Contents

Part A: Prospective Financial Information

The prospective financial statements of Investore Property Limited (“Investore” or “the Company”) comprise the following Prospective Financial Information (“PFI”) and other PFI related information for the financial years ending 31 March 2017 (FY17) and 31 March 2018 (FY18):

- 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.

This document should be read in conjunction with Investore’s Product Disclosure Statement (“PDS”) dated 10 June 2016 and other information provided on the Disclose Register (www.business.govt.nz/disclose, offer number OFR10625).

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. Capitalised terms used but not defined in this document have the meanings given to them in Investore’s PDS.

Prior to 10 June 2016, Investore was called Stride LFR Limited (“Stride LFR”). References to Investore information before this date are references to Stride LFR.

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.

The PFI, and underlying assumptions, have been prepared by management and approved by Investore's Board (the "Directors") specifically for the purpose on an Initial Public Offer of shares in Investore (the "Offer"). The Directors have given due care and attention to the preparation of the PFI and authorised the PFI as at 10 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 Company. 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 Company's business - with specific reference to Section 8 "Risks to Investore's business and plans" in the PDS. Accordingly, actual results may vary from the PFI, 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:

- Forecast financial information for FY17 (ending 31 March 2017); and
- Forecast financial information for FY18 (ending 31 March 2018).

For comparative purposes this document also includes a statement of financial position for Investore as at 31 March 2016. This document does not include a statement of comprehensive income or statement of cashflows for the year ended 31 March 2016 (FY16). Given the impact of the acquisitions, those historical FY16 statements would not provide investors with a meaningful basis for comparison to the PFI.

Actual results for the month ended 30 April 2016 have been compared against PFI and are materially consistent. However, the FY17 forecast only reflects a partial impact of the acquisition of the Stride Assets and SCA Portfolio. In addition, no management fees, administration expenses and interest on the intercompany advance have been forecast prior to demerger (11 July 2016). As a result, FY17 is not representative of a full financial year.

FY18 represents the first financial period where the entire portfolio is held for a full 12 month period alongside an ongoing cost base, and therefore represents the first period where Investore's profitability is fully demonstrated. Investore believes this provides a better basis than FY17 for investors to assess the PFI.

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 Company 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.

Explanation of certain non-GAAP financial measures

Refer to the section entitled "Reconciliation of non-GAAP financial information" for a description and reconciliation of each adjustment to GAAP financial information.

1.2 Prospective financial statements

Statement of comprehensive income

For the year ending 31 March		2017	2018
$'000	Notes	Forecast	Forecast
Rental income	1, 2	37,303	46,659
Property operating expenses	3	(2,427)	(2,708)
Net rental income		34,876	43,951
Management fees expenses	4	(2,624)	(3,949)
Administration expenses	5	(1,279)	(1,558)
Transaction costs	6	(859)	-
Total corporate expenses		(4,762)	(5,507)
Net profit before net finance expenses, other expenses and income tax		30,114	38,444
Finance income	7	113	202
Finance expenses	7	(10,322)	(12,855)
Swap break expense	7	(2,670)	-
Net finance expenses		(12,879)	(12,653)
Net profit before other expenses and income tax		17,235	25,791
Other expenses			
Net change in fair value of investment properties	8	(1,235)	(581)
Net profit before income tax		16,000	25,210
Income tax expense	9	(4,492)	(6,027)
Net profit after income tax attributable to shareholders		**11,508**	**19,183**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedges, net of tax		2,050	-
Total other comprehensive income after tax		2,050	-
Total comprehensive income after tax attributable to shareholders		**13,558**	**19,183**

Calculation of forecast EBITDA:

For the year ending 31 March		2017	2018
$'000	Notes	Forecast	Forecast
Net profit after income tax attributable to shareholders		**11,508**	**19,183**
Add back:			
Income tax expense	9	4,492	6,027
Net finance expenses (excluding swap break expense)	7	10,209	12,653
Depreciation expense	8	-	-
EBITDA		**26,209**	**37,863**

Statement of financial position

As at 31 March $'000	Notes	2016 Audited	2017 Forecast	2018 Forecast
Current assets				
Cash and cash equivalents	**12**	34	8,472	9,365
Other current assets	**10**	354	235	235
		388	8,707	9,600
Non-current assets				
Investment properties	**8**	287,000	646,021	648,522
Deferred tax asset		796	-	-
		287,796	646,021	648,522
Total assets		288,184	654,728	658,122
Current liabilities				
Trade and other payables	**10**	966	1,179	1,190
Advance from parent	**15**	123,893	-	-
Current tax liability		704	1,574	1,737
		125,563	2,753	2,927
Non-current liabilities				
Bank borrowings	**13**	159,749	266,919	269,688
Deferred tax liability		-	956	2,002
Derivative financial instruments	**7**	2,848	-	-
		162,597	267,875	271,690
Total liabilities		288,160	270,628	274,617
Net assets		24	384,100	383,505
Share capital	**15**	-	382,350	382,350
Retained earnings		2,074	1,750	1,155
Reserves		(2,050)	-	-
Equity		24	384,100	383,505

Statement of changes in equity

For the year ending 31 March 2017 $'000	Notes	Forecast Share capital	Retained earnings	Other reserves	Total
Opening balance as at 31 March 2016		-	2,074	(2,050)	24
Transactions with shareholders:					
Dividends paid	**14**	-	(11,832)	-	(11,832)
Issue of shares	**15**	387,615	-	-	387,615
Capital raising expenses	**6, 15**	(5,265)	-	-	(5,265)
Total transactions with shareholders		382,350	(11,832)	-	370,518
Other comprehensive income:					
Movement in cash flow hedges, net of tax		-	-	2,050	2,050
Total other comprehensive income		-	-	2,050	2,050
Net profit after income tax		-	11,508	-	11,508
Total comprehensive income		-	11,508	2,050	13,558
Closing balance as at 31 March 2017		**382,350**	**1,750**	**-**	**384,100**

For the year ending 31 March 2018 $'000	Notes	Forecast Share capital	Retained earnings	Other reserves	Total
Opening balance as at 31 March 2017	**15**	382,350	1,750	-	384,100
Transactions with shareholders:					
Dividends paid	**14**	-	(19,778)	-	(19,778)
Total transactions with shareholders		-	(19,778)	-	(19,778)
Other comprehensive income:					
Movement in cash flow hedges, net of tax		-	-	-	-
Total other comprehensive income					
Net profit after income tax		-	19,183	-	19,183
Total comprehensive income		-	19,183	-	19,183
Closing balance as at 31 March 2018		**382,350**	**1,155**	**-**	**383,505**

Statement of cash flows

For the year ending 31 March		2017	2018
$'000	**Notes**	**Forecast**	**Forecast**
Cash flows from operating activities			
Rent received		36,849	46,078
Income tax paid		(1,963)	(4,818)
Operating expenses (including goods and services tax)		(6,628)	(8,205)
Net interest paid		(9,989)	(12,384)
Net cash provided by operating activities		18,269	20,671
Cash flows from investing activities			
Acquisition of investment properties	**8**	(268,180)	-
Capital expenditure on investment properties	**11**	(4,439)	(2,501)
Net cash applied to investing activities		(272,619)	(2,501)
Cash flows from financing activities			
Proceeds from equity issued	**15**	185,000	-
Capital raising expenses		(5,265)	-
Drawdown on bank borrowings		107,772	2,501
Refinancing of bank borrowings		(1,053)	-
Swap break expense	**7**	(2,670)	-
Dividends paid	**14**	(9,832)	(19,778)
Repayment of advance from parent		(11,164)	-
Net cash provided by financing activities		262,788	(17,277)
Net increase in cash and cash equivalents held		8,438	893
Opening cash and cash equivalents		34	8,472
Closing cash and cash equivalents		8,472	9,365

Reconciliation of prospective net profit after income tax attributable to shareholders to prospective net cash flows from operating activities

For the year ending 31 March $'000	Notes	2017 Forecast	2018 Forecast
Net profit after income tax attributable to shareholders		**11,508**	**19,183**
Add/(less) non-cash items:			
Movement in deferred tax		956	1,046
Amortisation of stepped rentals		(454)	(581)
Refinancing expenses		451	268
Net change in fair value of investment properties		1,235	581
		2,188	1,314
Add activity classified as financing activity:			
Swap break expense		2,670	-
		2,670	-
Movement in working capital			
Decrease in other current assets		94	-
Increase in trade and other payables		235	11
Increase in current tax liability		1,574	163
		1,903	174
Net cash provided by operating activities		18,269	20,671

1.3 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 risk factors set out in Section 8 of the PDS entitled “Risks to Investore’s business and plans” as well as the sensitivity analysis below.

Accounting policies

The Company has applied consistent accounting policies throughout the prospective period, based on the Company’s historical accounting policies presented in the audited financial statements for the year ended 31 March 2016, which can be found on the Disclose Register (www.business.govt.nz/disclose, offer number OFR10625).

It is assumed that there will be no material change in NZ GAAP during the prospective period.

The PFI does not reflect the new International Financial Reporting Standards in relation to Financial Instruments (NZ IFRS 9), Revenue from contracts with customers (NZ IFRS 15) or Leases (NZ IFRS 16). Each of these standards will be adopted at their respective effective dates (which are outside the PFI period).

The Prospective Financial Statements comply with the requirements of FRS-42.

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 Company operates
- Legislative and regulatory environment – there will be no material changes to the legislative or regulatory environments in which the Company operates
- Markets operated in – Investore 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 Company operates, and no new entrants that will materially change the competitive environment
- Retail industry – there will be no material change to prevailing large format retail industry structure or financial conditions and no events that would materially impact the large format retail industry which forms the main customer base of the Company
- 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 Company’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 Investore other than those detailed within the PFI
- Interest rate environment – there will be no material and/or sudden changes to the interest rate environment
- 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 and that the Company will depreciate the acquired assets for income tax purposes. It is assumed that the Company will continue to qualify as a Portfolio Investment Entity (“PIE”) 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

It is assumed that the capital raised under the IPO (together with new debt) will be used to acquire the following properties:

		Acquisitions			
	Existing portfolio (Mar 16)	Stride assets demerger	SCA Tranche 1	SCA Tranche 2	Total (post Sep 16)
Date		By 9-Jun-16	12-Jul-16	28-Sep-16	
Investment property acquired ($000)	287,000	86,950	128,100	139,300	641,350
FY18 rental income (pre-stepped rent amortisation) ($000)	19,483	6,989	9,583	10,023	46,078
Gross rental yield (%)	6.8%	8.0%	7.5%	7.2%	7.2%

The Investore Portfolio currently holds investment properties totalling $374.0m, comprising $287.0m of assets held as at 31 March 2016 and six large format retail properties previously owned by Stride which were acquired by Investore prior to demerger for a total consideration of $87.0m.

Investore has also entered into a conditional sale and purchase agreement to acquire 14 Countdown supermarkets from Shopping Centres Australasia Property Group Trustee NZ Limited ("SCA" or the "SCA Portfolio") for a total consideration of $267.4m, with completion scheduled for six properties on 12 July 2016, and eight properties on 28 September 2016.

Due Diligence and valuation process

Investore undertook customary legal and technical due diligence and commissioned independent valuations in respect of each of the properties in the Investore Portfolio and the SCA Portfolio.

Legal due diligence

Legal due diligence was carried out by independent legal advisers in respect of the Investore Portfolio and the SCA Portfolio, including:

- reviewing the titles and land information memorandums reports ("LIM Reports") for each property and reporting on any encumbrances, covenants or other interests on the titles or other material issues;
- reviewing each lease to identify any material issues;
- conducting public searches in respect of contamination; and
- completing a Q&A process with relevant vendors in respect of the properties.

Technical

Technical due diligence was carried out by an independent Chartered Building Surveying, environmental and compliance consultancy firm in respect of the Investore Portfolio and the SCA Portfolio, including:

- review of maintenance and replacement obligations;
- conducting site inspections to review the building structure and services;
- reviewing available seismic and environmental assessment reports, contamination reports and LIM Reports;
- producing a current condition assessment report; and
- preparing a 10 year capital expenditure and maintenance cost schedule for each property.

Valuations

Valuations in respect of each property within the Investore Portfolio and the SCA Portfolio were conducted. The valuations were performed by independent registered valuers who hold an annual practising certificate with the Valuers Registration Board and are members of the New Zealand Institute of Valuers. The valuers were provided with a copy of the technical due diligence reports referred to above.

The fair value of each property, representing the estimated price for which the property could be sold on the date of valuation in an orderly transaction between market participants, was calculated. In all valuations, both the capitalisation approach and discounted cash flow approach were applied in assessing the adopted value.

Each of the valuations have been carried out in accordance with the requirements set down within the International Valuation Standards 2013 and the Property Institute of New Zealand Valuation and Property Standards 2012.

In addition, each of valuations in respect of the Investore Portfolio have been carried out in accordance with:

- Property Institute of New Zealand - NZ Valuation Guidance Note 1 - Valuations for use in New Zealand Financial Reports;
- International Valuation Standards - IVS 300 Valuations for Financial Reporting;
- New Zealand Equivalent to International Accounting Standard 40 – Investment Property (NZ IAS 40); and
- New Zealand Equivalent to International Financial Reporting Standard 13 (NZ IFRS 13).

In respect of the SCA Portfolio, the valuations have been carried out in accordance with:

- Property Institute of New Zealand – Australia New Zealand Valuation Guidance Note 2 – Valuations for Mortgage and Loan Security Purposes;
- International Valuation Standards - IVS 310 Valuations of Real Property Interests for Secured Lending; and
- ANZ Professional Services Brief - Valuations.

2. Rental Income

The table below summarises the forecast rental income that Investore will receive during the PFI period categorised by property portfolio.

The bottom section of the table categorises rental income according to the rental review mechanism that applies to the leases that will be subject to review during the PFI period.

For the year ending 31 March $'000	Months assets held FY17	2017 Forecast	2018 Forecast
Rental income from existing properties		**19,114**	**19,483**
Stride assets Tranche 1	11	2,495	2,722
Stride assets Tranche 2	10	2,144	2,619
Stride assets Tranche 3	9	1,264	1,648
SCA Tranche 1	9	6,849	9,583
SCA Tranche 2	6	4,983	10,023
Rental income from new properties		**17,735**	**26,595**
Total rental income (pre-amortisation of stepped rentals)		**36,849**	**46,078**
Amortisation of stepped rents		454	581
Total rental income		**37,303**	**46,659**

For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Rental income		
Minimum contracted	33,230	43,854
Market review	3,143	1,648
Other	476	576
Total rental income (pre-amortisation of stepped rentals)	**36,849**	**46,078**
Amortisation of stepped rents	454	581
Total rental income	**37,303**	**46,659**

Note: Rent review mechanisms are defined as follows:

- Minimum contracted: this is the portion of Investore's rental income that is either not subject to change or review during the PFI period or where the rent is subject to a pre-agreed minimum increase;
- Market Review: these are leases where the rent review is by reference to prevailing market rental rates for comparable properties at the time of the review;
- Other: these represent a range of different rental review mechanisms that do not fall into any of the two specific categories identified above (for example: where review is either by reference to an external index such as CPI).

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.

There are a number of leases that will be subject to turnover-based reviews in FY18. It is assumed that there will be no rental increases arising from tenant turnover increases during the PFI period (turnover based reviews apply to the SCA acquisition assets only). Turnover-based reviews are structured such that there is no ability for rent to be reduced as a result of a turnover-based review.

Turnover rental income equates to $1.05m over the PFI period.

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.

Only 0.2% and 4.0% of the total portfolio (including existing and new leases) lease income expires FY17 and FY18, respectively. The expiry in FY18 mainly relates to Mitre 10, Te Iriangi Drive, Auckland. Negotiations are well advanced with this tenant and it is assumed that the tenant remains in occupation with associated capital works being undertaken. For all other expiries during the PFI period a vacancy period of six months has been assumed together with an estimated probability of the existing tenant renewing their lease upon expiry.

3. Property operating expenses

Property operating expenses have been projected based on existing contracts, FY17 budgets, assumptions for future costs and an assumed growth rate of approximately 2% per annum in the prospective period. The consumer price index has been used as a measure of expense growth in the projections (based on NZIER consensus forecasts).

4. Management fees expenses

Management fee summary

The table below summarises the management fees that are projected to be paid by Investore during the PFI period:

For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Asset Management Fee	2,352	3,553
Building Management Fee	272	396
Management fees	**2,624**	**3,949**
Accounting Services Fee	188	254
Leasing fee for new and renewed leasing	22	176
Capital Expenditure Fee	177	100
Maintenance Fee	20	18
Divestment Fee	-	-
Performance Fee	-	-
Other operating fees	**407**	**548**
Total fees paid to the Manager	**3,031**	**4,497**

Management fees in FY17 are paid from demerger date onwards – i.e. July 2016 to March 2017 (9 months). In addition, tranche 2 of the SCA Acquisition will not settle until September 2016, consequently Investore will only pay six months of management fees on those assets in FY17. FY18 management fees reflect a full twelve months of ownership of the complete portfolio.

The management fees payable by Investore to SIML ("the Manager") constitute the follow components:

Asset Management Fee

The Asset Management Fee will be an amount equal to:

a) 0.55% of the value of investment property, to the extent that the value of the investment property is less than or equal to $750m; plus

b) 0.45% of the value of investment property in excess of $750m, (plus GST) per year.

Building Management Fee

Investore will pay to the Manager a Building Management Fee of $10k (plus GST) per year in respect of each Property held by Investore during all or part of the relevant year, as calculated on a daily basis so as to reflect acquisitions and disposals of assets occurring during the year.

Accounting Services Fee

The Company will pay the Manager an Accounting Services Fee of $250k (plus GST) per year. The amount of the Accounting Services Fee is to be reviewed annually by the Board and, following such review, may be amended by agreement between the Company and the Manager, provided that the amount of the Accounting Services Fee is to remain no less than $250k (plus GST) per year.

Leasing Fee for new and renewed leasing

Where a new lease is arranged by the Manager and entered into, or a right of renewal under an existing lease is exercised, in respect of all or any part of any Property for a term of at least one year, Investore will pay to the Manager a Leasing Fee of 8.0% of the annual net rent payable under the lease (plus GST). No Leasing Fee is payable in respect of a new lease that has not been arranged by the Manager.

Capital Expenditure Fee

If any development, project or other work of a capital nature is required to be carried out in respect of all or any part of any Property, the Manager will arrange for that work to be carried out and will oversee it on behalf of Investore in consideration for the payment by Investore of a Capital Expenditure Fee equal to 4.0% of the cost of that project work to the Company excluding this Capital Expenditure Fee (plus GST).

Maintenance Fee

If any repair and maintenance work is required to be carried out in respect of all or any part of any Property (other than repair and maintenance work carried out by Lessees), the Manager will arrange for that work to be carried out, and oversee it, on behalf of the Company in consideration for the payment by the Company of a Maintenance Fee equal to 4.0% of the cost of that work to the Company excluding this Maintenance Fee (plus GST).

Divestment Fee

If completion occurs under an agreement or other arrangement for the sale or other disposition of any Property, Investore will pay to the Manager a Sale Fee equal to 0.5% of the price for such sale or other disposition (plus GST).

Performance Fee

A performance fee will be payable to the Manager in the event that the Company's total shareholder return (including dividends plus any appreciation in Investore's traded share price) exceeds defined thresholds.

The PFI assumes no performance fee is paid during the period.

5. Administration expenses

Administration expenses relate to on-going corporate governance costs required following the completion of the Offer, such as Directors' fees and compliance costs including audit fees, interim and annual reporting and NZX fees.

Administration expenses have been estimated for FY18 based on a full year of trading with Investore holding the full contemplated investment property portfolio. The FY17 administration expenses have been apportioned based on the FY18 costs on a nine month pro-rata basis, with Stride incurring the first three months of trading in FY17.

6. Offer and transaction costs

Transaction costs of $6.2m are assumed to be paid out of the proceeds of the issue of new shares. The total cost is inclusive of GST, none of which is claimable for GST purposes. The portion of NZX listing fees and advisory IPO costs that relate to the issue of new shares will be capitalised for accounting purposes, with the remainder expensed in FY17. The capitalisation versus expense ratio has been calculated based on the number of existing shares versus newly issued shares.

Total one-off offer and other transaction costs incurred in FY17 are $6.2m. Of this $5.3m is capitalised to equity and the remainder is expensed to the statement of comprehensive income (included within corporate expenses).

The lead manager and brokerage fees are equal to 2% of the $185m new equity raised from third parties, i.e. excluding any shares Stride acquires via participating in the Offer to maintain its 19.9% shareholding in Investore. The Co-Manager fee of $0.3m is payable if they submit an irrevocable and binding bid for a firm allocation of Offer Shares on behalf of their retail clients having a value of at least $45m at the final offer price for the Offer. Given both of these fees relate to new equity raised, 100% of these costs are capitalised.

Total consulting and advisory costs, such as legal fees and property due diligence in connection with the acquisition of the Stride portfolio and the SCA portfolio of assets are estimated at $780k (excluding GST) and are assumed to be capitalised.

7. Finance income and expenses

Investore manages its cash flow interest rate risk by using floating to fixed interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating to fixed interest rates. Investore 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:

Period of cover	Minimum Cover	Maximum Cover	Assumed PFI hedge ratio
0 to 1 years	70%	100%	74%
1 to 2 years	55%	100%	73%
2 to 3 years	55%	100%	66%
3 to 4 years	20%	80%	51%
4 to 5 years	20%	80%	25%
5 to 10 years	0%	60%	0%

The assumed finance expenses for the fixed-rate debt over the prospective period is based on the weighted average swap rate from the Company's existing swaps, allowing for the margin and line fees charged by the Company's lenders and the cost of hedging. The rate inclusive of margin is assumed to be in the range of 4.2% to 4.7% for the prospective period, based on agreed line fees, margins and current swap rates. Investore is currently party to several out-of-the-money interest rate swaps valued $2.8m as at 31 March 2016. Investore intends to break these swaps in July 2016 (post IPO) and enter into new swap agreements at market rates. The PFI includes the expected costs of breaking the existing swaps for $2.7m as per June 2016 assumed valuation.

The PFI assumes that there is no material divergence between the swapped rate and market rates over the PFI period. Therefore there are no fair value adjustments in relation to the new swaps recognised in the projected balance sheets as at 31 March 2017 or 31 March 2018.

Interest income on surplus cash is calculated monthly, using an assumed interest rate based on the 90 day forward swap rates, reduced by a 50 bps margin to recognise the spread from swap rates to credit interest rates.

8. Investment properties

No investment properties are assumed to be disposed in FY17 and FY18. Notwithstanding this assumption, the shareholders should be aware that Investore may direct the sale of properties if it believes it is in the best interests of shareholders.

The PFI includes no revaluation gains arising from changes in the value of properties for FY17 and FY18. Changes in value are, however, impacted by the projected capital expenditure described below.

Under NZ IFRS, capitalised lease costs and incentives are included in the fair value of investment properties. The amortisation of these incentives impacts the carrying value of investment properties. Given the PFI assumes no change in the fair values during FY17 and FY18 (i.e. the investment properties are assumed to be revalued to the fair value from March 2016), the impact of the lease incentives amortisation is eliminated through the fair value adjustment to leave the investment property overall value unchanged.

Investore holds no property, plant and equipment other than investment properties. Accordingly, there is no depreciation expense for accounting purposes in the Statement of comprehensive income.

Changes in value are also impacted by the projected capital expenditure described below

As at 31 March $'000	2017 Forecast	2018 Forecast
Opening balance	**287,000**	**646,021**
Stride assets transferred	86,950	-
Capital expenditure transferred on Stride assets	232	-
SCA portfolio	267,400	-
Capital expenditure incurred	4,440	2,501
Amortisation of stepped rents	454	581
Property acquisition costs	780	-
Fair value changes	(1,235)	(581)
Closing balance	**646,021**	**648,522**

9. Income tax expense

The PFI assumes income tax is paid at the current New Zealand corporate income tax rate of 28%. In accordance with Investore's accounting policies, no depreciation expense is deducted for accounting purposes, 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 assets.

10. Working capital

It has been assumed that there will be no material changes to the working capital profile of the Company. 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.

11. Capital Expenditure

In line with maintaining the quality of Investore's portfolio, allowances have been made for capital expenditure improvements to the underlying portfolio. The value of planned expenditure is $4.7m and $2.5m for FY17 and FY18, respectively.

For the year ended 31 March $'000	2017 Forecast	2018 Forecast
Development capital expenditure	2,795	1,750
Capital expenditure transferred on Stride assets	232	-
Existing property capital expenditure	1,644	751
Total capital expenditure	**4,671**	**2,501**

Specific assumptions - capital structure and financing activities

12. Cash and cash equivalents

The PFI assumes that 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.

13. Total debt

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

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

Debt facility table $'000	Tenor (Years)	Amount Available	Amount Drawn as at 31 March 2017	Amount Drawn as at 31 March 2018
Facility A	3	165,000	165,000	165,000
Facility B	5	165,000	102,772	105,273
Facility C	4	100,000	-	-
Total facilities		**430,000**	**267,772**	**270,273**
Borrowing costs			(853)	(585)
Total borrowings			**266,919**	**269,688**

Margin and line fees are payable on all three debt facilities.

14. Dividends and dividend policy

The Board of Directors of Investore intends to declare dividends on quarterly basis. Assumed dividends are on the basis that the financial performance is fully achieved and that no other relevant factors arise that would adversely impact the ability of the Company to pay those dividends.

Dividend calculation For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Distributable profit	**17,190**	**20,418**
% distributed	*97.5%*	*97.5%*
Dividends declared	**16,762**	**19,908**
Of which pre demerger dividend	3,057	-
Dividends paid		
FY17 dividend payment	11,832	4,930
FY18 dividend payment	-	14,847
Total dividends paid	**11,832**	**19,778**
Pre-demerger dividend[1]	3,057	**-**
Dividend yield		
Dividends declared	**16,762**	**19,908**
Market capitalisation[2]	381,783	381,783
Dividend yield - declared (%)	***4.4%***	***5.2%***

1. Pre-merger dividend - $2.0m was settled as part of the intercompany account. $1.057m was paid in cash. Dividends paid in the statement of cashflows reflect cash dividends only and exclude the $2.0m paid by way of the intercompany account, which is shown in the repayment of the advance from parent in the statement of cashflows.
2. Based on an issue price of $1.43.

Note: Distributable profit is a non-GAAP measure. A reconciliation of distributable profit to statutory net profit after tax is appended to this document.

FY17 dividends include a pre-demerger dividend paid from Investore to Stride.

Investore's dividend policy is to distribute between 95% and 100% of Distributable Profit on a quarterly basis. Distributable Profit is a non-GAAP financial measure adopted by Investore to assist Investore and its investors in assessing Investore's profit available for distribution. {It is intended that dividends will be paid at the end of each financial quarter in respect of the preceding quarter's distributable profit.

Dividends and other distributions on Shares are made at the Board's discretion and depend on the financial performance of Investore. The payment of dividends is not guaranteed. Investore's dividend policy may change over time. The Board's decisions as to the level of reserves and retentions may affect any dividends or distributions on the Shares. Dividends will only be paid once the Board determines that Investore will meet the solvency requirements specified in the Companies Act. Despite the intentions set out above, Investore can give no assurances as to the level or frequency of any dividend (or other distributions, if any) payable, or the level of imputation or franking credits, if any, attached to any dividends. Factors which are expected to influence or affect the Board's decision to pay dividends over time are set out in Section 6.3 Dividend Policy of the PDS.

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

15. Share capital

Prior to the IPO process, Stride will recapitalise a component of the intercompany advance with Investore for equity in the Company. This equity will then be distributed to existing Stride shareholders on a 1:4 basis (1 Investore share for every 4 shares held in Stride).

Under the PFI case assumptions, total proceeds from the issue of new shares under the Offer are assumed to be $185.0m. Transaction costs of $5.3m are assumed to be paid out of the proceeds of the issue of new shares, and offset against gross proceeds for accounting purposes, therefore the net equity proceeds from the offer amount to $179.8m ($170.3m from new sources and up to $9.5m from Stride to retain its 19.9% shareholding in Investore).

The existing shareholders of Stride will continue to own 91 million of Shares that were distributed by Stride after recapitalisation.

Refer to the pro-forma balance sheet section for a further breakdown of the detail.

Share capital $'000	Gross equity raised	Issuance costs	Net equity raised	No. of shares (000's)	Shareholding (%)
Stride holding in Investore	77,945	-	77,945	53,129	19.9%
Existing shareholders equity (transferred from Stride)	134,155	-	134,155	91,114	34.1%
New equity capital raised on market	175,515	(5,265)	170,250	122,738	46.0%
Total	**387,615**	**(5,265)**	**382,350**	**266,981**	**100.0%**

16. Related Party transactions

Investore is managed by SIML, a part of Stride which will hold up to a 19.9% interest in Investore. The management fee structure is described in Note 4. Investore also forecasts to pay dividends to Stride. Further details on dividend policy and dividend payment is included in Note 14.

For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Management fees payable to SIML	2,624	4,203
Other fees payable to SIML	408	294
Dividends declared to Stride	1,746	3,936
Demerger dividend paid to Stride	3,057	-
Total related party transactions	**7,835**	**8,433**

In FY17, Investore acquired six large format retail assets from Stride. The fair value, rental income and yield of these assets is described in Note 1.

1.4 Sensitivity analysis of prospective financial information

The PFI is sensitive to a number of 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 potential 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 Company's performance during the PFI period are:

- Interest rates
- Property valuations
- Capital expenditure

The tables below illustrate the impact on Distributable Profit ("DP") and Distributable Profit Per Share ("DPPS") of adverse movements in these key assumptions used in the PFI Period. The below sensitivities do not take into account any mitigating measures that Investore may take should a change in these assumptions arise.

FY18 Impact	DP $'000	DPPS cps
Base case figures	20,418	7.65
Assumptions		
Increase in interest rates (+100 bps)	(429)	(0.16)
Decrease in interest rates (-100 bps)	427	0.16
Increase in property valuations (+5%)	-	-
Decrease in property valuations (-5%)	-	-
Increase in capital expenditure (+5%)	(5)	(0.00)
Decrease in capital expenditure (-5%)	5	0.00

Notes to the sensitivity analysis:

The interest rate sensitivity is calculated on the unhedged portion of debt only (see hedging policy for further details).

There is no impact of increase or decrease in property values on distributable profits, given the revaluation gains and losses are excluded from the distributable profit definition (see Reconciliation section appended to this document for further details). The impact of an increased management fee caused by increased property values has not been assumed in the above sensitivity analysis.

Sensitivity impacts are calculated with reference to FY18 only (i.e. the changes shown above do not include any cumulative impacts that would have carried forward from FY17 had the sensitivity assumption applied throughout the full PFI period.

FY18 Impact	PFI Case	Minimum Raise Case	Variance
DP ($'000)	20,418	19,624	(794)
DPPS (cps)	7.65	8.09	0.44
NTA ($'000)	383,506	348,886	(34,620)

Part B: Key investment metrics for the Offer

The table below presents a range of investment metrics to assist you in assessing an investment in Investore. Investore intends to raise up to $185m under the Offer ("Maximum Raise" and referred to as the "PFI Case" in the PDS) and is subject to raising a minimum of $150m ("Minimum Raise"). The Maximum Raise is based on the maximum amount of the Offer being raised ($185m) which is the Directors' best estimate at the time of registration and results in a forecast FY17 gearing level of 41.4%. The Minimum Raise is based on the minimum amount of the Offer being raised ($150m) which results in a forecast FY17 level of gearing of 46.8%. Under the Maximum Raise, Investore is raising additional capital to fund future acquisitions which have not been included in forecasts. The forecast implied cash dividend yield is expected to increase as Investore optimises its capital structure.

	Maximum Raise (PFI Case, $185m capital raise)			Minimum Raise ($150m capital raise)		
	FY17[1] Statutory	2HFY17[2] Annualised dividend / yield	FY18[3] Statutory	FY17[1] Statutory	2HFY17[2] Annualised dividend / yield	FY18[3] Statutory
Distributable Profit per Share (cps) [4]	6.3 - 6.6		7.5 - 7.8	6.7 - 7.0		7.9 - 8.2
Dividends per Share (cps) [5]	6.1 - 6.4	7.4 - 7.7	7.3 - 7.6	6.6 - 6.8	7.8 - 8.1	7.7 - 8.0
Implied cash dividend yield [6]	4.3 - 4.5 %	5.1 - 5.4 %	5.1 - 5.3 %	4.6 - 4.8 %	5.4 - 5.7 %	5.4 - 5.7 %
Implied gross dividend yield [7]	6.4 - 6.7 %	7.7 - 8.0 %	7.6 - 8.0 %	6.8 - 7.2 %	8.1 - 8.5 %	8.0 - 8.4 %
Earnings per Share (cps) (as determined in accordance with GAAP)	4.2 - 4.4		7.0 - 7.3	4.4 - 4.6		7.4 - 7.7
Price/earnings per Share (where earnings is as determined in accordance with GAAP)	32.4 - 33.9 x		19.5 - 20.3 x	31.0 - 32.6 x		18.4 - 19.3 x
Implied enterprise value / EBITDA	24.1 – 24.8 x		16.8 - 17.2 x	24.2 – 24.9 x		16.7 - 17.2 x
NTA per Share (NZ$) [8]	$1.40 - $1.46		$1.41 - $1.47	$1.41 - $1.46		$1.41 - $1.47
Price / NTA per share [9]	0.98 – 1.02 x		0.97 – 1.02 x	0.97 – 1.02 x		0.97 – 1.02 x

Notes:

1. The FY17 Key Investment Metrics only reflect the partial impact of the Existing Assets and acquisition of the SCA Portfolio (which settles in two tranches, the first tranche in July 2016 and the second tranche between September and December 2016). As a result, FY17 is not representative of a full 12 month financial year.
2. 2HFY17 yield metrics have been annualised by taking the dividend payable in relation to Q3 and Q4 of FY17 which are periods that reflect the first full trading impact from the Existing Assets and the SCA Acquisition. Investore believes this is more representative of a full year of trading.
3. FY18 represents the first financial period where the entire portfolio is held for the entire 12 months and therefore representing the first period where the profitability and yield is fully demonstrated.
4. Distributable Profit is a non-GAAP financial measure adopted by Investore and investors in assessing Investore's profit available for distribution. It is defined as net profit/(loss) before income tax adjusted for non-recurring and/or non-cash items and current tax including non-recurring adjustments for incentives payable to Anchor Tenants for lease extensions. Refer to the non-GAAP reconciliation table on the Offer Register.
5. Dividend per Share is based on the application of Investore's dividend policy (see Section 6 of the PDS) to the Distributable Profit per Share over the relevant accounting period and the range of total number of

Shares on issue following the Offer. Dividend per Share includes all earnings in the relevant financial period.

6. Implied cash dividend yield is the Dividend per Share divided by the Indicative Price Range.
7. Investore will be a listed PIE with effect from 12 July 2016 and from this date is subject to the taxation regime for Listed PIEs. The implied gross dividend yield shows the gross yield a 33% New Zealand resident taxpayer would require to get the same net yield as they do under the PIE taxation regime for a listed PIE.
8. NTA per Share is calculated on NTA at the start of the relevant financial period divided by the total shares on issue which are derived from the Indicative Price Range. In FY17, NTA is based on pro forma NTA as at 31 March 2016 (which is calculated on page 24 of the PFI). NTA at the start of the relevant period is adopted as typical industry benchmarks reference the most recently reported NTA from the previous financial period.

   Price / NTA per Share is calculated by dividing the Indicative Price Range by NTA per Share. This will vary depending on the final offer price, which in turn will also vary at each offer price through the Indicative Price Range as well as the amount raised under the Offer.

Part C: Reconciliation of non-GAAP financial information

Table 1: Reconciliation of distributable profit to Statutory Statement of comprehensive income

Investore's dividend policy is to distribute between 95% and 100% of its distributable profit. Distributable profit is a non-GAAP measure and consists of net profit/(loss) before income tax adjusted for non-recurring and/or non-cash items (including non-recurring adjustments for incentives payable to Anchor Tenants for lease extensions) and current tax.

The following table is a reconciliation between the net profit before income tax as per the Statement of comprehensive income, and the distributable profit as per Investore's dividend policy.

For the year ending 31 March $'000	2017 Forecast	2018 Forecast
Net profit before income tax	**16,000**	**25,210**
Net change in value of property investments	1,235	581
Swap break cost	2,670	-
Doubtful debt provision	25	-
Amortisation of stepped rents	(454)	(581)
Add back one-off transaction costs	859	-
Reversal of Refinancing Cost Amortisation	391	189
Distributable profit before income tax	**20,726**	**25,399**
Current tax expense	**(3,536)**	**(4,981)**
Distributable profit after income tax	**17,190**	**20,418**

Table 2: Overview to Pro-forma statement of financial position of Investore as at 31 March 2016

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

The Pro-forma Statement of Financial Position has been prepared for illustrative purposes, in order to assist investors in understanding the financial position of Investore. By its nature, pro-forma financial information is illustrative only. Consequently, the Pro-forma Statement of Financial Position does not purport to reflect the actual financial position of Investore at the relevant time.

The Pro-forma Statement of Financial Position has been prepared by extracting Investore's statement of financial position from Investore's FY16 audited financial statements. The FY16 Investore financial statements 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:

- Transfer of six properties from Stride to Investore, together with a best estimate of the movement in other balances up to demerger date;
- Conversion of intercompany advance due by Investore to Stride to share capital;
- Repayment (in cash) of remaining intercompany advance following equity capitalisation;
- Issuance of new shares arising from the Investore IPO; and
- Acquisition of the SCA Portfolio.

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 Investore's FY16 audited financial statements.

The financial information in this Table 2 is presented in an abbreviated form and does not contain all the disclosures that are usually provided in accordance with the Financial Reporting Act 2013.

The Pro-forma Statement of Financial Position has been prepared in order to give investors an indication of Investore' statement of financial position in the circumstances noted in the basis of preparation above, and does not state the actual financial position of the Investore at the completion of the transactions.

Description $'000	31 Mar 2016	Stride assets transferred	Balance Sheet Pre-Demerger	Re-capitalisation	Stride's retained Investore stake	Balance Sheet Post-Demerger	Net Equity Raise Proceeds	SCA Acquisition	Pro-forma Balance Sheet 31 Mar 2016
Current assets									
Cash and cash equivalents	34	2,674	2,708	-	-	2,708	-	-	2,708
Trade and other receivables	112	-	112	-	-	112	-	-	112
Prepayments	68	-	68	-	-	68	-	-	68
Other current assets	174	-	174	-	-	174	-	-	174
	388	2,674	3,062	-	-	3,062	-	-	3,062
Non-current assets									
Investment properties	287,000	87,182	374,182	-	-	374,182	-	267,400	641,582
Deferred tax asset	796	(197)	599	-	-	599	-	-	599
	287,796	86,985	374,781	-	-	374,781	-	267,400	642,181
Total assets	288,184	89,659	377,843	-	-	377,843	-	267,400	645,243
Current liabilities									
Trade and other payables	966	41	1,007	-	-	1,007	-	-	1,007
Advance from parent	123,893	89,886	213,779	(213,779)	-	-	-	-	-
Current tax liability	704	(82)	622	-	-	622	-	-	622
	125,563	89,845	215,408	(213,779)	-	1,629	-	-	1,629
Non-current liabilities									
Bank borrowings	159,749	16	159,765	79,625	(68,461)	170,929	(179,735)	267,400	258,594
Derivative financial assets	2,848	(178)	2,670	-	-	2,670	-	-	2,670
	162,597	(162)	162,435	79,625	(68,461)	173,599	(179,735)	267,400	261,264
Total liabilities	288,160	89,683	377,843	(134,154)	(68,461)	175,228	(179,735)	267,400	262,893
Net assets	24	(24)	-	134,154	68,461	202,615	179,735	-	382,350
Share capital	-	-	-	134,154	68,461	202,615	179,735	-	382,350
Retained earnings	2,074	(2,074)	-	-	-	-	-	-	-
Reserves	(2,050)	2,050	-	-	-	-	-	-	-
Equity	24	(24)	-	134,154	68,461	202,615	179,735	-	382,350

Notes to Table 2:

1. As at 31 March 2016, Investore was a 100% subsidiary of Stride and owned the Antipodean portfolio of supermarkets valued at $287m which were originally financed by a bank loan of $160m and shareholder advance of $127m.
2. Stride will transfer six large format retail properties of $87m to Investore, funded entirely by a shareholder advance, together with a best estimate of the movement in other balances up to demerger date. This increases the outstanding shareholder advance to $214m.
3. $134m of shareholder advance is capitalised into equity and the shares are distributed to Stride's existing shareholders on a 1:4 ratio. The residual intercompany balance is $80m.
4. The outstanding intercompany balance of $80m is settled against Stride's initial investment in Investore of $69m (new shares issued against a decrease in the intercompany balance) and the remaining $11m is repaid from bank loans.
5. Investore will then issue shares raising $185m of new equity capital ($180m net of issuance costs). Stride intends to subscribe for $9m to maintain its 19.9% holding.
6. Investore will then acquire SCA assets for $267m. The SCA acquisitions are assumed to be performed in two tranches, in June 2016 and September 2016. The respective bank loan to finance the acquisitions is assumed to be drawn in tranches as well.

Table 3: Reconciliation of 2HFY17 Annualised Dividend to FY17 Dividend

2HFY17 yield metrics are pro-forma information that have been prepared by taking the dividend payable in relation to the three month period ending 31 December 2016 and the three month period ending 31 March 2017 (which are periods that reflect the first full trading impact from the Existing Assets and the SCA Acquisition) and annualising those dividends for the 12 month period ending 31 March 2017. Investore believes this is more representative of a full year of trading.

The table below demonstrated how the FY17 cash dividend is comprised and which component of this GAAP measure was taken to calculate the Annualised FY17 dividend and yields.

$'000	1Q17	2Q17	3Q17	4Q17	Statutory FY17	Statutory 2H17	Annualised FY17
Pre-Demerger dividend	3,057						
Dividends declared		3,684	5,091	4,930		10,021	20,042
Dividends paid		3,057	3,684	5,091	11,832		

	Annualised metrics	
Price range	$1.49	$1.37
Number of shares	261,771,833	272,647,255
Dividend per share (cps)	7.66	7.35
Dividend yield	5.1%	5.4%
Gross dividend yield	7.7%	8.0%