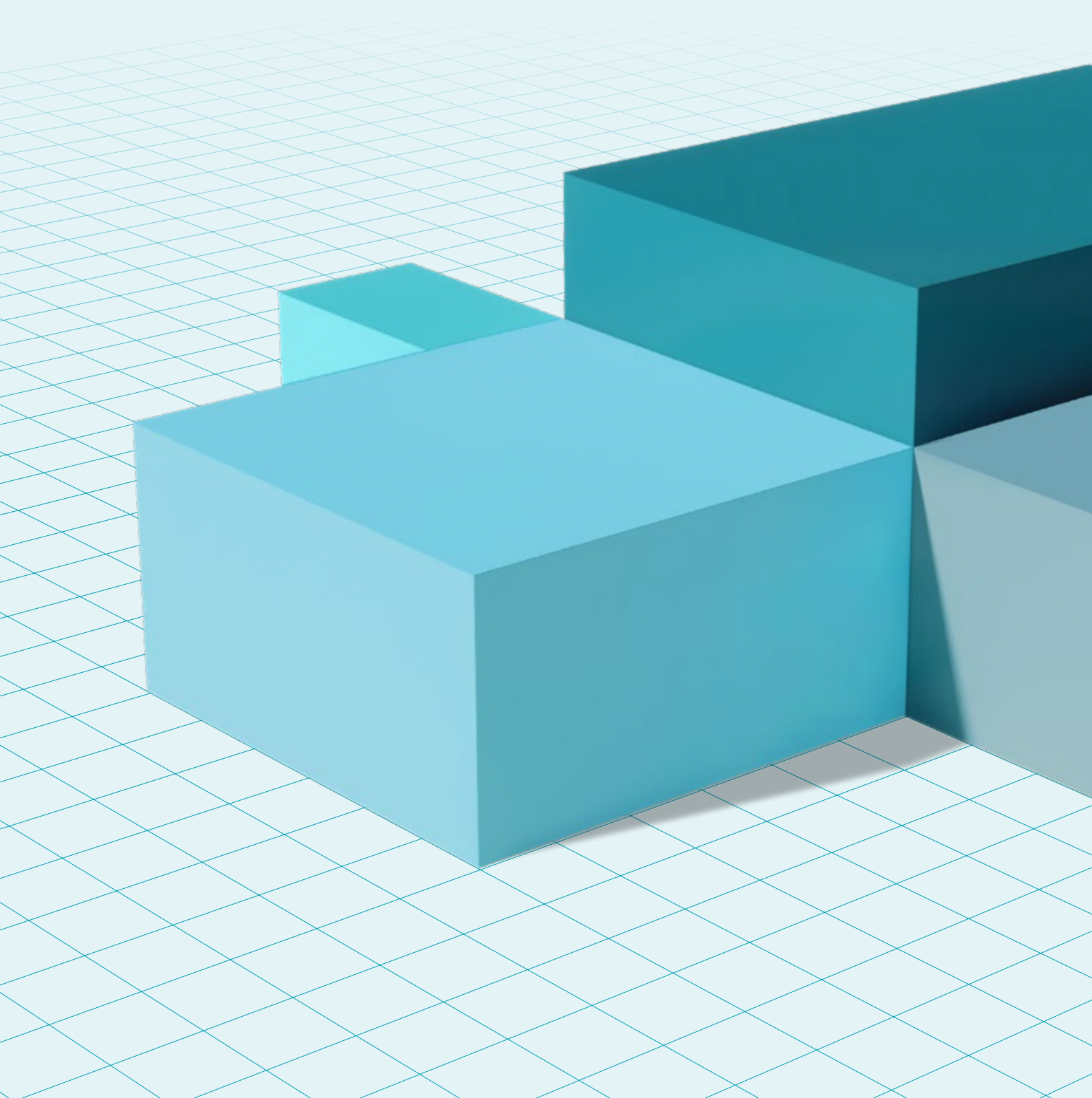


investore

Managed by Stride Investment
Management Limited

Annual Report
2022



Investore has been designated as a “Non-Standard” (NS) issuer by NZX. A copy of the waivers granted by NZX from NZX Listing Rules 2.2.1 to 2.8.1 and 2.10.1 in respect of Investore’s “NS” designation can be found at www.nzx.com/companies/IPL/documents

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Financial Highlights

For the 12 months ended
31 March 2022 (FY22)

\$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 profit¹ after
current income tax

 **Up \$0.8m**
from FY21

7.90 cents

per share cash dividend
for FY22

 **Up 0.30 cents**
from FY21

\$125m

5 year listed bonds
issued February 2022
at 4.00% per annum
interest rate

100%


debt hedged or fixed,
with no debt facilities
maturing until FY24

29.5%

Loan to Value Ratio² as
at 31 March 2022, with
\$120m bank debt
facility headroom,
providing capacity for
future growth³

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

1. See glossary on page 100.

2. Loan to Value Ratio (LVR) is calculated based on independent valuations, which include seismic works to be funded by Stride Property Limited (SPL) in relation to 2 Carr Road, Auckland, acquired from SPL and settled in April 2020. The independent valuations also exclude lease liabilities.

3. If this headroom was fully utilised, then Investore's LVR would be 35.9% (on a pro forma 31 March 2022 basis).

Portfolio Highlights

All values are as at 31 March 2022, unless otherwise stated

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

\$1.2bn

portfolio value¹, with a net valuation increase for FY22 of \$91m or 8.2%

\$84.3m

portfolio acquisitions²

9.1 years

Weighted Average Lease Term (WALT)

99.7%

portfolio occupancy by area

4.81%

average property market capitalisation rate

▼ **Down 0.4%**
from 31 March 2021

2.9%

increase in rentals as a result of 76 rent reviews completed across 100,533 sqm (40.2% of the total portfolio)

1. Portfolio value excludes (1) seismic works (\$3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020; and (2) lease liabilities.
2. Comprises the acquisitions of Countdown, Petone for \$37.3m, 4 Carr Road, Mt Roskill for \$36.0m and an adjoining unit to Countdown, Meadowbank for \$0.6m and the acquisition of the property at Waimak Junction, Kaiapoi, for \$10.5m, which acquisition remains conditional.

4 Carr Road, Mount Roskill, Auckland



Chair's Letter

Dear Investors,

The Board of Directors of Investore is pleased to present the Annual Report for the year ended 31 March 2022 (FY22). Investore's focus during FY22 has been on pursuing its strategy of targeted growth and taking a proactive and prudent approach to capital management.

The market for large format retail properties has remained strong during the last year. Evidencing this demand, Investore's portfolio is independently valued at \$1.2 billion as at 31 March 2022, a net valuation increase of \$91.0 million or 8.2% over the 12 months from 31 March 2021. This increase has been driven primarily by capitalisation rate compression which evidences the continued desirability of Investore's large format retail portfolio.

Financial Results

The Investore Board is pleased to report positive financial results for the 12 months to 31 March 2022. Investore reported strong operating performance for FY22, with profit before other income/(expense) and income tax of \$34.3 million, up \$4.3 million from FY21. This was primarily due to increased net rental income of \$58.3 million (FY21: \$55.8 million), due in part to income from the two acquisitions completed during FY22, partially offset by the reduction in rental income as a result of the sale of the MacLaggan Street, Dunedin, property in August 2021. The rent increases achieved during FY22 of 2.9% across 76 rent reviews, reflecting 40.2% of the total portfolio space, also contributed to higher net rental income.

Total corporate expenses were slightly higher than FY21 (FY22: \$10.0 million; FY21: \$9.2 million), due primarily to higher asset management fees, which are calculated as a percentage of the value of Investore's portfolio and accordingly rise as the Investore portfolio increases in value. Higher administration expenses (FY22: \$2.6 million; FY21: \$2.2 million) also contributed to overall higher corporate expenses.

Finance expenses were lower in FY22 (\$14.0 million) compared with FY21 (\$16.6 million), due in large part to the prior year being impacted by swap termination expenses of \$3.6 million.

The net change in the fair value of Investore's investment properties of \$91.0 million contributed to profit after income tax for FY22 of \$118.2 million, which was \$43.1 million lower than FY21 due primarily to a lower net change in fair value of investment properties. The lower net change in fair value of investment properties in FY22 compared with FY21 is substantially driven by the impact of COVID-19 on investment property valuations as at 31 March 2020, which resulted in a significant net increase in fair value of investment properties of \$139.3 million for FY21.

Distributable profit¹ after income tax was \$29.9 million for FY22, up \$0.8 million from FY21.

Investore's financial results include the impact of COVID-19 rent abatements provided by Investore to its tenants. As at 30 September 2021, Investore had provided for rent abatements of \$1.0 million, following the introduction by the Government of legislation mandating all commercial landlords to provide rent abatement to tenants impacted by COVID-19 lockdowns. Having largely concluded all negotiations relating to rent abatements for the FY22 lockdown periods (which primarily impacted Auckland and Hamilton), this has resulted in a reduction in distributable profit for FY22 of \$0.7 million.

Investore's focus on large format retail properties resulted in rent abatements being relatively minor compared to overall gross rent (1.0% of gross rent for FY22), due to the resilience of large format retail properties and the large proportion of tenants that provide essential services within Investore's portfolio. Investore also benefitted from its geographically diverse portfolio as many stores throughout the country were only subject to Level 3 or 4 trading restrictions for a short period of time as 63% of tenants (by Contract Rental¹) are located outside of the Auckland region.

Investore expects all current tenants to remain open and trading under all traffic light settings under the Government's current COVID-19 Protection Framework, implemented in December 2021.

Growth in Portfolio

Investore has delivered on its strategy of targeted growth during FY22, completing the acquisition of two high quality large format retail properties for a combined purchase price of \$73.3 million. Investore will undertake acquisitions which improve the quality and earnings profile of its portfolio and deliver on its strategy of maximising returns to investors over the medium to long term.

The two acquisitions completed during FY22 (being Countdown, Petone and 4 Carr Road, Mt Roskill) evidence this approach – both properties have long WALTs¹ of 11 years and 10 years respectively as at the date of their acquisition, and both are fully occupied. The quality of these properties is evidenced by their valuation increase, with the combined gross value of both of these properties having increased by \$1.0 million as at 31 March 2022.

Investore delivers growth not just from acquisitions, but also from continuing to develop and optimise its current portfolio in response to tenant demand. There has been considerable activity in this regard during FY22, including building extensions and refurbishments, and enhancing customer experiences such as through online pick up bays. Improving Investore's existing portfolio in this way drives growth in income through rentalised returns and increased asset value, delivering value to investors.

Proactive Capital Management

The Investore Board has a strategy of proactively managing capital, and this is particularly important in a rising interest rate environment. In February 2022, Investore successfully completed its third NZX listed bond issuance, issuing \$125 million of 5 year senior secured fixed rate bonds at a 4.00% per annum interest rate, reflecting an issue margin of 1.15% per annum. At the time of issue this was New Zealand's lowest ever issue margin for a non-rated issuer, which reflects strong ongoing bondholder support for Investore, and confidence in the resilient characteristics of its portfolio.

The proceeds from the bond issue were used to repay existing bank debt facilities, resulting in lower overall interest costs and extending the weighted average tenor of Investore's debt to 4.0 years as at 31 March 2022. As at 31 March 2022, 100% of Investore's debt was hedged or subject to a fixed rate of interest, with a weighted average interest rate of 3.77%, down from 4.04% as at 31 March 2021, primarily due to the issue of the fixed rate bonds in February 2022. In the current rising interest rate environment and given the material nature of interest costs to Investore's business, the Investore Board is pleased to be taking a conservative approach to its cost of debt.

Investore also has significant amounts of available debt facility headroom, providing Investore with capacity to continue its targeted growth strategy. After allowing for current commitments for acquisitions, capital refurbishments and developments, Investore has \$65 million of undrawn debt facilities available².

During FY22, the Investore Board reviewed its loan to value ratio (LVR) policy, reducing its target LVR to between 30% and 40% on a long term basis. If Investore utilised all available debt facility headroom, its LVR would be 35.9%, which is near the midpoint of the revised Board policy.

1. See glossary on page 100.

2. Committed acquisitions and developments comprise the acquisition of the land at Waimak Junction, Kaiapoi, (which acquisition remains conditional), the completion of Stage 1 of the development with an estimated cost (including land) of \$32.6 million and other capital commitments of \$22.7 million.



Governance and Sustainability

Sustainability has been a focus for the Investore Board during FY22, as Investore seeks to ensure that its business is operated in a sustainable manner, while also meeting the demands of tenants, investors and customers. Sustainability considerations have become a key part of the Board's decision making on all material decisions, including acquisitions, capital upgrade works and developments.

During FY22 the Board considered the appropriate structure for overseeing sustainability matters for Investore, and considered that responsibility should remain with the whole Board. This was due to the smaller size of the Board, as well as the integrated nature of key business decisions and sustainability. An amended Board Charter recording Investore's approach and commitment to sustainability and environmental management was adopted by the Board, along with a sustainability policy.

Investore is currently in the process of assessing its greenhouse gas emissions, which will assist it to set emissions reduction targets. Investore has completed an initial climate risk assessment with the assistance of its Manager, and this has formed part of Investore's climate-related disclosures contained in this report (see page 28 and following), which are intended to align with the framework of the Taskforce on Climate-related Financial Disclosures.

As investors will be aware, Emma McDonald joined the Board as a Future Director as part of the Institute of Directors "Future Directors" programme in April 2020. The programme is designed to encourage directorship by giving aspiring directors the opportunity to observe a company board and receive mentoring from experienced directors. Having completed two years as a Future Director, Emma will shortly be leaving the Board to continue her leadership and governance career. Emma has been a valued participant on the Board, providing industry insight and fresh thinking, and we wish her all the very best in her future governance career.

The Board intends to continue to support the Future Directors programme and will actively look for a suitable replacement for Emma.

Manager

Investore's Manager, Stride Investment Management Limited (SIML), has again ably supported Investore in another challenging year, given the level of activity within the business and its portfolio, together with the extra complications as a result of the impacts of COVID-19 on

Investore's business. The Board remains pleased with the level of support shown by SIML and the services provided by SIML.

For FY22, \$8.7 million of management fees were incurred to SIML. Excluding performance fees and project management fee expenses, the management fees incurred to SIML for FY22 equate to 0.56% of the value of Investore's assets under management as at 31 March 2022. FY22 fees were 3.1% higher than FY21 fees of \$8.4 million, primarily due to higher asset management fees which are directly related to the value of Investore's portfolio and accordingly rise as the value of the portfolio increases. FY22 asset management fees are 15.5% higher than FY21, which equates to the increase in overall portfolio value between 31 March 2021 and 31 March 2022. The higher asset management fees were partially offset by lower performance fees incurred during FY22.

Consistent with its policy of reviewing management fees every two years, the Board intends to undertake a review of the Manager and management fees in FY23 in accordance with the terms of the Management Agreement with SIML.

Share Price

The Board is aware that the market price of Investore's shares is below the net tangible assets (NTA) per share of Investore's assets. The Board considers that the share price does not reflect the true value of Investore's assets in the current environment, given:

- The Investore portfolio continues to deliver strong net valuation increases, with increases during FY22 driven by transactional evidence in the market for large format retail properties, including transactions in the latter part of the financial year. Consistent with this, Investore sold the property at 35 MacLaggan Street, Dunedin, for an attractive price, representing an 8.5% premium to the property's most recent valuation at the time of sale.
- Investore's portfolio comprises 44 properties in highly desirable locations, with long term value, occupied by high quality, nationally recognised tenants, providing security of income over the long term. The existing Investore portfolio comprises 61 hectares of commercial property with an average site coverage of 41%, providing ideal future development opportunities, including to deliver on tenants' last mile logistics initiatives.

- In the current inflationary environment, Investore stands to benefit through increased turnover rental, driven by higher overall turnover for individual supermarkets.

The Board will continue to assess additional opportunities to further demonstrate the value of Investore's portfolio, with a view to ensuring the share price more closely reflects Investore's net tangible assets.

Outlook

Looking forward, the Board intends to continue progressing its strategy of targeted growth as appropriate development and acquisition opportunities arise. The Board will maintain a focussed approach to acquisitions, consider a property's sustainability metrics, and only pursue those opportunities that enhance the existing portfolio and maximise returns to investors over the medium to long term.

The Board will continue to ensure Investore's capital is prudently managed, maintaining sufficient debt facility headroom for acquisitions and developments as well as the continued optimisation of the existing portfolio through refurbishments, capital works and improving customer experience such as online pick up bays.

Investore currently expects to pay a cash dividend of 7.90 cents per share for FY23, in accordance with Investore's policy of paying between 90 and 100% of distributable profit.

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



Mike Allen

Mike Allen
Independent Director and Chair of the Board

Board of Directors



Mike Allen

**Chair of the Board
Independent, Non-Executive Director**
Appointed 9 June 2016, last elected 2019

Mike has considerable governance experience and is currently a director of Taumata Plantations Limited and Chair of QuayStreet Asset Management. Prior to his governance career, he had an executive career in investment banking and general management experience in New Zealand and the United Kingdom.



Gráinne Troute

**Chair of the Audit and Risk Committee
Independent, Non-Executive Director**
Appointed 19 April 2018, last elected 2021

Gráinne has over 30 years' experience in listed and unlisted organisations, in highly competitive and customer-focussed sectors, including McDonald's New Zealand and SKYCITY Entertainment Group. Gráinne is currently a director of Tourism Holdings Limited, and Summerset Group Holdings Limited, and is Chair of Tourism Industry Aotearoa.



Adrian Walker

Independent, Non-Executive Director
Appointed 3 April 2020, last elected 2020

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



Tim Storey

SIML Nominee and Non-Executive Director

Tim has more than 30 years of experience across a range of business sectors, and has practised as a lawyer in Australia and New Zealand. Tim was a partner in the Bell Gully partnership, having retired in 2006, and is Chairman of Stride Property Limited, Stride Investment Management Limited and ASX listed LawFinance Limited.



John Harvey

SIML Nominee and Non-Executive Director

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



Emma McDonald

Future Director

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

Manager's Report

Dear Investors,

Stride Investment Management Limited (SIML) is proud to continue to manage the business of Investore, in what has been another challenging year, due to the impact of COVID-19 lockdowns as well as the external factors that have influenced FY22.

On behalf of Investore, SIML was very pleased to have successfully completed the acquisitions of 4 Carr Road, Mt Roskill, Auckland, and Countdown, Petone, Wellington, during FY22 for a total purchase price of \$73.3 million. In addition, Investore has a conditional agreement to acquire a further property, at Waimak Junction, Kaiapoi, for \$10.5 million. SIML's development team has been active in preparing for the development of this property, as well as ensuring that the cost of development is supported by the returns that Investore can expect to achieve from the project. The first stage of development, being the Countdown supermarket, will be a high quality, sustainable development, targeting a minimum 4 star Green Star Design & As Built rating, with a long WALT¹ on completion of construction.

SIML also continues to actively manage and optimise Investore's existing portfolio, by collaborating with tenants to add value to Investore's existing assets through improving customer accessibility, efficiency, and visitation experience. The increased customer visitation resulting from improved customer amenities not only benefits that

individual store and generates additional turnover – and by extension contributes to Investore's performance – but also benefits other tenants located in the centre, as customers visit other stores whilst they are picking up their groceries or hardware.

Consistent with this objective, SIML undertook a number of store refurbishment and capital upgrade works during FY22, driving customer visitation and adding value to the portfolio. Examples of these works include capital upgrade works by way of new drive-through pick up bays and re-roofing for Countdown Invercargill, external refurbishment of Countdown Browns Bay, and refurbishment programmes undertaken for Bunnings Hamilton, Bunnings Rotorua and Bunnings Palmerston North. Major capital works and refurbishment planning is currently underway for Countdown Highland Park, which SIML will progress in conjunction with Countdown during FY23.

On behalf of Investore, during FY22 SIML negotiated 76 rent reviews which resulted in a 2.9% increase to previous rentals. Of these, nearly half (37) were CPI linked reviews, which on average resulted in a 5.0% increase on prior rentals.

In addition, SIML completed a number of COVID-19 rent abatement negotiations with tenants across the portfolio totalling \$0.7 million, after the Government mandated that commercial landlords abate a fair proportion of rent if a tenant was unable to trade due to COVID-19 lockdown restrictions.

SIML was very pleased to have successfully managed the issue of \$125 million of 5 year senior secured fixed rate bonds in February 2022, which, in conjunction with the refinance of \$70 million of debt facilities in September 2021, resulted in a lower overall debt cost for Investore against a backdrop of rising interest rates.

As Manager, we continue to be very proud to support Investore in its strategic objectives, and will continue to progress Investore's strategy of growth through acquisitions that complement Investore's portfolio while also continuing to optimise the existing portfolio through value add works, maximising distributions and total returns to shareholders over the medium to long term.

Thank you for your continued support of Investore and SIML as Manager.



Philip Littlewood

Chief Executive Officer
Stride Investment Management Limited



Fabio Pagano

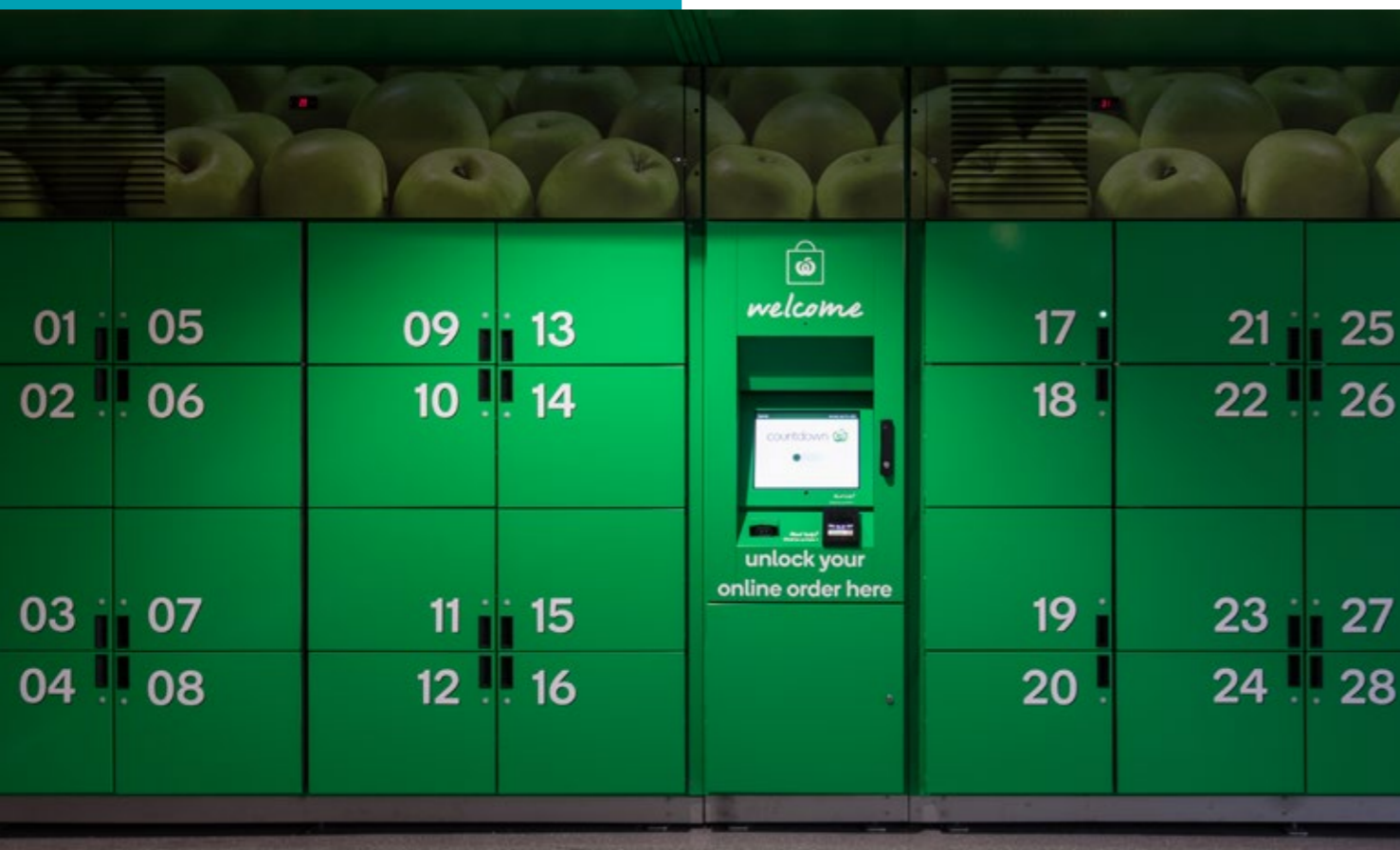
Investore Fund Manager
Stride Investment Management Limited



Philip Littlewood



Fabio Pagano



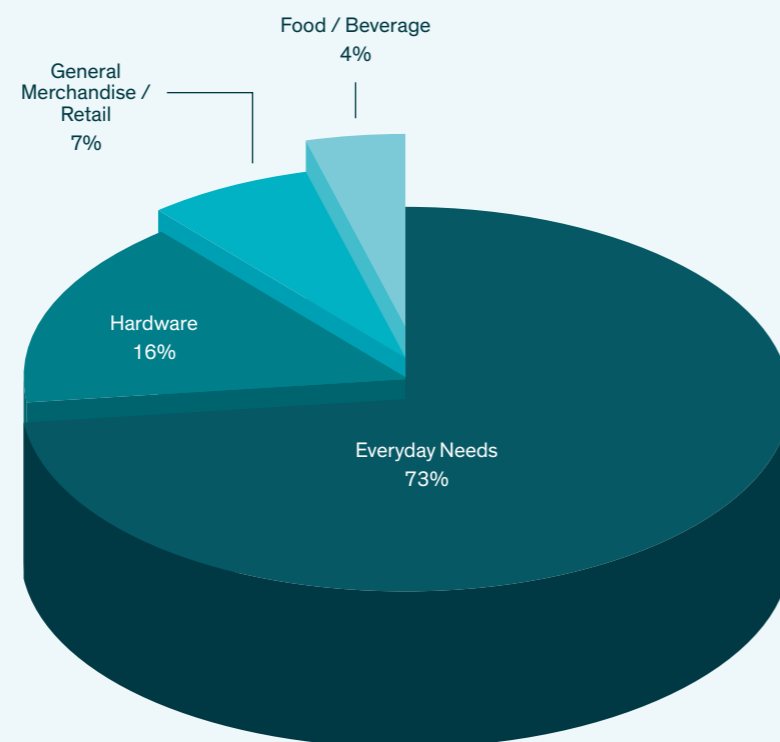
1. See glossary on page 100.

Portfolio Overview

Investore's portfolio shows a level of resilience in the current environment, with its long WALT¹, high concentration of tenants that provide essential services and focus on tenants that tend to be resilient in a recessionary environment, such as grocery and hardware stores.

	As at 31 March 2022	As at 31 March 2021
Number of properties	44	43
Number of tenants	143	130
Net lettable area (NLA) (sqm)	249,829	246,272
Net Contract Rental ¹ (\$m)	60.2	57.1
WALT ¹ (years)	9.1	9.8
Market capitalisation rate (%)	4.81	5.23
Occupancy rate by area	99.7	99.1
Portfolio value (\$m)	1,201.3 ²	1,037.9 ³

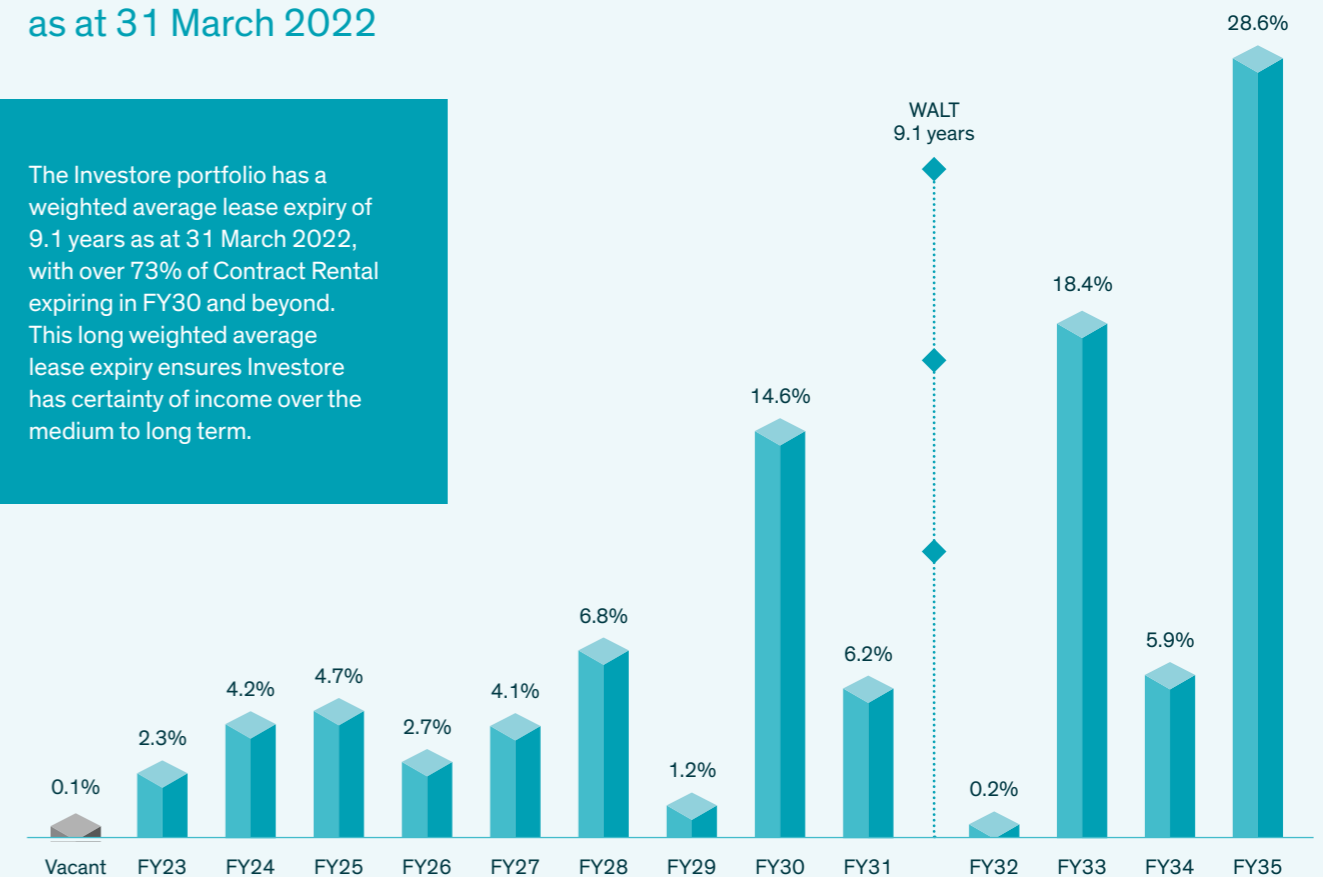
Portfolio Tenant Classification by Contract Rental¹ as at 31 March 2022



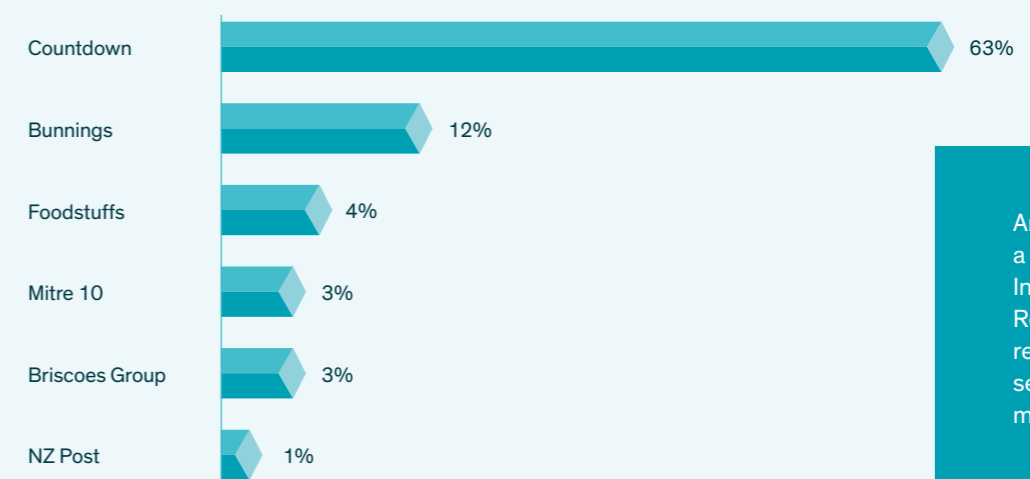
1. See glossary on page 100.
 2. Portfolio value as at 31 March 2022 excludes (1) seismic works (\$3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020; and (2) lease liabilities.
 3. Portfolio value as at 31 March 2021: (1) excludes seismic works and rental underwrites (total \$7.1 million) to be completed by SPL in relation to the three properties acquired from SPL; (2) excludes lease liabilities; (3) includes 35 MacLaggan Street, Dunedin, which was held as property intended for sale.
 4. Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the entire portfolio as at 31 March 2022 as a percentage of Contract Rental.

Lease Expiry Profile⁴ by Contract Rental¹ as at 31 March 2022

The Investore portfolio has a weighted average lease expiry of 9.1 years as at 31 March 2022, with over 73% of Contract Rental expiring in FY30 and beyond. This long weighted average lease expiry ensures Investore has certainty of income over the medium to long term.



Anchor Tenant Classification by Contract Rental¹ as at 31 March 2022



Anchor tenants represent a high proportion (87%) of Investore's total Contract Rental. These high quality, resilient tenants provide security of income in varying market conditions.

Note: Numbers in charts may not sum due to rounding

Targeted Growth

One of Investore's key strategic pillars is to undertake considered acquisitions and developments which deliver growth, while continuing to enhance geographical and/or tenant portfolio diversification, and where appropriate, consider disposals to maintain balance sheet capacity and optionality. Investore also looks to develop existing properties to meet the needs of tenants and the surrounding catchment, focussing on increasing rental returns from the portfolio.

Investore's portfolio of 44 properties is valued in excess of \$1.2 billion, a valuation increase of 8.2% in FY22.

\$1.2 billion total portfolio value¹

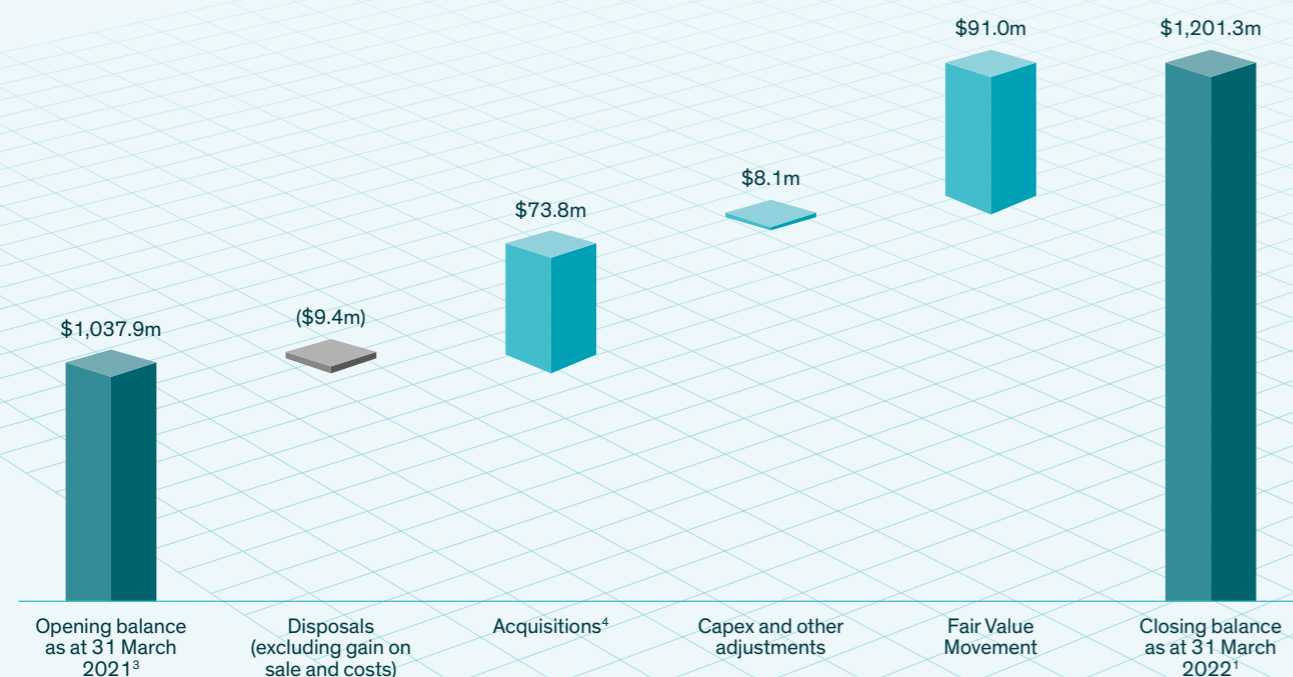
9.1 years WALT²

99.7% portfolio occupancy by area

4.81% average market capitalisation rate

- Portfolio value excludes (1) the seismic works (\$3.0m) to be completed by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020; and (2) lease liabilities.
- See glossary on page 100.
- Portfolio value as at 31 March 2021: (1) excludes seismic works and rental underwrites (total \$7.1 million) to be completed by SPL in relation to the three properties acquired from SPL; (2) excludes lease liabilities; (3) includes 35 MacLaggan Street, Dunedin, which was held as property intended for sale.
- Includes the acquisitions of Countdown, Petone for \$37.3m, 4 Carr Road, Mt Roskill for \$36.0m and an adjoining unit to Countdown, Meadowbank for \$0.6m, to be used as a shopping trolley bay for Countdown.

FY22 Portfolio Valuation Movement



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

Acquisitions and developments

Investore actively pursues opportunities to grow its portfolio, with such growth undertaken in a disciplined manner so as to ensure value to shareholders.

Recent acquisitions:

- ✓ Are earnings accretive
- ✓ Provide secure income for shareholders
- ✓ Increase Investore's exposure to high quality, resilient tenants
- ✓ Are located in major urban centres

Investore successfully completed the following key acquisitions during FY22:

- Countdown, Petone, Wellington, acquired in May 2021 for \$37.3 million, with a WALT of 11 years at the time of acquisition
- 4 Carr Road, Mt Roskill, Auckland, acquired in August 2021 for \$36.0 million, with a WALT of 10 years at the time of acquisition

The property acquired by Investore at 4 Carr Road is located beside an existing Investore property at 2 Carr Road, Mt Roskill, tenanted by Bunnings. The combination of these two properties will enable Investore to maximise site efficiency and also provides future opportunities, being 3.85ha of prime central Auckland commercial real estate.

Investore has also secured a conditional agreement to acquire development land at Waimak Junction, Kaiapoi, with an acquisition price of \$10.5 million. This acquisition remains conditional on receipt of final resource consent conditions. This property provides a strong development pipeline for Investore, providing further growth potential, with the first stage of the development, comprising construction of a Countdown supermarket together with associated infrastructure, expected to commence in July 2022. The projected yield on cost of the Stage 1 development (including the Stage 1 land cost) is approximately 5%.

Investore will consider divestments where it considers this appropriate for strategic portfolio reasons and to maintain balance sheet capacity. In August 2021 Investore sold the property at 35 MacLaggan Street, Dunedin, for \$10.2 million. The lease of this property was coming to an end and Investore was able to negotiate an attractive price, representing an 8.5% premium to the property's most recent valuation at the date of sale.

2 & 4 Carr Road, Mt Roskill, Auckland



Growing and developing the existing portfolio

Investore continually seeks opportunities to add value to its existing portfolio, including through collaborating with key tenants to undertake capital projects that improve 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. These projects may also lead to an increase in lease tenure, adding value to Investore's portfolio.



Countdown, Invercargill

Investore has completed capital upgrade works at Countdown, Invercargill, including a roof replacement and store expansion to deliver a dedicated online pick up operation, as well as new drive-through customer pick up bays. In conjunction, Countdown is completing a comprehensive internal upgrade of the store, with the fully refurbished store expected to be operational by the middle of 2022.

Countdown, Highland Park

Investore has agreed with Countdown to expand the customer amenity at Countdown, Highland Park, Auckland. This expansion will include new parking areas, improved customer access ways and a dedicated online pick up area. Investore expects to receive a rental return of 5.5% per annum on the cost of the upgrade works, with Countdown to commit to a longer lease term on completion of the works.

Bunnings, Rotorua

Capital upgrade works were completed at Bunnings, Rotorua in January 2022, including LED lighting upgrades, installation of a trade office, refresh of existing amenities and construction of canopies over external areas such as the building materials and landscape area and timber trade store entry. These improvement works will deliver a 6.25% per annum return over the term of the lease and a long term lease commitment.

Countdown, Browns Bay

This store was refurbished through a joint project by Investore and Countdown as tenant. Investore completed upgrades of the interior infrastructure and exterior of the store, including replacing the roof. In conjunction, Countdown undertook a full interior store refurbishment, including installing a dedicated online pick up room. The collaboration between Investore and Countdown has resulted in an attractive and revitalised store.

Strategically Located Portfolio

Investor's properties are:

- ✓ Well-located, close to or within residential communities
- ✓ On large sites
- ✓ With relatively low site coverage

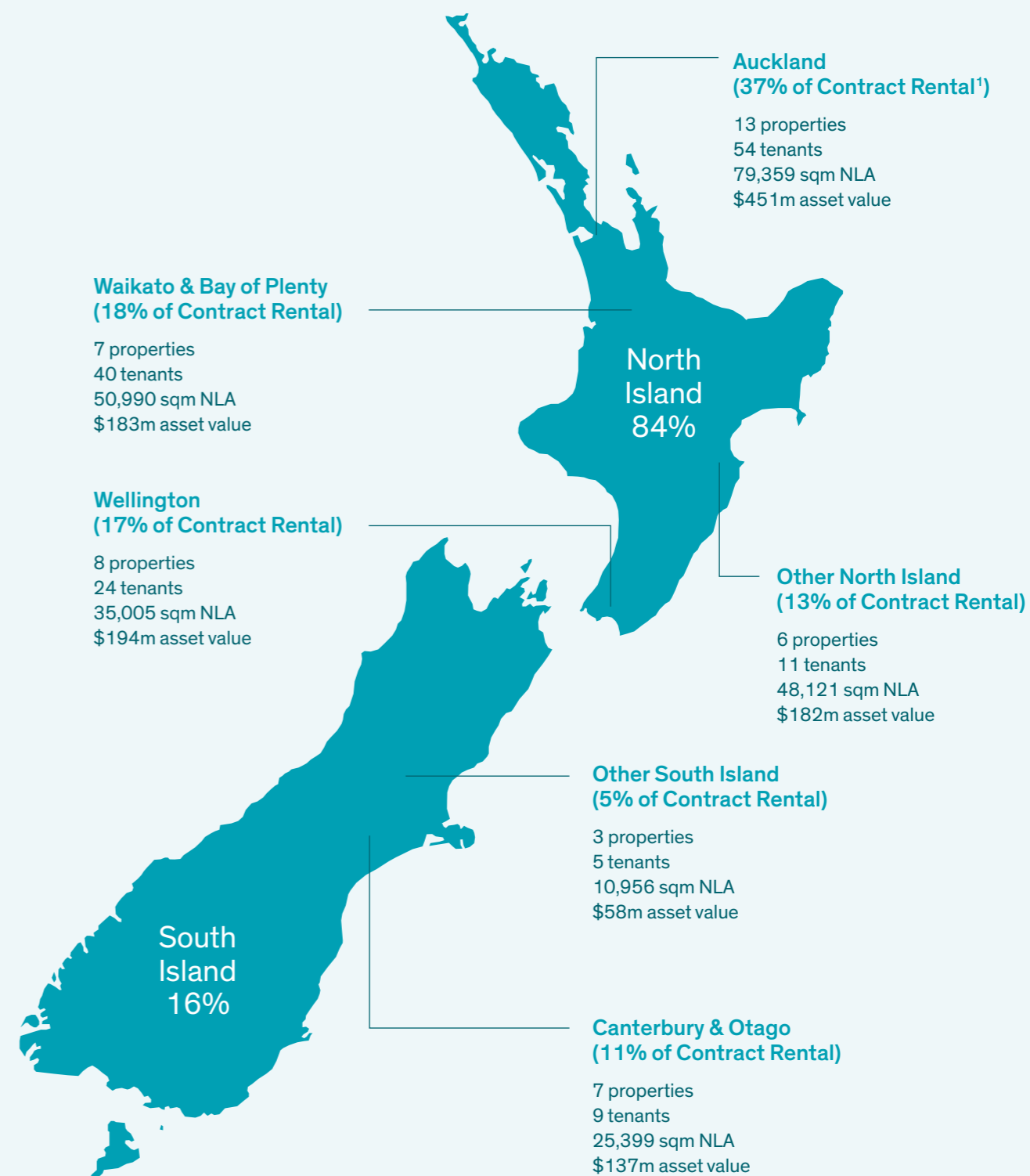
In growing its portfolio, Investore has focussed on properties located in areas which are highly populated, or which have strong population growth. This ensures ongoing demand for its properties, given its focus on tenants which provide "everyday needs" and therefore rely on strong customer visitation. Since 2019, Investore has acquired properties in Auckland, Tauranga, Rotorua, Wellington and the Christchurch region, and has sold the MacLaggan Street property located in Dunedin South.

Ideally located for "last mile logistics"

The locations of Investore's properties mean that they are well suited to support last mile logistics, which is the final distance in e-commerce when delivering to the customer. This final distance tends to be the most expensive in the distribution model, either because it is in a densely populated, congested area for delivery vehicles or because it is in a region that is remote and costly to access.

By having stores in these strategic locations, Investore ensures that its sites are ideally suited for serving customers through both traditional physical channels and fulfilling online orders, whether through pick up or delivery. We believe the store-based fulfilment model (where online orders are met by local stores) will remain the predominant model for online grocery fulfilment in New Zealand due to the relatively low population densities, large travel distances and established existing supply chains. Investore expects this to result in continued demand for its stores, to serve customers in store and online.

Meeting online orders through strategically located stores, utilising both pick up and home delivery, enables our tenants to meet the needs of their customers, while also minimising costs and reducing delivery times for customers. Investore continues to invest in ensuring its stores have the infrastructure needed to support its tenants to meet the demand for online sales, with 57% of Investore's supermarket stores now having dedicated pick up services. A further 12 locations are planning to expand online pick up services during FY23.



Note: Numbers in charts may not sum due to rounding

1. See glossary on page 100.

Rental Growth

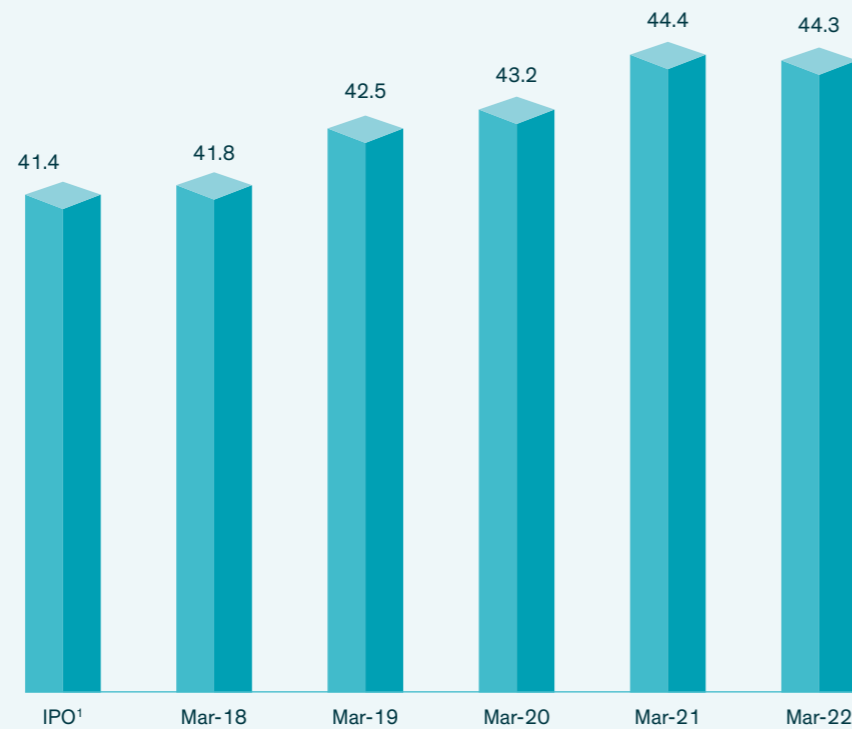
Growth in income for Investore comes from three main sources: rental growth, growth in Countdown turnover rental, and acquisition and enhancement of properties.

Investore has focussed on improving overall portfolio performance through accretive acquisitions and maximising rental growth of its existing portfolio.

Since listing in 2016, Investore has delivered like-for-like portfolio rental growth of 1.7% per annum from the IPO¹ to March 2022 (2.0% per annum to March 2021). Transaction activity since listing has been growth focussed, with a 2.7% annual rental growth rate across assets acquired since listing and held for a complete financial year in FY22. In contrast, Investore has disposed of properties with lower rental growth profiles, with a rental growth rate across assets divested after listing of 0.6% per annum (IPO¹ to March 2022).

A higher inflationary environment, which New Zealand is currently experiencing, is expected to benefit Investore through higher moving annual turnover (MAT) growth driving incremental turnover rental, supported by continued portfolio investment activities.

Rolling 12 month Portfolio Rent (like-for-like) (\$m)



1. IPO is defined as the date from which Investore acquired its IPO portfolio of 39 properties (including the SCA portfolio acquired after the date of the IPO) (IPO Portfolio). Portfolio rent is calculated as the rolling 12 month portfolio rent based on the IPO Portfolio and excluding divestments since the IPO.

2. See glossary on page 100.

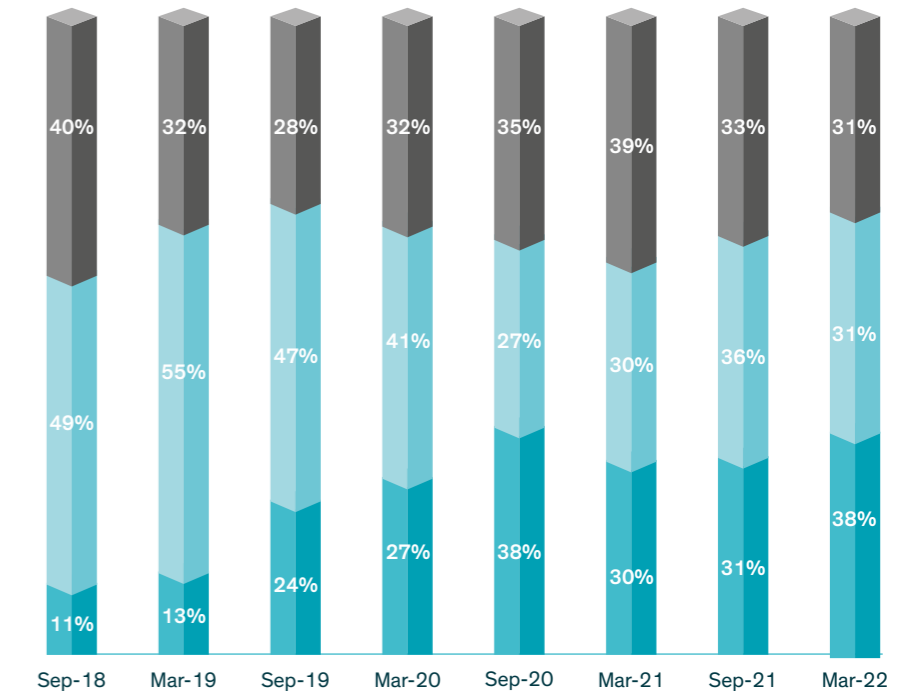
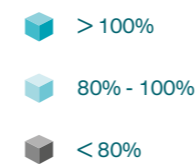
3. Moving annual turnover (MAT) is based on thresholds set in July 2016. Rolling 12 month MAT compared to historical MAT thresholds.

Countdown leases (which comprise 63% of portfolio net Contract Rental²) contain turnover rental mechanisms under which additional “turnover rent” is paid when MAT at a store exceeds a specified threshold. The threshold is generally reviewed every five years. When MAT is higher than the threshold at review dates, the base rent is increased to reflect the growth in turnover and the turnover threshold is set at a higher level.

Based on the original turnover thresholds (i.e. excluding any resets that have occurred since 2016), as at 31 March 2022:

- Approximately 38% of the current portfolio would earn turnover income in 2022, up from 11% in 2018
- 69% of the portfolio is higher than 80% of turnover thresholds, up from 60% in 2018. As turnover increases, a store is more likely to commence paying turnover rent, and accordingly Investore tracks stores that are within 80 to 100% of the turnover rent threshold

Current Portfolio Turnover Mix (weighted by MAT³)



Proactive Capital Management

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

During FY22 Investore has focussed on ensuring it is well placed to manage the risks of a rising interest rate environment. Key transactions included:

- \$125 million of 5 year senior secured fixed rate bonds issued in February 2022 at a 4.00% per annum fixed interest rate
- \$70 million of debt facilities refinanced in September 2021 for an additional 12 months to August 2023
- \$20 million of new hedging entered into in FY22

4.00%

IPL030 bond fixed interest rate, reflecting a 1.15% per annum issue margin, the lowest ever issue margin for an unrated New Zealand issuer at the time

3.77%

Weighted average interest rate as at 31 March 2022, down from 4.04% as at 31 March 2021

100%

Debt that is hedged or subject to a fixed interest rate

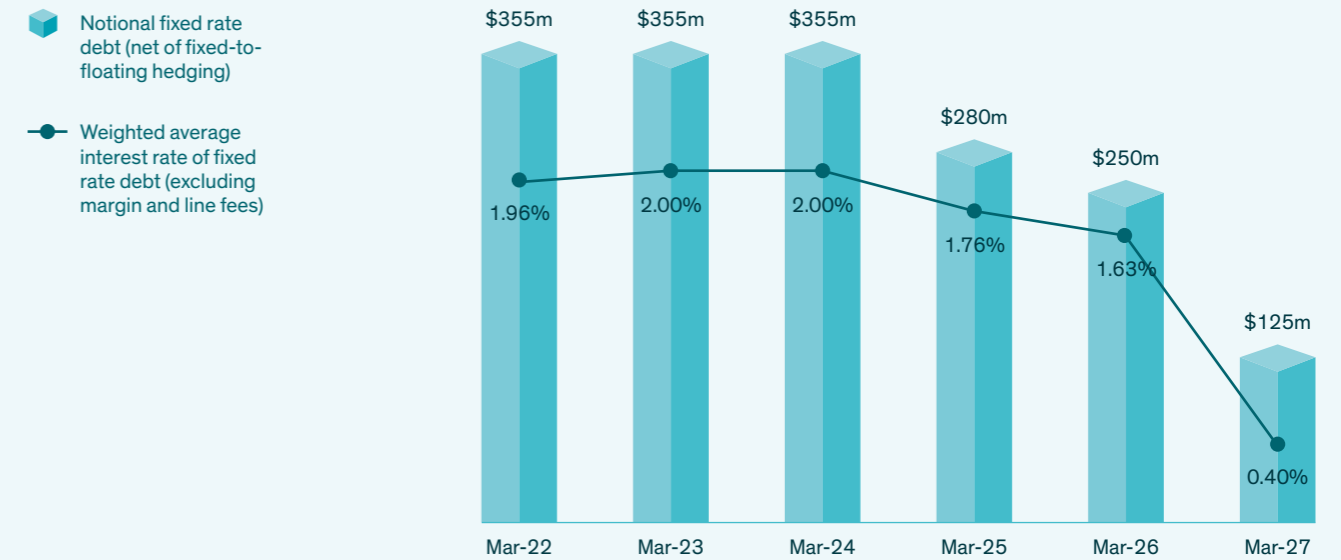
3.7 years

Weighted average maturity of debt facilities as at 31 March 2022, slightly down from 3.8 years as at 31 March 2021

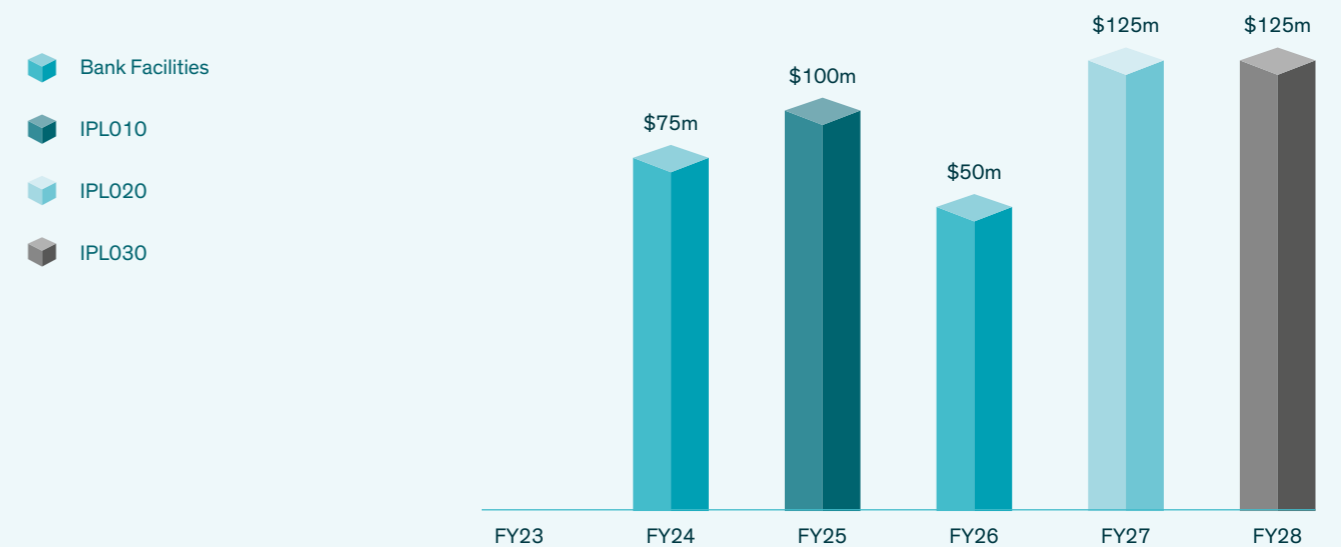
FY24

Next debt maturing

Fixed Rate Interest Profile as at 31 March 2022



Debt Maturity Profile as at 31 March 2022



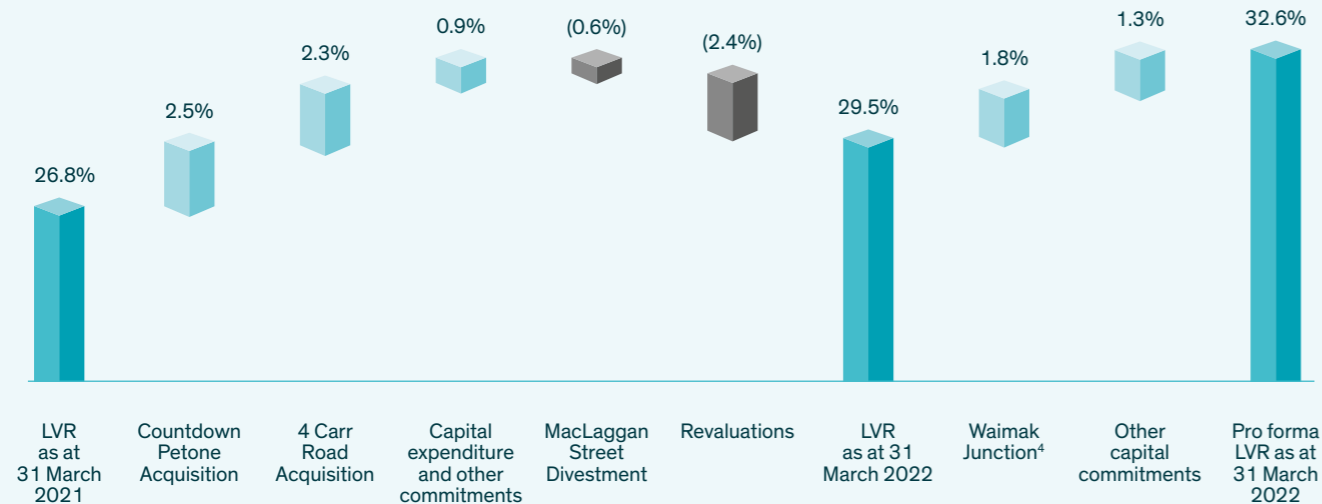
Key Debt Metrics

	As at 31 March 2022	As at 31 March 2021
Facility limit (\$m)	475	476
Debt facilities drawn (\$m)	355	280
Weighted average debt maturity (years)	3.7	3.8
LVR ¹ (%) (Covenant: ≤65%)	29.5	26.8
Weighted average interest rate (%)	3.77	4.04
Interest cover ratio (Covenant ≥1.75x)	3.7x	3.1x
WALT ² (years) (Covenant: > 6.0 years)	9.0	9.7
% of drawn debt fixed	100	100
Weighted average fixed rate maturity (years) ³	4.0	3.9

Investore has a relatively low loan to value ratio of 29.5% as at 31 March 2022, with debt facility headroom of \$120 million, providing Investore with capacity to continue its growth strategy. Taking into consideration Investore's committed capital expenditure, including the acquisition of the property at Waimak Junction and development of Stage 1 of that property (\$32.6 million), as well as capital projects committed across the existing portfolio of \$22.7 million, this would result in an LVR of 32.6% (on a pro forma 31 March 2022 basis), leaving Investore with undrawn debt facilities of \$65 million.

1. See glossary on page 100.
2. The unexpired lease term in a property or portfolio, assuming the property or portfolio is fully leased. This is weighted by the income applicable to each lease and a current market rental with nil term for vacant space.
3. Includes bonds and interest rate swaps.
4. Represents the purchase price for Waimak Junction, plus the expected cost of Stage 1 of the development. This acquisition remains conditional.

Loan to value ratio



Climate-related Disclosures

Ensuring the future of a sustainable business is important to Investore and the Board. The Board is focussed on adapting its portfolio for a sustainable future and meeting the challenges of climate change.

As with other aspects of the management of Investore's business, Investore works closely with its Manager, SIML, in relation to sustainability and climate risk, and aligns its approach with that taken by Stride Property Group (Stride). During FY22, work undertaken has included completion of the first formal climate risk assessment, gathering greenhouse gas emissions data and preparing to commence the Green Star performance rating process for aspects of the Investore portfolio.

Investore is committed to completing the Global Real Estate Sustainability Benchmarking (GRESB) assessment process, which benchmarks Investore's sustainability performance against a peer group in the Asia Pacific region. Investore is committed to understanding and improving its sustainability performance against its peers, and completing the GRESB assessment process annually will assist in that regard.

This section of the Annual Report provides disclosures against the overall framework of the Taskforce on Climate-related Financial Disclosures, intended to assist investors with understanding how Investore assesses and responds to climate risk in its business.

Governance

During FY22 the Board considered the appropriate structure for overseeing sustainability matters for Investore and resolved that responsibility should remain with the whole Board. This is due to the smaller size of the Board, along with the fact that sustainability considerations impact on all areas of the Investore business, particularly the strategic decisions that are the responsibility of the Board.

The Board amended the Investore Board Charter to clarify that the Board's responsibilities include setting and monitoring Investore's sustainability policy and integrating environmental and social principles into the governance of Investore. The Charter also sets out Investore's commitment to sustainability. The Charter can be found in the Corporate Governance Documents section of the Investore website, www.investoreproperty.co.nz.

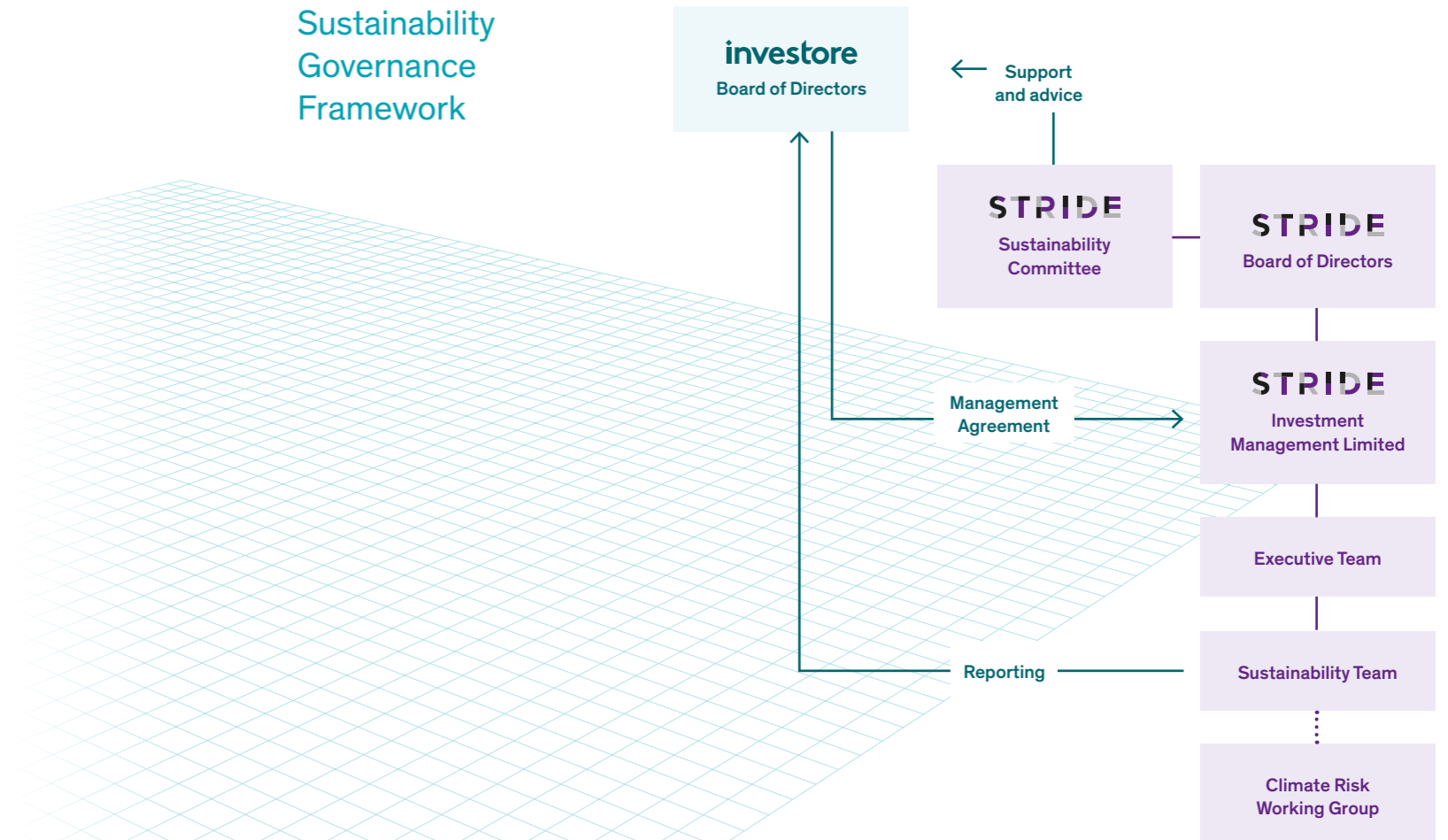
As described elsewhere in this report, Investore has appointed SIML to manage the business of Investore. Accordingly, while the Investore Board has primary responsibility for the governance of sustainability matters, Investore relies on SIML to assist with execution of Investore's strategic sustainability initiatives. The SIML Board has established a Board Sustainability Committee to oversee sustainability activities within Stride, and this Committee provides support and advice to the Investore Board.

Day to day responsibility for implementing strategic initiatives related to climate risk and sustainability sits with the SIML executive team. The SIML sustainability team reports to the General Manager Corporate Services, who is a member of the SIML executive team and reports directly to the CEO.

During the year, SIML established a climate risk working group to provide input on the 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 governance structure for climate risk is set on the following page.

Sustainability Governance Framework



Climate-related Disclosures



Climate Risk Management

During FY22 a climate risk working group was formed by SIML to assess the impact of climate risk on the business of Stride and its managed entities, including Investore. The working group considered climate risk under two scenarios – a low carbon scenario and a business as usual scenario.

Under the low carbon scenario, 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). In the business as usual scenario, on the other hand, 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).

In assessing the risks posed to Investore's business and strategy under each scenario, 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 SIML.

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

Strategy

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

The Investore Board considers climate risk as part of the inputs to its overall strategic decision making. The Board has considered the impact of climate change on Investore's business and strategy, including through completion of a climate risk assessment, which is described in this section of the Annual Report, and plans to undertake further work in this area during FY23.

Climate Change Risks and Opportunities

During FY22 the first formal climate risk assessment for Investore was undertaken. The process identified that climate transition risks have more impact in the low carbon scenario, where the focus on reducing carbon is much greater in the short term, while physical risks are more likely to occur and will be more severe under the business as usual scenario, where climate change has more impact on assets and people.

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.

Managing the impacts of climate risk is necessarily integrated with Investore's business practices, and particularly asset life cycles, to ensure that climate risk decisions align with business requirements and the longer-term nature of the property assets which form the basis for Investore's business strategy.

In preparing the climate risk assessment, Investore adopted the following timeframe:

Short timeframe: To 2025

Medium timeframe: 2026-2035

Long timeframe: 2036-2050

These timeframes were chosen because they align with Investore's business cycles and the life of Investore's properties, with Investore's business planning based on a 10 year cycle.

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

Low Carbon Scenario – Less than 2°C

Climate transition issues are more material in the low carbon scenario, where the short term focus is on reducing carbon, 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
Market and technology - Increasing expectation of stakeholders and 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	<ul style="list-style-type: none"> Increased demands from tenants to upgrade buildings to be more energy efficient, resulting in increased capital expenditure Increasing expectation from tenants and customers that electric vehicle infrastructure is provided, requiring additional capital expenditure 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 	Short / medium timeframe Moderate risk	<p>Investore will develop properties to a Green Star standard, in order to ensure new properties meet the demands of tenants</p> <p>Investore is also preparing to obtain a Green Star Performance rating for two portfolios of properties – (1) hardware and (2) select supermarkets</p> <p>Investore expects to set emissions reduction targets during FY23</p>
Policy and legal changes - Increasing standards for buildings, including embodied carbon assessments and operational emissions assessments at the time of building consents; potential reduction in number of available carparks (which has been important for Investore's business)	<ul style="list-style-type: none"> More costly to develop buildings, due to the need to ensure buildings meet the required standards. Will tenants pay more for rent? There is currently an element of uncertainty around requirements for future building consents which can create risk for new construction which requires a long timeframe 	Short / Medium timeframe Moderate risk	Continue to monitor Building Act and consent amendments, and adapt as required
Increased urbanisation with move of population to main cities	<ul style="list-style-type: none"> Opportunity for well-located "everyday needs" assets to be more in demand as population grows in urban areas, supporting Investore's focus on well-located assets in key urban regions 	Medium timeframe Opportunity	Continue to focus on investing in sustainable assets in central urban locations that are likely to benefit from increasing urbanisation

Climate-related Disclosures

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, 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.

Investore considers the following physical risks to be the most material under the business as usual scenario.

Risks:


Increased frequency and severity of extreme weather events such as cyclones, storms, floods, and fire

Increase in sea level rise including greater sea surge events

Rising temperatures

Increased water scarcity

Physical risks

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Increase in sea level rise including greater sea surge events	<ul style="list-style-type: none"> Asset values reduce, or useful life of the 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 as a result of risk to inventory and potential closures due to sea surge or inundation Increased costs of maintenance and repair due to damage from sea and potentially 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 The response to this risk will be further informed by individual property risk assessments to be undertaken during FY23

Risk	Impact	Timeframe and preliminary risk rating	Response / Next Steps
Rising temperatures	<ul style="list-style-type: none"> Increased operating costs due to cooling are borne primarily by tenants, however Investore will bear increased operating costs for properties with common areas Tenants may demand more energy efficient properties due to increased costs of cooling, or this may impact on the amount they can afford to pay in rent, thus impacting capital expenditure or income for Investore 	Medium timeframe  Moderate risk	The need to future proof for rising temperatures is considered as part of capital upgrades across the portfolio The response to this risk will also be further informed by individual property risk assessments to be undertaken during FY23
Increased water scarcity from more and/or longer drought events, less rainfall, change in seasons (longer summers, shorter winters)	<ul style="list-style-type: none"> Increased operating costs from greater water consumption due to increased heat and an increase in the price of water will primarily be borne by Investore's tenants Increased operating costs, including higher water costs, may impact the amount that tenants are prepared to pay for rent for premises, thus impacting Investore's business 	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, and fire	<ul style="list-style-type: none"> 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 Investore's properties, if Investore 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

During FY23 Investore intends to:

- Further refine its risk assessment and take steps to quantify the impact of each risk and opportunity, as well as define metrics that will assist with monitoring each risk
- Assess the impact of climate risk on individual properties which will enable development of an adaptation plan and transition plan for Investore

Climate-related Disclosures



Risk Response

The Investore Board understands that climate risk must be considered as part of business strategy. Examples include:

- Investore intends to seek a Green Star Performance rating for two portfolios of Investore properties – all hardware stores and select standalone Countdown stores. Investore has consulted with the tenants of these stores in relation to its intention and has obtained their support for this approach. As Investore's properties tend to primarily be single tenant properties, with little or no common areas, Investore considers that it is essential to work collaboratively with tenants on a climate risk response.
- Investore is targeting a minimum 4 star Green Star Design & As Built rating for the new Countdown supermarket to be built on the land Investore intends to acquire at Waimak Junction. This property will assist Investore in meeting its climate risk response objectives. Investore works collaboratively with its tenants in developing designs for new properties, and will work with tenants on climate initiatives for new or refurbished properties.

Countdown, Petone



Metrics and Targets

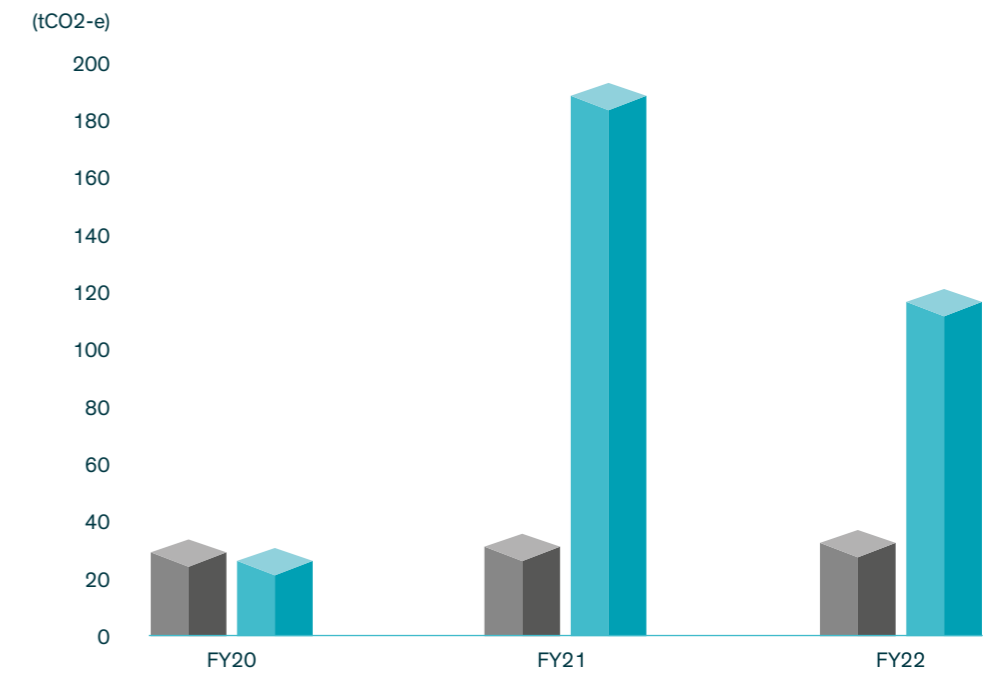
With the assistance of its manager, SIML, Investore has been collecting greenhouse gas (GHG) emissions data to enable Investore to understand its Scope 1 and 2 GHG emissions. Investore is also working with tenants to obtain information relating to their emissions, which are Scope 3 emissions for Investore.

Scope 3 emissions will be significantly greater than Scope 1 and 2 emissions and therefore to make a material reduction in emissions Investore recognises that it will need to work with tenants to achieve a reduction in Scope 3 tenant emissions. Investore has commenced that process through having initial discussions with some of its key tenants, including Countdown, Bunnings and Mitre 10.

Investore's Scope 2 emissions increased materially in 2021 due to the acquisition of two properties that have common area electricity consumption, being Mt Wellington Shopping Centre and Bay Central Shopping Centre. The reduction in emissions for FY22 is a result of the Auckland lockdowns during the latter part of the 2021 calendar year, when common area electricity consumption reduced significantly. This data provides Investore with a basis on which to better understand its emissions, which will assist with setting emissions reduction targets during FY23.

Scope 1 & 2 Emissions (tCO2-e)

- Scope 1
- Scope 2



Financial Summary

Investore is pleased to present its five year financial summary table, enabling investors to understand trends for key financial metrics.

Countdown, Petone



Financial Summary

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

	2022	2021	2020	2019	2018
Five Year Financial Summary	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Net rental income	58.3	55.8	48.1	47.4	44.2
Profit before net finance expense, other income/(expense) and income tax ¹	48.3	46.6	40.6	41.4	38.7
Net finance expense	(14.0)	(16.6)	(13.9)	(14.4)	(11.9)
Profit before other income/(expense) and income tax ¹	34.3	29.9	26.7	27.0	26.8
Other income/(expense)	91.5	139.0	7.7	17.1	26.1
Profit before income tax	125.8	169.0	34.4	44.1	52.9
Income tax expense	(7.6)	(7.7)	(5.8)	(5.5)	(6.7)
Profit after income tax	118.2	161.3	28.6	38.6	46.2
Basic earnings per share - weighted	32.1 cents	44.60 cents	10.40 cents	14.78 cents	17.64 cents
Distributable profit before income tax ²	34.8	33.1	26.3	26.3	26.0
Distributable profit after income tax	29.9	29.1	21.1	20.9	20.5
Basic distributable profit after income tax per share - weighted	8.11 cents	8.05 cents	7.66 cents	8.01 cents	7.85 cents
Investment properties value	1,201.3 ³	1,037.9 ⁴	761.4	761.2	738.3
Drawn debt facilities and bonds	355.0	280.0	238.4	318.5	307.4
Borrowings loan to value ratio	29.5% ⁵	26.8% ⁶	31.3%	41.8%	41.6%
NTA per share	\$2.32	\$2.08	\$1.73	\$1.70	\$1.64
Adjusted NTA per share ⁷	\$2.32	\$2.08	\$1.74	\$1.71	\$1.64

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

- Profit before net finance expense, other income/(expense) and income tax and Profit before other income/(expense) and income tax are non-GAAP measures and have been presented to assist investors in understanding the different aspects of Investore's financial performance.
- Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 3.2 to the consolidated financial statements.
- Excludes lease liabilities and \$3.0 million of seismic work to be funded by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020.
- Excludes lease liabilities and the seismic work and rental underwrites (total \$7.1 million) to be funded by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020 and includes 35 MacLaggan Street, Dunedin, which was held as property intended for sale at \$9.4 million.
- Excludes lease liabilities and includes \$3.0 million of seismic works to be funded by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020.
- Excludes lease liabilities and includes the seismic works and rental underwrites (total \$7.1 million) to be funded by SPL in relation to the three properties acquired from SPL and settled on 30 April 2020.
- Excludes after tax fair value of interest rate derivatives.

Consolidated Financial Statements

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Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Gross rental income		67,923	64,514
Direct property operating expenses		(9,649)	(8,701)
Net rental income	2.1	58,274	55,813
Less corporate expenses			
Asset management fee expense	4.0	(5,736)	(4,965)
Performance fee expense	4.0	(1,667)	(2,076)
Administration expenses		(2,561)	(2,183)
Total corporate expenses		(9,964)	(9,224)
Profit before net finance expense, other income/(expense) and income tax		48,310	46,589
Finance income		167	4
Finance expense		(14,212)	(16,644)
Net finance expense	5.3	(14,045)	(16,640)
Profit before other income/(expense) and income tax		34,265	29,949
Other income/(expense)			
Net change in fair value of investment properties	2.2	91,017	139,287
Gain on disposal of investment property	1.7	576	-
Loss on rental guarantee		-	(294)
Net change in fair value of derivative financial instruments	5.2	(52)	24
Profit before income tax		125,806	168,966
Income tax expense	7.3	(7,639)	(7,706)
Profit after income tax attributable to shareholders		118,167	161,260
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	5.5	9	3,051
Total comprehensive income after tax attributable to shareholders		118,176	164,311
Basic and diluted earnings per share (cents)	3.1	32.10	44.60

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	Cents per share	Number of shares 000	Share capital \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Total \$000
Balance 31 Mar 21			368,135	558,293	207,024	357	765,674
Transactions with shareholders:							
Q4 2021 final dividend		1.900	-	-	(6,995)	-	(6,995)
Q1 2022 interim dividend		1.975	-	-	(7,271)	-	(7,271)
Q2 2022 interim dividend		1.975	-	-	(7,271)	-	(7,271)
Q3 2022 interim dividend		1.975	-	-	(7,271)	-	(7,271)
Total transactions with shareholders			-	-	(28,808)	-	(28,808)
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		-	-	-	9	9
Total other comprehensive income			-	-	-	9	9
Profit after income tax			-	-	118,167	-	118,167
Total comprehensive income			-	-	118,167	9	118,176
Balance 31 Mar 22			368,135	558,293	296,383	366	855,042
Balance 31 Mar 20			304,499	455,641	73,744	(2,694)	526,691
Transactions with shareholders:							
Q4 2020 final dividend		1.900	-	-	(6,995)	-	(6,995)
Q1 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
Q2 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
Q3 2021 interim dividend		1.900	-	-	(6,995)	-	(6,995)
New shares issued			63,636	102,652	-	-	102,652
Total transactions with shareholders			63,636	102,652	(27,980)	-	74,672
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		-	-	-	3,051	3,051
Total other comprehensive income			-	-	-	3,051	3,051
Profit after income tax			-	-	161,260	-	161,260
Total comprehensive income			-	-	161,260	3,051	164,311
Balance 31 Mar 21			368,135	558,293	207,024	357	765,674

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		7,229	6,800
Trade and other receivables	7.4	872	451
Prepayments		629	286
Other current assets		1,562	1,172
		10,292	8,709
Investment properties classified as held for sale		-	9,400
		10,292	18,109
Non-current assets			
Investment properties	2.2	1,219,766	1,043,872
Deposit, prepayments and other payments on investment property	2.2	8,011	7,081
Derivative financial instruments	5.2	667	1,788
		1,228,444	1,052,741
Total assets		1,238,736	1,070,850
Current liabilities			
Trade and other payables	7.5	5,564	5,723
Current tax liability		948	734
Lease liabilities	2.3	78	55
Derivative financial instruments	5.2	134	498
		6,724	7,010
Non-current liabilities			
Borrowings	5.1	351,530	277,363
Lease liabilities	2.3	18,356	15,363
Deferred tax liability	7.3	6,958	4,540
Derivative financial instruments	5.2	126	900
		376,970	298,166
Total liabilities		383,694	305,176
Net assets		855,042	765,674
Equity			
Share capital		558,293	558,293
Retained earnings		296,383	207,024
Reserves	5.5	366	357
Equity		855,042	765,674

For and on behalf of the Board of Directors of Investore Property Limited, dated 18 May 2022:



Mike Allen
Chair of the Board

Gráinne Troute
Chair of the Audit and Risk Committee

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 \$000	2021 \$000
Cash flows from operating activities			
Gross rental received		67,224	64,003
Interest received		10	4
Swap break income/(expense)	5.2	157	(2,153)
Operating expenses		(17,759)	(15,235)
Performance fee expenses		(2,297)	(1,961)
Interest paid		(13,387)	(10,907)
Refinancing of bank borrowings		(116)	(448)
Bond issuance expenses		(1,582)	(1,418)
Income tax paid		(4,711)	(4,395)
Rental guarantee		-	(558)
Net cash provided by operating activities		27,539	26,932
Cash flows from investing activities			
Capital expenditure on investment properties		(5,040)	(4,710)
Acquisition of investment properties		(73,115)	(135,858)
Deposit, prepayments and other payments relating to portfolio improvement initiatives		(4,993)	-
Acquisition of other assets		(278)	-
Proceeds from disposal of investment properties		10,190	-
Net cash applied to investing activities		(73,236)	(140,568)
Cash flows from financing activities			
Proceeds from issuance of fixed rate bonds	1.7	125,000	125,000
Repayment of bank borrowings from bond proceeds	1.7	(125,000)	(118,650)
Drawdown of bank borrowings		85,100	137,250
Repayment of bank borrowings		(10,100)	-
Dividends paid		(28,808)	(27,980)
Lease liabilities payments		(66)	(65)
Proceeds from equity issue		-	105,000
Capital raising expenses		-	(2,348)
Repayment of bank borrowings from capital raise		-	(102,000)
Net cash provided by financing activities		46,126	116,207
Net increase in cash and cash equivalents held		429	2,571
Opening cash and cash equivalents		6,800	4,229
Closing cash and cash equivalents		7,229	6,800
Cash and cash equivalents at year end comprises:			
Cash at bank		7,229	6,800
Cash and cash equivalents at year end		7,229	6,800

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

Reconciliation of profit after income tax attributable to shareholders to net cash flows from operating activities			
	Notes	2022 \$000	2021 \$000
Profit after income tax attributable to shareholders		118,167	161,260
Add/(less) non-cash items:			
Movement in deferred tax	7.3	2,714	4,054
Current tax movement in cash flow reserve		-	(392)
Net change in fair value of investment properties		(91,017)	(139,287)
Gain on disposal of investment property		(576)	-
Spreading of fixed rental increases		(51)	(179)
Capitalised lease incentives		(51)	(86)
Lease incentives amortisation		36	20
Capitalised lease incentives - COVID-19 abatements		(216)	(857)
Lease incentives amortisation - COVID-19 abatements		158	126
Rental income abatement provision due to COVID-19		(24)	-
Movement in loss allowance	7.4	141	32
Borrowings establishment costs amortisation		865	683
Accrued interest movement in derivative financial instruments	5.2	(76)	(69)
Net change in fair value of derivative financial instruments	5.2	52	(24)
Loss on rental guarantee		-	294
Amortisation of swap break expenses		-	1,401
		30,122	26,976
Add/(less) activities reclassified from/(to) operating activities:			
Movement in working capital items relating to investing activities		214	1,006
Movement in working capital items relating to financing activities		-	1,441
Movement in borrowings/bond transaction costs classified as operating activities		(1,698)	(1,863)
		28,638	27,560
Movement in working capital:			
(Increase)/decrease in trade and other receivables		(421)	92
Increase in prepayments and other current assets		(733)	(178)
Increase/(decrease) in current tax liability		214	(351)
Decrease in trade and other payables		(159)	(191)
Net cash provided by operating activities		27,539	26,932

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

Notes to the Financial Statements

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1.0 General Information

This section sets out Investore'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 Investore Property Limited (the Parent) and its subsidiary Investore Property (Carr Road) Limited (the Subsidiary) (refer notes 1.7 and 7.6) (together referred to as Investore). The Parent is domiciled in New Zealand and is registered under the Companies Act 1993. The Parent is also an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

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

The financial statements were approved for issue by the Board of Directors of the Parent (the Board) on 18 May 2022.

1.2 Basis of preparation

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

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

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

1.3 New standards, amendments and interpretations

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 financial years beginning on or after 1 January 2023 based upon climate standards issued by the External Reporting Board (XRB). Investore'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. Investore 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 Fair value estimation

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

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

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

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

1.5 Significant accounting policies, estimates and judgements

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

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

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

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

1.0 General Information (continued)

1.6 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 Investore incurring additional rent abatement costs. For the year ended 31 March 2022, Investore provided for rental abatements of \$0.7 million (2021: \$0.9 million). Rental abatements accounted for as lease modifications amounted to \$0.2 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 \$0.5 million of rental abatements were not treated as lease modifications and the reduction in rent was recognised in the period the rent relief occurred.

1.7 Significant events and transactions

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

Acquisition of investment properties

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

On 13 August 2021, Investore acquired a company (refer note 7.6), the Subsidiary, which owns a large format retail property at 4 Carr Road, Auckland, for \$36.0 million. The property is anchored by Rebel Sport and Briscoes with two other retail tenancies. It is located immediately adjacent to the Parent's existing property at 2 Carr Road which is occupied by Bunnings Warehouse. The acquisition of the shares in the Subsidiary does not constitute an acquisition of a business but rather an acquisition of an asset as substantially all of the fair value of the identifiable assets acquired were concentrated in the investment property.

Divestment of 35 MacLaggan Street, Dunedin

On 2 August 2021, Investore divested the property at 35 MacLaggan Street, Dunedin, for \$10.2 million gross before transaction costs, resulting in a gain on disposal of \$0.6 million.

Bank debt refinancing

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

Issuance of fixed rate bonds (IPL030)

On 25 February 2022, Investore issued \$125 million of fixed rate bonds with a five-year term expiring on 25 February 2027, paying an interest rate of 4.00% per annum. The proceeds were used to repay \$125 million of debt and Investore cancelled \$126 million of its bank borrowings.

Revaluation of investment properties

Investore 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 \$91.0 million (2021: \$139.3 million) (refer note 2.2).

Change to dividend policy

In August 2021, the Board revised Investore's dividend policy, widening the payout ratio from 95% and 100% of distributable profit to between 90% and 100% of distributable profit (refer note 3.2).

1.8 Non-GAAP measures

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

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

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

2.0 Property

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

2.1 Net rental income

Accounting Policy

Investment property is leased by Investore to tenants under operating leases with rent payable monthly. Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties or investment properties classified as held for sale in the 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 is included in the gross rental income with the service charge expenses to tenants shown in the direct property operating expenses. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

	2022	2021
	\$000	\$000
Gross rental income		
Rental income	60,894	57,805
Service charge income recovered from tenants	6,938	5,832
Spreading of fixed rental increases	51	179
Capitalised lease incentives	51	54
Lease incentives amortisation	(21)	(9)
Capitalised lease incentives - COVID-19 abatements	216	857
Lease incentives amortisation - COVID-19 abatements	(158)	(126)
Rental income abatement provision due to COVID-19	(48)	(78)
Total gross rental income	67,923	64,514
Direct property operating expenses		
Service charge expenses to tenants	(8,388)	(7,177)
Movement in loss allowance	(141)	(32)
Lease incentives amortisation	(15)	(11)
Other non-recoverable property operating expenses	(1,105)	(1,481)
Total direct property operating expenses	(9,649)	(8,701)
Net rental income	58,274	55,813

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

2.0 Property (continued)

2.1 Net rental income (continued)

Accounting Policy

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

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

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

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

	2022	2021
	\$000	\$000
Within one year	60,708	57,976
Between one and two years	59,259	57,109
Between two and three years	57,479	55,848
Between three and four years	54,463	54,009
Between four and five years	53,025	51,145
Later than five years	271,883	308,231
Future rentals receivable	556,817	584,318

2.2 Investment properties

Accounting Policy

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

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

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

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

Any gain or loss arising from a change in the fair value of the investment property is recognised in the 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 Investore 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.

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

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

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

2.0 Property (continued)

2.2 Investment properties (continued)

	2022	2021
	\$000	\$000
Opening balance	1,043,872	772,547
Re-assessment of lease liabilities	3,082	4,366
Property acquisitions	73,784	133,647
Transfer to investment properties classified as held for sale	-	(9,400)
Net change in fair value	91,017	139,287
Recognition of prepayment on investment properties	3,476	-
Subsequent capital expenditure	4,411	2,449
Spreading of fixed rental increases	51	179
Capitalised lease incentives	51	86
Lease incentives amortisation	(36)	(20)
Capitalised lease incentives - COVID-19 abatements	216	857
Lease incentives amortisation - COVID-19 abatements	(158)	(126)
Closing balance	1,219,766	1,043,872
Comprising:		
Investment property per independent valuations	1,204,350	1,035,535
Less prepayment on investment property relating to seismic works	(3,018)	(7,081)
	1,201,332	1,028,454
Lease liabilities	18,434	15,418
Total	1,219,766	1,043,872
Deposit, prepayments and other payments relating to portfolio improvement initiatives	4,993	-
Prepayment on investment property relating to seismic works	3,018	7,081
Deposit, prepayments and other payments on investment property	8,011	7,081

In the previous year, Investore purchased three large format retail properties, being 2 Carr Road, Bunnings Warehouse, Auckland, Mt Wellington Shopping Centre, Auckland, and Bay Central Shopping Centre, Tauranga, from Stride Property Limited (SPL). Settlement of the acquisitions was completed on 30 April 2020. Under the sale and purchase agreement, SPL is to complete seismic works of \$7.0 million and provided a rental guarantee of \$0.5 million. As at 31 March 2022, all of the rental guarantee had been utilised (2021: \$0.1 million of the rental guarantee had not been utilised) and \$3.5 million (2021: \$nil) of the seismic works have been completed at Mt Wellington Shopping Centre and Bay Central Shopping Centre, with \$0.5 million not proceeding for Bay Central Shopping Centre due to anticipated partial redevelopment of the site. As at 31 March 2022, the valuation for 2 Carr Road was prepared on the basis that the seismic works had been completed. Consequently, \$3.0 million has been recognised as a prepayment on investment property (non-current asset), representing the remaining seismic works to be completed (2021: \$7.1 million).

In addition, there were amounts for deposit, prepayments and other payments totalling \$5.0 million relating to Investore's expansion and portfolio improvement initiatives, including a prepayment of \$0.7 million in relation to a conditional agreement to acquire a 3.5 hectare parcel of land at Waimak Junction, Kaipoi, North Canterbury (refer note 2.4).

Investore has commenced an exercise to refresh the seismic strength assessments for investment properties located in high or medium earthquake risk zones. This exercise is in the preliminary stages and, as at the date these financial statements have been approved by the Board for issue, no material matters have been identified.

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. All investment properties were valued by independent valuers and are dated effective as at 31 March 2022. The investment properties were valued either by CVAS (NZ) Limited, CVAS (WLG) Limited, Jones Lang LaSalle Limited (JLL), Savills (NZ) Limited (Savills), Bayleys Valuations Limited (Bayleys) or CBRE Limited (CBRE) as indicated. The net change in fair value of \$91.0 million (2021: \$139.3 million) includes \$0.07 million (2021: \$0.07 million) in relation to the change in the value of the lease liabilities.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. During the period, there were no transfers of investment properties between levels of the fair value hierarchy (2021: nil transfers).

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

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

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

2.0 Property (continued)

2.2 Investment properties (continued)

As at 31 Mar 22	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Auckland							
24 Anzac Road	JLL	4,382	31,600	4.00	4.15	100.0	12.9
326 Great South Road	Colliers ¹	4,641	44,500	4.00	4.04	100.0	12.9
35A, T St Johns Road	JLL	4,457	27,500	4.88	4.78	98.2	12.6
507 Pakuranga Road	CBRE	4,812	24,700	4.63	4.48	100.0	12.9
3 Averill Street	Colliers ¹	5,435	17,750	7.50	8.26	100.0	12.2
Cnr Church & Selwyn Streets	Bayleys	2,011	14,000	4.68	4.73	100.0	2.9
Cnr Te Irirangi Drive & Bishop Dunn Place	Bayleys	12,205	46,300	4.13	4.25	100.0	8.7
112 Stoddard Road	Savills	4,200	31,100	4.50	4.64	100.0	5.9
226 Great South Road	Savills	7,362	44,000	5.50	5.81	100.0	7.5
20-24 Neville Street	Savills	3,816	33,000	4.25	4.33	100.0	10.0
2 Carr Road	CBRE	11,693	55,800	4.00	4.50	100.0	5.2
4 Carr Road	Savills	5,332	36,250	4.00	4.01	100.0	9.4
295 Penrose Road	CBRE	9,014	44,500	5.50	6.10	100.0	4.1
Waikato							
66-76 Studholme Street, Morrinsville	JLL	1,724	8,000	6.00	6.01	100.0	2.9
Cnr Anglesea & Liverpool Streets, Hamilton	Savills	5,265	9,500	10.00	10.03	100.0	1.8
Cnr Bridge & Anglesea Streets, Hamilton	Savills	4,200	23,200	5.00	4.90	100.0	11.1
Cnr Hukanui & Thomas Roads, Hamilton	Savills	4,506	20,100	5.25	5.40	100.0	9.7
446 Te Rapa Road, Hamilton	Bayleys	12,763	43,100	4.25	4.25	100.0	7.9
Bay of Plenty							
230-240 Fenton Street, Rotorua	Savills	5,172	25,000	4.75	4.56	100.0	8.4
26-48 Old Taupo Road, Rotorua	Bayleys	13,940	40,900	4.25	4.44	100.0	10.0
65 Chapel Street, Tauranga	JLL	17,360	54,000	6.38	6.89	99.7	3.6
Wellington							
45-49 Jackson Street	Savills	4,605	38,000	4.38	4.41	100.0	10.0
47 Bay Road	Bayleys	3,460	17,250	4.25	4.45	100.0	12.9
91 Johnsonville Road	Colliers ²	6,316	26,000	4.92	5.43	100.0	11.7
13-19 Queen Street, Upper Hutt	JLL	3,427	15,750	4.75	5.95	100.0	12.9
14 Russell Street, Upper Hutt	Colliers ¹	3,037	11,000	5.38	6.48	100.0	2.9
261 High Street, Lower Hutt	Colliers ¹	5,078	30,000	4.38	4.32	100.0	12.9
Cnr Hanson Street, John Street & Adelaide Road	Colliers ²	4,882	31,250	4.54	5.40	100.0	10.0
3 Main Road	JLL	4,200	25,000	4.63	4.68	100.0	10.9
Other North Island							
Cnr Butler & Kerikeri Roads, Kerikeri	Savills	3,887	24,300	4.88	4.90	100.0	10.7
53 Leach Street, New Plymouth	Bayleys	8,567	39,300	4.50	4.47	100.0	7.5
9 Gloucester Street, Napier	Colliers ²	4,386	22,750	4.50	4.43	100.0	7.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Colliers ²	3,611	17,750	5.13	5.25	100.0	10.0
Cnr Tremaine Avenue & Railway Road, Palmerston North	CBRE	13,730	36,700	4.63	4.76	100.0	7.9
Canterbury							
87-97 Hilton Street, Kaiapoi	Colliers ¹	3,025	14,750	5.25	6.07	100.0	12.9
219 Colombo Street, Christchurch	Bayleys	3,976	22,950	5.00	5.29	100.0	12.9
Cnr Victoria & Browne Streets, Timaru	Colliers ¹	4,032	15,500	5.25	4.62	78.0	11.5
40-50 Ivory Street, Rangiora	Savills	3,786	20,800	5.00	5.18	100.0	10.7
Cnr Rolleston & Masefield Drives, Rolleston	Savills	4,251	28,000	4.88	4.71	100.0	10.7
24 Brighton Mall, Christchurch	Colliers ¹	2,207	6,600	5.75	6.03	100.0	6.4
Other South Island							
Cnr Putaitai Street & Main Road, Nelson	CBRE	2,659	15,600	5.00	5.22	100.0	10.7
51 Arthur Street, Blenheim	JLL	3,136	13,100	5.75	5.94	100.0	12.9
309 Cumberland Street, Dunedin	Colliers ¹	4,123	28,000	4.25	4.39	100.0	12.9
172 Tay Street, Invercargill	CBRE	5,161	29,200	5.25	5.20	100.0	11.5
Total		249,829	1,204,350	4.81	4.99	99.7	9.1

2.0 Property (continued)

2.2 Investment properties (continued)

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

2.0 Property (continued)

2.2 Investment properties (continued)

Breakdown of valuations by valuer	2022	2021
	\$000	\$000
CBRE Limited (CBRE)	206,500	228,300
CVAS (NZ) Limited (Colliers ¹)	168,100	121,300
CVAS (WLG) Limited (Colliers ²)	97,750	128,500
Jones Lang LaSalle Limited (JLL)	174,950	201,035
Savills (NZ) Limited (Savills)	333,250	241,000
Bayleys Valuations Limited (Bayleys)	223,800	115,400
Investment property per independent valuations	1,204,350	1,035,535

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

	Cap rate %	Discount rate %	Gross market rental \$/m ²	Rental growth rate %	Terminal yield %
As at 31 Mar 22	4.00-10.00	3.00-8.50	148-474	0.18-2.95	4.00-11.00
As at 31 Mar 21	4.13-10.25	3.50-7.75	147-488	(0.04)-2.72	4.63-10.25

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate and discount rate, assuming the capitalisation rate or discount rate moved equally on all the properties, is provided below. The metrics chosen are those where movements are likely to have the most significant impact on fair value.

	Cap rate %		Discount rate %	
	-0.25	+0.25	-0.25	+0.25
As at 31 Mar 22				
Change \$000	68,662	(59,997)	34,496	(29,574)
Change %	6	(5)	3	(3)
As at 31 Mar 21				
Change \$000	52,073	(50,333)	18,510	(20,194)
Change %	5	(5)	2	(2)

2.0 Property (continued)

2.2 Investment properties (continued)

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

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

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

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

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

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

2.0 Property (continued)

2.3 Lease liabilities

Accounting Policy

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

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

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

Investore is committed under eleven (2021: eleven) leases where Investore is the lessee:

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

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

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

During the year, the lease liabilities and right-of-use assets have been re-assessed by \$3.08 million upwards in total, primarily to reflect a rent review for the ground lease at 3 Averill Street, Auckland.

	2022	2021
	\$000	\$000
Right-of-use asset		
Opening balance	15,418	11,117
Re-assessment on rent review	3,082	4,366
Depreciation	(66)	(65)
Closing balance	18,434	15,418
Lease liabilities		
Opening balance	15,418	11,117
Re-assessment on rent review	3,082	4,366
Cash lease payments	(1,397)	(847)
Finance lease interest	1,331	782
Closing balance	18,434	15,418
Current liabilities	78	55
Non-current liabilities	18,356	15,363
Total lease liabilities	18,434	15,418

2.0 Property (continued)

2.4 Capital expenditure commitments contracted for

As at 31 March 2022, Investore had committed to \$55.3 million (2021: \$0.246 million) in total for capital expenditure works to be undertaken over the next 12 to 18 months:

- \$0.7 million for the completion of the roof replacement at the property at 295 Penrose Road, Auckland.
- Approximately \$22 million towards expansion plans in collaboration with its tenants in Auckland. With regards to the property at 2 Carr Road, Bunnings Warehouse is planning to undertake an expansion of the trade zone and associated improvements along with the planned seismic upgrades to be funded by SPL. Investore will contribute approximately \$14 million towards the expansion and improvement works with an associated improvements rental and a new 12-year lease on completion. Investore has also agreed to contribute approximately \$8 million to improve the customer amenity at the Countdown site at 507 Pakuranga Road, including new parking areas, improved customer access ways and a dedicated online pick-up area, with an associated improvements rental.
- On 18 May 2021, Investore announced that it had entered into a conditional agreement to acquire a 3.5 hectare parcel of land at Waimak Junction, Kaiapoi, North Canterbury, for \$10.5 million. Investore has reached agreement in principle with Countdown to construct a new supermarket on a portion of this site, leaving the balance of the land for future development. It is conditional on resource consents being satisfied for new titles and road closures. Investore expects the total commitment, including the cost of the land and the stage 1 development of the Waimak Junction land to be approximately \$33.3 million which will be funded from available debt facilities. Investore has prepaid \$0.7 million on this project at 31 March 2022.

Investore has no other material commitments as at balance date.

3.0 Investor Returns

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

3.1 Basic and diluted earnings per share (EPS)

Accounting Policy

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

	2022	2021
	\$000	\$000
Profit after income tax attributable to shareholders	118,167	161,260
Weighted average number of shares for purpose of basic and diluted EPS	368,135	361,535
Basic and diluted EPS - weighted (cents)	32.10	44.60

3.2 Distributable profit

Accounting Policy

Investore's dividend policy is to target a cash dividend to shareholders that is between 90% and 100% of its distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Investore's underlying and recurring earnings from its operations. Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax.

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

	2022	2021
	\$000	\$000
Profit before income tax	125,806	168,966
Non-recurring, non-cash and other adjustments:		
Net change in fair value of investment properties	(91,017)	(139,287)
Reversal of lease liabilities movement in investment properties	(66)	(65)
Gain on disposal of investment property	(576)	-
Net change in fair value of derivative financial instruments	52	(24)
Spreading of fixed rental increases	(51)	(179)
Capitalised lease incentives net of amortisation	(73)	(797)
Borrowings establishment costs amortisation	865	683
Swap termination (income)/expense	(157)	3,553
Loss on rental guarantee	-	294
Distributable profit before current income tax	34,783	33,144
Current tax expense	(4,925)	(3,652)
Adjusted for income tax movement in cash flow hedges	-	(392)
Distributable profit after current income tax	29,858	29,100
Adjustments to funds from operations		
Maintenance capital expenditure	(3,671)	(1,299)
Adjusted Funds From Operations (AFFO)	26,187	27,801
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	368,135	361,535
Basic and diluted distributable profit after current income tax per share - weighted (cents)	8.11	8.05
AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)	7.11	7.69

4.0 Related Party Disclosures

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

The following transactions with a related party took place	2022	2021
	\$000	\$000
SIML		
Asset management fee expense	(5,736)	(4,965)
Performance fee expense	(1,667)	(2,076)
Building management fee expense	(438)	(428)
Accounting fee expense	(250)	(250)
Disposal fee expense	(128)	-
Leasing fee expense	(92)	(449)
Maintenance fee expense	(40)	(40)
Project management fee expense	(157)	(96)
Sustainability fee expense	(72)	-
Bond issuance expense	(75)	-
Capital raising fee expense	-	(89)
Total	(8,655)	(8,393)
SPL		
Dividends paid	(5,415)	(5,259)
Consideration paid on the acquisition of investment properties	-	(135,750)
Consideration received for issue of shares in capital raise	-	16,522

The following balance was payable to a related party

SIML	(31)	(707)
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Investore has appointed SIML as its exclusive provider of ongoing real estate investment management services. Investore does not have any employees, and accordingly, there are no senior managers of Investore who have a relevant interest in the shares of Investore.

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

SIML received a performance fee of \$0.85 million for the quarter ended 30 June 2021 (quarter ended 30 June 2020: \$0.78 million) and \$0.82 million for the quarter ended 30 September 2021 (quarter ended 30 September 2020: \$0.67 million). No performance fees were payable for the quarters ended 31 December 2021 (quarter ended 31 December 2020: \$nil) and 31 March 2022 (quarter ended 31 March 2021: \$0.63 million). The carried forward return for the performance fee calculation for the quarter ended 30 June 2022 is a 16.4% deficit (2021: carried forward return for the quarter ended 30 June 2021 was a positive 0.02%) which has been calculated in accordance with the management agreement. The performance fee for the year ended 31 March 2022 was capped at \$2.41 million, being 0.2% of Investore's portfolio value as at 31 March 2022.

As at 31 March 2022, SPL's shareholding in Investore is 18.8%, being 69,202 million shares (2021: 18.8%, being 69,202 million shares).

In the current year, Directors in total received dividends of \$14,766 (2021: \$14,341). Directors' fees recognised in administration expenses comprise the following:

	2022	2021
	\$000	\$000
Directors' fees	203	187
Chair's fees	92	85
	295	272

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

5.0 Capital Structure And Funding

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

5.1 Borrowings

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 Investore 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	5,000	55,000
Fixed rate bonds	350,000	225,000
Unamortised borrowings establishment costs	(3,470)	(2,637)
Total net borrowings	351,530	277,363
Weighted average interest rate for debt (inclusive of current interest rate derivatives, bonds, margins and line fees) at balance date	3.77%	4.04%
Interest rate on the bank facility (excluding margin) at balance date	1.96%	1.64%

31 Mar 22	Issue date	Expiry date	Interest rate	Total amount \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
Bank Facility A		31 Aug 2023	Floating	70,000	65,000	5,000	5,000
Bank Facility D		16 Apr 2025	Floating	50,000	50,000	-	-
Bank Facility F		3 Nov 2023	Floating	5,000	5,000	-	-
Bonds IPL010	18 Apr 2018	18 Apr 2024	4.40%	100,000	-	100,000	100,427
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	89,524
Bonds IPL030	25 Feb 2022	25 Feb 2027	4.00%	125,000	-	125,000	97,727
				475,000	120,000	355,000	292,678

31 Mar 21	Issue date	Expiry date	Interest rate	Total amount \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair value \$000
Bank Facility A		31 Aug 2022	Floating	70,000	40,000	30,000	30,000
Bank Facility D		16 Apr 2025	Floating	50,000	50,000	-	-
Bank Facility E		9 Jun 2024	Floating	101,163	76,163	25,000	25,000
Bank Facility F		3 Nov 2023	Floating	30,000	30,000	-	-
Bonds IPL010	18 Apr 2018	18 Apr 2024	4.40%	100,000	-	100,000	106,971
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	121,404
				476,163	196,163	280,000	283,375

5.0 Capital Structure And Funding (continued)

5.1 Borrowings (continued)

Bank borrowings

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

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

On 25 February 2022, following the issue of \$125 million fixed rate bonds, Investore cancelled \$126 million of bank facility of which \$25 million was due to expire in November 2023 and \$101 million was due to expire in June 2024.

Fixed rate bonds

On 25 February 2022, Investore issued \$125 million of fixed rate bonds (IPL030) with a 5 year term expiring on 25 February 2027, paying an interest rate of 4.00% per annum.

The fixed rate bonds are quoted on the NZX Debt Market and their fair value is based on their listed market price as at balance date.

Interest on the 6 year fixed rate bonds issued in 2018 (IPL010) is payable quarterly in April, July, October and January in equal instalments, whilst interest on the 7 year fixed rate bonds issued in 2020 (IPL020) and the 5 year fixed rate bonds issued in 2022 (IPL030) are payable quarterly in August, November, February, and May, also in equal instalments.

Security

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

Net debt reconciliation

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

	2022 \$000	2021 \$000
Cash and cash equivalents	7,229	6,800
Borrowings	(351,530)	(277,363)
Lease liabilities	(18,434)	(15,418)
Net debt	(362,735)	(285,981)

	Liabilities from financing activities			Cash \$000	Total \$000
	Borrowings \$000	Leases \$000	Sub-total \$000		
As at 31 Mar 20	(236,946)	(11,117)	(248,063)	4,229	(243,834)
Cash flows	(41,597)	847	(40,750)	2,571	(38,179)
Re-assessment	-	(4,366)	(4,366)	-	(4,366)
Other changes	1,180	(782)	398	-	398
As at 31 Mar 21	(277,363)	(15,418)	(292,781)	6,800	(285,981)
Cash flows	(75,000)	1,397	(73,603)	429	(73,174)
Re-assessment	-	(3,082)	(3,082)	-	(3,082)
Other changes	833	(1,331)	(498)	-	(498)
As at 31 Mar 22	(351,530)	(18,434)	(369,964)	7,229	(362,735)

5.0 Capital Structure And Funding (continued)

5.2 Derivative financial instruments

Accounting Policy

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

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

Hedge ineffectiveness for interest rate swaps may occur due to:

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

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

	2022 \$000	2021 \$000
Notional value of interest rate swaps - fixed rate payer start dates commenced	30,000	50,000
Notional value of interest rate swaps - fixed rate payer forward starting	30,000	30,000
Notional value of interest rate swaps - fixed rate receiver	25,000	25,000
Total	85,000	105,000
Interest rate derivative assets - non-current	667	1,788
Interest rate derivative liabilities - current	(134)	(498)
Interest rate derivative liabilities - non-current	(126)	(900)
Fair value of interest rate derivatives	407	390
Fixed interest rates payer (including forward starting interest rate swaps)	2.38%-2.84%	2.27%-2.54%
Fixed interest rate receiver	4.40%	4.40%
Weighted average fixed interest rate (excluding margins, including forward starting interest rate swaps)	2.40%	2.14%
Percentage of drawn debt fixed	100%	100%

5.0 Capital Structure And Funding (continued)

5.2 Derivative financial instruments (continued)

Investore enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Investore hedged 100% of its floating rate borrowings as at 31 March 2022 (2021: 100%). As all critical terms matched during the period, the economic relationship was 100% effective, with the exception of the \$25 million fixed rate receiver interest rate swap.

On 21 March 2018, Investore entered into a \$25 million forward start fixed rate receiver swap for the duration of the fixed rate bonds with the effect of converting a portion of the IPL010 \$100 million fixed rate bonds to floating interest rate. The life to date ineffective portion on the receiver swap, due to the misalignment to the fixed rate bonds as a result of the bonds commencing on 18 April 2018, is a fair value loss of \$0.1 million (2021: fair value loss of \$0.05 million), resulting in a fair value loss movement of \$0.05 million (2021: fair value gain movement of \$0.02 million) being recognised in the current year in the consolidated statement of comprehensive income.

On 25 February 2022, Investore terminated an interest rate derivative contract with a notional value of \$20 million resulting in interest income of \$0.157 million. This income has been recognised in the consolidated statement of comprehensive income as the hedged future cash flows will no longer occur.

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2021: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 31 March 2022 of between 1.61%, for the 90-day BKBM, and 3.41%, for the 10-year swap rate (2021: 0.35% and 1.95%, respectively). There were no changes to these valuation techniques during the reporting period.

As at 31 March 2022, the fair value of the interest rate derivatives includes an accrued interest asset of \$31,672 (2021: accrued interest liability \$44,075).

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%	Gain/(loss) on -0.25%	Gain/(loss) on +0.25%	Gain/(loss) on -0.25%
	\$000	\$000	\$000	\$000
Impact on equity	(107)	109	(66)	67

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

Investore does not hold derivative financial instruments for trading purposes.

5.0 Capital Structure And Funding (continued)

5.3 Net finance expense

Accounting Policy

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

	2022	2021
	\$000	\$000
Finance income		
Bank interest income	10	4
Swap termination income (note 5.2)	157	-
Total finance income	167	4
Finance expense		
Bank borrowings interest	(4,990)	(6,150)
Fixed rate bonds interest	(7,891)	(6,159)
Lease liabilities interest	(1,331)	(782)
Total finance expense	(14,212)	(13,091)
Swap termination expense	-	(3,553)
Total finance expense	(14,212)	(16,644)
Net finance expense	(14,045)	(16,640)

5.4 Share capital

Accounting Policy

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

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. Investore had 368,135,033 shares on issue as at 31 March 2022 (2021: 368,135,033).

5.5 Reserve

	2022	2021
	\$000	\$000
Cash flow hedge reserve		
Opening balance	357	(2,694)
Movement in fair value of interest rate derivatives	(60)	718
Tax on fair value movement	17	(201)
Transferred to profit or loss	52	(24)
Swap termination	-	3,553
Swap termination taxation benefit	-	(995)
Closing balance	366	357

Gains and losses recognised in the cash flow hedge reserve in equity, on interest rate derivative contracts as at 31 March 2022, will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss, until the repayment of the underlying borrowings.

5.6 Capital risk management

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

6.0 Risk Management

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

6.1 Financial Instruments

Accounting Policy

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

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

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

	2022	2021
	\$000	\$000
Summary of financial instruments		
Financial assets at amortised cost		
Cash at bank	7,229	6,800
Trade and other receivables	872	451
NZX bond	75	75
Derivative financial instruments		
Used for hedging	667	1,764
Held for trading at fair value through profit and loss	-	24
Total financial assets	8,843	9,114
Financial liabilities at amortised cost		
Trade and other payables	5,564	5,723
Lease liabilities	18,434	15,418
Borrowings	351,530	277,363
Derivative financial instruments		
Used for hedging	208	1,398
Held for trading at fair value through profit and loss	52	-
Total financial liabilities	375,788	299,902

6.2 Financial assets at amortised cost

Accounting Policy

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

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

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

6.3 Financial liabilities at amortised cost

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

6.4 Financial risk management

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

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

6.0 Risk Management (continued)

6.5 Interest rate risk

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

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

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

At balance date, the total drawn bank debt was fully hedged (2021: fully hedged).

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

	2022 \$000	2021 \$000
Financial assets		
Cash at bank	7,229	6,800
Financial liabilities		
Bank borrowings	5,000	55,000
Fixed rate bonds	350,000	225,000
Interest rates applicable at balance date		
Cash at bank	0.15%	0.05%
Bank borrowings	2.21%	1.58%
Fixed rate bonds IPL010	4.40%	4.40%
Fixed rate bonds IPL020	2.40%	2.40%
Fixed rate bonds IPL030	4.00%	-
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	3.77%	4.04%

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.

6.6 Credit risk

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

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

As Investore's tenant, General Distributors Limited (GDL), contributes most of Investore's portfolio contract rental, Investore is exposed to a significant concentration of credit risk. GDL is a large national retailer, the operator of Countdown supermarkets in New Zealand and an ultimate subsidiary of Woolworths Group Limited.

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

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

Investore is not exposed to any other concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of each class of financial assets as reported in note 6.1.

6.0 Risk Management (continued)

6.7 Liquidity risk

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

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

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

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
31 Mar 22						
Trade and other payables	5,564	5,564	-	-	-	-
Secured bank borrowings	7,520	500	500	6,092	428	-
Fixed rate bonds	402,353	6,200	6,200	12,400	124,220	253,333
Lease liabilities	53,483	643	605	1,212	5,873	45,150
Derivative financial instruments	1,759	40	202	404	1,113	-
	470,679	12,947	7,507	20,108	131,634	298,483
31 Mar 21						
Trade and other payables	5,723	5,723	-	-	-	-
Secured bank borrowings	65,455	1,367	1,367	34,782	27,939	-
Fixed rate bonds	257,670	3,700	3,700	7,400	113,620	129,250
Lease liabilities	35,782	690	298	969	4,475	29,350
Derivative financial instruments	(424)	307	(35)	(285)	(411)	-
	364,206	11,787	5,330	42,866	145,623	158,600

6.8 Fair values

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

7.0 Other

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

7.1 Operating segments

Accounting Policy

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

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 63% of Investore's portfolio contract rental as at 31 March 2022 (2021: 64%).

7.2 Corporate expenses

	2022	2021
	\$000	\$000
Administration expenses includes:		
Auditor's remuneration		
Audit and review of financial statements	171	157
Other assurance services - operating expense audits	19	15
Total Auditor's remuneration	190	172

7.0 Other (continued)

7.3 Tax

Accounting Policy

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

	2022	2021
	\$000	\$000
Income tax		
Current tax	(4,925)	(3,652)
Deferred tax	(2,714)	(4,054)
Income tax expense per the consolidated statement of comprehensive income	(7,639)	(7,706)
Profit before income tax	125,806	168,966
Prima facie income tax using the company tax rate of 28%	(35,226)	(47,310)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	25,485	39,000
Gain on disposal of investment property	161	-
Reversal of lease liabilities movement in investment properties	18	18
Movement in fair value of derivative financial instruments	(15)	7
Non-taxable income	23	216
Other permanent differences	101	170
Depreciation	4,461	4,368
Non-deductible expenses	107	(498)
Temporary differences	(40)	(18)
Swap termination expense released from reserve	-	392
Over-provision in prior year	-	3
Current tax expense	(4,925)	(3,652)
Investment property depreciation	(2,639)	(4,029)
Other	(75)	(25)
Deferred tax charged to profit or loss	(2,714)	(4,054)
Income tax expense per the consolidated statement of comprehensive income	(7,639)	(7,706)
Imputation credits available for use in subsequent reporting periods	1,220	739

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

7.0 Other (continued)

7.3 Tax (continued)

Accounting Policy

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

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

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

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

	2021	Recognised in profit or loss	Recognised in other comprehensive income	2022
	\$000	\$000	\$000	\$000
Deferred tax assets				
Derivative financial instruments	335	-	(273)	62
Other temporary differences	46	(75)	279	250
	381	(75)	6	312
Deferred tax liabilities				
Depreciation on investment properties	(4,464)	(2,639)	-	(7,103)
Derivative financial instruments	(457)	-	290	(167)
	(4,921)	(2,639)	290	(7,270)
	(4,540)	(2,714)	296	(6,958)
	2020			2021
	\$000	\$000	\$000	\$000
Deferred tax assets				
Derivative financial instruments	1,308	-	(973)	335
Other temporary differences	71	(25)	-	46
	1,379	(25)	(973)	381
Deferred tax liabilities				
Depreciation on investment properties	(435)	(4,029)	-	(4,464)
Derivative financial instruments	(626)	-	169	(457)
	(1,061)	(4,029)	169	(4,921)
	318	(4,054)	(804)	(4,540)

7.0 Other (continued)

7.4 Trade and other receivables

Accounting Policy

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

	2022	2021
	\$000	\$000
Current		
Trade and other receivables	1,095	533
Less loss allowance	(223)	(82)
	872	451
Carrying amount	872	451
Less than 30 days overdue	388	284
Over 30 days overdue	707	249
Less impaired assets	(223)	(82)
Movement in loss allowance		
Opening balance	(82)	(50)
Additional loss allowance	(165)	(82)
Reduction in loss allowance	24	50
Closing balance	(223)	(82)

7.5 Trade and other payables

Accounting Policy

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

	2022	2021
	\$000	\$000
Current		
Unsecured liabilities		
Trade payables	401	637
Related party payables (note 4.0)	31	707
Rent in advance	18	767
Capital expenditure payables and accruals	1,327	1,320
Interest expense accruals	1,666	1,228
Other accruals and payables	2,121	1,064
	5,564	5,723

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

7.0 Other (continued)

7.6 Investment in subsidiaries

Accounting Policy

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

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

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

The Parent has the following subsidiary, which is 100% owned, has a 31 March balance date, and is principally involved in the ownership of an investment property:

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

The Subsidiary is a company which owns a large format retail property at 4 Carr Road, Auckland. The property owned by the Subsidiary is presented as part of the Parent's investment property.

7.7 Contingent liabilities

Investore has no contingent liabilities at balance date (2021: \$nil).

7.8 Subsequent events

On 18 May 2022, Investore declared a cash dividend for the period 1 January 2022 to 31 March 2022 of 1.975 cents per share, to be paid on 2 June 2022 to all shareholders on Investore's register at the close of business on 26 May 2022. This dividend will carry imputation credits of 0.331357 cents per share. This dividend has not been recognised in the financial statements.

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

Independent auditor's report

To the shareholders of Investore Property Limited



Our opinion

In our opinion, the accompanying consolidated financial statements of Investore Property Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the financial position of the Group 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

The Group'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 the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of assurance services over operating expense statements. The provision of these other services has not impaired our independence as auditor of the Group.

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.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>As disclosed in Note 2.2 of the financial statements, the Group's investment properties at valuation totalled \$1,204.4 million (excluding lease liabilities) which represents majority of the assets held by the Group as at 31 March 2022.</p> <p>The valuation of the Group's property portfolio is inherently subjective due to, amongst other factors, the individual nature of each property, location and the expected future rental income for each property. A relatively small percentage difference in any one of the key individual assumptions used in the property valuations, as disclosed in Note 2.2, when aggregated, could result in a material misstatement of the overall valuation of investment properties.</p> <p>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 Stride Investment Management Limited (the Group's Manager). The Valuers engaged by the Manager are reputable and experienced in the markets in which the Group operates and are rotated for individual properties on a three-yearly cycle.</p> <p>In determining a property's valuation, the Valuers generally used two approaches to determine the fair value of an investment property: the Income Capitalisation approach and the Discounted Cash Flow approach to arrive at a range of valuation outcomes, from which the Valuers derive a point estimate.</p> <p>For each property, the Valuers take into account property-specific information such as the current tenancy</p>	<p>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.</p> <p>We held discussions with the Manager to understand the movements in the Group'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 Group's investment property portfolio including mandatory tenant rent abatements and tenant occupancy risk arising from changes in the estimated churn on lease renewal.</p> <p>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.</p> <p>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.</p> <p>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. 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.</p> <p>We engaged our own in-house valuation specialist to critique and independently assess the work performed and assumptions used by the Valuers on a sample basis.</p> <p>We considered whether or not there was a bias in determining significant assumptions in individual valuations and found no evidence of bias.</p>

Independent auditor's report (continued)

To the shareholders of Investore Property Limited



Description of the key audit matter

agreements and rental income earned by the asset as well as recent comparable transactions where available. They then apply assumptions in relation to capitalisation rate, discount rate, gross market rental, rental growth rate and terminal yield.

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

How our audit addressed the key audit matter

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.

Our audit approach

Overview

Materiality	Overall group materiality: \$1,739,000, which represents approximately 5% of profit before income tax excluding net change in fair value of investment properties. We chose adjusted profit before tax excluding net change in fair value of investment properties as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.
Key audit matter	As reported above, we have one key audit matter, being: <ul style="list-style-type: none">Valuation of investment properties

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.

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 the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the 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.

Independent auditor's report (continued)

To the shareholders of Investore Property Limited



Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group 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 Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

Chartered Accountants
18 May 2022

Auckland

Corporate Governance

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

This section of the Annual Report provides an overview of those corporate governance policies, practices and processes adopted and followed by Investore. This statement is current as at 1 May 2022.

Overview of Investore

Investore is a New Zealand incorporated company, whose fully paid ordinary shares are quoted on the NZX Main Board equity securities market under the ticker code 'IPL', with a 'non-standard' (NS) designation. Investore has a 'non-standard' designation due to certain waivers that have been granted from the Listing Rules, which reflect the nature and operations of Investore. These waivers are described on page 99.

Investore was established by SPL as a separate listed company in 2016 to invest in large format retail property throughout New Zealand. In August 2021 Investore acquired all of the shares in Investore Property (Carr Road) Limited, which owns the property at 4 Carr Road, Mt Roskill, Auckland. This section refers to Investore and its subsidiary.

Investore is a listed Portfolio Investment Entity (PIE) for taxation purposes.

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

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

Corporate Governance

The Board has adopted a corporate governance framework that it considers is appropriate for the size and nature of Investore's operations. The Board reviews and assesses Investore's governance structures and processes to ensure they remain appropriate and effective and are consistent with best practice standards.

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

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

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

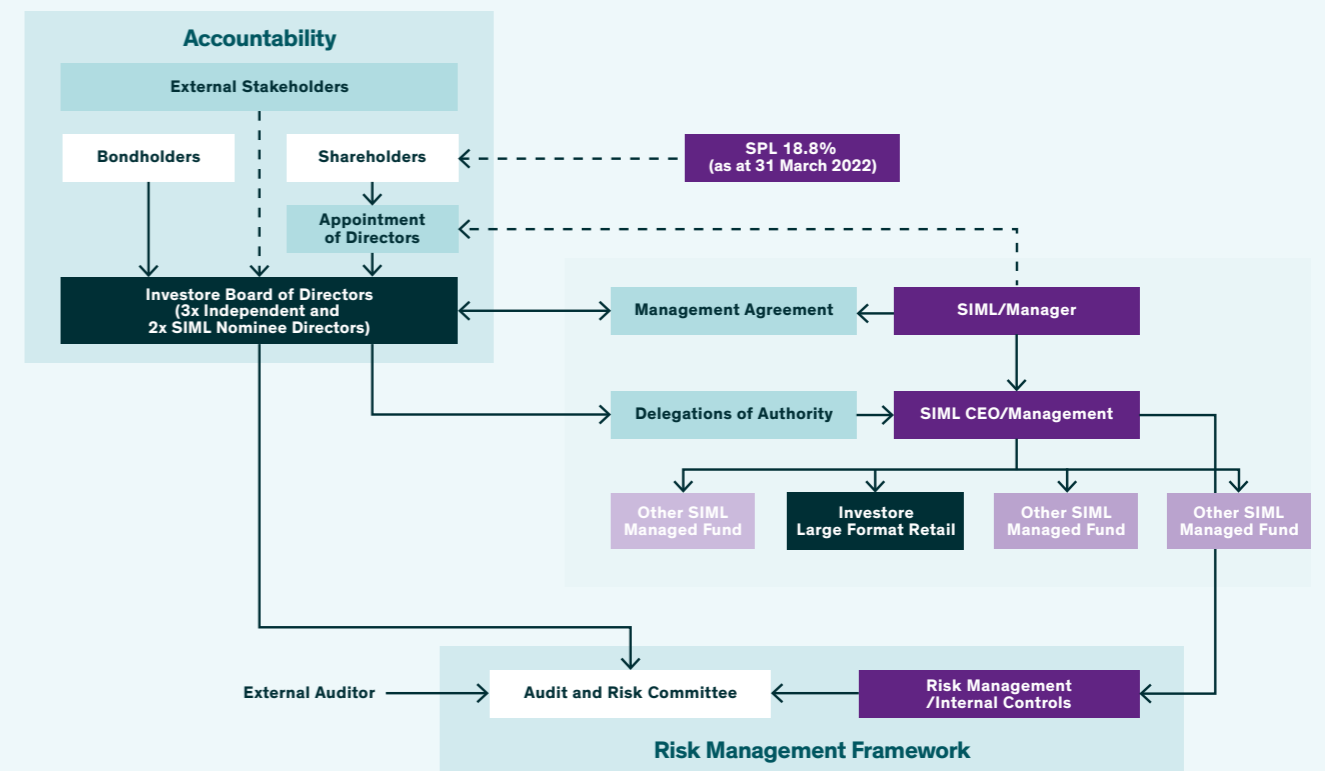
- As there is no Chief Executive of Investore, the requirement to disclose the remuneration arrangements in place for the Chief Executive does not apply (NZX Code Recommendation 5.3).

Investore's Website:

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

www.investoreproperty.co.nz

Diagram 1: Governance Framework



Principle 1: Code of Ethical Behaviour

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

The Board sets a standard of ethical behaviour for the conduct of Investore’s business and adopts an ethics-based approach to Investore’s operations and decision-making.

Code of Ethics

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

This ethics-based approach to Investore’s operations and decision-making is reinforced through a number of policies in addition to the Code of Ethics, including the Securities Trading Policy and Market Disclosure Policy (see Principle 4: Reporting and Disclosure for a description of the Market Disclosure Policy), as well as the Manager’s Conflicts Policy. Investore does not have a whistleblower policy, as it has no employees.

Diagram 2: Key principles underpinning Investore’s Code of Ethics



Conflicts of Interest

Investore and the Board are very aware of the risks posed by actual or perceived conflicts of interest, and the management of conflicts of interest is an integral feature of Investore’s day to day governance practices. This is particularly pertinent given the relationship between Investore, Stride, and other entities managed by SIML. The principles that govern the management of conflicts of interest are addressed in a number of Investore’s governance documents, including the Constitution, the Board Charter, the Code of Ethics, and a range of internal policies of SIML, the Manager. SIML has adopted a Conflicts Policy which Investore has approved, and which guides SIML in identifying and managing conflicts of interest in its operations, including its management of the business of Investore and other entities managed by SIML.

Securities Trading Policy

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

Principle 2: Board Composition and Performance

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

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

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

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

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

The relationship between the Board and SIML and their respective roles and responsibilities is depicted in Diagram 3.

Diagram 3: Board and Manager Roles and Responsibilities



Composition of the Board and Director Independence

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

- At least two Directors who are 'Independent of the Manager' where the Board is comprised of four Directors. If the Board is comprised of five Directors, at least three Directors must be Independent of the Manager.
- A non-executive Chair who is 'Independent of the Manager' where SIML has (or is deemed to have) appointed two Directors. Where the Chair is 'Independent of the Manager', the Chair holds a casting vote in respect of Board resolutions in the case of an equality of votes.
- At least two Directors who are ordinarily resident in New Zealand.

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

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

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

As at 1 May 2022, the Investore Board comprised:

Mike Allen	Independent Director Independent of the Manager Chair of the Board Subject to retirement and election by shareholders in the usual manner
Gráinne Troute	Independent Director Independent of the Manager Chair of the Audit and Risk Committee Subject to retirement and election by shareholders in the usual manner
Adrian Walker	Independent Director Independent of the Manager Subject to retirement and election by shareholders in the usual manner
Tim Storey	SIML-appointed Director Appointed by SIML to the Investore Board and accordingly is not required to stand for election by shareholders
John Harvey	SIML-appointed Director Appointed by SIML to the Investore Board and accordingly is not required to stand for election by shareholders

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

In addition, the Chair of the Board and the Chief Executive Officer of the Manager are independent of each other. The Company Secretary of Investore is an employee of SIML, as Investore has no employees. The Company Secretary has direct access to the Chair of the Board and Chair of the Audit and Risk Committee, and vice versa, to ensure matters can be raised as appropriate.

Further information on the Directors of Investore who held the office of Director during the 12 months to 31 March 2022, their status and (in the case of the Independent Directors) date of appointment, expertise, and experience, is set out on pages 10 and 11, with their attendance at Board and Committee meetings set out on page 84.

Appointment of Independent Directors

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

To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of Director and will be selected on a range of factors, including property industry knowledge, business acumen, financial markets and governance experience. Other relevant factors may include background, qualifications, and professional expertise, and these will be considered against the Board's assessment of its needs at the time, including any perceived gaps in skills and experience that the Board identifies having regard to the strategy of Investore.

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

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

No new Directors were appointed during FY22.

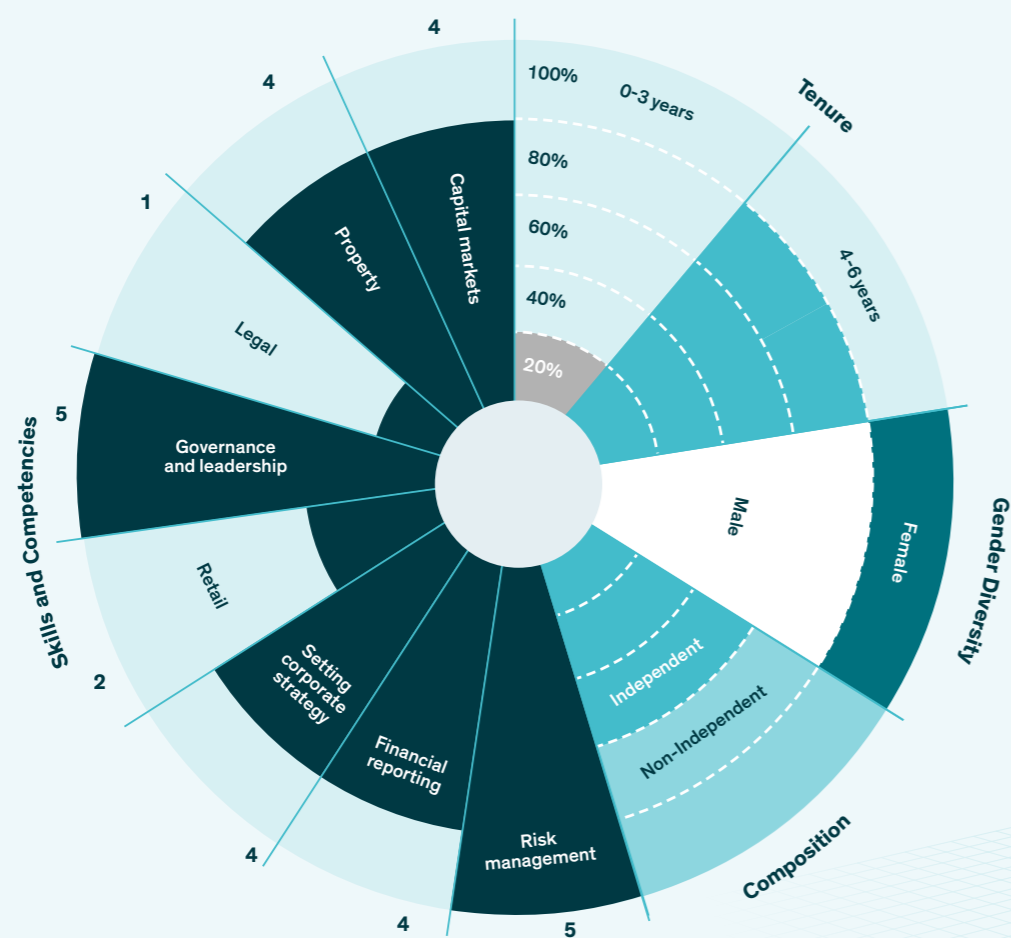
Directors' Skills and Experience

The Board regularly reviews its skills and experience against the Board's perceived skill requirements given Investore's business and strategic requirements. Directors' skills and experience are also closely considered when appointing a new Director, so that an appropriate mix of skills can be retained.

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

Set out in Diagram 4 is a summary of the identified mix of skills and experience among Directors that the Board has identified. This skills matrix takes account of the nature of Investore's business interests and its strategic principles. Individual Director profiles are also set out on the Investore website and on pages 10 and 11 of this Annual Report. The Board considers the current mix of skills and experience is appropriate for the responsibilities and requirements of governing Investore.

Diagram 4: Board Skills Matrix



Professional Development

The Board conducts continuing professional development for Directors, which includes briefings from senior SIML managers and industry experts and site visits to properties owned by Investore. This is intended to enable Directors to maintain the knowledge and skill set required for the office of a Director of Investore, and is particularly focussed on knowledge specific to the property industry, macroeconomic factors, and new regulatory and governance practices, all of which may impact on Investore's business and operations. The Board also regularly schedules presentations from external presenters as part of their Board meetings, intended to ensure Directors remain current on factors affecting Investore's business. Presenters may include valuers, investors and tenants. In addition, all Directors undertake appropriate training to remain informed on how to best perform their duties as Directors.

Board Review

Directors conduct a full external Board performance review biannually to review the Board's performance and its engagement with SIML management. An external Board review was conducted in FY21. This year the Board conducted an internal self-review to ensure it was functioning efficiently and to assess the implementation of the recommendations made by the independent consultant engaged in FY21. The internal review consisted of separate interviews with each Director and key members of SIML management. The internal review concluded that processes implemented following the FY21 external Board review had benefitted the Board and its operations, and also identified opportunities for the Board to further refine its meeting processes.

Diversity

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

The Board has adopted a Diversity Policy, which applies to the Board, given that Investore has no employees.

Investore's Diversity Policy is available on its website. Investore aligns its Diversity Policy with SIML's Diversity Policy. For more information on the Manager's diversity strategy, refer to the FY22 Annual Report of Stride (when available) at www.strideproperty.co.nz.

The Investore Board notes that SIML has undertaken a number of initiatives during FY22 intended to improve its diversity practices, including instituting a training programme for all employees on "Unconscious Bias" which was developed by Diversity Works – a national agency for diversity and inclusion in New Zealand. In addition, SIML also revised and improved its flexible work policy, and will be establishing an employee Diversity & Inclusion Committee in FY23 to guide internal policy and actions to foster and encourage diversity and inclusion within SIML.

Investore has conducted a review of its Diversity Policy and the performance of Investore against its annual objectives for the year in review, and notes its progress towards achieving its objectives in Table 1. In addition, Investore continued to promote diversity during FY22 through its participation in the Future Directors' programme, with the continuance of Emma McDonald as a Future Director, and the work of the Board in mentoring and supporting Emma through this programme.

Gender Composition of the Board of Investore

	As at 31 March 2022	As at 31 March 2021
Male	4 (80%)	4 (80%)
Female	1 (20%)	1 (20%)

Table 1: Diversity Objectives and Progress FY22

Objective	Progress as at 31 March 2022
Recruitment Ensure recruitment procedures provide for a wide range of potential Director candidates to be considered at Board level	When conducting a search for a new Director, Investore considers diversity as one of the factors for consideration and encourages applications from a diverse range of Director candidates and utilises a variety of recruitment channels. No new Directors were appointed during FY22.
Reporting SIML will report periodically to the Board on diversity related matters within its business, including diversity of employees	Investore has adopted a Diversity Policy to apply to the Board which is aligned with SIML's Diversity Policy. The Investore Board takes an active approach to oversight of the Manager's diversity approach. SIML reported to the Investore Board on progress in its diversity objectives, a summary of which can be found in the Stride Annual Report for FY22 (when available).

Principle 3: Board Committees

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

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

The Board has one standing committee to assist in the exercise of its functions and duties, the Audit and Risk Committee. The Board may also establish non-standing committees, as and when required, to deal with specific matters. During FY22 the Board established a temporary Due Diligence Committee, including members of the Board, to oversee planning and preparation for the listed bond issue undertaken during February 2022. Directors Gráinne Troute, Mike Allen and Tim Storey were members of the Due Diligence Committee, together with representatives of the Manager and advisers. Investore’s other Directors had a standing invitation to attend Due Diligence Committee meetings.

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

Audit and Risk Committee

The Audit and Risk Committee operates under a written Charter which is reviewed annually by the Committee to ensure that it remains appropriate and current. This Charter is available in the Corporate Governance Documents section of the Investore website. The Charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors and have at least three members, with the majority of members being independent Directors. At least two Directors on the Committee must be independent of SIML. The Chair of the Audit and Risk Committee is to be an independent Director and may not be the Chair of the Board. All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen for the position of Audit and Risk Committee member and at least one member must have accounting or related financial management expertise.

As at the date of this Corporate Governance statement, the Audit and Risk Committee comprises three Directors, of whom two, Gráinne Troute and Mike Allen, are independent Directors. Gráinne Troute is the Chair of the Committee, is an independent Director and is not the Chair of the Board. The third member of the Committee, John Harvey, is a SIML-appointed Director with considerable financial and audit experience, having been a partner at PwC for 23 years. Directors who are not committee members have a standing invitation to, and do, regularly attend the Audit and Risk Committee meetings.

Meetings of the Audit and Risk Committee are held at least twice a year, having regard to Investore’s reporting and audit cycle. Additional meetings may be held at the discretion of the Chair, or if requested by any Audit and Risk Committee member or the external auditor.

The NZX Code recommends that employees (which in this case, would be senior management of SIML) should only attend Audit and Risk Committee meetings at the invitation of the Committee. The Chief Executive Officer and senior management of SIML, and the external auditor, have a standing invitation to attend Audit and Risk Committee meetings. The Audit and Risk Committee are free to meet separately with the external auditor without senior management of SIML present, to discuss audit matters.

The Audit and Risk Committee provides assistance to Directors in fulfilling their responsibility to investors in relation to the reporting practices of Investore, and the quality, integrity, and transparency of the financial reports of Investore.

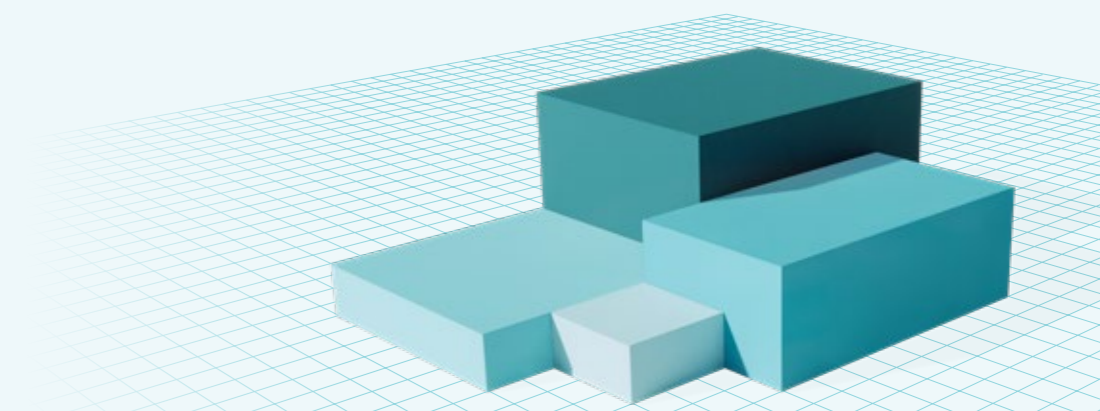
The primary roles of the Audit and Risk Committee are:

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

Due Diligence Committee

During the year in review a temporary Board Committee was established to oversee the offer of Investore’s third tranche of listed bonds, which were issued in February 2022. Gráinne Troute, Mike Allen and Tim Storey were appointed to the Due Diligence Committee, along with members of SIML management and representatives of Investore’s advisers, although all Directors had a standing invitation to attend the Due Diligence Committee meetings.

The key function of the Due Diligence Committee was to oversee and coordinate the due diligence process for the bond offer. The Due Diligence Committee was also responsible for ensuring that all material information known to Investore was disclosed to the market and that the offer materials did not contain any statement that was false, misleading, or deceptive or which was unsubstantiated, and contained all of the information required by statute and the Listing Rules. The Committee also established a system of continuing enquiry, review, and monitoring of developments between the date of the bond offer materials and the issue of the bonds, to ensure no material information arose which should be disclosed to the market during this period.



Board and Committee Meetings and Attendance

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

Directors also attend briefings with senior managers of SIML on an ad hoc basis and attend investor briefings in connection with their role as a Director of Investore. These attendances are not included in the disclosure in Table 2 below but comprise an important element of Investore Director responsibilities. Additional Board meetings are held as and when required. In addition, the Board held a strategy day during FY22 to review and reassess the Company's strategic priorities. All Directors attended this strategy day.

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

Takeover Protocols

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

Principle 4: Reporting and Disclosure

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

Market Disclosure Policy

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

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

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

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

The Policy requires all directors and members of the executive of SIML and Directors of Investore to inform the Chief Executive Officer of SIML or the SIML General Manager Corporate Services (who is also the Disclosure Officer under the Policy) of any potentially material information or proposal immediately after the relevant person becomes aware of that information or proposal. A Disclosure Committee, comprising Investore's Chair and SIML's Chief Executive Officer 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.

The policy and Investore's compliance with the policy were reviewed by the Board during FY22.

Availability of Key Governance Documents

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

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

Table 2: Board and Committee Meeting Attendance for Period 1 April 2021 to 31 March 2022

	Board	Audit and Risk Committee	Due Diligence Committee and Related Board Meetings
Number of Meetings in FY22	8	4	10
Mike Allen	8	4	10
Gráinne Troute	8	4	10
Adrian Walker	8	4	8
Tim Storey	8	4	10
John Harvey	8	4	9

Clear and Balanced Reporting

Investore is committed to maintaining appropriate financial and non-financial reporting

Financial Reporting

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

Non-Financial Reporting

Risks

The Audit and Risk Committee has established processes to identify and consider the material business risks faced by Investore.

During FY22 the Committee conducted a review of its risk appetite against key risks identified by SIML 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 risk appetite.

The Board regularly receives risk management reports and reviews key risks to the business of Investore and the controls implemented to manage exposure to those risks. All identified risks have specific mitigation strategies where appropriate, and the Manager regularly reviews the effectiveness of these strategies.

A high level summary of key risks to Investore's business as monitored by the Board is set out in Table 4 under Principle 6.

Environmental Sustainability, Social Responsibility and Corporate Governance

Investore is committed to ensuring that Environmental Sustainability, Social Responsibility and Corporate Governance (ESG) are key considerations in the operation and governance of its business. Investore works closely with its Manager, SIML, and the SIML Board Sustainability Committee to implement its sustainability strategy and achieve its objectives.

Sustainability has been a key focus for the Board during FY22, with the Board revising its Charter to incorporate sustainability considerations as a matter for Board attention.

Reporting on Investore's sustainability progress, particularly in relation to climate-related disclosures, can be found on pages 28 to 35 of this Report.

Principle 5: Remuneration

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

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

No Director of an Investore subsidiary received any remuneration or other benefits during the period in relation to their duties as a Director of a subsidiary company, other than the benefit of an indemnity from Investore 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.

The Board is collectively responsible for recommending Director remuneration packages to shareholders. Directors' remuneration was reviewed in 2021, being two years since the last remuneration review. The Board engaged Ernst & Young to provide an independent report on Directors' remuneration for Investore, utilising Ernst & Young's database of directors' remuneration in New Zealand. The report benchmarked the remuneration paid to Investore's Directors against an industry peer group of NZX listed companies, selected on the basis of comparable market capitalisation. A summary of that report was made available to shareholders when considering the resolution to increase Directors' remuneration at the 2021 Annual Shareholder Meeting. In proposing the increase in remuneration, the Board took into account the Ernst & Young independent benchmark report, as well as Directors' workloads and responsibilities, and Investore's performance.

Shareholders approved an increase in Directors' remuneration at the 2021 Annual Shareholder Meeting with effect from 1 July 2021, increasing non-executive Director remuneration from \$45,000 to \$50,000 per annum; the Chair's remuneration was increased from \$85,000 to \$95,000 per annum; and the additional remuneration for the Chair of the Audit and Risk Committee was increased from \$6,500 to \$8,000 per annum. Audit and Risk Committee Members receive no additional remuneration. As previously advised to the market, Investore intends to continue to review Director remuneration every two years. Investore remains committed to the principle that remuneration is set and managed in a manner which is fair, transparent, and reasonable.

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

Table 3 sets out Director remuneration for those Directors who held office in the year to 31 March 2022. These fees are consistent with those approved by shareholders. As noted at the Annual Shareholder Meeting in 2021, Investore does not operate a fee pool, and has no pool for additional attendances.

Table 3: Directors' Remuneration

Director	Remuneration
Mike Allen (Chair)	\$92,500
Gráinne Troute (Chair of Audit and Risk Committee)	\$56,375
Adrian Walker	\$48,750
Tim Storey	\$48,750
John Harvey	\$48,750
Total*	\$295,125

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

Principle 6: Risk Management

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

Risk Management Framework

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

The Audit and Risk Committee assists the Board in fulfilling its risk assurance and audit responsibilities and the Board then delegates the implementation of a Board approved risk management framework to the Manager, SIML. Investore has established a risk management framework, supported by a set of risk-based policies appropriate for Investore, including a Treasury Policy, the Manager’s Conflicts Policy, Investment Mandate and Delegations of Authority (which are endorsed and approved by the Investore Board). The principal purpose of this framework is to integrate risk management into Investore’s operations, and to formalise risk management as part of Investore’s internal control and corporate governance arrangements.

As part of the risk management framework, the Manager maintains a comprehensive risk register for Investore, recording the key risks to its business, and assigning each risk a rating based on the likelihood and impact of the risk, both before and after application of mitigating controls. The risk register is reviewed on a semi-annual basis and newly emerging risks as well as risk trends and reporting against key risks are reported to the Board.

As noted in relation to reporting on Principle 4, during FY22 the Audit and Risk Committee of Investore conducted a review of its risk appetite against key risks identified by SIML 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. Table 4, although not an exhaustive list, sets out a high level summary of the key risks to Investore’s business that are reported to, and monitored by the Board as part of Investore’s Risk Management Framework.

Management of Health and Safety Risk

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

SIML sets key performance indicators on an annual basis and reports regularly against those key performance indicators to the Investore Board. In addition, the Investore Board reviews any incidents across the Investore sites and SIML’s remedial actions in relation to incidents, and seeks to ensure that there is continual learning from any incidents or near misses. During FY22 Investore continued to promote a positive health and safety culture throughout its area of influence, including SIML, tenants and its supply chain.

A key area of focus for both Investore and SIML is contractor management, ensuring that contractors with appropriate health and safety practices are engaged, and when engaged they are minimising risks to staff, public and tenants in undertaking their activities.

During FY22, the key health and safety issue facing Investore continued to be the impact of COVID-19 on its operations and those of its tenants. As many of the Investore tenants are considered ‘essential businesses’ within the Government definition on the www.covid19.govt.nz website, the sites those tenants operated from were required to be kept operational, presenting unique risks to Investore. SIML, as Manager of Investore, implemented specific protocols to ensure compliance with COVID-19 requirements, as well as meeting tenant and contractor expectations. SIML adopted a proactive approach to the management of COVID-19, efficiently changing its approach as rules and requirements changed, ensuring ongoing compliance and minimising disruption to tenants’ operations as much as possible.

Table 4: Investore’s Key Risks

Key Risk	Control
Risk to business caused by COVID-19 disruptions	Investore has a high proportion of supermarkets and other ‘essential businesses’ as tenants, which are not impacted by COVID-19 restrictions, which mitigates against the impact of this risk. Investore takes a conservative approach to the impact of COVID-19. Investore provided an amount for tenant rent abatements as at 30 September 2021, and now that negotiations are largely complete, the total cost of rent abatements is less than this provision.
Rising costs as a result of external factors, including inflation and the conflict in Ukraine, potentially impacting tenants’ businesses and impacting their ability to meet their obligations under their leases	Investore has a high proportion of essential businesses which do not typically fall into the ‘discretionary spending’ category and tend to be more resilient in varying market conditions. Investore also has a relatively long WALT which minimises the risk of vacancies.
Interest rate increases, impacting cost of debt to Investore	100% of Investore’s debt is currently fixed or hedged, providing protection against rising interest rates in the medium term.
Impact of outcome of Commerce Commission review of supermarkets in New Zealand	Investore has assessed the recommendations of the Commerce Commission following its investigation into supermarket competition in New Zealand, and considers that the recommendations do not significantly impact its business.
Customer concentration and single sector focus	Investore considers that the large format retail sector is a beneficial sector to invest in. The sector has typically experienced high demand from investors which benefits asset values. Geographical and tenant portfolio diversification are sought where appropriate to mitigate this risk.
Rising costs impacting expenditure, making developments and maintenance expenditure more expensive	Investore will continue to monitor construction cost escalation and implement strategies as appropriate to manage this risk, including early commitment to materials for projects that are identified, thus reducing the risk of cost escalation during the course of a project.
Sustainability and climate change	As reported in this Annual Report, Investore has a focus on sustainability and ensuring that its business remains sustainable for the long term. Investore, in conjunction with its Manager, SIML, has prepared a preliminary climate risk assessment and is implementing strategies to address the impact of climate risk on Investore’s business.

Principle 7: Auditors

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

PwC is the auditor of Investore. The principles that govern the relationship between Investore and its external auditor are set out in the Audit and Risk Committee Charter, which includes the Audit Independence Guidelines. These Guidelines require compliance with the Listing Rules, which in turn, requires rotation of the lead audit partner at least every five years. During FY22, Investore rotated its lead audit partner, with Philip Taylor replacing Sam Shuttleworth as the lead audit partner for the next five years.

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

Investore's Audit Independence Guidelines set out a description for determining the non-audit services that may be provided by the external auditor without compromising the external auditor's independence. The Audit and Risk Committee regularly monitor any non-audit services that may be 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 Investore's external financial reporting is reliable and credible. Any non-audit services provided by the external auditor must be approved by the Chair of the Audit and Risk Committee. For FY22, PwC, as auditor, did not provide any services for Investore other than audit and review of financial statements and other assurance services.

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

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

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

Principle 8: Shareholder Rights and Relations

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

Investor Communications

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

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

While annual and interim reports are made available on the NZX website, www.nzx.com, and are also available on Investore's website, investors can also request hard copies (where available) by contacting Investore's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report). Additionally, each notice of meeting for shareholder meetings and transcripts of those meetings are made available on Investore's website and on the NZX.

The Company encourages investors to receive investor communications by electronic means where possible. Investore participates in the regular initiative undertaken by its Share Registrar, Computershare, to encourage investors to receive communications electronically, as this saves money for Investore and also supports Investore's sustainability initiatives by avoiding the use of resources for printed documents.

Shareholder Meetings

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

The Board endeavours, where possible, to distribute every Notice of Meeting for shareholder meetings at least 20 working days prior to any shareholder meeting. During FY22, shareholders were given at least 20 working days' notice of the Annual Shareholder Meeting held on 8 July 2021.

Shareholders are encouraged to attend Investore's Annual Shareholder Meeting and take the opportunity to meet the Board and senior managers of the Manager. Directors and senior managers of the Manager attend shareholder meetings and are available for questions. The Chair provides time for questions from the floor, and these are answered by the appropriate member of the Board or Manager. Investore's external auditor attends the meeting and is available to take questions on the preparation of the financial statements and the auditor's report. The next Annual Shareholder Meeting for Investore is scheduled to be held on 30 June 2022.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of Investore and its subsidiaries during the reporting period 1 April 2021 to 31 March 2022 pursuant to section 140 and section 211(e) of the Companies Act 1993, are shown in Table 5.

Table 5: Interests Register Entries

Director	Company	Position
Mike Allen (Chair)	Breakwater Consulting Limited	Director
	Taumata Plantations Limited	Director
	China Construction Bank (New Zealand) Limited	Director (1)
	QuayStreet Asset Management Limited	Chair
	Vincent Capital Advisory	Chair (2)
	Armstrong Motor Group	Member of Advisory Board (2)
Gráinne Troute	Tourism Holdings Limited	Director
	Summerset Group Holdings Limited	Director
	Tourism Industry Aotearoa	Chair
Adrian Walker	Nil	
Tim Storey	Stride Property Limited and subsidiaries	Chair
	Stride Investment Management Limited	Chair
	Industre Property Nominee Limited and related entities	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chair
John Harvey	Stride Property Limited and subsidiaries	Director
	Stride Investment Management Limited	Director
	Pomare Investments Limited	Director/Shareholder
	Kathmandu Holdings Limited	Director
	Heartland Bank Limited	Director
	Port of Napier Limited	Director
Fabio Pagano	Stride Investment Management Limited	Employee

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

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

No declarations of specific interests in a transaction or proposed transaction with Investore were made pursuant to section 140 (1) of the Companies Act 1993 during the reporting period.

Directors of Subsidiary Companies

Investore had one subsidiary as at 31 March 2022, being Investore Property (Carr Road) Limited. The directors of this company are Mike Allen and Fabio Pagano. This company is a wholly owned direct subsidiary of Investore. No additional fees were paid to Mike Allen (and no fees were paid to Fabio Pagano) in respect of the directorship of this company.

Indemnity and Insurance

As permitted by Investore's Constitution, Investore has entered into a deed of access, indemnity and insurance to indemnify its Directors and the Directors of its subsidiary for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act 1993. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and in the best interests of the relevant company, or liabilities that cannot be legally indemnified. Investore also has a Directors and Officers liability insurance policy in place. Among other things, the Directors and Officers liability insurance policy excludes cover for deliberate dishonesty, insider trading, fines and penalties (except for legally indemnifiable civil fines or civil penalties), liability arising out of a breach of professional duty other than as a professional director, and liability for which the insured is legally indemnified.

During FY22, the Board authorised the placement of insurance in respect of Investore's senior secured fixed rate bond offer in accordance with the Companies Act 1993 and Investore's Constitution. In authorising any insurance to be effected, each Director signs a certificate stating that, in their opinion, the cost of insurance is fair to the Company.

Use of Company Information

No notices have been received by Investore under section 145 of the Companies Act 1993 with regard to the use of information received by Directors in their capacities as Directors of Investore or its subsidiary, Investore Property (Carr Road) Limited.

Loans to Directors

There are no loans to the Directors of Investore or its subsidiary, Investore Property (Carr Road) Limited.

Disclosures of Directors' Interests in Share Transactions

For the purposes of section 148 (2) of the Companies Act 1993, no disclosures were made by the Directors in respect of changes in shareholdings in Investore or its subsidiary, Investore Property (Carr Road) Limited.

Directors' Interests in Shares

Directors disclosed the following relevant interests in Investore shares as at 31 March 2022:

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

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

Directors have not disclosed any relevant interests in Investore bonds as at 31 March 2022.

Twenty Largest Registered Shareholders as at 31 March 2022

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage of Shares</u>
Stride Property Limited	69,201,977	18.80
Accident Compensation Corporation - NZCSD	31,304,272	8.50
Forsyth Barr Custodians Limited	28,962,762	7.87
Custodial Services Limited	19,210,431	5.22
JBWere (NZ) Nominees Limited	17,823,963	4.84
HSBC Nominees (New Zealand) Limited - NZCSD	15,892,756	4.32
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	15,432,411	4.19
FNZ Custodians Limited	14,641,825	3.98
National Nominees Limited - NZCSD	11,619,055	3.16
Citibank Nominees (New Zealand) Limited - NZCSD	9,901,825	2.69
New Zealand Depository Nominee Limited	9,294,623	2.52
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	8,674,808	2.36
BNP Paribas Nominees (NZ) Limited - NZCSD	7,877,229	2.14
ANZ Wholesale Australasian Share Fund - NZCSD	7,505,172	2.04
ANZ Wholesale Property Securities - NZCSD	5,539,943	1.50
TEA Custodians Limited Client Property Trust Account - NZCSD	5,511,587	1.50
BNP Paribas Nominees (NZ) Limited - NZCSD	5,350,454	1.45
MFL Mutual Fund Limited - NZCSD	5,149,426	1.40
Hobson Wealth Custodian Limited	4,910,062	1.33
Simplicity Nominees Limited - NZCSD	2,758,101	0.75
Total	296,562,682	80.56

Numbers may not sum due to rounding.

Twenty Largest Registered Bondholders (IPL010) as at 31 March 2022*

<u>Name</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Custodial Services Limited	17,529,000	17.53
National Nominees Limited - NZCSD	14,388,000	14.39
Forsyth Barr Custodians Limited	14,280,000	14.28
FNZ Custodians Limited	13,589,000	13.59
Hobson Wealth Custodian Limited	6,642,000	6.64
HSBC Nominees (New Zealand) Limited - NZCSD	5,518,000	5.52
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	3,275,000	3.28
JBWere (NZ) Nominees Limited	2,905,000	2.91
ANZ Fixed Interest Fund - NZCSD	1,744,000	1.74
Mint Nominees Limited - NZCSD	1,600,000	1.60
FNZ Custodians Limited	1,231,000	1.23
Hobson Wealth Custodian Limited	1,080,000	1.08
Investment Custodial Services Limited	818,000	0.82
Forsyth Barr Custodians Limited	696,000	0.70
ANZ Bank New Zealand Limited - NZCSD	665,000	0.67
Kiwigold.co.nz Limited	500,000	0.50
Rita Maria Halanke	400,000	0.40
Su Li	300,000	0.30
JBWere (NZ) Nominees Limited	265,000	0.27
Dunedin Diocesan Trust Board	250,000	0.25
JBWere (NZ) Nominees Limited	250,000	0.25
Total	87,925,000	87.93

**Note: Two holders hold the same number of bonds, meaning that 21 holders have been reported above in the top 20 holders table. Numbers may not sum due to rounding*

Twenty Largest Registered Bondholders (IPL020) as at 31 March 2022

Name	Number of Units	Percentage of Units
Forsyth Barr Custodians Limited	24,675,000	19.74
FNZ Custodians Limited	16,635,000	13.31
Custodial Services Limited	15,360,000	12.29
National Nominees Limited - NZCSD	11,500,000	9.20
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	9,396,000	7.52
Hobson Wealth Custodian Limited	8,473,000	6.78
TEA Custodians Limited Client Property Trust Account - NZCSD	5,215,000	4.17
HSBC Nominees (New Zealand) Limited - NZCSD	4,250,000	3.40
ANZ Fixed Interest Fund - NZCSD	3,546,000	2.84
Queen Street Nominees ACF PIE Funds - NZCSD	3,500,000	2.80
Citibank Nominees (New Zealand) Limited - NZCSD	2,680,000	2.14
JBWere (NZ) Nominees Limited	1,630,000	1.30
Forsyth Barr Custodians Limited	1,608,000	1.29
FNZ Custodians Limited	1,103,000	0.88
NZPT Custodians (Grosvenor) Limited - NZCSD	1,000,000	0.80
Investment Custodial Services Limited	776,000	0.62
FNZ Custodians Limited	745,000	0.60
Forsyth Barr Custodians Limited	655,000	0.52
Queen Street Nominees ACF Hobson Wealth - NZCSD	555,000	0.44
Social Service Council of the Diocese of Christchurch	505,000	0.40
Total	113,807,000	91.05

Numbers may not sum due to rounding.

Twenty Largest Registered Bondholders (IPL030) as at 31 March 2022

Name	Number of Units	Percentage of Units
Forsyth Barr Custodians Limited	19,459,000	15.57
National Nominees Limited - NZCSD	19,410,000	15.53
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	16,472,000	13.18
ANZ Fixed Interest Fund - NZCSD	8,600,000	6.88
NZPT Custodians (Grosvenor) Limited - NZCSD	8,175,000	6.54
Hobson Wealth Custodian Limited	7,340,000	5.87
Custodial Services Limited	6,601,000	5.28
HSBC Nominees (New Zealand) Limited - NZCSD	5,095,000	4.08
TEA Custodians Limited Client Property Trust Account - NZCSD	4,310,000	3.45
Citibank Nominees (New Zealand) Limited - NZCSD	4,300,000	3.44
JBWere (NZ) Nominees Limited	3,569,000	2.86
BNP Paribas Nominees (NZ) Limited - NZCSD	2,995,000	2.40
FNZ Custodians Limited	2,505,000	2.00
Investment Custodial Services Limited	1,633,000	1.31
Forsyth Barr Custodians Limited	1,529,000	1.22
Adminis Custodial Nominees Limited	1,140,000	0.91
I J Investments Limited	515,000	0.41
JBWere (NZ) Nominees Limited	500,000	0.40
Anthony Eugene Smith & Carolyn Jean Smith & David Kenneth Brown	440,000	0.35
BGLIR Trustee Limited	340,000	0.27
Total	114,928,000	91.94

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 Investore pursuant to sub-part 5 of part 5 of the Financial Markets Conduct Act 2013 are noted below:

Name	Date of substantial product holder notice	Relevant interest in the number of ordinary shares	% of ordinary shares held
Stride Property Limited	20 May 2020	69,201,977	18.8
ANZ New Zealand Investments	25 August 2021	33,726,555	9.2
Accident Compensation Corporation	31 March 2021	28,746,624	7.8
Salt Funds Management Limited	24 December 2021	18,453,335	5.0
Forsyth Barr Investment Management Limited	13 November 2020	18,464,665	5.0

The number of ordinary shares listed in the table are as per the last substantial product holder notice filed on or prior to 31 March 2022.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2022

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 – 99	27	0.55	1,117	0.00
100 – 199	16	0.32	2,043	0.00
200 – 499	122	2.48	45,804	0.01
500 – 999	285	5.79	204,746	0.06
1,000 – 1,999	700	14.21	1,020,566	0.28
2,000 – 4,999	1,251	25.40	4,041,459	1.10
5,000 – 9,999	1,043	21.17	7,208,515	1.96
10,000 – 49,999	1,242	25.21	24,369,453	6.62
50,000 – 99,999	139	2.82	9,188,047	2.50
100,000 – 499,999	71	1.44	12,456,268	3.38
500,000 – 999,999	4	0.08	2,817,043	0.77
1,000,000 and over	26	0.53	306,779,972	83.33
Total	4,926	100.00	368,135,033	100.00

Numbers may not sum due to rounding.

Distribution of Holders of IPL010 Listed Bonds as at 31 March 2022

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 – 9,999	37	7.87	208,000	0.21
10,000 – 49,999	340	72.34	6,455,000	6.46
50,000 – 99,999	51	10.85	2,848,000	2.85
100,000 – 499,999	26	5.53	4,029,000	4.03
500,000 – 999,999	4	0.85	2,679,000	2.68
1,000,000 and over	12	2.55	83,781,000	83.78
Total	470	100.00	100,000,000	100.00

Numbers may not sum due to rounding.

Distribution of Holders of IPL020 Listed Bonds as at 31 March 2022

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 – 9,999	37	11.67	255,000	0.20
10,000 – 49,999	207	65.30	4,366,000	3.49
50,000 – 99,999	31	9.78	1,784,000	1.43
100,000 – 499,999	20	6.31	3,788,000	3.03
500,000 – 999,999	7	2.21	4,236,000	3.39
1,000,000 and over	15	4.73	110,571,000	88.46
Total	317	100.00	125,000,000	100.00

Numbers may not sum due to rounding.

Distribution of Holders of IPL030 Listed Bonds as at 31 March 2022

Size of holding	Number of bondholders	% of bondholders	Issued bonds (\$)	% of issued bonds
5,000 – 9,999	61	15.56	339,000	0.27
10,000 – 49,999	264	67.35	4,930,000	3.94
50,000 – 99,999	27	6.89	1,605,000	1.28
100,000 – 499,999	22	5.61	3,978,000	3.18
500,000 – 999,999	2	0.51	1,015,000	0.81
1,000,000 and over	16	4.08	113,133,000	90.51
Total	392	100.00	125,000,000	100.00

Numbers may not sum due to rounding.



Donations

Neither Investore nor its subsidiary made any donations in the year ended 31 March 2022.

Credit Rating

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

Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Investore during FY22.

Auditor's Fees

As noted, PwC has continued to act as auditor for Investore and its subsidiary and the amount payable by Investore to PwC, for audit fees and non-audit work fees undertaken in respect of FY22, is set out in note 7.2 to the Financial Statements.

NZX Waivers

During FY22 Investore was granted or relied on certain waivers from the Listing Rules, which are described below. A copy of these waivers is available at www.nzx.com/companies/IPL.

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

Listing Rules 2.2 to 2.8

Listing Rules 2.2 to 2.8 stipulate certain requirements in relation to the appointment, removal and rotation of Directors. A waiver from Listing Rules 2.2 to 2.8 was granted to the extent that SIML, as the Manager of Investore, has exercised its right to appoint two Directors (the SIML-appointed Directors). This waiver is subject to a number of conditions, including that:

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

- the NS Designation be disclosed as a part of Investore's offer documents and annual reports; and
- this waiver is disclosed as part of Investore's annual reports.

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

Listing Rule 2.10.1

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


- the Chair of the Board must be independent and have a casting vote on any Board resolutions;
- any Directors appointed by SIML must be identified in Investore's offer documents and its annual reports;
- at any time that a new person is appointed to the Investore Board, that each Director certifies to NZX Regulation that any Board resolution that they approve will, in their opinion, be in what the Director believes to be the best interests of Investore; and
- this waiver is disclosed as a part of Investore's annual reports.

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

Directors' Statement

This Annual Report is dated 18 May 2022 and is signed for and on behalf of the Board of Directors of Investore Property Limited by:


Mike Allen
 Independent Director
 and Chair of the Board


Gráinne Troute
 Independent Director and
 Chair of the Audit
 and Risk Committee

Glossary

Board	Board of Directors of Investore Property Limited
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to Investore by that tenant under the terms of the relevant lease as at the relevant date, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant
Distributable Profit	Distributable profit is a non-GAAP measure and consists of profit/ (loss) before income tax, adjusted for determined non-recurring and/ or non-cash items (including non-recurring adjustments for incentives payable to anchor tenants for lease extensions) and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 3.2 to the Consolidated Financial Statements
FY21	The financial year ended 31 March 2021
FY22	The financial year ended 31 March 2022
FY23	The financial year ending 31 March 2023
Investore or the Company	Investore Property Limited, together with its wholly owned subsidiary, Investore Property (Carr Road) Limited
Listing Rules	The main board listing rules of NZX
LVR	Loan to value ratio
NLA	Net Lettable Area
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2020
SIML or the Manager	Stride Investment Management Limited, the Manager of Investore under a Management Agreement dated 10 June 2016 (as may be amended from time to time)
SPL	Stride Property Limited
Stride	Stride Property Group, comprising the stapled entities of SPL and SIML
TCFD	Taskforce on Climate-related Financial Disclosures
WALT	Weighted Average Lease Term

Corporate Directory

Board of Directors

Mike Allen (Chair)
Gráinne Troute
Adrian Walker
Tim Storey (SIML-Appointed Director)
John Harvey (SIML-Appointed Director)

Registered Office

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

W investoreproperty.co.nz

Manager

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

T +64 9 912 2690

Auditor

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

Share Registrar

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

T +64 9 488 8777

F +64 9 488 8787

E enquiry@computershare.co.nz

Legal Adviser

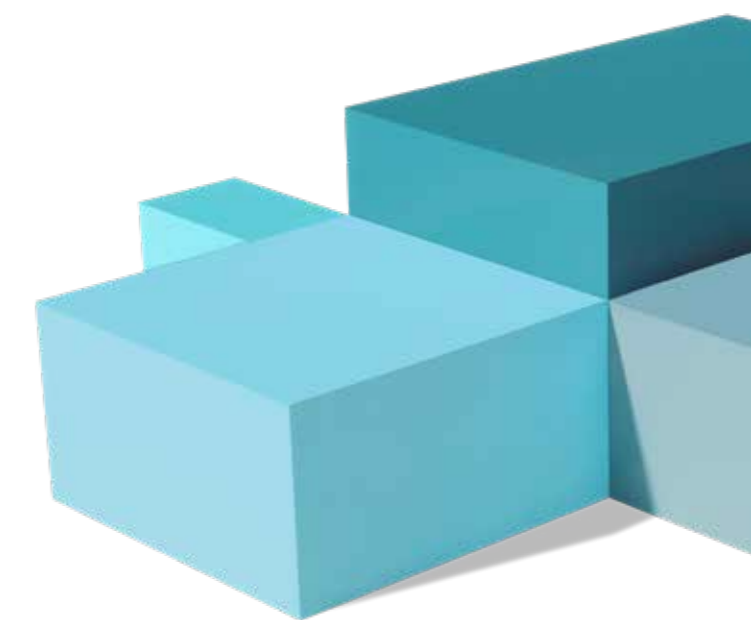
Bell Gully
Level 21, Vero Centre
48 Shortland Street, Auckland 1010
PO Box 4199, Auckland 1140

Bankers

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

Bond Supervisor

Public Trust
Private Bag 5902
Wellington 6140



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