Kiwi Property

ANNUAL REPORT 2020

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Letter from the Chair

COVID-19 has changed New Zealand and will inevitably change Kiwi Property. We must be agile over the coming months, addressing future challenges and taking advantage of emerging opportunities.

Dear shareholders,

Kiwi Property delivered a solid operating result for the 2020 financial year, the details of which are outlined in the Chief Executive Officer's report and financial statements on the following pages. In the weeks since our reporting period concluded, the world has been transformed by COVID-19. Rather than discussing our financial result for the year just been, I'd instead like to outline Kiwi Property's response to the pandemic and preparations for a 'new normal' operating environment.

This is Kiwi Property's 26th year as a New Zealand listed property entity. During that time, we have witnessed significant changes within our sector and across New Zealand as a whole. The Company has experienced highs and lows, including the global financial crisis and the Canterbury earthquakes. Our resilience is being tested once again, this time by COVID-19, which reached New Zealand in the final weeks of our 2020 financial year, causing unprecedented social and economic disruption. Few sectors or businesses have been immune to the effects of the pandemic and the lockdown that followed.

COVID-19 has had a significant impact on Kiwi Property and its operations over recent weeks and we are some way from understanding the pandemic's lasting effect on the business. This isn't the first time we have faced adversity and it is unlikely to be the last. As before, the Company will face this challenge head on. With the pandemic expected to accelerate the rate of change in the commercial property sector, the future will bring with it both challenges and opportunities. Kiwi Property will be ready for both, with an unwavering commitment to delivering for its shareholders and other stakeholders today, tomorrow and for years to come.

Putting people first

Kiwi Property is part of a large and interdependent ecosystem that includes consumers, office workers, retailers, tenants and suppliers, to name a few. Although we are a property business, it's people who bring our assets to life. The COVID-19 pandemic has placed many of those people under immense pressure and threatened their health, their livelihoods and their future. We have a responsibility to act as a partner rather than a landlord, supporting others to come through the pandemic in good physical and financial health, ready for life in a post-COVID-19 world.

This view has helped shape the Company's response to the pandemic, which quite simply, is to put people first. Kiwi Property has delivered on this ideal in a number of ways, including implementing best-practice cleaning regimes at our assets to help keep consumers and customers safe. New technology has been launched at our shopping centres to help measure and maintain social distancing. And perhaps most significantly, the Company is supporting tenants by sharing a fair proportion of the financial burden caused by the pandemic. These measures all carry a cost, but the short-term financial impact is far outweighed by the long-term value that will be delivered by a strong commercial ecosystem. Supporting our stakeholders during the COVID-19 pandemic is both the right thing to do and a precursor to the Company's future success.

Navigating the new normal

COVID-19 has changed New Zealand and will inevitably change Kiwi Property. To be successful in the new normal operating environment we must be agile and responsive. The Company will focus on three specific areas, designed to direct our response to the pandemic through the short to medium term.

For more information on the executive team leading Kiwi Property's business units please see kp.co.nz/about-us/executive-team

In the first instance, we will build business resilience by ensuring safe operations, stabilising the tenant portfolio and reducing costs. Secondly, we will drive competitive advantage through our mixed-use strategy, which remains as relevant today as it did before the pandemic. By intensifying our large landholdings and diversifying our asset mix, we will reduce our pure retail exposure, expand our income streams and promote smoother returns through the property cycle. Finally, we will enhance the resilience of our assets by embracing targeted development opportunities and proactively responding to the shifts in the way people work, shop and live that have been accelerated by COVID-19.

There has been much speculation over recent weeks regarding the pandemic's long-term impact on commercial property. In reality however, it's too early to say how the sector will be disrupted by COVID-19. Kiwi Property's extensive mixed-use landholdings provide significant optionality and will help the Company respond to shifting demand patterns. This could include greater diversification into a range of asset classes, including office, build-to-rent residential or even industrial.

1. *The Terrace at Sylvia Park galleria (artist's impression)*
2. *The Terrace at Sylvia Park galleria (artist's impression)*
3. *Galleria at Sylvia Park (artist's impression)*

Embedding cost discipline

Kiwi Property has implemented a number of measures to help mitigate the financial impact of the COVID-19 pandemic on the business. Key among these was the introduction of a comprehensive cost control programme, including the suspension of all non-essential capital projects and operating expenditure. The Board of Directors, Chief Executive Officer and Executive Team have all taken a temporary 20 percent pay cut, while recruitment and employee salaries have been frozen.

Prudent capital management

Amidst the challenging economic climate, Kiwi Property remains a robust and resilient business, underpinned by a $3.1 billion portfolio of some of New Zealand's leading property assets. The Company maintained a solid balance sheet throughout the year, following a successful $193.7 million capital raising (net of issue costs) in November 2019 and the extension of $361 million of bank debt facilities in March 2020. With no bank debt maturities until the 2023 financial year, $291 million in undrawn credit facilities and gearing at 32% (as at 31 March 2020), Kiwi Property has headroom to help withstand the economic downturn expected to arise from the COVID-19 pandemic. For more information on the Company's operating performance during the year, please refer to the CEO's report on page 6.

Dividend outlook

In April 2020, the Board made the difficult decision not to proceed with the final dividend for the 2020 financial year. This was not a move we made lightly, and I know many of our shareholders will be disappointed. While Kiwi Property's operating performance was in-line with expectations prior to COVID-19, given the inherent uncertainty caused by the pandemic, we believe not proceeding with the final dividend was the prudent decision to protect the Company's balance sheet.

Further to my undertaking at the 2019 annual meeting of shareholders, the Company has taken the opportunity to revise its dividend policy. In future we will look to pay out 90%-100% of the company's underlying cash flows, commonly referred to as adjusted funds from operations (AFFO). Our aim is to resume paying a dividend, as appropriate, as soon as the financial impact of COVID-19 on the Company is clear.

Board update

There have been a number of changes to the Board in the past 12 months, with Simon Shakesheff appointed in October and Mary Jane Daly re-elected in June 2019. Simon will stand for election as an independent director at the upcoming annual meeting of shareholders, where Richard Didsbury and I will also seek re-election. As announced on 11 February 2020, Mike Steur will resign from the Board at the 2020 annual meeting, following 10 years as a director of Kiwi Property. Mike has made an invaluable contribution to the Company and I'd like to thank him for his efforts in helping build the organisation into what it is today.

A new environmental, social and governance (ESG) committee has been established, with Mark Powell as the chair. This move reflects the growing importance of ESG to our stakeholders and will enable the Board to focus on the issues and opportunities arising from matters such as climate change and corporate social responsibility. The establishment of the ESG committee is the natural evolution of our sustainability programme, first put in place 17 years ago, and highlights the Company's long held belief that in order for Kiwi Property to do well, so too must the communities in which it operates.

Outlook

New Zealand is facing an unprecedented situation. COVID-19 has disrupted society, the economy and it is likely there is more to come. As the country prepares for a 'new normal', Kiwi Property is preparing to take advantage of the opportunities that lie ahead. We're committed to delivering for all our stakeholders through this difficult time, including supporting our tenants, enhancing our communities and creating value for our shareholders.

I look forward to sharing more details of our annual result at the annual meeting of shareholders, which will be held virtually on Monday, 29 June 2020.

Mark Ford
Chair

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Chief Executive Officer's report

The health and safety of our employees, tenants, customers and communities is our top priority. Kiwi Property will only be successful if we all come through the pandemic in a strong position.

Dear shareholders,

New Zealand has experienced a remarkable series of events since the close of our financial year. The COVID-19 pandemic and the lockdown that followed have had a significant impact on businesses across the country, and ours is no exception. As we have faced the threat of the virus, I have been reminded of the strength and spirit of our company and the people within it. As a nation and an organisation we are in uncharted territory and it's inevitable there will be challenges ahead. To be successful in this new operating environment we must be agile and adapt. The future under COVID-19 is uncertain, but we're ready to tackle it head-on.

2020 operating performance

Kiwi Property achieved solid revenue growth during the 2020 financial year, with total income up 2.6% on the prior period. Our office portfolio performed particularly well, delivering growth of 7.3%, while net income from our mixed-use assets rose 5.0%. Funds from Operations, a key measure of underlying operating performance, increased 6.3% to $113.6 million, underpinned by a company-wide commitment to continuous improvement. These figures contributed to a pre-tax operating profit for Kiwi Property of $129.7 million (excluding the impact of fair value movements), up 4.2% on the previous year, a positive outcome given the high degree of volatility in the market late in the financial year.

Property portfolio

COVID-19 had a negative effect on the fair value of our property portfolio, which declined 8.5% from book value to $3.1 billion as at 31 March 2020. The significant uncertainty caused by the virus prompted valuers to soften their assumptions around rental growth, vacancy, downtime and letting-up allowances. Challenging investment market conditions and an expected decline in capital inflows also contributed to an expansion in capitalisation and discount rates. The negative revaluation of our investment assets caused a drag on the Company's full year financial performance, turning an otherwise healthy operating result into a loss after tax of $186.7 million.

The valuation impact of COVID-19 varied markedly across asset classes, highlighting the strategic importance of our portfolio-rebalancing programme. Despite the pandemic's negative economic effects, our office assets increased in value by 1.6% in the past financial year, while our mixed-use assets demonstrated greater resilience to COVID-19 than our regional shopping centres, despite the former also having a substantial retail component. By further diversifying our portfolio, we will be in a stronger position to respond to growth opportunities, while reducing our exposure to any single asset class.

Mixed-use

Our large, transport-oriented landholdings at Sylvia Park, LynnMall, The Base and Drury are ideally suited to intensification with a range of complementary asset types, placing us in a unique position among the country's listed property entities. Our mixed-use strategy will be the cornerstone of our efforts to navigate the aftermath of the COVID-19 pandemic, providing both a platform for growth and a buffer against further shocks to the property sector. We will remain disciplined in our use of capital throughout this journey, adopting a prudent approach to investment and development that enables us to enhance our portfolio, while strictly controlling costs.

Portfolio performance

Kiwi Property's leasing teams completed 698 rental agreements during the year, resulting in a 4% lift over prior passing rentals. New leases and renewals were particularly strong, with our mixed-use and office portfolios the standout, increasing 11.9% and 10.0% respectively. Kiwi Property's active asset management approach was a key driver of this rental performance, while also helping to promote close and collaborative partnerships with our tenants. These relationships will be particularly important as we collectively learn to operate under the complexities of COVID-19. At year-end, our assets were 99.5% occupied, with a healthy weighted average lease expiry of 4.9 years.

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Targeted development

Sylvia Park was the focus of our development activity during FY20, with the site continuing to evolve into a diversified commercial and lifestyle destination. Development of the level-one galleria progressed rapidly during the year, before being impacted by the nationwide Alert Level 4 lockdown in March. The project is now due to open progressively from the fourth quarter of this calendar year and will feature approximately 60 new stores, including a carefully curated line-up of domestic and international brands.

Construction of the South Carpark at Sylvia Park is also nearing completion, delivering an additional 900 parking spaces. Once the project is complete, Sylvia Park will boast 5,000 car parks, the most of any shopping centre in New Zealand. With unparalleled access via train, bus or car, getting to Sylvia Park has never been easier.

Following the success of the ANZ Raranga office tower, planning is underway for a second commercial building at Sylvia Park, expected to include approximately 14,000 square meters of office space and potentially, a 140-room hotel. The new landmark building is set to offer outstanding accessibility and amenities, and will mark the next stage in the creation of a dynamic office precinct at Sylvia Park. We will look to begin construction in line with tenant demand and prevailing market conditions.

$129.7m ▲ Operating profit

$186.7m ▼ Net loss after tax

Progress at Drury

At Drury, we are advancing plans to develop our 51-hectare landholding into a master-planned mixed-use community. Working alongside a consortium of property companies, we plan to create a thriving transport-oriented town centre, catering to the approximately 60,000 people who are predicted to call the area home. Featuring a compelling mix of residential, commercial and retail, Drury will be an attractive place to live, work and play south of Auckland, as the city's geographic boundaries continue to expand.

The Government has announced plans to invest $2.4 billion to build new infrastructure at Drury, including new roads, train stations and a motorway interchange. This funding will facilitate progress at Drury, providing major opportunities for job and community creation. We have submitted a plan change application to Council, with the aim of accelerating the original development schedule. If successful, construction could be permitted as early as 2023, pending favourable market dynamics.

Strategic acquisitions

In 2020, we purchased strategic landholdings at 51-53 Carbine Road and 7-10 Arthur Brown Place in Mount Wellington. We now own close to 12 hectares of industrial property on the eastern side of the railway line, adjacent to Sylvia Park, offering excellent access to the train station. This land offers significant mixed-use redevelopment potential and will be instrumental to our medium to long-term vision for the location, whilst providing a healthy income stream in the interim.

Read more about our properties and their performance in our 2020 Property Compendium.

Sustainability

Sustainability has been an important focus for the business over a number of years and the 2020 financial year was no exception. Over the past 12 months, we continued to achieve against the pillars of people, planet and profit, recording a number of milestones in the process.

We were the top performing New Zealand business on the Carbon Disclosure Project's climate action list, having achieved a 50% reduction in greenhouse gas emissions from our 2012 baseline. This year we achieved Be.Lab accessibility accreditation for our entire shopping centre portfolio, while on the environmental front, we launched our new solar array at The Plaza in Palmerston North, reinforcing Kiwi Property's position as one of the country's largest commercial users of solar power.

Responding to COVID-19

The health and safety of our employees, tenants, customers and communities is our top priority. We responded quickly to COVID-19's arrival in New Zealand, introducing comprehensive hygiene protocols across our assets to protect our stakeholders and limit the threat of the virus. A new safety programme, underpinned by robust cleaning and social distancing measures was implemented at each of our shopping centres and office buildings. Kiwi Property's well-established flexible working policy was extended to enable the vast majority of our employees to work from home, helping to keep them safe and ensuring business continuity.

While COVID-19 presents a clear threat to people's health, for many of our tenants, the pandemic's greatest impact to date has been a financial one. The majority of our retailers and SMEs were unable to trade during the lockdowns at Alert Levels 3 and 4, placing them under significant pressure. We're committed to working closely with these businesses to help them navigate COVID-19 and are negotiating relief packages to support them through this difficult period. Kiwi Property will only be successful if our tenants come through the pandemic and are in a position to scale up as soon as possible. By providing assistance now, we increase the likelihood of Kiwi Property being in a strong position post COVID-19.

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1. *Drury Town Park (artists impression)*
2. *Vero Centre*

Outlook

New Zealand is facing an unparalleled challenge and the full financial impact of COVID-19 is still unclear. Over the coming months, businesses across the country will come under pressure from the pandemic. Kiwi Property will not be immune. With our diversified property portfolio, bank funding headroom and commitment to cost discipline, we will navigate the pandemic and position the company to capitalise on the opportunities that will follow.

Thank you for your continued support.

Clive Mackenzie
Chief Executive Officer

Financials

Five-year summary

Financial performance

FOR THE YEAR ENDED 31 MARCH 2020

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Property revenue and management fees	**243.6**	237.5	251.0	239.6	208.6
Total income	**243.6**	237.5	251.0	239.6	208.6
Direct property expenses	**(54.5)**	(54.6)	(57.2)	(55.6)	(51.6)
Employment and administration expenses	**(22.6)**	(20.9)	(20.5)	(18.0)	(16.2)
Total expenses	**(77.1)**	(75.5)	(77.7)	(73.6)	(67.8)
Profit before net finance expense, other (expenses)/income and tax	**166.5**	162.0	173.3	166.0	140.8
Interest income	**0.2**	0.2	0.3	0.3	0.2
Interest and finance charges	**(37.0)**	(37.6)	(42.6)	(43.2)	(33.5)
Net fair value (loss)/gain on interest rate derivatives	**(9.9)**	(11.0)	(2.4)	9.7	(17.6)
Net finance expense	**(46.7)**	(48.5)	(44.7)	(33.2)	(50.9)
Profit before other (expenses)/income and tax	**119.9**	113.5	128.6	132.8	89.9
Net fair value (loss)/gain on investment properties	**(290.0)**	47.7	26.5	41.0	175.9
Gain/(loss) on disposal of investment properties	**-**	1.0	(7.1)	(1.3)	-
Litigation settlement (expenses)/income	**-**	-	-	(0.8)	5.9
Other (expenses)/income	**(290.0)**	48.6	19.4	38.9	181.8
(Loss)/profit before tax	**(170.1)**	162.1	148.0	171.7	271.7
Income tax expense	**(16.6)**	(24.0)	(27.9)	(28.7)	(20.9)
(Loss)/profit after tax[1]	**(186.7)**	138.1	120.1	143.0	250.8

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.

Reconciliation of (loss)/profit before tax to operating profit before tax

FOR THE YEAR ENDED 31 MARCH 2020

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
(Loss)/profit before tax	**(170.1)**	162.1	148.0	171.7	271.7
Net fair value loss/(gain) on investment properties	**290.0**	(47.7)	(26.5)	(41.0)	(175.9)
(Gain)/loss on disposal of investment properties	**-**	(1.0)	7.1	1.3	-
Litigation settlement expenses/(income)	**-**	-	-	0.8	(5.9)
Net fair value loss/(gain) on interest rate derivatives	**9.9**	11.0	2.4	(9.7)	17.6
Operating profit before tax[2]	**129.7**	124.5	131.0	123.1	107.5

2. Operating profit before tax is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's performance for the year by adjusting for a number of non-operating items. Operating profit before tax does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. The reported operating profit before tax 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.

Adjusted funds from operations

FOR THE YEAR ENDED 31 MARCH 2020

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
(Loss)/profit after tax	**(186.7)**	138.1	120.1	143.0	250.8
Adjusted for:					
Net fair value loss/(gain) on investment properties	**290.0**	(47.7)	(26.5)	(41.0)	(175.9)
(Gain)/loss on disposal of investment properties	**-**	(1.0)	7.1	1.3	-
Net fair value loss/(gain) on interest rate derivatives	**9.9**	11.0	2.4	(9.7)	17.6
Litigation settlement expenses/(income)	**-**	-	-	0.8	(5.9)
Straight-lining of fixed rental increases	**(1.2)**	(2.0)	(2.1)	(2.1)	(2.3)
Reversal of lease liability movement in investment properties	**(0.1)**	-	-	-	-
Amortisation of tenant incentives and leasing fees	**7.0**	7.0	7.8	6.7	6.4
Other one-off items	**-**	4.5	-	-	-
Deferred tax (benefit)/expense	**(5.3)**	(3.1)	2.5	3.8	0.4
Funds from operations[3]	**113.6**	106.9	111.3	102.8	91.1
Maintenance capital expenditure	**(7.5)**	(6.9)	(4.7)	(8.6)	
Tenant incentives and leasing fees	**(3.9)**	(8.4)	(11.9)	(16.2)	
Adjusted funds from operations[4]	**102.2**	91.6	94.7	78.0	

3. 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. 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.
4. Adjusted funds from Operations (AFFO) is an alternative non-GAAP performance measure used by Kiwi Property. AFFO is a measure commonly used by real estate entities to describe their underlying and recurring cash flows from operations. Broadly, AFFO adjusts FFO by deducting the cost of lease incentives and leasing fees provided for sustaining and maintaining existing space and annual maintenance capital expenditure. AFFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. AFFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia (the Guidelines). The reported AFFO 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. The company started measuring AFFO in 2017.

Dividends

FOR THE YEAR ENDED 31 MARCH 2020

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Funds from operations	**113.6**	106.9	111.3	102.8	91.1
Less amount retained	**(58.3)**	(7.4)	(14.1)	(15.5)	(7.2)
Cash dividend	**55.3**	99.5	97.2	87.3	83.9
Payout ratio	**49%**	93%	87%	85%	92%
	cps	cps	cps	cps	cps
Cash dividend	**3.53**	6.95	6.85	6.75	6.60
Imputation credits	**0.79**	2.00	1.89	1.92	1.62
Gross dividend	**4.32**	8.95	8.74	8.67	8.22

Five-year summary (continued)

Financial position

AS AT 31 MARCH 2020

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Assets					
Investment properties	**3,114.7**	3,207.4	3,052.0	2,969.4	2,669.9
Cash and cash equivalents	**21.3**	9.9	10.7	9.8	6.2
Other assets	**20.4**	19.1	18.6	16.5	15.4
Total assets	**3,156.4**	3,236.4	3,081.3	2,995.7	2,691.5
Liabilities					
Interest bearing liabilities	**1,009.9**	1,001.7	913.5	1,030.4	814.2
Deferred tax liabilities	**83.2**	88.5	91.7	89.2	85.4
Other liabilities	**91.8**	95.3	82.0	70.0	75.1
Total liabilities	**1,184.9**	1,185.5	1,087.2	1,189.6	974.7
Equity					
Share capital	**1,661.0**	1,449.6	1,432.9	1,272.6	1,241.1
Share-based payments reserve	**1.6**	0.6	0.4	0.5	0.2
Retained earnings	**308.9**	600.7	560.8	533.0	475.5
Total equity	**1,971.5**	2,050.9	1,994.1	1,806.1	1,716.8
Total equity and liabilities	**3,156.4**	3,236.4	3,081.3	2,995.7	2,691.5
Gearing ratio	**32.0%**	31.0%	29.7%	34.5%	30.3%
Net tangible assets per share	**$1.26**	$1.43	$1.40	$1.39	$1.34

Property metrics

AS AT 31 MARCH 2020

	2020	2019	2018	2017	2016
Number of core properties	**12**	12	13	14	14
Net lettable area (sqm)	**435,528**	436,870	451,230	474,381	374,739
Occupancy	**99.5%**	99.3%	99.6%	98.8%	98.7%
Weighted average lease expiry (years)	**4.9**	5.2	5.3	5.6	5.1
Weighted average capitalisation rate	**6.11%**	5.99%	6.11%	6.40%	6.61%

Interpretation

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

2020

- Raised $193.7 million (net of issue costs) of new equity through a placement and retail entitlement offer.
- Acquired additional properties adjacent to Sylvia Park, Auckland, for $25.5 million.
- COVID-19 declared a global pandemic by the World Health Organisation in March 2020, impacting investment property valuations at balance date and causing the board to cancel the final dividend for the year ended 31 March 2020.

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.

Financial statements

FOR THE YEAR ENDED 31 MARCH 2020

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 $000	2019 $000
Income			
Property revenue	2.1	**241,308**	235,286
Property management fees		**2,314**	2,202
Total income		**243,622**	237,488
Expenses			
Direct property expenses		**(54,525)**	(54,624)
Employment and administration expenses	2.2	**(22,556)**	(20,878)
Total expenses		**(77,081)**	(75,502)
Profit before net finance expenses, other (expenses)/ income and income tax		**166,541**	161,986
Interest income		**180**	170
Interest and finance charges	2.2	**(37,014)**	(37,622)
Net fair value loss on interest rate derivatives	3.4.2	**(9,862)**	(11,040)
Net finance expenses		**(46,696)**	(48,492)
Profit before other (expenses)/income and income tax		**119,845**	113,494
Net fair value (loss)/gain on investment properties	3.2	**(289,969)**	47,650
Gain on disposal of investment properties		**-**	971
Other (expenses)/income		**(289,969)**	48,621
(Loss)/profit before income tax		**(170,124)**	162,115
Income tax expense	2.3	**(16,570)**	(24,023)
(Loss)/profit and total comprehensive income after income tax attributable to shareholders		**(186,694)**	138,092
Basic and diluted earnings per share (cents)	3.6.3	**(12.50)**	9.67

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 2020

	Note	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
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
Balance at 1 April 2019		**1,449,646**	**602**	**600,632**	**2,050,880**
Loss after income tax		**-**	**-**	**(186,694)**	**(186,694)**
Dividends paid	3.6.2	**-**	**-**	**(105,086)**	**(105,086)**
Dividends reinvested	3.6.1	**17,534**	**-**	**-**	**17,534**
Shares issued - retail and institutional placements	3.6.1	**193,714**	**-**	**-**	**193,714**
Employee share ownership plan		**67**	**42**	**-**	**109**
Long-term incentive plan	3.6.4	**-**	**956**	**92**	**1,048**
Balance at 31 March 2020		**1,660,961**	**1,600**	**308,944**	**1,971,505**

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 2020

	Note	2020 $000	2019 $000
Current assets			
Cash and cash equivalents		**21,252**	9,923
Trade and other receivables	3.1	**11,932**	13,201
		33,184	23,124
Non-current assets			
Investment properties	3.2	**3,114,734**	3,207,389
Property, plant and equipment		**4,274**	4,253
Interest rate derivatives	3.4.2	**4,186**	1,665
		3,123,194	3,213,307
Total assets		**3,156,378**	3,236,431
Current liabilities			
Trade and other payables	3.5	**53,523**	60,345
Interest bearing liabilities	3.4.1	**-**	166,000
Income tax payable		**1,748**	8,675
Interest rate derivatives	3.4.2	**104**	344
Lease liabilities	1.5	**1,024**	-
		56,399	235,364
Non-current liabilities			
Interest bearing liabilities	3.4.1	**1,009,867**	835,688
Interest rate derivatives	3.4.2	**26,530**	25,958
Deferred tax liabilities	3.3	**83,217**	88,541
Lease liabilities	1.5	**8,860**	-
		1,128,474	950,187
Total liabilities		**1,184,873**	1,185,551
Equity			
Share capital	3.6.1	**1,660,961**	1,449,646
Share-based payments reserve		**1,600**	602
Retained earnings		**308,944**	600,632
Total equity		**1,971,505**	2,050,880
Total equity and liabilities		**3,156,378**	3,236,431

For and on behalf of the board, who authorised these financial statements for issue on 22 May 2020

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 2020

	2020 $000	2019 $000
Cash flows from operating activities		
Property revenue	**245,702**	236,642
Property management fees	**2,138**	2,177
Interest and other income	**180**	170
Direct property expenses	**(53,792)**	(56,236)
Interest and finance charges	**(36,566)**	(35,774)
Employment and administration expenses	**(21,518)**	(18,691)
Income tax expense	**(28,822)**	(27,752)
Goods and services tax received/(paid)	**(54)**	(493)
Net cash flows from operating activities	**107,268**	100,043
Cash flows from investing activities		
Proceeds from disposal of investment properties	**-**	101,635
Acquisition of investment properties	**(25,796)**	(34,348)
Expenditure on investment properties	**(159,587)**	(161,373)
Interest and finance charges capitalised to investment properties	**(10,793)**	(8,459)
Acquisition of property, plant & equipment	**(966)**	(1,227)
Net cash flows used in investing activities	**(197,142)**	(103,772)
Cash flows from financing activities		
Proceeds from issue of shares	**193,714**	-
Own shares acquired for long-term incentive plan	**-**	(323)
Repayment of bank loans	**7,000**	(13,000)
Proceeds from fixed-rate bonds	**-**	98,833
Settlement of interest rate derivatives	**(12,051)**	(1,097)
Dividends paid	**(87,460)**	(81,458)
Net cash flows from financing activities	**101,203**	2,955
Net increase/(decrease) in cash and cash equivalents	**11,329**	(774)
Cash and cash equivalents at the beginning of the year	**9,923**	10,697
Cash and cash equivalents at the end of the year	**21,252**	9,923

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 2020

	2020 $000	2019 $000
Reconciliation of (loss)/profit after income tax to net cash flows from operating activities		
(Loss)/profit after income tax	**(186,694)**	138,092
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	**6,658**	(6,643)
Non-cash items:		
Net fair value loss on interest rate derivatives	**9,862**	11,040
Net fair value loss/(gain) on investment properties	**289,969**	(47,650)
Movement in deferred tax liabilities	**(5,324)**	(3,115)
Amortisation of lease incentives and fees	**6,470**	6,975
Straight-lining of fixed rental increases	**(1,193)**	(2,016)
Movements in working capital items:		
Trade and other receivables	**1,269**	1,060
Income tax payable	**(6,927)**	(615)
Trade and other payables	**(6,822)**	2,915
Net cash flows from operating activities	**107,268**	100,043

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 2020

1. General information

FOR THE YEAR ENDED 31 MARCH 2020

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 to for-profit entities, and with International Financial Reporting Standards (IFRS).

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

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 period

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

Investment property acquisitions and disposals

On 30 September 2019, the Group acquired property at 51 Carbine Road, 53 Carbine Road and 7-10 Arthur Brown Place, Mount Wellington, Auckland for $25.5 million.

Equity raise

In November 2019, the Group raised $193.7m of new equity (net of issue costs) through a fully underwritten placement and subsequent retail offer. The issue price for all new shares was $1.58 per share and all new shares rank equally with existing shares on issue.

COVID-19 global pandemic

In March 2020, the World Health Organisation designated COVID-19 to be a pandemic, threatening the health and well-being of large numbers of people across multiple countries. The global outbreak has caused escalating levels of societal uncertainty. In response, New Zealand entered a Government-directed 'Alert Level 4' lockdown at 11.59pm on 25 March 2020. The Government's Alert Level system dictates the level of business activity and societal interaction that can take place. At Alert Level 4, the highest alert level, strong border restrictions are in place and only essential services can trade. People must remain at home, venturing out to access only the most essential goods and services. At 11.59pm on 27 April 2020 New Zealand moved to Alert Level 3 under which regional travel was allowed and some businesses, including construction and food retailing, could operate as long as strict social-distancing practices were adopted. At 11.59pm on 13 May 2020, the country moved down to Alert Level 2, making a significant step towards pre-pandemic normality. Under Alert Level 2 national travel is allowed, schools have re-opened and businesses are able to trade, albeit restrictions remain in place around social-distancing and mass gatherings and contact tracing measures are required to be followed.

A significant proportion of the business activities of the Group's tenants were deemed non-essential services during the Alert Level 4 lockdown and were unable to operate for the six days from 26 March 2020 to 31 March 2020 covered by these financial statements, and subsequent to balance date.

The pandemic has resulted in impacts to key estimates and judgements used in these financial statements, including:

- Investment property valuations being materially impacted as at 31 March 2020, as detailed in note 3.2
- Decisions being made on capital management with regards to dividends, as detailed in note 3.4.3
- Exposures to, and the policies and procedures for, managing financial risks changing, as detailed in note 4
- The re-introduction of depreciation allowances for commercial building structures impacting tax expense estimates for future periods, as detailed in note 2.3
- The occurrence of subsequent events relating to COVID-19, as detailed in notes 3.2 and 5.5.

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 and SPBCL.

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.

1.4 Group structure (continued)

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 NZ IFRS 16 Leases as required, which is effective for annual reporting periods beginning on or after 1 January 2019. This standard replaces 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.

While the majority of the Group's portfolio is freehold, the Group does have several occupational ground leases of properties/parts of properties in its investment property portfolio to which NZ IFRS 16 applies.

The Group has elected to apply the modified retrospective approach in adopting NZ IFRS 16 with the effect of adoption being recognised at the transition date with no adjustment to the prior period presented. The lease liabilities recognised on 1 April 2019 of $9.973 million were measured as the present value of the remaining cash flows discounted at the transition date "incremental borrowing rate", being the property yield for the properties with the benefit of the occupational ground leases. Property yield has been used given the long term nature of the leases. The cash flows relating to the ground leases are included in the fair value of the investment properties and therefore a gross up for the lease liability is recognised in the investment property balance at the amount equal to the lease liability. As at 31 March 2020, the lease liabilities were $9.884 million.

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 27
Note 3.2	Investment properties	Pg 29
Note 3.4.2	Interest rate derivatives	Pg 41
Note 3.6.4	Share-based payments	Pg 46

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 presentation of the Consolidated Statement of Comprehensive Income has changed from the prior year to make comparison more meaningful. There have been no other changes in the presentation of comparative information in the current year.

2. Profit and loss information

FOR THE YEAR ENDED 31 MARCH 2020

2.1 Property revenue

	2020 $000	2019 $000
Gross rental income	**245,587**	239,262
Straight-lining of fixed rental increases	**1,193**	2,016
Amortisation of capitalised lease incentives	**(5,472)**	(5,992)
Property revenue	**241,308**	235,286

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

	2020 $000	2019 $000
Within one year	**243,457**	238,577
Between one and two years	**207,567**	201,400
Between two and three years	**173,386**	180,744
Between three and four years	**152,802**	148,010
Between four and five years	**126,260**	125,354
Later than five years	**426,338**	495,622
Property operating lease income	**1,329,810**	1,389,707

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.

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2.2 Expenses

	2020 $000	2019 $000
Interest and finance charges on bank loans	**23,554**	25,628
Interest on fixed-rate bonds	**23,339**	20,453
Interest on lease liabilities	**935**	-
Capitalised to investment properties being developed	**(10,814)**	(8,459)
Interest and finance charges	**37,014**	37,622
Auditor's remuneration:		
Statutory audit and review of the financial statements	**311**	246
Assurance related services	**40**	33
Attendance and voting procedures at shareholder meetings	**4**	4
Remuneration benchmarking	**33**	12
Professional services in relation to long-term incentive plan design	**29**	18
Directors' fees	**772**	701
Employee entitlements	**23,678**	22,949
Less: recognised in direct property expenses	**(5,888)**	(6,875)
Less: capitalised to investment properties being developed	**(2,151)**	(2,177)
Information technology	**1,534**	1,351
Investor related expenses	**617**	643
Occupancy costs	**448**	451
Professional fees	**1,214**	1,463
Trustees' fees	**107**	106
Other	**1,808**	1,953
Employment and administration expenses	**22,556**	20,878

Subsequent to year end the auditors were engaged to perform specified remuneration metric procedures for $5,100.

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 2020 this was 4.58% (2019: 4.98%).

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 (loss)/profit before income tax to income tax expense follows:

	2020 $000	2019 $000
(Loss)/profit before income tax	**(170,124)**	162,115
Prima facie income tax expense at 28%	**47,635**	(45,392)
Adjusted for:		
Net fair value loss on interest rate derivatives	**613**	(2,784)
Net fair value (loss)/gain on investment properties	**(81,191)**	13,342
Loss on disposal of investment properties	**-**	272
Depreciation	**8,046**	7,314
Depreciation recovered on disposal of investment properties	**-**	(4,539)
Deferred leasing costs	**(250)**	474
Deductible capitalised expenditure	**3,166**	2,938
Prior year adjustment	**-**	333
Other	**87**	905
Current tax expense	**(21,894)**	(27,137)
Depreciation recoverable	**5,727**	1,309
Net fair value (loss)/gain on interest rate derivatives	**(613)**	2,784
Deferred leasing costs and other temporary differences	**210**	(979)
Deferred tax benefit	**5,324**	3,114
Income tax expense reported in profit	**(16,570)**	(24,023)
Imputation credits available for use in subsequent periods	**11,242**	15,264

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.

2.3 Tax expense (continued)

Key estimates and assumptions: income tax

Deferred tax on depreciation

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

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

As part of the assistance package offered by the Government on 25 March 2020, depreciation allowances will be re-introduced for commercial building structure effective from 1 April 2020. This does not have an impact on the current year due to deferred tax being recognised on a held for sale basis.

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 which 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 2020, 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 2020

3.1 Trade and other receivables

	2020 $000	2019 $000
Trade debtors	**6,779**	8,899
Provision for doubtful debts	**(1,030)**	(238)
Prepayments	**6,183**	4,540
Trade and other receivables	**11,932**	13,201

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. Additionally, the Group has established an allowance for Expected Credit Loss (ECL) based on a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. 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 at least 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.

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3.2 Investment properties (continued)

Investment properties held by the Group are as follows:

	Valuer	Capitalisation rate %	Fair value 31 March 2019 $000	Capital movements 2020 $000	Fair value gain/(loss) 2020 $000	Fair value 31 March 2020 $000
Mixed-use						
Sylvia Park[1]	JLL	5.50	955,000	135,723	(108,723)	982,000
Sylvia Park Lifestyle	JLL	6.25	77,000	(64)	(2,636)	74,300
LynnMall	Colliers	6.63	284,000	4,787	(43,787)	245,000
The Base[2]	CBRE	6.63	217,500	2,519	(22,019)	198,000
			1,533,500	142,965	(177,165)	1,499,300
Retail						
Westgate Lifestyle	Colliers	6.63	90,000	69	(11,069)	79,000
Centre Place North	CBRE	11.25	53,500	238	(17,238)	36,500
The Plaza	CBRE	8.25	207,000	2,688	(39,688)	170,000
Northlands	JLL	8.00	247,000	6,070	(58,070)	195,000
			597,500	9,065	(126,065)	480,500
Office						
Vero Centre	Colliers	5.25	450,000	2,786	(7,786)	445,000
ASB North Wharf	JLL	5.25	230,000	846	7,154	238,000
The Aurora Centre	CBRE	6.00	159,500	(443)	11,243	170,300
44 The Terrace	CBRE	6.38	53,500	(314)	3,914	57,100
			893,000	2,875	14,525	910,400
Other						
Other properties	Various		125,239	26,011	3,400	154,650
Development land	JLL		58,150	6,425	(4,575)	60,000
			183,389	32,436	(1,175)	214,650
Investment properties			3,207,389	187,341	(289,880)	3,104,850
Gross up of lease liabilites[3]			-	-	(89)	9,884
Investment properties			3,207,389	187,341	(289,969)	3,114,734

1. Sylvia Park was valued "as if complete" at $1.09 billion based on a capitalisation rate of 5.50%. The deduction of outstanding development costs for the galleria and south carpark ($84.9 million) together with allowances for profit and risk and stabilisation ($23.2 million) results in an "as is" value of $982 million.
2. Represents the Group's 50% ownership interest. Refer to note 1.4 for further information.
3. Refer to note 1.5.

3.2 Investment properties (continued)

	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
			3,051,964	107,775	47,650	3,207,389

1. Sylvia Park was valued "as if complete" at $1.1715 billion. Deduction of outstanding development costs for the office building, Kmart, galleria and south carpark ($188.2 million) together with allowances for profit and risk and stabilisation ($28.3 million) results 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)

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

	2020 $000	2019 $000
Balance at the beginning of the year	3,207,389	3,051,964
Capital movements:		
Acquisitions (refer to note 1.3)	25,583	34,348
Disposals	-	(99,623)
Capitalised costs (including fees and incentives)	156,242	169,550
Capitalised interest and finance charges	10,793	8,459
Amortisation of lease incentives, fees and fixed rental income	(5,277)	(4,959)
	187,341	107,775
Net fair value (loss)/gain on investment properties	(289,880)	47,650
Gross up of lease liabilities (refer to note 1.5)	9,884	-
Balance at the end of the year	3,114,734	3,207,389

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 (2019: 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 2020 (and as at 31 March 2019). 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.

Investment property values are assessed within a range indicated by at least two valuation approaches; most commonly the income capitalisation approach and discounted cash flow approach. Other valuation approaches, including the sales comparison approach or deferred land value approach may be used depending on the nature of the property. In addition, the adopted valuation of an investment property undergoing development may be assessed using a residual approach. Valuation techniques are explained on page 38.

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

Under the residual approach, valuers estimate the 'as if complete' value of an asset using the common investment valuation approaches described above. They then deduct remaining project costs to determine the asset's 'as is' or residual value.

Sylvia Park is currently valued using the residual approach as the galleria development is still in progress. A key input into the residual approach is the cost required to complete the development. The valuers rely on cost to complete information provided by the Group to inform their residual approach. This cost information is based on internal budgets developed by the Group's project team, based on management's experience and knowledge of market conditions. The largest component of project cost is construction cost and this input is verified by independent quantity surveyors to ensure its accuracy. The valuer typically also assesses profit and risk and stabilisation allowances which are also deducted to arrive at the residual value. Profit and risk represents the return to the owner for assuming the development's remaining risks while stabilisation is a more general allowance that may be required to support net income in the early stages of a retail development as it trades up to a stabilised level of activity.

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

3.2 Investment properties (continued)

Impact of the COVID-19 global pandemic

As at 31 March 2020 the real estate markets to which the Group's investment properties belong were impacted by significant market uncertainty caused by the COVID-19 outbreak. The landscape and market conditions around this time were changing on a daily basis. This created valuation uncertainty and had a material impact on the value of investment property as at 31 March 2020.

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

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

Income uncertainty

The impact of the pandemic on the income earning potential of the Group's properties is uncertain. The Group leases commercial accommodation to a range of businesses from where they conduct their operations. Restrictions imposed by the Government to combat the pandemic prevented non-essential businesses from physically accessing their premises. In response, the Group is currently working through a cost sharing programme with each affected tenant whereby the Group will forgive a portion of the rent payable by the tenant. The percentage of rent forgiven and the duration of the forgiveness period is subject to negotiation between the Group and the tenant. This programme will have a negative impact on the Group's income for the year ending 31 March 2021.

Future income may also be impacted as:

- the underlying activity and profitability of many of the Group's tenants have been affected by restrictions which have prevented the population from socialising or accessing goods and services to the extent they could before the pandemic,
- border restrictions into New Zealand mean businesses that rely on travel and tourism will be particularly negatively impacted, and
- the pandemic will result in increased unemployment and a deterioration in economic conditions, both nationally and globally, that will take some time to recover from. This will affect people's spending power and could mean businesses retrench or put expansion plans on hold.

Mixed-use and retail portfolios

Tenants within the Group's mixed-use and retail portfolios fundamentally rely on the availability and accessibility of their premises to conduct core business. Most of these tenants were unable to trade at all for the Alert Level 3 and 4 periods, and their ability to generate sales and custom will be reduced at Alert Level 2 with the socialisation restrictions that are in place. Cafes, restaurants, bars and cinemas will be particularly impacted as they cannot physically accommodate as many patrons as they could before the restrictions.

As a result, some businesses have a higher risk of failure and others will face a reduced ability to meet business expenses, including rent and other occupancy charges.

We can expect that property vacancy rates will increase and it may take longer to lease vacant tenancies. When they are leased, the achieved rentals may be less than expected pre COVID-19 and incoming tenants may require a higher level of inducement to take on their leases.

Office portfolio

Many of the Group's affected office portfolio tenants have been able to continue business operations with staff working from home. Portable technology and web-based meeting software means the physical office environment is not always essential to continued operations. While some tenants may be impacted by COVID-19 we don't expect the same degree of short-term impact on the Group's office portfolio.

Longer term impacts

The Group's income may be impacted longer term by perceived structural changes to both the retail and office markets resulting from changed behaviours during COVID-19. For retail, it has been suggested that a step-change towards higher uptake and acceptance of online retailing may have occurred. For the office sector, it is anticipated that the work-from-home movement may have gained significant momentum. These structural changes, if embedded, could result in longer-term reduced demand for retail and office space.

3.2 Investment properties (continued)

Investment uncertainty

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

Valuation uncertainty

As a result of these income and investment uncertainties the Group's valuers noted the difficulty in undertaking valuations at this time and, in the absence of relevant market evidence, they have adjusted valuation inputs and estimates to reflect the impact of the pandemic on investment property value. The valuers have tended to place greater emphasis on the discounted cash flow approach as this methodology allows them to more explicitly model assumptions and events that are not expected to prevail long into the future.

While these estimates have been formed by the valuers after careful consideration and consultation with a range of reliable sources, it must be recognised that COVID-19 was a unique, rapidly-evolving situation and critical events that could help determine the duration and depth of its impact were still unknown at the date of valuation.

The valuations of the Group's investment properties as at 31 March 2020 have therefore been prepared on the basis of 'material valuation uncertainty' as recommended by The New Zealand Institute of Valuers to highlight the difficulties in undertaking valuations in the current environment.

A 'material valuation uncertainty' statement implies the valuation is current at the date of valuation only and that less certainty and a higher degree of caution should be attached to the valuation. In addition, the valuation should be kept under frequent review as the assessed value may change significantly and unexpectedly over a relatively short period of time.

Until investment property values can be demonstrated to have stabilised post COVID-19, the Group intends to procure more frequent valuation updates from its panel of registered valuers.

The Group has invested significant time in understanding the impact of COVID-19 on various property sectors, and on individual property values, at balance date to ensure the valuations remain reasonable. This has involved more frequent interaction with the valuers than prior periods to discuss specific estimates and assumptions adopted in the valuations, the impact of key events on value as they have unfolded and comparison of the Group's value changes with comparable evidence available in the market.

Impact on values as at 31 March 2020

To reflect the impact of the pandemic on investment property value, the valuers have generally adopted softer valuation inputs including expanded capitalisation and discount rates, lower growth rates across the near term, lower market rental levels, increased vacancy rates and increased letting-up allowances. The valuers have also made deductions for the costs of estimated rent relief to tenants for occupancy disruption resulting from pandemic-related impacts.

These estimates and assumptions have had a material impact on the value of the Group's investment property. For the year ended 31 March 2020, the Group reported a fair value loss of $289.9 million. The valuation impact of COVID-19 is greater than this however as draft valuation reports prepared for the Group in early March 2020 indicated that, before COVID-19, a fair value gain would have been posted.

The impact on key inputs are further discussed under 'Valuation inputs' on page 38.

Costs to complete development – Sylvia Park

Despite completion of Sylvia Park's galleria development being delayed by COVID-19 restrictions, the Group is not anticipating any material change to the development costs advised to the valuers. Prior to the lockdown period progress was ahead of programme which would have delivered some cost saving. We now anticipate that even with the current delayed completion, the project should be delivered in line with approved project budgets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2 Investment properties (continued)

Valuation inputs

A valuation is determined based on a range of unobservable inputs. These are unobservable as they are not freely available or explicit in the marketplace but rather analysed from transactional data that has taken place in similar market circumstances to that prevailing at the date of valuation. Refer to note 1.7 for further information on the fair value hierarchy.

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

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

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

The impact of COVID-19 can be seen in the analysis below through the general softening in metrics from 2019 to 2020. This is mainly evident through the capitalisation rate and discount rates metrics, which have expanded (increased), and the growth rates, which have contracted (decreased), having an effect of lowering the fair value. The lower end of the growth rate range for the mixed-use and retail portfolios can be seen to be very negative. These metrics indicate a range across all assets in that portfolio, so don't affect all properties, and typically relate to the early year or years of the cashflow so don't continue across the full discounted cash flow horizon.

		Range of significant unobservable inputs	
Class of property	Inputs used to measure fair value	**2020**	2019
Mixed-use	Core capitalisation rate	**5.5% – 6.6%**	5.4% – 6.4%
	Other income capitalisation rate	**6.2% – 8.3%**	5.4% – 6.5%
	Discount rate	**7.3% – 8.3%**	7.3% – 7.6%
	Terminal capitalisation rate	**5.5% – 6.8%**	5.5% – 7.0%
	Gross market rent (per sqm)[1]	**$371 – $786**	$359 – $769
	Rental growth rate (per annum)	**-14.6% – 7.4%**	-0.4% – 3.5%
Retail	Core capitalisation rate	**6.6% – 11.3%**	6.4% – 10.3%
	Other income capitalisation rate	**6.6% – 11.3%**	6.4% – 15.0%
	Discount rate	**8.3% – 10.6%**	7.8% – 9.8%
	Terminal capitalisation rate	**8.1% – 12.3%**	6.5% – 11.3%
	Gross market rent (per sqm)[1]	**$263 – $638**	$276 – $634
	Rental growth rate (per annum)	**-15.3% – 6.5%**	-2.7% – 2.5%
Office	Core capitalisation rate	**5.3% – 6.4%**	5.1% – 6.5%
	Other income capitalisation rate	**0.0%**	7.0%
	Discount rate	**6.8% – 7.4%**	7.5% – 8.3%
	Terminal capitalisation rate	**5.3% – 6.8%**	5.3% – 7.0%
	Gross market rent (per sqm)[1]	**$492 – $668**	$465 – $653
	Rental growth rate (per annum)	**0.0% – 4.0%**	2.0% – 3.5%

1. Weighted average by property.

These key inputs are explained on page 38.

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3.2 Investment properties (continued)

Valuation sensitivity

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

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

31 March 2020	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation ($000)	1,499,300				
Impact of assumption change ($000)		70,100	(63,500)	37,500	(34,900)
Impact of assumption change (%)		4.7	(4.2)	2.5	(2.3)
Retail					
Actual valuation ($000)	480,500				
Impact of assumption change ($000)		17,200	(14,800)	8,700	(8,500)
Impact of assumption change (%)		3.6	(3.1)	1.8	(1.8)
Office					
Actual valuation ($000)	910,400				
Impact of assumption change ($000)		44,700	(39,800)	16,800	(16,500)
Impact of assumption change (%)		4.9	(4.4)	1.8	(1.8)

31 March 2019	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation ($000)	1,533,500				
Impact of assumption change ($000)		76,700	(67,600)	30,700	(30,600)
Impact of assumption change (%)		5.0	(4.4)	2.0	(2.0)
Retail					
Actual valuation ($000)	597,500				
Impact of assumption change ($000)		17,000	(23,500)	10,600	(10,400)
Impact of assumption change (%)		2.8	(3.9)	1.8	(1.7)
Office					
Actual valuation ($000)	893,000				
Impact of assumption change ($000)		42,700	(39,800)	16,500	(16,000)
Impact of assumption change (%)		4.8	(4.5)	1.8	(1.8)

3.2 Investment properties (continued)

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

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

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

Market rental and growth rates are asset specific and the impacts (if any) from economic effects as a result of COVID-19, will become more evident in coming months. Given the significant uncertainties and complex interrelationships these inputs have not been included within the sensitivity table above.

Looking ahead, it could reasonably be expected that there could be less upside potential and more downside risk for some property sectors. This could apply to the Group's mixed-use and retail sectors which, as described above, are more susceptible to COVID-19 related impacts and may be more likely to experience a reduction in net income from increased vacancy, reduced rentals, increased letting-up allowances and lower growth rates. Any one of these changes could result in a lower fair value of an investment property.

Given the material uncertainty created by COVID-19, likely future movement in the fair value of investment properties is unknown. As described above, the Group intends to procure more frequent valuation updates from its panel of registered valuers to mitigate this material uncertainty until property values can be demonstrated to have stabilised.

Subsequent events

At the date of our issuing these financial statements we are at Alert Level 2 and a sense of normality is returning to society. If COVID-19 case numbers remain low and community transmission of the disease is contained, we may remain at Alert Level 2 for a period before dropping back to Alert Level 1 which essentially represents pre COVID-19 societal conditions.

If this is not the case and the disease re-emerges, we could see an advancement back up the scale to Alert Levels 3 and 4.

The future value of the Group's Investment property value will depend on how the disease tracks and the resultant Alert Levels imposed on society. If we advance upwards through the Alert Levels, value may deteriorate further but if we track downwards, as we are now, value could recover, notwithstanding impacts, described above, that may arise due to consequential economic conditions.

In May 2020, the Group sought valuation advice to determine if any material change in the fair value of investment properties was likely to have occurred. This advice indicated that there was no material movement between 31 March 2020 and the date of signing these financial statements. Notwithstanding this, the material valuation uncertainties remain until investment markets become active and subsequent transactional evidence demonstrates a trend in current pricing.

3.2 Investment properties (continued)

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

Valuation techniques	
Income capitalisation approach	A valuation technique which determines fair value by capitalising a property's core 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 which 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 which 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 for which 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, which is applied to a property's core net income to derive value.
Other income capitalisation rate	The rate of return which 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 which is applied to a property's core 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

	2020 $000	2019 $000
Deferred tax assets		
Interest rate derivatives	**6,285**	6,898
Deferred tax liabilities		
Depreciation recoverable	**(80,937)**	(86,664)
Deferred leasing costs and other temporary differences	**(8,565)**	(8,775)
	(89,502)	(95,439)
Net deferred tax liabilities	**(83,217)**	(88,541)

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. Deferred tax is disclosed on a net basis, as the deferred tax assets and the deferred tax liabilities relate to the same taxation authority.

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:

	2020 $000	2019 $000
Bank loans – total facilities	**825,000**	825,000
Bank loans – undrawn facilities	**(291,000)**	(298,000)
Bank loans – drawn facilities	**534,000**	527,000
Fixed-rate bonds	**475,000**	475,000
Unamortised capitalised costs on fixed-rate bonds	**867**	(312)
Interest bearing liabilities	**1,009,867**	1,001,688
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**4.35%**	4.80%
Weighted average term to maturity for the combined facilities	**3.9 years**	3.2 years

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.

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 (unchanged from 31 March 2019).

In March 2020, $361 million of existing bank debt facilities were extended. The facilities, which were due to expire in the 2021 and 2022 financial years, will now expire in the 2024 and 2026 financial years.

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 2020 $000	Fair value 2019 $000
KPG010	125,000	6-Aug-14	20-Aug-21	6.15%	February, August	**129,762**	134,409
KPG020	125,000	7-Sep-16	7-Sep-23	4.00%	March, September	**127,004**	128,997
KPG030	125,000	19-Dec-17	19-Dec-24	4.33%	June, December	**128,922**	130,528
KPG040	100,000	12-Nov-18	12-Nov-25	4.06%	May, November	**101,807**	102,447
Fixed-rate bonds	475,000					**487,495**	496,381

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 (2019: 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.

	2020 $000	2019 $000
Interest rate derivative assets – non-current	**4,186**	1,665
Interest rate derivative liabilities – current	**(104)**	(344)
Interest rate derivative liabilities – non-current	**(26,530)**	(25,958)
Net fair values of interest rate derivatives	**(22,448)**	(24,637)
Notional value of interest rate derivatives – fixed-rate payer – active	**245,000**	365,000
Notional value of interest rate derivatives – fixed-rate receiver[1] – active	**40,000**	40,000
Notional value of interest rate derivatives – fixed-rate payer – forward starting	**165,000**	170,000
Notional values	**450,000**	575,000
Fixed-rate payer swaps:		
Weighted average term to maturity – active	**2.3 years**	3.2 years
Weighted average term to maturity – forward starting	**5.0 years**	5.7 years
Weighted average term to maturity	**3.4 years**	4.0 years
Fixed-rate payer swaps:		
Weighted average interest rate – active[2]	**3.51%**	3.63%
Weighted average interest rate – forward starting[2]	**2.74%**	2.90%
Weighted average interest rate	**3.20%**	3.40%

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 equity raise (refer to note 1.3), interest rate swaps with a face value of $120 million were closed out during the year for a payment of $12.1 million. The net fair value loss on the remaining interest rate derivatives for the year was $9.9 million. The difference between these two amounts represents the movement in the net interest rate derivative liabilities from 31 March 2019 to 31 March 2020.

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3.4.2 Interest rate derivatives (continued)

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 re-measured 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 (2019: 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 2020 of between 0.49% for the 90-day BKBM and 0.93% for the 10-year swap rate (2019: 1.85% and 2.16%, 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 managed 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. However, the Group actively manages its debt to its internal treasury policy which sets a target gearing range of 25% to 35%. The Group has complied with its Senior Facilities Agreement capital requirement at all times throughout the year.

The Group actively manages liquidity risk to ensure that it is able to access sufficient funds on a timely basis to meet operational expenses, capital and debt expiry commitments as and when they fall due. To enhance its access to a range of funding sources, the Group has secured credit ratings from S&P Global Ratings. To minimise liquidity risk, the Group ensures that it maintains sufficient capacity in its overall debt facilities to cover projected debt (current debt plus Board approved capital commitments), has ready access to sufficient cash reserves or available debt drawdowns, and reliably forecasts its expected cash requirements. Further detail on liquidity risk is provided in note 4.3.

Given the inherent uncertainty created by the COVID-19 global pandemic, the board has adopted a prudent approach to capital management and determined that no final dividend will be paid for the year ended 31 March 2020. The board will determine future dividend payments and make decisions about the resumption of the Group's dividend payments once the duration and financial impact of the COVID-19 pandemic is more certain.

Following the decision that no final dividend be paid for the year ended 31 March 2020, the Group has revised its dividend policy. Future dividend payments will be based on a range of factors, including with particular reference to the Group's Adjusted Funds From Operations (AFFO), which will be the primary basis on which dividend amounts will be determined. AFFO is a non-GAAP performance measure used by the Group to determine underlying and recurring cash flows from operations. AFFO is calculated with reference to the guidelines established by the Property Council of Australia. In determining a dividend payment, the Group will have regard to, amongst other things, the solvency requirements under the Companies Act 1993, its banking and bond covenants and internal financing targets, its future investment plans, current and forecast earnings, operating cash flows, and the economic climate and competitive environment. Having regard to these matters, the Group will target a dividend payout ratio of approximately 90% to 100% of AFFO.

The board has also temporarily suspended all non-essential capital expenditure projects until the duration and financial impact of the COVID-19 pandemic is more certain.

At balance date, the market capitalisation of the Group (being the 31 March 2020 closing share price, as quoted on the NZX Main Board, multiplied by the number of shares on issue) was below the carrying amount of the Group's net assets and shareholders' funds. In considering the difference, the Group notes that 99% of total assets at 31 March 2020 are investment properties which are carried at fair value based on valuations prepared by independent valuers, as detailed in note 3.2.

Factors that may influence market capitalisation include, amongst other things:

- Broader market and investor sentiment
- Property market segment sentiment, particularly with regard to retail assets
- Effect of leverage of debt funding and including corporate overheads
- The level of uncertainty due to the impact of COVID-19 and its significant impact on the New Zealand and global economies.

In the review of valuations and the considerations around fair value determined by the independent valuers (as disclosed in note 3.2), and having considered the influencing factors above, the Group considers the carrying amount of net assets is appropriate.

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3.5 Trade and other payables

	2020 $000	2019 $000
Trade creditors	24,264	27,911
Interest and finance charges payable	1,682	2,413
Development costs payable	21,660	24,415
Employment liabilities	4,409	4,310
Rent in advance	768	502
Goods and Services Tax payable	740	794
Trade and other payables	**53,523**	60,345

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:

	2020 Number 000	2020 Amount $000	2019 Number 000	2019 Amount $000
Balance at the beginning of the year	1,432,820	1,449,646	1,420,415	1,432,936
Issue of shares:				
Dividend reinvestment	11,475	17,534	12,340	16,779
Retail and Institutional placements	124,793	193,714	-	-
Employee share ownership plan – shares issued	-	-	65	-
Employee share ownership plan – shares vested	-	67	-	69
Long-term incentive plan	-	-	-	(138)
Balance at the end of the year	**1,569,088**	**1,660,961**	1,432,820	1,449,646

1,064,642 shares at a cost of $1.5 million are held by Pacific Custodians (New Zealand) Limited (the LTI Trustee) for the Group's long-term incentive plan (2019: 1,510,930 shares, at a cost of $2.1 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	2020 cps	2020 $000	Date declared	2019 cps	2019 $000
Cash		3.475	49,790		3.425	48,651
Imputation credits		1.070	13,693		0.970	13,779
Final dividend	**17-May-19**	**4.545**	**63,483**	18-May-18	4.395	62,430
Cash		3.525	55,296		3.475	49,672
Imputation credits		0.790	12,393		0.930	11,903
Interim dividend	**15-Nov-19**	**4.315**	**67,689**	16-Nov-18	4.405	61,575
Cash		7.000	105,086		6.900	98,323
Imputation credits		1.860	26,086		1.900	25,682
Total dividends		**8.860**	**131,172**		8.800	124,005

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. The DRP applied to the final dividend paid for the year ended 31 March 2019, but was suspended and did not apply to the interim dividend paid for the year ended 31 March 2020.

The board has determined that no final cash dividend will be paid for the year ended 31 March 2020 (if declared this would have ordinarily occurred in May 2020). This decision has been made after considering the inherent uncertainty surrounding the financial impact of the COVID-19 pandemic occurring at and around balance date, and the desire to take a prudent approach to capital management.

3.6.3 Earnings per share

	2020	2019
Profit and total comprehensive income after income tax attributable to shareholders ($000)	(186,694)	138,092
Weighted average number of shares (000)	1,493,136	1,428,387
Basic and diluted EPS (cents)	**(12.50)**	9.67

3.6.4 Share-based

Long-term incentive plan (LTI plan)

Performance Share Rights LTI Plan

During the year, the Company introduced a new LTI plan to replace the legacy plan for selected senior employees. Currently both plans have tranches operating. Under the new LTI plan, participants are issued Performance Share Rights (PSRs) for service periods of one, two and three years. The number of PSRs that can be exercised and converted into shares in the Company depends on a mix of the Company's shareholder return relative to comparitor entities and a return-on-capital-employed metric over a one year performance period. On vesting, the participant is entitled to receive one share upon the valid exercise of each vested PSR they hold.

Legacy LTI Plan

The Company has previously operated a legacy LTI plan for selected senior employees, which has tranches that remain subject to vesting. Under the legacy LTI plan, ordinary shares in the Company were purchased on market by Pacific Custodians (New Zealand) Limited (the LTI Trustee). Participants purchased shares from the LTI 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 shareholder return relative to comparator entities. On vesting, the employee is provided a cash amount which must be used to repay the loan and the relevant number of shares are then transferred to the participant.

Recognition and measurement

The fair value of the LTI plans 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.

			Number of performance share rights				
Grant date	Measurement date	Performance share right price at grant date	Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
2020							
1 April 2019	31 March 2020	**$1.455**	**-**	**1,126,274**	**-**	**-**	**1,126,274**
Total			**-**	**1,126,274**	**-**	**-**	**1,126,274**

			Number of shares				
Grant date	Measurement date	Share price at grant date	Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
2020							
1 April 2018	31 March 2021	**$1.368**	**608,068**	**-**	**-**	**(44,753)**	**563,315**
1 April 2017	31 March 2020	**$1.383**	**513,987**	**-**	**-**	**(12,680)**	**501,307**
1 April 2016	31 March 2019	**$1.466**	**388,875**	**-**	**-**	**(388,875)**	**-**
Total			**1,510,930**	**-**	**-**	**(446,308)**	**1,064,622**

3.6.4 Share-based payments (continued)

			Number of shares				
Grant date	Measurement date	Share price at grant date	Balance at the beginning of the year	Granted during the year	Exercised 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)	-
Total			1,253,846	629,987	(108,138)	(264,765)	1,510,930

Key estimates and assumptions: fair value measurement of LTI plan

The fair value of the LTI plans have been determined using a Monte Carlo simulation to model a range of future share price outcomes for the Company and comparator entities. The fair value at grant date and the measurement inputs used were as follows:

Performance Share Rights LTI Plan

Measurement date	**31 March 2020**
Weighted average performance share right price at grant date	**$1.455**
Risk-free rate	**0.98%**
Standard deviation of the comparator entities	**8.5%-16.7%**
Correlation between Company share price and comparator entities	**5.9%-58.6%**
Estimated fair value per share	**$1.145**

Legacy LTI Plan

Measurement date	31 March 2021	31 March 2020
Weighted average share price at grant date	$1.368	$1.383
Risk-free rate	1.92%	2.2%
Standard deviation of the comparator entities	9.3%-12.1%	8.9%-$14.6%
Correlation between Company share price and comparator entities	5.3%-57.5%	7.5%-69.0%
Estimated fair value per share	$0.462	$0.508

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. 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 2020 is $955,565 (2019: $246,450) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining shares in the legacy LTI plan at 31 March 2020 is $92,522 (2019: $409,557) and the unamortised value of the remaining performance share rights at 31 March 2020 is $491,024.

4. Financial risk management

FOR THE YEAR ENDED 31 MARCH 2020

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
— Liquidity risk

Financial instruments

The following items in the Consolidated 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 which 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.

In response to the uncertainty caused by the COVID-19 global pandemic, the Group has considered financial risk management and any additional controls needed. These are discussed further in notes 4.2 and 4.3.

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

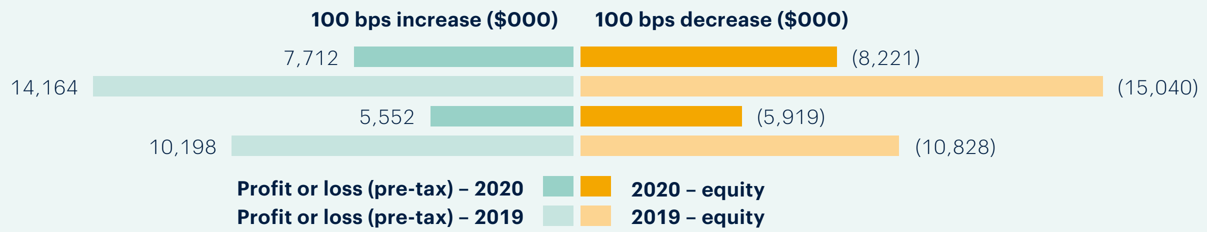
The Group adopts a policy of reducing its exposure to changes in interest rates by utilising interest rate derivatives to limit future interest cost volatility by exchanging floating rate interest obligations for fixed rate interest obligations or by exchanging fixed rate interest obligations for floating 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 which 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 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 which 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 Consolidated 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.

The COVID-19 pandemic has increased credit risk from trade receivables and the Group is working with tenants most vulnerable to the impacts of the pandemic to agree rent relief and other measures where needed. This is expected to assist tenants in resuming their business operations as quickly as possible and increase their ability to pay trade receivable balances owing to the Group.

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.

Liquidity risk arising from the COVID-19 pandemic is mitigated through the maintenance of adequate committed credit facilities, with $291 million of undrawn credit at 31 March 2020 and no bank debt maturities until the 2023 financial year. Liquidity risk is further managed through the Group's approach to capital management, as detailed in note 3.4.3.

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.

	Consolidated 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
2020							
Trade and other payables	**45,924**	**45,924**	**45,924**	**-**	**-**	**-**	**-**
Interest bearing liabilities	**1,009,867**	**1,145,852**	**18,534**	**18,534**	**156,375**	**555,846**	**396,563**
Net interest rate derivatives	**22,448**	**24,983**	**3,095**	**3,246**	**6,622**	**11,644**	**376**
Total financial liabilities	**1,078,239**	**1,216,759**	**67,553**	**21,780**	**162,997**	**567,490**	**396,939**
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

5. Other information

FOR THE YEAR ENDED 31 MARCH 2020

5.1 Segment information

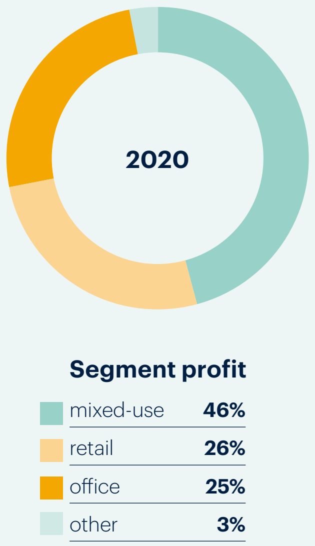
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

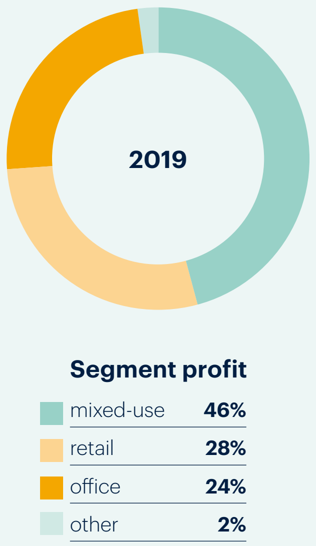
The Group's primary assets are investment properties. Segment information regarding investment properties is provided in note 3.2.

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
2020					
Property revenue	**109,861**	**64,109**	**60,656**	**6,682**	**241,308**
Less: straight-lining of fixed rental increases	**61**	**246**	**(1,395)**	**(105)**	**(1,193)**
Less: direct property expenses	**(24,917)**	**(15,418)**	**(12,709)**	**(1,481)**	**(54,525)**
Less: ground lease expenses	**(60)**	**(895)**	**-**	**(69)**	**(1,024)**
Segment profit	**84,945**	**48,042**	**46,552**	**5,027**	**184,566**
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





5.1 Segment information (continued)

A reconciliation of the segment profit to the (loss)/profit before income tax reported in the consolidated statement of comprehensive income is provided as follows:

	2020 $000	2019 $000
Segment profit	**184,566**	178,646
Property management fees	**2,314**	2,202
Rental income resulting from straight-lining of fixed rental increases	**1,193**	2,016
Interest and other income	**180**	170
Net fair value (loss)/gain on investment properties	**(289,969)**	47,650
Interest and finance charges	**(37,014)**	(37,622)
Employment and administration expenses	**(22,556)**	(20,878)
Net fair value loss on interest rate derivatives	**(9,862)**	(11,040)
Gain on disposal of investment properties	**-**	971
Ground lease expenses classified as interest and fair value loss on investment properties (see note 1.5)	**1,024**	
(Loss)/profit before income tax	**(170,124)**	162,115

5.2 Related party transactions

The Group holds its 50% interest in The Base is 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.

An equity contribution of $1.75 million was made by the Group to the unincorporated joint venture in April 2020, subsequent to balance date.

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

	2020 $000	2019 $000
Property management fees	**1,397**	1,288
Expenditure reimbursement	**1,181**	1,275
Leasing fees	**957**	691
Development management fees	**302**	303
Legal fees	**63**	69
Retail design management fees	**74**	16
Total related party transactions	**3,974**	3,642

5.3 Key management personnel

	2020 $000	2019 $000
Directors' fees	772	701
Short-term employee benefits	4,535	6,651
Other long-term benefits	8	21
Termination benefits	-	945
Share-based payments	754	392
Key management personnel costs	**6,069**	8,710

There was a change in structure of the executive team in March 2019. Key management personnel costs for the year ending 31 March 2020 reflect the new structure.

Additional disclosures relating to key management personnel are set out in the remuneration report on page 60. 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:

	2020 $000	2019 $000
Development costs at Sylvia Park	63,572	124,858
Development costs at LynnMall	5,605	-
Development costs at The Plaza	-	807
Development costs at The Base[1]	1,080	-
Development costs at Northlands	765	1,648
Drury infrastructure	1,913	1,913
Commitments	**72,935**	129,226

1. Represents the Group's 50% ownership interest. Refer to note 1.4 for further information.

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. This right may be exercised within three months of receipt of the independent valuation for the years ending 31 March 2020 and 31 March 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 (2019: $1.0 million). The leases terminate between November 2026 and March 3007.

The ground leases are accounted for in line with NZ IFRS 16, adopted by the Group from 1 April 2019. See note 1.5 for further details.

5.5 Subsequent events

In response to the COVID-19 global pandemic, subsequent to 31 March 2020 the Group has agreed a rent relief framework which is being implemented across the majority of the Group's tenants. This framework includes rental deferrals (for 18 – 24 months) and rental abatements across April, May and June 2020 rental income. These changes are accounted for as lease modifications under NZ IFRS, with the change in lease payments amortised over the remaining terms of the leases. It is expected that abatements offered will be approximately $20 million for the year ending 31 March 2021.

Given the inherent uncertainty created by the COVID-19 global pandemic, subsequent to balance date in April 2020 the Group determined that no final dividend is to be paid for the year ended 31 March 2020, as detailed in note 3.4.3. The board will make a decision regarding future dividend payments once the duration and financial impact of the COVID-19 pandemic is more certain.

Following the decision that no final dividend will be paid for the year ended 31 March 2020, the Group has also revised its dividend policy, as detailed in note 3.4.3.

There have been no other events subsequent to 31 March 2020 that materially impact on the results reported.

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 2020;
- 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 2020, 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, procedures over the voting at the annual shareholders meeting, agreed upon procedures in respect of a specified remuneration metric, and the benchmarking of 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.

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. We have determined there is one key audit matter, material valuation uncertainty in investment property valuations relating to COVID-19.

Material valuation uncertainty in investment property valuations relating to COVID-19

Description of key audit matter	How our audit addressed the key audit matter
As disclosed in note 3.2 of the consolidated financial statements the Group's investment properties comprise mixed-use, retail, office and other portfolios and was valued at $3.1 billion as at 31 March 2020. The valuation of the Group's property portfolio is inherently subjective and is given specific audit focus and attention due to the existence of significant estimation uncertainty. A small percentage difference in a single or multiple input assumption could result in material misstatement of the valuation. The valuations were performed by independent registered valuers. *As at the 31 March 2020 valuation date, the independent registered valuers have included a material valuation uncertainty clause in their report as a result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation. This represents an increase in the significant estimation uncertainty in the valuation of investment properties.* The Group has adopted the assessed values determined by the valuers. In determining a property's valuation, two approaches are generally used to determine the fair value of an investment property: the income capitalisation approach and the discounted cash flow approach, to arrive at a range of valuation outcomes from which the valuers derive a point estimate. The valuers take into account property specific information such as the contracted tenancy agreements and rental income earned by the asset. They apply assumptions in relation to capitalisation rates, discount rates and market rent and the anticipated growth, based on market data and transactions where available. These assumptions were adjusted to recognise the estimated impact of COVID-19, with greater adjustments for the mixed-use and retail properties. For properties that have development work ongoing at 31 March 2020, the residual approach is adopted. The costs required to complete the developments are estimated by management and adjusted against the value determined by the valuers along with profit and risk and stabilisation allowances. Management verifies all major inputs to the valuations, assesses property valuation movements since prior year and holds discussions with the independent valuers, to assess the reasonableness of the valuations, and the Directors on the process and results of the valuations.	Given the subjectivity involved in determining valuations for individual properties, including alternative assumptions and valuation methods, there is a range of values that could be considered reasonable. The impact of COVID-19 at 31 March 2020 has resulted in a wider range of possible values than at past valuation points. We considered the adequacy of the disclosures made in note 1.3 Significant changes during the year - COVID-19 global pandemic and note 3.2 Investment properties, to the financial statements, which sets out the key judgements and estimates. These notes explain that there is material estimation uncertainty and there has been a material impact on the valuation of investment properties. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the statement of financial position and disclosures made in the financial statements was appropriate. In assessing the valuation of investment properties, we performed the procedures outlined below. We held discussions with management to understand: — movements in the Group's investment property portfolio, — changes in the condition of each property, — the controls in place over the valuation process, and — the impact that COVID-19 has had on the Group's investment property portfolio including on tenant rent abatements and tenant occupancy risk. For all properties, the carrying value was agreed to the external valuation reports and we held discussions with the valuers. These discussions included the impact that COVID-19 has had on market activity and how the valuers had factored this into key assumptions such as the capitalisation, discount or growth rate and future forecast rentals. We also sought to understand and consider restrictions imposed on the valuation process (if any) and the market conditions at balance date. Applying a risk-based approach, we read and evaluated the valuations of specific properties. 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 2020. We assessed the valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any valuer was compromised in their performance of the valuations. 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. Our work over the assumptions used in the valuations 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 and real estate specialists to assess the methodologies and critique and challenge the key assumptions used by the valuers to market evidence and current market conditions, including the appropriateness of the assumptions made for COVID-19 impacts. We obtained management's estimates of costs to complete on the properties under development. We compared these estimates to internal budgets developed by the Group's project team and submitted to the Directors for approval and external quantity surveyors' reports.

Our audit approach

Overview

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

Overall Group materiality: $6,558,000, which represents 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 a benchmark against which the performance of the Group is commonly measured by users.

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

Information other than the consolidated 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 consolidated financial statements is located at the External Reporting Board's website at:

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:

Chartered Accountants Auckland
22 May 2020

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 2020 except, to the extent set out in the Kiwi Property FY20 Corporate Governance Statement, which is available on our website kp.co.nz/about-us/corporate-governance.

This statement is current as at 31 March 2020 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 2020 are summarised, or referred to, in the Kiwi Property FY20 Corporate Governance Statement.

The following disclosures are required to be made in this Annual Report by the 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 2020, all directors of the Company were independent: Mary Jane Daly, Richard Didsbury, Mark Ford, Jane Freeman, Mark Powell, Simon Shakesheff 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 not 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 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 Richard Didsbury's 27 year length of tenure on the Board and that Jane Freeman had previously disclosed her family connection to NZ Strong Construction. The Board concluded that Richard Didsbury's 27 year length of tenure on the Board and Jane Freeman's family connection to NZ Strong Construction 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 Corporate Governance 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, Simon Shakesheff and Mike Steur.

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

The members of the Company's Environmental, Social and Governance Committee are Mark Ford, Mark Powell (Chair), and Simon Shakesheff.

Diversity policy

The Board has evaluated the performance of the Company against its Diversity and Equal Employment Opportunity Policy and considers that the Company has complied with the policy except in relation to the appointment of one role that reports to a member of the Executive Team. Despite the efforts of the Company, it was not possible to identify a female candidate for a short-list for that role.

More information concerning the Company's Diversity and Equal Employment Opportunity Policy can be found in the Company's FY20 Corporate Governance Statement, which is available on our website kp.co.nz/about-us/corporate-governance.

Gender diversity

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

	2020			
	Number		Proportion %	
	Female	Male	Female	Male
Directors	2	5	29	71
Officers	2	6	25	75
All employees	109	57	66	34

	2019			
	Number		Proportion %	
	Female	Male	Female	Male
Directors	2	4	33	67
Officers	2	5	29	71
All employees	116	56	67	33

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	Remuneration strategy	Remuneration framework
— Return on capital employed (ROCE) and total shareholder return (TSR). — Annual operating earnings before interest and tax. — Employee job performance and achievement of stretch goals aligned to strategic objectives.	— 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.	— 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)	Short-term incentive scheme (STI)	Performance Share Rights plan (PSR)	Restricted Share Rights Plan (RSR)
— 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%.	— A discretionary, at-risk incentive for salaried, permanent employees. — Company, team 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.	— Introduced in FY20 in place of the Long Term Incentive scheme, the PSR is a discretionary share plan for officers and employees (by invitation), with one, two and three-year vesting periods. — Reflects reward for delivery of results over the performance period. — The PSR performance hurdles consist of return on capital employed (ROCE) and total shareholder return (TSR), measured independently of each other over a one-year performance period. — Assists in employee retention objectives.	— Introduced in FY20 in place of the Employee Share Ownership Scheme, the RSR is a discretionary share rights plan that automatically vests after three years at no cost to the employee, as long as they are employed by Kiwi Property. At the time of vesting, the Company will issue or transfer to the employee one ordinary share for each vested RSR. — Provides our people with an opportunity to take an ownership stake in the business. — Assists in employee retention objectives.

Short term incentive (STI)

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

Measures may change year on year to drive business objectives and performance. Incentives are set around the market median on upper quartile 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.

Team performance

— Our executive employee's team performance portion is measured against the 'one team goals', which are aligned to strategy and approved by the Board for the performance measurement period.

— Other employees' team performance portion is measured against a 'plan on a page', which feeds into the 'one team goals'.

Individual performance

— Our executive team's individual performance is measured against the performance of their team's 'plan on a page'.

— Other employees' individual performance is measured against the goals approved by the employee's team manager.

— Each employee's individual performance measures are agreed with (as applicable) the Board, CEO or manager (the 'Employee's Manager'), in-line with the following principles:

- Measures will be quantifiable, objective and able to be measured by existing systems/reporting in the business, and
- All goals and performance indicators will be agreed at the start of the performance measurement period or as soon as reasonably practicable following the start of the period.

Remuneration report (continued)

Long term incentive (LTI) plan

Performance Share Rights plan

In FY20, the Company introduced a Performance Share Rights (PSR) plan to replace the legacy LTI scheme. PSR's, once vested and exercised, entitle the participant to receive shares in the Company. The participant is entitled to receive one share upon the valid exercise of each Vested Share Right they hold.

A grant vests proportionately over a three year period, whereby one-third of the PSR grant has a one year Vesting Period, one-third has a two year Vesting Period and one-third has a three year Vesting Period.

The vesting of PSR's is subject to the satisfaction of the component measures outlined in the table below, measured independently of each other.

The Company's officers and certain other employees may be invited to join the Company's PSR plan on an annual basis.

Component	LTI grant	Component measure
Return on capital employed	75%	— The Company's ROCE over the Performance Period must be greater than 96% of the target ROCE set by the Board for the Performance Period. — The ROCE target is set by the Board in conjunction with the budget approval process. ROCE is calculated as adjusted funds from operations divided by the weighted average contributed equity over the Performance Period. — If the ROCE outcome meets a certain percentage of the target (i.e. 96%), 50% this target component is eligible to vest. If 100% of the target is met, 100% of this target component is eligible to vest. — Vesting between 96% and 100% of the target will occur on a straight-line progression basis.
Relative TSR hurdle	25%	— 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. — 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. — There is a straight-line progression and apportionment between these two points.

Legacy LTI plan

The Company's legacy LTI plan has grants that remain subject to vesting. The final vesting date under the legacy plan is 31 March 2021. The hurdles for this scheme have been described in previous reports.

Relative weightings of remuneration components for officers

- Officers (as defined by the NZX Listing Rules) of the Company comprise the Chief Executive Officer, GM Asset Management, GM Development, GM Funds Management and Capital Markets, GM Income and Leasing, GM People and Communications, GM Finance and Shared Services and GM Property Investment.
- The total remuneration package for each of our officers comprises FAR, STI, PSR and RSR.
- 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 team performance	% of STI attributed to individual performance
Chief Executive Officer	60%	50%	25%	25%
Other officers	40%	50%	25%	25%

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

	LTI % of FAR
Chief Executive Officer	50%
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.

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Remuneration report (continued)

Remuneration outcomes for the year

Employee remuneration

During the reporting period, there were 86 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
100,000 – 110,000	8
110,001 – 120,000	8
120,001 – 130,000	7
130,001 – 140,000	9
140,001 – 150,000	2
150,001 – 160,000	5
160,001 – 170,000	3
170,001 – 180,000	2
180,001 – 190,000	3
190,001 – 200,000	2
200,001 – 210,000	5
210,001 – 220,000	1
220,001 – 230,000	1
230,001 – 240,000	2
240,001 – 250,000	2
250,001 – 260,000	3
260,001 – 270,000	3
270,001 – 280,000	1
290,001 – 300,000	1
300,001 – 310,000	1
310,001 – 320,000	2
320,001 – 330,000	3
350,001 – 360,000	2
380,001 – 390,000	2
390,001 – 400,000	2
410,001 – 420,000	1
440,001 – 450,000	1
460,001 – 470,000	1
530,001 – 540,000	1
830,001 – 840,000	1
1,000,0001 – 1,010,000	1
Total employees earning $100,000+	**86**
Employees included but no longer employed by Kiwi Property	**8**

LTI

Performance Share Rights that have been granted, vested or forfeited by participants (being the officers of the Company and other invited employees, but excluding the Chief Executive Officer) as at 31 March 2020 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 2019	31 March 2020	11	$921,798	694,921	-	Not yet applicable

Under the legacy LTI scheme, LTIs that have been granted, vested or forfeited by participants (being the officers of the Company and other invited employees, but excluding the Chief Executive Officer) as at 31 March 2020 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 2016	31 March 2019	12	$1,006,135	459,785	(459,785)	-
1 April 2017	31 March 2020	12	$1,148,713	556,610	(55,303)	Not yet applicable
1 April 2018	31 March 2021	14	$1,241,603	608,068	(44,753)	

Note 3.6.4 of the financial statements on pages 46 and 47 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 2020 includes salary, employer's contributions to KiwiSaver and the cost of providing insurance plans and sundry benefits, STI, PSR and RSR grants.

Clive's annual base salary as at 31 March 2020 was $680,000. The remuneration he received for the financial year comprised the following:

Base salary	KiwiSaver	Insurance	Fixed Annual Remuneration	STI payment	PSR grant	RSR grant
$680,000	$20,400	$18,033	$718,433	$287,442[1]	$572,178[2]	$1,164[3]

1. As Clive took up the role of CEO in July 2018 his STI potential was pro-rated for 9 months. The pro-rata value at 100% achievement was $284,315.
2. As disclosed in the previous report, Clive would be receiving a pro-rata LTI for the year ending 31 March 2019 in the current financial year. The value of the pro-rata grant was $212,962 and he was granted 160,547 PSR's. For the year ending 31 March 2020, the grant value was $359,216 he was granted 270,805 PSR's.
3. The RSR is a discretionary share rights plan that automatically vests after three years. Clive received 916 restricted share rights under this plan.

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. Following the appointment of Simon Shakesheff as an independent director on 1 November 2019, the directors' fee pool was subsequently increased, by operation of Listing Rule 2.11.3, to $834,000 plus GST (if any) per annum. This increase did not require shareholder approval, as it was made to enable the Company to pay the additional director remuneration not exceeding the average amount then being paid to each of the other independent directors (other than the Chair). Whilst there was an effective increase in the directors' fee pool, the allocation to each individual director did not change and remained in line with the table set out below:

During the year ended 31 March 2020, the Board allocated the directors' fee pool 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	6	$564,000
Chair of the Audit and Risk Committee	$20,000	1	$20,000
Audit and Risk Committee member	$11,500	3	$34,500
Chair of the Remuneration and Nominations Committee	$20,000	1	$20,000
Remuneration and Nominations Committee member	$11,500	2	$23,000
Total			**$834,000**

The fees paid to our directors during the year ended 31 March 2020 are outlined below:

Directors	Duties	Fees
Mary Jane Daly	Director Chair of the Audit and Risk Committee	$114,000
Richard Didsbury	Director Member of the Remuneration and Nominations Committee	$105,500
Mark Ford	Chair Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$172,500
Jane Freeman	Director Chair of the Remuneration and Nominations Committee	$114,000
Mark Powell	Director Member of the Audit and Risk Committee	$105,500
Mike Steur	Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$117,000
Simon Shakesheff[1]	Director Member of the Audit and Risk Committee	$43,958

1. Simon Shakesheff was appointed to the Board on 1 November 2019.

From 1 April 2020, 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	1	$11,500
Chair of the Remuneration and Nominations Committee	$20,000	1	$20,000
Remuneration and Nominations Committee member	$11,500	1	$11,500
Chair of Environmental, Social and Governance Committee member	$20,000	1	$20,000
Environmental, Social and Governance Committee member	$11,500	1	$11,500
Discretionary pool			$500
Total			**$737,500**

— Directors have taken a temporary 20% reduction in fees from 1 April 2020.

— Environmental, Social and Governance Committee established 1 April 2020.

— Mike Steur will retire from the Board at the Company's annual shareholder meeting on 29 June 2020 and until then will continue to be paid director's fees. The allocation of the total directors fees pool set out above does not include the fees payable to Mike Steur because he will retire from the Board part way through the 2021 financial year.

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 KPG40).

Further information about S&P Global Ratings' credit rating scale is available at www.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 the date of this annual report and may be subject to suspension, revision or withdrawal at any time by S&P Global Ratings.

Changes in the nature of the business

There were no changes to the nature of the Company's business during the year.

NZX waiver

During the year ended 31 March 2020 NZX did not grant and publish any waivers following an application by the Company and the Company did not rely on any NZX waivers.

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 2020 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 and sponsorship

During the year, the Company made no donations.

The Company is a longstanding corporate sponsor (currently $18,000 per annum) of Keystone Trust. Keystone is a charitable trust that assists tertiary students from disadvantaged backgrounds to further their education in property related fields.

Directors of the Company's subsidiaries

As at 31 March 2020, 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, Steve Cooper and Trevor Wairepo.

During the year to 31 March 2020, Stuart Tabuteau ceased to hold office as a director of the subsidiary companies and Steve Cooper was appointed as director 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 shareholder will be held as a virtual meeting on Monday, 29 June 2020.

Interest register entries

In accordance with section 211(1)(e) of the Companies Act 1993, listed below are details of the entries made in the Interests Register of the Company during the year, together with the existing entries as at 31 March 2020.

Name	Name of company/entity	Nature of interest
Mary Jane Daly	Airways Corporation of New Zealand Limited[2]	Deputy Chair
	Airways International Limited[2]	Director
	Auckland Transport	Director
	Cigna Life Insurance New Zealand Limited	Director
	Earthquake Commission	Deputy Chair
	Onepath Life (NZ) Limited[2]	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
	Commitee for Auckland[2]	Trustee
	NX2 Hold GP Limited (Northern Express consortium)	Chair
	SkyCity Entertainment Group Limited[2]	Director and Shareholder
Mark Ford	Dexus Property Group	Director
	Global Apartment Advisors Australia[1]	Consultant
	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	Director
Jane Freeman	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	Adjunct Professor
	Carey Baptist Theological College	Elected board member
	JB Hi-Fi Group Limited	Director
	Stihl Shop NZ	Advisory board member
	The Parenting Place[2]	Trustee
	Trinity Lands Limited	Director
	Venn Foundation NZ[2]	Chair
Simon Shakesheff	CBUS Property[1]	Director
	Assembly Funds Management[1]	Director
	Management Investment Committee of NSW TCorp (formerly NSW Treasury)[1]	Member
	SGCH[1]	Director
	SS & AR Pty Limited[1]	Director
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), listed below are the directors of the Company who had a relevant interest in quoted financial products of the Company as at 31 March 2020.

Director	Number of quoted financial products
Mark Powell	50,095 ordinary shares in the Company
Simon Shakesheff	26,000 ordinary shares in the Company
Mike Steur	200,000 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 2020

Twenty largest shareholders

shareholder	Number of shares	% of total issued shares
HSBC Nominees (New Zealand) Limited	155,418,176	9.91%
Accident Compensation Corporation	149,367,207	9.52%
Citibank Nominees (NZ) Limited	126,597,451	8.07%
HSBC Nominees (New Zealand) Limited	95,577,916	6.09%
JPMorgan Chase Bank	72,251,420	4.60%
Premier Nominees Limited	66,790,441	4.26%
Cogent Nominees Limited	59,444,253	3.79%
FNZ Custodians Limited	48,397,739	3.08%
Investment Custodial Services Limited	43,346,890	2.76%
Forsyth Barr Custodians Limited	41,679,527	2.66%
BNP Paribas Nominees NZ Limited <BPSS40>	41,156,279	2.62%
National Nominees New Zealand Limited	37,992,580	2.42%
New Zealand Depository Nominee Limited	34,293,086	2.19%
JBWere (NZ) Nominees Limited	33,392,587	2.13%
New Zealand Superannuation Fund Nominees Limted	31,431,013	2.00%
TEA Custodians Limited	26,445,815	1.69%
Premier Nominees Lmited <Armstrong Jones Property Securities Fund>	24,371,370	1.55%
NZ Permanent Trustees Limited <Group Investment Fund No 20>	21,545,706	1.37%
MFL Mutual Fund Limited	16,517,683	1.05%
Custodial Services Limited	15,338,481	0.98%
Total	**1,141,355,620**	**72.74%**
Total shares on issue	**1,569,087,532**	

Spread of shareholders

Size of holding	Number of holders	% of total holders	Number of shares	% of total issued shares
1–1,000	769	6.67%	377,132	0.02%
1,001–5,000	1,845	16.01%	5,666,434	0.36%
5,001–10,000	2,106	18.28%	16,028,120	1.02%
10,001–50,000	5,415	47.00%	124,195,673	7.92%
50,001–100,000	859	7.46%	58,573,006	3.73%
100,001 and over	527	4.57%	1,364,247,167	86.95%
Total	**11,521**	**100.00%**	**1,569,087,532**	**100.00%**

Bondholder statistics

AS AT 31 MARCH 2020

Twenty largest bondholders

Bondholder	Number of bonds	% of total issued bonds
FNZ Custodians Limited	41,503,000	8.74%
Forsyth Barr Custodians Limited <1 Custody>	36,843,000	7.76%
Custodial Services Limited <3>	34,618,000	7.29%
Custodial Services Limited <4>	33,434,500	7.04%
Citibank Nominees (NZ) Limited	27,345,000	5.76%
Custodial Services Limited <2>	23,688,500	4.99%
Investment Custodial Services Limited	21,218,000	4.47%
JPMorgan Chase Bank	19,875,000	4.18%
Cogent Nominees Limited	16,329,000	3.44%
Custodial Services Limited <1>	14,634,000	3.08%
HSBC Nominees (New Zealand) Limited	12,900,000	2.72%
Custodial Services Limited <18>	11,964,000	2.52%
JBWere (NZ) Nominees Limited	9,090,000	1.91%
New Zealand Permanent Trustees Limited <Group Investment Fund No 20>	8,780,000	1.85%
BNP Paribas Nominees NZ Limited <BPSS40>	7,475,000	1.57%
New Zealand Permanent Trustees Limited <NZPT44>	6,791,000	1.43%
TEA Custodians Limited	6,141,000	1.29%
FNZ Custodians Limited <DTA Non Resident>	5,826,000	1.23%
Custodial Services Limited <16>	5,813,000	1.22%
Forsyth Barr Custodians Limited <1 E>	5,196,000	1.09%
Total	**349,464,000**	**73.57%**
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	-	0.00%	-	0.00%
1,001–5,000	119	9.79%	595,000	0.48%
5,001–10,000	295	24.28%	2,825,000	2.26%
10,001–50,000	658	54.16%	18,040,000	14.43%
50,001–100,000	76	6.26%	6,409,000	5.13%
100,001 and over	67	5.51%	97,131,000	77.70%
Total	**1,215**	**100.00%**	**125,000,000**	**100.00%**

Bondholder statistics (continued)

AS AT 31 MARCH 2020

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	-	0.00%	-	0.00%
1,001–5,000	42	7.50%	210,000	0.17%
5,001–10,000	117	20.89%	1,137,000	0.91%
10,001–50,000	299	53.39%	8,680,000	6.94%
50,001–100,000	43	7.68%	3,722,000	2.98%
100,001 and over	59	10.54%	111,251,000	89.00%
Total	**560**	**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	0.19%	1,000	0.00%
1,001–5,000	38	7.25%	190,000	0.15%
5,001–10,000	105	20.04%	1,029,000	0.82%
10,001–50,000	278	53.05%	7,688,000	6.15%
50,001–100,000	41	7.82%	3,320,000	2.66%
100,001 and over	61	11.64%	112,772,000	90.22%
Total	**524**	**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	-	0.00%	-	0.00%
1,001–5,000	19	6.67%	95,000	0.10%
5,001–10,000	56	19.65%	552,000	0.55%
10,001–50,000	160	56.14%	4,020,000	4.02%
50,001–100,000	20	7.02%	1,702,000	1.70%
100,001 and over	30	10.53%	93,631,000	93.63%
Total	**285**	**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 2020. The total number of ordinary shares on issue at 31 March 2020 was 1,569,087,532.

Name	Number of shares held at date of notice	Date of notice
Accident Compensation Corporation	144,453,517	25-Mar-20
ANZ New Zealand Investments Limited [1,2]	119,795,933	2-Aug-19
Salt Funds Management Limited	79,553,486	15-Nov-19

1. 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 acquire or dispose of the financial products.
2. 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.

This annual report is dated 22 May 2020 and is signed on behalf of the Board by:

Mark Ford
Chair

Mary Jane Daly
Chair of the Audit and Risk Committee

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BANKERS

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Bank of New Zealand

China Construction Bank (New Zealand)

Commonwealth Bank of Australia

The Hongkong and Shanghai Banking Corporation

Westpac New Zealand

Kiwi Property

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