



Stride Property Group
Annual Report 2017

Contents

Highlights	02
Results Overview	03
Vision & Strategy	04
Chairman's Report	09
Board of Directors	10
The Manager's Report	12
Portfolio 2017	16
Financial Statements	19
Corporate Governance	65
Investor Relations	72
Statutory Information	74
Corporate Directory	80

This document comprises the annual report for each of Stride Investment Management Limited and Stride Property Limited, each of which are members of Stride Property Group.

Each of Stride, SIML and SPG has been designated as "Non-Standard" (NS) by NZX. The implications of investing in stapled securities of SPG are set out at page 77 of this report.

Highlights

-  **12 July 2016** Stride Property Group listing on NZX
-  Demerger of Investore Property
-  Growth of **real estate investment management** business
-  Co-investor in Investore Property **19.9%** and Diversified Trust **2%**
-  NorthWest Two, Auckland, development opened in **October 2016**
-  **\$56.9m Profit** after income tax **\$25.9m up** on forecast
-  **\$37.7m** Distributable profit¹ after income tax **up \$0.4m** up on forecast
-  **9.96cps** combined Stride Property Group cash dividend for FY17



1. Distributable profit is a non-GAAP measure and consists of net profit/(loss) before income tax, adjusted for 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 net profit before income tax, is set out in note 7 to the financial statements on page 30.

Results Overview

On 10 June 2016, Stride Property Limited (Stride) issued an Explanatory Memorandum for the purposes of a special meeting of shareholders. The Financial Performance table is a comparison of the prospective financial information in the Explanatory Memorandum to Stride Property Group's actual results for the year ended 31 March 2017. The 2017 Actual Statement of Comprehensive Income individual lines include the discontinued operations of Investore Property Limited (Investore) pre-demerger for comparative purposes.

Financial Performance	2017 Actual (\$m)	2017 Forecast (\$m)	Change (\$m)	Change %
Net rental income	63.6	63.3	0.3	0.4
Profit before net finance expenses, other income and income tax	56.6	57.0	(0.5)	(0.8)
Net finance expenses	(19.0)	(19.6)	0.6	3.1
Profit before other expenses and income tax	37.5	37.4	0.1	0.4
Other income	27.9	3.3	24.6	737.4
Profit before income tax	65.5	40.7	24.7	60.8
Income tax expense	(8.6)	(9.7)	1.1	11.7
Profit after income tax attributable to shareholders	56.9	31.0	25.9	83.5
Distributable profit before income tax	45.5	45.4	0.2	0.3
Distributable profit after income tax	37.7	37.2	0.4	1.2

Note: Values in the table above are calculated based on the underlying numbers in the respective financial information and may not sum due to rounding.

The Five Year Financial Summary table reflects the numbers in the financial statements for each respective year. On 11 July 2016, Stride Property Limited distributed shares in its subsidiary Investore to Stride 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) and the year ended 31 March 2016 (2016 column) has been presented as "Profit from discontinued operations". Refer note 3 to the Consolidated Financial Statements on page 27.

Five Year Financial Summary	2017 (\$m)	2016 (\$m)	2015 (\$m)	2014 (\$m)	2013 (\$m)
Net rental income	57.9	61.8	57.2	57.4	53.5
Profit before net finance expenses, other income and income tax from continuing operations	51.0	55.4	52.6	49.9	47.0
Net finance expenses	(16.8)	(15.2)	(13.0)	(14.9)	(15.6)
Profit before other income and income tax from continuing operations	34.1	40.2	39.6	35.0	31.3
Other income	27.9	58.3	37.7	14.0	22.2
Profit before income tax from continuing operations	62.1	98.5	77.3	49.0	53.5
Income tax expense	(7.9)	(9.1)	(8.5)	(7.4)	(8.0)
Profit after income tax from continuing operations	54.2	89.4	68.8	41.6	45.5
(Loss)/profit from discontinued operations ¹	(0.9)	3.0	0.0	0.0	0.0
Profit attributable to shareholders ¹	53.3	92.4	68.8	41.6	45.5
Basic earnings per share – weighted	14.63 cents	27.93 cents	23.16 cents	14.50 cents	18.33 cents
Distributable profit before income tax	45.5	46.3	40.3	35.0	29.8
Distributable profit after income tax	37.7	37.1	32.1	27.7	24.0
Basic distributable profit after income tax per share – weighted	10.33 cents	11.22 cents	10.80 cents	9.67 cents	9.64 cents
Property values ²	895.3	1,274.8	872.4	780.2	667.0
Bank debt drawn	347.5	532.2	305.9	268.2	246.4
Bank loan to value ratio	38.8% ²	41.7%	35.1%	34.4%	36.9%
NTA per share ³	\$1.67	\$1.97	\$1.81	\$1.69	\$1.62
Adjusted NTA per share ⁴	\$1.68	\$2.00	\$1.82	\$1.69	\$1.64

1. Includes the reclassification of cash flow hedge reserve to statement of comprehensive income for discontinued operations. Refer note 3 to the Consolidated Financial Statements on page 27.

2. Includes NorthWest Two, Auckland, which is classified as inventory in the financial statements. Refer note 13 to the Consolidated Financial Statements on page 41.

3. Excludes intangibles.

4. Excludes intangibles and after tax fair value of interest rate derivatives.

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

Vision & Strategy

Stride Property Group has taken bold steps to change the nature of its business, to deliver outstanding results for investors, and to be a leader in its sector. This has carried through to the current financial year, with several strategic milestones which were New Zealand firsts for a listed property entity. The changes made to the group's structure and the approach to both investing in and managing properties have been both innovative and informed. The listing of Stride Property Group under a “stapled” structure in mid – 2016 was the start of a new direction for the group, bolstered by strong growth and positive investor support. The 2017 financial year has also seen further support for the group with significant growth in its real estate investment management business. Stride Property Group is at the forefront of the New Zealand property sector.



Our Approach

Stride Property Group was listed on the NZX Main Board on 12 July 2016 via a mechanism new to the New Zealand market, the “stapling” of Stride Property Limited (Stride) and Stride Investment Management Limited (SIML), to create Stride Property Group.

The group is listed on the NZX Main Board under the ticker code SPG. This followed the strategic demerger of a part of Stride's property portfolio to form Investore Property Limited (Investore), a listed property investment company managed by SIML.

The new structure gives Stride Property Group significant scope to grow its real estate investment management business (REIM), develop new opportunities for potential property sector investments and leverage the specialist expertise that it has developed within the organisation.

SIML manages the portfolios of Stride, Diversified NZ Property Trust (Diversified Trust) and Investore. Stride holds 19.9% of the shares in Investore and approximately 2% of the units in Diversified. The three property investment entities, and clearly defined investment strategies for each entity, provide an ideal platform to accelerate Stride Property Group's growth in the New Zealand property sector.

At the heart of Stride Property Group is its commitment to invest in and manage property portfolios that deliver market leading returns to investors. This dual approach provides the group with robust revenue streams from property investment and management fees generated by REIM activity. Together, these provide a stable and consistent income that gives Stride Property Group a solid foundation on which to build and expand its business.

Stride Property Group's vision is to build New Zealand's best performing NZX-listed property investment and management company that invests in the best places, is managed by the best team and, most importantly, delivers the best performance.

SIML employs property professionals who have a depth of industry knowledge, are discipline driven, people-centred, fresh thinkers and nimble performers across all facets of a contemporary New Zealand property entity.

The delivery of optimum value to investors from the properties managed by SIML is a key driver. Decisions are made with the right blend of head and heart and a careful weighting of risk versus return.

SIML works closely with the tenants of its managed properties, to create environments that reward both visitors and occupiers, in which businesses can flourish and in which employees and customers enjoy working and visiting. This is a critical aspect of SIML's investment selection process, along with an astute and analytical approach to the future value of its investments. It is a characteristic of Stride Property Group that it commits fully to the real estate investment products that it creates and manages.

Underpinning Stride Property Group's investment and management strategies is its determination to outperform the market. To achieve this, it focuses on constantly improving the performance of its own investments and those of the funds that it manages.

Innovation continues to be the hallmark of Stride Property Group's business. The concept of separating the company's core businesses of property investment and investment management and the listing of the stapled Stride Property Group, and the creation and listing of Investore in July 2016 were unique in New Zealand.

Stride Property Group is a leading New Zealand business that has positioned itself to take maximum advantage from the domestic property sector and to continue to deliver outstanding results for its investors. It has re-engineered the way that it does business and offers investors new investment opportunities in the property market.

Looking forward, Stride Property Group sees considerable potential for future growth through the expansion of the portfolios that it currently manages and through new opportunities for its investment management business. These are the foundations for the group's future success and the key to delivering market leading returns for its investors.

NorthWest Two,
Auckland



“The outstanding support received from the market for the listing of Stride Property Group and Investore Property Limited was very encouraging.”

Chairman's Report

The 2017 financial year was a transformational one for Stride Property Group where it evolved into a leading commercial property investor and portfolio manager.

The potential benefits that were identified and which underpinned the structural changes to Stride have been borne out in the results achieved since the listing of Stride Property Group in July 2016. The advantages of adopting the dual strategy of investing in and managing properties are clear, with revenue streams at a healthy level and investments increasing in value.

Stride Property Group has a structure that is resilient, flexible and scalable, which we are confident will deliver market-leading results to investors. It is also ideally positioned to take advantage of a wide range of market opportunities as they occur.

The outstanding support received from the market for the listing of Stride Property Group and Investore Property Limited (Investore) was very encouraging.

The launch of Investore offered something unique to the market. Investore's portfolio is differentiated by its long weighted average lease term, stability and surety of income from nationally recognised tenants and a clear focus on a specific sector.

Stride Property Group's 2017 results reflect the confidence within the group and deliver on the expectations that our investors have of us. This was a year marked by change, both in the way our business operates and in the size of our managed portfolios.

The creation of Stride Investment Management Limited (SIML) has resulted in a significant strengthening of our real estate investment management expertise across the commercial property sector. The SIML management team and the Board have worked closely together to develop a strategy that is expected to maximise returns for investors over the long term. We believe that there is potential in the New Zealand market to further expand the portfolios of Stride, Diversified NZ Property Trust and Investore, as well as establish new investment products.

Distribution Policy and Dividend

Stride Property Group seeks to deliver consistent dividends and long-term growth for its shareholders. The Explanatory Memorandum distributed to shareholders in June 2016 provided that the benefit of the Variation Proposal, Restructuring and Associated Transactions (each as defined in the Explanatory Memorandum) would be partially reflected in the 2017 financial year and fully reflected in the 2018 financial year. Taking this into account and Stride Property Group's policy of distributing between 95% and 100% of Distributable Profit (defined as net profit/(loss) before income tax adjusted for non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax), the Boards have approved a combined cash dividend of 2.42cps for the fourth quarter of the 2017 financial year, being the period 1 January to 31 March 2017. This fourth quarter dividend will lift the full financial year's cash dividend to 9.96cps, in line with the guidance previously given.

Overall, we believe that Stride Property Group is ideally positioned to take advantage of both existing and future market conditions in New Zealand. Its structure, vision, resources and capabilities ensure that it is well placed to deliver on this potential.

Thank you for your ongoing support.
On behalf of the Board



Tim Storey
Chairman

Board of Directors



Tim Storey
Chairman (Independent)

Tim was appointed Chair of Stride in 2009. He has more than 30 years' experience as a company director across a range of sectors from property to entertainment, and as a commercial, practising lawyer in Australia and New Zealand, retiring from the Bell Gully partnership in 2006. Tim is a member of the Institute of Directors in New Zealand (Inc) and is a director of JustKapital Litigation Partners Limited (ASX Listed) and a number of private companies. Tim is also a director of Investore Property Limited.



Michelle Tierney
Director (Independent)

Michelle has more than 20 years' experience in the property industry in investment, funds, property and asset management. Michelle held roles including 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 holds a Master of Business Administration, a Postgraduate Diploma in Business Administration and a Bachelor of Arts (Journalism & Communication). Michelle is a member of the Australian Institute of Company Directors, Women on Boards Australia and the Women's Leadership Institute Australia and is an Associate of the Australian Property Institute.



David van Schaardenburg
Director (Independent)

David is a Principal of the investment firm, New Zealand Funds Management. He has worked in financial analysis and portfolio management roles for 25 years, including three years in London. From 1994, he directed Fundsource Limited, New Zealand's leading investment research group, and from 1997 was Chief Investment Officer at NZ Funds, overseeing the management of \$1 billion across a variety of asset classes. David has a Bachelor of Commerce from The University of Auckland and holds a Chartered Accountant (CA) designation from Chartered Accountants Australia and New Zealand. He is a member of the Institute of Directors in New Zealand (Inc).



John Harvey
Director (Independent)

John has over 35 years' professional experience as a chartered accountant. He was a partner in PricewaterhouseCoopers for 23 years and held a number of management and governance responsibilities. He holds a Chartered Accountant (CA) designation from Chartered Accountants Australia and New Zealand. John retired from PricewaterhouseCoopers in June 2009 to pursue a career as a director. He is a member of the Institute of Directors in New Zealand (Inc) and is currently a director of Port Otago Limited, Kathmandu Holdings Limited, Heartland Bank Limited, Ballance Agri-Nutrients Limited and is Chairman of New Zealand Opera Limited. John is also a director of Investore Property Limited.



Michael Stiasny
Director (Independent)

Michael has widespread experience in all matters financial. He is the senior partner of KordaMentha in New Zealand – a chartered accountancy firm specialising in financial consulting work. He is currently Chairman of Vector Limited, Tower Limited and Ngāti Whātua Ōrākei Whai Rawa Limited, as well as a director of a number of public and private companies. Michael is a Fellow of the Institute of Directors in New Zealand (Inc) (FInstD), a Fellow of Chartered Accountants Australia and New Zealand and President of the Institute of Directors in New Zealand (Inc).

The Manager’s Report

Stride Property Group has strengthened its focus on delivering market-leading returns to its investors with an increased emphasis on investment management and strategic investments in properties that have enduring demand over the medium to long term.

To become New Zealand’s leading property manager and investor, Stride Property Limited (Stride) has transformed its business into separate investment and management entities. The restructure enhances Stride Investment Management Limited’s (SIML) ability to expand its investment management activities whilst retaining the benefits to shareholders that are derived from Stride’s Portfolio Investment Entity (PIE) structure.

SIML manages \$2.1 billion of investment property, including the portfolios of two NZX-listed entities, Stride and Investore Property Limited (Investore), in addition to the investments of Diversified NZ Property Trust (Diversified Trust). Stride also co-invests with Investore and Diversified Trust, holding a 19.9% and approximately 2% stake in these entities respectively.

The 2017 financial year was marked by significant growth in the property portfolios managed by SIML, with fees from management growing significantly to \$13.08 million.

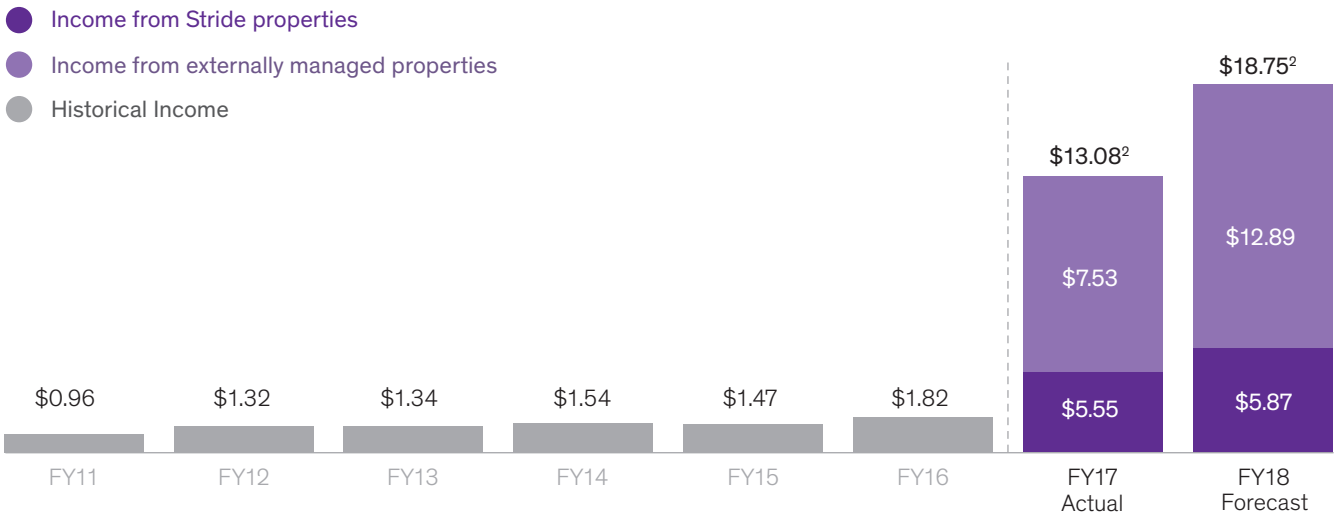
Further, the company is on target to achieve the forecast management fee income for 2018 financial year of \$18.75 million.

During the year, the number of tenants under management increased by 295. There were six divestments and 17 new properties were added across the investment portfolios.

Lease Transactions¹
SIML completed a total of 286 lease transactions across all managed portfolios in the period ended 31 March 2017, comprising the following:

- 230 rent reviews over 223,078m² for a total annual rental of \$47.2 million
- 28 lease renewals over 21,094m² for a total annual rental of \$3.5 million
- 28 new lettings completed over 30,590m² for a total annual rental of \$4.6 million

Real estate investment management fee income (FY11-FY18) (NZ\$m)



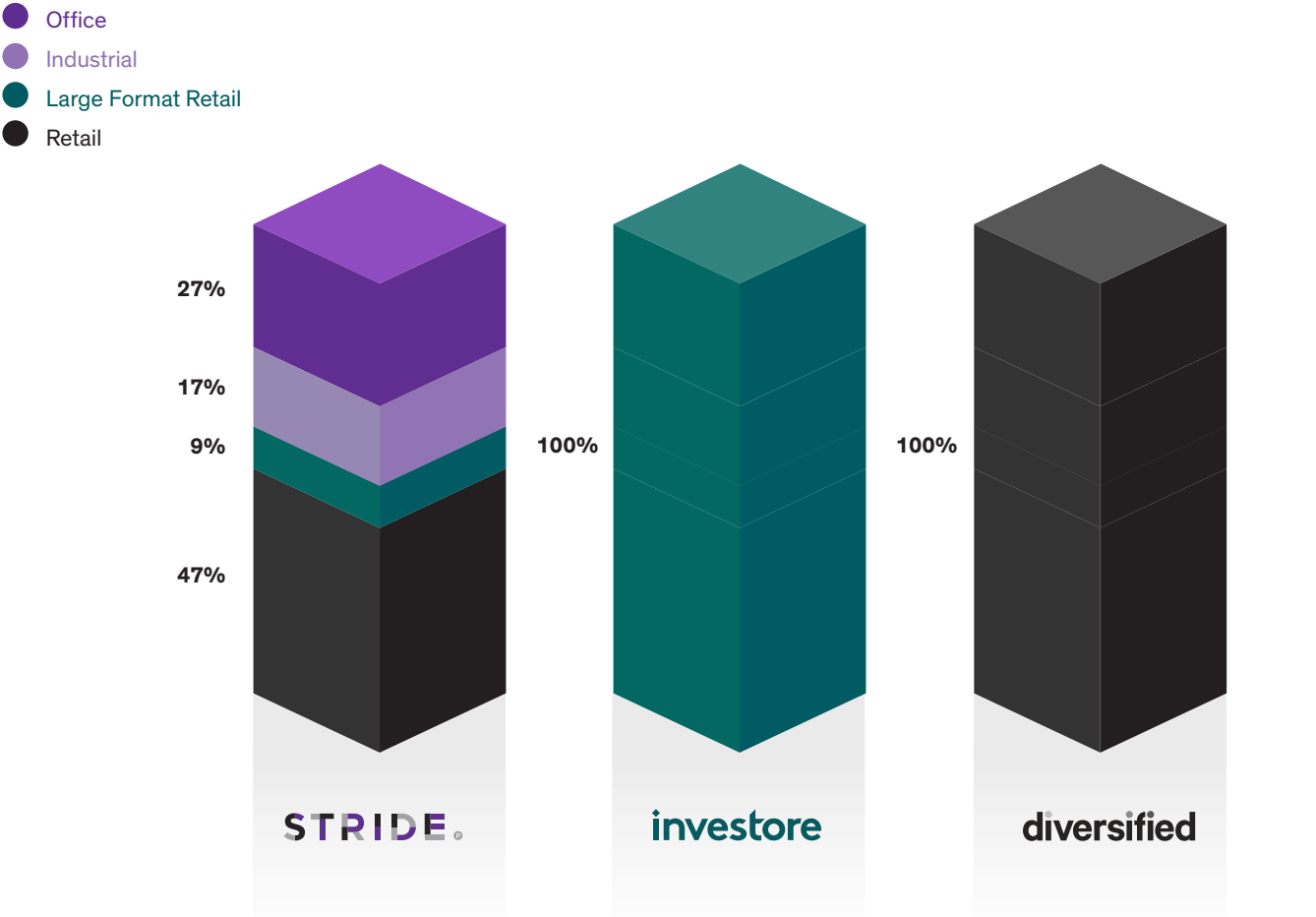
¹ Lease transactions include completed lease transactions for Stride, Investore and Diversified Trust.
² Represents total SIML management fee income including Stride, which is eliminated on consolidation in the Consolidated Financial Statements for FY17 and Prospective Financial Information for FY18. Values may not sum accurately due to rounding.

Portfolio Valuation: Owned and managed properties

	Value of Investment Properties ¹	Number of Investment Properties	Investment in Managed Entities
STRIDE.	\$895 ² million	29 ³	—
investore	\$660 million	39	19.9% held by Stride
diversified	\$523 million	4 ³	2% held by Stride
Total	\$2,078 million	71 ³	—

¹ Valuations as at 31 March 2017.
² Includes NorthWest Two, Auckland, which is classified as inventory in the financial statements. Refer note 13 to the Consolidated Financial Statements on page 41.
³ Includes Johnsonville Shopping Centre, Wellington, which is owned 50/50 by Stride and Diversified Trust.

Portfolio composition (by Contract Rental¹)



¹ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant under the terms of the relevant lease as at 31 March 2017, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2017, and assuming no default by the tenant.

Development Projects

NorthWest Two, Auckland, Stride Property Limited

The second stage of the NorthWest Shopping Centre, NorthWest Two, opened in October 2016. The development has brought 17 new shopping and dining experiences to the Town Centre and has added to the creation of a new community hub for the Northern and Western regions of Auckland City.

The dining precinct included in NorthWest Two provides a range of restaurants and food outlets giving diners the choice of al fresco dining to family-style and casual meals. The combination of the NorthWest Shopping Centre and the NorthWest Two development now provides visitors with a wide range of options for shopping, relaxing and dining in a space designed specifically to meet community needs.

NorthWest Two has also attracted additional workers to the region with 4,442m² of new office space. New Zealand's largest wine company, Constellation Brands New Zealand Limited, moved its head office to NorthWest Two in February 2017 and, in total, the additional office space will accommodate up to 300 new jobs in addition to the 700 jobs created following completion of the first stage.

Rockridge Avenue, Auckland, Stride Property Limited

A \$16.5 million development is underway at 15 Rockridge Avenue, Auckland. This development is in the heart of Auckland's prime industrial and commercial real estate.

The project includes buildings with 8,100m² of space on a site measuring 1.23ha. This property has excellent access to the main arterial routes in Auckland and SIML anticipates that the development will be keenly sought after.

It is anticipated that the development will be completed by December 2017.

Johnsonville Shopping Centre, Wellington, owned 50:50 by Stride Property Limited and Diversified NZ Property Trust

A new resource consent for Johnsonville Shopping Centre was approved by Wellington City Council in January 2017.

The updated design includes space for 120 specialty retailers in the 26,000m² shopping centre along with a dining precinct, boutique cinema, food court and 900 carparks. Some shops will be located on Johnsonville Road to preserve and upgrade the community-oriented main street environment.

It is proposed that the Countdown Supermarket will remain as an anchor tenant in the redeveloped shopping centre. A commitment to proceed with the redevelopment will be subject to commercial feasibility and progress with approvals and pre-leasing.

Queensgate Shopping Centre, Wellington, Diversified NZ Property Trust

One of the buildings comprising Queensgate Shopping Centre, owned by Diversified Trust and managed by SIML, was damaged in the November 2016 Kaikoura earthquake and required demolition. This work was completed in February 2017 and the 73 tenancies adjacent to the affected building were re-opened on 6 April 2017.

SIML took a conservative approach to reopening the Centre and commissioned exhaustive examinations of the buildings before opening a portion of the complex in late November 2016. Diversified Trust is committed to rebuilding the cinema complex and the portion of the carpark that required demolition.

Animates Development, Tay Street, Invercargill, Investore Property Limited

A \$2.2 million development was completed at the Investore owned property at Tay Street, Invercargill, in February 2017. This 820m² development consists of two retail tenancies, Animates and a medical facility.

Capital Management

As at 31 March 2017, Stride had drawn bank facilities of \$347.5 million and had interest rate hedging in place equivalent to 74.8% of drawn bank borrowings. The loan to value ratio (LVR) was 38.8% which sits within Stride's target of a 38% to 42% range and well below Stride's banking covenant limit of 50%. Stride's exposure to interest rate fluctuations is minimal and only extends to the non-hedged portions of drawn bank borrowings.

Outlook

The outlook for Stride Property Group is very positive, with opportunities for expansion across its real estate investment management, property development and property investment activities. The group is well positioned to pursue those opportunities that align with its purpose and vision and respond quickly to them.

Internally, each of the teams responsible for Stride Property Group's core activities has been strengthened and new systems and processes have been implemented across the organisation. Digital transformation is also underway to improve Stride Property Group's efficiency and its ability to provide better insight to its business in order to build on the transformational year of 2017 with further investor returns.

The 2018 financial year is expected to be one of managed growth in line with forecasts set out at the time of the listing. Stride Property Group is in a very strong position to achieve its market leadership vision.

J. Whooley

Jennifer Whooley
Chief Financial Officer

Philip Littlewood

Philip Littlewood
General Manager Investment Management

Animates, Tay Street, Invercargill



Portfolio 2017

Stride Property Limited

Overview				As at 31 March 2017		As at 31 March 2016					
Properties				29		59					
Tenants				380		415					
Net Lettable Area (m²)				304,714		432,337					
Net Contract Rental¹ (\$m)				62.6		90.9					
WALT² (years)				4.9		7.9					
Occupancy Rate (% by Area)				96.8		99.6					
Portfolio Value (\$m)				895.3³		1,274.8					
Address		Tenants City	Major (no.) Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT² (years)	Valuation (\$000)	Net Contract Rental¹ (\$000)	Market Cap Rate	Contract Yield	
Office											
33 Corinthian Drive		Auckland	1	ASB Bank	100.0%	10,936	8.5	46,050	2,971	6.30%	6.45%
7-9 Fanshawe Street		Auckland	13	IAG, IPFX, ClearPoint	100.0%	4,817	3.1	9,500	1,788	10.50%	18.82%
80 Greys Avenue		Auckland	2	DDB New Zealand, Serato	100.0%	5,450	2.6	20,000	1,449	7.13%	7.25%
21-25 Teed Street		Auckland	11	NZACU, FX Networks	97.9%	4,071	2.7	21,100	1,481	6.88%	7.02%
35 Teed Street		Auckland	7	Heartland Bank	100.0%	2,874	6.3	20,050	1,285	6.50%	6.41%
33 Customhouse Quay		Wellington	5	Meridian Energy	100.0%	5,245	2.7	32,700	2,458	7.25%	7.52%
1 Grey Street		Wellington	16	Westpac (NZ) Investments	100.0%	10,472	3.8	49,750	3,899	7.75%	7.84%
22 The Terrace		Wellington	9	Qual IT, Department of Internal Affairs	100.0%	4,780	2.9	15,800	1,328	8.25%	8.40%
Office Total			64		99.8%	48,646	4.3	214,950	16,658	7.26%	7.75%
Industrial											
30 Airpark Drive		Auckland	1	DHL Supply Chain (New Zealand)	100.0%	13,733	2.7	21,900	1,378	6.75%	6.29%
22 Ha Crescent		Auckland	1	Tasman Liquor	100.0%	8,757	1.2	10,700	749	6.65%	7.00%
8 Reg Savory Place		Auckland	1	National Glass	100.0%	4,025	0.4	6,600	478	6.63%	7.25%
20 Rockridge Avenue		Auckland	1	NZ Merchants	100.0%	10,239	3.5	14,100	843	6.75%	5.98%
460 Rosebank Road		Auckland	2	French Country Collections, Aeroqual	45.8%	12,239	5.6	14,500	503	7.50%	3.47%
11 Springs Road		Auckland	1	Lion - Beer, Spirits and Wine	100.0%	21,349	0.5	20,000	2,071	7.75%	10.35%
25 O'Rorke Road		Auckland	5	Laminex, AA Insurance, Hydraulink	100.0%	27,086	6.0	61,275	3,594	6.09%	5.87%
415 East Tamaki Drive		Auckland	1	Goodyear & Dunlop Tyres (NZ)	100.0%	9,727	4.0	16,750	1,137	6.38%	6.79%
15 Ride Way		Auckland	1	New Zealand Post	100.0%	6,027	0.4	9,950	600	6.25%	6.03%
34 Airpark Drive		Auckland	1	MPI International	100.0%	-	10.8	6,720	252	5.00%	3.75%
Industrial Total			15		94.1%	113,183	3.5	182,495	11,605	6.56%	6.36%

Address	City	Tenants (no.)	Major Tenant(s)	Occupancy	Net Lettable Area (m²)	WALT² (years)	Valuation (\$000)	Net Contract Rental¹ (\$000)	Market Cap Rate	Contract Yield
Retail										
Cnr Mt Wellington Highway & Penrose Road	Auckland	22	Countdown	96.7%	9,011	2.8	35,100	2,471	6.75%	7.04%
Johnsonville Shopping Centre (50%)	Wellington	87	Specialty Retail	96.1%	6,924	3.0	30,500	2,116	7.05%	6.94%
61 Silverdale Street	Auckland	36	Countdown, The Warehouse	99.1%	22,910	6.2	90,000	5,906	6.75%	6.56%
65 Chapel Street	Tauranga	28	Rebel Sport, Briscoes	100.0%	16,586	3.5	40,500	3,208	7.63%	7.92%
NorthWest Shopping Centre	Auckland	107	Countdown, Farmers	99.2%	27,528	7.0	175,000	11,717	6.38%	6.70%
NorthWest Two	Auckland	17	Constellation Brands	73.0%	7,891	7.3	36,247	2,049	-	5.65%
Retail Total		297		96.6%	90,851	5.8	407,347³	27,468	6.70%	6.74%
Large Format Retail										
446 Te Rapa Road	Hamilton	1	Bunnings	100.0%	12,763	2.2	19,300	1,621	7.63%	8.40%
Cnr Tremaine Avenue & Railway Road	Palmerston North	1	Bunnings	100.0%	13,730	2.2	14,800	1,541	9.85%	10.41%
26-48 Old Taupo Road	Rotorua	1	Bunnings	100.0%	13,940	2.2	17,000	1,505	7.88%	8.86%
2 Carr Road	Auckland	1	Bunnings	100.0%	11,601	9.9	36,900	2,224	5.50%	6.03%
Large Format Retail Total		4		100.0%	52,034	4.7	88,000	6,891	7.16%	7.83%
Land/Development										
15 Rockridge Avenue	Auckland	-		-	-	-	2,500	-	-	-
Land/Development Total		-		-	-	-	2,500	-	-	-
Total Portfolio		380		96.8%	304,714	4.9	895,292³	62,622	6.86%³	7.01%⁴

Totals may not sum due to rounding. The occupancy %, WALT, market cap rate and contract yield for the property class and overall totals are a weighted average.

¹ Contract Rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant under the terms of the relevant lease as at 31 March 2017, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 31 March 2017, and assuming no default by the tenant.

² Weighted Average Lease Term (WALT).

³ Includes NorthWest Two, Auckland, which is classified as inventory in the financial statements. Refer note 13 to the Consolidated Financial Statements on page 41.

⁴ This calculation excludes land/development.

Financial Statements

Consolidated Statements

Comprehensive Income	20
Changes in Equity	21
Financial Position	22
Cash Flows	23

Notes to the Consolidated Financial Statements	24
--	----

Independent Auditor's Report	60
------------------------------	----

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 \$000	2016 \$000
Rental income	4	64,564	66,221
Direct property operating expenses		(6,634)	(4,456)
Net rental income		57,930	61,765
Management fee income		8,541	1,823
Less corporate expenses			
Corporate overhead expenses		(8,976)	(5,205)
Administration expenses		(3,026)	(2,980)
One-off project costs		(3,510)	–
Total corporate expenses	5	(15,512)	(8,185)
Profit before net finance expenses, other income/(expenses) and income tax from continuing operations		50,959	55,403
Finance income		327	284
Finance expenses		(17,157)	(15,446)
Net finance expenses	6	(16,830)	(15,162)
Profit before other income/(expenses) and income tax from continuing operations		34,129	40,241
Other income/(expenses)			
Net change in fair value of investment properties	10,12	22,484	60,738
(Loss)/gain on disposal of investment properties	10,12	(18)	313
Net change in fair value of other investments		121	256
Share of profit in associates	14	5,358	–
Impairment of intangible asset		–	(3,000)
Profit before income tax from continuing operations		62,074	98,548
Income tax expense	17	(7,871)	(9,116)
Profit after income tax from continuing operations		54,203	89,432
(Loss)/profit from discontinued operations	3	(869)	2,974
Profit attributable to shareholders		53,334	92,406
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Movement in cash flow hedges, net of tax	20	3,166	(5,701)
Other comprehensive income arising from discontinued operations	20	2,050	(2,050)
Changes in cash flow hedge reserve in associates	20	1,033	–
Total other comprehensive income after tax		6,249	(7,751)
Total comprehensive income after tax attributable to shareholders		59,583	84,655
Stride total comprehensive income after tax attributable to shareholders		54,745	83,731
SIML total comprehensive income after tax attributable to shareholders		3,657	–
Total comprehensive income after tax attributable to shareholders from continuing operations		58,402	83,731
Total comprehensive income after tax from discontinued operations		1,181	924
Total comprehensive income after tax attributable to shareholders		59,583	84,655
Earnings per share from continuing operations	20		
Basic earnings per share (cents)		14.87	27.04
Diluted earnings per share (cents)		14.85	27.00
Earnings per share from continuing and discontinued operations	20		
Basic earnings per share (cents)		14.63	27.93
Diluted earnings per share (cents)		14.61	27.89

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Notes	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total \$000
Balance at 31 March 2015		505,834	38,847	(3,135)	541,546
Transactions with shareholders:					
Dividends paid	8	–	(34,913)	–	(34,913)
Issue of shares	20	130,236	–	–	130,236
Share issue expenses		(2,621)	–	–	(2,621)
Share based payment expense	20	–	–	513	513
Total transactions with shareholders		127,615	(34,913)	513	93,215
Other comprehensive income:					
Movement in cash flow hedges, net of tax	20	–	–	(7,751)	(7,751)
Total other comprehensive income		–	–	(7,751)	(7,751)
Profit after income tax		–	92,406	–	92,406
Total comprehensive income		–	92,406	(7,751)	84,655
Balance at 31 March 2016		633,449	96,340	(10,373)	719,416
Transactions with shareholders:					
Demerger of shares in Investore Property Limited	3	(134,155)	–	–	(134,155)
Dividends paid	8	–	(37,502)	–	(37,502)
Share issue expenses		(2)	–	–	(2)
Transfer to share capital on vesting of employee long term incentive plan		682	–	(682)	–
Share based payment expense	20	–	–	518	518
Total transactions with shareholders		(133,475)	(37,502)	(164)	(171,141)
Other comprehensive income:					
Movement in cash flow hedges, net of tax	20	–	–	5,216	5,216
Change in cash flow hedge reserve in associates	20	–	–	1,033	1,033
Total other comprehensive income		–	–	6,249	6,249
Profit after income tax		–	53,334	–	53,334
Total comprehensive income		–	53,334	6,249	59,583
Balance at 31 March 2017		499,974	112,172	(4,288)	607,858

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

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 \$000	2016 \$000
Current assets			
Cash and cash equivalents	9,21	5,961	5,086
Trade and other receivables	15,21,22	1,854	980
Prepayments		331	432
Other current assets		158	444
Non-current assets held for sale	12	–	58,054
Inventory – development property	13	36,247	10,688
		44,551	75,684
Non-current assets			
Investment properties	10	859,045	1,216,760
Work in progress	11	1,349	326
Other investments	14	85,338	1,944
Loan to associate	14	3,397	–
Intangible asset		74	–
Property, plant and equipment		906	805
		950,109	1,219,835
Total assets		994,660	1,295,519
Current liabilities			
Trade and other payables	16,21	15,620	14,448
Current tax		1,817	700
Derivative financial instruments	18,21	1,264	645
		18,701	15,793
Non-current liabilities			
Bank borrowings	19,21	347,021	531,600
Deferred tax liability	17	14,173	14,236
Derivative financial instruments	18,21	6,907	14,474
		368,101	560,310
Total liabilities		386,802	576,103
Net assets		607,858	719,416
Share capital	20	499,974	633,449
Retained earnings		112,172	96,340
Reserves	20	(4,288)	(10,373)
Equity		607,858	719,416
Stride equity		607,044	719,416
SIML equity (non-controlling interest)		814	–
Total equity		607,858	719,416

For and on behalf of the Board of Directors of Stride Property Limited and Stride Investment Management Limited,
dated 30 May 2017:



Tim Storey
Chairman



John Harvey
Director

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 \$000	2016 \$000
Cash flows from operating activities			
Rent received		72,500	75,382
Management fee income		8,757	1,823
Interest received		285	255
Dividends received		4	5
Interest paid		(18,939)	(17,282)
Operating expenses		(19,108)	(11,006)
Goods and services tax		86	717
Income tax paid		(8,656)	(9,234)
Net cash provided by operating activities	9	34,929	40,660
Cash flows from investing activities			
Proceeds from disposal of investment properties		70,337	19,656
Proceeds from disposal of property, plant and equipment		–	4
Capital expenditure on investment properties		(6,768)	(72,788)
Acquisition of investments	22	(12,440)	(329)
Acquisition of investment properties	10	–	(297,432)
Dividend income from investments		1,827	–
Inventory – development property expenditure		(23,799)	(7,120)
Property, plant and equipment purchased		(408)	(728)
Net cash provided by/(applied to) investing activities		28,749	(358,737)
Cash flows from financing activities			
Drawdown on bank borrowings		46,152	373,322
Repayment of bank borrowings		(71,450)	(147,292)
Proceeds from equity issued	20	–	130,236
Share issue expenses		(3)	(2,621)
Dividends paid		(37,502)	(34,913)
Net cash (applied to)/provided by financing activities		(62,803)	318,732
Net increase in cash and cash equivalents held		875	655
Opening cash and cash equivalents		5,086	4,431
Closing cash and cash equivalents		5,961	5,086

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

Notes to the Consolidated Financial Statements

Note 1: Accounting Policies

Reporting Entity

The financial statements presented are those of Stride Property Limited (Stride) and Stride Investment Management Limited (SIML), each of Stride and SIML being a “Stapled Entity”, and together the Stride Property Group. 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 Property Group, Stride has been identified as the parent for the purposes of preparing the consolidated financial statements.

The Stride Property Group companies were granted waivers from NZX Main Board Listing Rules 10.3.2 and 10.4.2 on 10 June 2016. These waivers permit the Stride Property Group companies to provide the information required in annual and half-year reports on a consolidated basis, rather than by and in respect of each Stride Property Group company individually. The financial statements were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption notice 2017. The exemption allows Stride and SIML, subject to the conditions set out in the exemption notice, to prepare financial statements in respect of the Stapled Entity in place of separate financial statements for each company.

SIML was incorporated on 16 February 2016 as a wholly-owned subsidiary of Stride. On 29 April 2016, SIML acquired Stride's real estate investment management (REIM) business, which included taking over the employment of all of Stride's staff to create a company focused solely on REIM services.

On 11 July 2016, Stride distributed shares in its subsidiary Investore Property Limited (Investore) to Stride 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.

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

Stride and SIML are both domiciled in New Zealand and are both registered under the Companies Act 1993.

The financial statements were approved for issue by the Board of Directors of Stride (Stride Board) and the Board of Directors of SIML (SIML Board), together the “Boards”, on 30 May 2017.

Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). Stride Property Group 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 have been prepared under the historical cost convention, as modified by the revaluation of certain classes of assets and liabilities as identified in the following specific accounting policies and the accompanying notes.

The financial statements have been prepared using the New Zealand Dollar functional and reporting currency and have been rounded to the nearest thousand dollars (\$000), unless stated otherwise.

Significant accounting 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.

Note 1: Accounting Policies (continued)

Significant accounting estimates and judgements (continued)

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 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.

In particular, information about areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes as follows:

- Investment properties (note 10); and
- Deferred tax (note 17).

New standards, amendments and interpretations

The new standards, amendments to published standards, and interpretations which may impact Stride Property Group and which are mandatory for Stride Property Group's financial periods beginning on or after 1 April 2017 or later periods, but which Stride Property Group has not adopted early, are as follows:

- NZ IFRS 9: *Financial Instruments* (Effective date: periods beginning on or after 1 January 2018), addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in NZ IAS 39 *Financial Instruments – Recognition and Measurement*.

Stride Property Group has loans and receivables, and non-derivative financial liabilities at amortised cost. Stride also has interest rate swaps in cash flow hedges. Stride Property Group intends to adopt NZ IFRS 9 effective from 1 April 2018. Consequently, given the nature of financial assets and financial liabilities held, and cash flow hedging undertaken, from the initial assessment performed, the impact of NZ IFRS 9 is likely to be minimal.

- NZ IFRS 15: *Revenue from contracts with customers* (Effective date: periods beginning on or after 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

Revenues of Stride are derived from the rental income from its investment properties and revenues of SIML are derived from management fees. Stride does not have any bundled services with its tenants, there are normally no other performance obligations in the lease agreements with tenants, rental rates are fixed or may have CPIs included, and determination of when revenues should be recognised is straight forward. Management fee income is based on contractual rates and recognised as earned.

Stride Property Group intends to adopt NZ IFRS 15 effective from 1 April 2018. Consequently, based on the initial assessment performed, the impact of NZ IFRS 15 is likely to be minimal.

- NZ IFRS 16: *Leases* (Effective date: periods beginning on or after 1 January 2019) replaces the current guidance in NZ IAS 17: *Leases*. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a “right-of-use” for most lease contracts.

Given that Stride is the lessor for the majority of its leases, NZ IFRS 16 is not expected to have significant impact on how Stride currently accounts for its leases. Stride, however, has four operating leases (note 25) where Stride is the lessee and therefore may recognise a “right-of-use” asset and lease liability in accordance with the new leasing standard.

Stride intends to adopt NZ IFRS 16 effective from 1 April 2019, and has yet to assess its full impact.

There are no other standards, amendments and interpretations that are not yet effective and that would be expected to have a material impact on Stride Property Group in the current or future reporting periods and on foreseeable future transactions.

Reclassification of financial information

Certain comparative balances have been reclassified to align with the presentation used in the current financial year. These reclassifications have no impact on the overall financial performance or financial position for the comparative year.

Changes in accounting policies

There have been no changes in accounting policies from the prior period and all policies have been applied consistently throughout the year.

Note 2: Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the respective Board of each of Stride and SIML, as each makes all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure). Stride Property Group consists of two operating segments, being Stride and SIML.

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

SIML's revenue streams are earned from the management of the real estate investment of Investore, Diversified NZ Property Fund Limited (DNZPF), and post re-structuring of DNZPF, Diversified NZ Property Trust (Diversified Trust). For the revenue earned from these entities, refer to note 22 on related party disclosures.

The following is an analysis of Stride Property Group's results, by reportable segments, from continuing operations:

Segment profit	Stride \$000	Stride eliminations \$000	SIML \$000	SIML eliminations \$000	2017 \$000
Net rental income	57,789	141	–	–	57,930
Management fee income	194	–	13,084	(4,737)	8,541
Less corporate expenses					
Corporate overhead expenses	(561)	–	(8,415)	–	(8,976)
Administration expenses	(7,071)	4,913	(868)	–	(3,026)
One-off project costs	(3,277)	–	(233)	–	(3,510)
Total corporate expenses	(10,909)	4,913	(9,516)	–	(15,512)
Profit before net finance expenses, other income/(expenses) and income tax	47,074	5,054	3,568	(4,737)	50,959
Finance income	320	(1,145)	1,152	–	327
Finance expenses	(17,157)	–	–	–	(17,157)
Net finance expense	(16,837)	(1,145)	1,152	–	(16,830)
Profit before other income/(expenses) and income tax	30,237	3,909	4,720	(4,737)	34,129
Other income/(expenses)					
Net change in fair value of investment properties	22,268	216	–	–	22,484
Loss on disposal of investment properties	(18)	–	–	–	(18)
Net change in fair value of other investments	121	–	–	–	121
Share of profit in associates	5,358	–	–	–	5,358
Profit before income tax	57,966	4,125	4,720	(4,737)	62,074
Income tax expense	(6,808)	–	(1,063)	–	(7,871)
Profit after income tax attributable to shareholders	51,158	4,125	3,657	(4,737)	54,203
Total other comprehensive income after tax	4,199	–	–	–	4,199
Total comprehensive income after tax attributable to shareholders	55,357	4,125	3,657	(4,737)	58,402
Total Stride comprehensive income after tax attributable to shareholders	55,357	4,125	–	–	59,482
Total SIML comprehensive income after tax attributable to shareholders	–	–	3,657	(4,737)	(1,080)
Total comprehensive income after tax attributable to shareholders, from continuing operations	55,357	4,125	3,657	(4,737)	58,402

Note 2: Operating Segments (continued)

In the current period, a revaluation movement of \$215,953 arising from the elimination of the development fees charged by SIML to Stride has been reflected in the Consolidated Statement of Comprehensive Income. The development fees of \$612,159 charged by SIML to Stride in relation to NorthWest Two, Auckland, have been eliminated from the Inventory value in the Consolidated Statement of Financial Position.

The management fees paid from Stride to SIML are eliminated on consolidation and therefore do not appear in the Consolidated Statement of Comprehensive Income for Stride Property Group.

Segment assets and liabilities	Stride \$000	Stride eliminations \$000	SIML \$000	SIML eliminations \$000	2017 \$000
Total assets	992,409	(612)	2,958	(95)	994,660
Total liabilities	384,753	(95)	2,144	–	386,802

Note 3: Discontinued Operations

The demerger of Investore Property Limited (Investore)

The demerger of Investore from Stride occurred on 11 July 2016 by Stride distributing the ordinary shares that it held in Investore to Stride shareholders. This is referred to as an in specie distribution. No consideration was payable by Stride shareholders for the distribution of Investore shares to them by Stride under the demerger (i.e. those Investore shares were distributed to shareholders for no additional consideration). This is treated as a capital reduction. The share issue ratio was one share in Investore for every four shares held in Stride. Stride has retained a 19.9% holding in Investore.

The fair value of the Investore shares obtained by shareholders with the demerger was calculated by reference to the share price of Investore under the IPO. This was equal to the fair value of net assets demerged.

The financial performance and cash flow information presented are for the period ended 11 July 2016 (2017 column) and the year ended 31 March 2016.

	2017 \$000	2016 \$000
Statement of Comprehensive Income		
Rental income	6,232	7,721
Direct property operating expenses	(568)	(232)
Net rental income	5,664	7,489
Less corporate expenses		
Administration expenses	(42)	(187)
Total corporate expenses	(42)	(187)
Profit before net finance expenses, other expenses and income tax	5,622	7,302
Finance income	6	10
Finance expenses	(2,217)	(2,831)
Net finance expenses	(2,211)	(2,821)
Net profit before other expenses and income tax	3,411	4,481
Other expenses		
Net change in fair value of investment properties	–	(801)
Profit before income tax	3,411	3,680
Income tax expense	(730)	(706)
Profit after income tax	2,681	2,974
Reclassification of cash flow hedge reserve to statement of comprehensive income	(3,550)	–
(Loss)/profit after income tax from discontinued operations	(869)	2,974
Net cash inflow from operating activities	3,963	4,647
Net cash (outflow) from investing activities	(1,282)	(287,606)
Net cash inflow from financing activities	–	282,993

Note 4: Rental Income

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 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.

Recoverable operating expenses are classified as a reduction of expenses instead of other income.

Stride	2017 \$000	2016 \$000
Rental income	65,205	67,140
Capitalised lease incentives	649	1,103
Lease incentive amortisation	(1,024)	(1,155)
Fixed rental income amortisation	(266)	(867)
Total rental income from continuing operations	64,564	66,221
Rental income from discontinued operations	6,232	7,721
Rental income from continuing and discontinued operations	70,796	73,942

Leases are classified at their inception as either operating or finance leases 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. Stride has determined that it retains all significant risks and rewards of ownership of the leases and has therefore classified the leases as operating leases.

Property leased out under operating leases is included in investment property in the statement of financial position.

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

	2017 \$000	2016 \$000
From continuing operations		
No later than 1 year	62,564	71,379
Later than 1 year and no later than 5 years	170,681	204,127
Later than 5 years	99,274	140,232
Future rentals receivable from continuing operations	332,519	415,738
From continuing and discontinued operations		
No later than 1 year	62,564	90,022
Later than 1 year and no later than 5 years	170,681	279,390
Later than 5 years	99,274	380,360
Future rentals receivable from continuing and discontinued operations	332,519	749,772

Note 5: Corporate Expenses

	2017 \$000	2016 \$000
Corporate overhead expenses include:		
Salaries and other short term benefits	5,857	3,680
Depreciation expense	233	129
Administration expenses include:		
Auditors' remuneration		
– Audit and review of financial statements	176	162
– Other assurance services – share register and operating expense audit	27	83
– Other services – workshop facilitation	–	17
– Other services – management contract assessment	32	–
– Other services – accounting advice	30	–
– Other services – workshop attendance and market reports	4	–
Share based payment expense (note 20)	518	513
One-off project costs	3,510	–

The one-off project costs relate largely to advisor fees of \$3,277,000 in connection with the demerger of Investore from Stride and the offer of shares by Investore under the IPO, the proposal put to the Stride shareholders to amend the Stride constitution in order to provide for stapling and the process that resulted in Stride shares and SIML shares being and remaining stapled to each other. Included in these fees is an amount of \$550,183 paid to PricewaterhouseCoopers for financial due diligence.

Note 6: Net Finance Expenses

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

Where Stride 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 Stride borrows funds generally and uses them to fund a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of funding a qualifying asset.

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

As at 31 March 2017, \$426,374 (2016: \$3,055,072) of borrowing costs have been capitalised using an average capitalisation rate of 3.8% including line fee and margin cost (2016: 4.2%).

SIML does not have any bank borrowings.

	2017 \$000	2016 \$000
Finance income		
– Bank interest income	280	213
– Other finance income	47	71
Finance income from continuing operations	327	284
Finance expenses		
– Bank borrowings interest	(17,583)	(18,429)
– Capitalised interest	426	3,055
– Other finance expenses	–	(72)
Finance expenses from continuing operations	(17,157)	(15,446)
Net finance expenses from continuing operations	(16,830)	(15,162)
Net finance expenses from discontinued operations	(2,211)	(2,821)
Net finance expenses from continuing and discontinued operations	(19,041)	(17,983)

Note 7: Distributable Profit

The Stapled Group's dividend policy is to target a cash dividend to shareholders that is between 95% and 100% of its distributable profit. Distributable profit is a non-GAAP measure and consists of net profit /(loss) before income tax, adjusted for non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax.

	2017 \$000	2016 \$000
Profit before income tax (including discontinued operations note 3)	65,485	102,228
Non-recurring and non-cash adjustments:		
– Net change in fair value of investment properties	(22,484)	(59,938)
– Loss/(gain) on disposal of investment properties	18	(313)
– Net change in fair value of other investments	(121)	(256)
– Share of profit in associates	(5,358)	–
– Dividend income from associate	1,827	–
– One-off project costs	3,510	–
– Impairment of intangible asset	–	3,000
– Net rent free incentives	(266)	52
– Net lease contribution incentives	425	244
– Fixed rental income amortisation	191	672
– Share based payment expense	518	513
– Depreciation expense	233	129
– Refinancing cost amortisation	717	–
– Development fee income	828	–
Distributable profit before income tax	45,523	46,331
Current tax expense	(9,963)	(8,174)
Adjusted for:		
– Tax expense on capitalised interest	(119)	(855)
– Tax expense on depreciation recovered on disposal of investment properties	2,828	(175)
– Current tax expense on pre-demerger Investore Property Limited profit	(619)	–
Distributable profit after income tax	37,650	37,127
Adjustments to funds from operations:		
– Maintenance capital expenditure	(5,810)	(2,653)
Adjusted Funds From Operations (AFFO)	31,840	34,474
Weighted average number of shares for purpose of basic distributable profit per share (000)	364,443	330,794
Basic distributable profit after income tax per share – weighted (cents)	10.33	11.22
AFFO basic distributable profit after income tax per share – weighted (cents)	8.74	10.44
Weighted average number of shares for purpose of diluted distributable profit per share (000)	365,021	331,290
Diluted distributable profit after income tax per share – weighted(cents)	10.31	11.21
AFFO diluted distributable profit after income tax per share – weighted (cents)	8.72	10.41

Weighted average number of shares for the purpose of diluted distributable profit per share has been adjusted for 564,914 (2016: 662,212) remaining rights issued in July 2015 under the long term share incentive scheme four.

Note 8: Dividends Paid and Proposed

The following dividends were declared and paid by Stride during the year:	2017 \$000	2016 \$000
Q4 2016 Final dividend 2.75 cents (Q4 2015 3.125 cents)	10,023	9,289
Q1 2017 Interim dividend 2.72 cents (Q1 2016 2.625 cents)	9,913	7,802
Q2 2017 Interim dividend 2.02 cents (Q2 2016 2.625 cents)	7,362	7,802
Q3 2017 Interim dividend 2.02 cents (Q3 2016 2.750 cents)	7,362	10,020
Total dividends paid	34,660	34,913

Dividend approved subsequent to balance date:

Q4 2017 Final dividend 2.10 cents (Q4 2016 2.75 cents) (note 27).

Dividends are recognised as a liability in Stride's financial statements in the period in which the dividends are approved. Supplementary dividends of \$166,963 (2016: \$167,920) were paid to shareholders not resident in New Zealand for which Stride received a foreign investor tax credit entitlement.

The following dividends were declared and paid by SIML during the year:	2017 \$000	2016 \$000
Q2 2017 Interim dividend 0.39 cents	1,421	–
Q3 2017 Interim dividend 0.39 cents	1,421	–
Total dividends paid	2,842	–

Dividend approved subsequent to balance date:

Q4 2017 Final dividend 0.32 cents (note 27).

Dividends are recognised as a liability in SIML's financial statements in the period in which the dividends are approved. Supplementary dividends of \$19,846 were paid to shareholders not resident in New Zealand for which SIML received a foreign investor tax credit entitlement.

Note 9: Statement of Cash Flows Reconciliation

Cash and cash equivalents include cash in hand and deposits held at call with banks. These assets are short term in nature and the carrying value is approximate to their fair value. Cash and cash equivalents are classified as loans and receivables. They are subsequently measured at amortised cost.

	2017 \$000	2016 \$000
Cash and cash equivalents		
Cash at bank	26	48
Cash on deposit	5,935	5,038
	5,961	5,086

The below reconciliation relates to both continued and discontinued operations.

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

Profit after income tax	53,334	92,406
Add/(less) non-cash items:		
Cash flow hedge reserve reclassification on demerger	3,550	–
Movement in deferred tax (note 17)	(2,092)	1,648
Net change in fair value of investment properties	(22,484)	(59,938)
Loss/(gain) on disposal of investment properties	18	(313)
Net change in fair value of other investments	(121)	(256)
Share of profits in associates	(5,358)	–
Impairment of intangible asset	–	3,000
Loss on disposal of property, plant and equipment	–	16
Movement in impairment provision (note 15)	67	17
Capitalised lease incentives	(1,351)	(1,223)
Lease incentive amortisation	1,509	1,519
Fixed rental income amortisation	191	672
Refinancing cost amortisation	717	(62)
Share based payment expense	518	513
Depreciation expense	233	129
Development fee income	216	–
	28,947	38,128
Add activities classified as investing activity:		
Capitalised expenditure on investment properties	4,247	4,492
	33,194	42,620
Add activity classified as financing activity:		
Refinancing cost	–	292
	33,194	42,912
Movement in working capital:		
Increase in trade and other receivables	(941)	(343)
Decrease/(increase) in prepayments and other current assets	387	(261)
Increase/(decrease) in trade and other payables	1,172	(417)
Increase/(decrease) in tax payable	1,117	(1,231)
Net cash provided by operating activities	34,929	40,660

Note 10: Investment Properties

Investment properties comprise land, buildings and improvements that 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 every year by an independent registered valuer.

Any gain or loss arising from a change in the fair value of the investment property is recognised in the statement of comprehensive income within net changes 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 Stride and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed to the statement of comprehensive income during the period in which they are incurred.

Lease incentives are capitalised to the respective investment properties in the statement of financial position and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate.

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

Investment properties are not depreciated for accounting purposes.

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

	Office \$000	Industrial \$000	Retail \$000	Large Format Retail \$000	Land/ Development \$000	Total \$000
Balance at 31 March 2015	223,150	155,035	202,000	161,400	118,520	860,105
Acquisitions	17,047	–	–	287,505	–	304,552
Subsequent capital expenditure	1,015	1,425	585	583	54,321	57,929
Net capitalised incentives	(135)	71	(232)	–	(3)	(299)
Fixed rental income amortisation	(481)	(169)	67	(89)	–	(672)
Transfer from non-current assets held for sale	–	–	6,700	–	–	6,700
Transfer to non-current assets held for sale	(28,300)	(7,200)	(13,900)	–	(5,720)	(55,120)
Disposals	(14,700)	–	–	–	–	(14,700)
Net change in fair value	11,854	22,263	7,765	10,501	5,882	58,265
Reclassification	–	(2,100)	166,350	6,650	(170,900)	–
Balance at 31 March 2016	209,450	169,325	369,335	466,550	2,100	1,216,760
Subsequent capital expenditure	3,980	673	1,442	18	304	6,417
Net capitalised incentives	(11)	(401)	(420)	–	–	(832)
Fixed rental income amortisation	41	(103)	269	(525)	–	(318)
Disposals	–	–	–	(11,300)	–	(11,300)
Net change in fair value	1,490	13,001	474	7,207	96	22,268
Demerger of properties to Investore Property Limited	–	–	–	(373,950)	–	(373,950)
Balance at 31 March 2017	214,950	182,495	371,100	88,000	2,500	859,045

In the current year, Stride sold the property at 48 Miramar Avenue, Wellington, for \$11,300,000, with the resulting loss on sale of \$9,564, net of disposal costs, reflected in the Consolidated Statement of Comprehensive Income.

Note 10: Investment Properties (continued)

Stride transferred six large format retail properties to Investore prior to the demerger for a total consideration of \$86.95 million, based on independent valuations of the properties as at 31 March 2016 with the resulting gain on sale of \$57,207 reflected in the Consolidated Statement of Comprehensive Income. In total, 25 properties (comprising the six afore-mentioned properties and 19 properties acquired from Antipodean Supermarkets Limited and Antipodean Properties Limited in November 2015) were demerged from Stride Property Group as part of the demerger of Investore from Stride with a combined value of \$373.95 million (based on independent valuations of the properties as at 31 March 2016).

In the current year, a revaluation movement of \$203,658 (2016: \$nil) arising from the elimination of the capital expenditure fees charged by SIML to Stride 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 Stride.

Capital expenditure commitments contracted for
As at 31 March 2017, Stride had committed to \$1,759,031 (2016: \$6,401,000) in total for various capital expenditure works to be undertaken on a number of investment properties in the next financial year.

Subsequent to balance date, Stride has committed to a further \$963,725 in total for various capital expenditure works to be undertaken on a number of investment properties in the next financial year.

Stride has no other material capital commitments as at balance date.

Valuation basis
The fair value of an investment property represents the estimated price for which an investment property could be sold on the date of valuation in an orderly transaction between market participants.

The accepted methods for assessing the current fair value of an investment property are the Income Capitalisation and the Discounted Cash Flow approaches. Valuations of investment properties which are not yet complete are based on an independent valuer’s assessment of the fair value at completion and adjusted to reflect the stage of completion of a project and the costs to complete.

- Each approach derives a value based on market inputs, including:
- recent comparable transactions;
 - forecast future rentals, based on the actual location, type and quality of the investment properties, 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;
 - maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life; and
 - appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cashflows.

Note 10: Investment Properties (continued)

Valuation basis (continued)
The Income Capitalisation approach is based on the current contract and market income and an appropriate market yield or return for the particular investment property. Capital 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 costs.

The Discounted Cash Flow approach adopts a ten year investment horizon and makes appropriate allowances for rental income growth and leasing costs on expiries, with an estimated terminal value at the end of the investment period. The present value is a reflection of market based income (inflows) and expenditure (outflows) projections over the ten year period, discounted at a market analysed return.

An additional approach, Stratum Estates Capitalisation Approach, has been used for assessing the fair value of 65 Chapel Street, Tauranga. This method assesses the investment property value having regard to its potential to be divided into individual Stratum Estates. Consideration is given to the price each Stratum Estate is likely to achieve, with costs deducted for capital expenditure, agency costs, and profit and risk.

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 case of 65 Chapel Street, Tauranga, the adopted market value also includes a weighting for the Stratum Estates Capitalisation Approach.

The 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 no valuer values the same investment property for more than three consecutive years. In the current year, the investment properties have been valued by CIVAS Limited (Colliers), Jones Lang LaSalle Limited (JLL), Bayleys Valuations Limited (Bayleys) and CBRE Limited (CBRE). In the prior year, investment properties were also valued by Savills (NZ) Limited (Savills). All valuations are dated effective 31 March.

- At each reporting date, SIML’s asset managers:
- verify all major inputs to the independent valuation report;
 - assess property valuation movements when compared to the prior year valuation report; and
 - hold discussions with the Directors on the processes and results of the valuations.

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, and the Chief Executive Officer and Audit & Risk Committee, at least once every six months, in line with Stride’s reporting dates. Ultimately, Stride’s directors are responsible for reviewing and approving the investment property valuation.

Breakdown of valuation by valuer	2017 \$000	2016 \$000
Colliers	145,570	354,800
CBRE	305,750	198,400
JLL	320,975	290,960
Bayleys	86,750	48,400
Savills	–	324,200
	859,045	1,216,760

The following fair value measurement hierarchy levels are applied:
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);
Level 3 – inputs for the asset or liability that are not based on observable market data.

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.

Note 10: Investment Properties (continued)

Valuation basis (continued)

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

Significant Input	Description	Fair value measurement sensitivity to significant		Valuation Method
		Increase in input	Decrease in input	
Market capitalisation rate	The capitalisation rate is applied to the market income 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, weighted average lease term (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
Market rental	The valuer's assessment of net market rental for both occupied and vacant areas of the investment property.	Increase	Decrease	Income Capitalisation & 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

Note 10: Investment Properties (continued)

Valuation basis (continued)

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. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted discount rate forms part of the discounted cash flow approach.

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

The following tables detail the ranges used for each key significant input disclosed for the various investment property classes:

As at 31 March 2017	Market capitalisation rate	Discount rate	Market rental \$/sqm	Rental growth rate (average 10 years)
Office	6.30% to 10.50%	7.40% to 10.00%	166-474	2.07%-2.95%
Industrial	5.00% to 7.75%	6.25% to 9.50%	88-176	2.56%-2.77%
Retail	6.38% to 7.63%	7.75% to 9.00%	190-420	1.30%-3.00%
Large Format Retail	5.50% to 9.85%	7.50% to 10.47%	96-163	1.23%-2.42%
Total Portfolio	5.00% to 10.50%	6.25% to 10.47%	88-474	1.23%-3.00%

As at 31 March 2016				
Office	6.38% to 9.75%	8.00% to 11.25%	205-481	(0.59%)-2.60%
Industrial	5.25% to 7.88%	8.00% to 9.75%	87-167	2.55%-2.62%
Retail	6.75% to 8.29%	9.25% to 9.50%	207-483	2.02%-3.28%
Large Format Retail	5.75% to 9.80%	6.50% to 11.09%	109-370	1.02%-3.84%
Total Portfolio	5.25% to 9.80%	6.50% to 11.25%	87-483	(0.59%)-3.84%

Note 10: Investment Properties (continued)

The following tables provide a summary of the valuation of the individual investment properties, their market cap rate, occupancy and WALT for the purposes of providing further detail of the assets which are considered to be the most relevant to the operations of Stride.

	Valuer	2017 \$000	Market cap rate %	Occupancy %	WALT (years)
Office					
33 Corinthian Drive, Auckland	Bayleys	46,050	6.30	100.0	8.5
7 – 9 Fanshawe Street, Auckland	Colliers	9,500	10.50	100.0	3.1
80 Greys Avenue, Auckland	CBRE	20,000	7.13	100.0	2.6
21 – 25 Teed Street, Auckland	Colliers	21,100	6.88	97.9	2.7
35 Teed Street, Auckland	Bayleys	20,050	6.50	100.0	6.3
33 Customhouse Quay, Wellington	CBRE	32,700	7.25	100.0	2.7
1 Grey Street, Wellington	CBRE	49,750	7.75	100.0	3.8
22 The Terrace, Wellington	CBRE	15,800	8.25	100.0	2.9
Office total		214,950	7.26	99.8	4.3
Industrial					
30 Airpark Drive, Auckland	Colliers	21,900	6.75	100.0	2.7
22 Ha Crescent, Auckland	Bayleys	10,700	6.65	100.0	1.2
8 Reg Savory Place, Auckland	CBRE	6,600	6.63	100.0	0.4
20 Rockridge Avenue, Auckland	CBRE	14,100	6.75	100.0	3.5
460 Rosebank Road, Auckland	Colliers	14,500	7.50	45.8	5.6
11 Springs Road, Auckland	Colliers	20,000	7.75	100.0	0.5
25 O'Rorke Road, Auckland	JLL	61,275	6.09	100.0	6.0
415 East Tamaki Road, Auckland	Colliers	16,750	6.38	100.0	4.0
15 Ride Way, Auckland	Bayleys	9,950	6.25	100.0	0.4
34 Airpark Drive, Auckland	Colliers	6,720	5.00	100.0	10.8
Industrial total		182,495	6.56	94.1	3.5
Retail					
Cnr Mt Wellington Highway & Penrose Road, Auckland	Colliers	35,100	6.75	96.7	2.8
Johnsonville Shopping Centre, Wellington (50%)	JLL	30,500	7.05	96.1	3.0
61 Silverdale Street, Auckland	CBRE	90,000	6.75	99.1	6.2
65 Chapel Street, Tauranga	CBRE	40,500	7.63	100.0	3.5
NorthWest Shopping Centre, Auckland	JLL	175,000	6.38	99.2	7.0
Retail total		371,100	6.70	98.8	5.6
Large Format Retail					
446 Te Rapa Road, Hamilton	CBRE	19,300	7.63	100.0	2.2
Cnr Tremaine Avenue & Railway Road, Palmerston North	JLL	14,800	9.85	100.0	2.2
26 – 48 Old Taupo Road, Rotorua	CBRE	17,000	7.88	100.0	2.2
2 Carr Road, Auckland	JLL	36,900	5.50	100.0	9.9
Large Format Retail total		88,000	7.16	100.0	4.7
Land/Development					
*15 Rockridge Avenue, Auckland	JLL	2,500	–	–	–
Total		859,045	6.86	97.4	4.8

* This investment property is being held for development, consequently the market cap rate, occupancy rate and WALT are not applicable.
The market cap rate %, occupancy % and WALT years for the property class totals and total of investment properties are weighted averages.

Note 10: Investment Properties (continued)

	Valuer	2016 \$000	Market cap rate %	Occupancy %	WALT (years)
Office					
33 Corinthian Drive, Auckland	CBRE	40,800	6.38	100.0	9.5
7 – 9 Fanshawe Street, Auckland	Bayleys	12,200	9.75	100.0	3.2
80 Greys Avenue, Auckland	Bayleys	19,000	7.50	100.0	3.6
21 – 25 Teed Street, Auckland	CBRE	20,800	6.75	100.0	2.9
35 Teed Street, Auckland	Bayleys	17,200	7.00	100.0	5.0
33 Customhouse Quay, Wellington	CBRE	34,000	7.00	100.0	3.7
1 Grey Street, Wellington	CBRE	49,750	7.63	100.0	4.6
22 The Terrace, Wellington	CBRE	15,700	8.25	91.1	3.1
Office total		209,450	7.30	99.1	4.9
Industrial					
30 Airpark Drive, Auckland	CBRE	20,350	7.00	100.0	3.7
22 Ha Crescent, Auckland	JLL	10,300	7.00	100.0	2.2
8 Reg Savory Place, Auckland	JLL	6,600	6.38	100.0	1.4
20 Rockridge Avenue, Auckland	JLL	12,300	7.25	100.0	1.0
460 Rosebank Road, Auckland	JLL	12,000	7.75	100.0	0.0
11 Springs Road, Auckland	JLL	20,000	7.88	100.0	1.5
25 O'Rorke Road, Auckland	JLL	57,175	6.33	100.0	6.8
415 East Tamaki Road, Auckland	JLL	16,250	6.38	100.0	5.0
15 Ride Way, Auckland	JLL	8,650	6.75	100.0	1.4
34 Airpark Drive, Auckland	CBRE	5,700	5.25	100.0	11.8
Industrial total		169,325	6.79	100.0	3.8
Retail					
Cnr Mt Wellington Highway & Penrose Road, Auckland	Savills	37,200	6.88	98.9	3.3
Johnsonville Shopping Centre, Wellington (50%)	JLL	32,935	8.29	98.2	3.4
61 Silverdale Street, Auckland	Colliers	85,500	6.75	99.8	7.1
65 Chapel Street, Tauranga	Colliers	38,700	7.63	99.6	3.2
NorthWest Shopping Centre, Auckland	Colliers	175,000	6.88	98.0	8.1
Retail total		369,335	7.05	98.9	6.4
Large Format Retail					
Cnr Anglesea & Liverpool Streets, Hamilton	Colliers	6,300	9.50	100.0	2.8
446 Te Rapa Road, Hamilton	Colliers	18,400	8.13	100.0	3.2
Cnr Tremaine Avenue & Railway Road, Palmerston North	JLL	14,700	9.80	100.0	3.2
26 – 48 Old Taupo Road, Rotorua	Colliers	16,700	8.25	100.0	3.2
230 – 240 Fenton Street, Rotorua	Colliers	14,200	7.63	100.0	4.4
78 Courtenay Street, New Plymouth	JLL	25,000	6.50	100.0	13.5
9 Gloucester Street, Napier	JLL	14,750	6.25	100.0	13.5
2 Carr Road, Auckland	JLL	31,500	6.50	100.0	10.9
Cnr Te Irirangi Drive & Bishop Dunn Place, Auckland	JLL	17,200	7.50	100.0	1.6
48 Miramar Avenue, Wellington	CBRE	11,300	6.25	100.0	13.5
35 MacLaggan Street, Dunedin	JLL	9,500	8.25	100.0	5.3
24 Anzac Road, Auckland	Savills	20,700	6.00	100.0	18.9
326 Great South Road, Auckland	Savills	29,000	6.00	100.0	18.9
35a St Johns Road, Auckland	Savills	21,400	6.13	100.0	18.9
507 Pakuranga Road, Auckland	Savills	17,400	6.00	100.0	18.9
3 Averill Street, Auckland	Savills	16,400	7.00	100.0	17.3
Cnr Church & Selwyn Streets, Auckland	Savills	10,100	6.25	100.0	8.9
66 Studholme Street, Morrinsville	Savills	6,500	6.25	100.0	8.9
47 Bay Road, Wellington	Savills	11,500	6.25	100.0	18.9
91 Johnsonville Road, Wellington	Savills	20,800	6.50	100.0	13.7
13 – 19 Queen Street, Upper Hutt	Savills	9,600	6.63	100.0	18.9
14 Russell Street, Upper Hutt	Savills	9,000	6.63	100.0	8.9
261 High Street, Lower Hutt	Savills	17,200	6.13	100.0	18.9
51 Arthur Street, Blenheim	Savills	11,500	6.25	100.0	18.9
87 – 97 Hilton Street, Kaiapoi	Savills	12,100	6.25	100.0	18.9
219 Colombo Street, Christchurch	Savills	18,400	6.00	100.0	18.9
Cnr Victoria & Browne Streets, Timaru	Savills	8,600	6.25	100.0	18.9
64 Gorge Road, Queenstown	Savills	10,300	5.75	100.0	18.9
309 Cumberland Street, Dunedin	Savills	18,500	6.25	100.0	18.9
172 Tay Street, Invercargill	Savills	18,000	6.50	100.0	18.9
Large Format Retail total		466,550	6.71	100.0	12.8
Land/Development					
*15 Rockridge Avenue, Auckland	JLL	2,100	–	–	–
Total		1,216,760	6.93	99.7	8.2

* This investment property was being held for development, consequently the market cap rate, occupancy rate and WALT are not applicable.
The market cap rate %, occupancy % and WALT years for the property class totals and total of investment properties were weighted averages.

Note 11: Work in Progress

Work in progress is investment property which is being developed by Stride for rental purposes, and is initially stated at cost and subsequently carried at fair value. Fair value measurement is only applied if it is considered that the fair value can be reliably measured. In order to evaluate whether the fair value of work in progress can be determined reliably, management considers:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion; and
- the development risk specific to the property.

The fair value of investment property reflects, among other things, rental income contracted by leases and assumptions about rental income from future leases in light of the current market conditions. The fair value also reflects, on a similar basis, the cash outflows that could be expected in respect of the investment property. However, when work in progress is at an early stage in a development, fair value cannot be reliably measured and the work in progress is stated at cost less any impairment.

	2017 \$000	2016 \$000
15 Rockridge Avenue, Auckland	484	–
Johnsonville Shopping Centre, Wellington	865	326
Total work in progress	1,349	326

Work in progress costs for Johnsonville Shopping Centre, Wellington, have been incurred in relation to the future development of the shopping centre.

Work in progress costs for 15 Rockridge Avenue, Auckland, have been incurred in relation to the development of a new warehouse/office building. Stride has committed to \$16,015,338 to complete this development.

Note 12: Non-Current Assets Held for Sale

Non-current assets held for sale are investment properties Stride is in the process of disposing of. They are carried at fair value and are classified as non-current assets held for sale.

Any gain or loss arising from a change in fair value of the non-current asset held for sale is recognised in the statement of comprehensive income within net changes in fair value of investment properties.

Non-current assets held for sale 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 statement of comprehensive income in the reporting period in which the disposal occurs.

As at 31 March 2017, Stride has not classified any investment properties as non-current assets held for sale. SIML does not own any investment properties.

- 31 March 2016*
- Corner Ward, Bryce and Tristram Streets, Hamilton
 - 20 – 22 Pollen Street, Auckland
 - 650 Great South Road, Auckland
 - Lots 83 and 85 Tauriko Industrial Estate, Tauranga
 - 39 Corinthian Drive, Auckland

The fair value of these investment properties as at 31 March 2016 was \$58,054,470. These investment properties were all disposed of in the current period for \$60,409,470, with the resulting gain on sale of \$48,422 net of disposal costs, reflected in the Consolidated Statement of Comprehensive Income.

Note 13: Inventory – Development Property

Stride's inventory relates to a property that is being developed and where there is an option held by another party to buy the property within the short term. The property is held at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses.

	2017 \$000	2016 \$000
NorthWest Two, Auckland	36,247	10,688

NorthWest Two, Auckland, a purpose-built main street retail environment, dining offer and office complex, opened in October 2016 opposite NorthWest Shopping Centre. NorthWest Two adds a greater breadth of entertainment, dining and retail experiences and comprises four separate buildings with an additional 7,700m² of office, dining and retail space.

The NorthWest Two development was undertaken further to a conditional right in Stride's original agreement to acquire the NorthWest Shopping Centre land from Westgate Town Centre Limited (WTCL) in 2013. Under that agreement, following the occurrence of certain events:

- Stride can obtain an initial 35 year ground lease from the landowner, WTCL, at no cost and there is no annual ground rental payable. Stride obtained a ground lease effective from 19 December 2014.
- WTCL can acquire the development from Stride within three years of the ground lease's effective date, at a price equal to 115% of Stride's total development cost, including holding costs.
- If WTCL does not acquire the development within the three year period, Stride can obtain freehold title to the land for \$1.

In the current year, development fees of \$612,159 charged by SIML to Stride in relation to NorthWest Two, Auckland, have been eliminated.

SIML does not own any inventory.

Note 14: Interest in Associates and Joint Arrangement

Interest in associates are accounted for using the equity method and are stated in the consolidated balance sheet at cost, adjusted for the movement in Stride's share of their net assets and liabilities. Under this method, Stride's share of profits and losses after tax of associates is included in Stride's consolidated profit before taxation. Adjustments to the carrying amount are also made for Stride's share of changes in the associates other comprehensive income. Stride'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.

Set out below are the associates of Stride as at 31 March 2017, which, in the opinion of the directors, are material to Stride.

Entity	Ownership	Ownership interest		Nature of relationship	Measurement method	Carrying amount 2017	Carrying amount 2016
		2017	2016			\$000	\$000
Investore	Shares	19.9%	100.0%	Associate	Equity	81,232	–
Diversified Trust	Units	2.0%	–	Associate	Equity	4,106	–
DNZPF	Convertible Notes	–	2.0%	Associate	Equity	–	1,944
Total						85,338	1,944

Note 14: Interest in Associates and Joint Arrangement (continued)

Investore Property Limited (Investore)

Stride holds 19.9% of the shares in Investore. Given the extent of Stride's equity investment, the appointment of SIML as manager of Investore, and that two of SIML's current directors are also directors of Investore, the Stride Board has concluded that Stride retains "significant influence" over Investore. As such, Stride's investment in Investore has been treated as an investment in an associate.

Diversified NZ Property Trust (Diversified Trust)

As at 31 March 2016, Stride held approximately 2% of the convertible notes of Diversified NZ Property Fund Limited (DNZPF). DNZPF entered into an agreement to acquire the Queensgate Shopping Centre, Wellington, and Chartwell Shopping Centre, Hamilton, for \$445 million. Settlement of the acquisition occurred in a restructured investment vehicle (Diversified NZ Property Trust, "Diversified Trust"), which comprises the existing investors and is managed by SIML. Stride contributed \$5.3 million of capital to complete the acquisition. Given the appointment of SIML as manager of Diversified Trust, and that one of SIML's current directors is also on Diversified Trust's Investment Committee, the Stride Board has concluded that Stride retains "significant influence" over Diversified Trust. As such, Stride's investment in Diversified Trust has been treated as an investment in an associate. As at 31 March 2017, Stride has an interest-bearing loan receivable of \$3.4 million with Diversified Trust.

Johnsonville Shopping Centre

As at balance date, Stride had a 50% interest in a joint arrangement with Diversified Trust relating to the investment property at Johnsonville Shopping Centre, Wellington. SIML is the manager of the joint arrangement.

The agreement between Stride and Equity Trustees Limited (in its capacity as trustee of the Diversified NZ Property Trust) in relation to their co-ownership of Johnsonville Shopping Centre 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 Stride recognises its direct right to the jointly held assets, liabilities, revenues and expenses as described below.

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Stride has a joint operation and it recognises its direct right to the assets, liabilities, revenues and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements, with Stride's 50% share of assets, liabilities, revenue and expenses below:

	2017 \$000	2016 \$000
Assets		
Current assets	44	13
Non-current assets	865	327
	909	340
Liabilities		
Current liabilities	283	235
Non-current liabilities	–	–
	283	235
Net assets	626	105
Share of rental income	2,795	2,873
Share of expenses	(453)	(523)
Net share of profit	2,342	2,350

Note 14: Interest in Associates and Joint Arrangement (continued)

Summarised financial information for associates

The table below provides summarised financial information for the associates described above. The information disclosed reflects the amounts presented in the financial statements of the relevant associates, not Stride Property Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statement of comprehensive income	Investore		Diversified Trust	
	2017 \$000	2016 \$000	2017 \$000	2016 ¹ \$000
Net rental income	35,014	7,489	20,553	–
Finance income	93	10	340	–
Finance expenses (including swap break cost)	(13,396)	(2,831)	(10,793)	–
Income tax expense	(2,260)	(706)	(2,129)	–
Other income/(expenses)	9,065	(988)	2,844	–
Profit for the period	28,516	2,974	10,815	–
Other comprehensive income/(expense)	4,058	(2,050)	1,412	–
Total comprehensive income from continuing operations	32,574	924	12,227	–
Summarised balance sheet				
Current assets				
Cash and cash equivalents	4,377	34	1,015	–
Other current assets	896	354	36,378	–
	5,273	388	37,393	–
Non-current assets				
Investment properties	660,430	287,000	523,050	–
Other non-current assets	3,341	796	2,858	–
	663,771	287,796	525,908	–
Current liabilities				
Financial liabilities (excluding trade payables)	(1,416)	(123,893)	(1,072)	–
Other current liabilities	(2,359)	(1,670)	(11,948)	–
	(3,775)	(125,563)	(13,020)	–
Non-current liabilities				
Financial liabilities (excluding trade payables)	(260,241)	(162,597)	(344,396)	–
Other non-current liabilities	–	–	(600)	–
	(260,241)	(162,597)	(344,996)	–
Net assets	405,028	24	205,285	–
Reconciliation to carrying amounts				
Opening net assets	24	–	–	–
Profit for the period	28,516	2,974	10,815	–
Other comprehensive income	4,058	(2,050)	1,412	–
Issue of shares/units net of capital raising expenses	382,247	–	198,713	–
Dividends paid	(9,817)	(900)	(5,655)	–
Closing net assets	405,028	24	205,285	–
Group's share in %	19.9%	100%	2%	–
Share at carrying percentages	80,601	24	4,106	–
Opening net assets at 1 April 2016	–	–	–	–
Acquisition of investment	76,799	–	3,974	–
Movement in cash flow hedges net of tax	1,006	–	29	–
Profit after tax for the period since acquisition	5,141	–	216	–
Dividend received	(1,714)	–	(113)	–
Carrying amount	81,232	–	4,106	–
Fair value of associates with a quoted market price	69,282	–	–	–

¹ Diversified Trust was established in April 2016, therefore no comparatives are provided.

Note 15: Trade and Other Receivables

Trade and other receivables are recognised and carried initially at their fair value plus directly attributable costs, and subsequently measured at amortised cost less impairment losses. An impairment provision is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice.

	2017 \$000	2016 \$000
Current		
Trade and other receivables	1,735	854
Less impairment provision	(221)	(154)
Related party receivable (note 22)	340	280
	1,854	980
Carrying amount	1,854	980
Less than 30 days	1,416	661
Over 30 days	438	319
Movement in impairment provision		
Opening balance	(154)	(137)
Reduction in impairment provision	128	–
Additional impairment provision	(195)	(17)
Closing balance	(221)	(154)
Bad and impaired debts in the statement of comprehensive income		
– Bad debts written off	305	36
– Movement in impairment provision	67	17
	372	53

Note 16: Trade and Other Payables

Trade and other payables represent unsecured liabilities for goods and services provided to Stride Property Group prior to the end of the financial year which are unpaid. As trade and other payables are usually paid within 30 days, they are carried at face value.

	2017 \$000	2016 \$000
Current		
Unsecured liabilities		
Trade payables	3,604	5,409
Development and capital expenditure accruals	5,738	2,773
Retention accruals	1,185	1,145
Other accruals and payables	5,093	5,121
	15,620	14,448

Other accruals and payables include GST, tenant deposits, employee short term incentive and holiday pay accruals, and other operating expense accruals.

Note 17: Income Tax

Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at the reporting date.

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.

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 (note 10) 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 current tax assets against current tax liabilities 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.

The deferred tax has been shown as a non-current liability in the statement of financial position.

	2017 \$000	2016 \$000
The income tax expense is represented by		
Current tax	(9,963)	(7,470)
Deferred tax	2,092	(1,646)
Income tax expense per the statement of comprehensive income	(7,871)	(9,116)
Profit before income tax from continuing operations	62,074	98,548
Prima facie income tax using the company tax rate of 28%	(17,381)	(27,593)
Decrease/(increase) in income tax due to:		
Net change in fair value of investment properties	6,235	17,006
Non-taxable income	1,391	105
Assessable income	(25)	–
Depreciation	2,995	2,765
Depreciation recovered on disposal of investment properties	(2,828)	176
Non-deductible expenses	(1,334)	(1,182)
Expenditure deductible for tax	248	1,659
Over-provision in prior year	465	12
Temporary differences	271	(418)
Current tax expense	(9,963)	(7,470)
Depreciation	2,224	(1,811)
Other	(132)	165
Deferred tax charged to profit or loss	2,092	(1,646)
Income tax expense per the statement of comprehensive income	(7,871)	(9,116)
Imputation credits available for use in subsequent reporting periods	2,306	1,306

Note 17: Income Tax (continued)

	2017 \$000	2016 \$000
Gross movement in net deferred tax liability		
Opening balance	(14,236)	(15,602)
Credited/(charged) to profit or loss	2,092	(1,648)
(Charged)/credited to other comprehensive income	(2,029)	3,014
Closing balance	(14,173)	(14,236)

	2016 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2017 \$000
Deferred tax assets				
Derivative financial instruments	4,233	–	(2,029)	2,204
Other temporary differences	373	(173)	–	200
	4,606	(173)	(2,029)	2,404
Deferred tax liabilities				
Building depreciation	(18,708)	2,224	–	(16,484)
Reinstatement receipts	(117)	24	–	(93)
Other investments accrued interest	(17)	17	–	-
	(18,842)	2,265	–	(16,577)

	2015 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	2016 \$000
Deferred tax assets				
Derivative financial instruments	1,254	–	2,979	4,233
Other temporary differences	136	237	–	373
	1,390	237	2,979	4,606
Deferred tax liabilities				
Building depreciation	(16,885)	(1,823)	–	(18,708)
Derivative financial instruments	(35)	–	35	–
Reinstatement receipts	(67)	(50)	–	(117)
Other investments accrued interest	(5)	(12)	–	(17)
	(16,992)	(1,885)	35	(18,842)

Note 18: Derivative Financial Instruments

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.

Stride has classified its interest rate derivatives as Level 2 as at 31 March 2017 (2016: Level 2) as all significant inputs required to fair value are observable. There have been no transfers between Level 1 and 2 during the respective periods. SIML does not hold any interest rate derivatives.

Interest rate derivative fair values are independently valued and are calculated using a discounted cash flow model using forward interest rates extracted from observable yield curves. Discount rates include an adjustment for counterparty credit risk. The effect of discounting is generally insignificant for Level 2 derivatives.

	2017 \$000	2016 \$000
Outstanding interest rate derivative contracts		
Active interest rate derivative contracts	260,000	345,000
Forward dated interest rate derivative contracts	80,000	80,000
Total notional principal amounts	340,000	425,000

Stride designates its interest rate derivatives as hedges of the interest flows on its borrowings. These are cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance expenses.

At balance date, the fixed interest rates ranged from 2.92% to 4.95% (2016: 3.07% to 5.14%), the weighted average interest rate (excluding forward starts) was 3.96% (2016: 3.86%), and the main floating rate was BKBM.

At balance date, if the floating interest rates on hedged bank borrowings had been 1% higher, with other variables remaining constant, equity would have been \$7,776,566 (2016: \$11,675,435) higher for the year. If the floating interest rates on the hedged bank borrowings had been 1% lower, with other variables remaining constant, equity would have been \$8,783,109 (2016: \$12,852,654) lower for the year. This represents the change in fair value of the interest rate derivatives. There would have been no impact on profit in either year as the change in fair value is taken to the cash flow hedge reserve. The interest rate sensitivity analysis is performed by using an instantaneous parallel shift in the par yield curve at the testing date.

Stride and SIML do not hold derivative financial instruments for trading purposes.

Gains and losses recognised in the cash flow hedge reserve in equity (note 20) on interest rate derivative contracts as at 31 March 2017 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.

Note 19: Bank Borrowings

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

SIML does not have any bank borrowings.

	2017 \$000	2016 \$000
Non-current		
Facility drawn down	347,500	532,198
Borrowing costs	(479)	(598)
Total borrowings	347,021	531,600
Facility drawn down	347,500	532,198
Undrawn facility available	52,500	27,802
Total facility available	400,000	560,000

Weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	4.85%	4.72%
---	-------	-------

During the period, Stride refinanced its bank facility. On 12 July 2016, Stride reduced its existing \$560 million facility to \$400 million. The bank facility consists of Facility A for \$200 million expiring 9 June 2019 and Facility B for \$200 million expiring 9 June 2021. Stride's secured borrowings are via syndicated senior secured facilities with ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand Limited. The bank security on the facilities is managed through a security agent who holds a first registered mortgage on all the investment properties owned by Stride and a registered first ranking security interest under a General Security Deed over substantially all the assets of Stride. The interest rate on the facility was 3.90% as at balance date (2016: 3.22%).

SIML has a \$3 million overdraft facility with ANZ Bank New Zealand Limited, which has not been utilised during the current period.

Note 20: Equity

Share Capital

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 or options are shown in equity as a deduction, net of tax, from the proceeds. Stride has 364,856,209 shares authorised as at 31 March 2017.

	\$000
Opening balance 1 April 2015	505,834
Issue of shares	130,236
Share issue expenses	(2,621)
Closing balance 31 March 2016	633,449
Demerger of shares in Investore Property Limited	(134,155)
Share issue expenses	(2)
Vesting of employee long term incentive plan	682
Closing balance 31 March 2017	499,974

Stride Share Capital	499,974
SIML Share Capital	–
	499,974

Number of shares on issue	000
Opening balance 1 April 2015	297,228
Shares issued under placement	59,400
Shares issued under the Share Purchase Plan	7,731
Closing balance 31 March 2016	364,359
Shares issued under the long term incentive plan	497
Closing balance 31 March 2017	364,856

Stride and SIML shares are “stapled” and jointly listed on the NZX (Stapled Securities). There is 100% commonality of shareholding in both entities. 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 (comprised of a Stride share stapled to a SIML share) are traded as a single economic unit with a single quoted price.

The Stride Board and the SIML Board are constitutionally required to be comprised of the same directors. Shareholders can appoint up to eight directors to the SIML Board. Stride's constitution was amended on 11 July 2016 to provide that any director who is appointed to (or removed from) the SIML Board is automatically appointed to (or removed from) the Stride Board. SIML shareholders vote on the appointment of the SIML directors in the usual way (i.e., by ordinary resolution) and the SIML Board may appoint directors to fill any casual or other vacancy on the SIML Board. Shareholders will not have the right to appoint or remove Stride directors directly but will in effect do so by voting as SIML shareholders on the appointment or removal of SIML directors.

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.

The Dividend Reinvestment Plan (DRP) was suspended and has remained suspended since the fourth quarter dividend for the 2014 financial year.

On 7 October 2015, Stride issued 59,400,000 ordinary shares under a placement to eligible shareholders and investors. The shares were issued at \$1.94 per share and raised gross proceeds of \$115,236,000.

On 4 November 2015, Stride issued 7,731,228 ordinary shares under the Share Purchase Plan to 2,702 participating shareholders. The shares were issued at \$1.94 per share and raised \$15 million.

Note 20: Equity (continued)

On 23 May 2016, Stride issued 97,298 ordinary shares under Stride's long term share incentive scheme four.

On 9 June 2016, SIML subdivided the number of SIML shares on issue so that there are the same number of SIML shares on issue as the number of Stride shares on issue.

On 31 March 2017, Stride and SIML issued 400,000 ordinary shares in each of them (i.e. 400,000 Stapled Securities) to Peter Alexander, (former Chief Executive Officer).

Basic and diluted earnings per share

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 (note 7).

	2017 \$000	2016 \$000
Profit after income tax attributable to shareholders – continuing operations	54,203	89,432
Weighted average number of shares for purpose of basic earnings per share (000)	364,443	330,794
Basic earnings per share – Stride	13.87	27.04
Basic earnings per share – SIML	1.00	–
Basic earnings per share – weighted (cents)	14.87	27.04
Weighted average number of shares for purpose of diluted earnings per share (000)	365,021	331,290
Diluted earnings per share – Stride	13.85	27.00
Diluted earnings per share – SIML	1.00	–
Diluted earnings per share – weighted (cents)	14.85	27.00

Profit after income tax attributable to shareholders – continuing and discontinued operations

Weighted average number of shares for purpose of basic earnings per share (000)	364,443	330,794
Basic earnings per share – Stride	13.63	27.93
Basic earnings per share – SIML	1.00	–
Basic earnings per share – weighted (cents)	14.63	27.93
Weighted average number of shares for purpose of diluted earnings per share (000)	365,021	331,290
Diluted earnings per share – Stride	13.61	27.89
Diluted earnings per share – SIML	1.00	–
Diluted earnings per share – weighted (cents)	14.61	27.89

Note 20: Equity (continued)

	2017 \$000	2016 \$000
Reserves		
Reserves consist of the following Stride reserves		
Cash flow hedge reserve	(5,670)	(10,886)
Options reserve	349	513
Associate reserve – cash flow hedge	1,033	–
Closing balance	(4,288)	(10,373)
Cash flow hedge reserve		
Opening balance	(10,886)	(3,135)
Movement in fair value of interest rate derivatives	7,244	(10,765)
Tax on fair value movement	(2,028)	3,014
Closing balance	(5,670)	(10,886)
Options reserve		
Opening balance	513	–
Share based payment expense	518	513
Transfer to share capital on vesting of employee long term incentive plan	(682)	–
Closing balance	349	513
Associate reserve – cash flow hedge		
Opening balance	–	–
Changes in reserves of associate	1,033	–
Closing balance	1,033	–

SIML does not have any reserves.

Note 21: Financial Instruments and Risk Management

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

Financial assets

Stride Property Group classifies its assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial 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.

Loans and receivables are initially recognised at fair value plus transaction costs and are thereafter carried at amortised cost using the effective interest method. Stride Property Group assesses at each balance date whether there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy) that a financial asset or a group of financial assets is impaired. The amount of the loss is recognised in the Consolidated Statement of Comprehensive Income.

Note 21: Financial Instruments and Risk Management (continued)

Financial liabilities

Amortised cost

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

Summary of financial instruments	2017 \$000	2016 \$000
Non-derivative financial assets		
<i>Classified as loans and receivables</i>		
Cash and cash equivalents	5,961	5,086
Trade and other receivables	1,854	980
NZX bond	75	75
Total non-derivative financial assets at amortised cost	7,890	6,141
Other investments	–	1,944
Loan to associate	3,397	–
Total non-derivative financial assets at fair value through profit or loss	3,397	1,944
Non-derivative financial liabilities		
Trade and other payables	15,620	14,448
Bank borrowings	347,021	531,600
Total non-derivative financial liabilities at amortised cost	362,641	546,048
Interest rate derivative liabilities at fair value	8,171	15,119
Total derivative financial instruments used for hedging	8,171	15,119

Financial risk management

Stride Property Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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.

Market risk

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

Stride's interest rate risk arises from bank borrowings (note 19). Borrowings issued at variable rates expose Stride to cash flow interest rate risk. Borrowings issued at fixed rates expose Stride to fair value 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.

Stride manages its cash flow interest rate risk by using floating to fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating to fixed rates. Under the interest rate derivatives, Stride agrees with other parties to exchange, at quarterly intervals, the difference between floating contract rates and fixed rate interest amounts calculated by reference to the agreed notional principal amounts. As Stride 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 18 and it is acknowledged that there will be fluctuations in their economic value as a result of changes in market interest rates. Stride's exposure to interest rate fluctuations is limited to the extent of all the non-hedged portions of bank borrowings. At balance date, \$87,500,000 of drawn bank debt was not hedged. If floating interest rates were 1% higher or 1% lower, with other variables remaining constant, the 12 month finance expense would be higher or lower by \$875,000 respectively.

Note 21: Financial Instruments and Risk Management (continued)

Market risk (continued)

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

	2017 \$000	2016 \$000
Financial assets		
Cash and cash equivalents	5,961	5,086
NZX bond	75	75
Other investments	–	1,944
Loan to associate	3,397	–
Financial liabilities		
Bank borrowings	347,021	531,600

The interest rate applicable at balance date for cash and cash equivalent balances was 0.75% (2016: 1.25%), for the NZX bond was 2.50% (2016: 2.75%), for loan to associate was 6.23% (2016: 0%) and for bank borrowings was 3.90% (2016: 3.22%). Stride's exposure to interest rates is hedged through the use of interest rate derivatives. The weighted average interest rate for drawn debt (inclusive of current interest rate derivatives, margins and line fees) of the bank borrowings at balance date was 4.85% (2016: 4.72%).

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.

Credit risk

In the normal course of business, Stride Property Group incurs credit risk from trade receivables, loan to associate and transactions with financial institutions.

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 Property Group's exposure to bad debts is not significant. As Stride has a wide spread of tenants over many industry sectors, it is not exposed to any significant concentration of credit risk. Amounts which are past due are not considered impaired as the majority are due from tenants that have demonstrated a good past payment history.

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

Stride Property Group is not exposed to any other concentrations of credit risk apart from the loan to associate.

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

Stride 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 19.

Note 21: Financial Instruments and Risk Management (continued)

Liquidity risk (continued)

The following table outlines Stride's liquidity profile based on contractual non-discounted cash flows.

	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
31 March 2017						
Trade and other payables	15,620	15,620	–	–	–	–
Secured bank borrowings	389,335	7,335	7,335	14,669	359,996	–
Derivative financial instruments	42,366	5,234	5,072	9,885	20,922	1,253
	447,321	28,189	12,407	24,554	380,918	1,253
31 March 2016						
Trade and other payables	14,448	14,448	–	–	–	–
Secured bank borrowings	556,944	6,036	6,036	209,674	335,198	–
Derivative financial instruments	49,809	6,673	6,671	11,872	23,135	1,458
	621,201	27,157	12,707	221,546	358,333	1,458

Capital risk management

Stride Property Group's capital structure includes debt and equity, comprising shares, reserves and retained earnings as shown in the statement of financial position. Stride Property Group's objectives when managing capital are to safeguard Stride Property Group'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 Property Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

As part of its capital risk management, Stride 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. Stride has complied with these covenants during the current and previous years.

Stride's debt facilities are subject to the following key covenants:

- The bank loan to value ratio will not exceed 50%;
- The ratio of earnings before interest and tax to total interest and financing costs must be greater than 1.75 times; and
- The WALT is at all times greater than 3 years.

Fair values

The carrying value of the following financial assets and liabilities approximate their fair value: cash and cash equivalents, trade and other receivables, other current assets, trade and other payables and bank borrowings.

Note 22: Related Party Disclosures

The following transactions with a related party took place	2017 \$000	2016 \$000
Diversified NZ Property Fund Limited (DNZPF)		
Manager's fee income	264	720
Building management fee income	48	189
Accounting fee income	12	30
Leasing fee income	32	213
Project management fee income	10	11
Liquidation fee	40	–
Rent paid	(4)	(6)
Diversified NZ Property Trust (Diversified Trust)		
Manager's fee income	2,002	–
Accounting fee income	107	–
Licencing fee income	56	–
Leasing fee income	387	–
Financing fees for establishing loan facilities	135	–
Building management fee income	1,269	–
Project management fee income	346	–
Services in relation to the Kaikoura earthquake at Queensgate Shopping Centre	355	–
Interest income	132	–
Rent paid	(8)	–
Investore Property Limited (Investore)		
Manager's fee income	2,386	–
Building management fee income	267	–
Accounting fee income	180	–
Leasing fee income	137	–
Maintenance fee income	10	–
Project management fee income	131	–
The following balances were receivable from a related party		
Investore Property Limited	37	–
Diversified NZ Property Trust	303	–
Diversified NZ Property Fund Limited	–	280

SIML received management fees for managing Diversified Trust, Investore and Stride. The management fees paid from Stride to SIML eliminate and accordingly do not appear in the Consolidated Statement of Comprehensive Income for the Stride Property Group.

Stride previously managed DNZPF and received management fee income for managing its assets. Stride was related to DNZPF by a degree of common directorship. Tim Storey (Chairman) and Peter Alexander (former Chief Executive Officer) were directors of DNZPF. DNZPF was Stride's joint arrangement partner in the Johnsonville Shopping Centre unincorporated joint arrangement. DNZPF has been restructured into a new investment vehicle, Diversified Trust (an Australian domiciled unit trust). DNZPF has no material assets and is in liquidation. SIML manages Diversified Trust and receives management fee income for managing its assets. Stride owns approximately 2% of the units in Diversified Trust, and receives interest income on its loan receivable.

Diversified Trust settled on the acquisition of Queensgate Shopping Centre, Wellington, and Chartwell Shopping Centre, Hamilton, on 22 August 2016. Stride contributed \$5.3 million of capital to complete the acquisition.

Investore has appointed SIML as its exclusive provider of on-going REIM services. SIML charges management fees for managing Investore's assets. The appointment of SIML as manager of Investore took effect on 10 June 2016 (the date of the management agreement). Prior to the NZX listing of Investore, in place of payment of fees, SIML's operating costs and expenses applicable to REIM services carried out under the management agreement were reimbursed by Investore on a cost recovery basis.

Note 22: Related Party Disclosures (continued)

The demerger of Investore from Stride occurred on 11 July 2016 by Stride distributing the ordinary shares that it held in Investore to Stride shareholders. No consideration was payable by shareholders for the distribution of Investore shares to them by Stride under the demerger (i.e., those Investore shares were distributed to shareholders for no additional consideration). The share issue ratio was one share in Investore for every four shares held in Stride. Both Tim Storey (Chairman) and John Harvey (Director) received an in specie shareholder distribution of 31,638 Investore shares each on 11 July 2016 under the demerger.

Upon completion of the capital raise and demerger, Investore ceased to be a wholly-owned subsidiary of Stride. However, Stride retains a 19.9% holding in Investore.

As at 31 March 2016, Investore was a 100% subsidiary of Stride and owned a portfolio of properties valued at \$287 million. The acquisition of these assets was originally funded by a bank loan of \$160 million and shareholder advance from Stride of \$127 million. Prior to listing, six large format retail properties valued at \$86.95 million were transferred by Stride to Investore, by way of shareholder advance.

The settlement of the resultant intercompany balance of \$214 million occurred by way of the following transactions:

- (i) \$134 million was capitalised into equity and shares were distributed to Stride's shareholders;
- (ii) \$69 million was capitalised into equity and shares were retained by Stride; and
- (iii) the remaining intercompany balance of \$11 million was repaid in cash.

On 7 October 2015, Michael Stiassny (Director) acquired 128,500 shares under the placement to eligible shareholders and investors.

On 4 November 2015, Directors John Harvey, Michael Stiassny and Tim Storey each acquired 4,760 shares in the Share Purchase Plan.

In the current year Tim Storey, John Harvey, David van Schaardenburg and Michael Stiassny received dividends of \$60,023 in total.

	2017 \$000	2016 \$000
Directors' fees	340	340
Chairman's fees	140	140
	480	480

No other benefits have been provided by the group to a director for services as a director or in any other capacity.

Note 23: Remuneration

Key management personnel costs	2017 \$000	2016 \$000
Salary and other short term benefits - current employees	1,592	2,017
Salary and other short term benefits - former employees	1,290	–
Share based payment expense	518	513
	3,400	2,530

Key management personnel includes the Chief Executive Officer and the members of the executive team. Two key management personnel ceased employment during the year; the former National Manager Retail Development on 15 December 2016 and the former Chief Executive Officer, Peter Alexander, on 31 March 2017.

In the current year key management personnel received dividends of \$60,763 in total.

Long term incentive plan

Stride Property Group operates a long term incentive plan for the SIML 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 the group, are achieved.

Note 23: Remuneration (continued)

Long term incentive plan (continued)

The share performance rights are measured at fair value at grant date and expensed over the period during which the employee becomes unconditionally entitled to the shares, based on the estimate of shares that will eventually vest. The fair value of the share performance rights which are either vested or forfeited are transferred from the options reserve to retained earnings.

Four schemes have been implemented under the plan. Schemes one, two and three are at an end. Scheme four provides for the selected employees to be granted rights to be issued shares for nil consideration if certain performance hurdles (based around total shareholder returns and distributable profit per share) are met. On 23 May 2016, Stride issued 97,298 shares for the period 1 April 2013 to 31 March 2016. Scheme four provides for the issue of up to 113,250 shares for the period 1 April 2014 to 31 March 2017 and up to 144,777 shares for the period 1 April 2015 to 31 March 2018.

The key features of scheme four 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 Stride and SIML. The shares issued on vesting carry full voting and dividend rights;
- the individual must remain an employee of SIML as at the relevant vesting date for any rights to vest; and
- for each financial performance period, rights are split into two tranches with half of the rights subject to a Total Shareholder Return (TSR) relative performance hurdle against the NZX Property Index constituents and half subject to a performance hurdle based on the rate of growth of Distributable Profit per Share (DPPS).

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 Board from time to time, subject to the requirements of the NZX Main Board Listing Rules and applicable laws.

	2017 000	2016 000
Performance rights		
Opening balance	662	–
Rights granted	–	662
Rights exercised	(378)	–
Rights forfeited	(26)	–
Closing balance	258	662

Note 24: Investment in Subsidiary

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

The financial statements of the subsidiary are included in the financial statements of the Stride Property Group from the date that control commences until the date that control ceases. The subsidiary applies the same accounting policies as the group.

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

Note 24: Investment in Subsidiary (continued)

	Country of incorporation
Parent entity	
Stride Property Limited	New Zealand
Subsidiary of Stride Property Limited	
Stride Holdings Limited	New Zealand

Stride Holdings Limited is 100% owned, has a 31 March balance date, is principally involved in the ownership of investment properties and is also involved in the development of investment property.

SIML ceased to be a subsidiary of Stride Property Limited effective from 11 July 2016.

Note 25: Operating Lease Commitments

Payments, including prepayments made under operating leases (net of any incentives received from the lessor), are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Stride is committed under four (2016: twelve) operating leases where Stride is the lessee. There is one at 7 – 9 Fanshawe Street, Auckland, one at 33 Customhouse Quay, Wellington, one at NorthWest Shopping Centre, Auckland and one at NorthWest Two, Auckland.

The commitments below only reflect the amounts payable under current signed lease contracts up until the next rent review, at which time the terms of the leases will be renegotiated. The lease at NorthWest Two, Auckland, expires in May 2113 and the annual lease is \$250,000. All other leases expire at the next rent review.

	2017 \$000	2016 \$000
Payable		
– no later than 1 year	1,106	914
– later than 1 year and no later than 5 years	3,423	2,412
– later than 5 years	7,068	209
	11,597	3,535

Stride Property Group has no other operating lease commitments.

Note 26: Contingent Liabilities

Stride Property Group has no contingent liabilities at balance date (2016: \$nil).

Note 27: Subsequent Events

Subsequent to balance date, Stride has committed to a further \$963,725 in total for capital expenditure works to be undertaken on investment properties in the next financial year.

On 26 May 2017, Stride and SIML issued 133,068 ordinary shares in each of them (i.e., 133,068 Stapled Securities) under the long term share incentive scheme four.

On 26 May 2017, the Stride property at 7-9 Fanshawe Street, Auckland, sustained some fire damage. A business interruption (loss of rents claim) and a material damage claim will be submitted in due course to recover the loss of rents (if any) and full cost of reinstatement.

On 30 May 2017, Stride declared a cash dividend for the period 1 January 2017 to 31 March 2017 of 2.10 cents per share, to be paid on 21 June 2017 to all shareholders on Stride’s register at the close of business on 14 June 2017. This dividend will carry imputation credits of 0.5714 cents per share. This dividend has not been recognised in the financial statements.

On 30 May 2017, SIML declared a cash dividend for the period 1 January 2017 to 31 March 2017 of 0.32 cents per share, to be paid on 21 June 2017 to all shareholders on SIML’s register at the close of business on 14 June 2017. This dividend will carry imputation credits of 0.0137 cents per share. This dividend has not been recognised in the financial statements.

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

Note 28: Explanatory Memorandum Financial Information

On 10 June 2016, Stride issued an Explanatory Memorandum. The following is a comparison of the prospective financial information in the Explanatory Memorandum to Stride Property Group’s actual results for the year ended 31 March 2017.

	2017 Actual ¹ \$000	2017 Prospective Base Case \$000
Statement of Comprehensive Income		
Net rental income	63,594	63,317
Management fee income	8,541	9,160
Corporate expenses	(15,554)	(15,434)
Net finance expenses	(19,041)	(19,644)
Profit before other income and income tax	37,540	37,399
Profit before income tax	65,485	40,736
Income tax expense	(8,601)	(9,739)
Profit after income tax	56,884	30,997
Movement in cash flow hedges from continuing operations	3,166	4,865
Changes in reserves in associate	1,033	383
Net impact of cash flow hedges relating to discontinued operations	(1,500)	–
Total comprehensive income after tax	59,583	36,245
Statement of Financial Position		
Current assets	44,551	43,797
Non-current assets	950,109	930,003
Current liabilities	(18,701)	(12,207)
Non-current liabilities	(368,101)	(378,427)
Equity	607,858	583,166
Statement of Cash Flows		
Net cash provided by operating activities	34,929	28,310
Net cash provided by investing activities	28,749	14,967
Net cash applied to financing activities	(62,803)	(44,241)
Net increase/(decrease) in cash and cash equivalents held	875	(964)

¹ 2017 Actual Consolidated Statement of Comprehensive Income individual lines include Investore Property Limited prior to the demerger (as disclosed in discontinued operation note 3) for comparative purposes.

Commentary

Profit before other income and income tax is in line with the prospective financial information.

Profit before income tax is \$24,749,000 higher than the prospective financial information reflecting the higher share of profits in Investore of \$3,313,818, and the fair value movement of \$20,750,000 in the investment properties. The prospective financial information had assumed no increase in the portfolio value.

Income tax expense is lower mainly due to lower depreciation recovered on the sale of investment properties of \$1,453,906 compared to the prospective financial information.

Equity is \$24,692,000 higher than the prospective financial information mainly due to the fair value movement in investment properties and lower income tax expense as explained above.

Net cash flows applied to financing activities was \$18,562,000 lower as a result of lower drawdowns on bank borrowings.

Net cash flow provided by investing activities was \$13,782,000 higher as a result of lower capital expenditure on investment properties.

Independent Auditor's Report



To the shareholders of Stride Property Group

The consolidated financial statements comprise:

- the statement of financial position as at 31 March 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Stride Property Group, which consists of Stride Property Limited (Stride) and Stride Investment Management Limited (SIML) (together, the Stapled Group), present fairly, in all material respects, the financial position of the Stapled Group as at 31 March 2017, 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).

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.

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

Our firm carries out other services for the Stapled Group in the areas of assurance over the share register, tenancy marketing and operating expenses, accounting advice, advisory services in respect of the assessment of the commercial management contract between SIML and Stride and financial due diligence in respect of the restructuring of Stride. The provision of these other services has not impaired our independence as auditor of the Stapled Group.

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality was \$2.2 million, which represents 5% of profit before tax (continuing and discontinued), excluding valuation movements relating to investment properties.

We chose profit before tax (continuing and discontinued), excluding valuation movements relating to investment properties as the benchmark because, in our view, it is a proxy for distributable profit and accordingly is the benchmark against which the performance of the Stapled Group is most commonly measured by users.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above \$80,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



We have two key audit matters:

- restructuring of Stride
- valuation of investment properties.

Materiality

The scope of our audit was influenced by our application of materiality.

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.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. 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.

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

The restructuring of Stride resulted in two distinct entities however the shares remain bound together as a stapled security. The Stapled Group comprises Stride and SIML together, and any subsidiaries of Stride or SIML. The stapling results in Stride shares and SIML shares being and remaining stapled to each other.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters

How our audit addressed the key audit matters

Restructuring of Stride

As disclosed in Note 1, on 12 July 2016, Stride separated its real estate investment management business from its property ownership business and stapled the two businesses together as Stride Property Group (also referred to as the Stapled group). The restructuring activity during the year was a significant event for Stride.

Under the new structure, Stride holds the property portfolio assets and SIML (the Manager) manages the properties.

In order to facilitate the stapling of the group, on 9 June 2016, SIML subdivided the number of SIML shares on issue so that the same number of SIML shares were on issue as the number of Stride shares on issue.

We performed the following audit procedures to respond to the assessed audit risks arising from the Stride restructuring activities:

Stapling transaction

- Obtained an understanding of the background to, and process of, the stapling transaction through:
 - discussions with the Manager, the Directors and Stride legal advisers
 - review of relevant agreements and documentation including: Stapling Deed, Constitution of Stride, and Constitution of SIML
 - review of the NZX waiver and related correspondence.

Key audit matters

How our audit addressed the key audit matters

In advance of the restructure, Stride distributed shares in its subsidiary Investore Property Limited (Investore) to Stride shareholders. This transaction, referred to as a demerger, together with an additional purchase of shares by Stride as part of an initial public offering (IPO) of Investore, reduced Stride's ownership of Investore from 100% to 19.9%.

Investore holds large format retail properties managed by SIML, and is a separately listed trading company on the NZX.

Stride incurred \$3.5 million of one-off project costs in connection with the restructure (referred to above) and the transfer of ownership of Investore, which is separately disclosed in the Consolidated Statement of Comprehensive Income.

To facilitate the restructuring, Stride modified its existing \$560 million bank facility by reducing the facility to \$400 million.

Refer to *Note 1: Accounting Policies, Reporting entity, Note 14: Interest in Associates and Joint Arrangement, Note 19: Bank Borrowings* and *Note 20: Equity* of the financial statements for all relevant disclosures.

- Evaluated the Director's accounting treatment and disclosure of the stapling of Stride and SIML as a capital reorganisation and identification of Stride as the 'parent' with reference to accounting standards. We obtained a technical accounting consultation from our internal accounting technical team to support our conclusion.
- Tested, by recalculating the expected number of shares, that the 9 June 2016 subdivision of shares in SIML resulted in the same number of shares on issue in SIML as the number of Stride shares on issue and agreed to SIML's share register (managed by a third party) and the Companies Office Register.
- Tested the classification of the one-off project costs incurred in connection with the stapling and the demerger of Investore, on a sample basis, by agreeing to invoices.

Demerger of Investore

- We obtained an understanding of the background and process of the demerger of Investore through:
 - discussions with the Manager and Directors
 - review of relevant agreements and documentation, including formal third party advice on legal, financial reporting and tax matters that had been received by the Manager from independent sources.
- Evaluated the Director's accounting treatment and disclosure of the distribution of shares in Investore to Stride shareholders and the resultant 19.9% equity shareholding held by Stride after the Investore IPO with reference to accounting standards. We obtained a technical accounting consultation from our internal accounting technical team to support our evaluation.
- Verified the reduction of the bank facility to legal agreements and considered the accounting treatment of the reduction as a debt modification.
- We identified covenants from the facility documentation and tested compliance therewith and considered the appropriateness of the classification of the borrowings in the statement of financial position.
- Reviewed the disclosure of Investore as a discontinued operation in the financial statements for compliance with accounting standards.

From the procedures performed, we had no matters to report.

Key audit matters

How our audit addressed the key audit matters

Valuation of investment properties

As disclosed in Note 10, the portfolio of investment properties comprising office, industrial, retail, and large format retail held by Stride was valued at \$859 million as at 31 March 2017.

Valuation of investment properties is inherently subjective. The valuations were performed on behalf of Stride by independent registered valuers who are members of the New Zealand Institute of Valuers. Valuers are engaged on terms ensuring no valuer values the same investment property for more than three consecutive years.

Two approaches are generally used: the Income Capitalisation approach and the Discounted Cash Flow approach, to derive a market value range for each property and then a point estimate. For each investment property, assumptions and estimates are made in respect of:

- forecast future rentals, based on the location, type and quality of the property, and supported by the terms of any existing lease
- vacancy assumptions based on current and expected future market conditions after expiry of any current lease
- maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life and to address seismic related matters
- the discount rate derived from recent comparable market transactions.

A small difference in any one of the key market input assumptions, when aggregated, could result in a material misstatement of investment properties.

The Manager verifies all major inputs to the valuations, assesses property valuation movements against prior year and holds discussions with the Directors on the process and results of the valuation.

On a sample basis, with particular emphasis on high value properties, properties with significant fluctuations as compared with the 2016 valuations, and any other properties where we would have expected a significant change in the valuation based on market reports from large valuation firms, we performed the following procedures:

- assessed the reasonableness of the market related key assumptions (i.e. capitalisation rates and market rentals) used in the Income Capitalisation approach valuation by comparing these valuation metrics used by the valuers to:
 - recent market activity (where also identified by other valuers), taking into account location and environmental factors or
 - newly agreed lease agreements.
- agreed the forecast contractual income and weighted average lease terms to lease agreements with tenants.
- considered whether seismic assessments have been taken into account in the valuations.
- analysed the underlying reason for differences outside a threshold, between the Income Capitalisation approach value and Discounted Cash Flow approach value by property.

We also engaged our own in-house valuation expert to critique and independently assess, based on our experts market and valuation knowledge, the work performed and assumptions used by the valuers.

Because of the subjectivity involved in determining valuations for individual properties and the existence of acceptable alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the individual property valuations used by the Directors.

The above procedures did not indicate that the individual property values tested were outside this range. We also found no evidence of bias in determining the values.

Information other than the financial statements and auditor's report

The Directors of Stride and SIML respectively are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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 Stride and SIML respectively are responsible, on behalf of the Stapled Group, 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 Stride and SIML respectively are responsible for assessing the Stapled Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate Stride 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 financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the shareholders of Stride 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 the Stapled Group and the shareholders of Stride 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:



Chartered Accountants

30 May 2017
Auckland

Corporate Governance

The Stride Property Group Boards are defined as: Board of Directors of Stride (Stride Board); Board of Directors of SIML (SIML Board); together the "Boards" are committed to undertaking their corporate governance responsibilities in accordance with best practice governance principles. The Boards believe that the corporate governance practices of their respective Stride Property Group companies generally meet the requirements of the principles and guidelines set out in the New Zealand Financial Markets Authority's Corporate Governance Handbook (the Principles) and the NZX Corporate Governance Best Practice Code (the NZX Code), except where expressly stated otherwise below.

The Boards have adopted a set of policies and charters in relation to corporate governance which apply to each of the Stride Property Group companies. These policies and charters can be found in the Corporate Responsibility section of Stride Property Group's website (www.strideproperty.co.nz) and include a Code of Ethics, a Board Charter, a Market Disclosure Policy, a Remuneration & Nomination Committee Charter, an Audit & Risk Committee Charter and a Health & Safety Charter.

The following report is based on the Principles.

Principle 1: Ethical Standards
Directors should set high standards of ethical behaviour, and hold management accountable for delivering those standards throughout the organisation.

Stride Property Group companies have adopted a Code of Ethics that sets out how Directors and employees should conduct themselves to maintain high ethical standards and to avoid conflict between their private financial activities and their part in the conduct of the relevant Company's business. The Code of Ethics includes procedures for reporting and resolving breaches of the Code. The Code of Ethics is included in the SIML employee handbook and enforced as part of the general terms and conditions of employment.

At the date of this Annual Report, no instances of unethical behaviour had been identified and reported to the Boards.

Stride Property Group companies have policies to prevent insider trading which are contained in the Securities Trading Policies and Guidelines. These guidelines require Directors and employees and their associated persons to obtain consent before they trade in Stride Property Group shares. The policy provides for limited trading windows at the time of Stride Property Group announcements at the end of the financial year and financial half year. Trading shares while in possession of material information is prohibited at all times. Employees have a duty of confidentiality regarding any confidential information in relation to Stride Property Group and are not allowed to disclose such information to third parties without ensuring that appropriate procedures are in place to ensure that confidentiality is maintained.

Principle 2: Board Composition and Performance
To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Size and Composition
The Boards of each have a maximum of eight Directors and a minimum of three, of which at least two must be ordinarily resident in New Zealand. At least one-third of the Directors must be Independent Directors (as defined in the NZX Main Board Listing Rules) and meet the Board Charter criteria set out on page 66. There are currently five Directors appointed, who are all Independent Directors and meet the Board Charter criteria. Details of the Directors' skills and expertise are contained in the profiles on pages 10 and 11.

Diversity

Stride Property Group companies are committed to providing a positive working environment where diversity, in all of its forms, is respected and embraced. Stride Property Group companies have implemented a Diversity Policy and the Boards have reviewed their diversity achievements against the prior year's objectives and the Diversity Policy. The Boards consider that Stride Property Group companies have achieved their objectives under the Diversity Policy for the period to 31 March 2017 as:

- Stride Investment Management Limited (SIML) reports twice a year to the Board on diversity-related matters; and
- Stride Property Group companies utilise a variety of channels to ensure a range of suitably qualified candidates are identified for available roles within the Stride Property Group companies. These channels include the use of external recruiting agencies as appropriate, internal referrals and consideration of internal candidates. All candidates are vetted to ensure they hold appropriate qualifications and skills. Suitable candidates then undergo a comprehensive interview process, and reference checks are undertaken before an offer of employment is made. The recruitment procedures ensure that a wide range of potential candidates are considered at all levels of Stride Property Group companies' structure, including at both Board and senior management level.

As at 31 March 2017:

- Stride Property Limited (Stride) had no employees and one female Director (2016: one) out of the five (2016: five) currently appointed Directors; and
- SIML had one female officer (2016: one) out of four officers (2016: six) and one female Director (2016: one) out of the five (2016: five) currently appointed Directors.

As at 31 March 2017, the staff of SIML comprised sixty-five female (67%) and thirty-two male (33%) employees. SIML employees comprise 76% full-time and 24% part-time employees, are a mix of ages and are from a range of cultural backgrounds.

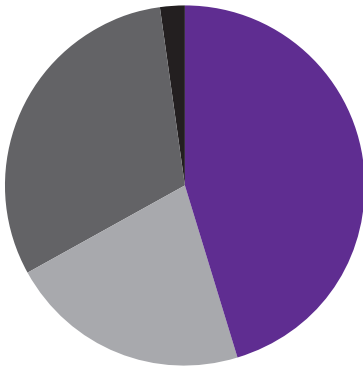
Gender Diversity – SIML

- Female full-time 44 (45%)

Female part-time 21 (22%)

Male full-time 30 (31%)

Male part-time 2 (2%)



Director Independence

- In addition to the NZX requirements, a non-executive Director is considered to be independent providing he or she:
- does not hold more than five per cent of the Stride Property Group's class of listed voting securities;
 - is not employed in an executive capacity by Stride Property Group or its subsidiaries;
 - is not a principal or employee of a professional advisor to Stride Property Group and/or its entities whose billing exceeds ten per cent of the advisor's total revenues;
 - is not a significant supplier to or customer of Stride Property Group. (A significant supplier is defined as one whose revenues from Stride Property Group exceed ten per cent of the supplier's total revenue, and a significant customer is defined as one whose purchases from Stride Property Group exceed ten per cent of the customer's total purchases);
 - has no material contractual relationship with Stride Property Group;
 - has no other interest or relationship that could interfere with his or her ability to act in the best interests of Stride Property Group and independently of management; and
 - is determined by the Boards to be independent in character and judgement.

The Boards have reviewed the status of each of the Directors and taking into account the NZX waiver in relation to the independence of Directors that is summarised on page 75 under the heading “Listing Rule 1.6.1” confirm that, as at 31 March 2017, all Directors are independent.

Composition

As at 31 March 2017, the Boards comprised the following:

Timothy Ian Mackenzie Storey	Chairman (appointed to Stride on 1 April 2009, and to SIML on 16 February 2016)
Edward John Harvey	Director (appointed to Stride on 15 September 2009, and to SIML on 16 February 2016)
Michael Peter Stiassny	Director (appointed to Stride on 9 April 2010, and to SIML on 16 February 2016)
David Gregory van Schaardenburg	Director (appointed to Stride on 12 May 2010, and to SIML on 16 February 2016)
Michelle Patricia Tierney	Director (appointed to Stride on 17 July 2014, and to SIML on 16 February 2016)

Candidates for appointment as a Director are nominated by the Remuneration & Nomination Committee and are voted on by shareholders of SIML. Under Stride's constitution, persons who are appointed as Directors of SIML are automatically appointed as Directors of Stride.

Board Performance

The Boards undertake an annual evaluation of their performance, both as a group and as individual Directors. In the current year the Boards utilised the services of Murdoch Associates to undertake an independent review. The outcomes from the performance review are being used to improve Boards' processes and identify areas for improvement.

The NZX Code encourages Directors to take a portion of their remuneration under a performance-based equity security compensation plan. Stride Property Group companies do not operate any form of equity compensation scheme for Directors.

The Company has produced a detailed Governance Manual for the Boards and training is provided as and when required.

Principle 3: Board Committees

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

The Boards have established two board committees: the Audit & Risk Committee and the Remuneration & Nomination Committee.

Audit & Risk Committee

John Harvey, Chairperson (Independent)
Michael Stiassny (Independent)
Tim Storey (Independent)

The Audit & Risk Committee's Charter requires that the Audit & Risk Committee be comprised solely of non-executive Directors, with at least three members (and the majority of members) being Independent Directors. The Chairperson of the Audit & Risk Committee shall be an Independent Director and may not be the Chairperson of the Boards. All Audit & Risk Committee members need to be financially literate, and at least one member must have accounting or related financial management expertise (in the case of Stride Property Group companies, John Harvey).

Meetings of the Audit & Risk Committee are held at least twice a year, having regard to the Stride Property Group companies' reporting and audit cycle. Additional meetings may be held at the discretion of the Chairperson, or if requested by any Audit & Risk Committee member, the Chief Executive Officer or the external auditor.

The NZX Code proposes that Directors who are not members of the Audit & Risk Committee and employees should only attend Audit & Risk Committee meetings at the invitation of the Audit & Risk Committee. Stride Property Group companies' Audit & Risk Committee Charter provides Directors who are not members of the Audit & Risk Committee with the right to attend meetings of the Audit & Risk Committee.

The Audit & Risk Committee provides assistance to the Directors in fulfilling their responsibilities to the shareholders, potential shareholders and investment community relating to corporate accounting and reporting practices of the Stride Property Group companies, and the quality, integrity and transparency of financial reports of the Stride Property Group companies. In so doing, it is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Directors and the external auditors about the financial management of each of the Stride Property Group Companies.

The Boards believe that the Audit & Risk Committee has the appropriate level of financial expertise to perform its duties.

Remuneration & Nomination Committee

Michael Stiassny, Chairperson (Independent)
John Harvey (Independent)
Tim Storey (Independent)
David van Schaardenburg (Independent)
Michelle Tierney (Independent)

On 18 January 2017, the Boards took over the role of the Remuneration & Nomination Committee while the search for a new Chief Executive Officer for SIML is ongoing. All members of the Boards were members of the Remuneration & Nomination Committee and considered it more appropriate for the Boards as a whole to take over the functions of the Remuneration & Nomination Committee at this time. Suspension of the role of the Remuneration & Nomination Committee is not consistent with the NZX Code, but is intended by the Boards to be only a temporary measure. The details which apply to the Remuneration & Nomination Committee when it is not suspended are set out below.

The Remuneration & Nomination Committee's Charter requires that the Remuneration & Nomination Committee comprise at least three non-executive Directors of the Boards, with at least three members (and the majority of members) being Independent Directors. The Chairperson of the Remuneration & Nomination Committee shall be an Independent Director and may not be the Chairperson of the Boards.

Meetings of the Remuneration & Nomination Committee are held at least twice a year or at the discretion of the Chairperson, or if requested by any Remuneration & Nomination Committee member or the Chief Executive Officer.

The objectives of the Remuneration & Nomination Committee include recommending remuneration packages for Directors to shareholders, ensuring that SIML has in place a sound remuneration policy framework designed to ensure that SIML's executive team is fairly and equitably remunerated, ensuring that appropriate and required disclosure is made of Director and executive remuneration, ensuring that there is an environment and framework where management talent and potential is assessed and developed in line with the requirements of SIML, and ensuring that robust succession planning exists.

The Remuneration & Nomination Committee is responsible for reviewing the mix of skills and experience of Directors on the Boards and succession planning to identify candidates to fill Boards' vacancies as and when they arise.

Stride Meeting Attendance	Stride Board Meetings	SIML Board Meetings	Stride Audit & Risk Committee ¹	Stride Property Group Audit & Risk Committee ¹
Total Number of Meetings Held	9	8	1	2
John Harvey	9	8	1	2
Michael Stiassny	8	8	1	2
Tim Storey	9	8	1	2
David van Schaardenburg	9	8	1	2
Michelle Tierney	8	8	1	2

¹ The Audit & Risk Committee meeting in May 2016 was held by Stride only. Following the listing of Stride Property Group under a "stapled" structure in July 2016, the Audit & Risk Committee meetings were jointly held by Stride and SIML.

Principle 4: Reporting and Disclosure

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

To meet the requirements of the NZX, Stride Property Group companies have adopted a Market Disclosure Policy to provide guidance in the area of market disclosure and the release of material information.

- Each Stride Property Group company is committed to:
- ensuring that shareholders and the market are provided with full and timely information about its activities;
 - complying with the general and continuous disclosure principles contained in the NZX Main Board Listing Rules and the Companies Act 1993; and
 - ensuring that all market participants have equal opportunities to receive externally available information issued by the Stride Property Group companies.

A Disclosure Committee, comprising the Chief Executive Officer (such role currently being performed by the Chief Financial Officer and the General Manager Investment Management), Chief Financial Officer (Disclosure Officer) and Chairperson, is responsible for making decisions about what information is material information and ensuring that appropriate disclosures are made in a timely manner to the market.

The Audit & Risk Committee is tasked with overseeing the quality and integrity of all financial reporting. The Audit & Risk Committee reviews the annual and half-year financial statements and has direct access, as necessary, to Stride Property Group companies' external auditors. As the Boards are ultimately responsible for preparing the Annual Report (including financial statements that comply with generally accepted accounting practice), annual financial statements are signed by two Directors after approval by the full Boards and the external auditors provide an opinion that the financial statements present fairly, in all material respects, the financial position of each of the Stride Property Group companies as at 31 March 2017, and each of their financial performance and cash flows for the year then ended, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Principle 5: Remuneration

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

The remuneration paid to Directors and executives is disclosed on pages 76 to 79 of this Annual Report and in the notes to the financial statements on pages 29, 56 and 57. The Remuneration & Nomination Committee is responsible for, among other things, recommending Director Remuneration packages to shareholders and setting executives' remuneration packages. The Remuneration & Nomination Committee is required, under the Remuneration & Nomination Committee Charter, to obtain such information and advice as it thinks necessary.

Employee Incentive Schemes

Short Term Incentive Scheme

SIML operates a short term incentive scheme under which selected permanent, full-time employees can become eligible to receive a cash incentive on an annual basis in addition to their base salary. Entitlement to the incentive is subject to pre-agreed hurdles being met. Details of the total amount that has been paid under the short term incentive scheme can be found on page 78 of this Annual Report.

Long Term Share Incentive Plan

SIML operates a long term share incentive plan for the executive team (Stride formerly operated a similar plan prior to the demerger and stapling). This plan 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. The Remuneration & Nomination Committee has taken advice from executive remuneration consultants as to the form of the long term share incentive plan. Further details of the long term share incentive plan can be found on page 79 of this Annual Report and in the notes to the financial statements on pages 56 and 57.

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

Principle 6: Risk Management

Directors should have a sound understanding of the key risks faced by the business. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

The Stride Property Group companies have in place business risk management processes and policies to minimise their exposure to financial and operational risk. Internal systems have been designed to:

- Identify material risks;
- Assess the impact of specific risks;
- Identify strategies to mitigate risk; and
- Monitor and report progress on risk mitigation strategies.

The Boards have established an Audit & Risk Committee which, under the Audit & Risk Committee Charter, is responsible for:

- ensuring that SIML management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks;
- reviewing the procedures for identifying business risks and controlling their financial impact on the Stride Property Group companies;
- reviewing management's and the external auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management;
- ensuring that the Boards regularly review reports on the principal business risks at least annually; and
- reviewing key insurance policy terms and cover adequacy and making recommendations to the Boards for adoption of the insurance cover.

Further risk management matters are contained under the heading "Investment Strategy & Guiding Principles" in the "About +" section of the Stride Property Group website (www.strideproperty.co.nz).

Principle 7: Auditors

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

The Audit & Risk Committee is responsible for the monitoring of the external audit process. It has responsibilities under the Audit & Risk Committee Charter to:

- meet with the external auditors and financial management of the Stride Property Group companies to review the scope of work of the proposed audit and half year review for the current year and the procedures to be utilised, the adequacy of the external auditor's compensation and, at the conclusion thereof, review such audit or review, including any comments or recommendations of the external auditors.
- review reports received from regulators and other legal and regulatory bodies, including matters that may have a material effect on the financial statements or related company compliance policies.
- review the internal audit function of SIML (if any), the independence and authority of the Stride Property Group companies' reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the external auditors.
- receive on a regular basis a summary of findings from any completed internal audits and a progress report on the internal audit plan (if any), with explanations for any deviations from the original plan.
- report the results of the annual audit to the Boards, including whether the financial statements comply with applicable laws and regulations. If requested by a Board, invite the external auditors to attend the full Board meetings to assist in reporting the results of the annual audit or to answer other Directors' questions (alternatively, the other Directors, particularly the other Independent Directors, may be invited to attend the Audit & Risk Committee meeting during which the results of the annual audit are reviewed).
- review the nature and scope of other professional services provided to the Stride Property Group companies by the external auditors and consider the relationship to the auditor's independence.
- on an annual basis, assess and confirm to the Boards the independence of the external auditor.
- make recommendations to the Boards as to the appointment or discharge of external auditors.
- establish the external auditor's fees, subject to shareholder approval.
- review and monitor the ratio of non-audit to audit fees.
- ensure that the external auditor or lead audit partner is changed at least every five years.

The Audit & Risk Committee meets at least twice a year with the external auditors, without any members of management present. The Boards invite the external auditor to attend meetings of the Boards or Audit & Risk Committee meetings as required. Directors are free to make direct contact with the external auditor as necessary to obtain independent advice and information.

Principle 8: Shareholder Relations

The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

The Boards believe that a high level of disclosure and communication to shareholders is very important. Shareholders deserve to be provided with all the information possible about the performance of their investment and to be informed of any significant transactions by the Stride Property Group companies.

Further information regarding shareholder relations, including reporting to shareholders, the Annual Meeting and investor services, can be found in the Investor Relations section on pages 72 and 73.

Principle 9: Stakeholder Interests

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

The Boards recognise that there are a number of significant stakeholders in the Stride Property Group companies that are affected by their activities. Stride Property Group companies aim to manage its businesses to produce positive outcomes for all stakeholders, including tenants, contractors, service providers, banks, employees and the communities in which Stride's properties are located.

Stride Property Group companies support addressing issues related to ESG - Environmental Sustainability, Social Responsibility and Corporate Governance.

Stride Property Group companies are committed to being responsible members of the corporate community in providing a positive work environment for our staff and supporting targeted community partnerships. As New Zealand companies, we endeavour through targeted community partnerships to help less fortunate young people to build a positive future and maximise their development potential.

Stride is a sponsor of The Graeme Dingle Foundation (GDF) whose aim is to inspire all school age New Zealand children to reach their full potential through programmes that help build self-esteem, promote good values and which teach valuable life, education and health skills. GDF's programmes include Kiwi Can (years 1 to 8), Stars (years 9 and years 12 and 13), Project K (year 10), Career Navigator (years 10 to 13) and Mentoring Youth New Direction (14 to 17 year old males).

Stride Property Group companies are a sponsor of Keystone New Zealand Property Education Trust which provides grants to students who would not otherwise be able to afford tertiary education, with specific emphasis on education in the property profession. Stride Property Group companies see their involvement in the Keystone New Zealand Property Education Trust as a valuable contribution to educating quality property professionals for the future.

Investor Relations

The Boards believe a high level of disclosure and communication to shareholders is very important. Shareholders deserve to be provided with all the information possible about the performance of their investment and to be informed on any significant transactions by the Stride Property Group companies.

Reporting To Shareholders

Reporting to shareholders is provided through the Annual Report and Interim Report. Events of interest within Stride's portfolio, or relating to SIML's business, that occur between regular reporting periods are communicated on-line, via market announcements to the NZX (www.nzx.com, stock code SPG) and on the Stride Property Group website (www.strideproperty.co.nz), meeting the need for the market to be informed in a timely manner.

The Annual Report and Interim Report are available electronically on the Stride Property Group website and shareholders can request hard copies by contacting the Stride Property Group companies' Share Registrar (contact details below).

Annual Meetings

Shareholders are encouraged to attend the Annual Meetings of each of the Stride Property Group companies and take the opportunity to meet the Boards and to ask questions about the performance of the Stride Property Group companies. The Chairperson provides time for questions from the floor and these are answered by the appropriate member of the Boards or executive team. The Stride Property Group companies' external auditor attends the meeting and is available to take questions on the preparation of the financial statements and the auditor's report.

The next Annual Meeting for the Stride Property Group companies is scheduled for 2pm on Wednesday, 6 September 2017, at Ellerslie Racecourse, 80-100 Ascot Ave, Greenlane, Auckland, with an introductory discussion of the business of the Stride Property Group companies, followed by the formal business of each Annual Meeting taking place one after the other.

Share Registrar

The Share Registrar is the first point of contact for shareholders with queries about their investments. Computershare Investor Services Limited (Computershare) is the Share Registrar for the Stride Property Group companies and has responsibility for administering and maintaining the share register. Computershare can be contacted as detailed below:

Phone: +64 9 488 8777
Fax: +64 9 488 8787
Email: stride@computershare.co.nz
Mail: Computershare Investor Services Limited, Private Bag 92119, Victoria Street West, Auckland 1142

Shareholders can view their holding details and update their personal details online on Computershare's Investor Centre website - visit www.computershare.co.nz/investorcentre - you will need your Investor Number and FIN to access this service.

Substantial Product Holders

As at 31 March 2017, the names of all persons who are substantial product holders in the Stride Property Group companies for the purposes of the Financial Markets Conduct Act 2013 are as follows:

Shareholder	Number of Ordinary Shares
Salt Funds Management Limited	18,268,060
Accident Compensation Corporation - NZCSD	35,222,116
ANZ New Zealand Investments Limited and related bodies corporate	36,703,703

Under the constitution of each of the Stride Property Group companies, the shares of each company are stapled so that they can only be traded together as a parcel and each shareholder in one Stride Property Group company must hold the same number of shares in the other Stride Property Group company. The number of ordinary shares listed above are as per the share register of the Stride Property Group companies or the last substantial product holder notice filed. As this notice is 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 20 largest holdings of quoted equity securities on page 73.

The total number of ordinary shares of each of the Stride Property Group companies as at 31 March 2017 was 364,856,209.

Stride Property Group Shareholder Distribution as at 31 March 2017 — 20 largest holdings of quoted equity securities*

Rank	Holder Name	Number of Shares	% of Total Issued Shares
1.	Accident Compensation Corporation - NZCSD	35,222,116	9.65
2.	ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	19,035,986	5.21
3.	Forsyth Barr Custodians Limited	18,216,191	4.99
4.	JBWere (NZ) Nominees Limited	17,395,665	4.76
5.	Guardian Nominees NO 2 A/C Westpac W/S Enhanced Cash Trust - NZCSD	15,863,594	4.34
6.	BNP Paribas Nominees (NZ) Limited - NZCSD	14,944,611	4.09
7.	Citibank Nominees (New Zealand) Limited - NZCSD	12,775,730	3.50
8.	Custodial Services Limited	12,158,768	3.33
9.	ANZ Wholesale Property Securities - NZCSD	9,317,260	2.55
10.	National Nominees New Zealand Limited - NZCSD	9,036,043	2.47
11.	MFL Mutual Fund Limited - NZCSD	8,046,926	2.20
12.	FNZ Custodians Limited	6,801,234	1.86
13.	Investment Custodial Services Limited	6,240,765	1.71
14.	Custodial Services Limited	5,474,949	1.50
15.	BNP Paribas Nominees (NZ) Limited - NZCSD	5,390,157	1.47
16.	Tea Custodians Limited Client Property Trust Account - NZCSD	5,238,339	1.43
17.	HSBC Nominees (New Zealand) Limited - NZCSD	4,744,789	1.30
18.	Custodial Services Limited	4,545,815	1.24
19.	Mint Nominees Limited - NZCSD	4,314,811	1.18
20.	Custodial Services Limited	3,018,049	0.82
Shares held by 20 largest shareholders		217,781,798	59.60
Balance of shares held		147,074,411	40.40
Total Issued Shares		364,856,209	100.00

Stride Property Group Shareholder Distribution as at 31 March 2017 — spread of quoted equity security holders*

Shareholder Range	Number of Shareholders	Number of Shares	% of Total Issued Shares
1 to 499	39	9,092	0.00
500 to 999	41	28,582	0.01
1,000 to 1,999	198	297,031	0.08
2,000 to 4,999	833	2,834,096	0.78
5,000 to 9,999	1,527	10,707,051	2.93
10,000 to 49,999	2,762	58,465,539	16.02
50,000 to 99,999	338	22,668,774	6.21
100,000 to 499,999	184	32,163,906	8.82
500,000 to 999,999	4	2,609,290	0.72
1,000,000 and above	15	235,072,848	64.43
Total	5,941	364,856,209	100.00

* Shares held by New Zealand Central Securities Depository Limited (NZCSD) are grouped under a single legal holding as reflected in the Shareholder Distribution table. The 20 largest holdings of quoted equity securities table shows the beneficial holder of the shares in the NZCSD register – the above may not sum due to rounding.

Statutory Information

Entries Recorded in the Interests Register

The following interest register entries were recorded for the Stride Property Group companies for the year ended 31 March 2017.

Directors’ Interests in Transactions

Specific disclosures

There were no specific disclosures made during the year of any interests in transactions entered into by either of the Stride Property Group companies or their subsidiaries.

General disclosures

Edward John Harvey	No additional interest register entries recorded
Michael Peter Stiasny	No additional interest register entries recorded
Timothy Ian Mackenzie Storey	General interest in student accommodation
David Gregory van Schaardenburg	No additional interest register entries recorded
Michelle Patricia Tierney	No additional interest register entries recorded

Share Dealings by Directors

On 11 July 2016, each of Tim Storey (who holds 126,552 stapled securities), John Harvey (who holds 126,552 stapled securities), Michael Stiasny (who holds 255,052 stapled securities) and David van Schaardenburg (who holds 75,165 stapled securities) were allotted ordinary shares in SIML (in the same number as the number of shares they held in Stride at that time) as part of the offering carried out by SIML pursuant to the Explanatory Memorandum dated 10 June 2016 and the related stapling of the shares in the Stride Property Group companies pursuant to a Stapling Deed dated 11 July 2016 and the constitutions of each of Stride and SIML.

Securities of Stride Property Group in which each Director had a relevant interest as at 31 March 2017

Director	Ordinary Shares
Timothy Ian Mackenzie Storey	126,552
Edward John Harvey	126,552
Michael Peter Stiasny	255,052
David Gregory van Schaardenburg	75,165

Loans to Directors

There are no loans to Directors.

Use of Company Information

No Director has requested, pursuant to section 145(3) of the Companies Act 1993, to use information received in their capacity as a Director that would not otherwise have been available to them.

NZX Waivers

The following waivers from the NZX Main Board Listing Rules were granted to the Company or relied on by the Stride Property Group companies during the 12 months preceding 31 March 2017. A copy of these waivers is available at www.nzx.com/companies/SPG

Listing Rule 1.6.1

- A ruling that the Directors do not have a “Disqualifying Relationship” as a consequence of their appointment as Directors of SIML under the Stapled Security structure, in order to allow the Independent Directors (as defined under the Listing Rules) of SIML to also be Independent Directors of Stride.
- A waiver from the Listing Rules to the extent necessary to provide that the “Average Market Capitalisation”, where used in the Listing Rules refers to the combined “Average Market Capitalisation” of Stride Property Group, rather than each Stride Property Group company separately (there being no quoted price available for each Stride Property Group company other than the price quoted for the Stapled Securities).

Listing Rules 3.3.5 to 3.3.15

This waiver permits:

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

Listing Rule 3.4.3

This waiver permits the directors of one Stride Property Group company to vote on matters in which they are “interested” due to being a director of the other Stride Property Group 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 3.5

This waiver permits the pooling of director remuneration for the Stride Property Group companies, and the approval of director remuneration by way of single resolution of SIML shareholders.

Listing Rules 6.2 and 6.3

This waiver permits the Stride Property Group companies to provide consolidated notice of meetings to shareholders. This will not affect the obligation for each Stride Property Group company to hold separate meetings (albeit that they will occur one after the other).

Listing Rule 7.3.6

This waiver permits Stride to issue shares to SIML employees under a SIML employee share plan (if any), up to a maximum of 3% of the total number of SIML shares on issue at the beginning of a 12 month period, in order to ensure that the number of Stride shares on issue is the same as the number of SIML shares on issue at all times.

Listing Rule 7.12

This waiver permits the Stride Property Group companies to announce, via NZX, issues, acquisitions, conversions or redemptions of securities on a consolidated basis. Dividends and compliance with the dividend policy would be separately announced by each of Stride and SIML. Shareholders should look to the ticker code for the Stapled Group (“SPG”) to see announcements relating to their Stapled Securities. Each of Stride and SIML will provide a separate announcement to the market in respect of its compliance with its dividend policy.

Listing Rule 9.2

This waiver:

- to the extent that the entry into the Management Agreement is required to be approved by an Ordinary Resolution of shareholders under Listing Rule 9.2.1, removes the requirement for that approval;
- permits Stride and SIML to enter into “Material Transactions” as “Related Parties”, without requiring the approval of shareholders under Listing Rule 9.2.1 where Stride and SIML are entering into the transaction to acquire or establish new property investment opportunities or real estate investment management opportunities; and
- to the extent that the sale of six properties by Stride to Investore Property Limited might otherwise have been a “Material Transaction” with a “Related Party”, removes the requirement for approval to that sale by an Ordinary Resolution of shareholders.

Listing Rule 10.1.1

A ruling that, for the purposes of the Listing Rules in respect of the Stride Property Group companies, “Material Information” means information in respect of the Stride Property Group companies that a reasonable person would consider to have a material effect on the price of the stapled securities of the Stride Property Group companies, rather than the Stride shares or SIML shares separately.

Listing Rules 10.3.2 and 10.4.2

This waiver permits the Stride Property Group companies to provide the information required in annual and half-year reports on a consolidated basis, rather than by and in respect of each Stride Property Group company individually. This waiver is subject to the additional condition that each of the SPG companies release individual financial statements to the extent required by the Financial Markets Conduct Act 2013.

Listing Rule 11.2

This waiver permits the Stride Property Group companies to provide consolidated statements of shareholdings to shareholders which shows their overall Stride Property Group holding, rather than their shareholding in each Stride Property Group company separately.

Listing Rule 11.1.5

Approval to certain constitutional provisions of the Stride Property Group companies, which provide for the restrictions on transfer of the Stapled Securities.

Directors’ Remuneration

The non-executive Directors of the Stride Property Group companies received fees as set out below.

Stride Director	Fees 2017 \$	Fees 2016 \$
Tim Storey	87,500	140,000
John Harvey	53,125	85,000
Michael Stiasny	53,125	85,000
David van Schaardenburg	53,125	85,000
Michelle Tierney	53,125	85,000
	300,000	480,000

SIML Director	
Tim Storey	52,500
John Harvey	31,875
Michael Stiasny	31,875
David van Schaardenburg	31,875
Michelle Tierney	31,875
	180,000

Implications of Investing in Stapled Securities

The practical impacts of a shareholder holding a stapled security include that:

- the shareholder is a shareholder of both Stride and SIML;
- in order to sell a Stride share or a SIML share, the corresponding SIML share or Stride share, as applicable, also needs to be sold to the same purchaser;
- market disclosures via NZX may be made in respect of the Stride Property Group companies as a whole, but each of Stride and SIML will continue to be obliged to make announcements under the NZX Main Board 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 Stride 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 NZX Main Board 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 Stride and SIML. Any disclosure of “Material Information” made by Stride Property Group, will explain whether the information is material to Stride and/or SIML;
- new stapled security issues will result in equal numbers of Stride shares and SIML shares being issued;
- shareholders are entitled to attend, or vote by proxy, at separate meetings of shareholders of each of Stride and SIML. For some transactions involving both Stride Property Group companies (for example, an issuance of stapled securities being made with shareholder approval under the NZX Main Board 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 Stride and SIML; and
- distributions will be received, to the extent declared, from each of Stride and SIML.

Donations and Sponsorships

The Stride Property Group companies and their subsidiaries made no donations in the year ending 31 March 2017, other than the sponsorships set out below.

Stride is a sponsor of the Graeme Dingle Foundation (GDF) and the Stride Property Group companies are a sponsor of the Keystone New Zealand Property Education Trust. During the year, Stride paid \$50,000 to GDF and the Stride Property Group companies paid \$10,000 to Keystone New Zealand Property Education Trust by way of sponsorship.

Indemnities and Insurance

As permitted by each Stride Property Group company’s constitution, each Stride Property Group company has entered into a deed of access, indemnity and insurance to indemnify its directors and the directors of its subsidiaries (each, a Director) for liabilities or costs they may incur for acts or omissions in their capacity as a Director to the extent permitted under the Companies Act 1993. The indemnity does not cover wilful default or fraud, criminal liability, liability for failure to act in good faith and best interests of the relevant company, or liabilities that cannot be legally indemnified. The Stride Property Group companies 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.

Financial Reporting Exemption

The financial statements for each Stride Property Group company were prepared in accordance with the Financial Markets Conduct (Stride Property Group) Exemption Notice 2017. This exemption allows Stride and SIML, subject to conditions set out in the exemption notice, to prepare financial statements in respect of the stapled group, which they comprise while they remain stapled (in place of separate financial statements for each company).

Remuneration of Employees

On 29 April 2016, SIML acquired Stride’s REIM business which included taking over the employment of all of Stride’s staff. The overall remuneration structure is designed to deliver rewards that are competitive in the labour markets in which SIML competes for staff. Full-time employees receive a base salary and selected staff take part in the short term incentive scheme. Members of the executive team also participate in the long term share incentive plan. Salaries are reviewed annually with effect from 1 April.

The number of employees or former employees of SIML who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid or accrued to those employees in relation to the financial year ended 31 March 2017, are listed below. All employees of Stride transferred to SIML on 29 April 2016. Accordingly the information presented in the table below is for the financial year to 31 March 2017 but relates to Stride for the period 1 April 2016 to 30 April 2016 and to SIML for the period 1 May 2016 to 31 March 2017. Remuneration includes salary and benefits paid, incentive payments accrued for the year ended 31 March 2017 and the value of share rights issued to members of the executive team.

Remuneration Range	Number of Employees
\$100,000 - \$109,999	2
\$110,000 - \$119,999	4
\$120,000 - \$129,999	3
\$130,000 - \$139,999	5
\$140,000 - \$149,999	2
\$150,000 - \$159,999	1
\$160,000 - \$169,999	1
\$170,000 - \$179,999	1
\$180,000 - \$189,999	2
\$190,000 - \$199,999	3
\$210,000 - \$219,999	1
\$290,000 - \$299,999	1
\$310,000 - \$319,999	1
\$420,000 - \$429,999	1
\$530,000 - \$539,999	1
\$540,000 - \$549,999	1
\$1,290,000 - \$1,299,999	1
Total number of employees	31

Key Management Personnel Costs	2017 \$000	2016 \$000
Salary and other short term benefits — current employees	1,592	2,017
Salary and other short term benefits — former employees	1,290	—
Rights issued under employee long term share incentive schemes	518	513
	3,400	2,530

Key management personnel includes the Chief Executive Officer (Peter Alexander – whose employment ceased on 31 March 2017) and the members of the executive team. Two key management personnel ceased employment during the year; the former National Manager Retail Development on December 2016 and the former Chief Executive Officer, Peter Alexander on 31 March 2017.

Chief Executive Officer

The Chief Executive Officer received a base salary of \$612,000 per annum. In addition, for the year ending 31 March 2017, the Chief Executive Officer received a bonus under the short term incentive scheme and participated in the executive team long term incentive plan. The remuneration and other benefits received for the Chief Executive Officer for the year ended 31 March 2017 are included in the above remuneration range table.

Short Term Incentive Scheme

Stride operates a short term incentive scheme under which selected employees can become eligible to receive a cash incentive on an annual basis in addition to base salary. For the year ended 31 March 2017, the total amount earned under the short term incentive scheme was \$615,756 which was paid on 18 May 2017.

Long Term Share Incentive Plan

SIML operates a long term share incentive plan for the executive team (Stride formerly ran a similar plan prior to the demerger and stapling). This plan 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.

One tranche of rights remains on issue under the Stride plan, with such rights (assuming the vesting conditions are met) vesting on 31 March 2018. One tranche of rights has been implemented under the SIML plan, with such rights (assuming the vesting conditions are met) vesting on 31 March 2019. Further details of the SIML long term share incentive plan can be found in the notes to the financial statements on pages 56 and 57.

Further share performance rights under the SIML long term share 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 Main Board Listing Rules and applicable laws.

Long Term Share Performance Rights	2017	2016
Opening balance	662,212	—
Rights granted	—	662,212
Rights exercised	(378,372)	—
Rights forfeited	(25,813)	—
Closing balance	258,027	662,212

Auditor's Fees

Note 5 to the Financial Statements on page 29 contains the amounts paid by Stride Property Group to the auditor, PricewaterhouseCoopers, as audit fees (\$175,571) and other assurance services – share registry and tenant reporting (\$26,985), other services relating to management contract assessment (\$31,500), accounting advice (\$30,400) and workshop attendance and market reports (\$3,895). In addition to these fees, Stride Property Group paid PricewaterhouseCoopers (\$550,183) for financial due diligence in connection with the demerger of Investore from Stride, and the offer of shares by Investore under the IPO, the proposal to put to the Stride shareholders to amend the Stride constitution in order to provide for stapling, and the process that resulted in Stride shares and SIML shares being and remaining stapled to each other.

Given the level of fees paid for other services and that the work did not impact the financial statements or the audit, the Boards do not believe that this work compromised auditor independence for either Stride Property Group company.

Fully Owned Subsidiary – Stride Holdings Limited (a fully-owned subsidiary of Stride Property Limited)

The Directors of Stride Holdings Limited, as at 31 March 2017, were:

Timothy Ian Mackenzie Storey (appointed 8 April 2009)
Edward John Harvey (appointed 17 October 2013)
Michael Peter Stiassny (appointed 17 October 2013)
David Gregory van Schaardenburg (appointed 17 October 2013)
Michelle Patricia Tierney (appointed 17 July 2014)

No additional fees were paid to the Directors in respect of this role. The entries in the interest register for the year ending 31 March 2017 in respect of the Company are also disclosed for Stride Holdings Limited.

Stride Investment Management Limited had no subsidiaries as at 31 March 2017.

Directors' Statement

This Annual Report is dated 30 May 2017 and is signed for and on behalf of the Boards of Directors of Stride Property Limited and Stride Investment Management Limited by:


Tim Storey
Chairman


John Harvey
Director

Corporate Directory

Boards of Directors

Tim Storey (Chairman)
John Harvey
Michael Stiassny
David van Schaardenburg
Michelle Tierney

Registered Office

Level 12, 34 Shortland Street
Auckland 1010
PO Box 6320,
Wellesley Street
Auckland 1141,
New Zealand

T +64 9 912 2690
W strideproperty.co.nz

Share Registrar

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

T +64 9 488 8777
F +64 9 488 8787
E stride@computershare.co.nz

Solicitors

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

Level 21, ANZ Centre
171 Featherston Street
PO Box 1291
Wellington 6140

Auditors

PricewaterhouseCoopers
PricewaterhouseCoopers Tower
Level 22, 188 Quay Street
Private Bag 92162
Auckland 1142

Bankers

ANZ Bank New Zealand Limited
Bank of New Zealand
Commonwealth Bank of Australia
Westpac New Zealand Limited

The background of the entire page is an abstract, high-angle photograph of a white grid floor. Several white, three-dimensional rectangular blocks of varying heights are placed on the grid, creating a sense of depth and perspective. The lighting is soft and even, highlighting the geometric shapes.

Stride Property Group

Level 12, 34 Shortland Street
Auckland 1010
PO Box 6320
Wellesley Street
Auckland 1141, New Zealand
T + 64 9 912 2690
W strideproperty.co.nz