



Stride Property Group
Interim Report
For the six months ended
30 September 2016



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Highlights

12 July 2016 Stride Property
Group listed on NZX

Demerger of Investore
Property Limited

Growth of REIM
business

\$27.5m Net profit
after income tax

\$18.7m Distributable profit
after income tax

Cash dividend guidance for FY17

8.79cps for Stride
1.17cps for SIML
9.96cps combined

Creation of Stride Property Group

In line with its vision to grow its real estate investment management (REIM) business, Stride Property Limited (Stride) advised shareholders in May 2016 of its proposal to separate its REIM business from its property ownership business and to staple the two businesses together to create a new entity, Stride Property Group (SPG). The restructure is designed to maximise SPG's ability to develop new REIM opportunities for potential property sector investors and make use of existing REIM capabilities within Stride to manage these new opportunities.

At a special meeting held on 30 June 2016, the resolution to amend Stride's constitution was approved by Stride's shareholders. On 12 July 2016, the stapled security of Stride and Stride Investment Management Limited (SIML) were listed on the NZX Main Board under the ticker code SPG.

Under the new structure, Stride retains its property portfolio and SIML acquired Stride's REIM business.

In an associated transaction, a specialist investment product was created with the demerger of Investore Property Limited (Investore), previously a subsidiary of Stride that had been incorporated in October 2015 and the distribution of the demerged Investore shares to Stride shareholders. During the period from October 2015 to June 2016, Investore acquired 19 large format retail properties from Antipodean Supermarkets Limited and Antipodean Properties Limited and six properties from Stride which formed the core of Investore's large format retail portfolio. Following the demerger of Investore from Stride on 11 July 2016, Investore was listed on the NZX Main Board and its shares commenced trading on 12 July 2016. Investore later acquired a further 14 properties with a combined value of \$267.4 million, increasing the total portfolio to \$643 million as at 30 September 2016.

As a result of the changes, Stride Property Group has a greatly enhanced capability to pursue new REIM opportunities whilst retaining Stride's PIE tax status.

Following the completion of the restructure and the listing of Investore, SIML now manages the property portfolios of Stride, Diversified NZ Property Trust (previously Diversified NZ Property Fund Ltd) and Investore with a combined value of over \$2.0 billion.

Each of Stride, SIML and SPG has been designated as "Non-Standard" (NS) issuers by NZX. The implications of investing in stapled securities of SPG are set out on page 37 of this report.

Full details of the waivers granted by NZX in respect of SPG can be found at www.nzx.com/companies/SPG.



Owned and managed properties

	Value of Investment Properties ¹	Number of Investment Properties	Investment in managed entities
STRIDE.	\$846 million	29 ²	—
investore	\$643 million	39	19.9% held by Stride
diversified	\$578 million	4 ^{2,3}	2% held by Stride
Total	\$2,067 million	71²	—

Note:

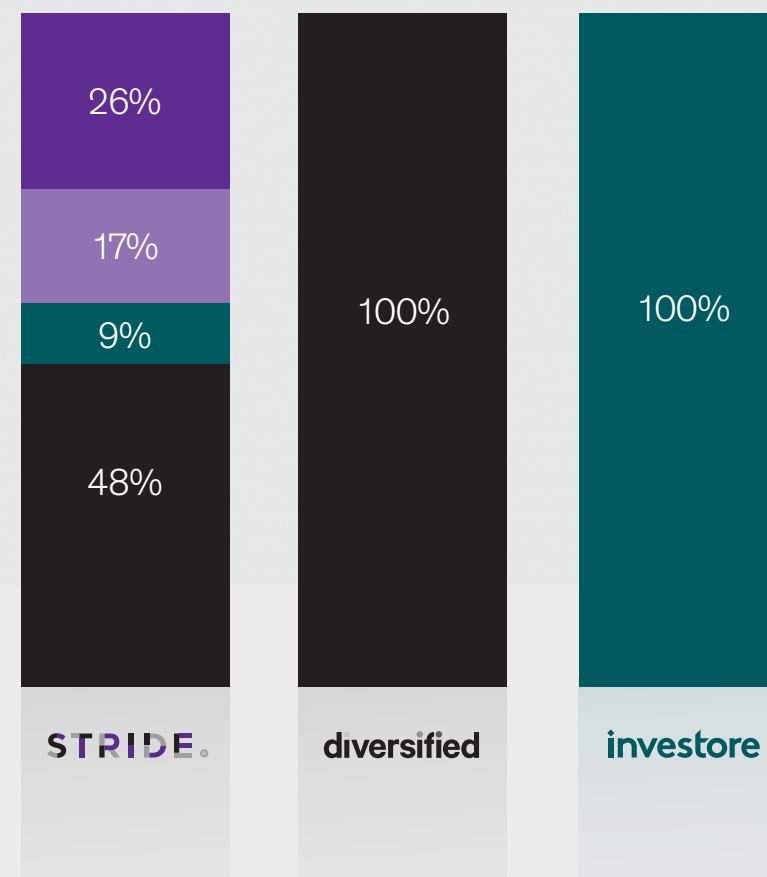
¹ Valuations as at 30 September 2016.

² Includes Johnsonville Shopping Centre which is a 50/50 joint venture between Stride and Diversified.

³ Includes Queensgate Shopping Centre and Chartwell Shopping Centre which settled on 22 August 2016.

Portfolio composition (by Contract Rental¹)

- Office
- Industrial
- Large Format Retail
- Retail



¹ Contract rental is the amount of rent payable by each tenant, plus other amounts payable to Stride by that tenant under the terms of the relevant lease as at 30 September 2016, annualised for the 12 month period on the basis of the occupancy level for the relevant property as at 30 September 2016, and assuming no default by the tenant.

Creating a new community hub — NorthWest Two

NorthWest Two, a purpose-built main street retail environment, dining offer and office complex, opened in October 2016. Together with the adjacent NorthWest Shopping Centre the Westgate Town Centre, is now visibly evolving into a community hub for the rapidly expanding North Western region of Auckland.

NorthWest Two adds a greater breadth of dining and retail experiences and comprises four separate buildings with an additional 7,700m² of office, dining and retail space alongside the NorthWest Shopping Centre.

Stride's NorthWest developments have been designed to create an attractive community space for local residents where they can dine, shop, work and enjoy spending time with friends and family. The NorthWest Shopping Centre and NorthWest Two are key components of a larger vision for the area that will attract increasing numbers of visitors from a wide catchment area across the Auckland region.

NorthWest Two provides an estimated 300 new jobs in addition to the 700 people already employed, and also provides up to 19 new dining and shopping experiences bordering the Westgate Town Square.

Restaurants include Goode Brothers, Casablanca, Cleaver & Co, Hansan, Wagamama and Nando's. West Auckland's first sushi train has also been launched at Tomi Ro.

New Zealand's largest wine company, Constellation Brands New Zealand Limited, has leased office and ground level retail space at NorthWest Two amounting to approximately a quarter of the available space.



Chairman's and Chief Executive's Report

Among a number of key highlights for the first six months of the year, the strong investor support for the successful restructure of Stride to create the Stride Property Group is the most significant. The new entity was listed on the NZX Main Board on 12 July 2016 and has moved seamlessly into its new operating framework.

The innovative approach of stapling the shares in the two companies, Stride Property Limited (Stride) and Stride Investment Management Limited (SIML), provides the Group with greater flexibility and an enhanced ability to increase revenues, particularly in its REIM activity. Since its inception, SIML has experienced steady growth in its REIM business and there is potential for that growth to continue.

Stride Property Group now has varied sources of income derived from rental, potential capital growth and management fees that, together, provide a platform for earnings growth.

This, combined with an on-going programme of strategic acquisitions across the Group will, we believe, deliver sector-leading returns for the medium to long term. This is entirely in keeping with our stated vision to build New Zealand's best performing NZX listed property investment vehicle investing in the best places, managed by the best team and, most importantly, delivering the best performance.

A further highlight was the demerger of Investore Property Limited (Investore), the specialist large format retail property investment company that also listed on the NZX Main Board on 12 July 2016. Investore's portfolio of properties are characterised by long weighted average lease terms and tenanted by quality tenants including nationally recognised retailer tenants. Investore's portfolio is managed by SIML which, collectively, manages property portfolios with a combined value of over \$2.0 billion.

In August, the purchase of the Queensgate and Chartwell Shopping Centres was completed by Diversified NZ Property Trust and those properties are managed by SIML. New brand identities for the two shopping centres were developed and launched at the time of the settlement.

A request for a new resource consent for the redevelopment of the Johnsonville Shopping Centre was filed with the Wellington City Council in September. The updated design includes space for 120 specialty retailers in the 26,000m² shopping centre including 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.

NorthWest Two opened in October 2016. This latest addition will contribute significantly to the community orientation of the Westgate Town Centre and serves as a highly complementary addition to the NorthWest Shopping Centre.

Stride Property Group will provide a comparison of the results against the prospective financial information, as contained in the Notice of Special Meeting of Shareholders and Explanatory Memorandum document dated 10 June 2016, when it releases its annual results for the year ended 31 March 2017. However, Stride Property Group confirms that it is targeting a combined cash dividend of 9.96cps being 8.79cps for Stride and 1.17cps for SIML for FY17.



Tim Storey
Chairman



Peter Alexander
Chief Executive

Consolidated Financial Statements

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Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Notes	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
Rental income	3	38,783	29,530	73,942
Property operating expenses		(3,649)	(1,557)	(4,688)
Net rental income		35,134	27,973	69,254
Management fee income		2,288	876	1,823
Less corporate expenses				
Corporate overhead expenses		(4,350)	(2,466)	(5,205)
Administration expenses		(1,652)	(1,234)	(3,168)
One-off project costs	4	(3,149)	-	-
Total corporate expenses		(9,151)	(3,700)	(8,373)
Net profit before net finance expenses, other income/(expenses) and income tax		28,271	25,149	62,704
Finance income		168	159	294
Finance expense		(10,956)	(6,368)	(18,277)
Net finance expenses	5	(10,788)	(6,209)	(17,983)
Net profit before other income/(expenses) and income tax		17,483	18,940	44,721
Other income/(expenses)				
Net change in fair value of investment properties	8,10,11	11,639	18,267	59,938
Gain on disposal of investment properties	8	127	299	313
Net change in fair value of other investments		121	(112)	256
Share of profit in associates		596	-	-
Impairment of intangible asset		-	-	(3,000)
Net profit before income tax		29,966	37,394	102,228
Income tax expense	13	(2,453)	(3,282)	(9,822)
Net profit after income tax attributable to shareholders		27,513	34,112	92,406
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Movement in cash flow hedges, net of tax		(456)	(3,304)	(7,751)
Changes in cashflow hedge reserve in associates		408	-	-
Total other comprehensive income after tax		(48)	(3,304)	(7,751)
Total comprehensive income after tax attributable to shareholders		27,465	30,808	84,655
Total Stride comprehensive income after tax attributable to shareholders		29,391	30,808	84,655
Total SIML comprehensive income after tax attributable to shareholders		(1,926)	-	-
Total comprehensive income after tax attributable to shareholders	2	27,465	30,808	84,655
Basic earnings per share (cents)	16	7.55	11.48	27.93
Diluted earnings per share (cents)	16	7.54	11.46	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 six months ended 30 September 2016

Notes	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total \$000
Audited balance 31 March 2015	505,834	38,847	(3,135)	541,546
Transactions with shareholders:				
Dividends paid	–	(34,913)	–	(34,913)
Issue of shares	130,236	–	–	130,236
Capital raising expenses	(2,621)	–	–	(2,621)
Share based payment expense	–	–	513	513
Total transactions with shareholders	127,615	(34,913)	513	93,215
Other comprehensive income:				
Movement in cash flow hedges, net of tax	–	–	(7,751)	(7,751)
Total other comprehensive income	–	–	(7,751)	(7,751)
Net profit after income tax	–	92,406	–	92,406
Total comprehensive income	–	92,406	(7,751)	84,655
Audited balance 31 March 2016	633,449	96,340	(10,373)	719,416
Transactions with shareholders:				
Demerger of shares in Investore Property Limited	(134,155)	–	–	(134,155)
Retained earnings in Investore Property Limited	–	(2,230)	–	(2,230)
Dividends paid	–	(19,936)	–	(19,936)
Share issue expenses	(2)	–	–	(2)
Transfer to retained earnings on vesting of employee long term share incentive plan	–	178	(178)	–
Share based payment expense	–	–	223	223
Total transactions with shareholders	(134,157)	(21,988)	45	(156,100)
Other comprehensive income:				
Transfer of movement in cash flow hedges, net of tax to retained earnings on demerger of Investore Property Limited	–	(2,050)	2,050	–
Movement in cash flow hedges, net of tax	–	–	(456)	(456)
Change in cashflow reserve in associates	–	–	408	408
Total other comprehensive income	–	(2,050)	2,002	(48)
Net profit after income tax	–	27,513	–	27,513
Total comprehensive income	–	25,463	2,002	27,465
Unaudited balance 30 September 2016	499,292	99,815	(8,326)	590,781
Audited balance at 31 March 2015	505,834	38,847	(3,135)	541,546
Transactions with shareholders:				
Dividends paid	–	(24,893)	–	(24,893)
Capital raising expenses	(187)	–	–	(187)
Share based payment expense	–	–	171	171
Total transactions with shareholders	(187)	(24,893)	171	(24,909)
Other comprehensive income:				
Movement in cash flow hedges, net of tax	–	–	(3,304)	(3,304)
Total other comprehensive income	–	–	(3,304)	(3,304)
Net profit after income tax	–	34,112	–	34,112
Total comprehensive income	–	34,112	(3,304)	30,808
Unaudited balance 30 September 2015	505,647	48,066	(6,268)	547,445

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

Consolidated Statement of Financial Position

As at 30 September 2016

Notes	Unaudited 30 Sep 16 \$000	Unaudited 30 Sep 15 \$000	Audited 31 Mar 16 \$000
Current assets			
Cash and cash equivalents	5,262	5,077	5,086
Trade and other receivables	569	1,638	980
Prepayments	958	455	432
Other current assets	206	979	444
Current tax	–	407	–
Non-current assets held for sale	10	–	42,535
Inventory	11	30,594	2,225
	37,589	53,316	75,684
Non-current assets			
Investment properties	8	846,190	906,750
Work in progress	9	611	5,498
Other investments	12	85,175	1,246
Property, plant and equipment		862	335
Intangible asset		–	3,000
	932,838	916,829	1,219,835
Total assets	970,427	970,145	1,295,519
Current liabilities			
Trade and other payables		16,517	33,342
Current tax		1,460	–
Derivative financial instruments	14,17	1,171	–
	19,148	33,342	15,793
Non-current liabilities			
Bank borrowings	15	337,180	365,944
Deferred tax liability	13	11,584	14,471
Derivative financial instruments	14	11,734	8,943
	360,498	389,358	560,310
Total liabilities	379,646	422,700	576,103
Net assets	590,781	547,445	719,416
Share capital	499,292	505,647	633,449
Retained earnings	99,815	48,066	96,340
Reserves	(8,326)	(6,268)	(10,373)
Equity	590,781	547,445	719,416
Stride Equity	589,940	547,445	719,416
SIML Equity	841	–	–
Total Equity	590,781	547,445	719,416
Net Tangible Assets (NTA) per share	\$1.62	\$1.83	\$1.97

For and on behalf of the Boards of Directors of Stride Property Limited and Stride Investment Management Limited, dated 17 November 2016:



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 six months ended 30 September 2016

	Notes	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Cash flows from operating activities				
Rent received		38,208	30,272	75,382
Management fee income		2,756	876	1,823
Interest received		115	154	255
Dividend received		1,205	5	5
Interest paid		(10,573)	(6,238)	(17,282)
Operating expenses		(8,721)	(5,819)	(11,006)
Goods and services tax		(440)	(550)	717
Income tax paid		(4,965)	(5,466)	(9,234)
Net cash provided by operating activities	7	17,585	13,234	40,660
Cash flows from investing activities				
Proceeds from disposal of investment properties		70,337	14,990	19,656
Proceeds from disposal of property, plant and equipment		–	4	4
Capital expenditure on investment properties		(19,059)	(70,787)	(72,788)
Acquisition of investment		(13,535)	–	(329)
Acquisition of investment properties		–	–	(304,552)
Property, plant and equipment purchased		(164)	(188)	(728)
Net cash provided by/(applied to) investing activities		37,579	(55,981)	(358,737)
Cash flows from financing activities				
Drawdown on bank borrowings		35,800	75,500	373,322
Repayment of bank borrowings		(70,850)	(14,990)	(147,292)
Proceeds from equity issued		–	–	130,236
Share issue expenses		(2)	(26)	(2,621)
Dividends paid		(19,936)	(17,091)	(34,913)
Net cash (applied to)/provided by financing activities		(54,988)	43,393	318,732
Net increase in cash and cash equivalents held		176	646	655
Opening cash and cash equivalents		5,086	4,431	4,431
Closing cash and cash equivalents		5,262	5,077	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

For the six months ended 30 September 2016

Note 1: Accounting Policies

Reporting entity

The unaudited consolidated interim financial statements 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 interim financial statements.

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 Property Limited 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.

Stride and SIML are 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. Stride Property Group is designated as a profit entity for financial reporting purposes.

The consolidated interim financial statements were approved for issue by the Board of Directors of Stride ("Stride Board") and the Board of Directors of SIML ("SIML Board") on 17 November 2016

Basis of preparation

The consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), New Zealand International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*. The consolidated interim 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.

The consolidated interim 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 specific accounting policies below and the accompanying notes.

Significant accounting policies, estimates and judgements

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

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

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). The 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. Stride has a diverse client base, and it seeks to have no one tenant representing greater than 10% of the portfolio contract rental. SIML's revenue streams are earned from the management of the real estate investment of Investore Property Limited, Diversified Property Fund Limited (DNZPF) and Diversified NZ Property Trust (post re-structuring of DNZPF). For the revenue earned from these entities, refer to note 16 on related party disclosures.

The following is an analysis of Stride Property Group's results for the six months ended 30 September 2016 by reportable segments:

Segment profit	Stride \$000	Stride eliminations \$000	SIML \$000	SIML eliminations \$000	Unaudited Total 6 Months 30 Sep 16 \$000
Net rental income	35,134	-	-	-	35,134
Management fee income	194	-	4,861	(2,767)	2,288
Less corporate expenses					
Corporate overhead expenses	(2,812)	2,251	(3,789)	-	(4,350)
Administration expenses	(1,426)	60	(286)	-	(1,652)
One-off project costs	(3,149)	-	-	-	(3,149)
Total corporate expenses	(7,387)	2,311	(4,075)	-	(9,151)
Net profit before net finance expenses, other income and income tax	27,941	2,311	786	(2,767)	28,271
Finance Income	165	-	3	-	168
Finance expense	(10,956)	-	-	-	(10,956)
Net finance expenses	(10,791)	-	3	-	(10,788)
Net profit before other income and income tax Other income	17,150	2,311	789	(2,767)	17,483
Net change in fair value of investment properties	11,183	456	-	-	11,639
Gain on disposal of investment properties	127	-	-	-	127
Net change in fair value of other investments	121	-	-	-	121
Share of profit in associates	596	-	-	-	596
Net profit before income tax	29,177	2,767	789	(2,767)	29,966
Income tax expense	(2,505)	-	52	-	(2,453)
Net profit after income tax attributable to shareholders	26,672	2,767	841	(2,767)	27,513
Total other comprehensive income after tax	(48)	-	-	-	(48)
Total comprehensive income after tax attributable to shareholders	26,624	2,767	841	(2,767)	27,465

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 2: Operating Segments (continued)

Segment profit (continued)	Stride \$000	Stride eliminations \$000	SIML \$000	SIML eliminations \$000	Total 6 Months 30 Sep 16 \$000
Total Stride comprehensive income after tax attributable to shareholders	26,624	2,767	-	-	29,391
Total SIML comprehensive income after tax attributable to shareholders	-	-	841	(2,767)	(1,926)
Total comprehensive income after tax attributable to shareholders	26,624	2,767	841	(2,767)	27,465

The management fees paid from Stride to SIML eliminate and hence do not appear in the Consolidated Statement of Comprehensive Income for the Stride Property Group.

Segment assets and liabilities as at 30 September 2016	Stride \$000	Stride eliminations \$000	SIML \$000	SIML eliminations \$000	Total 6 Months 30 Sep 16 \$000
Total assets	969,255	-	1,378	(206)	970,427
Total liabilities	379,316	(206)	536	-	379,646

Note 3: Rental Income

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Rental income	38,832	29,807	74,666
Capitalised lease incentives	714	662	1,103
Lease incentive amortisation	(459)	(530)	(1,155)
Fixed rental income	(304)	(409)	(672)
	38,783	29,530	73,942

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 4: One-off project costs

	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
One-off project costs	3,149	-	-

The one-off project costs relate to advisor fees 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 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 costs is an amount of \$616,842 paid to PricewaterhouseCoopers for other services.

Note 5: Net Finance Expenses

	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
Finance income			
Interest income:			
– Bank interest income	141	111	222
– Other income	27	48	72
	168	159	294
Finance expense			
Interest expense:			
– Bank borrowings interest	11,299	9,232	21,195
– Capitalised interest	(343)	(2,864)	(3,055)
– Other finance expense	-	-	137
	10,956	6,368	18,277
Net finance expenses	10,788	6,209	17,983

As at 30 September 2016, \$343,441 (30 Sep 2015: \$2,864,300, 31 Mar 2016: \$3,055,072) borrowing costs have been capitalised using an average capitalisation rate of 3.8% including line fee and margin (30 Sep 2015: 4.9%, 31 Mar 2016: 4.2%).

Note 6: 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.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 6: Distributable Profit (continued)

	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
Net profit before income tax	29,966	37,394	102,228
Non-recurring and non-cash adjustments:			
– Net change in fair value of investment properties	(11,639)	(18,267)	(59,938)
– Gain on disposal of investment properties	(127)	(299)	(313)
– Net change in fair value of other investments	(121)	112	(256)
– Share of profit in associates	(596)	-	-
– One-off project costs	3,149	-	-
– Impairment of intangible asset	-	-	3,000
– Net rent free incentives	(255)	(132)	52
– Net lease contribution incentives	173	51	244
– Fixed rental income	304	409	672
– Other adjustments	1,415	230	642
Distributable profit before income tax	22,269	19,498	46,331
Current tax expense	(5,725)	(3,128)	(8,174)
Adjusted for:			
– Tax expense on capitalised interest	(96)	(802)	(855)
– Tax expense on depreciation recovered on disposal of investment properties	2,830	(148)	(175)
– Current tax expense on pre-demerger Investore Property Limited profit	(619)	-	-
Distributable profit after income tax	18,659	15,420	37,127
Adjustments to funds from operations:			
– Maintenance capital expenditure	(2,701)	(387)	(2,653)
Adjusted Funds From Operations (AFFO)	15,958	15,033	34,474
Weighted average number of shares for purpose of basic distributable profit per share (000)	364,424	297,228	330,794
Basic distributable profit after income tax per share - weighted (cents)	5.12	5.19	11.22
AFFO basic distributable profit after income tax per share - weighted (cents)	4.38	5.06	10.44
Weighted average number of shares for purpose of diluted distributable profit per share (000)	364,989	297,559	331,290
Diluted distributable profit after income tax per share - weighted (cents)	5.11	5.18	11.21
AFFO diluted distributable profit after income tax per share - weighted (cents)	4.37	5.05	10.41

Weighted average number of shares for the purpose of diluted distributable profit per share has been adjusted for 564,914 (30 Sep 2015: 662, 212, 31 Mar 2016: 662, 612) remaining rights issued in July 2015 under the long term share incentive scheme four.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 7: Statement of Cash Flows Reconciliation

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Reconciliation of net profit after income tax attributable to shareholders to net cash from operating activities			
Net profit after income tax	27,513	34,112	92,406
Add/(less) non-cash items:			
Movement in deferred tax (refer note 13)	3,272	154	1,648
Net change in fair value of investment properties	(11,639)	(18,267)	(59,938)
Gain on disposal of investment properties	(127)	(299)	(313)
Net change in fair value of other investments	(121)	112	(256)
Share of profits of associates	(596)	–	–
Impairment of intangible asset	–	–	3,000
Loss on disposal of property, plant and equipment	–	16	16
Movement in impairment provision	42	(28)	17
Capitalised lease incentives	(714)	(715)	(1,223)
Lease incentive amortisation	632	633	1,519
Fixed rental income	304	409	672
Refinancing cost amortisation	30	95	(62)
Share based payment expense	223	171	513
Depreciation expense	107	60	129
Dividend received	1,205	–	–
Tax expense on pre-demerger Investore Property Limited profit	(730)	–	–
Development fees	455	–	–
	19,856	16,453	38,128
Less/(add) activity classified as investing activity:			
Capitalised expenditure on investment properties	(5,781)	(9,622)	4,492
	14,075	6,831	42,620
Add activity classified as financing activity:			
Refinancing cost	600	–	292
	14,675	6,831	42,912
Movement in working capital:			
Decrease/(increase) in trade and other receivables	369	(956)	(343)
Increase in prepayments and other current assets	(288)	(819)	(261)
Increase/(decrease) in trade and other payables	2,069	10,516	(417)
Increase/(decrease) in tax payable	760	(2,338)	(1,231)
Net cash provided by operating activities	17,585	13,234	40,660

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 8: Investment Properties

	Office \$000	Industrial \$000	Retail \$000	Large Format Retail \$000	Land/ Development \$000	Total \$000
Audited balance 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	(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)	–
Audited balance 31 March 2016	209,450	169,325	369,335	466,550	2,100	1,216,760
Subsequent capital expenditure	2,078	524	896	–	300	3,798
Net capitalised incentives	65	(155)	6	–	–	(84)
Fixed rental income	(145)	(37)	(15)	(107)	–	(304)
Disposals	–	–	–	(11,300)	–	(11,300)
Demerger of properties to Investore Property Limited	–	–	–	(373,950)	–	(373,950)
Net change in fair value	3,202	2,748	5,113	107	100	11,270
Unaudited balance 30 September 2016	214,650	172,405	375,335	81,300	2,500	846,190
Audited balance 31 March 2015	223,150	155,035	202,000	161,400	118,520	860,105
Acquisitions	17,047	–	–	–	–	17,047
Subsequent capital expenditure	263	1,306	730	–	54,321	56,620
Net capitalised incentives	(80)	147	26	–	(3)	90
Fixed rental income	(240)	(107)	50	(112)	–	(409)
Transfer to non-current assets held for sale	(28,300)	(7,200)	–	6,700	(1,470)	(30,270)
Disposals	(14,700)	–	–	–	–	(14,700)
Net change in fair value	6,610	4,319	794	662	5,882	18,267
Reclassification	–	–	173,000	–	(173,000)	–
Unaudited balance 30 September 2016	203,750	153,500	376,600	168,650	4,250	906,750

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 8: Investment Properties (continued)

In the current period, 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.

Stride transferred six large format retail properties to Investore prior to the demerger for 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 large format retail 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 period, a revaluation movement of \$87,115 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 commitments contracted for

As at 30 September 2016, Stride had the following major commitments:

- \$2,502,000 (30 Sep 2015: \$1,486,000, 31 Mar 2016: \$6,401,000) in total for various capital expenditure works to be undertaken on a number of investment properties this financial year

Subsequent to balance date, Stride has committed to a further \$204,000 in total for various capital expenditure works to be undertaken on a number of investment properties in this financial year.

Valuation basis

The Stride Board has reviewed the fair value of the investment properties as at 30 September 2016 on an asset by asset basis after considering recent comparable transactional evidence of market sales and leasing activity and is satisfied that there has been no significant change to the overall carrying value, other than the following nine investment properties which were subject to independent valuations due to significant capital expenditure works undertaken, contractual rental variance or which were considered to have asset specific issues to which the market was responding differently in the current period:

	Valuer	Unaudited 30 Sep 16 \$'000	Audited 31 Mar 16 \$'000
– 33 Corinthian Drive, Auckland	CBRE	44,400	40,800
– 7 - 9 Fanshawe Street, Auckland	Bayleys	11,900	12,200
– Corner Mt Wellington Highway & Penrose Road, Auckland	Savills	38,700	37,200
– 20 Rockridge Avenue, Auckland	JLL	14,250	12,300
– 15 Rockridge Avenue, Auckland	JLL	2,500	2,100
– 460 Rosebank Road, Auckland	JLL	13,130	12,000
– 61 Silverdale Street, Auckland	Colliers	88,000	85,500
– 35 Teed Street, Auckland	Bayleys	19,100	17,200
– 65 Chapel Street, Tauranga	Colliers	40,700	38,700

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 8: Investment Properties (continued)

These valuations were 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. The investment properties were valued by CIVAS Limited ("Colliers"), Jones Lang LaSalle Limited ("JLL"), Bayleys Valuations Limited ("Bayleys"), CBRE Limited ("CBRE") and Savills (NZ) Limited ("Savills"). These valuations are dated effective 30 September 2016. Valuers are engaged on terms ensuring no valuer values the same investment property for more than three consecutive years.

With regard to these investment properties, the valuers took into account:

- occupancy (leased area as a proportion of the total net lettable area) on individual investment properties (average is 92.14% at balance date);
- average lease term (weighted average lease term ("WALT") at balance date is 5.50 years); and
- discount rates (ranged from 7.63% to 11.00%).

Capitalisation rates ranged from 6.25% to 9.50% for the investment properties valued.

Investment property measurements are categorised as Level 3 in the fair value hierarchy as inputs for the valuations are not based on observable market data. During the period, there were no transfers of investment properties between levels of the fair value hierarchy.

Note 9: Work in Progress

	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
Johnsonville Shopping Centre, Wellington	611	234	326
Large format retail properties	–	5,264	–
	611	5,498	326

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

Stride paid a \$5 million deposit and incurred \$264,000 additional costs in relation to the acquisition of 19 large format retail properties from Antipodean Supermarkets Limited and Antipodean Properties Limited.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 10: Non-current Assets Held For Sale

As at 30 September 2016, Stride has not classified any investment properties as non-current assets held for sale.

30 September 2015

- Lots 82, 83 & 85 Tauriko Industrial Estate, Tauranga
- 39 Corinthian Drive, Auckland
- 650 Great South Road, Auckland
- 20-22 Pollen Street, Auckland

The fair value of these investment properties as at 30 September 2015 was \$42,535,000.

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 \$194,235 net of disposal costs, reflected in the Consolidated Statement of Comprehensive Income.

Note 11: Inventory

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.

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
NorthWest Two, Auckland	30,594	2,225	10,688

NorthWest Two, 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.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 11: Inventory (continued)

The Northwest Two development was being 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 period, a revaluation movement of \$368,379 arising from the elimination of the development fees charged by SIML to Stride has been reflected in the Consolidated Statement of Comprehensive Income. NorthWest Two development opened in October 2016.

Capital expenditure commitments contracted for

As at 30 September 2016, Stride had the following major commitment:

- \$6,440,000 (30 Sep 2015: \$34,809,000, 31 Mar 2016: \$26,346,000) for the completion of the development at NorthWest Two, Auckland.

Note 12: Other Investments

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 will retain 'significant influence' over Investore. As such, Stride's investment in Investore has been treated as an investment in an associate and accounted for using the equity method of accounting (in accordance with financial reporting accounting standards).

In accordance with the equity method, Stride has initially recognised its investment in Investore at cost of \$78 million, with the carrying amount being decreased to recognise Stride's 19.9% share of Investore's loss after the date of acquisition, and its share of post-acquisition movements in other comprehensive income.

As at 31 March 2016, Stride held approximately 2% of the convertible notes of Diversified NZ Property Fund Limited ("DNZPF"). DNZPF had 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 along with SIML's Chief Executive, the Stride Board has concluded that Stride will retain 'significant influence' over Diversified Trust. As such, Stride's investment in Diversified Trust has been treated as an investment in an associate and accounted for using the equity method of accounting (in accordance with financial reporting accounting standards).

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 13: Income Tax

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
The income tax expense is represented by			
Current tax	(5,725)	(3,128)	(8,174)
Deferred tax	3,272	(154)	(1,648)
Income tax expense per the statement of comprehensive income	(2,453)	(3,282)	(9,822)
Net profit before income tax	29,966	37,394	102,228
Prima facie income tax using the company tax rate of 28%	(8,391)	(10,470)	(28,624)
Decrease/(increase) in income tax due to:			
Net change in fair value of investment properties	3,131	5,115	16,783
Non-taxable income	1,184	92	160
Assessable income	(8)	-	-
Depreciation	1,408	1,077	3,281
Depreciation recovered on disposal of investment properties	(2,828)	148	176
Non-deductible expenses	(1,076)	(256)	(1,193)
Expenditure deductible for tax	286	1,186	1,659
Temporary differences	65	(12)	(428)
Over provision/(under provision) in prior year	504	(8)	12
Current tax expense	(5,725)	(3,128)	(8,174)
Depreciation	3,277	(166)	(1,823)
Other	(5)	12	175
Deferred tax charged to profit or loss	3,272	(154)	(1,648)
Income tax expense per the statement of comprehensive income	(2,453)	(3,282)	(9,822)
Gross movement in net deferred tax liability	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Opening balance	(14,236)	(15,602)	(15,602)
Charged to profit or loss	3,272	(154)	(1,648)
Credited to other comprehensive income	(620)	1,285	3,014
Closing balance	(11,584)	(14,471)	(14,236)

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 13: Income Tax (continued)

	Audited 12 Months 31 Mar 16 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000
Deferred tax assets					
Derivative financial instruments	4,233	-	(620)	3,613	2,504
Other temporary differences	373	(29)	-	344	134
	4,606	(29)	(620)	3,957	2,638
Deferred tax liabilities					
Building depreciation	(18,708)	3,277	-	(15,431)	(17,051)
Reinstatement receipts	(117)	7	-	(110)	(53)
Other investments accrued interest	(17)	17	-	-	(5)
	(18,842)	3,301	-	(15,541)	(17,109)

Note 14: Derivative Financial Instruments

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Outstanding interest rate derivative contract			
Active interest rate derivative contracts	235,000	235,000	345,000
Forward dated interest rate derivative contracts	80,000	80,000	80,000
Total notional principal amounts	315,000	315,000	425,000

At balance date, the fixed interest rates ranged from 3.25% to 5.14% (30 Sep 2015: 3.25% to 5.14%, 31 Mar 2016: 3.07% to 5.14%), and the main floating rate was BKBK. Gains and losses recognised in the cash flow hedge reserve in equity on interest rate derivative contracts as at 30 September 2016 will be continuously released to the statement of comprehensive income within finance expenses until the repayment of the bank borrowings.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 15: Bank Borrowings

	Unaudited 6 Months 30 Sep 16 \$'000	Unaudited 6 Months 30 Sep 15 \$'000	Audited 12 Months 31 Mar 16 \$'000
Non-current			
Facility drawn down	337,748	366,386	532,198
Borrowing costs	(568)	(442)	(598)
Total borrowings	337,180	365,944	531,600
Facility drawn down	337,748	366,386	532,198
Undrawn facility available	62,252	33,614	27,802
Total facility available	400,000	400,000	560,000

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

5.06% 5.15% 4.72%

During the period, Stride refinanced its bank facility. On 12 July 2016, Stride repaid its existing \$560 million facility and replaced it with a new bank facility for \$400 million in total. 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 3.09% as at balance date (30 Sep 2015: 3.78%, 31 Mar 2016: 3.22%).

SIML has a \$2 million overdraft facility with ANZ Bank New Zealand Limited, which has not been required during the current period.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 16: Equity

Share Capital	\$'000
Audited opening balance 31 March 2015	505,834
Capital raising expenses	(187)
Unaudited balance 30 September 2015	505,647
Issue of shares	130,236
Capital raising expenses	(2,434)
Audited balance 31 March 2016	633,449
Demerger of shares in Investore Property Limited	(134,155)
Share issue expenses	(2)
Unaudited closing balance 30 September 2016	499,292
Number of shares on issue	000
Audited opening balance 31 March 2015	297,228
Prior period transactions	—
Unaudited balance 30 September 2015	297,228
Shares issued under placement	59,400
Shares issued under Share Purchase Plan	7,732
Audited balance 31 March 2016	364,360
Shares issued under the long term share incentive plan	97
Unaudited closing balance 30 September 2016	364,457

Stride and SIML shares are stapled and jointly listed on 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 each 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.

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.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 16: Equity (continued)

Basic and diluted earnings per share

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

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Net profit after income tax attributable to shareholders	27,513	34,112	92,406
Weighted average number of shares for purpose of basic earnings per share (000) (refer note 6)	364,424	297,228	330,794
Basic earnings per share - weighted (cents)	7.55	11.48	27.93
Weighted average number of shares for purpose of diluted earnings per share (000) (refer note 6)	364,989	297,559	331,290
Diluted earnings per share - weighted (cents)	7.54	11.46	27.89
	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Reserves			
Reserves consist of			
Cash flow hedge reserve	(9,292)	(6,439)	(10,886)
Options reserve	558	171	513
Associate reserve	408	-	-
Closing balance	(8,326)	(6,268)	(10,373)
Cash flow hedge reserve			
Opening balance	(10,886)	(3,135)	(3,135)
Movement in fair value of interest rate derivatives	2,214	(4,589)	(10,765)
Tax on fair value movement	(620)	1,285	3,014
Closing balance	(9,292)	(6,439)	(10,886)
Options reserve			
Opening balance	513	-	-
Share based payment expense	223	171	513
Transfer to retained earnings on vesting of employee long term share incentive plan	(178)	-	-
Closing balance	558	171	513
Associate reserve - cash flow hedge			
Opening balance	-	-	-
Changes in reserves of associate	408	-	-
Closing balance	408	-	-

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 17: Related Party Disclosures

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
The following transactions with a related party took place			
Diversified NZ Property Fund Limited (DNZPF)			
Manager's fee income	264	360	720
Building management fee income	48	69	189
Accounting fee income	12	15	30
Leasing fee income	32	176	213
Project management fee income	10	5	11
Rent paid	(1)	(3)	(6)
Diversified NZ Property Fund (Diversified Trust)			
Manager's fee income	369	-	-
Building management fee income	303	-	-
Project management fee income	11	-	-
Rent paid	(2)	-	-
Investore Property Limited			
Manager's fee income	618	-	-
Building management fee income	77	-	-
Accounting fee income	55	-	-
Project management fee income	39	-	-
The following balance was receivable from a related party			
Investore Property Limited	219	-	-
Diversified NZ Property Fund Limited	5	240	280

On 29 April 2016, SIML acquired Stride's REIM business which included taking over the employment of all of Stride's staff to create a company focused solely on REIM services. SIML received management fees for managing DNZPF and receives 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.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 17: Related Party Disclosure (continued)

Stride managed DNZPF and received management fee income for managing its assets. The balance receivable was unsecured, non-interest bearing and payable on demand. Stride was related to DNZPF by a degree of common directorship. Tim Storey and Peter Alexander are 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 the process of being wound up. SIML manages Diversified Trust and receives management fee income for managing its assets. Stride owns 2% of the units in Diversified Trust.

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 fee expenses 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.

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 and John Harvey received an in specie shareholder distribution of 31,638 shares each in Investore 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 are held by Stride; and
- (iii) the remaining intercompany balance of \$11 million was repaid in cash.

Note 18: Interest in Unincorporated Joint Arrangement

Stride has an unincorporated joint arrangement with Diversified Trust (formerly with DNZPF) relating to the investment property at Johnsonville Shopping Centre, Wellington. As a result, Stride accounts for its 50% share of assets, liabilities, revenue and expenses. SIML is the manager of the joint arrangement.

Notes to the consolidated financial statements (continued)

For the six months ended 30 September 2016

Note 18: Interest in Unincorporated Joint Arrangement (continued)

	Unaudited 6 Months 30 Sep 16 \$000	Unaudited 6 Months 30 Sep 15 \$000	Audited 12 Months 31 Mar 16 \$000
Assets			
Current assets	85	365	13
Non-current assets	724	–	327
	809	365	340
Liabilities			
Current liabilities	215	215	235
	215	215	235
Net assets	594	150	105
Share of rental income	1,385	1,444	2,873
Share of expenses	(171)	(178)	(523)
Net share of profit	1,214	1,266	2,350

There are no commitments or contingent liabilities relating to Stride's interest in the joint arrangement. The joint arrangement has a balance date of 31 March.

Note 19: Contingent Liabilities

Stride Property Group has no contingent liabilities at balance date.

Note 20: Subsequent Events

Subsequent to balance date, Stride has committed to a further \$204,000 in total for capital expenditure works to be undertaken on investment properties in this financial year.

In October 2016, Stride opened NorthWest Two.

Following the earthquake on 14 November 2016, Stride's four properties in Wellington have been inspected by engineers and have been re-occupied by tenants. Stride holds a 2% interest in Diversified Trust, the owner of Queensgate Shopping Centre. The Centre is still being inspected by engineers and, as the necessary inspections are completed and the integrity of the buildings confirmed, the Centre will progressively re-open for business.

On 17 November 2016, the Stride Board approved a cash dividend for Stride of 2.02 cents per share for the quarter ended 30 September 2016 to be paid on 16 December 2016 to all shareholders on the register at the close of business on 2 December 2016. This dividend will carry imputation credits of 0.6014 cents per share. This dividend has not been recognised in the financial statements.

On 17 November 2016, the SIML Board approved a cash dividend for SIML of 0.39 cents per share for the period 12 July 2016 to 30 September 2016 to be paid on 16 December 2016 to all shareholders on the register at the close of business on 2 December 2016. This dividend will carry imputation credits of 0.1517 cents per share. This dividend has not been recognised in the financial statements.

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

Independent Review Report

To the shareholders of Stride Property Group



Report on the interim Financial Statements

We have reviewed the accompanying financial statements of Stride Property Group, which consists of Stride Property Limited and Stride Investment Management Limited (together, the "Stapled Group"), on pages 13 to 35, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Statements

The Directors of Stride Property Group are responsible on behalf of the Stapled Group for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Stapled Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

We are independent of the Stride Property Group. Our firm carries out other services for the Stride Property Group in the areas of assurance, accounting advice and financial due diligence. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Stride Property Group are not prepared, in all material respects, in accordance with NZ IAS 34.

Restriction on Distribution or Use

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

For and on behalf of:

Chartered Accountants Auckland
17 November 2016

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 SPG, 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 SPG, 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 SPG (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.

Corporate Directory

**Board of Directors for both
Stride Property Limited and
Stride Investment Management Limited**

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

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

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