STRIDE

Property Limited

Notice of Special Meeting of Shareholders and Explanatory Memorandum

10 June 2016

This Explanatory Memorandum is a limited disclosure document for the purposes of the Financial Markets Conduct Act 2013. It is not a product disclosure statement or prospectus and the transactions contemplated by it do not involve any "regulated offers" for the purposes of the Financial Markets Conduct Act 2013.

Stride Property Limited is subject to a continuous disclosure obligation under the Listing Rules. Market releases by Stride, including its most recent financial statements, are available at www.nzx.com under the ticker code STR.

A. Important Information

1. Purpose of Explanatory Memorandum

This Explanatory Memorandum is dated 10 June 2016 and explains the terms of the Variation Proposal and the manner in which the Variation Proposal will be considered and implemented (if approved by Shareholders and by the Stride Board), and otherwise contains information material to the decision of Shareholders whether to approve the Variation Proposal.

The Meeting Documents generally do not include information that has already been made available to Shareholders, such as through annual reports and announcements released through the NZX. Copies of the audited consolidated financial statements for Stride and its subsidiaries for the six Financial Years from the listing of Stride on the NZX Main Board are available on Stride's website, www.strideproperty.co.nz.

2. Shareholder Meeting

A Special Meeting of Shareholders is being convened, at Federal Room 2, Rydges, 59 Federal Street, Auckland on 30 June 2016 commencing at 9.00am to consider, and if thought fit, pass a Special Resolution approving the Variation Proposal.

For that purpose, this Explanatory Memorandum is being sent to all Shareholders explaining the Variation Proposal, the Restructuring and the Associated Transactions.

The enclosed proxy form enables Shareholders to vote on the Variation Proposal by appointing a proxy to vote at the Special Meeting.

In view of the importance of the Variation Proposal and the Associated Transactions, Shareholders are urged to complete and return the proxy form as soon as possible if they do not plan to attend the Special Meeting.

3. Forward-Looking Statements

The Meeting Documents contain forward-looking statements including, without limitation, forward-looking statements regarding the implementation of the Variation Proposal, the Restructuring and the Associated Transactions, the financial position, business strategy and plans and objectives of management for future operations of Stride, SIML and the Stapled Group, based on Stride's and SIML's current expectations about future events.

Forward-looking statements contained in the Meeting Documents are subject to known and unknown uncertainties, assumptions and risks (including those risks set out in Section 8 *Risks*) that could cause the Variation Proposal, the Restructuring and the Associated Transactions not to be implemented or the actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding satisfaction of conditions for and completion of the Variation Proposal, the Restructuring and the Associated Transactions and the Stapled Group's present and future business strategies and the environment in which the Stapled Group will operate in the future. Matters not yet known to Stride or SIML or not currently considered material by Stride or SIML may impact upon these forward-looking statements.

The statements in the Meeting Documents reflect views held as at the date of this Explanatory Memorandum. In light of these uncertainties, assumptions and risks, the forward-looking statements discussed in the Meeting Documents may not occur. Given these conditions, Shareholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under applicable law or any relevant Listing Rules, Stride and SIML expressly disclaim any obligation to disseminate after the date of this Explanatory Memorandum any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances upon which any such statements are based.

4. No Investment Advice

The information outlined in the Meeting Documents does not constitute financial product or investment advice. The Meeting Documents have been prepared without reference to the particular investment objectives, financial situation, taxation position and particular needs of individual Shareholders. It is important that Shareholders read the Meeting Documents in their entirety before making any decision on how to vote in respect of the Special Resolution to approve the Variation Proposal.

It is important that Shareholders consider the risk factors outlined in Section 8 *Risks* and the other information contained in the Meeting Documents in light of their particular circumstances. Shareholders in any doubt in relation to these matters should consult their investment, financial, taxation or other professional adviser.

5. NZX Matters

A copy of the Meeting Documents has been provided to NZX. Neither NZX nor any of its officers takes any responsibility for the contents of the Meeting Documents.

6. Information for Shareholders outside New Zealand

Shareholders outside New Zealand should review the information provided at Schedule 3 of this Explanatory Memorandum.

7. Photographs and Diagrams

The assets depicted in photographs and diagrams in this Explanatory Memorandum may not be assets of Stride or SIML or products or services sold by Stride or SIML, unless otherwise stated. Diagrams appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale.

8. Valuations

This Explanatory Memorandum contains information regarding the independent valuations of the properties owned by Stride, Investore and Diversified by qualified independent valuers. Valuations are an opinion of a fair price payable by a willing buyer, not a guarantee of current or future market value. Valuations require a valuer to make subjective judgements that, even if logical and entirely appropriate, may differ from those made by another valuer or a prospective purchaser.

Property values can change substantially, even over short periods of time, and an independent valuer's opinion of value could differ if the date of valuation was to change. A high degree of volatility in the market may lead to fluctuations in values over a short period of time.

9. General Information

Unless otherwise indicated, capitalised terms have the meaning set out in the Glossary.

All references to time in this Explanatory Memorandum are to New Zealand Standard Time (unless the context requires otherwise).

Any reference to $ and cents is to New Zealand currency, unless otherwise stated.

Due to rounding, some totals may not correspond with the sum of the separate figures.

10. NZX Listing

Stride has entered into a listing agreement with NZX. Subject to the Variation Proposal being approved by the Shareholders and the Stride Board, NZX approving SIML's application to have its shares quoted and quotation of SIML's shares (as part of the Stapled Securities), SIML will enter into a listing agreement with NZX. Application has been made to NZX for quotation of the Stapled Securities on the NZX Main Board and all the requirements of NZX that can be complied with on or before the date of this Explanatory Memorandum have been duly complied with. However, NZX accepts no responsibility for any statement in this Explanatory Memorandum.

If the Variation Proposal is approved by Shareholders and the Restructuring occurs, each of Stride, SIML and the Stapled Group will be designated as "Non-Standard" (NS) upon SIML's listing and the Stapled Securities' quotation on the NZX Main Board. For more information on the implications of investing in the Stapled Securities, see Section 3 *Details of the Variation Proposal and Associated Transactions.*

Full details of waivers provided by NZX in respect of the Stapled Group can be found at www.nzx.com/companies/STR.

11. Listing Profile

If the Variation Proposal is approved by Shareholders and the Restructuring occurs, this Explanatory Memorandum will be filed with NZX with an additional information document disclosing the outcome of the Variation Proposal, any material changes to the information contained in this Explanatory Memorandum and containing a certificate from the directors of SIML that all material information is included in the Explanatory Memorandum (read in conjunction with the additional information document). Together these will form the "Profile" required under the Listing Rules for the purposes of the listing of SIML.

12. Enquiries

For all enquiries relating to the Variation Proposal, the Restructuring, and the Associated Transactions, please contact Stride on 0800 151 251 (New Zealand only), +64 9 488 8708 or by email at admin@strideproperty.co.nz or your financial adviser. If you have any questions about how to complete the proxy form, please contact the Share Registrar as set out in the Directory.

B. Letter from the Chair

Dear Stride Shareholder

On behalf of the Stride Board, I am delighted to present you with this Explanatory Memorandum and invite you to support the Restructuring of Stride into a stapled group comprising its real estate investment management business and its property owning portfolio investment entity.

This Explanatory Memorandum contains details of the Variation Proposal to amend Stride's constitution (a necessary part of the Restructuring and the matter on which Shareholders are being asked to vote), describes the Restructuring and sets out what you need to do should you decide to support the Variation Proposal. This Explanatory Memorandum also contains important information about the Associated Transactions that Stride is also proposing to undertake.

Introduction

In 2015 Stride outlined a strategy to develop its real estate investment management business, to meet demand from local and overseas investors seeking to invest in New Zealand commercial real estate. Stride is successfully delivering this plan, with management fee income forecast to increase following the proposed demerger of Investore Property Limited (**Investore**) from Stride that is described below. The substantial acquisition that has been committed to by Diversified, the wholesale fund that Stride manages, will add to the projected management fee income for Stride. Stride is clearly demonstrating that it can successfully leverage its core capabilities to build a sizeable real estate investment management business that complements its core property investment portfolio. To support further development of this business the Stride Board has identified the need to change the structure of Stride to ensure it is fit for purpose for our strategy to be both a real estate owner and real estate investment manager.

The Restructuring

The Stride Board is proposing the Restructuring because Stride's real estate investment management business has grown to the point where Stride would lose its PIE tax status if it undertakes the new management opportunities described in this Explanatory Memorandum or pursues other similar management opportunities. The Restructuring allows Stride, and its Shareholders, to retain the benefits of the property ownership business remaining a listed PIE. Your Stride Board **unanimously supports and recommends** that Shareholders approve the Variation Proposal.

In reaching this conclusion on the Variation Proposal, the Stride Board considered a number of alternatives in relation to Stride's structure, aimed at maximising long term Shareholder value. The Directors consider that the Restructuring will deliver a number of benefits for Stride, including:

- providing an investment and management structure which is "fit for future purpose", permitting Stride to retain its PIE tax status while allowing its real estate investment management business to grow; and
- providing Shareholders with returns from both the property ownership activities (taxed as a PIE dividend on distribution) and real estate investment management activities (taxed as an ordinary dividend).

Under the Restructuring, Shareholders will continue to own all of Stride's business as it is conducted today. Shareholders will retain their existing Stride Shares and receive the same number of shares in Stride Investment Management Limited (**SIML**), the new real estate investment management business that is currently a Stride subsidiary. The SIML Shares will be stapled to the Stride Shares and these will trade together on the NZX Main Board (to form the **Stapled Group**). Shareholders will retain the same proportionate interest in the Stapled Group as they currently have in Stride. The Stapled Group will remain "Stride" branded and there will be no change in ownership of Stride as a result of the Restructuring. It is intended that the Stapled Securities will be quoted on the NZX Main Board under a single ticker code ("SPG").

The Associated Transactions

At the same time as the Restructuring takes place, Stride is planning to establish a new listed property investment vehicle, Investore Property Limited, to be managed by SIML. Stride proposes to demerge Investore by distributing shares in it to Shareholders (each Shareholder will receive one Investore share for every four Stride Shares held) and, Investore proposes to offer Eligible Stride Shareholders and certain other eligible investors the opportunity to acquire further shares in Investore under a regulated offer (the **IPO**). The IPO is intended to part fund or refinance the purchase by Investore of 14 'Countdown' branded supermarkets (the **Acquisition**) from Shopping Centres Australasia Property Group Trustee NZ Limited as trustee for the Shopping Centres Australasia Property NZ Retail Trust (**SCA**). Investore is expected to be an NZX listed property company with a portfolio on establishment valued at approximately $641 million, specialising in Large Format Retail property.

The Board expects that the Restructuring and Associated Transactions will allow growth in cash dividends after tax to Shareholders (through their Stride shareholding and the SIML and Investore shareholdings that will be distributed to them) and has provided guidance on the dividend outlook for the Stapled Group in Section 6 Tax and Dividend Information. As a result of the Restructuring, the Associated Transactions and expected growth in real estate investment management fees in Diversified, the Board expects combined cash dividends for Shareholders from Stride, SIML and Investore[1] in FY17 of 11.25c (in line with previous guidance) and FY18 of 11.77c which represents an increase of approximately 4.7% and 9.5% respectively from the Stride cash dividend paid to Shareholders in FY16. If the Variation Proposal is not approved and the Associated Transactions not completed, this could be materially lower, as described in Section 6 *Tax and Dividend Information.*

What you need to do

This Explanatory Memorandum contains important information. You should read it carefully as part of your consideration of the Variation Proposal. Shareholders should specifically refer to the advantages, disadvantages and risks of the Variation Proposal described in Section 3 *Details of the Variation Proposal and Associated Transactions*, Section 6 *Tax and Dividend Information* and Section 8 *Risks*. Full prospective financial information for the Stapled Group is available in Schedule 2.

Shareholders will be asked to vote on the Variation Proposal at the Special Meeting scheduled to be held at Federal Room 2, Rydges, 59 Federal Street, Auckland at 9.00am, Thursday 30 June 2016. Shareholders may vote in person or by proxy. If you are not able to attend you may appoint a proxy to vote on your behalf using the proxy forms enclosed with this Explanatory Memorandum. If you wish to appoint a proxy, you should return the enclosed proxy form in accordance with its instructions and Section 9 *Notice of Meeting* of this Explanatory Memorandum. Proxy forms must be returned by 9.00am on Tuesday 28 June 2016. Proxy forms returned after this time will be invalid. If you are uncertain about the course of action you should take regarding any information contained in the Notice of Meeting and this Explanatory Memorandum, you should consult your legal, investment, taxation or other professional adviser(s).

If the Variation Proposal is approved, Shareholders will receive their SIML Shares on 11 July 2016 and their holding statements for their Stapled Securities (i.e., Stride Shares and SIML Shares) by 16 July 2016.

Directors' recommendation

On behalf of the Stride Board, I thank you for your continued support of Stride. The Stride Board encourages you to vote in favour of the Variation Proposal.

Yours sincerely

Tim Storey
Chair

[1] Based on PFI Case; please refer to the Glossary and Schedule 2 *Prospective Financial Information* for further information.

Table of Contents

1. Overview of the Variation Proposal and Associated Transactions

Who is the issuer of this Explanatory Memorandum?	Stride Property Limited has issued this Explanatory Memorandum to all Shareholders for the purposes of the Special Meeting to be held at Federal Room 2, Rydges, 59 Federal Street, Auckland at 9:00am on 30 June 2016.
What are the terms of the Variation Proposal?	Shareholders are being asked to vote on the Variation Proposal. The Variation Proposal comprises the proposal by Stride to amend its Constitution. The proposed amendments to the Constitution require the approval of Shareholders by Special Resolution. The effect of the amendments to the Constitution is that Stride Shares (already held by Shareholders) and SIML Shares (to be distributed to Shareholders) will be Stapled so that they can only be traded together as a parcel (**Stapling**). Shareholders are not being asked to vote on Stapling. However, Stapling will not occur without the Variation Proposal being approved by Shareholders. A full description of the Variation Proposal is set out at Section 3 *Details of the Variation Proposal and Associated Transactions.*
What is the Restructuring?	On 30 May 2016, Stride announced its intention to restructure its operations to separate its real estate investment management (**REIM**) business from its property ownership business, with Stride to retain the property portfolio and SIML to acquire the REIM business. Stride transferred its REIM business to SIML on 29 April 2016 and has entered into a management agreement with SIML under which SIML will manage Stride's business and its property portfolio (the **Management Agreement**). If the Variation Proposal is approved, the Stride Board proposes to distribute the 364,456,209 SIML Shares that Stride holds in SIML, comprising all of the SIML Shares on issue, to Shareholders on the basis of one SIML Share for each Stride Share held by them (the **Distribution**) and to Staple the shares of each company together so that Stride Shares can only be transferred if the SIML Shares to which they are Stapled are also transferred. The Distribution, which will constitute a transfer of SIML Shares to Shareholders for no consideration, will result in SIML being owned by Shareholders in the same proportions as they own Stride and ceasing to be a wholly-owned subsidiary of Stride. The Stapled Securities are intended to be quoted on the NZX Main Board securities market as a single parcel of shares of the Stapled Group. The Stapling and the Distribution are, together, referred to as the **Restructuring**. Shareholders are not being asked to vote to approve the Restructuring. However, the Restructuring will not occur unless the Variation Proposal is approved by Shareholders. Further information is set out at Section 3 *Details of the Variation Proposal and Associated Transactions* under the heading *Implications of Stapling.*

What are the Associated Transactions?

Stride has signalled its strategy to identify and grow new real estate investment opportunities, and to develop its REIM business (which will provide management services to these new investment vehicles) and has indicated that it sees an opportunity to establish a specialist investment product with a higher than average income yield and leverage. The establishment of a new NZX listed vehicle managed by SIML is a key part of that strategy and is being planned to coincide with the proposed Restructuring.

- Investore was incorporated on 1 October 2015. It acquired 19 properties from Antipodean Supermarkets Limited and Antipodean Properties Limited in November 2015 and six properties from the Stride Group between 29 April 2016 and 9 June 2016, which properties form the core of Investore's Large Format Retail portfolio;
- Stride proposes to distribute 91.1 million ordinary shares that it holds in its wholly-owned subsidiary, Investore, to Shareholders for no consideration (the **Demerger**) where one Investore share will be distributed for every four Stride Shares held; and
- Investore proposes to offer additional ordinary shares for subscription to Eligible Stride Shareholders and to other eligible investors under a regulated offer (the **IPO**) to raise between $150 million and $185 million to fund in part the proposed purchase by Investore of 14 'Countdown' branded supermarkets (the **Acquisition**) from Shopping Centres Australasia Property Group Trustee NZ Limited as trustee for the Shopping Centres Australasia Property NZ Retail Trust (**SCA**).

Following the Demerger and the IPO, Stride will hold 19.9% of the shares in Investore, with the remainder of its shares held by:

- Shareholders who hold Stride Shares on the Demerger Record Date; and
- investors who acquire Investore shares under the IPO.

Investore has applied to NZX for permission to list Investore and to quote the Investore shares on the NZX Main Board, with listing expected to occur on or about the date on which the Stapled Securities commence trading on the NZX Main Board.

The Demerger, the IPO and the Acquisition are, together, referred to as the **Associated Transactions**.

Shareholders are not being asked to vote to approve the Associated Transactions. If the Variation Proposal is not approved by Shareholders, the Stride Board may still nevertheless decide to proceed with the Demerger and IPO.

Further information is set out at Section 3 *Details of the Variation Proposal and Associated Transactions* under the heading *Description of the Associated Transactions.*

What is the purpose of the Variation Proposal?

The Restructuring will facilitate and support growth in the REIM business for the benefit of Shareholders without adversely affecting the PIE tax treatment that Shareholders receive from Stride's property ownership business. In the absence of the Restructuring, with the continued growth of the REIM business within the existing Stride Group, Stride is likely to lose its PIE tax status.

The amendments to the Constitution set out in the Variation Proposal to provide for Stapling, which is a key part of the Restructuring, require the approval of Shareholders by Special Resolution.

For further information regarding the potential impact of this on Shareholders, see Section 3 *Details of the Variation Proposal and Associated Transactions.*

How does the IPO fit in with the Variation proposal?

The IPO is proposed to occur at the same time as the Restructuring because Investore has identified the Acquisition as an opportunity to give scale to its portfolio. Investore intends to fund the Acquisition in part through the issue of new shares under the IPO. It is expected that Investore will become a listed PIE with effect from 12 July 2016.

Stride intends to retain a 19.9% shareholding in Investore upon completion of the IPO and SIML has been appointed as manager of Investore and its property portfolio. This retained shareholding is not expected to impact on the PIE tax status of Stride (or Investore becoming a listed PIE). Stride will not be able to exceed a 20% shareholding in Investore other than in compliance with the Takeovers Code.

Implementation of the Variation Proposal is not conditional upon the IPO being successfully undertaken.

- If the Variation Proposal is approved by Shareholders, Stride and SIML may decide to proceed with the Restructuring even if the IPO is unsuccessful or withdrawn.
- If the Variation Proposal is not approved, Stride and SIML will not be able to proceed with the Restructuring but the Stride Board may still determine to proceed with the Demerger and the IPO.

What are the effects of the Variation Proposal?

If the Variation Proposal is approved by Shareholders, Stride intends to Staple the Stride Shares and SIML Shares together to form a single security that can be traded on the NZX Main Board.

The key effect of Stapling is that Stride Shares will not be able to be transferred without a corresponding transfer of the SIML Shares to which they are Stapled (and vice versa). As SIML Shares will be distributed to Shareholders for no consideration, Shareholders will not be limited in any way from being able to transfer their investment in Stride, as a result of Stapling, because the Stapled Securities will be able to be traded on NZX in the same way as their Stride Shares are currently traded.

Stapling will not affect Shareholders' rights to receive distributions from Stride and SIML (if any), or the right to share equally in the proceeds of Stride or SIML if either is liquidated. Stapling will also not affect Shareholders' rights to vote as a holder of Stride Shares and SIML Shares.

Further information on Stapling and what this means for Shareholders is provided in Section 3 *Details of the Variation Proposal and Associated Transactions.*

What are the expected benefits and potential disadvantages to consider when deciding how to vote?

The principal expected benefit of approval of the Variation Proposal is that Stride will be able to pursue new real estate investment opportunities and develop its REIM business while retaining its PIE tax status (by undertaking the Restructuring).

The potential disadvantages of approval of the Variation Proposal include:

- Shareholders may have additional tax to pay on dividends from SIML (e.g., if they have a personal tax rate that is higher than the company tax rate) whereas they do not currently have any additional tax on dividends from Stride, including on distribution of management fee income;
- the Restructuring will result in increased complexity within the Stride Group structure through the implementation of Stapling;

- Stride has a binding tax ruling (the **Ruling**) from Inland Revenue (**IRD**) in relation to the Stapling and its impact on Stride's PIE tax status, which is valid for a period of only three years. There is no guarantee that the Ruling will be renewed or that the taxation law will not change in a way that adversely affects Stapling and Stride's PIE tax status; and
- transactions between Stride and SIML will need to be demonstrated as being on arms' length terms to comply with the requirements of the Ruling (as well as being in the best interests of each of them in accordance with usual company law requirements). This may mean that Stride and SIML will need to engage an independent adviser to review transactions from time to time, and potentially reduces the flexibility that they currently have as members of the Stride Group.

What is the purpose of the Special Meeting, Notice of Meeting and Explanatory Memorandum?

The purpose of the Special Meeting is for Shareholders to approve or reject the Variation Proposal. Shareholders are not being asked to approve the Restructuring or the Associated Transactions.

This Explanatory Memorandum has been prepared to assist you in deciding whether to approve the Variation Proposal by explaining the effects and consequences of doing so.

What steps are necessary to implement the Variation Proposal?

The Variation Proposal will only be implemented if the changes to the Constitution are approved by Shareholders (by Special Resolution) and by the Stride Board.

If the Variation Proposal is approved, Shareholders who voted all their Stride Shares against the Variation Proposal may, potentially, be able to invoke certain buy-out rights under section 117 of the Companies Act. However, the terms of the Special Resolution require the Variation Proposal to be approved by the Stride Board in order for the Special Resolution to be effective. This ensures that the Stride Board can still be satisfied that proceeding with the Restructuring is in the best interests of Stride having regard to the effect this buy-out right could have on Stride. If the Variation Proposal is not approved by the Stride Board, the Restructuring will not occur and Stride will retain its Constitution and structure, and consequently, rights attaching to Stride Shares for the purposes of section 117 of the Companies Act will not have been affected and the buy-out rights will not apply.

For further information see Section 10 *Explanatory Notes.*

How much do I have to pay?

No consideration is required to be paid or provided by Shareholders under the Distribution (i.e., SIML Shares will be distributed to Shareholders for free). There should be no adverse New Zealand tax consequences as a result of the Distribution on the basis that Stride will be a listed PIE at the time.

What approvals are required?

Stride is seeking approval to amend its Constitution to provide for Stapling. The necessary amendments must be approved by Special Resolution of Shareholders, being a majority of not less than 75% of the votes attached to Stride Shares that are entitled to vote and voting.

Shareholder approval is not being sought in connection with the Distribution or any of the Associated Transactions, and the Distribution is not a "regulated offer" for the purposes of the FMC Act or FMC Regulations.

How do I vote?

Shareholders can vote on the Variation Proposal either by:

- attending the Special Meeting in person; or
- appointing a proxy to vote at the Special Meeting.

The Chair of the Board is willing to act as a proxy. If you appoint the Chair as proxy but do not direct him to vote on any particular matter then the Chair intends to vote your Stride Shares in favour of the Variation Proposal.

Is there a Stride Board recommendation?

The Stride Board fully supports the Variation Proposal and unanimously recommends that Shareholders vote in favour of the Special Resolution to be put to them at the Special Meeting.

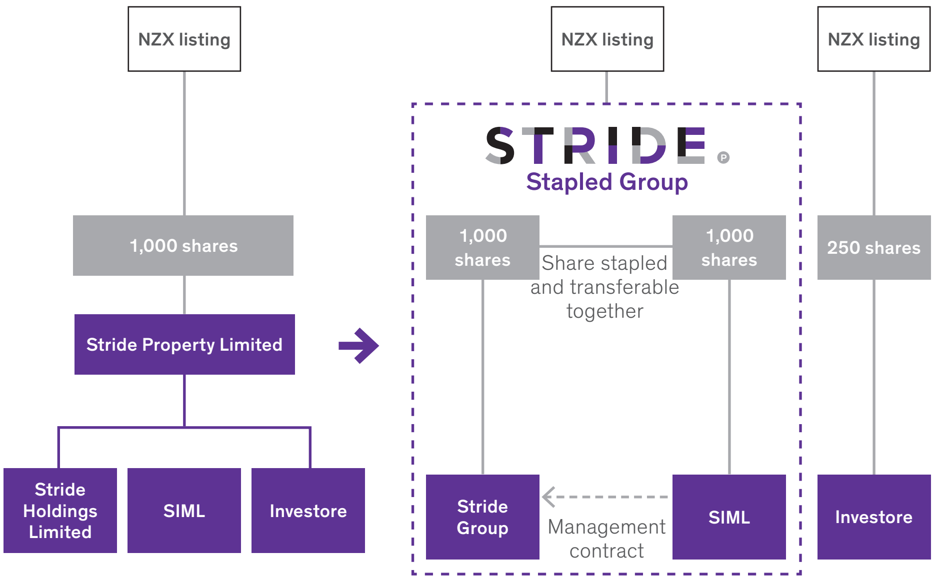
What will my Stride Shareholding look like after the Variation Proposal, Restructuring and Associated Transactions?

The diagram below shows an illustrative 1,000 share holding in Stride and how this shareholding will change after the Variation Proposal, Restructuring and Associated Transactions.

The Shareholder will retain 1,000 shares in Stride, receive 1,000 shares in SIML and receive 250 shares in Investore (based on a 1 for 4 ratio).

Shareholding pre-Restructuring and Associated Transactions

Shareholding post-Restructuring and Associated Transactions



Please refer to Section 6 *Tax and Dividend Information* for an illustration of the impact on expected dividends from each of these holdings.

What will my dividends look like after the Variation Proposal, Restructuring and Associated Transactions?

In order to explain the potential benefits to Shareholders from the Variation Proposal and Associated Transactions, Stride has provided a projection of its Distributable Profit where the benefit of the Variation Proposal, Restructuring and Associated Transactions will be partially reflected in FY17 and fully reflected in FY18. The FY17 financial year is impacted by the implementation of the Restructuring and Associated Transactions and therefore FY18 is the first financial year to show the full impacts of the transactions. When combining the projected Distributable Profit for Stride with projected Distributable Profit from Investore, investors can compare the expected distributions in FY18 following the Restructuring and Associated Transactions with the distributions received in the FY16 period.

The analysis below highlights Stride's projections to increase its distributions to Shareholders following the projected growth in its REIM business. It shows the effect in FY18 of Shareholder approval (Scenario 1) or non-approval (Scenario 2) of the Variation Proposal for a Shareholder holding 1,000 Stride Shares today.

The analysis below refers to prospective financial information on Stride which is contained in full in Schedule 2 of this Explanatory Memorandum and the Investore projected dividends which are included in the PDS, available at www.shareoffer.co.nz/investore or by contacting the Share Registrar as set out in the Directory.

FY16 cash dividend vs. FY18 cash dividend
(based on an illustrative holding of 1,000 shares and 33% personal tax rate)

	FY16 actual	FY18[1]						
		Scenario 1 Variation Proposal approved + completed Associated Transactions				Scenario 2 Variation Proposal not approved + completed Associated Transactions		
Entity	Stride	Stride	SIML	Investore	Total	Stride (+ REIM business)	Investore	Total
# shares	1,000	1,000	1,000	250		1,000	250	
Cash dividend[2, 3] (cps)	10.75c	8.29c	1.52c	7.46c	11.68c[4]	8.43c	7.46c	10.30c[4]
Tax treatment	PIE	PIE	Non-PIE	PIE		Non-PIE	PIE	
Cash dividend[3] ($)	$107.50	$82.91	$15.22	$18.64	$116.77	$84.34	$18.64	$102.98
% difference vs. FY16					+8.6%			(4.2)%
% difference vs. Scenario 1								(11.8)%

Note:

[1] The analysis is based on a number of assumptions: (a) a Stride shareholder with a 33% personal tax rate owning 1,000 Stride shares pre-demerger / stapling; (b) the mid-point of Investore's FY18 dividend per share range; (c) 364,358,911 shares outstanding as at 31 March 2016 for each of Stride and SIML and 266,981,389 shares outstanding as at 31 March for Investore; (d) FY18 dividend assumes 95% payout ratio of Distributable Profit for Stride and SIML and 97.5% for Investore; (e) valuation assumed a 0% premium to NTA; and (f) PFI Case Investore equity raise.

[2] The comparison between the FY16 and FY18 cash dividends shows the differences due to growth in the business and PIE tax treatment changes. The comparison between Scenario 1 and 2 shows the difference due to loss of PIE tax treatment for Stride's property ownership income in Scenario 2.

[3] Cash dividend post company tax and shareholder tax (33% personal tax rate).

[4] Implied cps based on 1,000 shares held today represented by the aggregate dividend received from Stride, SIML and Investore in Scenario 1 and Stride + REIM business and Investore in Scenario 2. Total cash dividend is weighted by the number of shares assumed in each scenario.

The analysis above shows that Shareholder approval of the Variation Proposal is expected to lead to a 8.6% increase in cash dividends (after tax) per share to 11.68 cents (based on FY18 Stride projections vs. FY16). If the Variation Proposal is not approved and the Associated Transactions are completed, the FY18 cash dividend would decrease by (4.2)% vs. FY16, which is materially lower than in Scenario 1 where the Variation Proposal is approved.

The Variation Proposal is therefore the preferred structure from the perspective of optimising Shareholder returns.

2. Key Dates

Variation Proposal

10 June 2016	Announcement of the Restructuring, Variation Proposal and Associated Transactions
13 June 2016	Meeting Documents despatched to Shareholders
5:00pm 27 June 2016	Record Date for voting on Variation Proposal
9:00am 28 June 2016	Latest time for receipt by Stride of proxy forms
9:00am 30 June 2016	Special Meeting of Shareholders to consider Variation Proposal
5:00pm 6 July 2016	Trading halt commences
5:00pm 8 July 2016	Stapling and Distribution Record Date
11 July 2016	Distribution of SIML Shares to Shareholders
12 July 2016	Stapled Securities commence trading on the NZX Main Board
June and September 2016	Expected next dividend payments by Stride
December 2016	Expected first dividend payments by Stride and SIML following the Restructuring

The Associated Transactions

9 June 2016	Acquisition sale and purchase agreement signed
10 June 2016	PDS registered
20 June 2016	IPO opens for Eligible Stride Shareholders
23 June 2016	Bookbuild for IPO
24 June 2016	Announcement of IPO price and allocations
30 June 2016	Acquisition unconditional
5:00pm 5 July 2016	IPO closes
5:00pm 6 July 2016	Trading halt commences
5:00pm 8 July 2016	Demerger Record Date
11 July 2016	Distribution of shares in Investore under the Demerger
11 July 2016	Settlement / Issue of Investore shares under IPO
12 July 2016	Investore shares commence trading on the NZX Main Board
July to September 2016	Settlement of Acquisition

These dates, and future dates in this Explanatory Memorandum generally, are subject to change, are indicative only and, subject to the requirements of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules, may be amended by Stride at its absolute discretion.

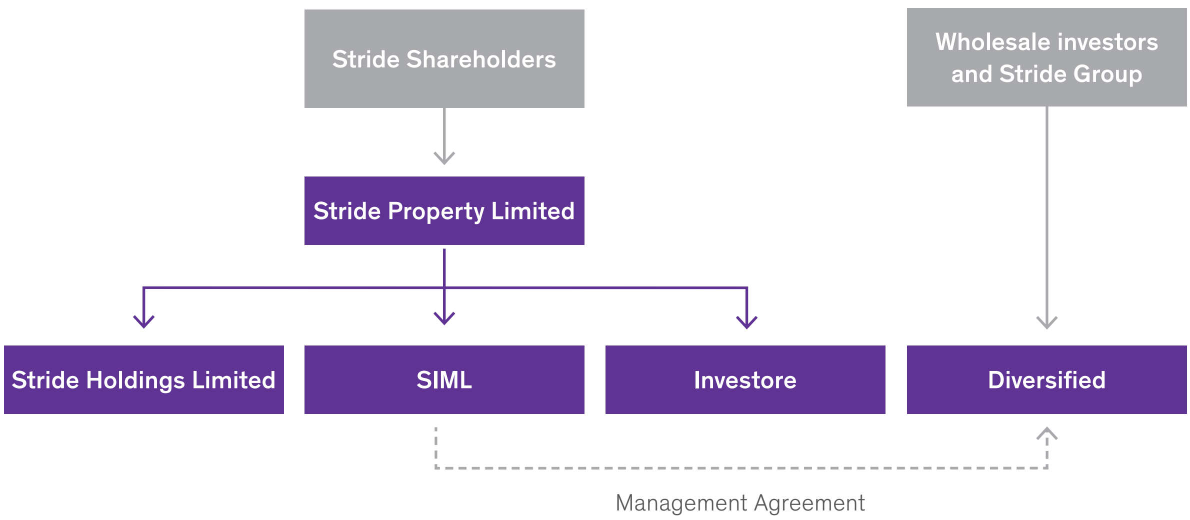
3. Details of the Variation Proposal and Associated Transactions

Description of the Variation Proposal

Current structure of Stride

Stride is currently listed on the NZX Main Board. Stride is in the business of owning commercial property and holds a portfolio valued at approximately $1.27 billion as at 31 March 2016. Stride holds this property directly and through two property owning subsidiaries, Stride Holdings Limited and Investore. Until the transfer of its REIM business to SIML on 29 April 2016, Stride managed its own portfolio as well as the property assets of Diversified in return for a management fee. On 10 June 2016 Stride and SIML entered into the Management Agreement under the terms of which SIML has been appointed to manage the Stride Group and its property portfolio. The key terms of the Management Agreement are described in Section 7 *Additional Information.*

Structure of Stride Group and managed entities prior to the Restructuring and Associated Transactions[1]



Note:
[1] Stride Shareholders hold 100% in Stride and wholesale investors and Stride have a 98% and 2% holding in Diversified respectively; SIML is the current manager for Diversified.

Potential issues with current structure

As a listed PIE, New Zealand tax is payable by Stride on its taxable income at 28% (the New Zealand company taxation rate at the date of this Explanatory Memorandum). The net effect of being a listed PIE is that Shareholders will not pay more than a rate of New Zealand tax of 28% on Stride's underlying taxable income (including on distribution of this income to Shareholders), even if they have a higher personal tax rate (e.g., 33%, being the highest New Zealand personal tax rate at the date of this Explanatory Memorandum). Further, Stride's capital gains (if any) and any untaxed income (e.g., due to tax depreciation) can also be paid out tax free to investors. This can result in an effective tax rate of less than 28% on Stride's distributions. Therefore, there are important New Zealand taxation advantages to investors (particularly those investors on personal tax rates of greater than 28%) from Stride maintaining its listed PIE status.

The REIM fees that Stride derives from managing third parties are not one of the prescribed kinds of qualifying income for a PIE. If Stride directly derives more than 10% of its total taxable income from REIM fees (or other non-qualifying income), it will lose PIE status. Similarly, if the REIM services are provided by a wholly-owned subsidiary of Stride, as that entity will not be a PIE, PIE equivalent or land investment company (as defined in the Income Tax Act), Stride's PIE status will be lost if the market value of the REIM entity (combined with any other non-qualifying investments) exceeds 10% of the market value of Stride's total investments.

The loss of PIE status could have adverse consequences for Shareholders who have a tax rate that is higher than the effective tax rate on Stride's distributions. In that case, Stride's future distributions (including the distribution of capital gain amounts or untaxed income that are currently able to be received by Shareholders without the need to pay further tax due to Stride's current PIE status) will be taxable to Shareholders as dividends at personal tax rates of up to 33% (the highest New Zealand personal tax rate at the date of this Explanatory Memorandum). This will mean there is additional Shareholder tax to pay equal to the difference between the Shareholder's personal tax rate and the effective tax rate on Stride's distributions.

Stride expects that it will exceed either the 10% non-qualifying income limit (if it provides REIM services directly) or the 10% market value limit for non-qualifying investments (if a wholly-owned subsidiary provides REIM services) under the PIE rules, and thereby lose PIE status, if management of both Investore and Diversified (which is expected to materially increase the size of its investment property portfolio in FY17 when it completes the acquisition of the Chartwell Shopping Centre and the Queensgate Shopping Centre (subject to Overseas Investment Office (**OIO**) approval)) takes place within the Stride Group.

Therefore, the current corporate structure (whereby REIM services are provided directly by Stride or through a wholly-owned subsidiary of Stride) limits the scope for Stride to pursue new real estate investment opportunities, and the provision of REIM services to these new opportunities or to third parties, without breaching Stride's PIE tax status.

Commercial objectives of the Variation Proposal

The broad commercial rationale for the Variation Proposal is to increase flexibility for Stride's investment structure and REIM business.

An important component of Stride's company strategy is to develop its REIM business. Investment management provides Shareholders with additional returns by making use of Stride's REIM capabilities. See Section 6 *Tax and Dividend Information* for an illustration of how growth in the REIM business could affect returns.

Stride's objective is to create an investment and management structure that is "fit for future purpose". That is, it must support Stride's ability to develop new REIM opportunities for potential property sector investors and make use of the existing REIM capabilities within Stride to manage these new opportunities (in return for management fees).

However, an effective investment and management structure will preferably maintain Stride's current PIE tax status.

Proposed solution

To ensure the appropriate structure is available to support its commercial objectives, while also ensuring its PIE tax status can be maintained, Stride proposes the Restructuring. The Restructuring involved the following preliminary steps:

A. On 16 February 2016, SIML was incorporated as a wholly-owned subsidiary of Stride;

B. On 29 April 2016 Stride transferred to SIML all Stride's employees, systems, fixed assets and other property associated with Stride's REIM activities under the terms of the Sale and Purchase Agreement described in Section 7 *Additional Information*;

C. 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; and

D. On 10 June 2016 Stride and SIML entered into the Management Agreement under the terms of which SIML has been appointed to manage the Stride Group and its property portfolio. The key terms of the Management Agreement are described in Section 7 *Additional Information*.

The following steps are proposed to be undertaken to complete the Restructuring:

E. In accordance with the Notice of Meeting accompanying this Explanatory Memorandum, Stride is seeking the approval of Shareholders by Special Resolution to the amendments to the Constitution that are set out at Schedule 1 to this Explanatory Memorandum so that Stride can give effect to the Variation Proposal;

F. If Shareholder approval is obtained and the Stride Board approves the Variation Proposal, the following will take place at substantially the same time as completion of the Restructuring (expected to be on 11 July 2016):

   i. each of Stride and SIML will adopt new constitutions that contain provisions required to implement Stapling. An explanation of these provisions and how they differ from Stride's current Constitution is set out at Schedule 1 to this Explanatory Memorandum;

   ii. Stride and SIML will enter into the Stapling Deed in order to give effect to the Stapling of Stride Shares and SIML Shares. The key terms of the Stapling Deed are described in Section 7 *Additional Information*;

   iii. the Distribution (which will comprise the distribution of all the shares in SIML) will be authorised on a one-for-one basis so that Shareholders will hold equal numbers of Stride Shares and SIML Shares. No consideration will be payable by Shareholders under the Distribution (i.e., SIML Shares will be distributed to Shareholders for free). Shareholder approval is not being sought in connection with the Distribution, and the Distribution is not a "regulated offer" for the purposes of the FMC Act or FMC Regulations. Shareholders will not be able to refuse to accept the SIML Shares under the Distribution;

iv. Stride Shares and SIML Shares will be Stapled. The effects of Stapling and what this means for Shareholders is described below; and

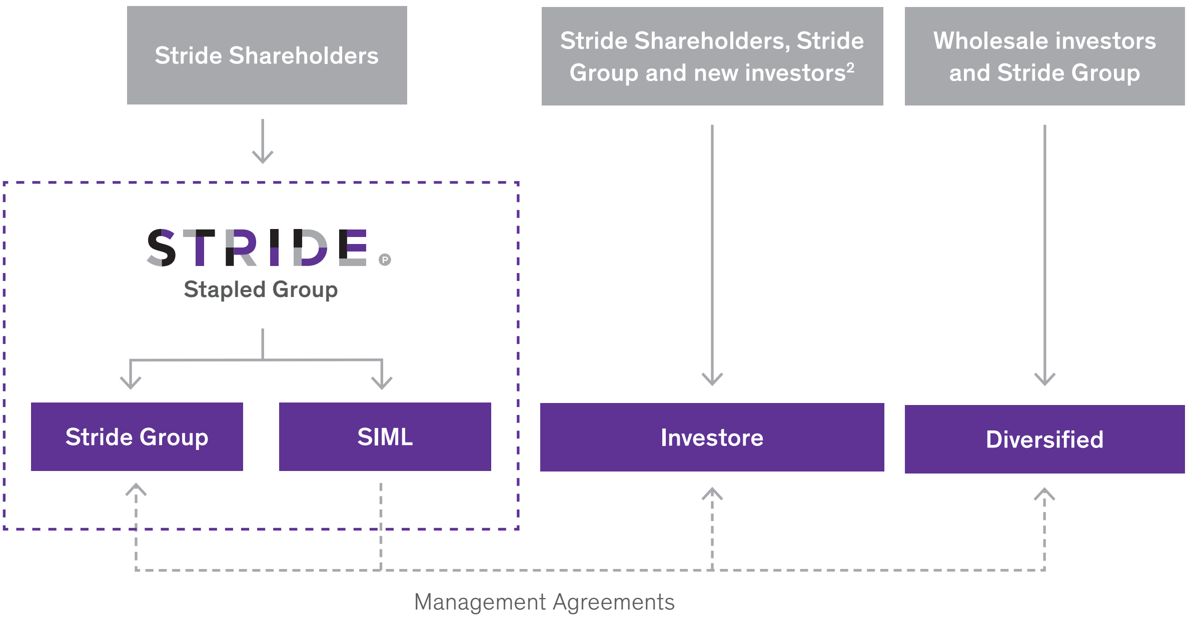
v. SIML will apply to be listed, and the Stapled Group will apply to have their Stapled Securities quoted on the NZX Main Board, and if accepted, the Stapled Securities will commence trading on 12 July 2016.

The effect of the Restructuring will be to transfer Stride's shareholding in SIML, the REIM entity, to Shareholders, so that Stride will not have a potentially non-qualifying subsidiary impacting its PIE tax status.

If Shareholder approval is not obtained, Stride's Constitution will not be able to be amended. As a consequence, Stapling will not occur, Shareholders will not receive SIML Shares under the Distribution and Stride will remain listed on the NZX Main Board with SIML as its subsidiary and manager of its property portfolio.

In addition, Stride will either be limited in its ability to pursue new REIM opportunities or is likely to lose its PIE tax status in pursuing such opportunities. As the implementation of the Associated Transactions is not dependent on the outcome of the Variation Proposal, Stride expects that it would lose its PIE status from 1 October 2016 if the Restructuring or a similar transaction has not occurred by then.

Proposed structure of Stapled Group and managed entities post-Restructuring and Associated Transactions[1]



Note:

[1] Stride Shareholders will hold 100% in the Stapled Group (Stride Group + SIML) and 33.4 – 38.2% in Investore; Stride Group will hold 19.9% in Investore and 2% in Diversified; New investors will hold 41.9 – 46.7% in Investore; Wholesale investors will hold 98% in Diversified; SIML will be the manager for Stride Group, Investore and Diversified.

[2] New Investore shares will be available to new investors and Eligible Stride Shareholders. The percentage ownership of Investore depends on both the amount raised under the IPO and the indicative price range for the IPO. These have been adjusted for Stride Group participating in the IPO to retain a 19.9% holding in Investore.

Implications of Stapling

Summary of Stapling

Stapled securities are investments that are contractually or constitutionally bound together so that they cannot be separated. The essential nature of a stapled security is that one element cannot be transferred without the other element(s).

If the Variation Proposal is approved by Shareholders, Stride will implement Stapling and the Stapled Securities (i.e., Stride Shares and SIML Shares) would form a single saleable security that would trade on the NZX Main Board under a single ticker code ("SPG"). The effect is that the Stride Shares and SIML Shares would only be able to be traded together. As such, the Stapled Securities and the Stapled Group should be viewed as a single security in a single group (albeit, comprising two sets of shares in two different corporate entities).

While Stapling applies:

- the number of Stride Shares and SIML Shares on issue must, at all times, be the same;
- each Shareholder must at all times hold the same number of Stride Shares and SIML Shares;
- if further Stride Shares or SIML Shares are issued, they must be issued with a matching number of SIML Shares or Stride Shares, as applicable;
- if Stride Shares or SIML Shares are bought back or cancelled, the SIML Shares or Stride Shares, as applicable, to which they are Stapled, must also be bought back or cancelled from the same Shareholder(s); and
- no transfer of any Stride Shares or SIML Shares can be registered unless there is a matching transfer from the same Shareholder to the same transferee of the same number of SIML Shares or Stride Shares, as applicable.

Stapling will not affect the key rights attaching to each of the Stride Shares and SIML Shares under the Companies Act. Relevantly for Shareholders, the votes attached to:

- Stride Shares may only be exercised in respect of resolutions of Stride and may not be exercised in respect of resolutions of SIML; and
- SIML Shares may only be exercised in respect of resolutions of SIML and may not be exercised in respect of resolutions of Stride.

However, as Shareholders would hold Stride Shares and SIML Shares, they will in effect be able to participate in and vote at meetings of both Stride and SIML in their capacity as a Shareholder of each company.

The practical impacts of a Shareholder holding a Stapled Security include that:

- the Shareholder will be 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, would also need to be sold to the same purchaser;
- market disclosures via NZX may be made in respect of the Stapled Group, but each of Stride and SIML will continue to be obliged to make announcements under the Listing Rules according to the nature of the disclosure (for example, announcements about the declaration of a dividend or the passing of a resolution at a meeting of Shareholders would be made by the relevant company);
- the only quoted price of a 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 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 the Stapled Group, will explain whether the information is material to Stride and/or SIML;
- new Stapled Security issues will result in the equal numbers of Stride Shares and SIML Shares being issued. The issue price will be determined by agreement between Stride and SIML (each acting reasonably) on the basis of the market price of a Stapled Security;
- financial statements will be prepared and published in respect of the Stapled Group as well as in respect of each of Stride and SIML (to the extent required in accordance with the FMC Act);
- Shareholders would be entitled to attend, or vote by proxy, at separate meetings of Shareholders of each of Stride and SIML. For some transactions involving the Stapled Group (for example, an issuance of Stapled Securities being made with Shareholder approval under the Listing Rules), resolutions might be required from Shareholders in respect of the same matter. In that case, the relevant transaction will only be able to proceed if the respective resolutions are approved at Shareholder meetings of Stride and SIML; and
- distributions would be received from each of Stride and SIML, as discussed below.

Shareholders would separately be entitled to receive:

- any dividends or other distribution on Stride Shares based only upon their holding of Stride Shares; and
- any dividends or other distribution on SIML Shares based only upon their holding of SIML Shares.

These dividends of Stride and SIML would be separate, reflecting the fact that they are separate legal entities for the purposes of the Companies Act. The New Zealand taxation treatment of the respective distributions from

Stride and SIML will reflect each company's tax status. This is discussed further below. In addition to the returns that Shareholders, as holders of Stapled Securities, would receive from the dividends or other distributions received in respect of their Stride Shares and SIML Shares, returns would be received from any increase, upon disposal of the Stapled Security, in the price of the Stapled Security on the NZX Main Board.

There are potential disadvantages to Stapling as well. These include:

- Shareholders may have additional tax to pay on dividends they receive from SIML (e.g., if they have a personal tax rate that is higher than the company tax rate) whereas they do not currently have any additional tax to pay on dividends from Stride, including on distribution of management fee income;
- the Restructuring will result in increased complexity within the Stride Group structure through the implementation of Stapling;
- Stride has a Ruling from IRD in relation to Stapling and its impact on Stride's PIE tax status, which is valid for a period of only three years. There is no guarantee that the Ruling will be renewed or that taxation law will not change in a way that adversely affects Stapling and Stride's PIE tax status; and
- transactions between Stride and SIML will need to be demonstrated as being on arms' length terms to comply with the requirements of the Ruling (as well as being in the best interests of each of them in accordance with usual company law requirements). This may mean that Stride and SIML will need to engage an independent adviser to review transactions from time to time, and potentially reduces the flexibility that they currently have as members of the Stride Group.

Waivers granted by NZX to facilitate listing of the Stapled Group

NZX has granted various waivers from the Listing Rules to facilitate the listing of the Stapled Group. Stapled Securities are intended to be quoted on the NZX Main Board under the security code "SPG" from the date of distribution of SIML Shares to Shareholders. A summary of the waivers granted is set out in Section 7 *Additional Information*.

Binding Tax Ruling on Stapling

To ensure there are no adverse consequences from the Restructuring for Stride's listed PIE tax status, Stride sought and has received a Ruling from IRD that the proposed Stapling of Stride Shares and SIML Shares is not a tax avoidance arrangement to circumvent the loss of PIE taxation treatment for Stride and Shareholders.

The Ruling is subject to conditions that Stride not derive non-qualifying income (beyond the limits provided for under the PIE taxation rules), which Stride will endeavour to comply with if the Restructuring proceeds.

The Ruling is limited to the Stapling aspect of the Restructuring and consideration of the continued application of PIE tax status for Stride under the Stapling arrangements as this was considered by Stride to be the key area of tax uncertainty with the Restructuring.

The Ruling is subject to the validity of certain facts about the Restructuring proposal that were provided by Stride to IRD, and compliance with certain conditions outlined in the Ruling. The Ruling will expire at the end of May 2019 and will need to be renewed thereafter.

Tax effects of Stapling

Stride will be a listed PIE at the time of the Distribution. If the Variation Proposal is approved, the Distribution will not be a taxable dividend and there should be no adverse New Zealand taxation consequence as a result of the distribution to Shareholders.

Following the Restructuring:

- Stride would continue to be a listed PIE for New Zealand taxation purposes. Accordingly, Shareholders should see no difference in the tax treatment of their Stride Shares; and
- SIML will be an ordinary company for New Zealand taxation purposes. This means:
  - SIML would pay tax on its REIM income at 28% (or the New Zealand company taxation rate at the time, if different);
  - Tax paid on SIML's income will generate imputation credits, which can be attached to dividends paid by SIML to Shareholders; and
  - Withholding taxes (i.e. resident withholding tax and non-resident withholding tax, as appropriate) may be deducted from dividends and other distributions to Shareholders in SIML.

In summary:

- New Zealand resident holders of SIML Shares will be taxed on dividends paid on their SIML Shares at their marginal tax rates (up to 33% which is the highest New Zealand personal tax rate at the date of this Explanatory Memorandum), with a tax credit for imputation credits and resident withholding tax deducted (if any);
- Non-resident holders of SIML Shares will have non-resident withholding tax deducted, but may receive a supplementary dividend to offset any New Zealand withholding tax if SIML is eligible to utilise the supplementary dividend regime; and
- If a Shareholder holds their Stapled Securities on "revenue account", the sale of the Stapled Securities may give rise to taxable income. A Shareholder will hold Stapled Securities on revenue account if they acquired Stride Shares or those Stapled Securities with the intention or purpose of selling them or they are in the business of dealing in shares. Revenue account treatment for the Stapled Securities could also arise in other circumstances.

Shareholders should seek professional taxation advice about their personal circumstances.

The following table sets out a comparison of the key features of the Stride Group in its current form and the Stapled Group.

Comparison of Stride and the Stapled Group

	Stride as listed on date of this Explanatory Memorandum	**Stapled Group as proposed on the date of completion of the Restructuring**
Listing	Listed on NZX Main Board	Listed on NZX Main Board
NZX Ticker	STR	SPG
Type of security	Ordinary Share	One Ordinary Share in Stride + One Ordinary Share in SIML
Transferability	Freely transferable	Freely transferable as a parcel of one Stride Share + one SIML Share
Dividends	From Stride only	From Stride and from SIML
Voting	One vote per Stride share	One vote per Stride Share on Stride resolutions One vote per SIML Share on SIML resolutions
Board of Directors	One Board with the following Directors: Tim Storey (Chairman) John Harvey Michael Stiassny Michelle Tierney David van Schaardenburg	Two separate Boards, each with the following directors: Tim Storey (Chairman) John Harvey Michael Stiassny Michelle Tierney David van Schaardenburg
Chief Executive	Peter Alexander	Peter Alexander
Management	Managed internally by Stride	Managed within the Stapled Group by SIML by the same management team that currently manages Stride
Annual meetings	Once per year (July/August)	Combined meeting to be held once per year (July/August). Formal business for each company to be addressed consecutively
Annual Reports	Once per year (May/June)	Combined annual report to be issued once per year (May/June) with separate sections responding to statutory requirements for each company
Financial Reporting	Financial statements would be prepared and provided to Shareholders for the Stride consolidated group (Stride plus SIML, Investore and Stride Holdings)	Financial statements would be prepared and provided to Shareholders for: 1. Stapled Group 2. Stride consolidated group (Stride plus Stride Holdings) (to the extent required in accordance with the FMC Act) 3. SIML (to the extent required in accordance with the FMC Act)

Conditions precedent to the Restructuring

The implementation of the Restructuring is subject to certain conditions precedent, including:

- Shareholder approval of the Variation Proposal (as described in the Notice of Meeting at Section 9 *Notice of Meeting* to this Explanatory Memorandum); and
- the Stride Board giving its approval to the Variation Proposal (as described in the Notice of Meeting at Section 9 *Notice of Meeting* to this Explanatory Memorandum).

Strategic options if the Restructuring does not proceed

The Board of Stride is confident that the Restructuring is in the best interests of Stride and its Shareholders but if Shareholders do not approve the Variation Proposal by Special Resolution, the Restructuring will not be able to be implemented in the form proposed. The Board would, in that circumstance, carefully evaluate the reasons why Shareholders were not in support and take into account the views of Shareholders before making any decision.

Alternatives that the Stride Board may consider, in order of likelihood, are set out below. Each alternative has certain disadvantages when compared to the Variation Proposal and Restructuring. There is no certainty that the Stride Board will decide to pursue any of these alternatives, or other alternatives, or the likely timeframe for implementation of any alternative proposal.

(a) Proceed with Demerger, IPO and the Acquisition of the SCA Properties within Investore

The Acquisition is not conditional upon the Shareholders approving the Variation Proposal. Investore has the benefit of a condition that it is satisfied that the Demerger will take place and the IPO will be successful. That condition must be satisfied or waived by Investore on or before 30 June 2016.

If the Variation Proposal is not approved by Shareholders, the Stride Board will consider carefully whether the Demerger remains in the best interests of Stride and its Shareholders. The Stride Board's view will be influenced by the success of the bookbuild that is to take place on 23 June 2016 (prior to the Special Meeting), its views about being able to successfully put the Variation Proposal to Shareholders again for approval before the forecast date that Stride would lose PIE tax status from (currently estimated to be 1 October 2016 if the Associated Transactions proceed and the Restructuring does not), and other considerations arising from Shareholder consultation.

The Stride Board recognises that it will not be in the interests of Stride or Shareholders for Stride to lose its listed PIE tax status without a compelling growth opportunity for the REIM business that offsets the adverse tax consequences for investors from the loss of PIE tax status. As at the date of this Explanatory Memorandum, the Stride Board considers that proceeding with the Demerger would be in the best interests of Stride and Shareholders despite the loss of PIE tax status. Accordingly, subject to the factors noted in the paragraph above, if the Variation Proposal is not approved, the Stride Board expects to proceed with the Demerger and the IPO.

(b) Acquisition of the SCA Properties within Stride Group

An alternative option to allow Stride to retain PIE tax status would be for Investore to remain a wholly-owned subsidiary of Stride and complete the Acquisition in that capacity. Stride has binding commitments to bridge funding facilities available to it from its banking syndicate which, once documented, could be used to enable Investore to complete the Acquisition. Stride intends to finalise the form of the bridge facility prior to 30 June 2016. Completion of the Acquisition with bridge facilities would result in an increase in the Stride Group loan-to-value ratio (LVR) to approximately 52%. The proposed bridge facility provides for a term of 12 months and a temporary maximum LVR covenant of 55%.

In these circumstances, the Stride Board's strategy would be to ensure compliance with its banking arrangements. Options to manage this position include raising additional equity, selling properties, refinancing its banking facilities or proceeding with the Demerger despite the potential loss of PIE tax status in the future. The Stride Board's decision may include a combination of these options and will be subject to market conditions at the time.

(c) Other strategic options for Stride's REIM business

Stride could limit or attempt to manage the growth in management fee income from the REIM business, with a focus on continuing to derive returns from, and potentially growing the size of, Stride's commercial property ownership. Stride may look to separate its REIM business by way of sale, separate listing, transfer or other similar transaction. However, these options will likely constrain future REIM opportunities and limit the potential to realise additional returns in the future.

Description of the Associated Transactions

Investore is currently a wholly-owned subsidiary of Stride. It was established in October 2015 to invest in Large Format Retail[2] property throughout New Zealand. Currently, Investore owns a portfolio of 25 Large Format Retail properties with properties located in the main urban areas throughout New Zealand. The portfolio comprises Large Format Retail property previously owned by Stride, as well as those acquired as a part of the Antipodean Supermarkets Limited and Antipodean Properties Limited portfolio in November 2015. Investore has identified the SCA Properties, which comprise 14 'Countdown' branded supermarkets throughout New Zealand, as a portfolio that complements Investore's investment philosophy and has entered into an agreement for the purchase of that portfolio under the Acquisition.

Stride proposes to reduce its shareholding in Investore by distributing existing Investore shares held by it to Shareholders under the Demerger and arranging for the quotation of Investore shares on the NZX Main Board. At the same time, Investore is to undertake the IPO to raise part of the funding necessary to complete the Acquisition. In addition to receiving Investore shares from Stride under the Demerger, Eligible Stride Shareholders will be entitled to participate in the IPO and will receive a preferential allocation of new Investore shares in the event that the IPO is oversubscribed.

If the Demerger and IPO proceed, SIML will provide REIM services to Investore.

The IPO will be a "regulated offer" for the purposes of the FMC Act and FMC Regulations. Investore has prepared and registered a product disclosure statement (**PDS**) that complies with the FMC Act and FMC Regulations. A copy of the PDS will be sent to Shareholders with an address in New Zealand on or about 20 June 2016. Alternatively, for New Zealand shareholders, a copy can be obtained from www.shareoffer.co.nz/investore from that date. The PDS describes, in more detail, the IPO. Eligible Stride Shareholders who wish to apply for shares in Investore pursuant to the IPO should read the PDS carefully and consult their investment adviser if they have any questions.

The purpose of the IPO is to:

- raise capital for Investore to partially fund the Acquisition. Investore will borrow the remaining funds required to complete the Acquisition;
- repay the intragroup loan from Stride advanced to purchase six properties from the Stride Group and 19 properties from Antipodean Supermarkets Limited and Antipodean Properties Limited;
- if the PFI Case raise is achieved, provide capital to enable Investore to pursue additional growth opportunities;
- provide a market for Investore shares and an opportunity for investment in Investore and a unique property exposure to a listed entity that invests in Large Format Retail property; and
- provide Investore with funding and access to capital markets (if required) to fund opportunities within Investore's investment strategy.

To ensure that it is capitalised appropriately, Investore has determined that, if less than $150 million is raised under the IPO, the IPO will be withdrawn.

Separately, the Demerger will occur on Allotment Date by Stride distributing the ordinary shares it holds in Investore to Shareholders. No consideration will be payable by Shareholders for the distribution of Investore shares to them by Stride under the Demerger. The distribution of Investore shares to Shareholders under the Demerger should have no New Zealand tax consequences for investors provided that Stride is a listed PIE at the time of the distribution (which Stride expects to be the case).

Upon completion of the IPO and the Demerger, Investore will cease to be a wholly-owned subsidiary of Stride. However, Stride intends to retain a 19.9% holding in Investore at that time.

No Shareholder approval is being sought in connection with the Demerger, and the Demerger will not be a "regulated offer" for the purposes of the FMC Act or FMC Regulations. The distribution of Investore shares will be made to all Shareholders who hold Stride Shares on the Demerger Record Date.

Following the Demerger and the completion of the IPO, Investore will be separately listed on the NZX Main Board and will be managed by SIML under the terms of a management agreement between SIML and Investore. The management agreement between SIML and Investore can be viewed at www.shareoffer.co.nz/investore from on or about 10 June 2016.

[2] A Large Format Retail property is defined by Investore to be a single-storey or low level property comprising retail shops and outlets and car parking areas with more than 50% of the property generally occupied by, and more than 50% of the rental generally provided by, a single major tenant or a limited number of major tenants under net leases.

4. The Stapled Group Following the Restructuring

The Stapled Group

The Stapled Group comprising Stride and SIML will be a new development on the NZX Main Board. Descriptions of the businesses of each company are set out further below. If the Variation Proposal is approved, Shareholders will not need to take any further steps in order to become shareholders of SIML.

Currently, Shareholders receive dividends from Stride. If the Variation Proposal is approved and the Stapled Group is established, Shareholders will receive dividends from Stride and SIML. Further details about the forecast dividends, expected financial position and performance of the Stapled Group, including full prospective financial information, is set out at Schedule 2 *Prospective Financial Information*. Shareholders should review this information as well as the information contained in Section 6 *Tax and Dividend Information* as part of their consideration of the Variation Proposal.

The Stapled Group's Dividend Policy

The proposed dividend policy for the Stapled Group, to be adopted upon completion of the Restructuring, is the same as the existing Stride dividend policy, although the definition of Distributable Profit has been updated to reflect the effect of Stapling. This involves distributing dividends which are broadly in line with operating cash flows. In particular, the Stapled Group's intended dividend policy is to distribute between 95% and 100% of Distributable Profit annually. Distributable Profit is a non-GAAP financial measure intended to be adopted by the Stapled Group to assist investors in assessing the profit within the Stapled Group available for distribution. It is 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. More information on the current dividend policy can be found at www.strideproperty.co.nz.

The payment and amount of any future dividends will however be at the discretion of the respective Boards of Stride and SIML after taking into account such factors as the relevant Board deems relevant at the time. Any departure from the dividend policy for the Stapled Group will be notified to holders of Stapled Securities via NZX.

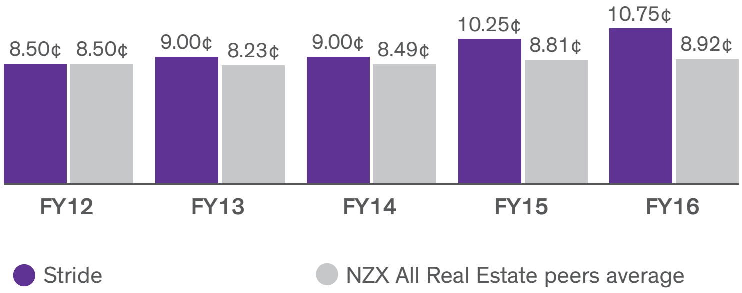
Business of SIML

SIML was formed on 16 February 2016 as a wholly-owned subsidiary of Stride. On 29 April 2016, SIML acquired Stride's REIM business and took over the employment of all Stride staff to create a company focussed solely on REIM services.

SIML's management has a strong track record and proven experience in undertaking REIM activities, having managed Stride's own property portfolio (which has included a range of Large Format Retail properties), and a separate wholesale fund, Diversified. The graph below shows Stride's strong dividend per share growth delivered to shareholders over the last four years.

SIML, as a real estate investment manager, and certain of its staff, may be required to be licenced under the Real Estate Agents Act 2008 (REAA). SIML has applied for a licence under the REAA and expects to complete the licencing process prior to the Restructuring and, if applicable, the Demerger and IPO completing. However, SIML and the relevant staff are not currently licenced. The implications of failing to obtain all necessary licences, are set out in further detail in Section 8 *Risks* under the heading *Licencing*.

Stride dividend per share vs. NZX All Real Estate peers average[3] dividend per share (rebased to Stride's FY12 DPS)



DPS growth		
4 year growth	26.5%	5.0%
CAGR[1]	6.0%	1.2%

Note:
[1] Compound Annual Growth Rate

Stride's dividend per share growth is more than double the NZX All Real Estate peers average, with Stride delivering a 26.5% increase in dividends per share from FY12 to FY16 compared to the NZX All Real Estate peers average of 5.0%.

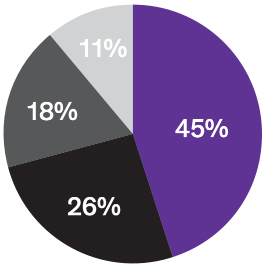
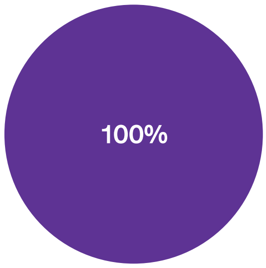
Following the Restructuring, SIML will act as the exclusive manager of:

- Stride's portfolio comprising 29 properties (10 industrial, eight office, five shopping centres, four Large Format Retail and two land holdings) and are mainly located in the urban areas of Auckland and Wellington. The portfolio provides a WALT of 5.4 years and a high occupancy rate of 99.1%;
- Investore's portfolio which, if the IPO and the Acquisition occur, will comprise 39 Large Format Retail properties, with tenants that are national retailers, a long WALT of 14.8 years and a high occupancy rate of 99.7%; and
- Diversified's portfolio comprising four retail shopping centres.[4] SIML's team has managed Diversified since the establishment of Diversified NZ Property Fund Limited, Diversified's predecessor entity in 2007.

  Diversified owns Remarkables Park Town Centre in Queenstown and a 50% interest in Johnsonville Shopping Centre with a combined value of $99m. In November 2015, Diversified entered into a contract to acquire Chartwell Shopping Centre in Hamilton and Queensgate Shopping Centre in Wellington for a combined cost of $445m. These acquisitions are subject to OIO approval and are expected to settle in the third calendar quarter of 2016. On completion of the Chartwell and Queensgate acquisitions, Diversified will have investments in four shopping centres with a combined value of $578m.

Upon completion of the Acquisition (and assuming the Demerger and IPO occur) SIML will be managing investment properties of over $2 billion in value as shown below. The total portfolio of managed investment properties includes 71[5] properties and 773 tenants and a total net Contract Rental of $149 million. The Variation Proposal and subsequent Restructuring will determine whether SIML will manage the assets as a subsidiary of Stride or as a separate entity.

[3] NZX All Real Estate peers average includes Argosy Property Limited, Augusta Capital Limited, CDL Investments New Zealand Limited, Goodman Property Trust, Kiwi Property Group Limited, NPT Limited, Precinct Properties New Zealand Limited, Property for Industry Limited, Vital Healthcare Property Trust and excludes Stride. NZX All Real Estate peers average dividend per share is calculated based on the equally weighted average of each constituents' adjusted dividend per share calendarised to Stride's financial year and rebased to Stride's FY12 dividend. The adjusted dividend per share sourced from IRESS occurs on the ex-dividend date and is assumed to have been declared in the previous quarter. FY16 NZX All Real Estate peers' average dividend per share is based on actual reported results (for CDI, the FY15, Jan-Dec 2015, dividend is used as CDI declare and pay an annual dividend).
[4] Upon completion of the acquisition of the Queensgate Shopping Centre and Chartwell Shopping Centre (purchases subject to OIO approval).
[5] Includes Johnsonville Shopping Centre which is a 50/50 joint venture between Stride and Diversified.

	Stride	Investore	Diversified	Total
Value of Investment Properties[1]	$832 million	$641 million	$578 million	**$2,051 million**
# of Investment Properties	29[2]	39	4[2,3]	**71[2]**
Investments in managed entities	–	19.9% held by Stride	2% held by Stride	–
Portfolio Makeup (by Contract Rental) Shopping Centres Office Industrial Large Format Retail				

Note:
[1] Valuations as at 31 March 2016 or, in the case of the SCA Properties, as at dates between 29 April 2016 and 5 May 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 (purchases subject to OIO approval).

SIML expects to have 48 investment management staff and 58 centre management staff. Staff will be located between SIML's Auckland head office and throughout shopping centres in Auckland, Wellington, Hamilton and Queenstown.

SIML is organised to provide services across three integrated business groups:

Property management	Finance and administration	Investment management
– Asset and property management – Shopping centre management – Leasing – Facilities management – Safety and sustainability – Development management	– Financial and management accounting – Property administration – Lease administration – Corporate finance – Capital management, including interest rate risk management and debt management – Taxation	– Portfolio and entity management – Investment appraisal – Business planning – Capital transactions – Acquisitions and disposals – Investor relations – Entity structuring and design

All business groups focus on four core competencies:

- **Skilful management:** developing and deploying the skill of our team to deliver the best places and best investment performance.
- **Informed decision-making:** Investment decisions that are based on research and market insight.
- **Stock selection:** fine tuning our investment process to retain, acquire and develop the best places that attract enduring demand.
- **Capital management:** optimising capital employed and returns to Shareholders.

SIML is able to leverage these core capabilities and skills to provide an efficient management platform for the entities and investments that it manages.

In the last twelve months, Stride, through its REIM business, has conducted 118 rent reviews of properties totalling 226,152m² in space, leased 51,923m² of space (new leases and renewals), acquired $749 million of assets and raised $290 million of debt and equity capital.

Details of managed entities

Diversified

Diversified is a wholesale property trust formed to own New Zealand property that is majority owned by two Australian-based institutional superannuation funds. Diversified's portfolio comprises two properties being acquired from Diversified NZ Property Fund Limited, a company managed by Stride, and two properties being acquired from third parties.

Under a management agreement dated 29 April 2016, Equity Trustees Limited as the trustee of Diversified (the **Trustee**) appointed SIML as the manager of Diversified. The key terms of that management agreement are set out in Section 7 *Additional Information*.

The management agreement sets out the investment mandate for Diversified, which includes:

Investment Criteria	Requirement
Asset type	Diversified portfolio of investment grade assets
Location	Across the major urban centres of New Zealand
Value	Total equity investment of not less than $15 million
Return threshold	Internal rate of return of not less than 10.5% per annum
Gearing	At or below 35%. Up to 50% with Trustee approval but must reduce to 35% within two years
Amendment to Investment Criteria	By special resolution of unitholders following circulation of a written proposal of SIML as manager

Investore

Investore was established on 1 October 2015 as a subsidiary of Stride to acquire the Large Format Retail property portfolio owned by Antipodean Supermarkets Limited and Antipodean Properties Limited. Subsequent to this, six Large Format Retail properties owned by the Stride Group were transferred to Investore between 29 April 2016 and 9 June 2016, with the intention that Investore and its portfolio of Large Format Retail properties would be demerged in the future from Stride into a standalone listed entity that would be managed by SIML. The transfer took place by way of sale and purchase for cash consideration equal to the most recently obtained independent valuation of the properties transferred (in each case, 31 March 2016). The cash consideration was advanced to Investore by way of a loan from Stride. This intragroup loan will be repaid at the time of Demerger from the proceeds of the IPO, from Investore's own banking facilities and through Stride's application for shares in Investore.

Investore has identified the SCA Properties, which comprise 14 'Countdown' branded supermarkets throughout New Zealand, as a portfolio that complements Investore's investment philosophy and has entered into an agreement for the purchase of that portfolio under the Acquisition. That agreement is subject to the condition that Investore is satisfied that the bookbuild for the IPO has successfully completed and the Demerger will take place and is expected to become unconditional on 30 June 2016.

Investore's investment philosophy is that Large Format Retail properties have a specific, differentiating set of attributes that can provide a reliable income return to shareholders which can be leveraged through the use of debt (sourced from commercial banks and/or public markets).

Under the terms of a management agreement dated 10 June 2016, SIML has been appointed as the exclusive provider of ongoing REIM services to Investore. The management agreement between SIML and Investore sets out the investment mandate for Investore, which includes:

Investment Criteria	Requirement
Asset type	Large Format Retail properties
Tenant	Quality retail tenant on long leases
WALT	Long WALT which is actively managed to offset expiries
Returns	Maximise distributions and returns to investors over the medium to long term
Gearing	At or below 50%

The terms of the management agreement between SIML and Investore are substantially the same as the terms of the Management Agreement (between Stride and SIML), other than:

- in respect of fees, under the management agreement between SIML and Investore, a performance fee is payable, the asset management fee is 0.55% of the value of the properties up to $750 million and 0.45% of the value above $750 million (plus GST) per year, and the building management fee is the amount of $10,000 (plus GST) per property per year;
- Stride maintains a diversified mandate covering the office, retail and industrial sectors. Direct real estate investment is focussed in the Auckland, Wellington, Waikato and Bay of Plenty regions. Stride does not maintain either sector or regional weighting. Stride's investment objective is to grow net operating income to support the Stapled Group's target to increase Distributable Profit per share by at least 2.5% per annum. Debt levels are currently targeted at between 38% to 42% LVR. Stride has a guideline of up to 15% of assets committed to development. Stride will invest in direct real estate, co-investment structures, real estate investment products and NZX listed property trusts and companies; and
- differences to reflect the fact that the Boards of Stride and SIML will be the same (the Investore Board will not be the same as either Stride or SIML).

A description of the Management Agreement is set out in Section 5 *The Boards and Management of the Stapled Group*.

SIML's Conflicts Management Policy

Stride, Investore and Diversified are associated with SIML as set out in the table[6] below.

	Stride	Investore	Diversified
Management	SIML appointed as manager	SIML appointed as manager	SIML appointed as manager
Ownership	SIML and Stride shares are stapled and jointly listed on NZX. 100% commonality of shareholding.	Stride will own approximately 19.9% of the capital in Investore upon completion of the IPO.	Stride owns approximately 2% of the interests in Diversified.
Governance	Stride and SIML Boards are constitutionally required to be comprised of the same Directors.	Investore's Board is comprised of four directors. SIML is entitled to appoint two, with the remained being appointed and/or removed by investors. If SIML appoints directors, Stride and other Associated Persons (as defined in the Listing Rules) of SIML, other than Directors in respect of Investore shares owned or held on their behalf or in their personal capacity, may not vote on the appointment or removal of directors.	SIML's role as manager is overseen by Diversified's trustee in accordance with a trust deed. SIML appoints the members of Diversified's investment committee.

[6] This table assumes that the Variation Proposal is approved by Shareholders and that the Restructuring, the Demerger and the IPO take place.

SIML will also seek to be appointed as manager of other companies or funds, or may acquire other management rights from existing industry participants.

Conflicts policy

SIML has adopted a comprehensive Conflicts Policy which is intended to assist it in making decisions relating to Stride, Investore and Diversified in the event of any conflict of interest.

All transactions in which SIML has, or may be perceived to have, a conflict of interest will be conducted in accordance with SIML's Conflicts Policy. Under this policy, SIML will be obliged to identify all potential, actual or perceived conflicts of interest and may be required to disclose the existence of a conflict to the relevant parties managed by SIML. SIML's Conflicts Manager will oversee the application of the Conflicts Policy and, where required, report to SIML's Board to ensure that all conflicts are managed in an appropriate manner.

Properties for acquisition or potential tenants for leasing will be considered by SIML in accordance with the Acquisition and Leasing Protocol that form part of SIML's Conflicts Policy. Opportunities identified by SIML, whether by it or through any approaches to SIML or any entity managed by SIML, will be considered by SIML for potential further investigation on behalf of the entity managed by it based upon fund mandates, contractual obligations, business plans and any applicable constraints. In the event that this process results in more than one potential party interested in an opportunity, independent teams within SIML will act on behalf of each party. These opportunities may not be offered by SIML exclusively to Stride, and SIML might allocate an opportunity to another entity managed by it.

The Conflicts Policy recognises that under the management agreement between Diversified and SIML:

- Diversified has a first right of refusal to co-invest with Stride, on a 50/50 basis, in any opportunity to acquire a property identified by SIML (with a value in excess of $30 million after any refurbishment the manager proposes to make or, in the case of an industrial property opportunity, with a value in excess of $15 million after any refurbishment the manager proposes to make) that is consistent with the Diversified investment mandate described above. If accepted by Diversified, that property opportunity would not be available for any other entity managed by SIML.
- In the case of property associated with any property in which Diversified already has an investment, the first right of refusal to invest exclusively in any opportunity identified by SIML. If any such opportunity is associated with a property in which Diversified and Stride have co-invested, the opportunity will first be offered to Diversified as a co-investment with Stride. A property is "associated" with another property for the purposes of the management agreement if it is adjacent to that other property or if SIML proposes, at the time at which the relevant opportunity is presented to Diversified's investment committee, to develop that property in conjunction with that other property. If accepted by Diversified, that property opportunity would not be available for any other entity managed by SIML.
- In the event that Diversified is offered the opportunity to co-invest with Stride but declines or otherwise does not elect to do so in accordance with the management agreement, Stride may pursue that opportunity, without co-investment by Diversified, by Stride participating in consideration of that opportunity in accordance with the Acquisition and Leasing Protocol (in which other entities managed by SIML may be participating).
- In the event that Diversified is offered the opportunity to co-invest with Stride in an opportunity but declines or otherwise does not elect to do so in accordance with the management agreement, but Stride does not wish to or is unable to pursue that opportunity, Diversified may pursue that opportunity, without co-investment by Stride, by participating in consideration of that opportunity in accordance with the Acquisition and Leasing Protocol.

The Conflicts Policy, including the Acquisition and Leasing Protocol, may not be amended without the consent of each entity managed by SIML (which consents are not to be unreasonably withheld or delayed) unless, in respect of a particular entity, SIML considers (acting reasonably and in good faith) that the interests of that entity will not be materially prejudiced by the amendment.

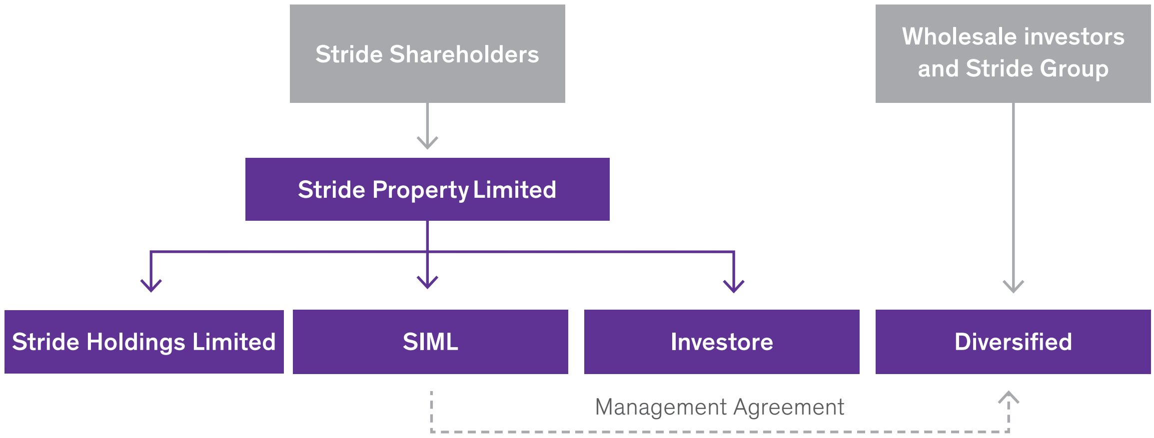
SIML must also take account of the following arrangements between its managed entities:

- As part of the establishment of Investore, Stride has agreed with Investore that, for such time as SIML manages Investore, Stride will hold its exposure to Large Format Retail property through its shareholding in Investore, except for: (a) Large Format Retail properties already owned by Stride; (b) where the Investore Board does not wish to pursue an opportunity or where the property does not meet its investment criteria; or (c) where a property forms part of a broader strategy or mixed use opportunity being considered within the Stride portfolio or where Stride is co-investing with Diversified in accordance with co-investment arrangements more fully set out in the Conflicts Policy.
- Under the management agreement between SIML and Investore, Investore has agreed with SIML that, in the event that the application of the Conflicts Policy results in an investment opportunity being appropriate for consideration by both Investore and Diversified, or in any other circumstances where Investore could be competing with Diversified in respect of the acquisition of real property, Investore will not participate in any process for that investment opportunity or acquisition until Diversified notifies SIML it does not wish to pursue the opportunity or acquisition, or SIML determines that Diversified will not proceed with the opportunity or acquisition. Investore will have the right to pursue that opportunity from that point and, subject to the rights that Stride has agreed with Investore referred to above, SIML will not recommend the opportunity to any other person managed by SIML. Such right shall continue until Investore notifies SIML it does not wish to pursue the opportunity or acquisition, or SIML determines that Investore will not proceed with the opportunity or acquisition.

Business of Stride

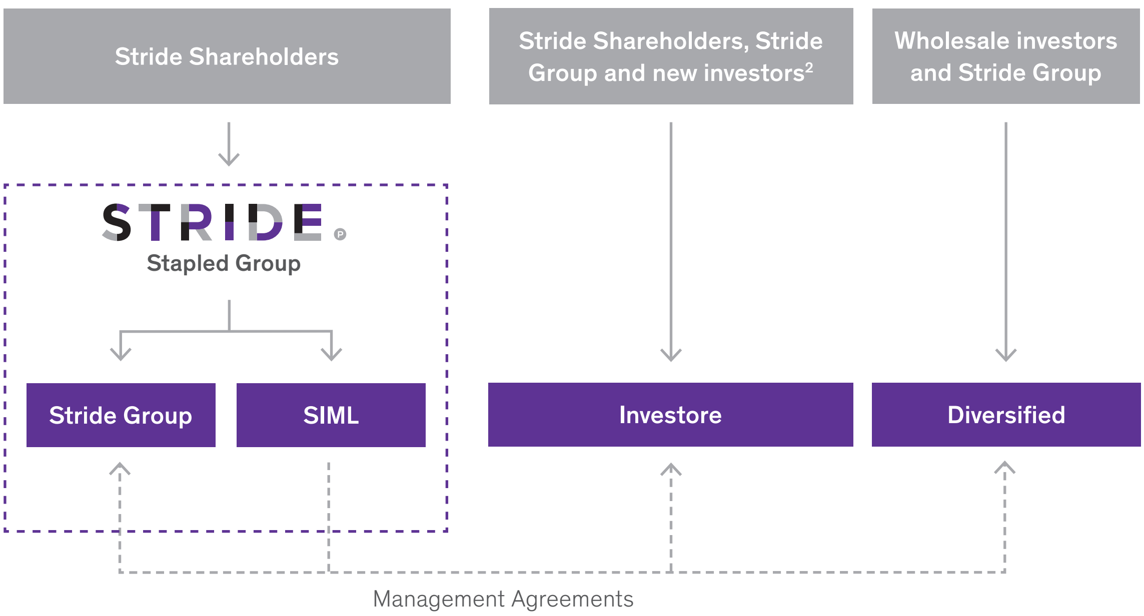
Stride invests in office, retail and industrial properties throughout New Zealand. Since its establishment in 1996, Stride has grown to become the owner of a substantial New Zealand diversified property portfolio. As at 30 April 2016, Stride owned 54 properties with 389 tenants and a value of investment properties of $1,206.2 million.[7] Following the Restructuring and Associated Transactions, Stride will have a portfolio of 29 properties, a current value of investment properties owned by Stride of $832.2 million and a 19.9% shareholding in Investore (Investore having a market value of approximately $338.5 million – 390 million[8]) and a 2% interest in Diversified (Diversified having a net asset value of approximately $401 million[9]). Stride and its property portfolio is managed by SIML under a management agreement dated 10 June 2016.

Structure prior to Restructuring and Associated Transactions[1]



Note:
[1] Stride Shareholders hold 100% in Stride and wholesale investors and Stride have a 98% and 2% holding in Diversified respectively; SIML is the current manager for Diversified.

Proposed structure post Restructuring and Associated Transactions[1]



Note:
[1] Stride Shareholders will hold 100% in the Stapled Group (Stride Group + SIML) and 33.4 – 38.2% in Investore; Stride Group will hold 19.9% in Investore and 2% in Diversified; New investors will hold 41.9 – 46.7% in Investore; Wholesale investors will hold 98% in Diversified; SIML will be the manager for Stride Group, Investore and Diversified.
[2] New Investore shares will be available to new investors and Eligible Stride Shareholders. The percentage ownership of Investore depends on both the amount raised under the IPO and the indicative price range for the IPO. These have been adjusted for Stride Group participating in the IPO to retain a 19.9% holding in Investore.

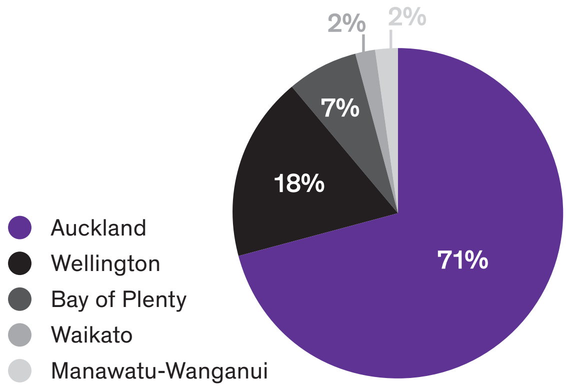
Stride aims to provide returns to Shareholders through growth in portfolio value and rental income. In order to achieve this, Stride maintains a quality diversified portfolio located in high growth areas which are attractive to reputable tenants, providing certainty of cash flow.

Stride believes the core determinant of property investment performance over the long term is the demand for the business space that Stride is able to provide its customers. It targets investments in places with "enduring demand" – places that attract the highest demand in all market conditions. A place with "enduring demand" will be attractive to Stride's tenants and their staff, visitors and customers. These attributes are a combination of location, amenity, building design and a management style that creates a compelling value proposition.

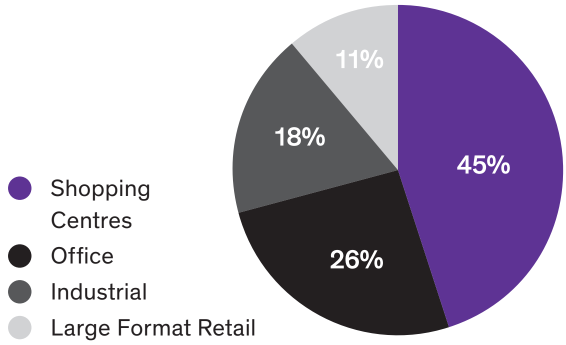
Stride's portfolio has a focus towards urban places. Stride prefers locations with a critical mass of population and commercial activity that supports a liquid commercial property market, and with a history and prospect of higher than average economic and population growth. These locations are considered to generate higher rental and capital growth over time. After the Demerger, Stride's portfolio will be weighted towards the Auckland region with 71%[10] of Contract Rental (as at 30 April 2016) derived from the region.

Ownership of properties across multiple sectors is intended to spread exposure across a range of business types and tenants. Stride's current portfolio is split across retail, industrial and office sectors with occupancy as at 31 March 2016 near maximum capacity at 99.3%. Copies of the audited consolidated financial statements for Stride and its subsidiaries for the six Financial Years from the listing of Stride on the NZX Main Board are available on Stride's website, www.strideproperty.co.nz.

Portfolio by location (by Contract Rental) after Demerger[10]



Portfolio by sector (by Contract Rental) after Demerger[10]



Stride maintains its LVR at between 38% and 42% which is comparable to the NZX All Real Estate peer group[11] and carefully manages interest rate risk by hedging debt using interest rate risk management products. As a general guiding principle, Stride intends not to have more than approximately 15% of the value of its property portfolio, as measured by aggregate completion cost, held as investment properties under development, at any one time.

[7] Excludes Corner Ward, Bryce and Tristram Streets, Hamilton which settled on 4 May 2016 and properties subject to unconditional sale and purchase agreements as at 3 June 2016.

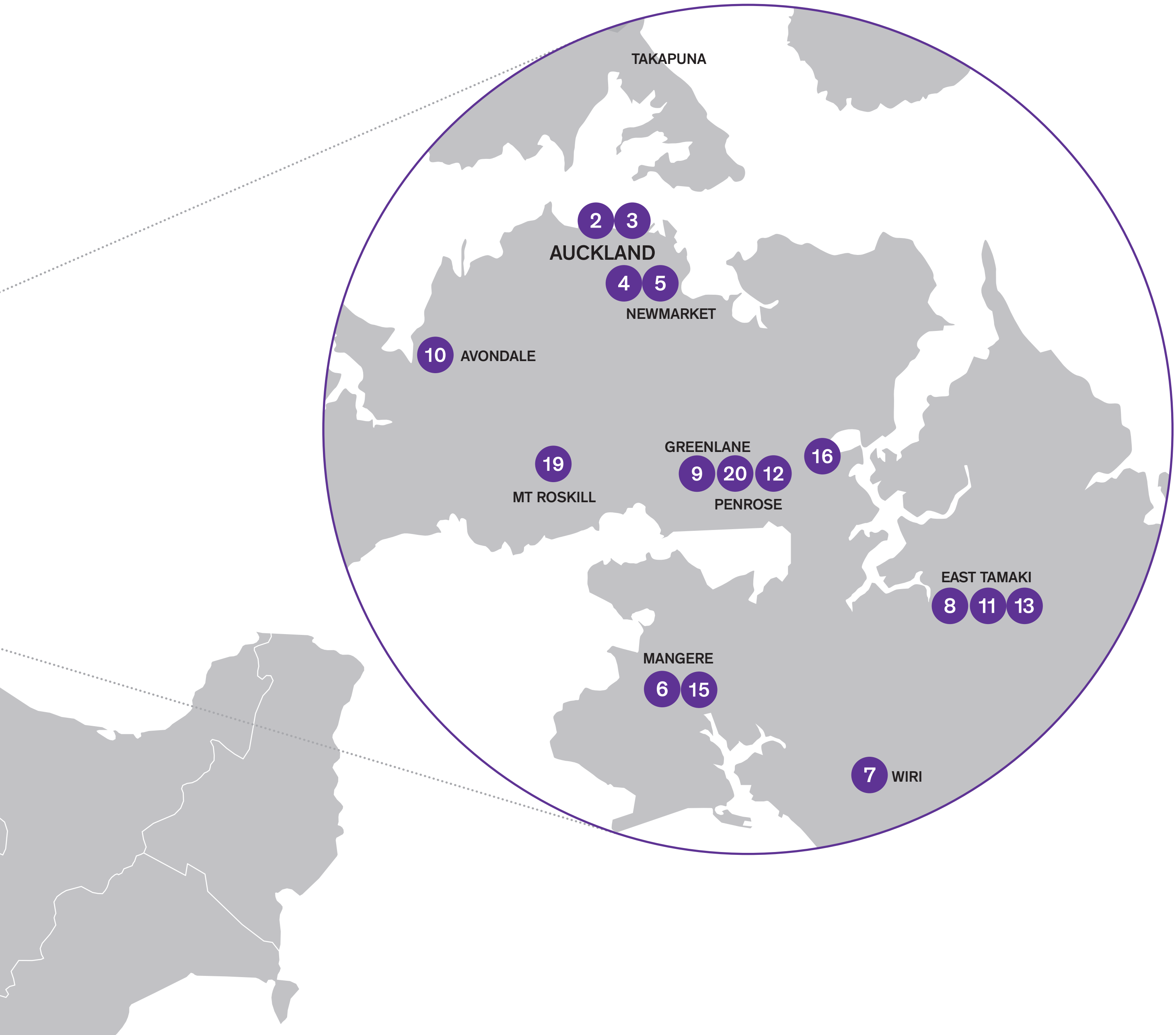
[8] Depending on Investore equity raise size.

[9] Net asset value includes equity and unitholder's loans. Includes Chartwell Shopping Centre and Queensgate Shopping Centre (purchases subject to OIO approval).

[10] As at 30 April 2016. Excludes Strides 19.9% interest in Investore.

[11] NZX All Real Estate peers include Argosy Property Limited, Augusta Capital Limited, CDL Investments New Zealand Limited, Goodman Property Trust, Kiwi Property Group Limited, NPT Limited, Precinct Properties New Zealand Limited, Property for Industry Limited, Vital Healthcare Property Trust and excludes Stride.

Overview of Stride's properties



	Stride Pre-Demerger	Stride Post-Demerger
Properties throughout New Zealand	54	29
Tenants	389	362
Valuation	$1,206.2m	$832.2m
Initial yield	7.1%	7.2%
Net Lettable Area (sqm)	410,417	296,650
WALT (years)	8.2	5.4
Occupancy rate	99.3%	99.1%
Net Rental Income	$88.5m	$60.4m

Note:
Excludes Corner Ward, Bryce and Tristram Streets, Hamilton which settled on 4 May 2016 and properties subject to unconditional sale and purchase agreements as at 3 June 2016.

	Address	Sector	Valuation ($ millions)[1]	Initial Yield (%)[2]	Net lettable area (m^2)	WALT (years)	Occupancy rate (%)[3]	Building age (year)	Number of tenants
1	33 Corinthian Drive, Albany	Office	$40.8	6.9%	10,936	9.5	100.0%	2001	1
2	7-9 Fanshawe Street, Auckland	Office	$12.2	13.6%	4,817	3.1	100.0%	1963	13
3	80 Greys Avenue, Auckland	Office	$19.0	7.2%	5,450	3.5	100.0%	1984	2
4	21-25 Teed Street, Newmarket	Office	$20.8	7.0%	4,071	2.8	100.0%	1986	11
5	35 Teed Street, Newmarket	Office	$17.2	7.0%	2,874	4.9	100.0%	1962 & 2002[5]	10
6	30 Airpark Drive, Mangere	Industrial	$20.4	6.7%	13,733	3.6	100.0%	2004	1
7	22 Ha Crescent, Wiri	Industrial	$10.3	7.1%	8,757	2.2	100.0%	2005	1
8	8 Reg Savory Place, East Tamaki	Industrial	$6.6	7.2%	4,025	1.3	100.0%	2003	1
9	20 Rockridge Avenue, Penrose	Industrial	$12.3	6.8%	10,239	4.4	100.0%	1999	1
10	460 Rosebank Road, Avondale	Industrial	$12.0	7.1%	12,260	3.3	88.7%	1964	2
11	11 Springs Road, East Tamaki	Industrial	$20.0	9.6%	21,349	1.4	100.0%	1981 & 1997[5]	1
12	25 O'Rorke Road, Penrose	Industrial	$57.2	6.1%	27,086	6.7	100.0%	2010 & 2013[5]	5
13	415 East Tamaki Road, East Tamaki	Industrial	$16.3	7.0%	9,727	5.0	100.0%	1995	1
14	15 Ride Way, Albany	Industrial	$8.7	6.9%	6,027	1.3	100.0%	2002	1
15	34 Airpark Drive, Mangere	Industrial	$5.7	4.4%	-	11.8	100.0%		1
16	Cnr Mt Wellington Highway & Penrose Road, Penrose	Retail	$37.2	6.7%	9,011	3.2	98.9%	1985 - 1997[5]	22

Notes:

[1] The valuations are as at 31 March 2016. Valuations were performed by independent registered valuers who hold an annual practicing certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. The valuation reports are confidential to Stride and are not available for public review.

[2] Initial yield is the net Contract Rental of the property expressed as a percentage of the property value.

[3] Occupancy rate is the leased or occupied Net Lettable Area expressed as a percentage of the total Net Lettable Area of the property.

[4] Johnsonville Shopping Centre is a 50/50 joint venture between Stride and Diversified.

[5] Multiple buildings on site, constructed in different years.

	Address	Sector	Valuation ($ millions)[1]	Initial Yield (%)[2]	Net lettable area (m^2)	WALT (years)	Occupancy rate (%)[3]	Building age (year)	Number of tenants
17	61 Silverdale Street, Silverdale	Retail	$85.5	6.8%	22,961	7.0	99.8%	2012	38
18	NorthWest Shopping Centre, Westgate	Retail	$175.0	6.8%	27,531	8.1	98.0%	2015	104
19	2 Carr Road, Mt Roskill	Bulk Retail	$31.5	6.9%	11,601	10.9	100.0%	2007	1
20	15 Rockridge Avenue, Penrose	Land	$2.1	-	-	-	-		-
21	446 Te Rapa Road, Te Rapa	Bulk Retail	$18.4	8.6%	12,763	3.1	100.0%	2003	1
22	Cnr Tremaine Avenue and Railway Road, Palmerston North	Bulk Retail	$14.7	10.2%	13,730	3.1	100.0%	2006	1
23	26-48 Old Taupo Road, Rotorua	Bulk Retail	$16.7	8.8%	13,940	3.1	100.0%	2005	1
24	65 Chapel Street, Tauranga	Retail	$38.7	7.8%	16,290	3.1	99.6%	1967 - 2007[5]	26
25	Lots 85 Tauriko Industrial Estate, Tauranga	Land	$0.7	-	-	-	-		-
26	33 Customhouse Quay, Wellington	Office	$34.0	7.2%	5,245	3.6	100.0%	2007	5
27	1 Grey Street, Wellington	Office	$49.8	7.8%	10,472	4.6	100.0%	1972	14
28	22 The Terrace, Wellington	Office	$15.7	7.6%	4,780	3.1	91.1%	1985	8
29	Johnsonville Shopping Centre Retail, Johnsonville[4]	Retail	$32.9	7.5%	6,972	3.4	98.2%	1965 - 1995[5]	89

The Stapled Group's Future strategy

Having established itself as a leading investor in the New Zealand market, Stride will continue to evaluate and secure new property ownership opportunities. SIML intends to grow its managed entities and to develop new investment management products and co-investment opportunities.

Stride's investment strategy is based on five operating principles:

- **Drivers of returns:** Stride focuses its capability and resources on stock selection, capital management and asset management to deliver income growth and shareholder returns on investments.
- **Capital management:** Stride views Shareholder equity capital as a finite resource. It seeks the most cost effective source of capital to fund new investments and optimises its capital structure to provide cost effective funding. Where appropriate, Stride will consider raising further capital to fund acquisitions or other opportunities. Examples of this include the share issues undertaken in 2013 and 2015.
- **Sector Weightings:** Stride prioritises attractive investment assets and transactions over sector weightings.
- **Scale:** Stride aspires to be the best performing NZX listed property entity as measured by total Shareholder return relative to NZX All Real Estate peers,[12] not necessarily the largest.
- **Property Development:** Stride is a property investor with appetite and capability to undertake property development for investment where forecast returns are sufficiently attractive to offset the risk.

The REIM business is a complementary activity to Stride's property portfolio. The business has a low capital requirement that benefits by leveraging Stride's core capabilities and relatively fixed cost base to provide an opportunity for growth in profitability. Development of the REIM business is the primary initiative to deliver growth and out-performance in shareholder returns.

Stride and SIML expect that this may involve Stride investing in the establishment of new listed or unlisted investment vehicles, underwriting investments and/or acquiring cornerstone investments in entities such as Investore.

As part of the establishment of Investore, Stride has agreed with Investore that, for such time as SIML manages Investore, Stride will hold its exposure to Large Format Retail property through its shareholding in Investore, except for: (a) Large Format Retail properties already owned by Stride; (b) where the Investore Board does not wish to pursue an opportunity or where the property does not meet its investment criteria; or (c) where a property forms part of a broader strategy or mixed use opportunity being considered within the Stride portfolio or where Stride is co-investing with Diversified in accordance with co-investment arrangements more fully set out in the Conflicts Policy.

[12] Total Shareholder return includes both dividends paid and share price appreciation. NZX All Real Estate peers include Argosy Property Limited, Augusta Capital Limited, CDL Investments New Zealand Limited, Goodman Property Trust, Kiwi Property Group Limited, NPT Limited, Precinct Properties New Zealand Limited, Property for Industry Limited, Vital Healthcare Property Trust and excludes Stride.

5. The Boards and Management of The Stapled Group

The Boards of Directors

If Shareholders approve the Variation Proposal and Stapling is implemented, the Stapled Group will be at all times governed by the Boards of Stride and SIML, which will each be comprised of the same members. This structure recognises the importance of alignment of the Boards where Shareholders have a single economic investment in Stapled Securities and will provide SIML with the benefit of the experience and skill set of the current Stride Board.

The proposed amendments to Stride's Constitution under the Variation Proposal provide that any director who is appointed to (or removed from) the SIML Board is automatically appointed to (or removed from) the Stride Board. Shareholders of SIML will 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 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 Stride Directors. The NZX waivers include a waiver from Listing Rule 3.3 to allow the Stapled Group to have Boards made up of the same members. More detail on the NZX waivers is set out in Section 7 *Additional Information.*

Stride and SIML believe that the Board structure of the Stapled Group is appropriate in the case of Stapled Securities. SIML wishes to eliminate any "disconnect" between the management of Stride (by SIML) and Stride's strategic direction (as determined by its Board). The proposed Board structure is essential to ensure this is the case and reflects the intention that the Stapled Group operates as a single economic entity.

The Stapled Group will have experienced and balanced Boards. Its members collectively contribute a diverse range of skills and backgrounds, including executive and governance roles at various property ownership and management companies and publicly listed companies.

The Boards comprise an independent non-executive chairperson, and four other independent non-executive directors.

1

2

3

4

5

Board of Directors

1 Tim Storey

Chairman - Independent

Tim was appointed Chair of Stride (then DNZ) in 2009. He has more than 30 years' business experience across a range of sectors and has practiced as a 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.

He holds a Bachelor of Laws and a Bachelor of Arts from The University of Auckland.

2 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 PwC 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.

He holds a Bachelor of Commerce degree from the University of Canterbury.

3 Michael Stiassny

Director – Independent

Michael has widespread experience in all matters financial. He is the senior partner of Korda Mentha in New Zealand – a chartered accountancy firm specialising in financial consulting work. He is currently Chairman of Vector Limited, Tower Limited and Ngati Whatua Orakei 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.

Michael holds a Bachelor of Commerce and a Bachelor of Laws.

4 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 holds a Bachelor of Commerce from The University of Auckland and holds a Chartered Accountant (CA) designation from the Chartered Accountants Australia and New Zealand. David is also a member of the Institute of Directors in New Zealand (Inc.).

5 Michelle Tierney

Director

Michelle has more than 20 years' experience in the property industry and is a senior executive with the National Australia Bank, where she is the General Manager of Business Development and Strategy for Global Institutional Bank. Prior to this, Michelle was Fund Manager of the $3.8 billion GPT Wholesale Shopping Centre Fund 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.

The Management Team

Summary of Management Agreement

Under the terms of the Management Agreement, Stride appointed SIML as the exclusive provider to Stride of ongoing REIM services.

The appointment of SIML as manager took effect on the date of the Management Agreement. SIML's duties are to manage and supervise, and protect Stride's interests in relation to, each property and to provide general administration and management services to Stride in accordance with the Management Agreement. The Management Agreement will continue unless the Management Agreement is terminated by either Stride or SIML in accordance with its provisions. SIML has a right to terminate the Management Agreement without cause on 12 months' notice. Either Stride or SIML may terminate the Management Agreement by giving notice on the occurrence of certain events, including events such as liquidation, receivership, insolvency, composition with creditors, appointment of a statutory manager or a material breach of material provisions of the Management Agreement. Stride may only exercise this right of termination if the termination has been approved by Special Resolution of its Shareholders (other than SIML or its "Associated Persons" (as such term is defined in the Listing Rules)).

In return for the performance of its duties as manager, SIML is entitled to be paid the following fees (plus GST, if any) with effect from the date on which SIML ceases to be wholly-owned by Stride:

- an asset management fee, the first part of which is 0.60% of the value of the properties (other than development properties) per year to the extent that the value is less than or equal to $750 million, calculated on a daily basis. The second part of the asset management fee is 0.50% of the value of the properties (other than development properties) per year to the extent that the value exceeds $750 million calculated on a daily basis;
- a building management fee in the amount of all building manager's fees payable to Stride under the service charge per year in respect of each property held by Stride, calculated on a daily basis;
- on the sale of a property, a sale fee of 0.50% of the sale price (except where the sale was arranged before SIML ceased to be wholly-owned by Stride);
- where SIML arranges a new lease, or a right of renewal under an existing lease is exercised, a leasing fee of 8.0% of the annual gross rent payable under the lease (except where the lease was arranged before SIML ceased to be wholly-owned by Stride);
- a capital expenditure fee of 4.0% of the cost of any development, project or other work of a capital nature;
- a maintenance fee of 4.0% of the cost of any repair and maintenance work (other than work carried out by lessees); and
- an accounting services fee of $250,000 per year.

Prior to SIML ceasing to be wholly-owned by Stride, in place of payment of fees, SIML's operating costs and expenses applicable to REIM services carried out under the Management Agreement are reimbursed by Stride on a cost recovery basis.

Senior Managers

SIML has an executive team of six, who are responsible for all areas of the company's operations. The executives responsible for the Variation Proposal are Peter Alexander (CEO), Jennifer Whooley (CFO) and Philip Littlewood (General Manager, Investment Management):

Peter Alexander

CEO

Peter joined Stride in 2013 and has more than 25 years' experience in investment management, including property investment and development in New Zealand and overseas. Immediately prior to joining Stride, Peter led Auckland International Airport's (AIA) commercial property investment and development activities, managing a portfolio valued at more than $725 million and development projects of over $280 million. Peter is also a director and chair of Homes of Choice Limited, a charitable company that provides housing to people with intellectual disabilities. He is a former board member of Auckland City Council's Property Enterprise Board and a former chair of the Auckland branch of the Property Council of New Zealand.
Peter holds a Bachelor of Property Administration from the University of Auckland and is a Fellow of the Royal Institution of Chartered Surveyors (FRICS).

Jennifer Whooley

CFO and Company Secretary

Before joining Stride in 2002, Jennifer was Chief Accountant for Fletcher Property. She has more than 25 years' experience in the property industry and is responsible for Stride's overall financial plans and policies, ensuring the compliance of its accounting and legal practices. Jennifer is also responsible for the HR function within Stride. She holds a Chartered Accountant (CA) designation from Chartered Accountants Australia and New Zealand.

Philip Littlewood

General Manager, Investment Management

Philip joined Stride in 2014 and has over 14 years' experience in property investment management and advisory in New Zealand and overseas. Philip spent six years with Morgan Stanley's real estate investment banking division in the UK and as a partner of a large private-equity real estate firm in London. Philip holds a Bachelor of Property and a Bachelor of Commerce (Finance and Economics) from the University of Auckland and a Masters in Business Administration from Imperial College London.

SIML Executive Team

Philip Littlewood
GM Investment Management

–

Investment management, research & strategy.

Jennifer Whooley
Chief Financial Officer and Company Secretary

–

Finance, compliance, administration, human resources.

Roy Stansfield
GM Shopping Centres

–

Shopping centre management, asset management marketing, leasing.

Peter Alexander
Chief Executive Officer

Andrew Hay
GM Commercial & Industrial

–

Safety & sustainability, asset management, property management, facilities management (including Large Format Retail) and divestment.

Steve Lewis
National Manager Retail Development

–

Shopping Centre development management.

6. Tax and Dividend Information

Tax and dividend implications for shareholders

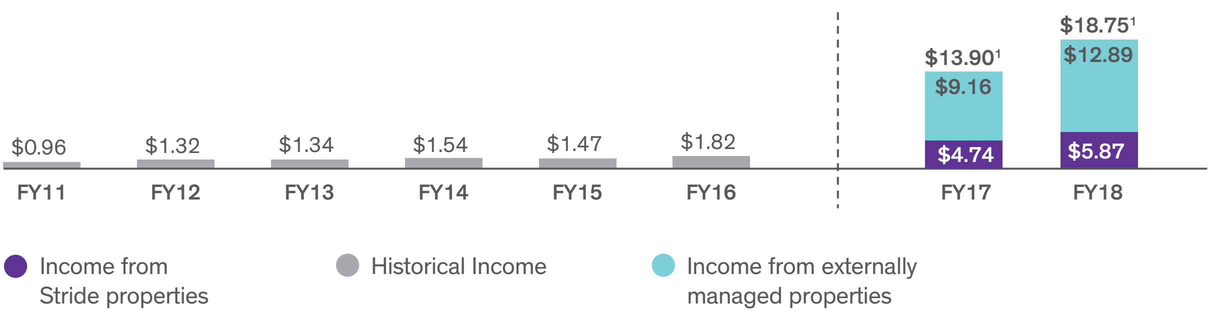
The Variation Proposal

As Stride executes its strategy to identify and grow new real estate investment opportunities, and to develop its REIM business (which will provide management services to these new investment vehicles) it is expected that Stride's increasing management fee income (derived directly or through SIML as a wholly-owned subsidiary) will create issues in retaining Stride's listed PIE tax status. Therefore, Stride's existing investment structure does not provide the required flexibility for Stride to create, manage and grow new real estate investment opportunities or to develop REIM opportunities.

The separation of Stride's REIM business from its property ownership business, and the Stapling of these businesses together, is designed to provide the flexibility for Stride to pursue its growth strategy without putting Stride's listed PIE tax status at risk.

SIML's managed fee income will increase in FY17 and FY18 due to the part-year effect in FY17 and full-year effect in FY18 of SIML becoming the exclusive manager of Investore and Diversified's portfolios. Please refer to Schedule 2 *Prospective Financial Information* for more information. The graph below shows historic and projected management fee income for FY11-FY18.

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



Note:

[1] Represents total SIML management fee income including Stride, which is eliminated on consolidation in the Prospective Financial Information (Schedule 2).

The illustrative example[13] below is based on the following two scenarios which show the impact from Shareholders approving or not approving the Variation Proposal on Stride's FY16 cash dividend and the impact of growing investment management fees on investor returns:

- **Scenario 1:** Variation Proposal approved (Restructuring proceeds). The sensitivity analysis shows that Stride would maintain its PIE tax status and the growth in management fee income would be derived by SIML (which is not a PIE); and
- **Scenario 2:** Variation Proposal not approved (Restructuring does not proceed). The sensitivity analysis shows that Stride would eventually lose PIE tax status as the management income from the REIM business grows in size (illustratively based on FY16 financials with the property ownership business held constant).

Illustrative impact of the Variation Proposal and management business growth on FY16 cash dividend (10.75¢ per share)

1: Variation Proposal approved[1]					
FY16		**REIM business growth sensitivity analysis[2]**			
		SIML additional dividend	$2.0m	$4.0m	$6.0m
Cash dividend	10.735c[4]	Total cash dividend[3]	11.24c	11.75c	12.26c
Stride tax status	PIE	Stride tax status	PIE	PIE	PIE
SIML tax status	Non-PIE	SIML tax status	Non-PIE	Non-PIE	Non-PIE
2: Variation Proposal not approved[1]					
FY16		**REIM business growth sensitivity analysis[2]**			
		REIM business additional dividend	$2.0m	$4.0m	$6.0m
Cash dividend	10.75c[5]	Total cash dividend[3]	11.30c	9.90c	10.41c
Stride tax status	PIE	Stride tax status	PIE	Non-PIE	Non-PIE
% difference in cash dividend if Variation Proposal approved	**(0.1)%**		**(0.5)%**	**+18.8%**	**+17.9%**

Notes:

[1] For SIML shareholders, the highest personal tax rate of 33% has been assumed for distribution purposes. The analysis assumes that Stride and SIML's shares of the FY16 Distributable Profit are 98% and 2%, respectively. It also assumes that Stride has an effective tax rate of 18.6% due to tax depreciation which implies Stride would not be able to fully impute dividends.

[2] The additional dividend payable relates to growth in the REIM business (i.e. additional management fee income).

[3] Cash dividend post company tax and shareholder tax (33% personal tax rate).

[4] In Scenario 1, the FY16 cash dividend is slightly lower as 2% of the total Distributable Profit relates to SIML's REIM profit, which is taxed as a non-PIE distribution. The cash dividend relating to the REIM profits will be post a combined company and shareholder tax rate of 33% (the highest personal tax rate) while the cash dividend relating to Stride's property ownership business profits (98% of the total distributable profit) will be at an effective tax rate of 18.6%.

[5] In Scenario 2, the FY16 cash dividend mirrors the actual FY16 cash dividend paid by Stride up until the management fee income growth sensitivity results in a loss of PIE status for Stride.

[13] This example contains a sensitivity analysis only, is not prospective financial information and does not reflect expected dividends under either scenario. For information about FY16 cash dividends compared to FY18 cash dividends see the table on page 45. This example is based on the Variation Proposal in isolation and does not take the Associated Transactions into account in the analysis.

If Stride achieves growth in its REIM business to a level that breaches Stride's PIE tax status (this is estimated to be when an additional $4.0m of dividend, relating to additional REIM business income, becomes payable) then:

- Shareholders with 30% and 33% personal tax rates would be worse off if the Variation Proposal is not approved (i.e. the Restructuring does not take place). This is because PIE taxation treatment (i.e., the 28% tax rate cap) on income from Stride's property ownership business would be lost.
- Shareholders with a personal tax rate that is higher than the effective tax rate on Stride's distributions (which may be lower than 28% due to tax depreciation, meaning Stride would not be able to fully impute distributions) will also be worse off under the Variation Proposal from a tax rate perspective.
- All Shareholders, irrespective of their personal tax rate, would be worse off if the Variation Proposal is not approved (and Stride's PIE tax status is lost as a result) in relation to future distributions of any capital gains and untaxed income by Stride. These amounts would be taxable as dividends at investors' personal tax rates.

The Variation Proposal is therefore the preferred structure from the perspective of optimising shareholder returns.

Associated Transactions

The Demerger, the Acquisition and the IPO will also have an impact on Shareholders' cash dividend profile.

In summary:

- Stride will reduce its asset base and income under the transfer of assets to Investore.
- Shareholders will receive dividends directly from the Investore shares distributed to them (and any additional Investore shares acquired by them under the IPO) and indirectly through Stride's 19.9% shareholding in Investore.
- SIML will provide management services to Investore after the IPO (as well as other third parties).

If the Variation Proposal is not approved by Shareholders, Stride is likely to lose its PIE tax status if the Associated Transactions proceed. Shareholders should review the section entitled *Strategic options if the Restructuring does not proceed* on page 20.

In order to explain the potential benefits to Shareholders from the Variation Proposal and Associated Transactions, Stride has provided a projection of its Distributable Profit where the benefit of the Variation Proposal, Restructuring and Associated Transactions will be partially reflected in FY17 and fully reflected in FY18. The FY17 financial year is impacted by the implementation of the Restructuring and Associated Transactions and therefore FY18 is the first financial year to show the full impacts of the transactions. When combining the projected Distributable Profit for Stride with projected Distributable Profit from Investore, investors can compare the expected distributions in FY18 following the Restructuring and Associated Transactions with the distributions received in the FY16 period.

The analysis below highlights Stride's projections to increase its distributions to Shareholders following the projected growth in its REIM business. The analysis is based on a Shareholder that holds an illustrative 1,000 shares in Stride today and how the benefit of the Associated Transactions (represented by the FY18 impact) is influenced by Shareholder approval (Scenario 1) or non-approval (Scenario 2) of the Variation Proposal.

The analysis below refers to prospective financial information on Stride which is contained in full in Schedule 2 of this Explanatory Memorandum and the Investore projected dividends which are included in the PDS, available at www.shareoffer.co.nz/investore or by contacting the Share Registrar as set out in the Directory.

FY16 cash dividend vs. FY18 cash dividend (based on an illustrative holding of 1,000 shares and 33% personal tax rate)

	FY16 actual	FY18[1]						
		Scenario 1: Variation Proposal approved + completed Associated Transactions				Scenario 2: Variation Proposal not approved + completed Associated Transactions		
Entity	**Stride**	**Stride**	**SIML**	**Investore**	**Total**	**Stride (+ REIM business)**	**Investore**	**Total**
# shares	1,000	1,000	1,000	250		1,000	250	
Cash dividend[2, 3] (cps)	10.75c	8.29c	1.52c	7.46c	11.68c[4]	8.43c	7.46c	10.30c[4]
Tax treatment	PIE	PIE	Non-PIE	PIE		Non-PIE	PIE	
Cash dividend[3] ($)	$107.50	$82.91	$15.22	$18.64	$116.77	$84.34	$18.64	$102.98
% difference vs. FY16					+8.6%			(4.2)%
% difference vs. Scenario 1								(11.8)%

Notes:

[1] The analysis is based on a number of assumptions: (a) a Stride shareholder with a 33% personal tax rate owning 1,000 Stride shares pre-demerger / Stapling; (b) the mid-point of Investore's FY18 dividend per share range; (c) 364,358,911 shares outstanding as at 31 March 2016 for each of Stride and SIML and 266,981,389 shares outstanding as at 31 March for Investore; (d) FY18 dividend assumes 95% payout ratio of Distributable Profit for Stride and SIML and 97.5% for Investore; (e) valuation assumed a 0% premium to NTA; and (f) PFI Case Investore equity raise.

[2] The comparison between the FY16 and FY18 cash dividends shows the differences due to growth in the business and PIE tax treatment changes. The comparison between Scenario 1 and 2 shows the difference due to loss of PIE tax treatment for Stride's property ownership income in Scenario 2.

[3] Cash dividend post company tax and shareholder tax (33% personal tax rate).

[4] Implied cps based on 1,000 shares held today represented by the aggregate dividend received from Stride, SIML and Investore in Scenario 1 and Stride + REIM business and Investore in Scenario 2. Total cash dividend is weighted by the number of shares assumed in each scenario

The analysis above shows that Shareholder approval of the Variation Proposal is expected to lead to a 8.6% increase in cash dividends (after tax) per share to 11.68 cents (based on FY18 Stride projections vs. FY16). If the Variation Proposal is not approved and the Associated Transactions are completed, the FY18 cash dividend would decrease by (4.2)% vs. FY16, which is materially lower than in Scenario 1 where the Variation Proposal is approved.

The Variation Proposal is therefore the preferred structure from the perspective of optimising shareholder returns.

7. Additional Information

Summary of terms of sale and purchase of Stride's management business

A. Stride has entered into a Sale and Purchase Agreement with SIML dated 29 April 2016 (the **Sale and Purchase Agreement**).

B. Under the Sale and Purchase Agreement SIML acquired Stride's REIM assets for the sum of $811,663 payable in cash (the **Purchase Price**) and SIML assumed the obligations under the lease of Stride's premises in Shortland Street. Stride retained the ownership of its property portfolio (and related assets). The Purchase Price was set based upon the book value of the assets transferred.

C. Completion under the Sale and Purchase Agreement took place at close of business on 29 April 2016 (the **Completion Date**).

D. SIML has assumed certain obligations to the transferred employees, such as to entitlements to wages, salary, annual leave, long service leave, and statutory days in lieu, and has been paid the value of those benefits by Stride. The resulting overall transaction resulted in a net payment to SIML of $151,465.

Summary of the Stapling Deed

A. The Stapling Deed sets out the terms and conditions of the relationship between Stride and SIML as Stapled companies and the manner in which Stapling will be effected.

B. Each of Stride and SIML agree that they will cooperate with the other to the fullest possible extent in respect of all matters relating to Stapling and the Stapled Securities, which includes ensuring there is:

   i. free exchange of information between them on a confidential basis, including to provide for each to meet its continuous disclosure obligations under the Listing Rules, including any waivers;

   ii. full cooperation between them to ensure that each complies with its obligations under the Listing Rules, Companies Act, FMC Act and otherwise;

   iii. full cooperation between them to ensure compliance with any applicable taxation laws and, in particular, the terms and conditions of the Ruling (and other requirements) to facilitate Stride's continuing tax status as a PIE;

   iv. agreement on any proposed issue of new Stride Shares or SIML Shares, and on any restructuring of capital (including changing the Stapling arrangements);

   v. a fair apportionment between them of costs incurred for or on behalf of the Stapled Group; and

   vi. arm's length dealings between Stride and SIML at all times unless their respective Boards determine otherwise or their respective Shareholders approve such terms by ordinary (or if necessary under the Act, special) resolution.

The Stapling Deed also provides, contractually, that each of the Stapled Entities are required to ensure that:

   vii. the number of Stride Shares and SIML Shares on issue are the same at all times;

   viii.no Stride Shares may be issued, acquired, redeemed or cancelled by Stride without a corresponding issue, acquisition, redemption or cancellation (as applicable) of SIML Shares by SIML (and vice versa);

   ix. no Stride Shares may be transferred by Shareholders without a corresponding transfer of SIML Shares (and vice versa); and

   x. the Stapled Securities will be quoted as a Stapled Security on the NZX Main Board at all times; but

   xi. the Stapled Entities will remain separate legal entities and each will be separately listed on the NZX Main Board by NZX.

C. Stride and SIML must not issue any securities (other than Stride Shares or SIML Shares issued in accordance with the Stapling Deed) without the prior agreement of the other to the proposed issue and the terms on which the securities are to be issued (such agreement cannot be unreasonably withheld).

D. Where any Stride Shares or SIML Shares are issued, sold or transferred by either Stride or SIML, the price at which those shares are to be issued, sold or transferred is to be agreed between Stride and SIML (both parties acting reasonably) on the basis of the market price of the Stapled Securities (rather than the value of the share) unless the shares are being issued in accordance with the terms of the existing long term incentive scheme rights that were on issue as at the commencement date of the Stapling Deed on the exercise of that right or option. In the event of a dispute, an independent accountant will be appointed to resolve the issue. The issue may only take place with a concurrent issue of Stride Shares and SIML Shares.

E. Where any Stride Shares or SIML Shares are to be bought back, the terms of the buyback and the price at which the relevant shares are to be bought back (which price is to be determined on the basis of the then market price of the Stapled Securities rather than the value of the relevant shares) are to be agreed between SIML and Stride (both parties acting reasonably). A buyback of Stride Shares or SIML Shares may only take place with a concurrent buyback of the other Stapled Securities.

F. The Stapling Deed also provides that, if it was desired that the Stapled Securities be Unstapled, this will require a Special Resolution of Shareholders to implement. Each of Stride and SIML will be obliged to follow certain procedures in the event of Unstapling.

A copy of the Stapling Deed is available from www.strideproperty.co.nz/investor-news/ and is available to Shareholders free of charge from Stride upon request made by telephone 0800 151 251 (New Zealand only), +64 9 488 8708 or by email to admin@strideproperty.co.nz.

Summary of the management agreement with Diversified

SIML's role under the management agreement entered into with Diversified is to invest, promote and manage Diversified and its property portfolio on the terms set out in the management agreement. SIML's duties under the management agreement are, among other things, to invest and manage Diversified's property portfolio for and on behalf of the Trustee and in the best interest of members, and to provide property and administration services to Diversified.

The management agreement will continue unless the management agreement is terminated by either Diversified or SIML in accordance with its provisions. Either Diversified or SIML may terminate the management agreement by giving notice on the occurrence of certain insolvency-type events, or if a party materially fails to perform its obligations under the management agreement. The Trustee may also terminate the management agreement on the bona fide sale of all of the properties of Diversified or by special resolution (75% of the unitholders present and voting) if, at the time of the special resolution, a breach of the management agreement by SIML that is material to Diversified has not been remedied (SIML having had at least 30 days' notice).

The Trustee may only exercise its right of termination if:

- the termination has been approved by special resolution directing the Trustee to wind up Diversified;
- the exercise of the right of termination is consistent with its duties as Trustee of Diversified; or
- the Trustee is otherwise required by law to terminate Diversified.

The trust deed establishing Diversified also provides that promptly after the delivery of annual financial statements for the Financial Year ending on 31 March 2026, or upon the request of any unitholder in Diversified thereafter, the Trustee must convene a meeting of unitholders for the purposes of approving the termination of Diversified by special resolution.

SIML is entitled to be paid the following fees under the management agreement:

- An annual management fee consisting of 0.60% of the value of the total assets of Diversified up to an aggregate asset value of $750 million and 0.50% of the value of total assets above $750 million. The minimum annual investment fee is $500,000. Further fees may be paid in relation to operating expense payments made by tenants and time spent by SIML on certain matters.
- A performance fee that is calculated based on the internal rate of return of Diversified.
- A development management fee based on the total estimated project cost of any project (on a project-by-project basis).
- Other fees relating to leasing and sales, and in relation to the winding up of Diversified.

The management agreement provides for an investment committee and a member representative committee, each described below:

- The investment committee monitors and manages the investment activities of Diversified, including considering and approving (or rejecting) each property acquisition and disposition opportunity. The investment committee comprises up to four members (at least one being independent of SIML).

- The member representative committee must approve any transaction in which SIML or Diversified has a related party conflict of interest. The member representative committee also consults with the investment committee in relation to property acquisition opportunities. The investment committee must consider member representative committee advice relating to property acquisitions but is not bound to follow that advice. The member representative committee comprises three members elected by the unitholders of Diversified.

Diversified also has the co-investment rights under the management agreement that are summarised in Section 4 *The Stapled Group following the Restructuring* under the heading *SIML's Conflicts Management Policy.*

Financing Arrangements

In connection with the Restructuring and the Associated Transactions, Stride has entered into a new facility agreement on substantially the same terms as the Existing Facility Agreement (the **Facility Agreement**).

The following facilities are made available to Stride under the Facility Agreement:

Facility	Funding source	Total facility available	Facility term
Facility A	ANZ / Westpac / BNZ / CBA	$200,000,000	3 years
Facility B	ANZ / Westpac / BNZ / CBA	$200,000,000	5 years
Total		**$400,000,000**	

Although the Stride Shares will be stapled to the SIML Shares if the Variation Proposal is approved, SIML will not be a guarantor under the Facility Agreement and it will not form part of the group under the Facility Agreement. SIML will however be party to the Facility Agreement in its capacity as manager and will provide standard representations, warranties and undertakings to the lenders in respect of its role as manager of Stride's business.

Investore and its subsidiaries have entered into a separate facility agreement with ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia (New Zealand branch) and Westpac New Zealand Limited in connection with the Associated Transactions. Investore and its subsidiaries are not treated as members of the Stride Group under the Facility Agreement.

The Facility Agreement contains the following financial covenants;

- The LVR will not exceed 50%.
- The ratio of EBIT to total Interest and Financing Costs (**ICR**) is greater than 1.75×. Following the Restructuring and Demerger (expected to occur on 11 July 2016 assuming the Variation Proposal is approved), Stride's ICR over the remaining period to 31 March 2017 is forecast to average 2.7×.
- The Weighted Average Lease Term is at all times greater than 3 years.

For the calculation of the LVR and the ICR, the value of Stride's shares in Investore and the dividends Stride receives from Investore will not be included in the respective calculations.

The Facility Agreement contains representations, warranties and events of default that are based on those contained in the Existing Facility Agreement. The Existing Facility Agreement contained a covenant that Stride could not hold any securities which in aggregate have a value in excess of 5% of the aggregate Property Values (as defined therein). This has been amended so that:

- Stride can hold not more than 19.9% of the ordinary shares in Investore; and
- Stride's initial 19.9% shareholding in Investore is excluded from the 5% calculation.

Hedging Policy

This policy manages the risk of volatility in Stride's Distributable Profit resulting from changes in interest rates. Stride maintains a minimum long term fixed rate or hedged debt as a proportion of total debt. In addition, interest rate re-pricing is spread over a range of maturities.

Stride's debt/borrowings are maintained within the following fixed/floating interest rate risk control limits:

Fixed Rate Maturity Risk Control Limit		
Period	**Minimum Cover**	**Maximum Cover**
0 to 1 years	65%	100%
1 to 3 years	50%	100%
3 to 5 years	20%	80%
5 to 10 years	0%	60%

Stride has 23 different interest rate swaps in place which meet Stride's Minimum Cover identified in the table above except for variations to this approved by the Stride Board. Stride intends to continue to maintain at least the Minimum Cover level identified in the table above by entering into new interest rate swaps at prevailing market rates at the relevant time.

Other information relevant to the Stapled Group

Stride is a party to a listing agreement with NZX and, if the Variation Proposal is approved by Shareholders, SIML will enter into a listing agreement with NZX. Both of Stride and SIML will be listed on the NZX Main Board and each will be subject to obligations imposed on "Issuers" (as defined in the Listing Rules) under the Listing Rules.

However, the Stapled Group would be quoted under a single ticker code, and a single price would apply to the Stapled Securities. If the Variation Proposal is agreed, Shareholders should use the ticker code for the Stapled Group ("SPG") for information relevant to the Stapled Group.

Each of Stride and SIML will be subject to regular reporting and disclosure obligations under the terms of the FMC Act and Listing Rules. In particular, Stride is obliged and, if the Variation Proposal is approved by Shareholders, SIML will be obliged (subject to certain exceptions) to immediately release to NZX any information that a reasonable person would expect to have a material impact on the price for the Stapled Securities, if it were generally available to the market. Stride expects that information material to Stride will also be material to SIML. NZX has therefore agreed that material disclosures relating to the Stapled Entities will be made on a consolidated basis. Information released pursuant to this obligation will be available to the public from NZX.

Information relating to the Stapled Entities that would not materially affect the price for Stapled Securities may change from time to time. Certain information is available on Stride's website at www.strideproperty.co.nz, by contacting Stride as set out in the Directory or under the ticker code for the Stapled Group ("SPG").

Non Standard Designation

An issuer which does not comply with all of the requirements of the NZX Listing Rules may be granted listing with the designation "Non-Standard" or "NS". A term of the waiver granted to Stride and SIML to permit Stapling is that the Stapled Group will be given a Non-Standard Designation upon its listing and the quotation of Stapled Securities.

Listing Rules Waivers

NZX has agreed that certain provisions of the Listing Rules will not apply to the Stapled Group, or will apply in a different manner than is usual for listed companies. Each Stapled Entity has agreed in its Listing Agreement that the Listing Rules will apply to the Stapled Group in a manner so as to enable their spirit and intent to be achieved.

NZX has granted, subject to conditions, waivers from, made rulings in respect of and granted approval to amendments to, the following Listing Rules in connection with the Restructuring:

- 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, as required by the Listing Rules.
- A waiver from the provisions of Listing Rules 3.3.5 to 3.3.15, to the extent required, to permit:
  - 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.
- A waiver from the provisions of Listing Rule 3.4.3, to permit the directors of one Stapled Entity to vote on matters in which they are "interested" due to being a director of the other Stapled Entity. 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.
- A waiver from Listing Rule 3.5, to permit the pooling of director remuneration for the Stapled Entities, and the approval of director remuneration by way of single resolution of SIML shareholders.
- A waiver from Listing Rule 6.2, to permit the Stapled Group to provide consolidated notice of meetings to Shareholders. This will not affect the obligation for each Stapled Entity to hold separate meetings (albeit that they will occur one after the other), as described in more detail at Section 3 *Details of the Variation Proposal and Associated Transactions.*
- A waiver from Listing Rule 7.3.6, to permit 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.
- A waiver from Listing Rule 7.12, to permit the Stapled Entities 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.

- A waiver from Listing Rule 9.2, 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, and to permit 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 REIM opportunities.
- A waiver from Listing Rule 9.2, to the extent that the sale of six properties by the Stride Group to Investore might otherwise have been a "Material Transaction" with a "Related Party".
- A ruling in relation to Listing Rule 10.1.1 that, for the purposes of the Listing Rules in respect of the Stapled Group, "Material Information" means information in respect of the Stapled Group that a reasonable person would consider to have a material effect on the price of the Stapled Securities, rather than the Stride Shares or SIML Shares separately.
- A waiver from Listing Rules 10.3.2 and 10.4.2, to permit the Stapled Group to provide the information required in annual and half-year reports on a consolidated basis, rather than by and in respect of each Stapled Entity individually. This waiver is subject to the additional condition that Stride and SIML release individual financial statements to the extent required by the FMC Act.
- A waiver from Listing Rule 11.2, to permit the Stapled Group to provide consolidated statements of shareholdings to Shareholders which shows their Stapled Group holding, rather than their shareholding in each Stapled Entity separately.
- 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 the Stapled Group, rather than each Stapled Entity separately (there being no quoted price available for each Stapled Entity other than the price quoted for Stapled Securities).
- Approval under Listing Rule 11.1.5 to the constitutional provisions set out at Schedule 1 to this Explanatory Memorandum, which provide the restrictions on transfer of the Stapled Securities, as described in more detail in Section 3 *Details of the Variation Proposal and Associated Transactions.*

In addition to the conditions set out above, these waivers and rulings have all been granted on the additional conditions that:

- the waivers remain in effect only for so long as the Stapled Security structure is in place;
- each Stapled Entity and the Stapled Group be designated as "Non-Standard" (NS) upon the listing of SIML and the quotation of the Stapled Securities; and
- offer documents, annual and half-year reports provided by the Stapled Group include the implications of investing in the Stapled Securities.

The full terms of the waivers can be found at www.nzx.com/companies/STR.

8. Risks

This section describes the circumstances that Stride and SIML are aware of that exist or are likely to arise that significantly increase the risk to the Stapled Group's financial position, financial performance or stated plans.

The selection of risks has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the date of this Explanatory Memorandum. There is no guarantee or assurance that the importance of different risks will not change or that no other risks may emerge over time.

Where practicable, Stride and SIML will seek to implement risk mitigation strategies to minimise the exposure to some of the risks outlined below, although there can be no assurance that such arrangements will fully protect the Stapled Group from such risks.

You should carefully consider these risks before deciding how to vote in respect of the Variation Proposal. This summary does not cover all of the risks of investing in the Stapled Securities.

The statement of risks in this section does not take account of the personal circumstances, financial position or investment requirements of any particular person. It is important, therefore, that before making any investment decision, you give consideration to the suitability of an investment in the Stapled Securities in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

Description of Risk	*Our assessment of nature and magnitude*
Risks relating to implementation of the Restructuring and maintenance of the Stapled Security structure	
Variation Proposal is rejected and no suitable alternative structure can be implemented in time that supports Stride's commercial objectives while preserving the PIE tax status of Stride	If Shareholders reject the Variation Proposal, there is a risk that Stride will not be able to implement an alternative structure in time to achieve Stride's commercial objectives while also preserving Stride's PIE tax status. If this occurs, Shareholders may be exposed to a higher effective New Zealand tax rate on their investment in Stride, resulting in lower returns, which may be material to Shareholders.
Stride's Ruling is invalid, IRD does not renew the Ruling in three years' time, IRD challenges PIE tax status of Stride, or tax law changes	The Restructuring has been proposed following discussions with IRD and receipt of the Ruling that the Stapling under the Restructuring proposal is not an arrangement that is designed to circumvent the loss of PIE taxation treatment for Stride and its investors. However, there is a risk that: – the facts communicated to IRD about the Restructuring are incorrect or incomplete and/or conditions specified in the Ruling are not met; – IRD could refuse to renew the Ruling once it expires in May 2019 or may challenge the PIE taxation status of Stride following the expiry of the Ruling; or – the New Zealand Government could change the applicable taxation law to prevent Stapling of investments in a PIE to other shares. This would result in a loss of PIE tax status for Stride, notwithstanding the Ruling, if Stapling is maintained. Stride will continue to monitor compliance with conditions specified in the Ruling and the statutory PIE eligibility requirements to preserve its PIE tax status.

The Stapled Security is not easily unwound	Stride has considered that it is necessary to allow Shareholders to unwind the Stapled Security structure if so desired and has provided for this in the Constitution and the Stapling Deed by approval by special resolution of each of Stride and SIML shareholders. However, there is a risk that, notwithstanding the provisions in these documents, the Stapled Security structure is not easily unwound. This would affect the ability of Shareholders to Unstaple the Stapled Securities and return them to their current form.
Structural complexity	The Restructuring involves structures, arrangements and agreements that are more complex than conventional legal structures and are novel in New Zealand. The governance and administrative arrangements contemplated by the Stapled Security structure are more complex than Stride currently has and are likely to result in some additional administration costs and investor uncertainty. This may impact the trading price and value of the Stapled Securities. Stride believes that the coordination arrangements under the Stapling Deed, and each of Stride and SIML being governed by Boards comprising the same members, helps reduce structural complexity. The Stride Board is conscious that the Stapled Group will need to clearly communicate with Shareholders and potential investors and analysts, particularly as the market becomes familiar with stapling.
Funding	In order to provide for future growth, Stride relies on both equity and debt funding including the refinancing of existing debt facilities. An inability to obtain the funding required or an increase in the cost of funding may have a material effect on Stride's financial strength and future performance. Because it does not hold a portfolio of real property that can be secured, SIML may find it more difficult than Stride to obtain debt funding on commercially acceptable terms. This may limit SIML's ability to make acquisitions of REIM management arrangements or otherwise debt fund its capital requirements. This may mean that SIML will need to seek equity funding from holders of Stapled Securities to fund such acquisitions or requirements.

SIML

Diversified is not granted OIO consent to its proposed restructuring or acquisitions	Diversified is currently seeking OIO approval to its proposed restructuring, as well as for its proposed acquisition of Chartwell Shopping Centre and Queensgate Shopping Centre. If the OIO declines to grant consent to the acquisitions, or OIO consent is not granted by 31 August 2016 (when either party may cancel the contract if the condition is not satisfied by that date), and the acquisition agreement is cancelled, REIM fees payable to SIML under the Diversified management agreement would be materially reduced. Stride expects that this could reduce returns to Shareholders from SIML. SIML on behalf of Diversified is working closely with the OIO and the vendor to help ensure the regulatory approval process can be completed by the condition date of 31 August 2016.
Licencing	SIML, as a real estate investment manager, undertakes leasing and sale and purchase activity on behalf of investment management clients. SIML and certain of its staff may be required to be licenced under the REAA. SIML has applied for a licence under the REAA and expects to complete the licencing process prior to the Restructuring and, if applicable, the Demerger and IPO, completing. However, SIML and the relevant staff are not currently licenced and, until all necessary licences are issued, are unable to undertake "real estate agency work" (as defined in the REAA) on behalf of another person. A portion of the manager's role involves "real estate agency work". In the event that all necessary licences have not been obtained under the REAA prior to the Restructuring completing or, if applicable, the Demerger and IPO, completing, SIML would contract a licenced agent to undertake all "real estate agency work" for it (at SIML's cost) until SIML and its relevant staff are licenced. The cost to SIML of contracting out "real estate agency work" is not expected to be material and contracting is only expected to be required for a short period.

SIML as manager will be managing a number of property portfolios so from time to time will be exposed to conflicts of interest between portfolios and companies that it manages	SIML will be responsible for managing Stride, Investore and Diversified. At times, decisions will be required to be made in respect of these entities. The interests of SIML or the Stapled Group may not be the same as the interests of each of the companies that SIML manages in relation to these matters. For further information about how the potential conflicts will be managed, see Section 3 *Details of the Variation Proposal and Associated Transactions* under the heading *SIML's Conflicts Management Policy.*
Entities managed by SIML are exposed to risks which could affect returns to SIML	SIML derives its income from managing property owning entities. While some of its fee income is calculated based upon assets under management, transaction and performance related fees depend upon the activity and performance of the managed entities. Shareholders should review the risks in respect of Stride set out above as well the announcements made by Stride through NZX in accordance with Stride's obligations as a listed issuer. Shareholders should review the risks in respect of Investore set out in the PDS. A copy of the PDS is available at www.shareoffer.co.nz/investore or by contacting the Share Registrar as set out in the Directory.
SIML as manager incurs liabilities to property businesses outside of the Stapled Group	SIML will be responsible for managing businesses outside of the Stapled Group e.g., Investore and Diversified. In the course of carrying out its management, there is a risk that SIML incurs a liability to either Investore or Diversified that is material to SIML or which it is unable to satisfy. This may result in the termination of the management contract (and a subsequent reduction in fee income) or insolvency of SIML (which could result in SIML's other management arrangements being terminated). SIML holds insurance cover in respect of the provision of REIM services to mitigate any exposure to claims by managed entities.

Stride

Interest rate risk	Interest expense will be a material expense item for Stride. Any increase in interest rates will affect Stride's profits and, potentially, could cause Stride to breach its banking covenants. Stride will mitigate this risk by SIML implementing capital management strategies, including a hedging policy to manage the risk of volatility in the distributable profit of the Stapled Group.
NorthWest Shopping Centre	The larger first stage of the NorthWest Shopping Centre (NorthWest) development project was completed on 1 October 2015 with its retail space fully tenanted by a number of leading New Zealand brands in a mix of speciality stores, kiosks and two anchor tenants. In its eighth month of operation, NorthWest has maintained 100% of retail occupancy and 83% of available office space is leased. Three remaining office suites totalling 545m^2 are currently available for lease. Following a well-attended opening week and the Christmas trading period, NorthWest is now in a stabilisation phase as customers in the area become familiar with the centre. Stride continues to monitor trading performance at NorthWest and will update the market once more information is known.

9. Notice of Meeting

Notice is given that a special meeting of the Shareholders of Stride Property Limited (**Stride**) will be held at Federal Room 2, Rydges, 59 Federal Street, Auckland on 30 June 2016 commencing at 9.00am.

The Agenda for the meeting is as follows.

Business

The business of the meeting will be to consider and, if thought fit, pass the following resolution:

Approval of the amendment to Stride's Constitution

As a Special Resolution:

"That, from a time determined by the board of directors of Stride, the Constitution of Stride be revoked and Stride adopt a replacement Constitution in the form described in the Explanatory Memorandum attached to the Notice of Meeting and tabled at the Special Meeting and signed by the Chair for the purpose of identification, provided that the Variation Proposal will be deemed not to have been passed unless the board of directors of Stride resolve that, in the board's view, the adoption of the replacement Constitution remains in the best interests of Stride and its Shareholders."

Directors' Recommendation to Approve the Variation Proposal

The Stride Board fully supports the Variation Proposal and unanimously recommends that Shareholders vote in favour of the Special Resolution to be put to them at the Special Meeting.

Voting and Proxies

You may exercise your right to vote at the Special Meeting either by being present in person or by appointing a proxy to attend and vote in your place. A voting/proxy form is enclosed with this Notice of Meeting. If you wish to vote by proxy, you must complete the form and return it to Stride in accordance with its instructions so as to be received **no later than 9.00am on 28 June 2016**. Proxy forms returned after this time will be invalid.

A proxy need not be a Shareholder. You may direct your proxy how to vote, or give your proxy discretion to vote as he or she thinks fit. If you wish to give your proxy such discretion you should mark the appropriate box on the proxy form accordingly. If you do not mark any box then your proxy may vote or abstain from voting as he or she sees fit.

The Chair of the Board is willing to act as a proxy. If you appoint the Chair as proxy but do not direct him to vote on any particular matter then the Chair intends to vote your Stride Shares in favour of the Variation Proposal.

By order of the Board

Tim Storey
Chair
Auckland
New Zealand

1 The Variation Proposal is a Special Resolution which requires approval by not less than 75% of the votes of those Shareholders entitled to vote and voting on the resolution.

2 A copy of the Listing Rules can be viewed at www.nzx.com.

10. Explanatory Notes

These explanatory notes set out the detail of the transactions which are the subject of the resolution required by the Shareholders under the Companies Act and Listing Rules.

Background

The purpose of the Special Meeting is to consider and, if thought fit, to approve the Variation Proposal approving the amendments to the Constitution.

Variation Proposal:

A summary of the Variation Proposal, the Restructuring, the Associated Transactions and the consequences of approving the Variation Proposal are set out in the earlier sections of this document. A summary of the amendments to the Constitution are set out at Schedule 1 to this document.

A copy of the proposed amended form of the Constitution can be viewed on Stride's website at www.strideproperty.co.nz/investor-news/ and is available to Shareholders free of charge from Stride upon request made by telephone 0800 151 251 (New Zealand only), +64 9 488 8708 or by email to admin@strideproperty.co.nz.

If the Variation Proposal is not approved, the amendments to the Constitution will not become effective and Stapling will not be able to occur. In that case, the Stride Board may still determine to proceed with the Demerger and IPO.

The new constitution has been approved by NZX. The Listing Rules permit the Issuer to incorporate the Listing Rules by reference.

Board recommendation

The Stride Board fully supports the Variation Proposal and unanimously recommends that Shareholders vote in favour of the Special Resolution to be put to them at the Special Meeting.

Minority buy-out rights

Approval by Shareholders of the Variation Proposal put forward in this Notice of Meeting will affect the rights attaching to Stride Shares in certain ways for the purposes of section 117 of the Companies Act. For example, Shareholders will not be able to acquire or dispose of Stride Shares separately from the acquisition or disposal of SIML Shares.

If a Shareholder votes all of the shares that are registered in that Shareholder's name and have the same beneficial owner against the Variation Proposal, and that resolution is nonetheless passed, that Shareholder will be entitled, if the Shareholder elects to do so, to require Stride to purchase their Stride Shares, under section 111 of the Companies Act. The Companies Act prescribes specific procedures in relation to the exercise of such minority buy-out rights. Any Shareholder who is entitled, and wishes, to require Stride to purchase its Stride Shares in accordance with the above may, within 10 working days of the passing of the Variation Proposal, give a written notice to Stride.

The terms of the Variation Proposal require the amendments to the Constitution to be approved by the Stride Board in order for the resolution to be effective. If Board approval is not given, the Variation Proposal will not occur and Stride will retain its existing constitution and structure, and consequently, rights attaching to Stride Shares for the purposes of section 117 of the Companies Act will not have been affected. This approach is to protect the interests of Stride and its Shareholders as a whole, by providing a mechanism whereby the Variation Proposal will not be implemented if to do so would be likely, in the Stride Board's view, to impose a material liability or other obligation on Stride.

Important

The Board recommends to all Shareholders that if they are in any doubt as to any aspect of the matters to be considered at the Special Meeting, they should seek independent financial or legal advice in relation to, and as to their rights as Shareholders arising from, the matters set out in this Notice of Meeting.

Glossary

Acquisition	the acquisition of the SCA Properties
Acquisition and Leasing Protocol	the protocol governing the acquisition of properties and potential tenants for leasing that forms part of the Conflicts Policy
Allotment Date	11 July 2016
Associated Transactions	the Demerger, the IPO and the Acquisition
Board	the board of directors of Stride, SIML or Investore (as the context requires)
Chair	the chairperson of the Board
Companies Act	the Companies Act 1993
Conflicts Policy	means conflicts policy adopted by SIML which is intended to assist it in making decisions relating to Stride, Diversified or Investore
Constitution	the constitution of Stride
Contract Rental	the amount of rent payable by each tenant, plus other amounts payable to Stride by that tenant under the terms of the lease at 31 March 2016, annualised for a 12 month period on the basis of the occupancy level for the property at 31 March 2016, and assuming no default by the tenant
Demerger	the demerger of Investore from Stride, following which Investore will no longer be a wholly-owned subsidiary of Stride
Demerger Record Date	5:00pm 8 July 2016
Distribution	the distribution of 364,456,209 SIML Shares to Shareholders on a one-for-one basis, following which SIML will no longer be a wholly-owned subsidiary of Stride
Directors	the directors of Stride
Directory	the directory at the end of this Explanatory Memorandum
Diversified	Diversified NZ Property Trust, an Australian unit trust that is managed by SIML and which is to acquire the business and assets of Diversified NZ Property Fund Limited as a result of a restructuring that is subject to approval by the OIO. References to Diversified or its business also include a reference to Diversified NZ Property Fund Limited and its business
Distributable Profit	distributable profit is a non-GAAP financial measure adopted by Stride to assist Stride and investors in assessing Stride's profit available for distribution. It is 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. Distributable Profit per share is Distributable Profit divided by the number of Stride Shares on issue
Eligible Stride Shareholder	a person who at 5:00pm on 10 June 2016, is recorded in Stride's share register as being a registered holder of ordinary shares in Stride and having an address in New Zealand, unless that person holds ordinary shares in Stride on behalf of another person who resides outside of New Zealand
Existing Facility Agreement	the facility agreement dated 1 October 2008 as amended and restated on 2 November 2015 between, amongst others, Stride as borrower, Stride's subsidiaries as guarantors and ANZ Bank New Zealand Limited, Westpac New Zealand Limited, Bank of New Zealand and Commonwealth Bank of Australia as lenders

Explanatory Memorandum	this explanatory memorandum and notice of meeting issued to Shareholders in connection with the Restructuring
FY	Financial Year
FY16	the financial year ended 31 March 2016
FY17	the financial year ended 31 March 2017
FY18	the financial year ended 31 March 2018
Facility Agreement	the banking facility agreement entered into between Stride as borrower and ANZ Bank New Zealand Limited, Westpac New Zealand Limited, Bank of New Zealand and Commonwealth Bank of Australia as lenders
Financial Year	a year ending on 31 March
FMC Act	the Financial Markets Conduct Act 2013
FMC Regulations	the Financial Markets Conduct Regulations 2014
GAAP	Generally Accepted Accounting Practice
Glossary	this glossary of terms
Income Tax Act	the Income Tax Act 2007
Investore	Investore Property Limited (formerly Stride LFR Limited)
IPO	the initial public offering of Investore
Large Format Retail	a single-storey or low level property comprising retail shops and outlets and car parking areas with more than 50% of the property generally occupied by, and more than 50% of the rental generally provided by, a single major tenant or a limited number of major tenants under net leases
Listing Rules	the NZX Main Board Listing Rules
LVR	the ratio of bank debt owing by Stride to the aggregate value of the properties owned by Stride
Management Agreement	the management agreement between Stride and SIML dated 10 June 2016
Meeting Documents	this Explanatory Memorandum, incorporating a letter from the Chair and a Notice of Meeting and accompanied by a proxy form
Net Lettable Area	the area in square metres that can be leased to tenants
Net Rental Income	rental income less property operating expenses
NorthWest	the NorthWest Shopping Centre owned by Stride, located in Westgate, Auckland
Notice of Meeting	section 9 to this Explanatory Memorandum
NZX	NZX Limited
NZX Main Board	the Main Board of the NZX
PDS	the product disclosure statement issued by Investore in connection with the IPO
Portfolio Investment Entity / PIE	a portfolio investment entity as defined by the Income Tax Act
OIO	the Overseas Investment Office
Ordinary Resolution	a resolution of Shareholders approved by a least 50% of the votes of those Shareholders entitled to vote and voting on the matter
PFI Case	Variation Proposal is approved, Restructuring and Associated Transactions proceed and $185 million is raised under the IPO
REAA	the Real Estate Agents Act 2008

REIM	real estate investment management
Restructuring	the Stapling and the Distribution
Ruling	the binding tax ruling Stride has received from the IRD in respect of Stapling
Sale and Purchase Agreement	the sale and purchase agreement between Stride and SIML dated 29 April 2016 relating to Stride's REIM business
SCA Properties	the 14 properties currently owned by Shopping Centres Australasia Property Group Trustee NZ Limited
Shareholders	those people who hold ordinary shares in Stride and/or SIML
Share Registrar	Computershare Investor Services Limited
SIML	Stride Investment Management Limited
SIML Shares	ordinary shares of SIML
Special Meeting	the special meeting of Shareholders to be held at Federal Room 2, Rydges, 59 Federal Street, Auckland on 30 June 2016 commencing at 9.00am
Special Resolution	a resolution of Shareholders approved by at least 75% of the votes of those Shareholders entitled to vote and voting on the matter
Staple or Stapled	the linking together of the Stride Shares and SIML Shares so that one may not be transferred, or otherwise dealt with, without the other and which are quoted on the NZX Main Board as a "Stapled Security" or any other term as NZX permits
Stapled Entity	Stride or SIML and, if any other securities are attached, the issuer of any such securities
Stapled Group	Stride and SIML together, and any subsidiaries of Stride or SIML
Stapled Security	one Stride Share and one SIML Share that are Stapled together and registered in the name of a holder of a Stapled Security in both the Stride share register and the SIML share register. Each reference to a Stapled Security in this Explanatory Memorandum is taken to refer to one Stride Share and one SIML Share in their legal capacity as separate securities, but which are traded together following Stapling
Stapling	the process that results in Stride Shares and SIML Shares being and remaining Stapled to each other
Stapling Deed	the stapling deed between Stride and SIML that sets out the terms of Stapling
Stapling and Distribution Record Date	5:00pm 8 July 2016, being the date on which Shareholders eligible to receive SIML Shares will be determined
Stride	Stride Property Limited
Stride Group	Stride and its subsidiaries
Stride Shares	ordinary shares of Stride
Takeovers Code	the Takeovers Code promulgated under the Takeovers Code Approval Order 2000
Trustee	Equity Trustees Limited as the trustee of Diversified
Unstaple or Unstapled	means, in relation to a Stride Share, not being Stapled to a SIML Share, and vice versa
Unstapling	the process that results in Stride Shares and SIML Shares no longer being Stapled
Variation Proposal	the proposal being put to Shareholders to amend the Constitution, in order to provide for Stapling
WALT	weighted average lease term

Schedule 1: Amendments to the Constitution

Approval for adoption of a new constitution

In their current form, the provisions of Stride's existing Constitution are insufficient to deal with the situation where the Stride Shares will be stapled to the SIML Shares. As such, the Board has proposed that Stride's existing Constitution be replaced by a new constitution that incorporates the necessary changes to implement and give effect to Stapling.

The constitution of SIML will mirror Stride's proposed new constitution, except in relation to the appointment and removal of Directors (as described above in Section 5 *The Boards and Management*). It is intended that the Stride Board and the SIML Board will have the same Directors in office at all times.

The Constitution has also been amended to reflect:

- the inclusion of definitions for the widely used terms "Ordinary Share" (to reflect Stapling), "Share" and "Shareholder";
- the replacement of the Securities Act 1978 and the Securities Transfer Act 1991, among other enactments, by the Financial Markets Conduct Act 2013;
- the participation of Shareholders in meetings by way of electronic communication; and
- other immaterial changes.

The Special Resolution proposed is that the existing Constitution be replaced by the proposed new constitution subject to the approval of the Stride Board with effect from the date determined by the Stride Board. The new constitution will not be adopted if the Stride Board determines that it is not in the best interests of Stride to adopt the new constitution.

To adopt a new constitution, a Special Resolution of Shareholders is required under section 32 of the Companies Act. The Special Resolution required is a resolution approved by 75% or more of the eligible votes cast on the resolution.

A copy of the proposed new constitution can be viewed on Stride's website at www.strideproperty.co.nz/investor-news/ and is available to shareholders free of charge from Stride upon request made by telephone 0800 151 251 (New Zealand only), +64 9 488 8708, by fax +64 9 912 2693, or by email to admin@strideproperty.co.nz.

Set out below is an explanation of the major differences between the existing constitution and the proposed new constitution.

Existing Constitution		**Proposed Constitution**	
Clause	Summary	Clause	Summary
-	-	1.3(a)	The provisions of the Constitution relating to Stapling will prevail over the other provisions of the Constitution, to the extent of any inconsistency.
-	-	1.3(b)	Sets out the key elements of Stapling (such as one Ordinary Share being Stapled to one SIML Share, and restrictions on the issue or transfer of Ordinary Shares) that are to apply for as long as Stapling applies.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
-	-	1.3(c)	Securities other than Ordinary Shares that are to be issued by Stride and Stapled with Securities of the same class being issued by SIML are to be Stapled on the same basis as the Ordinary Shares and SIML Shares are Stapled unless Stride and SIML agree otherwise.
		1.3(d)	If Stapling ceases to apply, provisions of the Constitution related or connected to Stapling will continue to apply to the extent they do not relate to Stapling.
3.1	The Group A and Group B share structure ceased to exist when the Constitution took effect, and all Group A and Group B shares became ordinary shares at that time.	-	There are no Group A or Group B shares under the Constitution, so this clause is no longer relevant.
-	-	4.2	While Stapling applies, the Directors may issue different Classes of Shares provided that each Share is issued in accordance with clause 1.3 and the Stapling Deed. If partly paid Ordinary Shares are issued while Stapling applies, SIML must issue corresponding SIML Shares on a partly paid basis, and those partly paid Ordinary Shares and partly paid SIML Shares are to be Stapled on the same terms as the Ordinary Shares are Stapled to the SIML Shares, and their respective terms of issue must be consistent with the provisions of the Constitution relating to payments, calls, forfeiture and liens, as they apply to the Shares.
4.3	The Stride Board may consolidate and divide Equity Securities or subdivide the Equity Securities in proportion to those Equity Securities.	4.3	The Stride Board may consolidate and divide Equity Securities or subdivide the Equity Securities in proportion to those Equity Securities. However, while the Stapling Provisions apply the Ordinary Shares may not be consolidated, divided or subdivided unless SIML also consolidates, divides or subdivides (as the case may be) the SIML Shares on the same terms.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
4.4	The Stride Board may resolve to apply any amount which is available for distribution to shareholders either in paying up in full shares or other Securities of Stride to be issued credited as fully paid or in paying up any amount which is unpaid on any other shares of Stride, or partly in one way and partly in the other.	4.4	If the Stride Board resolves to apply any amount which is available for distribution to Shareholders either in paying up in full Shares or other Securities of Stride to be issued credited as fully paid or in paying up any amount which is unpaid on any other Shares of Stride, or partly in one way and partly in the other, then: – any such issue of Shares or other Securities must be made in accordance with the Stapling Deed and the Stapling Provisions; and – paying up of any amount which is unpaid on any Ordinary Share must be done in accordance with clause 6.10 (Stapled Securities).
5.1	Stride may buyback, hold or redeem shares or other Equity Securities.	5.1	Stride may buyback or redeem Shares or other Equity Securities provided that, while Stapling applies, Stride may only purchase or otherwise acquire, redeem or hold Ordinary Shares if SIML also purchases or otherwise acquires, redeems or holds the SIML Shares to which the Shares are purchased, acquired, held or redeemed by Stride are Stapled.
-	-	6.10	While Stapling applies, a call may only be made in relation to an Ordinary Share where a call is also made in respect of the SIML Share to which it is Stapled, and a call in respect of a partly paid Ordinary Share will not be regarded as having been paid unless any amounts payable in respect of the partly paid SIML Share to which that partly paid Ordinary Share is Stapled are also paid.
7.2	Stride may sell a share on which it has a lien, and an amount in respect of that share remains unpaid for more than 10 Business Days after notice in writing demanding payment has been given.	7.2	If Stride has the right to sell an Ordinary Share under a lien while Stapling applies, Stride may sell that Ordinary Share, and the SIML Share to which it is Stapled, on terms agreed with SIML.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
7.4	The net proceeds from the sale of a share shall be applied in and towards satisfaction of any unpaid calls, instalments or other amounts, and the interest and any balance shall be paid to the person entitled to the share at the date of sale.	7.4	The net proceeds from the sale of a Share (and the SIML Share to which it is Stapled) shall be applied in and towards satisfaction of any unpaid calls, instalments or other amounts due and payable in respect of the Share (and the SIML Share to which it is Stapled), and the interest and any balance shall be paid to the person entitled to the Share (and the SIML Share to which it is Stapled) at the date of sale.
-	-	7.5	Where Stapling applies, and Stride intends to sell an Ordinary Share on which it has a lien and an amount in respect of that Ordinary Share remains unpaid, the SIML Share to which that Ordinary Share is Stapled must also be sold at the same time. On such sale, the holder of the Share and the SIML Share will cease to be a Shareholder and a shareholder of SIML.
8	The Stride Board may sell a share that is forfeited following notice to the shareholder that a call remains unpaid.	8	Where a forfeited Share is Stapled to a SIML Share, the Stride Board may sell the forfeited Share (and the SIML Share to which the Share is Stapled) on terms agreed with SIML.
-	-	8.7	Where Stapling applies, and Stride intends to forfeit and sell an Ordinary Share Stapled to a SIML Share, the SIML Share to which that Ordinary Share is Stapled will also be forfeited and sold. On such sale, the Shareholder simultaneously ceases to be a holder of Ordinary Shares and a shareholder of SIML. Similarly, if SIML exercises a power of sale in respect of SIML Shares that are Stapled to Ordinary Shares, those Ordinary Shares will also be sold and on such sale the relevant Shareholder will cease to be a Shareholder and a shareholder of SIML.
-	-	9.1	Each Ordinary Share must be Stapled to a SIML Share to form a Stapled Security.
-	-	9.2	The number of Ordinary Shares on issue must equal the number of SIML Shares on issue.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
-	-	9.3	The Directors and Stride must ensure that the Ordinary Shares remain Stapled to the SIML Shares, except where Stapling ceases to apply, so that each person holding Ordinary Shares holds an equal number of SIML Shares and Ordinary Shares. The Directors and Stride must use reasonable endeavours to ensure that the Ordinary Shares are treated, in the constitution of SIML, in a manner that is consistent with the treatment provided in the Constitution. The Directors and Stride may cause the securities, units or interests of another entity to be Stapled to the Ordinary Shares.
-	-	9.4	The Directors may not offer, allot or issue an Ordinary Share comprising part of a Stapled Security unless a SIML Share is also offered, allotted or issued (as applicable) to the same person to form a Stapled Security.
-	-	9.5	A Shareholder cannot accept, and Stride must not give effect to any acceptance of, an offer for the issue of, or an offer to buyback or redeem, an Ordinary Share unless the Shareholder also accepts a corresponding offer by SIML, so that the Shareholder continues to hold the same number of Ordinary Shares and SIML Shares.
-	-	9.6	The Stapled Securities must be registered in the Stapled Security Register, which is to be maintained by the Directors. The Stapled Security Register will, for as long as Stapling applies, form part of Stride's share register.
-	-	9.7	The provisions of the Constitution relating to Stapling will cease to apply or be suspended where the holders of Stapled Securities approve such cessation or suspension by way of Special Resolution, or an administrator, manager, receiver, liquidator or similar officer is appointed to Stride or SIML or their respective property, and the Directors resolve that such provisions cease to apply or are suspended following that appointment.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
-	-	10.3	While Stapling applies, Stride may only register the transfer of an Ordinary Share where the relevant SIML Share to which it is Stapled is transferred at the same time to the same transferee.
9.5	The Stride Board may decline to register any transfer of shares in certain specified circumstances.	10.6	While Stapling applies, the Stride Board may also decline to register a transfer of Ordinary Shares where the SIML Shares to which the Ordinary Shares are Stapled are not also transferred to the transferee of the Ordinary Shares.
9.7	The Stride Board may at any time give notice to any shareholder with less than a Minimum Holding that at the expiry of three months' notice, it will arrange the sale of that shareholder's shares if the shareholder still holds less than a Minimum Holding.	10.8	While Stapling applies, this power of sale will also be triggered if a Shareholder's Stapled Securities (i.e., their Ordinary Shares and the SIML Shares to which they are Stapled) comprise less than a Minimum Holding of Stapled Securities and the Shareholder still holds less than a Minimum Holding after expiry of that three months' notice, in which case the Shareholder's Stapled Securities will be sold.
9.12	The Stride Board may transfer to a Trust, which will sell the shares after three years, the shares of any person where three or more dividends have remained unclaimed for at least one year.	10.13	Where a Share is Stapled to a SIML Share, the Stride Board may transfer to a Trust a Shareholder's Shares (and SIML Shares to which the Shares are Stapled) where three or more dividends have remained unclaimed for at least one year. After three years, the Board may arrange for the sale of those Shares and any SIML Shares to which the Shares are Stapled.
10.2	A shareholder's Personal Representative is entitled to, among other things, be registered as holder of shares.	11.2	A Shareholder's Personal Representative is entitled to, among other things, be registered as holder of Shares, provided that the Personal Representative is also registered, at the same time, as the holder of SIML Shares to which those Shares are Stapled and is also registered in the Stapled Security Register as the Holder of the relevant Stapled Securities.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
-	-	12	A transfer or transmission of a Share will only be accepted if it is accompanied by a transfer of the SIML Share to which the Share is Stapled (if any) in favour of the same transferee. The Directors must not register a transfer of a Share that is Stapled to a SIML Share unless the SIML Share to which it is Stapled is also to be transferred simultaneously. If a person attempts to transfer a Share and the transfer is registered that is not accompanied by a transfer of the SIML Share to which it is Stapled (if any), Stride will be authorised to effect a transfer of the relevant SIML Share, and cause all rights to dividends attached to the Share to which the relevant SIML Share is Stapled to be suspended until that transfer is also provided.
-	-	13.1	While Stapling applies, the Stride Board may convene a meeting of Shareholders in conjunction with a meeting of any shareholders of SIML.
13.1	A meeting of shareholders may be held either as a physical meeting or by means of audio, or audio and visual, communication.	13.2	In addition to being held either as a physical meeting or by means of audio, audio and visual, or electronic communication, the Stride Board may determine that a meeting of Shareholders be held by a combination of a physical meeting and audio, audio and visual, or electronic communication.
-	-	13.4	While Stapling applies, shareholders of SIML and their representatives are entitled to attend meetings of Stride, be heard at such meetings and authorise a representative to attend and speak at any such meeting.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
12.1	Written notice of a shareholders' meeting must be sent to every shareholder entitled to receive notice of the meeting, every Director and the auditor of Stride.	14.1	In addition, notices of a Shareholders' meeting must be sent to NZX and SIML. No other person is entitled to receive notice of a meeting. A notice of meeting given to a Holder in relation to its Stapled Securities must be given consistently with the requirements under the constitution of SIML and may be, or form part of, the same notice for a meeting of shareholders of SIML.
12.3	The notice of a shareholders' meeting must state the nature of the business to be transacted at the meeting and the text of any special resolution to be submitted to the meeting.	14.3	In addition, notices of a Shareholders' meeting must set out the minority buy-out rights of Shareholders in the case of special resolutions required by sections 106(1)(a) or 106(1)(b) of the Companies Act.
15.2	If a shareholders' meeting is held by audio, or audio and visual, communication, voting shall be by voice, unless a poll is demanded.	17.2	If a Shareholders' meeting is held by audio, audio and visual, or electronic communication, voting shall be by any method permitted by the chairperson of the meeting, unless a poll is demanded.
15.5	No shareholder shall be entitled to vote at any meeting in respect of shares on which any call or other moneys are due and unpaid.	17.5	No Shareholder shall be entitled to vote at any meeting in respect of Shares on which any call or other moneys are due and unpaid, other than at a meeting of an interest group.
-	-	17.17	A Shareholder, or the Shareholder's proxy or Representative, may participate in a meeting by means of audio, audio and visual, or electronic communication if the Stride Board approves those means and the Shareholder, proxy or Representative complies with any conditions imposed by the Stride Board in relation to the use of those means.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
17.16(b)	The Board may permit postal votes to be cast by electronic means.	-	This provision is no longer relevant.
-	-	18.1(b)	A Shareholder may appoint more than one proxy for a particular meeting provided that more than one proxy is not appointed to exercise the rights attached to a particular Share held by that Shareholder.
20	A Director may be appointed by Ordinary Resolution. All Directors shall be subject to removal from office as director by Ordinary Resolution. Subject to the Listing Rules, the Stride Board may appoint additional Directors to fill a casual vacancy or as an addition to existing directors. The Directors are subject to the rotation provisions under the Listing Rules. Directors cease to hold office if the Director, among other things, dies, resigns from office by notice in writing to Stride or is removed from office pursuant to this Constitution or the Companies Act.	22	The composition of the Stride Board must mirror the composition of the SIML Board. The Directors in office as at the date of adoption of the Constitution shall continue in office. If a person is validly appointed as a director of SIML, that person will immediately become, and will be deemed to have been validly appointed as, a Director. Directors may only be, and will be, removed from office where they have been removed from, or cease to hold, office as a director of SIML. A Director cannot resign as a Director unless they also resign as director of SIML. Shareholders do not have the power to appoint or remove Directors by Ordinary Resolution. The Board does not have the power to appoint additional Directors (to fill a casual vacancy or otherwise).
21	Directors appoint any person who is not already a Director and who is approved by a majority of the other Directors to be the Director's alternate director by way of written notice to Stride. An Alternate Director will cease to be an Alternate Director if the appointing Director ceases to be a Director or revokes the appointment, an event occurs where the Alternate Director would be disqualified from being a Director, or a majority of the other Directors resolve to revoke the Alternate Director's appointment.	23	A person will be deemed to be appointed as an Alternate Director where that person has been appointed as a Director's alternate director on the SIML Board. An Alternate Director will cease to be an Alternate Director when that person ceases to be an alternate director of a Director on the SIML Board.

Existing Constitution		Proposed Constitution	
Clause	Summary	Clause	Summary
22	The Stride Board may from time to time appoint one of the Directors to be the managing Director either for a fixed term (of up to five years) or on such other terms as the Stride Board determines. The Stride Board may from time to time remove any such managing Director and appoint another or others in his or her place. Subject to the provisions of any contract between him or her and Stride, the managing Director may resign from office.	24	A Director will only be deemed to be appointed as the managing Director of Stride where they have been appointed as the managing director of SIML. The managing Director of Stride will be deemed to be removed where the SIML Board votes to remove that person as the managing director of SIML.
26.1	A dividend or other money payable in relation to shares may be paid by cheque sent through the post or in any other manner determined by the Stride Board.	28.1	A dividend or other distribution payable in cash may be paid in such manner as the Stride Board thinks fit.
-	-	31.4	The provisions of the Constitution relating to Stapling will cease to apply where SIML is wound up or a liquidator, receiver, administrator, statutory manager or similar is appointed to SIML.

Schedule 2: Prospective Financial Information

The prospective financial statements of Stride Property Limited ("Stride") and Stride Investment Management Limited ("SIML"), each a "Stapled Entity" and together the "Stapled Group" comprise the following Prospective Financial Information ("PFI") and other related information:

- basis of preparation and presentation;
- prospective statement of comprehensive income;
- prospective statement of financial position;
- prospective statement of changes in equity;
- prospective statement of cash flows;
- a description of the general and specific assumptions applied in preparing the PFI; and
- an analysis of the sensitivity of the PFI to changes in specific key assumptions.

Financial information is presented in New Zealand dollars and is rounded to the nearest thousand dollars (unless otherwise stated), which may result in some discrepancies between the sum of components and the totals shown within tables, and also in percentage calculations.

Financial information is presented for the Stapled Group on a consolidated basis.

A stapling of shares is a contractual 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. 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.

For accounting purposes, Stapling gives rise to the combination of the Stapled Entities into a single 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 and SIML, Stride would be identified as the 'parent' for the purposes of preparing the consolidated financial statements for the Stapled Group (comprised of Stride and SIML).

1.1 Basis of preparation and presentation

The PFI has been prepared in accordance with the requirements of Financial Reporting Standard 42 on Prospective Financial Statements, as required by clause 53(1)(c) of Schedule 3 to the Financial Markets Conduct Regulations 2014.

This PFI consists of the consolidated financial statements of the Stapled Group.

The PFI, and underlying assumptions, have been prepared by management and approved by Stride's Board (the "Directors"), specifically for the purpose of:

A. assisting Shareholders of Stride in forming a view about the Special Resolution to approve changes to Stride's constitution (the "Variation Proposal") which will provide for stapling of Stride's shares to shares in SIML; and

B. understanding the effect of the associated distribution of SIML shares to Stride shareholders and the demerger of Stride's large format retail assets to Investore Property Limited ("Investore").

The Directors have given due care and attention to the preparation of the PFI and authorised the PFI as at 9 June 2016 for the purpose stated above. The PFI may not be suitable for any other purpose.

PFI, by its nature, is inherently uncertain. It involves predictions of future events that cannot be assured as well as risks and uncertainties which are often beyond the control of the Stapled Entities. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management thereof may influence the success of the Stapled Group's business - with specific reference to Section 8 *Risks* in the Explanatory Memorandum. Accordingly, actual results will vary from the prospective financial information, and those variations may be significantly more or less favourable. The Directors cannot and do not guarantee the achievement of the PFI.

Financial periods

The PFI covers the following reporting periods:

- 1 April 2016 to 31 March 2017. Actual results for the month ended 30 April 2016 have been compared against the PFI and are materially consistent.
- 1 April 2017 to 31 March 2018. This is the first full financial year following the demerger, representing the first period where the profitability is representative of expected future performance.

For comparative purposes, this document also includes a statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for Stride for the year ended 31 March 2016 ("FY16"). The FY16 financials reflect the actual historical performance of Stride.

The Directors are responsible for and have authorised the issue of the PFI on 10 June 2016. There is no present intention to update the PFI or to publish PFI in the future, other than as required by regulations. The Group will present a comparison of the PFI with actual financial results in its FY17 and FY18 annual reports, as required by Regulation 64 of the Financial Markets Conduct Regulations 2014.

Base case and Alternative case

To assist shareholders in understanding the considered changes in the Stapled Entities and their impact on the prospective financial performance, the tables below present two scenarios.

Stride is currently pursuing two proposed transactions:

1. the variation of the terms and conditions of Stride's shares to provide for stapling of Stride's shares to shares in SIML, together with an associated distribution of SIML shares to Stride shareholders ("Variation & Stapling"); and
2. the distribution of existing Investore shares, currently held by Stride, to Stride shareholders and an initial public offering of new Investore shares ("Demerger & IPO").

The matrix of potential combinations of outcomes of the two proposed transactions are summarised in the table below.

Proposed transactions – matrix of potential outcomes

		Demerger & IPO occurs?	
		Yes	**No**
Variation & Stapling occurs?	**Yes**	Base case	Not shown
	No	Alternative case	Not shown

Base case scenario

The base case is based on the assumption that both of the proposed transactions occur.

The base case represents the Directors' best estimate of what they believe will occur based on events and conditions existing at the date of this Explanatory Memorandum and the assumptions and accounting policies set out in below.

Alternative case scenario

The alternative case is based on the assumption that the Demerger & IPO occurs but the Variation & Stapling does not occur. As a result, under this alternative scenario, it has been assumed that Stride loses its Portfolio Investment Entity ("PIE") status, which will impact the returns to investors.

Both scenarios assume Investore's acquisition of 14 properties from Shopping Centres Australasia Property Group Trustee NZ Limited ("SCA") occurs in two tranches being July 2016 and September 2016.

The primary difference between the base case and alternative case is that alternative case triggers a loss of PIE tax status in Stride. This does not significantly impact the Stapled Group's financial statements but it may have an impact on the tax status of the dividends paid to shareholders on a 30% or 33% tax rate.

The PFI shows the base case and the alternative case (as a sensitivity to base case). The rationale for not showing the remaining two scenarios (i.e. Demerger & IPO does not occur) is that there would be a number of options available to the Stride board at that time, and it is unreasonable to isolate the likely combination of options to develop alternative scenarios. These options, among others, could include combinations of:

- raising equity capital and/or debt in Stride to complete the proposed SCA property acquisitions;
- disposing of other Stride properties to raise additional funds for the proposed SCA property acquisitions; or
- reducing dividends to fund investment opportunities.

Explanation of certain non-GAAP financial measures

Distributable Profit is a non-GAAP financial measure intended to be adopted by the Stapled Group to assist investors in assessing the profit within the Stapled Group available for distribution. It is 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. Refer to the section entitled "Reconciliation of non-GAAP financial information for a reconciliation of Distributable profit (non-GAAP measure) to Net profit before tax.

Prospective financial statements

Statement of comprehensive income

			Base case		Alternative case	
For the year ending 31 March $'000	**Notes**	**Audited 2016 Actual**	**2017 Forecast**	**2018 Forecast**	**2017 Forecast**	**2018 Forecast**
Rental income	2	73,942	70,409	64,706	70,409	64,706
Property operating expenses	3	(4,688)	(7,092)	(6,545)	(7,092)	(6,545)
Net rental income		**69,254**	**63,317**	**58,161**	**63,317**	**58,161**
Management fee income	4	**1,823**	**9,160**	**12,886**	**9,160**	**12,886**
Corporate overhead expenses	5	(5,205)	(9,036)	(9,786)	(8,781)	(9,786)
Administration expenses	5	(3,168)	(3,254)	(3,345)	(2,903)	(2,929)
One-off project costs	5	-	(3,144)	-	(3,044)	-
Total corporate expenses		**(8,373)**	**(15,434)**	**(13,131)**	**(14,728)**	**(12,715)**
Net profit before net finance expenses, other income/(expenses) and income tax		**62,704**	**57,043**	**57,916**	**57,749**	**58,332**
Finance income	6	294	559	723	560	739
Finance expenses	6	(18,277)	(20,203)	(17,339)	(20,193)	(17,342)
Net finance expenses		**(17,983)**	**(19,644)**	**(16,616)**	**(19,633)**	**(16,603)**
Net profit before other income/ (expenses) and income tax		**44,721**	**37,399**	**41,300**	**38,116**	**41,729**
Other income/(expenses)						
Net change in fair value of investment properties	1	59,938	1,734	1,143	1,734	1,143
Gain/(loss on) disposal of investment properties		313	(224)	-	(224)	-
Impairment of intangible asset		(3,000)	-	-	-	-
Share of profits in associate	12	-	1,827	3,817	1,827	3,817
Net change value of other investments		256	-	-	-	-
Net profit before income tax		**102,228**	**40,736**	**46,260**	**41,453**	**46,689**
Income tax expense	7	(9,822)	(9,739)	(10,586)	(9,812)	(10,706)
Net profit after income tax attributable to shareholders		**92,406**	**30,997**	**35,674**	**31,641**	**35,983**
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Movement in cash flow hedges, net of tax		(7,751)	4,865	2,433	4,865	2,433
Changes in reserves in associate	12	-	383	-	383	-
Total other comprehensive income after tax		**(7,751)**	**5,248**	**2,433**	**5,248**	**2,433**
Total comprehensive income after tax attributable to shareholders		**84,655**	**36,245**	**38,107**	**36,889**	**38,416**
Total Stride comprehensive income after tax attributable to shareholders		84,655	37,666	37,904	36,889	38,416
Total SIML comprehensive income after tax attributable to shareholders		-	(1,421)	203	-	-
Total comprehensive income after tax attributable to shareholders		**84,665**	**36,245**	**38,107**	**36,889**	**38,416**

Statement of financial position

For the year ending 31 March $'000	Notes	Audited 2016 Actual	Base case 2017 Forecast	Base case 2018 Forecast	Alternative case 2017 Forecast	Alternative case 2018 Forecast
Current assets						
Cash and cash equivalents	9	5,086	4,122	4,369	4,276	4,540
Other current assets	8	1,856	2,275	2,715	1,812	2,260
Non-current assets intended for sale	1	58,054	-	-	-	-
Inventory	1	10,688	37,400	-	37,400	-
		75,684	**43,797**	**7,084**	**43,488**	**6,800**
Non-current assets						
Investment properties	1	1,216,760	841,863	883,310	841,863	883,310
Work in progress	1	326	1,577	1,577	1,577	1,577
Other Investments	12,13	1,944	85,668	85,550	85,668	85,550
Property, plant & equipment		805	895	768	895	768
		1,219,835	**930,003**	**971,205**	**930,003**	**971,205**
Total assets		**1,295,519**	**973,800**	**978,289**	**973,491**	**978,005**
Current liabilities						
Trade and other payables	8	14,448	9,068	9,174	8,532	8,650
Current tax liability		700	3,139	3,450	3,177	3,490
Derivative financial instruments		645	-	-	-	-
		15,793	**12,207**	**12,624**	**11,709**	**12,140**
Non-current liabilities						
Bank borrowings	12	531,600	356,692	359,631	356,340	359,274
Deferred tax liability		14,236	13,374	15,621	13,374	15,621
Derivative financial instruments		14,474	8,361	4,983	8,361	4,983
		560,310	**378,427**	**380,235**	**378,075**	**379,878**
Total liabilities		**576,103**	**390,634**	**392,859**	**389,784**	**392,018**
Net assets		**719,416**	**583,166**	**585,430**	**583,707**	**585,987**
Share capital	13	633,449	499,294	499,294	499,294	499,294
Retained earnings		96,340	88,513	88,195	89,054	88,752
Reserves		(10,373)	(4,641)	(2,059)	(4,641)	(2,059)
Equity		**719,416**	**583,166**	**585,430**	**583,707**	**585,987**
Stride Equity		719,416	581,890	584,250	583,707	585,987
SIML Equity		-	1,276	1,180	-	-
Total equity		**719,416**	**583,166**	**585,430**	**583,707**	**585,987**

Statement of changes in equity

For the year ending 31 March $'000	Notes	Audited 2016 Actual	Base case 2017 Forecast	Base case 2018 Forecast	Alternative case 2017 Forecast	Alternative case 2018 Forecast
Opening total equity		541,546	719,416	583,166	719,416	583,707
Movement in share capital	11,15	127,615	(134,155)	-	(134,155)	-
Movement in retained earnings	17	57,493	(7,827)	(318)	(7,286)	(302)
Movement in other reserves		(7,238)	5,732	2,582	5,732	2,582
Total equity at end of year		**719,416**	**583,166**	**585,430**	**583,707**	**585,987**
Represented by:						
Share capital						
Balance at start of year		505,834	633,449	499,294	633,449	499,294
Issue of shares		130,236	-	-	-	-
Capital raising expenses		(2,621)	-	-	-	-
Demerger of shares	15	-	(134,155)	-	(134,155)	-
Balance at end of year		**633,449**	**499,294**	**499,294**	**499,294**	**499,294**
Retained earnings						
Balance at start of year		38,847	96,340	88,513	96,340	89,054
Net profit after income tax		92,406	30,997	35,674	31,641	35,983
Dividends paid	14	(34,913)	(37,081)	(36,474)	(37,184)	(36,767)
Movement in employee long term share incentive plan		-	179	482	179	482
Transfer from other reserves on demerger on Investore	15	-	(1,922)	-	(1,922)	-
Balance at end of year		**96,340**	**88,513**	**88,195**	**89,054**	**88,752**
Other reserves						
Balance at start of year		(3,135)	(10,373)	(4,641)	(10,373)	(4,641)
Movement in cash flow hedges, net of tax		(7,751)	2,943	2,433	2,943	2,433
Movement in employee long term share incentive plan		513	484	149	484	149
Transfer of movement in cash flow hedges, net of tax to retained earnings on demerger of Investore	15	-	1,922	-	1,922	-
Changes in reserves in associate	12	-	383	-	383	-
Balance at end of year		**(10,373)**	**(4,641)**	**(2,059)**	**(4,641)**	**(2,059)**
Total equity at end of year		**719,416**	**583,166**	**585,430**	**583,707**	**585,987**

Statement of cash flows

			Base case		Alternative case	
For the year ending 31 March $'000	Notes	Audited 2016 Actual	2017 Forecast	2018 Forecast	2017 Forecast	2018 Forecast
Cash flows from operating activities						
Rent received		75,382	71,318	65,396	71,318	65,396
Management fee income	4	1,823	8,147	12,894	8,147	12,894
Interest received		255	89	59	90	75
Dividends received		5	-	-	-	-
Operating expenses (including goods and services tax)		(10,289)	(19,234)	(18,107)	(19,052)	(17,689)
One-off project costs		-	(3,144)	-	(3,044)	-
Interest paid		(17,282)	(19,581)	(17,198)	(19,573)	(17,202)
Income tax paid		(9,234)	(9,285)	(8,973)	(9,319)	(9,092)
Net cash provided by operating activities		**40,660**	**28,310**	**34,071**	**28,567**	**34,382**
Cash flows from investing activities						
Proceeds from disposal of investment properties	1	19,656	69,829	-	69,829	-
Proceeds from disposal of property, plant and equipment		4	-	-	-	-
Dividend income from investments	12,13	-	2,217	4,600	2,217	4,600
Acquisition of investment	12,13	(329)	(14,799)	-	(14,799)	-
Capital expenditure on investment properties	1	(72,788)	(41,980)	(4,668)	(41,629)	(4,662)
Acquisition of investment properties		(304,552)	-	-	-	-
Property, plant and equipment purchased		(728)	(300)	(75)	(300)	(75)
Net cash applied to investing activities		**(358,737)**	**14,967**	**(143)**	**15,318**	**(137)**
Cash flows from financing activities						
Drawdown on bank borrowings		373,322	65,377	4,293	65,026	4,286
Repayment of bank borrowings	10	(147,292)	(69,829)	(1,500)	(69,829)	(1,500)
Proceeds from equity issued		130,236	-	-	-	-
Capital raising expenses		(2,621)	-	-	-	-
Dividends paid	14	(34,913)	(37,081)	(36,474)	(37,184)	(36,767)
Cash demerged to Investore		-	(2,708)	-	(2,708)	-
Net cash provided by financing activities		**318,732**	**(44,241)**	**(33,681)**	**(44,695)**	**(33,981)**
Net increase/(decrease) in cash and cash equivalents held		655	(964)	247	(810)	264
Opening cash and cash equivalents		4,431	5,086	4,122	5,086	4,276
Closing cash and cash equivalents	9	**5,086**	**4,122**	**4,369**	**4,276**	**4,540**

1.2 Assumptions underlying prospective financial information

This section provides an overview of the principal assumptions on which the PFI has been prepared. These assumptions should be read in conjunction with the sensitivity analysis below. The Prospective Financial Statements comply with the requirements of FRS-42.

Accounting policies

The Stapled Group has applied consistent accounting policies throughout the prospective period, based on Stride's historical accounting policies presented in the audited financial statements for FY16, which can be found on the Investor News + section of Stride's web site (www.strideproperty.co.nz).

It is assumed that no material changes in NZ GAAP occur within the prospective period.

The accounting policy on 'Investment in associates' can be found in Note 16.

General assumptions

The following general assumptions have been made in preparing the PFI:

- General economic environment – there will be no change in the general economic environment in which the Stapled Group operates;
- Legislative and regulatory environment – there will be no material changes to the legislative or regulatory environments in which the Stapled Group operates;
- Markets operated in – the Stapled Group will continue to operate only in New Zealand over the prospective period;
- Competitive environment – there will be no material change to the competitive dynamics of the market in which the Stapled Group operates, and no new entrants that will materially change the competitive environment;
- Key customers and suppliers – existing contractual, business and operational relationships are assumed to continue throughout the prospective period. There will be no unanticipated loss of key tenants, suppliers or agents;
- Tenant bankruptcy or insolvency – no tenant bankruptcy or insolvency is assumed in the prospective period;
- Operational disruption – there will be no material disruptions to operations such as natural disasters, fires or explosions and normal hazards associated with operating the Stapled Group's business;
- Legal exposure – there will be no unexpected litigation or contractual disputes;
- Asset acquisitions or disposals – there will be no material acquisitions or disposals by Stride other than those detailed within the PFI;
- Interest rate environment – there will be no material and/or sudden changes to the interest rate environment; and
- Taxation –there will be no material change to the income tax or goods and services tax regimes in New Zealand. Corporate tax rates are assumed to remain unchanged. It is assumed that there will be no change to the existing legislation regarding taxation of capital gains. It is assumed that Stride will continue to qualify as a Portfolio Investment Entity for the prospective period.

Specific assumptions – operating activities

This section provides an overview of various specific assumptions applied in preparing the PFI.

1. Property portfolio

A summary of all of the assumed property portfolio movements is presented in the table below:

Investment property movements

For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Opening fair value of investment property	**1,274,814**	**841,863**
Investment property movements:		
- Transfer of large format retail assets to Investore	(86,950)	-
- Transfer of capital expenditure on assets to Investore	(232)	-
- Demerger of Antipodean assets in Investore	(287,000)	-
- Disposals to third parties	(70,053)	-
Total investment property movements	**(444,235)**	**-**
Transfer from inventory	-	37,400
Property capital expenditure	11,284	4,047
NZ IFRS adjustments	(1,378)	(1,143)
Fair value movement	1,378	1,143
Closing fair value of investment property	**841,863**	**883,310**

Investment property movements

It is assumed that Stride will transfer six large format retail properties to Investore prior to the demerger for total consideration of $86.95m, based on independent valuations of the properties as at 31 March 2016. In total, 25 properties (comprising the six aforementioned large format retail properties and the 19 Antipodean properties acquired in November 2015) will be demerged from the Stapled Group in FY17 as part of the Demerger & IPO transaction with a combined value of $373.95m (based on independent valuations of the properties as at 31 March 2016), which have been reconfirmed as at 23 May 2016 by the valuers.

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 under NZ IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations.

Any gain or loss arising from a change in the 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.

As at 31 March 2016, $58.1m of investment properties were classified as non-current assets intended for sale.

In addition to the demerged assets, the PFI assumes further investment property disposals to third parties to the gross value of $70.9m in FY17, with the forecast loss on sale of $0.2m net of disposal costs, reflected in the statement of comprehensive income. Of these disposals, $13.4m of property sales have completed to date, with a further $57.5m under unconditional offer as at 9 June 2016.

No investment properties are assumed to be disposed in FY18. Notwithstanding this assumption, the shareholders should be aware that Stride may direct the sale of properties if it believes it is in the best interests of shareholders and as part of its capital management approach.

Inventory

Stride's inventory relates to the development of the NorthWest Two property 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.

NorthWest Two development expenditure as at 31 March 2016 was $10.7m and the PFI provides for further development expenditure of $26.7m. The development is expected to be completed by October 2016. The PFI shows the inventory value being reclassified to investment property in FY18.

The PFI includes a revaluation movement in FY17 of $0.4m arising from the elimination of the development fees charged by SIML to Stride.

Development capital expenditure

Allowance has been made in the PFI in FY17 for $1.25m development expenditure in relation to the future development of the Johnsonville Shopping Centre.

Property capital expenditure
In line with maintaining the quality of Stride's portfolio, allowances have been made for capital expenditure improvements to the underlying portfolio. The value of planned capital expenditure is $11.3m and $4.0m for FY17 and FY18, respectively.

NZ IFRS adjustments
The PFI includes no revaluation gains in FY17 and FY18 other than those arising from the projected capital expenditure described above. The fair value movement shown in the PFI represents the unwinding of accounting NZ IFRS adjustments related to the smoothing of stepped rentals, rent free periods, and lease incentives.

2. Rental income

	Audited	Base case		Alternative case	
For the year ending 31 March $'000	**2016 Actual**	**2017 Forecast**	**2018 Forecast**	**2017 Forecast**	**2018 Forecast**
Large format retail	21,633	14,132	7,021	14,132	7,021
Retail	22,396	27,430	28,120	27,430	28,120
Industrial	11,710	11,503	10,811	11,503	10,811
Office	18,650	17,143	16,809	17,143	16,809
Development	-	1,021	2,635	1,021	2,635
Land	277	88	-	88	-
Total rental income before NZ IFRS adjustments	**74,666**	**71,317**	**65,396**	**71,317**	**65,396**
NZ IFRS adjustments	(724)	(908)	(690)	(908)	(690)
Total rental income	**73,942**	**70,409**	**64,706**	**70,409**	**64,706**

Rental income has been projected based on existing leases going to term and assumptions for future market rentals and future leasing of existing properties and properties to be acquired. As at 9 June 2016, the amount of contracted/confirmed rent is approximately 95% for FY17 and 85% for FY18.

The future market rentals have been determined using independent valuations and after considering market rental growth predictions. The assumed market rental growth rate is generally 2% per annum over the PFI period.

NZ IFRS adjustments relate to the smoothing of stepped rentals and rent free periods across the term of the respective leases.

3. Property operating expenses
Property operating expenses have been projected based on existing contracts, assumptions for future costs and an assumed growth rate of approximately 2% per annum in the forecast periods. The consumer price index has been used as a measure of expense growth in the projections (based on NZIER consensus forecasts). An allowance has been made in the PFI of $1.4m and $0.6m in FY17 and FY18 respectively for planned maintenance expenditure.

4. Management fees
The PFI assumes that SIML will receive management fees for managing Diversified, Investore and Stride. The management fees paid from Stride to SIML eliminate and, accordingly, do not appear in the Prospective Statement of Comprehensive Income for the Stapled Group.

Under the base case, management fees of $4.7m (FY17) and $5.9m (FY18) are assumed to be paid from Stride to SIML during the PFI period.

Under the alternative case scenario, SIML recharges the cost of corporate overheads associated with management of the Stride properties, on a cost recovery basis, rather than charge a management fee.

5. Corporate and administration expenses
Corporate expenses relate to staff and other overhead expenses relating to the day to day operation of the real estate investment management business.

In the base case, these expenses are forecast to be $9.0m and $9.8m for FY17 and FY18, respectively. The forecasted expenses are significantly higher than the corporate expenses incurred in FY16 due to growth in operations and properties under management in the past 12 months (mainly relating to Stride's acquisition of the Antipodean assets) and over the PFI period.

Effective from 1 May 2016, the corporate overhead expenses are incurred by SIML. Under the alternative case scenario, where Stride is not subject to a management fee structure, SIML charges Stride the cost of providing property management services for the Stride portfolio.

Administration expenses relate to on-going corporate governance costs required for both Stride and SIML, such as Directors' fees and compliance costs including audit fees, interim and annual reporting and NZX fees. In the base case, these expenses are forecast to be $3.3m for both FY17 and FY18. In the alternative case scenario, these costs are lower as there are reduced compliance costs. All of these costs are expensed to the statement of comprehensive income.

One-off restructuring and other transaction costs

Project related costs of $3.1m are assumed for FY17. This includes project costs relating to advisor fees in connection with the Demerger & IPO and the Variation & Stapling, as well as SIML's NZX listing fee (under the base case scenario only).

6. Finance income and expenses

Stride uses interest rate swaps to hedge against the risks associated with floating rate debt. Stride has an interest rate hedging policy which sets out the minimum and maximum hedging requirements for various time intervals. The policy is summarised in the following table together with the assumed hedging ratio adopted in the PFI:

Policy			
Period of cover	**Minimum Cover**	**Maximum Cover**	**PFI assumed hedging ratio**
0 to 1 years	65%	100%	66%
1 to 3 years	50%	100%	53%
3 to 5 years	20%	80%	41%
5 to 10 years	0%	60%	24%

The assumed finance expenses for the fixed-rate debt over the prospective period are based on the weighted average swap rate from Stride's existing swaps, allowing for the margin and line fees charged by its lenders and the cost of hedging. The weighted average fixed rate inclusive of margin is assumed to be in the range of 5.1% to 5.8%. The weighted average floating rate inclusive of margin is assumed to be in the range of 3.8% to 4.5%. The weighted average of both the fixed and floating rates inclusive of margin is assumed to be in the range of 4.6% to 5.4% for the prospective period, based on agreed line fees, margins and current swap rates.

In the PFI the interest expense relating to the Stapled Group's unhedged loan amounts has been forecasted using external forward interest rates, plus an additional margin of 12.5bps.

7. Income Tax

The PFI assumes tax is paid at the current New Zealand corporate income tax rate of 28%. In accordance with Stride's existing accounting policies, no depreciation expense is deducted for accounting purposes on investment properties, but depreciation on building fit-out is deducted for tax purposes.

The PFI includes the accrual of a deferred tax liability. This represents the future tax liability that will be payable for depreciation that will be recovered upon sale of the underlying properties. The year ending 31 March 2017 assumes the payment of $4.3m of Stride's deferred tax liability upon disposal of the Investore portfolio and other properties.

8. Working capital

It has been assumed that there will be no material changes to the working capital profile of the Stapled Group. Trade receivables are based on the assumed billing and collection profiles. Trade and other payables are based upon the assumed expenses for the prospective period and assumed payment terms.

Specific assumptions – capital structure and financing activities

9. Cash

The PFI assumes that 95.0% - 97.6% of distributable profits will be paid out to shareholders on a quarterly basis throughout the PFI period. Any free cash flow generated is retained in an interest bearing account until it is distributed.

10. Total debt

Total debt includes bank borrowings, net of capitalised refinancing costs.

As part of the Investore demerger process, $160m of bank debt will be demerged to Investore. A further cash payment from Investore to Stride to clear the intercompany balance at demerger ($11.2m) will be used to repay bank debt. Stride will also part fund its investment in Investore through debt ($9.5m - refer note 12).

Proceeds from disposals to third parties in FY17 are assumed to repay bank debt.

Stride has entered into bank financing agreements with a syndicate of four New Zealand banks; Westpac, ANZ, BNZ and CBA. The financing arrangements have been split into two facilities as summarised in the table below:

NZ $'000s	Tenor (Years)	Amount
Facility A	3	200,000
Facility B	5	200,000
Total		**400,000**

11. Share capital

As part of the Investore demerger process, Investore shares owned by Stride and valued at $134.2m prior to the Demerger will be distributed to Stride shareholders at no charge.

No additional equity capital is assumed to be raised by the Stapled Group during the PFI period.

12. Investment in Investore

Stride intends to hold 19.9% of the shares in Investore following Investore's capital raise. Given the extent of Stride's equity investment, the appointment of SIML, the expectation that two of Stride's current directors will also be Investore directors during the PFI period, and that the Chair of Investore is one of the Independent Directors and has the casting vote, Stride's Board has concluded that Stride will retain 'significant influence' over Investore. As such, within the PFI period, Stride's investment 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, the PFI assumes Stride will initially recognise its investment in Investore at cost of $77.9m, with the carrying amount being increased to recognise Stride's 19.9% share of Investore's profits after the date of acquisition, and its share of post-acquisition movements in other comprehensive income.

The PFI assumes Stride's share of Investore's post acquisition profits to be $1.8m for FY17 and $3.8m for FY18, reflected in the net profit before income tax of the Stapled Group's statement of comprehensive income as share of profits in associate. The PFI assumes Stride's share of Investore's post acquisition movements in other comprehensive income as $0.4m for FY17 and $Nil for FY18, included within other comprehensive income reserves in the Stapled Group's Statement of Comprehensive Income Financial Position.

The PFI assumes that there will be no impairment of Stride's investment in Investore in FY17 or FY18.

13. Investment in Diversified NZ Property Fund

As at 31 March 2016, Stride held approximately 2% of the convertible notes of Diversified NZ Property Fund Limited (DNZPF). DNZPF has entered into an agreement to acquire the Westfield Queensgate Shopping Centre, Wellington, and the Westfield Chartwell Shopping Centre, Hamilton, for $445 million. Settlement of the acquisition is expected to occur in a restructured investment vehicle, which will continue to comprise the existing investors and be managed by Stride. Stride will contribute up to $5.3 million of capital to complete the acquisition which is expected to occur in July 2016. The PFI assumes no fair value growth in relation to Stride's investment in DNZPF.

14. Dividends and dividend policy

The proposed dividend policy for the Stapled Group, to be adopted upon completion of the Restructuring, is the same as the existing Stride dividend policy. This involves distributing dividends which are broadly in line with operating cash flows. In particular, the Stapled Group intends to distribute between 95% and 100% of Distributable Profit annually. Distributable Profit is a non-GAAP financial measure intended to be adopted by the Stapled Group to assist investors in assessing the profit within the Stapled Group available for distribution. It is 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.

		Base case		Alternative case	
For the year ending 31 March $'000	**Audited 2016 Actual**	**2017 Forecast**	**2018 Forecast**	**2017 Forecast**	**2018 Forecast**
Distributable Profit after income tax	**37,127**	**37,205**	**38,072**	**37,392**	**38,382**
% distributed	*96.0%*	*97.6%*	*95.0%*	*97.6%*	*95.0%*
Dividends declared	**35,644**	**36,312**	**36,168**	**36,495**	**36,463**
Dividends paid					
Relating to the prior period net profit	9,289	10,020	9,251	10,020	9,331
Relating to the current period net profit	25,624	27,061	27,223	27,164	27,436
Total dividends paid	**34,913**	**37,081**	**36,474**	**37,184**	**36,767**

The Stapled Entities intend to declare dividends on a quarterly basis throughout FY17 and FY18. Assumed dividends are on the basis the financial performance is fully achieved and that no other relevant factors arise that would adversely impact the ability of the Stapled Entities to pay and impute those dividends.

The payment of dividends and other distributions is solely at the Board's discretion and depends on a number of factors. The payment of dividends is not guaranteed and the Stapled Entities' policies may change in the future.

Stride's existing dividend policy is to distribute between 95% and 100% of Distributable Profit on a quarterly basis. A pay-out ratio of 95% - 97.6% has been assumed for the PFI period.

It is intended that dividends will be paid at the end of each financial quarter in respect of the preceding quarter's Distributable Profit.

Dividend yield represents a ratio between dividends declared with respect to the relevant financial period's net profit and the share price assumed.

Distributable Profit is a non-GAAP measure. Refer to the reconciliation of net profit after tax to distributable profit on page 85.

Stride has outlined its revised guidance for the FY17 dividend given this will transition to dividend payments from Stride, SIML and Investore. The benefit of the Variation Proposal, Restructuring and Associated Transactions will be partially reflected in FY17 and fully reflected in FY18. There are a number of key factors that will impact the dividend profile in FY17:

- Investore will only be declaring dividends for Q2 (quarter ending 30 September 2016), Q3 and Q4 in FY17 to be paid in Q3 and Q4 in FY17 and Q1 in FY18, respectively;
- Investore will not realise the full benefit of the SCA transaction until Q3 FY17 as this acquisition occurs in two tranches;
- Due to the completion of the Demerger occurring on 11 July 2016, the distributable profit available for dividends in Q2 FY17 will have lesser days of distributable profit than a regular quarter for Investore.

The following table outlines the forecast dividends to be received by a current Stride Shareholder (on a cents per share basis). Considering this, FY18 represents the first financial period where Stride, SIML and Investore dividends are representative of a full period.

Base case – Dividend per share (DPS)

For the year ending 31 March NZ$	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	4Q 18	2017 Forecast	2018 Forecast
DPS (cps) - Stride	2.72	2.02	2.02	2.02	2.07	2.07	2.07	2.07	8.79	8.28
DPS (cps) - SIML	-	0.39	0.39	0.39	0.41	0.41	0.41	0.41	1.17	1.63
DPS (cps) - Investore	-	1.38	1.91	1.85	1.78	1.88	1.90	1.90	5.13	7.46
Total DPS	**2.72**	**2.76**	**2.89**	**2.88**	**2.92**	**2.95**	**2.95**	**2.95**	**11.25**	**11.77**
Annual Cash DPS				**11.25**				**11.77**		

Notes:
1. FY17 based on 97.6% pay-out ratio and FY18 on a 95% pay-out ratio.
2. No tax adjustment to SIML DPS.
3. Based on forecasted shares on issue at year end.
4. Stride and SIML DPS presented assuming total DPS for the year is paid in even increments. In practice, dividends declared may be uneven.

15. Impact of demerger and investment in Investore on Stride's statement of financial position

This Section contains a pro forma statement of financial position of Stride as at 31 March 2016 (Pro forma Statement of Financial Position).

Basis of preparation

The Pro forma Statement of Financial Position has been prepared for illustrative purposes, to assist shareholders to understand the financial position of Stride. By its nature, pro forma financial information is illustrative only. Consequently, the Pro forma Statement of Financial Position does not reflect the actual financial position of Stride at the relevant time.

The Pro forma Statement of Financial Position has been prepared by extracting Stride's statement of financial position from Stride's FY16 audited financial statements. The Stride financial statements for the period ended 31 March 2016 have been audited by PricewaterhouseCoopers in accordance with New Zealand Auditing Standards and the audit opinion issued relating to those financial statements was unqualified.

The Pro forma Statement of Financial Position has been prepared on the basis that the following transactions occurred on 31 March 2016:

- The demerger of Investore from Stride. The adjustment amount is the estimate of Investore's net assets at the demerger of $134.2m;
- Conversion of the intercompany advance between Investore and Stride to share capital of $68.5m; and
- Stride's acquisition of additional shares in Investore to increase its investment to a 19.9% share, at a cost of $9.5m.

Unless otherwise noted, the Pro forma Statement of Financial Position has been prepared in accordance with the recognition and measurement principles prescribed by financial reporting accounting standards, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in the preparation of the Pro forma Statement of Financial Position are consistent with those set out in Stride's Annual Report for FY16.

The financial information in Note 15 is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual financial report prepared in accordance with the Financial Reporting Act.

The Pro forma Statement of Financial Position has been prepared in order to give investors an indication of Stride's statement of financial position in the circumstances noted in the basis of preparation above, and does not state the actual financial position of Stride at the completion of the transactions. No adjustments have been made to reflect the trading of Stride since 31 March 2016.

Description $'000	As at 31 March 2016	Investore demerger & retained Investore stake	Additional Investore shares brought on market	Pro Forma Balance Sheet
Current assets				
Cash, trade receivables and other	6,942	(3,063)	-	3,879
Non-current assets intended for sale	58,054	-	-	58,054
Inventory	10,688	-	-	10,688
	75,684	**(3,063)**	**-**	**72,621**
Non-current assets				
Investment properties	1,216,760	(374,182)	-	842,578
Investments and other	3,075	68,461	9,485	81,021
	1,219,835	(305,721)	9,485	923,599
Total assets	**1,295,519**	**(308,784)**	**9,485**	**996,220**
Current liabilities				
Trade and other payables	14,448	(1,009)	-	13,439
Other current liabilities	1,345	(622)	-	723
	15,793	**(1,631)**	**-**	**14,162**
Non-current liabilities				
Bank borrowings	531,600	(170,929)	9,485	370,156
Other non-current liabilities	28,710	(2,069)	-	26,641
	560,310	(172,998)	9,485	396,797
Total liabilities	**576,103**	**(174,629)**	**9,485**	**410,959**
Net assets	**719,416**	**(134,155)**	**-**	**585,261**
Share capital	633,449	(134,155)	-	499,294
Retained earnings	96,340	(1,922)	-	94,418
Reserves	(10,373)	1,922	-	(8,451)
Equity	**719,416**	**(134,155)**	**-**	**585,261**

16. Investments in associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associate' in the income statement.

Gains and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

1.3 Sensitivity analysis of prospective financial information

The PFI is sensitive to variations in certain assumptions used in its preparation. A summary of the likely effect that variations to certain assumptions may have on the PFI is detailed below. The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow investors to gain an understanding of potential sensitivities of financial outcomes to changes in key assumptions.

Care should be taken in interpreting the sensitivity information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting effects or compounding effects on other variables, the impact of which is not reflected in the PFI. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in the PFI.

Key assumptions that are considered to have a significant potential impact on the Stapled Group's performance during the PFI period are:

- Rental income
- Interest rates (on the unhedged portion of Stride's debt)
- Property valuations
- Capital expenditure
- Delay in DNZPF's acquisition completion of the Chartwell and Queensgate shopping centres.

The tables below illustrate the impact on Distributable Profit of adverse movements in these key assumptions used in the PFI Period. The below sensitivities do not take into account any mitigating measures that Stride may take should a change in these assumptions arise.

2017 Forecast Impact	**Distributable Profit $000**
Base case unsensitised figures	**37,205**
Assumptions	
Decrease in rental income (-10%)	(5,056)
Increase in interest rates (+100 bps)	(885)
Decrease in property valuations (-10%)	-
Increase in capital expenditure (+10%)	(12)
Diversified acquisition delay (+1 month)	(364)
Alternative case unsensitised figures	**37,392**
Assumptions	
Decrease in rental income (-10%)	(5,063)
Increase in interest rates (+100 bps)	(889)
Decrease in property valuations (-10%)	-
Increase in capital expenditure (+10%)	(12)
Diversified acquisition delay (+1 month)	(362)

2018 Forecast Impact	**Distributable Profit $000**
Base case unsensitised figures	**38,072**
Assumptions	
Decrease in rental income (-10%)	(4,555)
Increase in interest rates (+100 bps)	(1,097)
Decrease in property valuations (-10%)	-
Increase in capital expenditure (+10%)	(26)
Diversified acquisition delay (+1 month)	(0)
Alternative case unsensitised figures	**38,382**
Assumptions	
Decrease in rental income (-10%)	(4,572)
Increase in interest rates (+100 bps)	(1,097)
Decrease in property valuations (-10%)	-
Increase in capital expenditure (+10%)	(26)
Diversified acquisition delay (+1 month)	(0)

Reconciliation of non-GAAP financial information

Table 1: Reconciliation of Distributable Profit to Statutory Statement of Comprehensive Income

		Base case		Alternative case	
For the year ending 31 March $'000	**Audited 2016 Actual**	**2017 Forecast**	**2018 Forecast**	**2017 Forecast**	**2018 Forecast**
Net profit before income tax	**102,228**	**40,736**	**46,259**	**41,454**	**46,689**
Net change in value of property investments	(59,938)	(1,734)	(1,143)	(1,734)	(1,143)
Net change in fair value of other investments	(256)	-	-	-	-
Loss/(gain) on disposal of investment properties	(313)	224	-	224	-
Share of associate profit		(1,827)	(3,817)	(1,827)	(3,817)
Dividend income from associate		1,746	3,936	1,746	3,936
One-off project expense	-	3,144	-	3,044	-
Impairment of intangible asset	3,000	-	-	-	-
Net rent free incentives	52	237	193	237	193
Net lease contribution incentives	244	469	453	469	453
Fixed rental income	672	671	497	671	497
Other adjustments (note 1)	642	1,702	980	1,343	980
Distributable profit before tax	**46,331**	**45,368**	**47,357**	**45,627**	**47,787**
Current tax expense	(8,174)	(12,345)	(9,285)	(12,418)	(9,405)
Adjusted for:					
Tax expense on depreciation recovered on disposal of investment properties	(855)	4,291	-	4,291	-
Tax expense on capitalised interest	(175)	(109)	-	(109)	-
Distributable profit after income tax	**37,127**	**37,205**	**38,072**	**37,392**	**38,382**
Weighted average number of shares for purpose of basic distributable profit per share (000)	330,794	364,448	364,754	364,448	364,754
Basic distributable profit after income tax per share - weighted (cents)	**11.22**	**10.21**	**10.44**	**10.26**	**10.52**
Weighted average number of shares for purpose of diluted distributable profit per share (000)	331,290	365,387	365,735	365,387	365,735
Diluted distributable profit after income tax per share - weighted (cents)	**11.21**	**10.18**	**10.41**	**10.23**	**10.49**

Note:
1 Under the base case scenario, other adjustments includes $0.4m in FY17 of income that SIML expects to generate as a result of its' arms-length agreement with Stride. This has been eliminated on consolidation of the Stapled Group. However, SIML will be legally entitled to the cash relating to this income and this adjustment ensures it is reflected in Distribute Profit.

Schedule 3: Foreign Shareholder Disclosure

Australia

This document is not a prospectus, product disclosure document or any other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission). Section 708(15) of the Australian Corporations Act 2001 (**Australian Corporations Act**) provides that an offer of securities (which would include an offer of shares in a company) would not require disclosure to investors by way of a prospectus, or other disclosure document under Chapter 6D of the Australian Corporations Act, if no consideration is to be provided for the issue or transfer of those securities.

Canada

No securities commission or similar authority in any Canadian province (the **Provinces**) has reviewed or in any way passed upon this document, the merits of the securities or the offering of securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in any Provinces with respect to the offering of securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the securities.

Upon receipt of this document, each investor in Canada confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

Germany

The information in this document has been prepared on the basis that all offers of SIML Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Germany, from the requirement to produce a prospectus for offers of securities. This document has not been and will not be submitted to, nor has it been approved by, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht or "BaFin").

An offer to the public of SIML Shares has not been made, and shall not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, other institutional investors whose main activity is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of Stride or any underwriter for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by Stride of a prospectus pursuant to Article 3 of the Prospectus Directive.

This document and any other document relating to the SIML Shares, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer of the SIML Shares to the public in Germany. This document and other offering materials relating to the offer of the SIML Shares are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

Hong Kong

WARNING: The contents of this Information Memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Restructuring. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The SIML Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 150 natural or legal persons who are not qualified investors.

Japan

The SIML Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL"). Accordingly, the SIML Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to exemption from the registration requirements of, and in compliance with, the FIEL and any applicable laws and regulations of Japan.

Philippines

THE SECURITIES BEING OFFERED OR SOLD HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

Singapore

This Explanatory Memorandum and any other document or material in connection with the Restructuring and receipt of the SIML Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore and any offering of the SIML Shares is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (the "SFA") will not apply. This Explanatory Memorandum and any other document or material in connection with the Restructuring and receipt of the SIML Shares may not be taken or transmitted into any country where the distribution or dissemination is prohibited. Any such document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person. Any offer is not made to you with a view to the shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly. Stride is not in the business of dealing in securities nor does it hold itself out or purport to hold itself out to be doing so. As such, Stride is not licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

South Africa

The Restructuring does not constitute an offer of securities to the public in terms of the South African Companies Act and, accordingly, this Explanatory Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act and may not be distributed to the public in South Africa.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the SIML Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Investors may participate in the Restructuring only if they (i) are "qualified investors" (as defined in the Financial Instruments Trading Act) or (ii) non-qualified investors who are existing shareholders of Stride and who, in the aggregate, number less than 150 persons and are acting for their own account. Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The SIML Shares will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 et seqq. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the SIML Shares may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the SIML Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA). This document is personal to the recipient only and not for general circulation in Switzerland.

Thailand

This document is not intended to be an offer, sale or invitation for the subscription or purchase of securities in Thailand. This document has not been registered as a prospectus with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this document and any other documents and materials in connection with the offer, sale or invitation for the subscription or purchase of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any members of the public in Thailand.

United Arab Emirates (excluding Dubai International Financial Centre)

Neither this Explanatory Memorandum nor the SIML Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has Stride received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the SIML Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This Explanatory Memorandum does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of SIML Shares, may be rendered within the United Arab Emirates by Stride. No offer or invitation to subscribe for securities is valid in, or permitted from any person in, the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the Variation Proposal has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the SIML Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the SIML Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the SIML Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Stride. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

The Restructuring does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Any securities described in this Explanatory Memorandum have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any US state and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable US state securities laws. This Explanatory Memorandum has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Restructuring or the accuracy, adequacy or completeness of the Explanatory Memorandum. Any representation to the contrary is a criminal offence.US shareholders should note that the Variation Proposal involves a New Zealand entity and is made in accordance with the laws of New Zealand and the listing rules of the NZX.

Directory

Registered Office
Level 12, 34 Shortland Street
Auckland 1010

PO Box 6320, Wellesley Street
Auckland 1141
New Zealand

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

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Private Bag 92119, Auckland 1142
New Zealand

P +64 9 488 8777
E corporateactions@computershare.co.nz

Legal Advisers
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 6011
New Zealand