. The accounting for the arrangements by SPL is a combination of a joint operation (proportionate share of assets, liabilities, revenue and expenses) and joint venture (equity accounted). SIML is the manager of the joint arrangement.

7.2 Interests in associates and joint venture

Accounting policy

Interests in associates and the joint venture are accounted for using the equity method and are stated in the consolidated statement of financial position at cost, adjusted for the movement in SPL's share of their net assets and liabilities. Under this method, SPL's share of profits and losses after tax of associates and profit and loss before tax of the joint venture are included in SPL's profit before taxation. Adjustments to the carrying amount are also made for SPL's share of changes in the associates' and the joint venture's other comprehensive income. SPL's accounting policy is not to take account of the effects of transactions recorded directly in equity outside profit or loss and other comprehensive income.

Under the equity method, gain or loss resulting from transfer of investment properties to associates and the joint venture in exchange for cash or shares is recognised only to the extent of the other investors' interest in the associates or the joint venture, however when cash and shares are received, the portion of the gain or loss relating to cash is recognised in full.

At each reporting date, SPL assesses its equity accounted investments to determine whether there is any indication of impairment. If any such indication exists, then the investments' recoverable amount is estimated as a single asset by comparing its recoverable amount with its carrying amount.

The recoverable amount is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal.

If the carrying amount of an equity accounted investment exceeds its recoverable amount, an impairment loss is recognised in profit or loss and is applied to the carrying amount of equity accounted investment. Such impairment loss is not allocated to the underlying assets that make up the carrying amount of the equity accounted investment. Impairment loss is subsequently reversed only to the extent that the recoverable amount of the investment subsequently increases.

Set out below are the associates and the joint venture of SPL as at 31 March 2022, which, in the opinion of the directors, are material to SPL.

			Ownership interest			
Entity	**Country of incorporation**	**Ownership**	**2022**	**2021**	**Nature of relationship**	**Measurement method**
Investore	New Zealand	Shares	**18.8%**	18.8%	Associate	Equity
Diversified	Australia	Units	**2.1%**	2.0%	Associate	Equity
Industre joint venture	New Zealand	Shares	**51.7%**	56.3%	Joint Venture	Equity

	2022 $000	2021 $000
Equity-accounted investments		
Investore[1]	**143,248**	144,923
Diversified[2]	**1,287**	1,227
Industre joint venture[2]	**174,051**	119,557
	318,586	265,707

1 Fair value based on quoted share price on the NZX Main Board on the last business day for the year ended 31 March 2022 was $119.0 million (2021: $141.9 million).

2 These equity accounted investments do not have quoted market price as they are not listed.

The principal place of business for Investore, Diversified and Industre joint venture is New Zealand.

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Investore

Given the extent of SPL's equity investment as at balance date of 18.8% (2021: 18.8%), the appointment of SIML as manager, and that two of SIML's current directors are also directors of Investore, the SPL Board has concluded that SPL has "significant influence" over Investore. As such, SPL's investment in Investore has been treated as an interest in an associate. SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds.

On 31 March 2022, the market value of the investment in Investore, based on the quoted market price, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed by performing value in use (VIU) and fair value less costs of disposal valuation approaches. SPL has estimated the recoverable amount of the investment in Investore using VIU (as the higher of the two valuation approaches).

The key inputs and assumptions in determining the recoverable amount of this investment through the VIU approach were a pre-tax discount rate of 6.3% and a terminal value growth rate of 2.25% from the year ended 31 March 2028 which resulted in an impairment loss of $18.5 million against the carrying amount of the investment.

The estimated sensitivity on the recoverable amount under the VIU approach if the terminal value growth rate and pre-tax discount rate assumptions were to increase/decrease is provided below:

	Discount Rate %		Growth Rate %	
	-0.25	+0.25	-0.25	+0.25
As at 31 Mar 2022				
Change $000	9,688	(8,304)	(6,290)	8,304
Change %	7	(6)	(5)	6

These assumptions are based on the Boards' and management's judgement and estimates and may be impacted by the uncertainty in market and economic conditions. When recoverable amount is estimated through a VIU calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value less cost of disposal is estimated, critical judgements and estimates are made in relation to the appropriate premium in assessing fair value of investment as a whole.

Diversified

Given the appointment of SIML as manager, and that one of SIML's current directors is also on Diversified's Investment Committee, the SPL Board has concluded that SPL retains "significant influence" over Diversified. As such, SPL's investment in Diversified has been treated as an interest in an associate. As at 31 March 2022, SPL has an interest-bearing loan receivable of $3.4 million (2021: $3.4 million) with Diversified. This loan is due for repayment on 12 August 2026.

Industre Joint Venture

Industre joint venture comprises Industre Property Tahi Limited (Tahi), Industre Property Rua Limited (Rua) and FinCo. SPL has rights to the net assets of these entities, and consequently these entities are classified as a joint venture.

Tahi and Rua hold legal and beneficial ownership of certain properties. FinCo is a funding vehicle established to obtain bank borrowings and on-lend the funds to Tahi, Rua and Industre joint operation. SPL's wholly owned subsidiary, Stride Industrial Property Limited (SIPL), is a guarantor under the Industre banking arrangements as SIPL is a beneficial owner of property owned through the unincorporated joint venture of Industre and as such is jointly and severally liable for Industre's bank borrowings. SIPL has the benefit of, and bears obligations under, a cross indemnity with JPMAM by way of the joint venture arrangements. As at 31 March 2022, the value of the financial guarantee was $nil.

Tahi and Rua are eligible and have elected to be multi-rate Portfolio Investment Entities of which the income tax liability arises to the investors. Accordingly, SPL recognises current and deferred tax as part of its taxes in note 8.1 (rather than as part of the investment in the joint venture).

Summarised financial information for associates and joint venture

The tables on the following pages provide summarised financial information for the associates and the joint venture of SPL and reflects the amounts presented in the financial statements of the relevant associates, not SPL's share of those amounts. They have been amended to reflect adjustments made by Stride when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

SPL's share in the Industre joint venture reduced from 68.3% as at 30 June 2020 to 51.7% as at 31 March 2022 (2021: 56.3%). Consequently, the net share of profit has been calculated on the weighted average participating interest during the relevant period. SPL's share of profit for Industre joint venture in 2021 relates to the period 1 July 2020 to 31 March 2021.

The difference between the closing carrying amount and share at carrying percentage for Industre joint venture relates to the $0.9 million loss on sale of properties in exchange for cash received from Industre joint venture in the prior financial year. This difference has carried forward to the balance as at 31 March 2022.

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Summarised financial information for associates and joint venture (continued)

	Investore 2022	Industre joint venture 2022	Diversified 2022
Summarised statement of comprehensive income	**$000**	**$000**	**$000**
Net rental income	58,274	16,660	32,767
Corporate expenses	(9,964)	(3,423)	(4,667)
Finance income	167	7	7
Finance expense	(14,212)	(4,495)	(16,754)
Other income	91,541	73,699	(21,440)
Income tax expense	(7,639)	-	342
Profit/(loss)	118,167	82,448	(9,745)
Other comprehensive (loss)/income	9	3,883	7,361
Total comprehensive (loss)/income	118,176	86,331	(2,384)
Summarised statement of financial position			
Assets			
Current assets	10,292	7,207	13,117
Investment properties	1,219,766	497,931	492,600
Other non-current assets	8,678	82,689	9,771
	1,238,736	587,827	515,488
Liabilities			
Current liabilities	(6,724)	(4,547)	(23,676)
Borrowings - non-current	(351,530)	(243,603)	(258,384)
Other non-current liabilities	(25,440)	(1,584)	(169,883)
	(383,694)	(249,734)	(451,943)
Net assets	855,042	338,093	63,545
Reconciliation to carrying amounts			
Opening net assets	765,674	213,988	61,348
Profit/(loss)	118,167	82,448	(9,745)
Other comprehensive income	9	3,883	7,361
Reinvestment of unitholder funds	-	-	4,581
Equity contribution	-	45,195	-
Dividends paid	(28,808)	(7,421)	-
Closing net assets	855,042	338,093	63,545

	Total 2022 $000	Investore	Industre joint venture	Diversified
SPL's share in %		18.8%	51.7%	2.1%
Share at carrying percentages	336,994	160,748	174,917	1,329
Opening carrying amount	265,707	144,923	119,557	1,227
Movement in cash flow hedges net of tax	2,291	(15)	2,155	151
Profit/(loss)	65,607	22,216	43,595	(204)
Reinvestment of unitholder funds	113	-	-	113
Equity contribution	2,494	-	2,494	-
Deemed equity contribution with a corresponding reduction in SPL's interest	10,278	-	10,278	-
Impairment of equity-accounted investment	(18,461)	(18,461)	-	-
Dividends paid	(9,443)	(5,415)	(4,028)	-
Closing carrying amount	318,586	143,248	174,051	1,287

7.0 Investments in Property Entities (continued)

7.2 Interests in associates and joint venture (continued)

Summarised financial information for associates and joint venture (continued)

		Investore	Industre joint venture	Diversified
		2021	2021	2021
Summarised statement of comprehensive income		$000	$000	$000
Net rental income		55,813	7,539	30,590
Corporate expenses		(9,224)	(1,911)	(4,190)
Finance income		4	-	5
Finance expense		(16,644)	(1,725)	(15,875)
Other income		139,017	48,158	21,652
Income tax expense		(7,706)	-	(1,492)
Profit		161,260	52,061	30,690
Other comprehensive income		3,051	220	1,849
Total comprehensive income		164,311	52,281	32,539
Summarised statement of financial position				
Assets				
Current assets		18,109	5,476	18,130
Investment properties		1,043,872	322,375	465,550
Other non-current assets		8,869	79,474	9,497
		1,070,850	407,325	493,177
Liabilities				
Current liabilities		(7,011)	(3,292)	(22,865)
Borrowings - current		-	-	(4,688)
Borrowings - non-current		(277,363)	(189,961)	(227,077)
Other non-current liabilities		(20,802)	(84)	(177,199)
		(305,176)	(193,337)	(431,829)
Net assets		765,674	213,988	61,348
Reconciliation to carrying amounts				
Opening net assets		526,691	-	22,328
Initial investment on 30 June 2020		-	100,881	-
Profit		161,260	52,061	30,690
Other comprehensive income		3,051	220	1,849
Reinvestment of unitholder funds		-	-	6,481
Equity contribution		102,652	63,184	-
Dividends paid		(27,980)	(2,358)	-
Closing net assets		765,674	213,988	61,348
	Total			
	2021			
	$000			
SPL's share in %		18.8%	56.3%	2.0%
Share at carrying percentages	265,645	143,947	120,471	1,227
Opening carrying amount	103,874	103,428	-	446
Movement in cash flow hedges net of tax	(25)	(172)	110	37
Profit	62,264	30,404	31,246	614
Disposal of other investments	(481)	-	(481)	-
Reinvestment of unitholder funds	130	-	-	130
Equity contribution	85,149	16,522	68,627	-
Deemed equity contribution with a corresponding reduction in SPL's interest	21,395	-	21,395	-
Dividends paid	(6,599)	(5,259)	(1,340)	-
Closing carrying amount	265,707	144,923	119,557	1,227

7.0 Investments in Property Entities (continued)

7.3 Interest in joint arrangements

Accounting policy

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

SPL holds a 50% interest in a joint arrangement with Diversified relating to the investment property at Johnsonville Shopping Centre, Wellington.

SPL holds a 51.7% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2.

Johnsonville joint operation

The agreement between SPL and Equity Trustees Limited (as trustee of Diversified) in relation to their co-ownership requires unanimous consent from all parties for all relevant activities. The two parties have direct rights to the asset and are jointly and severally liable for the liabilities incurred in relation to the co-owned asset. This arrangement is therefore classified as a joint operation and SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below. SIML is the manager of the joint arrangement.

	2022	2021
Summarised financial information	**$000**	**$000**
Assets		
Current assets	**193**	394
	193	394
Liabilities		
Current liabilities	**(387)**	(490)
	(387)	(490)
Net liabilities	**(194)**	(96)
Share of rental income	**2,759**	2,825
Share of expenses	**(1,854)**	(1,643)
Net share of profit	**905**	1,182

7.3 Interest in joint arrangements (continued)

Industre joint operation

SPL holds a 51.7% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2. The Industre joint operation holds the beneficial ownership of these properties. The agreement between SPL and JPMAM in relation to their co-ownership requires unanimous consent from both parties for all relevant activities. The two parties have direct rights to the assets and are jointly and severally liable for the liabilities incurred in relation to the co-owned properties. This arrangement is therefore classified as a joint operation and SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below. SIML is the manager of the joint arrangement.

Summarised financial information	2022 100% $000	2022 participating interest $000	2021 100% $000	2021 participating interest $000
Current assets	**884**	**457**	1,321	744
Investment properties	**351,500**	**181,854**	285,600	160,884
	352,384	**182,311**	286,921	161,628
Liabilities				
Current liabilities	**(924)**	**(478)**	(1,448)	(816)
Borrowings	**(77,034)**	**(39,857)**	(76,633)	(43,169)
	(77,958)	**(40,335)**	(78,081)	(43,985)
Net assets	**274,426**	**141,976**	208,840	117,643
Income	**14,808**	**7,852**	10,528	6,553
Expenses	**(7,735)**	**(4,088)**	(4,494)	(2,799)
Net change in fair value of investment properties	**64,917**	**34,386**	35,818	21,454
Net share of profit*	**71,990**	**38,150**	41,852	25,208

*SPL's share in the Industre joint operation reduced from 68.3% as at 30 June 2020 to 51.7% as at 31 March 2022 (2021: 56.3%). Consequently, the net share of profit has been calculated on the weighted average participating interest during the relevant period. SPL's share of profit for Industre joint operation in 2021 relates to the period 1 July 2020 to 31 March 2021.

SPL's portion of the borrowings in the Industre joint operation are with FinCo, which is in the Industre joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo. As at 31 March 2022, SPL and JPMAM, as the participants, have agreed these borrowings will not be called by FinCo in the next 12 months, unless called on by FinCo's banking syndicate (which is a non-current borrowing). As such SPL's portion of the borrowings in the Industre joint operation have been classified as non-current in the consolidated statement of financial position.

The below fee income was earned by SIML from the Industre joint operation. It represents the participating interest held by the participant AP SG 17 Pte. Limited. The management fees paid from SPL to SIML are eliminated in the consolidated statement of comprehensive income. The balance receivable represents the participating interest held by the participant AP SG 17 Pte. Limited.

	2022 $000	2021 $000
Asset management fee income	**599**	315
Performance fee income	**692**	293
Building management fee income	**41**	25
Project management fee income	**9**	11
Maintenance fee income	**7**	3
Leasing fee income	**163**	6
Acquisition fee income	**-**	472
	1,511	1,125
Balance receivable	**216**	233

7.4 Discontinued operations

Discontinued operations refer to a core part of an entity's operation that has been divested. In the prior financial year, the establishment of Industre resulted in SPL divesting a significant portion of its industrial portfolio. This met the definition of a discontinued operation.

Only AP SG 17 Pte. Ltd's participating interest was treated as discontinued in respect of the joint operation as SPL retained a partial direct ownership interest in the properties. All of the financial performance and cash flows pertaining to the properties that were transferred to the Industre joint venture (refer note 7.2) have been treated as discontinued.

The financial performance and cash flow information for the discontinued operations are for the period ended 30 June 2020 (2021 column). There is no impact on the results for the year ended 31 March 2022.

SPL	2021 $000
Gross rental income	2,529
Direct property operating expenses	(401)
Net rental income	2,128
Less corporate expenses	
Administration expenses	(7)
Total corporate expenses	(7)
Profit before other income/(expense) and income tax	2,121
Other income/(expense)	
Net change in fair value of investment properties	4,530
Hedge ineffectiveness of cash flow hedges	(656)
Loss on disposal of investment properties	(4,160)
Profit before income tax	1,835
Income tax expense	(1,916)
Loss after income tax from discontinued operations	(81)
Net cash outflow from operating activities	(456)
Net cash inflow from investing activities	142,234
Net cash outflow from financing activities	(196,450)

8.0 Other

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

8.1 Income tax

Accounting policy

Income tax expense comprises current and deferred tax and is recognised in the consolidated 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.

SPL 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 in accordance with the Income Tax Act 2007.

Income tax	2022 $000	2021 $000
Current tax	(8,667)	(10,165)
Deferred tax	(3,702)	(1,141)
Income tax expense per the consolidated statement of comprehensive income	(12,369)	(11,306)
Profit before income tax (including discontinued operations note 7.4)	124,661	143,177
Prima facie income tax using the company tax rate of 28%	(34,905)	(40,090)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	8,586	11,821
Impairment of equity-accounted investment	(5,169)	-
Reversal of lease liability movement	3	(499)
Non-taxable income	18,326	15,061
Assessable income	(866)	(385)
Depreciation	7,361	4,345
Depreciation recovered on disposal of investment properties	(206)	(3,700)
Non-deductible expenses	(1,816)	(637)
Expenditure deductible for tax	378	3,241
Temporary differences	(339)	250
(Under)/over provision in prior year	(20)	428
Current tax expense	(8,667)	(10,165)
Investment property depreciation	(4,055)	89
Other	353	(1,230)
Deferred tax charged to profit or loss	(3,702)	(1,141)
Income tax expense per the consolidated statement of comprehensive income from continuing and discontinued operations	(12,369)	(11,306)
Income tax expense from continuing operations	(12,369)	(9,390)
Income tax expense from discontinued operations	-	(1,916)
Income tax expense per the consolidated statement of comprehensive income from continuing and discontinued operations	(12,369)	(11,306)
Imputation credits available for use in subsequent reporting periods	4,328	6,631

Income tax expense arising from the Industre joint venture (Tahi and Rua) is $0.8 million (2021: $0.3 million).

Imputation credits available for use in subsequent reporting periods are based on a rate of 28% (2021: 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.

8.0 Other (continued)

8.1 Income 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 the allowance for impairment;
- 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.

	2021 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	2022 $000
Deferred tax assets				
Other temporary differences	1,578	451	(58)	1,971
	1,578	451	(58)	1,971
Deferred tax liabilities				
Derivative financial instruments	601	(80)	(6,072)	(5,551)
Depreciation on investment properties	(7,164)	(4,719)	-	(11,883)
Other	(1,195)	646	-	(549)
	(7,758)	(4,153)	(6,072)	(17,983)
Net deferred tax liabilities	(6,180)	(3,702)	(6,130)	(16,012)

Deferred tax assets	2020 $000	$000	$000	2021 $000
Derivative financial instruments	3,584	(2,387)	(596)	601
Other temporary differences	1,134	581	(137)	1,578
	4,718	(1,806)	(733)	2,179
Deferred tax liabilities				
Depreciation on investment properties	(7,253)	89	-	(7,164)
Deferred tax on properties on revenue account	(1,176)	1,176	-	-
Other	(595)	(600)	-	(1,195)
	(9,024)	665	-	(8,359)
Net deferred tax liabilities	(4,306)	(1,141)	(733)	(6,180)

8.0 Other (continued)

8.2 Total corporate expenses

	2022 $000	2021 $000
Corporate overhead expenses include:		
Salaries and other short-term benefits	14,617	13,592
Depreciation	203	480
Software asset expense (refer note 1.4)	1,025	-
Software amortisation	-	389
Administration expenses include:		
Auditors' remuneration		
- Audit and review of financial statements 2022	487	-
- Audit and review of financial statements 2021	66	365
- Other assurance and related services - tenancy marketing, operating expenditure and performance fee calculation audits	43	30
	596	395
Project costs relating to Fabric Property Limited include:		
Auditors' remuneration		
- Performed an investigating accountant's role and issued a limited assurance report	455	-
	455	-
Share based payment expense	1,049	750
Feasibility expenses	1,104	608

In addition to the one off project costs relating Fabric of $4.5 million, SPL incurred $1.1 million (2021: $0.6 million) on feasibility costs on projects that did not proceed. SPL is committed to exploring opportunities that it considers will advance Stride's overall funds management strategy, although in these cases it determined not to proceed due to the overall perceived risks following due diligence.

8.3 Remuneration

	2022 $000	2021 $000
Key management personnel expenses		
Salary and other short term benefits - current employees	3,994	3,632
Share based payment expense	977	750
Forfeited long term incentive rights	-	(32)
	4,971	4,350

Key management personnel includes the Chief Executive Officer and the members of the executive team. In the current year key management personnel received dividends of $0.1 million (2021: $0.1 million).

8.0 Other (continued)

8.3 Remuneration (continued)

Long term incentive plan

SIML operates a long term incentive plan for its executive team that is intended to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the long term horizon. SIML receives services from the employees in exchange for the employees receiving share based payments only if specified hurdles, relating to the performance of Stride, are achieved.

The plan provides for the selected employees to be granted rights to be issued as shares for nil consideration if certain performance hurdles are met. SIML has a number of schemes in place. The table below summarises the types of schemes and movement of the share performance rights during the year:

	Schemes for performance rights issued (000)				
	FY20 (3 year)	FY21 (3 year)	FY22 (3 year)	2022 Total	2021 Total
As at 31 Mar 21	406	545	-	951	891
Rights granted	-	-	664	664	598
Rights exercised	-	-	-	-	(265)
Rights forfeited	-	-	-	-	(97)
Rights lapsed	(406)	-	-	(406)	(176)
As at 31 Mar 22	-	545	664	1,209	951

The key features of the plans are as follows:

- the rights are granted for nil consideration and have a nil exercise price;
- rights do not carry any dividend or voting rights prior to vesting;
- each right that vests entitles the employee to receive one fully paid ordinary share in each of SPL and SIML. The shares issued on vesting carry full voting and dividend rights; and
- the individual must remain an employee of SIML as at the relevant vesting date for any rights to vest.

The participating employees will be liable for the income tax cost of the award of shares and may choose to sell some or all shares to fund this cost upon issue of the shares. The participants receive one share for every performance right that vests on a tranche date for nil consideration.

The rights under the FY20 scheme were subject to the performance conditions that Total Shareholder Return (TSR) hurdles (relative and absolute) were met before a right would vest. No performance conditions were met and consequently100% of the rights lapsed.

The rights under the FY21 scheme are subject to the performance conditions that TSR hurdles (relative (50%) and absolute (50%)) are met before a right will vest.

Under the FY22 scheme 50% of the rights are subject to a relative TSR hurdle and 50% are subject to an achievement of strategic initiatives hurdle to be met before they will vest.

The share performance rights are measured at fair value at grant date, which is in reference to the fair value of the instruments granted rather than the fair value of the services from the employees.

The key features of the relative TSR performance conditions are as follows:

- the benchmark comparator is seven companies;
- the proportion of the rights subject to the relative TSR performance condition which vest is dependent on Stride's TSR performance relative to the TSR performance of the seven benchmarked companies making up the NZX Property Index; and
- the percentage of the TSR related rights which vest scales according to the relative ranking of Stride's TSR.

8.0 Other (continued)

8.3 Remuneration (continued)

The fair value of rights granted in relation to the FY22 TSR performance proportion was independently determined using the Monte Carlo simulation model.

The key assumptions adopted were:

- a risk free rate of 0.45%;
- a TSR testing start price of $2.17 (being the average 20 day share price up to 1 April 2021 the start of the performance period);
- volatility (standard deviation) for Stride and the comparator companies was based on the annualised volatility for the three years prior to grant date with the volatility for Stride being 27.0% and the average for the comparator group being 22.0%; and
- all data used to derive the valuation was pre-tax (to Stride and employee).

The key features of achievement of the strategic initiatives component of the FY22 scheme are as follows:

- the proportion of rights which vest is dependent on certain KPI targets being met over the performance period; and
- the percentage of the strategic initiatives related rights which vest scales according to the level of KPI's achieved. An 80% probability of achieving this component has been assumed.

Further share performance rights under the long term incentive plan may be issued on an annual basis. However, the terms of the plan, eligible participants, and offers of further share performance rights may be modified by the SIML Board from time to time, subject to the requirements of the NZX Listing Rules and applicable laws.

Short term incentive plan

During the year, the SIML Board granted 284,642 rights to executives and other employees of SIML as part of the FY21 short term incentive compensation for these employees in connection with their exceptional performance during FY21. These rights vest after 31 March 2023 balance date, if the relevant employee remains employed by SIML.

Special share award

A special share award was granted to executives on 16 December 2020. On 13 April 2021, 142,257 ordinary shares in each of SIML and SPL (i.e. 142,257 Stapled Securities) were issued to executives in respect of exceptional performance in FY21. Post balance date, the Boards of SIML and SPL resolved to issue a further and final 142,257 ordinary shares in each of them (i.e. 142,257 Stapled Securities) under this special share award (refer note 8.10).

8.0 Other (continued)

8.4 Related party disclosures

Accounting policy

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industre, Diversified and SPL. Under the various management agreements SIML is entitled to receive management fees for various services performed including; asset management, building management, project management, transaction fees, leasing fees, accounting services fees and performance fees. In addition, SIML is entitled to certain acquisition fees under the Industre management agreement.

SIML recognises all fees except performance fees, acquisition fees and disposal fees on a monthly basis in accordance with the pattern of service and as performance obligations are met. Acquisition and disposal fees are recognised on the settlement of the property transactions. Performance fees are recognised when earned in accordance with the contractual agreements.

	2022 $000	2021 $000
The following transactions with a related party took place:		
Diversified		
Asset management fee income	**2,953**	2,597
Salaries and wages recovery	**2,297**	2,377
Project management fee income	**1,810**	2,076
Building management fee income	**1,740**	1,543
Leasing fee income	**419**	1,384
Accounting fee income	**175**	175
Licensing fee income	**70**	70
Total fee income	**9,464**	10,222
Rent paid	**(115)**	(115)
Interest income received (reinvested in units)	**144**	101
Investore		
Asset management fee income	**5,736**	4,965
Performance fee income	**1,667**	2,076
Building management fee income	**438**	428
Disposal fee income	**128**	-
Accounting fee income	**250**	250
Leasing fee income	**92**	449
Maintenance fee income	**40**	40
Project management fee income	**157**	96
Sustainability fee income	**72**	-
Bond issuance fee income	**75**	-
Capital raising fee income	**-**	89
Total fee income	**8,655**	8,393
Dividend income	**5,415**	5,259
Consideration paid for shares	**-**	(16,522)
Consideration received for the disposal of investment properties	**-**	140,750

8.0 Other (continued)

8.4 Related party disclosures (continued)

	2022 $000	2021 $000
The following transactions with a related party took place:		
Industre joint venture		
Asset management fee income	**1,600**	687
Performance fee income	**1,283**	636
Acquisition fee income	**877**	1,886
Building management fee income	**72**	56
Project management fee income	**682**	1,023
Leasing fee income	**113**	194
Maintenance fee income	**15**	13
Total fee income	**4,642**	4,495
Dividend income	**4,028**	2,358
Interest expense	**(1,452)**	(994)
Consideration received for the disposal of investment properties	**-**	206,066
Consideration paid for shares	**-**	(53,028)

	2022 $000	2021 $000
The following balances were receivable from/(payable to) a related party:		
Investore - related party receivable	**31**	707
Diversified - related party receivable	**118**	329
Industre joint venture (Tahi/Rua/FinCo) - receivable	**1,087**	905
Diversified - interest-bearing loan	**3,398**	3,398
Industre joint venture (FinCo) - borrowings	**(39,857)**	(43,169)

Included within trade and other payables is a $5.2 million provision (2021: $7.5 million) for seismic works in relation to properties divested to Investore in the year ended 31 March 2021.

8.0 Other (continued)

8.4 Related party disclosures (continued)

The following table details the transactions between SPL and SIML, which are eliminated on consolidation (refer note 2.0).

	2022 $000	2021 $000
Management fees charged from SIML to SPL:		
Building management fee	**982**	822
Asset management fee	**6,462**	4,763
Salaries and wages recovery	**1,520**	1,489
Project management fee	**991**	448
Performance fee	**772**	424
Maintenance fee	**85**	52
Leasing fee	**1,219**	1,123
Accounting fee	**250**	250
Acquisition fee	**-**	700
Divestment fee	**-**	704
Total	**12,281**	10,775
Rental charged from SPL to SIML:		
Rental charge for head office	**479**	186
Service charge for head office	**92**	53
Total	**571**	239

	2022 $000	2021 $000
The following balances were receivable between SPL and SIML:		
SIML - related party receivable (recognised in SPL)	**-**	85
SPL - related party payable (recognised in SPL)	**-**	(85)
SPL - related party receivable (recognised in SIML)	**435**	699
SIML - related party payable (recognised in SPL)	**(435)**	(699)

SIML provides ancillary services in accordance with the management agreement between SPL and SIML to ensure proper management and control of SPL. Payment for these services by SPL to SIML is included in the total asset management fee paid.

Directors' benefits

Directors' fees recognised in administration expenses comprise the following:

	2022 $000	2021 $000
Directors' fees	**563**	493
Chair's fees	**170**	168
	733	661

In the current year Tim Storey, John Harvey, Jacqueline Cheyne, Nick Jacobson, Philip Ling and Ross Buckley received dividends of $38,144 (2021: $31,056 Tim Storey, John Harvey, Jacqueline Cheyne, Nick Jacobson and Philip Ling).

During the current year, Deborah Marris, Kathryn Hughes and Blair O'Keeffe, who were appointed directors of Fabric on 8 September 2021 and resigned following the decision to withdraw the demerger and initial public offering of Fabric on 21 September 2021, provided advisory services to the value of $76,300 in total.

No benefits (other than fees and dividends) have been provided by Stride to a Director for services as a Director or in any other capacity (2021: nil).

8.0 Other (continued)

8.5 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. Stride has applied the simplified approach to measuring expected credit loss as prescribed by NZ IFRS 9 *Financial Instruments*, 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 Stride will not be able to collect all of the amounts due under the original terms of the invoice.

	2022 $000	2021 $000
Current		
Trade and other receivables	**3,700**	4,445
Less loss allowance	**(923)**	(551)
Trade and other receivables net of loss allowance	**2,777**	3,894
Accrued income receivable from AP SG 17 Pte. Limited	**-**	3,000
Related party receivable (refer notes 7.3 and 8.4)	**1,452**	2,174
	4,229	9,068
Less than 30 days overdue	**2,807**	6,596
Over 30 days overdue	**1,422**	2,472
Carrying amount	**4,229**	9,068
Movement in loss allowance		
Opening balance	**(551)**	(598)
Reduction in loss allowance	**336**	71
Additional loss allowance	**(708)**	(24)
Closing balance	**(923)**	(551)
Bad debts and movement in loss allowance in the consolidated statement of comprehensive income		
- Bad debts written off	**(72)**	(290)
- Movement in loss allowance	**(372)**	47
	(444)	(243)

During the year, SPL received $2.5 million from AP SG 17 Pte. Limited, a participant in the Industre joint operation in satisfaction of The Concourse Development Profit as contemplated under the arrangements between the two participants. This transaction was non-cash and was recognised as a further equity contribution in Industre Joint Venture (refer note 7.2). The difference between the income received and the $3.0 million accrued income receivable from AP SG 17 Pte. Limited as at 31 March 2021 of $0.5 million was recognised through the net change in fair value of industrial investment properties.

8.0 Other (continued)

8.6 Trade and other payables

Accounting policy

Trade and other payables represent unsecured liabilities for goods and services provided to Stride prior to the end of the financial year 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.

	2022 $000	2021 $000
Unsecured liabilities		
Trade payables	**2,952**	2,867
Development and capital expenditure payables	**580**	538
Development and capital expenditure accruals	**3,222**	2,526
Seismic work accruals	**5,178**	7,546
Rental income abatement provision due to COVID-19	**1,001**	413
Retention accruals	**739**	461
Rent in advance	**1,519**	1,884
Operating expense recovery accruals	**540**	907
Tenant deposits held	**831**	924
Employee entitlements	**2,302**	684
Other accruals and payables	**3,683**	3,395
	22,547	22,145

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

8.7 Property, plant and equipment

Accounting policy

Land and buildings are recognised at fair value as determined at least every 12 months by an independent registered valuer. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

	2022 $000	2021 $000
Property, plant and equipment	**7,050**	6,658

Stride's head office is located at 34 Shortland Street, Auckland, which is held as an investment property (refer note 3.2). The value attributable to this floor, of $6.4 million (2021: $6.0 million), has been recognised as property, plant and equipment in SPL, with a revaluation surplus of $0.4 million recognised within other comprehensive income on the consolidated statement of comprehensive income.

	Property, plant & equipment $000	Right-of-use asset $000	Total 2022 $000	Property, plant & equipment $000	Right-of-use asset $000	Total 2021 $000
Opening balance	**6,621**	**37**	**6,658**	724	625	1,349
Purchases/initial recognition	**195**	**-**	**195**	5,794	-	5,794
Depreciation	**(166)**	**(37)**	**(203)**	(197)	(283)	(480)
Derecognition	**-**	**-**	**-**	-	(305)	(305)
Revaluation	**400**	**-**	**400**	300	-	300
Closing balance	**7,050**	**-**	**7,050**	6,621	37	6,658

	2022 $000	2021 $000
Cost	**1,866**	1,671
Right-of-use asset	**-**	315
Valuation	**6,400**	6,000
Accumulated depreciation	**(1,216)**	(1,328)
Net book value	**7,050**	6,658

8.0 Other (continued)

8.8 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 subsidiaries are included in the financial statements of Stride from the date that control commences until the date that control ceases. The subsidiaries apply the same accounting policies as Stride.

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

Subsidiaries of Stride Property Limited
SPL has the following subsidiaries. They are 100% owned, have a 31 March balance date, and are principally involved in the ownership of investment properties.

- Stride Holdings Limited
- Stride Industrial Property Limited (SIPL)
- Fabric Property Limited (name changed from Stride Office Property Limited on 3 September 2021)

SIML does not have any subsidiaries.

8.9 Contingent liabilities

SPL's wholly owned subsidiary, SIPL, is a guarantor under the Industre banking arrangements as SIPL is a beneficial owner of property owned through the unincorporated joint venture of Industre (refer note 7.2). The total facility under the Industre banking arrangement is $355.0 million (2021: $305.0 million), and as at 31 March 2022 $244.6 million of bank debt had been drawn down (2021: $191.1 million).

Stride has no other contingent liabilities at balance date (2021: nil).

8.0 Other (continued)

8.10 Subsequent events

On 5 April 2022, an agreement to which SPL's wholly owned subsidiary, Fabric, was a party, became unconditional. The agreement was in relation to the acquisition of 110 Carlton Gore Road, Auckland. Fabric paid a further deposit of $7.0 million at that date. The purchase price, originally $217.5 million, was reduced by $4.5 million to $213.0 million. This property is under development and is currently expected to be completed in March 2023 at which time the acquisition is expected to settle. The final purchase price is subject to adjustment following a final rentable area survey of the building on completion. Fabric will advance up to $186.5 million to the vendor by way of a loan during the period of construction, provided certain milestones have been met. On the unconditional date, in accordance with the vendor loan agreement, the $8.0 million paid to-date to the vendor formed the first tranche (Tranche A) under the loan facility. On 21 April 2022, Fabric advanced a further $124.5 million of this loan to the vendor, and the vendor will pay interest on the amount outstanding at a rate of 5.0% p.a., with the loan amount to be set off against the purchase price on settlement. The remainder of the purchase price (less an amount of $0.5 million) will be paid on settlement, with the final $0.5 million paid following a defects liability period. The property will be fully leased on settlement at completion of the development, as the vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

On 5 April 2022, Fabric entered into an agreement to sell four Auckland office properties, being 21-25 Teed Street, 35 Teed Street, 7-9 Fanshawe Street and 80 Greys Avenue, for an aggregate price of $83.6 million to Mansons CGR Limited. As part of the disposal, Fabric has committed to undertake seismic upgrades at 21-25 Teed Street and 35 Teed Street. This work had already been identified and is expected to cost $0.75 million. In addition, Fabric has agreed to take a lease of certain space at 80 Greys Avenue for a period of up to 12 months should a key tenant in this building not renew their lease upon expiry on 30 September 2022. The sale of 25 Teed Street completed on 29 April 2022 and the sale of 35 Teed Street is expected to complete on 30 June 2022. The sale of the second tranche of properties, comprising 80 Greys Avenue and 7-9 Fanshawe Street, is expected to complete on 30 September 2022. As part of this transaction, the ground lease associated with the $11.4 million right-of-use asset at 7-9 Fanshawe Street will be novated to the purchaser.

On 6 April 2022, the Boards of SIML and SPL resolved to issue 142,257 ordinary shares in each of them (i.e. 142,257 Stapled Securities) under the SIML special share award to executives in respect of exceptional performance in FY21.

On 6 April 2022, the SIML Board resolved to grant 11,529 rights under the FY22 long term incentive scheme to an executive of SIML, granted 762,625 rights to executives of SIML under the FY23 long term incentive scheme and granted 914,458 rights to executives and other employees of SIML as part of the FY22 short term incentive compensation for these employees in connection with their exceptional performance during FY22. These short term incentive rights vest following 31 March 2024 balance date, if the relevant employee remains employed by SIML at that time.

On 11 April 2022, Fabric entered into a forward-starting 3 year interest rate swap agreement with a notional value of $30.0 million, with an effective date of 31 December 2024.

On 24 May 2022, Stride announced that Director John Harvey will retire from the Boards of SPL and SIML, with effect from 31 May 2022. John Harvey, who is the Chair of the Audit and Risk Committee of Stride, indicated at the time of his re-election as a director in 2021 that if re-elected he intended to retire during calendar year 2022. Director Ross Buckley will become Chair of the Stride Audit and Risk Committee with effect from John Harvey's retirement on 31 May 2022. As part of his retirement, John Harvey will also cease as a director of Investore, and SIML will appoint Director Ross Buckley as a SIML-appointed director of Investore.

On 27 May 2022, SPL declared a cash dividend for the period 1 January 2022 to 31 March 2022 of 1.8455 cents per share, to be paid on 14 June 2022 to all shareholders on SPL's register at the close of business on 7 June 2022. At 1.8455 cents per share, the total dividend payment will be $9,971,807. This dividend will carry imputation credits of 0.196634 cents per share. This dividend has not been recognised in the financial statements.

On 27 May 2022, SIML declared a cash dividend for the period 1 January 2022 to 31 March 2022 of 0.632 cents per share, to be paid on 14 June 2022 to all shareholders on SIML's register at the close of business on 7 June 2022. At 0.632 cents per share, the total dividend payment will be $3,414,892. This dividend will carry imputation credits of 0.245778 cents per share. This dividend has not been recognised in the financial statements. SIML's equity (non-controlling interest) consists largely of retained earnings and the declared dividend represents 26% of SIML's equity as at 31 March 2022.

Independent auditor's report

To the shareholders of Stride Property Limited and Stride Investment Management Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Stride Property Group, which consists of Stride Property Limited and its controlled entities (SPL) and Stride Investment Management Limited (SIML) (together Stride), present fairly, in all material respects, the financial position of Stride as at 31 March 2022, 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

Stride's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Stride 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 tenancy marketing and operating expenditure and performance fee calculation audits for Stride and performed an investigating accountant's role which resulted in the issuance of a limited assurance report. In addition, certain partners and employees of our firm may deal with Stride on normal terms within the ordinary course of trading activities. The provision of these other services has not impaired our independence as auditor of Stride.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Description of the key audit matter

Valuation of investment property

As disclosed in Note 3.2 of the financial statements, SPL's investment property portfolio comprising: office, town centre and industrial properties was valued at $1,155.4 million (excluding lease liabilities and investment property classified as held for sale) as at 31 March 2022.

The valuation of SPL's investment 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 and considering the significance of investment property to Stride, this is a key audit matter.

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

In determining a property's valuation, the Valuers predominantly 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 the property at 55 Lady Elizabeth Lane, Wellington (Lady Elizabeth Lane), the Residual approach has been used.

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. For Lady Elizabeth Lane, the valuation incorporates deductions for estimated costs to complete and a profit and risk allowance.

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

How our audit addressed the key audit matter

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

We held discussions with the Manager to understand the movements in SPL'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 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 2022.

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 expert 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. In addition, for Lady Elizabeth Lane, we obtained evidence to support the estimated cost to complete and assessed the reasonableness of profit and risk allowance deducted from the 'as if complete' valuation.

With regards to the impact of climate-related risks on the property valuations, while the Valuers confirmed in our discussions that these were considered, the Valuers made no explicit adjustments to their valuations as at 31 March 2022 in respect of climate-related matters.

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)

Description of the key audit matter

Investment in Investore Property Limited

As disclosed in Note 7.2 of the financial statements, Stride holds an 18.8% share in Investore Property Limited (Investore) and this interest is accounted for using the equity method. Investore is listed on the NZX.

As at 31 March 2022, the carrying value of Stride's investment in Investore was $143.2 million after recognising an impairment charge of $18.5 million.

SIML, as the manager, undertook an impairment assessment of SPL's investment in Investore as Investore's share price has continued to trade below the investment's carrying amount under the equity method of accounting.

The Manager performed both a fair value less costs of disposal and a value in use calculation to determine the higher of the investment's recoverable amount.

A value in use methodology was used by SIML to determine the recoverable amount of the investment and the resulting impairment loss of $18.5 million which was recognised at 31 March 2022.

This is a key focus of our audit due to the inherent judgement in assessing impairment and the assumptions applied. The most significant of these assumptions are disclosed in Note 7.2.

How our audit addressed the key audit matter

Our audit procedures in relation to Stride's investment in Investore considered the carrying value of the investment at 31 March 2022, in particular, the determination of the investment's recoverable amount.

In relation to the recoverable amount, we performed the following audit procedures:

- We held discussions with SIML to gain an understanding of the assumptions used in determining the investment's recoverable amount as determined using fair value less costs of disposal and value in use methodologies;
- We assessed the report prepared by SIML's independent expert on their valuation advice to support SIML's fair value less costs of disposal valuation assessment of the investment;
- We also considered SIML's value in use valuation including the underlying assumptions applied in determining the recoverable amount of the investment; and
- We engaged our own in-house expert to evaluate the two valuation methodologies undertaken by SIML, the key judgements and assumptions applied and the reasonableness of the recoverable amount of the investment at 31 March 2022.

We also considered the appropriateness of disclosures made in the financial statements in relation to Stride's investment in Investore.

Our audit approach

Overview

Overall group materiality: $2.8 million, which represents approximately 5% of profit before tax excluding the net change in fair value of investment properties and impairment of equity-accounted investment.

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

We selected transactions and balances to audit based on the overall group materiality to Stride rather than determining the scope of procedures to perform by auditing only specific subsidiaries or entities.

As reported above, we have two key audit matters, being:

- Valuation of investment property; and
- Investment in Investore Property Limited.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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 consolidated financial statements as a whole.

Independent auditor's report (continued)

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Stride, the accounting processes and controls, and the industry in which Stride operates.

Other information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

The Directors of SPL and SIML respectively are responsible, on behalf of Stride, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of SPL and SIML respectively are responsible for assessing Stride'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 SPL or SIML or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the shareholders of SPL and SIML, 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 Stride and the shareholders of SPL and SIML, 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.

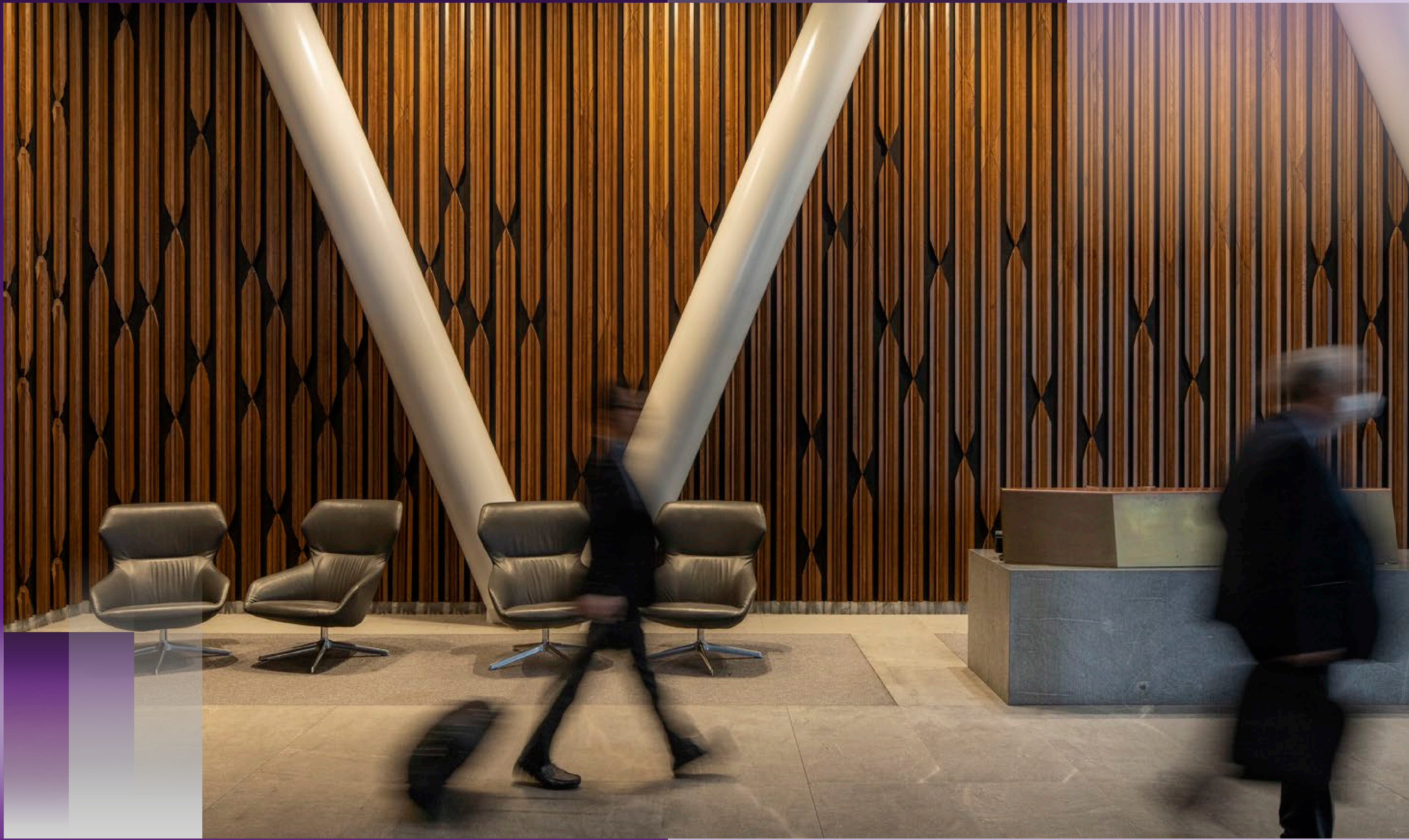
For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
27 May 2022

Auckland

Corporate Governance



Corporate Governance

The Boards of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL) consider strong corporate governance to be essential for a sustainable and successful business.

This section of the Annual Report provides an overview of the corporate governance policies and practices adopted and followed by the Boards of Directors of SPL and SIML. This statement is current as at 1 May 2022.

Stride's Website

For additional information on the key corporate governance documents and policies of SIML and SPL, please refer to the Stride website at **www.strideproperty.co.nz**

Overview of Stride and its Governance Framework

SPL and SIML are both companies incorporated in New Zealand under the Companies Act. SPL and SIML are 'Stapled Entities', with the ordinary shares of SPL and SIML stapled together and quoted on the Main Board equity securities market of NZX under a single ticker code 'SPG'. This means that one share of SIML and one share of SPL must be traded together as a single parcel. SPL and SIML are together referred to as "Stride Property Group" or "Stride".

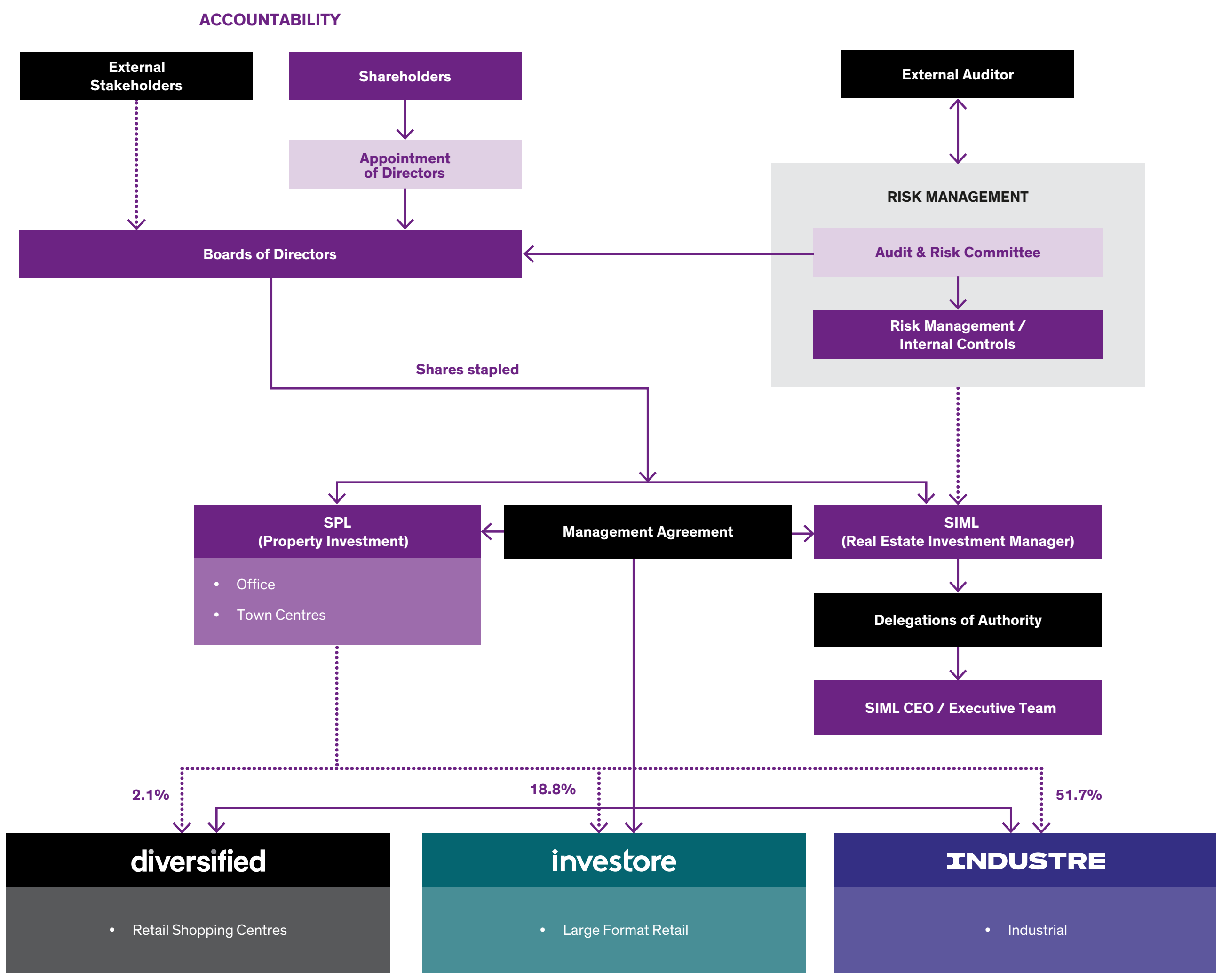
Stride has a 'non-standard' (NS) designation due to its stapled structure. The waivers from the Listing Rules that have been granted by NZX to give effect to that stapled structure are described on pages 159 and 160. The implications of investing in the stapled securities of SPL and SIML are described on page 161.

This section of the Annual Report provides an overview of Stride's corporate governance framework and includes commentary on the compliance by Stride with each of the eight corporate governance principles and recommendations of the NZX Corporate Governance Code (NZX Code) for the year ended 31 March 2022, together with other legal and regulatory disclosures.

For the reporting period, Stride considers that its corporate governance practices are materially consistent with the NZX Code.

Stride's governance framework is set out in Diagram 1.

Diagram 1 – Governance Framework



NZX 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 Stride Boards set high standards of ethical behaviour which inform the overall corporate governance and business practices of SPL and SIML. There are four key behaviours that guide Stride's business operations, inform Stride's culture, and differentiate Stride from other organisations:

People centred

The success of every place we are involved with ultimately depends on satisfying the wants and needs of people. At Stride we imagine ourselves in our tenants' shoes and create the environment they will enjoy and prosper in.

Discipline driven

Stride people go to great lengths to do the basics of our business incredibly well. That means getting all the details right and having a rigorous process to evaluate every opportunity. We astutely navigate risk, managing downside and seizing opportunities.

Nimble performers

Our flat, tight structure and our size allow Stride and our people to be highly responsive to changing conditions and make fast decisions.

Fresh thinkers

Stride people are at the forefront of new thinking on capturing the optimum value for people from properties. Our feet are firmly on the ground while our heads continuously scan new horizons for better ways of doing things.

Stride celebrates employees who demonstrate these behaviours through regular "In Stride" awards at company-wide meetings. All employees are able to nominate their colleagues for an "In Stride" award, with the awards decided by the SIML Executive Team. This encourages employees to think about how these behaviours guide them and their colleagues in their work practices.

Code of Ethics

To support and reinforce the Stride behaviours, Stride has adopted a Code of Ethics which sets the standard expected by the Stride Boards and the employees of SIML when conducting Stride's business. The Code of Ethics sets the following standards for directors and employees:

Act with honesty, integrity and fairness, and demonstrate respect for others

Adhere to all legal and compliance obligations

Protect Stride's assets and resources, including its confidential or sensitive information, and ensure this protection extends to the Stride Products

Make every effort to protect the reputation and brand of SPL and SIML and avoid a conflict between an individual's private activities and the business activities of Stride

The Code of Ethics is supported by other policies, including the Stride Conflicts Policy, Protected Disclosures Policy, Securities Trading Policy and Market Disclosure Policy (which is described in the commentary related to Principle 4).

Conflicts Policy

Stride is conscious of the potential for conflicts of interest given its role as property investor and manager, and takes a conservative approach to conflicts of interest. The principles that govern the management of conflicts of interest are addressed in a number of governance documents, including the Constitution of each of SPL and SIML, the Stride Boards' charter, the Code of Ethics, and other internal policies.

The Boards have adopted a Conflicts Policy which guides Directors and SIML employees when a conflict of interest may arise and sets out procedures for managing conflicts of interest. The purpose of the Conflicts Policy is to protect the integrity of decision-making within SPL and SIML, as well as the Stride Products, the reputation of each of those entities, those who work within them, and those who own them. As part of the Conflicts Policy, SIML has adopted an Acquisition and Leasing Protocol which assists SIML management and employees in making decisions in the event of any conflict between the interests of the portfolios managed by SIML, being SPL, Investore, Diversified and Industre.

All transactions in which SIML has, or may be perceived to have, a conflict of interest (which can include personal, related party and fund conflicts) will be conducted in accordance with the Conflicts Policy and established protocols. SIML's conflicts manager, who is the Company Secretary of SIML, oversees the application of the Conflicts Policy and reports to the SIML Board to ensure that all conflicts are managed in an appropriate manner.

Protected Disclosures Policy

Stride has a Protected Disclosures Policy which provides a safe process for employees to make an allegation of serious wrongdoing within Stride. The following procedure is specified in the policy for employees to report wrongdoing:

- The wrongdoing is reported to the Disclosure Officer (the Company Secretary), or where the employee believes the Disclosure Officer is or may be involved in the wrongdoing or where it is inappropriate to make the disclosure to the Disclosure Officer due to the nature of the information, the information may be reported to the Chief Executive Officer of SIML or a Director of SPL or SIML, or to an appropriate authority such as the Police or Serious Fraud Office.
- The employee should specify that he or she believes on reasonable grounds that the information is true, that he or she wishes to disclose the information so that the wrongdoing can be investigated, and that he or she wishes the disclosure to be protected in terms of the policy.

All reports of wrongdoing will be investigated within 20 working days of the disclosure being made and the findings of the report will be communicated to the disclosing employee. The identity of the disclosing employee will be kept confidential, except with the consent of the disclosing employee or where required for the investigation.

Stride is in the process of reviewing its Protected Disclosures Policy to ensure it remains current given the introduction of the Protected Disclosures (Protection of Whistleblowers) Act 2022.

Securities Trading Policy

The Boards have adopted a Securities Trading Policy which governs trading in SPL and SIML stapled securities by Stride Directors and SIML employees. 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.

Stride Directors and employees of SIML who wish to trade in stapled securities of SPL and SIML must comply with the Securities Trading Policy, which sets limited trading windows and requires all persons to whom the policy applies to obtain approval prior to trading.

Speculative trading is not permitted, and Directors and employees are required to hold stapled securities for a minimum of six months, except in exceptional circumstances and with the prior approval of the Company Secretary.

NZX Principle 2: Board Composition and Performance

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

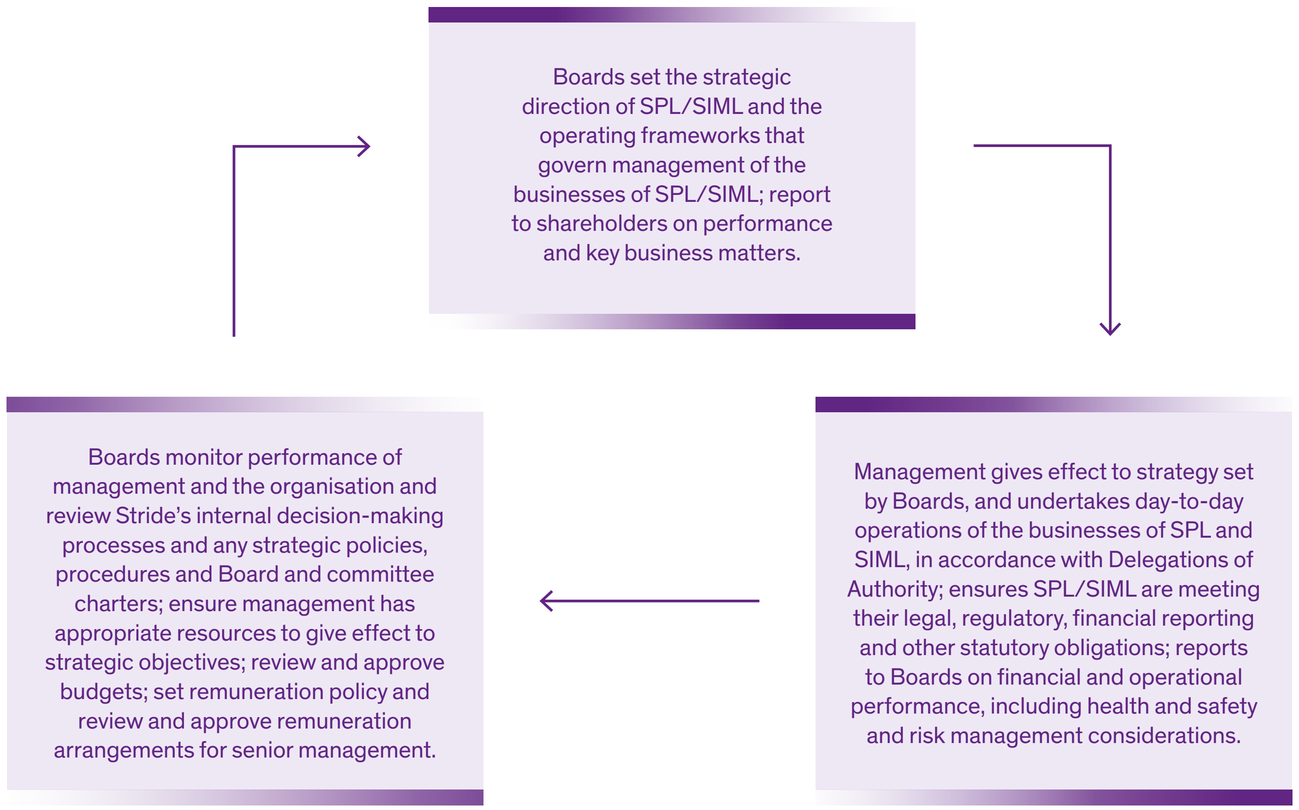
The Role of the Stride Boards

The SPL Board and the SIML Board are each responsible for overseeing the effective management and operation of SPL and SIML respectively. The Boards' role is to represent the interests of Stride's shareholders and ensure that the operations of Stride are managed so as to achieve Stride's strategic and business objectives, within a framework of regulatory and ethical compliance.

The Stride Boards have adopted a charter which sets out the Boards' roles and responsibilities. This charter is available on Stride's website. The Boards' charter notes that the Board of SPL has appointed SIML as its manager, and the Board of SIML has delegated authority to the Chief Executive Officer of SIML for the operations and administration of Stride, in accordance with the Delegations of Authority. Directors review the Boards' charter annually, to ensure it remains consistent with the Boards' objectives and responsibilities.

A summary of the principal responsibilities of the Boards and management and how they interact is set out in Diagram 2.

Diagram 2 – Boards and Management Roles and Responsibilities



Composition of the Boards and Director Appointment

The Constitution of each of SPL and SIML and the Boards' charter set out the parameters for the composition of each Board, which at all times will be identical due to the 'Stapled Entity' structure. The Boards must comprise a minimum of three Directors and a maximum of eight Directors, at least two of whom must be Independent Directors (as defined in the Listing Rules) and ordinarily resident in New Zealand.

The Boards' charter also requires that the Boards should comprise:

Directors with an appropriate range of skills and experience

Directors who have a proper understanding of, and skill set to deal with, current and emerging issues of the business

Directors who can effectively review and challenge the performance of SIML management and exercise independent judgement

All of the SPL and SIML Directors are considered to be 'Independent Directors' under the Listing Rules, which in summary means that they are free of any business or other relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the Director's capacity to bring an independent view to decisions in relation to Stride, act in the best interests of Stride, and represent the interests of Stride's shareholders generally.

The Boards have reviewed the status of each of the Directors and, taking into account the waiver granted by NZX Regulation in relation to the independence of Directors that is summarised on page 159, confirm that, as at the date of the release of this Annual Report and after considering the relevant factors set out in the NZX Code, all Directors are 'Independent Directors'.

An overview of each of the Directors of SPL and SIML, their status and date of appointment is set out on pages 10 and 11, with their attendance at meetings set out on page 139. In determining that all SPL and SIML Directors are 'Independent Directors', careful consideration has been given to the factors set out in the NZX Code:

- None of the Directors have been employed in an executive role by Stride
- None of the Directors currently or within the last 12 months have held a senior role in a provider of material professional services to Stride or any of its subsidiaries
- None of the Directors currently or within the last three years have had a material business relationship or material contractual relationship (other than as a director) with Stride
- None of the Directors are substantial product holders of Stride or have any association with a substantial product holder of Stride
- None of the Directors have close family ties with any of the persons listed above
- None of the Directors have been directors of Stride for a length of time that may compromise independence

Director Tim Storey has been a director of SPL since 2009. The Boards have considered this length of tenure and do not consider that it prejudices the independence of Director Tim Storey given his governance experience and approach to Board duties. It is also noted that Tim Storey has indicated that he is due for re-election at the 2022 Annual Meetings of Shareholders and, if re-elected, he intends to retire during the forthcoming term of appointment.

Director John Harvey has also been a director of SPL since 2009. Director John Harvey has retired from the Stride Board with effect from 31 May 2022, as signalled at the time of his re-election in 2021.

Director Ross Buckley was appointed by the SIML Board as a Director on 9 August 2021, and stood for election at the Annual Shareholder Meeting of SIML in September 2021. Director Ross Buckley was a partner at KPMG for 26 years, and was most recently Executive Chair of KPMG for nearly 10 years. Ross retired from the KPMG partnership in October 2020 to pursue a governance career. KPMG provides tax advice and other consultancy services to Stride from time to time.

Independence of Boards' Chair

The Chair of the Boards is Tim Storey, an independent Director. The Chief Executive Officer of SIML is Philip Littlewood, and accordingly there is separation between the Chair and the Chief Executive Officer.

Company Secretary

The Stride Company Secretary, Louise Hill, is an employee of SIML and a member of the Executive Team reporting directly to the Chief Executive Officer. As a member of the Executive Team, the Company Secretary participates in the SIML long term incentive scheme for senior employees. The Company Secretary has a legal background and understands the need to apply impartiality in the role, including the need to ensure appropriate Board oversight of the business of SPL and SIML. The Company Secretary has direct access to the Boards' Chair and the Chair of the Audit and Risk Committee where needed.

Appointment of Directors

Potential candidates for appointment as a Director are nominated by the SIML Board or the Stride Remuneration and Nomination Committee or a SIML shareholder, and are voted on by the shareholders of SIML. Under SPL's Constitution, persons who are appointed as Directors of SIML are automatically appointed as Directors of SPL.

The Boards may appoint Directors to fill a casual vacancy, but where a Director is appointed to fill a casual vacancy, the Director is required to retire and stand for election at the first Annual Shareholder Meeting after his or her appointment. Director Ross Buckley was appointed by the SIML Board as a Director on 9 August 2021, and stood for election at the SIML Annual Shareholder Meeting in September 2021.

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 factors include background, professional expertise, and qualifications, measured against the Boards' assessment of its overall skills and needs at the time and having regard to the strategy of Stride and Director succession planning.

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

All new 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 charters, and relevant information necessary to prepare new Directors for their role. New Directors also meet each of the key members of management of SIML as part of an induction programme, designed to provide new Directors with an overview of Stride, its strategy and operations, and the markets in which it operates.

As noted above, Director Ross Buckley was appointed by the SIML Board as a Director on 9 August 2021, and stood for election at the SIML Annual Shareholder Meeting in September 2021. Director Ross Buckley was appointed in anticipation of the retirement of Director John Harvey. Director John Harvey has chaired the Stride Audit and Risk Committee for many years, and the Boards assessed that Ross Buckley's experience in audit and management would make him a suitable candidate to chair the Audit and Risk Committee following Director John Harvey's retirement. Director Ross Buckley has been appointed Chair of the Audit and Risk Committee following the announcement of Director John Harvey's retirement, effective 31 May 2022.

Directors' Skills and Experience

The Boards include Directors who collectively have a mix of skills, knowledge, experience, and diversity that enhance the Boards' operations and assist the Boards to meet their responsibilities. A balance is maintained between long serving Directors with experience and knowledge of the property sector and Stride's history, and new Directors who bring fresh perspective and insight.

Set out in Diagram 3 is a summary of the skills and experience among Directors of the Boards as at 1 May 2022, and including Director John Harvey who has subsequently retired from the Boards with effect from 31 May 2022. Individual Director profiles are set out on the Stride website and on pages 10 and 11 of this Annual Report.

Diagram 3 – Boards' Skills Matrix

* Tenure is determined by taking the earliest date of appointment across SPL and SIML.

Professional Development, Training and Independent Advice

The Boards understand the importance of ensuring they remain current in the knowledge and skills required to be a Director of SPL and SIML, particularly focussed on knowledge specific to the property industry, funds management business, macroeconomic factors and regulatory and governance practices, all of which may impact Stride's business and operations.

Director development and education is primarily focussed on briefings from senior SIML managers and industry experts. Directors also have access to external education and professional development training at Stride's expense.

Directors are entitled to access such information and to seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision-making.

Boards' Review

The Boards undertake an annual evaluation of their performance. In FY22 the Boards undertook a formal review and evaluation process, facilitated by an external governance expert. The review focussed on the effectiveness of the entire Boards, including the leadership of the Chair and the contribution of individual Directors, the role of senior management, the dynamics among the Boards and executives, and Director skills and succession planning. The review also revisited the recommendations provided during the FY21 Boards review to determine how well these have been implemented and whether improvements are required.

The review comprised interviews and surveys, eliciting the perspectives of Directors and senior executives. The recommendations have been reviewed by the Boards as a whole and are being implemented. The recommendations will assist the Boards in their ongoing development and in the effective functioning of the Boards.

Diversity

The Stride Boards recognise that different perspectives, which often arise due to diverse experiences and backgrounds, contribute to a more successful business. Stride is committed to promoting diversity on the SPL and SIML Boards and SIML, which is the employing entity of Stride, is committed to promoting diversity within the workplace by attracting, recruiting, developing, promoting and retaining the best employees from a diverse pool of individuals.

Stride has adopted a Diversity Policy which sets out its commitment to diversity within the organisation. Stride considers that diversity and inclusion embodies a wide range of individual attributes, including gender and ethnicity, age, national origin, sexual orientation, disability and religious belief. Stride's Diversity Policy embraces four key principles:

Merit - Individuals are evaluated based on their individual skills, performance and capabilities

Fairness & Equality - Stride does not tolerate any discrimination or harassment in the workplace of any kind, including, but not limited to, in recruitment, promotion and remuneration

Promotion of Diverse Ideas - Stride values diversity in skills, backgrounds, and ideas which come from a diverse workforce

Culture - Stride believes that diversity is a strong contributor to a rich workplace culture, where individuals are free to be themselves and thrive within Stride

Stride has conducted its annual assessment of its diversity objectives for FY22 and its progress towards achieving these objectives. Stride believes that a focus on diversity and inclusion is an ongoing endeavour and will be a constant consideration and focus for the Stride Boards.

Table 1 – Diversity Objectives and FY22 Performance

Policy	Objective	FY22 Performance
Stride is committed to promoting diversity on its Boards by attracting, developing and retaining the highest calibre of Directors from a diverse pool of individuals	Improve representation of women on the Boards	**Gender split** Male 71% / Female 29% **(FY21: 67% Male / 33% Female)** Note that following Director John Harvey's retirement, effective 31 May 2022, the Boards will comprise 67% Male and 33% Female During FY22 Director Ross Buckley was appointed to the Boards following a thorough review of Board requirements and a comprehensive search. This appointment was made in anticipation of Director John Harvey's retirement in 2022. In conducting a search for a new Director, Stride considers diversity as one of the key factors for consideration. Stride utilises a variety of channels to identify appropriate candidates, including external recruiting agencies and referrals. Although there was one female in the shortlist, the Directors of Stride considered that Ross Buckley was the best candidate to fulfil its requirements, including appropriate skills and experience, and accordingly he was appointed on 9 August 2021.
Stride is committed to promoting diversity within the workplace by attracting, recruiting, developing, promoting and retaining the highest calibre of employees from a diverse pool of individuals	Improve representation of women in the Executive and Leadership Team (being those managers that report directly to the Executive Team)	**Executive Team:** Male 67% / Female 33% **(FY21: 71% Male / 29% Female).** The Executive gender split has improved with the appointment of Jessica Rod to the newly created position of General Manager Office. **Leadership Team:** Male 57% / Female 43% **(FY21: 56% Male / 44% Female)** The Leadership gender split remains largely unchanged, although there have been a number of role changes in this team during FY22. **Staff:** Male 36% / Female 64% **(FY21: 43% Male / 57% Female)**
Stride believes that diversity is an essential component of a successful business and acknowledges and values the role that diversity plays in strengthening Stride and its performance	Establish a diversity and inclusion programme to improve understanding of diversity in the workplace	During FY22 Stride received a report from Diversity Works following completion of the diversity and inclusion assessment. Following this report, SIML has undertaken Unconscious Bias training for all employees and is in the process of establishing an Employee Diversity and Inclusion Committee to provide input into initiatives that the business will implement in order to foster and encourage diversity and inclusion.

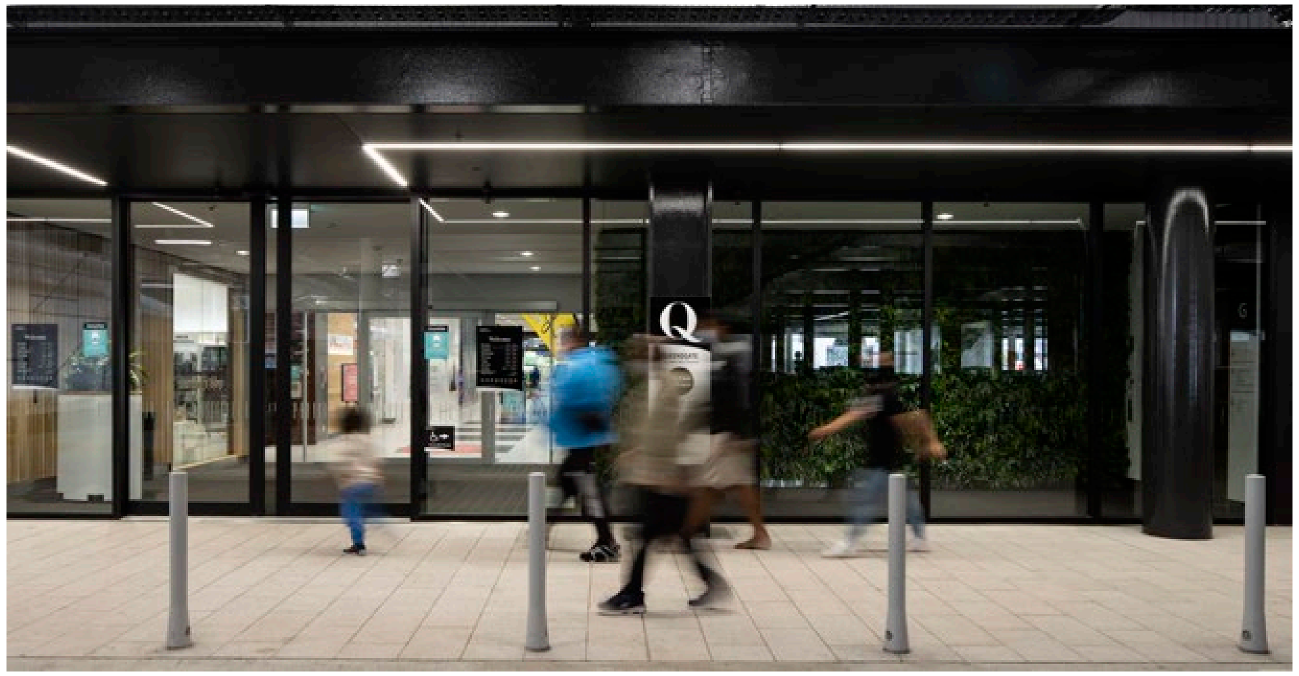
SIML is committed to a fair and balanced approach when deciding reward and remuneration outcomes for employees. Methodologies adopted to enable a robustly tested and balanced outcome include:

- External benchmarking of salaries
- Completion of an equal pay assessment of selected comparative roles and levels
- SIML's performance management framework includes an objective review of KPIs and performance measures for individuals and teams, resulting in an overall performance rating for each employee

Gender Composition of the Boards and Officers of SPL and SIML

	As at 31 March 2022		As at 31 March 2021	
	Directors [1]	Officers [2]	Directors	Officers [2]
Male	5 (71%)	6 (67%)	4 (67%)	5 (71%)
Female	2 (29%)	3 (33%)	2 (33%)	2 (29%)

1. Note that subsequent to 31 March 2022, Director John Harvey has retired from the Board, effective 31 May 2022. As a result of this, the gender composition of the Boards will be four male (67%) and two female (33%).
2. Officer is defined in Listing Rule 3.8.1(c) to mean a person, however designated, who is concerned or takes part in the management of the issuer's business and reports directly to the Boards or a person who reports to the Boards. Stride considers the Executive Team of SIML, which consists of the Chief Executive Officer (who reports directly to the SIML Board) plus his direct reports, to comprise the Officers of SIML.



NZX 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 Stride's governance framework, allowing a subset of the Boards to focus on a particular area of importance for the Stride Boards, while still ensuring the Boards as a whole remain responsible for decision-making.

The Stride Boards have established three permanent Committees:

Board of Directors

Audit and Risk Committee	Sustainability Committee	Remuneration and Nomination Committee
Chair: John Harvey[*] Members: Tim Storey, Ross Buckley, Michelle Tierney, Philip Ling, Jacqueline Cheyne, Nick Jacobson	Chair: Jacqueline Cheyne Members: Tim Storey, Philip Ling	Chair: Tim Storey Members: John Harvey, Michelle Tierney, Philip Ling, Jacqueline Cheyne, Nick Jacobson, Ross Buckley
The role of the Audit and Risk Committee is to assist in the exercise of the Boards' financial oversight and risk functions.	This Committee assists with progressing the sustainability objectives of the Boards across SPL and SIML, including climate risk reporting.	The Committee assists with overseeing Executive and Board remuneration, as well as Board composition and succession.

*Note: Director Ross Buckley has been appointed as the Chair of the Audit and Risk Committee following Director John Harvey's retirement, effective 31 May 2022.

In addition, the Boards will form temporary committees as appropriate and required for the work of the Boards at the time. During FY22 a Due Diligence Committee was established to oversee planning and preparation for the equity capital raise undertaken during November and December 2021.

Audit and Risk Committee

Stride's Audit and Risk Committee operates under a written charter, which is reviewed regularly to ensure that it remains appropriate and current.

The charter requires that the Audit and Risk Committee is comprised solely of non-executive Directors, and has at least three members, with the majority of members being Independent Directors. The Chair of the Audit and Risk Committee is to be an Independent Director and may not be the Chair of the Boards. All Committee members must be financially literate and at least one member must have accounting or related financial management expertise. All Directors are members of the Audit and Risk Committee, with Director John Harvey the Chair of the Committee. Director Ross Buckley will become the Chair of the Committee following Director John Harvey's retirement, effective 31 May 2022.

The Boards consider that the Audit and Risk Committee has the appropriate level of financial acumen and risk management experience necessary for the Committee to fulfil its responsibilities. Director John Harvey was formerly a partner at PwC, the audit firm for Stride. However, as John Harvey retired from the PwC partnership in 2009, the Boards have determined that his prior relationship with PwC does not prejudice the independence of the auditor. Director John Harvey has retired from the Boards with effect from 31 May 2022, and Director Ross Buckley will become the new Chair of the Audit and Risk Committee following John's retirement. Director Ross Buckley has considerable audit experience and financial acumen suitable for this role, and has no prior relationship with the Stride audit firm, PwC.

Meetings of the Audit and Risk Committee are held at least twice a year, and are generally held four times per year, having regard to Stride's reporting and audit cycle. Additional meetings are held at the discretion of the Chair, or if requested by any Audit and Risk Committee member, the Chief Executive Officer of SIML or the external auditor.

The NZX Code recommends that employees 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 the Boards in fulfilling their responsibility to investors in relation to the reporting practices of Stride, and the quality, integrity and transparency of the financial reports of Stride. The role and responsibilities of the Audit and Risk Committee are summarised in Diagram 4.

Diagram 4 – Role and Responsibilities of Audit and Risk Committee

Financial Reporting

- Review the financial statements of Stride with management and the external auditor and obtain the external auditor's views on disclosures and content of the financial statements to be presented to investors
- Review with management and the external auditor the results of analysis of significant financial reporting issues and practices, including changes of accounting principles
- Review judgements about the quality of accounting principles and clarity of financial disclosure used in Stride's financial reporting
- Review and recommend financial reports to the Boards

Audit Functions

- Meet with the external auditor and SIML management to review the proposed scope of the audit and half year review and the procedures to be utilised
- Review the internal audit functions undertaken by SIML and receive a summary of findings from completed internal audits
- Report the results of the annual audit to the Boards, including whether the financial statements comply with legal and regulatory requirements
- Review the nature and scope of other professional services provided by the external auditor to consider the risk of these services to the auditor's independence
- Assess and confirm to the Boards the independence of the external auditor
- Recommend the appointment or discharge of the external auditor and establish the external auditor's fees, subject to shareholder approval

Risk Management

- Ensure that management has established a risk management framework to effectively identify, monitor, manage and report key business risks
- Review the procedures for identifying key business risks and controlling their financial impact
- Review management's reports on the effectiveness of systems for internal control, financial reporting and risk management
- Review key business risks and controls
- Review insurance policy terms and cover adequacy and recommend the adoption of cover to the Boards

Sustainability Committee

The role of the Sustainability Committee is to identify and consider all relevant environmental, social and governance (ESG) matters as they relate to the business of Stride, and assist the Boards to integrate environmental and social principles into the governance of the business. The full Boards have retained responsibility for health and safety matters.

The Sustainability Committee comprises three Board members, being Jacqueline Cheyne (Chair of the Committee), Tim Storey and Philip Ling. Jacqueline Cheyne is well placed to lead this committee, given her role as Chair of the External Reporting Board Steering Committee, responsible for the development of climate reporting standards, her role as a director of New Zealand Green Investment Finance Limited, and her experience with sustainability matters during her time as a partner of Deloitte, where she led the Corporate Responsibility and Sustainability Services function for Deloitte New Zealand for nine years.

The Sustainability Committee meets at least twice a year, and meetings are generally held four times per year. Additional meetings are held at the discretion of the Chair, or if requested by any Committee member or the Chief Executive Officer of SIML. The primary roles of the Sustainability Committee are set out in Diagram 5.

Diagram 5 – Role and Responsibilities of Sustainability Committee

Remuneration and Nomination Committee

During FY21 Stride adopted a Remuneration and Nomination Committee Charter, which establishes a Remuneration and Nomination Committee. During FY22, all Directors were members of the Committee which undertook certain remuneration and nomination responsibilities across the Stride Boards and the SIML business. The Committee operated on an informal basis, and accordingly formal meetings were not constituted during FY22. The Committee was responsible, during FY22, for the appointment of Ross Buckley as a non-executive director, and for reviewing and approving the remuneration of the CEO and the Executive Team.

Role and Responsibilities of Remuneration and Nomination Committee

Remuneration

- Set and review the remuneration policies and practices of SIML and the Boards
- Set and review all components of the remuneration of the CEO and such other senior executives as the SIML Board may determine, including base salary, short and long term incentive plans, company share schemes and all other entitlements
- Set and review the short and long term incentive plans for employees, including share schemes
- Make recommendations to the Boards on setting and reviewing all components of the remuneration of non-executive directors

Nomination

- Evaluate the balance of skills, knowledge and experience of the Boards and determine the skill set and capabilities required for a new Board appointment
- Identify and nominate potential candidates to fill Board vacancies
- Formulate succession plans for non-executive directors
- Regularly review the structure, size and composition of the Boards and make recommendations to the Boards regarding any changes

Temporary Due Diligence Committee

During FY22, a Due Diligence Committee was established to oversee planning and preparation for the equity capital raising undertaken during November and December 2021. The purpose of the Due Diligence Committee was to oversee and coordinate the due diligence process and ensure that Stride met its legal obligations in relation to the equity capital raise. The members of the Due Diligence Committee comprised Directors Tim Storey, John Harvey and Ross Buckley, together with representatives of SIML management and advisers.

The Due Diligence Committee was responsible for ensuring that all material information known to Stride 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 Due Diligence 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.

During FY22, Fabric, a wholly-owned subsidiary of SPL, also established a Due Diligence Committee to oversee the planning and preparation for the potential initial public offering of shares in Fabric in FY22. Directors Tim Storey and Jacqueline Cheyne were members of the Due Diligence Committee, in their capacity as directors of Fabric, together with representatives of SIML Management and advisers.

Boards and Committee Meetings and Attendance

The Boards' charter sets out the meeting requirements and process for each of SPL and SIML. Due to the nature of the business of each Board, different meeting frequencies are scheduled. The Board of SIML meets a minimum of 8 times per year and the Board of SPL a minimum of 5 times per year, with additional meetings and conference calls scheduled as deemed necessary throughout the year for Directors to undertake their duties.

Directors 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 SPL and SIML. These attendances are not included in the disclosure in Table 2, but comprise an important element of Stride Director responsibilities.

At each Board meeting, the Boards receive written reports and presentations from SIML's Chief Executive Officer and senior management covering a review of operations and financial results for the period in review, an overview of matters for Board approval, an outline of key health, safety and sustainability matters and, as appropriate, risk and governance reports. The Boards regularly consider performance against strategy, set strategic plans and approve initiatives to meet each of SPL's and SIML's strategic objectives.

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

Takeover Protocols

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

Table 2 – Directors' Meeting Attendance

	SPL Board	SIML Board	Audit and Risk Committee	Sustainability Committee	Due Diligence Committee (Capital Raise)
Number of Meetings FY22	**9**	**12**	**5**	**4**	**7**
Tim Storey	9	12	5	4	7
John Harvey	9	12	5		6
Michelle Tierney	9	12	5		
Philip Ling	9	12	5	4	
Jacqueline Cheyne	9	12	5	4	
Nick Jacobson	9	12	5		2†
Ross Buckley*	6	8	3		6

* Director Ross Buckley was appointed on 9 August 2021.
† Director Nick Jacobson was not a member of the Due Diligence Committee and attended these meetings under an invitation to all Directors to attend if desired.

In addition to the above meetings, SPL's subsidiary, Fabric Property Limited, convened a Due Diligence Committee which held a number of meetings in relation to the offer of securities in Fabric. Tim Storey and Jacqueline Cheyne, directors of Fabric, participated in the Fabric Due Diligence Committee.

NZX 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

Stride's Market Disclosure Policy ensures Stride meets its obligations to keep the market informed of all material information. Both SPL and SIML are committed to:

Ensuring that shareholders and the market are provided with full and timely information about their activities

Complying with the general and continuous disclosure principles contained in statute and in the Listing Rules

Ensuring that all market participants have equal opportunities to receive externally available information issued by Stride

The Market Disclosure Policy obliges all Directors of SPL and SIML and executive officers of SIML 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 the Stride Chair and SIML's Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services, is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

Availability of Key Governance Documents

The Boards' charter and the charters of the standing Board Committees, as well as annual and interim reports, announcements, key corporate governance policies and other investor-related material are available on the Stride website at **www.strideproperty.co.nz.** SIML does not presently include its remuneration policy on the Stride website, as its policy contains commercially sensitive information pertaining to how employees are remunerated.

Clear and Balanced Reporting

Stride is committed to maintaining appropriate financial and non-financial reporting, and adopts processes and procedures to ensure that reporting is clear and balanced.

	Non-Financial Reporting	
Financial Reporting	**Develop shared prosperity**	**Protect the planet**
Stride's Audit and Risk Committee is responsible for overseeing Stride'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.	The Audit and Risk Committee has established processes to identify and consider the material business risks faced by Stride. During FY22 the Committee conducted a review of its risk appetite against key risks identified by management and the Committee. Risk reporting was also refreshed, with risk trends being reported against these key risks, to identify where the risk level may be diverging from the Committee's specified risk appetite. The Board also regularly receives risk management reports and reviews key risks to the business of Stride and the controls implemented to manage exposure to those risks. All identified risks have specific mitigation strategies where appropriate, and the effectiveness of these strategies are regularly reviewed. A high level summary of key risks to Stride's business as monitored by the Board is set out in the commentary on Principle 6.	Stride is committed to ensuring that Environmental Sustainability, Social Responsibility and Corporate Governance (ESG) are key considerations in the operation and governance of its business. The Sustainability Committee is responsible for overseeing Stride's sustainability strategic plan and implementation of its sustainability objectives, including the completion of a climate risk assessment, the outcome of which has been reported as part of this Annual Report. More information on the role and responsibilities of the Sustainability Committee is set out in the commentary on Principle 3.

NZX Principle 5: Remuneration

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

Directors' Remuneration

Directors are remunerated in the form of Directors' fees, approved by shareholders, including a higher level of fees for the Chair of the Boards, Chair of the Audit and Risk Committee and Chair of the Sustainability Committee, to reflect the additional time and responsibilities that these positions involve.

Directors are paid through a contribution from both SIML and SPL. However, under waivers granted by NZX, there is no requirement that Directors' remuneration be authorised by separate resolutions of SPL and SIML.

Directors' remuneration was reviewed in 2021, in accordance with the two yearly review cycle that Stride previously signalled to the market. The Boards engaged Ernst & Young to provide an independent report on Directors' remuneration for Stride, utilising Ernst & Young's database of directors' remuneration in New Zealand.

Ernst & Young provided independent advice on current Directors' remuneration, comparing Stride to companies which have a similar scale of operations and level of complexity to Stride. A summary of the Ernst & Young advice was made available for shareholders on the Stride website. In proposing an increase in remuneration, the Boards took into account the Ernst & Young independent benchmark report, as well as Director workloads and responsibilities, and Stride's performance.

The Boards are conscious of their obligation to ensure Directors' fees are set and managed in a manner which is fair, flexible and transparent. At the same time, the Boards seek to ensure that Directors' fees are set at an appropriate level to assist Stride to secure and maintain the skills and experience at Board level necessary to govern the business and enhance the long term value of Stride for shareholders.

Shareholders approved an increase in Directors' remuneration at the 2021 SIML Annual Shareholder Meeting as follows:

	Current Aggregate* Director Fees per annum from 1 October 2021	Previous Aggregate* Director Fees per annum	Increase
Chair	$172,500	$167,500	+$5,000 (+3.0%)
Non-executive Directors	$97,500	$96,000	+$1,500 (+1.6%)
Chair of the Audit and Risk Committee	$13,500	$13,000	+$500 (+3.8%)
Chair of the Sustainability Committee	$7,500	N/A	N/A

* Aggregate fees are the combined annual Director fees for SPL and SIML.

The Boards have an allowance for additional work and attendance, which remains at the level that applied in 2019 and 2020 of $144,500. The Boards may determine the allocation of all or part of this allowance for additional work and attendances to remunerate Directors for significant extra attendances and work. For the year in review this allowance was not utilised.

Directors contributed additional time and attendance during FY22 in attending meetings of the Due Diligence Committee and the Boards related to the equity capital raising conducted in November and December 2021. However, Directors did not receive additional remuneration for these attendances.

No Director of SPL or SIML is entitled to any remuneration from Stride other than by way of Directors' fees and the reasonable reimbursement of travelling, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director.

Directors do not participate in any Stride share or option plan. Directors have no retirement benefit and do not receive any share options or rights or other form of remuneration, except as set out in Table 3 and below.

During FY22 Blair O'Keeffe, Deborah Marris and Kathryn Hughes, who were appointed as directors of Fabric Property Limited on 8 September 2021 and resigned following the decision to withdraw the demerger and initial public offering of Fabric on 21 September 2021, provided advisory services to Fabric and received payments for these services as follows:

- Blair O'Keeffe received $35,500
- Deborah Marris and Kathryn Hughes each received $20,400

No other director of a subsidiary company of Stride (a list of subsidiary companies and directors is set out in the Statutory Disclosures on page 155) received any remuneration or other benefits during the period in relation to their duties as directors of a subsidiary company.

All Directors of SPL and SIML and their subsidiary companies are entitled to the benefit of an indemnity from each of SPL and SIML and the benefit of insurance cover in respect of all liabilities (to the extent permitted by law) which arise out of the performance of their normal duties as Directors, subject to certain exceptions such as deliberate breach of duty.

Table 3 – Director Remuneration FY22

Director	Remuneration
Tim Storey (Chair)	$170,000
John Harvey (Chair of Audit and Risk Committee)	$110,000
Jacqueline Cheyne	$100,500
Michelle Tierney	$96,750
Philip Ling	$96,750
Nick Jacobson	$96,750
Ross Buckley (appointed 9 August 2021)	$62,685
Total	**$733,435**

* Total Directors' fees exclude GST and reimbursed costs directly associated with carrying out Director duties. Total Directors' fees include fees paid by SPL and SIML.

Senior Management Remuneration

SIML is committed to a fair and reasonable remuneration framework for its Executive Team. In determining an executive's total remuneration, external benchmarking is undertaken by independent remuneration advisors every two years to ensure comparability and competitiveness, along with consideration of the individual's performance, skills, expertise and experience. Total executive remuneration can be made up of three components: fixed remuneration, a short term incentive scheme and an executive long term share incentive scheme.

It is SIML's policy to pay fixed remuneration at the market median, and for short and long term incentives to be set at or above the upper quartile, such that total potential remuneration is at the upper quartile. This enables SIML to attract and retain talented people, while also rewarding high performance when appropriate.

Fixed remuneration	Fixed remuneration consists of base salary, KiwiSaver and other benefits
Short term incentive scheme	SIML operates a short term incentive scheme under which selected permanent, full time employees may be eligible to receive an incentive on an annual basis in addition to their base salary. Entitlement to the incentive is subject to pre-agreed hurdles being met, which are aligned to Stride's performance targets for the year.
Executive long term share incentive scheme	SIML operates a long term share incentive scheme for the Executive Team, intended to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the long term. Share performance rights under the SIML long term share incentive scheme may be issued on an annual basis at the discretion of the Board. The scheme provides for selected employees to be granted rights to be issued shares for nil consideration if certain performance hurdles are met. The key features of the plan for rights awarded in FY22 are as follows: • The rights are granted for nil consideration and have a nil exercise price • Rights do not carry any dividend or voting rights prior to vesting • Each right that vests entitles the employee to receive one fully paid ordinary share in each of SPL and SIML. The shares issued on vesting carry full voting and dividend rights • The individual must remain an employee of SIML at the relevant vesting date for any rights to vest Further details of the SIML long term share incentive scheme can be found in note 8.3 to the consolidated financial statements. Performance is determined over a three year vesting period, and the vesting of rights depends on certain hurdles being met. For the rights granted during FY22, those hurdles comprised: • Relative Total Shareholder Return (TSR) – 50% of rights are subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index. No rights for this component vest if Stride's TSR is negative at the end of the performance period. For vesting of rights to occur, Stride's TSR over the three year performance period would need to outperform the TSR of the bottom two constituents of the comparator group, at which point 20% of the rights to which the condition relates (i.e. 20% of 50% of the total rights) would vest. For 100% of the rights to which this condition relates to vest, Stride would need to have a TSR over the three year performance period equal to or greater than the TSR of the second best performer in the comparator group over the period. • Achievement of Strategic Initiatives Condition – 50% of rights are subject to Stride achieving certain strategic initiatives during FY22. 50% of the rights to which this condition relates will vest if Stride achieves certain specified performance targets as set by the Board, with 100% vesting for outperformance. The strategic initiatives include growth targets (acquisitions and developments), strategically identified disposals, and capital management initiatives. If an employee is made redundant due to a change of control event occurring in relation to SIML or the employee's role is restructured following such an event, all unvested rights at the relevant date will vest.

Table 4 – Long Term Share Performance Rights

	Year ended 31 March 2022	Year ended 31 March 2021
Opening balance	950,666	890,729
Rights granted	663,993	597,901
Rights exercised	0	(264,455)
Rights forfeited	0	97,206
Rights lapsed	(405,750)	(176,303)
Closing balance	**1,208,909**	**950,666**

KiwiSaver

All employees are eligible to contribute to KiwiSaver and receive SIML contributions. The SIML Board reviewed employee benefits during FY21 and from 1 April 2021 increased the employer KiwiSaver contributions, so that SIML will contribute 5% of gross taxable earnings (including short term incentives) providing employees are contributing to KiwiSaver at a rate of 4% or higher (which will increase to 5% should this be an option for employee contributions in the future). This increased benefit was implemented in order to attract and retain the highest calibre of employees. 84% of eligible employees have taken up this benefit since it has been introduced.

Chief Executive Officer Remuneration

The Chief Executive Officer remuneration detail provided in Table 5 relates to salary and other benefits paid, incentive payments accrued, KiwiSaver, and the value of share rights issued to Philip Littlewood for the year ended 31 March 2022.

Table 5 – Chief Executive Officer Remuneration

Philip Littlewood	**Year ended 31 March 2022**	**Year ended 31 March 2021**
Salary	$615,000	$615,000
KiwiSaver	$30,750	$24,000
Other	$10,674	$9,845
Subtotal	**$656,424**	**$648,845**
Pay for performance – Short term		
Short Term Incentive	$295,200	$215,250
Short Term Incentive - share performance rights	$396,800	$172,200
KiwiSaver	$14,760	$9,210
Subtotal	**$706,760**	**$396,660**
Pay for performance – Long term		
Executive Long Term Incentive* - share performance rights granted during the year	$615,000	$106,922
Special Share Award	-	$221,070
Subtotal	**$615,000**	**$327,992**
Total remuneration	**$1,978,184**	**$1,373,497**

*Executive Long Term Incentive relates to the value of rights granted to the Chief Executive Officer during the relevant year, and under the FY22 Share Scheme (3 year) the rights have a vesting period up to 31 March 2024. No rights vested during FY22 under the FY20 Share Scheme, with all rights having lapsed when the conditions to vesting were not met.

In the prior year, the value that was attributed to the Executive Long Term Incentive – share performance rights was based on the value reflected in the Financial Statements whereby the share performance rights are measured at fair value at grant date, which is in reference to the fair value of the instruments granted rather than the fair value of the services from the employee. The fair value as disclosed in the Financial Statements is determined using the share price at grant date adjusted for expected dividends and probability of meeting the performance hurdles. The fair value of rights granted is independently determined using the Monte Carlo simulation model. If the value had been based on the same basis of disclosure used in the current year, the value of rights granted to the Chief Executive Officer would have been $307,500, the total pay for performance for FY21 would have been $925,230, and total remuneration would have been $1,574,075.

Table 6 - Breakdown of CEO pay for performance (FY22)

Philip Littlewood	Description	Performance measures	Percentage achieved
Short term Incentive	Set at 80-120% of at-risk pay, with payout based on a combination of financial and non-financial performance measures	• Successful implementation of certain strategic initiatives associated with growing Stride's investment management business	112.5%
Long term Incentive	Vesting of rights granted under the long term incentive scheme for FY20, should the performance hurdles be met	• Relative Total Shareholder Return (TSR) – 50% of rights vest subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index	0%
		• Absolute Total Shareholder Return (TSR) – 50% of rights vest subject to Stride's absolute TSR performance compared to certain thresholds	0%

The Chief Executive Officer is not entitled to any redundancy, retirement or termination payments, except as may be provided to other staff. As noted in relation to the terms of the executive long term share incentive scheme, if the Chief Executive Officer is made redundant or his role restructured as a result of a change of control event of SIML, all unvested rights will vest. This term applies to all rights issued in accordance with the long term share incentive scheme and accordingly is not specific to the Chief Executive Officer.

Remuneration of employees

There were 51 SIML employees who received remuneration and benefits in excess of $100,000 (not including Directors) in their capacity as employees during the year ended 31 March 2022, as set out in Table 7.

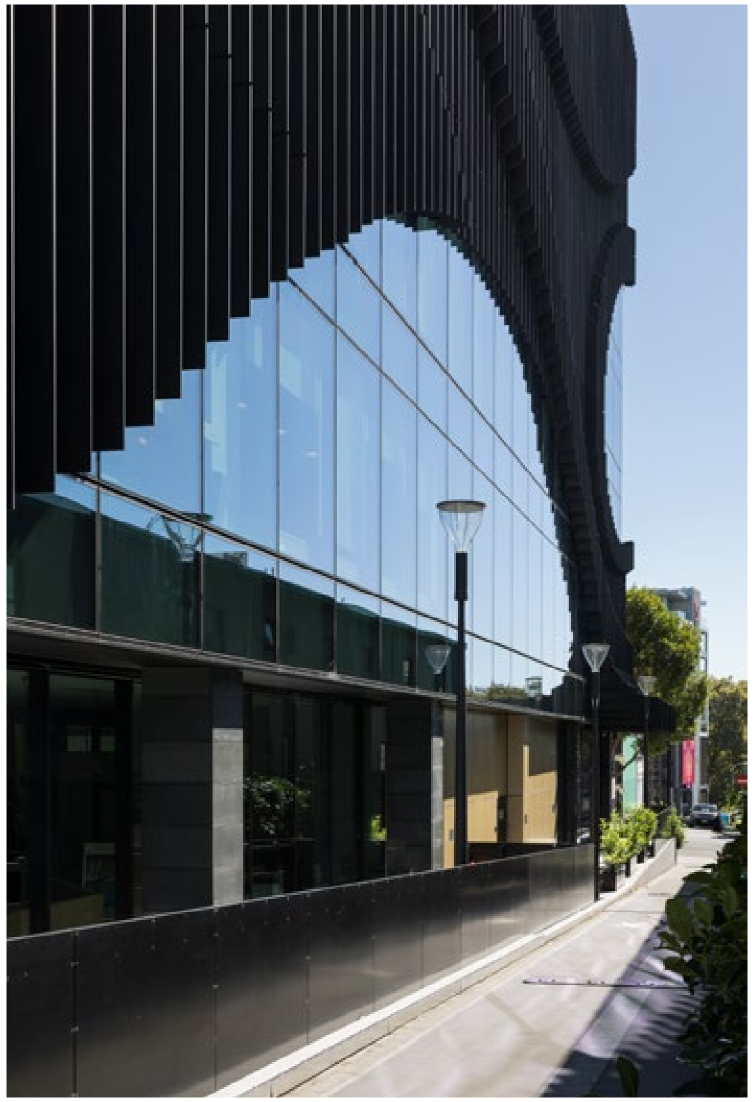
Table 7 – Remuneration Range*

	Number of employees		Number of employees
$100,000-$109,999	4	$280,000-$289,999	1
$110,000-$119,999	5	$300,000-$309,999	1
$120,000-$129,999	6	$310,000-$319,999	1
$130,000-$139,999	1	$340,000-$349,999	1
$140,000-$149,999	2	$360,000-$369,999	1
$150,000-$159,999	2	$370,000-$379,999	1
$160,000-$169,999	3	$460,000-$469,999	1
$180,000-$189,999	1	$580,000-$589,999	1
$190,000-$199,999	1	$610,000-$619,999	1
$200,000-$209,999	5	$690,000-$699,999	1
$210,000-$219,999	1	$710,000-$719,999	1
$220,000-$229,999	1	$740,000-$749,999	1
$230,000-$239,999	1	$790,000-$799,999	1
$240,000-$249,999	3	$1,970,000-$1,979,999	1
$250,000-$259,999	1		**51**

*This includes salary and benefits paid, short term incentive earned for FY22 (including the value of share rights issued), employer KiwiSaver contributions and the value of FY22 share rights issued to members of the Executive Team under the long term incentive scheme.

NZX 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 Stride Boards consider effective management of risks to the operations and business of Stride to be an essential part of their responsibilities. The Boards are responsible for overseeing and approving the Stride 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 Boards in fulfilling their risk assurance and audit responsibilities.

Stride has a risk management framework in place, supported by a set of risk-based policies appropriate for the business, including a Treasury Policy, Conflicts Policy, Investment Mandates across each Stride Product where relevant, and Delegations of Authority. The principal purpose of this framework is to integrate risk management into Stride's operations, and to formalise risk management as part of Stride's internal control and corporate governance arrangements.

As part of the risk management framework, SIML management maintains a comprehensive risk register for the Stride business and for each of the Stride Products, recording the key risks to the relevant business and operations, and assigning each risk a risk rating based on the likelihood and impact of the risk, as well as mitigation strategies and the risk rating after implementation of the mitigation strategies. The Stride Boards receive a report on the material risks facing the business every six months, as well as mitigation strategies that are in place to manage those risks. This report also includes notification of any changes to the risk level or any new material risks that the business is facing.

As noted in relation to the commentary on Principle 3, during FY22 the Audit and Risk Committee conducted a review of its risk appetite against key risks identified by management and the Committee. Risk reporting was also refreshed, with risk trends being reported against these key risks, to identify where the risk level may be diverging from the Committee's specified risk appetite. Key risks to Stride's business and how the business responds to those risks are set out in Table 8.

The Boards are conscious of the risks posed by climate change, and during FY22 Stride has completed a preliminary climate risk assessment for Stride and the Stride Products to develop an understanding of the risks posed to Stride's business through climate change and the response to climate change. The key climate risks and opportunities faced by Stride are set out in the Climate-Related Disclosures section of this report, commencing on page 42.

Set out in Table 8 is a high level summary of key risks to Stride's business that are reported to, and monitored by, the Audit and Risk Committee and the Stride Boards as part of Stride's risk management framework. This table does not set out all of the risks related to Stride. Some risks may be unknown and other risks, currently believed to be immaterial, could turn out to be material.

Table 8 – Key Risks to Stride's Business

Key Risk	Control
Risks caused by the impact of COVID-19 on Stride's business, including Government mandated rent abatement for commercial tenants	Stride continues to monitor and manage the impacts of COVID-19, including on its tenants, and proactively negotiates abatement arrangements with tenants, seeking to reduce the overall costs to Stride and the Stride Products.
Online shopping impacts retailers, reducing demand for space and impacting ability of retailers to pay rent	Stride proactively monitors market and competitor activity and implements long term plans for shopping centres to maximise retail performance opportunities of existing sites. Stride also takes a prudent approach to investments, investing in town centres that are located in areas of high population or strong population growth, thus ensuring ongoing demand. Stride also proactively monitors debtors and actively takes appropriate steps to recover arrears.
Financing availability	Stride has a policy of renewing its financing facilities at least 12 months before they are due to mature. The financing facilities were recently renewed in December 2021, as reported on page 38 of this report.
Interest rate risk	Stride is conscious of the impact of rising interest rates in the current environment and, as reported on pages 38 and 39 of this report, has taken a proactive approach to interest rate hedging, to manage the impact of this risk.
Inability to execute transactions, impacting growth aspirations, SIML reputation and transaction fees	SIML has executive roles focussed on strategic transactions, and maintains contact with real estate agents and property industry experts in order to maintain market knowledge. At the same time, SIML takes a measured approach to acquisitions, and will only complete transactions that it considers are accretive.
Demand for office space reduces due to more people working from home	Stride has focussed on improving the quality of its office portfolio to meet what it considers are key demands from tenants for office space, in order to position its portfolio to attract the greatest demand.
Seismic resilience of the portfolio may require additional capital expenditure to meet tenant expectations and regulatory requirements	Stride monitors regulation and engineering practice in relation to seismic assessments and obtains updated seismic assessments where required. The Stride Boards have adopted a policy regarding minimum seismic ratings for buildings and this is part of the due diligence investigations for all acquisitions.
Climate change risk	As reported on pages 42 and following of this report, Stride is taking steps to understand the risk of climate change on its portfolio and that of the Stride Products, and this will continue to be a focus over the coming years.
Health and safety risk	Stride is conscious of the impact of adverse health and safety outcomes and takes a conservative approach to this risk. SIML has a Safety and Sustainability Manager who implements processes to manage health and safety risk, and SIML has recently increased resource in this area with the appointment of a Health & Safety Advisor. Further detail is reported on page 14 of this report.

Management of Health and Safety Risks

The Stride Boards acknowledge that effective governance of health and safety is essential for the continued success of Stride and its operations, the wellbeing of our people and others who occupy or visit properties that are owned or managed by Stride.

The Stride health and safety charter is available on the Stride website at **www.strideproperty.co.nz.** This charter reflects that the Boards as a whole are responsible for the governance of health and safety and have responsibility for leading the health and safety culture and vision at Stride. The Board of SIML also recognises that, as manager, it plays a key role in managing health and safety risks at properties owned by SPL and the Stride Products.

Health and safety risks at all sites, whether owned or managed, are assessed and reported to the Boards, using the same risk assessment methodology used to assess and report on other risks. Health and safety risks are identified and considered in terms of their impact, likelihood and overall risk rating, with specific mitigating plans in place for each risk. SIML works closely with tenants and contractors to minimise and, where practicable, eliminate all property related risks.

Contractor management remains a key health and safety risk faced by Stride. Stride has implemented a comprehensive contractor management framework that seeks to embed the principles of consultation, cooperation and coordination in the management of risks related to works on SIML-managed sites. SIML continues to work with contractors to ensure that appropriate health and safety practices are employed, and that contractors are minimising risks to staff, public and tenants in undertaking their activities. For major developments SIML will engage an external firm to audit health and safety practices on site on a monthly basis, with the results of that review reported to the Board.

This report contains a report on key health and safety metrics, on page 14.

NZX Principle 7: Auditors

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

External Audit Function and Audit Independence

PwC is the auditor of Stride. The key framework for the relationship between the issuer and its external auditor is comprised in the Audit and Risk Committee charter, which includes the audit independence guidelines. These guidelines require compliance with the Listing Rules, which require rotation of the lead audit partner at least every five years. A new lead audit partner was appointed for the audit of the Stride financial statements for FY22, as the prior audit partner had been the audit partner for the previous five years, up to and including the completion of the audit of the FY21 financial statements, and accordingly was due for rotation.

Stride 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 Stride engages the other major firms for non-audit services, meaning they would be conflicted if approached to act as auditor. The Audit and Risk Committee will continue to consider rotating Stride's audit firm on an ongoing basis as appropriate.

The audit independence guidelines contain a description for determining the non-audit services that may be provided by the external auditor without compromising the external auditor's independence. The Audit and Risk Committee regularly monitor non-audit services provided by the external auditor and confirm whether these services prejudice the maintenance of independence of the auditor. The purpose of the audit independence framework is to ensure that audit independence is maintained, both in fact and appearance, so that Stride's external financial reporting is reliable and credible. For FY22, PwC, as auditor, did not provide any services other than audit and review of financial statements and other assurance services (including as investigating accountant in connection with the proposed offer of shares made by Fabric Property Limited).

The Audit and Risk Committee meet at least twice a year with the external auditor. The external auditor is invited to attend meetings of the Audit and Risk Committee as required, with Directors free to make direct contact with the external auditor as necessary to obtain independent advice and information. In the interests of encouraging active participation by shareholders at the Annual Shareholder Meetings, Stride's external auditor is in attendance to answer any questions shareholders may have in relation to the audit of the annual financial statements.

Internal Audit Function

Stride does not employ internal auditors. Instead, Stride adopts a process of project-specific internal audits, through engaging consultants to undertake internal reviews or assessments on a project-by-project basis. Selected consultants are engaged to assess, amongst other things, Stride's internal control systems, financial reporting system, risk management and the integrity of the financial information reported to the Boards. Project based reviews or assessments can operate both with and independently from management, with all findings reported to the relevant Board or Committee.

NZX 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 Boards believe transparent and open communication with shareholders is important to ensure effective participation by shareholders in the business of Stride. Shareholders deserve to be provided with all relevant information about the performance of their investment and to be informed on any significant matters relating to their investment in Stride.

Stride is committed to notifying the market of any material information related to its operations as required by the Listing Rules. All announcements are posted on Stride's page on the NZX website, **www.nzx.com**. Following release on the NZX, copies of the announcements and information released to NZX are posted on Stride's website, **www.strideproperty.co.nz.**

Significant market announcements, including the announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require prior review and approval of each Board.

In addition to these general disclosure obligations, Stride's Market Disclosure Policy (as addressed under Principle 4) requires Directors and management to regularly consider whether there is any information that may require disclosure in accordance with the Market Disclosure Policy, the Listing Rules, the FMCA and best practice in this area. Board agendas include a consideration of any matters for disclosure as the last item on the agenda, and the Boards turn their mind to whether anything that has arisen or been discussed during the meeting requires disclosure. Management and the Boards are also in contact between meetings as matters arise, and consideration is given to whether any matters are material and require disclosure.

The Stride website has copies of all presentations and reports released by Stride, and shareholders are encouraged to refer to the website **www.strideproperty.co.nz** for information on SPL and SIML. Stride's annual reports and interim reports are available electronically on Stride's website and investors can request hard copies (where available) by contacting Stride's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report). Stride encourages investors to receive investor communications by electronic means where possible.

Annual Shareholder Meetings

SPL and SIML hold their Annual Shareholder Meetings at the same time, with separate votes held in relation to shareholder resolutions of SIML and shareholder resolutions of SPL. SIML and SPL shareholders have one vote per share they hold in SIML and SPL respectively, and have the right to vote on major decisions in accordance with the Listing Rules.

To enable shareholders to fully participate in shareholder meetings, the Boards will endeavour where possible to distribute the Notice of Meetings at least 20 working days prior to any shareholder meetings. Each notice of meeting for shareholder meetings and transcripts of those meetings are made available on Stride's website and on the NZX.

During FY22 shareholders were given at least 20 working days' notice of the Annual Shareholder Meetings of SPL and SIML held on 23 September 2021.

Shareholders are encouraged to attend the SIML and SPL Annual Shareholder Meetings and take the opportunity to meet the Stride Boards and SIML senior managers. All Directors and SIML senior managers attend the shareholder meetings and are available for questions. The Chair provides time for questions from the floor and these are answered by the appropriate member of the Boards or SIML management. Stride's external auditor attends the meetings and is available to take questions on the preparation of the financial statements and the auditor's report.

Equity Capital Raise

Stride undertook an equity capital raise during November and December 2021 (the Capital Raise), comprising:

- A $100 million underwritten share placement (Placement); and
- A retail offer to eligible shareholders of up to $20 million, with Stride having a discretion as to whether to accept additional applications (Retail Offer).

The underwritten issue price for the Placement was set at $2.00 per stapled security, representing a discount of 8.5% to the closing price on 24 November 2021 of $2.185 (ex-dividend) and 7.6% discount to the five day volume weighted average price (VWAP) up to and including 24 November 2021 of $2.164 (ex-dividend). The Placement was successfully completed on 26 November 2021, and received strong demand at the fixed price of $2.00 per stapled security, resulting in Stride increasing the size of the Placement from $100 million to $110 million, being 55,000,000 stapled securities. As a result of the Placement, Stride introduced new institutional shareholders to its share register.

Under the Retail Offer, eligible shareholders were invited to subscribe for up to $50,000 of stapled securities per shareholder. The Retail Offer closed on 10 December 2021, and was oversubscribed. Stride elected to accept all additional applications to increase the total amount accepted under the Retail Offer to $23.9 million. This brought the total gross proceeds of the Capital Raise to $133.9 million.

The proceeds of the Capital Raise were used to repay bank debt, reducing SPL's loan to value ratio to 28.4% on a pro forma 30 September 2021 basis. The Capital Raise also provided Stride with greater flexibility and options for the establishment of its office fund, Fabric Property Limited, as well as progressing other strategic initiatives as part of Stride's broader investment management strategy. The Capital Raise has also subsequently enabled SPL to confirm the acquisition of the office property at 110 Carlton Gore Road, Auckland.

The Stride Boards determined, having received advice on options for the structure of the Capital Raise, to undertake the Capital Raise 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 timing of release of Stride's interim results on 25 November 2021, the Placement and Retail Offer were able to be completed before the Christmas holiday period, while other forms of capital raising may not have been able to be completed in this time period;
- The Placement and Retail Offer could be, and were, sized and structured in such a way as to enable almost all shareholders to apply for at least their pro rata shareholding in Stride;
- By increasing the value of stapled securities that eligible shareholders were able to subscribe for under the Retail Offer to $50,000 (from the limit of $15,000 applying to Share Purchase Plans under the Listing Rules), Stride considered that almost all shareholders would be able to receive their pro rata allocation through the Retail Offer, and those that could not receive their pro rata allocation through the Retail Offer would be able to participate through the Placement;
- 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.

In preparing for and undertaking the Capital Raise, Stride sought, and was granted, waivers from certain Listing Rules:

- **Listing Rule 3.14.1:** This allowed Stride to provide less than the required five business days' notice of the record date for its interim dividend for the six months ended 30 September 2021. This enabled Stride to declare the interim dividend, release its interim results and announce the Placement and the Retail Offer on 25 November 2021, with the record date for that interim dividend being 30 November 2021. This meant that holders of new stapled securities issued under the Placement and Retail Offer were not eligible for the interim dividend. Stride considered this to be the most equitable outcome for all shareholders, as it would not have had sufficient time to declare and pay the dividend before Christmas if it waited until after completion of the Capital Raise on 16 December 2021. Stride also considered that investors were not prejudiced by the shorter notice period of the record date because investors still had one full trading day (being 26 November 2021) to trade Stride stapled securities in order to be on or off Stride's share register before the record date for the interim dividend.
- **Listing Rule 4.5.1:** This enabled Stride, to the extent required, to undertake a placement of up to 15% of Stride's ordinary shares without requiring approval by ordinary resolution in accordance with Listing Rule 4.1.1 and Listing Rule 4.2.1. Stride required this waiver because its previous equity capital raise (completed in November and December 2020) was within the relevant 12 month period under NZX Listing Rule 4.5.1 by a few days. The waiver allowed Stride to undertake the Placement and invite eligible shareholders to subscribe for up to $50,000 of shares under the Retail Offer, which Stride considered to be the optimal capital raising structure for Stride and its shareholders.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of Stride and its subsidiaries during the period 1 April 2021 to 31 March 2022 pursuant to section 140 of the Companies Act 1993 are shown in Table 9. Directors' interests in shares are shown on page 156.

Table 9 – Interests Register Entries

Director	Company	Position
Tim Storey	Investore Property Limited	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chair
John Harvey	Investore Property Limited	Director
	Pomare Investments Limited	Director / Shareholder
	KMD Brands Limited (formerly Kathmandu Holdings Limited)	Director
	Heartland Bank Limited	Director
	Port of Napier Limited	Director
Philip Ling	Skymark Capital Limited	Director / Shareholder
	Jones Lang LaSalle	Shareholder
Jacqueline Cheyne	Audit Oversight Committee of the Financial Markets Authority	Member
	Risk and Assurance Committee MBIE	Member
	Broader Perspectives Limited	Director
	Audit & Risk and Investment Committee of the Nikau Foundation	Independent Member
	External Reporting Board	Member
	New Zealand Green Investment Finance Limited	Director
	Christchurch City Council Audit and Risk Management Committee	Independent Member
	Snow Sports NZ	Chair
	PaySauce Limited	Director
Michelle Tierney	Nil	
Nick Jacobson	Atmos Capital Partners Pty Limited	Director
	CapStra Pty Limited	Director
	Wingate Group (1)	Director
	Saxonwold Pty Limited	Director
Ross Buckley	ASB Bank Limited (1)	Director
	Service Foods Limited (1)	Chair
	Institute of Directors (1)	National Council Member and Chair of Auckland Branch
	Massey University (1)	Council Member
	Audit Oversight Committee of the Financial Markets Authority (1)	Member
Philip Littlewood	Nil	

(1) Entries added by notices given by Directors during the year ended 31 March 2022.

No declarations of specific interest in a transaction or proposed transaction with Stride or its subsidiaries were made pursuant to section 140 (1) of the Companies Act during the reporting period.

Directors of Subsidiary Companies

The subsidiaries of SPL and their directors as at 31 March 2022 are as set out in Table 10. All subsidiaries are wholly owned direct subsidiaries of SPL.

During FY22 Blair O'Keeffe, Deborah Marris and Kathryn Hughes, who were appointed as directors of Fabric Property Limited (a wholly-owned subsidiary of SPL) on 8 September 2021 and resigned following the decision to withdraw the demerger and initial public offering of Fabric on 21 September 2021, provided advisory services and were paid for those services as follows:

- Blair O'Keeffe received $35,500
- Deborah Marris and Kathryn Hughes each received $20,400

No other director of a subsidiary company received any remuneration or other benefits during the period to 31 March 2022 in relation to their duties as a director of a subsidiary company, except for the benefit of an indemnity and insurance cover.

SIML had no subsidiaries as at 31 March 2022.

Table 10 – Stride Property Limited Subsidiaries and their Directors

Subsidiary	Directors
Stride Holdings Limited	Tim Storey, John Harvey*, Philip Ling, Michelle Tierney, Jacqueline Cheyne, Nick Jacobson, Ross Buckley (from 9 August 2021)
Stride Industrial Property Limited	Tim Storey, Philip Littlewood
Fabric Property Limited (formerly Stride Office Property Limited)	Tim Storey, Jacqueline Cheyne (appointed 8 September 2021), Blair O'Keeffe (appointed 8 September 2021, ceased 28 September 2021), Deborah Marris (appointed 8 September 2021, ceased 30 September 2021), Kathryn Hughes (appointed 8 September 2021, ceased 29 September 2021)

*John Harvey will cease as a director of Stride Holdings Limited effective 31 May 2022.

Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Constitutions of each of SIML and SPL, each of SIML and SPL has entered into a deed of access, indemnity and insurance to indemnify its Directors and the Directors of its subsidiaries 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. 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.

SIML and SPL also have 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.

In authorising any insurance to be effected, each Director signs a certificate stating that, in their opinion, the cost of the insurance is fair to SIML and SPL.

Use of Group Information

No notices have been received by the SIML Board or SPL Board under section 145 of the Companies Act with regard to the use of Stride information received by Directors in their capacities as Directors of SIML or SPL or any subsidiary company of SPL.

Loans to Directors

There are no loans to the Directors of Stride or its subsidiaries.

Disclosures of Director's Interest in Share Transactions

For the purpose of section 148(2) of the Companies Act, the following disclosures were made by Directors in respect of changes in shareholdings in Stride during the period from 1 April 2021 to 31 March 2022. No disclosures were made by the directors of Stride subsidiaries for the purposes of section 148(2) of the Companies Act.

- Director Tim Storey: Acquired beneficial interest in 10,000 stapled securities at $2.00 per stapled security on 1 December 2021 in the placement undertaken by Stride
- Director Ross Buckley: Acquired beneficial interest in 65,000 stapled securities at $2.00 per stapled security on 1 December 2021 in the placement undertaken by Stride
- Director John Harvey: Acquired beneficial interest in 10,000 shares at $2.00 per stapled security on 16 December 2021 in the retail offer undertaken by Stride

Directors' Interests in Shares

Directors disclosed the following relevant interests in shares in each of SIML and SPL as at 31 March 2022:

Director	Relevant interest held in ordinary shares
Tim Storey	159,916
John Harvey	148,234
Philip Ling	10,000
Jacqueline Cheyne	10,500
Nick Jacobson	65,000
Ross Buckley	25,000

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

Twenty Largest Registered Shareholders as at 31 March 2022

Name	Number of ordinary shares	% of ordinary shares
Accident Compensation Corporation - NZCSD	51,105,350	9.46
HSBC Nominees (New Zealand) Limited - NZCSD	39,868,660	7.38
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	38,461,702	7.12
JBWere (NZ) Nominees Limited	31,355,067	5.80
FNZ Custodians Limited	28,643,001	5.30
Forsyth Barr Custodians Limited	25,762,831	4.77
Citibank Nominees (New Zealand) Limited - NZCSD	18,275,737	3.38
HSBC Nominees (New Zealand) Limited NZCSD	17,774,092	3.29
New Zealand Depository Nominee Limited	16,482,299	3.05
JPMorgan Chase Bank NA NZ Branch - NZCSD	14,057,115	2.60
Generate KiwiSaver Public Trust Nominees Limited - NZCSD	13,356,775	2.47
Custodial Services Limited	12,611,142	2.33
BNP Paribas Nominees (NZ) Limited - NZCSD	11,757,808	2.18
National Nominees Limited - NZCSD	11,466,494	2.12
ANZ Wholesale Property Securities - NZCSD	10,855,466	2.01
MFL Mutual Fund Limited - NZCSD	9,102,347	1.69
TEA Custodians Limited Client Property Trust Account - NZCSD	9,003,244	1.67
Hobson Wealth Custodian Limited	7,941,845	1.47
Mint Nominees Limited - NZCSD	6,669,989	1.23
BNP Paribas Nominees (NZ) Limited - NZCSD	6,007,166	1.11
Total	**380,558,130**	**70.45**

*Note: Numbers may not sum due to rounding.

Substantial Product Holders as at 31 March 2022*

As at 31 March 2022, the names of all persons who are substantial product holders in SIML and SPL pursuant to sub-part 5 of part 5 of the FMCA are noted below. Each of SPL and SIML had 540,188,683 shares on issue as at 31 March 2022.

	Date of substantial product holder notice	Number of shares held at date of notice	% of ordinary shares held at date of notice
Accident Compensation Corporation	22 September 2021	48,193,410	10.18
ANZ New Zealand Investments Limited and related bodies corporate	3 September 2021	53,921,364	11.39

* The number of ordinary shares listed in the table are as per the last substantial product holder notice filed by the relevant shareholder on or before 31 March 2022. As substantial product holder notices are required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of the 20 largest shareholdings.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2022

Range	Total holders	% of holders	Shares	% of shares
1 - 499	65	1.22	14,494	0.00
500 - 999	46	0.86	32,648	0.01
1,000 - 1,999	176	3.30	260,582	0.05
2,000 - 4,999	720	13.50	2,462,984	0.46
5,000 - 9,999	1,279	23.97	9,097,892	1.68
10,000 - 49,999	2,460	46.11	53,744,515	9.95
50,000 - 99,999	362	6.79	24,469,503	4.53
100,000 - 499,999	183	3.43	32,269,919	5.97
500,000 - 999,999	12	0.22	8,515,572	1.58
1,000,000 and over	32	0.60	409,320,574	75.77
Total	**5,335**	**100.00**	**540,188,683**	**100.00**

Donations

During FY22 SPL made no donations and SIML made donations in the sum of $2,285.

SPL is a sponsor of the Graeme Dingle Foundation, and SIML is a sponsor of the Keystone New Zealand Property Education Trust.

During the year SPL paid $70,000 in sponsorship to the Graeme Dingle Foundation and SIML paid $10,000 to Keystone New Zealand Property Education Trust by way of sponsorship.

SPL is also a Founding Partner Sponsor to the Property Council of NZ Diversity and Inclusion Initiative.

Credit Rating

As at the date of this Annual Report, Stride 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 Stride during FY22.

Auditor's Fees

PwC has continued to act as auditor for Stride and the amounts payable by Stride and its subsidiaries to PwC for audit fees and non-audit work fees undertaken in respect of FY22 are set out in note 8.2 to the consolidated financial statements.

NZX Waivers

During FY22 Stride 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/SPG.**

NZX Regulation Decision dated 28 May 2020 - Non-Standard Designation Waiver

Ruling on the Definition of "Associated Person"

A ruling that, for the purposes of the definition of "Associated Person" in the Listing Rules, Investore is not an "Associated Person" of SIML and accordingly, Investore is not a "Related Party" of SIML.

Ruling on definition of "Disqualifying Relationship"

A ruling that, for the purposes of the definition of "Disqualifying Relationship" in the Listing Rules, any reference to "Issuer" shall be a reference to the "Stapled Group" (Stride).

Listing Rules 2.2 to 2.5 and 2.7 to 2.8

This waiver permits:

- The SPL Board and the SIML Board to be made up of the same people;
- An SPL Board member to be deemed to be appointed to (or removed from) the SPL Board if appointed to (or removed from) the SIML Board; and
- The SPL Board members to retire from the SPL Board by rotation at the same time as they retire from the SIML Board.

Listing Rule 2.10.1

This waiver permits the Directors of one Stride company to vote on matters in which they are "interested" due to being a Director of the other Stride company. Directors will not be permitted to vote on matters in which they are "interested" by virtue of a relationship or interest other than their directorship of the Stapled Entities.

Listing Rule 2.11

This waiver permits the pooling of Director remuneration for Stride, and the approval of Director remuneration by way of a single resolution of SIML shareholders.

Listing Rules 2.14.1, 2.14.2, 7.8 and 7.9

This waiver permits Stride to provide consolidated notices, reports and communications (including notices of meetings) to shareholders. This will not affect the obligation for each of SPL and SIML to hold separate meetings (albeit that they will occur one after the other).

Listing Rule 4.6.1

This waiver permits SPL to issue shares to SIML employees under a SIML employee share plan (if any), in order to ensure that the number of SPL shares on issue is the same as the number of SIML shares on issue at all times.

Listing Rules 3.13.1, 3.14.2 and 3.15

This waiver permits the Stride companies to announce, via NZX, issues, acquisitions, conversions or redemptions of securities on a consolidated basis. Dividends will be separately announced by each of SPL and SIML.

Listing Rule 5.2.1

This waiver permits:

- each of SPL and SIML to enter into one or more Material Transactions (as defined in the Listing Rules) for the purposes of enabling SPL and/or SIML to establish or acquire new property investment vehicles without shareholder approval; and
- SPL and SIML to enter into one or more "Material Transactions" for the purposes of enabling SIML to establish or acquire new property management opportunities without shareholder approval.

Ruling on definition of "Average Market Capitalisation" and "Average Market Price"

A ruling that the term "Issuer" in the definition of "Average Market Price" refers to the "Stapled Group" (Stride) and the term "Quoted Equity Securities" in the definition of "Average Market Capitalisation" refers to the stapled securities of SPL and SIML.

Ruling on the definition of "Material Information"

A ruling that the reference to "price of quoted financial products of the listed issuer" in the definition of "Material Information" should be read as applying to the price of the stapled securities of SPL and SIML. This ruling requires that any announcement must explain whether the information is material to SPL or SIML.

Listing Rules 3.5, 3.6.1(a), 3.7 and 3.8

This waiver permits the Stride companies to provide certain information required in annual and half year reports on a consolidated basis, rather than by and in respect of each Stride company individually. This waiver is subject to the additional condition that each of the Stride companies release individual financial statements to the extent required by applicable financial reporting legislation.

Listing Rule 8.3

This waiver permits the Stride companies to provide consolidated statements of shareholdings to shareholders which shows their overall Stride holding, rather than their shareholding in each Stride company separately.

NZX RegCo Decision dated 25 November 2021

Listing Rule 3.14.1

This waiver was granted in connection with Stride's capital raise undertaken during November and December 2021 and permitted the Stride companies to provide less than the required minimum notice of the record date for the interim dividend declared by SPL and SIML on 25 November 2021 in respect of the quarter ended 30 September 2021.

Listing Rule 4.5.1

This waiver was also granted in connection with Stride's capital raise undertaken during November and December 2021 and permitted a placement of up to 15% of Stride's ordinary shares without requiring approval by ordinary resolution in accordance with Listing Rule 4.1.1 and Listing Rule 4.2.1. In effect, the waiver allowed Stride to undertake the placement and invite eligible shareholders to subscribe for up to $50,000 of stapled securities under the retail offer, which Stride considered to be the optimal capital raising structure for Stride and its shareholders.

Financial Reporting Exemption

The financial statements for each Stride company were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2022. This exemption allows SPL and SIML, subject to conditions set out in the exemption notice, to prepare financial statements in respect of Stride, while they remain stapled (in place of separate financial statements for each company).

Implications of Investing in Stapled Securities

The practical implications of a shareholder holding a stapled security include that:

- The shareholder is a shareholder of both SPL and SIML
- In order to sell a SPL share or a SIML share, the corresponding SIML share or SPL share, as applicable, also needs to be sold to the same purchaser
- Market disclosures via NZX may be made in respect of the Stride companies as a whole, but each of SPL and SIML will continue to be obliged to make announcements under the Listing Rules according to the nature of the disclosure (for example, announcements about the declaration of a dividend or the passing of a resolution at a meeting of shareholders would be made by the relevant company)
- The only quoted price of a SPL share and/or a SIML share on the NZX Main Board will be the quoted price for the stapled security
- The materiality of "Material Information" for continuous disclosure purposes under the Listing Rules will be assessed against the potential effect on the price of stapled securities as there will not be a separate quoted price available for each of SPL and SIML. Any disclosure of "Material Information" made by Stride will explain whether the information is material to SPL and/or SIML
- New stapled security issues will result in equal numbers of SPL shares and SIML shares being issued
- Shareholders are entitled to attend, or vote by proxy, at separate meetings of shareholders of each of SPL and SIML. For some transactions involving both Stride companies (for example, an issuance of stapled securities being made with shareholder approval under the Listing Rules), resolutions might be required from shareholders in respect of the same matter. In that case, the relevant transaction will only be able to proceed if the respective resolutions are approved at shareholder meetings of both SPL and SIML
- Distributions will be received, to the extent declared, from each of SPL and SIML

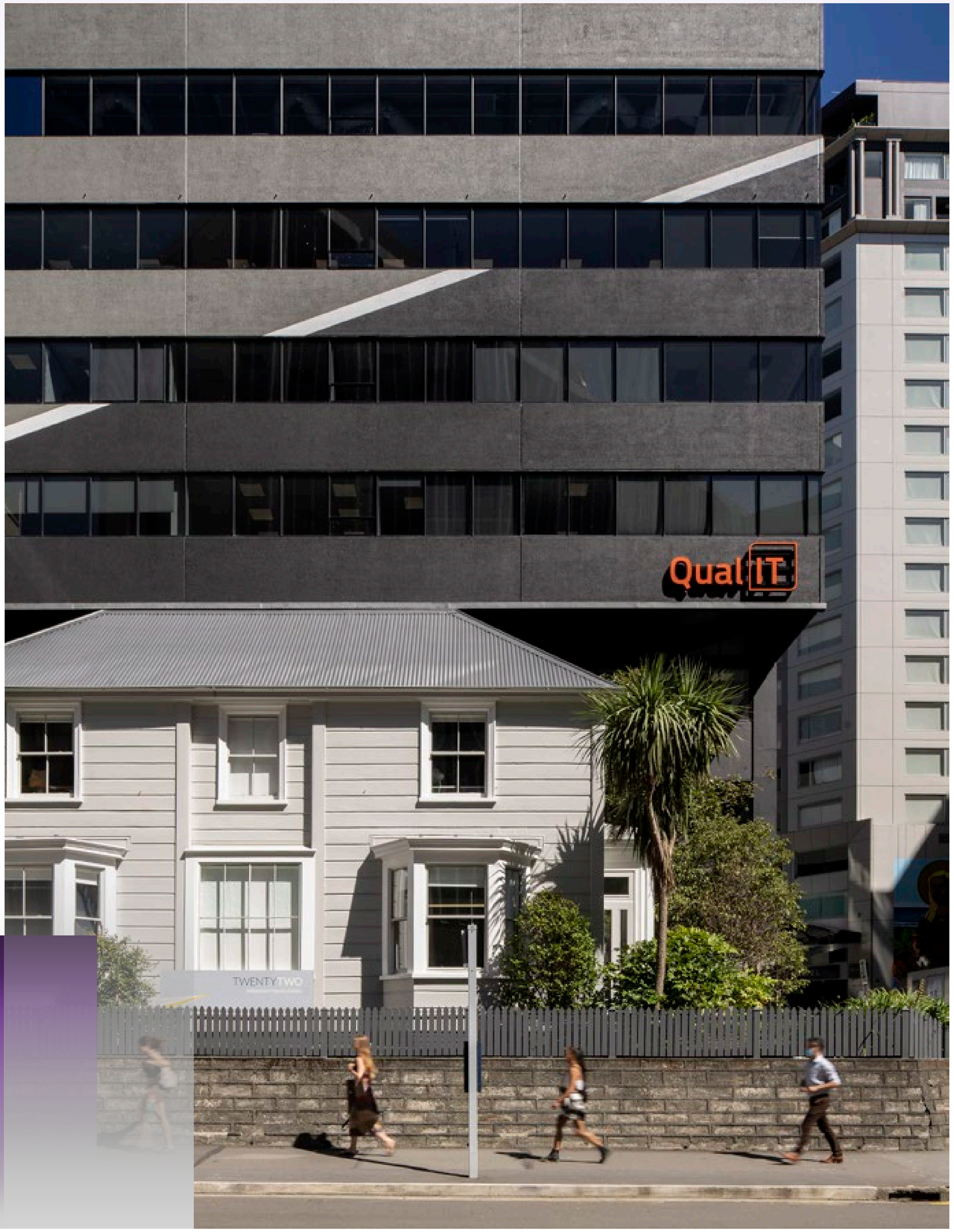
Directors' Statement

This Annual Report is dated 27 May 2022 and is signed for and on behalf of the Boards of Directors of Stride Property Limited and Stride Investment Management Limited by:

Tim Storey
Chair of
the Boards

John Harvey
Chair of the Audit and
Risk Committee

Glossary



Companies Act	Companies Act 1993
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to SPL (or the relevant landlord) 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, share of profits in associates, dividends received from associates and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.2 to the consolidated financial statements
Diversified	Diversified NZ Property Trust, a Stride Product
Fabric	Fabric Property Limited, a wholly owned subsidiary of SPL, formerly Stride Office Property Limited
FMCA	Financial Markets Conduct Act 2013
FY21	The financial year ended 31 March 2021
FY22	The financial year ended 31 March 2022
FY23	The financial year ending 31 March 2023
Industre or Industre Property Joint Venture	The joint venture between SPL (through its wholly owned subsidiary, Stride Industrial Property Limited) and JPMAM, which commenced on 1 July 2020. Industre is a Stride Product
Investore	Investore Property Limited, a Stride Product
JPMAM	A group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management
Lease Expiry Profile	Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the portfolio as at 31 March 2022, as a percentage of Contract Rental
Listing Rules	The main board listing rules of NZX
LVR	Loan to value ratio
Moving Annual Turnover	Total annual sales on a rolling 12 month basis, excluding GST
NLA	Net Lettable Area
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2020
SIML	Stride Investment Management Limited
SIML Board	The Board of Directors of SIML
SPL	Stride Property Limited
SPL Board	The Board of Directors of SPL
Stride	Stride Property Group, comprising the stapled entities of SPL and SIML
Stride Boards or Boards	The Boards of SPL and SIML together
Stride Product	Any or all, as the context may require, of Diversified, Investore, and Industre, being entities or funds managed by SIML
WALT	Weighted Average Lease Term, which is the lease term remaining to expiry across a property or portfolio and weighted by rental income

Corporate Directory

Board of Directors

Tim Storey (Chair)
John Harvey (retired effective 31 May 2022)
Jacqueline Cheyne
Michelle Tierney
Philip Ling
Nick Jacobson
Ross Buckley (appointed 9 August 2021)

Registered Office

Level 12, 34 Shortland Street, Auckland 1010
PO Box 6320, Victoria Street West
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W strideproperty.co.nz

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

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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
MUFG Bank Limited (Auckland Branch)
The Hongkong and Shanghai Banking Corporation Limited,
incorporated in the Hong Kong SAR, acting through its
New Zealand Branch
Westpac New Zealand Limited

Stride Property Group

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