

investore

Managed by Stride Investment
Management Limited

Annual Report
2023



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

Contents

2	Financial Overview
4	Portfolio Overview
6	Chair’s Letter
10	Board of Directors
12	Manager’s Report
14	Portfolio
18	Enhancing the Portfolio
20	Delivering Rental Growth
22	Proactive Capital Management
27	Financial Summary
28	Consolidated Financial Statements
62	Corporate Governance
80	Statutory Disclosures
88	Glossary
89	Corporate Directory

Capitalised terms have the meaning given in the glossary on page 88.

Financial Overview

For the 12 months ended
31 March 2023 (FY23)

Investore's investment property portfolio delivered strong operational performance in FY23, although the value of its portfolio has been impacted by a higher interest rate environment placing upwards pressure on property capitalisation rates. Investore continues to take a prudent approach to capital management which has insulated operating earnings from the full effects of higher interest rates, and assists in managing the current volatile macroeconomic environment

\$60.3m

net rental income

▲ Up \$2.0m or 3%
from FY22

\$35.2m

profit before other (expense)/
income and income tax

▲ Up \$0.9m or 3%
from FY22

\$(150.2)m

loss after income tax due to a net
investment property devaluation
of \$(185.2)m in FY23

\$31.0m

distributable profit¹ after
current income tax

▲ Up \$1.2m or 4%
from FY22

8.44 cents

distributable profit per share

▲ Up from 8.11 cents per share
in FY22

7.90 cents

per share cash dividend
for FY23

4.0%

weighted average cost of
debt as at 31 March 2023

36.5%

loan to value ratio² as at
31 March 2023

▲ Up from 29.5%
as at 31 March 2022

92%

drawn debt hedged or subject
to a fixed rate of interest as at
31 March 2023

1. See glossary on page 88.

2. Loan to value ratio (LVR) is calculated based on independent valuations, which exclude lease liabilities.

Portfolio Overview

As at 31 March 2023

Countdown, Newtown

The Investore portfolio is valued¹ at \$1.1bn as at 31 March 2023, representing a net valuation decrease of \$(185.2)m or (14.9%) over the 12 months from 31 March 2022. This decrease is primarily due to the average portfolio² capitalisation rate increasing to 5.7%, up 0.9% from 31 March 2022

Key investment portfolio metrics²

44 properties

143 tenants

8.1 years

weighted average lease term (WALT)

99.5%

portfolio occupancy by area⁴

16 properties

achieved Green Star Performance ratings in FY23

Investore continues to seek opportunities to grow and optimise its portfolio:

- Completed the acquisition of land at Hakarau Road, Kaiapoi, for \$10.1m, and commenced construction of a new Countdown supermarket on this site targeting a 5 Green Star rating and delivering an expected yield on cost of 5.5%
- Acquisition of land at Countdown Papakura for \$18.0m, which was previously held as leasehold land, giving Investore control over the whole site and improved development options
- Agreement with Countdown to expand the customer amenity at Countdown Rangiora, including an online room and new pickup bays, delivering a 7.5% per annum return on cost of up to \$1.0m
- Completed 82 rent reviews during FY23 across 130,000 sqm, comprising over half of the portfolio Contract Rental³, delivering a rental increase of 3.3% on prior rentals

1. Excludes lease liabilities.
2. Excludes properties categorised as "Development and Other" in note 2.2 to the consolidated financial statements.
3. See glossary on page 88.
4. Vacant tenancies with current or pending development works are excluded from occupancy statistics. At 31 March 2023 metric excluded 2,947 sqm at Bay Central, Tauranga.



Chair's Letter

Dear Investors,

The Board of Directors of Investore is pleased to present the Annual Report for the year ended 31 March 2023 (FY23). Investore has delivered strong operating earnings from its quality, large format retail portfolio during FY23. The Board is conscious of the current volatile macroeconomic conditions and continues to take a prudent approach to capital management to mitigate the risks posed by these conditions.

Financial Results

Investore's portfolio of high quality, well located large format retail properties continues to deliver resilient operating earnings.

Profit before other (expense)/income and income tax for FY23 was \$35.2 million, up \$0.9 million from FY22. This increase was primarily a result of higher net rental income, up \$2.0 million to \$60.3 million, driven largely by acquisitions completed during FY22 and FY23, and rent reviews completed during FY23 delivering higher rental income. Total corporate expenses at \$8.9 million were \$1.1 million lower than FY22, as a result of no performance fees being incurred during FY23, partly offset by higher asset management fee expenses. Asset management fees are calculated as a percentage of the value of Investore's portfolio and therefore moves with movements in the value of Investore's portfolio. Overall this resulted in profit before net finance expense, other (expense)/income and income tax of \$51.4 million, which was \$3.1 million higher than the prior year (FY22: \$48.3 million). However, higher net finance expenses (FY23: \$16.2 million; FY22: \$14.0 million) offset some of this movement.

Loss after income tax of \$(150.2) million (FY22: \$118.2 million profit after income tax) was primarily due to a \$(185.2) million net reduction in the fair value of investment properties in FY23, compared with a net gain in the fair value of investment properties of \$91.0 million for FY22. As noted, this portfolio devaluation is due to a softening in capitalisation rates across the portfolio, which is a reflection in part of the higher interest rate environment.

Net Tangible Assets (NTA) per share as at 31 March 2023 is \$1.84, a decrease of \$0.48 from 31 March 2022 where NTA per share was \$2.32, due primarily to the portfolio valuation movement.

Growth and Optimisation of the Portfolio

Investore's portfolio comprises large format retail properties with a total portfolio value of \$1.1 billion. The portfolio continues to demonstrate strong, desirable metrics, with a high concentration of tenants focussed on everyday needs, which continue to drive resilient underlying earnings.

Investore has continued to grow its portfolio in FY23 through considered acquisitions which provide further growth potential and enhance the overall portfolio, with a focus on areas which are highly populated or which have strong population growth potential.

Investore settled on the acquisition of a 3.3ha parcel of land in Hakarau Road, Kaiapoi, for \$10.1 million in September 2022, and has commenced construction of a new Countdown supermarket on the site, targeting a 5 Green Star rating. This supermarket is expected to be completed at the end of 2023. The development has an expected yield on cost of 5.5% and the balance of the land is being held for future retail development.

Investore also acquired the balance of the freehold land at its existing property located at 3 Averill Street, Papakura, Auckland, for \$18.0 million in late August 2022. The acquisition of this freehold land provides Investore with complete control of the landholding at this site, broadening future development opportunities.

In addition to growth through acquisitions and developments, Investore actively seeks to optimise its existing portfolio through portfolio improvement initiatives. Capital improvement projects aimed at optimising the portfolio are intended to enhance the overall customer experience, and drive growth in the existing portfolio through increased asset value or rentalised returns delivering value to shareholders.

Investore has agreed with Countdown to expand the customer amenity at Countdown Rangiora, including the addition of an online fulfilment area and five new covered pickup bays. These improvements will deliver Investore a 7.5% per annum return on cost of up to \$1 million over the remaining term of the lease. As part of this arrangement, Investore has also secured a four year lease extension at Countdown Morrinsville.

Proactive Capital Management

The Board is conscious of the risks posed by the current macroeconomic environment, and continues to take a proactive and prudent approach to capital management. During FY23 \$75 million of bank facilities were refinanced and extended for a further two years to November 2025. Investore now has no bank debt expiring until FY26.

As part of the refinancing, Investore also renegotiated its banking covenants with its banking syndicate, removing the covenant relating to the weighted average lease term of Investore's portfolio, and reducing the LVR¹ covenant from 65% to 52.5%.

Having a high proportion of debt that is hedged or subject to a fixed rate of interest helps to protect Investore against interest rate increases over the short to medium term. As at 31 March 2023, 92% of Investore's borrowings were hedged or subject to a fixed rate of interest. As a consequence, Investore's weighted average cost of debt increased by only 24 basis points over the previous 12 months to 4.0%. This compares favourably to the 375 basis point increase in New Zealand's Official Cash Rate over the same period (or 425 basis points when including the increase in the Official Cash Rate on 5 April 2023).

\$100 million of Investore's senior secured fixed rate bonds (IPL010 bonds) will mature in April 2024, and consistent with Investore's prudent and proactive approach to capital management, Investore is pleased to confirm that, post balance date, it has secured commitment from its lenders for a new three year bank facility to refinance these bonds.

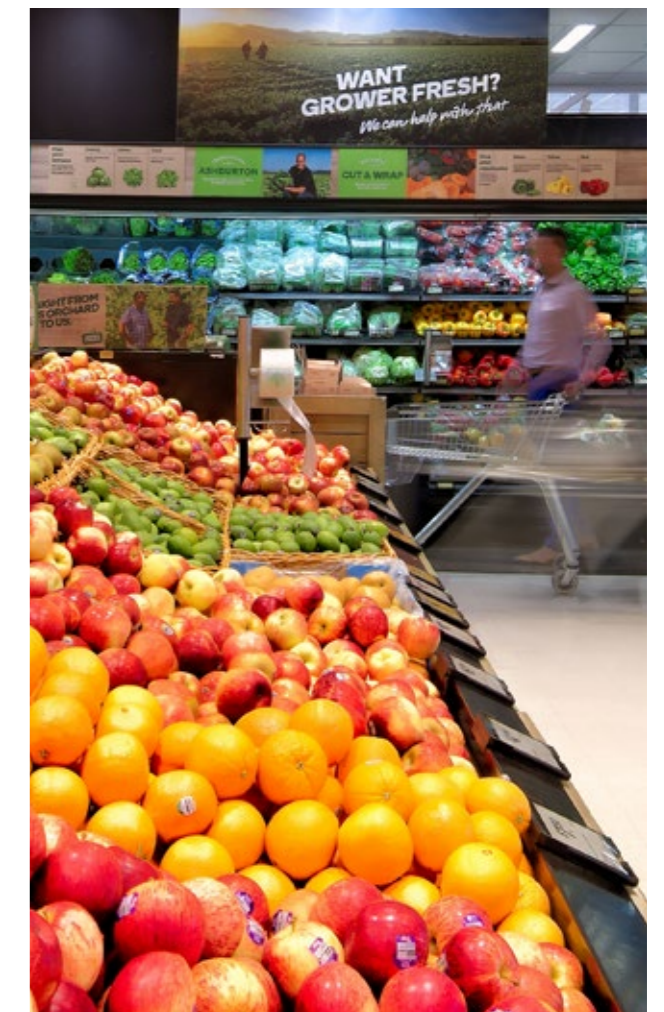
Investore's FY23 acquisitions and developments were funded from available debt facilities. This, coupled with the portfolio devaluation, has resulted in Investore's LVR¹ increasing to 36.5% as at 31 March 2023. On a committed basis, which includes the development of the Kaiapoi Countdown supermarket and other committed projects, the LVR¹ is forecast to increase to 38.1%.

As previously advised to the market, Investore commenced an on-market share buyback programme of up to 5% of its ordinary shares in July 2022. As at close of trading on 8 September 2022, when the programme was paused pending the release of Investore's interim results, Investore had acquired and cancelled 632,398 shares for a total cost of \$1.1 million (including transaction costs). The Board has now resolved to cancel the share buyback programme.

Sustainability

Sustainability is an integral part of the Board's approach to decision-making. Investore works closely with the Manager, Stride Investment Management Limited (SIML), to ensure the Investore portfolio remains sustainable for the future and is focussed on investing in and developing high quality and sustainable properties.

The Board targets a minimum 4 Green Star rating for all new developments, and consistent with this target, the new Countdown supermarket currently under construction at Kaiapoi has been designed to achieve a 5 Green Star rating.



1. See glossary on page 88.

Given the nature of Investore's portfolio and the fact that it has outsourced management to SIML, Investore has very low scope 1 and 2 greenhouse gas emissions. Accordingly, Investore believes it can have the most effective impact on transitioning to a low carbon future by working with its tenants on improving their energy efficiency and lowering their greenhouse gas emissions (which are scope 3 emissions for Investore). Investore remains in regular conversation with its largest tenants around how best to support them in reducing their emissions.

Consistent with this approach, Investore has recently obtained Green Star Performance ratings for 16 of its properties, comprising hardware stores and standalone supermarkets. These ratings will enable Investore to work with its tenants to develop opportunities for energy and water improvement initiatives to improve ratings.

To assess its overall sustainability performance, Investore completes the Global Real Estate Sustainability Benchmark (GRESB) assessment. The first assessment was completed in 2022 and Investore is targeting being in the top quartile of comparator companies over time.

For FY23 the Investore Board has elected to prepare a separate Sustainability Report which includes reporting against the Aotearoa New Zealand Climate Standards. A copy of this report can be found on Investore's website www.investoreproperty.co.nz.

Governance

Director John Harvey retired from the Investore Board on 31 May 2022, having been a Director since Investore's inception as a listed company in 2016. On behalf of the Board, I would like to thank John for his service and wish him all the best for the future.

Investore's Manager, SIML, appointed Director Ross Buckley to the Board on 1 June 2022, consistent with its rights under the Management Agreement between SIML and Investore. The Board undertook a full skillset review when Ross joined the Board, noting that Ross' strong background in audit, management and finance complemented the Board's current skillset.

Following the conclusion of Emma McDonald's tenure as a Future Director under the Institute of Director's Future Directors' Programme, the Board was pleased to announce the appointment of Erika McDonald as a future director with the release of the FY23 Interim Results. Erika attends Board meetings but does not vote or have any rights or obligations of a director.

McDonalds, Takanini



The Manager and Management Fees

Investore's manager, SIML, has supported Investore well during FY23, including managing the acquisition of two properties, undertaking various capital works programmes, and concluding 82 rent review transactions which delivered an overall rental increase of 3.3% on prior rentals.

FY23 also saw the appointment of a new Investore Fund Manager, Adam Lilley, following the resignation of Fabio Pagano in October 2022. Fabio had been the Investore Fund Manager since 2018 and we wish him well in his future endeavours. Adam has a strong background in property funds management, and we welcome him as the new Investore Fund Manager.

In line with the Board's policy of reviewing management fees every two years, during the year in review the Board commissioned an independent review of fees charged by the Manager, to provide comfort to the Board that the fees are fair and reasonable and consistent with fees charged for similar services in the market. The Board is pleased to report that the independent review concluded that, relative to scale, Investore's current management expense ratio is favourable to its peers, and Investore's current management fees are fair and consistent with both other New Zealand listed property vehicles and Investore's Australian large format retail peers.

Outlook

Looking ahead, the Board will remain focussed on optimising the portfolio through value-add initiatives and capital expenditure programmes that enhance the portfolio, improve customer experience and maximise returns to shareholders over the medium to long term.

The Board is cognisant of the risks posed by macroeconomic conditions and accordingly, has determined to implement capital management initiatives to manage its loan to value ratio over the near term:

- Investore will look to sell select, non-core assets of between \$25 million and \$50 million, provided that appropriate value can be realised for these assets. The net proceeds of any such sales will be used to repay bank debt; and
- Investore will introduce a dividend reinvestment plan, which will enable eligible shareholders to reinvest the net proceeds of their dividends into additional Investore shares.

Investore currently expects to pay a cash dividend of 7.90 cents per share for FY24, in accordance with its dividend policy of paying between 90-100% of distributable profit¹. The Board will continue to assess progress with the asset sales outlined above and monitor market conditions as they develop throughout the year.

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

1. See glossary on page 88.

Board of Directors



Mike Allen

**Chair of the Board
Independent,
Non-Executive Director**
*Appointed 9 June 2016,
last elected 2022*

Mike has considerable governance experience and is currently a director of Taumata Plantations Limited and Wool Research Organisation of New Zealand, as well as Chair of Vincent Capital Limited and Wool Impact Limited, and Chair elect of NZ Natural Fibres Limited. 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, Summerset Group Holdings Limited, and Duncan Cotterill, 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' 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 Chair of Stride Property Limited, Stride Investment Management Limited and ASX listed LawFinance Limited.



Ross Buckley

**SIML Nominee and
Non-Executive Director**

Ross has a strong background in auditing and management, with 27 years as a partner at the global accounting and consulting firm KPMG, including nine years as Executive Chairman of KPMG in New Zealand. Ross currently chairs the Auckland Branch of the Institute of Directors, is a council member of the Massey School of Business Advisory Board, and is a member of the Audit Oversight Committee of the Financial Markets Authority. He is also a director of ASB Bank Limited, Stride Property Limited and Stride Investment Management Limited, and Chair of Service Foods Limited.



Erika McDonald

Future Director

Erika has been appointed as a future director of Investore. Erika leads the Auckland office for ENGEQ, an engineering and environmental consultancy. Erika specialises in the assessment, remediation and management of contaminated land and groundwater. Erika brings valuable industry knowledge and understanding to the Investore Board, and participates in the Investore Board but does not vote or have any role as a director.

Manager's Report

Dear Investors,

Stride Investment Management Limited (SIML) is proud to manage the business of Investore and continue to deliver projects that optimise the Investore portfolio.

On behalf of Investore, SIML was pleased to have successfully completed the acquisition of the balance of the freehold land at 3 Averill Street, Papakura, Auckland, and the acquisition of the development land at Hakarau Road, Kaiapoi, during FY23, furthering Investore's strategy of targeted growth. SIML's development team is currently managing the construction of a new Countdown-tenanted supermarket as part of Stage 1 of the Kaiapoi development, targeting a 5 Green Star rating, with construction due for completion at the end of 2023.

SIML was also active in undertaking a number of capital projects to enhance Investore's current portfolio. SIML collaborates with tenants to add value to Investore's existing assets through improving customer accessibility and the overall customer visitation experience.

As part of this strategy, SIML negotiated an arrangement with Countdown, on behalf of Investore, to undertake capital upgrade works at Countdown Rangiora, including development of a new online fulfilment area and five new pickup bays. These improvements will deliver Investore a 7.5% per annum return on cost of up to \$1.0 million over the remaining term of the lease, as well as result in a four year lease extension at Countdown Morrinsville.

On behalf of Investore, SIML also negotiated 82 rent reviews during the year, over more than half of Investore's portfolio by net Contract Rental¹ which resulted in 3.3% rental growth on previous rentals. Of these rent reviews, 33 were CPI¹-linked rent reviews, delivering a 7.0% increase on previous rentals.

1. See glossary on page 88.

SIML was also pleased to have managed a number of capital management projects on behalf of Investore during FY23, including:

- the on-market share buyback programme, which resulted in 632,398 shares being acquired and cancelled for a total cost of \$1.1 million (including transaction costs); and
- the refinance of \$75 million of debt facilities. As a result, Investore now has no bank debt expiring until FY26.

SIML continues to deliver on Investore's sustainability objectives, which are described in more detail in Investore's FY23 Sustainability Report. This report also includes Investore's first greenhouse gas inventory report, outlining key metrics for Investore's greenhouse gas emissions. Some of the key activities completed during FY23 include obtaining Green Star Performance ratings across 16 properties within the Investore portfolio and completion of the first Global Real Estate Sustainability Benchmarking (GRESB) assessment.

SIML looks forward to continuing to support Investore in its strategy of enhancing and optimising its portfolio while also seeking to manage the risks posed by the current economic environment.

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



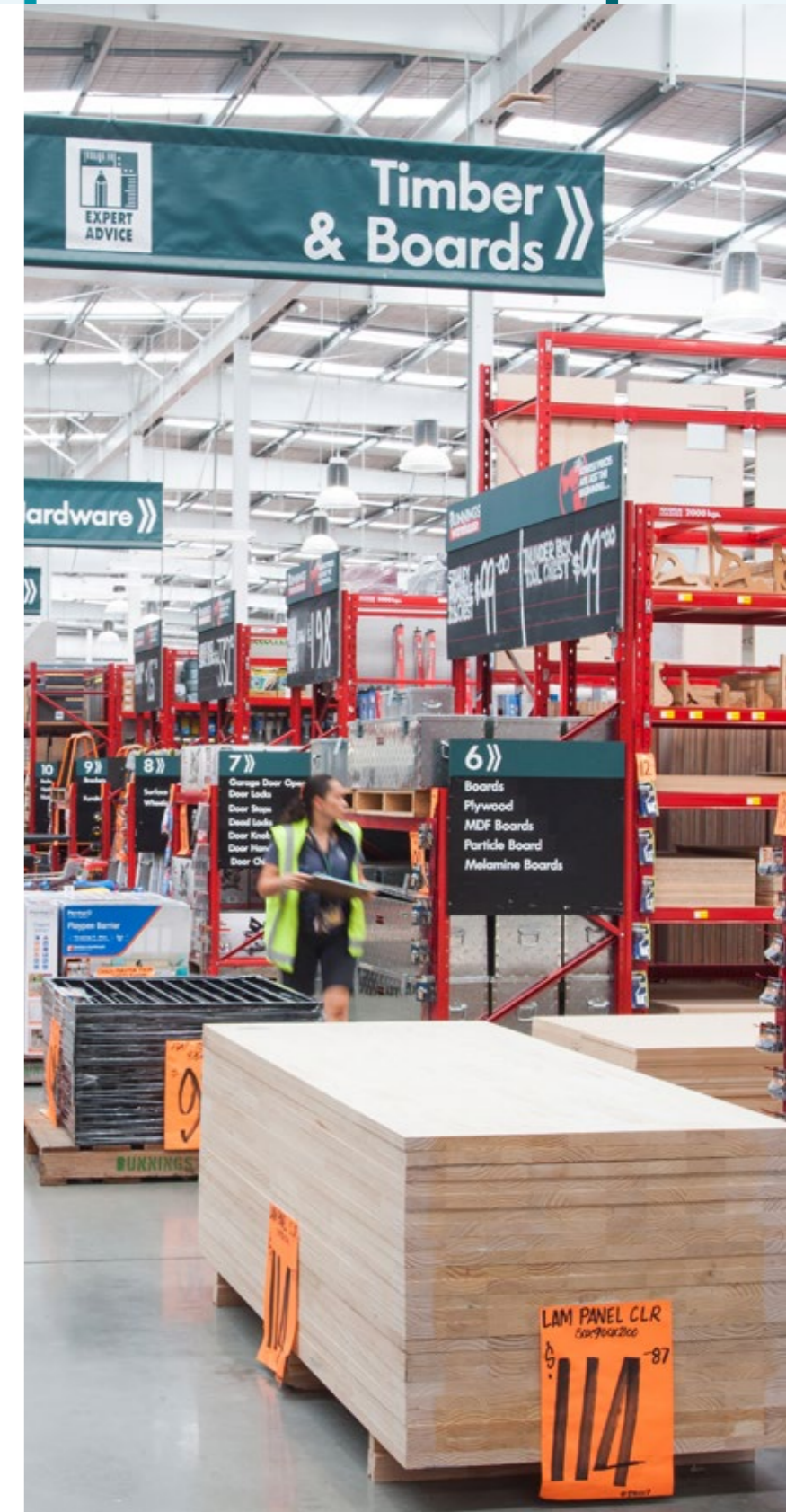
Philip Littlewood

Chief Executive Officer
Stride Investment Management Limited



Adam Lilley

Investore Fund Manager
Stride Investment Management Limited



Portfolio



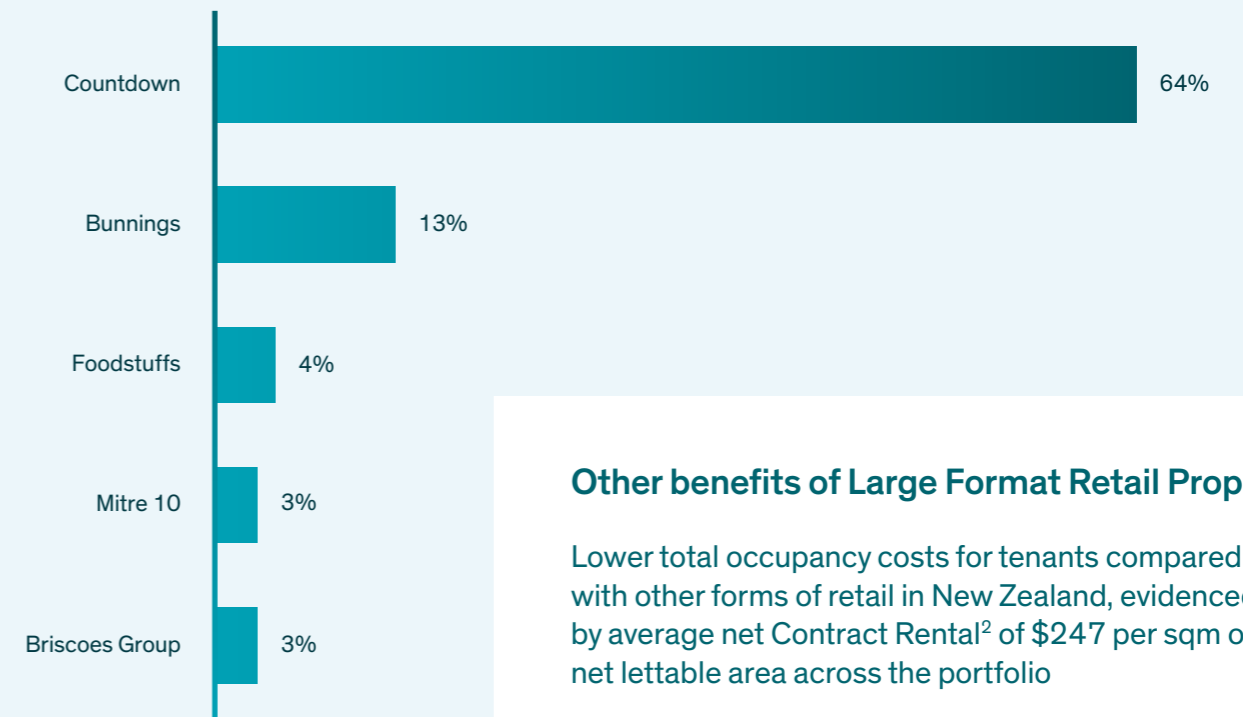
Investore's investment portfolio¹ comprises 44 large format retail properties, from standalone supermarkets to large format retail centres, with a high concentration of nationally recognised brands and tenants that provide "everyday needs"

This focus on everyday needs means Investore's tenants are resilient in challenging macroeconomic conditions, due to their products comprising non-discretionary categories of expenditure for consumers.

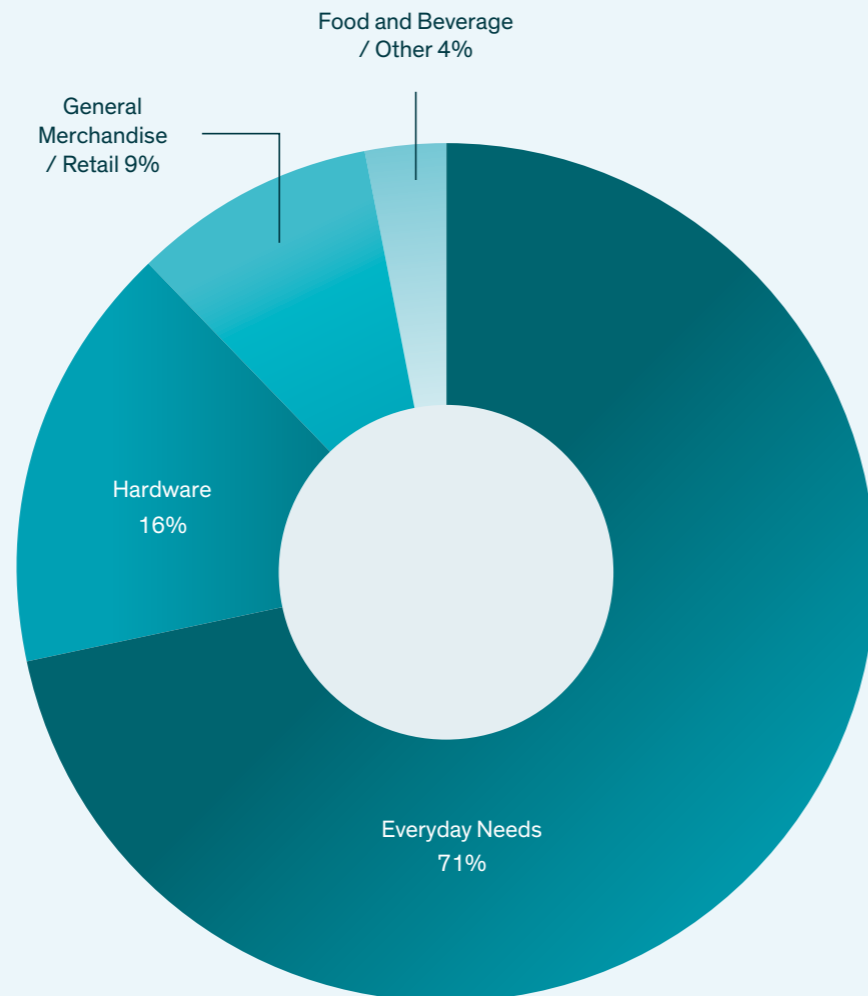
Investore's tenants include nationally recognised brands such as Countdown, New World, Pak'nSave, Bunnings, Mitre 10, Rebel Sport, Briscoes, Hunting & Fishing, Freedom Furniture, McDonald's, Resene, and Animates.

Anchor tenants represent a high proportion (87%) of Investore's total Contract Rental², providing Investore with security of income across varying market conditions

Anchor Tenant Classification by Contract Rental² as at 31 March 2023



Portfolio Tenant Classification by Contract Rental² as at 31 March 2023



Other benefits of Large Format Retail Property:

Lower total occupancy costs for tenants compared with other forms of retail in New Zealand, evidenced by average net Contract Rental² of \$24.7 per sqm of net lettable area across the portfolio

Demand for tenant goods and services tends to be resilient over the economic cycle

Anchor tenants draw customers to sites on a regular basis, driving demand for associated specialty tenants, which form a small proportion of Contract Rental²

1. Excludes properties categorised as "Development and Other" in note 2.2 to the consolidated financial statements.
2. See glossary on page 88.

Portfolio (cont)

High Occupancy and Long Lease Expiry Profile

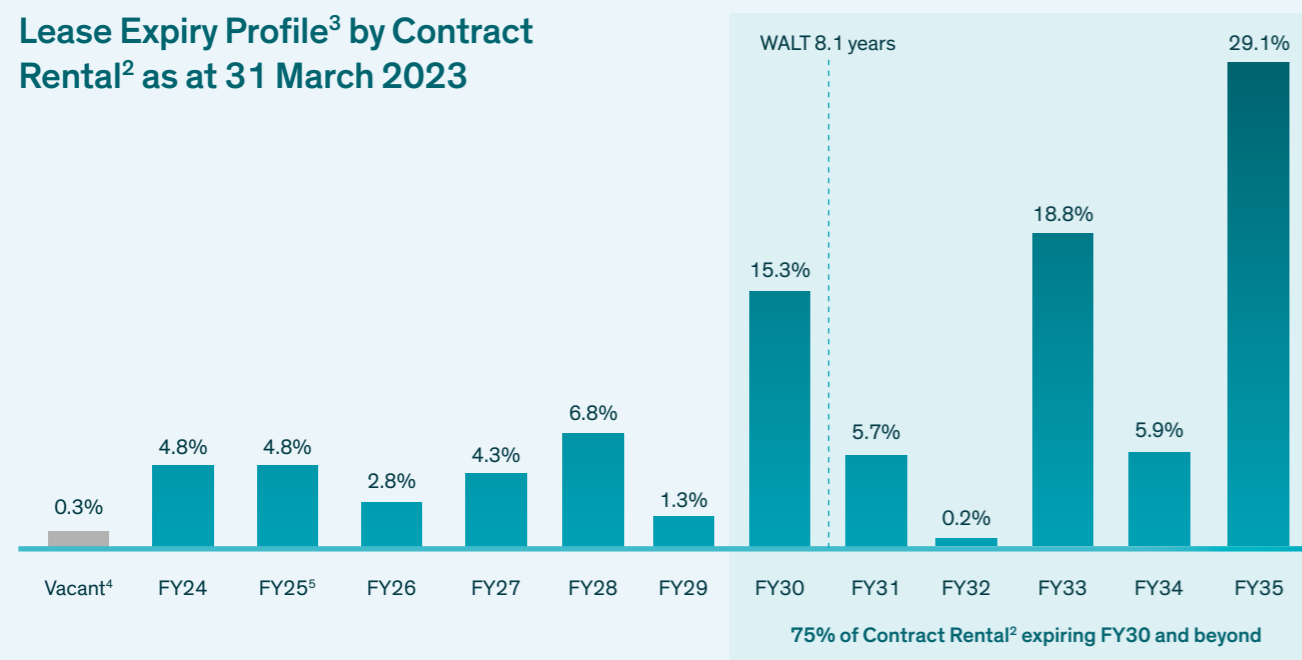
Investore's portfolio¹ continues to demonstrate strong operating metrics, with high occupancy, and a long weighted average lease term (WALT) of 8.1 years, with 75% of Contract Rental² expiring in FY30 and beyond. This long WALT provides Investore with certainty of income over the medium to long term

The high interest rate environment has resulted in a softening of the investment portfolio¹ market capitalisation rate by 0.9% to 5.7% as at 31 March 2023.

This capitalisation rate movement has been partially offset by positive rental growth across the Investore portfolio. During FY23, 82 rent review transactions were completed across 130,000 sqm of the portfolio which delivers around half of the total portfolio Contract Rental². The result of these reviews was an increase in rental of 3.3% from prior rentals. These reviews included 33 CPI²-linked reviews, which delivered an increase in rental of 7.0%.

Investore's portfolio¹ comprises 61 hectares of commercial land holdings with an average site coverage of just 41%. This low average site coverage provides scope for future site development over the long term.

Lease Expiry Profile³ by Contract Rental² as at 31 March 2023



1. Excludes properties categorised as "Development and Other" in note 2.2 to the consolidated financial statements.
2. See glossary on page 88.
3. 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 2023 as a percentage of Contract Rental (see glossary on page 88 for definition).
4. Vacant tenancies with current or pending development works are excluded from occupancy statistics. At 31 March 2023 metric excluded 2,947 sqm at Bay Central, Tauranga.
5. Countdown Morrinsville lease (0.8%) has been agreed to be extended by 4 years with expiry now FY29.
6. Excludes lease liabilities.
7. Excludes: (1) seismic works (\$3.0m) to be completed by Stride Property Limited (SPL) in relation to 2 Carr Road, Auckland, acquired from SPL and settled on 30 April 2020; and (2) lease liabilities.

Portfolio Metrics

	As at 31 March 2023 ¹	As at 31 March 2022
Number of properties	44	44
Number of tenants	143	143
Net lettable area (NLA) (sqm)	249,906	249,829
Net Contract Rental ² (\$m)	61.8	60.2
WALT ² (years)	8.1	9.1
Market capitalisation rate (%)	5.7	4.8
Occupancy by area (%)	99.5 ⁴	99.7
Land area (sqm)	611,077	611,077
Average site coverage (%)	41	41
Portfolio value (\$m)	1,033.2 ⁶	1,201.3 ⁷

Countdown, Greenlane



Enhancing the Portfolio

Countdown, Papakura

Investor's strategic pillars include targeted growth and continued optimisation of the portfolio, which are intended to ensure ongoing enhancement of the Investore portfolio

Investore takes a considered approach to acquisition and development opportunities and will pursue opportunities that provide value to shareholders. Investore will also consider strategic divestments to optimise the portfolio and maintain balance sheet capacity and optionality.

During FY23 Investore undertook a number of acquisition and improvement projects across the portfolio, often partnering with existing tenants to deliver projects intended to enhance the overall portfolio.



Hakarau Road, Kaiapoi

Investore completed the acquisition of development land at Hakarau Road, Kaiapoi, for \$10.1 million in September 2022. Works have commenced on the construction of a new Countdown supermarket as stage 1 of the greenfield development. Stage 1 of the development is targeting a yield on cost of 5.5% and is on target to be completed by late 2023. The remainder of the site, being approximately 1.6 hectares, will be developed as stage 2 and will provide further large format retail opportunities.

Countdown Papakura

Investore acquired the balance of the freehold land at 3 Averill Street, Papakura, Auckland, for \$18.0 million in August 2022. The site is fully occupied by Countdown and a hospitality venue and has a current WALT¹ of 11.4 years. This acquisition provides Investore with full control of the site and unlocks future development options.

Countdown Rangiora

Investore has agreed with Countdown to expand the customer amenity at Countdown Rangiora, including 180 sqm of additional NLA¹ which will be used as an online fulfilment area and five new covered pickup bays for online shopping. These improvement works will deliver a 7.5% per annum return on cost over the term of the lease and also resulted in Investore securing a four year lease term extension at Countdown Morrinsville, extending the final expiry date for this lease to FY29.

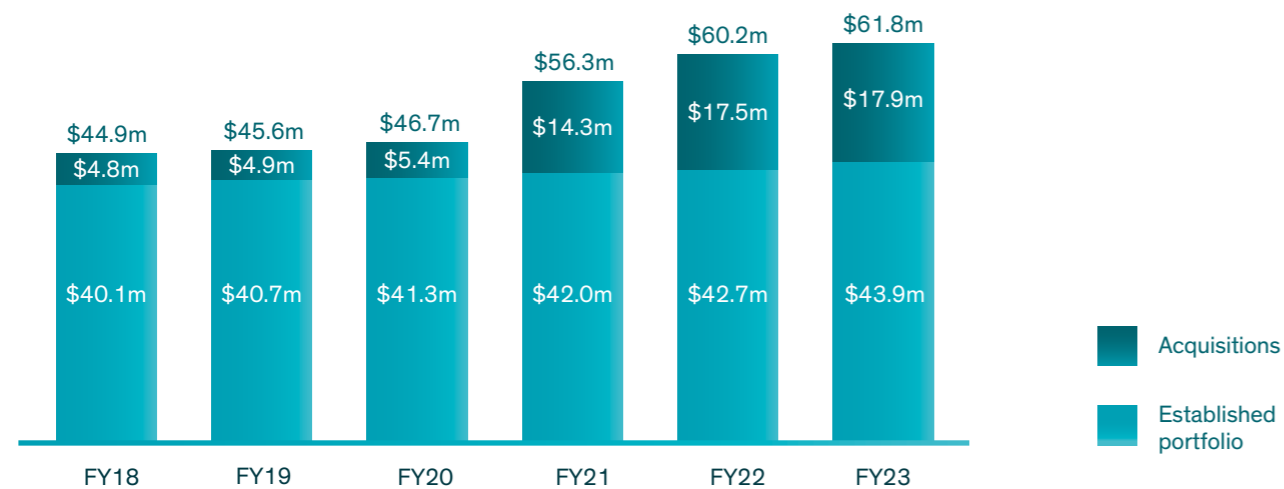
1. See glossary on page 88.

Delivering Rental Growth

During FY23 Investore has continued to focus on improving overall portfolio performance through acquisitions, portfolio optimisation and rent reviews.

This activity builds on the portfolio growth initiatives completed by Investore since 2018 that have driven increased rentals, including acquisitions and portfolio improvements.

Net Contract Rental¹



Mitre 10, Botany



1. See glossary on page 88.
 2. Moving Annual Turnover (MAT) is determined by calculating the net sales over a 12 month period from April to March, with the calculation being done on a rolling basis.
 3. Investore's Countdown supermarket portfolio on a like-for-like basis between 31 March 2018 and 31 March 2023.

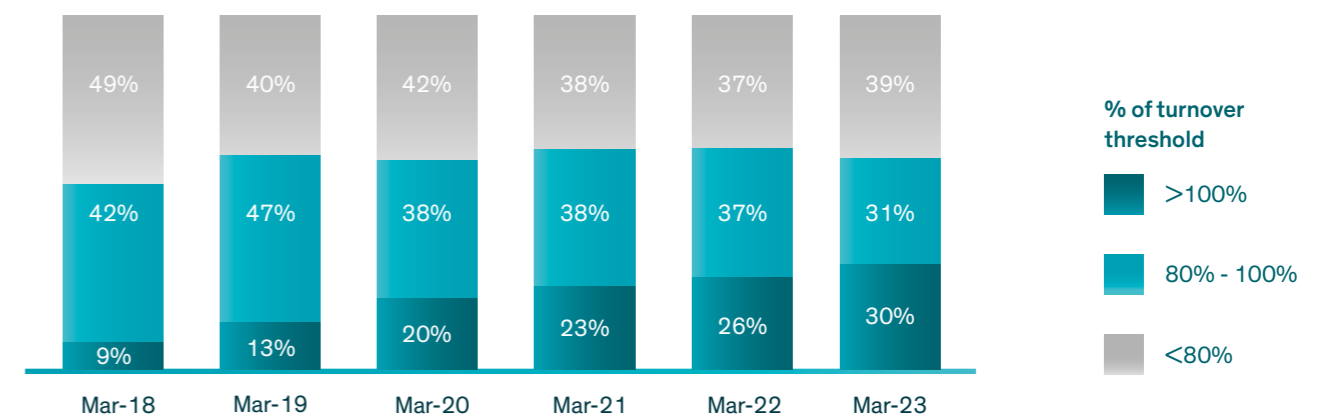
Countdown Turnover Rental

Countdown leases (which comprise 64% of portfolio Contract Rental¹) contain turnover-linked rental mechanisms under which additional turnover rent is paid when moving annual turnover (MAT) at a store exceeds a specified threshold.

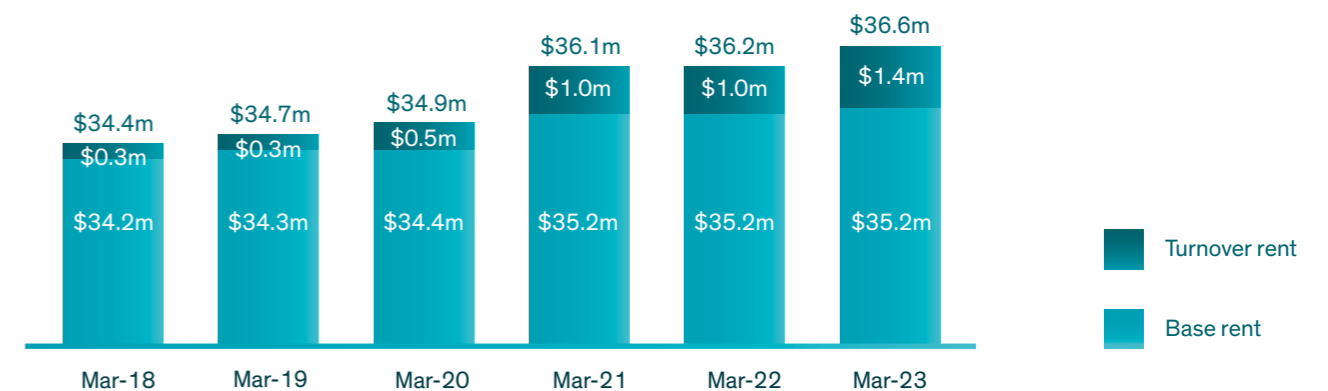
A higher inflationary environment can help drive growth in nominal MAT, which is positive for Investore's turnover rental income. In addition, historical data suggests that once stores exceed their MAT thresholds, they typically continue to generate turnover rental and do not dip below the threshold again.

There has been a continued increase in stores that are paying turnover rent since 2018, with 30% of stores now paying turnover rent, up from 9% in FY18. Turnover rent has also continued to increase across the portfolio on a like-for-like basis, to \$1.4m as at 31 March 2023, up from \$0.3m as at 31 March 2018.

Countdown Supermarket Portfolio Turnover Mix (Weighted by MAT²)



Countdown Supermarket Base and Turnover Rent (like-for-like³)



Note numbers may not sum due to rounding.

Proactive Capital Management



Investore takes a proactive and prudent approach to capital management, carefully managing its exposure to changes in market interest rates

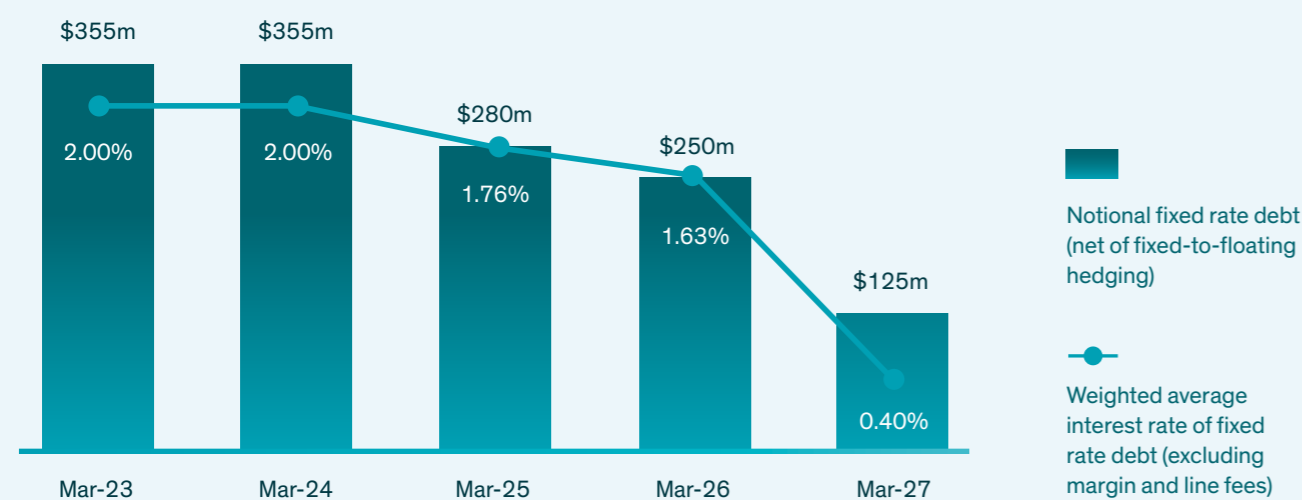
92% Debt that is hedged or subject to a fixed rate of interest as at 31 March 2023

4.0% Weighted average cost of debt per annum as at 31 March 2023

3.0 years Weighted average maturity of debt facilities as at 31 March 2023

\$75m Bank facilities extended by two years

Fixed Rate Interest Profile as at 31 March 2023



During FY23 Investore refinanced two bank facilities totalling \$75 million, extending their tenor by a further two years. During that process, Investore negotiated the removal of the weighted 6 year average lease term covenant and agreed to lower the LVR¹ covenant from 65% to 52.5%.

Investore has a weighted average cost of debt of 4.0% as at 31 March 2023, an increase of 24 basis points since 31 March 2022, which compares favourably with the increase in New Zealand's Official Cash Rate of 375 basis points over the same period (or 425 basis points when including the increase on 5 April 2023). This relatively favourable movement in the weighted average cost of debt is due to the significant proportion of Investore's debt that is hedged or subject to a fixed rate of interest.

Investore has an LVR¹ of 36.5% as at 31 March 2023, with a committed LVR² of 38.1%. Commitments include the stage 1 Countdown supermarket at Kaiapoi which is targeting a 5 Green Star rating and other smaller capital expenditure commitments.

\$100 million of Investore's senior secured fixed rate bonds (IPL010 bonds) will mature in April 2024. Consistent with Investore's prudent and proactive approach to capital management, Investore has secured commitment for three year bank funding of \$100 million post balance date to refinance these bonds.

Investore commenced an on-market share buyback programme of up to 5% of its ordinary shares in July 2022. As at close of trading on 8 September 2022, when the programme was paused pending the release of Investore's interim results, Investore had acquired and cancelled 632,398 shares for a total cost of \$1.1 million (including transaction costs). The Board has now resolved to cancel the share buyback programme.

1. See glossary on page 88.
2. On a pro forma basis taking into account capital commitments as at 31 March 2023.

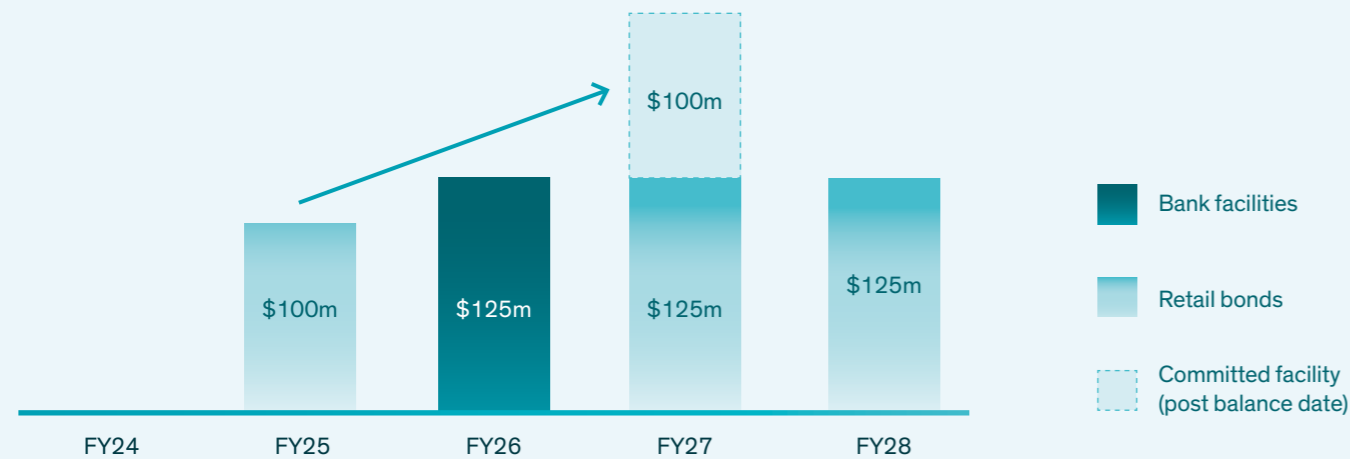


Proactive Capital Management (cont)

Following the refinancing of \$75m of bank debt facilities during FY23, Investore now has no debt maturing until FY25 and no bank debt maturing until FY26

	As at 31 March 2023	As at 31 March 2022
Debt facilities limit (\$m)	475	475
Debt facilities drawn (\$m)	388	355
Weighted average debt maturity (years)	3.0	3.7
LVR (%) (Covenant: Mar-23: 52.5%)	36.5 ¹	29.5 ²
Weighted average cost of debt (%)	4.0	3.8
Interest cover ratio (Covenant: 1.75x)	3.2x	3.7x
Drawn debt fixed (%)	92	100
Weighted average fixed interest rate maturity (years) ³	3.3	4.0

Debt Maturity Profile as at 31 March 2023



1. Loan to value ratio (LVR) is calculated based on independent valuations, which exclude lease liabilities.
 2. Loan to value ratio (LVR) in March 2022 was calculated based on independent valuations, which included seismic works to be funded by SPL in relation to 2 Carr Road, Auckland, acquired from SPL and settled in April 2020. The independent valuations also exclude lease liabilities.
 3. Includes bonds and interest rate swaps.





Financial Summary

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

	2023	2022	2021	2020	2019
Five Year Financial Summary	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Net rental income	60.3	58.3	55.8	48.1	47.4
Profit before net finance expense, other (expense)/income and income tax ¹	51.4	48.3	46.6	40.6	41.4
Net finance expense	(16.2)	(14.0)	(16.6)	(13.9)	(14.4)
Profit before other (expense)/income and income tax ¹	35.2	34.3	29.9	26.7	27.0
Other (expense)/income	(185.3)	91.5	139.0	7.7	17.1
(Loss)/profit before income tax	(150.1)	125.8	169.0	34.4	44.1
Income tax expense	(0.1)	(7.6)	(7.7)	(5.8)	(5.5)
(Loss)/profit after income tax	(150.2)	118.2	161.3	28.6	38.6
Basic earnings per share - weighted	(40.85) cents	32.1 cents	44.60 cents	10.40 cents	14.78 cents
Distributable profit before income tax ²	36.0	34.8	33.1	26.3	26.3
Distributable profit after income tax	31.0	29.9	29.1	21.1	20.9
Basic distributable profit after income tax per share - weighted	8.44 cents	8.11 cents	8.05 cents	7.66 cents	8.01 cents
Investment properties value ³	1,062.1	1,201.3	1,037.9	761.4	761.2
Drawn debt facilities and bonds	387.6	355.0	280.0	238.4	318.5
Borrowings loan to value ratio ³	36.5%	29.5%	26.8%	31.3%	41.8%
NTA per share	\$1.84	\$2.32	\$2.08	\$1.73	\$1.70
Adjusted NTA per share ⁴	\$1.84	\$2.32	\$2.08	\$1.74	\$1.71

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

The Five Year Financial Summary contains certain information which is contained in the audited financial statements of each respective year. Further information can be obtained by referring to those audited financial statements.

1. Profit before net finance expense, other (expense)/income and income tax and Profit before other (expense)/income and income tax are non-GAAP measures and have been presented to assist investors in understanding the different aspects of Investore's financial performance.
2. Distributable profit is a non-GAAP measure and consists of (loss)/profit 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 (loss)/profit before income tax, is set out in note 3.2 to the consolidated financial statements.
3. Excludes lease liabilities.
4. Excludes after tax fair value of interest rate derivatives.

Consolidated Financial Statements

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 \$000	2022 \$000
Gross rental income		70,987	67,923
Direct property operating expenses		(10,730)	(9,649)
Net rental income	2.1	60,257	58,274
Less corporate expenses			
Asset management fee expense	4.0	(6,158)	(5,736)
Performance fee expense		-	(1,667)
Administration expenses		(2,697)	(2,561)
Total corporate expenses		(8,855)	(9,964)
Profit before net finance expense, other (expense)/income and income tax		51,402	48,310
Finance income		92	167
Finance expense		(16,287)	(14,212)
Net finance expense	5.3	(16,195)	(14,045)
Profit before other (expense)/income and income tax		35,207	34,265
Other (expense)/income			
Net change in fair value of investment properties	2.2	(185,246)	91,017
Gain on disposal of investment property		-	576
Net change in fair value of derivative financial instruments	5.2	(33)	(52)
(Loss)/profit before income tax		(150,072)	125,806
Income tax expense	7.3	(128)	(7,639)
(Loss)/profit after income tax attributable to shareholders		(150,200)	118,167
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	302	9
Total comprehensive (loss)/income after tax attributable to shareholders		(149,898)	118,176
Basic and diluted earnings per share (cents)	3.1	(40.85)	32.10

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 2023

	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			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)
Q2 2023 interim dividend		1.975	-	-	(7,258)	-	(7,258)
Q3 2023 interim dividend		1.975	-	-	(7,258)	-	(7,258)
Share buyback	5.4		(632)	(1,074)	-	-	(1,074)
Total transactions with shareholders			(632)	(1,074)	(29,050)	-	(30,124)
Other comprehensive income:							
Movement in cash flow hedges, net of tax	5.5		-	-	-	302	302
Total other comprehensive income			-	-	-	302	302
Loss after income tax			-	-	(150,200)	-	(150,200)
Total comprehensive (loss)/income			-	-	(150,200)	302	(149,898)
Balance 31 Mar 23			367,503	557,219	117,133	668	675,020
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

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 2023

	Notes	2023 \$000	2022 \$000
Current assets			
Cash at bank		4,802	7,229
Trade and other receivables	7.4	608	872
Prepayments		909	629
Other current assets		1,961	1,562
		8,280	10,292
Non-current assets			
Investment properties	2.2	1,070,451	1,219,766
Deposits, prepayment and other payments on investment properties	2.2	79	8,011
Derivative financial instruments	5.2	1,478	667
		1,072,008	1,228,444
Total assets		1,080,288	1,238,736
Current liabilities			
Trade and other payables	7.5	8,355	5,564
Current tax liability		622	948
Lease liabilities	2.3	75	78
Derivative financial instruments		-	134
		9,052	6,724
Non-current liabilities			
Borrowings	5.1	385,037	351,530
Lease liabilities	2.3	8,242	18,356
Deferred tax liability	7.3	2,219	6,958
Derivative financial instruments	5.2	718	126
		396,216	376,970
Total liabilities		405,268	383,694
Net assets		675,020	855,042
Share capital		557,219	558,293
Retained earnings		117,133	296,383
Reserve	5.5	668	366
Equity		675,020	855,042

For and on behalf of the Board of Directors of Investore Property Limited, dated 19 May 2023:



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 2023

	Notes	2023 \$000	2022 \$000
Cash flows from operating activities			
Gross rent received		71,286	67,224
Interest received		92	10
Swap termination income		-	157
Operating expenses		(19,070)	(17,759)
Performance fee expenses		-	(2,297)
Interest paid		(15,508)	(13,387)
Borrowings establishment costs		(33)	(116)
Bonds issuance expenses		-	(1,582)
Income tax paid		(5,298)	(4,711)
Net cash provided by operating activities		31,469	27,539
Cash flows from investing activities			
Capital expenditure on investment properties		(7,889)	(5,040)
Acquisition of investment properties		(34,138)	(78,108)
Proceeds from purchase price adjustment on acquisition of investment property	1.6	5,730	-
Acquisition of other assets		-	(278)
Proceeds from disposal of investment properties		-	10,190
Net cash applied to investing activities		(36,297)	(73,236)
Cash flows from financing activities			
Drawdown of bank borrowings		35,600	85,100
Repayment of bank borrowings		(3,000)	(10,100)
Dividends paid		(29,050)	(28,808)
Lease liabilities payments		(75)	(66)
Share buyback	5.4	(1,074)	-
Proceeds from issuance of fixed rate bonds		-	125,000
Repayment of bank borrowings from bonds proceeds		-	(125,000)
Net cash provided by financing activities		2,401	46,126
Net (decrease)/increase in cash and cash equivalents held		(2,427)	429
Opening cash and cash equivalents		7,229	6,800
Closing cash and cash equivalents		4,802	7,229
Cash and cash equivalents at year end comprises:			
Cash at bank		4,802	7,229
Cash and cash equivalents at year end		4,802	7,229

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 2023

Reconciliation of (loss)/profit after income tax attributable to shareholders to net cash flows from operating activities			
	Notes	2023 \$000	2022 \$000
(Loss)/profit after income tax attributable to shareholders		(150,200)	118,167
(Less)/add non-cash items:			
Movement in deferred tax	7.3	(4,844)	2,714
Net change in fair value of investment properties		185,246	(91,017)
Gain on disposal of investment property		-	(576)
Spreading of fixed rental increases		89	(51)
Capitalised lease incentives		(346)	(267)
Lease incentives amortisation		234	194
Rental income abatement provision due to COVID-19		(54)	(24)
Movement in loss allowance	7.4	30	141
Borrowings establishment costs amortisation		940	865
Accrued interest movement in derivative financial instruments	5.2	20	(76)
Net change in fair value of derivative financial instruments	5.2	33	52
		31,148	30,122
(Less)/add activities reclassified (to)/from operating activities:			
Movement in working capital items relating to investing activities		(1,696)	214
Movement in borrowings/bond transaction costs classified as operating activities		(33)	(1,698)
		29,419	28,638
Movement in working capital:			
Decrease/(increase) in trade and other receivables		264	(421)
Increase in prepayments and other current assets		(679)	(733)
(Decrease)/increase in current tax liability		(326)	214
Increase/(decrease) in trade and other payables		2,791	(159)
Net cash provided by operating activities		31,469	27,539

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

Notes to the Financial Statements

For the year ended 31 March 2023

1.0 General Information	35
1.1 Reporting entity	35
1.2 Basis of preparation	35
1.3 New standards, amendments and interpretations	35
1.4 Fair value estimation	35
1.5 Significant judgements, estimates and assumptions	36
1.6 Significant events and transactions	36
1.7 Non-GAAP measures	36
2.0 Property	37
2.1 Net rental income	37
2.2 Investment properties	38
2.3 Lease liabilities	44
2.4 Capital expenditure commitments contracted for	44
3.0 Investor Returns	45
3.1 Basic and diluted earnings per share (EPS)	45
3.2 Distributable profit	45
4.0 Related Party Disclosures	46
5.0 Capital Structure and Funding	47
5.1 Borrowings	47
5.2 Derivative financial instruments	49
5.3 Net finance expense	50
5.4 Share capital	50
5.5 Reserve	50
5.6 Capital risk management	50
6.0 Risk Management	51
6.1 Financial instruments	51
6.2 Fair values	51
6.3 Financial risk management	51
6.4 Interest rate risk	52
6.5 Credit risk	52
6.6 Liquidity risk	52
7.0 Other	53
7.1 Operating segments	53
7.2 Corporate expenses	53
7.3 Tax	54
7.4 Trade and other receivables	56
7.5 Trade and other payables	56
7.6 Investment in subsidiaries	57
7.7 Contingent liabilities	57
7.8 Subsequent events	57

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) (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 19 May 2023.

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 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.

On 14 December 2022, the XRB issued the following standards:

- Aotearoa New Zealand Climate Standard 1 Climate-related Disclosures (NZ CS 1);
- Aotearoa New Zealand Climate Standard 2 Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and
- Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3).

NZ CS 1 contains the climate-related disclosure requirements for each of the four thematic areas (Governance, Strategy, Risk Management and Metrics and Targets) and the assurance requirements for greenhouse gas emissions disclosures. NZ CS 2 provides optional adoption provisions. NZ CS 3 contains the principles, the underlying concepts such as materiality, and the general requirements.

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.

1.0 General Information (continued)

1.5 Significant judgements, estimates and assumptions

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 judgements, estimates 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);
- Lease liabilities (note 2.3);
- Derivative financial instruments (note 5.2); and
- Deferred tax (note 7.3).

1.6 Significant events and transactions

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

Acquisition of investment properties

On 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 6 & 21 Hakarau Road, Kaiapoi, for \$10.1 million. Investore has commenced construction of a new Countdown supermarket on a portion of this site (refer note 2.4), leaving the balance of the land for future development.

Seismic works on investment property acquired

In April 2020, Investore purchased three large format retail properties, one being 2 Carr Road, Bunnings Warehouse, Auckland, from Stride Property Limited (SPL). Under the sale and purchase agreement, SPL was to complete certain seismic works in relation to the property. In March 2023, SPL agreed to pay Investore \$5.7 million as a purchase price adjustment as full and final settlement of SPL's obligations to undertake the seismic works. As at 31 March 2022, \$3.0 million had been recognised as a prepayment on investment property (non-current asset).

Share buyback

On 15 July 2022, the Parent commenced an on-market share buyback programme to purchase up to 5% of its ordinary shares (being 18,406,751 ordinary shares). During the year, the Parent acquired and cancelled 632,398 shares for a cost of \$1.1 million (including transaction costs). In September 2022, Investore announced a pause to the buyback, and on 19 May 2023, the Board resolved to cancel the share buyback programme (refer note 7.8).

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 covenant (previously 6.0 years) being removed.

Revaluation of investment properties

Investore undertook independent valuations of the entire portfolio as at 31 March 2023, which resulted in a net reduction in fair value of investment properties of \$(185.2) million (2022: \$91.0 million net gain) (refer note 2.2).

1.7 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 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 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.

	2023	2022
	\$000	\$000
Gross rental income		
Rental income	64,067	60,846
Service charge income recovered from tenants	6,077	5,633
Ground rent income recovered from tenants	834	1,305
Spreading of fixed rental increases	(89)	51
Capitalised lease incentives	316	267
Lease incentives amortisation	(218)	(179)
Total gross rental income	70,987	67,923
Direct property operating expenses		
Service charge expenses relating to tenants	(7,622)	(7,083)
Movement in loss allowance	(30)	(141)
Capitalised lease incentives	30	-
Lease incentives amortisation	(16)	(15)
Seismic strength assessment expenses	(439)	(308)
Other non-recoverable property operating expenses	(2,653)	(2,102)
Total direct property operating expenses	(10,730)	(9,649)
Net rental income	60,257	58,274

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

2.0 Property (continued)

2.1 Net rental income (continued)

Accounting Policy

Leases are classified at their inception as either an operating or finance lease based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which 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:

	2023	2022
	\$000	\$000
Within one year	63,712	60,708
Between one and two years	62,473	59,259
Between two and three years	60,813	57,479
Between three and four years	57,467	54,463
Between four and five years	55,691	53,025
Later than five years	284,065	271,883
Future rentals receivable	584,221	556,817

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. 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.

The fair value of an investment property represents the estimated price for which a property could be sold at the date of valuation in an orderly transaction between willing 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.

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.

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.

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 at fair value.

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)

	2023	2022
	\$000	\$000
Opening balance	1,219,766	1,043,872
Property acquisitions	34,060	73,784
(De-recognition)/re-assessment of lease liabilities	(10,042)	3,082
Purchase price adjustment (refer note 1.6)	(5,730)	-
Recognition of deposits, prepayment and other payments on investment properties	8,011	3,476
Capital expenditure	9,609	4,411
Spreading of fixed rental increases	(89)	51
Capitalised lease incentives	346	267
Lease incentives amortisation	(234)	(194)
Net change in fair value	(185,246)	91,017
Closing balance	1,070,451	1,219,766
Comprising:		
Investment properties per independent valuations	1,062,134	1,204,350
Less prepayment on investment property	-	(3,018)
	1,062,134	1,201,332
Lease liabilities	8,317	18,434
Total	1,070,451	1,219,766
Deposits and other payments relating to portfolio improvement initiatives	79	4,993
Prepayment on investment property relating to seismic works	-	3,018
Deposits, prepayment and other payments on investment properties	79	8,011

Investore is conscious of the need to identify the impact of climate risk on its business and assets. The independent valuers that valued Investore's investment properties have considered climate risk and environmental factors and the associated impact on the value of a property. The valuers are not climate risk experts but consider market transactional data as part of their valuation assessment and that market values may be impacted by climate risk factors, for example, higher green rated properties or properties with sustainable features or which are less vulnerable to climate risk potentially having higher market values than an equivalent property without such features. Accordingly, valuations can take these factors into account as part of the overall assessment of a property's market value. Apart from the consideration of the factors above, the valuers have made no explicit adjustment in respect of climate risks.

During the year, the seismic strength assessments for investment properties located in high or medium earthquake risk zones were updated by external independent engineers. The investment property valuations have been updated to allow for additional seismic capital expenditure where required. In addition, in some instances the valuer has assessed additional costs for potential works to buildings which have not been subject to a complete Detailed Seismic Assessment.

The investment properties were valued either by CVAS (NZ) Limited (CVAS (NZ)), CVAS (WLG) Limited (CVAS (WLG)), 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 practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers). All valuations are dated effective 31 March 2023. The net reduction in fair value of \$(185.2) million (2022: \$91.0 million net gain) includes \$0.07 million (2022: \$0.07 million) in relation to the change in the value of the right-of-use assets. Properties classified as 'Development and Other' relate to Investore's development and portfolio initiatives.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. During the year, there were no transfers of investment properties between levels of the fair value hierarchy (2022: nil transfers).

At each reporting date, SIML's asset managers verify all major inputs to the independent valuation reports and assess property valuation movements when compared to the prior year's valuation reports. 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 SIML 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.

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. The NLA, cap rate %, contract yield %, occupancy %, and WALT are not applicable for properties classified as 'Development and Other'.

2.0 Property (continued)

2.2 Investment properties (continued)

As at 31 Mar 23	Valuer	NLA m ²	\$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Auckland							
24 Anzac Road	JLL	4,382	26,250	5.00	5.00	100.0	11.9
326 Great South Road	CVAS (NZ)	4,641	35,500	5.00	5.06	100.0	11.9
35A St Johns Road	JLL	4,538	22,500	5.75	5.73	98.2	11.9
507 Pakuranga Road	CBRE	4,812	18,300	6.25	6.04	100.0	11.9
3 Averill Street	CVAS (NZ)	5,435	36,000	5.13	5.93	100.0	11.4
Cnr Church & Selwyn Streets	Bayleys	2,011	12,700	5.25	5.17	100.0	1.9
Cnr Te Irirangi Drive & Bishop Dunn Place	Bayleys	12,205	38,900	5.00	5.05	100.0	7.7
112 Stoddard Road	CVAS (NZ)	4,200	25,250	5.50	5.63	100.0	4.9
226 Great South Road	Bayleys	7,362	40,300	6.38	6.51	100.0	6.5
20-26 Neville Street	Bayleys	3,816	27,800	5.38	5.43	100.0	9.1
2 Carr Road	CBRE	11,693	36,500	5.50	7.05	100.0	4.2
4 Carr Road	Savills	5,332	30,000	5.00	4.76	100.0	8.4
295 Penrose Road	CBRE	9,014	40,300	6.50	6.18	96.8	3.0
Waikato							
66-76 Studholme Street, Morrinsville	JLL	1,724	7,000	6.50	7.30	100.0	1.9
Cnr Anglesea & Liverpool Streets, Hamilton	Bayleys	5,265	6,400	10.00	12.65	100.0	0.8
Cnr Bridge & Anglesea Streets, Hamilton	Bayleys	4,200	20,500	6.38	6.51	100.0	10.1
Cnr Hukanui & Thomas Roads, Hamilton	Bayleys	4,506	17,950	6.00	5.93	100.0	8.2
446 Te Rapa Road, Hamilton	Bayleys	12,763	36,800	5.00	5.09	100.0	6.9
Bay of Plenty							
230-240 Fenton Street, Rotorua	Bayleys	5,172	22,750	5.68	5.00	100.0	7.4
26-48 Old Taupo Road, Rotorua	Bayleys	13,940	35,400	5.00	5.25	100.0	6.9
65 Chapel Street, Tauranga	JLL	17,360	50,500	7.38	6.19	83.0	3.7
Wellington							
45-49 Jackson Street	Savills	4,605	32,500	5.00	5.22	100.0	9.0
47 Bay Road	Bayleys	3,460	14,000	5.50	5.41	100.0	11.9
91 Johnsonville Road	CVAS (WLG)	6,312	22,500	5.96	6.37	100.0	10.9
13-19 Queen Street, Upper Hutt	JLL	3,427	15,500	5.75	6.03	100.0	11.9
14 Russell Street, Upper Hutt	CVAS (NZ)	3,037	12,000	5.88	6.61	100.0	1.9
261 High Street, Lower Hutt	CVAS (NZ)	5,078	23,250	5.38	5.50	100.0	11.9
Cnr Hanson Street, John Street & Adelaide Road	Savills	4,881	24,500	5.25	5.49	97.2	9.0
3 Main Road	Savills	4,200	16,600	5.50	6.03	100.0	10.0
Other North Island							
Cnr Butler & Kerikeri Roads, Kerikeri	CVAS (NZ)	3,887	21,250	5.38	5.59	100.0	9.7
53 Leach Street, New Plymouth	Bayleys	8,567	33,600	5.25	5.34	100.0	6.5
9 Gloucester Street, Napier	CVAS (WLG)	4,386	18,750	5.50	5.49	100.0	6.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	Savills	3,611	15,000	6.00	6.08	100.0	8.7
Cnr Tremaine Avenue & Railway Road, Palmerston North	CBRE	13,730	30,500	6.00	5.87	100.0	6.9
Canterbury & Otago							
87-97 Hilton Street, Kaiapoi	CVAS (NZ)	3,025	13,000	6.00	6.89	100.0	11.9
219 Colombo Street, Christchurch	Bayleys	3,976	19,500	5.75	6.17	100.0	11.9
Cnr Victoria & Browne Streets, Timaru	CVAS (NZ)	4,032	14,250	5.88	5.35	85.0	11.2
40-50 Ivory Street, Rangiora	CVAS (NZ)	3,786	18,250	5.75	5.81	100.0	9.7
Cnr Rolleston & Masefield Drives, Rolleston	CVAS (NZ)	4,251	23,250	5.25	5.21	100.0	9.7
24 Brighton Mall, Christchurch	Savills	2,207	7,900	6.25	6.15	100.0	5.4
309 Cumberland Street, Dunedin	CVAS (NZ)	4,123	24,000	5.13	5.23	100.0	11.9
Other South Island							
Cnr Putaitai Street & Main Road, Nelson	Savills	2,659	11,800	6.50	6.61	100.0	9.7
51 Arthur Street, Blenheim	JLL	3,136	10,500	6.75	7.41	100.0	11.9
172-186 Tay Street, Invercargill	CBRE	5,161	23,200	6.88	6.82	100.0	10.5
Development and Other							
6 & 21 Hakarau Road, Kaiapoi	Savills		18,764				
Other properties	JLL		10,170				
Total		249,906	1,062,134	5.70	5.81	98.4	8.1

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	CVAS (NZ)	4,641	44,500	4.00	4.04	100.0	12.9
35A 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	CVAS (NZ)	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
20-26 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	CVAS (WLG)	6,312	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	CVAS (NZ)	3,037	11,000	5.38	6.48	100.0	2.9
261 High Street, Lower Hutt	CVAS (NZ)	5,078	30,000	4.38	4.32	100.0	12.9
Cnr Hanson Street, John Street & Adelaide Road	CVAS (WLG)	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	CVAS (WLG)	4,386	22,750	4.50	4.43	100.0	7.5
Cnr Fernlea Avenue & Roberts Line, Palmerston North	CVAS (WLG)	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 & Otago							
87-97 Hilton Street, Kaiapoi	CVAS (NZ)	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	CVAS (NZ)	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	CVAS (NZ)	2,207	6,600	5.75	6.03	100.0	6.4
309 Cumberland Street, Dunedin	CVAS (NZ)	4,123	28,000	4.25	4.39	100.0	12.9
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
172-186 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)

Breakdown of valuations by valuer	2023	2022
	\$000	\$000
CBRE	148,800	206,500
CVAS (NZ)	246,000	168,100
CVAS (WLG)	41,250	97,750
JLL	142,420	174,950
Savills	157,064	333,250
Bayleys	326,600	223,800
Investment properties per independent valuations	1,062,134	1,204,350

A valuation is determined based on a range of unobservable inputs which are not freely available or explicit in the market and are developed by analysing transactional data. Key unobservable inputs are the cap rate, discount rate, gross market rental, rental growth rate and terminal yield. The following table details the key unobservable inputs and the ranges adopted (excluding properties classified as Development and Other).

	Cap rate	Discount rate	Gross market rental	Rental growth rate	Terminal yield
	%	%	\$/m ²	%	%
As at 31 Mar 23	5.00-10.00	5.38-11.00	167-497	0.14-2.86	4.75-10.25
As at 31 Mar 22	4.00-10.00	3.00-8.50	148-474	0.18-2.95	4.00-11.00

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the cap rate and discount rate, assuming the cap rate or discount rate moved equally on all the properties, is provided below (excluding properties classified as Development and Other). 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 23				
Change \$000	47,378	(43,398)	38,571	(35,858)
Change %	5	(4)	4	(4)
As at 31 Mar 22				
Change \$000	68,662	(59,997)	34,496	(29,574)
Change %	6	(5)	3	(3)

2.0 Property (continued)

2.2 Investment properties (continued)

Predominant valuation methods used:

- **Income Capitalisation approach** - is based on the current contract and market rental 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 allowances 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. The present value reflects the market based rental 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.

The development at 6 & 21 Hakarau Road, Kaiapoi, has been fair valued utilising the **Residual approach**, calculating what the property is expected to be worth on completion of the works on the property and deducting all expected costs to complete the works.

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 rental 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

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

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 ten (2022: eleven) leases where Investore is the lessee:

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

	2023	2022
	\$000	\$000
Right-of-use assets		
Opening balance	18,434	15,418
Re-assessment on rent review	-	3,082
De-recognition of right-of-use asset (refer note 1.6)	(10,042)	-
Depreciation	(75)	(66)
Closing balance	8,317	18,434
Lease liabilities		
Opening balance	18,434	15,418
Re-assessment on rent review	-	3,082
De-recognition of lease liability (refer note 1.6)	(10,042)	-
Cash lease payments	(859)	(1,397)
Finance lease interest	784	1,331
Closing balance	8,317	18,434
Current liabilities	75	78
Non-current liabilities	8,242	18,356
Total lease liabilities	8,317	18,434

2.4 Capital expenditure commitments contracted for

As at 31 March 2023, Investore has committed to \$28.0 million (2022: \$55.3 million) in total for capital expenditure works:

- Stage 1 development at 6 & 21 Hakarau Road, Kaiapoi, with the remaining work expected to cost approximately \$15.3 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;
- \$1.1 million towards a dedicated online pick-up area expansion of Countdown Rangiora, of which \$1.0 million delivers a 7.5% per annum return on cost; and
- \$3.6 million for various other capital expenditure to be undertaken.

Investore has no other material capital commitments as at 31 March 2023.

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 (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 year reflects the 632,398 shares acquired and cancelled under the share buyback programme (refer note 1.6).

	2023	2022
	\$000	\$000
(Loss)/profit after income tax attributable to shareholders	(150,200)	118,167
Weighted average number of shares for purpose of basic and diluted EPS	367,723	368,135
Basic and diluted EPS - weighted (cents)	(40.85)	32.10

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 (loss)/profit 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.

	2023	2022
	\$000	\$000
(Loss)/profit before income tax	(150,072)	125,806
Non-recurring, non-cash and other adjustments:		
Net change in fair value of investment properties	185,246	(91,017)
Reversal of right-of-use assets movement in net change in fair value of investment properties	(75)	(66)
Gain on disposal of investment property	-	(576)
Net change in fair value of derivative financial instruments	33	52
Spreading of fixed rental increases	89	(51)
Capitalised lease incentives net of amortisation	(112)	(73)
Borrowings establishment costs amortisation	940	865
Swap termination income	-	(157)
Distributable profit before current income tax	36,049	34,783
Current income tax	(4,972)	(4,925)
Adjusted for:		
Tax expense on capitalised interest	(59)	-
Distributable profit after current income tax	31,018	29,858
Adjustments to funds from operations		
Maintenance capital expenditure	(2,400)	(3,671)
Adjusted Funds From Operations (AFFO)	28,618	26,187
Weighted average number of shares for purpose of basic and diluted distributable profit per share (000)	367,723	368,135
Basic and diluted distributable profit after current income tax per share - weighted (cents)	8.44	8.11
AFFO basic and diluted distributable profit after current income tax per share - weighted (cents)	7.78	7.11

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.

	2023	2022
	\$000	\$000
The following transactions with a related party took place		
SIML		
Asset management fee expense	(6,158)	(5,736)
Performance fee expense	-	(1,667)
Building management fee expense	(440)	(438)
Accounting fee expense	(250)	(250)
Leasing fee expense	(46)	(92)
Project management fee expense	(430)	(157)
Other fee expenses	(97)	(315)
Total	(7,421)	(8,655)
SPL		
Dividends paid	(5,467)	(5,415)
Consideration received as a purchase price adjustment on the acquisition of 2 Carr Road, Auckland	5,730	-
The following balance was payable to a related party		
SIML	(258)	(31)

Other fee expenses include maintenance, disposal and sustainability fees (2022: maintenance, disposal, sustainability and bond issuance fees).

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 did not receive a performance fee for the year ended 31 March 2023 (2022: \$1.7 million). The carried forward return for the performance fee calculation for the quarter ending 30 June 2023 is a 44.6% deficit (2022: quarter ended 30 June 2022 16.4% deficit) which has been calculated in accordance with the management agreement.

As at 31 March 2023, SPL's shareholding in the Parent is 18.8%, being 69.2 million shares (2022: 18.8%, being 69.2 million shares).

In the current year, Directors in total received dividends of \$14,477 (2022: \$14,766). Directors' fees recognised in administration expenses comprise the following:

	2023	2022
	\$000	\$000
Directors' fees	208	203
Chair's fees	95	92
	303	295

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

5.0 Capital Structure and Funding

Investore's capital structure includes debt and equity, comprising shares and retained earnings as shown in the consolidated statement of financial position. This section sets out Investore's 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.

	2023	2022
	\$000	\$000
Non-current		
Bank facility drawn down	37,600	5,000
Fixed rate bonds	350,000	350,000
Unamortised borrowings establishment costs	(2,563)	(3,470)
Total net borrowings	385,037	351,530
Weighted average cost of debt (inclusive of current interest rate derivatives, bonds, bank margins and line fees) at balance date	4.01%	3.77%

				Total amount	Undrawn facility	Drawn amount	Fair value
31 Mar 23	Issue date	Expiry date	Interest rate	\$000	\$000	\$000	\$000
Bank Facility A		30 Nov 2025	Floating	70,000	37,400	32,600	32,600
Bank Facility D		16 Apr 2025	Floating	50,000	45,000	5,000	5,000
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	97,709
Bonds IPL020	31 Aug 2020	31 Aug 2027	2.40%	125,000	-	125,000	106,155
Bonds IPL030	25 Feb 2022	25 Feb 2027	4.00%	125,000	-	125,000	114,731
				475,000	87,400	387,600	356,195

31 Mar 22

				Total amount	Undrawn facility	Drawn amount	Fair value
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

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.

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 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.

The IPL010 fixed rate bonds are due to mature in April 2024. Subsequent to balance date, Investore's banks have committed to providing Investore with an additional \$100.0 million of bank facilities to provide liquidity for the IPL010 fixed rate bonds maturity. The facilities will be available for three years (refer to note 7.8).

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.

Net debt reconciliation

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

	2023 \$000	2022 \$000
Cash and cash equivalents	4,802	7,229
Borrowings - non-current	(385,037)	(351,530)
Lease liabilities	(8,317)	(18,434)
Net debt	(388,552)	(362,735)

	Liabilities from financing activities			Cash \$000	Total \$000
	Borrowings \$000	Leases \$000	Sub-total \$000		
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)
Cash flows	(32,600)	859	(31,741)	(2,427)	(34,168)
De-recognition	-	10,042	10,042	-	10,042
Other changes	(907)	(784)	(1,691)	-	(1,691)
As at 31 Mar 23	(385,037)	(8,317)	(393,354)	4,802	(388,552)

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.

	2023 \$000	2022 \$000
Interest rate derivative contracts - fixed rate payer start dates commenced	30,000	30,000
Interest rate derivative contracts - fixed rate payer forward starting	-	30,000
Interest rate derivative contracts - fixed rate receiver	25,000	25,000
Total notional principal value of interest rate derivative contracts	55,000	85,000
Interest rate derivative assets - non-current	1,478	667
Interest rate derivative liabilities - current	-	(134)
Interest rate derivative liabilities - non-current	(718)	(126)
Fair value of interest rate derivative contracts	760	407
Fixed interest rates payer (including forward starting interest rate derivatives)	2.84%	2.38%-2.84%
Fixed interest rate receiver	4.40%	4.40%
Weighted average fixed interest rate (excluding margins, including forward starting interest rate derivatives)	2.00%	2.03%
Percentage of drawn debt fixed	92%	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 a \$25 million fixed rate receiver interest rate swap. On 21 March 2018, Investore entered into a \$25 million 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 \$129,000 (2022: fair value loss of \$96,000), resulting in a fair value loss movement of \$33,000 (2022: fair value loss movement of \$52,000) being recognised in the consolidated statement of comprehensive income.

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2022: 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 2023 of between 5.23%, for the 90-day BKBM, and 4.30%, for the 10-year swap rate (2022: 1.61% and 3.41%, respectively). There were no changes to these valuation techniques during the reporting period. As at 31 March 2023, the fair value of the interest rate derivatives includes an accrued interest asset of \$11,550 (2022: accrued interest asset \$31,672).

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 the interest rate swaps had been 0.25% higher or lower, with other variables remaining constant.

	2023		2022	
	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000	Gain/(loss) on +0.25% \$000	Gain/(loss) on -0.25% \$000
Impact on equity	155	(156)	227	(230)
Impact on profit	(60)	60	(120)	121

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.

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

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

	2023	2022
	\$000	\$000
Finance income		
Bank interest income	92	10
Swap termination income	-	157
Total finance income	92	167
Finance expense		
Bank borrowings interest	(3,312)	(4,990)
Bank borrowings interest capitalised	209	-
Fixed rate bonds interest	(12,400)	(7,891)
Lease liabilities interest	(784)	(1,331)
Total finance expense	(16,287)	(14,212)
Net finance expense	(16,195)	(14,045)

In the current year, \$0.2 million (2022: \$nil) of bank borrowing interest expense was capitalised using an average capitalisation rate of 5.92% (2022: nil).

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 367,502,635 shares on issue as at 31 March 2023 (2022: 368,135,033).

During the year, through an on-market share buyback programme, the Parent acquired 632,398 of its own 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. On 19 May 2023, the Board resolved to cancel the share buyback programme (refer note 7.8).

5.5 Reserve

	2023	2022
	\$000	\$000
Cash flow hedge reserve		
Opening balance	366	357
Movement in fair value of interest rate derivatives	374	(60)
Tax on fair value movement	(105)	17
Transferred to profit or loss	33	52
Closing balance	668	366

Gains and losses recognised in the cash flow hedge reserve in equity, on interest rate derivative contracts as at 31 March 2023, 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 (refer 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.

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.

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

	2023	2022
	\$000	\$000
Summary of financial instruments		
Financial assets at amortised cost		
Cash at bank	4,802	7,229
Trade and other receivables	608	872
NZX bond	75	75
Total financial assets at amortised cost	5,485	8,176
Derivative financial instruments		
Used for hedging	1,478	667
Total financial assets	6,963	8,843
Financial liabilities at amortised cost		
Trade and other payables	8,355	5,564
Lease liabilities	8,317	18,434
Borrowings	385,037	351,530
Total financial liabilities at amortised cost	401,709	375,528
Derivative financial instruments		
Used for hedging	685	208
Held for trading at fair value through profit and loss	33	52
Total financial liabilities	402,427	375,788

6.2 Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash at bank, trade and other receivables, other current assets, deposits, prepayment and other payments on investment properties, trade and other payables, lease liabilities, and bank borrowings. The fair value of the fixed rate bonds is disclosed in note 5.1.

6.3 Financial risk management

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

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

6.0 Risk Management (continued)

6.4 Interest rate risk

As Investore has no significant interest bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. Investore's interest rate risk arises from bank borrowings (refer note 5.1) which are issued at variable rates and expose Investore to cash flow interest rate risk. The long term interest rate hedging 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 debt was 92% hedged (2022: 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:

	2023	2022
Interest rates applicable at balance date	\$000	\$000
Cash at bank	1.85%	0.15%
Bank borrowings	6.18%	2.21%
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	4.01%	3.77%

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.

6.5 Credit risk

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

The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on customers requiring credit and ensures that only those customers with appropriate credit histories are provided with credit. In addition, receivable balances are monitored on an ongoing basis, with the result that Investore's exposure to bad debts is not significant.

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.

6.6 Liquidity risk

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

Investore generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has the bank facility available to cover potential shortfalls (refer note 5.1).

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

	Total	0-6 mths	6-12 mths	1-2 yrs	2-5 yrs	>5 yrs
	\$000	\$000	\$000	\$000	\$000	\$000
31 Mar 23						
Trade and other payables	8,355	8,355	-	-	-	-
Bank borrowings	45,378	1,510	1,510	3,038	39,320	-
Fixed rate bonds	387,384	6,200	6,200	108,220	266,764	-
Lease liabilities	8,279	322	247	532	2,621	4,557
Derivative financial instruments	1,225	63	63	815	284	-
	450,621	16,450	8,020	112,605	308,989	4,557
31 Mar 22						
Trade and other payables	5,564	5,564	-	-	-	-
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

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, identified as the Board, as it makes all key strategic resource allocation decisions.

Investore is reported as a single operating segment, being large format retail properties. Investore's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. One tenant, General Distributors Limited (Countdown), contributes 64% of Investore's portfolio contract rental as at 31 March 2023 (2022: 63%).

7.2 Corporate expenses

	2023	2022
	\$000	\$000
Administration expenses includes:		
Auditor's remuneration		
Audit and review of financial statements	183	171
Other assurance services - operating expense audits	17	19
Total Auditor's remuneration	200	190

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.

	2023	2022
	\$000	\$000
Income tax		
Current tax expense	(4,972)	(4,925)
Deferred tax benefit/(expense)	4,844	(2,714)
Income tax expense per the consolidated statement of comprehensive income	(128)	(7,639)
(Loss)/profit before income tax	(150,072)	125,806
Prima facie income tax using the company tax rate of 28%	42,020	(35,226)
(Increase)/decrease in income tax due to:		
Net change in fair value of investment properties	(51,869)	25,485
Gain on disposal of investment property	-	161
Reversal of lease liabilities movement in investment properties	21	18
Movement in fair value of derivative financial instruments	(9)	(15)
Non-taxable income	36	83
Other permanent differences	433	101
Depreciation	4,264	4,461
Non-deductible expenses	(73)	(53)
Expenditure deductible for tax	59	-
Temporary differences	(22)	(40)
Losses utilised	176	100
Prior year adjustment	(8)	-
Current tax expense	(4,972)	(4,925)
Investment properties depreciation	5,014	(2,639)
Other	(170)	(75)
Deferred tax credited/(charged) to profit or loss	4,844	(2,714)
Income tax expense per the consolidated statement of comprehensive income	(128)	(7,639)
Imputation credits available for use in subsequent reporting periods	666	1,220

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.

	2022	Recognised in profit or loss	Recognised in other comprehensive income	2023
	\$000	\$000	\$000	\$000
Deferred tax assets				
Derivative financial instruments	62	-	116	178
Other temporary differences	250	(170)	-	80
	312	(170)	116	258
Deferred tax liabilities				
Depreciation on investment properties	(7,103)	5,014	-	(2,089)
Derivative financial instruments	(167)	-	(221)	(388)
	(7,270)	5,014	(221)	(2,477)
	(6,958)	4,844	(105)	(2,219)
	2021			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)

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 *Financial Instruments*, which uses a lifetime expected loss allowance. A loss allowance is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Investore will not be able to collect all of the amounts due under the original terms of the invoice.

	2023	2022
	\$000	\$000
Current		
Trade and other receivables	861	1,095
Less loss allowance	(253)	(223)
	608	872
Less than 30 days overdue	251	388
Over 30 days overdue	357	484
Carrying amount	608	872
Movement in loss allowance		
Opening balance	(223)	(82)
Additional loss allowance	(34)	(165)
Reduction in loss allowance	-	24
Bad debts written off	4	-
Closing balance	(253)	(223)

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.

	2023	2022
	\$000	\$000
Current		
Unsecured liabilities		
Trade payables	491	401
Related party payables (refer note 4.0)	258	31
Capital expenditure payables and accruals	3,281	1,327
Interest expense accruals	1,709	1,666
Other accruals and payables	2,616	2,139
	8,355	5,564

Other accruals and payables include Goods and Services Tax, 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 Parent has a 100% owned Subsidiary, Investore Property (Carr Road) Limited. It has a 31 March balance date, and owns a large format retail property at 4 Carr Road, Auckland, which is presented as part of the Parent's investment property.

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.

7.7 Contingent liabilities

Investore has no contingent liabilities at balance date (2022: \$nil).

7.8 Subsequent events

On 17 May 2023, Investore's banks committed to providing Investore with an additional \$100.0 million of bank facilities to provide liquidity for the IPL010 fixed rate bonds which are due to mature in April 2024. The bank facilities will be available for three years.

On 19 May 2023, the Board resolved to cancel the share buyback programme.

On 19 May 2023, the Parent declared a cash dividend for the period 1 January 2023 to 31 March 2023 of 1.975 cents per share, to be paid on 6 June 2023 to all shareholders on the Parent's register at the close of business on 29 May 2023. This dividend will carry imputation credits of 0.181151 cents per share. This dividend has not been recognised in the financial statements.

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



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 2023, 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 2023;
- 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 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

Valuation of investment properties

As disclosed in Note 2.2 of the consolidated financial statements, the valuation of the Group's investment properties totalled \$1,062.1 million (excluding lease liabilities) which represents majority of the assets held by the Group as at 31 March 2023.

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.

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.

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. Investment property totalling \$18.8 million that is held as development is valued using the Residual approach, where the Valuer estimates the expected value on completion of the works and deducts all expected costs to complete them.

For each property, the Valuers take into account property-specific information such as the current tenancy 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

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

We held discussions with the Group's Manager to understand the movements in the Group's investment property portfolio, changes in the condition of each property and the controls in place over the valuation process.

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

We confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the fair value of investment properties at 31 March 2023.

Our work over the assumptions focused on the 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 if climate change matters were considered as part of the valuation process. For property held as development, we audited the estimated costs to completion.

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.

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

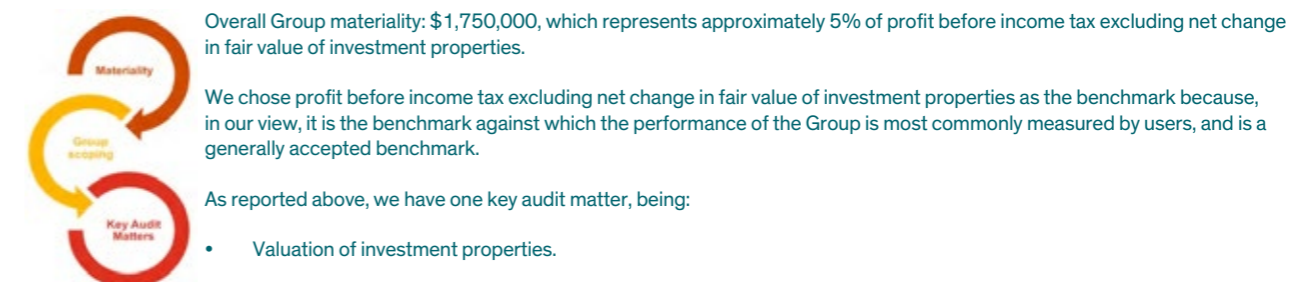
We also assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer, in their performance of the valuations, was compromised.

It was also evident from our discussions with the Group's 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



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.

Independent auditor's report (continued)



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.

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
19 May 2023

Auckland

Countdown, Rotoruna



Corporate Governance

The Investore Board 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 2023.

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 87.

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 Corporate Governance section refers to Investore and its subsidiary, Investore Property (Carr Road) Limited.

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

Investore's assets and operations are externally managed by SIML, a 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 2023, together with other legal and regulatory disclosures. These disclosures report against the version of the Code dated 17 June 2022, as that was the version that applied during the year ended 31 March 2023.

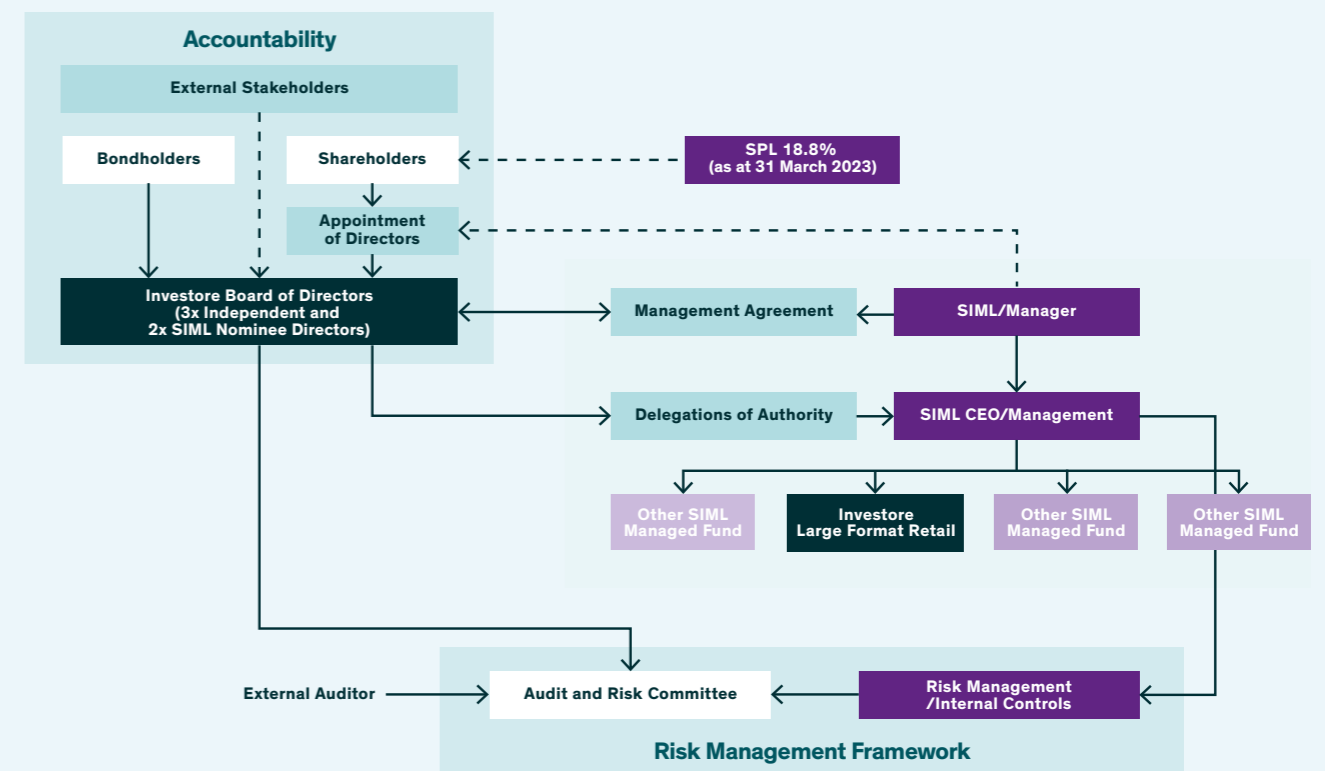
Investore's corporate governance framework and practices are materially consistent with the NZX Code, subject to the following exceptions, which are consistent with practices reported in previous years' Annual Reports:

- A Remuneration Committee has not been established (NZX Code Recommendation 3.3) and a Remuneration Policy has not been adopted (NZX Code Recommendation 5.2), as Investore does not have any employees. Director remuneration is considered by the Board as a whole and then recommended to shareholders for approval.
- A Nomination Committee has not been established to recommend Director appointments (NZX Code Recommendation 3.4), as this function is assumed by the Board as a whole.
- 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 that all persons to whom the policy applies, 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 only with the prior approval of the Company Secretary of SIML, the Manager.

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.

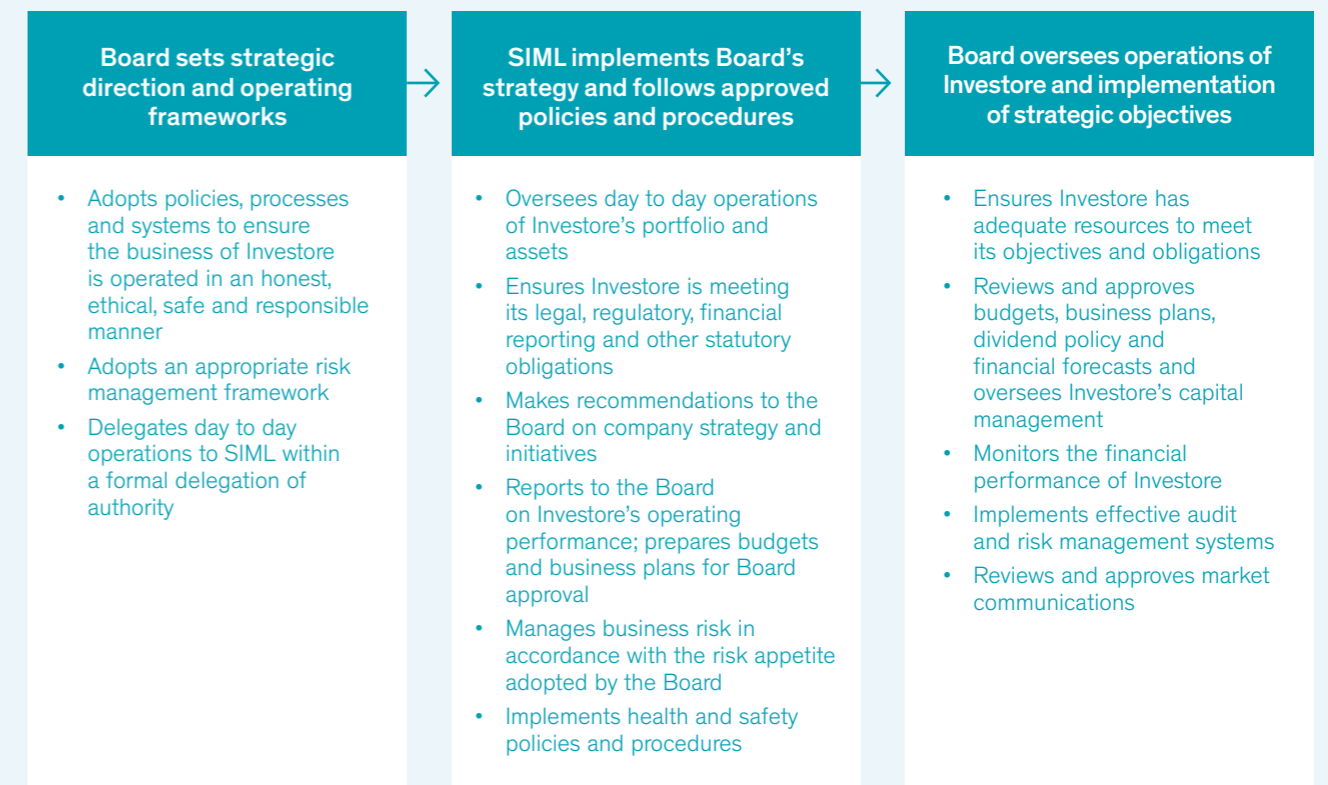
The Board’s roles and responsibilities are formalised in its Board Charter, which is available in the Governance section of Investore’s website, www.investoreproperty.co.nz.

The Board Charter outlines the functions that are solely 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 SIML, as Manager.

The Board retains responsibility for setting the strategic direction of Investore, overseeing the performance of Investore and communications 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 2023, 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
Ross Buckley	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 their 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 the 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 as at 31 March 2023, their status and (in the case of the Independent Directors) date of appointment, expertise, and experience, is set out on pages 10 and 11. A record of attendance at Board and Committee meetings for all those who held the office of Director during the 12 months to 31 March 2023 is set out on page 72.

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 a Director of Investore 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. The induction programme has been designed to provide new Directors with an overview of Investore, its strategy and operations, and the market in which it operates.

Director Ross Buckley was appointed by SIML, the Manager, in accordance with SIML's right to appoint up to two directors under Investore's constitution, effective from 1 June 2022, following the retirement of John Harvey, SIML's previously appointed Director, on 31 May 2022. No other directors were appointed during FY23.

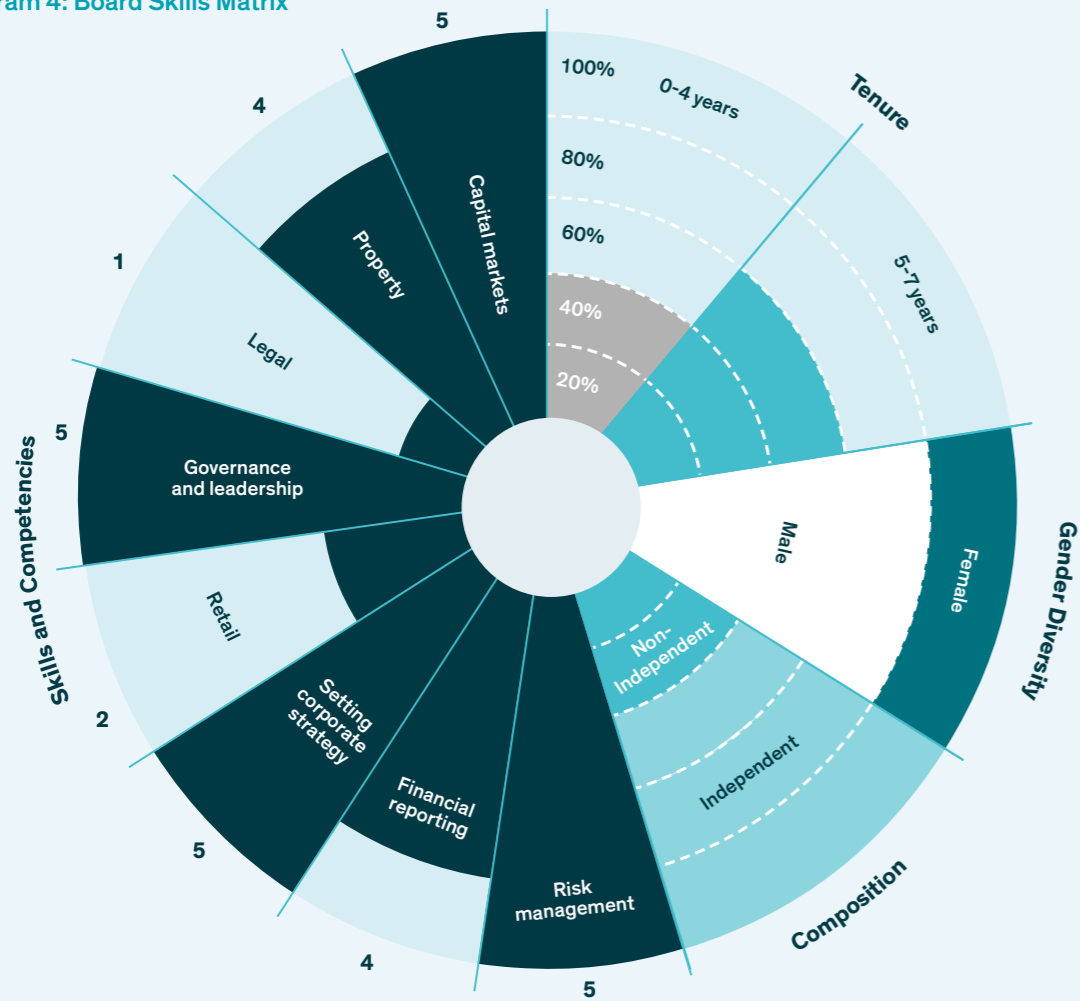
Directors' Skills and Experience

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 role as 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 industry experts 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 typically conduct a full external Board performance review biannually to review the Board’s performance and its engagement with SIML management. Following the appointment of Director Ross Buckley on 1 June 2022 and the retirement of former Director John Harvey on 31 May 2022, the Board concluded it would be appropriate to conduct an internal review this financial year and undertake an external Board review in FY24. The internal review consisted of separate interviews with each Director and key members of SIML management 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 concluded that processes implemented following the FY21 external Board review and the FY22 internal Board review had benefitted the Board and its operations.

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 FY23 Annual Report of Stride Property Group (when available) at www.strideproperty.co.nz.

The Investore Board notes that SIML, as Manager, has undertaken a number of initiatives during FY23 intended to improve its diversity practices, including establishing an employee Diversity, Equity and Inclusion Committee. The Diversity, Equity and Inclusion Committee aims to assist SIML in its diversity practices through establishing diversity, equity and inclusion strategic priorities and implementing diversity and inclusion-related initiatives.

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 FY23 through the appointment of Erika McDonald as a future director, and the work of the Board in mentoring and supporting Erika through this appointment.

Gender Composition of the Board of Investore

	As at 31 March 2023	As at 31 March 2022
Male	4 (80%)	4 (80%)
Female	1 (20%)	1 (20%)

Table 1: Diversity Objectives and Progress FY23

Objective	Progress as at 31 March 2023
Recruitment	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 independent Directors were appointed during FY23. Director Ross Buckley was appointed to the Board by SIML, the Manager, on 1 June 2023 upon the retirement of the previous SIML-appointed Director John Harvey. Erika McDonald was also appointed as a future director during FY23.
Reporting	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 practices. 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 FY23 (when available).
	SIML will report periodically to the Board on diversity related matters within its business, including diversity of employees

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 FY23 the Board established a temporary Pricing Committee, which included two members of the Board, to oversee the buying parameters of the share buyback programme that Investore initiated in July 2022. Directors Gráinne Troute and Mike Allen were members of the temporary Pricing Committee, together with representatives of the Manager. The other Directors had a standing invitation to attend temporary Pricing 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 Governance section of the Investore website.

The Charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors and have at least three members, with the majority of members being independent Directors. At least two Directors on the Committee must be independent of SIML. The Chair of the Audit and Risk Committee is to be an independent Director and may not be the Chair of the Board.

All Audit and Risk Committee members are expected to have an appropriate degree of financial acumen for the position of Audit and Risk Committee member and at least one member must have accounting or related financial management expertise.

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, Ross Buckley, is a SIML-appointed Director with considerable financial, audit, tax and risk experience, having been with the global accounting and consulting firm KPMG for 38 years, including as the Executive Chairman of KPMG in New Zealand and a member of KPMG’s Asia Pacific Board and KPMG’s Global Council for nearly 10 years. 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 the Chief Executive Officer or 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

Pricing Committee

During the year in review, a temporary Board Committee was established to oversee the share buyback programme which was initiated in July 2022. Directors Gráinne Troute and Mike Allen were appointed to the Pricing Committee, along with members of SIML management, although all Directors had a standing invitation to attend the Pricing Committee meetings.

The key function of the Pricing Committee was to oversee and coordinate the buying parameters for the share buyback programme and ensure that all material information known to Investore or SIML, as Manager, was disclosed to the market. The Pricing Committee established a system of continuing enquiry, review and monitoring of developments between the date the share buyback programme was launched and the pause in the share buyback programme at the close of trading on 8 September 2022, to ensure that the share buyback programme was not continuing whilst Investore was in possession of material information which had not been disclosed to the market.

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 Governance 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.

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 roles as Directors 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 FY23 to review and reassess the Company's strategic priorities. In conjunction with the Stride Board of directors, a half day sustainability workshop was also held during FY23 to facilitate sustainability learning and education. All Investore Directors attended both the strategy day and the sustainability workshop.

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

Table 2: Board and Committee Meeting Attendance for Period 1 April 2022 to 31 March 2023

	Board	Audit and Risk Committee	Pricing Committee & Related Board Meetings
Number of Meetings in FY23	6	4	6
Mike Allen	6	4	4
Gráinne Troute	6	4	6
Adrian Walker	6	4	5
Tim Storey	6	4	6
Ross Buckley ¹	5	3	5
John Harvey ²	1	1	1

¹ Director Ross Buckley was appointed on 1 June 2022.

² Director John Harvey retired on 31 May 2022.

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 in the Governance section 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 the Listing Rules

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

The Policy requires all SIML directors, 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 Market Disclosure Policy) of any potentially material information or proposal immediately after the relevant person becomes aware of that information or proposal. A Disclosure Committee, comprising the Investore Board's Chair, 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 Market Disclosure Policy and Investore's compliance with the policy were reviewed by the Board during FY23.

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 reporting, NZX announcements, key corporate governance policies and other investor related material (as recommended in the NZX Code) are available in the Investor Centre section 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.

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.

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 FY23, and reporting on Investore's sustainability progress and climate disclosures can be found in Investore's FY23 Sustainability Report which is available in the Sustainability section on Investore's website.

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 arose 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 last reviewed in 2021, and as previously advised to the market Investore intends to review Directors' 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 2023. These fees are consistent with those approved by shareholders at the 2021 Annual Shareholder Meeting. 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)	\$95,000
Gráinne Troute (Chair of Audit and Risk Committee)	\$58,000
Adrian Walker	\$50,000
Tim Storey	\$50,000
Ross Buckley ¹	\$41,667
John Harvey ²	\$8,333
Total³	\$303,000

¹ Director Ross Buckley was appointed on 1 June 2022.

² Former Director John Harvey retired on 31 May 2022.

³ 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 temporary Pricing 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 all 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.

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, together with SIML’s remedial actions in relation to incidents, and seeks to ensure that there is continual learning from any incidents or near misses. During FY23, 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.

Table 4: Investore’s Key Risks

Key Risk	Control
Rising interest rates could lead to capitalisation rate expansion, resulting in a decrease in property portfolio valuations	Investore monitors market conditions and seeks to optimise the portfolio to mitigate against the risk of capitalisation rate expansion. Investore also takes an active approach to capital management and ensuring a resilient balance sheet.
Rising costs as a result of external factors, including inflation and high interest rates, 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	92% of Investore’s borrowings were hedged or subject to a fixed rate of interest as at 31 March 2023, with a weighted average cost of debt of 4.0%, providing protection against rising interest rates in the medium term.
Customer concentration and single sector focus	Investore considers that the large format retail sector is a beneficial sector to invest in. Investore’s tenants tend to be resilient in varying market conditions as a high proportion are essential businesses which do not typically fall into the ‘discretionary spending’ category. 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	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 Sustainability Report for FY23 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.”

The relationship between Investore and its external auditor is 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 becoming 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 seven 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 or 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 first be approved by the Chair of the Audit and Risk Committee and the Chief Financial Officer of SIML, the Manager. For FY23, PwC, as auditor, did not provide any services for Investore other than audit and review of financial statements and other assurance services.

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 in the Investor Centre section 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 reporting) 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 FY23, shareholders were given at least 20 working days’ notice of the Annual Shareholder Meeting held on 30 June 2022.

Shareholders are encouraged to attend Investore’s Annual Shareholder Meeting and take the opportunity to meet the Board and senior managers of SIML, 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 28 June 2023. Investore has elected not to hold a hybrid meeting for this year’s Annual Shareholder Meeting due to the significant additional costs associated with this and the limited attendance by shareholders when virtual Annual Shareholder Meetings have been held in previous years.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of Investore and its subsidiary during the reporting period 1 April 2022 to 31 March 2023 pursuant to section 140 and section 211(1)(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
	QuayStreet Asset Management Limited	Chair ¹
	Vincent Capital Limited/Wilshire Gp	Chair
	Armstrong Motor Group	Member of Advisory Board ¹
	New Zealand Natural Fibres Limited	Chair Elect ²
	Wool Impact Limited	Chair ²
Gráinne Troute	Wool Research Organisation of New Zealand (WRONZ)	Director ²
	Tourism Holdings Limited	Director
	Summerset Group Holdings Limited	Director
	Tourism Industry Aotearoa Duncan Cotterill	Chair Director ²
Adrian Walker	Nil	
Tim Storey	Stride Property Limited and subsidiaries	Chair
	Stride Investment Management Limited	Chair
	Industre Property Nominee Limited and related entities	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chair
Ross Buckley	Stride Property Limited and subsidiaries	Director ²
	Stride Investment Management Limited	Director ²
Appointed 1 June 2022	ASB Bank Limited	Director ²
	Service Foods NZ Limited	Chair ²
	Institute of Directors	National Council Member and Chair of Auckland Branch ²
	Massey University Audit Oversight Committee of the Financial Markets Authority	Council Member ² Member ²
John Harvey	Stride Property Limited and subsidiaries	Director ¹
	Stride Investment Management Limited	Director ¹
Ceased 31 May 2022	Pomare Investments Limited	Director/Shareholder ¹
	Kathmandu Holdings Limited	Director ¹
	Heartland Bank Limited	Director ¹
	Port of Napier Limited	Director ¹
Adam Lilley	Stride Investment Management Limited	Employee

¹ Entries removed by notices given by Directors during the year ended 31 March 2023.

² Entries added by notices given by Directors during the year ended 31 March 2023.

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 2023, being Investore Property (Carr Road) Limited. The directors of this company are Mike Allen and Adam Lilley. This company is a wholly owned direct subsidiary of Investore. No additional fees were paid to Mike Allen (and no fees were paid to Adam Lilley) 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. 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 2023:

<u>Director</u>	<u>Relevant Interest Held in Ordinary Shares</u>
Mike Allen	56,592
Gráinne Troute	32,590
Adrian Walker	10,000
Tim Storey	49,759
Ross Buckley	32,500

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 2023.

Twenty Largest Registered Shareholders as at 31 March 2023

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage of Shares</u>
Stride Property Limited	69,201,977	18.83
Forsyth Barr Custodians Limited	33,850,798	9.21
Accident Compensation Corporation - NZCSD	33,237,200	9.04
Custodial Services Limited	17,129,365	4.66
JBWere (NZ) Nominees Limited	16,097,541	4.38
Generate Kiwisaver Public Trust Nominees Limited	15,746,329	4.28
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	14,756,047	4.02
FNZ Custodians Limited	14,282,599	3.89
BNP Paribas Nominees (NZ) Limited - NZCSD	12,448,302	3.39
New Zealand Depository Nominee Limited	10,954,545	2.98
National Nominees Limited - NZCSD	10,448,942	2.84
TEA Custodians Limited Client Property Trust Account - NZCSD	6,672,259	1.82
HSBC Nominees (New Zealand) Limited - NZCSD	6,389,656	1.74
Citibank Nominees (New Zealand) Limited - NZCSD	5,130,483	1.40
Hobson Wealth Custodian Limited	5,058,997	1.38
MFL Mutual Fund Limited - NZCSD	5,049,426	1.37
BNP Paribas Nominees (NZ) Limited - NZCSD	4,832,125	1.31
ANZ Wholesale Property Securities - NZCSD	4,451,969	1.21
ANZ Wholesale Australasian Share Fund - NZCSD	4,135,072	1.13
PT (Booster Investments) Nominees Limited	3,035,000	0.83
Total	292,908,632	79.70

Twenty Largest Registered Bondholders (IPL010) as at 31 March 2023¹

<u>Name</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Custodial Services Limited	17,537,000	17.54
National Nominees Limited - NZCSD	14,388,000	14.39
Forsyth Barr Custodians Limited	13,844,000	13.84
FNZ Custodians Limited	12,730,000	12.73
HSBC Nominees (New Zealand) Limited - NZCSD	6,759,000	6.76
Hobson Wealth Custodian Limited	6,686,000	6.69
JBWere (NZ) Nominees Limited	2,830,000	2.83
NZPT Custodians (Grosvenor) Limited - NZCSD	2,201,000	2.20
ANZ Fixed Interest Fund - NZCSD	1,744,000	1.74
Public Trust - NZCSD	1,301,000	1.30
FNZ Custodians Limited	977,000	0.98
Hobson Wealth Custodian Limited	860,000	0.86
Investment Custodial Services Limited	854,000	0.85
Forsyth Barr Custodians Limited	751,000	0.75
TEA Custodians Limited Client Property Trust Account - NZCSD	642,000	0.64
Lu Ren & Yanan Xu	601,000	0.60
Mint Nominees Limited - NZCSD	600,000	0.60
Kiwigold.co.nz Limited	500,000	0.50
Rita Maria Halanke	400,000	0.40
Sandore Limited	400,000	0.40
Su Li	300,000	0.30
Total	86,905,000	86.91

¹ Note: Two holders hold the same number of bonds, meaning that 21 holders have been reported above in the top 20 holders table.

Twenty Largest Registered Bondholders (IPL020) as at 31 March 2023

Name	Number of Units	Percentage of Units
Forsyth Barr Custodians Limited	19,046,000	15.24
FNZ Custodians Limited	16,498,000	13.20
Custodial Services Limited	15,703,000	12.56
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	12,396,000	9.92
National Nominees Limited - NZCSD	11,500,000	9.20
Hobson Wealth Custodian Limited	8,929,000	7.14
HSBC Nominees (New Zealand) Limited - NZCSD	7,000,000	5.60
ANZ Fixed Interest Fund - NZCSD	3,546,000	2.84
Queen Street Nominees ACF PIE Funds - NZCSD	2,500,000	2.00
Commonwealth Bank of Australia - NZCSD	2,119,000	1.70
Bank of New Zealand - Treasury Support	1,904,000	1.52
Forsyth Barr Custodians Limited	1,588,000	1.27
TEA Custodians Limited Client Property Trust Account - NZCSD	1,550,000	1.24
Westpac Banking Corporate NZ Financial Markets Group - NZCSD	1,530,000	1.22
Hobson Wealth Custodian Limited	1,377,000	1.10
JBWere (NZ) Nominees Limited	1,155,000	0.92
FNZ Custodians Limited	1,073,000	0.86
Investment Custodial Services Limited	887,000	0.71
NZPT Custodians (Grosvenor) Limited - NZCSD	800,000	0.64
Forsyth Barr Custodians Limited	665,000	0.53
Total	111,766,000	89.41

Twenty Largest Registered Bondholders (IPL030) as at 31 March 2023¹

Name	Number of Units	Percentage of Units
National Nominees Limited - NZCSD	19,410,000	15.53
Forsyth Barr Custodians Limited	18,202,000	14.56
Generate Kiwisaver Public Trust Nominees Limited	17,472,000	13.98
ANZ Fixed Interest Fund - NZCSD	8,600,000	6.88
Hobson Wealth Custodian Limited	7,588,000	6.07
Custodial Services Limited	7,461,000	5.97
HSBC Nominees (New Zealand) Limited - NZCSD	7,095,000	5.68
NZPT Custodians (Grosvenor) Limited - NZCSD	6,125,000	4.90
TEA Custodians Limited Client Property Trust Account - NZCSD	4,310,000	3.45
JBWere (NZ) Nominees Limited	3,375,000	2.70
ANZ Bank New Zealand Limited - NZCSD	2,606,000	2.08
FNZ Custodians Limited	2,573,000	2.06
Forsyth Barr Custodians Limited	1,731,000	1.38
Investment Custodial Services Limited	1,526,000	1.22
Westpac Banking Corporate NZ Financial Markets Group - NZCSD	1,508,000	1.21
Adminis Custodial Nominees Limited	1,140,000	0.91
ANZ Custodial Services New Zealand Limited - NZCSD	1,100,000	0.88
ANZ Wholesale NZ Fixed Interest Fund - NZCSD	1,000,000	0.80
I J Investments Limited	515,000	0.41
JBWere (NZ) Nominees Limited	500,000	0.40
South Pacific Securities Limited	500,000	0.40
Total	114,337,000	91.47

¹ Note: Two holders hold the same number of bonds, meaning that 21 holders have been reported above in the top 20 holders table.

Substantial Product Holders as at 31 March 2023

As at 31 March 2023, 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	Percentage of Ordinary Shares Held
Stride Property Limited	20 May 2020	69,201,977	18.8
Accident Compensation Corporation	4 October 2022	32,444,528	8.8
ANZ New Zealand Investments	2 December 2022	29,777,169	8.1
Forsyth Barr Investment Management Limited	13 February 2023	25,890,113	7.0

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 2023.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2023

Size of Holding	Number of Shareholders	Percentage of Shareholders	Number of Ordinary Shares	Percentage of Ordinary Shares
1 - 99	27	0.57	1,036	0.00
100 - 199	15	0.31	1,897	0.00
200 - 499	117	2.45	44,450	0.01
500 - 999	272	5.70	194,591	0.05
1,000 - 1,999	680	14.25	987,853	0.27
2,000 - 4,999	1,191	24.96	3,849,366	1.05
5,000 - 9,999	1,014	21.25	6,983,650	1.90
10,000 - 49,999	1,222	25.61	24,039,438	6.54
50,000 - 99,999	135	2.83	8,872,818	2.41
100,000 - 499,999	69	1.45	13,467,528	3.66
500,000 - 999,999	3	0.06	2,402,235	0.65
1,000,000 Over	27	0.57	306,657,773	83.44
Total	4,772	100.00	367,502,635	100.00

Numbers may not sum due to rounding.

Distribution of Holders of IPL010 Listed Bonds as at 31 March 2023

Size of Holding	Number of Bondholders	Percentage of Bondholders	Issued Bonds (\$)	Percentage of Issued Bonds
5,000 - 9,999	38	7.97	222,000	0.22
10,000 - 49,999	337	70.65	6,427,000	6.43
50,000 - 99,999	55	11.53	3,118,000	3.12
100,000 - 499,999	29	6.08	4,428,000	4.43
500,000 - 999,999	8	1.68	5,785,000	5.79
1,000,000 Over	10	2.10	80,020,000	80.02
Total	477	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 2023

Size of Holding	Number of Bondholders	Percentage of Bondholders	Issued Bonds (\$)	Percentage of Issued Bonds
5,000 - 9,999	36	11.46	247,000	0.20
10,000 - 49,999	205	65.29	4,315,000	3.45
50,000 - 99,999	27	8.60	1,606,000	1.28
100,000 - 499,999	19	6.05	3,223,000	2.58
500,000 - 999,999	10	3.18	6,195,000	4.96
1,000,000 Over	17	5.41	109,414,000	87.53
Total	314	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 2023

Size of Holding	Number of Bondholders	Percentage of Bondholders	Issued Bonds (\$)	Percentage of Issued Bonds
5,000 - 9,999	61	15.33	338,000	0.27
10,000 - 49,999	267	67.09	4,968,000	3.97
50,000 - 99,999	28	7.04	1,680,000	1.34
100,000 - 499,999	21	5.28	3,677,000	2.94
500,000 - 999,999	3	0.75	1,515,000	1.21
1,000,000 Over	18	4.52	112,822,000	90.26
Total	398	100	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 2023.

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 FY23.

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 FY23, is set out in note 7.2 to the Financial Statements.

NZX Waivers

During FY23 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 19 May 2023 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
CPI	Consumer Price Index
Distributable Profit	Distributable profit is a non-GAAP measure and consists of (loss)/profit 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 (loss)/profit before income tax, is set out in note 3.2 to the consolidated financial statements
FY	The financial year ended or ending 31 March of the relevant year
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
WALT	Weighted Average Lease Term

Corporate Directory

Board of Directors

Mike Allen (Chair)
Gráinne Troute
Adrian Walker
Tim Storey (SIML-appointed Director)
Ross Buckley (SIML-appointed Director)

John Harvey (SIML-appointed Director ceased 31 May 2022)

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
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PO Box 6320, Victoria Street West, Auckland 1142
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T +64 9 912 2690

Auditor

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

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119,
Victoria Street West, Auckland 1142
T +64 9 488 8777
F +64 9 488 8787
E enquiry@computershare.co.nz

Legal Adviser

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

Bankers

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

Bond Supervisor

Public Trust
Private Bag 5902
Wellington 6140

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