



investore

Managed by Stride Investment
Management Limited

Investore
Property Limited

Consolidated Interim
Financial Statements
for the six months ended
30 September 2022



Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Gross rental income		35,740	33,008
Direct property operating expenses		(5,523)	(4,981)
Net rental income	2.1	30,217	28,027
Less corporate expenses			
Asset management fee expense	4.0	(3,087)	(2,776)
Performance fee expense		-	(1,667)
Administration expenses		(1,525)	(1,280)
Total corporate expenses		(4,612)	(5,723)
Profit before net finance expense, other (expense)/income and income tax		25,605	22,304
Finance income		27	6
Finance expense		(7,936)	(6,945)
Net finance expense	5.3	(7,909)	(6,939)
Profit before other (expense)/income and income tax		17,696	15,365
Other (expense)/income			
Net change in fair value of investment properties	2.2	(42,667)	44,770
Gain on disposal of investment property		-	576
Net change in fair value of derivative financial instruments		(8)	9
(Loss)/profit before income tax		(24,979)	60,720
Income tax expense	6.1	(2,704)	(3,776)
(Loss)/profit after income tax attributable to shareholders		(27,683)	56,944
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cashflow hedges, net of tax		302	19
Total comprehensive (loss)/income after tax attributable to shareholders		(27,381)	56,963
Basic and diluted earnings per share (cents)	3.1	(7.52)	15.47

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

Consolidated Statement of Changes in Equity

For the six months ended 30 September 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 22 (Audited)			368,135	558,293	296,383	366	855,042
Transactions with shareholders:							
Q4 2022 final dividend		1.975	-	-	(7,272)	-	(7,272)
Q1 2023 interim dividend		1.975	-	-	(7,262)	-	(7,262)
Share buyback	5.4		(632)	(1,074)	-	-	(1,074)
Total transactions with shareholders			(632)	(1,074)	(14,534)	-	(15,608)
Other comprehensive income:							
Movement in cash flow hedges, net of tax			-	-	-	302	302
Total other comprehensive income			-	-	-	302	302
Loss after income tax			-	-	(27,683)	-	(27,683)
Total comprehensive income			-	-	(27,683)	302	(27,381)
Balance 30 Sep 22 (Unaudited)			367,503	557,219	254,166	668	812,053
Balance 31 Mar 21 (Audited)			368,135	558,293	207,024	357	765,674
Transactions with shareholders:							
Q4 2021 final dividend		1.900	-	-	(6,995)	-	(6,995)
Q1 2022 interim dividend		1.975	-	-	(7,271)	-	(7,271)
Total transactions with shareholders			-	-	(14,266)	-	(14,266)
Other comprehensive income:							
Movement in cash flow hedges, net of tax			-	-	-	19	19
Total other comprehensive income			-	-	-	19	19
Profit after income tax			-	-	56,944	-	56,944
Total comprehensive income			-	-	56,944	19	56,963
Balance 30 Sep 21 (Unaudited)			368,135	558,293	249,702	376	808,371

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

Consolidated Statement of Financial Position

As at 30 September 2022

	Notes	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Current assets			
Cash at bank		6,829	7,229
Trade and other receivables		1,923	872
Prepayments		1,727	629
Other current assets		903	1,562
		11,382	10,292
Non-current assets			
Investment properties	2.2	1,205,373	1,219,766
Prepayments, deposits and other payments on investment property	2.2	4,083	8,011
Derivative financial instruments	5.2	1,486	667
		1,210,942	1,228,444
Total assets		1,222,324	1,238,736
Current liabilities			
Trade and other payables		5,446	5,564
Current tax liability		1,069	948
Lease liabilities		72	78
Derivative financial instruments		-	134
		6,587	6,724
Non-current liabilities			
Borrowings	5.1	387,576	351,530
Lease liabilities	1.5	8,276	18,356
Deferred tax liability		7,130	6,958
Derivative financial instruments	5.2	702	126
		403,684	376,970
Total liabilities		410,271	383,694
Net assets		812,053	855,042
Share capital		557,219	558,293
Retained earnings		254,166	296,383
Reserves	5.5	668	366
Equity		812,053	855,042

For and on behalf of the Board of Directors, dated 16 November 2022:

Mike Allen
Chair of the Board

Gráinne Trout
Chair of the Audit and Risk Committee

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

Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Cash flows from operating activities			
Gross rent received		34,724	33,069
Interest received		27	6
Operating expenses		(9,875)	(9,132)
Performance fee expenses		-	(1,482)
Interest paid		(7,457)	(6,640)
Refinancing of bank borrowings		(20)	(99)
Income tax paid		(2,524)	(2,790)
Net cash provided by operating activities		14,875	12,932
Cash flows from investing activities			
Capital expenditure on investment properties		(2,517)	(1,778)
Acquisition of investment properties		(32,707)	(73,387)
Acquisition of other assets		-	(278)
Proceeds from disposal of investment properties		-	10,190
Net cash applied to investing activities		(35,224)	(65,253)
Cash flows from financing activities			
Drawdown of bank borrowings		35,600	74,300
Repayment of bank borrowings		-	(10,100)
Dividends paid		(14,534)	(14,265)
Lease liabilities payments		(43)	(46)
Share buyback	5.4	(1,074)	-
Net cash provided by financing activities		19,949	49,889
Net decrease in cash and cash equivalents held		(400)	(2,432)
Opening cash and cash equivalents		7,229	6,800
Closing cash and cash equivalents		6,829	4,368

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

Consolidated Statement of Cash Flows (continued)

For the six months ended 30 September 2022

Reconciliation of (loss)/profit after income tax attributable to shareholders to net cash flows from operating activities

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
(Loss)/profit after income tax attributable to shareholders		(27,683)	56,944
Add/(less) non-cash items:			
Movement in deferred tax	6.1	58	1,410
Net change in fair value of investment properties		42,667	(44,770)
Gain on disposal of investment property		-	(576)
Spreading of fixed rental increases		(12)	(20)
Capitalised lease incentives		(131)	(38)
Lease incentives amortisation		115	91
Movement in loss allowance		(25)	32
Borrowings establishment costs amortisation		466	350
Accrued interest movement in derivative financial instruments		30	(68)
Net change in fair value of derivative financial instruments		8	(9)
		15,493	13,346
Add/(less) activities reclassified from/(to) operating activities:			
Movement in working capital items relating to investing activities		889	999
Movement in borrowings/bond transaction costs classified as operating activities		(20)	(99)
		16,362	14,246
Movement in working capital:			
Increase in trade and other receivables		(1,051)	(1,081)
Increase in prepayments and other current assets		(439)	(1,299)
Increase/(decrease) in current tax liability		121	(425)
(Decrease)/increase in trade and other payables		(118)	1,491
Net cash provided by operating activities		14,875	12,932

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

Notes to the Financial Statements

For the six months ended 30 September 2022

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1.0 General Information

This section sets out Investore's accounting policies that relate to the unaudited interim consolidated financial statements (financial statements) as a whole.

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) (together referred to as Investore). The Parent is domiciled in New Zealand and is registered under the Companies Act 1993. The Parent is also an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

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

The financial statements were approved for issue by the Board of Directors of the Parent (the Board) on 16 November 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, and Generally Accepted Accounting Practice in New Zealand (GAAP). The financial statements comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). 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.

The financial statements do not contain all the disclosures normally included in an annual financial report and should be read in conjunction with the audited 2022 annual consolidated financial statements.

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 Standard 3: General Requirements for Climate Related Disclosures (NZ CS 3).

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 CS 3 establishes principles and general requirements for application in providing climate disclosures. The XRB is aiming to publish these new standards by 31 December 2022.

Investore has commenced the process of identifying the impact of climate change on its business and assets, but to date has not undertaken any quantitative assessment. The independent valuers that valued Investore's investment properties have made no explicit adjustments to investment property valuations in respect of climate change matters. However, Investore acknowledges the potential impact climate change may have on valuations in the future as the impacts of climate change are better assessed and understood and the markets place greater emphasis on these matters.

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

1.4 Significant accounting policies, estimates and judgements

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

1.0 General Information (continued)

1.5 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 31 August 2022, Investore acquired the balance of the freehold land at 3 Averill Street, Auckland, for \$18.0 million. Investore previously only held the leasehold interest and paid ground rent on this land. As a consequence of the acquisition, the right-of-use asset and lease liability of \$10.0 million have been de-recognised.

On 9 September 2022, Investore acquired a 3.3 hectare parcel of land at Waimak Junction, Kaiapoi, for \$10.1 million. Investore has reached an agreement with Countdown to construct a new supermarket on a portion of this site, leaving the balance of the land for future development (refer note 2.3).

Share buyback

On 15 July 2022, the Parent began an on-market share buyback programme to purchase up to 5% of its ordinary shares (being 18,406,751 ordinary shares). Under the programme, the Parent will only acquire shares on the NZX Main Board for a period of up to one year from 11 July 2022. The acquired shares are cancelled upon acquisition. As at 30 September 2022, the Parent had acquired and cancelled 632,398 shares for a cost of \$1.1 million (including transaction costs).

Bank refinancing

In September 2022, Investore refinanced \$75 million of bank debt facilities, extending these facilities for a further two years to November 2025. As part of the refinancing process, Investore's banking covenants were revised, with the Loan to Value Ratio covenant reducing from 65% to 52.5% and the weighted average lease term (WALT) covenant, previously 6.0 years, being removed.

Revaluation of investment properties

Investore undertook independent valuations of the portfolio as at 30 September 2022, which resulted in a net change in fair value of investment properties of \$(42.7) million (30 Sep 21: \$44.8 million).

1.6 Non-GAAP measures

The consolidated statement of comprehensive income includes two non-GAAP measures; Profit before net finance expense, other (expense)/income and income tax; and Profit before other (expense)/income 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 calculates the net tangible assets per share, which is a non-GAAP measure and is a common investment metric.

Note 3.3 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

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Gross rental income		
Rental income	31,818	30,376
Service charge income recovered from tenants	3,871	3,692
Spreading of fixed rental increases	12	20
Capitalised lease incentives	131	38
Lease incentives amortisation	(108)	(84)
Rental income abatement provision due to COVID-19	16	(1,034)
Total gross rental income	35,740	33,008
Direct property operating expenses		
Service charge expenses to tenants	(4,560)	(4,383)
Movement in loss allowance	25	(32)
Lease incentives amortisation	(7)	66
Other non-recoverable property operating expenses	(981)	(632)
Total direct property operating expenses	(5,523)	(4,981)
Net rental income	30,217	28,027

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

2.0 Property (continued)

2.2 Investment properties

	Total \$000
Balance at 31 Mar 22 (Audited)	1,219,766
De-recognition of lease liabilities	(10,043)
Property acquisitions	32,778
Transfer from prepayments and other payments on investment property balance	4,289
Net change in fair value	(42,667)
Capital expenditure	1,222
Spreading of fixed rental increases	12
Capitalised lease incentives	110
Lease incentives amortisation	(25)
Capitalised lease incentives - COVID-19 abatements	21
Lease incentives amortisation - COVID-19 abatements	(90)
Balance at 30 Sep 22 (Unaudited)	1,205,373
Comprising:	
Investment property per independent valuations	1,200,039
Less prepayment on investment property	(3,014)
	1,197,025
Lease liabilities	8,348
Balance at 30 Sep 22 (Unaudited)	1,205,373
Deposits and other payments relating to portfolio improvement initiatives	1,069
Prepayment on investment property relating to seismic work	3,014
Prepayments, deposits and other payments on investment property as at 30 Sep 22 (Unaudited)	4,083

On 30 April 2020, Investore purchased three large format retail properties, being 2 Carr Road, Auckland, Mt Wellington Shopping Centre, Auckland, and Bay Central Shopping Centre, Tauranga, from Stride Property Limited (SPL). Under the sale and purchase agreements, SPL is to complete seismic works. As at 30 September 2022, only the seismic works at 2 Carr Road remain. The valuation for this property was prepared on the basis that the seismic works have been completed and consequently, \$3.0 million has been recognised as a prepayment on investment property (non-current asset), representing the remaining seismic works to be completed (31 Mar 22: \$3.0 million).

In addition, amounts have been recognised for deposits and other payments, excluding prepayments, totaling \$1.1 million (31 Mar 22: \$5.0 million) relating to Investore's expansion and portfolio improvement initiatives.

During the period, the seismic strength assessments for investment properties located in high or medium earthquake risk zones were updated by external independent engineers. No material matters have been identified.

The \$8.3 million (31 Mar 22: \$18.4 million) lease liabilities are in respect to the ground leases at the corner of Anglesea and Liverpool Streets, Hamilton (seven), 70 Studholme Street, Morrinsville (one), 51 Arthur Street, Blenheim (one), and the corner of Bridge and Anglesea Streets, Hamilton (one). In the prior year, Investore also had one ground lease at 3 Averill Street, Auckland (refer note 1.5).

The investment properties, with the exception of 'Other 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 (each being independent registered valuers who hold an annual practicing certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers). The net change in fair value of \$(42.7) million (31 Mar 22: \$91.0 million) includes \$0.04 million (31 Mar 22: \$0.07 million) in relation to the change in the value of the lease liabilities. Other properties relate to Investore's expansion and portfolio initiatives, and are stated at cost as a proxy for fair value.

2.0 Property (continued)

2.2 Investment properties (continued)

Property	Valuer	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Auckland			
24 Anzac Road	JLL	30,000	31,600
326 Great South Road	CVAS (NZ)	39,500	44,500
35A St Johns Road	JLL	25,500	27,500
507 Pakuranga Road	CBRE	23,300	24,700
3 Averill Street	CVAS (NZ)	41,000	17,750
Cnr Church & Selwyn Streets	Bayleys	13,600	14,000
Cnr Te Irirangi Drive & Bishop Dunn Place	Bayleys	45,900	46,300
112 Stoddard Road	Savills	30,400	31,100
226 Great South Road	Savills	43,000	44,000
20-24 Neville Street	Savills	32,500	33,000
2 Carr Road	CBRE	51,400	55,800
4 Carr Road	Savills	34,600	36,250
295 Penrose Road	CBRE	45,300	44,500
Waikato			
66-76 Studholme Street, Morrinsville	JLL	8,000	8,000
Cnr Anglesea & Liverpool Streets, Hamilton	Savills	8,800	9,500
Cnr Bridge & Anglesea Streets, Hamilton	Savills	22,000	23,200
Cnr Hukanui & Thomas Roads, Hamilton	Savills	19,300	20,100
446 Te Rapa Road, Hamilton	Bayleys	43,100	43,100
Bay of Plenty			
230-240 Fenton Street, Rotorua	Savills	23,900	25,000
26-48 Old Taupo Road, Rotorua	Bayleys	40,400	40,900
65 Chapel Street, Tauranga	JLL	54,250	54,000
Wellington			
47 Bay Road	Bayleys	16,750	17,250
91 Johnsonville Road	CVAS (WLG)	26,000	26,000
13-19 Queen Street, Upper Hutt	JLL	16,500	15,750
14 Russell Street, Upper Hutt	CVAS (NZ)	12,750	11,000
261 High Street, Lower Hutt	CVAS (NZ)	28,500	30,000
Cnr Hanson Street, John Street & Adelaide Road	CVAS (WLG)	28,500	31,250
3 Main Road	JLL	22,500	25,000
45-49 Jackson Street	Savills	38,000	38,000
Other North Island			
Cnr Butler & Kerikeri Roads, Kerikeri	Savills	23,300	24,300
53 Leach Street, New Plymouth	Bayleys	37,600	39,300
9 Gloucester Street, Napier	CVAS (WLG)	20,650	22,750
Cnr Fernlea Avenue & Roberts Line, Palmerston North	CVAS (WLG)	16,500	17,750
Cnr Tremaine Avenue & Railway Road, Palmerston North	CBRE	34,000	36,700
Canterbury & Otago			
87-97 Hilton Street, Kaiapoi	CVAS (NZ)	14,000	14,750
219 Colombo Street, Christchurch	Bayleys	21,900	22,950
Cnr Victoria & Browne Streets, Timaru	CVAS (NZ)	14,750	15,500
40-50 Ivory Street, Rangiora	Savills	20,300	20,800
Cnr Rolleston & Masefield Drives, Rolleston	Savills	27,500	28,000
24 Brighton Mall, Christchurch	CVAS (NZ)	6,200	6,600
309 Cumberland Street, Dunedin	CVAS (NZ)	26,000	28,000
Other South Island			
Cnr Putaitai Street & Main Road, Nelson	CBRE	14,000	15,600
51 Arthur Street, Blenheim	JLL	12,000	13,100
172 Tay Street, Invercargill	CBRE	26,500	29,200
Other			
Waimak Junction, Kaiapoi - held as development	Savills	10,860	-
Other properties		8,729	-
Total		1,200,039	1,204,350

2.0 Property (continued)

2.2 Investment properties (continued)

In determining the valuations (excluding 'Other' properties), the valuers took into account:

- occupancy (leased area as a proportion of the total net lettable area) on individual investment properties (average is 99.5% at balance date (31 Mar 22: 99.7%));
- average lease term (WALT at balance date is 8.5 years (31 Mar 22: 9.1 years));
- discount rates (ranged from 4.38% to 8.50% (31 Mar 22: 3.00% to 8.50%)); and
- capital expenditure works of \$2.2 million for roof replacements at 24 Anzac Road, Auckland, and 91 Johnsonville Road, Wellington, and the roof replacement and ramp works at 295 Penrose Road, Auckland.

Capitalisation rates ranged from 4.18% to 10.00% (31 Mar 22: 4.00% to 10.00%).

The estimated sensitivity of the fair value of the total investment property portfolio (excluding 'Other' properties) 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 30 Sep 2022 (Unaudited)				
Change \$000	63,191	(56,998)	53,009	(48,567)
Change %	5	(5)	4	(4)
As at 31 Mar 2022 (Audited)				
Change \$000	68,662	(59,997)	34,496	(29,574)
Change %	6	(5)	3	(3)

2.3 Capital expenditure commitments contracted for

As at 30 September 2022, Investore had committed to \$31.0 million (31 Mar 22: \$55.3 million) in total for capital expenditure works to be undertaken over the next 18 months:

- Stage 1 development at Waimak Junction, Kaiapoi, which is expected to cost approximately \$21.8 million;
- \$8.0 million towards the redevelopment and store refurbishment at 507 Pakuranga Road, Auckland, including new parking areas, improved customer access and a dedicated online pick-up area with an associated improvements rental; and
- \$1.2 million towards other value-add capital expenditure.

Investore has no other material commitments as at 30 September 2022.

Subsequent to balance date, Investore has committed to a further \$0.4 million for life-cycle capital expenditure.

3.0 Investor Returns

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

3.1 Basic and diluted earnings per share (EPS)

Basic and diluted EPS amounts are calculated by dividing (loss)/profit after income tax attributable to shareholders by the weighted average number of shares on issue.

The movement in the weighted average number of shares in the current period reflects the 632,398 shares bought back and cancelled (refer note 1.5).

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
(Loss)/profit after income tax attributable to shareholders	(27,683)	56,944
Weighted average number of shares for purpose of basic and diluted EPS	367,942	368,135
Basic and diluted EPS - weighted (cents)	(7.52)	15.47

3.2 Net tangible assets per share

	Unaudited 30 Sep 22	Audited 31 Mar 22	Unaudited 30 Sep 21
Number of shares on issue (000)	367,503	368,135	368,135
Total assets (\$000)	1,222,324	1,238,736	1,182,281
Less total liabilities (\$000)	(410,271)	(383,694)	(373,910)
Net tangible assets (\$000)	812,053	855,042	808,371
Net tangible assets per share (cents)	221	232	220

3.0 Investor Returns (continued)

3.3 Distributable profit

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
(Loss)/profit before income tax	(24,979)	60,720
Non-recurring, non-cash and other adjustments:		
Net change in fair value of investment properties	42,667	(44,770)
Gain on disposal of investment property	-	(576)
Reversal of lease liabilities movement in investment properties	(43)	(46)
Net change in fair value of derivative financial instruments	8	(9)
Spreading of fixed rental increases	(12)	(20)
Capitalised lease incentives net of amortisation	(16)	53
Borrowings establishment costs amortisation	466	350
Distributable profit before current income tax	18,091	15,702
Current income tax	(2,646)	(2,366)
Distributable profit after current income tax	15,445	13,336
Adjustments to funds from operations		
Maintenance capital expenditure	(835)	(472)
Adjusted Funds From Operations (AFFO)	14,610	12,864
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	367,942	368,135
Basic and diluted distributable profit after current income tax per share - weighted (cents)	4.20	3.62
AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)	3.97	3.49

4.0 Related Party Disclosures

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

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
The following transactions with a related party took place		
SIML		
Asset management fee expense	(3,087)	(2,776)
Performance fee expense	-	(1,667)
Building management fee expense	(220)	(218)
Accounting fee expense	(125)	(125)
Disposal fee expense	-	(128)
Leasing fee expense	(19)	(61)
Maintenance fee expense	(27)	(12)
Project management fee expense	(111)	(3)
Sustainability fee expense	(62)	-
Total	(3,651)	(4,990)
SPL		
Dividends paid	(2,733)	(2,682)
	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
The following balance was payable to a related party		
SIML	(65)	(31)

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

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

SIML did not receive a performance fee for the six months ended 30 September 2022 (quarter ended 30 June 2021: \$0.85 million, quarter ended 30 September 2021: \$0.82 million). The carried forward return for the performance fee calculation for the quarter ended 31 December 2022 is a 44.0% deficit (31 Mar 22: carried forward return for the quarter ended 30 June 2022 was a 16.4% deficit) which has been calculated in accordance with the management agreement.

As at 30 September 2022, SPL's shareholding in the Parent is 18.8%, being 69.2 million shares (31 Mar 22: 18.8%, being 69.2 million shares).

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 Investor's funding exposure to interest rate risk and related financing costs.

5.1 Borrowings

	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Non-current		
Bank facility drawn down	40,600	5,000
Fixed rate bonds	350,000	350,000
Unamortised borrowings establishment costs	(3,024)	(3,470)
Total net borrowings	387,576	351,530

Weighted average cost of debt (inclusive of current interest rate derivatives, bonds, bank margins and line fees) at balance date

3.93% 3.77%

Unaudited 30 Sep 22	Issue date	Expiry date	Interest rate	Total amount \$000	Undrawn facility \$000	Drawn/ amount \$000	Fair Value \$000
Bank Facility A		30 Nov 2025	Floating	70,000	70,000	-	-
Bank Facility D		16 Apr 2025	Floating	50,000	9,400	40,600	40,600
Bank Facility F		30 Nov 2025	Floating	5,000	5,000	-	-
Bonds IPL010	18 Apr 2018	18 Apr 2024	4.40%	100,000	-	100,000	98,069
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	105,563
Bonds IPL030	25 Feb 2022	25 Feb 2027	4.00%	125,000	-	125,000	115,266
				475,000	84,400	390,600	359,498

Audited 31 Mar 22

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	111,905
Bonds IPL030	25 Feb 2022	25 Feb 2027	4.00%	125,000	-	125,000	122,159
				475,000	120,000	355,000	339,491

Bank borrowings

Investor'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.

Fixed rate bonds

The fixed rate bonds are quoted on the NZX Debt Market and their fair value is based on their listed market price as at balance date. The fair value disclosure above for bonds IPL020 and IPL030 as at 31 March 2022 has been restated to correct a misstatement. There was no impact to the consolidated statement of comprehensive income or the consolidated statement of financial position.

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 the Parent and the Subsidiary and a registered first ranking security interest under a General Security Deed over substantially all the assets of the Parent and the Subsidiary.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments

	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Notional value of interest rate swaps - fixed rate payer start dates commenced	30,000	30,000
Notional value of interest rate swaps - fixed rate payer forward starting	-	30,000
Notional value of interest rate swaps - fixed rate receiver	25,000	25,000
Total	55,000	85,000
Interest rate derivative assets - non-current	1,486	667
Interest rate derivative liabilities - current	-	(134)
Interest rate derivative liabilities - non-current	(702)	(126)
Fair value of interest rate derivatives	784	407
Fixed interest rates payer	2.84%	2.38%-2.84%
Fixed interest rate receiver	4.40%	4.40%
Percentage of drawn debt fixed	91%	100%

Investore enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. 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 (31 Mar 22: fair value loss of \$0.1 million).

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (31 Mar 22: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 30 September 2022 of between 3.87%, for the 90-day BKBM, and 4.43%, for the 10-year swap rate (31 Mar 22: 1.61% and 3.41%, respectively). There were no changes to these valuation techniques during the reporting period.

5.0 Capital Structure and Funding (continued)

5.3 Net finance expense

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Finance income		
Bank interest income	27	6
Total finance income	27	6
Finance expense		
Bank borrowings interest	(1,210)	(2,528)
Fixed rate bonds interest	(6,194)	(3,690)
Lease liabilities interest	(532)	(727)
Total finance expense	(7,936)	(6,945)
Net finance expense	(7,909)	(6,939)

5.4 Share capital

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. Investore had 367,502,635 shares on issue as at 30 September 2022 (31 Mar 22: 368,135,033).

During the period, through an on-market share buyback programme, the Parent acquired 632,398 ordinary shares at an average price of \$1.66 for a total consideration of \$1.1 million. All shares acquired were subsequently cancelled. Incremental costs of \$0.03 million incurred were deducted from equity. The buyback programme was paused from the close of trading on 8 September 2022 pending the release of Investore's financial statements for the six months ended 30 September 2022.

5.5 Reserve

	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Cash flow hedge reserve		
Opening balance	366	357
Movement in fair value of interest rate derivatives	408	(60)
Tax on fair value movement	(114)	17
Transferred to profit or loss	8	52
Closing balance	668	366

Gains and losses recognised in the cash flow hedge reserve in equity on interest rate derivative contracts as at 30 September 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.

6.0 Other

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

6.1 Income tax

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Income tax		
Current tax	(2,646)	(2,366)
Deferred tax	(58)	(1,410)
Income tax expense per the consolidated statement of comprehensive income	(2,704)	(3,776)
(Loss)/profit before income tax	(24,979)	60,720
Prima facie income tax using the company tax rate of 28%	6,994	(17,002)
(Increase)/decrease in income tax due to:		
Net change in fair value of investment properties	(11,947)	12,536
Gain on disposal of investment property	-	161
Reversal of lease liabilities movement in investment properties	12	13
Movement in fair value of derivative financial instruments	(2)	2
Non-taxable income	29	30
Other permanent differences	-	17
Depreciation	2,180	2,186
Non-deductible expenses	123	(83)
Temporary differences	(21)	(226)
Over-provision in prior year	(14)	-
Current tax expense	(2,646)	(2,366)
Investment property depreciation	94	(1,634)
Other	(152)	224
Deferred tax charged to profit or loss	(58)	(1,410)
Income tax expense per the consolidated statement of comprehensive income	(2,704)	(3,776)

6.2 Operating segments

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 63% of Investore's portfolio contract rental as at 30 September 2022 (30 Sep 21: 64%).

6.3 Contingent liabilities

Investore has no contingent liabilities at balance date (31 Mar 22: \$nil).

6.4 Subsequent events

On 16 November 2022, the Parent declared a cash dividend for the period 1 July 2022 to 30 September 2022 of 1.975 cents per share, to be paid on 1 December 2022 to all shareholders on the Parent's register at the close of business on 24 November 2022. This dividend will carry imputation credits of 0.368861cents per share. This dividend has not been recognised in the financial statements.

On 16 November 2022, the Board has resolved not to recommence the share buyback programme but will continue to monitor market conditions and may recommence the share buyback programme by notice to the market.

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

Independent auditor's review report

To the shareholders of Investore Property Limited



Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Investore Property Limited (the Company) and its subsidiary (the Group) on pages 3 to 21 which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2022, and its financial performance and cash flows for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

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

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

Responsibilities of the Directors' for the consolidated interim financial statements

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

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

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

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

Who we report to

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

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

For and on behalf of:

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

Chartered Accountants
16 November 2022

Auckland

Corporate Directory

Board of Directors

Mike Allen (Chair)
Gráinne Troute
Adrian Walker
Tim Storey (SIML Appointed Director)
Ross Buckley (SIML Appointed Director) - appointed 1 June 2022
John Harvey (SIML Appointed Director) - retired 31 May 2022

Share registrar

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Legal adviser

Bell Gully
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Manager

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Bankers

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

Auditor

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Bond supervisor

Public Trust
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