Delivering on strategy

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Kiwi Property

Sylvia Park build-to-rent courtyard (artist impression)

Contents

Kiwi Property Interim Report
for the six months ended 30 September 2021

Key Dates

For further information visit our investor centre at: kp.co.nz/investor-centre. This interim report is dated 19 November 2021.

Letter from the Chair & CEO

Mark Ford
Chair

Clive Mackenzie
Chief Executive Officer

Kiwi Property announced a robust financial result, reporting an uplift in all key operating metrics.

Dear shareholders,

Kiwi Property delivered a robust result for the first half of the 2022 financial year, despite the ongoing impact of COVID-19. While the company has not been immune to the disruption caused by recent lockdowns, our continued focus on operational efficiency and fiscal prudence has enabled us to mitigate many of the challenges caused by the pandemic.

Responding effectively to COVID-19 is a priority for Kiwi Property, however just as important, if not more so, is accelerating the delivery of our business strategy. Over the past six months we have made significant progress on our mixed-use ambition, breaking ground on new developments, launching a new asset class and exploring new funding streams. In the face of the volatile macro-economic climate, our evolution into a creator of integrated retail, office and residential communities has more momentum than ever.

Financial performance

Kiwi Property announced a solid financial performance for the six months ended 30 September 2021, reporting an uplift in all key operating metrics on the prior comparable period, including growth in income, profit, asset values and interim dividend. This is a particularly pleasing outcome given the financial headwinds caused by the protracted Auckland lockdown, reflecting the resilience of our portfolio and ability to effectively manage business disruption.

Operating profit before tax was $62.5 million, up 8.0% on the same period last year, driven by an increase in net rental income, which rose 11.5% to $94.0 million. Net profit after tax was $143.2 million, up 164.1"% on the prior comparable period, underpinned by a $93.6 million increase in the fair value of the company's investment properties.

Kiwi Property's mixed-use, office and other properties were worth $3.5 billion as at 30 September 2021, up 2.8% on the year before, highlighting the strength of the company's portfolio. Office was once again the best performing of the asset classes, recording a fair value gain of 4.9% to $1.1 billion. Kiwi Property's mixed-use portfolio, including Sylvia Park, LynnMall and The Base, also experienced a valuation uplift, climbing 2.5% to $1.7 billion.

Delivering on strategy

Kiwi Property made substantial progress against each of the three pillars of our strategy in the first half of the 2022 financial year, positioning the business for growth in the years ahead.

1. Intensify mixed-use assets

Last month we proudly began construction of New Zealand's first major build-to-rent development, marking an important milestone in the delivery of our mixed-use ambition. The $221 million, 295 apartment complex will be located at Sylvia Park, accelerating the site's evolution into an integrated retail, office and residential community.

The structural case for build-to-rent is strong, particularly in Auckland. More than half of the city's residents over 15 years of age live in rental accommodation, with this number expected to rise to 60% by 2043. The asset class has the potential to play an important role in helping alleviate New Zealand's housing shortfall.

Build-to-rent is poised to become an important part of Kiwi Property's portfolio, helping to diversify our asset base, unlock new revenue streams and promote valuation uplift across our sites. With our large mixed-use land-holdings and established asset management capabilities, we're in a unique position to deliver build-to-rent at scale in New Zealand.

Based on current plans, there is potential for more than 1,200 residential apartments to be added to Sylvia Park in the next decade.

Based on current plans, there is potential for more than 1,200 residential apartments to be added to Sylvia Park in the next decade. Of course, residential is just one part of our vision for the asset's future. With the ability to build up to 72 metres in height across a large part of our 35 hectare landholding, our intention is to develop a city within a city, creating a thriving mixed-use community, unlike anything previously seen in this country.

While Sylvia Park is a focus of our development programme, our other mixed-use assets are also poised for significant intensification. Resource consent has been obtained for a 25 level development at LynnMall, which will integrate a compelling combination of ground floor retail, three commercial office levels and a 19 floor build-to-rent tower. The building is expected to become the tallest structure in west Auckland, making it a distinctive and iconic landmark.

Located on LynnMall's south west corner, the proposed mixed-use tower connects directly into the existing shopping centre, offering residents unparalleled access to a wide range of retail options, The Brickworks dining and entertainment precinct and the New Lynn transport hub. Construction of the project could begin as early as 2022, pending funding and approval, with the potential to build as many as 600 build-to-rent apartments at LynnMall in the coming years.

Elsewhere, our Drury Fast-track application has been referred by the Minister for the Environment to the Environmental Protection Authority consenting panel. This is the final stage in the Fast-track process, with a decision possible as early as the first quarter of 2022.

If we are successful, earthworks could begin almost immediately, unlocking up to 35,000 sqm of large format retail, 7.1 hectares of land for residential development and setting the platform for the creation of an exciting new town centre. Our vision is for Drury to become New Zealand's first major green star community, as well as an exemplar for transport oriented development in this country.

2. Grow with third party capital

Kiwi Property has an expansive development pipeline, creating substantial competitive advantage for the company. A variety of mechanisms are available to fund this programme, including asset sales and the establishment of joint ventures across our mixed-use properties.

By introducing capital partners at one or more of these assets we will be in a strong position to accelerate their transformation and create additional value, while continuing to prioritise the interests of our shareholders.

These joint ventures, alongside asset sales and funds management all have the potential to deliver a significant proportion of the capital required to finance Kiwi Property's development programme, while also simultaneously unlocking additional fee income. We look forward to sharing more information about progress on these initiatives in due course.

3. Empower customer success

The first half of the 2022 financial year has been a challenging period for many of our tenants, as they deal with the cost and uncertainty of COVID-19 related lockdowns. As before, we are supporting these businesses through this difficult time, with a steadfast commitment to putting people first. This includes sharing a fair proportion of the financial impact of the pandemic and working with our small and medium sized tenants, in particular, to ensure they come through the coming months in good financial health.

NET PROFIT AFTER TAX

$143.2m

Sylvia Park build-to-rent (artist impression)

OPERATING PROFIT BEFORE TAX

$62.5m

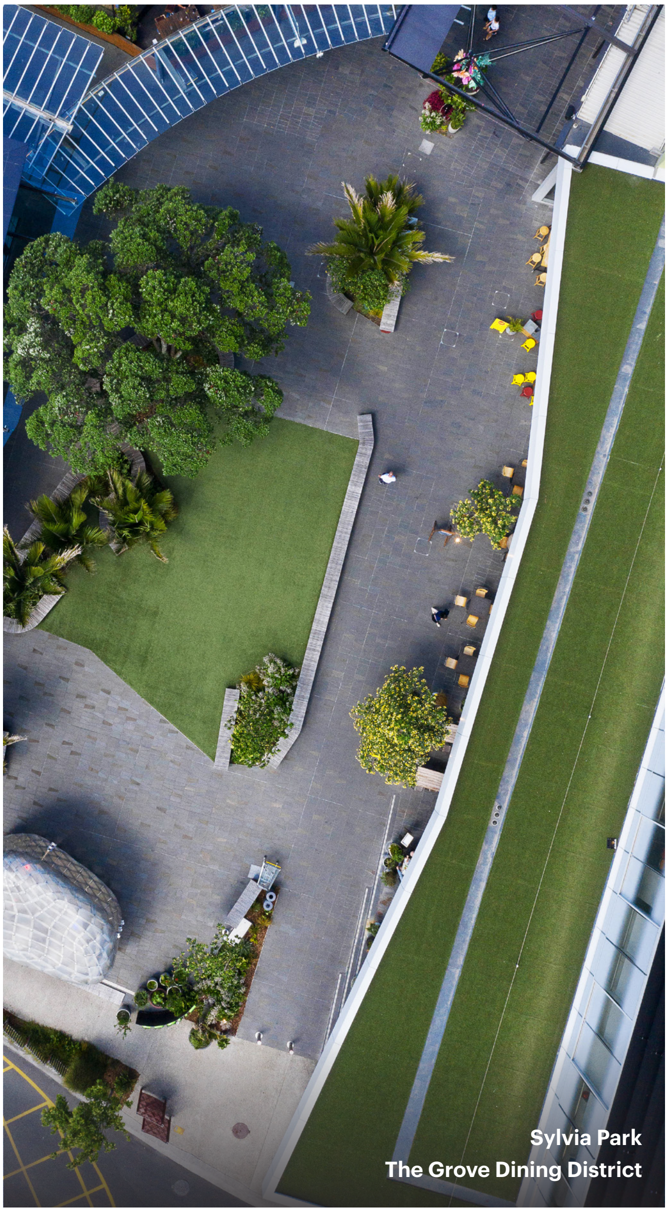
NET RENTAL INCOME

$94.0m

PROPERTY PORTFOLIO VALUE

$3.5b

LynnMall proposed mixed-use building (artist impression)


Sylvia Park The Grove Dining District

INTERIM DIVIDEND

2.75cps

With the Delta variant taking an increasing foothold, New Zealand will likely encounter a degree of COVID-19 related disruption for some time yet. Faced with this uncertainty, we must take a long-term view. We've made a $7.4 million rent relief provision for the first half of the 2022 financial year and expect a similar cost in the second half, absent lockdowns beyond 30 November 2021 or adverse impacts arising from the Government's recent changes to the Property Law Act.

While these measures affect earnings in the short term, the impact is outweighed by the benefit that comes from maintaining full, productive assets and enabling our tenants to scale up quickly once lockdowns end. The steps we take to assist our customers today, will empower their success, and ours, in the years to come.

Sustainability

We continued to make significant progress on our sustainability journey in the first half of the 2022 financial year, achieving a number of impressive milestones during the period. The Global Real Estate Benchmark (GRESB) awarded Kiwi Property a score of 80 (out of 100) for its Environmental, Social and Governance (ESG) performance in 2021, a strong result for a first time participant. This proud achievement places the company among an impressive group of real estate organisations and sets a solid platform for further progress.

Of the company's recent social activities, none has been more important than supporting Waikato-Tainui and the Waikato District Health Board to establish the region's largest vaccination centre at Te Awa, The Base. The facility has administered more than 50,000 vaccinations since it opened in July, helping keep the local community safe from COVID-19.

Dividend and outlook

Kiwi Property will pay an interim dividend of 2.75 cents per share for the six months ended 30 September 2021.

Despite the expected cost of rental abatements, we continue to target a total dividend of no less than 5.30 cps for the 2022 financial year, up from 5.15 cps in the prior comparable period. As always, the payment of any final dividend is contingent on the company's performance through the second half of the financial year and barring material adverse effects or unforeseen circumstances.

Kiwi Property took a number of important steps forward in the delivery of our strategy over the past six months. Our priority is to maintain this pace of execution, while continuing to unlock additional growth and development opportunities. COVID-19 will invariably cause challenges in the months ahead, but we will tackle them head-on, as we continue striving to create long-term value for our shareholders and other stakeholders.

Thank you for your continued support.

Mark Ford
Chair

Clive Mackenzie
Chief Executive Officer

Financials

02

Interim consolidated financial statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	**6 months 30 Sep 2021 $000**	6 months 30 Sep 2020 $000
Income			
Property revenue		**121,385**	111,290
Property management income		**931**	906
Total income		**122,316**	112,196
Expenses			
Direct property expenses		**(27,344)**	(26,983)
Employment and administration expenses		**(12,853)**	(10,834)
Total expenses		**(40,197)**	(37,817)
Profit before net finance expenses, other income/(expenses) and income tax		**82,119**	74,379
Interest income		**23**	98
Interest and finance charges		**(19,665)**	(16,642)
Net fair value gain/(loss) on interest rate derivatives	3.3.2	**7,985**	(2,841)
Net finance expenses		**(11,657)**	(19,385)
Profit before other income/(expenses) and income tax		**70,462**	54,994
Net fair value gain on investment properties	3.2	**93,623**	9,176
Loss on disposal of investment properties		**(3,116)**	-
Other income		**90,507**	9,176
Profit before income tax		**160,969**	64,170
Income tax expense	2.1	**(17,739)**	(9,941)
Profit and total comprehensive income after income tax attributable to shareholders		**143,230**	54,229
Basic and diluted earnings per share (cents)	2.2	**9.12**	3.46

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
Balance at 1 April 2020	1,660,961	1,600	308,944	1,971,505
Profit after income tax	-	-	54,229	54,229
Long-term incentive plan	883	(291)	-	592
Employee share ownership plan	70	(35)	-	35
Balance at 30 September 2020	1,661,914	1,274	363,173	2,026,361
Balance at 1 April 2021	**1,661,916**	**1,890**	**470,980**	**2,134,786**
Profit after income tax	**-**	**-**	**143,230**	**143,230**
Dividends paid	**-**	**-**	**(46,289)**	**(46,289)**
Long-term incentive plan	**1,519**	**(443)**	**313**	**1,389**
Employee share ownership plan	**64**	**(25)**	**-**	**39**
Balance at 30 September 2021	**1,663,499**	**1,422**	**568,234**	**2,233,155**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AS AT 30 SEPTEMBER 2021

	Note	30 Sep 2021 $000	31 Mar 2021 $000
Current assets			
Cash and cash equivalents		**11,296**	16,040
Trade and other receivables	3.1	**9,717**	11,840
Investment properties held for sale	3.2	**325,477**	356,199
		346,490	384,079
Non-current assets			
Investment properties	3.2	**3,124,837**	2,975,295
Property, plant and equipment		**3,659**	4,115
Interest rate derivatives	3.3.2	**1,308**	2,822
		3,129,804	2,982,232
Total assets		**3,476,294**	3,366,311
Current liabilities			
Trade and other payables		**55,561**	53,265
Interest bearing liabilities	3.3.1	**-**	125,664
Income tax payable		**3,217**	2,672
Interest rate derivatives	3.3.2	**665**	-
Lease liabilities		**1,288**	8,737
		60,731	190,338
Non-current liabilities			
Interest bearing liabilities	3.3.1	**1,068,861**	924,197
Interest rate derivatives	3.3.2	**8,801**	18,965
Deferred tax liabilities		**101,134**	94,518
Lease liabilities		**3,612**	3,507
		1,182,408	1,041,187
Total liabilities		**1,243,139**	1,231,525
Equity			
Share capital		**1,663,499**	1,661,916
Share-based payments reserve		**1,422**	1,890
Retained earnings		**568,234**	470,980
Total equity		**2,233,155**	2,134,786
Total equity and liabilities		**3,476,294**	3,366,311

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board, who authorised these interim consolidated financial statements for issue on 19 November 2021.

Mark Ford
Chair

Mary Jane Daly
Chair of the Audit and Risk Committee

Consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	6 months 30 Sep 2021 $000	6 months 30 Sep 2020 $000
Cash flows from operating activities		
Property revenue	**122,541**	104,800
Property management income	**994**	868
Interest and other income	**23**	98
Direct property expenses	**(27,031)**	(16,484)
Interest and finance charges	**(18,842)**	(15,183)
Interest costs paid on lease liabilities	**(160)**	(535)
Employment and administration expenses	**(11,941)**	(11,226)
Income tax expense	**(10,579)**	(6,000)
Goods and Services Tax received	**1,222**	443
Net cash flows from operating activities	**56,227**	56,781
Cash flows from investing activities		
Proceeds from disposal of investment properties	**8,300**	-
Acquisition of investment properties	**(6,772)**	(4,017)
Expenditure on investment properties	**(32,831)**	(77,321)
Interest and finance charges capitalised to investment properties	**(1,698)**	(5,656)
Acquisition of property, plant and equipment	**(131)**	(523)
Net cash flows used in investing activities	**(33,132)**	(87,517)
Cash flows from financing activities		
Payment of lease liabilities	**(26)**	(60)
Net proceeds from bank loans	**(4,700)**	23,000
Net proceeds from fixed-rate green bonds	**23,160**	-
Dividends paid	**(46,273)**	-
Net cash flows (used in)/from financing activities	**(27,839)**	22,940
Net decrease in cash and cash equivalents	**(4,744)**	(7,796)
Cash and cash equivalents at the beginning of the period	**16,040**	21,252
Cash and cash equivalents at the end of the period	**11,296**	13,456

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows (continued)

Reconciliation of profit after income tax to net cash flows from operating activities	**6 months 30 Sep 2021 $000**	6 months 30 Sep 2020 $000
Profit after income tax	**143,230**	54,229
Items classified as investing or financing activities:		
Movement in working capital items relating to investing and financing activities	**(5,288)**	2,200
Non-cash items:		
Net fair value (gain)/loss on interest rate derivatives	**(7,985)**	2,841
Net fair value gain on investment properties	**(93,623)**	(9,176)
Loss on disposal of investment properties	**3,116**	-
Increase in deferred tax liabilities	**6,616**	4,635
Amortisation of lease incentives, abatements and fees	**6,554**	7,180
Straight-lining of fixed rental increases	**(1,357)**	(832)
Movements in working capital items:		
Decrease/(increase) in trade and other receivables	**2,123**	(10,067)
Increase/(decrease) in income tax payable	**545**	(693)
Increase in trade and other payables	**2,296**	6,464
Net cash flows from operating activities	**56,227**	56,781

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

1. General information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

1.1 Reporting entity

The interim consolidated financial statements are for Kiwi Property Group Limited (Kiwi Property or the Company) and its controlled entities (the Group). The Company is incorporated and domiciled in New Zealand, is registered under the Companies Act 1993 and is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed with NZX Limited with its ordinary shares quoted on the NZX Main Board and fixed-rate green bonds quoted on the NZX Debt Market.

The principal activity of the Group is to invest in New Zealand real estate.

1.2 Basis of preparation

The interim consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Accounting Standards (NZ IAS) 34 - Interim Financial Reporting and International Accounting Standards (IAS) 34 - Interim Financial Reporting. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in the 2021 annual report.

The interim consolidated financial statements for the six months ended 30 September 2021 are unaudited. Comparative balances for 30 September 2020 are unaudited, whilst the comparative balances for the year ended 31 March 2021 are audited.

The interim consolidated financial statements have been prepared on the basis the Group is a going concern.

The interim consolidated financial statements are prepared on the basis of historical cost, except where otherwise identified. The functional and presentation currency used in the preparation of the interim consolidated financial statements is New Zealand dollars.

Certain comparative figures have been reclassified to accord with the current period presentation.

1.3 Significant changes during the period

The financial position and performance of the Group was affected by the following events and transactions during the period:

COVID-19 global pandemic

New Zealand entered a nationwide Alert Level 4 lockdown on 17 August 2021 due to new COVID-19 cases found in the community. Auckland shifted to Alert Level 3 on 21 September 2021, while the rest of New Zealand shifted to Alert Level 3 and Alert Level 2 on 31 August 2021 and 7 September 2021 respectively. During Alert Levels 3 and 4 the operations of many of the Group's tenants were restricted to varying degrees, and at Alert Level 2 businesses were able to operate with restrictions remaining in place around social-distancing and mass gatherings. Outside of these periods, New Zealand remained at Alert Level 1, where businesses were able to operate with no restrictions around social-distancing and mass gatherings.

The lockdowns resulted in the Group offering rental relief across several of the Group's tenants. This process was in progress at 30 September 2021 and expected rental relief has been accrued. Rental relief includes abatements for rental income payable for the months of August and September 2021. Certain rental abatements have been accounted for as lease modifications under New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), with the change in lease payments amortised over the remaining terms of the leases, while other concessions have been recognised directly as a charge to the Consolidated Statement of Comprehensive Income. Rental abatements incurred and accrued relating to the lockdowns during the period were $7.4 million on a gross basis, with a charge to the Consolidated Statement of Comprehensive Income of $1.0 million for the six months ended 30 September 2021.

On 28 September 2021, the Government announced its proposal to amend the Property Law Act to insert a clause into commercial leases requiring a 'fair proportion' of rent to be paid where a tenant has been unable to fully conduct their business in their premises due to the COVID-19 restrictions. The law change was not effective at balance date. The Group will continue to monitor any changes to the legislation. The Group considers that the abatements offered to tenants impacted by the COVID-19 restrictions during the period represent a fair deduction to rent.

1.3 Significant changes during the period (continued)

Investment property

Following the decision by the Board to divest retail properties from the investment property portfolio, and the subsequent receipt of offers for various properties, a new classification of 'investment properties held for sale' was recognised as at 31 March 2021. As at 30 September 2021, the retail segment has been removed in alignment with the Group's strategy. Refer to note 3.2 for more information.

During the six months ended 30 September 2021, the Group acquired property in Drury for $4.0 million. The Group also agreed to acquire property in Mount Wellington for $27.5 million and settlement is scheduled to take place in June 2022.

Joint venture

On 1 April 2021, the Group entered into a 50:50 joint venture with Tainui Group Holdings (TGH) in respect of Centre Place North. Under the terms of the agreement, the joint venture comprises Centre Place North, 61-65 Bryce Street, 511-523 Victoria Street and land at 10 Ward Street, with a combined value of $68.3 million. A new 100-year ground lease has been granted by TGH, with rent pre-paid.

1.4 New standards, amendments and interpretations

The International Financial Reporting Interpretations Committee (IFRIC) published an agenda decision in March 2021 which was ratified by the International Accounting Standards Board (IASB) in April 2021. The decision deals with specific circumstances in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS). As a result, certain costs which previously may have been capitalised would now need to be expensed to the Consolidated Statement of Comprehensive Income. The Group's accounting to date has been in line with the requirements of this agenda decision, however, it is expected that the future impact will be more material as the Group undertakes digital transformation activities.

1.5 Key judgements and estimates

Critical judgements, estimates and assumptions are outlined throughout these interim consolidated financial statements and in the 2021 annual report.

1.6 Accounting policies

The accounting policies and methods of computation used in the preparation of these interim consolidated financial statements are consistent with those used in the 2021 annual report.

2. Profit and loss information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

2.1 Tax expense

A reconciliation of profit before income tax to income tax expense follows:

	6 months 30 Sep 2021 $000	6 months 30 Sep 2020 $000
Profit before income tax	**160,969**	64,170
Prima facie income tax expense at 28%	**(45,071)**	(17,968)
Adjusted for:		
Net fair value gain/(loss) on interest rate derivatives	**2,236**	(795)
Net fair value gain on investment properties	**26,215**	2,569
Loss on disposal of investment properties	**(873)**	-
Depreciation	**7,501**	6,403
Net abatements and deferred leasing costs	**(703)**	2,275
Deferred rent	**(258)**	817
Deductible capitalised expenditure	**479**	1,604
Other	**(649)**	(211)
Current tax expense	**(11,123)**	(5,306)
Depreciation recoverable	**(6,047)**	(2,456)
Net fair value (gain)/loss on interest rate derivatives	**(2,236)**	795
Deferred leasing costs and other temporary differences	**1,667**	(2,974)
Deferred tax expense	**(6,616)**	(4,635)
Income tax expense reported in profit	**(17,739)**	(9,941)
Imputation credits available for use in subsequent periods	**11,125**	16,549

2.1 Tax expense (continued)

Key estimates and assumptions: income tax

Deferred tax on depreciation

Deferred tax is provided in respect of depreciation expected to be recovered on the sale of investment properties at fair value. Investment properties are valued each year by independent valuers. These values include an allocation of the valuation between the land and building components. The calculation of deferred tax on depreciation recovered relies on this allocation provided by the valuers.

The calculation of deferred tax on depreciation recovered also requires an assessment to be made of market values attributable to fixtures and fittings. The market values of fixtures and fittings for significant properties have been assessed utilising independent valuation advice and the remaining properties have been assessed with reference to previous transactional evidence and their age and quality.

Depreciation recovered on the former PricewaterhouseCoopers Centre (PwC Centre), Christchurch

The impairment of the PwC Centre in the year ended 31 March 2012 (resulting from the 2010 and 2011 Canterbury earthquakes) and the associated insurance recovery triggered a potential tax liability for depreciation recovered.

Following the earthquakes, the Government introduced legislation that provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance income will be used to acquire or develop replacement property in the Canterbury region. The legislation requires that the replacement property be available for use by 31 March 2024. As at 30 September 2021, the Group continues to qualify for this relief and a deferred tax liability of $3.6 million has been provided (31 March 2021: $3.6 million).

2.2 Earnings per share

	6 months 30 Sep 2021	6 months 30 Sep 2020
Profit and total comprehensive income after income tax attributable to shareholders ($000)	**143,230**	54,229
Weighted average number of shares (000)	**1,569,865**	1,569,257
Basic and diluted earnings per share (cents)	**9.12**	3.46

3. Financial position information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

3.1 Trade and other receivables

	30 Sep 2021 $000	31 Mar 2021 $000
Trade debtors	**12,782**	7,566
Provision for doubtful debts	**(2,829)**	(2,620)
Accrued COVID-19 rent relief[1]	**(7,344)**	(1,478)
	2,609	3,468
Deferred rent[2]	**849**	1,947
Prepayments	**6,259**	6,425
Trade and other receivables	**9,717**	11,840

1 Relates to expected rental abatements offered to certain tenants as part of COVID-19 rent relief for the period to 30 September 2021.
2 Relates to rental amounts where payment terms were extended as part of COVID-19 rent relief offered to certain tenants in the year ended 31 March 2021.

3.2 Investment properties

Investment properties held by the Group are as follows:

	Valuer	Capitalisation rate %	Fair value 31 Mar 2021 $000	Capital movements $000	Fair value gain/(loss) $000	Fair value 30 Sep 2021 $000
Mixed-use						
Sylvia Park	**JLL**	**5.38**	**1,100,000**	**22,821**	**22,179**	**1,145,000**
Sylvia Park Lifestyle	**JLL**	**5.50**	**86,500**	**332**	**7,668**	**94,500**
LynnMall	**Colliers**	**6.50**	**249,000**	**6,564**	**4,436**	**260,000**
The Base[1]	**CBRE**	**6.38**	**187,500**	**565**	**6,435**	**194,500**
			1,623,000	**30,282**	**40,718**	**1,694,000**
Office						
Vero Centre	**Colliers**	**4.50**	**500,500**	**552**	**31,698**	**532,750**
ASB North Wharf	**JLL**	**4.75**	**260,000**	**397**	**7,603**	**268,000**
The Aurora Centre	**CBRE**	**5.38**	**181,700**	**(279)**	**8,279**	**189,700**
44 The Terrace	**CBRE**	**5.75**	**59,400**	**(103)**	**2,003**	**61,300**
			1,001,600	**567**	**49,583**	**1,051,750**
Other						
Westgate Lifestyle	**Colliers**	**5.75**	**88,500**	**283**	**7,717**	**96,500**
Other properties[2]			**190,350**	**11,924**	**620**	**202,894**
Development land			**68,300**	**7,740**	**-**	**76,040**
			347,150	**19,947**	**8,337**	**375,434**
			2,971,750	**50,796**	**98,638**	**3,121,184**
Gross up of lease liabilities			**3,545**	**125**	**(17)**	**3,653**
Investment properties - non-current			**2,975,295**	**50,921**	**98,621**	**3,124,837**
Investment properties held for sale						
Properties held for sale[3]			**347,500**	**(18,281)**	**(4,989)**	**324,230**
Gross up of lease liabilities[4]			**8,699**	**(7,443)**	**(9)**	**1,247**
Investment properties held for sale - current			**356,199**	**(25,724)**	**(4,998)**	**325,477**
Total investment properties			**3,331,494**	**25,197**	**93,623**	**3,450,314**

1 Represents the Group's 50% ownership interest.

2 The fair value at 31 March 2021 includes 50% of the Group's ownership of Centre Place North, with the remaining 50% included within properties held for sale.
On 1 April 2021, the Group disposed of 50% of its interest in Centre Place North as its contribution to the Centre Place North Joint Venture (a 50:50 joint venture between the Group and Tainui Group Holdings). As part of the disposal, the Group received a 50% interest in investment property contributed by Tainui Group Holdings to the Centre Place North Joint Venture, with the balance of the consideration being settled in cash. The investment property contribution by Tainui Group Holdings included a 100-year prepaid ground lease and certain adjoining properties.
The fair value at 30 September 2021 includes the Group's 50% ownership interest in the Centre Place North Joint Venture.

3 The fair value at 31 March 2021 includes The Plaza, Northlands, 50% of Centre Place North and an adjoining property.
The 50% balance of Centre Place North and adjoining property was disposed of as part of the Centre Place North transaction referred to above.
The fair value at 30 September 2021 includes The Plaza and Northlands. The Plaza is carried at contract price and Northlands is carried at the value determined by an external valuer.

4 The fair value at 31 March 2021 includes The Plaza, Northlands, Centre Place North and an adjoining property.
The gross up of lease liabilities associated with Centre Place North and the adjoining property were extinguished on 1 April 2021 as part of the Centre Place North transaction referred to above.

3.2 Investment properties (continued)

The movement in the Group's investment properties during the six months to 30 September 2021 is as follows:

	Mixed-use $000	Office $000	Other $000	Held for sale $000	Total $000
Balance at the beginning of the period excluding gross up of lease liabilities	1,623,000	1,001,600	347,150	347,500	**3,319,250**
Capital movements:					
Acquisitions	-	-	4,022	-	**4,022**
Net disposal of Centre Place North	-	-	11,793	(19,800)	**(8,007)**
Capitalised costs (including lease incentives, fees, abatements and fixed rental income)	32,440	1,709	3,212	2,638	**39,999**
Capitalised interest and finance charges	338	-	1,360	-	**1,698**
Amortisation of lease incentives, fees, abatements and fixed rental income	(2,496)	(1,142)	(440)	(1,119)	**(5,197)**
	30,282	567	19,947	(18,281)	**32,515**
Net fair value gain/(loss) on investment properties excluding gross up of lease liabilities	40,718	49,583	8,337	(4,989)	**93,649**
Balance at the end of the period excluding gross up of lease liabilities	1,694,000	1,051,750	375,434	324,230	**3,445,414**
Gross up of lease liabilities:					
Balance at the beginning of the period	473	-	3,072	8,699	**12,244**
Capital movements	125	-	-	(7,443)	**(7,318)**
Fair value movements	(17)	-	-	(9)	**(26)**
	581	-	3,072	1,247	**4,900**
Balance at the end of the period including gross up of lease liabilities	1,694,581	1,051,750	378,506	325,477	**3,450,314**

3.2 Investment properties (continued)

The movement in the Group's investment properties during the 12 months to 31 March 2021 is as follows:

	Mixed-use $000	Retail $000	Office $000	Other $000	Held for sale $000	Total $000
Balance at the beginning of the period excluding gross up of lease liabilities	1,499,300	480,500	910,400	214,650	-	3,104,850
Transfer from retail to other	-	(97,250)	-	97,250	-	-
Transfer to held for sale	-	(383,250)	-	(2,850)	386,100	-
Capital movements:						
Acquisitions	-	-	-	4,017	-	4,017
Capitalised costs (including lease incentives, fees, abatements and fixed rental income)	99,629	-	3,127	6,058	6,689	115,503
Capitalised interest and finance charges	4,755	-	-	3,838	-	8,593
Amortisation of lease incentives, fees, abatements and fixed rental income	(4,868)	-	(4,325)	(849)	(3,551)	(13,593)
	99,516	-	(1,198)	13,064	3,138	114,520
Net fair value gain/(loss) on investment properties excluding gross up of lease liabilities	24,184	-	92,398	25,036	(41,738)	99,880
Balance at the end of the period excluding gross up of lease liabilities	1,623,000	-	1,001,600	347,150	347,500	3,319,250
Gross up of lease liabilities:						
Balance at the beginning of the period	498	8,656	-	730	-	9,884
Transfer from retail to other	-	(771)	-	771	-	-
Transfer to held for sale	-	(7,885)	-	(730)	8,615	-
Capital movements	9	-	-	2,301	174	2,484
Fair value movements	(34)	-	-	-	(90)	(124)
	473	-	-	3,072	8,699	12,244
Balance at the end of the period including gross up of lease liabilities	1,623,473	-	1,001,600	350,222	356,199	3,331,494

3.2 Investment properties (continued)

Key estimates and assumptions: valuation and fair value measurement of investment properties

Introduction

All of the Group's investment properties have been determined to be Level 3 (31 March 2021: Level 3) in the fair value hierarchy because all significant inputs that determine fair value are not based on observable market data.

Valuation process

The investment properties in the Group's mixed-use and office portfolios, as well as the Centre Place North Joint Venture, Westgate Lifestyle and Northlands were externally valued as at 30 September 2021. All valuations are prepared by independent valuers who are members of the Group's valuation panel and the New Zealand Institute of Valuers. Other adjoining properties and development land are presented at their 31 March 2021 independent valuations, adjusted for capital expenditure over the period as appropriate. This represents the Directors' best estimate of fair value at 30 September 2021. Where a contracted sale price is available, the investment property held for sale is carried at that value less associated costs for seismic remediation or rental guarantees, this being the best indicator of fair value. Where no contracted price is available, the fair value is determined by independent registered valuers. At 31 March 2021, all properties were carried at external valuation or contract price as applicable.

Investment property values are assessed within a range indicated by at least two valuation approaches; most commonly the income capitalisation approach and discounted cash flow approach. Other valuation approaches, including the sales comparison approach or deferred land value approach may be used depending on the nature of the property. In addition, the adopted valuation of an investment property undergoing development may be assessed using a residual approach. Valuation techniques are outlined in the 2021 annual report.

Estimates are used in these valuation approaches to determine fair value. For the two most common approaches, these include the capitalisation rate in the income capitalisation approach and the discount rate in the discounted cash flow approach. Both approaches are also influenced by other estimates relating to market rental levels, vacancy rates, letting-up allowances and the cost of ongoing operating expenses, capital expenditure and other capital payments.

In relation to capital expenditure, the valuers for Sylvia Park, LynnMall, The Base, Centre Place North and Northlands have made deductions for seismic strengthening works. The Group has provided the valuers with the estimated cost of works for each asset. In some instances the valuer has assessed additional costs for potential works to buildings which have not been subject to a Detailed Seismic Assessment (DSA) and/or made additional allowances for escalation and profit and risk.

The timing of the cash outflow for these costs has been spread over the likely remediation period and the overall value deduction reflects the present value of costs over the adopted time horizon.

The valuations are reviewed by the Group and adopted as the carrying value in the financial statements. As part of this process, the Group's management verifies all major inputs to the valuations, assesses valuation movements since the previous year and holds discussions with the independent valuers to assess the reasonableness of the valuations.

Impact of the COVID-19 global pandemic

As at 30 September 2021 the real estate markets to which the Group's investment properties belong continued to be impacted by market uncertainty caused by COVID-19.

The market uncertainty has affected key inputs, assumptions and processes used in the valuation of the Group's investment properties, being:

- estimating the net income that a property can produce (income uncertainty), and
- converting that income to value by applying investment rates of return which are derived from analysis of recent market transactions (investment uncertainty).

3.2 Investment properties (continued)

Income uncertainty

The pandemic has impacted the income earning potential of the Group's properties during the financial period. The Group leases commercial accommodation to a range of businesses from where they conduct their operations. Restrictions imposed by the Government to combat the pandemic prevented certain businesses from operating out of their premises in the usual manner. In response, the Group is working through a cost sharing programme with affected tenants whereby the Group has forgiven or will forgive a portion of the rent payable by the tenant. The percentage of rent forgiven and the duration of the forgiveness period, is subject to negotiation between the Group and the tenant. This programme had a negative impact on the Group's income for the six months ended 30 September 2021. Future income may also be impacted as:

- the underlying activity and profitability of many of the Group's tenants may be affected by further restrictions which prevent the population from socialising or accessing goods and services to the extent they could before the pandemic, although the combination of the Government's pandemic management protocols and the roll-out of an effective vaccination programme over time is expected to reduce the need for long-term restrictions, and therefore the need for further cost sharing measures of the same scale.
- border restrictions into New Zealand mean businesses that rely on travel and tourism will continue to be negatively impacted.

Investment uncertainty

Valuation uncertainty during the financial period also arose from an inactive property investment market. Investment market participants were not able to conduct normal business activities during Alert Levels 3 and 4. Additionally, many large investors are domiciled offshore and travel restrictions prevent them from physically inspecting assets and undertaking typical due diligence. An inactive market for large retail assets means a lack of transactional evidence demonstrating current market pricing. In these circumstances the only inputs and metrics available to reliably estimate fair value relate to the market before the event occurred and the impact of the event on prices cannot be known until the market stabilises.

Valuation uncertainty

The Group's valuers have noted the difficulty in undertaking valuations as a result of income and investment uncertainty and accordingly certain valuations for the portfolio at 30 September 2021 contained Material Valuation Uncertainty statements as recommended by The New Zealand Institute of Valuers to highlight the difficulties in undertaking valuations in the market prevailing at the time. This implies the valuations were current at the date of the valuation only and that less certainty and a higher degree of caution should be attached to the valuation. In addition, it was recommended that the valuations should be kept under frequent review as the assessed value may change significantly and unexpectedly over a relatively short period of time.

More recently, there has been increased transactional activity across some property sectors. This has enabled valuers of properties within these sectors to conclude valuations with a greater degree of certainty and consequently remove the Material Valuation Uncertainty clauses from the valuations for these assets. Notwithstanding, these valuations still include downgraded statements pertaining to market volatility, elevated risk and uncertainty suggesting that a higher degree of caution should still be exercised when relying upon the valuations.

Investment uncertainty remains for some assets as there have been no transactions of scale in the retail market. Valuations for Sylvia Park and Northlands at 30 September 2021 continue to contain Material Valuation Uncertainty statements. In the absence of relevant market evidence, the valuers have adjusted valuation inputs and estimates to reflect the impact of the pandemic on investment property value. The valuers have tended to place greater emphasis on the discounted cash flow approach as this methodology allows them to more explicitly model assumptions and events that are not expected to prevail long into the future.

Until investment property values can be demonstrated to have stabilised post COVID-19, the Group intends to more closely monitor the investment markets to determine if more frequent valuation updates need to be obtained.

3.2 Investment properties (continued)

Impact on values at 30 September 2021

The impact of COVID-19 on property valuation inputs has reduced over time, with valuers benefiting from greater market certainty and having accounted for the negative effects of the pandemic during previous periods. The valuers have made deductions for the costs of estimated rent relief to tenants for occupancy disruption resulting from pandemic-related impacts. This is consistent with the approach taken for the valuations prepared as at 31 March 2021. At 30 September 2021, capitalisation and discount rates contracted with the lesser uncertainty, with only LynnMall and The Base not back to pre-pandemic levels.

For the six months ended 30 September 2021 the Group reported a fair value gain of $93.6 million.

Seismic uncertainty

The Group is committed to upgrading the seismic resilience of its buildings to appropriate New Building Standards (NBS). Detailed Seismic Assessments (DSA) continue to be undertaken for the Group's buildings. A DSA verifies a building's NBS rating and assists in the design of remediation solutions, where required.

The cost assessments for seismic works required to increase NBS ratings contain uncertainty. The level of accuracy of design solutions and cost estimates can vary as the design and remediation process progresses. Initially, estimates may be based on the structural plans of a building, which can sometimes change significantly once more intrusive building investigations are carried out. Therefore, costs for remediation works may fluctuate, and the costs associated with current or imminent remediation works will be more accurate than those for a project in the early phases of investigation or planning.

The process undertaken and standards which are applied in seismic assessments evolve over time as the engineering profession's understanding of seismic events develops. This means that the outcome of seismic assessments may be subject to change over time. Changes to seismic standards (or the interpretation and application of existing seismic standards) could result in buildings no longer meeting the minimum seismic standards deemed appropriate by the Group, and may require the Group to undertake further seismic remediation works.

Valuations for some of the Group's buildings contain deductions for costs associated with identified seismic remediation works. The cost deductions are based on external quantity surveyor assessments with additional allowances for professional fees and other associated costs. In some instances the valuer has assessed additional costs for potential works to buildings which have not been subject to a DSA and/or made additional allowances for escalation and profit and risk.

These allowances are based on the best information available at the time of valuation but may be subject to change as circumstances and standards continue to evolve.

Valuation inputs

A valuation is determined based on a range of unobservable inputs. These are unobservable as they are not freely available or explicit in the marketplace but rather analysed from transactional data that has taken place in similar market circumstances to that prevailing at the date of valuation.

The Group's investment property values contain unobservable inputs in determining fair value, some of which can be described as 'key unobservable inputs' where significant judgement is applied in determining the input and a change to any one of these inputs could significantly alter the fair value of an investment property.

Key unobservable inputs are the capitalisation rate, discount rate, terminal capitalisation rate, market rent and growth rates.

The table on the following page sets out these key unobservable inputs and the ranges adopted by the valuers across the various properties making up the Group's mixed-use and office portfolios.

The impact of COVID-19 has been partially reversed and can be seen in the analysis below through the general strengthening in metrics from 2020 to 2021. This is mainly evident through the capitalisation rate and discount rate metrics, which have contracted (decreased), and the growth rates, which have expanded (increased), having an effect of increasing the fair value. These metrics indicate a range across all assets in that portfolio, so don't affect all properties, and typically relate to the early year or years of the cash flow so don't continue across the full discounted cash flow horizon.

3.2 Investment properties (continued)

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs 30 Sep 2021	31 Mar 2021	Sensitivity
Mixed-use	Core capitalisation rate	**5.4% - 6.5%**	5.5% - 6.6%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate	**5.4% - 6.5%**	5.5% - 6.9%	
	Discount rate	**6.8% - 8.0%**	7.0% - 8.3%	
	Terminal capitalisation rate	**5.5% - 6.6%**	5.6% - 6.6%	
	Gross market rent (per sqm)[1]	**$386 - $792**	$381 - $787	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	**0.0% - 3.5%**	-2.3% - 3.9%	
Office	Core capitalisation rate	**4.5% - 5.8%**	4.8% - 5.9%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	**6.4% - 6.8%**	6.5%- 6.9%	
	Terminal capitalisation rate	**4.6% - 6.1%**	4.9% - 6.3%	
	Gross market rent (per sqm)[1]	**$495 - $672**	$486 - $670	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	**1.0% - 3.5%**	1.0% - 3.5%	

1 Weighted average by property.

These key inputs are explained above.

3.2 Investment properties (continued)

Valuation sensitivity

A sensitivity analysis that shows how a change to capitalisation and discount rates affects the value of the Group's portfolios is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on fair value of investment properties.

The capitalisation rate relates to the income capitalisation approach and the discount rate relates to the discounted cash flow approach. Generally, a change in the capitalisation rate is accompanied by a directionally similar change in the discount rate. The table below assesses each of these inputs in isolation and assumes all other inputs are held constant.

30 September 2021	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation ($000)	1,694,000				
Impact of assumption change ($000)		80,400	(76,700)	31,900	(27,400)
Impact of assumption change (%)		4.7	(4.5)	1.9	(1.6)
Office					
Actual valuation ($000)	1,051,750				
Impact of assumption change ($000)		57,500	(52,000)	23,600	(23,200)
Impact of assumption change (%)		5.5	(4.9)	2.2	(2.2)

31 March 2021	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation ($000)	1,623,000				
Impact of assumption change ($000)		78,300	(68,200)	30,100	(29,400)
Impact of assumption change (%)		4.8	(4.2)	1.9	(1.8)
Office					
Actual valuation ($000)	1,001,600				
Impact of assumption change ($000)		52,900	(48,100)	19,000	(18,400)
Impact of assumption change (%)		5.3	(4.8)	1.9	(1.8)

The valuation of investment properties is complex with a number of interrelated key inputs and assumptions.

When calculating the income capitalisation value, the gross market rent has a strong interrelationship with the core capitalisation rate. An increase in the gross market rent and an increase in the core capitalisation rate could potentially offset the impact to fair value. The same can be said for a decrease in each input. A directionally opposite change in the two inputs could potentially magnify the impact to the fair value.

When calculating the discounted cash flow value, the discount rate has a strong interrelationship with the terminal capitalisation rate. An increase in the discount rate and a decrease in the terminal capitalisation rate could potentially offset the impact to fair value. The same can be said for an opposite movement in each input. A directionally similar change in the two inputs could potentially magnify the impact to the fair value.

3.3 Funding

3.3.1 Interest bearing liabilities

The Group's secured interest bearing liabilities are as follows:

	30 Sep 2021 $000	31 Mar 2021 $000
Bank loans - total facilities	**800,000**	825,000
Bank loans - undrawn facilities	**(231,700)**	(252,000)
Bank loans - drawn facilities	**568,300**	573,000
Fixed-rate green bonds - current	**-**	125,664
Fixed-rate green bonds - non-current	**500,561**	351,197
Fixed-rate green bonds - amortised cost	**500,561**	476,861
Interest bearing liabilities	**1,068,861**	1,049,861

	30 Sep 2021 $000	31 Mar 2021 $000
Face value of fixed-rate green bonds - current	**-**	125,000
Face value of fixed-rate green bonds - non-current	**500,000**	350,000
Face values	**500,000**	475,000

	30 Sep 2021	31 Mar 2021
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**3.77%**	4.19%
Weighted average term to maturity for the combined facilities	**3.9 years**	2.9 years

Bank loans

The bank loans are provided by ANZ Bank New Zealand, Bank of New Zealand, China Construction Bank Corporation (New Zealand Branch), Commonwealth Bank of Australia, The Hongkong and Shanghai Banking Corporation (HSBC) and Westpac New Zealand (unchanged from 31 March 2021).

In May 2021, the Group refinanced $700 million of bank debt facilities and reduced the overall bank facilities from $825 million to $800 million. In August 2021, the Group refinanced a further $100 million of bank debt facilities.

Fixed-rate green bonds

On 19 July 2021, the Group raised $150 million through the issue of seven-year fixed-rate green bonds. On 20 August 2021, the Group repaid $125 million of fixed-rate green bonds that matured on this date.

Security

The bank loans and fixed-rate green bonds are secured by way of a Global Security Deed (the Deed). Pursuant to the Deed, a security interest has been granted over all of the assets of the Group. No mortgage has been granted over the Group's properties, however, the Deed allows a mortgage to be granted if an event of default occurs.

3.3.2 Interest rate derivatives

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks (commonly referred to as interest rate swaps).

The following table provides details of the fair values, notional values, terms and interest rates of the Group's interest rate derivatives.

	30 Sep 2021 $000	31 Mar 2021 $000
Interest rate derivative assets - non-current	**1,308**	2,822
Interest rate derivative liabilities - current	**(665)**	-
Interest rate derivative liabilities - non-current	**(8,801)**	(18,965)
Net fair value of interest rate derivatives	**(8,158)**	(16,143)
Notional value of interest rate derivatives - fixed-rate payer - active	**315,000**	290,000
Notional value of interest rate derivatives - fixed-rate receiver - active[1]	**40,000**	40,000
Notional value of interest rate derivatives - fixed-rate payer - forward starting	**25,000**	50,000
Notional values	**380,000**	380,000
Fixed-rate payer swaps:		
Weighted average term to maturity - active	**2.4 years**	2.6 years
Weighted average term to maturity - forward starting	**5.0 years**	5.5 years
Weighted average term to maturity	**2.6 years**	3.1 years
Fixed-rate payer swaps:		
Weighted average interest rate - active[2]	**2.94%**	2.98%
Weighted average interest rate - forward starting[2]	**2.05%**	2.27%
Weighted average interest rate	**2.87%**	2.87%

1 The Group has $40 million of fixed-rate receiver swaps for the duration of the $100 million KPG040 fixed-rate green bonds. The effect of the fixed-rate receiver swaps is to convert a portion of the bond to floating interest rates.
2 Excluding fees and margins.

Key estimate: fair value of interest rate derivatives

The fair values of interest rate derivatives are determined from valuations prepared by an independent treasury adviser using valuation techniques classified as Level 2 in the fair value hierarchy (31 March 2021: Level 2). These 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 at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. These values are verified against valuations prepared by the respective counterparties. The valuations were based on market rates at 30 September 2021 of between 0.60% for the 90-day BKBM and 2.25% for the 10-year swap rate (31 March 2021: 0.35% and 1.97%, respectively).

4. Other information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

4.1 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

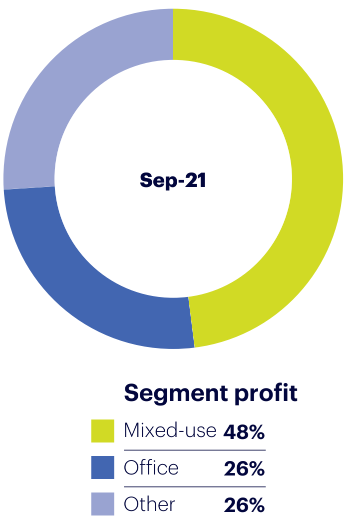
Operating segments have been determined based on the reports reviewed by the Chief Executive Officer to assess performance, allocate resources and make strategic decisions.

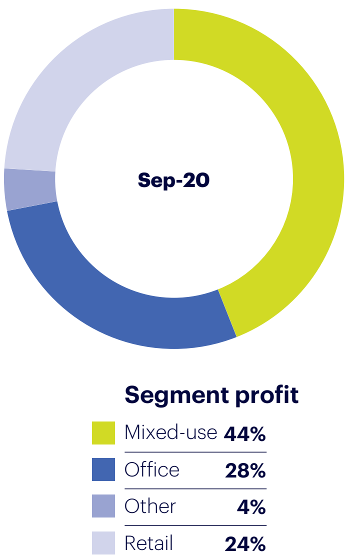
The Group's primary assets are investment properties. Segment information for investment properties is provided in note 3.2. As at 31 March 2021 the retail segment was removed in alignment with the Group's strategy. Investment properties held for sale and the properties previously categorised in the retail segment are included in the other segment for the six months ended 30 September 2021. The retail segment for the six months ended 30 September 2020 included Westgate Lifestyle, Centre Place North, The Plaza and Northlands. The Group operates in New Zealand only.

The following table is an analysis of the Group's profit by reportable segments used during the period:

6 months ended	Mixed-use $000	Office $000	Other $000	Total $000
30 September 2021				
Property revenue	**58,065**	**31,029**	**32,291**	**121,385**
Less: amortisation of fixed rental increases	**(974)**	**(301)**	**(82)**	**(1,357)**
Less: direct property expenses	**(13,016)**	**(6,794)**	**(7,534)**	**(27,344)**
Less: ground lease expenses	**(33)**	**-**	**(153)**	**(186)**
Segment profit	**44,042**	**23,934**	**24,522**	**92,498**

30 September 2020	Mixed-use $000	Office $000	Other $000	Retail $000	Total $000
Property revenue	48,955	29,927	3,876	28,532	111,290
Less: amortisation of fixed rental increases	(334)	(320)	(37)	(141)	(832)
Less: direct property expenses	(12,301)	(6,009)	(847)	(7,826)	(26,983)
Less: ground lease expenses	(30)	-	(34)	(531)	(595)
Segment profit	36,290	23,598	2,958	20,034	82,880





4.1 Segment information (continued)

A reconciliation of the segment profit to the profit before income tax reported in the Consolidated Statement of Comprehensive Income is provided as follows:

	6 months 30 Sep 2021 $000	6 months 30 Sep 2020 $000
Segment profit	**92,498**	82,880
Property management fees	**931**	906
Increase in rental income resulting from straight-lining of fixed rental increases	**1,357**	832
Interest income	**23**	98
Net fair value gain on investment properties	**93,623**	9,176
Loss on disposal of investment properties	**(3,116)**	-
Interest and finance charges	**(19,665)**	(16,642)
Employment and administration expenses	**(12,853)**	(10,834)
Net fair value gain/(loss) on interest rate derivatives	**7,985**	(2,841)
Ground lease expenses classified as interest and fair value loss on investment properties	**186**	595
Profit before income tax	**160,969**	64,170

4.2 Commitments

The following costs have been committed to but not recognised in the interim consolidated financial statements as they will be incurred in future reporting periods:

	30 Sep 2021 $000	31 Mar 2021 $000
Development costs at Sylvia Park	**44,096**	5,894
Development costs at LynnMall	**3,499**	2,669
Development costs at Northlands	**-**	90
Drury infrastructure	**1,530**	5,535
Commitments	**49,125**	14,188

4.3 Subsequent events

Further rental abatements will be granted to tenants in relation to the ongoing COVID-19 lockdowns across areas of New Zealand. It is currently expected that rental abatements, on a gross basis, for the second half of the financial year will be similar to those accrued for the six months ended 30 September 2021. This is dependent on a number of factors, including the duration of the lockdowns.

On 9 November 2021, Auckland moved to Step 2 of Alert Level 3. Under this level, certain retail operations resumed with restrictions around social-distancing.

On 10 November 2021, the Group agreed to acquire property in Mount Wellington for $8.9 million and settlement is scheduled to take place in December 2021.

On 19 November 2021 the Board declared an interim dividend for the six months ended 30 September 2021 of 2.75 cents per share (cps) (equivalent to $43.2 million), together with imputation credits of 0.752 cps. The dividend record date is 3 December 2021 and payment will occur on 17 December 2021.

Independent auditor's review report

To the shareholders of Kiwi Property Group Limited

Report on the interim consolidated financial statements

Our conclusion

We have reviewed the interim consolidated financial statements of Kiwi Property Group Limited (the Company) and its controlled entities (the Group), which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period 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 interim consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2021, and its financial performance and cash flows for the six month period 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).

Emphasis of Matter – Material valuation uncertainty related to valuation of investment properties

We draw your attention to note 3.2 to the interim consolidated financial statements, where the Company discloses that the independent registered valuers have included a 'material valuation uncertainty' clause in the Sylvia Park and Northlands 30 September 2021 valuation reports, as a result of the COVID-19 pandemic. This clause highlights that less certainty and a higher degree of caution should be attached to these property values than would normally be the case. This is due to the continued uncertainty of the COVID-19 pandemic on property values, specifically the lack of comparable transactional evidence for properties of this size. Our opinion is not modified in respect of this matter.

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 responsibility is further described in the *Auditor's responsibility for the review of the interim consolidated 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 areas of audits of special purpose financial information in accordance with tenancy agreements, benchmarking of executive remuneration and agreed upon procedures in respect of a specified remuneration metric and apportionment statement. The provision of these other services has not impaired our independence.

Directors' responsibility for the interim consolidated financial statements

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of these interim consolidated 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 interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the interim consolidated 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 interim consolidated 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 interim consolidated 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 interim consolidated financial statements.

Who we report to

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

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

For and on behalf of:

Pricewaterhousecoopers

Chartered Accountants
19 November 2021

Auckland, New Zealand

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Bank of New Zealand

China Construction Bank (New Zealand)

Commonwealth Bank of Australia

The Hongkong and Shanghai Banking Corporation

Westpac New Zealand

Kiwi
Property