

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Gross rental income		46,085	41,442
Direct property operating expenses		(11,980)	(10,780)
Net rental income	3.1	34,105	30,662
Management fee income		12,049	12,199
Less corporate expenses			
Corporate overhead expenses		(9,236)	(9,298)
Administration expenses		(2,943)	(2,804)
Project costs relating to Fabric Property Limited		-	(4,811)
Total corporate expenses	7.2	(12,179)	(16,913)
Profit before net finance expense, other (expense)/income and income tax		33,975	25,948
Net finance expense	5.3	(8,713)	(7,372)
Profit before other (expense)/income and income tax		25,262	18,576
Other (expense)/income			
Net change in fair value of investment properties	3.2	(51,842)	13,358
Share of (loss)/profit in equity-accounted investments	6.1	(9,103)	37,511
Impairment of equity-accounted investment	1.5	(12,016)	-
(Loss)/gain on disposal of investment properties		(1,711)	31
Hedge ineffectiveness of cash flow hedges		63	-
(Loss)/profit before income tax		(49,347)	69,476
Income tax expense	7.1	(3,783)	(7,965)
(Loss)/profit after income tax attributable to shareholders		(53,130)	61,511
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Deferred tax on share based payment expense		(110)	109
Movement in cash flow hedges, net of tax		5,254	4,976
Changes in cash flow hedge reserve in equity-accounted investments		1,383	405
Items that will not be reclassified to profit or loss			
Revaluation (deficit)/surplus	7.6	(100)	300
Total other comprehensive income after tax		6,427	5,790
Total comprehensive (loss)/income after tax attributable to shareholders		(46,703)	67,301
Stride Property Limited (SPL) total comprehensive (loss)/income after tax attributable to shareholders		(51,791)	61,732
Stride Investment Management Limited (SIML) total comprehensive income after tax attributable to shareholders		5,088	5,569
Total comprehensive (loss)/income after tax attributable to shareholders		(46,703)	67,301
Earnings per share (EPS)	4.1		
Basic EPS (cents)		(9.83)	13.00
Diluted EPS (cents)		(9.83)	12.95

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

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Notes	Number of shares 000	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total \$000
Balance at 31 Mar 22 (Audited)		540,189	858,740	355,454	16,890	1,231,084
Transactions with shareholders:						
Dividends paid	4.3	-	-	(26,778)	-	(26,778)
Share based payment expense		-	-	-	943	943
New shares issued in relation to employee long term incentive rights		142	-	-	-	-
Total transactions with shareholders		142	-	(26,778)	943	(25,835)
Total other comprehensive income		-	-	-	6,427	6,427
Loss after income tax		-	-	(53,130)	-	(53,130)
Total comprehensive (loss)/income		-	-	(53,130)	6,427	(46,703)
Balance at 30 Sep 22 (Unaudited)		540,331	858,740	275,546	24,260	1,158,546
Balance at 31 Mar 21 (Audited)		472,828	726,680	291,423	(317)	1,017,786
Transactions with shareholders:						
Dividends paid	4.3	-	-	(23,449)	-	(23,449)
Share based payment expense		-	-	-	545	545
New shares issued in relation to employee long term incentive rights		407	-	-	-	-
Total transactions with shareholders		407	-	(23,449)	545	(22,904)
Total other comprehensive income		-	-	-	5,790	5,790
Profit after income tax		-	-	61,511	-	61,511
Total comprehensive income		-	-	61,511	5,790	67,301
Balance at 30 Sep 21 (Unaudited)		473,235	726,680	329,485	6,018	1,062,183

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

Consolidated Statement of Financial Position

As at 30 September 2022

	Notes	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Current assets			
Cash at bank		18,016	20,621
Trade and other receivables	7.4	7,543	4,229
Prepayments		3,125	1,130
Derivative financial instruments	5.2	240	290
Other current assets		75	75
		28,999	26,345
Investment properties classified as held for sale	1.5	-	94,253
		28,999	120,598
Non-current assets			
Investment properties	3.2	1,305,299	1,171,317
Deposit and other prepayments on investment property		-	1,583
Equity-accounted investments	6.1	294,053	318,586
Loan to associate	7.3	3,398	3,398
Other investments		250	250
Property, plant and equipment	7.6	7,366	7,050
Derivative financial instruments	5.2	26,815	19,535
		1,637,181	1,521,719
Total assets		1,666,180	1,642,317
Current liabilities			
Trade and other payables	7.5	73,064	22,547
Lease liability	3.2	4	3
Current tax liability		3,761	1,076
		76,829	23,626
Lease liability associated with investment properties classified as held for sale	1.5	-	11,433
		76,829	35,059
Non-current liabilities			
Bank borrowings	5.1	360,177	304,395
Borrowings (joint operation participating interest)	6.4	40,001	39,857
Lease liability	3.2	15,907	15,910
Deferred tax liability		14,720	16,012
		430,805	376,174
Total liabilities		507,634	411,233
Net assets			
		1,158,546	1,231,084
Share capital		858,740	858,740
Retained earnings		275,546	355,454
Reserves		24,260	16,890
Equity		1,158,546	1,231,084
SPL equity		1,145,048	1,218,001
SIML equity (non-controlling interest)	5.5	13,498	13,083
Equity		1,158,546	1,231,084

For and on behalf of the Board of Directors of SPL and SIML, dated 24 November 2022:



Tim Storey
Chair of the Boards



Ross Buckley
Chair of the Audit and Risk Committee

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

Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Cash flows from operating activities			
Gross rental received		44,842	44,545
Management fee income		11,963	13,779
Other interest received		119	-
Direct property operating and corporate expenses		(26,967)	(28,382)
Interest paid		(8,935)	(7,297)
Borrowings establishment costs		-	(750)
Income tax paid		(4,218)	(9,245)
Net cash provided by operating activities		16,804	12,650
Cash flows from investing activities			
Dividend income from equity-accounted investments	7.3	4,870	4,536
Acquisition of investment properties	1.5	(131,590)	(152,000)
Proceeds from disposal of investment properties	1.5	83,570	-
Capital expenditure on investment properties		(7,199)	(9,003)
Seismic and other works on investment properties disposed of		(208)	(719)
Deposit and other prepayments made on investment property		-	(500)
Interest received in relation to the loan advance on 110 Carlton Gore Road, Auckland	1.5	2,418	-
Property, plant and equipment purchased		(55)	(65)
Net cash applied to investing activities		(48,194)	(157,751)
Cash flows from financing activities			
Drawdown on bank borrowings		138,500	168,100
Repayment of bank borrowings		(82,900)	-
Lease liabilities payments		(37)	(71)
Dividends paid	4.3	(26,778)	(23,449)
Net cash provided by financing activities		28,785	144,580
Net decrease in cash and cash equivalents held		(2,605)	(521)
Opening cash and cash equivalents		20,621	23,024
Closing cash and cash equivalents		18,016	22,503

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

Consolidated Statement of Cash Flows (continued)

For the six months ended 30 September 2022

Reconciliation of (loss)/profit after income tax attributable to shareholders to net cash provided by operating activities

	Notes	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
(Loss)/profit after income tax attributable to shareholders		(53,130)	61,511
(Less)/add non-cash items:			
Movement in deferred tax	7.1	(3,120)	2,690
Net change in fair value of investment properties		51,842	(13,358)
Share of loss/(profit) in equity-accounted investments		9,103	(37,511)
Impairment of equity-accounted investment		12,016	-
Loss/(gain) on disposal of investment properties		1,711	(31)
Hedge ineffectiveness of cash flow hedges		(63)	-
Spreading of fixed rental increases		(548)	(696)
Capitalised lease incentives net of amortisation		190	22
Movement in loss allowance		(123)	-
Share based payment expense		943	545
Depreciation		89	93
Software asset expense		-	1,025
Borrowings establishment costs amortisation		182	220
Non-cash interest income	7.3	(91)	(144)
Accrued interest movement in derivative financial instruments		(195)	-
		18,806	14,366
Movement in working capital items relating to investing activities		(49,895)	803
Movement in borrowings transaction costs classified as operating activities		-	(750)
		(31,089)	14,419
Movement in working capital:			
(Increase)/decrease in trade and other receivables		(3,314)	1,933
Increase in prepayments		(1,995)	(1,996)
Increase in trade and other payables		50,517	2,264
Increase/(decrease) in current tax liability		2,685	(3,970)
Net cash provided by operating activities		16,804	12,650

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

Notes to the Interim Financial Statements

For the six months ended 30 September 2022

1.0	General Information	9
1.1	Reporting entity	9
1.2	Basis of preparation	9
1.3	New standards, amendments and interpretations	9
1.4	Significant accounting policies, estimates and judgements	10
1.5	Significant events and transactions	10
1.6	Non-GAAP measures	11
2.0	Operating Segments	12
3.0	Property	14
3.1	Net rental income	14
3.2	Investment properties	15
3.3	Capital expenditure commitments contracted for	17
4.0	Investor Returns	18
4.1	Basic and diluted earnings per share (EPS)	18
4.2	Net tangible assets per share	18
4.3	Dividends paid	18
4.4	Distributable profit	19
5.0	Capital Structure and Funding	20
5.1	Borrowings	20
5.2	Derivative financial instruments	21
5.3	Net finance expense	21
5.4	Share capital	22
5.5	SIML equity (non-controlling interest)	22
6.0	Investments in Property Entities	23
6.1	Interests in associates and joint venture	23
6.2	Industre	23
6.3	Industre joint venture	24
6.4	Industre joint operation	25
7.0	Other	26
7.1	Income tax	26
7.2	Total corporate expenses	26
7.3	Related party disclosures	27
7.4	Trade and other receivables	29
7.5	Trade and other payables	29
7.6	Property, plant and equipment	29
7.7	Contingent liabilities	29
7.8	Subsequent events	30

1.0 General Information

This section sets out Stride Property Group's accounting policies that relate to the unaudited consolidated interim financial statements (financial statements) as a whole.

1.1 Reporting entity

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

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

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

The financial statements were approved for issue by the Board of Directors of SPL (SPL Board) and the Board of Directors of SIML (SIML Board), together the "Boards", on 24 November 2022.

1.2 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP), New Zealand International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Stride is a for-profit entity for the purposes of financial reporting.

The financial statements have been prepared under the historical cost basis except for assets and liabilities stated at fair value as disclosed. The financial statements have been presented in New Zealand dollars and have been rounded to the nearest thousand, unless stated otherwise.

The financial statements do not contain all the disclosures normally included in an annual financial report and should be read in conjunction with the audited 2022 annual consolidated financial statements.

The consolidated statement of comprehensive income for the six months ended 30 September 2021 has been restated to eliminate the building management fees charged from SIML to SPL. This has resulted in a restatement of direct property operating expenses which has decreased by \$0.6 million (\$11.3 million to \$10.8 million) and management fee income which has decreased by \$0.6 million (\$12.8 million to \$12.2 million). There is no impact on the net cash position, profit attributable to shareholders or the consolidated statement of financial position.

1.3 New standards, amendments and interpretations

In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was passed. It amends the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Public Audit Act 2001, mandating certain entities to disclose climate-related information. Entities are expected to publish climate-related statements for annual financial periods commencing on or after 1 January 2023 based upon climate standards issued by the External Reporting Board (XRB). Stride's first climate-related statement will be required for the year ending 31 March 2024.

The XRB intends to issue the following:

- Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1);
- Aotearoa New Zealand Climate Standard 2: Adoption of Climate-related Disclosures (NZ CS 2); and
- Aotearoa New Zealand General Requirements for Climate-related Disclosures (NZ CS 3).

NZ CS 1 will be the primary disclosure standard and will be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). NZ CS 2 will be an adoption standard to enable entities to begin their climate-related disclosure journey. NZ CS 3 establishes principles and general requirements for application in providing climate disclosures. The XRB is aiming to publish these new standards by 31 December 2022.

Stride has commenced the process of identifying the impact of climate change on its business and assets, but to date has not undertaken any quantitative assessment. To the extent that SPL is aware of climate change risks that impact specific properties, these would be made known to the valuers and to the extent relevant reflected in the valuations. There are no climate related risks that are known to SPL that would be material to the valuations as at 30 September 2022. The independent valuers that valued SPL's investment properties have made no explicit adjustments to investment property valuations in respect of climate change matters. However, SPL acknowledges the potential impact climate change may have on valuations in the future as the impacts are better assessed and understood and the markets place greater emphasis on these matters.

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

1.0 General Information (continued)

1.4 Significant accounting policies, estimates and judgements

Except as described below, the accounting policies applied in these financial statements are the same as those applied in Stride's consolidated financial statements for the year ended 31 March 2022, except for the calculation of fair value of the Investore associate (refer note 6.1).

The policy for calculating the recoverable amount of Investore under fair value less cost of disposal method now includes a strategic investment premium. Previously, SPL did not reflect the strategic investment premium that is associated with collectively owning more than the sum of individual shares. SPL has assessed the impact of this change as \$nil as at 31 March 2022 on the basis that:

- in the prior period the recoverable amount for the purposes of impairment testing was calculated on a value-in-use basis; and
- previous impairment assessments calculated on a fair value basis did not indicate an impairment and did not require further calculation of the recoverable amount.

Therefore, there is no impact on the opening equity balances as at 1 April 2022 as a result of the change. The change in accounting policy will also be reflected in Stride's consolidated financial statements as at and for the year ending 31 March 2023.

1.5 Significant events and transactions

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

Acquisition of 110 Carlton Gore Road, Auckland

On 5 April 2022, SPL's wholly owned subsidiary, Fabric Property Limited (Fabric), entered into an unconditional agreement in relation to the acquisition of 110 Carlton Gore Road for \$213.0 million. Fabric has paid deposits totaling \$8.0 million, comprising of \$1.0 million paid prior to 31 March 2022 recognised as deposit and other prepayments on investment property in the consolidated statement of financial position as at 31 March 2022, and \$7.0 million paid on the unconditional date. This property is under development and is currently expected to be completed in April 2023 at which time the acquisition is expected to settle. The final settlement price will be subject to building measure on completion. Fabric will advance up to \$186.5 million to the vendor by way of a loan during the period of construction, provided certain milestones have been met. On the unconditional date, the \$8.0 million of deposits paid formed the first tranche under the loan facility. On 21 April 2022, Fabric advanced a further \$124.5 million to the vendor. The vendor pays interest on the amount outstanding at a rate of 5.0% p.a., with the loan amount to be set off against the purchase price on settlement. The remainder of the purchase price (less an amount of \$0.5 million) will be paid on settlement, with the final \$0.5 million paid following a defects liability period. The property will be fully leased on settlement at completion of the development, as the vendor has committed to take a lease of any remaining vacant space at settlement in accordance with commercial terms agreed between the parties.

For accounting purposes, the agreement to purchase 110 Carlton Gore Road and the loan agreement are considered as a single contract with the contractual substance being Fabric will pay (by way of loan drawdowns) to acquire control of the property from the unconditional date through to settlement date. Fabric is providing the funding for the development and has security over the property. As at 30 September 2022, the loan advanced to the vendor of \$132.5 million has been recognised as \$126.2 million of development investment property and \$6.3 million of interest (\$3.0 million earned (refer note 4.4) and \$3.3 million receivable (refer note 7.4)). Interest receivable is recognised on each loan drawdown with an equivalent adjustment to the purchase price of the property. Interest payable by the vendor is recognised on an accrual basis, reducing the interest receivable asset. The interest earned from the vendor is considered underlying earnings from operations and is included in distributable profit (refer note 4.4).

As at 30 September 2022, a payable of \$53.4 million has been recognised (refer note 7.5) and represents the difference between the total consideration payable of \$213.0 million, less the loan advanced as at 30 September 2022 of \$132.5 million and less the estimated cost to complete the construction of the property as at 30 September 2022 of \$27.1 million (refer note 3.2).

Divestment of investment properties

On 5 April 2022, Fabric entered into an agreement to sell four Auckland office properties, being 21-25 Teed Street, 35 Teed Street, 7-9 Fanshawe Street and 80 Greys Avenue, for an aggregate price of \$83.6 million, to Mansons CGR Limited. As part of the disposal, Fabric has committed to undertake seismic upgrades at 21-25 Teed Street and 35 Teed Street, the cost of which is expected to be \$0.8 million. As at 30 September 2022, this work remains outstanding. In addition, Fabric has agreed to provide a rental guarantee for certain space at 80 Greys Avenue for a period of up to 12 months from 1 October 2022. A rental guarantee provision of \$1.0 million has been recognised in trade and other payables in the consolidated statement of financial position (refer note 7.5). The sale of 25 Teed Street completed on 29 April 2022, 35 Teed Street completed on 15 July 2022, and 80 Greys Avenue and 7-9 Fanshawe Street both completed on 30 September 2022. As part of this transaction, the ground lease associated with the \$11.4 million right-of-use asset at 7-9 Fanshawe Street was novated to the purchaser.

Revaluation of investment properties

SPL undertook independent valuations of the portfolio as at 30 September 2022 which resulted in a net change in fair value of investment properties of \$(51.8) million (30 Sep 21: \$13.4 million) (refer note 3.2) and a revaluation deficit on property, plant and equipment of \$(0.1) million (30 Sep 21: surplus of \$0.3 million) (refer note 7.6).

The investment properties held by Investore Property Limited (Investore), Industrie Property Joint Venture (Industrie) and Diversified NZ Property Trust (Diversified) were also valued by independent valuers as at 30 September 2022. SPL's share of the valuation (loss)/gains are reflected in share of (loss)/profit in equity-accounted investments and, for those properties in the Industrie joint operation, reflected in net change in fair value of investment properties.

Impairment of equity-accounted investment - Investore

On 30 September 2022, the market value of SPL's investment in Investore, based on the closing quoted market price of Investore, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed. As at 30 September 2022, SPL has recognised an impairment loss of \$(12.0) million (30 Sep 21: \$nil) (refer note 6.1).

1.0 General Information (continued)

1.6 Non-GAAP measures

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

Note 4.2 sets out Stride's net tangible assets per share which is a non-GAAP measure and is a common investment metric.

Note 4.4 sets out Stride's calculation of distributable profit and Adjusted Funds From Operations (AFFO) which are both non-GAAP measures. Distributable profit is presented to provide an earnings measure which more closely aligns to Stride's underlying and recurring earnings from its operations. AFFO is intended as a supplementary measure of operating performance. Cash spent during the period on capital expenditure as part of maintaining a building's grade/quality, but not expensed as part of distributable profit after current income tax, is adjusted to reflect cash earnings for the period.

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

2.0 Operating Segments

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

SPL's revenue streams are earned from investment properties owned in Auckland and Wellington in New Zealand. Given SPL's diverse client base, no one tenant represents greater than 10% of the portfolio contract rental. SPL also generates income from its equity-accounted investments in Investore, Industrie joint venture and Diversified (refer note 6.1).

SIML's revenue streams are earned from the management of the real estate investments of Investore, Industrie, Diversified and SPL. For the revenue earned from Investore, Industrie joint venture and Diversified, refer note 7.3 on related party disclosures and note 6.4 on Industrie joint operation.

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

Segment profit	SPL		SIML		Unaudited
	SPL \$000	eliminations \$000	SIML \$000	eliminations \$000	6 months 30 Sep 22 \$000
Net rental income	32,668	1,437	-	-	34,105
Management fee income	-	-	18,373	(6,324)	12,049
Total corporate expenses	(5,237)	3,900	(11,146)	304	(12,179)
Profit before net finance expense, other (expense)/income and income tax	27,431	5,337	7,227	(6,020)	33,975
Net finance expense	(8,763)	-	2	48	(8,713)
Profit before other (expense)/income and income tax	18,668	5,337	7,229	(5,972)	25,262
Other (expense)/income					
Net change in fair value of investment properties	(52,045)	203	-	-	(51,842)
Share of loss in equity-accounted investments	(9,103)	-	-	-	(9,103)
Impairment of equity-accounted investment	(12,016)	-	-	-	(12,016)
Loss on disposal of investment properties	(2,166)	455	-	-	(1,711)
Hedge ineffectiveness of cash flow hedges	63	-	-	-	63
(Loss)/profit before income tax	(56,599)	5,995	7,229	(5,972)	(49,347)
Income tax expense	(1,752)	-	(2,031)	-	(3,783)
(Loss)/profit after income tax attributable to shareholders	(58,351)	5,995	5,198	(5,972)	(53,130)
Total other comprehensive income/(loss) after tax	6,537	-	(110)	-	6,427
Total comprehensive (loss)/income after tax attributable to shareholders	(51,814)	5,995	5,088	(5,972)	(46,703)

Transactions between SPL and SIML include management fees charged from SIML to SPL and net rental income charged from SPL to SIML. These transactions are eliminated on consolidation (refer note 7.3 for details on the composition of the transactions).

3.0 Property

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

3.1 Net rental income

SPL	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Gross rental income		
Rental income	35,572	35,041
Service charge income recovered from tenants	9,422	8,867
Spreading of fixed rental increases	548	696
Capitalised lease incentives	227	333
Lease incentives amortisation	(254)	(198)
Capitalised lease incentives - COVID-19	474	353
Lease incentives amortisation - COVID-19	(597)	(448)
Movement in rental income abatement provision due to COVID-19	693	(3,202)
Total gross rental income	46,085	41,442
Direct property operating expenses		
Rates and insurance	(6,497)	(5,658)
Property maintenance costs	(2,797)	(2,514)
Utilities	(1,047)	(899)
Other property operating expenses	(1,722)	(1,647)
Lease incentives amortisation	(40)	(62)
Movement in loss allowance	123	-
Total direct property operating expenses	(11,980)	(10,780)
Net rental income	34,105	30,662

Other property operating expenses includes operating expenses not recoverable from tenants and property leasing expenses. Salaries and wages costs of \$0.8 million (30 Sep 21: \$0.7 million) charged by SIML to SPL have been eliminated in the direct property operating expenses.

3.0 Property (continued)

3.2 Investment properties

SPL	Office \$000	Town Centre \$000	Industrial \$000	Development and other \$000	Total \$000
Balance at 31 Mar 22 (Audited)	649,050	340,413	181,854	-	1,171,317
Addition (refer note 1.5)	-	-	-	180,299	180,299
Capital expenditure	5,002	609	6	-	5,617
Spreading of fixed rental increases	543	(150)	155	-	548
Capitalised lease incentives	292	347	62	-	701
Lease incentives amortisation	(208)	(659)	(24)	-	(891)
Transfer to property, plant and equipment	(450)	-	-	-	(450)
Reclassification	(14,250)	(26,250)	-	40,500	-
Net change in fair value	(29,929)	(10,899)	(6,615)	(4,399)	(51,842)
Balance at 30 Sep 22 (Unaudited)	610,050	303,411	175,438	216,400	1,305,299
Comprised of:					
Investment property at valuation	610,050	287,500	175,438	216,400	1,289,388
Lease liability	-	15,911	-	-	15,911
Balance at 30 Sep 22 (Unaudited)	610,050	303,411	175,438	216,400	1,305,299

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

SPL owns office buildings at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington. Stride has offices located in these buildings and the value attributable to these floor areas has been recognised as property, plant and equipment (refer note 7.6).

The investment properties were valued either by CVAS (NZ) Limited (Colliers), CVAS (WLG) Limited (Colliers Wellington), Jones Lang LaSalle Limited (JLL), Savills (NZ) Limited (Savills), CBRE Limited (CBRE) or Bayleys Valuations Limited (Bayleys) as indicated. The valuations are dated effective 30 September 2022. The net change in fair value of \$(51.8) million (31 Mar 22: \$30.7 million) includes \$(2,000) (31 Mar 22: \$(71,000)) in relation to the change in the value of the lease liabilities. In the current period, a revaluation movement of \$0.2 million (31 Mar 22: \$1.0 million) arising from the elimination of the fees charged by SIML to SPL (refer note 7.3), has been reflected in the consolidated statement of financial position.

Included in the 30 September 2022 balance of investment property at valuation is an implicit right-of-use asset of \$11.4 million (31 Mar 22: \$11.4 million) in relation to a peppercorn ground lease at 55 Lady Elizabeth Lane, Wellington, with an associated immaterial lease liability.

Total lease liability of \$15.9 million (31 Mar 22: \$27.3 million) is in respect of the ground lease at NorthWest Shopping Centre, Auckland (31 Mar 22: NorthWest Shopping Centre, Auckland, and 7-9 Fanshawe Street, Auckland).

3.0 Property (continued)

3.2 Investment properties (continued)

	Valuer	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Office			
34 Shortland Street, Auckland	JLL	54,200	57,000
46 Sale Street, Auckland	JLL	145,500	154,200
1 Grey Street, Wellington	CBRE	64,900	67,850
215 Lambton Quay, Wellington	Colliers Wellington	84,500	91,000
20 Customhouse Quay, Wellington	Colliers Wellington	230,000	232,000
22 The Terrace, Wellington	JLL	30,950	32,000
55 Lady Elizabeth Lane, Wellington		-	15,000
Office total		610,050	649,050
Town Centre			
61 Silverdale Street, Auckland	Savills	99,500	100,500
NorthWest Shopping Centre, Auckland	Colliers	145,500	152,500
NorthWest Two, Auckland	Colliers	42,500	44,000
Johnsonville Shopping Centre, Wellington (50%)		-	27,500
Town Centre total		287,500	324,500
Industrial (51.7% interest in Industrie (joint operation) refer note 6.4) (31 Mar 22: 51.7%)			
30 Airpark Drive, Auckland	Bayleys	23,540	24,054
20 Rockridge Avenue, Auckland	Savills	15,418	15,390
25 O'Rorke Road and 15 Rockridge Avenue, Auckland	Savills	74,138	77,259
318 East Tamaki Road, Auckland	JLL	62,342	65,151
Industrial total		175,438	181,854
Development and other			
110 Carlton Gore Road, Auckland	JLL	175,900	-
55 Lady Elizabeth Lane, Wellington	Colliers Wellington	14,250	-
Johnsonville Shopping Centre, Wellington (50%)	CBRE	26,250	-
Development and other total		216,400	-
		1,289,388	1,155,404

In determining the valuations, the valuers took into account:

- occupancy (leased area as a proportion of the total net lettable area) on individual investment properties (average is 96.4% at balance date) (31 Mar 22: 96.6%);
- average lease term (weighted average lease term (WALT) at balance date is 6.8 years) (31 Mar 22: 6.5 years);
- discount rates (ranged from 6.00% to 8.25%) (31 Mar 22: 5.63% to 8.00%);
- estimated capital expenditure of \$27.1 million for works to be completed at 110 Carlton Gore Road, Auckland, as well as an estimated \$26.0 million allowance to improve the seismic performance at 55 Lady Elizabeth Lane, Wellington.

Capitalisation rates ranged from 4.13% to 8.38% (31 Mar 22: 3.87% to 8.38%).

3.0 Property (continued)

3.2 Investment properties (continued)

The estimated sensitivity of the fair value of the total investment property portfolio to changes in the market capitalisation rate and discount rate, assuming the capitalisation rate or discount rate moved equally on all the properties, is as follows:

Impact on fair value	Cap rate %		Discount rate %	
	-0.25	+0.25	-0.25	+0.25
As at 30 Sep 22 (Unaudited)				
Change \$000	65,575	(59,452)	25,788	(24,208)
Change %	5	(5)	2	(2)
As at 31 Mar 22 (Audited)				
Change \$000	61,652	(58,360)	22,404	(21,818)
Change %	5	(5)	2	(2)

The **Land Value Approach** has been used for Johnsonville Shopping Centre, Wellington, as this approach reflected the highest and best use for the property.

Works are required to improve the seismic performance of the office property at 55 Lady Elizabeth Lane, Wellington, although the exact nature of the works required is still being confirmed. This property has been fair valued by the **Residual Approach**, calculating what the property is expected to be worth on completion of the works on the property and deducting all expected costs to complete them, including a profit and risk allowance.

The **Residual Approach** has also been used for the property at 110 Carlton Gore Road, Auckland, which is currently under development.

All other properties have been fair valued by a combination of both the **Income Capitalisation** and the **Discounted Cash Flow** approaches. All properties were valued on a consistent approach to 31 March 2022.

3.3 Capital expenditure commitments contracted for

As at 30 September 2022, SPL has the following commitments:

- \$80.5 million (31 Mar 22: \$nil) further loan advances and final settlement payments to be made in relation to 110 Carlton Gore Road, Auckland, of which \$53.4 million is included in trade and other payables (refer note 7.5). Subsequent to balance date, \$15.7 million of loan advances have been made (refer note 7.8)
- \$0.2 million (31 Mar 22: \$2.5 million) for further building upgrades at 34 Shortland Street, Auckland
- \$0.6 million (31 Mar 22: \$2.9 million) to complete building upgrade works at 22 The Terrace, Wellington
- \$1.3 million (31 Mar 22: \$0.1 million) for various other capital expenditure works to be undertaken

Stride has no other material capital commitments as at 30 September 2022.

Subsequent to balance date, SPL has committed to a further \$3.8 million for capital expenditure works, comprising \$3.1 million at 34 Shortland Street, Auckland, and \$0.7 million at 55 Lady Elizabeth Lane, Wellington.

4.0 Investor Returns

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

4.1 Basic and diluted earnings per share (EPS)

Basic and diluted EPS amounts are calculated by dividing (loss)/profit after income tax attributable to shareholders by the weighted average number of shares on issue. Weighted average number of shares for the purpose of diluted EPS has been adjusted for 3,182,163 (30 Sep 21: 2,050,746) rights issued under SIML's long-term share incentive schemes and short term incentive rights.

	Unaudited 6 months 30 Sep 22	Unaudited 6 months 30 Sep 21
(Loss)/profit after income tax attributable to shareholders (\$000)	(53,130)	61,511
Weighted average number of shares for purpose of basic EPS (000)	540,321	473,174
Basic EPS - SPL (cents)	(10.79)	11.85
Basic EPS - SIML (cents)	0.96	1.15
Basic EPS - weighted (cents)	(9.83)	13.00
Weighted average number of shares for purpose of diluted EPS (000)	543,402	475,062
Diluted EPS - SPL (cents)	(10.79)	11.80
Diluted EPS - SIML (cents)	0.96	1.15
Diluted EPS - weighted (cents)	(9.83)	12.95

SPL has reported a loss after income tax attributable to shareholders for the six months ended 30 September 2022. As a loss after income tax attributable to shareholders results in an anti-dilutive position for diluted EPS, the diluted EPS is reported as Basic EPS of (10.79) cents.

4.2 Net tangible assets per share

	Unaudited 30 Sep 22	Audited 31 Mar 22	Unaudited 30 Sep 21
Number of shares on issue (000)	540,331	540,189	473,235
Total assets (\$000)	1,666,180	1,642,317	1,595,010
Less total liabilities (\$000)	(507,634)	(411,233)	(532,827)
Net tangible assets (NTA) (\$000)	1,158,546	1,231,084	1,062,183
NTA per share (cents)	214	228	224

4.3 Dividends paid

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
The following dividends were declared and paid by SPL during the period:		
Q4 2022 final dividend 1.8455 cents (Q4 2021 1.6075 cents)	9,972	7,607
Q1 2023 interim dividend 2.0702 cents (Q1 2022 1.9345 cents)	11,190	9,155
Total dividends paid - SPL	21,162	16,762
The following dividends were declared and paid by SIML during the period:		
Q4 2022 final dividend 0.632 cents (Q4 2021 0.870 cents)	3,415	4,117
Q1 2023 interim dividend 0.407 cents (Q1 2022 0.543 cents)	2,201	2,570
Total dividends paid - SIML	5,616	6,687
Total dividends paid - Stride	26,778	23,449

4.0 Investor Returns (continued)

4.4 Distributable profit

Accounting policy

Stride's dividend policy is to target a total cash dividend to shareholders that is equivalent to the sum of 25% to 75% of SIML's distributable profit and 80% to 100% of SPL's distributable profit. Distributable profit is presented to enable investors to see an earnings measure which more closely aligns to Stride's underlying and recurring earnings from its operations. Distributable profit is a non-GAAP measure and consists of (loss)/profit before income tax, adjusted for determined non-recurring and/or non-cash items, share of (loss)/profit in equity-accounted investments, dividends received from equity-accounted investments and current tax.

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

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
(Loss)/profit before income tax	(49,347)	69,476
Non-recurring, non-cash, and other adjustments:		
Net change in fair value of investment properties	51,842	(13,358)
Reversal of the lease liabilities movement in net change in fair value of investment properties	(2)	(34)
Share of loss/(profit) in equity-accounted investments	9,103	(37,511)
Impairment of equity-accounted investment	12,016	-
Loss/(gain) on disposal of investment properties	1,711	(31)
Reversal of the lease liabilities movement in loss on disposal of investment properties	(35)	-
Hedge ineffectiveness of cash flow hedges	(63)	-
Project costs relating to Fabric Property Limited	-	4,811
Development and disposal fees eliminated in SIML	658	500
Dividend income from equity-accounted investments (refer note 7.3)	4,870	4,536
Spreading of fixed rental increases	(548)	(696)
Capitalised incentives net of amortisation	190	22
Share based payment expense	943	545
Software asset expense	-	1,025
Depreciation	89	93
Lease liability for head office	-	(170)
Borrowings establishment costs amortisation	182	220
Non-cash interest income	(91)	(144)
Interest earned in relation to loan advance on 110 Carlton Gore Road, Auckland	2,964	-
Distributable profit before current income tax	34,482	29,284
Current tax expense	(6,903)	(5,275)
Adjusted for:		
Tax expense on bank borrowings capitalised interest	-	(14)
Tax expense on depreciation recovered on disposal of investment properties	1,722	186
Distributable profit after current income tax	29,301	24,181
Adjustments to funds from operations:		
Maintenance capital expenditure	(3,260)	(1,063)
Adjusted Funds From Operations (AFFO)	26,041	23,118
Weighted average number of shares for the purpose of basic distributable profit per share (000)	540,321	473,174
Basic distributable profit after current income tax per share - weighted (cents)	5.42	5.11
AFFO basic distributable profit after current income tax per share - weighted (cents)	4.82	4.89
Weighted average number of shares for the purpose of diluted distributable profit per share (000)	543,402	475,062
Diluted distributable profit after current income tax per share - weighted (cents)	5.39	5.09
AFFO diluted distributable profit after current income tax per share - weighted (cents)	4.79	4.87

5.0 Capital Structure and Funding

Stride's capital structure includes debt and equity, comprising shares and retained earnings, as shown in the consolidated statement of financial position. This section sets out Stride's funding exposure to interest rate risk and related financing costs (excluding borrowings within Industrie joint operations, refer note 6.4).

5.1 Borrowings

	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Non-current		
Bank facility drawn down	361,100	305,500
Unamortised borrowing costs	(923)	(1,105)
Total net borrowings	360,177	304,395
Weighted average interest rate for debt (inclusive of current interest rate derivatives, margins and line fees) at balance date	3.57%	3.55%

			Total \$000	Undrawn facility \$000	Drawn amount \$000
30 Sep 22	Expiry date	Interest rate			
Facility A	15 Dec 2024	Floating	100,000	-	100,000
Facility B	15 Dec 2025	Floating	60,000	47,500	12,500
Facility C	15 Dec 2026	Floating	40,000	40,000	-
Facility F1	15 Dec 2024	Floating	100,000	-	100,000
Facility F2	15 Dec 2025	Floating	100,000	-	100,000
Facility F3	15 Dec 2026	Floating	100,000	51,400	48,600
Facility F4	15 Dec 2024	Floating	100,000	100,000	-
			600,000	238,900	361,100

31 Mar 22					
Facility A	15 Dec 2024	Floating	100,000	-	100,000
Facility B	15 Dec 2025	Floating	60,000	54,500	5,500
Facility C	15 Dec 2026	Floating	40,000	40,000	-
Facility F1	15 Dec 2024	Floating	100,000	-	100,000
Facility F2	15 Dec 2025	Floating	100,000	-	100,000
Facility F3	15 Dec 2026	Floating	100,000	100,000	-
Facility F4	15 Dec 2024	Floating	100,000	100,000	-
			600,000	294,500	305,500

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

The carrying amount of the bank borrowings is considered a reasonable approximation of fair value.

In accordance with the Green Finance Framework (Framework) of Fabric, \$400.0 million of the facilities are classified as green loan facilities. The Framework has been developed to be consistent with the Asia Pacific Loan Market Association (APLMA) Green Loan Principles (2021).

SIML does not have any bank borrowings (31 Mar 22: \$nil) however it does have a \$3.0 million overdraft facility with ANZ which has not been utilised during the current period.

5.0 Capital Structure and Funding (continued)

5.2 Derivative financial instruments

SPL	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Outstanding interest rate derivative contracts		
Active interest rate derivative contracts	335,000	335,000
Forward dated interest rate derivative contracts	30,000	-
Total notional principal value of interest rate derivative contracts	365,000	335,000
Interest rate derivative assets - current	240	290
Interest rate derivative assets - non-current	26,815	19,535
Fair values of interest rate derivative contracts	27,055	19,825
Fixed interest rates range on active interest rate derivative contracts (excluding margins and line fees)	0.39% - 1.80%	0.39% - 1.80%
Weighted average fixed interest rate on active interest rate derivative contracts (excluding margins and line fees)	1.24%	1.24%
Percentage of drawn debt fixed	93%	110%

During the current period, a three year fixed interest rate derivative contract with a notional value of \$30.0 million was entered into, with an effective date of 31 December 2024.

As at 30 September 2022, SPL had interest rate derivative contracts with a notional value of \$35.0 million (31 Mar 22: \$35.0 million), that had no drawn bank borrowings hedged against them. As the hedged relationship for these contracts did not exist, the fair value movement of \$0.1 million (31 Mar 22: \$1.3 million) has been recognised in other income in the consolidated statement of comprehensive income.

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisors using valuation techniques classified as Level 2 in the fair value hierarchy (31 Mar 22: Level 2). Judgement is involved in determining the fair value by the independent treasury advisors. The fair values are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates as at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. The valuations were based on market rates at 30 September 2022 of between 3.87%, for the 90-day BKBM, and 4.43%, for the 10-year swap rate (31 Mar 22: 1.61% and 3.41%, respectively). There have been no transfers between Level 1 and 2 during the respective periods. There were no changes to these valuation techniques during the reporting period.

5.3 Net finance expense

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Finance income		
Bank interest income	119	1
Other finance income	91	144
	210	145
Finance expense		
Bank borrowings interest	(8,036)	(6,676)
Bank borrowings interest capitalised	-	49
Lease liabilities interest	(887)	(890)
	(8,923)	(7,517)
Net finance expense	(8,713)	(7,372)

5.0 Capital Structure and Funding (continued)

5.4 Share capital

There is only one class of shares, being ordinary shares, and they rank equally with each other. All issued shares are fully paid and have no par value. Stride had 540,330,940 shares on issue as at 30 September 2022 (31 Mar 22: 540,188,683).

5.5 SIML equity (non-controlling interest)

	Notes	Total \$000
Balance 31 Mar 22 (Audited)		13,083
Transactions with shareholders:		
Dividends paid	4.3	(5,616)
Other movements in reserves		943
Total transactions with shareholders		(4,673)
Total other comprehensive loss		(110)
Profit after income tax		5,198
Total comprehensive income		5,088
Balance 30 Sep 22 (Unaudited)		13,498
Balance 31 March 21 (Audited)		13,693
Transactions with shareholders:		
Dividends paid	4.3	(6,687)
Other movements in reserves		545
Total transactions with shareholders		(6,142)
Total other comprehensive income		109
Profit after income tax		5,460
Total comprehensive income		5,569
Balance 30 Sep 21 (Unaudited)		13,120

6.0 Investments in Property Entities

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

6.1 Interests in associates and joint venture

	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
Equity-accounted investments		
Investore ¹	123,347	143,248
Diversified ²	1,730	1,287
Industre joint venture ²	168,976	174,051
	294,053	318,586

¹ Fair value, based on Investore's quoted closing share price on the NZX Main Board on the last business day for the six months ended 30 September 2022, was \$105.2 million (31 Mar 22: \$119.0 million).

² These equity-accounted investments do not have quoted market prices as they are not listed.

On 30 September 2022, the market value of the investment in Investore, based on the quoted closing market price of Investore's ordinary shares of \$1.52, was below the investment's carrying amount under the equity method of accounting. SPL assessed whether objective evidence of impairment exists, the outcome of which was that an impairment test has been performed by using the value in use (VIU) and fair value less costs of disposal (FVLCD) valuation approaches. SPL has estimated the recoverable amount of the investment in Investore using the FVLCD valuation (as the higher of the two valuation approaches). The key inputs and assumptions in determining the recoverable amount of this investment through the FVLCD approach are a strategic investment premium of 17.5% (as determined by a third party) and brokerage costs of 0.2%. As at 30 September 2022, SPL has recognised an impairment loss against the carrying amount of the investment of \$(12.0) million (30 Sep 21: \$nil).

	Unaudited 6 months 30 Sep 22	Unaudited 6 months 30 Sep 21
	\$000	\$000
Share of (loss)/profit in equity-accounted investments		
Investore	(5,204)	10,687
Diversified	318	439
Industre joint venture	(4,217)	26,385
	(9,103)	37,511

6.2 Industre

Industre is a joint arrangement between SPL and a group of international institutional investors through a special purpose vehicle advised by J.P. Morgan Asset Management (JPMAM). As at 30 September 2022, SPL held a 51.7% interest in Industre (31 Mar 22: 51.7%). Over the long term, the strategy is for JPMAM to fund further portfolio growth until the respective economic contributions to the portfolio are 75%/25% (JPMAM/SPL).

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

6.0 Investments in Property Entities (continued)

6.3 Industre joint venture

Industre joint venture comprises Industre Property Tahī Limited (Tahī), Industre Property Rua Limited (Rua) and Industre Property Finance Limited (FinCo). SPL has rights to the net assets of these entities, and consequently, these entities are classified as a joint venture.

Tahī and Rua hold legal and beneficial ownership of certain properties. FinCo is a funding vehicle established to obtain bank borrowings and on-lend the funds to Tahī, Rua and Industre joint operation. SPL's wholly owned subsidiary, Stride Industrial Property Limited (SIPL), is a guarantor under the Industre banking arrangements as Industre is a beneficial owner of property owned through the unincorporated joint venture of Industre and as such is jointly and severally liable for Industre's bank debt. SIPL has the benefit of, and bears obligations under, a cross indemnity with JPMAM by way of the joint venture arrangements. As at 30 September 2022, the value of the financial guarantee was \$nil.

Tahī and Rua are eligible and have elected to be multi-rate PIEs of which the income tax liability arises to the investors. Accordingly, SPL recognises current and deferred tax as part of its taxes in note 7.1 (rather than as part of the investment in the joint venture).

The difference between the closing carrying amount and share at carrying percentage for Industre joint venture relates to the \$(0.9) million loss on sale of properties in exchange for cash received from Industre joint venture in the financial year ended 31 March 2021. This difference has carried forward to the balance as at 30 September 2022 and will be recognised over time when there are future changes in the participating interest.

SPL	Total \$000
Carrying amount - 31 March 22 (Audited)	174,051
Movement in cash flow hedges net of tax	1,278
Loss	(4,216)
Dividends paid	(2,137)
Carrying amount - 30 Sep 22 (Unaudited)	168,976

The below table shows Industre joint venture's revenues and expenses and SPL's share at the weighted average participating interest during the respective period. Industre joint venture's income and expenses in the prior period have been restated, due to an elimination of intra-group financing transactions. There is no change to SPL's share of net profit for the prior period.

Summarised statement of comprehensive income	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Income	10,896	9,296
Expenses	(7,722)	(5,032)
Net change in fair value of investment properties	(11,324)	44,995
Net (loss)/profit	(8,150)	49,259
SPL's share of net (loss)/profit at weighted average participating interest during the period	(4,216)	26,385

The below table summarises Industre joint venture's assets and liabilities and SPL's share based on the participating interest as at reporting date.

Summarised statement of financial position	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Assets		
Current assets	4,395	7,207
Investment properties	504,017	497,931
Other non-current assets	86,298	82,689
	594,710	587,827
Liabilities		
Current liabilities	(7,724)	(4,547)
Borrowings - non-current	(256,073)	(243,603)
Other non-current liabilities	(2,631)	(1,584)
	(266,428)	(249,734)
Net assets	328,282	338,093
SPL's share in %	51.7%	51.7%
SPL's share of net assets at carrying percentages	169,842	174,917

6.0 Investments in Property Entities (continued)

6.4 Industrie joint operation

SPL holds a 51.7% interest in a joint arrangement with JPMAM relating to the investment properties as denoted in note 3.2. The Industrie joint operation holds the beneficial ownership of certain properties. SPL recognises its direct right to the jointly held assets, liabilities, revenues and expenses of the joint operation.

The table below summarises the assets, liabilities, revenues and expenses of the Industrie joint operation, and represents SPL's share included in the financial statements on a proportionate basis.

	Unaudited 6 months 30 Sep 22 100% \$000	Unaudited 6 months 30 Sep 22 participating interest \$000	Unaudited 6 months 30 Sep 21 100% \$000	Unaudited 6 months 30 Sep 21 participating interest \$000
Summarised statement of comprehensive income				
Income	7,720	3,994	7,263	3,933
Expenses	(4,462)	(2,307)	(3,214)	(1,738)
Net change in fair value of investment properties	(12,783)	(6,615)	37,914	20,369
Net (loss)/profit	(9,525)	(4,928)	41,963	22,564
	Unaudited 30 Sep 22 100% \$000	Unaudited 30 Sep 22 participating interest \$000	Audited 31 Mar 22 100% \$000	Audited 31 Mar 22 participating interest \$000
Summarised statement of financial position				
Assets				
Current assets	816	422	884	457
Investment properties	339,100	175,438	351,500	181,854
	339,916	175,860	352,384	182,311
Liabilities				
Current liabilities	(862)	(446)	(924)	(478)
Borrowings	(77,317)	(40,001)	(77,034)	(39,857)
	(78,179)	(40,447)	(77,958)	(40,335)
Net assets	261,737	135,413	274,426	141,976

SPL's portion of the borrowings in the Industrie joint operation are with FinCo, which is in the Industrie joint venture. This loan is on the same terms as the banking facility with FinCo, however is payable on demand if called on by FinCo. As at 30 September 2022, SPL and JPMAM, as the participants, have agreed these borrowings will not be called by FinCo in the next 12 months, unless called on by FinCo's banking syndicate (which is a non-current borrowing). As such SPL's portion of the borrowings in the Industrie joint operation have been classified as non-current in the consolidated statement of financial position.

The below fee income was earned from the Industrie joint operation and represents the participating interest held by the participant AP SG 17 Pte. Limited. The management fees paid from SPL to SIML are eliminated in the consolidated statement of comprehensive income. The balance receivable represents AP SG 17 Pte. Limited's portion of the Industrie joint operation's performance fees and leasing fees owed to SIML.

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Asset management fee income	340	280
Performance fee income	430	272
Leasing fee income	58	-
Building management fee income	21	20
Project management fee income	-	7
Maintenance fee income	3	2
	852	581
	Unaudited 30 Sep 22 \$000	Audited 31 Mar 22 \$000
Balance receivable	269	216

7.0 Other

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

7.1 Income tax

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Income tax		
Current tax	(6,903)	(5,275)
Deferred tax	3,120	(2,690)
Income tax expense per the consolidated statement of comprehensive income	(3,783)	(7,965)
(Loss)/profit before income tax	(49,347)	69,476
Prima facie income tax using the company tax rate of 28%	13,817	(19,453)
(Increase)/decrease in income tax due to:		
Net change in fair value of investment properties	(14,516)	3,383
Impairment of equity-accounted investment	(3,364)	-
Reversal of lease liability movement	17	(19)
Non-taxable income	(3,193)	10,644
Assessable income	(1,137)	(477)
Depreciation	3,440	3,412
Depreciation recovered on disposal of investment properties	(1,722)	(186)
Non-deductible expenses	(283)	(1,964)
Expenditure deductible for tax	96	334
Temporary differences	(100)	(1,063)
Over provision in prior period	42	114
Current tax expense	(6,903)	(5,275)
Investment property depreciation	3,235	(4,044)
Other	(115)	1,354
Deferred tax charged to profit or loss	3,120	(2,690)
Income tax expense per the consolidated statement of comprehensive income	(3,783)	(7,965)

Income tax expense arising from the Industrie joint venture (Tahi and Rua) is \$(0.25) million (30 Sep 21: \$(0.44) million).

7.2 Total corporate expenses

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
Corporate overhead expenses include:		
Salaries and other short-term benefits	8,097	7,449
Software asset expense	-	1,025
Administration expenses include:		
Share based payment expense	943	545
Feasibility expenses	9	597
Valuation expenses	163	119

7.0 Other (continued)

7.3 Related party disclosures

	Unaudited 6 months 30 Sep 22 \$000	Unaudited 6 months 30 Sep 21 \$000
The following transactions with a related party took place:		
Diversified		
Asset management fee income	1,546	1,476
Salaries and wages recovery	1,203	1,079
Project management fee income	367	995
Building management fee income	926	809
Leasing fee income	615	262
Accounting fee income	87	87
Licensing fee income	35	35
Total fee income	4,779	4,743
Rent paid	(57)	(57)
Interest income received (reinvested in units)	91	144
Investore		
Asset management fee income	3,087	2,776
Performance fee income	-	1,667
Building management fee income	220	218
Disposal fee income	-	128
Accounting fee income	125	125
Leasing fee income	19	61
Maintenance fee income	27	12
Project management fee income	111	3
Sustainability fee income	62	-
Total fee income	3,651	4,990
Dividend income	2,733	2,682
Industre joint venture		
Asset management fee income	1,019	732
Performance fee income	600	674
Acquisition fee income	-	427
Building management fee income	38	38
Project management fee income	839	23
Leasing fee income	116	-
Maintenance fee income	10	-
Total fee income	2,622	1,894
Dividend income	2,137	1,854
Interest expense	(842)	(689)

7.0 Other (continued)

7.3 Related party disclosures (continued)

	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
The following balances were receivable from/(payable to) a related party:		
Investore - related party receivable	65	31
Diversified - related party receivable	313	118
Industre joint venture (Tahi/Rua/FinCo) - receivable	561	1,087
Diversified - interest-bearing loan	3,398	3,398
Industre joint venture (FinCo) - borrowings	(40,001)	(39,857)

Included within trade and other payables is a \$5.0 million provision (31 Mar 22: \$5.2 million) for seismic works in relation to a property divested to Investore in the year ended 31 March 2021.

The following table details the transactions between SPL and SIML which are eliminated on consolidation (refer note 2.0):

	Unaudited 6 months 30 Sep 22	Unaudited 6 months 30 Sep 21
	\$000	\$000
Management fees charged from SIML to SPL:		
Building management fee	500	551
Asset management fee	3,314	3,115
Salaries and wages recovery	786	737
Project management fee	240	500
Performance fee	461	315
Maintenance fee	30	24
Leasing fee	450	564
Accounting fee	125	125
Disposal fee	418	-
Total	6,324	5,931
Rental charged from SPL to SIML:		
Rental charge for offices	279	184
Service charge for offices	50	42
Total	329	226
	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
The following balances were receivable between SPL and SIML:		
SPL - related party receivable (recognised in SIML)	1,711	435
SIML - related party payable (recognised in SPL)	(1,711)	(435)

SIML provides ancillary services in accordance with the management agreement between SPL and SIML to ensure proper management of SPL. Payment for these services by SPL to SIML is included in the total asset management fee paid.

7.0 Other (continued)

7.4 Trade and other receivables

	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
Current		
Trade and other receivables	3,825	3,700
Less loss allowance	(800)	(923)
Trade and other receivables net of loss allowance	3,025	2,777
Interest receivable - in relation to 110 Carlton Gore Road, Auckland (refer note 1.5)	3,310	-
Related party receivable (refer notes 6.4 and 7.3)	1,208	1,452
	7,543	4,229

7.5 Trade and other payables

	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
Unsecured liabilities		
Trade payables	1,828	2,952
Settlement payable - in relation to 110 Carlton Gore Road, Auckland (refer note 1.5)	53,400	-
Rental guarantee - in relation to 80 Greys Avenue, Auckland (refer note 1.5)	1,034	-
Development and capital expenditure payables and accruals	3,135	3,802
Seismic work accruals (refer note 7.3)	4,984	5,178
Rental income abatement provision due to COVID-19	308	1,001
Retention accruals	574	739
Rent in advance	1,144	1,519
Operating expense recovery accruals	220	540
Tenant deposits held	869	831
Employee entitlements	1,787	2,302
Other accruals and payables	3,781	3,683
	73,064	22,547

Other accruals and payables include Goods and Services Tax, direct property operating expense accruals and other corporate expense accruals.

7.6 Property, plant and equipment

	Unaudited 30 Sep 22	Audited 31 Mar 22
	\$000	\$000
Property, plant and equipment	7,366	7,050

Stride has offices at 34 Shortland Street, Auckland, and 22 The Terrace, Wellington (31 Mar 22: 34 Shortland Street, Auckland), which are held as investment property (refer note 3.2). The value attributable to these premises of \$6.8 million (31 Mar 22: \$6.4 million) has been recognised as property, plant and equipment, with a revaluation deficit of \$(0.1) million (31 Mar 22: surplus of \$0.4 million) recognised within other comprehensive (loss)/income in the consolidated statement of comprehensive income.

7.7 Contingent liabilities

SPL's wholly owned subsidiary, Stride Industrial Property Limited (SIPL), is a guarantor under the Industrie banking arrangements as SIPL is a beneficial owner of property owned through the unincorporated joint venture of Industrie (refer note 6.3). The total facility under the Industrie banking arrangement is \$355.0 million (31 Mar 22: \$355.0 million) and as at 30 September 2022, \$256.9 million of bank debt had been drawn down (31 Mar 22: \$244.6 million).

Stride has no other contingent liabilities at balance date (31 Mar 22: \$nil).

7.0 Other (continued)

7.8 Subsequent events

Further advances totaling \$15.67 million, being \$7.83 million on 14 October 2022 and \$7.83 million on 15 November 2022, have been made to the vendor of 110 Carlton Gore Road, Auckland.

The SPL property at 55 Lady Elizabeth Lane, Wellington, requires works to improve its seismic performance. SPL has been in discussions with the tenants of the building regarding the seismic status of the building and the potential works required. After discussions with Meridian Energy Limited (Meridian), which occupied 2,875 sqm of space in the building, Meridian elected to leave the premises to provide more certainty to its staff. SPL and Meridian have reached a commercial agreement with Meridian under which Meridian surrendered the lease of its premises effective 31 October 2022. AMP Services Limited terminated their lease with effect from 31 August 2022 and Macquarie Asset Management (NZ) Limited terminated their lease with effect from 31 October 2022, both in accordance with the terms of their leases.

On 22 November 2022, Fabric entered into a forward-starting 3 year fixed interest rate swap agreement with a notional value of \$25 million, with an effective date of 31 December 2024.

On 22 November 2022, SPL instructed the banking syndicate to cancel \$75 million of banking facilities (\$35 million of facility B and the full \$40 million of facility C) effective 29 November 2022, reducing SPL's total banking facilities to \$525 million.

On 24 November 2022, SPL declared a cash dividend for the period 1 July 2022 to 30 September 2022 of 1.39532 cents per share, to be paid on 9 December 2022 to all shareholders on SPL's register at the close of business on 2 December 2022. At 1.39532 cents per share, the total dividend payment will be \$7,539,346. This dividend will carry imputation credits of 0.542624 cents per share. This dividend has not been recognised in the financial statements.

On 24 November 2022, SIML declared a cash dividend for the period 1 July 2022 to 30 September 2022 of 0.44552 cents per share, to be paid on 9 December 2022 to all shareholders on SIML's register at the close of business on 2 December 2022. At 0.44552 cents per share, the total dividend payment will be \$2,407,282. This dividend will carry imputation credits of 0.173258 cents per share. This dividend has not been recognised in the financial statements. SIML's equity (non-controlling interest) consists largely of retained earnings and the declared dividend represents 18% of SIML's equity as at 30 September 2022.

On 24 November 2022, the Boards of SPL and SIML approved the adoption of a dividend reinvestment plan to take effect from 5 December 2022 (and accordingly does not apply to the dividend declared on 24 November 2022). The plan enables holders of Stride's stapled securities to reinvest some or all of the dividends received from SIML and SPL in shares to be issued by each of SPL and SIML.

Independent auditor's review report

To the shareholders of Stride Property Limited and Stride Investment Management Limited



Report on the consolidated interim financial statements

Our conclusion

We have reviewed the consolidated interim financial statements of Stride Property Group, which consists of Stride Property Limited and its controlled entities (SPL) and Stride Investment Management Limited (SIML) (together Stride or the Group), which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2022, and its financial performance and cash flows for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the consolidated interim financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the area of tenancy marketing and operating expenditure audits for Stride. Certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities. The provision of these other services has not impaired our independence.

Responsibilities of Directors for the consolidated interim financial statements

The Directors of SPL and SIML respectively are responsible on behalf of Stride for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the consolidated interim financial statements

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

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

Who we report to

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

The engagement partner on the review resulting in this independent auditor's review report is Samuel Shuttleworth.

For and on behalf of:

A handwritten signature in black ink that reads 'Samuel Shuttleworth'.

Chartered Accountants
24 November 2022

Auckland

Corporate Directory

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Ross Buckley
Jacqueline Cheyne
Nick Jacobson
Philip Ling
Michelle Tierney

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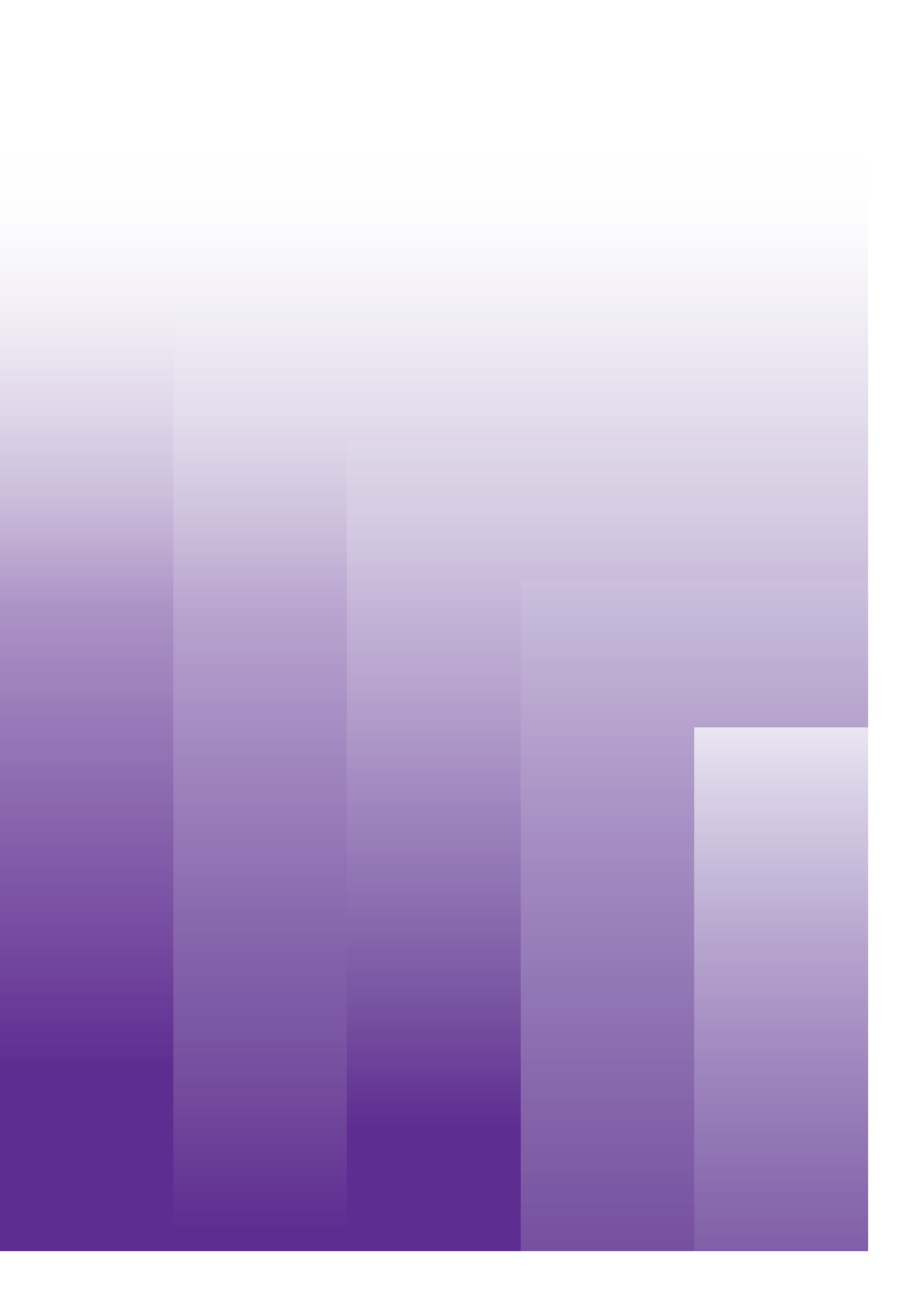
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Industrial and Commercial Bank of China Limited, Auckland Branch
MUFG Bank Limited (Auckland Branch)
The Hongkong and Shanghai Banking Corporation Limited (New Zealand Branch)
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