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contents

2019 annual reporting suite

In conjunction with this Annual Report, Kiwi Property has released a Property Compendium, Sustainability Report and Annual Result Presentation that form part of our 2019 annual reporting suite.

All documents are available on our website, **kp.co.nz/annual-result**

key dates

For all our upcoming key investor dates, visit our investor centre at **kp.co.nz/investor-centre**

annual meeting

The 2019 annual meeting of Kiwi Property shareholders will be held at 10.30am on Thursday, 20 June 2019, in Cinema 4, HOYTS Cinemas, Sylvia Park, 286 Mount Wellington Highway, Mount Wellington, Auckland.

This annual report is dated 17 May 2019 and is signed on behalf of the board by:

MARK FORD
CHAIR

MARY JANE DALY
CHAIR OF THE AUDIT AND RISK COMMITTEE

feedback

We welcome your questions and value your feedback about our reporting approach. Please contact us at **info@kp.co.nz**

Find us at linkedin.com/company/kiwi-property-group

growing with New Zealand

dear shareholders

It is my pleasure to present to you our 2019 Annual Report.

In December 2018, we celebrated our 25th year as a New Zealand listed property entity. We are today – as always – a Company that is focused on delivering reliable investment returns from a portfolio of high-quality New Zealand property.

As New Zealand continues to grow, the opportunity is now for us to capitalise on that growth and plan methodically for the future. Central to this growth is Auckland and the golden triangle – the term economic commentators use to describe the geographic area bounded by Auckland, Hamilton and Tauranga. It is where about 50 percent of New Zealand's population lives and much of the country's economic activity takes place.

For these reasons, we have a strong investment bias towards Auckland and the golden triangle, where a strong economy and growing population present myriad opportunities to provide places for people to work, shop, live and play. We are more determinedly evolving our strategy to intensify our large landholdings into mixed-use communities – thriving destinations with outstanding transport infrastructure that combine a range of complementary uses, such as retail, office, dining, entertainment, hotel, civic, leisure and residential.

The benefit of this strategy for shareholders is compelling. By owning a group of assets that provide complementary economic benefits, we provide income diversity and have stronger potential to smooth returns through the property cycle.

To read more about our mixed-use vision, turn to page 10 of this report.

We are also going to deliberately focus on developing a funds management business to further diversify and grow our income streams.

In line with our evolving strategy, in March 2019 we reorganised our executive team to more strongly align the business and execute on our growth opportunities.

To read more about our executive team, visit kp.co.nz/about-us/executive-team

our performance

Kiwi Property has recorded a strong full-year result. Net profit after tax was $138.1 million, which is up on the prior year result of $120.1 million, driven primarily by a stronger revaluation performance from our high-quality portfolio of assets.

The Company's balance sheet remains robust, with gearing at 31.0%, comfortably within our target band of 25%–35%. Our property portfolio was valued at $3.2 billion at year end.

contributing to a brighter New Zealand

A key part of our strategy is to help build a brighter New Zealand, given the fundamental role our assets play in Kiwi communities. This year, we joined over 80 leading New Zealand companies on the Climate Leaders Coalition. This coalition of companies, which represents over 50 percent of New Zealand's carbon footprint, has together committed to transitioning New Zealand to a low-carbon economy.

As a Company, we have already set ourselves a target to reduce our own carbon footprint by 55% (from 2012 levels) by 2050 (in the past year alone, we reduced our carbon footprint by 3% and since 2012, we have reduced our footprint by 47%). This is the right thing to do for New Zealand, and our commitment to the Climate Leaders Coalition is a natural continuation of our sustainability programme, which has been in place for more than 16 years.

the board

There have been no changes to the board in the past 12 months. Mike Steur and Jane Freeman were re-elected as independent directors and Mark Powell was elected by our shareholders in June 2018. Mary Jane Daly will stand for re-election at the upcoming annual meeting of shareholders.

To read more about our board members, visit kp.co.nz/about-us/our-board

> **We have refocused our priorities over the past year, evolving our strategy and structure to execute more purposefully on opportunities and capitalise on New Zealand's growth.**

dividend guidance

I am pleased to confirm a full-year cash dividend of 6.95 cents per share, up from 6.85 cents in the prior year and in line with guidance. In the year ahead, we project an increased full-year cash dividend of 7.05 cents per share, absent material adverse events or unforeseen circumstances.

outlook

The Company is in a strong position to capitalise on New Zealand's continued growth and to continue moving the business forward. Our strategic initiatives are set, implementation plans are in place and under development and we will continue to align capabilities within our teams to our forward vision.

In the year ahead, full attention will be given to delivering the galleria development project at Sylvia Park, while an equally strong focus will be given to progressing our mixed-use community opportunities across our portfolio. Our new funds management and property investment teams will focus on examining market opportunities, while our asset management team will continue to drive the operational performance of our property assets.

Supportive economic and property market fundamentals, in combination with strong portfolio metrics, provide us with confidence the Company will continue to deliver a strong financial performance.

I look forward to sharing more details on our 2019 annual result at the annual meeting of shareholders, which will be held in Auckland on Thursday, 20 June 2019. Details of the meeting can be found on the inside front cover of this report.

MARK FORD
CHAIR

creating places

where kiwis love to work, shop, live and play

diversifying our risks and rewards

This is my first annual report to Kiwi Property shareholders as Chief Executive Officer. I am pleased to report that we are delivering on our long-term strategic objectives of rebalancing our portfolio to focus on growth opportunities while at the same time diversifying the risks and rewards in the portfolio.

In recent years, we have been rebalancing the composition of our property portfolio in favour of a greater exposure to Auckland and the golden triangle because of its economic dominance in New Zealand. In July 2018, we executed the sale of a non-core retail asset, North City in Porirua, which followed the sale of The Majestic Centre in Wellington during December 2017.

We have also invested strategically in value-add opportunities, delivering over $140 million in property developments in the past year, including a new fully-leased office building and new carpark at Sylvia Park and a new dining precinct at Northlands in Christchurch. We're also well into our construction and leasing programme for the new galleria retail extension at Sylvia Park to deliver an even better retail experience.

Repositioning our portfolio through asset sales and redevelopments naturally provides a short-term earnings impact. In line with this, our funds from operations declined year-on-year. However, we have grown our dividends, improved the quality of our portfolio and placed ourselves in an even stronger position to pursue growth opportunities for long-term benefit.

Our after-tax profit improved due to stronger revaluation gains from our high-quality portfolio of assets, which in turn provided growth in our net tangible asset backing per share.

FY19 highlights

profit after tax

$138.1m

FY18: $120.1m

funds from operations

$106.9m

FY18: $111.3m

funds from operations per share

7.47 cps

FY18: 7.84 cps

net tangible assets per share

$1.43

FY18: $1.40

Kiwi Property has delivered a year of strong performance, as we reset the business to focus on growing with New Zealand.

strategy focus and execution

The strength of Kiwi Property is underpinned by the consistent strategic actions we have pursued over several years.

This has included the evolution of our mixed-use property strategy. As noted by the Chair, we increasingly see ourselves as creators of mixed-use communities that are unique in the market. We will look to create mixed-use communities at each of our core assets by intensifying the use of our landholdings to accommodate a range of complementary assets, evolving our offerings to respond to market demand.

We will remain disciplined regarding our use of capital, investing in our business and progressing developments while seeking to drive shareholder returns.

To help you picture our vision for mixed-use communities and how we are shaping them for our visitors and customers, read more on pages 10 to 13.

developments

Sylvia Park represents an outstanding opportunity to create a mixed-use community over time, adding to what is already a diverse commercial and lifestyle destination. We currently have $385 million of developments completed or under way here – all designed to complement one another and create future value.

In December 2018, we completed the construction of ANZ Raranga, our first office tower at Sylvia Park, enabling the arrival of our first tenant, IAG. Fitout works for ANZ, who will take the lion's share of space in the building, are under way, with the bank to move in progressively between May and December of this year. Leasing of the building concluded with KiwiRail and Roche taking the remaining space on level one. They will also move into the building between July and October of this year.

This is the first step in our mixed-use journey. The seamless integration of ANZ Raranga into the heart of Sylvia Park's dining precinct adds fantastic amenity for office workers and a new source of customers for our retailers.

diversifying our risks and rewards

With the first office tower now fully leased, we are already taking enquiries for a second office tower. In response, we have commenced concept design works, with the possible inclusion of a hotel also being investigated.

Our customer parking at Sylvia Park will be unrivalled in New Zealand. This year, we added a further 590 spaces for our visitors and customers, and by the time we complete the galleria extension, which includes construction of a further 900 spaces, Sylvia Park will offer an unmatched 5,000 parking spaces.

We have made the decision to expand the new galleria retail development at Sylvia Park, providing an increase in lettable area that will accommodate key tenants who want to be in the centre. The expansion increases the project cost by $35 million to $258 million, and we have maintained key yield metrics and increased the projected development profit to 13% of project cost. With completion due in mid-2020, we are finalising negotiations with exciting international and national tenants to provide further strength for the project in addition to the two-level Farmers department store already secured.

Construction activity for the arrival of a new Kmart store in the existing centre is also well in train, with the customer favourite due to open mid-year.

During the year, we completed our Langdons Quarter dining development at Northlands. Our food retailers have been trading well since opening, and we are on track to achieve a 6% yield on cost (excluding seismic strengthening costs) in the first full year post completion.

At Drury, in Auckland's South, we settled the acquisition of the remaining parcel of land to complete our 50-hectare holding, which has been earmarked by Auckland Council for intensification and the location for a future transit-oriented town centre.

Our vision for Drury is the creation of a mixed-use community, staged over the next 20 years to coincide with population growth, predicted household formation and employment growth in the area. We actively participated in the Council-led structure plan and are now completing masterplanning of the site before commencing rezoning activities – the key precursors that will enable us to realise our vision.

acquisitions and disposals

Our asset recycling programme continued throughout the year, with the sale of the non-core North City Shopping Centre in Porirua. The centre achieved a sale price of $100 million, enabling us to pay down debt and free up capital to redeploy to our value-adding initiatives.

In step with our long-term vision for Sylvia Park, we added to our adjoining landholdings through the acquisition of a 2.2-hectare industrial site at 43 Carbine Road, Mount Wellington. The site provides great potential for future mixed-use opportunities given it lies immediately adjacent to the Sylvia Park train station. The purchase takes our total additional landholdings surrounding the existing centre to nearly 10 hectares.

property portfolio performance

We continue to drive portfolio performance through our active asset management activities.

Across the portfolio, our leasing teams executed 747 new leases or rent reviews, resulting in a 4.0% lift over prior passing rentals (mixed-use up 4.9%, retail up 1.5%, office up 5.1%).

Our assets are 99.3% occupied, with a healthy weighted average lease expiry of 5.2 years.

Read more about our properties and their performance in our 2019 Property Compendium.

retail sales

New Zealand retail continues to outshine global retail markets, which we attribute to the relatively low supply of retail space per capita, good economic conditions, the proven ability of retailers to meet local consumer demands and population growth in our key areas of operation.

Total retail sales from our shopping centre assets for the 12 months ended 31 March 2019 grew by 2% (2.4% like-for-like) to $1.53 billion, with our centres attracting nearly 48 million customer visits.

Our continued focus on improving our experiential offer for customers continues to reap rewards with strong category performances from commercial services, mini-majors and pharmacy and wellbeing. Total sales, including those from our large format centres, were $1.70 billion.

sustainability

Our sustainability programme continues to serve us and New Zealand well. Looking at our environmental savings alone, since our 2012 audited base year (for carbon reporting), we have:

reduced our energy consumption by 4,800,000kWh, which is enough to supply 598 typical homes for a year

reduced our water consumption by 27.8 million litres, which is enough to fill 515 domestic swimming pools

diverted 286 tonnes of waste from landfill, which is equivalent to filling 468 jumbo bins, and

reduced our carbon footprint by 47%.

This year, we also:

- Installed a further seven electric vehicle charging stations.
- Installed 10 electric bike charging stations at LynnMall.
- Launched a community education programme 'Meet the Greens' to encourage New Zealanders to recycle.
- Installed water bottle filling stations in each of our shopping centres. We can proudly say that since the conclusion of the project initiative, the stations have been used in excess of 87,000 times. That's 87,000 plastic bottles saved from potentially making their way into our oceans and landfills.
- Awarded our inaugural Māori and Pasifika scholarship to a student embarking on tertiary study in property. As part of this scholarship Kiwi Property provides, in addition to financial support, a dedicated mentor to assist with the recipient's pastoral care.

Read more about our sustainability achievements in our 2019 Sustainability Report.

outlook

Kiwi Property is in a great position to focus on growth. I am excited to be able to work with my executive team and the broader business on implementing our strategic initiatives.

Our successful efforts to rebalance our portfolio have provided us with balance sheet flexibility, enabling us to focus on growth through developments and considered acquisitions while still maintaining conservative levels of debt.

Thank you for your continued support of Kiwi Property.

CLIVE MACKENZIE
CHIEF EXECUTIVE OFFICER

CA Mackenzie

mixed-use communities – the way forward

As we grow with New Zealand, we will seek to intensify some of our largest landholdings, developing thriving mixed-use communities where people can work, shop, live and play.

Mixed-use communities strategically combine complementary assets to create spaces for people to thrive and for businesses to prosper.

Within our existing portfolio, we have identified long-term mixed-use opportunities for our landholdings at Sylvia Park, LynnMall, The Base (in joint venture with Tainui Group Holdings) and Drury. These assets all enjoy great road and public transport access, which we know from experience builds better pathways for retail trade and business, that in turn create stronger prospects for long-term economic stability.

a Kiwi community

A Kiwi Property mixed-use community is one that will have strong common denominators

strong investment qualities

focused on reliable shareholder returns

buildings developed

in step with market demand

carefully curated tenant communities

for better shopping and employment opportunities

well located, with excellent roading infrastructure

supported by outstanding public transport options, including rail and bus

high community engagement

places where people can connect

thoughtful innovations

supporting sustainable technologies

resource minimisation programmes

water, energy, waste

open spaces

for enjoyment and recreation

a commitment to biodiversity

through plantings on our properties

mixed-use strategy

the ingredients that bring our places to life

places to work

As New Zealand expands, providing local commercial spaces for employment assists communities to prosper while having the added benefit of supporting surrounding retail and commercial businesses.

places to shop

A vibrant retail offer forms the economic heart of every community – providing the clothes we wear, the goods we need to furnish our homes and dining and entertainment options that suit our lifestyles.

places to connect

The rise of the digital age has brought with it an increasing need for people to connect more in the real world. Our communities provide food, entertainment and meeting places where people can come together in social settings.

spaces for the mind and soul

Public open spaces have the potential to increase levels of physical activity, have health and wellbeing benefits and reduce healthcare and other costs. They are the spaces we can enjoy in search of solitude or community enjoyment – a place to play, relax, run, walk, cycle or rest.

spaces for interaction

Civic spaces are an extension of the community. These are the 'front porches' of our public institutions – post offices, Crown buildings – where we can interact with each other and with government.

ways to commute

Our places will have easy access, whether by train, bus, car or bike.

places to live

Home is the heart of family life. We are investigating housing options that will complement our existing assets and provide easy and desirable living options. This includes a high level of amenity, access to quality public transport and commercial infrastructure, open spaces and a multitude of nearby amenities for everyday living.

spaces for wellness

Our health and wellness is nurtured through a variety of options across medical, dental, optical and health-related services, while our fitness is served through gyms, cycleways, walkways and general sporting facilities.

financials

five-year summary

financial performance

for the year ended 31 March

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Income					
Property revenue and management income	**237.5**	251.0	239.6	208.6	206.3
Other income	**1.1**	0.3	0.3	6.5	0.4
Net fair value gain on investment properties	**47.6**	26.5	41.0	175.9	58.3
Net fair value gain on interest rate derivatives	**–**	–	9.7	–	–
Total income	**286.2**	277.8	290.6	391.0	265.0
Expenses					
Direct property expenses	**(54.6)**	(57.2)	(55.6)	(51.6)	(50.5)
Interest and finance charges	**(37.6)**	(42.6)	(43.2)	(33.5)	(52.6)
Employment and administration expenses	**(20.9)**	(20.5)	(18.0)	(16.2)	(15.1)
Net fair value loss on interest rate derivatives	**(11.0)**	(2.4)	–	(17.6)	(13.1)
Termination of management arrangements	**–**	–	–	–	(2.1)
Other expenses	**–**	(7.1)	(2.1)	(0.4)	(7.2)
Total expenses	**(124.1)**	(129.8)	(118.9)	(119.3)	(140.6)
Profit before tax	**162.1**	148.0	171.7	271.7	124.4
Income tax expense	**(24.0)**	(27.9)	(28.7)	(20.9)	(9.2)
Profit after tax[1]	**138.1**	120.1	143.0	250.8	115.2

funds from operations

for the year ended 31 March

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Profit after income tax	**138.1**	120.1	143.0	250.8	115.2
Adjusted for:					
Net fair value gain on investment properties	**(47.6)**	(26.5)	(41.0)	(175.9)	(58.3)
Loss/(gain) on disposal of investment properties	**(1.0)**	7.1	1.3	–	0.8
Net fair value loss/(gain) on interest rate derivatives	**11.0**	2.4	(9.7)	17.6	13.1
Termination of management arrangements	**–**	–	–	–	2.1
Insurance adjustment	**–**	–	–	–	5.1
Litigation settlement expenses/(income)	**–**	–	0.8	(5.9)	1.3
Straight-lining of fixed rental increases	**(2.0)**	(2.1)	(2.1)	(2.3)	(4.1)
Amortisation of tenant incentives and leasing fees	**7.0**	7.8	6.7	6.4	5.6
Other one-off items	**4.5**	–	–	–	–
Deferred tax expense/(benefit)	**(3.1)**	2.5	3.8	0.4	4.0
Funds from operations[2]	**106.9**	111.3	102.8	91.1	84.8

dividends

for the year ended 31 March

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Funds from operations	**106.9**	111.3	102.8	91.1	84.8
Less amount retained	**(7.4)**	(14.1)	(15.5)	(7.2)	(14.5)
Cash dividend	**99.5**	97.2	87.3	83.9	70.3
Payout ratio	**93%**	87%	85%	92%	83%

	cps	cps	cps	cps	cps
Cash dividend	**6.95**	6.85	6.75	6.60	6.50
Imputation credits	**2.00**	1.89	1.92	1.62	0.44
Gross dividend	**8.95**	8.74	8.67	8.22	6.94

financial position

as at 31 March

	2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Assets					
Investment properties	**3,207.4**	3,052.0	2,969.4	2,669.9	2,275.8
Cash and cash equivalents	**9.9**	10.7	9.8	6.2	6.2
Other assets	**19.1**	18.6	16.5	15.4	8.4
Total assets	**3,236.4**	3,081.3	2,995.7	2,691.5	2,290.4
Liabilities					
Interest bearing liabilities	**1,001.7**	913.5	1,030.4	814.2	766.4
Deferred tax liabilities	**88.5**	91.7	89.2	85.4	85.0
Other liabilities	**95.3**	82.0	70.0	75.1	56.4
Total liabilities	**1,185.5**	1,087.2	1,189.6	974.7	907.8
Equity					
Share capital	**1,449.6**	1,432.9	1,272.6	1,241.1	1,079.1
Share-based payments reserve	**0.6**	0.4	0.5	0.2	–
Retained earnings	**600.7**	560.8	533.0	475.5	303.5
Total equity	**2,050.9**	1,994.1	1,806.1	1,716.8	1,382.6
Total equity and liabilities	**3,236.4**	3,081.3	2,995.7	2,691.5	2,290.4
Gearing ratio	**31.0%**	29.7%	34.5%	30.3%	33.5%
Net tangible assets per share	**$1.43**	$1.40	$1.39	$1.34	$1.21

1. The reported profit has been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.
2. Funds from Operations (FFO) is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is a measure commonly used by real estate entities to describe their underlying and recurring earnings from operations. FFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. FFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia (the Guidelines). The reported FFO information has been extracted from the Company's annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board. During the 2018 financial year, the Guidelines amended the method used to derive FFO to include the amortisation of leasing fees. Kiwi Property amended its FFO calculation from 2018 to reflect this change.

five-year summary (continued)

property metrics

as at 31 March

	2019	2018	2017	2016	2015
Number of core properties	**12**	13	14	14	12
Net lettable area (sqm)	**436,870**	451,230	474,381	374,739	364,713
Occupancy	**99.3%**	99.6%	98.8%	98.7%	98.4%
Weighted average lease expiry (years)	**5.2**	5.3	5.6	5.1	4.5
Weighted average capitalisation rate	**5.99%**	6.11%	6.40%	6.61%	6.92%

interpretation

The following commentary is provided to assist with the interpretation of the five-year summary:

2019

— Concluded development of an office tower (ANZ Raranga) and the central carpark at Sylvia Park, Auckland, and Langdons Quarter at Northlands, Christchurch.

— Acquired property adjacent to Sylvia Park, Auckland, for $25 million.

— Acquired a further 8.6 hectares of land at Drury, South Auckland, for $9.1 million.

— North City, Porirua, was sold.

— A $100 million bond issue was completed (2025 expiry).

2018

— Acquired 30.6 hectares of land at Drury, South Auckland, for $32.7 million.

— Acquired property adjacent to Sylvia Park, Auckland, for $27.1 million.

— 1 for 11 entitlement offer completed, raising $157 million (net of costs).

— The Majestic Centre, Wellington, was sold.

— A $125 million bond issue was completed (2024 expiry).

2017

— Acquired a 50% interest in The Base, Hamilton, for $192.5 million.

— Centre Place South, Hamilton, was sold.

— Concluded developments at Westgate Lifestyle, Auckland, 44 The Terrace and The Aurora Centre, Wellington.

— Completed development of H&M and Zara at Sylvia Park, Auckland.

— A $125 million bond issue was completed (2023 expiry).

2016

— 1 for 9 entitlement offer completed, raising $148.1 million (net of costs).

— Westgate Lifestyle, Auckland, was acquired.

— Acquired 12.1 hectares of land at Drury, South Auckland, for $7.1 million.

2015

— Kiwi Income Property Trust was converted to a company and rebranded as Kiwi Property.

— Final 50% interest in 205 Queen Street, Auckland, was sold.

— Sylvia Park Lifestyle, Auckland, was acquired.

— A $125 million bond issue was completed (2021 expiry).

— $120 million of mandatory convertible notes were converted to shares.

— Refurbishment works at The Aurora Centre, Wellington, commenced.

financial statements

consolidated statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 $000	2018 $000
Income			
Property revenue	2.1	**235,286**	249,263
Property management income		**2,202**	1,742
Interest and other income		**170**	285
Net fair value gain on investment properties	3.2	**47,650**	26,528
Gain on disposal of investment properties		**971**	–
Total income		**286,279**	277,818
Expenses			
Direct property expenses		**(54,624)**	(57,168)
Interest and finance charges	2.2	**(37,622)**	(42,645)
Employment and administration expenses	2.2	**(20,878)**	(20,567)
Net fair value loss on interest rate derivatives	3.4.2	**(11,040)**	(2,390)
Loss on disposal of investment properties		**–**	(7,069)
Total expenses		**(124,164)**	(129,839)
Profit before income tax		**162,115**	147,979
Income tax expense	2.3	**(24,023)**	(27,877)
Profit and total comprehensive income after income tax attributable to shareholders		**138,092**	120,102
Basic and diluted earnings per share (cents)	3.6.3	**9.67**	8.66

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

consolidated statement of changes in equity

for the year ended 31 March 2019

	Note	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
Balance at 1 April 2017		1,272,622	365	533,046	1,806,033
Profit after income tax		–	–	120,102	120,102
Dividends paid	3.6.2	–	–	(92,404)	(92,404)
Dividends reinvested	3.6.1	3,842	–	–	3,842
Shares issued – entitlement offer	3.6.1	156,950	–	–	156,950
Long-term incentive plan	3.6.4	(478)	36	33	(409)
Balance at 31 March 2018		1,432,936	401	560,777	1,994,114
Balance at 1 April 2018		**1,432,936**	**401**	**560,777**	**1,994,114**
Profit after income tax		**–**	**–**	**138,092**	**138,092**
Dividends paid	3.6.2	**–**	**–**	**(98,323)**	**(98,323)**
Dividends reinvested	3.6.1	**16,779**	**–**	**–**	**16,779**
Employee share ownership plan		**69**	**137**	**–**	**206**
Long-term incentive plan	3.6.4	**(138)**	**64**	**86**	**12**
Balance at 31 March 2019		**1,449,646**	**602**	**600,632**	**2,050,880**

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

consolidated statement of financial position

as at 31 March 2019

	Note	**2019 $000**	2018 $000
Current assets			
Cash and cash equivalents		**9,923**	10,697
Trade and other receivables	3.1	**13,201**	14,261
		23,124	24,958
Non-current assets			
Investment properties	3.2	**3,207,389**	3,051,964
Property, plant and equipment		**4,253**	3,764
Interest rate derivatives	3.4.2	**1,665**	658
		3,213,307	3,056,386
Total assets		**3,236,431**	3,081,344
Current liabilities			
Trade and other payables	3.5	**60,345**	57,430
Interest bearing liabilities	3.4.1	**166,000**	–
Income tax payable		**8,675**	9,290
Interest rate derivatives	3.4.2	**344**	627
		235,364	67,347
Non-current liabilities			
Interest bearing liabilities	3.4.1	**835,688**	913,502
Interest rate derivatives	3.4.2	**25,958**	14,725
Deferred tax liabilities	3.3	**88,541**	91,656
		950,187	1,019,883
Total liabilities		**1,185,551**	1,087,230
Equity			
Share capital	3.6.1	**1,449,646**	1,432,936
Share-based payments reserve		**602**	401
Retained earnings		**600,632**	560,777
Total equity		**2,050,880**	1,994,114
Total equity and liabilities		**3,236,431**	3,081,344

For and on behalf of the board, who authorised these financial statements for issue on 17 May 2019.

MARK FORD
CHAIR

MARY JANE DALY
CHAIR OF THE AUDIT AND RISK COMMITTEE

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

consolidated statement of cash flows

for the year ended 31 March 2019

	2019 $000	2018 $000
Cash flows from operating activities		
Property revenue	**236,642**	247,835
Property management income	**2,177**	1,727
Interest and other income	**170**	285
Direct property expenses	**(56,236)**	(58,290)
Interest and finance charges	**(35,774)**	(42,054)
Employment and administration expenses	**(18,691)**	(18,149)
Income tax expense	**(27,752)**	(23,287)
Goods and Services Tax received/(paid)	**(493)**	151
Net cash flows from operating activities	**100,043**	108,218
Cash flows from investing activities		
Proceeds from disposal of investment properties	**101,635**	122,083
Acquisition of investment properties	**(34,348)**	(59,828)
Expenditure on investment properties	**(161,373)**	(108,877)
Interest and finance charges capitalised to investment properties	**(8,459)**	(3,755)
Acquisition of property, plant and equipment	**(1,227)**	(3,035)
Net cash flows used in investing activities	**(103,772)**	(53,412)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	156,950
Own shares acquired for long-term incentive plan	**(323)**	(633)
Repayment of bank loans	**(13,000)**	(242,500)
Proceeds from fixed-rate bonds	**98,833**	123,555
Settlement of interest rate derivatives	**(1,097)**	(2,724)
Dividends paid	**(81,458)**	(88,529)
Net cash flows from/(used in) financing activities	**2,955**	(53,881)
Net increase in cash and cash equivalents	**(774)**	925
Cash and cash equivalents at the beginning of the year	**10,697**	9,772
Cash and cash equivalents at the end of the year	**9,923**	10,697

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

consolidated statement of cash flows (continued)

for the year ended 31 March 2019

	2019 $000	2018 $000
Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after income tax	**138,092**	120,102
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	**(6,643)**	(8,846)
Non-cash items:		
Net fair value loss on interest rate derivatives	**11,040**	2,390
Net fair value gain on investment properties	**(47,650)**	(26,528)
Movement in deferred tax liabilities	**(3,115)**	2,464
Amortisation of lease incentives and fees	**6,975**	8,021
Straight-lining of fixed rental increases	**(2,016)**	(2,100)
Movements in working capital items:		
Trade and other receivables	**1,060**	(1,378)
Income tax payable	**(615)**	2,127
Trade and other payables	**2,915**	11,966
Net cash flows from operating activities	**100,043**	108,218

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

notes to the consolidated financial statements

for the year ended 31 March 2019

1. general information

for the year ended 31 March 2019

1.1 reporting entity

The 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 a 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 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 financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) and the Financial Markets Conduct Act 2013. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other guidance as issued by the External Reporting Board, as appropriate for profit-oriented entities, and with International Financial Reporting Standards.

The 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 financial statements is New Zealand dollars.

1.3 significant changes during the year

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

fixed-rate bonds

On 12 November 2018, the Group issued $100 million of seven-year fixed-rate senior secured bonds. For further details refer to Note 3.4.1.

investment property acquisitions and disposals

On 9 July 2018, the Group settled the sale of North City, Porirua for $100 million before disposal costs.

On 29 October 2018, the Group settled its acquisition of 8.6 hectares of additional development land at Drury, Auckland for $9.1 million.

On 20 December 2018, the Group acquired property at 43 Carbine Road, Mount Wellington, Auckland for $25 million.

1.4 group structure

controlled entities

The Company has the following wholly owned subsidiaries: Kiwi Property Holdings Limited (KPHL), Kiwi Property Holdings No. 2 Limited (KPHL2), Kiwi Property Te Awa Limited (KPTAL) and Sylvia Park Business Centre Limited (SPBCL). SPBCL owns Sylvia Park and Sylvia Park Lifestyle, KPHL2 owns the development land at Drury and KPTAL owns the Group's 50% interest in The Base. All other properties are owned by KPHL.

The Company has control over the trust fund operated by Pacific Custodians (New Zealand) Limited as trustee for the Company's long-term incentive plan (for further details, refer to Note 3.6.4). The trust fund is consolidated as part of the Group.

joint venture

The Group holds its 50% interest in The Base by way of an unincorporated joint venture. The Group has determined that its interest constitutes a joint arrangement as the relevant decisions about the property require the unanimous consent of both parties. The joint arrangement has been classified as a joint operation on the basis that the parties have direct rights to the assets and obligations for the liabilities relating to their share of the property in the normal course of business. The Group recognises its share of assets, liabilities, revenue and expenses of the joint venture.

principles of consolidation

The consolidated financial statements include the Company and the entities it controls up until the date control ceases. The balances and effects of transactions between controlled entities and the Company are eliminated in full.

1.5 new standards, amendments and interpretations

The Group has adopted both NZ IFRS 9 Financial instruments and NZ IFRS 15 Revenue from contracts with customers as required. There have been no material changes required to the financial statements through the adoption of these standards.

The following new standard has been published but is not yet effective and has not been early adopted by the Group:

NZ IFRS 16 Leases

This standard replaces the current guidance in NZ IAS 17. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. Lessor accounting remains largely unchanged from NZ IAS 17. The standard is required to be adopted by the Group in its financial statements for the year ending 31 March 2020. A right-of-use asset and corresponding liability reflecting future lease payments will be recognised based on the commitments at 31 March 2020.

As outlined in Note 5.4, the Group has several occupational ground leases of properties/parts of properties in its investment property portfolio. The Group has assessed the impact of NZ IFRS 16 from these ground leases. It is estimated that the Group would recognise a right-of-use asset and corresponding lease liability of approximately $6.5 million, and the net impact on the statement of comprehensive income will not be material.

1.6 key judgements and estimates

In the process of applying the Group's accounting policies, a number of judgements have been made and estimates of future events applied. Judgements and estimates are found in the following notes:

Note 2.3	Tax expense	PG 30
Note 3.2	Investment properties	PG 32
Note 3.4.2	Interest rate derivatives	PG 38
Note 3.6.4	Share-based payments	PG 41

1.7 accounting policies

Accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the consolidated financial statements. Other relevant policies are provided as follows:

measurement of fair values

The Group classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of all financial assets and liabilities is equivalent to their fair values apart from the fixed-rate bonds (refer to Note 3.4.1 for further details on the fair value of the fixed-rate bonds).

goods and services tax

The financial statements have been prepared on a Goods and Services Tax exclusive basis, with the exception of receivables and payables which are inclusive of Goods and Services Tax where relevant.

1.8 changes in presentation

The Group has changed the presentation of its consolidated statement of financial position by presenting deferred tax assets and liabilities as a net liability. Comparative information has been reclassified to ensure consistency with presentation in the current year.

2. profit and loss information

for the year ended 31 March 2019

2.1 property revenue

	2019 $000	2018 $000
Gross rental income	**239,262**	253,131
Straight-lining of fixed rental increases	**2,016**	2,100
Amortisation of capitalised lease incentives	**(5,992)**	(5,968)
Property revenue	**235,286**	249,263

The contractual future minimum property operating lease income to be received on properties owned by the Group at balance date is as follows:

	2019 $000	2018 $000
Within one year	**238,577**	238,643
One year or later and not later than five years	**757,236**	741,748
Later than five years	**393,894**	414,261
Property operating lease income	**1,389,707**	1,394,652

recognition and measurement

The Group enters into retail and office property leases with tenants on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties and has therefore classified the leases as operating leases.

Rental income from those leases, including fixed rental increases, is recognised on a straight-line basis over the term of the lease.

Lease incentives offered to tenants as an inducement to enter into leases are capitalised to investment properties and then amortised over the term of the lease as a reduction of rental income.

2.2 expenses

	2019 $000	2018 $000
Interest and finance charges on bank loans	**25,628**	31,618
Interest on fixed-rate bonds	**20,453**	14,777
Capitalised to investment properties	**(8,459)**	(3,750)
Interest and finance charges	**37,622**	42,645
Auditor's remuneration:		
Statutory audit and review of the financial statements	**246**	238
Assurance related services	**33**	33
Attendance and voting procedures at shareholder meetings	**4**	4
Benchmarking of executive remuneration	**12**	9
Professional services in relation to long-term incentive plan design	**18**	45
Directors' fees	**701**	704
Employee entitlements	**22,949**	21,898
Less: recognised in direct property expenses	**(6,875)**	(6,723)
Less: capitalised to investment properties	**(2,177)**	(3,117)
Information technology	**1,351**	1,298
Investor related expenses	**643**	670
Occupancy costs	**451**	1,769
Professional fees	**1,463**	1,590
Trustees' fees	**106**	69
Other	**1,953**	2,080
Employment and administration expenses	**20,878**	20,567

recognition and measurement

interest and finance charges

The interest and finance charges on bank loans are expensed in the period in which they occur, other than associated transaction costs, which are capitalised and amortised over the term of the facility to which they relate.

The interest expense on fixed-rate bonds is recognised using the effective interest rate method.

To determine the amount of borrowing costs capitalised to investment properties that are being constructed or developed for future use, the Group uses the weighted average interest rate applicable to its outstanding borrowings during the year. For 2019 this was 4.98% (2018: 4.91%).

employee entitlements

Employee benefits are expensed as the related service is provided. Details of the employee entitlements expense in relation to share-based payments is outlined in Note 3.6.4.

2.3 tax expense

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

	2019 $000	2018 $000
Profit before income tax	**162,115**	147,979
Prima facie income tax expense at 28%	**(45,392)**	(41,434)
Adjusted for:		
Net fair value loss on interest rate derivatives	**(2,784)**	(669)
Net fair value gain on investment properties	**13,342**	7,428
Gain/(loss) on disposal of investment properties	**272**	(1,979)
Depreciation	**7,314**	7,054
Depreciation recovered on disposal of investment properties	**(4,539)**	–
Deferred leasing costs	**474**	137
Deductible capitalised expenditure	**2,938**	1,655
Prior year adjustment	**333**	1,317
Other	**905**	1,077
Current tax expense	**(27,137)**	(25,414)
Depreciation recoverable	**1,309**	(2,733)
Net fair value loss/(gain) on interest rate derivatives	**2,784**	(94)
Deferred leasing costs and other temporary differences	**(979)**	364
Deferred tax benefit/(expense)	**3,114**	(2,463)
Income tax expense reported in profit	**(24,023)**	(27,877)
Imputation credits available for use in subsequent periods	**15,264**	13,808

recognition and measurement

current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable in respect of previous years.

deferred tax

Deferred tax is recognised in respect of all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale (refer to Note 3.3).

imputation credits

The imputation credits available represent the balance of the imputation credit account at the end of the reporting period, adjusted for imputation credits which will arise from the payment of the income tax liability.

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 31 March 2019, the Group continues to qualify for this relief and a deferred tax liability of $4.2 million continues to be provided.

3. financial position information

for the year ended 31 March 2019

3.1 trade and other receivables

	2019 $000	2018 $000
Trade debtors	**8,899**	10,087
Provision for doubtful debts	**(238)**	(357)
Prepayments	**4,540**	4,531
Trade and other receivables	**13,201**	14,261

recognition and measurement

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9, which permits the use of lifetime expected loss provisions for all trade debtors. Collectability of trade debtors is reviewed on an ongoing basis and a provision for doubtful debts is made when there is evidence that the Group will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated. There are no overdue debtors considered impaired that have not been provided for.

3.2 investment properties

recognition and measurement

Investment properties are properties held for long-term capital appreciation and to earn rentals.

initial recognition – acquired properties

Investment properties are initially measured at cost, plus related costs of acquisition. Subsequent expenditure is capitalised to the asset's carrying amount when it adds value to the asset and its cost can be measured.

initial recognition – properties being developed

Investment properties also include properties that are being constructed or developed for future use as investment properties. All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs, are capitalised. Borrowing costs are capitalised if they are directly attributable to the development.

subsequent recognition

After initial recognition, investment properties are measured at fair value as determined by independent registered valuers. Investment properties under construction are carried at cost until it is possible to reliably determine their fair value, from which point they are carried at fair value. Investment properties are valued annually and may not be valued by the same valuer for more than three consecutive years.

Any gains or losses arising from changes in fair value are recognised in profit or loss in the reporting period in which they arise.

lease incentives

Lease incentives provided by the Group to lessees are included in the measurement of fair value of investment properties and are treated as separate assets. Such assets are amortised on a straight-line basis over the respective periods to which the lease incentives apply.

disposals

Investment properties are derecognised when they have been disposed of. The net gain or loss on disposal is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the reporting period in which the disposal settled.

Investment properties held by the Group are as follows:

	Valuer	Capitalisation rate %	Fair value 31 March 2018 $000	Capital movements 2019 $000	Fair value gain/(loss) 2019 $000	Fair value 31 March 2019 $000
Mixed-use						
Sylvia Park[1]	**JLL**	**5.38**	**835,000**	**116,775**	**3,225**	**955,000**
Sylvia Park Lifestyle	**JLL**	**6.25**	**74,000**	**3**	**2,997**	**77,000**
LynnMall	**CBRE**	**6.38**	**274,000**	**8,799**	**1,201**	**284,000**
The Base[2]	**CBRE**	**6.13**	**202,500**	**1,929**	**13,071**	**217,500**
			1,385,500	**127,506**	**20,494**	**1,533,500**
Retail						
Westgate Lifestyle	**Colliers**	**6.38**	**90,000**	**154**	**(154)**	**90,000**
Centre Place North	**CBRE**	**10.25**	**59,000**	**1,122**	**(6,622)**	**53,500**
The Plaza	**Colliers**	**7.38**	**207,000**	**5,977**	**(5,977)**	**207,000**
North City[3]			**99,150**	**(99,150)**	**–**	**–**
Northlands	**Colliers**	**7.50**	**240,000**	**21,836**	**(14,836)**	**247,000**
			695,150	**(70,061)**	**(27,589)**	**597,500**
Office						
Vero Centre	**Colliers**	**5.13**	**420,000**	**8,186**	**21,814**	**450,000**
ASB North Wharf	**JLL**	**5.38**	**209,000**	**1,037**	**19,963**	**230,000**
The Aurora Centre	**Colliers**	**6.13**	**152,250**	**22**	**7,228**	**159,500**
44 The Terrace	**Colliers**	**6.50**	**49,900**	**(328)**	**3,928**	**53,500**
			831,150	**8,917**	**52,933**	**893,000**
Other						
Other properties	**Various**		**93,064**	**27,641**	**4,534**	**125,239**
Development land	**JLL**		**47,100**	**13,772**	**(2,722)**	**58,150**
			140,164	**41,413**	**1,812**	**183,389**
Investment properties			**3,051,964**	**107,775**	**47,650**	**3,207,389**

1. Sylvia Park was valued 'as if complete' at $1.1715 billion. The deduction of outstanding development costs for the office building, Kmart, galleria and south carpark ($188.3 million) together with allowances for profit and risk and stabilisation ($28.3 million) resulted in an 'as is' value of $955 million.
2. Represents the Group's 50% ownership interest. Refer to Note 1.4 for further information.
3. On 9 July 2018, the Group settled the sale of North City for $100 million before disposal costs.

3.2 investment properties (continued)

	Valuer	Capitalisation rate %	Fair value 31 March 2017 $000	Capital movements 2018 $000	Fair value gain/(loss) 2018 $000	Fair value 31 March 2018 $000
Mixed-use						
Sylvia Park[1]	CBRE	5.38	755,000	69,497	10,503	835,000
Sylvia Park Lifestyle	CBRE	6.25	70,900	(233)	3,333	74,000
LynnMall	CBRE	6.25	271,000	2,130	870	274,000
The Base[2]	JLL	6.25	195,000	1,512	5,988	202,500
			1,291,900	72,906	20,694	1,385,500
Retail						
Westgate Lifestyle	JLL	6.38	87,000	286	2,714	90,000
Centre Place North	JLL	8.75	66,000	554	(7,554)	59,000
The Plaza	Colliers	7.00	215,500	6,529	(15,029)	207,000
North City[3]			110,500	4,217	(15,567)	99,150
Northlands	Colliers	7.13	248,500	8,926	(17,426)	240,000
			727,500	20,512	(52,862)	695,150
Office						
Vero Centre	CBRE	5.50	381,000	8,879	30,121	420,000
ASB North Wharf	Colliers	5.63	196,250	1,318	11,432	209,000
The Majestic Centre[4]			119,400	(119,400)	–	–
The Aurora Centre	Colliers	6.38	140,650	4,330	7,270	152,250
44 The Terrace	Colliers	6.63	41,750	2,618	5,532	49,900
			879,050	(102,255)	54,355	831,150
Other						
Other properties	Various		57,915	29,555	5,594	93,064
Development land	JLL		13,000	35,353	(1,253)	47,100
			70,915	64,908	4,341	140,164
Investment properties			2,969,365	56,071	26,528	3,051,964

1. Sylvia Park was valued at $1.12 billion assuming completion of the office building, central carpark, galleria and south carpark developments, less costs to complete of $261 million and a $24 million allowance for profit and risk.
2. Represents the Group's 50% ownership interest. Refer to Note 1.4 for further information.
3. On 11 April 2018, the Group entered into an unconditional agreement to dispose of North City for $100 million. The carrying value as at 31 March 2018 represented the net disposal proceeds. The sale settled on 9 July 2018.
4. On 11 December 2017, the Group settled the sale of The Majestic Centre for $123.2 million. The main contractor submitted a final claim for works at The Majestic Centre that exceeded the Company's assessment of the amount due. Post balance date, the arbitration of the claim was settled. The settlement was reflected in the loss on disposal of investment properties in the statement of comprehensive income.

The movement in the Group's investment properties during the year is as follows:

	2019 $000	2018 $000
Balance at the beginning of the year	**3,051,964**	2,969,365
Capital movements:		
Acquisitions (refer to Note 1.3)	**34,348**	59,828
Disposals (refer to Note 1.3)	**(99,623)**	(128,373)
Capitalised costs (including fees and incentives)	**169,550**	128,882
Capitalised interest and finance charges	**8,459**	3,755
Amortisation of lease incentives, fees and fixed rental income	**(4,959)**	(8,021)
	107,775	56,071
Net fair value gain on investment properties	**47,650**	26,528
Balance at the end of the year	**3,207,389**	3,051,964

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 (2018: Level 3) in the fair value hierarchy because all significant inputs that determine fair value are not based on observable market data. Refer to Note 1.7 for further information on the fair value hierarchy.

valuation process

All investment properties were valued as at 31 March 2019 (and as at 31 March 2018 with the exception of North City which was subject to an unconditional sale and purchase agreement and accordingly was carried at its sale price less disposal costs). All valuations are prepared by independent valuers who are members of the Group's valuation panel and members of the New Zealand Institute of Valuers.

The adopted valuations of investment properties have been assessed within a range indicated by at least two valuation approaches – most commonly an income capitalisation approach and discounted cash flow approach. In addition, the adopted valuation of an investment property undergoing development may be assessed using a residual approach. These approaches contain unobservable inputs in determining fair value, which are summarised in the table below.

The valuations of the independent valuers are reviewed by the Group and adopted as the carrying value in the financial statements subject to any specific adjustments required. The Group's management verifies all major inputs to the valuations, assesses valuation movements when compared to the previous year and holds discussions with the independent valuers as part of this process.

valuation inputs

The significant unobservable inputs used and the sensitivity to a change in those inputs are as follows:

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs 2019	2018	Sensitivity
Mixed-use	Core capitalisation rate	**5.4%–6.4%**	5.4%–6.3%	The higher the capitalisation rates and discount rate, the lower the fair value
	Other income capitalisation rate	**5.4%–6.5%**	5.4%–6.5%	
	Discount rate	**7.3%–7.6%**	7.0%–7.8%	
	Terminal capitalisation rate	**5.5%–7.0%**	5.9%–7.0%	
	Gross market rent (per sqm)[1]	**$359–$769**	$336–$682	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate (per annum)	**-0.4%–3.5%**	-0.2%–5.8%	
Retail	Core capitalisation rate	**6.4%–10.3%**	6.4%–8.8%	The higher the capitalisation rates and discount rate, the lower the fair value
	Other income capitalisation rate	**6.4%–15.0%**	6.4%–15.0%	
	Discount rate	**7.8%–9.8%**	8.0%–9.8%	
	Terminal capitalisation rate	**6.5%–11.3%**	6.6%–9.0%	
	Gross market rent (per sqm)[1]	**$276–$634**	$281–$619	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate (per annum)	**-2.7%–2.5%**	0.0%–3.0%	
Office	Core capitalisation rate	**5.1%–6.5%**	5.5%–6.6%	The higher the capitalisation rates and discount rate, the lower the fair value
	Other income capitalisation rate	**7.0%**	6.5%–7.5%	
	Discount rate	**7.5%–8.3%**	7.0%–8.3%	
	Terminal capitalisation rate	**5.3%–7.0%**	5.8%–7.3%	
	Gross market rent (per sqm)[1]	**$465–$653**	$421–$662	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate (per annum)	**2.0%–3.5%**	0.0%–3.5%	
Other	Core capitalisation rate	**4.8%–9.4%**	5.0%–11.5%	The higher the capitalisation rates and discount rate, the lower the fair value
	Discount rate	**6.5%–10.3%**	7.0%–12.0%	
	Terminal capitalisation rate	**5.0%–10.5%**	5.3%–11.8%	
	Gross market rent (per sqm)[1]	**$98–$292**	$101–$230	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate (per annum)	**1.0%–2.9%**	0.0%–3.0%	

1. Weighted average by property.

3.2 investment properties (continued)

Generally, a change in the assumption made for the adopted core capitalisation rate is accompanied by a directionally similar change in the adopted terminal capitalisation rate. The adopted core capitalisation rate forms part of the income capitalisation approach and the adopted terminal capitalisation rate forms part of the discounted cash flow approach.

When calculating the income capitalisation approach, the gross market rent has a strong interrelationship with the adopted core capitalisation rate. An increase in the gross market rent and an increase in the adopted core capitalisation rate could potentially offset the impact to the 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 assessing a discounted cash flow, the adopted discount rate and the adopted terminal capitalisation rate have a strong interrelationship in deriving fair value. An increase in the adopted discount rate and a decrease in the adopted terminal capitalisation rate could potentially offset the impact to the 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.

The table below explains the key inputs used to measure fair value for investment properties.

Valuation techniques	
Income capitalisation approach	A valuation technique that determines fair value by capitalising a property's sustainable net income at an appropriate market-derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.
Discounted cash flow approach	A valuation technique that requires explicit assumptions to be made regarding the prospective income and expenses of a property over an assumed holding period, typically 10 years. The assessed cash flows are discounted to present value at an appropriate market-derived discount rate to determine fair value.
Residual approach	A valuation technique used primarily for property that is undergoing, or is expected to undergo, redevelopment. Fair value is determined through the estimation of a gross realisation on completion of the redevelopment with deductions made for all costs associated with converting the property to its end use including finance costs and a typical profit margin for risks assumed by the developer.
Unobservable inputs within the income capitalisation approach	
Gross market rent	The annual amount a tenancy within a property is expected to achieve under a new arm's length leasing transaction, including a fair share of property operating expenses.
Core capitalisation rate	The rate of return, determined through analysis of comparable, market-related sales transactions, that is applied to a property's sustainable net income to derive value.
Other income capitalisation rate	The rate of return that is applied to other, typically variable or uncontracted, sources of property income to derive value and that is assessed with consideration to the risks in achieving each income source.
Unobservable inputs within the discounted cash flow approach	
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value.
Terminal capitalisation rate	The rate that is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value.
Rental growth rate	The annual growth rate applied to market rents over an assumed holding period.

3.3 deferred tax

	2019 $000	2018 $000
Deferred tax assets		
Interest rate derivatives	**6,898**	4,114
Deferred tax liabilities		
Depreciation recoverable	**(86,664)**	(87,973)
Deferred leasing costs and other temporary differences	**(8,775)**	(7,797)
	(95,439)	(95,770)
Net deferred tax liabilities	**(88,541)**	(91,656)

recognition and measurement

Deferred tax is provided for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to utilise them. For deferred tax assets or liabilities arising on investment property, it is assumed that the carrying amounts of investment property will be recovered through sale.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) applicable at balance date.

3.4 funding

3.4.1 interest bearing liabilities

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

	2019 $000	2018 $000
Bank loans – total facilities	**825,000**	917,000
Bank loans – undrawn facilities	**(298,000)**	(377,000)
Bank loans – drawn facilities	**527,000**	540,000
Fixed-rate bonds	**475,000**	375,000
Unamortised capitalised costs on fixed-rate bonds	**(312)**	(1,498)
Interest bearing liabilities[1]	**1,001,688**	913,502
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**4.80%**	4.99%
Weighted average term to maturity for the combined facilities	**3.2 years**	3.6 years

1. As at 31 March 2019, the Group had $166 million of current bank loan facilities which were refinanced in May 2019. Refer to Note 5.5 for further information.

recognition and measurement

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method whereby the transaction costs are spread over the expected life of the instrument.

3.4.1 interest bearing liabilities (continued)

bank loans

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

On 28 September 2018, $165 million of existing bank debt facilities were extended. The facilities, which were due to expire in the 2022 financial year, will now expire in the 2023 and 2024 financial years.

On 14 November 2018, the Group cancelled $92 million of short-dated bank debt facilities.

fixed-rate bonds

The following table provides details of the Group's fixed-rate bonds:

NZX code	Value of issue $000	Date issued	Date of maturity	Interest rate	Interest payable	**Fair value 2019 $000**	Fair value 2018 $000
KPG010	125,000	6-Aug-14	20-Aug-21	6.15%	February, August	**134,409**	135,254
KPG020	125,000	7-Sep-16	7-Sep-23	4.00%	March, September	**128,997**	125,848
KPG030	125,000	19-Dec-17	19-Dec-24	4.33%	June, December	**130,528**	127,403
KPG040	100,000	12-Nov-18	12-Nov-25	4.06%	May, November	**102,447**	–
Fixed-rate bonds	475,000					**496,381**	388,505

The fair value of the fixed-rate bonds is based on their listed market prices at balance date and is classified as Level 1 in the fair value hierarchy (2018: Level 1). Refer to Note 1.7 for further information on the fair value hierarchy.

security

The bank loans and fixed-rate bonds are secured by way of a Global Security 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.

3.4.2 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, term and interest rates of the Group's interest rate derivatives.

	2019 $000	2018 $000
Interest rate derivative assets – non-current	**1,665**	658
Interest rate derivative liabilities – current	**(344)**	(627)
Interest rate derivative liabilities – non-current	**(25,958)**	(14,725)
Net fair values of interest rate derivatives	**(24,637)**	(14,694)
Notional value of interest rate derivatives – fixed-rate payer – active	**365,000**	385,000
Notional value of interest rate derivatives – fixed-rate receiver[1] – active	**40,000**	–
Notional value of interest rate derivatives – fixed-rate payer – forward starting	**170,000**	140,000
Notional values	**575,000**	525,000
Fixed-rate payer swaps:		
Weighted average term to maturity – active	**3.2 years**	2.3 years
Weighted average term to maturity – forward starting	**5.7 years**	4.9 years
Weighted average term to maturity	**4.0 years**	2.9 years
Fixed-rate payer swaps:		
Weighted average interest rate – active[2]	**3.63%**	3.80%
Weighted average interest rate – forward starting[2]	**2.90%**	3.56%
Weighted average interest rate[1]	**3.40%**	3.74%

1. The Group has $40 million of fixed-rate receiver swaps for the duration of the $100 million KPG040 fixed-rate 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.

In conjunction with the disposal of North City (refer to Note 1.3), interest rate swaps with a face value of $20 million were closed out during the year for a payment of $1.1 million. The net fair value loss on the remaining interest rate derivatives for the year was $11.0 million. The difference between these two amounts represents the movement in the net interest rate derivative liabilities from 31 March 2018 to 31 March 2019.

recognition and measurement

Interest rate derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value each balance date exclusive of accrued interest. Fair values at balance date are calculated to be the present value of the estimated future cash flows of these instruments. Transaction costs are expensed on initial recognition and recognised in profit or loss. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group does not designate any derivatives into hedging relationships. Gains or losses arising from changes in fair value of interest rate derivatives are recognised in profit or loss.

key estimate: fair value of interest rate derivatives

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 (2018: Level 2). Refer to Note 1.7 for further information on the fair value hierarchy. 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 31 March 2019 of between 1.85% for the 90-day BKBM and 2.16% for the 10-year swap rate (2018: 1.96% and 3.06%, respectively).

3.4.3 capital management

The Group's capital includes equity and interest bearing liabilities. The Group maintains a strong capital base to ensure investor, creditor and market confidence and to sustain the Group's ongoing activities. The impact of the level of capital on shareholder returns and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position is recognised by the Group. The Group is subject to the capital requirement imposed by the Group's Senior Facilities Agreement governing its interest bearing liabilities, which requires that total finance debt be maintained at no more than 45% of the total assets of the Group. This capital requirement has been complied with at all times throughout the year.

3.5 trade and other payables

	2019 $000	2018 $000
Trade creditors	**27,911**	29,099
Interest and finance charges payable	**2,413**	2,918
Development costs payable	**24,415**	19,217
Employment liabilities	**4,310**	4,246
Rent in advance	**502**	663
Goods and Services Tax payable	**794**	1,287
Trade and other payables	**60,345**	57,430

recognition and measurement

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a future outflow of cash or other benefit will be required and a reliable estimate can be made of the amount of the obligation.

3.6 equity

3.6.1 share capital

The following table provides details of movements in the Group's issued shares:

	2019 Number 000	**2019 Amount $000**	2018 Number 000	2018 Amount $000
Balance at the beginning of the year	**1,420,415**	**1,432,936**	1,299,389	1,272,622
Issue of shares:				
Dividend reinvestment	**12,340**	**16,779**	2,831	3,842
Entitlement offer	**–**	**–**	118,132	156,950
Employee share ownership plan – shares issued	**65**	**–**	63	–
Employee share ownership plan – shares vested	**–**	**69**	–	–
Long-term incentive plan	**–**	**(138)**	–	(478)
Balance at the end of the year	**1,432,820**	**1,449,646**	1,420,415	1,432,936

1,510,930 shares at a cost of $2.1 million are held by Pacific Custodians (New Zealand) Limited (the LTI Plan Trustee) for the Group's long-term incentive plan (2018: 1,378,582 shares at a cost of $2.0 million). Refer to Note 3.6.4 for further information on share-based payments.

recognition and measurement

Share capital is recognised at the fair value of the consideration received by the Company. Costs relating to the issue of new shares have been deducted from proceeds received.

All shares carry equal weight in respect of voting rights, dividend rights and rights on winding up of the Company and have no par value.

3.6.2 dividends

Dividends paid during the year comprised:

	Date declared	**2019 cps**	**2019 $000**	Date declared	2018 cps	2018 $000
Cash		**3.425**	**48,651**		3.375	43,856
Imputation credits		**0.970**	**13,779**		0.980	12,735
Final dividend	**18-May-18**	**4.395**	**62,430**	19-May-17	4.355	56,591
Cash		**3.475**	**49,672**		3.425	48,548
Imputation credits		**0.930**	**11,903**		0.920	11,587
Interim dividend	**16-Nov-18**	**4.405**	**61,575**	17-Nov-17	4.345	60,135
Cash		**6.900**	**98,323**		6.800	92,404
Imputation credits		**1.900**	**25,682**		1.900	24,322
Total dividends		**8.800**	**124,005**		8.700	116,726

The Group operates a Dividend Reinvestment Plan (DRP) which allows eligible shareholders to elect to reinvest dividends in shares. The board, at its sole discretion, may suspend the DRP at any time and/or apply a discount to which shares are issued under the DRP.

On 17 May 2019, the board declared a final cash dividend for the six months ended 31 March 2019 of 3.475 cents per share (equivalent to $49.8 million), together with imputation credits of 1.07 cents per share. The dividend record date is 5 June 2019 and payment will occur on 20 June 2019.

3.6.3 earnings per share

	2019	2018
Profit and total comprehensive income after income tax attributable to shareholders ($000)	**138,092**	120,102
Weighted average number of shares (000)	**1,428,387**	1,386,649
Basic and diluted earnings per share (cents)	**9.67**	8.66

3.6.4 share-based payments

long-term incentive plan (LTI plan)

The Company provides an LTI plan for selected senior employees. Under the LTI plan, ordinary shares in the Company are purchased on market by Pacific Custodians (New Zealand) Limited (the LTI Plan Trustee). Participants purchase shares from the LTI Plan Trustee with funds lent to them by the Company. The number of shares that vest depends on the Company's absolute total shareholder return as well as its ranking relative to comparator entities in the S&P/NZX All Real Estate Index. If the individual is still employed by the Company at the end of the vesting period and the hurdles have been achieved, the employee is provided a cash amount that must be used to repay the loan and the relevant number of shares are then transferred to the individual.

recognition and measurement

The fair value of the LTI plan at grant date is recognised over the vesting period of the plan as an employee entitlements expense, with a corresponding increase in the share-based payments reserve. The fair value is independently measured using an appropriate option pricing model.

3.6.4 share-based payments (continued)

Grant date	Measurement date	Share price at grant date	Number of shares: Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
2019							
1 April 2018	31 March 2021	**$1.368**	**–**	**608,068**	**–**	**–**	**608,068**
1 April 2017	31 March 2020	**$1.383**	**492,068**	**21,919**	**–**	**–**	**513,987**
1 April 2016	31 March 2019	**$1.466**	**388,875**	**–**	**–**	**–**	**388,875**
1 April 2015	31 March 2018	**$1.260**	**372,903**	**–**	**(108,138)**	**(264,765)**	**–**
			1,253,846	**629,987**	**(108,138)**	**(264,765)**	**1,510,930**
2018							
1 April 2017	31 March 2020	$1.383	–	534,691	–	(42,623)	492,068
1 April 2016	31 March 2019	$1.466	459,785	–	–	(70,910)	388,875
1 April 2015	31 March 2018	$1.260	448,375	–	–	(75,472)	372,903
15 December 2014	31 March 2017	$1.232	303,339	–	(291,201)	(12,138)	–
			1,211,499	534,691	(291,201)	(201,143)	1,253,846

key estimates and assumptions: fair value measurement of LTI plan

The fair value of the LTI plan has been determined using a Monte Carlo simulation to model a range of future share price outcomes for the Company and comparator entities in the S&P/NZX All Real Estate Index. The fair value at grant date and the measurement inputs used were as follows:

Measurement date	**31 March 2021**	31 March 2020	31 March 2019
Weighted average share price at grant date	**$1.368**	$1.383	$1.466
Risk-free rate	**1.9%**	2.2%	2.1%
Standard deviation of the entities in the S&P/NZX All Real Estate Index	**9.3%-12.1%**	8.9%-14.6%	8.4%-15.2%
Correlation between Company share price and other entities in the S&P/NZX All Real Estate Index	**0.31**	0.28	0.20
Estimated fair value per share	**$0.462**	$0.508	$0.502

The volatility and correlation measures were derived from measuring the standard deviation and correlation of returns for listed entities in the S&P/NZX All Real Estate Index over a three-year period. The risk-free rate was based on government bond yields over the same period.

It has been assumed that participants will remain employed with the Company on the vesting date. Dividend assumptions are based on projected dividend payments over the vesting period.

The employee entitlements expense relating to the LTI plan for the year ended 31 March 2019 is $246,450 (2018: $190,148) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining shares at 31 March 2019 is $409,577 (2018: $330,508).

4. financial risk management

for the year ended 31 March 2019

In the normal course of business, the Group is exposed to a variety of financial risks. This section explains the Group's exposure to financial risks, how these risks could affect the Group's financial performance and how they are managed.

The Group is exposed to the following financial risks through its use of financial instruments:

— interest rate risk
— credit risk, and
— liquidity risk.

financial instruments

The following items in the statement of financial position are classified as financial instruments: cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing liabilities and interest rate derivatives. All financial instruments are recorded at amortised cost with the exception of interest rate derivatives, which are recorded at fair value through profit or loss.

risk management

The board has overall responsibility for establishing and overseeing the Group's risk management framework. The board has established an audit and risk committee with responsibilities that include risk management, compliance and financial management and control.

The Group has developed a risk management framework that guides management and the board in the identification, assessment and monitoring of new and existing risks. Management report to the audit and risk committee and the board on relevant risks and the controls and treatments of those risks.

4.1 interest rate risk

nature of the risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance or the fair value of its holdings of financial instruments.

risk management

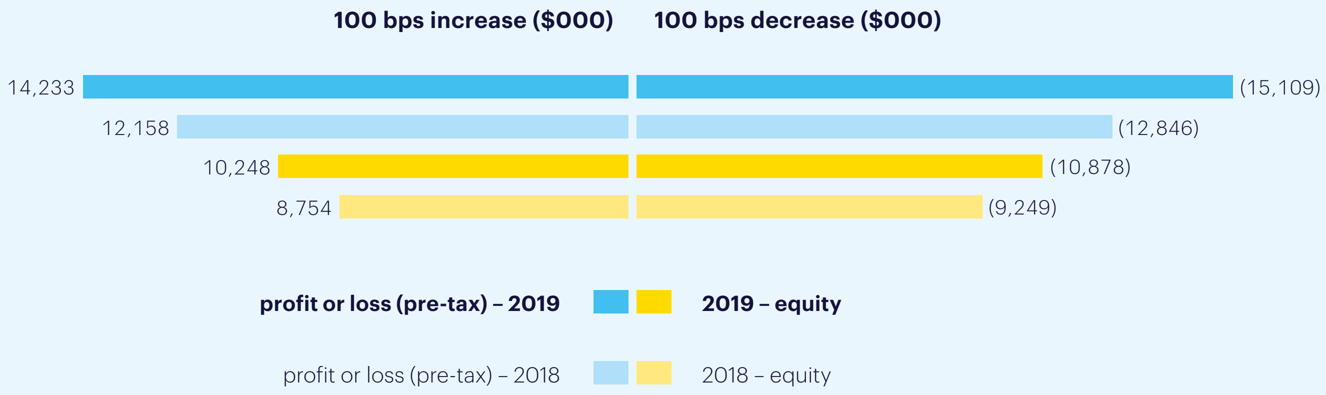
The Group adopts a policy of reducing its exposure to changes in interest rates by utilising interest rate derivatives to limit future interest cost volatility by exchanging floating rate interest obligations for fixed rate interest obligations or by exchanging fixed rate interest obligations for floating rate interest obligations. The Group has established a treasury management group consisting of senior management and external treasury advisors to review and set treasury strategy within the guidelines of its treasury policy.

exposure

The Group's exposure to interest rate risk arises primarily from bank loans that are subject to floating interest rates. The weighted average interest rate, term to maturity of interest bearing liabilities and details of the interest rate derivatives utilised are set out in Note 3.4. The fair value of interest rate derivatives is impacted by changes in market interest rates.

sensitivity to interest rate movements

The following sensitivity analysis shows the effect on pre-tax profit or loss and equity if market interest rates at balance date had been 100 basis points higher or lower with all other variables held constant.



4.2 credit risk

nature of the risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group incurs credit risk in the normal course of business from trade receivables and transactions with financial institutions.

risk management

The risk associated with trade receivables is managed with a credit policy that includes performing credit evaluations on tenants and imposing standard payment terms and the monitoring of aged debtors. Collateral is obtained where possible. The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only.

exposure

The carrying amounts of financial assets recognised in the statement of financial position best represent the Group's maximum exposure to credit risk and are recognised net of any provision for losses on these financial instruments.

4.3 liquidity risk

nature of the risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

risk management

The Group evaluates its liquidity requirements on an ongoing basis by continuously forecasting cash flows. The Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has bank facilities available to cover potential shortfalls. The Group's approach to managing liquidity risk is to ensure it will always have sufficient liquidity to meet its obligations when they fall due under both normal and stress conditions. The Group manages liquidity by maintaining adequate committed credit facilities and spreading maturities in accordance with its treasury policy.

exposure

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the earliest contractual maturity date at balance date. The amounts are contractual undiscounted cash flows, which includes interest through to maturity and assumes all other variables remain constant.

	Statement of financial position $000	Contractual cash flows (principal and interest) Total $000	0–6 mths $000	6–12 mths $000	1–2 yrs $000	2–5 yrs $000	>5 yrs $000
2019							
Trade and other payables	**52,326**	**52,326**	**52,326**	**–**	**–**	**–**	**–**
Interest bearing liabilities	**1,001,688**	**1,132,311**	**20,387**	**184,679**	**323,570**	**368,149**	**235,526**
Net interest rate derivatives	**24,637**	**26,776**	**3,060**	**3,489**	**6,719**	**13,043**	**465**
Total financial liabilities	**1,078,651**	**1,211,413**	**75,773**	**188,168**	**330,289**	**381,192**	**235,991**
2018							
Trade and other payables	48,316	48,316	48,316	–	–	–	–
Interest bearing liabilities	913,502	1,050,527	18,577	18,577	291,548	460,277	261,548
Net interest rate derivatives	14,694	19,132	4,427	4,002	6,207	4,401	95
Total financial liabilities	976,512	1,117,975	71,320	22,579	297,755	464,678	261,643

5. other information

for the year ended 31 March 2019

5.1 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.

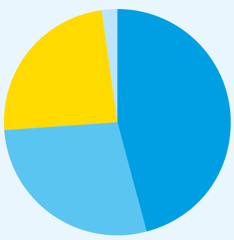
Operating segments have been determined based on the reports reviewed by the Chief Executive Officer to assess performance, allocate resources and make strategic decisions. In March 2019, the Group made a change to its asset classifications in line with strategy. The prior year reportable segments have been reclassified for consistency purposes.

The Group's primary assets are investment properties. Segment information regarding investment properties is provided in Note 3.2.

The Group operates in New Zealand only.

The following is an analysis of the Group's profit by reportable segments:

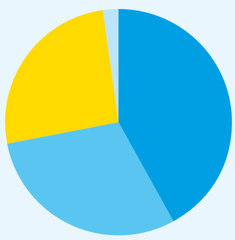
	Mixed-use $000	Retail $000	Office $000	Other $000	Total $000
2019					
Property revenue	**104,369**	**68,336**	**57,420**	**5,161**	**235,286**
Less: straight-lining of fixed rental increases	**(199)**	**239**	**(2,091)**	**35**	**(2,016)**
Less: direct property expenses	**(23,188)**	**(18,189)**	**(11,888)**	**(1,359)**	**(54,624)**
Segment profit	**80,982**	**50,386**	**43,441**	**3,837**	**178,646**
2018					
Property revenue	100,001	77,830	67,018	4,414	249,263
Less: straight-lining of fixed rental increases	1,293	(482)	(2,876)	(35)	(2,100)
Less: direct property expenses	(21,754)	(20,558)	(13,680)	(1,176)	(57,168)
Segment profit	79,540	56,790	50,462	3,203	189,995



2019

segment profit

mixed-use	**46%**
retail	**28%**
office	**24%**
other	**2%**



2018

segment profit

mixed-use	**42%**
retail	**30%**
office	**26%**
other	**2%**

5.1 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:

	2019 $000	2018 $000
Segment profit	**178,646**	189,995
Property management income	**2,202**	1,742
Rental income resulting from straight-lining of fixed rental increases	**2,016**	2,100
Interest and other income	**170**	285
Net fair value gain on investment properties	**47,650**	26,528
Interest and finance charges	**(37,622)**	(42,645)
Employment and administration expenses	**(20,878)**	(20,567)
Net fair value loss on interest rate derivatives	**(11,040)**	(2,390)
Gain/(loss) on disposal of investment properties	**971**	(7,069)
Profit before income tax	**162,115**	147,979

5.2 related party transactions

The Group holds its 50% interest in The Base by way of an unincorporated joint venture. Kiwi Property manages the entire property on behalf of the joint venture and receives management fees in accordance with the Property Management Agreement.

During the year, the following transactions were undertaken with the joint venture:

	2019 $000	2018 $000
Property management fees	**1,288**	1,252
Expenditure reimbursement	**1,275**	515
Leasing fees	**691**	814
Development management fees	**303**	169
Legal fees	**69**	68
Retail design management fees	**16**	88
Total related party transactions	**3,642**	2,906

5.3 key management personnel

	2019 $000	2018 $000
Directors' fees	**701**	704
Short-term employee benefits	**6,651**	5,288
Other long-term benefits	**21**	–
Termination benefits	**945**	–
Share-based payments	**392**	297
Key management personnel costs	**8,710**	6,289

Additional disclosures relating to key management personnel are set out in the remuneration report on page 53. Further details regarding share-based payments can be found in Note 3.6.4.

5.4 commitments

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

	2019 $000	2018 $000
Development costs at Sylvia Park	**124,858**	185,152
Development costs at LynnMall	**–**	1,819
Development costs at The Plaza	**807**	5,111
Development costs at Northlands	**1,648**	8,042
Development and leasing costs at Vero Centre	**–**	261
Development costs at 44 The Terrace	**–**	45
Drury infrastructure	**1,913**	–
Commitments	**129,226**	200,430

the Base

Under the Group's agreement to purchase 50% of The Base from The Base Limited (TBL), TBL has the right to require the Group to purchase its remaining 50% interest, at a price determined by independent valuation, between 2019 and 2021.

ground leases

Ground leases exist over ASB North Wharf, The Base and certain adjoining properties. In addition, ground leases also exist over parts of the land at Sylvia Park, Westgate Lifestyle, Centre Place North, The Plaza and Northlands. The amount paid in respect of ground leases during the year was $1.0 million (2018: $1.1 million). The leases terminate between November 2026 and March 3007.

5.5 subsequent events

On 15 May 2019, $166 million of existing bank debt facilities were extended. The facilities, which were due to expire in the 2020 financial year, will now expire in the 2025 financial year.

On 17 May 2019, the board declared a final dividend. For further details, refer to Note 3.6.2.

pwc

independent auditor's report

To the shareholders of Kiwi Property Group Limited

We have audited the consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2019;

— the consolidated statement of comprehensive income for the year then ended;

— the consolidated statement of changes in equity for the year then ended;

— the consolidated statement of cash flows for the year then ended; and

— the notes to the consolidated financial statements, which include a summary of significant accounting policies.

our opinion

In our opinion, the accompanying consolidated financial statements of Kiwi Property Group Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of audits of special purpose financial information in accordance with tenancy agreements, voting procedures over the annual shareholders' meeting, the benchmarking of executive remuneration and assistance with the long-term incentive plan. The provision of these other services has not impaired our independence as auditor of the Group.

our audit approach

overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $6.27 million, which represents approximately 5% of profit before income tax excluding valuation movements relating to investment properties and interest rate derivatives.

We chose this benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there is one key audit matter: Valuation of Investment Properties.

materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

key audit matter	how our audit addressed the key audit matter
valuation of investment properties Refer to note 3.2 of the consolidated financial statements. The Group's investment properties comprise mixed-use, retail and office portfolios. At $3.2 billion, the investment properties represent the majority of the assets as at 31 March 2019. The mixed-use classification was introduced in the year to align with the Group's strategy. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, location and the expected future rental income. This area is given specific audit focus and attention due to the existence of significant estimation uncertainty, along with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement. The valuations were carried out by independent third party valuers. The valuers were engaged by the Group, and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuers used by the Group are well-known firms with experience in the markets in which the Group operates, and are rotated across the portfolio on a three-yearly cycle. In determining a property's valuation, the valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They apply assumptions in relation to capitalisation rates and current market rent and the anticipated growth, based on available market data and transactions. This information is used to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole. Comparable market information is available in New Zealand for most of the Group's properties, other than for the larger, higher value properties, which are unique in New Zealand due to their size. The valuers take into consideration Australian market information for these properties. The Group has adopted the assessed values determined by the valuers. For properties that have development work ongoing at 31 March 2019, the costs to complete these developments were taken into account by the valuers.	There is subjectivity involved in determining valuations for individual properties including alternative assumptions and valuation methods. We therefore determined a range of values that were considered reasonable for an individual property to evaluate the valuations used by management. In assessing whether the valuations fall within this range, we performed the following procedures: **external valuations** We read the valuation reports for all properties and held discussions with specific valuers. The valuers confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment properties at 31 March 2019. It was evident from our discussions with management and the valuers and our review of the valuation reports that there has been close attention to each property's individual characteristics and its overall quality, geographic location and desirability. We assessed the valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any valuer in their performance of the valuations was compromised. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias. We carried out procedures, on a sample basis, to test whether property-specific information supplied to the valuers by the Group reflected the underlying property records held by the Group. For the items tested, the information was consistent. **assumptions** Our work over the assumptions focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We engaged our own in-house valuation specialist to critique and challenge the work performed and assumptions used by the valuers. In particular, we compared the valuation assumptions used by the valuers to market evidence and current market conditions. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. We obtained management's estimates of costs to complete on the properties under development. We compared these estimates to management forecasts and external quantity surveyors' reports and discussed the costs to complete for significant developments with the relevant quantity surveyors. We consider the estimates to be reasonable based on available information. From the procedures performed, we have no matters to report.

information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland

17 May 2019

corporate governance

We are committed to the highest standards of corporate governance.

Our corporate governance framework draws on principles, guidelines, recommendations and requirements from a range of sources including the NZX Listing Rules and NZX Corporate Governance Code (the NZX Code). In addition, the Board has approved policies and practices that aim to reflect best practice corporate governance.

The overarching purpose of the NZX Code is to promote good corporate governance. The NZX Code contains eight corporate governance principles. For each principle, the NZX Code sets out good practice recommendations. There are a total of 33 recommendations.

NZX Code compliance

Kiwi Property has followed the recommendations set out in the NZX Code for the year ended 31 March 2019 except, to the extent set out in the Kiwi Property FY19 Corporate Governance Statement, which is available on our website kp.co.nz/about-us/corporate-governance

This statement is current as at 31 March 2019 and has been approved by the Board.

The corporate governance policies, practices and processes that Kiwi Property adopted or followed for the year ended 31 March 2019 are summarised, or referred to, in the Kiwi Property FY19 Corporate Governance Statement.

The following disclosures are required to be made in this Annual Report by NZX Listing Rules, the Companies Act 1993 and other legislation, rules or disclosure regimes.

director independence

Director independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 31 March 2019, all directors of the Company were independent: Mary Jane Daly, Richard Didsbury, Mark Ford, Jane Freeman, Mark Powell and Mike Steur. This assessment is based on the fact that:

- All directors are non-executive directors.
- No director is currently, or within the last three years, employed in an executive role by the Company, or any of its subsidiaries, and there has been a period of at least three years between ceasing such employment and serving on the Board.
- No director currently, or within the last 12 months, holds a senior role in a provider of material professional services to the Company or any of its subsidiaries.
- No director currently, or within the last three years, has a material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries.
- No director currently is a substantial product holder of the Company, or a senior manager of, or a person otherwise associated with, a substantial product holder of the Company.
- No director currently, or within the last three years, has a material contractual relationship with the Company or any of its subsidiaries, other than as a director.
- No director has close family ties with anyone in the categories listed above.
- No director has been a director with the Company for a length of time that may compromise independence.

The Board noted that Jane Freeman had previously disclosed her family connection to NZ Strong Construction. The Board noted Richard Didsbury's 26 year length of tenure on the Board. The Board concluded that Jane Freeman's family connection to NZ Strong Construction and Richard Didsbury's 26 year length of tenure on the Board did not and does not influence, in a material way, the capacity for each of those directors to bring an independent view to decisions in relation to the Company, act in the best interests of the Company, and represent the interests of the Company's financial product holders, generally having regard to the factors described in the NZX Code that may impact director independence.

board committees

The members of the Audit and Risk Committee are Mary Jane Daly (Chair), Mark Ford, Mark Powell and Mike Steur.

The members of the Company's Remuneration and Nominations Committee are Richard Didsbury, Mark Ford, Jane Freeman (Chair), and Mike Steur.

diversity policy

The Board has evaluated the performance of the Company against the Company's Diversity and Equal Employment Opportunity Policy and considers that the Company has complied with the policy and with objectives relating to increasing the diversity of the candidate talent pool during recruitment, diversity and inclusion education and pay practices.

The Board recognises that business performance and productivity are enhanced by a diverse team. It acknowledges that progress towards achieving diversity across the business requires a long term approach. The Board and management are committed to the continuation of this work in order to achieve a future workforce that reflects the diverse make-up of New Zealand, our customers and visitors.

More information concerning the Company's Diversity and Equal Employment Opportunity Policy can be found in the Company's FY19 Corporate Governance Statement, which is available on our website.

gender diversity

The following table provides a breakdown of the gender composition of the directors and officers of the Company, the Company's executive team together with all employees as at the current and prior balance dates:

	2019			
	number		proportion %	
	female	male	female	male
directors	2	4	33	67
officers	2	5	29	71
all employees	116	56	67	33

	2018			
	number		proportion %	
	female	male	female	male
directors	2	4	33	67
officers	1	4	20	80
all employees	126	47	73	27

remuneration report

remuneration strategy

The Board supports a remuneration strategy that is aligned to our investors' interests and encourages the achievement of our strategic objectives.

performance metrics

- Long-term total shareholder returns of >9% per annum.
- Annual operating earnings before interest and tax.
- Employee job performance and achievement of stretch goals aligned to strategic objectives.

remuneration strategy

Our remuneration strategy is to drive the achievement of strategic objectives and to focus our people's performance and subsequent remuneration outcomes on the achievement of sustainable returns.

remuneration framework

Our remuneration framework is designed to attract, retain, motivate and reward our people to deliver performance that is aligned to our investors' interests.

our remuneration structure

fixed annual remuneration (FAR)

- FAR is benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market.
- Benefits include income protection, life and total permanent disability insurance and KiwiSaver Company contributions at 3%.

short-term incentive scheme (STI)

- A discretionary, at-risk incentive for salaried, permanent employees.
- Company and individual-based performance measures, founded on stretch goals.
- Incentives benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market.

long-term incentive plan (LTI)

- A discretionary share plan, with a three-year vesting period, for executives and employees (by invitation).
- Reflects reward for delivery of sustained results over the long term.
- The LTI performance hurdles consist of an absolute and relative total shareholder return, measured independently of each other over a three-year performance period.
- Assists in employee retention objectives.

employee share ownership plan (ESOP)

- A discretionary share plan, with a three-year vesting period that is designed to align our people's interests with those of our shareholders.
- An annual grant that enables our permanent employees to acquire $781 of shares for $1.
- Provides our people with an opportunity to take an ownership stake in the business.
- Assists in employee retention objectives.

remuneration report (continued)

STI

The STI potential for our people has a component linked to the Company's performance and a component linked to personal performance against specific stretch goals.

Both components are based on 'stretch' performance goals. Measures may change year on year to best drive business objectives and performance. Incentives are set around the market median for target performance, with potential for participants to earn more for premium performance.

performance measures

company performance

— The Company performance measure is linked to the Company's budgeted Operating Earnings before Interest and Tax (Operating EBIT).

— The scheme is designed to drive outperformance of the Operating EBIT metric.

— The Board determines an annual Operating EBIT target that must be achieved before any incentive is paid.

— Once this target is achieved, payment of the Company component commences at 50% and can increase to a maximum of 115% depending on the level of Operating EBIT outperformance.

individual performance

Measures are discussed and agreed between each people leader and their direct report, in line with the following principles:

— Between one and three stretch goals are set which relate to the Company's strategy and its current priorities and each employee's individual role.

— Measures will be quantifiable, objective and able to be measured.

— All individual measures and targets are underpinned by the concept of stretch performance (not business as usual). This is consistent with how the Company's measures and targets have been set and is aligned to the Company's goal of paying incentives where 'above and beyond' performance levels have been achieved.

The Company is in the process of reviewing the STI scheme performance measures and will report on any changes in the next Annual Report.

LTI

The Company's officers, executive team and certain other employees may be invited to join the Company's LTI plan on an annual basis. Performance is measured against absolute and relative Total Shareholder Returns (TSR) measured independently of each other over a three-year performance period.

component	LTI grant component	measure
absolute TSR hurdle	50%	— The Company's TSR must exceed 9% per annum, compounding over the performance period.
relative TSR hurdle	50%	— Requires the Company's TSR to be compared with the TSRs of the entities that make up the S&P/NZX All Real Estate Index (excluding Kiwi Property and CDL Investments New Zealand Limited, referred to as the 'peer group'). — The TSRs of the entities in the peer group over the performance period will be ranked from highest to lowest. — If Kiwi Property's TSR over the performance period exceeds the 50th percentile in the peer group, 50% of this portion of the LTI grant will vest (i.e. 25% of the total LTI grant). — If Kiwi Property's TSR over the performance period exceeds the 75th percentile in the peer group, 100% of this portion of the LTI grant will vest (i.e. 50% of the total LTI grant). — There is a straight-line progression and apportionment between these two points.

The Company is in the process of reviewing the LTI scheme performance measures and will report on any changes in the next Annual Report.

relative weightings of remuneration components for officers

- Officers (as defined by the NZX Listing Rules) of the Company now comprise the Chief Executive Officer, GM Asset Management, GM Development, GM Funds Management and Capital Markets, GM Income and Leasing, GM People and Communications and GM Property Investment.
- The total remuneration package for each of our officers comprises FAR, STI and LTI.
- The STI for our officers, in the reporting period, was as follows:

	STI % of FAR	% of STI attributed to Company Operating EBIT performance	% of STI attributed to individual performance
Chief Executive Officer	60%	50%	50%
other officers	30–40%	50%	50%

- The LTI for our officers, in the reporting period, was as follows:

	LTI % of FAR
Chief Executive Officer	45%
other officers	25–27.5%

performance and development

All our permanent employees participate in performance and development conversations on a quarterly basis. The outcomes of the end-of-year conversation inform decisions regarding remuneration adjustments in accordance with the Company's policy.

annual remuneration review

The Board is responsible for the overall remuneration strategy and for reviewing and setting the remuneration of the Chief Executive Officer. The Remuneration and Nominations Committee is responsible for reviewing and setting the remuneration of the direct reports of the Chief Executive Officer and advising the Board on the remuneration of the Chief Executive Officer. The Board sets the total pool available for remuneration of our employees at the time the annual budget is approved.

To underpin our remuneration decision making and ensure our employees are paid appropriately, we use a benchmarking job-matching approach utilising market data from several external remuneration consultancies.

equal pay

Kiwi Property is committed to undertaking an annual equal pay review to assess the impact of gender on the pay and participation of women in the workforce and to ensure unconscious bias does not impact remuneration decisions.

remuneration report (continued)

remuneration outcomes for the year

employee remuneration

During the reporting period, there were 77 employees and former employees, excluding directors of the Company, who received remuneration and other benefits in their capacity as employees totalling $100,000 or more.

Remuneration includes salary, STI payments, LTI payments that have vested, employer's contributions to superannuation, redundancy payments, the cost of providing insurance plans and sundry benefits received in their capacity as employees (including the cost of fringe benefit tax). Employee remuneration does not include LTIs that have not vested.

amount of remuneration (from $ to $)	number of employees	amount of remuneration (from $ to $)	number of employees
100,000–110,000	10	260,001–270,000	1
110,001–120,000	9	280,001–290,000	1
120,001–130,000	4	300,001–310,000	3
130,001–140,000	2	310,001–320,000	2
140,001–150,000	4	330,001–340,000	1
150,001–160,000	2	340,001–350,000	1
160,001–170,000	5	360,001–370,000	1
170,001–180,000	1	370,001–380,000	1
180,001–190,000	2	380,001–390,000	1
190,001–200,000	5	390,001–400,000	1
200,001–210,000	3	400,001–410,000	1
210,001–220,000	1	410,001–420,000	2
220,001–230,000	4	480,001–490,000	1
240,001–250,000	2	870,001–880,000	1
250,001–260,000	4	1,750,001–1,760,000	1
total employees earning $100,000+			77
employees included but no longer employed by Kiwi Property			2

LTI

LTIs that have been granted, vested or forfeited by executives (being the officers of the Company and other invited employees, but excluding the Chief Executive Officer) as at 31 March 2019 are detailed in the following table:

grant date	measurement date	total participants	grant value	number of shares granted	number of shares forfeited	number of shares vested
1 April 2015	31 March 2018	13	$1,064,559	565,887	(457,749)	108,138
1 April 2016	31 March 2019	12	$1,006,135	459,785	(70,910)	
1 April 2017	31 March 2020	12	$1,148,713	556,610	(42,623)	not yet applicable
1 April 2018	31 March 2021	14	$1,241,603	608,068	(0)	

Note 3.6.4 of the financial statements on pages 41 and 42 provides further details of the number of shares granted, forfeited and vested.

chief executive officer remuneration

Clive Mackenzie took up the role of Chief Executive Officer in July 2018. His employment agreement comprises standard conditions that are appropriate for a Chief Executive Officer in the market. The Chief Executive Officer's remuneration for the year ended 31 March 2019 includes salary, employer's contributions to KiwiSaver and the cost of providing insurance plans and sundry benefits. Clive did not receive a STI payment in the period and will receive a pro-rata LTI grant for the year ended 31 March 2019 in the next financial year.

Clive's annual base salary as at 31 March 2019 was $630,000. The remuneration he received for the period 16 July 2018 to 31 March 2019 comprised the following:

fixed annual remuneration (including KiwiSaver and value of benefits)	$488,647

The basis of the Chief Executive Officer's STI is set out on pages 54 and 55.

prior chief executive's remuneration

According to the NZX Corporate Governance Code (recommendation 5.3), Kiwi Property should disclose the remuneration arrangements in place for the Chief Executive. Chris Gudgeon retired from the role of Chief Executive during the period. The details of his remuneration have not been disclosed in order to comply with the Privacy Act given Mr Gudgeon did not consent to disclosure.

remuneration report (continued)

director remuneration

The directors' remuneration is paid in the form of directors' fees.

At the Company's 2017 annual meeting, shareholders approved a total directors' fee pool of $737,500 per annum. During the year ended 31 March 2019, the Board allocated the pool as follows:

	fee	number of persons holding office	total fee pool
Chair (including membership of all committees)	$165,000	1	$165,000
Director (excluding the Chair)	$92,000	5	$460,000
Chair of the Audit and Risk Committee	$20,000	1	$20,000
Audit and Risk Committee member	$10,000	2	$20,000
Chair of the Remuneration and Nominations Committee	$20,000	1	$20,000
Remuneration and Nominations Committee member	$8,125	2	$16,250
discretionary pool	$36,250	n/a	$36,250
total			**$737,500**

The fees paid to our directors during the year ended 31 March 2019 are outlined below:

directors	duties	fees
Mary Jane Daly	Director Chair of the Audit and Risk Committee	$112,000
Richard Didsbury	Director Member of the Remuneration and Nominations Committee	$100,125
Mark Ford	Chair Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$165,000
Jane Freeman	Director Chair of the Remuneration and Nominations Committee	$111,907
Mark Powell	Director Member of the Audit and Risk Committee	$102,000
Mike Steur	Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$110,125

From 1 April 2019, the total directors' fee pool will be allocated as follows:

	fee	number of persons holding office	total fee pool
Chair (including membership of all committees)	$172,500	1	$172,500
Director (excluding the Chair)	$94,000	5	$470,000
Chair of the Audit and Risk Committee	$20,000	1	$20,000
Audit and Risk Committee member	$11,500	2	$23,000
Chair of the Remuneration and Nominations Committee	$20,000	1	$20,000
Remuneration and Nominations Committee member	$11,500	2	$23,000
discretionary pool	$9,000	n/a	$9,000
total			**$737,500**

The discretionary pool has been utilised to fund the increase in allocated fees.

other investor information

reporting entity

Kiwi Property Group Limited (the Company) was incorporated under the Companies Act 1993 on 16 October 2014. In December 2014, investors approved a move from a unit trust to a Company structure. Prior to this approval, the entity (known as Kiwi Income Property Trust) was a unit trust established under the Unit Trusts Act 1960 by a Trust Deed dated 21 August 1992.

stock exchange listing

The Company's shares are quoted on the NZX under the ticker code KPG and the Company's bonds are quoted on the NZDX under the ticker codes KPG010, KPG020, KPG030 and KPG040.

credit rating

S&P Global Ratings has assigned a corporate credit rating of BBB (stable) to the Company and an issue credit rating of BBB+ to each of the Company's fixed-rate senior secured bonds (KPG010, KPG020, KPG030 and KPG040).

Further information about S&P Global Ratings' credit rating scale is available at standardandpoors.com. A rating is not a recommendation by any rating organisation to buy, sell or hold the Company's securities. The credit ratings referred to in this annual report are current as at 17 May 2019 and may be subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

changes in the nature or classes of business

There were no changes in the nature of the Company's business during the year, or that of its subsidiaries. There were no changes in the classes of business in which the Company has an interest, whether as a shareholder of another company or otherwise.

NZX waiver

The following is a summary of the waiver granted by NZX during the year ended 31 March 2019 and relied on by the Company.

Waiver in relation to the Company's offer of up to $100 million (with the ability to accept oversubscriptions of up to $25 million at Kiwi Property's discretion) of seven-year fixed-rate senior secured bonds maturing on 12 November 2025 (Offer). Capitalised terms below have the meanings given to them in the Offer Document dated 2 November 2018 (which is available on the Company's website at kp.co.nz/investor-centre).

On 26 October 2018, NZX granted the Company a waiver from Listing Rule 7.11.1 in respect of the Offer, subject to certain terms and conditions, to enable the Company to allot the bonds six Business Days after the Closing Date.

NZX disciplinary action

There has been no public exercise by NZX of any of its powers set out in Listing Rule 9.9.3 in relation to the Company.

auditor

PricewaterhouseCoopers (PwC) has continued to act as the Company's external auditor and has undertaken the audit of the financial statements for the 31 March 2019 financial year.

PwC will be automatically reappointed as external auditor at the Company's next annual meeting pursuant to section 207T of the Companies Act 1993.

donations, sponsorship and volunteering

During the year, the Company donated $3,000 to the Christchurch Shooting Victims' Fund, $1,500 to the Tuwhitia Kapa Haka Group and shopping centre gift vouchers totalling $500 to Tainui Group Holdings Limited in support of a New Zealand Breast Cancer Foundation initiative.

The Company is a longstanding corporate sponsor (currently $12,500 per annum) of Keystone Trust. Keystone is a charitable trust that gives tertiary students a hand up to further their education in property industry-related fields.

Volunteering within the communities in which we invest and operate is important to the Company. For details of our volunteering over the past year, refer to our 2019 Sustainability Report.

directors of the Company's subsidiaries

As at 31 March 2019, the directors of the subsidiary companies Kiwi Property Holdings Limited, Kiwi Property Holdings No. 2 Limited, Kiwi Property Te Awa Limited and Sylvia Park Business Centre Limited were Clive Mackenzie, Gavin Parker, Stuart Tabuteau and Trevor Wairepo.

During the year to 31 March 2019, Chris Gudgeon ceased to hold office as a director of the subsidiary companies, and Clive Mackenzie and Stuart Tabuteau were appointed as directors of the subsidiary companies.

Directors of the Company's subsidiaries do not receive any remuneration or other benefits in their capacity as a director of those companies, except the indemnity and insurance referred to below.

directors' indemnity and insurance

In accordance with the constitution of the Company and section 162 of the Companies Act 1993, the directors of the Company continue to receive an indemnity from the Company and insurance to cover liabilities that may arise out of the normal performance of their duties.

The directors of the subsidiary companies also continue to receive an indemnity from each subsidiary company and insurance to cover liabilities that may arise out of the normal performance of their duties.

annual meeting of shareholders

The Company's annual meeting of shareholders will be held at 10.30am on Thursday, 20 June 2019 in Cinema 4, HOYTS Cinemas, Sylvia Park, 286 Mount Wellington Highway, Mount Wellington, Auckland.

interest register entries

directors' general disclosures

In accordance with section 211(1)(e) of the Companies Act 1993, details of the entries made in the Interests Register of the Company during the year are set out over the page, together with the existing entries as at 31 March 2019.

name	name of company/entity	nature of interest
Mary Jane Daly	Airways Corporation of New Zealand Limited	Deputy Chair
	Airways International Limited	Director
	Auckland Transport	Director
	Cigna Life Insurance New Zealand Limited	Director
	Earthquake Commission	Deputy Chair
	OnePath Life (NZ) Limited[1]	Director
Richard Didsbury	Auckland City Mission Redevelopment Committee	Chair
	Brick Bay Development Trust	Trustee
	Brick Bay Investment Trust	Trustee
	Brick Bay Trustee Limited	Director and Shareholder
	Brick Bay Wines Limited	Director and Shareholder
	Committee for Auckland	Trustee
	NX2 Hold GP Limited (Northern Express consortium)	Chair
	SkyCity Entertainment Group Limited	Director and Shareholder
Mark Ford	CBUS Property Pty Limited and related entities[2]	Director
	Dexus Property Group	Director
	Prime Property Fund Asia GP Pte Limited	Director
	RREEF China Commercial Trust Management Limited (Manager of China Commercial Trust and a Subsidiary of Deutsche Bank)	Director
	The Ford Family Superannuation Fund	Trustee
Jane Freeman	Argosy Property Limited[2]	Spouse of Director (Christopher Hunter)
	Foodstuffs North Island Limited	Director
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
Mark Powell	Auckland University Graduate School of Management[1]	Adjunct Professor
	Carey Baptist Theological College	Elected board member
	JB Hi-Fi Group Limited	Director
	Stihl Shop NZ	Advisory board member
	The Halls Group Limited[2]	Director
	The Parenting Place[1]	Trustee
	Trinity Lands Limited	Director
	Venn Foundation NZ	Chair
Mike Steur	BWP Management Limited	Director
	Dexus Wholesale Property Fund	Director
	Healthcare Wholesale Property Fund	Chair
	M & D Steur Investments Pty Limited	Shareholder

directors' holdings of quoted financial products

In accordance with NZX Listing Rule 3.7.1(d), as at 31 March 2019, the directors of the Company who had a relevant interest in quoted financial products of the Company are listed below.

director	number of quoted financial products
Mark Powell	18,450 ordinary shares in the Company

1. Entry added by notice given by the director during the year.
2. Entry removed by notice given by the director during the year.

shareholder statistics

as at 31 March 2019

twenty largest shareholders

shareholder	number of shares	% of total issued shares
HSBC Nominees (New Zealand) Limited	142,220,198	9.93
Accident Compensation Corporation	117,790,205	8.22
Citibank Nominees (NZ) Limited	112,238,425	7.83
HSBC Nominees (New Zealand) Limited	92,329,233	6.44
Premier Nominees Limited <Wholesale Trans-Tasman Property>	83,259,531	5.81
JPMorgan Chase Bank	70,699,635	4.93
Cogent Nominees Limited	57,067,167	3.98
FNZ Custodians Limited	53,047,726	3.70
National Nominees New Zealand Limited	40,473,116	2.82
Investment Custodial Services Limited	37,859,898	2.64
BNP Paribas Nominees NZ Limited	35,841,402	2.50
Premier Nominees Limited <Armstrong Jones Property Securities Fund>	26,702,874	1.86
Forsyth Barr Custodians Limited	25,459,394	1.78
JBWere (NZ) Nominees Limited	21,619,386	1.51
TEA Custodians Limited	21,619,357	1.51
New Zealand Superannuation Fund Nominees Limited	21,178,520	1.48
Custodial Services Limited	20,170,126	1.41
MFL Mutual Fund Limited	17,770,076	1.24
New Zealand Permanent Trustees Limited	16,276,431	1.14
Private Nominees Limited	14,924,346	1.04
total	**1,028,547,046**	**71.77**
total shares on issue	**1,432,819,563**	

spread of shareholders

size of holding	number of holders	% of total holders	number of shares	% of total issued shares
1–1,000	717	6.51	350,967	0.02
1,001–5,000	1,727	15.69	5,347,186	0.37
5,001–10,000	1,963	17.83	14,935,805	1.04
10,001–50,000	5,316	48.29	120,468,879	8.41
50,001–100,000	811	7.37	55,043,514	3.84
100,001 and over	474	4.31	1,236,673,212	86.32
total	**11,008**	**100.00**	**1,432,819,563**	**100.00**

bondholder statistics

as at 31 March 2019

twenty largest bondholders

bondholder	number of bonds	% of total issued bonds
FNZ Custodians Limited	38,775,000	8.16
Forsyth Barr Custodians Limited <1 Custody>	37,867,000	7.97
Custodial Services Limited <3>	35,589,000	7.49
Custodial Services Limited <4>	29,807,500	6.28
Citibank Nominees (NZ) Limited	24,694,000	5.20
Investment Custodial Services Limited	22,108,000	4.65
Custodial Services Limited <2>	22,090,500	4.65
Cogent Nominees Limited	16,787,000	3.53
JPMorgan Chase Bank	16,610,000	3.50
Custodial Services Limited <1>	14,582,000	3.07
HSBC Nominees (New Zealand) Limited	13,020,000	2.74
Westpac Banking Corporation	12,190,000	2.57
Custodial Services Limited <18>	11,950,000	2.52
New Zealand Permanent Trustees Limited <Group Investment Fund No 20>	8,780,000	1.85
New Zealand Permanent Trustees Limited <NZPT44>	6,628,000	1.40
National Nominees New Zealand Limited	6,297,000	1.33
ANZ National Bank Limited	5,819,000	1.23
Custodial Services Limited <16>	5,448,000	1.15
FNZ Custodians Limited <DTA Non Resident>	5,382,000	1.13
Forsyth Barr Custodians Limited <1 E>	5,296,000	1.11
total	**339,720,000**	**71.53**
total bonds on issue	**475,000,000**	

spread of KPG010 bondholders (August 2021 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1–1,000	-	-	-	-
1,001–5,000	127	9.9	635,000	0.51
5,001–10,000	308	24.16	2,946,000	2.36
10,001–50,000	690	54.12	19,066,000	15.25
50,001–100,000	85	6.67	7,187,000	5.75
100,001 and over	65	5.09	95,166,000	76.13
total	**1,275**	**100.00**	**125,000,000**	**100.00**

spread of KPG020 bondholders (September 2023 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1–1,000	-	-	-	-
1,001–5,000	43	7.52	215,000	0.17
5,001–10,000	114	19.93	1,112,000	0.89
10,001–50,000	311	54.37	9,158,000	7.33
50,001–100,000	44	7.69	3,831,000	3.06
100,001 and over	60	10.49	110,684,000	88.55
total	**572**	**100.00**	**125,000,000**	**100.00**

spread of KPG030 bondholders (December 2024 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1–1,000	-	-	-	-
1,001–5,000	41	7.78	205,000	0.16
5,001–10,000	110	20.87	1,076,000	0.86
10,001–50,000	285	54.08	7,867,000	6.29
50,001–100,000	36	6.83	2,935,000	2.35
100,001 and over	55	10.44	112,917,000	90.34
total	**527**	**100.00**	**125,000,000**	**100.00**

spread of KPG040 bondholders (November 2025 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1–1,000	-	-	-	-
1,001–5,000	18	6.45	90,000	0.09
5,001–10,000	56	20.07	544,000	0.54
10,001–50,000	161	57.71	4,156,000	4.16
50,001–100,000	19	6.81	1,643,000	1.64
100,001 and over	25	8.96	93,567,000	93.57
total	**279**	**100.00**	**100,000,000**	**100.00**

substantial product holders

In accordance with section 293 of the Financial Markets Conduct Act 2013, listed below are the names and details of all persons who, according to the Company's records and disclosures made, are substantial product holders of the Company as at 31 March 2019. The total number of ordinary shares on issue at 31 March 2019 was 1,432,819,563.

name	number of shares held at date of notice	date of notice
Accident Compensation Corporation[1,2]	104,473,105	29-Apr-16
ANZ New Zealand Investments Limited[3,4]	147,407,526	17-Nov-17
BlackRock, Inc and related bodies corporate[5]	71,147,019	19-Mar-18
The Vanguard Group, Inc.	72,948,236	18-Dec-18

Some of the above relevant interests comprise a mixture of shares that are legally and/or beneficially held and shares over which voting control is held.

1. Nicholas Bagnall, Guy Eliffe, Paul Robertshawe, Blair Tallott, Jason Hamilton, Jonathan Davis and Blair Cooper are employees and either a portfolio manager, equity analyst or corporate governance manager of Accident Compensation Corporation (ACC). Under current ACC investment policies, they have the discretion to exercise control over some or all of the rights to vote and/or acquisition or disposal of some or all the financial products of which ACC is the beneficial owner.
2. Including personal holdings of Blair Cooper, an employee and portfolio manager of Accident Compensation Corporation (notice dated 29 April 2016) 58,529 shares.
3. ANZ New Zealand Investments Limited (ANZ Investments) acts as a manager or investment manager for certain managed investment schemes under investment management contracts and as a discretionary investment management service (DIMS) provider in respect of investment portfolios under a wholesale DIMS client agreement. ANZ Investments has a relevant interest in the financial products arising only from the powers of investment contained in the investment management contracts and wholesale DIMS client agreement as it has a qualified power to control the exercise of the rights to vote attached to the financial products and a qualified power to aquire or dispose of the financial products.
4. Including relevant interests held by ANZ Bank New Zealand Limited (ANZ Bank), ANZ Custodial Services New Zealand Limited (ANZCS) and OnePath Funds Management Limited (Australia) (OnePath). ANZ Bank acts as a discretionary investment management service (DIMS) provider in respect of investment portfolios under a DIMS client agreement. ANZ Bank has a relevant interest in the financial products arising only from the powers of investment contained in the DIMS client agreements as it has a qualified power to control the exercise of the right to vote attached to the financial products and a qualified power to acquire or dispose of the financial products. ANZCS is the custodian for ANZ New Zealand Investments Limited's wholesale discretionary investment management service under a custody agreement and ANZ Bank's discretionary investment management service and trading and custody service under a custody agreement. ANZCS has a relevant interest in the financial product as it is the registered holder of the financial products. OnePath is the responsible entity of a number of registered managed investment schemes and the trustee of a number of unregistered schemes under investment management contracts. OnePath has a relevant interest in the financial products arising only from the powers of investment contained in the investment management contracts as it has a qualified power to control the exercise of the right to vote attached to the financial products and qualified power to acquire or dispose of the financial products.
5. The nature of the relevant interest is the power to control the acquisition or disposal of the quoted voting product and/or the exercise of a right to vote attached to the quoted voting product, arising only from the powers of investment contained in each case under investment management agreements appointing each entity as investment manager of funds or separate accounts (i.e. entity currently exercising investment discretion on behalf of the relevant funds or separate accounts).

directory

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Commonwealth Bank of Australia
The Hongkong and Shanghai Banking Corporation
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Kiwi Property

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