STRIDE

2021

Stride Property Group Annual Report

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

Each of SPL, SIML and Stride has been designated as “Non-Standard” (NS) by NZX. The implications of investing in stapled securities of Stride are set out at page 155 of this report.

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

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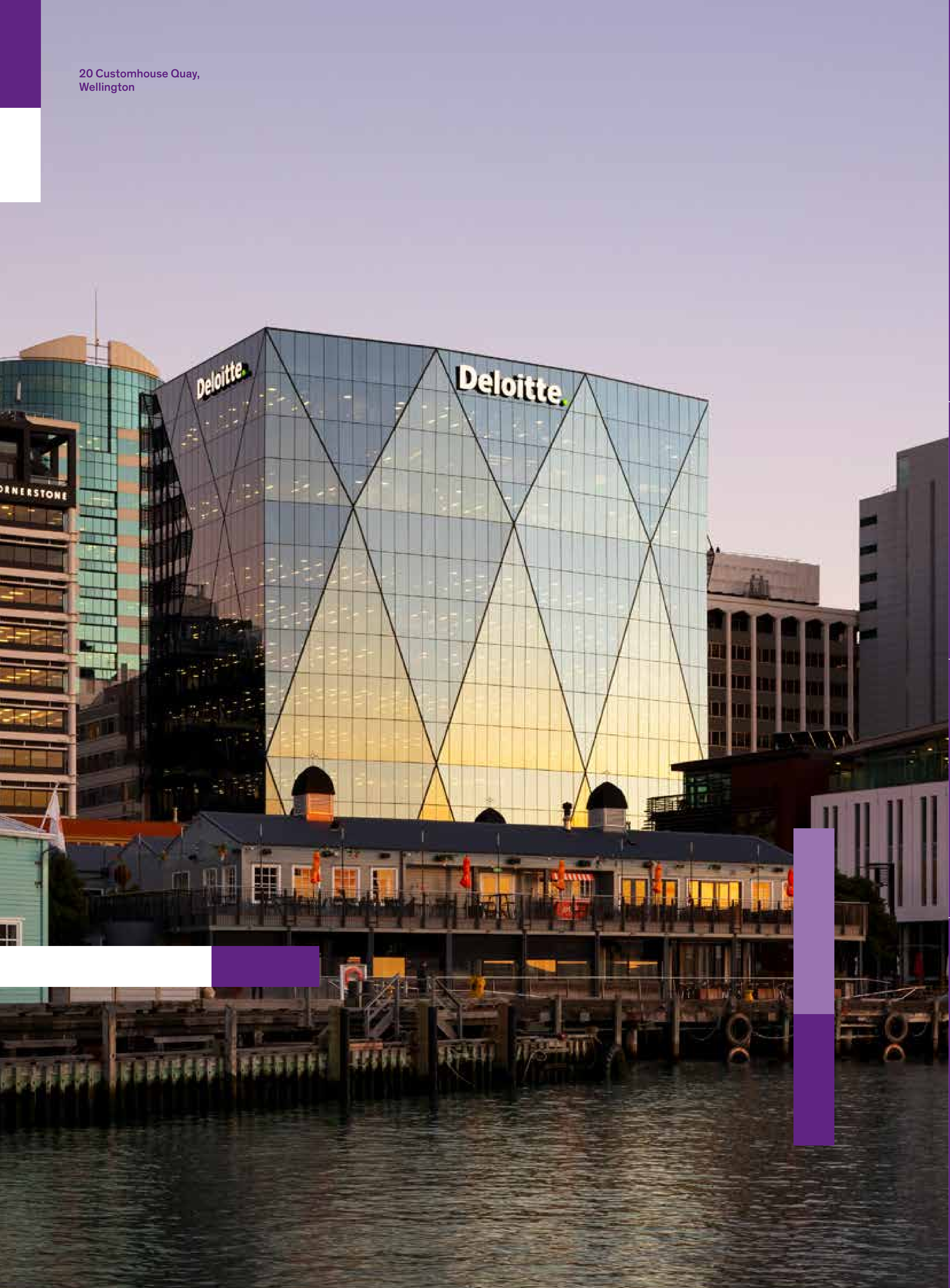
20 Customhouse Quay,
Wellington



Stride's focus for FY21 was continuing its strategy of growing its investment management business, through commencement and growth of Industre and development of its office portfolio

The growth of SPL's office portfolio positions Stride to establish a new office property fund, which is expected to occur in FY22, subject to market conditions

Stride's management fee income was materially higher in FY21 ($25.1m) than FY20 ($18.3m)[1], testament to Stride's strategy of growing its investment management business

1. Net of management fees received from SPL.

Performance

For 12 months ended 31 March 2021[1]

SPL's total portfolio is valued at $1.1bn[2]

as at 31 March 2021

a net valuation increase of $43.6m or 4.2% since 31 March 2020

29.3% loan to value ratio

as at 31 March 2021

down from 39.1% at 31 March 2020

NTA[3] of $2.15 per share

as at 31 March 2021

up from $1.91 at 31 March 2020

80 Greys Avenue, Auckland

$132.0m profit

after income tax

from continuing operations
up from FY20 (–$0.1m)

$49.9m net rental income

from continuing operations
consistent with FY20 ($50.4m)

as a result of the transfer of properties to Industre and Investore, partially offset by acquisition of three new office buildings

$40.4m profit

before other income/(expense) and income tax

from continuing operations
up from FY20 ($29.8m)

$25.1m management fee income[4]

up from FY20 ($18.3m)

$46.3m distributable profit[3]

after current income tax

up from FY20 ($37.7m)

11.58 cps distributable profit[3]

after current income tax

up from FY20 (10.32cps)

Stride Portfolio

SPL's office portfolio is valued at $580m[5] as at 31 March 2021, following the acquisition of three new office properties during FY21

Stride is planning to create a new listed property fund with a focus on the office sector during FY22, if market conditions allow

On a look-through basis, including Stride's direct property holdings and its interests in the Stride managed entities, Stride's property interests are worth $1.4bn, with a WALT[3] of 6.8 years

20 Customhouse Quay, Wellington

1. Certain prior year comparative information has been re-presented. See note 7.4 to the consolidated financial statements for more information.
2. Excludes lease liabilities. Includes SPL's 56.3% interest in the unincorporated component of the Industre Property Joint Venture. For more information, see note 3.2 to the consolidated financial statements. Includes value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment.
3. See glossary on page156.
4. Net of management fees received from SPL.
5. Excludes lease liabilities. Includes value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment.
6. Investore's portfolio value excludes: (1) $7.0 million of seismic works to be completed by SPL on the three large format retail properties acquired from SPL on 30 April 2020, and the balance of the rental guarantee of $0.1 million from SPL; and (2) lease liabilities. Portfolio value includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in Investore's financial statements.
7. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on independent valuations of those three properties obtained in preparation for acquisition in April 2020.

People

Stride's Board has established a Sustainability Committee, which has a singular focus on sustainability across Stride and the Stride Products

New GM Investment, Adam Lilley, appointed in February 2021

Stride demonstrated its commitment to its employees, despite the prospect of negative impacts from COVID-19, by introducing new employee benefits, including increased annual leave and paternity leave, and raising employer KiwiSaver contributions to 5%

Products and Places

SIML has $3bn of assets under management

Industre Property Joint Venture commenced operations 1 July 2020, and since commencement Industre's portfolio has grown $212m to $610m as at 31 March 2021

Investore's portfolio[6] is valued at $1.04bn as at 31 March 2021, a net valuation gain[7] of $139.3m or 15.5% since 31 March 2020

The Waste Management Auckland headquarters developed by Stride and owned by Industre won several awards at the 2020 Property Council NZ awards, including the Green Building Award and Supreme Award

Stride has commenced an upgrade of the office building at 22 The Terrace, Wellington, to improve its seismic and sustainability performance

Chair and CEO's Report

Dear Shareholders

Stride Property Group has delivered very positive financial results for FY21, in a year that was significantly disrupted due to COVID-19. Stride has managed the impacts of COVID-19 while also delivering on its strategic objectives, positioning Stride to take the next step in growing its real estate investment management business.

1 Grey Street, Wellington

FY21 has been another active year for Stride, with a focus on execution of Stride's strategic objective of growing its real estate investment management business. During FY21, Stride's Assets Under Management (AUM) increased by $0.8 billion to $3.0 billion, with highlights that included:

- **The establishment and growth of Industre,** with Industre acquiring seven properties since commencement for a total purchase price of $118 million, including one property acquired post balance date for $10 million. The Industre portfolio has grown to $610 million as at 31 March 2021.
- **Investore's $105 million equity capital raise and post-balance date acquisitions.** A number of capital management initiatives were completed for Investore, which have provided it with flexibility to continue its strategy of targeted growth. Post balance date Investore has settled on the acquisition of Countdown Petone for $37.3 million, and has entered into a conditional agreement to purchase development land at Waimak Junction, Kaiapoi, North Canterbury. Investore has reached agreement in principle with Countdown to develop a new supermarket on this land, which will leave 1.6 hectares remaining for future development opportunities. The total capital commitment associated with the acquisition (including land cost and development cost for stage 1) is expected to be $31 million and stage 1 is expected to be completed in 2023. The acquisition remains conditional on receipt of resource consents for the development and concluding a final, documented agreement to lease with Countdown.
- **The growth of Stride's directly-held portfolio of office properties.** SPL has acquired three additional office properties during FY21 and tripled the value of its office portfolio to $580 million as at 31 March 2021. This growth in Stride's office portfolio has positioned it to launch a new office property entity, which is currently planned to occur during FY22, subject to market conditions.

Shareholders will be familiar with Stride's strategic pillars of Performance, Products, Places and People. This year we are modifying those pillars slightly to combine Products and Places, and introduce a new pillar of Portfolio – this is due to the evolution of Stride as an investor and manager, with SPL developing portfolios of assets through special purpose subsidiaries which could over time be used to establish new Products. SPL will continue to hold an interest in each of the Products that are created by Stride and accordingly it will continue to have direct property ownership interests as well as indirect interests through its shareholding in each of the Stride Products. SPL will hold its ongoing investments in these Products through entities which will hold the underlying properties as long term investments. The Stride portfolio (which we are now reporting as "Portfolio") should therefore be seen as a combination of directly-owned property and "look through" interests in the properties owned by each of the Stride Products.

Performance

Stride has delivered strong financial results for FY21, due primarily to prudent financial management and a very active period as manager of the Stride Products in a period impacted by COVID-19. The Stride Board is very pleased to deliver profit after tax from continuing operations of $132.0 million, significantly higher than FY20 (FY20: –$0.1 million).

The Board notes that certain prior year figures have been re-presented as a result of the commencement of Industre on 1 July 2020, which met the definition of a discontinued operation. Accordingly, comparative information has been re-presented to exclude the industrial portfolio.

Contributing to this higher profit after tax from continuing operations is management fee income which, at $25.1 million, is $6.8 million higher than FY20 (FY20: $18.3m). This increase is due in large part to fees received from Industre, which commenced operations during the year, as well as higher asset management fees, performance fees and leasing fees from Investore. This outcome demonstrates the benefits of Stride's strategy of growing its real estate investment management business, through establishing separate commercial property-owning entities and growing those entities.

Net rental income from continuing operations was slightly down on FY20 (FY21: $49.9 million; FY20: $50.4 million), primarily as a result of the income lost through the sale of three properties to Investore in April 2020 and the reduced rental from the property at 22 The Terrace, Wellington, which is undergoing refurbishment, balanced against higher income from the three office properties acquired during the year.

The main expenses for Stride, which consist of corporate expenses and net finance expenses, were both lower than FY20 (corporate expenses – FY21: $21.1 million; FY20: $22.4 million; net finance expenses – FY21: $13.4 million; FY20: $16.5 million), leading to lower overall expenses for FY21.

The revaluation movement in the SPL portfolio from continuing operations was a material benefit to Stride's profit after tax from continuing operations for FY21, with revaluation gains of $38.8 million for FY21, up by $60.9 million on FY20 (FY20: –$22.2 million). In addition, Stride's share of profit in associates was $58.8 million higher than FY20 (FY21: $62.3 million; FY20: $3.5 million), which was driven by portfolio valuation gains in Investore and Industre Property Joint Venture.

As a result, distributable profit[1] for FY21 was materially higher than FY20, and higher than anticipated at the commencement of FY21 when Stride announced its dividend guidance for FY21. These financial results are very pleasing and testament to Stride's strategy of growing its real estate investment management business as well as the careful and disciplined management of the business during the COVID-19 period.

1. See glossary on page 156.

Products and Places

Stride's Products are the property-owning businesses it manages, comprising, in addition to SPL itself:

- Investore Property Limited – an NZX listed entity that owns large format retail property throughout the length of New Zealand.
- Industre Property Joint Venture – a joint venture between SPL and a group of international institutional investors, through a special purpose vehicle and advised by J.P. Morgan Asset Management (together, JPMAM). Industre invests solely in industrial property, primarily located in the Auckland region.
- Diversified NZ Property Trust – a private trust that owns four shopping centres in New Zealand.

investore

Investore was well placed to manage the impacts of COVID-19 during FY21 due to the high proportion of supermarkets in its portfolio, which were able to remain open and trading under all Alert Levels imposed by the New Zealand Government to manage COVID-19. The extremely busy period for supermarkets during COVID-19 benefited Investore through higher turnover rental, up 81% to $1.0 million. However, it also meant that some supermarket improvement projects were put on hold during this period.

Chair and CEO's Report

Investore also took advantage of market conditions during April and May 2020 to launch an equity capital raising to raise funds to continue its strategy of targeted growth. This has resulted in Investore having a relatively low loan to value ratio as at 31 March 2021 of 26.8%, which is conservative given its stable portfolio with a relatively long WALT[1]. Since balance date, Investore acquired Countdown Petone and has announced the conditional acquisition of development land at Waimak Junction, Kaiapoi. Taking into account these acquisitions, together with proposed and current developments, Investore's portfolio value would increase to $1.1 billion and LVR[1] to 31.2% (on a pro forma 31 March 2021 basis assuming these transactions had completed at that date). Investore will have $128 million of available debt facility headroom to continue its growth strategy.

INDUSTRE

Industre commenced operations on 1 July 2020, and since then Stride is proud to have delivered on Industre's growth aspirations, completing $108 million of acquisitions in FY21, with a further acquisition for $10 million completed post balance date.

As at 31 March 2021, Industre's portfolio was worth $610 million, and this has subsequently increased with the additional acquisition completed since that date. Industre has aspirations to continue to grow its portfolio and SIML continues to actively seek acquisition and development opportunities for Industre. As has been reported previously, the Industre joint venture partner JPMAM[1] has committed an amount of capital to fund growth initiatives, subject to meeting certain investment return and approval thresholds, providing Industre with available funding to continue to grow.

diversified

FY21 has been a challenging year for all shopping centre operators due to the New Zealand Government enforced closures and trading restrictions placed on centres and retailers. However, SIML is pleased to report that in the second half of FY21, the sales performance of retailers rebounded significantly, resulting in stable occupancy and Diversified's portfolio value increasing to $466 million.

During FY21 SIML continued to manage the rebuild of part of the Queensgate Shopping Centre that was damaged during the 2016 Kaikoura earthquake. Rebuilding a carpark and cinema complex in one corner of a functioning shopping centre has provided a number of logistical challenges, including ensuring safe entry and exit (particularly in the case of an emergency) and ensuring tenants and visitors were not unduly inconvenienced by the rebuild. The Boards would like to take this opportunity to thank the SIML Development Team and the Queensgate Shopping Centre Management Team for their dedication to completing this rebuild in an efficient and effective manner and navigating the challenges of construction in a busy shopping centre environment. This project is due to be completed progressively in stages between late 2021 and mid 2022.

SPL Portfolio

Following the completion of the sale of the three large format retail properties to Investore in April 2020, and the commencement of Industre in July 2020, SPL's directly-held portfolio comprises office and town centre properties[2].

SPL has been actively growing its office portfolio during FY21, with the acquisition of three quality office buildings, being 34 Shortland Street, Auckland, acquired for $67.5 million (including allowance for capital upgrades[3]) in September 2020, 215 Lambton Quay, Wellington, acquired for $84.5 million in November 2020, and 20 Customhouse Quay, Wellington, acquired for $228 million in December 2020. Each of these office properties enhanced the SPL office portfolio through their individual attributes, including location, quality, tenant covenant, and opportunity to add value through improvements.

SPL also owns an interest in each of the Stride Products. SPL will be used to create and grow seed portfolios through special purpose subsidiaries, which can be used to establish new Products, and over time as more Stride Products are created, the interests that SPL has in each of the Products will become more important to its overall portfolio value. Accordingly, it is appropriate to consider SPL's portfolio as comprising directly-held property investments and indirect property investments through its interest in each of the Stride Products.

On this basis, the SPL portfolio shows strong metrics, with a value of $1.4 billion, 97.7% occupancy and a WALT[1] of 6.8 years.

1. See glossary on page 156.
2. Excluding SPL's 56.3% interest in the Industre unincorporated component of the Industre Property Joint Venture which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information).
3. SPL paid $66.4 million for the property at 34 Shortland Street, including $2.25 million for building upgrades, and has committed a further sum for additional upgrades.

People

Stride is incredibly proud of the way its team has performed during this challenging year and the Board would like to thank our people and their families for their commitment to Stride during a period when they were navigating not only increased business pressures but also working from home while managing families and other commitments. Stride and its people have amply demonstrated its values of nimble performers, discipline driven, fresh thinkers and people centred during FY21.

34 Shortland Street, Auckland

Nimble performers

Stride's people agreed 771 deals with tenants for rent arrangements related to COVID-19 across all Stride Products during FY21 – this is not work that was anticipated at the commencement of the financial year, but Stride's people pitched in and did what was needed to be done to manage the impacts of the pandemic.

Discipline driven

Stride's clear focus on minimising the impacts of COVID-19 on its business and taking advantage of any opportunities that arose have resulted in the financial impact of COVID-19 being considerably less than originally anticipated.

Fresh thinkers

At the commencement of Alert Level 4 restrictions in March 2020, SIML initiated an equity capital raising for Investore, due to the unique position of Investore given its portfolio of large format retail properties, primarily supermarkets. This capital raising was brought to market in a very short timeframe while working from home and raised $105 million in gross proceeds, with net proceeds being used to pay down debt and provide funding flexibility to continue Investore's growth strategy.

People centred

Stride greatly values its people and strives to demonstrate this to its employees. During FY21, at a time when the financial impact and duration of COVID-19 was not certain, Stride rewarded its employees for their dedication to the business by improving employee benefits, including increasing employer KiwiSaver contributions to 5% (when employee contributions are 4% or greater), extending paid paternity leave and long service leave, and increasing annual leave by one week.

Chair and CEO's Report

COVID-19

Stride is pleased to have delivered a better than expected outcome with respect to the financial impact of COVID-19. An initial assessment of the expected financial impact was provided in Stride's annual report for FY20, and an update as at 30 September 2020 set out in Stride's interim report. Stride is pleased to advise that due to the commitment of its people in managing and minimising the financial impacts of COVID-19 on its business, the overall financial impact of COVID-19 for FY21 is now calculated to be a $0.3 million increase in distributable profit[1] after current income tax, compared with an initial estimate[3] of a reduction in distributable profit[1] after current income tax of between $2.9 million and $5.1 million for FY21. This is a testament to Stride's people and their commitment to the business, and the Board was pleased that it had elected to reward employees for their dedication through this period by introducing improved benefits.

The Stride team delivered positive outcomes for the Stride Products during the COVID-19 periods as well. As shareholders will be aware, Stride's strategy has been to seek to assist tenants where it is needed through rent relief arrangements while at the same time seeking to achieve a benefit for the relevant Stride Product through an extension of the lease term or early renewal – particularly where the tenant may not have otherwise been contractually entitled to rent relief.

Executing on this approach, Stride has agreed a weighted average lease extension across all COVID-19 arrangements as follows:

STRIDE	investore	INDUSTRE	diversified
291 transactions	86 transactions	28 transactions	366 transactions
9 months	7 months	5 months	10 months

An update on the financial impact of COVID-19 on Stride is set out below:

	FY21 impact on distributable profit[1]	Expected impact on distributable profit at HY21[2]	Expected impact on distributable profit at FY20 Annual Results[3]
Rent relief arrangements with tenants	($3.3m)	($3.7m - $4.2m)	($5.8m - $8m)
Reduction in corporate costs from original FY21 budget	$1.7m	$1.0m - $2.2m	$2.2m
Re-introduction of depreciation allowances for commercial buildings	$1.1m[4]	$1.1m[4]	$1.1m
Lower interest and financing costs[5]	$0.7m	$0.5m	$0.5m
Higher/(lower) SIML fees	$0.2m	($0.3m)	($0.9m)
Total	**$0.3m**	**($0.2m - $1.9m)**	**($2.9m to $5.1m)**

Sustainability

The world is becoming more aware of the need to change the way we live and work, in order to ensure we maintain a healthy and productive planet for ourselves and future generations. Stride is conscious of the impact of its activities on the planet and its people, and seeks to minimise any adverse consequences of its activities on the planet while also meeting the expectations of its shareholders in delivering a return on the funds shareholders have invested in Stride.

In order to ensure that sustainability plays a key part in decisions of the Board and actions of Management, and to demonstrate its commitment to improving its performance in this area, Stride has established a Sustainability Committee of the Boards of Directors of SPL and SIML. This Committee is chaired by Jacqueline Cheyne, who has extensive experience in this field including through her time at Deloitte New Zealand where she led the Corporate Responsibility and Sustainability services function for nine years.

The Sustainability Committee has overseen the development of a refreshed sustainability strategy, based on three pillars:

- **Protect the planet** - We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future.
- **Contribute to a resilient community** - We want to provide leading health and safety performance and support a connected and inclusive society.
- **Develop shared prosperity** - We want to foster long-term prosperity by investing in and managing outstanding places that reward everyone connected with them.

The Sustainability Committee considers that it is important that Stride's actions demonstrate its commitment to sustainability, and this has been achieved during FY21 through the following key activities:

- Stride has implemented a new software system to measure its greenhouse gas emissions.
- Stride has developed an initial list of climate related risks, which are reported on pages 50 and 51, and plans to complete further work during FY22 to complete its climate risk assessment, which will allow Stride to report against the Taskforce on Climate-related Financial Disclosures (TCFD) framework from FY22.
- SPL assessed during FY21 that seismic strengthening work was required at its building at 22 The Terrace, Wellington. In planning that upgrade work, Stride elected to take the opportunity to implement a number of sustainability initiatives at the building. While this increased the cost of the project, the Stride Board was pleased to support these initiatives as they are beneficial for the environment and also enable Stride to deliver a higher quality building with associated higher rentals. Stride is targeting a 5 star Green Star Design and As-Built rating and a 5 star NABERSNZ rating for the building.

Further detail on Stride's approach to sustainability can be found on pages 46 to 53 of this report.

1. See glossary on page 156.
2. Estimate set out in Stride's interim report for the six months ended 30 September 2020.
3. Estimate set out in Stride's FY20 annual report, released on 23 June 2020.
4. Excluding depreciation deductions on acquisitions of property since 1 April 2020.
5. Including the tax impact of higher derivative break costs associated with the settlement of the Industre transaction as a result of lower market interest rates.

Chair and CEO's Report

Governance

The Boards of SPL and SIML are proud to have guided delivery of these very pleasing results for FY21. This has been a particularly active year for both Management and the Boards, given the intense monitoring and support involved during the period impacted by COVID-19 and Stride's subsequent growth activity, including acquisitions and an equity capital raising. The Boards are pleased that this activity is evident in the financial results for FY21.

Stride's distribution policy has been to distribute between 95% and 100% of distributable profit[1], to support its strategy of delivering consistent dividends, as well as long-term growth for shareholders. Given Stride's evolution into becoming a diversified investor and investment manager, and given the significant growth in the financial results for FY21, the Boards have taken the opportunity to increase the range of Stride's distribution policy to distributing between 80% and 100% of distributable profit[1]. This larger range will provide Stride with the scope to continue to pay investors consistent returns, while allowing flexibility to reinvest capital into Stride's growing businesses.

Future direction and outlook

Stride's strategy is to establish a group of Products in specific sectors to provide growth in its investment management business. SPL has continued to grow its office portfolio during FY22, to a value of $580 million as at 31 March 2021. In addition, as announced on 27 May 2021, Stride has an unconditional agreement to acquire an additional Auckland office property at 46 Sale Street for a purchase price of $152 million. This positions Stride to create a new listed Product focused on the commercial office property sector. The Boards plan to establish this new Product during FY22, noting this remains subject to market conditions.

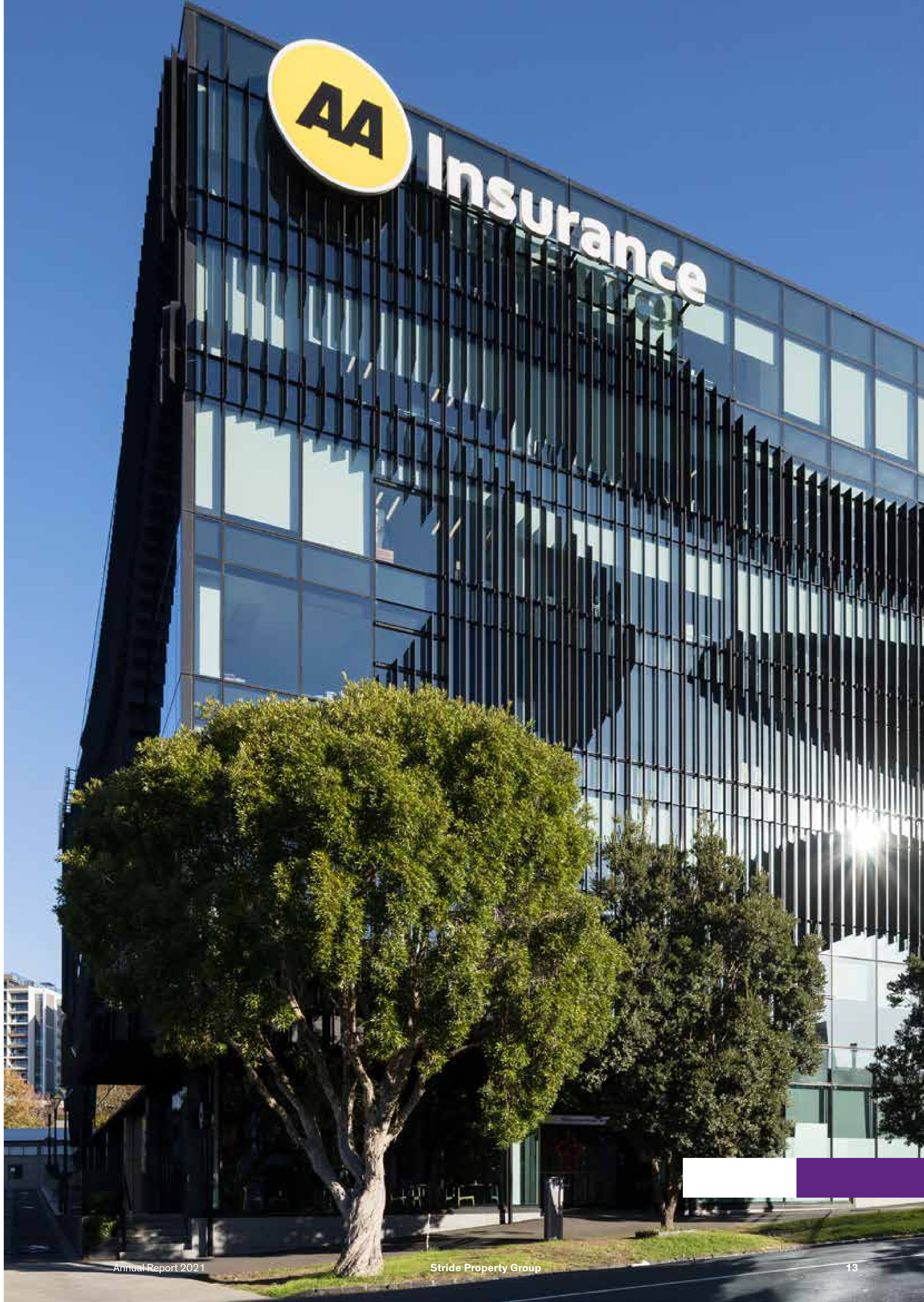
The Boards confirm that they currently intend to pay a combined cash dividend for SPL and SIML during FY22 of 9.91 cents per share. The Stride Boards will continue to review dividend guidance if and when a new Product is established, and will keep the market informed as appropriate.

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

Tim Storey
Chair,
SPL and SIML

Philip Littlewood
Chief Executive Officer,
SIML

1. See glossary on page 156.



46 Sale Street, Auckland

Board of Directors

Tim Storey
LLB, BA

Independent Director and Chair of the Board

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

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

John Harvey
BCom, FCA, CFInstD

Independent Director and Chair of the Audit and Risk Committee

Term of Office: Appointed to SPL on 15 September 2009 and to SIML on 16 February 2016; last elected 2018 annual meeting

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

Jacqueline Cheyne
BAcc, FCA, CMInstD

Independent Director and Chair of the Sustainability Committee

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

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

Philip Ling
MSc, MRICS, CMInstD

Independent Director

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

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

Michelle Tierney
BA, MBA

Independent Director

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

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

Nick Jacobson
LLB, BCom

Independent Director

Term of Office: Appointed to SPL and SIML on 18 July 2019; elected 2019 annual meeting

Nick has over 25 years' experience with leading global and investment banks and global financial services companies, specialising in real estate advisory and capital markets across Australia, Europe, and Asia. Nick is currently Managing Director at CapStra in Sydney, Australia, advising on significant property transactions and portfolios. Nick was previously Managing Director and Head of Investment Banking Services at Goldman Sachs in Sydney, and Chairman of Goldman Sachs' Real Estate Investment Banking division.

Stride Overview

Shares stapled[1] to form Stride Property Group

Stride Investment Management Limited (SIML)

Stride Property Group consists of Stride Investment Management Limited (SIML) and Stride Property Limited (SPL). SIML is the investment manager and employer of staff for the group, and SPL owns the property portfolio and has an ownership interest in each of the Stride Products. The shares of SPL and SIML are stapled[1] and together SPL and SIML form Stride Property Group.

Under the stapled structure arrangement, SPL remains a Portfolio Investment Entity (or PIE) for tax purposes, while SIML is not a PIE. The structure of the Stride Property Group business, as well as how it is reported in this report, is set out on this page.

Employer

People section, see page 18

Manager of SPL, Investore, Industre and Diversified

Investment Management Business section, see page 42

Stride Property Limited (SPL)

100%		18.8%	2%	56.3%[2]
Office Portfolio	Town Centre Portfolio	investore	diversified	INDUSTRE
		– NZX Listed – Large format retail portfolio	– Private trust with Australian superannuation investors – Shopping centre portfolio	– Joint venture with JPMAM – Industrial portfolio
$580m	$310m	$1,038m	$466m	$610m

Stride Places

See pages 24 to 29

Stride Products

See pages 30 to 37

SPL's interests in property, combining its direct ownership with its look-through interests in the property of the Stride Products, is shown in the Portfolio section, page 38.

1. For the implications of investing in stapled securities, see page 155.
2. As at 31 March 2021.

People

FY21 was dominated by the impacts of COVID-19 and required a level of activity that was unprecedented in Stride's history. The pandemic posed a number of challenges for the Stride team, and we are very proud of the way our people responded to those challenges.

$335m

new equity from capital raising transactions in Stride and Investore

$61m

developments completed across 3 properties, with $189m of developments in progress

$1,056m

debt raised or refinanced across 9 separate transactions for SPL and Stride Products

771 deals

agreed with tenants for rent relief arrangements related to COVID-19 across SPL and all Stride Products

$488m

of acquisitions completed across a total of 9 assets as at 31 March 2021

1/2 day

the time it takes for shopping centres to pivot arrangements as Alert Levels change

Stride recognises that a successful business requires a great team and that a company is only as strong as its people. Accordingly, during FY21 Stride undertook a review of employee benefits, resulting in the following:

- Annual leave increased by one week.
- Christmas shutdown period increased to three weeks, to ensure that employees have a genuine break to re-charge their batteries.
- KiwiSaver employer contributions increased to 5% of gross earnings (provided employee contributions are at 4% or above). This employer contribution is 2% above the minimum mandated by the New Zealand Government.
- Long service leave and paid paternity leave increased.

The Stride Board determined to provide these benefits during a year impacted by COVID-19, when earnings were uncertain, to demonstrate its commitment to attracting and retaining the best calibre people.

Executive Team

Philip Littlewood
BProp, BCom, MBA

Chief Executive Officer

Philip joined Stride in 2014 and has 20 years' experience in property investment management in New Zealand and overseas. Highlights of his work history include six years in the UK, including with Morgan Stanley's real estate merchant banking division, and partnership in a large private-equity real estate firm. Prior to this, Philip held the position of Investment Manager at AMP Capital Investors.

Jennifer Whooley
CA

Chief Financial Officer

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

Adam Lilley
BCom, LLB, CA

General Manager Investment

Adam is the most recent addition to the Stride executive team, having commenced as General Manager Investment in April 2021. Adam was previously Investment Manager at Stride, and prior to rejoining Stride was an Institutional Equities Research Analyst at Craigs Investment Partners.

Fabio Pagano
MBA

Investore Fund Manager

Fabio joined Stride in 2018 and brings over 15 years' international experience in retail management, including at Coles Group in Australia, where he led property teams across the country. Fabio is responsible for providing executive oversight and focus on Investore's business and operations. His broad experience has given him expertise across all aspects of leasehold and freehold portfolios. Recently, he held senior roles in the New Zealand Government across property and infrastructure areas.

Andrew Hay
BProp, MBA

General Manager Commercial and Industrial

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

Mark Luker
Dip.Val.Prop

General Manager Development

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

Roy Stansfield
ACA

General Manager Shopping Centres

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

Louise Hill
BCom, LLB

General Manager Corporate Services

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

Products and Places

Stride's strategy is to establish a group of Products or entities in specific commercial property sectors to provide growth in its investment management business.

This strategy results in Stride managing entities with clearly defined investment parameters, providing diversified income sources and distinct balance sheets. SPL will hold an interest in each Product that is developed, and which focusses on a specific commercial property sector. Stride establishes new entities over time as its portfolio of assets, held through a special purpose subsidiary, reaches an appropriate level and as market conditions allow.

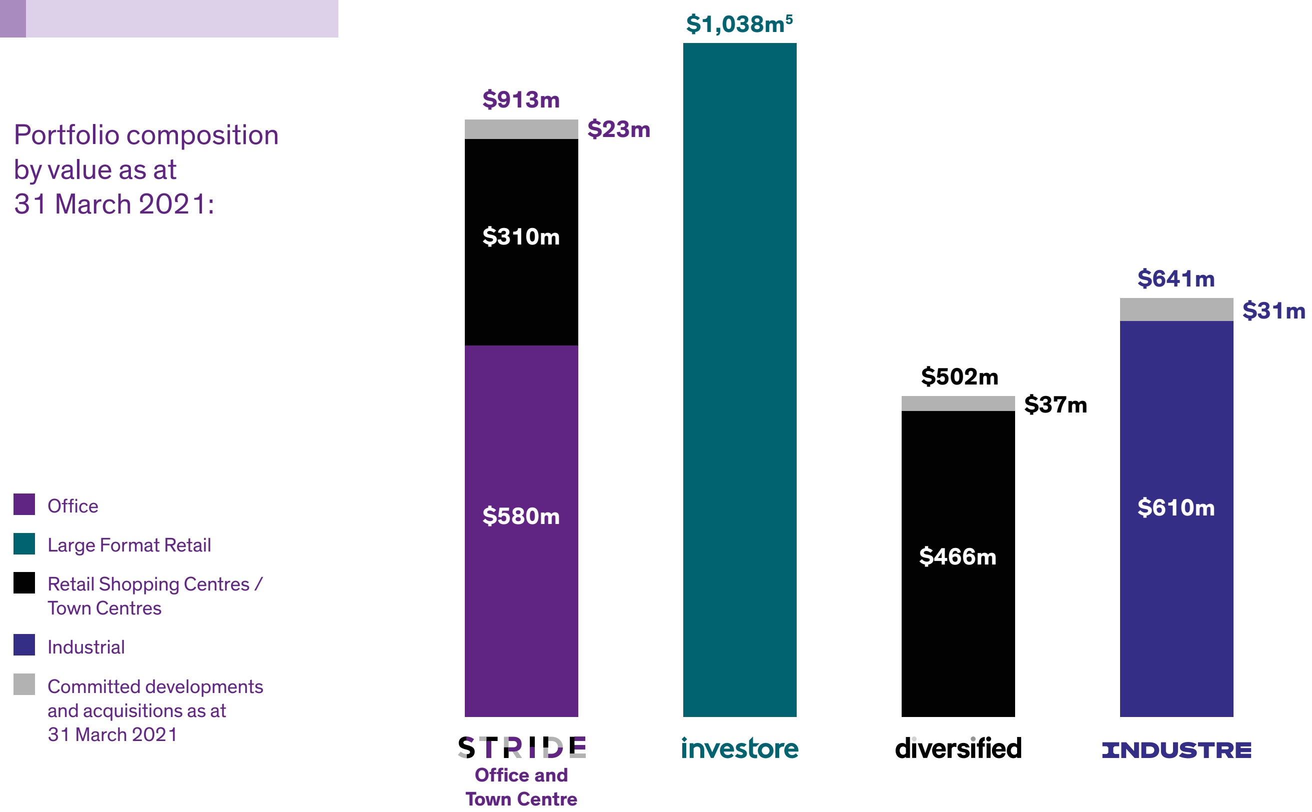
STRIDE	An NZX listed company, SPL's shares are stapled with those of SIML to create Stride Property Group	Directly owns retail town centre and office assets, and holds an interest in the other Products	$890m portfolio value[1]
investore	An NZX listed company	Invests solely in large format retail property across New Zealand	$1,038m portfolio value[2]
diversified	An Australian trust majority owned by Australian superannuation entities	Owns retail shopping centres in New Zealand	$466m portfolio value
INDUSTRE	A joint venture between Stride and a group of institutional investors advised by J.P. Morgan Asset Management (JPMAM)	Invests solely in industrial properties, primarily in the Auckland region	$610m portfolio value

1. Excludes lease liabilities. Excludes SPL's 56.3% interest in the unincorporated component of the Industre Property Joint Venture. For more information, see note 3.2 to the consolidated financial statements. Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant, and equipment.
2. Investore's portfolio value excludes: (1) $7.0 million of seismic works to be completed by SPL on the three large format retail properties acquired from SPL on 30 April 2020, and the balance of the rental guarantee of $0.1 million from SPL; and (2) lease liabilities. Portfolio value includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in Investore's financial statements.
3. Excludes lease liabilities.
4. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.
5. Post balance date Investore has announced the unconditional acquisition of Countdown Petone for $37.3m (which acquisition settled on 21 May 2021) and the conditional acquisition of development land at Waimak Junction, Kaiapoi, North Canterbury, for $10.5m.

As at 31 March 2021, the number and value of properties managed by SIML is as follows:

	Value of investment properties[3] ($m)	Number of investment properties	SPL investment in Stride Products
STRIDE Office and Town Centre Portfolio[1]	890	14[4]	100%
investore	1,038[2]	43	18.8%
diversified	466	4[4]	2%
INDUSTRE	610	18	56.3%
Total	**3,003**	**78[4]**	

Portfolio composition by value as at 31 March 2021:



STRIDE

Places

Following establishment of Industre on 1 July 2020 and the sale of SPL's remaining large format retail properties to Investore in April 2020, SPL directly owns office and town centre properties[1].

Overview of SPL portfolio[1]

	As at 31 March 2021	As at 30 September 2020 pro forma[2]	As at 31 March 2020
Properties (no.)	14	14	26
Tenants (no.)	347	343	388
Net Lettable Area (sqm)	135,350	134,667	259,285
Net Contract Rental[3] ($m)	54.5	54.6	63.0
WALT[3] (years)	5.5	5.8	5.8
Occupancy Rate (% by area)	97.6	96.7	98.1
Portfolio Value[4] ($m)	889.6[5]	876.9[5]	996.1
Net Valuation Movement for 12 months ($m)	+16.7		

Silverdale Centre, Auckland

Town Centre Portfolio

SPL's town centre assets have been chosen by Stride due to their individual strategic strengths:

- NorthWest Shopping Centre is in a strong growth area, providing increased customer traffic and demand for the products offered by tenants of the centre. NorthWest Shopping Centre is a true mixed-use development, with over 7,700 sqm of office space, and has further potential for development. This centre has performed well during FY21. While moving annual turnover (MAT) was down 13.1% for the year, if travel-related retailers were excluded MAT was up 1.2%, despite the centre having been closed for 20% of trading days due to Alert Level restrictions. This continues a positive sales trend for the centre, with MAT (excluding travel-related retailers) up 5.8% compared with the year ended 31 March 2019.
- Silverdale Centre is also located in an area of Auckland that is experiencing strong population growth, a developing region that will continue to drive customer visitation. Silverdale Centre demonstrated strong sales performance in FY21, with MAT up 1.7% and specialty retailer MAT up 4.1% compared with the year ended 31 March 2020. This performance compares even more favourably given the centre was also closed for 20% of trading days due to COVID-19.
- Johnsonville Shopping Centre (owned 50:50 by SPL and Diversified) is ideally located in a busy suburban Wellington location, directly beside the railway line into Wellington's CBD. Johnsonville Shopping Centre represents a development opportunity and Stride is currently exploring options for the redevelopment of this centre.

	As at 31 March 2021	As at 30 September 2020	As at 31 March 2020
Properties[6] (no.)	4	4	4
Tenants (no.)	232	235	244
Net Lettable Area (sqm)	65,736	65,356	65,356
Net Contract Rental[3] ($m)	22.5	22.7	22.9
WALT[3] (years)	4.3	4.5	4.3
Occupancy Rate (% by area)	96.5	95.5	96.3
Portfolio Value[4] ($m)	309.9	305.6	302.0
Net Valuation Movement for 12 months ($m)	+4.9		

1. Excludes SPL's 56.3% interest in the Industre unincorporated portfolio which is reported as part of the assets of SPL in the consolidated financial statements (see note 3.2 to the consolidated financial statements for further information).
2. As at 30 September 2020, as if the acquisition of the properties at 215 Lambton Quay, Wellington (which settled on 30 November 2020) and 20 Customhouse Quay, Wellington (which settled on 18 December 2020) had settled as at that date.
3. See glossary on page 156.
4. Excludes lease liabilities.
5. Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office, and is shown in the consolidated financial statements as property, plant, and equipment.
6. Includes Johnsonville Shopping Centre, which is owned 50:50 by SPL and Diversified.

STRIDE

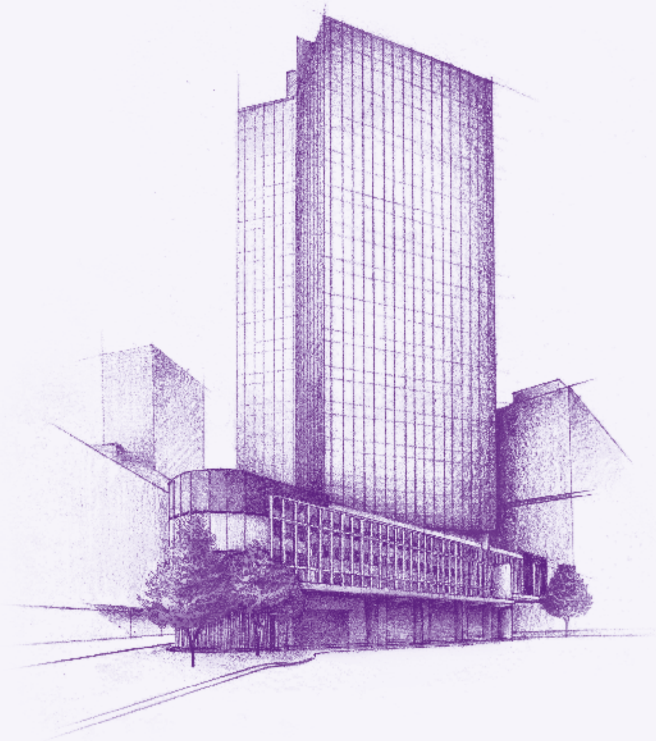
Office Portfolio

Stride has focused on growing its office portfolio over the past 12 months, with the acquisition of three office buildings during FY21, growing the office portfolio to $580m as at 31 March 2021, with a further acquisition announced post balance date for $152m.

Stride anticipates that it will create a new listed Product focused on the office market during FY22, subject to market conditions. The office properties owned by SPL will form the establishment portfolio for that new Stride Product.

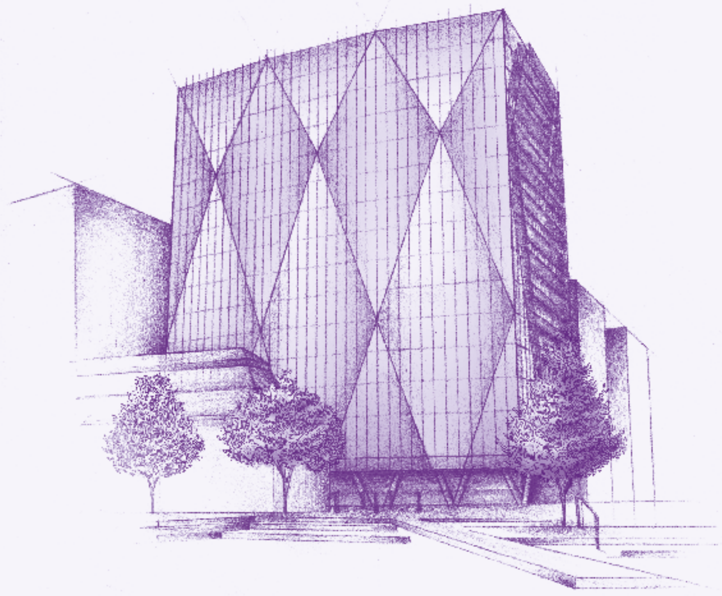
	As at 31 March 2021	As at 30 September 2020 pro forma[1]	As at 31 March 2020
Properties (no.)	10	10	7
Tenants (no.)	115	108	66
Net Lettable Area (sqm)	69,614	69,311	37,670
Net Contract Rental[2] ($m)	31.9	31.9	13.2
WALT[2] (years)	6.3	6.6	4.6
Occupancy Rate (% by area)	98.6	97.8	95.2
Portfolio Value[3] ($m)	579.7[4]	571.3[4]	186.1
Net Valuation Movement for 12 months ($m)	+11.9		

1. As at 30 September 2020, as if the acquisition of the properties at 215 Lambton Quay, Wellington (which settled on 30 November 2020) and 20 Customhouse Quay, Wellington (which settled on 18 December 2020) had settled as at that date.
2. See glossary on page 156.
3. Excludes lease liabilities.
4. Includes the value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment.



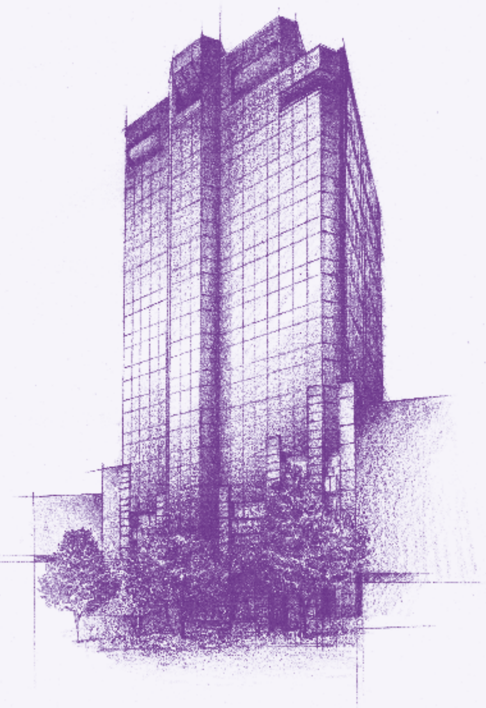
215 Lambton Quay, Wellington

Acquired in November 2020, this building is a 16 level, grade A office building in the centre of Wellington's CBD. It is situated on its own block of land, surrounded by key Wellington streets, including Lambton Quay and Featherston Street, with ground floor retail, including Nespresso. The building was recently refurbished and has 100% New Building Standard seismic rating. Major tenants include ANZ, Grant Thornton and NZ Government departments.



20 Customhouse Quay, Wellington

Acquired in December 2020, 20 Customhouse Quay is a premium grade office asset, constructed in 2018. This stunning building is base isolated and is rated 5 star Green Star NZ – Office Design. Located in a prime central Wellington location, the building is 100% occupied and houses Deloitte, IAG and Kiwibank among its tenants.



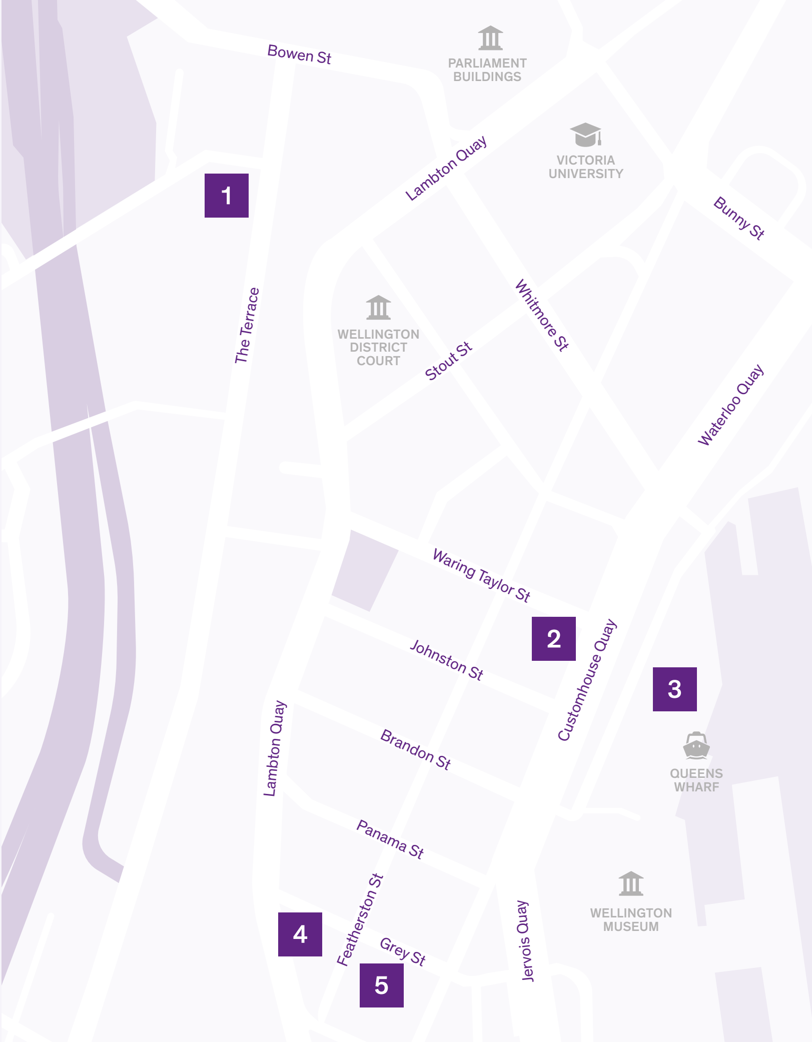
34 Shortland Street, Auckland

Acquired in September 2020, this building houses Stride's head office, and is located in the heart of Shortland Street in Auckland. Stride is currently undertaking a number of upgrades to this building, including seismic strengthening and upgrades of the lifts.

STRIDE

Office Portfolio

The recent office acquisitions have meant that Stride's office portfolio contains a number of strategically located office buildings in the Auckland and Wellington region.



Wellington CBD

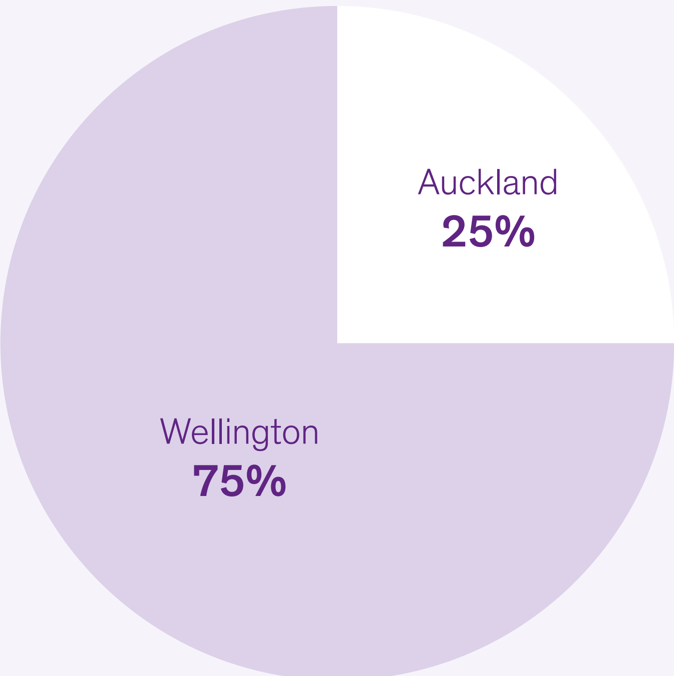
1 22 The Terrace
2 20 Customhouse Quay
3 55 Lady Elizabeth Lane
4 215 Lambton Quay
5 1 Grey Street

20 Customhouse Quay, Wellington

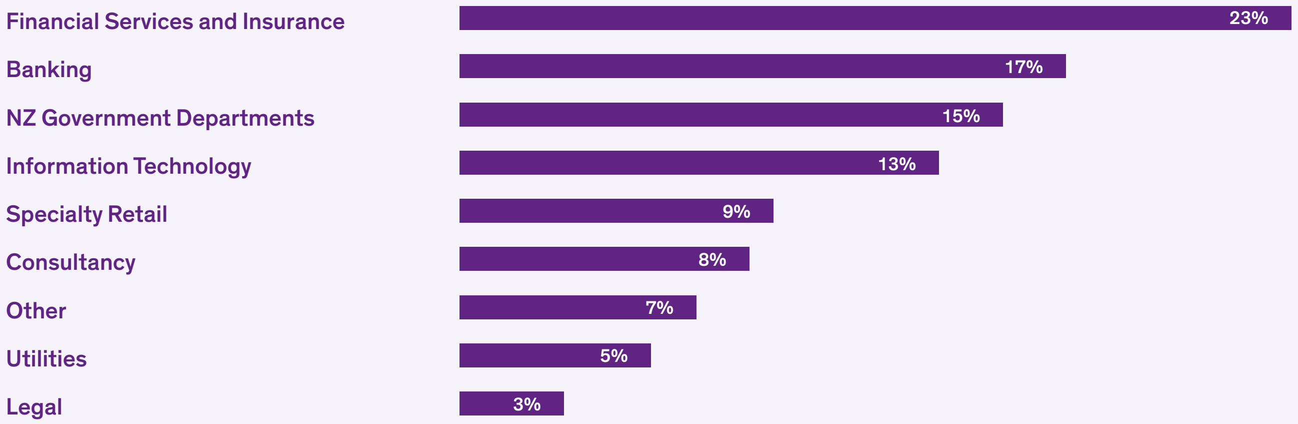
The strengths of Stride's office portfolio are:

- Office locations in highly sought-after positions in the Auckland and Wellington central business districts, with presence in fringe CBD areas, such as Newmarket, Auckland.
- Stable and high quality tenants, with a focus on NZ Government tenants, financial services, insurance and banking, which together make up over half of the office portfolio gross rental as at 31 March 2021.
- A diversified mix of office types, enabling the portfolio to capture a wider tenant pool, ensuring the portfolio demonstrates enduring demand.
- Strong metrics, with a WALT[1] of 6.3 years and 98.6% occupancy as at 31 March 2021.

Regional diversification by asset value as at 31 March 2021



Tenant classification by Contract Rental[1]



25 Teed Street, Newmarket, Auckland

Auckland CBD & Newmarket

1 7-9 Fanshawe Street
2 80 Greys Avenue
3 34 Shortland Street
4 25 Teed Street
5 35 Teed Street

1. See glossary on page 156.

INDUSTRE

Industre is Stride's investment management product focused on the industrial sector and invests primarily in properties located in the Auckland region.

SIML has been very active during FY21 in sourcing acquisition opportunities on behalf of Industre, to deliver on the joint venture's ambition of growing its portfolio of industrial properties.

Growth in portfolio

6 properties

acquired since commencement[1], with one further acquisition completed post balance date

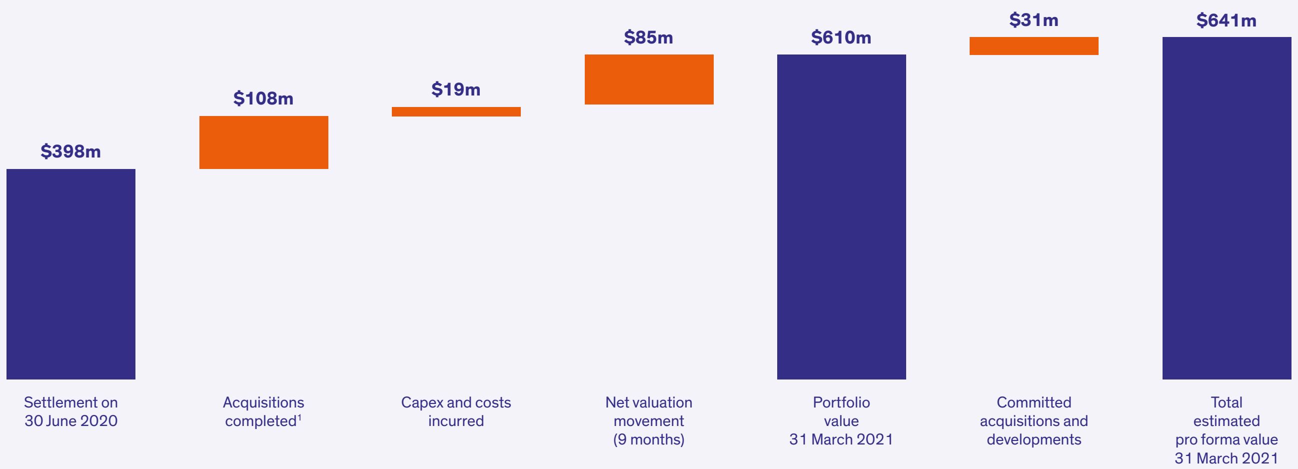
$108m

total purchase price to 31 March 2021[1], rising to $118m following completion of the post balance date acquisition of 40-42 Wilkinson Road, Ellerslie

JPMAM has contributed all of the equity for these acquisitions, in accordance with the intentions of both JPMAM and SPL at commencement of the joint venture. This has resulted in SPL's interest in Industre reducing to 56.3% as at 31 March 2021. While SPL has the right to contribute equity in line with its proportionate interest in the joint venture, Industre's strategy over the long term is for JPMAM to fund further portfolio growth until the respective shareholdings in the portfolio are 75% / 25% (JPMAM/SPL).

Having completed the acquisition of the property at 439 Rosebank Road in December 2020, Industre has demolished the existing buildings on site, and is currently planning to develop new, modern industrial units. This is an example of the type of development that Industre specialises in – acquiring brownfield sites and improving or redeveloping them to meet tenant needs and create enduring demand.

Industre Portfolio Growth



Stride's development of the Waste Management Auckland headquarters was very successful, delivering a property that improved the working environment for Waste Management's employees and improved efficiency as a number of Auckland operations were consolidated onto the one site. Completed in December 2019, this property is now part of the Industre portfolio. This property won a number of awards at the Property Council New Zealand Annual Awards for 2020, including the Supreme Award, Green Building Award, and Industrial Award. Stride is currently pursuing a Green Star – Design and As-Built rating for this building.

Waste Management Auckland Headquarters, 318 East Tamaki Road, Auckland Developed by Stride and owned by Industre

Industre Portfolio

	As at 31 March 2021	As at 30 September 2020	As at commencement (1 July 2020)
Properties (no.)	18[3]	16	13
Tenants (no.)	39	33	30
Net Lettable Area (sqm)	173,330	138,519	119,686
Net Contract Rental[2] ($m)	27.4	20.9	18.7
WALT[2] (years)	9.7	8.0	9.0
Occupancy Rate (% by area)	97.3	98.2	100.0
Portfolio Value ($m)	610.0	473.1	397.7
Net Valuation Movement for 9 months ($m)	+85.5		

1. Includes the acquisition of the property at 439 Rosebank Road, which was contracted to be acquired prior to commencement of the joint venture. The purchase price for this property was $8m, of which $0.4m was previously paid as a deposit.
2. See glossary on page 156.
3. Post acquisition of the property at 468 Rosebank Road, Avondale, this property is now reported as part of 460 Rosebank Road.

INDUSTRE
Financial Information

Summarised Statement of Financial Position

	Industre			Stride's interest		
	Joint Venture 2021 $000	**Joint Operations 2021 $000**	**Total 2021 $000**	**Joint Venture 2021 $000**	**Joint Operations 2021 $000**	**Total 2021 $000**
Assets						
Current assets	5,476	1,321	6,797	**3,009**	**744**	**3,753**
Investment properties	322,375	285,600	607,975	**181,600**	**160,884**	**342,484**
Other non-current assets	79,474	-	79,474	**32,694**	**-**	**32,694**
Total Assets	407,325	286,921	694,246	**217,303**	**161,628**	**378,931**
Liabilities						
Current liabilities	3,292	1,448	4,740	**1,815**	**816**	**2,631**
Borrowings	189,961	76,633	266,594	**94,975**	**43,169**	**138,144**
Other non-current liabilities	84	-	84	**42**	**-**	**42**
Total Liabilities	193,337	78,081	271,418	**96,832**	**43,985**	**140,817**
Net assets	213,988	208,840	422,828	**120,471**	**117,643**	**238,114**

Summarised Statement of Financial Performance

	Industre			Stride's interest		
	Joint Venture 2021 $000	**Joint Operations 2021 $000**	**Total 2021 $000**	**Joint Venture 2021 $000**	**Joint Operations 2021 $000**	**Total 2021 $000**
Income	9,177	10,528	19,705	**5,566**	**6,553**	**12,119**
Expenses	(5,054)	(4,494)	(9,548)	**(3,049)**	**(2,799)**	**(5,848)**
Change in fair value of investment properties	48,158	35,818	83,976	**28,839**	**21,454**	**50,293**
Net share of profit*	52,281	41,852	94,133	**31,356**	**25,208**	**56,564**

*This information relates to the nine month period from 1 July 2020 to 31 March 2021. Stride's share in Industre reduced from 68.25% as at 30 June 2020 to 56.33% as at 31 March 2021. Stride's net share of Industre's profit is calculated on the weighted average participating interest during the period.

48-60 Wilkinson Road, Ellerslie, Auckland
Owned by Industre Property Joint Venture

Cnr Selwood Road and The Concourse, Henderson, Auckland
Owned by Industre Property Joint Venture

investore

Investore's singular focus on owning a resilient portfolio of large format retail property has meant that Investore has been well placed during the periods impacted by COVID-19, with over 80% of Investore's portfolio (by Contract Rental[1]) able to remain open and trading under all COVID-19 Alert Levels, and an even greater proportion able to open for click and collect sales at Alert Level 3.

As a result, Investore has delivered positive financial results for FY21, including a very strong portfolio net valuation gain[2] of $139.3m or 15.5% over the 12 months to 31 March 2021.

Investore Portfolio

	As at 31 March 2021	As at 30 September 2020	As at 31 March 2020
Properties (no.)	43	43	40
Tenants (no.)	130	130	78
Net Lettable Area (sqm)	246,272	246,191	208,125
Net Contract Rental[1] ($m)	57.1	57.1	47.5
WALT[1] (years)	9.8	10.2	11.5
Occupancy Rate (% by area)	99.1	99.7	99.7
Portfolio Value[3] ($m)	1,037.9[4]	980.3[4]	761.4
Net Valuation Movement for 12 months[2] ($m)	+139.3		

Countdown, Rotorua –
Owned by Investore Property Limited

Bunnings, Te Rapa –
Owned by Investore Property Limited

26.8% loan to value ratio

a reduction of 4.5% since 31 March 2020

9.8 years WALT[1]

Portfolio value[3,4] $1.038 bn

representing a net valuation gain[2] of $139.3m or 15.5%

over the 12 months to 31 March 2021

$105m equity capital raised in April and May 2020

with net proceeds used to pay down debt and provide funding flexibility for Investore to continue its targeted growth strategy

$125m listed bonds

issued in August 2020 at a fixed interest rate of 2.4% pa

Following balance date Investore has acquired Countdown Petone for $37.3m and has a conditional agreement to acquire development land at Waimak Junction, Kaiapoi, for $10.5m. Investore has agreed in principle to develop a new Countdown supermarket on stage 1 of the site, for a total expected capital commitment of $31m (including land cost)

1. See glossary on page 156.
2. Compared to Investore's property portfolio as at 31 March 2020, and including the three properties acquired from SPL as if those properties had been acquired as at that date, based on independent valuations of those three properties obtained in preparation for acquisition in April 2020.
3. Excludes lease liabilities.
4. Investore's portfolio value excludes: (1) $7.0 million of seismic works to be completed by SPL on the three large format retail properties acquired from SPL on 30 April 2020 and the value of the rental guarantee from SPL (as at 31 March 2021: $0.1m; as at 30 September 2020: $0.4m); portfolio value as at 31 March 2021 includes the property at 35 MacLaggan Street, Dunedin, which is classified as property held for sale in Investore's financial statements.

diversified

The four shopping centres owned by Diversified were significantly impacted by COVID-19 during FY21. Although the centres are all located outside of Auckland, and therefore avoided the Auckland restrictions imposed in August 2020 and February 2021, the Alert Level 4 lockdown in April and May 2020 meant the centres were unable to trade.

SIML has worked hard to minimise the impacts of COVID-19 on the Diversified portfolio and seek to achieve a benefit for Diversified where Diversified has agreed to provide rent relief arrangements with tenants, if possible. As a result, Diversified has benefited from a weighted average lease extension of 10 months agreed in return for rent relief arrangements.

In addition to managing the ever-changing COVID-19 impacts, Diversified has continued with the rebuild of part of the Queensgate Shopping Centre during FY21. This centre suffered damage in the Kaikoura earthquake in 2016 and part of the carpark and the cinema complex are currently being rebuilt, with the carpark due to be completed in late 2021 and the cinema complex targeting to be open for Easter 2022. This will provide a welcome addition to the centre, and is expected to drive increased visitation, given the lack of cinema facilities in the wider Wellington region.

Queensgate Shopping Centre, Lower Hutt

1. Johnsonville Shopping Centre is owned 50:50 by Diversified and SPL. Tenant and Net Lettable Area information in the table below includes 50% of Johnsonville Shopping Centre.
2. See glossary on page 156.

Diversified shopping centres:

Chartwell Shopping Centre
Hamilton
100 tenants
29,975 sqm

Queensgate Shopping Centre
Wellington
144 tenants
54,203 sqm

Johnsonville Shopping Centre[1]
Wellington
69 tenants
13,693 sqm

Remarkables Park Town Centre
Queenstown
56 tenants
14,041sqm

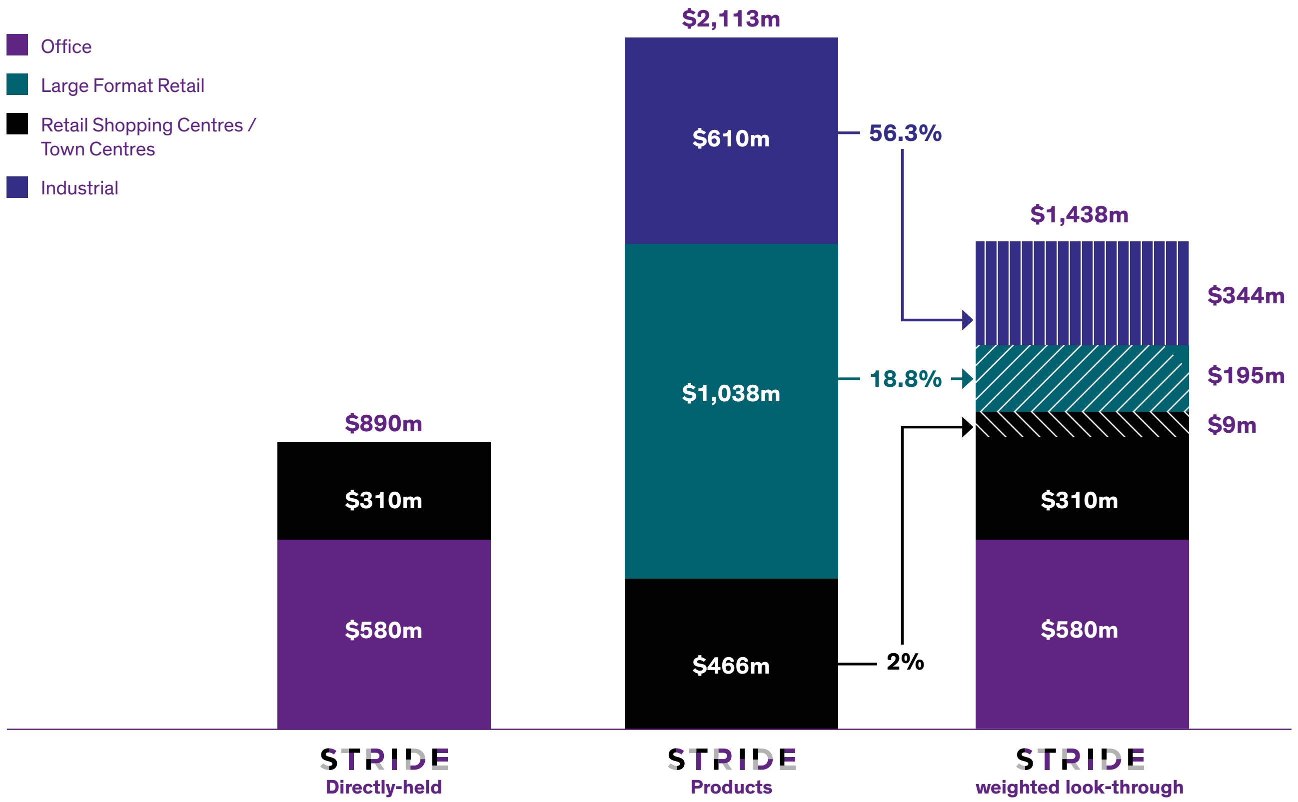
	As at 31 March 2021	As at 30 September 2020	As at 31 March 2020
Properties (no.)[1]	4	4	4
Tenants (no.)	335	329	340
Net Lettable Area (sqm)	105,064	107,532	107,522
Net Contract Rental[2] ($m)	37.9	38.6	39.5
WALT[2] (years)	3.4	3.2	3.4
Occupancy Rate (% by area)	93.8	92.6	93.6
Portfolio Value ($m)	465.6	460.2	414.4
Net Valuation Movement for 12 months ($m)	(2.4)		

STRIDE Portfolio

Stride's strategy of creating a group of sector-specific commercial property Products managed by SIML, with SPL owning an interest in each Stride Product, results in SPL having a diversified portfolio worth $1.4bn and strong investment metrics through the combination of its directly-held investment properties and SPL's indirect or look-through holdings in the Stride Products.

215 Lambton Quay, Wellington

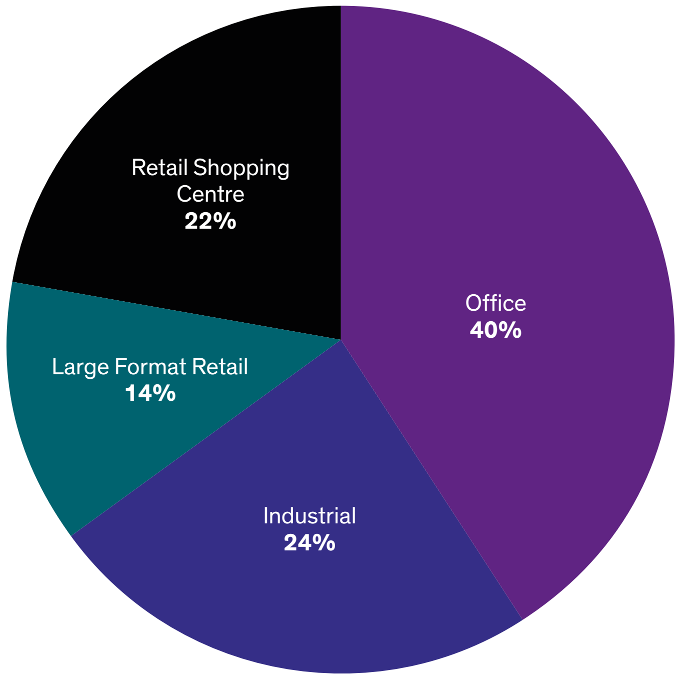
SPL's Weighted Look-Through Portfolio Value[1]



On a weighted look-through basis, SPL's portfolio shows a strong weighting to the office sector. This is a result of SPL growing its office portfolio over the past year.

Stride intends to establish an investment management Product using SPL's office assets, which will result in SPL's interest in the office sector reducing. Stride expects over time to hold a balanced portfolio of commercial property assets, although the percentages will flex as Stride invests in different sectors through special purpose subsidiaries before creating a new Product.

SPL's Weighted Look-Through Portfolio Value[1]



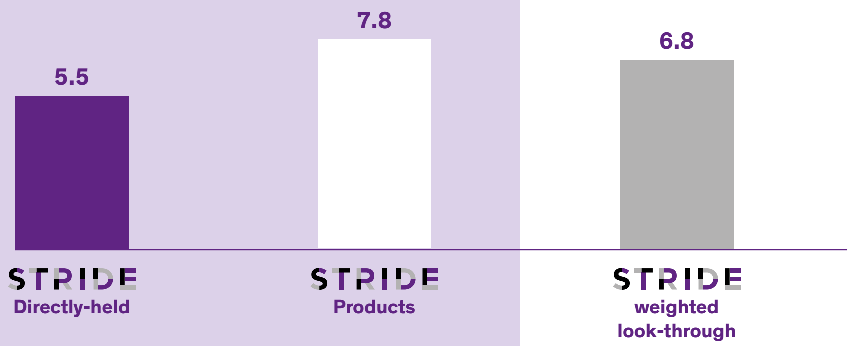
1. As at 31 March 2021, excluding committed acquisitions and developments, and excluding lease liabilities.

30 Airpark Drive, Auckland
Owned by Industre Property Joint Venture

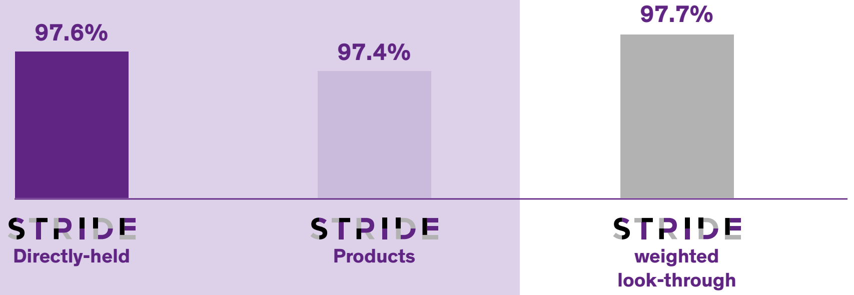
Portfolio

SPL's weighted look-through portfolio benefits from the diversity of the portfolios of the Stride Products combined with SPL's places, showing strong metrics of 6.8 years WALT[1] and 97.7% occupancy.

WALT[1] as at 31 March 2021 (years)

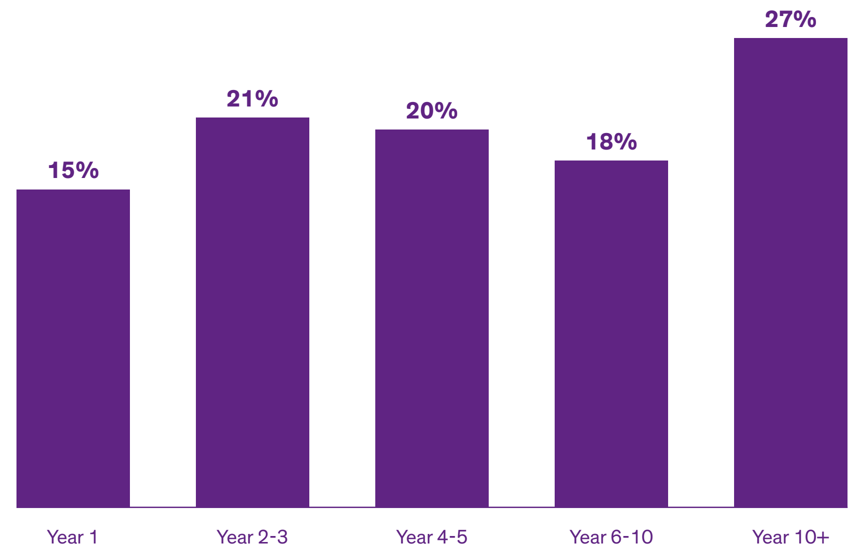


Occupancy % by NLA[1] as at 31 March 2021



1. See glossary on page 156.

SPL Look Through Lease Expiry Profile by Contract Rental[1] as at 31 March 2021



Numbers in chart may not sum due to rounding.

Countdown Petone – Owned by Investore Property Limited

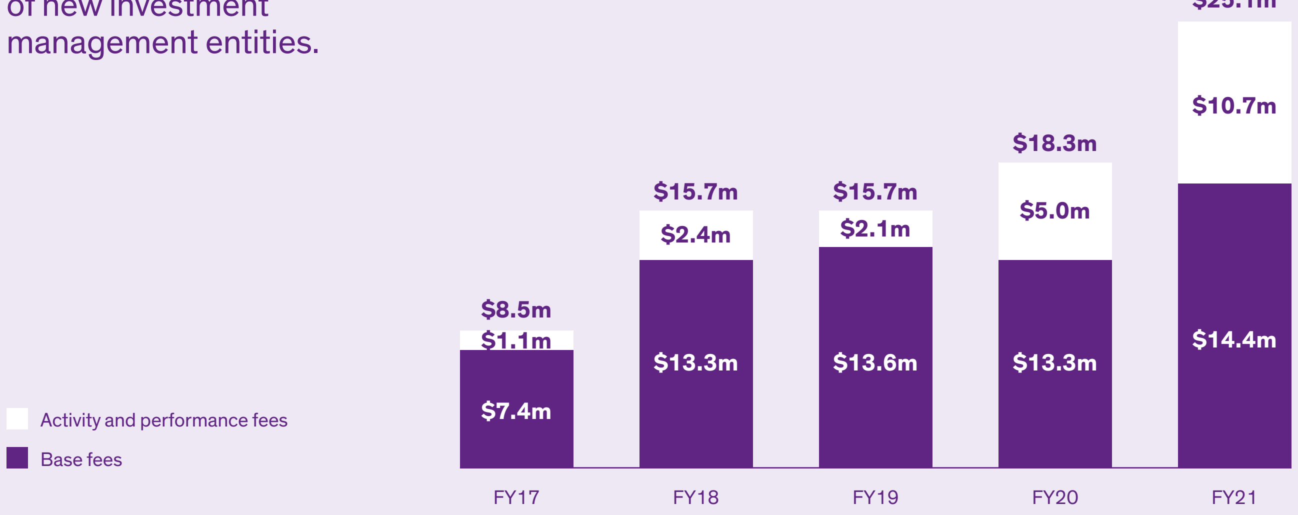
Investment Management Business

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

The benefits of this strategy of developing Stride's real estate investment management business have been evident during the year in review:

- Each Stride Product has managed the impacts of COVID-19 differently, with Investore benefiting from the demand for supermarkets during lockdown periods.
- The Stride Products have demonstrated the benefits of having access to separate pools of capital, with Industre continuing to grow through utilising equity from JPMAM, Stride conducting an equity capital raise to fund the acquisition of additional office properties to grow its office portfolio, and Investore undertaking an equity capital raise to provide funding flexibility for future growth.
- Management fee income was materially higher in FY21, up $6.8 million to $25.1 million[1] primarily due to increased activity-based income.

SIML Management Fee Income[1]

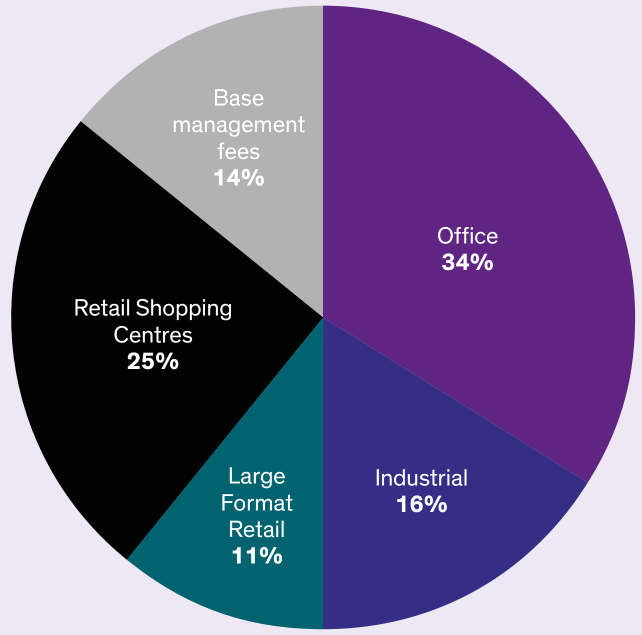


1. Net of management fees received from SPL.
2. Stride's revenue comprises SIML management fees and SPL revenue. SPL revenue comprises income derived from SPL's directly-held property plus revenue derived from its interests in the Stride Products which is calculated based on net Contract Rental on a look-through basis as at 31 March 2021. Base management fees comprise estimated FY22 management fees from Stride Products (i.e. excluding fees from SPL) and exclude capex fees, planned maintenance fees, leasing fees, development fees, performance fees and other one-off or activity based fees.
3. As at 31 March 2021, as if the following transactions had completed as at that date: (1) Investore's acquisition of Countdown Petone for $37.3m (which acquisition settled on 21 May 2021); (2) the conditional acquisition of Waimak Junction, Kaiapoi, for $10.5m and completion of the stage 1 development; and (3) completion of seismic works on the three properties acquired from SPL in April 2020.
4. Investore banking facility headroom as at 31 March 2021, as if the transactions described in footnote 3 had completed as at that date.
5. As at 31 March 2021, as if the following transactions had completed as at that date: (1) Industre's acquisition of 42-44 Wilkinson Road, Ellerslie for $10m; and (2) development of 439 Rosebank Road, Avondale.
6. Industre available capital, comprising available bank facilities as at 31 March 2021, and assuming additional capital is contributed to maintain an LVR of 35%, as if the transactions described in footnote 5 had completed as at 31 March 2021.
7. As at 31 March 2021, as if the development of Queensgate Shopping Centre was complete as at that date.
8. As at 31 March 2021, as if the following transactions had completed as at that date: (1) SPL's acquisition of 46 Sale St, Auckland, for $152m; (2) refurbishment of 22 The Terrace, Wellington; and (3) capital upgrade works at 34 Shortland Street, Auckland.
9. Balance of SPL banking facility headroom as at 31 March 2021 as if the transactions described in footnote 8 had completed as at that date.

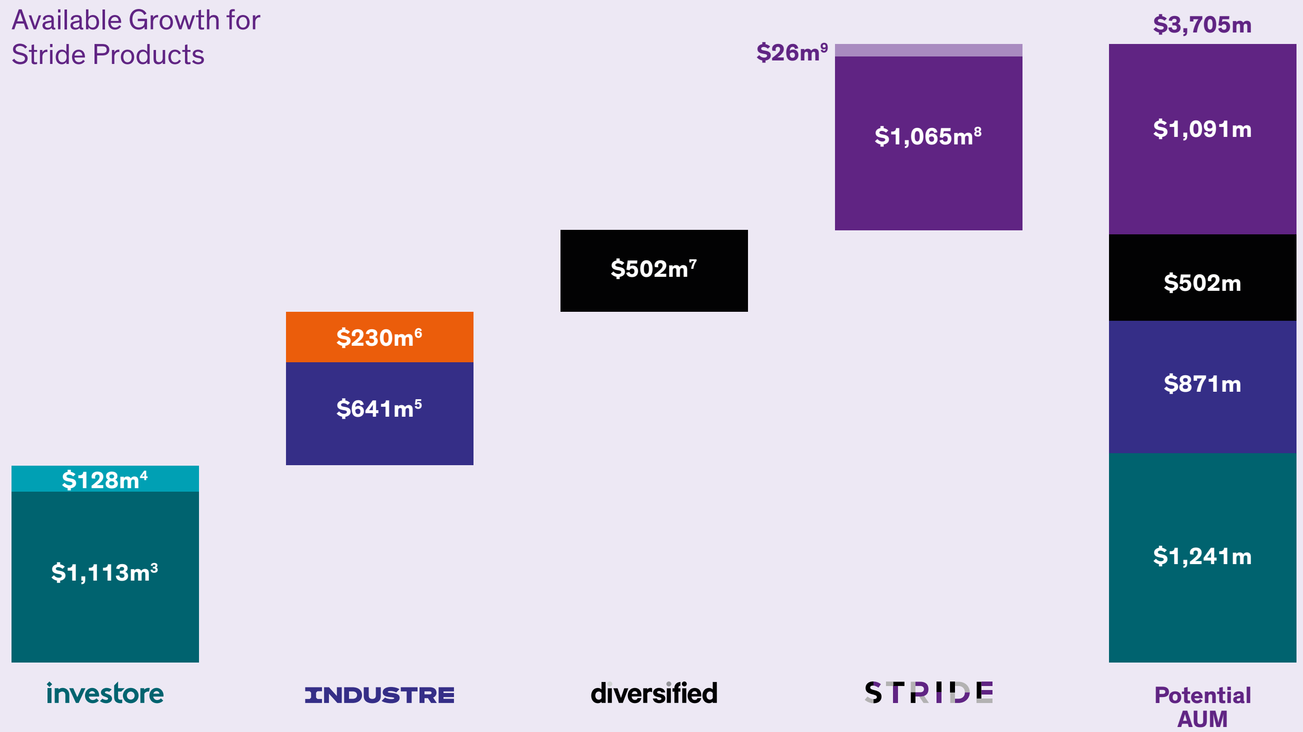
$3 billion

assets under management as at 31 March 2021

Stride Property Group's Revenue Sources[2]



Available Growth for Stride Products



Capital Management

Stride has taken an active and prudent approach to capital management during FY21, given the uncertainties created by COVID-19. During FY21, Stride undertook a number of capital management initiatives to ensure it maintained an appropriate balance of debt facilities and equity.

These initiatives included:

- Refinancing of $135m of debt for a further three years to June 2024.
- Additional $150m of facility committed in December 2020 to support growth initiatives.
- Equity capital raising announced in November 2020, to raise additional equity to support the acquisition of two office properties in Wellington, being 215 Lambton Quay and 20 Customhouse Quay. Stride sought to raise $220m, through a $180m share placement and a share purchase plan seeking to raise $40m. The share purchase plan was oversubscribed, and Stride elected to accept $50m of applications, resulting in a total of $230m of gross proceeds raised.
- New banks introduced to the SPL banking syndicate, adding diversification in funding sources and supporting future growth.

As at 31 March 2021, Stride's LVR[1] is 29.3% and Stride has $194 million of bank facility headroom to further support its strategy

	As at 31 March 2021	As at 31 March 2020
Banking facility limit	$455m	$505m
Debt facilities drawn	$261m	$386m
Weighted average debt maturity	2.4 years	1.8 years
LVR (Covenant: ≤ 50%)	29.3%	39.1%

1. See glossary on page 156.

The capital raising undertaken by Stride in November and December 2020 was very well received by the market and demonstrates support for Stride's strategy.

- $230 million successfully raised, representing approximately 30% of Stride's pre-raise market capitalisation.
- Share purchase plan over-subscribed at $2.14, representing a 7% discount to Stride's closing share price immediately before the capital raise announcement and 7% premium to NTA.
- 11 new institutional investors provided significant demand, with new investors from across New Zealand, Australia, US, UK, Germany, and Hong Kong added to Stride's register.
- Stride's closing share price as at 31 March 2021 was $2.28, a +6.5% premium to the price paid in the capital raising of $2.14.

Debt expiry profile

Sustainability

Stride's approach to sustainability has developed during FY21 under the oversight of the Stride Board Sustainability Committee.

This section sets out Stride's approach to sustainability under the focus areas of governance, strategy, risk management and metrics.

Governance

Stride has established a Board Sustainability Committee to ensure a dedicated focus at the Board level on the impact of climate-related issues on Stride's business and other areas of Stride's sustainability performance. Given the increasing focus of the New Zealand Government, regulators, investors and tenants on sustainability matters, Stride has established a Board Sustainability Committee to ensure it is able to meet the demands of these interest groups while also delivering profitable performance for shareholders. The creation of this Committee demonstrates Stride's commitment to improving the sustainability of Stride's business and particularly its impact on the environment.

The Sustainability Committee is chaired by Director Jacqueline Cheyne, who has significant experience in sustainability issues. Jacqueline is currently the chair of the External Reporting Board Steering Group responsible for development of the climate reporting standards, a Director of New Zealand Green Investment Finance Limited and previously led Deloitte's Corporate Responsibility and Sustainability services function for Deloitte New Zealand for nine years. Other members of the Committee are Tim Storey, the Stride Board Chair, and Director Philip Ling.

The Sustainability Committee appreciates that Stride has work to do to demonstrate best practice in sustainability, but considers that important work has been undertaken in this area during FY21, as reported in this section of the Annual Report.

Strategy

Stride has refreshed its sustainability strategic plan, which is focused on three distinct goals. This plan sets the primary objectives that Stride considers in its decision-making.

Stride's Sustainability Strategic Plan

Objective	UN Sustainable Development Goals
Contribute to a resilient community We want to provide leading health and safety performance and support a connected and inclusive society	3 Good health and well-being 5 Gender equality 10 Reduced inequalities
Develop shared prosperity We want to foster long-term prosperity by investing in and managing outstanding places that reward everyone connected with them	8 Decent work and economic growth 11 Sustainable cities and communities
Protect the planet We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future	11 Sustainable cities and communities 12 Responsible consumption and production 13 Climate action

Risk Management

During FY21 Stride's Sustainability Committee considered the key risks, at a high level, that may be faced by Stride in relation to climate change, and, in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD), categorised those risks into two categories – transition risks, being those associated with transitioning to a low-carbon economy, and physical risks, being risks arising as a result of changes in the physical climate and acute climate events.

A summary of the key climate change risks assessed by the business and reported to the Stride Sustainability Committee is set out on pages 50 and 51. During FY22 Stride intends to undertake further work to refine these risks and prepare a detailed and comprehensive climate risk assessment for Stride and the Stride Products, in preparation for reporting against the TCFD framework from FY22.

Metrics

Stride has commenced the process of gathering emissions data to enable it to record and report on its greenhouse gas emissions. Stride has subscribed to the New Zealand-developed BraveGen software, which captures the greenhouse gas emissions data for Stride and each of its Products.

Once the baseline year data has been determined, Stride will commission an independent assurance of that data, to enable it to report confidently against its baseline emissions. Stride expects that this data will be available for reporting from FY22.

Sustainability

Achievements

As signalled in the FY20 Annual Report, a key focus for FY21 has been developing Stride's sustainability strategy, as well as a commitment to completing a baseline carbon emission calculation, integrating sustainability into the planning process, particularly for major developments, and beginning the climate risk assessment process.

Key achievements for FY21 have been:

- Stride has implemented the BraveGen software system which allows Stride to measure its greenhouse gas emissions and that of the Stride Products. Stride intends to report on its greenhouse gas emissions from FY22.
- Stride has developed an initial list of climate related risks, which are reported on pages 50 and 51. Stride intends during FY22 to complete further work to formalise this climate risk assessment, which is a starting point for Stride to set strategies and develop objectives to manage these risks.
- SPL assessed during FY21 that seismic strengthening work was required at its building at 22 The Terrace, Wellington. In planning that upgrade work, Stride determined to take the opportunity to implement a number of sustainability initiatives. More information can be found on pages 52 and 53.
- Stride is currently assessing each of its office buildings to determine whether work needs to be completed to enable the building to obtain a NABERSNZ rating. NABERSNZ is a system for rating the energy efficiency of office buildings, and is an independent tool backed by the New Zealand Government. Stride expects that tenants will increasingly demand a NABERSNZ rating as part of lease commitments from landlords, and the New Zealand Government is leading the way in this regard. In order to obtain a NABERSNZ rating, at least 12 months of energy consumption data is required, and therefore some of SPL's office buildings may need additional metering and further time to determine landlord emissions and become eligible to obtain a NABERSNZ rating.

Waste Management Auckland Headquarters, 318 East Tamaki Road, Auckland, Developed by Stride and owned by Industre

Sustainability

Transition Risks – risks associated with transitioning to a low-carbon economy

Risk	Description	Potential impact
Current and emerging regulatory changes	Regulatory changes/ increased standards around climate change and energy efficiency of buildings (particularly for building consents)	• Increased costs for development or maintenance • More restrictive requirements e.g. planning/consent requirements
Changes to energy prices	Potential supply constraint from climate impact on supply Impact on energy infrastructure due to climate change leading to higher energy prices Increased cost of producing electricity due to higher costs for carbon emitters through ETS	• Increased operational costs for Stride and its tenants, leading to higher total cost of occupation for tenants
Changing customer behaviour	Reduced demand from customers for tenants in carbon-intensive industries Customers choosing more climate friendly properties to work in and/or visit	• Reduced revenue • Increased vacancies • Increased cost to ensure assets remain competitive
Increased expectations from investors and tenants	Investors and tenants require buildings/ portfolios to be energy efficient/low carbon	• Reduced demand for Stride buildings if they have not sought to manage carbon footprint, leading to reduced revenue • Possible benefit from charging higher rents for carbon efficient buildings • Unable to attract key investors • Increased costs from transition to more efficient buildings & technologies
Increased litigation exposure	Climate-change litigation occurs due to inadequate or mis-timed climate change response	• Increased costs from litigation • Ability to insure against loss compromised/not available • Damage to reputation
Insurability of assets compromised	Assets may become uninsurable due to exposure to climate change events	• Increased costs from self-insurance • Stranded assets if tenants/Stride unable to obtain insurance

Physical Risks – risks from changes in the physical climate and acute climate events

Risk	Description	Potential impact
Increased frequency of severe/extreme weather events	Extreme weather events causing damage to assets increases e.g. storms, floods, rainfall, cyclones	• Ability to obtain insurance compromised and/or increased insurance costs • Disruption to operations • Higher operating and capital costs to repair damage and improve resilience of assets
Increased frequency of fire events	Due to droughts, heatwaves, and similar events	• Threat to physical assets • Disruption to operations • Impact to air quality, surrounding infrastructure e.g. roads, power supply • Increased insurance costs
Rising mean temperatures	Average temperature rises and increased extreme heat events	• Increased operating expenses for cooling buildings • Increased expenditure to install/ upgrade cooling systems • Spot price of electricity more volatile • Productivity of outdoor work reduces, with impact on construction costs, timeframes • Cost of water increases
Sea level rise	Rising sea levels over time may impact on assets close to waterfront	• Costs of repair from damage due to sea surges, inundation • Ability to insure assets compromised • Reduced asset life leading to early write-off, stranded assets • Assets inaccessible or isolated due to damaged infrastructure e.g. roads, rail, power
Water stress	Ease of access to water reduced	• Water unavailable to undertake business operations • Cost of water increases • Increased regulatory requirements around use of water

Sustainability

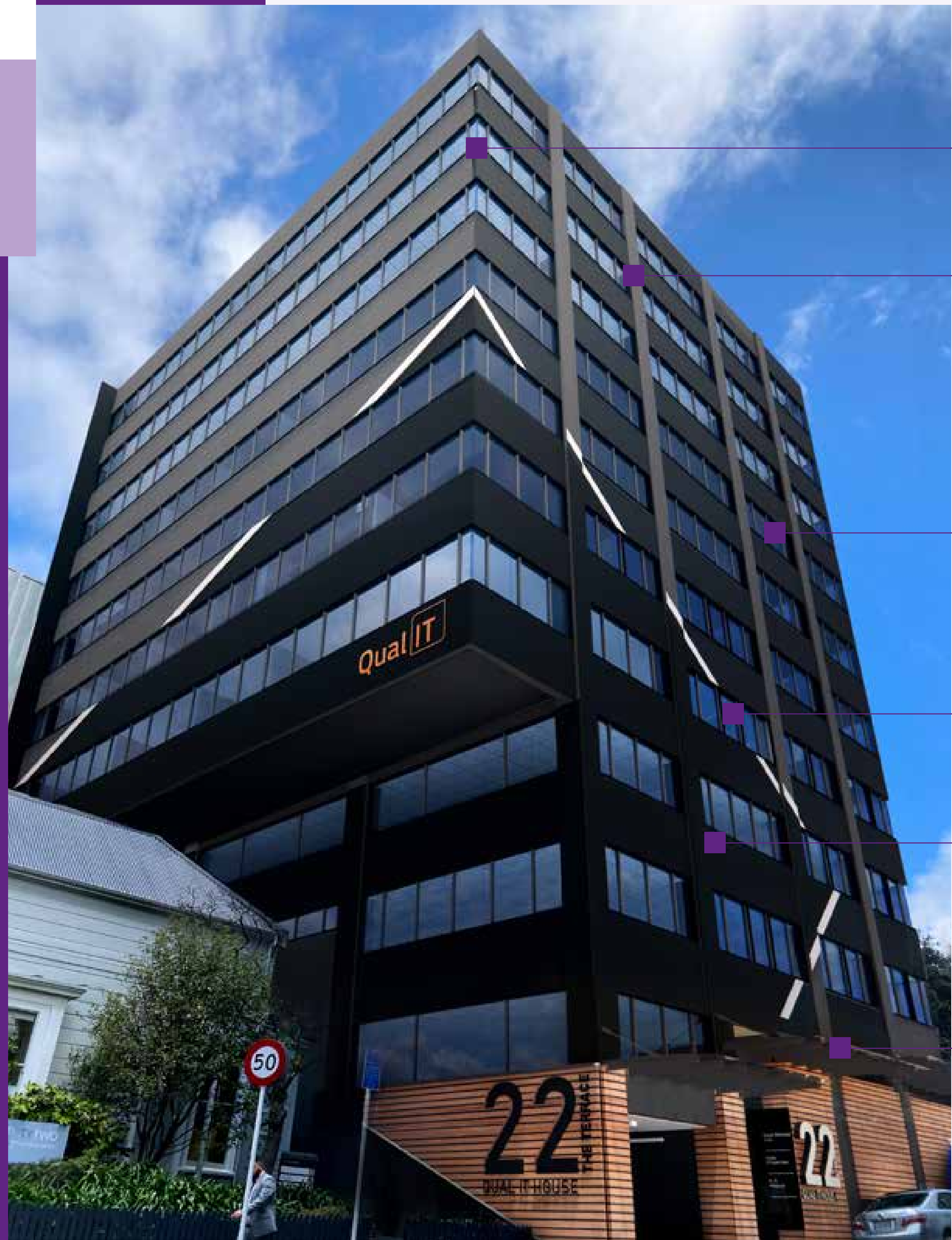
Climate Related Opportunity – 22 The Terrace, Wellington

During FY21, Stride identified that the office building at 22 The Terrace, Wellington, required seismic strengthening works to be completed. In planning these works, Stride identified a number of sustainability improvements that could be made to the building at the same time as the seismic strengthening and refurbishment works are completed. These works, taken as a whole, will make the building more attractive to tenants, while also saving money in the long run due to reduced energy consumption.

The Stride Board has approved expenditure of at least $2 million to implement sustainability initiatives at 22 The Terrace, targeting a 5 star Green Star Design and As-Built rating, and a 5 star NABERSNZ rating. The benefits of this strategy are:

- Reduce emissions associated with operation of the building
- Improve attractiveness of the building to tenants, which Stride expects will improve rent over time, benefiting shareholders in SPL
- Extend the life of the building and reduce future costs associated with implementing sustainability initiatives, as these were undertaken at the time of essential works

Artist impression of 22 The Terrace, Wellington, once upgrade works completed (expected November 2021)



Initiatives being implemented include:

Creating a rainwater harvesting system, which will reduce water demand from the building

Improving the thermal performance of the building by installing a thermal film system to all glazed surfaces, repairing window seals and frames and completing thermal insulation works to the walls and roof. This improves the efficiency of the heating and cooling system, thus reducing energy consumption and thereby reducing greenhouse gas emissions

Installing water efficient tap and bathroom hardware, LED lighting, and efficient heating and air conditioning, thus reducing resource consumption and thereby reducing emissions

Establishing a waste management facility, which enables tenants to reduce their waste to landfill

Creating an end of trip facility, including showers, bathrooms, cycle park facilities, lockers and drying rooms, which makes it easier for tenants to cycle, walk, or run to work, thus reducing dependence on cars and improving wellness

Increasing the number of visitor cycle spaces, encouraging visitors to the building to reduce their dependence on cars and motorised transport

Community Engagement

One of the core pillars of Stride's Sustainability Strategic Plan is to "contribute to a resilient community", which includes supporting a connected and inclusive society. This section of the report outlines the ways in which Stride contributes to the societies in which it operates.

Family Fun

The shopping centres managed by SIML have a strong focus on family activities, as family is the heart of the community. A number of Stride's Shopping Centres host a toddler day, with free arts and crafts activities for children. This is then amplified during school holidays with a number of free events and education-based entertainment for children.

The centres recognised that COVID-19 posed a challenge to parents to keep children entertained during the April 2020 school holidays and responded accordingly – Johnsonville Shopping Centre sponsored Zappo the Magician to produce a daily Facebook live show during the April 2020 school holidays to engage and entertain children that were locked down at home. This was very successful with around 785 engagements for each show.

Social distancing impacted a number of planned school holiday events and shopping centres had to deftly change direction to provide safe and entertaining fun for children. NorthWest Shopping Centre devised a centre-wide treasure hunt for children, which proved very popular. Smiling children playing in open spaces was all the reward our teams need for their dedication and hard work.

Not all fun is for the children of course, and during December Queensgate Shopping Centre developed "Putt in the Hutt", a mini-putt activity situated within the centre. This was very successful, with over 3,300 people participating. Some local schools even incorporated Putt in the Hutt into their end of year activity and donated to the Wellington City Mission as their 'fee for entry'.

NorthWest Shopping Centre ran a series of free outdoor events that catered for the whole family, including hosting free movies on a giant outdoor screen, where locals could bring a beanbag or blanket and settle in for a night under the stars watching the stars in the latest releases.

Movies in the Square,
NorthWest Shopping Centre, Auckland

Queensgate Shopping Centre Mural, Wellington

Empathy

Contributing to a resilient community involves having a level of empathy for all those in the community who may be facing challenges, and this has been particularly true during FY21 given the unexpected challenges that COVID-19 presented.

Queensgate Shopping Centre participated in the Lower Hutt Street Art Festival held during March 2021, with one wall of Queensgate Shopping Centre turned into an outdoor art gallery, showcasing the work of two internationally acclaimed street artists, Berst (Dr Bobby Hung) and Askew 1 (Elliot O'Donnell). The mural depicts EMPATHY and was created to refresh their own artwork that was painted more than 15 years ago.

Space

All of the SIML-managed shopping centres recognise that contributing to a resilient community involves more than just hosting fun events. Spaces are made available within the centres for charities and community groups free of charge, to enable these groups to engage with the local community and raise awareness and funds to help support their cause. Groups or events supported during FY21 include:

St John	**Pink Ribbon Annual Appeal**	**Safer Plates Initiative**
Breast Cancer Foundation	**Blind Low Vision Red Puppy Appeal**	**Heart Foundation**
Red Cross	**Child Cancer Foundation**	**Women's Refuge**
Daffodil Day	**Cystic Fibrosis**	**Hospice**

To celebrate New Zealand Sign Language Week, Queensgate Shopping Centre enlisted the help of 4-year-old Sign Language Week ambassador and Lego enthusiast, Carter, to teach the Queensgate Facebook community how to sign some common words relevant to the shopping centre.

NorthWest Shopping Centre supported their local Salvation Army during FY21 in a number of ways. The centre hosted a donation box, collecting between 7 and 10 banana boxes of product every week which were donated to families in need. The centre also supported the Salvation Army with their Christmas gift wrapping appeal, with donations amounting to more than $10,500, an increase of 15% on the prior year.

Queensgate and Chartwell Shopping Centres have been long standing partners with Dress for Success, who provide a service for women to achieve economic independence, and offer professional work attire for their clients. Members of the community are able to donate clothing in the centres and the centres also make their own donations.

Financial Summary

55 Lady Elizabeth Lane, Wellington

Five Year Financial Summary

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

		Represented			
Five Year Financial Summary	**2021 ($m)**	**2020 ($m)**	**2019 ($m)**	**2018 ($m)**	**2017 ($m)**
Net rental income	**49.9**	**50.4**	**57.3**	**59.1**	**57.9**
Profit before net finance expenses, other income/(expense) and income tax from continuing operations	**53.9**	46.3	53.7	57.1	51.0
Net finance expenses	**(13.4)**	(16.5)	(15.7)	(16.3)	(16.8)
Profit before other income/(expense) and income tax from continuing operations	**40.4**	29.8	38.0	40.7	34.1
Other income/(expense)	**100.9**	(28.9)	43.4	60.1	27.9
Profit before income tax from continuing operations	**141.3**	0.9	81.4	100.8	62.1
Income tax expense	**(9.4)**	(1.0)	(5.2)	(5.5)	(7.9)
Profit/(loss) after income tax from continuing operations	**132.0**	(0.1)	76.2	95.3	54.2
(Loss)/profit from discontinued operations[1]	**(0.1)**	25.4	0.0	0.0	(0.9)
Profit attributable to shareholders	**131.9**	25.3	76.2	95.3	53.3
Basic earnings per share - weighted from continuing and discontinued operations	**32.99 cents**	6.93 cents	20.86 cents	26.10 cents	14.63 cents
Distributable profit[2] before income tax	**52.4**	47.7	45.8	48.4	45.5
Distributable profit after income tax	**46.3**	37.7	38.8	38.8	37.7
Basic distributable profit after income tax per share - weighted	**11.58 cents**	10.32 cents	10.62 cents	10.63 cents	10.33 cents
Property values[3]	**1,050.5**	996.1	966.3	902.2	895.3
Bank debt drawn	**261.0**	386.2	332.9	307.7	347.5
Loan to value ratio	**29.3%**	39.1%	34.3%	34.1%	38.8%
NTA per share [4]	**$2.15**	$1.91	$1.92	$1.82	$1.67
Adjusted NTA per share[5]	**$2.15**	$1.93	$1.94	$1.84	$1.68

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

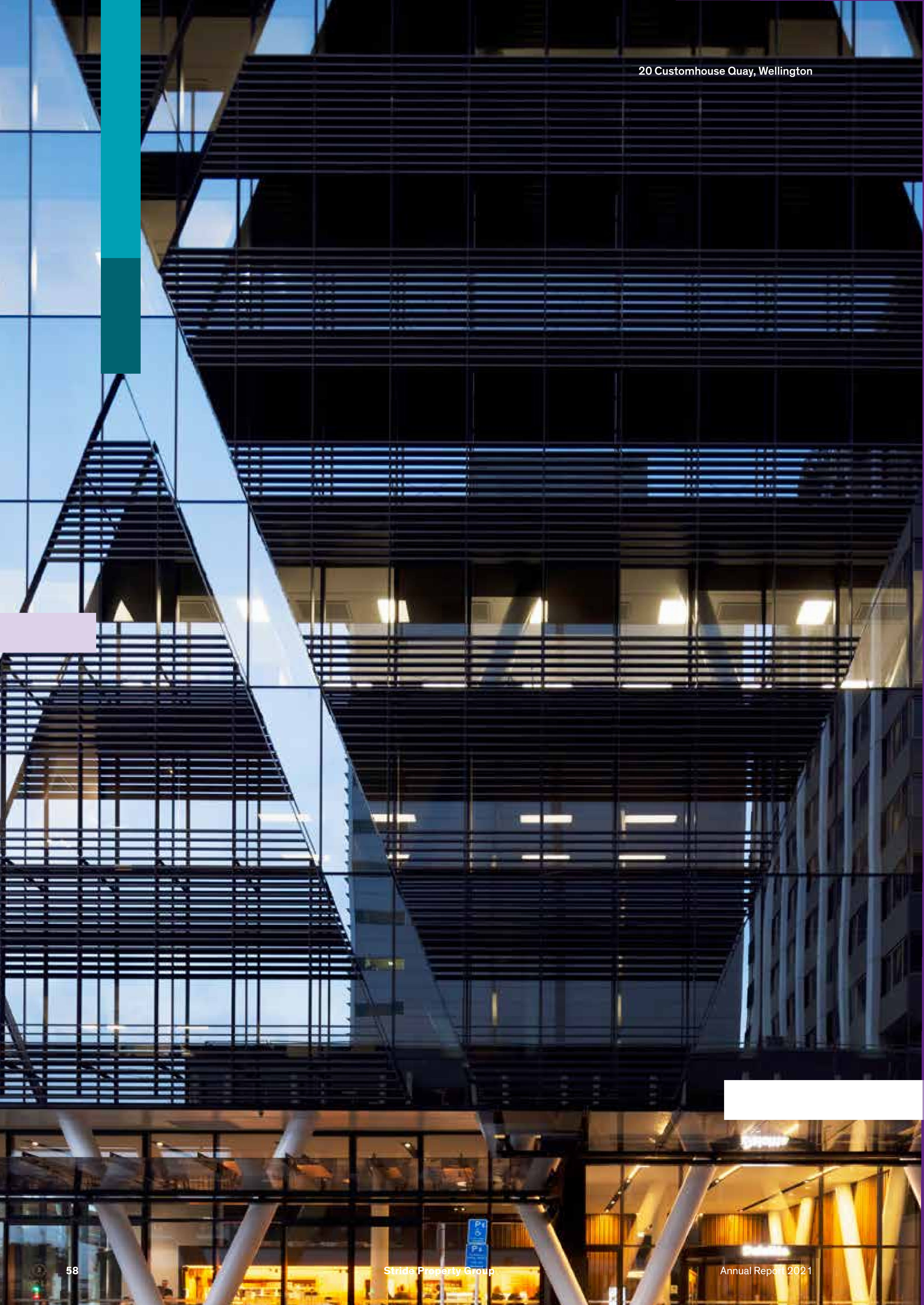
The Five Year Financial Summary table reflects the numbers in the financial statements for each respective year.

On 11 July 2016, SPL distributed shares in its subsidiary Investore to SPL shareholders and Investore issued shares to investors in connection with its initial public offer (IPO). Investore entered into a listing agreement with NZX Limited (NZX) and its ordinary shares were quoted, and commenced trading on the main board equity security market of NZX, on 12 July 2016. The financial performance for Investore for the period ended 11 July 2016 (2017 column) has been presented as "Profit from discontinued operations".

On 1 July 2020, Industre commenced operations. Industre is a joint arrangement between SPL and a group of international institutional investors, through a special purpose vehicle, advised by J.P. Morgan Asset Management (JPMAM). On 1 July 2020, SPL held a 68.25% interest in Industre. This reduced to 56.33% as at 31 March 2021.

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

1. Includes the reclassification of cash flow hedge reserve to the consolidated statement of comprehensive income for discontinued operations (2017 column).
2. See glossary on page 156.
3. Excludes lease liabilities. Includes SPL's 56.3% interest in the unincorporated component of the Industre Property Joint Venture. For more information, see note 3.2 to the consolidated financial statements. Includes value of Level 12, 34 Shortland Street, which houses Stride's head office and is shown in the consolidated financial statements as property, plant and equipment.
4. Excludes intangibles.
5. Excludes intangibles and after tax fair value of interest rate derivatives.



20 Customhouse Quay, Wellington

Financial Statements

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Consolidated Statement of Comprehensive Income
For the year ended 31 March 2021

	Notes	2021 $000	Re-presented 2020 $000
Gross rental income		66,428	66,548
Direct property operating expenses		(16,561)	(16,180)
Net rental income	3.1	49,867	50,368
Management fee income		25,057	18,279
Less corporate expenses			
Corporate overhead expenses		(16,576)	(16,657)
Administration expenses		(4,475)	(5,625)
Project costs		-	(79)
Total corporate expenses		(21,051)	(22,361)
Profit before net finance expense, other income/(expense) and income tax from continuing operations		53,873	46,286
Finance income		20	210
Finance expense		(10,291)	(13,556)
Finance expense - swap termination expense		(1,380)	(1,274)
Finance expense - lease liabilities		(1,797)	(1,832)
Net finance expense	5.3	(13,448)	(16,452)
Profit before other income/(expense) and income tax from continuing operations		40,425	29,834
Other income/(expense)			
Net change in fair value of investment properties	3.2	38,759	(22,168)
Share of profit in equity-accounted investments	7.2	62,264	3,503
Gain on disposal of investment properties		313	-
Hedge ineffectiveness of cash flow hedges	5.2	(419)	(8,218)
Impairment of work in progress	7.3	-	(2,007)
Profit before income tax from continuing operations		141,342	944
Income tax expense	8.1	(9,390)	(1,010)
Profit after income tax from continuing operations attributable to shareholders		131,952	(66)
(Loss)/profit from discontinued operations	7.4	(81)	25,385
Profit attributable to shareholders		131,871	25,319
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Deferred tax on share-based payment expense		161	17
Gross movement in cash flow hedges		2,527	6,351
Tax arising from cash flow hedges		-	(1,778)
Changes in cash flow hedge reserve in equity-accounted investments		(25)	30
Revaluation surplus		300	-
Total other comprehensive income after tax		2,963	4,620
Total comprehensive income after tax attributable to shareholders		134,834	29,939

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

Consolidated Statement of Comprehensive Income (continued)
For the year ended 31 March 2021

	Notes	2021 $000	Re-presented 2020 $000
Stride Property Limited (SPL) total comprehensive income after tax attributable to shareholders		122,795	(2,831)
Stride Investment Management Limited (SIML) total comprehensive income after tax attributable to shareholders		12,120	7,385
Total comprehensive income after tax attributable to shareholders from continuing operations		134,915	4,554
Total SPL comprehensive (loss)/income after tax from discontinued operations		(81)	25,385
Total comprehensive income after tax attributable to shareholders		134,834	29,939
Earnings per share (EPS) from continuing operations	4.1		
Basic EPS (cents)		33.01	(0.02)
Diluted EPS (cents)		32.90	(0.02)
EPS per share from continuing and discontinued operations	4.1		
Basic EPS (cents)		32.99	6.93
Diluted EPS (cents)		32.88	6.91

The re-presentation of the year ended 31 March 2020 is due to discontinued operations. Refer note 7.4.

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

Consolidated Statement of Changes In Equity

For the year ended 31 March 2021

	Notes	Number of shares 000	Share capital $000	Retained earnings $000	Other reserves $000	Total $000
Balance at 31 Mar 20		**365,352**	**500,749**	**201,050**	**(3,635)**	**698,164**
Transactions with shareholders:						
Dividends paid	**4.3**	**-**		**(41,530)**	**-**	**(41,530)**
Transfer to share capital on vesting of employee long term incentive plan	**5.6**	**55**	**204**	**-**	**(204)**	**-**
Lapsed long term incentive rights	**5.6**	**-**	**-**	**-**	**(159)**	**(159)**
Forfeited long term incentive rights	**5.6**	**-**	**-**	**32**	**(32)**	**-**
Share based payment expense	**5.6**	**-**	**-**	**-**	**750**	**750**
New shares issued	**5.4**	**107,421**	**225,727**	**-**		**225,727**
Total transactions with shareholders		**107,476**	**225,931**	**(41,498)**	**355**	**184,788**
Total other comprehensive income		**-**	**-**	**-**	**2,963**	**2,963**
Profit attributable to shareholders		**-**	**-**	**131,871**	**-**	**131,871**
Total comprehensive income after tax attributable to shareholders		**-**	**-**	**131,871**	**2,963**	**134,834**
Balance at 31 March 21		**472,828**	**726,680**	**291,423**	**(317)**	**1,017,786**
Balance at 31 Mar 19		365,297	500,647	211,456	(7,884)	704,219
Transactions with shareholders:						
Dividends paid	**4.3**	-	-	(36,207)	-	(36,207)
Transfer to share capital on vesting of employee long term incentive plan	**5.6**	55	102	-	(102)	-
Lapsed long term incentive rights	**5.6**	-	-	482	(482)	-
Forfeited long term incentive rights	**5.6**	-	-	-	(246)	(246)
Share based payment expense	**5.6**	-	-	-	459	459
Total transactions with shareholders		55	102	(35,725)	(371)	(35,994)
Total other comprehensive income		-	-	-	4,620	4,620
Profit after income tax		-	-	25,319	-	25,319
Total comprehensive income		-	-	25,319	4,620	29,939
Balance at 31 Mar 20		365,352	500,749	201,050	(3,635)	698,164

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

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 $000	2020 $000
Current assets			
Cash at bank		**23,024**	12,098
Trade and other receivables	**8.5**	**9,068**	3,038
Prepayments		**184**	230
Other current assets		**173**	120
		32,449	15,486
Investment property classified as held for sale		**-**	132,196
		32,449	147,682
Non-current assets			
Investment properties	**3.2**	**1,071,881**	891,399
Deposit and other prepayments on investment property		**2,250**	1,328
Equity-accounted investments	**7.3**	**265,707**	103,874
Loan to associate	**7.2**	**3,398**	3,398
Other investments		**250**	-
Software		**1,025**	1,248
Property, plant and equipment	**8.7**	**6,658**	1,349
		1,351,169	1,002,596
Total assets		**1,383,618**	1,150,278
Current liabilities			
Trade and other payables	**8.6**	**22,145**	17,011
Lease liabilities	**3.3**	**71**	630
Current tax liability		**4,876**	4,024
Derivative financial instruments	**5.2**	**553**	8,521
		27,645	30,186
Non-current liabilities			
Bank borrowings	**5.1**	**259,860**	385,865
Borrowings (joint venture participating interest)	**7.3**	**43,169**	-
Lease liabilities	**3.3**	**27,383**	27,479
Deferred tax liability	**8.1**	**6,180**	4,306
Derivative financial instruments	**5.2**	**1,595**	4,278
		338,187	421,928
Total liabilities		**365,832**	452,114
Net assets		**1,017,786**	698,164
Share capital		**726,680**	500,749
Retained earnings		**291,423**	201,050
Reserves	**5.6**	**(317)**	(3,635)
Equity		**1,017,786**	698,164
SPL equity		**1,004,093**	692,531
SIML equity (non-controlling interest)	**5.5**	**13,693**	5,633
Equity		**1,017,786**	698,164

For and on behalf of the Board of Directors of SPL and SIML, dated 27 May 2021:

Tim Storey
Chair of the Board

John Harvey
Chair of the Audit and Risk Committee

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

Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Gross rent received		**65,400**	77,387
Management fee income		**24,168**	17,989
Interest received		**20**	210
Dividends received		**-**	4
Direct property operating and corporate expenses		**(29,984)**	(43,975)
Interest paid		**(11,632)**	(15,318)
Borrowings establishment costs		**(1,098)**	(115)
Swap termination expenses		**(9,293)**	-
Income tax paid		**(9,700)**	(9,009)
Net cash provided by operating activities		**27,881**	27,173
Cash flows from investing activities			
Proceeds from disposal of investment properties		**343,626**	50,165
Dividend income from equity-accounted investments	7.2	**6,599**	4,095
Acquisition of investment properties		**(358,033)**	(33,250)
Capital expenditure on investment properties		**(17,407)**	(44,403)
Deposit and other prepayments on investment property		**(2,250)**	(500)
Investment in equity-accounted investments	7.2	**(85,149)**	(12,944)
Investment in other investments		**(250)**	-
Software expenditure		**(66)**	(128)
Property, plant and equipment purchased		**(5,781)**	(133)
Net cash applied to investing activities		**(118,711)**	(37,098)
Cash flows from financing activities			
Dividends paid	4.3	**(41,530)**	(36,207)
Drawdown on bank borrowings		**398,910**	111,240
Repayment of bank borrowings		**(524,150)**	(57,850)
Borrowings from joint venture		**43,169**	-
Net proceeds from capital raise	5.4	**225,727**	-
Lease liabilities payments		**(370)**	(524)
Net cash provided by financing activities		**101,756**	16,659
Net increase in cash and cash equivalents held		**10,926**	6,734
Opening cash and cash equivalents		**12,098**	5,364
Closing cash and cash equivalents		**23,024**	12,098

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

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

Consolidated Statement of Cash Flows (continued)
For the year ended 31 March 2021

Reconciliation of profit after income tax attributable to shareholders to net cash provided by operating activities

	Notes	2021 $000	2020 $000
Profit after income tax attributable to shareholders (including discontinued operations note 7.4)		**131,871**	25,319
(Less)/add non-cash items:			
Movement in deferred tax	8.1	**1,141**	(7,716)
Income tax movement in cash flow hedges	8.1	**(387)**	(357)
Net change in fair value of investment properties		**(43,289)**	1,756
Loss on disposal of investment properties		**3,847**	-
Share of profit in equity-accounted investments		**(62,264)**	(3,503)
Spreading of fixed rental increases		**618**	(224)
Capitalised lease incentives		**(408)**	(349)
Lease incentives amortisation		**802**	1,064
Capitalised lease incentives - COVID-19 abatements		**(3,205)**	-
Lease incentives amortisation - COVID-19 abatements		**908**	-
Rental income abatement provision due to COVID-19		**413**	-
Movement in loss allowance	8.5	**47**	105
Share based payment expense		**750**	459
Lapsed long term incentive rights		**(159)**	-
Forfeited long term incentive rights		**(32)**	(246)
Depreciation		**480**	694
Software amortisation		**389**	362
Hedge ineffectiveness of cash flow hedges		**1,075**	8,218
Amortisation of swap termination expenses	5.2	**1,380**	1,274
Accrued interest movement in derivative financial instruments	5.2	**(288)**	57
Borrowings establishment cost amortisation		**332**	191
Work in progress impairment		**-**	2,007
		34,021	29,111
Add activity reclassified to operating activities:			
Movement in working capital items related to financing activities		**2,413**	-
Movement in working capital items relating to investing activities		**791**	(1,878)
Movement in borrowings transaction costs classified as operating activities		**(9,293)**	(1,947)
		27,932	25,286
Movement in working capital:			
Increase in trade and other receivables		**(6,030)**	(84)
(Increase)/decrease in prepayments and other current assets		**(7)**	528
Increase/(decrease) in trade and other payables		**5,134**	(943)
Increase in tax liability		**852**	2,386
Net cash provided by operating activities		**27,881**	27,173

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

Notes to the Financial Statements

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1.0 General Information

This section sets out Stride Property Group's accounting policies that relate to the consolidated financial statements (financial statements) as a whole. Where an accounting policy is specific to a note, the policy is described within the note to which it relates.

1.1 Reporting entity

The financial statements presented are those of Stride Property Limited (SPL) and Stride Investment Management Limited (SIML), each of SPL and SIML being a "Stapled Entity", and together the Stride Property Group (Stride). For accounting purposes, stapling gives rise to the combination of the Stapled Entities into a consolidated group. For the purposes of financial reporting, one of the combining entities is required to be identified as the parent entity of the consolidated group. In the case of Stride, SPL has been identified as the parent for the purposes of preparing the financial statements and consequently SIML's equity is presented as the non-controlling interest in the financial statements.

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

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

The financial statements were approved for issue by the Board of Directors of SPL (SPL Board) and the Board of Directors of SIML (SIML Board), together the "Boards", on 27 May 2021.

1.2 Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). Stride is a for-profit entity for the purposes of financial reporting. The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). The financial statements were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2017 and waivers granted to Stride from certain of the NZX Listing Rules dated 1 January 2020 (NZX Listing Rules), which each permit SPL and SIML, subject to the conditions of the exemption notice and waivers (respectively), to prepare financial statements in respect of Stride in place of separate financial statements of each Stapled Entity. These waivers (dated 28 May 2020) replace, and are of the same effect as, the previous waivers granted to Stride from certain of the NZX Main Board Listing Rules dated 1 October 2017.

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.

Certain comparative information has been re-presented. Refer note 7.4 for more information.

1.3 New standards, amendments and interpretations

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

1.0 General Information (continued)

1.4 Significant accounting policies, estimates and judgements

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

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

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

- Investment properties (note 3.2);
- Lease liabilities (3.3);
- Derivative financial instruments (note 5.2);
- Industre joint venture (note 7.0); and
- Deferred tax (note 8.1).

1.5 Fair value estimation

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

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

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

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

1.6 Non-NZ GAAP measures

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

Note 4.2 sets out Stride's calculation for distributable profit and Adjusted Funds From Operations (AFFO) which are both non-NZ GAAP measures. Distributable profit is presented to provide an earnings measure which more closely aligns to Stride's underlying and recurring earnings from its operations. AFFO is intended as a supplementary measure of operating performance. Cash spent during the period on capital expenditure as part of maintaining a building's grade/quality, but not expensed as part of distributable profit after current income tax, is adjusted to reflect cash earnings for the year.

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

1.7 COVID-19 impacts

The global COVID-19 pandemic and resulting impacts on credit and property markets has increased the level of uncertainty around certain estimates in these financial statements.

As at 31 March 2021, SPL has provided rent abatements of $3.2 million. Rental abatements that have been agreed with tenants have been accounted for as lease modifications. In addition, SPL has provided for $0.4 million rental income abatements yet to be agreed with the affected tenants.

As at 31 March 2020, the independent valuations of SPL's portfolio were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. As at 31 March 2021, the 'material valuation uncertainty' clause has been removed on all but one of the independent valuations (refer note 3.2).

As part of its COVID-19 support package the New Zealand Government has reintroduced a 2% diminishing value depreciation deduction for commercial properties, starting in April 2020 for SPL. This provided a reduction in current tax to SPL of approximately $1.1 million for the year ended 31 March 2021, excluding depreciation deductions on any investment property acquisitions from 1 April 2020.

1.0 General Information (continued)

1.8 Significant events and transactions

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

Divestment of properties to Investore Property Limited (Investore)

As at 31 March 2020, SPL had entered into conditional contracts to divest three large format retail properties being Bunnings Mt Roskill, Auckland, Mt Wellington Shopping Centre, Auckland, and Bay Central Shopping Centre, Tauranga, to Investore for $140.75 million. The properties were reclassified from investment properties to investment properties classified as held for sale and were held at $132.196 million, being the contracted sales price excluding the seismic works SPL is to complete, estimated at $7.5 million, and rental guarantee costs of $0.6 million. SPL settled on the divestment of the three properties on 30 April 2020. As at 31 March 2021, the seismic works had not commenced and $0.5 million of the rental guarantee had been utilised or forgone by Investore.

Acquisition of shares in Investore

On 5 May 2020, SPL paid Investore $16.5 million (refer note 7.2) to acquire 10,013,516 shares in Investore's equity capital raise. Following that equity capital raising, SPL's shareholding in Investore reduced from 19.4% as at 31 March 2020 to 18.8%, being 69,201,977 shares.

Commencement of Industre Property Joint Venture (Industre)

On 1 July 2020, Industre commenced operations. Industre is a joint arrangement between SPL and a group of international institutional investors, through a special purpose vehicle, advised by J.P. Morgan Asset Management (JPMAM). On 1 July 2020, SPL held a 68.25% interest in Industre. This reduced to 56.33% as at 31 March 2021 (refer notes 7.2 and 7.3).

Funding

Effective from 24 April 2020, SPL refinanced $135 million of debt for a further three years to 30 June 2024. Post the settlement of the disposal of the three large format retail properties to Investore and the settlement of Industre, SPL repaid $206 million in total of bank borrowings and terminated $120 million of interest rate derivatives for a total cost of $9.29 million. Effective from 20 November 2020, SPL entered into a new $100 million, three year facility which was further increased to $150 million effective from 19 February 2021. SPL has entered into $155 million of interest rate derivatives for tenures of between 2-4 years. Refer to notes 5.1 and 5.2 for further detail.

Acquisition of investment properties

SPL acquired the following properties during the year:

- On 1 April 2020, an industrial property at 16 Wickham Street, Hamilton, for a purchase price of $10 million. This property became part of Industre;
- On 2 September 2020, SPL acquired an office building at 34 Shortland Street, Auckland, for a purchase price of $66.4 million, including an allowance of $2.25 million for building upgrades which are expected to be completed within the next 12 months. SPL has acquired the 17-level building except for levels 4-7, which are owned by another party. Stride's head office is located in this building and the value attributable to this floor has been recognised as property, plant and equipment (refer note 8.7);
- On 30 November 2020, an office building at 215 Lambton Quay, Wellington, for a purchase price of $84.5 million; and
- On 18 December 2020, an office building at 20 Customhouse Quay, Wellington, for a purchase price of $228 million.

Revaluation of investment properties

SPL undertook independent valuations of the entire portfolio as at 31 March 2021 which resulted in a net change in fair value of investment properties of $43.3 million (2020: ($1.8 million)) (refer note 3.2). The investment properties held by Investore, Industre and Diversified NZ Property Trust (Diversified) were also valued by independent valuers at 31 March 2021. SPL's share of the valuation gains/(losses) are reflected in share of profit in equity-accounted investments and for those properties in the Industre joint operation are reflected in net change in fair value of investment properties.

Equity capital raise

During November and December 2020, Stride undertook an equity capital raise which resulted in a gross amount of $230 million raised, with 107,476,635 shares issued at $2.14 per share (refer note 5.4).

2.0 Operating Segments

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

Accounting policy

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

SPL's revenue streams are earned from investment properties owned in New Zealand, with no specific exposure to geographical risk. Given SPL's diverse client base, no one tenant represents greater than 10% of the portfolio contract rental. SPL's revenue streams included the revenue streams earned from the industrial investment properties divested to Industre.

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

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

Segment profit	SPL $000	SPL elimination $000	SIML $000	SIML elimination $000	2021 $000
Net rental income	49,322	2,673	-	-	51,995
Management fee income	-	-	35,010	(9,953)	25,057
Total corporate expenses	(8,145)	5,334	(18,247)	-	(21,058)
Profit before net finance expense, other income/(expense) and income tax	41,177	8,007	16,763	(9,953)	55,994
Net finance expense	(13,413)	-	(101)	66	(13,448)
Profit before other income/(expense) and income tax	**27,764**	**8,007**	**16,662**	**(9,887)**	**42,546**
Other income/(expense)					
Net change in fair value of investment properties	42,220	1,069	-	-	43,289
Share of profit in equity-accounted investments	62,264	-	-	-	62,264
Hedge ineffectiveness of cashflow hedges	(1,075)	-	-	-	(1,075)
Loss on disposal of investment properties	(4,020)	173	-	-	(3,847)
Profit before income tax	**127,153**	**9,249**	**16,662**	**(9,887)**	**143,177**
Income tax expense	(6,603)	-	(4,703)	-	(11,306)
Profit after income tax attributable to shareholders	**120,550**	**9,249**	**11,959**	**(9,887)**	**131,871**
Total other comprehensive income after tax	2,802	-	161	-	2,963
Total comprehensive income after tax attributable to shareholders	**123,352**	**9,249**	**12,120**	**(9,887)**	**134,834**

2.0 Operating Segments (continued)

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

Segment profit	SPL $000	SPL elimination $000	SIML $000	SIML elimination $000	2021 $000
Profit attributable to shareholders	**120,550**	**9,249**	**11,959**	**(9,887)**	**131,871**
Add back loss from discontinued operations	81	-	-	-	81
Profit after income tax from continuing operations attributable to shareholders	**120,631**	**9,249**	**11,959**	**(9,887)**	**131,952**

In the current year, the following expenses payable by SPL to SIML have been eliminated in the consolidated statement of comprehensive income:

- direct property operating expenses $2,673,000 (2020: $2,356,000)
- management and accounting fees included in corporate expenses $5,334,000 (2020: $5,465,000)
- management fees in respect of capital expenditure on investment properties $1,069,000 (2020: $2,042,000) and divestment of investment properties $173,000 (2020: $704,000)

In the prior year, following the reclassification from inventory – development property to investment property, $645,000 included in the net change in fair value of investment properties was also eliminated in the consolidated statement of comprehensive income.

2.0 Operating Segments (continued)

Segment profit	SPL $000	SPL elimination $000	SIML $000	SIML elimination $000	2020 $000
Net rental income	56,726	2,356	-	-	59,082
Management fee income	-	-	28,682	(10,403)	18,279
Total corporate expenses	(11,302)	5,690	(18,163)	-	(23,775)
Profit before net finance expense, other income/(expense) and income tax	45,424	8,046	10,519	(10,403)	53,586
Net finance expense	(16,375)	-	(77)	-	(16,452)
Profit before other income/(expense) and income tax	29,049	8,046	10,442	(10,403)	37,134
Other income/(expense)					
Net change in fair value of investment properties	(5,225)	3,469	-	-	(1,756)
Impairment of work in progress	(2,007)	-	-	-	(2,007)
Share of profit in equity-accounted investments	3,503	-	-	-	3,503
Hedge ineffectiveness of cash flow hedges	(8,218)	-	-	-	(8,218)
Profit before income tax	17,102	11,515	10,442	(10,403)	28,656
Income tax expense	(263)	-	(3,074)	-	(3,337)
Profit after income tax attributable to shareholders	16,839	11,515	7,368	(10,403)	25,319
Total other comprehensive income after tax	4,603	-	17	-	4,620
Total comprehensive income after tax attributable to shareholders	21,442	11,515	7,385	(10,403)	29,939

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

Segment profit	SPL $000	SPL elimination $000	SIML $000	SIML elimination $000	2020 $000
Profit attributable to shareholders	16,839	11,515	7,368	(10,403)	25,319
Add back loss from discontinued operations	(25,385)	-	-	-	(25,385)
Profit after income tax from continuing operations attributable to shareholders	(8,546)	11,515	7,368	(10,403)	(66)

Segment assets and liabilities	SPL $000	SPL elimination $000	SIML $000	SIML elimination $000	Total $000
Balance at 31 Mar 21					
Total assets	**1,359,091**	**3,862**	**20,665**	**-**	**1,383,618**
Total liabilities	**361,056**	**(2,196)**	**6,972**	**-**	**365,832**
Balance at 31 Mar 20					
Total assets	1,139,832	697	9,749	-	1,150,278
Total liabilities	447,998	-	4,116	-	452,114

As at 31 March 2021, SPL had assets of $269,105,000 (2020: $107,272,000) relating to other investments and loan to equity-accounted investments (note 7.2) which increased by $161,833,000 from the prior year (2020: $12,507,000 increase).

3.0 Property

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

3.1 Net rental income

Accounting policy

Investment property is leased by SPL to tenants under operating leases with rent payable monthly. Rental income from investment properties is recognised on a straight-line basis over the lease term. Lease incentives provided in relation to letting the investment properties are capitalised to the respective investment properties in the consolidated statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income. Where a lease provides for fixed rental increases over the term of the lease, they are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

Income generated from service charges recovered from tenants are included in 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.

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

SPL	2021 $000	Re-presented 2020 $000
Gross rental income		
Rental income	**52,679**	54,156
Service charge income recovered from tenants	**12,282**	12,405
Spreading of fixed rental increases	**(325)**	224
Capitalised lease incentives	**409**	342
Lease incentives amortisation	**(639)**	(579)
Capitalised lease incentives - COVID-19 abatements	**3,387**	-
Lease incentives amortisation - COVID-19 abatements	**(952)**	-
Rental income abatement provision due to COVID-19	**(413)**	-
Total gross rental income from continuing operations	**66,428**	**66,548**
Direct property operating expenses		
Movement in loss allowance	**47**	-
Rates and insurance	**(7,390)**	(6,290)
Property maintenance costs	**(3,926)**	(4,425)
Utilities	**(1,301)**	(1,361)
Other non-recoverable property operating expenses	**(3,991)**	(4,104)
Total direct property operating expenses from continuing operations	**(16,561)**	**(16,180)**
Net rental income from continuing operations	**49,867**	**50,368**

As at 31 March 2021, a provision of $0.4 million for rental income abatements in relation to COVID-19 yet to be finalised was provided for.

Other non-recoverable property operating expenses represent operating expenses not recoverable from tenants and property leasing expenses. Salaries and wages costs of $1.5 million (2020: $1.5 million) charged by SIML to SPL have been eliminated in the direct property operating expenses.

3.0 Property (continued)

3.1 Net rental income (continued)

Accounting policy

Leases are classified at their inception as either an operating or finance lease based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

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

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

	2021 $000	Re-presented 2020 $000
Within one year	**60,515**	45,175
Between one and two years	**51,520**	37,738
Between two and three years	**43,516**	30,633
Between three and four years	**36,819**	24,613
Between four and five years	**28,712**	20,473
Later than five years	**182,498**	122,108
Future rentals receivable	**403,580**	280,740

3.0 Property (continued)

3.2 Investment properties

Accounting policy

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

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

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

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

Any gain or loss arising from a change in the fair value of the investment property is recognised in the consolidated statement of comprehensive income within net change in fair value of investment properties. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to SPL and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the consolidated statement of comprehensive income during the period in which they are incurred.

Investment properties are de-recognised when they have been disposed of. The net gain or loss on disposal is calculated as the difference between the carrying amount at the time of the disposal and the net proceeds on the disposal and is included in the consolidated statement of comprehensive income in the reporting period in which the disposal occurs.

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

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

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

3.0 Property (continued)

3.2 Investment properties (continued)

	Office $000	Retail $000	Industrial $000	Development $000	Large Format Retail $000	Total $000
Balance at 31 Mar 19	**186,800**	**384,160**	**214,075**	**48,400**	**47,300**	**880,735**
Initial add back of lease liabilities	11,622	15,922	-	-	-	27,544
Acquisition	-	-	16,020	18,980	-	35,000
Subsequent capital expenditure	3,017	6,302	791	34,962	2,055	47,127
Capitalised lease incentives	229	97	21	-	2	349
Lease incentives amortisation	(253)	(445)	(366)	-	-	(1,064)
Spreading of fixed rental increases	53	(137)	134	174	-	224
Reclassification	-	(86,000)	-	-	86,000	-
Transfers from work in progress	-	-	97,500	(97,500)	-	-
Transfers from inventory	-	35,436	-	-	-	35,436
Transfer to investment properties classified as held for sale	-	-	-	-	(132,196)	(132,196)
Net change in fair value	(3,854)	(37,415)	23,265	19,409	(3,161)	(1,756)
Balance at 31 Mar 20	**197,614**	**317,920**	**351,440**	**24,425**	**-**	**891,399**
Disposals	**-**	**-**	**(228,816)**	**(30,811)**	**-**	**(259,627)**
Property acquisitions	**371,899**	**-**	**10,000**	**-**	**-**	**381,899**
Subsequent capital expenditure	**1,920**	**2,120**	**969**	**8,627**	**-**	**13,636**
Spreading of fixed rental increases	**(230)**	**(452)**	**64**	**-**	**-**	**(618)**
Capitalised lease incentives	**153**	**245**	**10**	**-**	**-**	**408**
Lease incentives amortisation	**(222)**	**(383)**	**(197)**	**-**	**-**	**(802)**
Capitalised lease incentives - COVID-19 abatements	**523**	**2,114**	**568**	**-**	**-**	**3,205**
Lease incentives amortisation - COVID-19 abatements	**(178)**	**(661)**	**(61)**	**(8)**	**-**	**(908)**
Reclassification	**(11,000)**	**-**	**-**	**11,000**	**-**	**-**
Net change in fair value	**12,822**	**4,863**	**26,907**	**(1,303)**	**-**	**43,289**
Balance at 31 Mar 21	**573,301**	**325,766**	**160,884**	**11,930**	**-**	**1,071,881**
Comprised of:						
Investment property at valuation	**561,800**	**309,850**	**160,884**	**11,930**	**-**	**1,044,464**
Lease liabilities	**11,501**	**15,916**	**-**	**-**	**-**	**27,417**
Balance at 31 Mar 21	**573,301**	**325,766**	**160,884**	**11,930**	**-**	**1,071,881**

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

The net change in fair value of $43,289,000, being $38,759,000 from continuing operations and $4,530,000 from discontinued operations (refer note 7.4), (2020: ($1,756,000)) includes ($33,000) (2020: $62,000) in relation to the change in the value of the lease liabilities. In the current year, a revaluation movement of $1,069,000 (2020: $3,469,000), arising from the elimination of the fees charged by SIML to SPL (refer note 2.0), has been reflected in the consolidated statement of comprehensive income.

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

On 30 June 2020, SPL transferred its industrial properties to Industre joint venture including the transfer of industrial properties to the Industre joint operation, for which SPL retains rights to jointly held assets, liabilities, revenues and expenses in proportion to its remaining participating interest. The transfer resulted in a disposal of industrial properties of $228 million including property under development. Subsequent decreases in participating interest in the Industre joint operation resulted in further disposals of $31 million during the period.

During the year three office properties were acquired by SPL, being 34 Shortland Street, Auckland ($66.4million in total being $60.7 million investment property and $5.7 million property, plant and equipment (note 8.7)), 215 Lambton Quay, Wellington, ($84.5 million) and 20 Customhouse Quay, Wellington, ($228 million).

3.2 Investment properties (continued)

Valuations are performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring that no valuer values the same investment property for more than three consecutive years. All valuations are dated effective 31 March 2021.

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

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

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

3.0 Property (continued)

3.2 Investment properties (continued)

As at 31 Mar 21	Valuer	Net lettable area m²	$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
7 - 9 Fanshawe Street, Auckland	CBRE	4,808	10,800	8.63	8.55	86.6	2.2
34 Shortland Street, Auckland	Savills	8,128	57,700	5.75	6.36	100.0	2.1
80 Greys Avenue, Auckland	Colliers[1]	5,658	22,700	6.75	7.22	100.0	2.2
21 - 25 Teed Street, Auckland	CBRE	4,027	26,900	5.63	6.32	100.0	2.0
35 Teed Street, Auckland	JLL	2,865	22,200	5.38	5.00	92.9	6.6
*55 Lady Elizabeth Lane, Wellington	JLL	5,217	42,750	5.63	5.98	100.0	8.1
1 Grey Street, Wellington	CBRE	10,492	65,750	6.25	6.14	100.0	3.3
215 Lambton Quay, Wellington	Colliers[2]	10,934	85,000	5.60	6.00	99.0	3.2
20 Customhouse Quay, Wellington	Colliers[2]	17,484	228,000	4.50	4.48	99.9	12.3
Office total		**69,614**	**561,800**	**5.35**	**5.52**	**98.6**	**6.4**
Retail							
61 Silverdale Street, Auckland	Savills	23,008	97,000	6.38	6.73	99.1	4.6
NorthWest Shopping Centre, Auckland	Colliers[1]	27,978	149,000	6.75	7.88	97.5	4.3
NorthWest Two, Auckland	Colliers[1]	7,904	36,500	6.25	7.10	98.0	4.6
Johnsonville Shopping Centre, Wellington (50%)	CBRE	6,846	27,350	7.88	6.19	82.3	2.7
Retail total		**65,736**	**309,850**	**6.67**	**7.28**	**96.5**	**4.3**
Industrial (56.33% participating interest in Industre (joint operation) refer note 7.3)							
30 Airpark Drive, Auckland	Bayleys	8,887	22,251	4.80	4.04	100.0	3.7
20 Rockridge Avenue, Auckland	Savills	4,886	13,351	4.63	4.44	100.0	3.5
**25 O'Rorke Road and 15 Rockridge Avenue, Auckland	Savills	20,331	62,190	4.83	4.57	96.9	3.7
318 East Tamaki Road, Auckland	JLL	5,495	63,092	4.25	4.25	100.0	23.8
Industrial total		**39,599**	**160,884**	**4.58**	**4.36**	**98.4**	**11.3**
Development							
***22 The Terrace, Wellington	JLL	-	11,930	-	-	-	-
Total		**174,950**	**1,044,464**	**5.62**	**5.86**	**97.8**	**6.2**

* Previously known as 33 Customhouse Quay, Wellington.

** 25 O'Rorke Road and 15 Rockridge Avenue, Auckland, have been combined and are now valued and reported as one property as at 31 March 2021.

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

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

Colliers[1] refers to the valuer CVAS (NZ) Limited and Colliers[2] refers to the valuer CVAS (WLG) Limited.

3.0 Property (continued)

3.2 Investment properties (continued)

As at 31 Mar 20	Valuer	Net lettable area m²	$000	Cap rate %	Contract yield %	Occupancy %	WALT years
Office							
7 - 9 Fanshawe Street, Auckland	CBRE	4,817	10,400	9.13	11.64	100.0	2.7
80 Greys Avenue, Auckland	Colliers[1]	5,450	20,800	7.00	6.77	86.6	1.7
21 - 25 Teed Street, Auckland	CBRE	4,088	24,700	6.25	6.11	90.9	2.5
35 Teed Street, Auckland	JLL	2,874	21,000	5.50	6.14	93.0	7.7
*55 Lady Elizabeth Lane, Wellington	JLL	5,217	39,200	6.00	6.40	100.0	8.9
1 Grey Street, Wellington	Colliers[2]	10,443	57,600	6.88	7.12	100.0	4.1
22 The Terrace, Wellington	Colliers[2]	4,781	12,350	7.75	9.25	89.3	2.0
Office total		37,670	186,050	6.65	7.08	95.2	4.6
Retail							
61 Silverdale Street, Auckland	Savills	22,948	95,000	6.38	6.78	99.1	4.6
NorthWest Shopping Centre, Auckland	Colliers[1]	27,542	148,000	6.75	8.25	99.0	4.3
NorthWest Two, Auckland	Colliers[1]	7,900	34,000	6.50	7.43	95.6	4.8
Johnsonville Shopping Centre, Wellington (50%)	Colliers[1]	6,966	25,000	7.57	6.85	77.0	2.5
Retail total		65,356	302,000	6.67	7.58	96.3	4.3
Industrial (100% ownership)							
30 Airpark Drive, Auckland	Bayleys	15,776	32,500	5.38	4.84	100.0	4.7
20 Rockridge Avenue, Auckland	Savills	8,674	18,250	5.50	5.25	100.0	4.5
15 Rockridge Avenue, Auckland	Savills	9,113	26,000	5.13	5.22	100.0	5.4
25 O'Rorke Road, Auckland	Savills	27,072	72,550	5.38	5.43	100.0	3.7
318 East Tamaki Road, Auckland	JLL	9,755	98,000	4.75	4.73	100.0	24.8
Sub-total		70,390	247,300	5.36	5.27	100.0	9.0
Industrial (properties sold to Industre (joint venture) in 2021 refer note 7.3)							
22 Ha Crescent, Auckland	Colliers[1]	7,380	14,800	5.75	5.53	100.0	1.3
8 Reg Savory Place, Auckland	Bayleys	4,025	9,800	5.25	5.00	100.0	3.4
460 Rosebank Road, Auckland	JLL	12,193	19,600	6.38	6.15	100.0	3.7
415 East Tamaki Road, Auckland	Bayleys	9,655	18,250	6.13	6.54	100.0	1.1
15 Ride Way, Auckland	CBRE	5,027	12,050	5.38	5.34	100.0	3.4
34 Airpark Drive, Auckland	CBRE	-	8,490	6.25	5.01	100.0	7.8
1-3 Selwood Road & 6-12 The Concourse, Auckland	JLL	9,899	21,150	6.13	6.00	100.0	3.6
Sub-total		48,179	104,140	5.36	5.27	100.0	9.0
Development (property sold to Industre (joint venture) in 2021 refer note 7.3)							
**11 Selwood Road, Auckland	JLL	-	24,425	-	-	-	-
Industrial total		118,569	375,865	5.36	5.27	100.0	9.0
Total		221,595	863,915	6.12	6.50	98.1	6.0

* Previously known as 33 Customhouse Quay, Wellington.

** The investment property at 11 Selwood Road, Auckland, was under development and consequently the net lettable area, contract yield %, occupancy % and WALT were not applicable.

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

Colliers[1] refers to the value CVAS (NZ) Limited and Colliers[2] refers to the value CVAS (WLG) Limited.

3.2 Investment properties (continued)

As at 31 March 2020, the independent valuations of SPL's portfolio were reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. As at 31 March 2021, the 'material valuation uncertainty' clause has been removed on all of the independent valuations, with the exception of Johnsonville Shopping Centre, Wellington.

Breakdown of valuations by valuer	2021 $000	2020 $000
CVAS (NZ) Limited (Colliers[1])	**208,200**	242,600
CVAS (WLG) Limited (Colliers[2])	**313,000**	69,950
Savills (NZ) Limited (Savills)	**230,242**	211,800
Jones Lang LaSalle Limited (JLL)	**139,971**	223,375
CBRE Limited (CBRE)	**130,800**	55,640
Bayleys Valuations Limited (Bayleys)	**22,251**	60,550
	1,044,464	863,915

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

	Cap rate %	Discount rate %	Gross market rental $/m2	Rental growth rate %	Terminal yield %
As at 31 Mar 21					
Office	**4.50-8.63**	**6.00-9.00**	**350-790**	**1.84-2.96**	**5.13-8.63**
Retail	**6.25-7.88**	**7.63-8.13**	**335-594**	**(0.07)-2.34**	**6.25-6.50**
Industrial	**4.25-4.83**	**6.00-6.44**	**108-511**	**2.40-2.50**	**4.50-5.07**
Total portfolio	**4.25-8.63**	**6.00-9.00**	**108-790**	**(0.07)-2.96**	**4.50-8.63**
As at 31 Mar 20					
Office	5.50-9.13	7.25-9.50	349-633	2.11-2.73	5.63-9.13
Retail	6.38-7.57	7.63-9.24	336-608	1.53-2.15	6.25-7.79
Industrial	4.75-6.38	6.50-9.00	102-192	2.09-2.46	5.00-6.63
Total portfolio	4.75-9.13	6.50-9.50	102-633	1.53-2.73	5.00-9.13

In the prior year, in addition to the above key unobservable inputs, due to COVID-19 the valuers also made assumptions around rental rebates for tenancy occupancy disruption. In the current year, the assumptions around rental rebates for tenancy occupancy disruption has been removed on all the independent valuations, with the exception of Johnsonville Shopping Centre, Wellington. The following table details the rental rebate allowances adopted across the various investment classes:

COVID-19 rental rebates	2021 $000	2020 $000
Office	**-**	(2,803)
Retail	**(209)**	(10,744)
Industrial	**-**	(1,705)
Total portfolio	**(209)**	(15,252)

3.0 Property (continued)

3.2 Investment properties (continued)

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate or discount rate, assuming the capitalisation rate or discount rate moved equally on all the properties is provided below. The metrics chosen are those where movements are likely to have the most significant impact on fair value. In the prior year, due to the independent valuations of SPL's portfolio being reported on the basis of 'material valuation uncertainty', SPL increased the range in the sensitivities (shown as 'N/A' in the current year).

	Cap rate %					
Impact on fair value	**-0.75**	**-0.50**	**-0.25**	**+0.25**	**+0.50**	**+0.75**
As at 31 Mar 21						
Change $000	**N/A**	**N/A**	**53,535**	**(47,995)**	**N/A**	**N/A**
Change %	**N/A**	**N/A**	**5**	**(4)**	**N/A**	**N/A**
As at 31 Mar 20						
Change $000	138,300	85,710	30,480	(25,995)	(71,490)	(103,535)
Change %	16	10	3	(3)	(8)	(12)

	Discount rate%					
Impact on fair value	**-0.75**	**-0.50**	**-0.25**	**+0.25**	**+0.50**	**+0.75**
As at 31 Mar 21						
Change $000	**N/A**	**N/A**	**20,507**	**(29,073)**	**N/A**	**N/A**
Change %	**N/A**	**N/A**	**2**	**(3)**	**N/A**	**N/A**
As at 31 Mar 20						
Change $000	49,207	32,544	15,726	(16,300)	(31,883)	(47,186)
Change %	6	4	2	(2)	(4)	(5)

The following tables were additional sensitivities that were provided as a result of COVID-19 in the prior year.

	Gross market rental			
Impact on fair value	**-10.0%**	**-5.0%**	**+5.0%**	**+10.0%**
As at 31 Mar 20 (change $000)				
Office	(20,220)	(10,150)	10,340	21,070
Retail	(26,500)	(12,500)	15,000	29,500
Industrial	(25,860)	(13,200)	15,965	31,590
Total	(72,580)	(35,850)	41,305	82,160
As at 31 Mar 20 (change %)				
Office	(11)	(5)	5	11
Retail	(9)	(4)	5	10
Industrial	(7)	(3)	4	8
Weighted average total	(8)	(4)	5	9

	COVID-19 rental rebate			
Impact on fair value	**-75.0%**	**-50.0%**	**+50.0%**	**+75.0%**
As at 31 Mar 20 (change $000)				
Office	2,102	1,401	(1,401)	(2,102)
Retail	8,058	5,372	(5,372)	(8,058)
Industrial	1,279	853	(853)	(1,279)
Total	11,439	7,626	(7,626)	(11,439)
As at 31 Mar 20 (change %)				
Office	1	1	(1)	(1)
Retail	3	2	(2)	(3)
Industrial	0	0	0	0
Weighted average total	1	1	(1)	(1)

3.0 Property (continued)

3.2 Investment properties (continued)

Valuation techniques used:

- **Income Capitalisation approach** - is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Adjustments are then made to the value to reflect under or over renting, pending capital expenditure, and upcoming expiries, including allowance for lessee incentives and leasing expenses.
- **Discounted Cash Flow approach** - adopts a ten-year investment horizon and makes appropriate allowances for rental income growth and leasing expenses on expiries, with an estimated terminal value at the end of the investment period. The terminal yield is used to derive the terminal value. Terminal yield rate estimates are based on comparable transaction data and also consider matters such as building age and the market environment at the end of the investment period (10 years). The present value reflects the market-based income and expenditure projections, discounted at a rate of return referred to as a discount rate. In selecting the discount rate, many factors are considered, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments and the rates of return earned by comparable properties in the past.

In deriving a market value under each approach, all assumptions are based, where possible, on market-based evidence and transactions for properties with similar locations, construction detail and quality of lessee covenant. The adopted market value is a combination of both the Income Capitalisation and the Discounted Cash Flow approaches.

In the current year the property at 22 The Terrace, Wellington, has been fair valued by calculating what the property is expected to be worth on completion of the seismic and building upgrade works of the property and deducting all expected costs to complete the development, being the **Residual Approach**. In the prior year, the property at 11 Selwood Road, Auckland, was being developed for Waste Management and was also fair valued under the Residual Approach.

3.0 Property (continued)

3.2 Investment properties (continued)

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

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

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

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

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

An increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. A decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield could also potentially offset the impact to fair value. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

3.0 Property (continued)

3.3 Lease liabilities

Accounting policy

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

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

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

SIML has an operating lease for its head office where SIML is the lessee. SIML has recognised a right-of-use asset within property, plant and equipment and a corresponding lease liability within interest bearing liabilities in relation to this lease. The right-of-use asset is depreciated over the term of the lease. The total lease liability at 31 March 2021 is $37,000 (2020: $625,000). A 5.13% discount rate was applied for property, plant and equipment, being the estimated incremental borrowing rate applied to the lease liabilities as at 1 April 2019. This lease and right-of-use asset is eliminated in these financial statements .

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

- NorthWest Shopping Centre, Auckland;
- 7 - 9 Fanshawe Street, Auckland; and
- 55 Lady Elizabeth Lane, Wellington (previously known as 33 Customhouse Quay, Wellington).

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

The liabilities were measured at the present value of the remaining lease payments, discounted at the rate as specified in the lease for investment property being 6.25% for NorthWest Shopping Centre, Auckland, and 7.00% for 7-9 Fanshawe Street, Auckland. The lease term is reassessed if an option is actually exercised (or not exercised) or Stride becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Included in the 31 March 2021 balance of investment property at valuation, is an implicit right-of-use asset of $23,490,000 (2020: $22,670,000) in relation to a peppercorn ground lease at 55 Lady Elizabeth Lane, Wellington, with an associated immaterial lease liability.

The total lease liabilities amount of $27,417,000 is in respect of the two investment properties with ground leases at 31 March 2021 (2020: $27,484,000). Refer to note 6.7 for maturity profile.

Right-of-use asset	**2021 $000**	**2020 $000**
Opening balance	**28,109**	28,633
Reclassification	**(306)**	-
Depreciation	**(349)**	(524)
Closing balance	**27,454**	28,109
Lease liabilities		
Opening balance	**28,109**	28,633
Reclassification	**(285)**	-
Cash lease payments	**(2,166)**	(2,356)
Finance lease interest	**1,796**	1,832
Closing balance	**27,454**	28,109
Current liabilities	**71**	630
Non-current liabilities	**27,383**	27,479
Total lease liabilities	**27,454**	28,109

3.4 Capital expenditure commitments contracted for

As at 31 March 2021, SPL has the following commitments:

- $0.6 million (2020: $0.7 million) in total for various capital expenditure works to be undertaken on investment properties in this financial year.
- $15.8 million to undertake seismic and building upgrade works at 22 The Terrace, Wellington.

Subsequent to balance date, SPL has committed to a further $2.6 million in total for capital expenditure works to be undertaken on investment properties in this financial year.

Stride has no other material capital commitments as at 31 March 2021.

4.0 Investor Returns

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

4.1 Basic and diluted earnings per share (EPS)

Accounting policy

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

	2021 $000	Re-presented 2020 $000
Profit after income tax from continuing operations attributable to shareholders	**131,952**	**(66)**
Weighted average number of shares for the purpose of basic EPS (000)	**399,790**	365,344
Basic EPS - SPL	**30.02**	(2.04)
Basic EPS - SIML	**2.99**	2.02
Basic EPS - weighted (cents)	**33.01**	(0.02)
Weighted average number of shares for the purpose of diluted EPS (000)	**401,062**	366,492
Basic EPS - SPL	**29.92**	(2.03)
Basic EPS - SIML	**2.98**	2.01
Basic EPS - weighted (cents)	**32.90**	(0.02)
(Loss)/profit after income tax attributable to shareholders - discontinued operations	**(81)**	25,385
Weighted average number of shares for the purpose of basic EPS (000)	**399,790**	365,344
Diluted EPS - SPL	**(0.02)**	6.95
Diluted EPS - SIML	**0.00**	0.00
Diluted EPS - weighted (cents)	**(0.02)**	6.95
Weighted average number of shares for the purpose of diluted EPS (000)	**401,062**	366,492
Diluted EPS - SPL	**(0.02)**	6.93
Diluted EPS - SIML	**0.00**	0.00
Diluted EPS - weighted (cents)	**(0.02)**	6.93
Profit attributable to shareholders from continuing and discontinued operations	**131,871**	25,319
Weighted average number of shares for the purpose of basic EPS (000)	**399,790**	365,344
Basic EPS - SPL	**30.00**	4.91
Basic EPS - SIML	**2.99**	2.02
Basic EPS - weighted (cents)	**32.99**	6.93
Weighted average number of shares for the purpose of diluted EPS (000)	**401,062**	366,492
Diluted EPS - SPL	**29.90**	4.90
Diluted EPS - SIML	**2.98**	2.01
Diluted EPS - weighted (cents)	**32.88**	6.91

Weighted average number of shares for the purpose of diluted EPS has been adjusted for 544,916 (2020: 890,729) rights issued under SPL's long-term share incentive schemes as at 31 March 2021.

Profit after income tax attributable to shareholders is higher in 2021 than 2020 by $132.0 million mainly due to:

- higher net valuation movement of $60.9 million across the portfolios;
- higher share of profit in equity-accounted investments of $58.8 million primarily due to revaluation gains; and
- higher management fees of $6.8 million due to growth in assets under management and performance fees.

4.0 Investor Returns (continued)

4.2 Distributable profit

Accounting policy

Stride's dividend policy as at 31 March 2021 is to target a cash dividend to shareholders that is between 80% and 100% of its distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Stride's underlying and recurring earnings from its operations. Distributable profit is a non-NZ GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profits in equity-accounted investments, dividends received from equity-accounted investments and current tax.

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

	2021 $000	2020 $000
Profit before income tax (including discontinued operations note 7.4)	**143,177**	28,656
Non-recurring, non-cash, and other adjustments:		
Net change in fair value of investment properties	**(43,289)**	1,756
Reversal of the lease liabilities movement in investment properties	**(61)**	(62)
Loss on disposal of investment properties	**3,847**	-
Disposal fee income eliminated in SIML	**704**	253
Acquisition and development fee income eliminated in SIML	**1,242**	2,120
Share of profit in equity-accounted investments	**(62,264)**	(3,503)
Dividend income from equity-accounted investments	**6,599**	4,095
Spreading of fixed rental increases	**618**	(224)
Capitalised lease incentives - rent free	**(348)**	(342)
Lease incentives amortisation - rent free	**738**	695
Capitalised lease incentives - cash incentives	**(60)**	(7)
Lease incentives amortisation - cash incentives	**64**	369
Capitalised lease incentives - COVID-19 abatements	**(3,205)**	-
Lease incentives amortisation - COVID-19 abatements	**908**	-
Share based payment expense	**750**	459
Depreciation	**480**	694
Lease liabilities for head office	**(505)**	(462)
Elimination of gain on acquisition on head office lease liabilities and assets	**(16)**	-
Software amortisation	**389**	362
Finance expense - swap termination expense	**1,380**	1,274
Hedge ineffectiveness of cash flow hedges	**1,075**	8,218
Forfeited long term incentive rights	**(191)**	(246)
Borrowings establishment costs amortisation	**332**	191
Work in progress impairment	**-**	2,007
Project costs	**-**	1,443
Distributable profit before current income tax	**52,364**	47,746
Current tax expense	**(10,165)**	(11,053)
Adjusted for:		
Tax expense on bank borrowings capitalised interest	**(50)**	(338)
Tax expense on depreciation recovered on disposal of investment properties	**3,700**	1,709
Tax expense on disposal of investment property on revenue account	**840**	-
Income tax movement in cash flow hedges	**(387)**	(357)
Distributable profit after current income tax	**46,302**	37,707
Adjustments to funds from operations:		
Maintenance capital expenditure	**(3,008)**	(5,895)
Adjusted Funds From Operations (AFFO)	**43,294**	31,812

4.0 Investor Returns (continued)

4.2 Distributable profit (continued)

	2021 $000	2020 $000
Weighted average number of shares for the purpose of basic distributable profit per share (000)	399,790	365,344
Basic distributable profit after current income tax per share - weighted (cents)	11.58	10.32
AFFO basic distributable profit after current income tax per share - weighted (cents)	10.83	8.71
Weighted average number of shares for the purpose of diluted distributable profit per share (000)	401,062	366,492
Diluted distributable profit after current income tax per share - weighted (cents)	11.54	10.29
AFFO diluted distributable profit after current income tax per share - weighted (cents)	10.79	8.68

4.3 Dividends paid and proposed

Accounting Policy

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

	2021 $000	2020 $000
The following dividends were declared and paid by SPL during the year:		
Q4 2020 final dividend 2.1575 cents (Q4 2019 2.2075 cents)	7,882	8,065
Q1 2021 interim dividend 1.9275 cents (Q1 2020 2.1575 cents)	7,042	7,882
Q2 2021 interim dividend 1.9025 cents (Q2 2020 2.1575 cents)	8,995	7,883
Q3 2021 interim dividend 1.7275 cents (Q3 2020 2.1575 cents)	8,168	7,883
Total dividends paid - SPL	32,087	31,713
The following dividends were declared and paid by SIML during the year:		
Q4 2020 final dividend 0.32 cents (Q4 2019 0.27 cents)	1,169	987
Q1 2021 interim dividend 0.55 cents (Q1 2020 0.32 cents)	2,010	1,169
Q2 2021 interim dividend 0.575 cents (Q2 2020 0.32 cents)	2,719	1,169
Q3 2021 interim dividend 0.75 cents (Q3 2020 0.32 cents)	3,545	1,169
Total dividends paid - SIML	9,443	4,494
Total dividends paid - Stride	41,530	36,207

Supplementary dividends of $159,899 (2020: $199,447) were paid to SPL shareholders not resident in New Zealand for which SPL received a foreign investor tax credit entitlement.

Supplementary dividends of $81,076 (2020: $40,477) were paid to SIML shareholders not resident in New Zealand for which SIML received a foreign investor tax credit entitlement.

5.0 Capital Structure and Funding

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

5.1 Borrowings

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless SPL has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2021 $000	2020 $000
Non-current		
Bank facility drawn down	261,000	386,240
Unamortised borrowings establishment costs	(1,140)	(375)
Total net borrowings	259,860	385,865
Weighted average interest rate for debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	4.13%	3.61%

31 March 21	Expiry date	Interest rate	Total $000	Undrawn facility $000	Drawn amount $000	Fair value $000
Bank Facility A	31 Aug 2022	Floating	170,000	-	170,000	170,000
Bank Facility B	30 Jun 2024	Floating	134,938	134,938	-	-
Bank Facility C	11 Dec 2023	Floating	150,000	59,000	91,000	91,000
			454,938	193,938	261,000	261,000
31 March 20						
Bank Facility A	31 Aug 2022	Floating	200,000	-	200,000	200,000
Bank Facility B	9 Jun 2021	Floating	200,000	13,760	186,240	186,240
Bank Facility C	6 Nov 2021	Floating	105,000	105,000	-	-
			505,000	118,760	386,240	386,240

Effective from 24 April 2020, SPL refinanced $135 million of debt for a further three years to 30 June 2024. SPL reduced its total available facilities post the settlement of the disposal of the three large format retail properties to Investore and the settlement of Industre to $305 million.

Key changes to SPL's facility agreement, which took effect from the completion of Industre, are as follows:

- the entities involved in Industre, and their properties, fall outside the guaranteeing group for the SPL facility; and
- margins and line fees vary depending on the mix of assets held by SPL. Lower margins and fees will apply where SPL's asset and tenant mix is sufficiently diversified to allow improved capital treatment from its lenders' perspective.

Effective from 20 November 2020, SPL entered into a new $100 million, three year facility which was further increased to $150 million effective from 19 February 2021.

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

SIML does not have any bank borrowings (2020: nil) however, it does have a $3 million overdraft facility with ANZ (2020: $3 million), which has not been utilised during the current year.

5.0 Capital Structure and Funding (continued)

5.1 Borrowings (continued)

Net debt reconciliation

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

	2021 $000	2020 $000
Cash and cash equivalents	**23,024**	12,098
Borrowings	**(259,860)**	(385,865)
Lease liabilities	**(27,454)**	(28,109)
Net debt	**(264,290)**	(401,876)

	Liabilities from financing activities				
	Borrowings $000	Leases $000	Sub-total $000	Cash $000	Total $000
As at 1 Apr 19	(332,399)	(28,633)	(361,032)	5,364	(355,668)
Cash flows	(53,390)	524	(52,866)	6,734	(46,132)
Re-assessment	-	-	-	-	-
Other changes	(76)	-	(76)	-	(76)
As at 31 Mar 20	**(385,865)**	**(28,109)**	**(413,974)**	**12,098**	**(401,876)**
Cash flows	**125,240**	**504**	**125,744**	**10,926**	**136,670**
Re-assessment	**-**	**151**	**151**	**-**	**151**
Other changes	**765**	**-**	**765**	**-**	**765**
As at 31 Mar 21	**(259,860)**	**(27,454)**	**(287,314)**	**23,024**	**(264,290)**

Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments

Accounting policy

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

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

Hedge ineffectiveness for interest rate swaps may occur due to:

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

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

When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

SPL	2021 $000	2020 $000
Notional value of interest rate derivative contracts	**230,000**	195,000
Interest rate derivative liabilities - current	**553**	8,521
Interest rate derivative liabilities - non-current	**1,595**	4,278
Fair values of interest rate derivatives	**2,148**	12,799
Fixed interest rates ranges	**0.39%-3.59%**	2.70% - 3.59%
Weighted average fixed interest rate (excluding margins)	**1.52%**	3.00%
Percentage of drawn debt fixed	**88%**	50%

Following the disposal of the three large format retail properties to Investore and the settlement of Industre:

- interest rate derivative contracts with a notional value of $120 million were terminated on 30 June 2020 for a cost of $9,293,000. Of the total swap termination costs incurred, $1,075,000 (31 Mar 2020: $8,218,000) ($419,000 from continuing operations and $656,000 from discontinued operations (refer note 7.4)) has been recognised as hedge ineffectiveness in the current year.
- $1,380,000 has been expensed to finance expense - swap termination expense in the consolidated statement of comprehensive income. This expense relates to swap termination costs recognised in equity as other reserves as at 31 March 2020 in relation to interest rate derivative contracts that had a notional value of $100 million, that were terminated in April 2018 for a cost of $4,058,000 which was being amortised to finance expense over the remaining life of the interest rate derivative contract. The $1,380,000 has been expensed in the current year as the hedged future cash flows are no longer expected to occur.

SPL typically designates its interest rate derivatives as cash flow hedges of the interest flows on its variable rate borrowings. SPL enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. SPL has not hedged 100% of its floating rate borrowings, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments (continued)

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2020: Level 2). Judgement is involved in determining the fair value by the independent treasury advisors. The fair values are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 31 March 2021 of between 0.35%, for the 90-day BKBM, and 1.96%, for the 10-year swap rate (2020: 0.49% and 0.91%, respectively). There have been no transfers between Level 1 and 2 during the respective periods. There were no changes to these valuation techniques during the reporting period. As at 31 March 2021, the fair value of the interest rate derivatives includes an accrued interest liability of $15,593 (2020: $303,205).

The following sensitivity analysis represents the change in fair value of the interest rate derivatives and shows the effect on equity if the floating interest rates on swaps (hedged bank borrowings) had been 0.25% higher or lower, with other variables remaining constant.

	2021		2020	
	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	**(1,355)**	**1,343**	(458)	455
Impact on profit	**-**	**-**	(917)	909

SPL does not hold derivative financial instruments for trading purposes.

SIML does not hold any interest rate derivatives (2020: nil).

5.3 Net finance expense

Accounting policy

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

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

SPL	2021 $000	2020 $000
Finance income		
Bank interest income	**20**	14
Other finance income	**-**	196
Total finance income from continuing operations	**20**	210
Finance expense		
Bank borrowings interest	**(10,471)**	(14,764)
Bank borrowings interest capitalised	**179**	1,208
Finance expense - swap termination expense (note 5.2)	**(1,380)**	(1,274)
Finance expense - lease liabilities	**(1,796)**	(1,832)
Total finance expense from continuing operations	**(13,468)**	(16,662)
Net finance expense from continuing operations	**(13,448)**	(16,452)

In the current year $179,000 of bank borrowing interest expense was capitalised using an average capitalisation rate of 2.41% including line fee and margin cost (2020: $1,208,000 and 2.89%).

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

5.0 Capital Structure and Funding (continued)

5.4 Share capital

Accounting policy

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

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. SPL and SIML shares are "stapled" and jointly listed on the NZX (Stapled Securities). Each of SPL and SIML has 472,828,313 shares on issue as at 31 March 2021 (2020: 365,296,799).

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

During November and December 2020, Stride undertook an equity capital raise which resulted in total gross proceeds of $230 million, comprising a placement for $180 million and a share purchase plan for $50 million, to partly fund the acquisitions of 215 Lambton Quay, Wellington, and 20 Customhouse Quay, Wellington. Of the total gross proceeds from the placement, $175 million was allocated to SPL and $5 million was allocated to SIML. The total gross proceeds of $50 million from the share purchase plan was allocated to SPL.

The Boards of SPL and SIML did not issue any Stapled Securities under the SIML long term share incentive scheme during the year.

5.5 SIML equity (non-controlling interest)

	Notes	Total $000
Balance at 31 Mar 20		**5,633**
Transactions with shareholders:		
Dividends paid	4.3	**(9,443)**
Other movements in reserves		**387**
Issued capital net of capital raising expenses		**4,996**
Total transactions with shareholders		**(4,060)**
Total other comprehensive income		**161**
Profit after income tax		**11,959**
Total comprehensive income		**12,120**
Balance at 31 Mar 21		**13,693**
Balance at 31 Mar 19		2,516
Transactions with shareholders:		
Dividends paid	4.3	(4,494)
Other movements in reserves		226
Total transactions with shareholders		(4,268)
Total other comprehensive income		17
Profit after income tax		7,368
Total comprehensive income		7,385
Balance at 31 Mar 20		5,633

5.0 Capital Structure and Funding (continued)

5.6 Reserves

Reserves consist of the following Stride reserves	2021 $000	2020 $000
Cash flow hedge reserve	**(1,549)**	(4,076)
Share option reserve	**887**	371
Associate reserve - cash flow hedge	**45**	70
Property, plant and equipment revaluation reserve	**300**	-
Closing balance	**(317)**	(3,635)
Cash flow hedge reserve - SPL		
Opening balance	**(4,076)**	(8,649)
Amortisation of swap termination interest	**1,380**	1,274
Current tax on swap termination interest	**(387)**	(357)
Movement in fair value of interest rate derivatives	**2,130**	(3,141)
Deferred tax on fair value movements	**(596)**	879
Hedge ineffectiveness of cash flow hedges	**-**	8,218
Deferred tax on ineffective hedges	**-**	(2,300)
Closing balance	**(1,549)**	(4,076)
Share option reserve - SIML		
Opening balance	**371**	725
Share based payment expense	**750**	459
Deferred tax on share based payment expense	**161**	17
Forfeited employee long term incentive plan rights	**(32)**	(246)
Lapsed employee long term incentive rights	**(159)**	(482)
Transfer to share capital on vesting of employee long term incentive plan	**(204)**	(102)
Closing balance	**887**	371
Associate reserve - cash flow hedge - SPL		
Opening balance	**70**	40
Changes in reserves of associate	**(25)**	30
Closing balance	**45**	70
Property, plant and equipment revaluation reserve - SPL		
Opening balance	**-**	-
Changes in revaluation surplus	**300**	-
Closing balance	**300**	-

Gains and losses recognised in the cash flow hedge reserve on interest rate derivative contracts (interest rate swaps) will be reclassified in the same period in which the hedged forecast cash flows affect profit or loss until the repayment of the bank borrowings.

5.7 Capital risk management

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

Following the disposal of the three large format retail properties to Investore and the settlement of Industre, interest rate derivative contracts with a notional value of $120 million were terminated on 30 June 2020 for a cost of $9,293,000. The banking syndicate has agreed for SPL to exclude the $9,293,000 from the interest cover ratio financial covenant.

SPL has complied with these covenants during the relevant periods.

6.0 Financial Instruments and Risk Management

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

Accounting policy

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

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

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

Summary of financial instruments	2021 $000	2020 $000
Financial assets at amortised cost		
Cash at bank	**23,024**	12,098
Trade and other receivables	**9,068**	3,038
NZX bond	**75**	75
Total financial assets	**32,167**	15,211
Financial assets at fair value through profit or loss		
Loan to associate	**3,398**	3,398
Total non-derivative financial assets at fair value through profit or loss	**3,398**	3,398
Financial liabilities at amortised cost		
Trade and other payables	**22,145**	17,011
Lease liabilities	**27,454**	28,109
Borrowings (joint venture participating interest)	**43,169**	-
Bank borrowings	**259,860**	385,865
Derivative financial instruments		
Used for hedging	**2,148**	12,799
Total financial liabilities	**354,776**	443,784

6.1 Financial assets at amortised cost

Accounting policy

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

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

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

6.2 Financial liabilities at amortised cost

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

6.0 Financial Instruments and Risk Management (continued)

6.3 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 on investment properties, trade and other payables and bank borrowings.

6.4 Financial risk management

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

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

6.5 Interest rate risk

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

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

As at 31 March 2021, SPL had fixed 88% of its drawn debt (2020: 50%). As SPL holds interest rate derivatives, there is a risk that their economic value will fluctuate because of changes in market interest rates. The value of interest rate derivatives is disclosed in note 5.2.

SPL's exposure to interest rate fluctuations is limited to the extent of all the non-hedged portions of bank borrowings which at balance date was $31,000,000 (2020: $191,240,000). If floating interest rates were 0.25% higher or lower, with other variables remaining constant, the 12-month finance expense would be higher or lower by $77,500 respectively (2020: $478,100).

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

	2021 $000	2020 $000
Financial assets		
Cash at bank	**23,024**	12,098
NZX bond	**75**	75
Loan to associate	**3,398**	3,398
Financial liabilities		
Bank borrowings	**259,860**	385,865
Borrowings (joint venture participating interest)	**43,169**	-
Interest rates applicable at balance date		
Cash at bank	**0.00%**	0.00%
NZX bond	**1.23%**	2.14%
Loan to associate	**3.33%**	4.54%
Bank borrowings	**1.39%**	1.90%
Borrowings (joint venture participating interest)	**2.86%**	-
Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings	**4.13%**	3.61%

Trade and other receivables and payables are interest free and have settlement dates within one year. All other assets and liabilities are non-interest bearing.

6.0 Financial Instruments and Risk Management (continued)

6.6 Credit risk

Stride incurs credit risk from trade receivables, loan to associate and transactions with financial institutions including cash balances and interest rate derivatives. Stride is not exposed to any concentrations of credit risk apart from the loan to associate and the accrued income receivable from AP SG 17 Pte. Limited.

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

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

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

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

The maximum exposure to credit risk is the carrying amount of each class of financial assets as reported in note 6.0.

6.7 Liquidity risk

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

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

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

	Total $000	0-6 mths $000	6-12 mths $000	1-2 yrs $000	2-5 yrs $000	>5 yrs $000
As at 31 Mar 21						
Trade and other payables	**22,145**	**22,145**	**-**	**-**	**-**	**-**
Secured bank borrowings	**277,093**	**3,640**	**3,640**	**175,347**	**94,466**	**-**
Lease liabilities	**123,333**	**961**	**924**	**1,848**	**5,628**	**113,972**
Derivative financial instruments	**6,630**	**1,664**	**1,392**	**2,059**	**1,515**	**-**
	429,201	**28,410**	**5,956**	**179,254**	**101,609**	**113,972**
As at 31 Mar 20						
Trade and other payables	17,011	17,011	-	-	-	-
Secured bank borrowings	400,601	4,052	4,052	190,985	201,512	-
Lease liabilities	101,834	1,182	1,184	1,979	9,243	88,246
Derivative financial instruments	16,647	2,927	2,927	5,403	5,390	-
	536,093	25,172	8,163	198,367	216,145	88,246

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

7.0 Equity-accounted Investments

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

7.1 Industre

Industre owns and develops industrial properties for long term income producing purposes. SPL contributed all its industrial properties to Industre, as part of the establishment of the joint venture.

Initially JPMAM committed approximately $70 million to the establishment of Industre and has additionally allocated a further $115 million of capital to fund near term growth initiatives, subject to meeting certain investment return and approval thresholds, taking JPMAM's total equity committed to $185 million. Over the long term, the strategy is for JPMAM to fund further portfolio growth until the respective economic contributions to the portfolio are 75%/25% (JPMAM/SPL).

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

7.2 Interests in associates and joint venture

Accounting policy

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

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

Set out below are the associates and the joint venture of SPL as at 31 March 2021, which, in the opinion of the directors, are material to SPL.

Entity	Country of incorporation	Ownership	Ownership Interest 2021	Ownership Interest 2020	Nature of relationship	Measurement method
Investore	New Zealand	Shares	**18.8%**	19.4%	Associate	Equity
Diversified	Australia	Units	**2.0%**	2.0%	Associate	Equity
Industre joint venture	New Zealand	Shares	**56.3%**	-	Joint Venture	Equity

	Carrying amount 2021 $000	Fair value amount 2021 $000	Carrying amount 2020 $000	Fair value amount 2020 $000
Equity-accounted investments				
Investore	**144,923**	**148,541**	103,428	97,661
Diversified	**1,227**	**-**	446	-
Industre joint venture	**119,557**	**-**	-	-
	265,707	**148,541**	103,874	97,661

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

The fair value for Investore is based on the quoted market price for Investore shares on the last business day for the year ended 31 March. Diversified does not have a quoted market price as it is an Australian Unit Trust that is not listed. Industre joint venture does not have a quoted market price as it is not listed.

7.0 Equity-accounted Investments (continued)

7.2 Interests in associates and joint venture (continued)

investore

Given the extent of SPL's equity investment as at balance date of 18.8% (2020: 19.4%), the appointment of SIML as manager, and that two of SIML's current directors are also directors of Investore, the SPL Board has concluded that SPL has "significant influence" over Investore. As such, SPL's investment in Investore has been treated as an interest in an associate. SPL is not subject to any escrow arrangements that prevent it from selling or otherwise disposing of any shares that it holds. The daily average ownership interest for the year was 18.9% which has been used to recognise SPL's share of Investore's profit.

diversified

Given the appointment of SIML as manager, and that one of SIML's current directors is also on Diversified's Investment Committee, the SPL Board has concluded that SPL retains "significant influence" over Diversified. As such, SPL's investment in Diversified has been treated as an interest in an associate. As at 31 March 2021, SPL has an interest-bearing loan receivable of $3,397,660 (2020: $3,397,660) with Diversified. This loan is due for repayment on 12 August 2026.

INDUSTRE joint venture

Industre joint venture comprises of Industre Property Tahi Limited (Tahi), Industre Property Rua Limited (Rua) and Industre Property Finance Limited (FinCo).

Tahi and Rua hold legal and beneficial ownership of certain industrial properties. SPL has rights to the net assets of these entities, and consequently these entities are classified as a joint venture. FinCo is a funding vehicle established to obtain bank borrowings and on-lend the funds to Tahi, Rua and Industre joint operation, which are financial guarantors in the funding arrangement. As at 31 March 2021, the value of the financial guarantee was nil.

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

Summarised financial information for associates and joint venture

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

SPL's share of profit for Industre joint venture in 2021 relates to the period 1 July 2020 to 31 March 2021. SPL's share in the Industre joint venture reduced from 68.25% as at 30 June 2020 to 56.33% as at 31 March 2021 and consequently, the net share of profit has been calculated on the weighted average participating interest during the period.

The movement between the closing carrying amount and share at carrying percentage for Industre joint venture relates to the $914,000 loss on sale of properties in exchange for cash received from Industre joint venture.

7.0 Equity-accounted Investments (continued)

7.2 Interests in associates and joint venture (continued)

Summarised financial information for associates and joint venture (continued)

Summarised statement of comprehensive income	Investore 2021 $000	Industre joint venture 2021 $000	Diversified 2021 $000
Net rental income	55,813	7,539	29,753
Corporate expenses	(9,224)	(1,911)	(3,353)
Finance income	4	-	5
Finance expense	(16,644)	(1,725)	(15,875)
Other income	139,017	48,158	21,652
Income tax expense	(7,706)	-	(1,492)
Profit	161,260	52,061	30,690
Other comprehensive income	3,051	220	1,849
Total comprehensive income	164,311	52,281	32,539
Summarised statement of financial position			
Assets			
Current assets	18,109	5,476	18,130
Investment properties	1,043,872	322,375	465,550
Other non-current assets	8,869	79,474	9,497
	1,070,850	407,325	493,177
Liabilities			
Current liabilities	(7,011)	(3,292)	(22,865)
Borrowings – current	-	-	(4,688)
Borrowings – non-current	(277,363)	(189,961)	(227,077)
Other non-current liabilities	(20,802)	(84)	(177,199)
	(305,176)	(193,337)	(431,829)
Net assets	765,674	213,988	61,348
Reconciliation to carrying amounts			
Opening net assets	526,691	-	22,328
Initial investment on 30 June 2020	-	100,881	-
Profit	161,260	52,061	30,690
Other comprehensive income	3,051	220	1,849
Reinvestment of unitholder funds	-	-	6,481
Issue of shares/units net of capital raising expenses	102,652	63,184	-
Dividends paid	(27,980)	(2,358)	-
Closing net assets	765,674	213,988	61,348

	Total 2021 $000	Investore 2021 $000	Industre joint venture 2021 $000	Diversified 2021 $000
SPL's share in %		18.8%	56.3%	2.0%
Share at carrying percentages	265,645	143,947	120,471	1,227
Opening carrying amount	103,874	103,428	-	446
Movement in cash flow hedges net of tax	(25)	(172)	110	37
Profit	62,264	30,404	31,246	614
Disposal of other investments	(481)	-	(481)	-
Reinvestment of unitholder funds	130	-	-	130
Issue of shares	85,149	16,522	68,627	-
Deemed equity contribution with a corresponding reduction in SPL's interest	21,395	-	21,395	-
Dividends received	(6,599)	(5,259)	(1,340)	-
Closing carrying amount	265,707	144,923	119,557	1,227

7.0 Equity-accounted Investments (continued)

7.2 Summarised financial information for associates and joint venture (continued)

Summarised statement of comprehensive income	Investore 2020 $000	Diversified 2020 $000
Net rental income	48,074	35,682
Corporate expenses	(7,451)	(4,364)
Finance income	52	45
Finance expense	(13,926)	(16,761)
Other income/(expense)	7,698	(123,965)
Income tax (expense)/benefit	(5,832)	1,776
Profit/(loss)	28,615	(107,587)
Other comprehensive loss	(464)	(2,540)
Total comprehensive income/(loss)	28,151	(110,127)
Summarised statement of financial position		
Assets		
Current assets	6,052	7,404
Investment properties	772,547	414,100
Other non-current assets	8,026	11,293
	786,625	432,797
Liabilities		
Current liabilities	(7,282)	(16,260)
Borrowings - current	-	(213,845)
Borrowings- non-current	(236,946)	(180,364)
Other non-current liabilities	(15,706)	-
	(259,934)	(410,469)
Net assets	526,691	22,328
Reconciliation to carrying amounts		
Opening net assets	443,209	128,416
Profit/(loss)	28,615	(107,587)
Other comprehensive loss	(464)	(2,540)
Reinvestment of unitholder funds	-	4,039
Issue of shares net of capital raising expenses	76,032	-
Dividends paid	(20,701)	-
Closing net assets	526,691	22,328

	Total 2020 $000	Investore 2020 $000	Diversified 2020 $000
SPL's share in %		19.4%	2.0%
Share at carrying percentages	102,624	102,178	446
Opening carrying amount	91,368	88,843	2,525
Movement in cash flow hedges net of tax	30	81	(51)
Profit/(loss)	3,503	5,655	(2,152)
Reinvestment of unitholder funds	124	-	124
Issue of shares	12,944	12,944	-
Dividends received	(4,095)	(4,095)	-
Closing carrying amount	103,874	103,428	446

There is nil comparative for Industre.

7.0 Equity-accounted Investments (continued)

7.3 Interest in joint arrangements

Accounting policy

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

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

SPL holds a 56.33% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2.

Johnsonville joint operation

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

Summarised financial information	2021 $000	2020 $000
Assets		
Current assets	394	306
	394	306
Liabilities		
Current liabilities	490	327
Non-current liabilities	-	-
	490	327
Net liabilities	(96)	(21)
Share of rental income	2,825	3,281
Share of expenses	(1,643)	(1,454)
Impairment of work in progress	-	(2,007)
Net share of profit/(loss)	1,182	(180)

In the prior year, due to COVID-19 and the uncertain economic climate, the development opportunity in relation to the redevelopment of Johnsonville Shopping Centre, Wellington, remained under review and as a consequence, the work in progress costs of $2,007,000 were fully impaired.

7.0 Equity-accounted Investments (continued)

7.3 Interest in joint arrangements (continued)

INDUSTRE joint operation

SPL holds a 56.33% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2. The Industre joint operation holds the beneficial ownership of these properties. The agreement between SPL and JPMAM in relation to their co-ownership requires unanimous consent from both parties for all relevant activities. The two parties have direct rights to the asset and are jointly and severally liable for the liabilities incurred in relation to the co-owned properties. This arrangement is therefore classified as a joint operation and SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below. SIML is the manager of the joint arrangement.

Summarised financial information	2021 100% $000	2021 Participating interest $000
Assets		
Current assets	1,321	744
Investment properties	285,600	160,884
	286,921	161,628
Liabilities		
Current liabilities	1,448	816
Borrowings	76,633	43,169
	78,081	43,985
Net assets	208,840	117,643
Income	10,528	6,553
Expenses	(4,494)	(2,799)
Net change in fair value of investment properties	35,818	21,454
Net share of profit*	41,852	25,208

*This information relates to the nine month period from 1 July 2020 to 31 March 2021. SPL's share in the Industre joint operation reduced from 68.25% as at 30 June 2020 to 56.33% as at 31 March 2021. The average ownership interest for the period has been used to recognise SPL's net share of the Industre joint operation's profit.

SPL's portion of the borrowings in the Industre joint operation are with FinCo, which is in the Industre joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo. As at 31 March 2021 SPL and JPMAM, as the participants, have agreed these borrowings will not be called by FinCo in the next 12 months, unless called on by FinCo's banking syndicate (which is a non-current borrowing). As such SPL's portion of the borrowings in the Industre joint operation have been classified as non-current in the consolidated statement of financial position.

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

	2021 $000
Acquisition fee income	472
Asset management fee income	315
Performance fee income	293
Building management fee income	25
Project management fee income	11
Leasing fee income	6
Maintenance fee income	3
	1,125
Balance receivable	233

There is nil comparative for Industre joint operation.

7.0 Equity-accounted Investments (continued)

7.4 Discontinued operations

Industrial investment properties were considered a major portfolio (sector) of SPL's operations and were distinguished operationally and for financial purposes from the other sectors. Discontinued operations refer to a core part of an entity's operation that has been divested.

As the establishment of Industre saw SPL divest a significant portion of its industrial portfolio, this meets the definition of a discontinued operation.

Only JPMAM's special purpose vehicle's participating interest has been treated as discontinued in respect of the joint operation as SPL retained a partial direct ownership interest in the properties. All of the financial performance and cash flows pertaining to the properties that are transferred to the Industre joint venture (refer note 7.2) have been treated as discontinued.

The financial performance and cash flow information for the discontinued operations are for the period ended 30 June 2020 (2021 column) and the year ended 31 March 2020.

SPL	**2021 $000**	**2020 $000**
Gross rental income	**2,529**	10,219
Direct property operating expenses	**(401)**	(1,505)
Net rental income	**2,128**	8,714
Less corporate expenses		
Administration expenses	**(7)**	(50)
One-off project costs	**-**	(1,364)
Total corporate expenses	**(7)**	(1,414)
Profit before other income/(expense) and income tax	**2,121**	7,300
Other income/(expense)		
Net change in fair value of investment properties (note 3.2)	**4,530**	20,412
Hedge ineffectiveness of cash flow hedges (note 5.6)	**(656)**	-
Loss on disposal of investment properties	**(4,160)**	-
Profit before income tax	**1,835**	27,712
Income tax expense (note 8.1)	**(1,916)**	(2,327)
(Loss)/profit after income tax from discontinued operations	**(81)**	25,385
Net cash (outflow)/inflow from operating activities	**(456)**	4,625
Net cash inflow/(outflow) from investing activities	**142,234**	(42,080)
Net cash (outflow)/inflow from financing activities	**(196,450)**	33,430

8.0 Other

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

8.1 Income tax

Accounting policy

Income tax expense comprises current and deferred tax and is recognised in the consolidated statement of comprehensive income for the year. Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at the reporting date.

SPL is a listed Portfolio Investment Entity (PIE) for the purposes of the Income Tax Act 2007 and is required to pay tax to Inland Revenue as in accordance with the Income Tax Act 2007.

Income tax	**2021 $000**	**2020 $000**
Current tax	**(10,165)**	(11,053)
Deferred tax	**(1,141)**	7,716
Income tax expense per the consolidated statement of comprehensive income from continuing and discontinued operations	**(11,306)**	(3,337)
Profit before income tax (including discontinued operations note 7.4)	**143,177**	28,656
Prima facie income tax using the company tax rate of 28%	**(40,090)**	(8,024)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	**11,821**	(1,463)
Reversal of lease liability movement	**(499)**	11
Non-taxable income	**15,061**	1,182
Assessable income	**(385)**	(27)
Depreciation	**4,345**	2,827
Depreciation recovered on disposal of investment properties	**(3,700)**	(1,709)
Non-deductible expenses	**(637)**	(4,236)
Expenditure deductible for tax	**3,241**	533
Over provision in prior year	**428**	417
Temporary differences	**250**	(564)
Current tax expense	**(10,165)**	(11,053)
Investment property depreciation	**89**	6,196
Other	**(1,230)**	1,520
Deferred tax charged to profit or loss	**(1,141)**	7,716
Income tax expense per the consolidated statement of comprehensive income from continuing and discontinued operations	**(11,306)**	(3,337)
Income tax expense from continuing operations	**(9,390)**	(1,010)
Income tax expense from discontinued operations	**(1,916)**	(2,327)
Income tax expense per the consolidated statement of comprehensive income from continuing and discontinued operations	**(11,306)**	(3,337)
Imputation credits available for use in subsequent reporting periods	**6,631**	5,962

In the current year, the income tax expense arising from the swap termination expense in the cash flow hedges has been shown in other comprehensive income of ($387,000) (2020: ($357,000)). Income tax expense arising from the Industre joint venture (Tahi and Rua) is ($319,000) (2020: nil).

Imputation credits available for use in subsequent reporting periods are based on a rate of 28% (2020: 28%) and represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits arising from provisional income tax paid.

8.0 Other (continued)

8.1 Income tax (continued)

Accounting policy

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

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

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

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

	2020 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	2021 $000
Deferred tax assets				
Derivative financial instruments	**3,584**	**(2,387)**	**(596)**	**601**
Other temporary differences	**1,134**	**581**	**(137)**	**1,578**
	4,718	**(1,806)**	**(733)**	**2,179**
Deferred tax liabilities				
Depreciation on investment properties	**(7,253)**	**89**	**-**	**(7,164)**
Deferred tax on properties on revenue account	**(1,176)**	**1,176**	**-**	**-**
Reinstatement receipts	**(224)**	**100**	**-**	**(124)**
Other	**(371)**	**(700)**	**-**	**(1,071)**
	(9,024)	**665**	**-**	**(8,359)**
Net deferred tax liabilities	**(4,306)**	**(1,141)**	**(733)**	**(6,180)**

	2019 $000	$000	$000	2020 $000
Deferred tax assets				
Derivative financial instruments	2,619	2,386	(1,421)	3,584
Other temporary differences	694	423	17	1,134
	3,313	2,809	(1,404)	4,718
Deferred tax liabilities				
Depreciation on investment properties	(13,449)	6,196	-	(7,253)
Deferred tax on properties on revenue account	-	(1,176)	-	(1,176)
Reinstatement receipts	(381)	157	-	(224)
Other	(101)	(270)	-	(371)
	(13,931)	4,907	-	(9,024)
Net deferred tax liabilities	(10,618)	7,716	(1,404)	(4,306)

8.0 Other (continued)

8.2 Corporate expenses

	2021 $000	2020 $000
Corporate overhead expenses include:		
Salaries and other short-term benefits	**13,592**	13,415
Depreciation	**480**	694
Software amortisation	**389**	362
Administration expenses include:		
Auditors' remuneration		
- Audit and review of financial statements	**365**	257
- Other assurance and related services - tenancy marketing and operating expenditure audits, and agreed upon procedures in respect of proxy voting (2020)	**30**	38
	395	295
Share based payment expense	**750**	459
Feasibility expenses	**608**	2,761

SPL incurred $608,000 (2020: $2,761,000) on feasibility costs on projects that did not proceed. SPL is committed to exploring opportunities that it considers will advance Stride's overall funds management strategy, although in these cases it determined not to proceed due to the overall perceived risks following due diligence.

Subsequent to balance date, the Auditor has been engaged to perform an investigating accountant's role which will result in a limited assurance report.

8.3 Remuneration

	2021 $000	2020 $000
Key management personnel expenses		
Salary and other short-term benefits - current employees	**3,632**	3,367
Share based payment expense	**750**	459
Forfeited long term incentive rights	**(32)**	(246)
	4,350	3,580

Key management personnel includes the Chief Executive Officer and the members of the executive team. In the current year key management personnel received dividends of $101,965 (2020: $101,299).

8.0 Other (continued)

8.3 Remuneration (continued)

Long term incentive plan

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

The share performance rights are measured at fair value at grant date, which is in reference to the fair value of the instruments granted rather than the fair value of the services from the employees. The fair value is determined using the share price at grant date adjusted for expected dividends and probability of meeting the performance hurdles. The fair value of rights granted during the year is independently determined using the Monte Carlo simulation model.

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

	Schemes for performance rights issued (000)				
	FY19 (3 year)	**FY20 (3 year)**	**FY21 (3 year)**	**2021 Total**	**2020 Total**
As at 31 Mar 20	**448**	**443**	**-**	**891**	912
Rights granted	**-**	**-**	**598**	**598**	459
Rights exercised	**(265)**	**-**	**-**	**(265)**	(55)
Rights forfeited	**(7)**	**(37)**	**(53)**	**(97)**	(148)
Rights lapsed	**(176)**	**-**	**-**	**(176)**	(277)
As at 31 Mar 21	**-**	**406**	**545**	**951**	891

All schemes provide granted rights to be converted into shares for nil consideration if certain performance hurdles are met. Rights under the FY19 scheme were subject to performance conditions that Total Shareholder Returns (TSR) (relative and absolute) and Distributions per Security were met before a right would vest. With regards to the FY19 (3 year) scheme, 60% performance conditions were met and consequently 60% of the rights were exercised and 40% lapsed.

One executive team member ceased employment during the year and consequently the rights previously granted to them were forfeited.

Rights under the FY20 and FY21 schemes are subject to the performance conditions that TSR (relative and absolute) is met before a right will vest.

The key features of the plan are as follows:

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

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

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

Special share award

A special share award was granted to executives on 16 December 2020. Post balance date, the Boards of SIML and SPL resolved to issue 142,257 ordinary shares in each of them (i.e. 142,257 Stapled Securities) under a SIML special share award to executives in respect of exceptional performance in FY21 (refer note 8.10). A further 142,257 ordinary shares in each of SIML and SPL (i.e. 142,257 Stapled Securities) will be issued post 31 March 2022 to those individuals who remain an employee of SIML as at 31 March 2022.

8.0 Other (continued)

8.4 Related party disclosures

Accounting policy

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industre, Diversified and SPL.

Under the various management agreements SIML is entitled to receive management fees for various services performed including; asset management, building management, project management, transaction fees, leasing fees, accounting services fees and performance fees. In addition, SIML is entitled to certain acquisition fees under the Industre management agreement.

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

The following transactions with a related party took place:	**2021 $000**	**2020 $000**
Diversified		
Asset management fee income	**2,597**	3,014
Salaries and wages recovery	**2,377**	2,395
Building management fee income	**1,543**	1,890
Project management fee income	**2,076**	2,036
Leasing fee income	**1,384**	1,136
Accounting fee income	**175**	175
Licensing fee income	**70**	66
Total fee income	**10,222**	10,712
Rent paid	**(133)**	(114)
Investore		
Asset management fee income	**4,965**	4,109
Performance fee income	**2,076**	1,523
Leasing fee income	**449**	45
Building management fee income	**428**	396
Accounting fee income	**250**	250
Capital raising fee income	**89**	-
Project management fee income	**96**	131
Maintenance fee income	**40**	33
Disposal fee income	**-**	97
Total fee income	**8,393**	6,584
Dividend income	**5,259**	4,095
Consideration paid for shares	**(16,522)**	(12,944)
Consideration received for the disposal of investment properties	**140,750**	-
Industre joint venture		
Acquisition fee income	**1,886**	-
Asset management fee income	**687**	-
Project management fee income	**1,023**	
Performance fee income	**636**	-
Building management fee income	**56**	-
Leasing fee income	**194**	-
Maintenance fee income	**13**	-
Total fee income	**4,495**	-
Consideration received for the disposal of investment properties	**206,066**	-
Consideration paid for shares	**(53,028)**	-

8.0 Other (continued)

8.4 Related party disclosures (continued)

The following balances were receivable from/(payable to) a related party:	**2021 $000**	**2020 $000**
Investore – related party receivable	**707**	617
Diversified - related party receivable	**329**	547
Industre joint venture (Tahi/Rua/FinCo) - receivable	**905**	-
Diversified - interest-bearing loan	**3,398**	3,398
Industre joint venture (FinCo) - borrowings	**(43,169)**	-

Directors' benefits

Directors' fees recognised in administration expenses comprise the following:

	2021 $000	**2020 $000**
Directors' fees	**493**	490
Chair's fees	**168**	162
	661	652

In the current year Tim Storey, John Harvey, Jacqueline Cheyne, Nick Jacobson and Philip Ling received dividends of $31,056 (2020: Tim Storey, John Harvey and David van Schaardenburg (period 1 April 2019 to 29 August 2019) $26,945). No benefits (other than fees and dividends) have been provided by Stride to a Director for services as a Director or in any other capacity (2020: nil).

8.5 Trade and other receivables

Accounting policy

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

	2021 $000	**2020 $000**
Current		
Trade and other receivables	**4,445**	2,472
Less loss allowance	**(551)**	(598)
Accrued income receivable from AP SG 17 Pte. Limited	**3,000**	-
Related party receivable (notes 7.3 and 8.4)	**2,174**	1,164
Carrying amount	**9,068**	3,038
Less than 30 days overdue	**6,596**	2,360
Over 30 days overdue	**2,472**	678
Carrying amount	**9,068**	3,038
Movement in loss allowance		
Opening balance	**(598)**	(493)
Reduction in loss allowance	**71**	206
Additional loss allowance	**(24)**	(311)
Closing balance	**(551)**	(598)
Bad debts and movement in loss allowance in the consolidated statement of comprehensive income		
- Bad debts written off	**(290)**	(262)
- Movement in loss allowance	**47**	(105)
	(243)	(367)

Included in 31 March 2021 trade and other receivables balance is $3,000,000 (2020: nil) accrued income expected to be received from AP SG 17 Pte. Limited, a participant in the Industre joint operation. The income is a result of The Concourse Development profit as contemplated under arrangements between the two participants.

8.0 Other (continued)

8.6 Trade and other payables

Accounting policy

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

	2021 $000	**2020 $000**
Current		
Unsecured liabilities		
Trade payables	**2,867**	2,277
Development and capital expenditure payables	**538**	278
Development and capital expenditure accruals	**1,026**	7,503
Seismic works accrual for properties divested (note 1.8)	**7,546**	-
Retention accruals	**461**	1,532
Rent and income received in advance	**1,884**	1,946
Operating expense recovery accruals	**907**	223
Tenant deposits held	**924**	787
Other accruals and payables	**5,992**	2,465
	22,145	17,011

Other accruals and payables include Goods and Services Tax, direct property operating expense accruals, employee short term incentives and holiday pay accruals and other corporate expense accruals.

8.7 Property, plant and equipment

Accounting policy

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

	2021 $000	**2020 $000**
Property, plant and equipment	**6,658**	1,349

On 2 September 2020, SPL acquired the office building at 34 Shortland Street, Auckland. Stride's head office is located in this building and the value attributable to this floor of $6.0 million has been recognised as property, plant and equipment.

	Property, plant and equipment $000	**Right-of-use asset $000**	**Total 2021 $000**	**Property, plant and equipment $000**	**Right-of-use asset $000**	**Total 2020 $000**
Opening balance	**724**	**625**	**1,349**	820	-	820
Purchases/initial recognition	**5,794**	**-**	**5,794**	135	1,088	1,223
Depreciation	**(197)**	**(283)**	**(480)**	(231)	(463)	(694)
Derecognition	**-**	**(305)**	**(305)**	-	-	-
Revaluation	**300**	**-**	**300**	-	-	-
Closing balance	**6,621**	**37**	**6,658**	724	625	1,349

	2021 $000	**2020 $000**
Cost	**1,671**	1,602
Right-of-use Asset	**315**	1,088
Valuation	**6,000**	-
Accumulated depreciation	**(1,328)**	(1,341)
Net book value	**6,658**	1,349

8.0 Other (continued)

8.8 Investment in subsidiaries

Accounting policy

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

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

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

Subsidiaries of Stride Property Limited

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

- Stride Holdings Limited
- Stride Industrial Property Limited
- Stride Office Property Limited. This company was incorporated on 20 November 2020.

8.9 Contingent liabilities

Stride has no contingent liabilities at balance date (31 Mar 2020: nil).

8.10 Subsequent events

On 13 April 2021, the Boards of SIML and SPL resolved to issue 406,710 ordinary shares in each of them (i.e. 406,710 Stapled Securities) under the SIML long term incentive scheme (264,453 ordinary shares) and special share award to executives in respect of exceptional performance for FY21 (142,257 ordinary shares).

On 13 April 2021, the SIML Board resolved to grant 663,993 rights under the FY22 long term incentive scheme to selected employees and granted 293,830 rights to executives and other employees of SIML as part of the FY21 short term incentive compensation for these employees in connection with their exceptional performance during FY21. These rights vest on 31 March 2023, if the relevant employee remains employed by SIML at that time.

On 26 May 2021, SPL entered into an unconditional agreement to acquire the property at 46 Sale Street, Auckland, for $152.0 million. Settlement is expected to occur on 30 June 2021.

On 27 May 2021, SPL declared a cash dividend for the period 1 January 2021 to 31 March 2021 of 1.6075 cents per share, to be paid on 14 June 2021 to all shareholders on SPL's register at the close of business on 4 June 2021. At 1.6075 cents per share, the total dividend payment will be $7,607,253. This dividend will carry imputation credits of 0.620359 cents per share. This dividend has not been recognised in the financial statements.

On 27 May 2021, SIML declared a cash dividend for the period 1 January 2021 to 31 March 2021 of 0.87 cents per share, to be paid on 14 June 2021 to all shareholders on SIML's register at the close of business on 4 June 2021. At 0.87 cents per share, the total dividend payment will be $4,117,145. This dividend will carry imputation credits of 0.338333 cents per share. This dividend has not been recognised in the financial statements. SIML's equity (non-controlling interest) consists largely of retained earnings and the declared dividend represents 30% of SIML's equity as at 31 March 2021.

Independent auditor's report

To the shareholders of Stride Property Group

Our opinion

In our opinion, the accompanying consolidated financial statements of Stride Property Group, which consists of Stride Property Limited (SPL) and Stride Investment Management Limited (SIML) (together Stride), present fairly, in all material respects, the financial position of Stride as at 31 March 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

Stride's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our firm carries out tenancy marketing and operating expenditure audits for Stride and is performing an investigating accountant's role which will result in the issuance of a limited assurance report. The provision of these other services has not impaired our independence as auditor of Stride.

Key audit matters

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

Independent auditor's report (continued)

To the shareholders of Stride Property Group

Description of the key audit matter

Valuation of investment property

As disclosed in note 3.2, the SPL portfolio of investment properties comprising: office, industrial, retail and development was valued at $1,044.5 million as at 31 March 2021 (excluding lease liabilities).

Due to the subjectivity in valuing investment properties, where a small difference in any one of the key market input assumptions, when aggregated, could result in a material misstatement of the valuation of investment properties and the significance of investment property to Stride, this is a key audit matter.

The valuations were performed on behalf of SPL by independent registered valuers (the "Valuers").

Two approaches are generally used to determine the fair value of an investment property: the *income capitalisation method and the discounted cash flow method* to arrive at a range of valuation outcomes, from which the valuers derive a point estimate. For SPL's property under development, the residual approach has been used.

For each investment property, key assumptions and estimates are made in respect of:

- market rentals (for both the income capitalisation and discounted cash flow method)
- the capitalisation rate (for the income capitalisation method) to apply to market rentals
- discount rate (for the discounted cash flow method) derived from comparable market transactions
- the rental growth rate to apply to the market rentals and the terminal yield to assess the terminal value (for the discounted cash flow method)
- the estimated cost to complete and the profit and risk allowances deducted from the 'as if complete' valuation (for the residual approach).

The following assumptions are also taken into account:

- vacancy assumption based on current and expected future market conditions after expiry of any current lease
- maintenance and capital requirements including any necessary investments to maintain functionality of a property for its expected useful life or to address any seismic related matters.

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 for a property.

In assessing the valuations, we performed the procedures below.

We held discussions with Stride Investment Management Limited (the Manager) to understand:

- movements in SPL's investment property portfolio
- changes in the condition of each property
- the controls in place over the valuation process.

On a sample basis, with particular emphasis on properties with significant or unusual fluctuations in key inputs compared to other investment properties held by SPL within the same sector or as compared to market information, we read individual valuation reports and performed the following procedures:

- obtained an understanding of the key inputs that caused the valuation to have a significant or unusual change
- agreed the forecast 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, including support from third parties.

We also analysed and considered the underlying reason for differences outside a threshold, between the income capitalisation method value and the discounted cash flow method value by property.

For the property under development valued using the residual approach, we obtained evidence to support the estimated cost to complete and assessed the reasonableness of profit and risk allowances deducted from the 'as if complete' valuation.

We held separate discussions with the valuers 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 balance date.

We engaged our own in-house valuation experts to critique and independently assess, based on our experts' market and valuation knowledge, the work performed, and assumptions and estimates made by the valuers on a sample basis.

We have considered the adequacy of the disclosures in the consolidated financial statements.

Independent auditor's report (continued)

To the shareholders of Stride Property Group

Description of the key audit matter

Accounting for the Industre transaction

As disclosed in notes 1.8, 7.1, 7.2 and 7.3 of the consolidated financial statements, the forming of Industre Property Joint Venture ("Industre") was a significant event and transaction during the year. Industre is a joint arrangement between SPL and J.P. Morgan Asset Management (JPMAM) and commenced operations on 1 July 2020.

On commencement, SPL contributed all of its industrial properties to Industre and held a 68.25% interest on that date.

The accounting for the arrangements by SPL is a combination of a joint operation ('Industre operation') and joint venture ('Industre joint venture').

Given the significance of this transaction and the complexity of the recognition and measurement principles, this is a key audit matter.

The Manager, aided by their external technical accounting expert, was required to exercise considerable professional judgement in determining the appropriate accounting treatment. Significant accounting considerations included:

- whether SPL and JPMAM have joint control of the entities forming Industre
- how to measure the loss on disposal of investment properties arising from SPL's transfer of the properties to Industre
- whether the investment properties acquired by Industre from SPL constituted asset acquisitions or a business combination
- whether the disposal of the investment properties by SPL meets the definition of discontinued operations.

How our audit addressed the key audit matter

We performed a detailed assessment of the accounting treatment for this transaction with the involvement of our internal technical experts.

We:

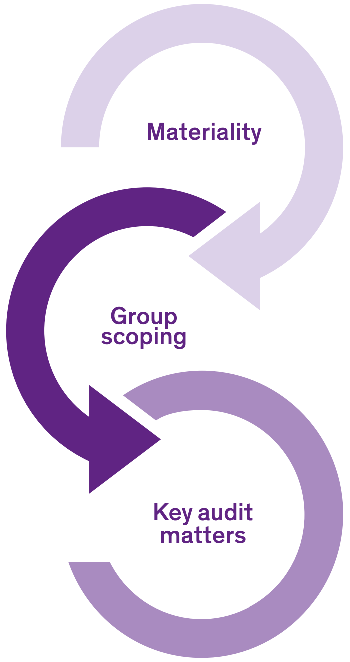
- obtained and reviewed key contracts
- considered the independent technical accounting advice adopted by the Manager
- assessed the accounting treatment against the relevant accounting standards in respect of:
  - SPL and JPMAM having joint control
  - SPL accounting for its ongoing interest either as a joint operation or a joint venture
  - measurement of the loss on disposal of investment properties transferred to Industre on commencement of operations;
  - the disposal of the investment properties meeting the definition of discontinued operations
  - the contribution of the investment properties to Industre not meeting the definition of a business combination and, as a result, SPL's equity contribution in Industre being recognised at the fair value of the investment properties at 30 June 2020
- reviewed the accounting entries to record the disposal of the investment properties to Industre
- agreed the key inputs used in the calculation of the loss on disposal of the investment properties to relevant documents
- considered the adequacy of the disclosures in the consolidated financial statements.

Independent auditor's report (continued)

To the shareholders of Stride Property Group

Our audit approach

Overview



Overall materiality: $2.0 million, which represents approximately 5% of profit before tax from continuing operations excluding valuation movements relating to investment properties (including Stride's share of profit in equity-accounted investments arising from valuation movements of investment properties).

We chose profit before tax excluding valuation movements relating to investment properties as the benchmark because, in our view, it is the benchmark against which the performance of Stride is most commonly measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $100,000, which represents approximately 5% of our overall materiality, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

- Valuation of investment property
- Accounting for the Industre transaction

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall 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 audit scope

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

The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).

Independent auditor's report (continued)

To the shareholders of Stride Property Group

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors of SPL and SIML respectively are responsible for assessing Stride's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate SPL or SIML or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

27 May 2021

Auckland

46 Sale Street,
Auckland

Corporate Governance

Corporate Governance

The Stride Investment Management Limited (SIML) and Stride Property Limited (SPL) Boards believe that strong corporate governance is an essential foundation for a sustainable and successful business.

This section of the Annual Report provides an overview of the corporate governance policies and practices adopted and followed by the Boards of Directors of SPL and SIML. This statement is current as at 1 May 2021.

Stride's Website

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

Overview of Stride and its Governance Framework

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

Stride has a 'non-standard' (NS) designation due to its stapled structure. The waivers from the Listing Rules that have been granted by NZX to give effect to that stapled structure are described on pages 153 and 154. The implications of investing in the stapled securities of SPL and SIML are described on page 155.

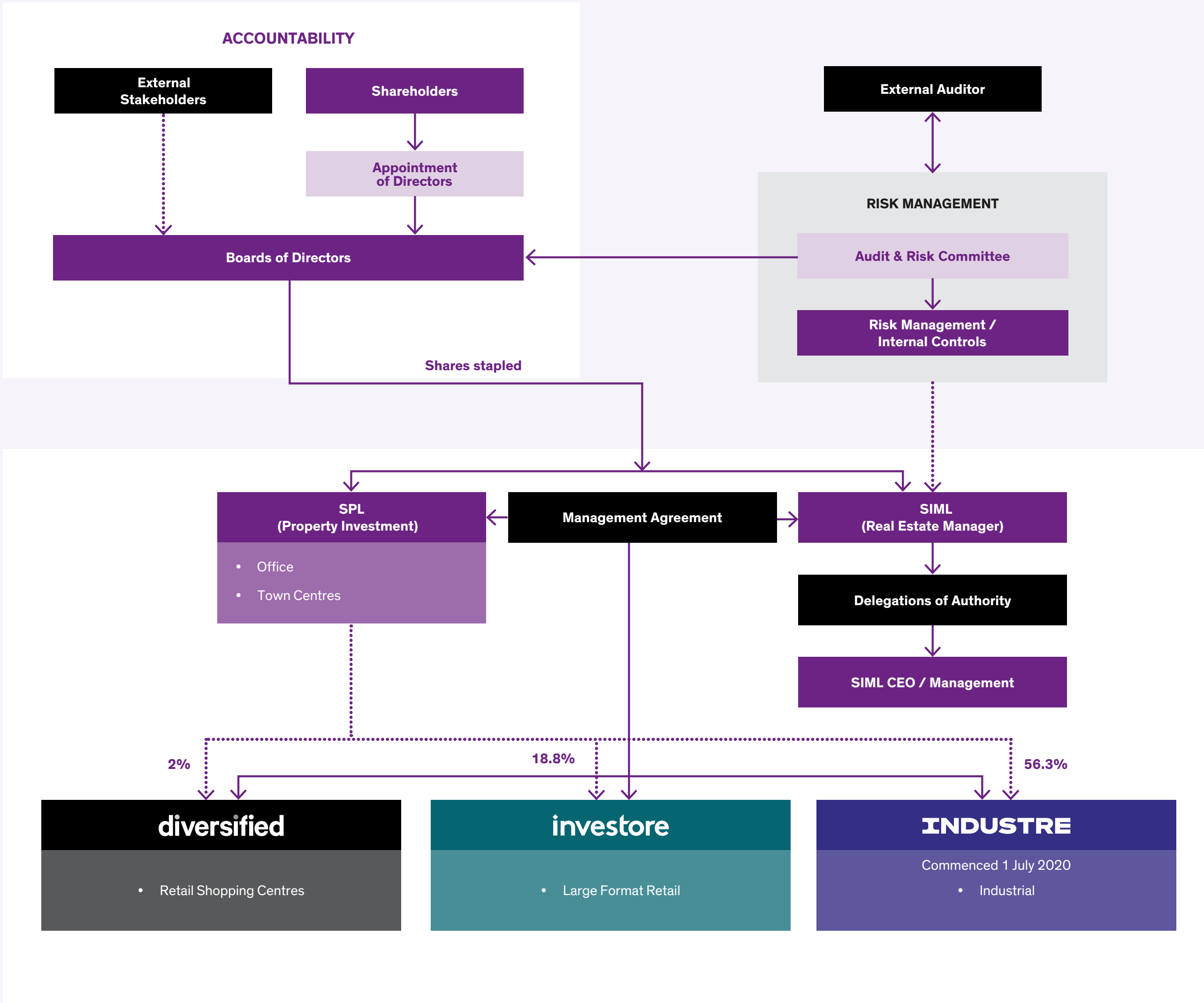
The Stride Boards are committed to the highest standards of business behaviour and accountability, and regularly review and assess Stride's governance structures and processes to ensure these are consistent with best practice standards.

This section of the Annual Report provides an overview of Stride's corporate governance framework and includes commentary on compliance by Stride with each of the eight corporate governance principles and recommendations of the NZX Code for the year ended 31 March 2021, together with other legal and regulatory disclosures.

For the reporting period, Stride considers that its corporate governance practices are materially consistent with the NZX Code, with the exception that no Remuneration Committee or Nominations Committee was established for the financial year ended 31 March 2021 as the functions that would have been performed by these committees were undertaken by the Stride Boards as a whole. However, the Boards have now established a Remuneration and Nomination Committee.

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

Diagram 1 – Governance Framework



NZX Principle 1: Code of Ethical Behaviour

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

The Stride Boards set high standards of ethical behaviour which inform the overall corporate governance practices of SPL and SIML. Stride and the Stride Boards adopt an ethics-based approach to their operations and decision-making.

There are four key behaviours that guide Stride's business operations and differentiate Stride from other organisations:

People centred

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

Discipline driven

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

Nimble performers

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

Fresh thinkers

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

These behaviours are displayed on the walls of Stride's head office and guide Stride employees in their daily business and decision-making. Stride celebrates employees who demonstrate these behaviours through regular "In Stride" awards at company-wide meetings. All employees are able to nominate their colleagues for an "In Stride" award, with the awards decided by the SIML executive team. This encourages employees to think about how they demonstrate these behaviours and ensure that these behaviours guide them in their day-to-day work.

Code of Ethics

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

The Code of Ethics sets the following standards for directors and employees:

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

Adhere to all legal and compliance obligations

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

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

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

Conflicts Policy

Stride takes a conservative approach to conflicts of interest, given the role of SIML as manager of SPL and the Stride Products - Investore, Diversified and Industre. The principles that govern the management of conflicts of interest are addressed in a number of governance documents, including the Constitution of each of SPL and SIML, the Stride Boards' charter, the Code of Ethics, and other internal policies.

The Boards have adopted a Conflicts Policy which guides Directors and SIML employees when a conflict of interest may arise and sets out procedures for managing conflicts of interest. The purpose of the Conflicts Policy is to protect the integrity of decision-making within SPL and SIML, as well as the Stride Products, the reputation of each of those entities, those who work within them, and those who own them.

As part of the Conflicts Policy, SIML has adopted an Acquisition and Leasing Protocol which assists SIML management and employees in making decisions in the event of any conflict between the interests of the portfolios managed by SIML. All transactions in which SIML has, or may be perceived to have, a conflict of interest (which can include personal, related party and fund conflicts) will be conducted in accordance with the Conflicts Policy and established protocols. SIML's conflicts manager, who is the Company Secretary of SIML, oversees the application of the Conflicts Policy and reports to the SIML Board to ensure that all conflicts are managed in an appropriate manner. SIML considers conflict of interest issues on a transaction-by-transaction basis and will employ specific and additional procedures for specific transactions as appropriate.

Protected Disclosures Policy

Stride has a Protected Disclosures Policy which provides a safe process for employees to make an allegation of serious wrongdoing within Stride.

The following procedure is specified in the policy for employees to report wrongdoing:

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

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

Securities Trading Policy

The Boards have adopted a Securities Trading Policy which governs trading in Stride securities by Stride Directors and SIML employees. The Securities Trading Policy raises awareness about the insider trading provisions within the Financial Markets Conduct Act 2013 (FMCA) and reinforces those requirements with additional internal compliance requirements.

Stride Directors and employees of SIML who wish to trade in stapled securities of Stride must comply with the Securities Trading Policy, which sets limited trading windows and requires all persons to whom the policy applies to obtain approval prior to trading. Speculative trading is not permitted, and Directors and employees are required to hold stapled securities for a minimum of six months, except in exceptional circumstances and with the prior approval of the Company Secretary.

NZX Principle 2: Board Composition and Performance

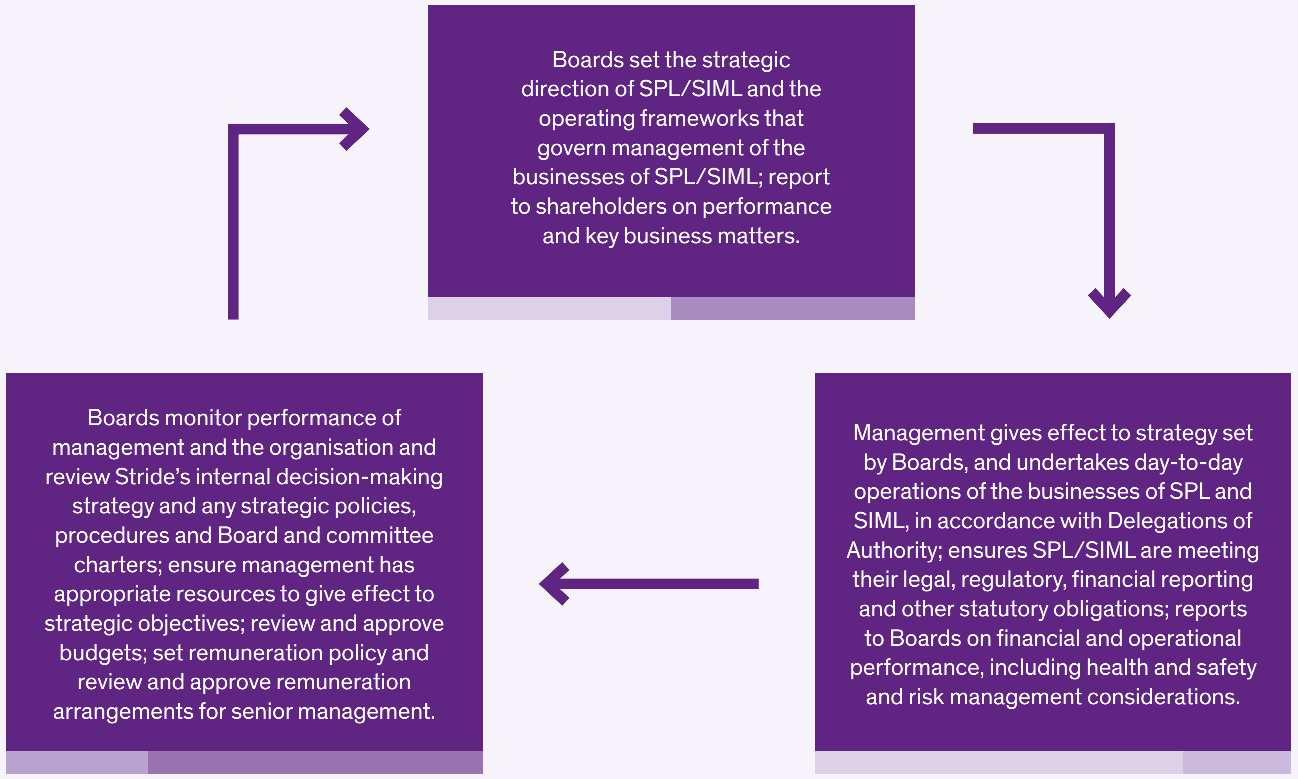
To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Role of the Stride Boards

The SPL Board and the SIML Board are each responsible for overseeing the effective management and operation of SPL and SIML respectively. The Boards' role is to represent the interests of Stride's shareholders and ensure that the operations of Stride are managed so as to achieve Stride's strategy and business objectives, within a framework of regulatory and ethical compliance. The Stride Boards have adopted a Board charter which sets out the Boards' roles and responsibilities. This charter is available on Stride's website. The Boards' charter notes that the Board of SPL has appointed SIML as its manager, and the Board of SIML has delegated authority to the Chief Executive Officer of SIML for the operations and administration of Stride, in accordance with the Delegations of Authority.

Directors review the Boards' charter annually, to ensure it remains consistent with the Boards' objectives and responsibilities. A summary of the principal responsibilities of the Boards and management and how they interact is set out in Diagram 2.

Diagram 2 – Boards and Management Roles and Responsibilities



The Composition of the Boards and Director Appointment

The Constitution of each of SPL and SIML and the Boards' charter set out the parameters for the composition of each Board, which at all times will be identical due to the 'Stapled Entity' structure. The parameters for the composition of the Boards are as follows:

- A minimum of three Directors
- A maximum of eight Directors
- At least two of the Directors will be Independent Directors (as defined in the Listing Rules) and ordinarily resident in New Zealand

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

Directors with an appropriate range of skills and experience

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

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

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

The Boards have reviewed the status of each of the Directors and, taking into account the waiver granted by NZX Regulation in relation to the independence of Directors that is summarised on page 153, confirm that, as at the date of the release of this Annual Report and after considering the relevant factors set out in the NZX Code, all Directors are independent. An overview of each of the Directors of SPL and SIML, their status and date of appointment is set out on pages 14 and 15, with their attendance at meetings set out on page 134.

In determining that all SPL and SIML Directors are 'Independent Directors', careful consideration has been given to the factors set out in the NZX Code:

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

Directors Tim Storey and John Harvey have been directors of SPL since 2009. The Board has considered this length of tenure and does not consider that it prejudices the independence of either Director Tim Storey or John Harvey, given their governance experience and approach to Board duties.

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

Independence of Board Chair

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

Appointment of Directors

Potential candidates for appointment as a Director are nominated by the SIML Board (prior to the establishment of the Stride Remuneration and Nomination Committee in 2021) or a SIML shareholder, and are voted on by the shareholders of SIML. Under SPL's Constitution, persons who are appointed as Directors of SIML are automatically appointed as Directors of SPL.

The Boards may appoint Directors to fill a casual vacancy, but where a Director is appointed to fill a casual vacancy, the Director is required to retire and stand for election at the first Annual Shareholder Meeting after his or her appointment.

To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of Director and will be selected on a range of factors, including property industry knowledge, business acumen, financial markets, and governance experience. Other factors include background, professional expertise, and qualifications, measured against the Boards' assessment of its overall skills and needs at the time and having regard to the strategy of Stride.

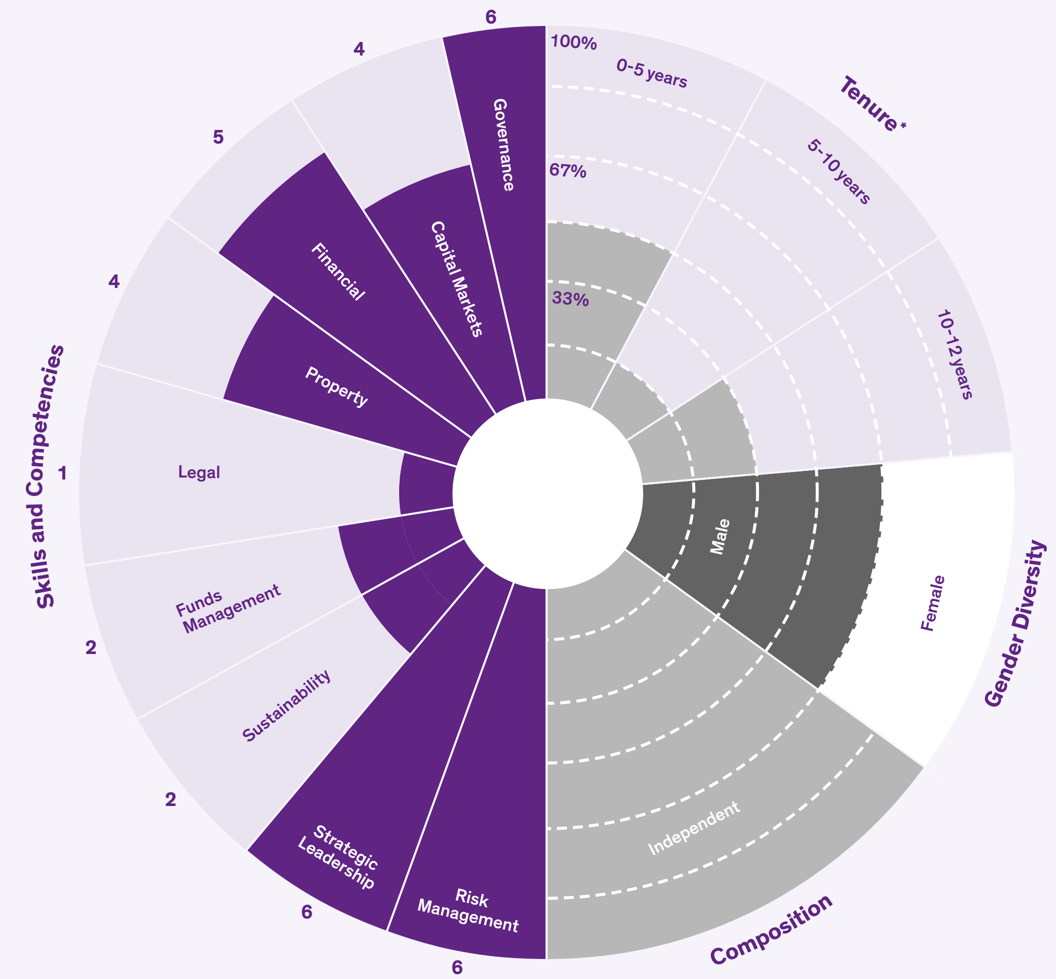
Before appointing a new director, the Boards undertake appropriate pre-appointment checks, including background checks on education, employment experience, criminal history, and bankruptcy. No new directors were appointed to the Boards during FY21.

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

Directors' Skills and Experience

The Boards include Directors who collectively have a mix of skills, knowledge, experience, and diversity that enhance the Boards' operations and assist the Boards to meet their responsibilities. A balance is maintained between long serving Directors with experience and knowledge of the property sector and Stride's history, and new Directors who bring fresh perspective and insight. Set out in Diagram 3 is a summary of the skills and experience among Directors of the Boards. Individual Director profiles are set out on the Stride website and on pages 14 and 15 of this Annual Report.

Diagram 3 – Boards' Skills Matrix



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

Professional Development, Training and Independent Advice

The Boards understand the importance of ensuring they remain current in the knowledge and skills required to be a Director of SPL and SIML, particularly focussed on knowledge specific to the property industry, funds management business, macroeconomic factors and new regulatory and governance practices, all of which may impact on Stride's business and operations. Director development and education includes briefings from senior SIML managers and industry experts, and attendance at conferences. Directors also have access to external education and professional development training at Stride's expense.

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

Boards' Review

The Boards undertake an annual evaluation of their performance. In FY21 the Boards undertook a formal review and evaluation process, facilitated by an external governance expert. The review focussed on the effectiveness of the entire Boards, including the leadership of the Chair and the contribution of individual Directors, the role of senior management, the dynamics among the Boards and executives, as well as all Board processes, structures and activities. The review also revisited the recommendations provided during the FY20 Board review to determine how well these have been implemented and whether improvements are required. The review comprised interviews and surveys, eliciting the perspectives of Board members and senior executives.

The recommendations have been reviewed by the Boards as a whole and are being implemented. One of the recommendations regarded structure and function of Board committees, following which the Boards have established the Remuneration and Nomination Committee. The recommendations will assist the Boards in their ongoing development and in the effective functioning of the Boards.

Diversity

The Stride Boards recognise that different perspectives contribute to a more successful business, and that different perspectives are often the result of diversity. Stride is committed to promoting diversity on the SPL and SIML Boards and SIML, which is the employing entity of Stride, is committed to promoting diversity within the workplace by attracting, recruiting, developing, promoting and retaining the best employees from a diverse pool of individuals. The Stride Boards acknowledge and value the role that diversity plays in strengthening Stride and its performance.

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

Stride's Diversity Policy embraces four key principles:

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

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

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

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

Stride has conducted its annual assessment of its diversity objectives for FY21 and its progress towards achieving these objectives. Stride believes that a focus on diversity and inclusion is an ongoing endeavour and will be a constant consideration and focus for the Stride Boards.

Table 1 – Diversity Objectives and FY21 Performance

<table>
<tr><th>Policy</th><th>Objective</th><th>FY21 Performance</th></tr>
<tr><td>Stride is committed to promoting diversity on its Board by attracting, developing and retaining the highest calibre of Directors from a diverse pool of individuals</td><td>Improve representation of women on the Boards</td><td>

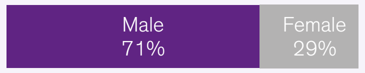
Where there is a vacancy on the Boards, the Boards will ensure that recruitment includes at least one female on the shortlist wherever possible. There has been no Board recruitment during FY21.

Gender split remains

(FY20: 67% Male / 33% Female)

</td></tr>
<tr><td>Stride is committed to promoting diversity within the workplace by attracting, recruiting, developing, promoting and retaining the highest calibre of employees from a diverse pool of individuals</td><td>Improve representation of women in the Executive and Leadership Team</td><td>

As at 31 March 2021, there was one vacancy on the Executive team, being the General Manager Investment. Accordingly, at 31 March 2021, the gender split for the executive team was:



(FY20: 75% Male / 25% Female).

Subsequent to balance date the General Manager Investment role has been filled by a male, following which the gender split in the executive team has returned to 75% male and 25% female.

The leadership gender split is more balanced:

(FY20: 29% Male / 71% Female)

It is Stride's policy that all executive and leadership recruitment will include at least one female in the shortlist wherever possible.

In addition to external recruitment, Stride also values internal recruitment highly, and during FY21 there were two internal promotions, both of which were females.

</td></tr>
<tr><td>Stride believes that diversity is an essential component of a successful business and acknowledges and values the role that diversity plays in strengthening Stride and its performance</td><td>Establish a diversity and inclusion programme to improve understanding of diversity in the workplace</td><td>

Stride defines diversity as more than just gender. Stride tracks metrics including age and ethnicity.

Average age FY21 is 42

(FY20: 41)

Company-wide gender split

(FY20: 37% Male/63% Female)

Unconscious bias training has been identified to be implemented across SIML during FY22, commencing with sessions for the SIML-managed shopping centres.

Stride has completed an assessment with Diversity Works so that further guidance can be provided on appropriate initiatives for FY22.

</td></tr>
</table>

During FY21, Stride has advanced its diversity practices through:

- Participation in the Property Council New Zealand Diversity and Inclusion Survey 2020. Stride is a founding partner sponsor to the Property Council New Zealand Diversity and Inclusion initiative, which has been established to promote diversity across the property industry.
- Becoming a Diversity Works member and completing the Diversity and Inclusion Stocktake in order to benchmark Stride's diversity and inclusion position against other New Zealand companies. Stride intends to continue to work with Diversity Works during FY22 to advance its diversity and inclusion practices to ensure they are best practice and support current and future employees.
- Stride revised and improved its flexible work policy to encourage employees to work from home if and when they need to. Stride's policy is that employees should be in the office more than they are not, and everyone should work in the office on Mondays and Fridays in order to promote the Stride culture and enhance collaboration. Outside of that, employees can choose to work from home as it suits them. This supports those employees who have dependents at home, particularly when they are unwell.

Gender Composition of the Boards and Officers of SPL and SIML

	As at 31 March 2021		As at 31 March 2020	
	Directors	Officers*	Directors	Officers*
Male	4 (67%)	5 (71%)	4 (67%)	6 (75%)
Female	2 (33%)	2 (29%)	2 (33%)	2 (25%)

* Officer is defined in Listing Rule 3.8.1(c) to mean a person, however designated, who is concerned or takes part in the management of the issuer's business and reports directly to the Board or a person who reports to the Board. Stride considers the executive team of SIML, which consists of the Chief Executive Officer (who reports directly to the Board) plus his direct reports to comprise the Officers of SIML.

NZX Principle 3: Board Committees

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

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

The Stride Boards have established an Audit and Risk Committee to assist in the exercise of the Boards' financial oversight and risk functions. In addition, during FY21 the Boards established a permanent Sustainability Committee, which assists with progressing the sustainability objectives of the Boards across SPL and SIML. Following balance date the Boards have also established a Remuneration and Nomination Committee. Prior to this, these functions were undertaken by the Boards as a whole.

In addition, the Boards appoint other committees from time to time as necessary to deal with projects relating to Stride's activities. During FY21, a Due Diligence Committee was established to oversee planning and preparation for the equity capital raising undertaken during November and December 2020.

The purpose of the Due Diligence Committee was to ensure that Stride met its legal obligations in relation to the equity capital raise. The members of the Due Diligence Committee comprised a subset of the Boards, together with representatives of SIML management and advisers.

Audit and Risk Committee

Stride's Audit and Risk Committee operates under a written charter, which is reviewed annually by the Committee to ensure that it remains appropriate and current. The charter requires that the Audit and Risk Committee be comprised solely of non-executive Directors, have at least three members, with the majority of members being Independent Directors. The Chair of the Audit and Risk Committee is to be an Independent Director and may not be the Chair of the Boards. All Committee members must be financially literate and at least one member will have accounting or related financial management expertise.

All Directors are members of the Audit and Risk Committee, with Director John Harvey the Chair of the Committee.

The Boards consider that the Audit and Risk Committee has the appropriate level of financial acumen and risk management experience necessary for the Committee to fulfil its responsibilities. Director John Harvey was formerly a partner at PwC, the audit firm for Stride. However, as John Harvey retired from the PwC partnership in 2009, the Board has determined that his prior relationship with PwC does not prejudice the independence of the auditor.

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

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

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

Diagram 4 – Role and Responsibilities of Audit and Risk Committee

Financial Reporting	Audit Functions	Risk Management
• Review the financial statements of Stride with management and the external auditor and obtain the external auditor's views on disclosures and content of the financial statements to be presented to investors • Review with management and the external auditor the results of analysis of significant financial reporting issues and practices, including changes of accounting principles • Review judgements about the quality of accounting principles and clarity of financial disclosure used in Stride's financial reporting • Review and recommend financial reports to the Boards	• Meet with the external auditor and SIML management to review the proposed scope of the audit and half year review and the procedures to be utilised • Review the internal audit functions undertaken by SIML and receive a summary of findings from completed internal audits • Report the results of the annual audit to the Boards, including whether the financial statements comply with legal and regulatory requirements • Review the nature and scope of other professional services provided by the external auditor to consider the risk of these services to the auditor's independence • Assess and confirm to the Boards the independence of the external auditor • Recommend the appointment or discharge of the external auditor and establish the external auditor's fees, subject to shareholder approval	• Ensure that management has established a risk management framework to effectively identify, monitor, manage and report key business risks • Review the procedures for identifying key business risks and controlling their financial impact • Review management's reports on the effectiveness of systems for internal control, financial reporting and risk management • Review key business risks and controls • Review insurance policy terms and cover adequacy and recommend the adoption of cover to the Boards

Sustainability Committee

The Stride Sustainability Committee held its first meeting in September 2020. The role of the Sustainability Committee is to identify and consider all relevant environmental, social and governance matters as they relate to the business of Stride, and assist the Boards to integrate environmental and social principles into the governance of the business. The Sustainability Committee acknowledges that overall responsibility for governance remains with the Boards.

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

The Sustainability Committee meets at least twice a year. Additional meetings are held at the discretion of the Chair, or if requested by any Committee member or the Chief Executive Officer of SIML.

The primary roles of the Sustainability Committee are set out in Diagram 5.

Diagram 5 – Role and Responsibilities of Sustainability Committee

Oversees sustainability reporting by Stride

Oversees implementation of Stride's Sustainability Strategic Plan, including overseeing the climate risk assessment process

Reviews and recommends to the Boards the Stride Sustainability Policy and Strategic Plan

Reviews and recommends for approval Stride's sustainability objectives, targets and performance indicators

Reviews resourcing required and recommends resources and activities to the Boards in connection with the Sustainability Strategic Plan

Reviews Stride's performance against determined sustainability initiatives and outcomes achieved, and reviews community sponsorship and support initiatives

Due Diligence Committee

During FY21 a temporary Board Committee was established to oversee the equity capital raising undertaken in November and December 2020 to partially fund the acquisition of two Wellington office properties, at 215 Lambton Quay and 20 Customhouse Quay. Four of the six Stride Directors formed the Due Diligence Committee, along with members of SIML management and representatives of Stride's advisers.

The key function of the Due Diligence Committee was to oversee and coordinate the due diligence process for the equity capital raising, which comprised an institutional placement and a retail offer.

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

Boards and Committee Meetings and Attendance

The Boards' charter sets out the meeting requirements and process for each of SPL and SIML. Due to the nature of the business of each Board, different meeting frequencies are scheduled. The Board of SIML meets a minimum of 8 times per year and the Board of SPL a minimum of 5 times per year, with additional meetings and conference calls scheduled as deemed necessary throughout the year for Directors to undertake their duties. Directors attend briefings with senior managers of SIML on an ad-hoc basis and attend investor briefings in connection with their role as a Director of SPL and SIML. These attendances are not included in the disclosure in Table 2, but comprise an important element of Stride Director responsibilities.

The Boards met more regularly during FY21 due to the need to oversee the business given the impact of COVID-19 and the activity undertaken by the SPL and SIML businesses during the year, including acquisitions and the equity capital raising in November and December 2020.

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

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

Takeover Protocols

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

Table 2 - Directors' Meeting Attendance

	SPL Board	SIML Board	Audit and Risk Committee	Sustainability Committee	Due Diligence Committee
Number of Meetings FY21	**10**	**12**	**5**	**3**	**7**
Tim Storey	10	12	5	3	7
John Harvey	10	12	5		7
Michelle Tierney	10	12	5		
Philip Ling	10	12	5	3	7
Jacqueline Cheyne	10	12	5	3	7
Nick Jacobson	10	12	5		

NZX Principle 4: Reporting and Disclosure

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

Market Disclosure Policy

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

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

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

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

The Market Disclosure Policy obliges all Directors of SPL and SIML and executive officers of SIML to inform the Chief Executive Officer of SIML or the SIML General Manager Corporate Services (who is also the Disclosure Officer under the Policy) of any potentially material information or proposal immediately after the relevant person becomes aware of that information or proposal. A Disclosure Committee, comprising the Stride Chair and SIML's Chief Executive Officer, Chief Financial Officer and General Manager Corporate Services, is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

Access to Key Governance Documents

The Boards' charter and the charters of the standing Committees, being the Audit and Risk Committee and the Sustainability Committee (and, after 31 March 2021, the Remuneration and Nomination Committee), as well as annual and interim reports, announcements, key corporate governance policies and other investor-related material are available on the Stride website at **www.strideproperty.co.nz.** SIML does not presently include its remuneration policy on the Stride website, as its policy contains commercially sensitive information pertaining to how employees are remunerated.

Financial Reporting

Stride's Audit and Risk Committee oversees SPL and SIML's financial reporting, to ensure reporting is balanced, clear and objective. Further information on the role and responsibilities of the Audit and Risk Committee is contained in the commentary related to Principle 3.

Non-Financial Reporting

Risks

The Audit and Risk Committee establishes processes to identify and consider the material business risks faced by SPL and SIML. The Stride Boards regularly receive risk management reports and review key risks to the businesses of SPL and SIML, and the controls implemented to manage exposure to those risks. All identified risks have specific mitigation strategies where appropriate, and SIML management regularly reviews the effectiveness of these strategies.

Environmental Sustainability, Social Responsibility and Corporate Governance

Stride is committed to ensuring that Environmental Sustainability, Social Responsibility and Corporate Governance (ESG) are key considerations in the operation and governance of its business.

Stride believes that the key elements of a sustainable business strategy include balancing prosperity, planet and people, which align with Stride's four strategic pillars of Performance, People, Places, and Products. The Stride Boards believe there needs to be an equal focus and balance among each of Stride's pillars to create a successful and sustainable business.

During FY21, Stride refreshed its sustainability strategic plan, which is focused on three distinct goals. This plan sets the primary objectives that Stride considers in its decision-making.

Stride's Sustainability Strategic Plan

Objective	Contribute to a resilient community	Develop shared prosperity	Protect the planet
Description	We want to provide leading health and safety performance and support a connected and inclusive society	We want to foster long-term prosperity by investing in and managing outstanding places that reward everyone connected with them	We want to create efficient, climate-resilient places that deliver long term value and support a low carbon future
UN Sustainable Development Goals	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 10 REDUCED INEQUALITIES	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

Climate Risks

During FY21 Stride's Sustainability Committee considered the key risks, at a high level, that may be faced by Stride in relation to climate change, and, in accordance with the Taskforce on Climate-related Financial Disclosures, categorised those risks into two categories – transition risks, being those associated with transitioning to a low-carbon economy; and physical risks, being risks arising as a result of changes in the physical climate and acute climate events.

A summary of the high level climate change risks assessed by the business and reported to the Stride Sustainability Committee is set out on pages 50 and 51 of this Annual Report. During FY22 Stride intends to undertake further work, through the Sustainability Committee, to refine these risks and develop a detailed and comprehensive climate risk assessment for Stride and its managed entities.

Community Involvement

Community involvement continues to be a focus for Stride, given its role as owner and manager of buildings within communities. During FY21 Stride undertook a number of initiatives aimed at developing relationships with the local community and seeking to support community and educational groups in the areas in which it operates. Stride considers that this involvement was particularly important during FY21, due to the impact of COVID-19 on our communities. Some of the key ways in which Stride contributes to the communities in which it operates are set out in Diagram 6, and further information can be found on pages 54 and 55 of this Annual Report.

Diagram 6 – Stride's Community Initiatives

Sponsorship

- Stride is a proud sponsor of Keystone New Zealand Property Education Trust which provides grants to students who would not otherwise be able to afford tertiary education
- Stride is also a sponsor of the Graeme Dingle Foundation whose aim is to inspire all New Zealand school age children to reach their full potential
- Stride is a Founding Partner Sponsor to the Property Council New Zealand Diversity and Inclusion initiative, which aims to promote diversity in the property industry
- Stride sponsors a promising young female athlete through the Tania Dalton Foundation. The student chosen by Stride is located in an area that is relevant to Stride, being an area where Stride has employees who manage a shopping centre

Time, space and resources

- All SIML managed shopping centres provide free activities for children during the school holidays, and during the April 2020 school holidays when New Zealand was in Alert Level 4 lockdown, Johnsonville Shopping Centre provided a daily Facebook live magic show to help keep children entertained
- Chartwell and Queensgate Shopping Centres support "Dress for Success", a charity which assists women to re-enter the workforce, through being a collection point for clothes
- SIML-managed shopping centres provide space for community groups and charities, to assist them to achieve their objectives. The organisations that benefited from this space during FY21 included St John, Safer Plates Initiative, Red Cross, Child Cancer Foundation, Women's Refuge, Breast Cancer Foundation, Heart Foundation and a number of hospices
- Stride undertook a number of collections of donations during FY21 for City Mission, the Salvation Army and other charities in need, including through annual gift wrapping services where members of the public make a donation in return for having their gifts wrapped using resources donated by the centres

NZX Principle 5: Remuneration

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

Directors' Remuneration

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

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

Directors' remuneration was reviewed in 2019, in accordance with the two-yearly review cycle that Stride previously signalled to the market. The SIML Board is conscious of its obligation to ensure Directors' fees are set and managed in a manner which is fair, flexible and transparent. At the same time, the SIML Board seeks to ensure that Directors' fees are set at an appropriate level to assist Stride to secure and maintain the skills and experience at Board level necessary to govern the business and enhance the long-term value of Stride for shareholders. When the Board reviews Directors' fees on a two-yearly cycle, it obtains a report from Ernst & Young, comparing Stride Director fees against market comparable fees given the size, type of business and nature of the organisation.

The SIML Board has an allowance for additional work and attendance, of $144,500 per annum. The Boards may determine the allocation of all or part of this allowance for additional work and attendances to remunerate Directors for significant extra attendances and work. For the year in review this allowance was not utilised. Directors contributed additional time and attendance due to the need for additional meetings during the period directly impacted by COVID-19, and for those who formed part of the Due Diligence Committee in relation to the equity capital raising conducted in November and December 2020. However, Directors did not receive additional remuneration for these attendances.

No Director of SPL or SIML is entitled to any remuneration from Stride other than by way of Directors' fees and the reasonable reimbursement of travelling, accommodation and other expenses incurred in the course of performing duties or exercising their role as a Director. Directors do not participate in any Stride share or option plan. No Director of a subsidiary company of Stride (a list of subsidiary companies and directors is set out in the Statutory Disclosures on page 149) received any remuneration or other benefits during the period in relation to their duties as directors of a subsidiary company, other than the benefit of an indemnity from each of SPL and SIML and the benefit of insurance cover in respect of all liabilities (to the extent permitted by law) which arise out of the performance of their normal duties as Directors, subject to certain exceptions such as deliberate breach of duty. Directors have no retirement benefit and do not receive any share options or rights or other form of remuneration.

Table 3 – Director Remuneration FY21

Director	Remuneration
Tim Storey (Chair)	$167,500
John Harvey (Chair of Audit and Risk Committee)	$109,000
Michelle Tierney	$96,000
Philip Ling	$96,000
Nick Jacobson	$96,000
Jacqueline Cheyne	$96,000
Total	**$660,500**

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

Senior Management Remuneration

SIML is committed to a fair and reasonable remuneration framework for its executives. In determining an executive's total remuneration, external benchmarking is undertaken by independent remuneration advisors every two years to ensure comparability and competitiveness, along with consideration of the individual's performance, skills, expertise and experience.

Total executive remuneration can be made up of three components: fixed remuneration, a short-term incentive scheme and an executive long-term share incentive scheme.

Fixed remuneration

Fixed remuneration consists of base salary. It is SIML's policy to pay fixed remuneration for executives in the upper quartile, in order to attract and retain talented people.

Short-term incentive scheme

SIML operates a short term incentive scheme under which selected permanent, full-time employees may be eligible to receive an incentive on an annual basis in addition to their base salary. Entitlement to the incentive is subject to pre-agreed hurdles being met, which are aligned to Stride's performance targets for the year.

Executive long-term share incentive scheme

SIML operates a long-term share incentive scheme for the executive team, intended to align the interests of key employees with the interests of shareholders and provide a continuing incentive to key employees over the long term.

Share performance rights under the SIML long-term share incentive scheme may be issued on an annual basis at the discretion of the Board.

The scheme provides for selected employees to be granted rights to be issued shares for nil consideration if certain performance hurdles are met. The key features of the plan for rights awarded in FY21 are as follows:

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

Further details of the SIML long-term share incentive scheme can be found in note 8.3 to the consolidated financial statements.

Performance is determined over a three year vesting period, and the vesting of rights depends on certain hurdles being met. For the rights granted during FY21, those hurdles comprised:

- Relative Total Shareholder Return (TSR) – 50% of rights are subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index.
- Absolute Total Shareholder Return (TSR) – 50% of rights are subject to Stride's absolute TSR performance compared to certain thresholds.

Table 4 – Long Term Share Performance Rights

	Year ended 31 March 2021	Year ended 31 March 2020
Opening balance	890,729	911,964
Rights granted	597,901	458,805
Rights exercised	(264,455)	(54,879)
Rights forfeited	97,206	(148,555)
Rights lapsed	(176,303)	(276,606)
Closing balance	**950,666**	**890,729**

KiwiSaver

All employees are eligible to contribute and receive matching SIML contributions of up to 4% of gross taxable earnings (including short-term incentives). From 1 April 2021, the SIML Board has determined to increase the employer KiwiSaver contributions to 5%, provided employees are contributing at a rate of 4% or higher (which will increase to 5% should this be an option for employee contributions in the future).

Table 5 – Chief Executive Officer Remuneration

Philip Littlewood	Year ended 31 March 2021	Year ended 31 March 2020
Salary	615,000	615,000
KiwiSaver	33,210	31,242
Other	9,845	13,217
Subtotal	**658,055**	**659,459**
Pay for performance		
Short Term Incentive	387,450	166,050
Executive Long Term Incentive	106,922	112,238
Special Share Award	221,070	
Subtotal	**543,242**	**218,288**
Total remuneration	**1,373,497**	**937,747**

Chief Executive Officer Remuneration

The Chief Executive Officer remuneration detail provided in Table 5 relates to salary and other benefits paid, incentive payments accrued, KiwiSaver, and the value of share rights issued to Philip Littlewood for the year ended 31 March 2021.

Executive Long-term Incentive relates to the rights granted during the year, with a total value of $106,922 under the FY2021 Share Scheme (3 Year) which has a vesting period up to 31 March 2023.

Special Share Award was granted in respect of exceptional performance in FY21. On 13 April 2021, the SIML Board resolved to issue 50% of the shares. The remaining 50% balance will be issued post 31 March 2022 on the basis that Philip Littlewood remains employed as at 31 March 2022.

Table 6 - Breakdown of CEO pay for performance (FY21)

Philip Littlewood	Description	Performance measures	Percentage achieved
STI	Set at a maximum of 60% of salary, with payout based on a combination of financial and non-financial performance measures	• Stride achieving a specified level of distributable profit per share • Successful implementation of certain strategic initiatives associated with growing Stride's investment management business	100% of STI payment awarded
LTI	Vesting of rights granted under the long term incentive scheme for FY19, should the specified performance hurdles be met. Award set at a maximum of 50% of salary	• Relative Total Shareholder Return (TSR) – 50% of rights vest subject to Stride's TSR growth performance, relative to constituents of the NZX Property Index • Absolute Total Shareholder Return (TSR) – 50% of rights vest subject to Stride's absolute TSR performance compared to certain thresholds	60% of rights vested, directly related to achievement of performance hurdles

The Chief Executive Officer is not entitled to any redundancy, retirement or termination payments, except as may be provided to other staff.

Remuneration of employees

There were 43 SIML employees who received remuneration and benefits in excess of $100,000 (not including Directors) in their capacity as employees during the year ended 31 March 2021, as set out in Table 7.

Table 7 – Remuneration Range*

	Number of employees		Number of employees
$100,000 - $109,999	4	$310,000 - $319,999	1
$110,000 - $119,999	5	$320,000 - $329,999	1
$120,000 - $129,999	2	$340,000 - $349,999	1
$130,000 - $139,999	3	$350,000 - $359,999	1
$150,000 - $159,999	3	$440,000 - $449,999	1
$170,000 - $179,999	3	$550,000 - $559,999	1
$180,000 - $189,999	2	$560,000 - $569,999	1
$200,000 - $209,999	2	$580,000 - $589,999	1
$210,000 - $219,999	1	$590,000 - $599,999	1
$220,000 - $229,999	5	$720,000 - $729,999	1
$230,000 - $239,999	1	$1,370,000 - $1,379,999	1
$300,000 - $309,999	1		

* This includes salary and benefits paid, employer KiwiSaver contributions, the value of share rights issued to members of the executive team, and the value of the special share award granted to certain employees and executives in respect of exceptional performance.

NZX Principle 6: Risk Management

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

Risk Management Framework

The Stride Boards consider effective management of risks to the operations and business of Stride to be an essential part of their responsibilities. The Boards are responsible for overseeing and approving the Stride risk management strategy and policies, as well as ensuring effective audit, risk management and compliance systems are in place.

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

As part of the risk management framework, SIML management maintains a comprehensive risk register for the Stride business and for each of the Stride Products, recording the key risks to the relevant business and operations, and assigning each risk a risk rating based on the likelihood and impact of the risk, as well as mitigation strategies and the risk rating after implementation of the mitigation strategies.

The Stride Boards receive a report on the material risks facing the business every six months, as well as mitigation strategies that are in place to manage those risks. This report also includes notification of any changes to the risk level or any new material risks that the business is facing. These risks include financial, operational, compliance, reputational, and health and safety risks, among others.

The key risk facing Stride during FY21 was the impact of COVID-19, particularly given that Stride owns and manages a number of retail shopping centres. Stride was also cognisant of the different opportunities and challenges posed by COVID-19 for the various Stride Products and ensured that the approach to COVID-19 was tailored to the needs of each Stride Product.

As reported in the "Sustainability" section of this report, the Board is conscious of the risks posed by climate change, and during FY22 will complete a climate risk assessment for Stride and the Stride Products to develop a comprehensive understanding of the risks posed to Stride's business through climate change and the response to climate change.

Management of Health and Safety Risk

Stride is committed to ensuring that all persons, including employees, consultants and contractors, tenants, and members of the public, are safe from harm at work or while on any site owned or managed by Stride. Stride's overriding health and safety objective is:

Our people are healthy and return home safe and well

The Stride Boards acknowledge that effective governance of health and safety is essential for the continued success of Stride and its operations, the wellbeing of our people and others who occupy or visit properties that are owned or managed by Stride. The Stride health and safety charter is available on the Stride website at **www.strideproperty.co.nz.** This charter reflects that the Boards as a whole are responsible for the governance of health and safety and have responsibility for leading the health and safety culture and vision at Stride. The Board of SIML also recognises that it plays a key role in managing health and safety risks at properties owned by SPL and the Stride Products in its role as manager of the Stride Products.

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

Contractor management remains a key health and safety risk faced by Stride. Stride works hard to develop and embed a positive health and safety culture throughout its area of influence, including tenants, contractors and the supply chain. SIML continues to work with contractors to ensure that appropriate health and safety practices are employed, and that contractors are minimising risk to staff, public and tenants in undertaking their activities. Stride remains vigilant in its engagement and management of contractors to seek to ensure the work undertaken is safe for all those involved, both those completing the work and those in the area. For major developments SIML will engage an external firm to audit health and safety practices on site on a monthly basis, with the results of that review reported to the Board.

During FY21, the key health and safety issue facing Stride was the impact of COVID-19 on its operations and those of the Stride Products and tenants. A number of sites managed by SIML had tenants that were considered 'essential businesses' within the Government definition on the **www.covid19.govt.nz** website, and therefore the sites those tenants operated from were required to be kept operational. Stride, in conjunction with these tenants, identified those contractors that were required to keep the sites operational and safe, and identified and reviewed those contractors' processes and procedures for safe operating. As the alert levels changed, Stride's key focus was ensuring appropriate information was provided to contractors and tenants regarding operational expectations such as physical distancing, contact tracing and sanitising, and monitoring to ensure these expectations were being met.

During FY21 the SIML Board reviewed its health and safety practices against best practice to ensure that it was exercising its due diligence obligations in relation to health and safety within Stride. The Board has requested SIML management to undertake an external review of health and safety practices during FY22, in accordance with the Board's policy of having an independent review every two years, to ensure practices remain current and appropriate.

NZX Principle 7: Auditors

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

External Audit Function and Audit Independence

PwC is the auditor of Stride. The key framework for the relationship between the issuer and its external auditor is comprised in the Audit and Risk Committee charter, which includes the audit independence guidelines. These guidelines require compliance with the Listing Rules, which require rotation of the lead audit partner at least every five years. FY21 represents the fifth audit for Stride's current audit partner, and accordingly a new audit partner within PwC will be appointed for FY22 for Stride.

Stride does not have a policy of rotating its audit firm, on the basis that there is a limited pool of external audit firms within New Zealand and Stride engages the other major firms for non-audit services, meaning they would be conflicted if approached to act as auditor. The Audit and Risk Committee will continue to consider rotating Stride's audit firm on an ongoing basis as appropriate.

The audit independence guidelines also 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 non-audit services provided by the external auditor and confirm whether these services prejudice the maintenance of independence of the auditor. The purpose of the audit independence framework is to ensure that audit independence is maintained, both in fact and appearance, so that Stride's external financial reporting is reliable and credible. For FY21, PwC, as auditor, did not provide any services 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. The external auditor is invited to attend meetings of the Audit and Risk Committee as required, with Directors free to make direct contact with the external auditor as necessary to obtain independent advice and information. In the interests of encouraging active participation by shareholders at the Annual Shareholder Meetings, Stride's external auditor is in attendance to answer any questions shareholders may have in relation to the audit of the annual financial statements.

Internal Audit Function

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

NZX Principle 8: Shareholder Rights and Relations

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

Investor Communications

The Boards believe transparent and open communication with shareholders is important to ensure effective participation by shareholders in the business of Stride. Shareholders deserve to be provided with all relevant information about the performance of their investment and to be informed on any significant matters relating to their investment in Stride. Stride is committed to notifying the market of any material information related to its operations as required by the Listing Rules.

All announcements are posted on Stride's page on the NZX website, **www.nzx.com**. Following release on the NZX, copies of the announcements and information released to NZX are posted on Stride's website, **www.strideproperty.co.nz.**

The Boards have adopted a Market Disclosure Policy that establishes procedures aimed at ensuring Directors and management are aware of and fulfil their disclosure obligations under the Listing Rules (as addressed under Principle 4). Significant market announcements, including the announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast, require prior review and approval of each Board.

In addition to these general disclosure obligations, the Market Disclosure Policy requires Directors and management to regularly consider whether there is any information that may require disclosure in accordance with the Market Disclosure Policy, the Listing Rules, the FMCA and best practice in this area. Board agendas include a consideration of any matters for disclosure as the last item on the agenda, and the Boards turn their mind to whether anything that has arisen or been discussed during the meeting requires disclosure.

Management and the Boards are also in contact between meetings as matters arise, and consideration is given to whether any matters are material and require disclosure.

The Stride website has copies of all presentations and reports released by Stride, and shareholders are encouraged to refer to the website **www.strideproperty.co.nz** for information on SPL and SIML.

Stride's annual reports and interim reports are available electronically on Stride's website and investors can request hard copies (where available) by contacting Stride's Share Registrar (whose contact details can be found in the Corporate Directory at the back of this Annual Report).

Each notice of meeting for shareholder meetings and transcripts of those meetings are made available on Stride's website and on the NZX. Stride encourages investors to receive investor communications by electronic means where possible.

Notice of Shareholder Meetings

In order for shareholders to fully participate in shareholder meetings, the Boards will endeavour where possible, to distribute the Notice of Meetings at least 20 working days prior to any shareholder meetings. During FY21 shareholders were given at least 20 working days' notice of the Annual Shareholder Meetings of SPL and SIML held on 29 July 2020.

Annual Shareholder Meetings

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

Shareholders are encouraged to attend the SIML and SPL Annual Shareholder Meetings and take the opportunity to meet the Stride Boards and SIML senior managers. All Directors and SIML senior managers attend the shareholder meetings and are available for questions. The Chair provides time for questions from the floor and these are answered by the appropriate member of the Boards or SIML management.

Stride's external auditor attends the meeting and is available to take questions on the preparation of the financial statements and the auditor's report.

Equity Capital Raise

Stride undertook an equity capital raise during November and December 2020 (the Capital Raise), comprising:

- a $180 million underwritten share placement (Placement); and
- a share purchase plan to eligible shareholders of up to $40 million, with Stride having a discretion as to whether to accept additional applications (SPP).

The Capital Raise was successfully completed on 15 December 2020 and Stride elected to accept additional applications of $10 million under the SPP. Accordingly, approximately 107.5 million shares were issued at $2.14 per share, equating to $230 million of gross proceeds raised. The net proceeds of the Capital Raise were used to partly fund the acquisitions of 215 Lambton Quay and 20 Customhouse Quay, and to capitalise SIML.

The SPP permitted each eligible shareholder to apply for up to $50,000 of additional shares in Stride, under NZX Listing Rule 4.3.1(c) as modified by the class waiver and ruling issued by NZX Regulation dated 19 March 2020. The effect of the class waiver and ruling issued by NZX Regulation was to temporarily increase the aggregate issue price of shares that may be issued to each shareholder under a Share Purchase Plan to $50,000 in any 12 month period, for a short period of time, to assist issuers to raise capital given the impacts of COVID-19.

The Stride Board determined, having received advice on options for the structure of the Capital Raise, to undertake the Capital Raise by way of the Placement and SPP (rather than under a pro rata structure such as a rights or entitlement offer) for a number of reasons:

- Due to the timing of release of Stride's interim results on 25 November 2020 and entry into the agreement to acquire the property at 20 Customhouse Quay (late on 24 November 2020) and the unconditional agreement to acquire the property at 215 Lambton Quay (19 November 2020), the Placement and SPP were able to be completed before the Christmas holiday period, while other forms of capital raising may not have been able to be completed in this time period;
- The Placement and SPP could be, and was, sized and structured in such a way as to enable almost all shareholders to apply for at least their pro rata shareholding in Stride;
- Overall, 99% of the SPP participants by number had the ability to at least receive their pro rata allocation through the SPP;
- By relying on the NZX class waiver and ruling, the SPP of up to $50,000 worth of shares per registered holder enabled approximately 98% of Stride's shareholders to participate in the SPP to a level which at least maintained their pre-offer holding; and shareholders with holdings of up to $400,000 were able to main their pro rata shareholding. Stride expects that shareholders with holdings greater than this amount would likely have been able to participate in the Placement either directly as an institution or indirectly through the retail broker channel;
- Overall, approximately 99.6% of eligible shareholders had the ability to participate to maintain at least their pro rata shareholding through the Capital Raise, taking into account Stride's total eligible shareholders and those who were able to participate in either the Placement or SPP;
- The SPP enabled smaller shareholders to participate in the equity raising at the same price as institutions in the Placement but with the benefit of having a longer offer period to consider participation.

Statutory Disclosures

Disclosures of Interest

The general disclosures of interest made by Directors of the Boards during the period 1 April 2020 to 31 March 2021 pursuant to section 140 of the Companies Act 1993 are shown in Table 8. Directors' interests in shares are shown on page 150.

Table 8 – Interests Register Entries

Director	Company	Position
Tim Storey	Investore Property Limited	Director
	Prolex Limited	Director
	Prolex Investments Limited	Director
	Prolex Management Limited	Director
	LawFinance Limited	Chair
John Harvey	Investore Property Limited	Director
	Pomare Investments Limited	Director / Shareholder
	Kathmandu Holdings Limited	Director
	Heartland Bank Limited	Director
	Port of Napier Limited	Director
	RCP (2)	Advisor to the Board
Philip Ling	Skymark Capital Limited	Director / Shareholder
	Jones Lang LaSalle	Shareholder
Jacqueline Cheyne	Audit Oversight Committee of the Financial Markets Authority	Member
	Risk and Assurance Committee MBIE	Member
	Broader Perspectives Limited	Director
	Audit & Risk and Investment Committee of the Nikau Foundation	Independent Member
	External Reporting Board	Member
	New Zealand Green Investment Finance Limited	Director
	Christchurch City Council Audit and Risk Management Committee (1)	Independent Member
	Snow Sports NZ	Chair
	PaySauce Limited (1)	Director
Michelle Tierney	Nil	
Nick Jacobson	Atmos Capital Partners Pty Limited	Director
	CapStra Pty Limited	Director
	Saxonwold Pty Limited	Director

(1) Entries added by notices given by Directors during the year ended 31 March 2021.
(2) Entries removed by notices given by Directors during the year ended 31 March 2021.

The following declarations of interest were made pursuant to section 140(1) of the Companies Act 1993:

Director	Nature of the Interest
Tim Storey and John Harvey	An interest noted by Directors Tim Storey and John Harvey, who are Directors of Investore Property Limited, and are interested in the issue by Investore Property Limited of shares to SPL as part of the equity capital raisings conducted by Investore Property Limited during FY21.

Directors of Subsidiary Companies

The subsidiaries of SPL and their directors as at 31 March 2021 are as set out in Table 9. All subsidiaries are wholly owned direct subsidiaries of SPL.

No additional fees were paid to the Directors in respect of any directorship of subsidiaries.

SIML had no subsidiaries as at 31 March 2021.

Table 9 – Stride Property Limited Subsidiaries and their Directors

Subsidiary	Directors
Stride Holdings Limited	Tim Storey, John Harvey, Philip Ling, Michelle Tierney, Jacqueline Cheyne, Nick Jacobson
Stride Industrial Property Limited	Tim Storey, Philip Littlewood
Stride Office Property Limited	Tim Storey, Philip Littlewood*

*Philip Littlewood ceased as a director of Stride Office Property Limited on 10 May 2021.

Indemnity and Insurance

In accordance with section 162 of the Companies Act and the Constitutions of each of SIML and SPL, each of SIML and SPL has entered into a deed of access, indemnity and insurance to indemnify its Directors and the Directors of its subsidiaries for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and in the best interests of the relevant company, or liabilities that cannot be legally indemnified.

SIML and SPL also have a Directors' and Officers' Liability Insurance Policy in place. Among other things, the Directors' and Officers' Liability Insurance Policy excludes cover for deliberate dishonesty, insider trading, fines and penalties (except for legally indemnifiable civil fines or civil penalties), liability arising out of a breach of professional duty other than as a professional director, and liability for which the insured is legally indemnified.

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

Use of Group Information

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

Loans to Directors

There are no loans to Directors.

Directors' Interests in Shares

Directors disclosed the following relevant interests in shares in each of SIML and SPL as at 31 March 2021:

Director	Relevant interest held in ordinary shares
Tim Storey	149,916
John Harvey	138,234
Philip Ling	10,000
Jacqueline Cheyne	10,500
Nick Jacobson	65,000

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

Twenty Largest Registered Shareholders as at 31 March 2021

Name	Number of ordinary shares	% of ordinary shares
Accident Compensation Corporation - NZCSD	51,092,650	10.81
ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	36,156,574	7.65
JBWere (NZ) Nominees Limited	27,666,334	5.85
FNZ Custodians Limited	26,870,114	5.68
Forsyth Barr Custodians Limited	19,457,361	4.12
Citibank Nominees (New Zealand) Limited - NZCSD	19,428,600	4.11
BNP Paribas Nominees (NZ) Limited - NZCSD	18,394,993	3.89
HSBC Nominees (New Zealand) Limited - NZCSD	17,537,933	3.71
Generate KiwiSaver Public Trust Nominees Limited - NZCSD	13,707,473	2.90
New Zealand Depository Nominee Limited	13,486,020	2.85
TEA Custodians Limited Client Property Trust Account - NZCSD	12,498,773	2.64
ANZ Wholesale Property Securities - NZCSD	11,695,423	2.47
National Nominees Limited - NZCSD	11,628,897	2.46
MFL Mutual Fund Limited - NZCSD	7,848,146	1.66
Mint Nominees Limited - NZCSD	7,338,053	1.55
Hobson Wealth Custodians Limited	7,023,364	1.49
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	6,031,341	1.28
PT (Booster Investments) Nominees Limited	4,537,183	0.96
BNP Paribas Nominees (NZ) Limited - NZCSD	3,622,862	0.77
Custodial Services Limited <A/C 4>	3,346,339	0.71
Total	**319,368,433**	**67.54**

Numbers may not sum due to rounding.

Substantial Product Holders as at 31 March 2021*

As at 31 March 2021, the names of all persons who are substantial product holders in SIML and SPL pursuant to sub-part 5 of part 5 of the FMCA are noted below:

	Date of substantial product holder notice	Number of ordinary shares held at date of notice	% of ordinary shares held at date of notice
Accident Compensation Corporation	3 April 2020	40,985,295	11.22
ANZ New Zealand Investments Limited and related bodies corporate	3 July 2019	45,387,009	12.42

* The number of ordinary shares listed in the table are as per the last substantial product holder notice filed by the relevant shareholder on or before 31 March 2021. As substantial product holder notices are required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of the 20 largest shareholdings.

Distribution of Ordinary Shares and Shareholdings as at 31 March 2021

Range	Total holders	% of holders	Shares	% of shares
1 - 499	53	0.98	12,875	0.00
500 - 999	40	0.74	28,053	0.01
1,000 - 1,999	176	3.26	259,545	0.05
2,000 - 4,999	719	13.30	2,449,187	0.52
5,000 - 9,999	1,301	24.06	9,185,880	1.94
10,000 - 49,999	2,548	47.12	55,072,241	11.65
50,000 - 99,999	337	6.23	22,416,341	4.74
100,000 - 499,999	189	3.50	33,248,827	7.03
500,000 - 999,999	13	0.24	9,216,966	1.95
1,000,000 and over	31	0.57	340,938,398	72.11
Total	**5,407**	**100.00**	**472,828,313**	**100.00**

Donations

During FY21 SIML made donations of $6,825.

SPL is a sponsor of the Graeme Dingle Foundation, and SIML is a sponsor of the Keystone New Zealand Property Education Trust and also sponsors a promising young athlete through the Tania Dalton Foundation.

During the year SPL paid $63,250 to the Graeme Dingle Foundation, and SIML paid $11,500 to Keystone New Zealand Property Education Trust and $10,000 to Tania Dalton Foundation by way of sponsorship.

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

Credit Rating

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

Exercise of NZX Disciplinary Powers

The NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Stride during FY21.

Auditor's Fees

PwC has continued to act as auditor for Stride and the amounts payable by Stride and its subsidiaries to PwC for audit fees and non-audit work fees undertaken in respect of FY21 are set out in note 8.2 to the consolidated financial statements.

NZX Waivers

During FY21 Stride was granted or relied on certain waivers from the Listing Rules, which are described in this section. NZX Regulation reviewed the waivers that had been granted to Stride in relation to the Listing Rules dated 1 October 2017 and issued a new set of waivers on 28 May 2020. A copy of these waivers is available at **www.nzx.com/companies/SPG.**

Ruling on the Definition of "Associated Person"

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

Ruling on definition of "Disqualifying Relationship"

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

Listing Rules 2.2 to 2.5 and 2.7 to 2.8

This waiver permits:

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

Listing Rule 2.10.1

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

Listing Rule 2.11

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

Listing Rules 2.14.1, 2.14.2, 7.8 and 7.9

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

Listing Rule 4.6.1

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

Listing Rules 3.13.1, 3.14.2 and 3.15

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

Listing Rule 5.2.1

This waiver permits:

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

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

A ruling that the term "Issuer" in the definition of "Average Market Price" refers to the "Stapled Group" (Stride) and the term "Quoted Equity Securities" in the definition of "Average Market Capitalisation" refers to the stapled securities of SPL and SIML.

Ruling on the definition of "Material Information"

A ruling that the reference to "price of quoted financial products of the listed issuer" in the definition of "Material Information" should be read as applying to the price of the stapled securities of SPL and SIML. This ruling requires that any announcement must explain whether the information is material to SPL or SIML.

Listing Rules 3.5, 3.6.1(a), 3.7 and 3.8

This waiver permits the Stride companies to provide certain information required in annual and half year reports on a consolidated basis, rather than by and in respect of each Stride company individually. This waiver is subject to the additional condition that each of the Stride companies release individual financial statements to the extent required by applicable financial reporting legislation.

Listing Rule 8.3

This waiver permits the Stride companies to provide consolidated statements of shareholdings to shareholders which shows their overall Stride holding, rather than their shareholding in each Stride company separately.

Equity Capital Raise

In addition, in connection with the Capital Raise undertaken in November and December 2020, Stride relied on the class waiver and ruling issue by NZX Regulation dated 19 March 2020 to increase the limit per registered holder to $50,000, which is outlined below.

Limb (a) of the definition of "Share Purchase Plan"

The definition of Share Purchase Plan in the Listing Rules provides that the consideration payable for the equity securities issued under the Share Purchase Plan must not exceed $15,000 per registered holder in any 12 month period. This definition was amended by way of a class waiver and ruling issued by NZX Regulation dated 19 March 2020 to increase the limit per registered holder to $50,000.

Financial Reporting Exemption

The financial statements for each Stride company were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2017. This exemption allows SPL and SIML, subject to conditions set out in the exemption notice, to prepare financial statements in respect of Stride, while they remain stapled (in place of separate financial statements for each company).

Implications of Investing in Stapled Securities

The practical implications of a shareholder holding a stapled security include that:

- The shareholder is a shareholder of both SPL and SIML
- In order to sell a SPL share or a SIML share, the corresponding SIML share or SPL share, as applicable, also needs to be sold to the same purchaser
- Market disclosures via NZX may be made in respect of the Stride companies as a whole, but each of SPL and SIML will continue to be obliged to make announcements under the Listing Rules according to the nature of the disclosure (for example, announcements about the declaration of a dividend or the passing of a resolution at a meeting of shareholders would be made by the relevant company)
- The only quoted price of a SPL share and/or a SIML share on the NZX Main Board will be the quoted price for the stapled security
- The materiality of "Material Information" for continuous disclosure purposes under the Listing Rules will be assessed against the potential effect on the price of stapled securities as there will not be a separate quoted price available for each of SPL and SIML. Any disclosure of "Material Information" made by Stride will explain whether the information is material to SPL and/or SIML
- New stapled security issues will result in equal numbers of SPL shares and SIML shares being issued
- Shareholders are entitled to attend, or vote by proxy, at separate meetings of shareholders of each of SPL and SIML. For some transactions involving both Stride companies (for example, an issuance of stapled securities being made with shareholder approval under the Listing Rules), resolutions might be required from shareholders in respect of the same matter. In that case, the relevant transaction will only be able to proceed if the respective resolutions are approved at shareholder meetings of both SPL and SIML
- Distributions will be received, to the extent declared, from each of SPL and SIML

Directors' Statement

This Annual Report is dated 27 May 2021 and is signed for and on behalf of the Boards of Directors of Stride Property Limited and Stride Investment Management Limited by:

Tim Storey
Chair of the Board

John Harvey
Chair of the Audit and Risk Committee

Glossary

Companies Act	Companies Act 1993
Contract Rental	Contract Rental is the amount of rent payable by each tenant, plus other amounts payable to SPL (or the relevant landlord) by that tenant under the terms of the relevant lease as at the relevant date, annualised for the 12-month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant
Distributable Profit	Distributable profit is a non-GAAP measure and consists of profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.2 to the consolidated financial statements
Diversified	Diversified NZ Property Trust, a Stride Product
FMCA	Financial Markets Conduct Act 2013
FY20	The financial year ended 31 March 2020
FY21	The financial year ended 31 March 2021
FY22	The financial year ended 31 March 2022
Industre or Industre Property Joint Venture	The joint venture between SPL (through its wholly owned subsidiary, Stride Industrial Property Limited) and JPMAM, which commenced on 1 July 2020. Industre is a Stride Product
Investore	Investore Property Limited, a Stride Product
JPMAM	A group of international institutional investors, through a special purpose vehicle, and advised by J.P. Morgan Asset Management
Lease Expiry Profile	Represents the scheduled expiry for each lease, excluding any rights of renewal that may be granted under each lease, for the portfolio as at 31 March 2021, as a percentage of Contract Rental
Listing Rules	The main board listing rules of NZX
LVR	Loan to value ratio
Moving Annual Turnover	The annual sales on a rolling 12 month basis, excluding GST
NLA	Net Lettable Area
NZX	NZX Limited
NZX Code	NZX Corporate Governance Code 2020
SIML	Stride Investment Management Limited
SIML Board	The Board of Directors of SIML
SPL	Stride Property Limited
SPL Board	The Board of Directors of SPL
Stride	Stride Property Group, comprising the stapled entities of SPL and SIML
Stride Boards or Boards	The Boards of SPL and SIML together
Stride Product	Any or all, as the context may required, of Diversified, Investore, and Industre, being entities or funds managed by SIML
WALT	Weighted Average Lease Term, which is the lease term remaining to expiry across a property or portfolio and weighted by rental income

Corporate Directory

Board of Directors

Tim Storey (Chair)
John Harvey
Michelle Tierney
Philip Ling
Nick Jacobson
Jacqueline Cheyne (formerly Robertson)

Registered Office

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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
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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)
Commonwealth Bank of Australia (New Zealand Branch)
Industrial and Commercial Bank of China Limited, Auckland Branch
MUFG Bank, Ltd (Auckland Branch)
Westpac New Zealand Limited
The Hongkong and Shanghai Banking Corporation Limited (New Zealand Branch)

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