kiwi

kiwi property

20
19

interim report

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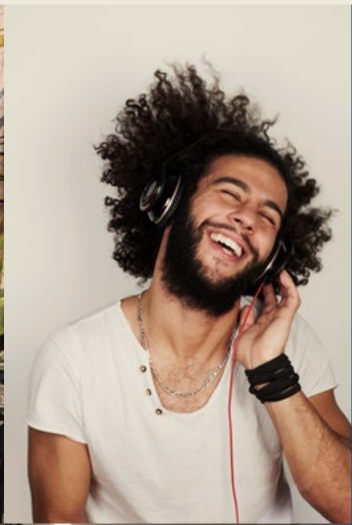

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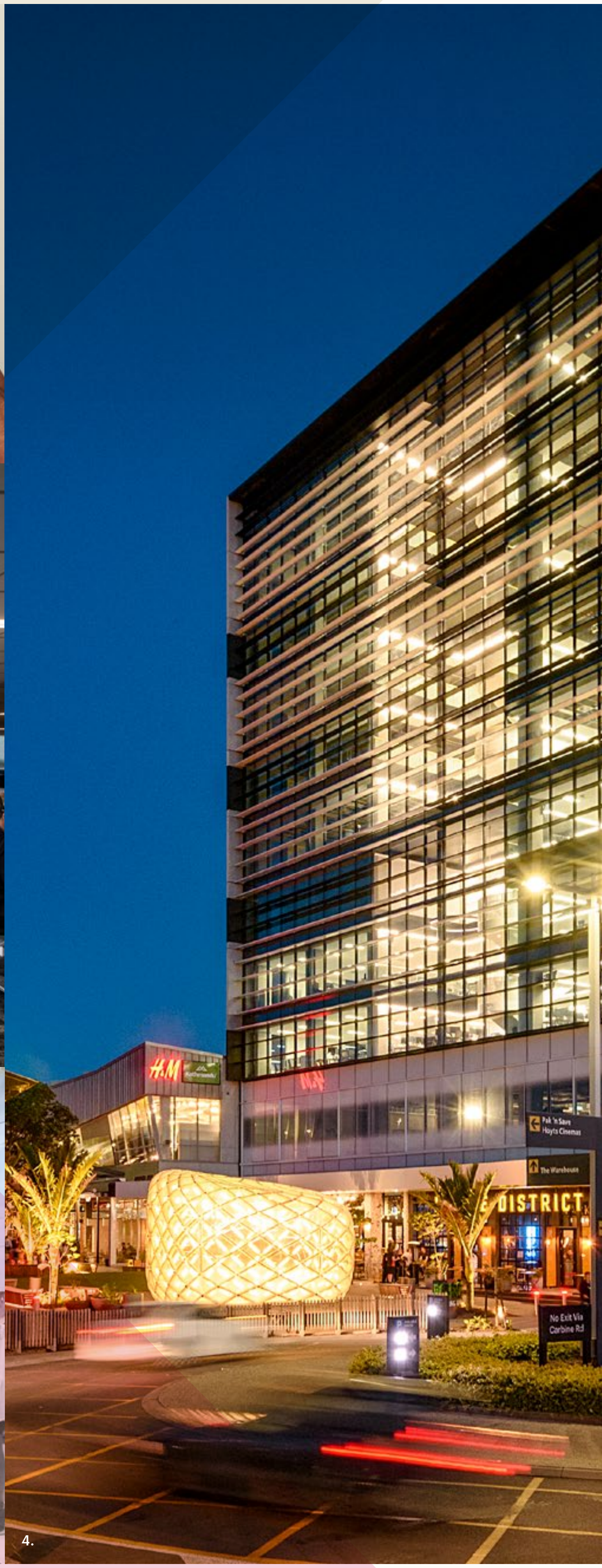
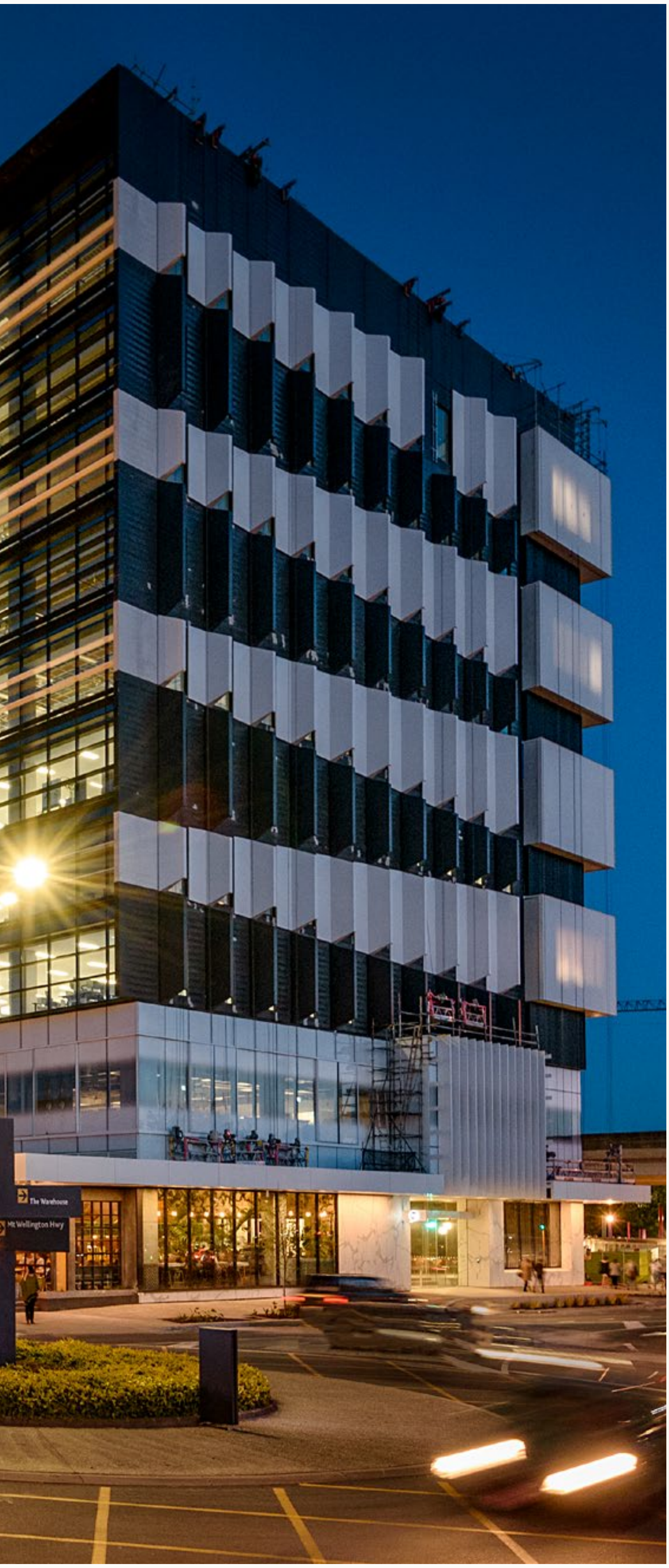


4.

1. Lobby at No.1 Sylvia Park
2. IAG tenancy at No.1 Sylvia Park
3. Sylvia Park Shopping Centre
4. No.1 Sylvia Park and The Grove Dining District



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KEY DATES[1]

19 December 2018
interim dividend payment to shareholders

KPG030 (2024 maturity) bond interest payment

20 February 2019
KPG010 (2021 maturity) bond interest payment

7 March 2019
KPG020 (2023 maturity) bond interest payment

31 March 2019
annual balance date

12 May 2019
KPG040 (2025 maturity) bond interest payment

20 May 2019
annual result announcement

20 June 2019
final dividend payment to shareholders

annual meeting of shareholders

This interim report is dated 16 November 2018 and is signed on behalf of the board by:

MARK FORD
CHAIR

MARY JANE DALY
CHAIR OF THE AUDIT AND RISK COMMITTEE

1. Dates are subject to change.

creating exceptional experiences

Welcome to Kiwi Property, the home of exceptional retail and workplace experiences.

We're New Zealand's largest listed property company, dedicated to curating experiences that connect people when they work, shop, relax and play.

By ensuring our assets remain attractive and in demand, we can provide our investors with a reliable investment in New Zealand property, while also contributing to a healthier planet and a prosperous New Zealand.

we are home to

170+ employees

6 shopping centres

2 lifestyle centres

4 office buildings

48 million shoppers annually

7,000+ workers in our office buildings

and we
contribute to

50+ community programmes

while committing to a
brighter New Zealand

over the past five years, our environmental programme has:

diverted **310 tonnes** of waste from landfill

reduced energy consumption by **4.48 million kWh**

produced a **40%** reduction in carbon emissions

reduced water consumption by **23.3 million litres**

and we have added:

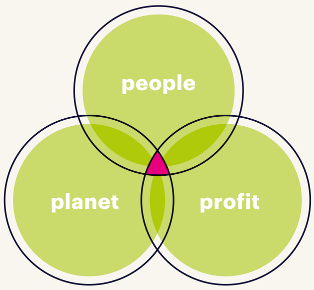
26 free electric vehicle charging stations

free water bottle filling stations

for our shopping centre customers

delivering results

We deliver for our stakeholders by taking a holistic approach to investment management, focusing on people, planet and profit.



people

We're passionate about creating a team of exceptional people who are well cared for and who are empowered to deliver outstanding outcomes for our stakeholders.

planet

Our sustainability programme has been in place for more than 15 years and is aimed at creating better environmental outcomes whilst optimising asset performance.

profit

When you create exceptional experiences, you create assets that are in demand, resilient and perform strongly through market cycles.

The following page highlights some of our key achievements from the first six months of the 2019 financial year.

interim period highlights

people

Be. Accessible rated

all our shopping centres have been awarded Gold, Silver or Bronze ratings for accessibility

scholarship programme

we awarded our inaugural Māori and Pasifika scholarship to help build a new generation of property experts

diversity and inclusion

36% of key management personnel positions are held by women, up from 25% at the beginning of 2018

workplace of the future

all employees in our new corporate workplace are mobile-enabled and our less-paper environment has reduced paper consumption by 42%

---

planet

A- rating

achieved in the Carbon Disclosure Project – the highest rating of any New Zealand listed entity for the third consecutive year

4.0 ESG rating (out of 5)

FTSE4Good rating

ranked second in the international real estate sub-sector

5.5 stars (out of 6)

NABERSNZ Energy rating achieved for The Aurora Centre, Wellington, which was redeveloped from 2014 to 2016

10,000 plastic bottles recycled

into five sculpture families to encourage people to follow our lead in recycling

---

profit

profit after tax
$48.3m
Sep-17: $47.9m

funds from operations[1]
$52.3m
Sep-17: $54.2m

net rental income[1]
$89.9m
Sep-17: $95.1m

gearing
29.4%
Mar-18: 29.7%

property portfolio value[1]
$3.0b
Mar-18: $3.1b

weighted average lease term
5.4 years
Mar-18: 5.3 years

portfolio occupancy
99.3%
Mar-18: 99.6%

retail sales
$1.7b
Sep-17: $1.6b

1. Decrease reflects asset sales.

letter from the chair

dear shareholders

Welcome to Kiwi Property's 2019 interim report.

We've had a productive start to the financial year, progressing the Company's development pipeline and strengthening our portfolio to provide a greater exposure to New Zealand's economic powerhouse, Auckland. As always, we have remained focused on our objective of providing investors with a reliable investment in property and have delivered long-term total returns of 9.3% per annum for our shareholders, above our 9% target.

In step with our portfolio rebalancing programme, which has resulted in the divestment of a number of non-core assets and therefore a reduction in rental income, we recorded pre-tax funds from operations per share growth of -5.1% for the period, below our 2% target.

Notwithstanding, I am pleased to confirm an interim dividend of 3.475 cents per share, an increase of 1.5% on the prior corresponding period.

evolving Kiwi Property

Kiwi Property continues to evolve in step with market demand, albeit we have never wavered from our priority of providing our investors with reliable returns from an investment in New Zealand property.

We continue to hold a bias in our investment strategy to owning assets in Auckland, due to its prospects for superior economic growth. We favour retail assets that dominate their catchment, in particular those offering mixed-use development opportunities, along with landmark office assets in Auckland that attract high-quality tenants on stable, long-term leases and office buildings in Wellington that attract long-term government tenants.

We increasingly see the importance of developing and owning complementary mixed-use communities, such as those we are bringing to life at our iconic asset Sylvia Park, and the vision we have for our undeveloped land holdings at Drury, in Auckland's south. Large land holdings, zoned appropriately, can accommodate a variety of property uses.

In July, we welcomed Clive Mackenzie as the Company's new Chief Executive Officer. Clive has extensive experience in retail and mixed-use property development in New Zealand and the United States. The board looks forward to working with Clive and the management team to review, evolve and implement our strategy with a view to evolving and strengthening the Company into a new phase of growth and opportunity, while leveraging the Company's core capabilities to deliver for our shareholders.

In his role as Chief Executive Officer, Clive is responsible for the leadership, strategic direction and management of the Company. He provides an update on the first six months of the 2019 financial year from page 8 of this report.

your board

At our annual meeting held in June, shareholders voted in favour of the re-election of independent directors Mike Steur and Jane Freeman and voted in favour of the election of Mark Powell, who joined the board in October 2017. As a result, the board of Kiwi Property continues to comprise a 100% majority of independent directors possessing a diverse range of skills.

people, planet, profit

In December, we will celebrate the 25th anniversary of Kiwi Property listing on the New Zealand Stock Exchange. Those 25 years have been marked by the development of a strong and capable management team, consistent shareholder returns, assiduous improvements in asset quality and a track record of building towards a brighter New Zealand, highlighted in part by our position as the top ranked New Zealand company in the Carbon Disclosure Project and our sector-leading FTSE4Good rating, which measures the performance of companies demonstrating strong environmental, social and governance (ESG) practices.

We have also maintained a steadfast commitment to ESG matters, which we refer to as our focus on 'people, planet, profit', a commitment that assists us to meet our investment objectives while building a resilient business.

conclusion

Kiwi Property is an outstanding company, built by a team of professionals committed to delivering exceptional experiences for New Zealanders.

While the rebalancing of our portfolio has predictably resulted in reduced income in the short term, due to asset sales, we have delivered on the strategic imperative we set ourselves to increase the Company's exposure to key assets in our preferred markets. These asset sales have enabled us to pay down debt and reduce our interest expense, while creating balance sheet flexibility to fund our development pipeline and pursue other value-added initiatives that should benefit shareholders in the longer term.

Looking ahead, we continue to project the cash dividend for the year ending 31 March 2019 to be 6.95 cents per share, up from 6.85 cents per share for the prior year.

I take this opportunity to thank the entire team at Kiwi Property for their commitment to a job well done.

On behalf of the board, I also wish to pass on my thanks to our investors and stakeholders for your continued support. I look forward to updating you again on our progress in 2019.

MARK FORD
CHAIR

chief executive officer's report

In my first update to you as Chief Executive Officer, it is my pleasure to report that the Company is in excellent shape. Kiwi Property is a formidable business with a strategy and culture that focuses our people on delivering excellence.

As noted by the Chair, over the past several years, we have been actively rebalancing the composition of our property portfolio in favour of greater exposure to Auckland, the nation's largest and fastest growing economy. The execution of this strategy has led to the successful sale of non-core assets, including The Majestic Centre office building in Wellington in December 2017, and the sale of North City Shopping Centre in Porirua in July this year.

While these sales have resulted in lower rental revenue in the short term, we have continued to grow our dividends to shareholders and placed ourselves in an even stronger position to pursue growth opportunities for long-term benefit.

Our rebalancing programme is almost complete, leaving the portfolio positioned strongly. Our portfolio weighting to Auckland now sits at 69%.

Our retail and office assets continue to have low vacancies and are supported by a high-quality tenant mix. Our balance sheet is robust, and we are well positioned to deliver new value through the execution of the developments we currently have under way (including at Sylvia Park and Northlands) and future potential developments at our recently acquired land at Drury.

As ever, we are focused on creating spaces where Kiwis want to be – a focus that provides us with opportunities to attract high-quality tenants, grow revenues, build resilient investment returns and create better experiences for our tenants and customers.

sound financial result

In the six months to 30 September 2018, Kiwi Property recorded a net profit after tax[1] of $48.3 million, up from $47.9 million in the prior corresponding period.

Funds from Operations (FFO)[2], our measure of operating performance, was $52.3 million, down from $54.2 million. This reflects the loss of income following the sale of The Majestic Centre and North City, together with reduced rental income from the Vero Centre and Sylvia Park.

At the Vero Centre, we held a number of vacancies to temporarily accommodate anchor tenants, Russell McVeagh and Suncorp, while we retrofitted their existing office tenancies in support of long-term lease renewals. At Sylvia Park, Countdown did not renew its lease when it expired in June 2018. However, post the period, we were delighted to announce that customer favourite Kmart will be coming to Sylvia Park and will commence a lease in this space from mid-2019.

Like-for-like rental income growth across the balance of the portfolio was positive, underpinned by the predominance of fixed and CPI-related rent reviews across our portfolio. Rent reviews completed in the current period resulted in an uplift of 3.2% over prior passing rents.

It is worth noting that, since March 2018, we have executed 10 new lease agreements at the Vero Centre for 5,000 sqm of space, with combined weighted average lease terms of 7.6 years. The new lease agreements, which will begin progressively through to June 2019, reflect an average rental uplift of 7.7% on prior passing rentals.

growth in dividends

As mentioned by the Chair, shareholders will receive an interim cash dividend for the six months ended 30 September 2018 of 3.475 cents per share, up 1.5% from the prior comparable period and in line with guidance. The dividend will be paid on 19 December 2018.

The board has confirmed that the Dividend Reinvestment Plan will be available to eligible shareholders for the period. No discount will be applied to the price at which the shares are issued.

robust balance sheet and capital management

Our balance sheet remains strong, with conservative gearing and diversified sources of debt.

Our property portfolio was valued at $3.0 billion (Mar-18: $3.1 billion), reflecting the 31 March 2018 values, together with capital expenditure incurred over the period, predominantly development spend at Sylvia Park and Northlands, offset by the sale of North City. Our gearing ratio was 29.4% (Mar-18: 29.7%), reflecting that the proceeds from the sale of North City have been offset by value-adding investment activities within our investment portfolio.

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 and with International Financial Reporting Standards. The reported profit information has been extracted from the interim financial statements which have been the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410. GAAP is a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements.

2. FFO is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is a measure commonly used by real estate entities to describe their underlying and recurring earnings from operations. FFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. FFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia (the Guidelines). During the Company's 2018 financial year, the Guidelines amended the method used to derive FFO and Adjusted Funds from Operations (AFFO) to include the amortisation of leasing fees and gross leasing fees paid. Kiwi Property has amended its current period FFO and AFFO calculation to reflect this change. The reported FFO information has been extracted from the Company's interim financial statements which have been the subject of a review by an Independent Auditor pursuant to the External Reporting Board's New Zealand Standard on Review Engagements 2410.

During the period, we extended $165 million of existing bank debt facilities across several lenders. We closed the reporting period with a weighted average term to maturity on our finance debt facilities of 3.3 years and a weighted average cost of finance debt of 4.97%.

Post the period, we further diversified our sources of debt funding by completing our fourth bond issue, raising $100 million through the issue of seven-year fixed-rate senior secured bonds paying a coupon of 4.06% per annum. The proceeds have initially been used to repay bank debt, resulting in the cancellation of $92 million of short-dated bank debt facilities.

strategy execution

A significant focus of our investment strategy is to create a strong, underlying property investment portfolio while creating future investment value and growth opportunities.

development activity

Our development pipeline continues to play a major role in value creation, with $140 million of projects nearing completion and a further $245 million under way. This includes our new office tower at No.1 Sylvia Park (leased to IAG and ANZ), Sylvia Park's Galleria expansion, a new central carpark and the conversion of the old Countdown store into premises for customer favourite Kmart. The new food and entertainment precinct we are delivering at Northlands, Langdons Quarter, rounds out our current development projects.

No.1 Sylvia Park

During the period, we progressed construction of the $80 million office tower at No.1 Sylvia Park and welcomed the tower's first tenant, IAG, to its new home. We also secured ANZ Bank New Zealand (through its wholly-owned subsidiary Arawata Assets Limited) on a nine-year lease over 6,740 sqm of space in the tower, with the lease to commence in stages between June and December 2019. ANZ has also secured exclusive naming and signage rights to Sylvia Park's first ever office tower, which forms part of our plan to build a world-class mixed-use centre. The building completed at the end of October 2018.

No.1 Sylvia Park has been designed to integrate seamlessly with the retail centre and the new The Grove Dining District, which opened in December 2017. With a dedicated entrance, it offers businesses a truly unique and high-quality working environment in an easily accessible location with excellent rail and bus transport links, allowing staff to take advantage of the extensive range of amenities and services at the centre. Once ANZ takes occupation, there will be over 1,000 office workers occupying the building each day who will support mid-week trading at the centre.

The combined economic benefits we are able to draw from the mixed-use nature of Sylvia Park – our first true mixed-use asset – reflects a part of our investment strategy that we will continue to evolve.

In addition to the leasing success we have secured at No.1 Sylvia Park, we have received unsolicited interest for additional office product of this type. We continue to evaluate opportunities to further strengthen the mixed-use nature of Sylvia Park, which has additional long-term development capacity.

galleria

Construction commenced on the second-level Galleria project in March 2018, with completion due in mid-2020. Our retail leasing team is in discussions with a number of international and domestic brands to secure their Sylvia Park entry in the 18,000 sqm expansion. As we have previously reported, we are thrilled to have secured Farmers to anchor the project with a new department store.

central carpark

Sylvia Park's new central carpark is expected to open on time and on budget in November 2018, providing an additional 600 carpark spaces for our shoppers.

Kmart

Post the period, we began work on creating a new store for Kmart, which will take up residence in the space formerly occupied by Countdown at Sylvia Park. Kmart is an outstanding addition to our retail line-up. They have proven time and again that they are prepared to listen to their customers and give them exciting new products and experiences for the right price. This is exactly the type of retailer we want at Sylvia Park and augurs well for our Galleria leasing as we look to provide our customers with outstanding retail experiences. Kmart is expected to commence trading in mid-2019.

Langdons Quarter

Outside of Auckland, we are nearing completion of our Langdons Quarter development at Northlands in Christchurch. The updated, modernised dining precinct, which features 14 great food offers, is expected to open from late November 2018. Earlier in the year, HOYTS unveiled its modernised cinema offer at Northlands.

transactions

During the period, we settled the $100 million sale of North City, Porirua. The shopping centre had long been identified as a non-core asset in the portfolio, and the proceeds are assisting to fund the development projects we have under way.

Post the period, we also settled the $9 million purchase of the final land parcel that makes up our Drury holdings in South Auckland. Altogether, our Drury holdings now comprise 51 hectares of undeveloped land.

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

property portfolio performance

We have continued to take an active management approach across both our retail and office assets.

retail portfolio performance

Our leasing team executed 368 new static centre leases or rent reviews across 91,300 sqm of space in the current six-month period, resulting in a 3.5% uplift over prior passing rents.

Our retail portfolio ended the period 99.9% occupied, with a weighted average lease term of 3.8 years.

Total retail sales for the 12 months ended 30 September 2018 grew by 2.4% (2.7% like-for-like) to $1.7 billion, while attracting more than 48 million shopper visits.

Positive like-for-like sales growth of between 2.5% and 7.0% were delivered at all our centres, with the exception of Northlands, where sales have been impacted by our development activity and increased competition in the city.

Our continued focus on improving our experiential offer for customers continues to reap rewards, with strong category performances from cinemas (+8.8%), wellbeing (+3.3%), mini-majors (+4.8%) and commercial services (predominantly mobile phone providers and travel services) (+8.6%).

office portfolio performance

With long-term leases of between 12 and 18 years over almost all office space in three of our office buildings (ASB North Wharf, The Aurora Centre and 44 The Terrace), together with recent leasing at the Vero Centre, the office portfolio's weighted average lease term is strong at 10 years – providing long-term security of income for our shareholders.

Overall office portfolio occupancy sits at 97.6%, impacted by the vacancies we held at the Vero Centre to accommodate our lease renewals with key anchor tenants, Russell McVeagh and Suncorp. Our forward focus will be on continuing our leasing momentum and concluding new leases over the 2,200 sqm of remaining vacant space.

creating exceptional experiences

Our retail assets contribute 74% of our total rental income revenue and represent 68% of our total portfolio value. Ensuring we create vibrant, in-demand centres where Kiwis can connect is paramount to our investment success.

Our Activate team performs two critical functions within our retail business, which are to drive additional rental revenue through casual mall leasing while keeping our centres fresh and exciting through pop-up stores and in-mall retail and community activations.

During the period, Activate generated $2.63 million of like-for-like rental revenue from over 340 in-centre activations, up from $2.55 million in the prior comparable period. These activations included exciting entertainment from Weber Circus, Nintendo Games and family movies, experiential brand campaigns such as the Primo Flavour Lab and Cadbury Easter Egg hunt, car activations from Maserati, Tesla, Alfa Romeo and Jaguar and a number of food brand activations where customers could sample the latest offering. In addition, many charity activations were run in support of our local communities.

Our retail marketing team forms another critical function in delivering exceptional experiences for our shoppers. During the period, the team launched several initiatives that not only injected exciting new energy and points of interest to our centres, but also assisted in our strategy to build customer loyalty and strengthen community relations:

- We revealed 'The Greens' – a major waste reduction campaign that encouraged shoppers to rethink their waste habits to prevent unnecessary waste being sent to landfill. The Greens are five 'families' made from more than 10,000 plastic bottles recycled from our centres. The families appeared at Sylvia Park, LynnMall, Centre Place, The Plaza and Northlands to take our recycling message to a new level. In five years,[3] we have diverted 310 tonnes of waste annually from landfill across our portfolio of shopping centres and office buildings – enough to fill 507 jumbo bins weighing the equivalent of a 747 aeroplane – resulting in a reduction of 137 tonnes of CO_2e per annum. The Greens provided an educational experience for local communities to engage in recycling and reducing waste.
- We installed free water bottle filling stations at each of our shopping centres in an initiative aimed at reducing the consumption of single-use plastic bottles. We are delighted with the usage of these stations, with over 17,800 refills already having been made in the first three months since installation.
- We are sponsoring TVNZ 2's *Project Runway New Zealand.* Kiwi Property shopping centres are supplying the outfit-completing shoes, hats, jewellery and bags available for the designers on the famous 'accessory wall', which is a mainstay of the popular *Project Runway* series internationally.

Our office assets contribute 24% of our total rental income revenue and represent 28% of our total portfolio value. We are committed to creating office environments where people love to work. This is as true for our tenants as it is for our own people.

During the period, we transitioned Kiwi Property to a new head office location on level 7 of our own Vero Centre in Auckland. The relocation allowed us to rethink how we work as a business and to solidify our business goals to increase productivity, flexibility and collaboration. It also allowed us to pursue a less-paper workplace through improved technology. Significantly, by tenanting a building we own, we have the advantage of being able to 'live' in the same environment as our tenants, ensuring we can continue to provide a best-in-class offer.

outlook

The New Zealand economy continues to grow. Retail sales growth remains positive, while investment market conditions remain supportive.

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

For the balance of the 2019 financial year, we will continue to optimise the performance of our portfolio by seeking to improve our tenant and customer experiences. We will be especially focused on completing and advancing development projects under way at Sylvia Park and Northlands and progressing our long-term vision for our Drury landholdings.

Thank you for your continued support of Kiwi Property.

CLIVE MACKENZIE
CHIEF EXECUTIVE OFFICER

3. For the five years ended 31 December 2017.

1.


2.


3.


1. The Grove Dining District, Sylvia Park
2, 3. IAG tenancy at No.1 Sylvia Park

interim financial statements

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consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	**6 months 30 Sep 18 $000**	6 months 30 Sep 17 $000
Income			
Property revenue		**116,920**	123,073
Property management income		**1,025**	861
Interest and other income		**104**	161
Gain on disposal of investment properties		**628**	-
Total income		**118,677**	124,095
Expenses			
Direct property expenses		**(27,022)**	(28,001)
Interest and finance charges		**(18,405)**	(22,386)
Employment and administration expenses		**(11,097)**	(10,123)
Net fair value loss on interest rate derivatives	3.2.2	**(2,929)**	(1,891)
Total expenses		**(59,453)**	(62,401)
Profit before income tax		**59,224**	61,694
Income tax expense	2.1	**(10,940)**	(13,837)
Profit and total comprehensive income after income tax attributable to shareholders		**48,284**	47,857
Basic and diluted earnings per share (cents)	2.2	**3.39**	3.53

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

consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
Balance at 31 March 2017	1,272,622	365	533,046	1,806,033
Profit after income tax	-	-	47,857	47,857
Dividends paid	-	-	(43,856)	(43,856)
Long-term incentive plan	(478)	(70)	28	(520)
Shares issued – entitlement offer	156,962	-	-	156,962
Balance at 30 September 2017	1,429,106	295	537,075	1,966,476
Balance at 31 March 2018	**1,432,936**	**401**	**560,777**	**1,994,114**
Profit after income tax	**-**	**-**	**48,284**	**48,284**
Dividends paid	**-**	**-**	**(48,651)**	**(48,651)**
Dividends reinvested	**12,139**	**-**	**-**	**12,139**
Long-term incentive plan	**(144)**	**(55)**	**34**	**(165)**
Balance at 30 September 2018	**1,444,931**	**346**	**560,444**	**2,005,721**

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

consolidated statement of financial position

AS AT 30 SEPTEMBER 2018

	Note	**30 Sep 18 $000**	31 Mar 18 $000
Current assets			
Cash and cash equivalents		**11,203**	10,697
Trade and other receivables		**15,122**	14,261
		26,325	24,958
Non-current assets			
Investment properties	3.1	**3,039,081**	3,051,964
Property, plant and equipment		**4,874**	3,764
Interest rate derivatives	3.2.2	**80**	658
Deferred tax assets		**4,627**	4,114
		3,048,662	3,060,500
Total assets		**3,074,987**	3,085,458
Current liabilities			
Trade and other payables		**53,922**	57,430
Income tax payable		**6,286**	9,290
Interest rate derivatives	3.2.2	**247**	627
		60,455	67,347
Non-current liabilities			
Interest bearing liabilities	3.2.1	**900,891**	913,502
Interest rate derivatives	3.2.2	**16,359**	14,725
Deferred tax liabilities		**91,561**	95,770
		1,008,811	1,023,997
Total liabilities		**1,069,266**	1,091,344
Equity			
Share capital		**1,444,931**	1,432,936
Share-based payments reserve		**346**	401
Retained earnings		**560,444**	560,777
Total equity		**2,005,721**	1,994,114
Total equity and liabilities		**3,074,987**	3,085,458

For and on behalf of the board, who authorised these financial statements for issue on 16 November 2018.

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 SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	**6 months 30 Sep 18 $000**	6 months 30 Sep 17 $000
Cash flows from operating activities			
Property revenue		**117,270**	119,664
Property management income		**1,009**	791
Interest and other income		**148**	161
Direct property expenses		**(24,149)**	(24,264)
Interest and finance charges		**(18,148)**	(22,744)
Employment and administration expenses		**(11,642)**	(10,205)
Income tax expense		**(18,665)**	(15,821)
Goods and Services Tax paid		**(1,278)**	(496)
Net cash flows from operating activities		**44,545**	47,086
Cash flows from investing activities			
Proceeds from disposal of investment properties		**100,260**	-
Acquisition of investment properties		**(830)**	(30,290)
Expenditure on investment properties		**(86,817)**	(58,074)
Interest and finance charges capitalised to investment properties		**(4,244)**	(1,075)
Acquisition of property, plant and equipment		**(1,505)**	(224)
Net cash flows from/(used in) investing activities		**6,864**	(89,663)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	156,962
Own shares acquired for long-term incentive plan		**(329)**	(633)
Repayment of bank loans		**(13,000)**	(71,500)
Settlement of interest rate derivatives	3.2.2	**(1,097)**	-
Dividends paid		**(36,477)**	(43,828)
Net cash flows from/(used in) financing activities		**(50,903)**	41,001
Net increase/(decrease) in cash and cash equivalents		**506**	(1,576)
Cash and cash equivalents at the beginning of the period		**10,697**	9,772
Cash and cash equivalents at the end of the period		**11,203**	8,196

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

notes to the consolidated financial statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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1. general information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1.1 reporting entity

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

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

1.2 basis of preparation

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the financial statements and related notes in the 2018 annual report.

The interim financial statements for the six months ended 30 September 2018 are unaudited. Comparative balances for 30 September 2017 are unaudited, whilst the comparative balances for the year ended 31 March 2018 are audited.

The financial statements are prepared on the basis of historical cost, except where otherwise identified. The functional and reporting 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 disposal

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

1.4 new standards, amendments and interpretations

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

1.5 key judgements and estimates

Critical judgements, estimates and assumptions are outlined throughout these interim financial statements and in the 2018 annual report.

1.6 accounting policies

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the 2018 annual report.

2. profit and loss information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

2.1 tax expense

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

	6 months 30 Sep 18 $000	6 months 30 Sep 17 $000
Profit before income tax	**59,224**	61,694
Prima facie income tax expense at 28%	**(16,583)**	(17,274)
Adjusted for:		
Net fair value loss on interest rate derivatives	**(513)**	(529)
Gain on disposal of investment properties	**176**	-
Depreciation	**3,281**	3,562
Depreciation recovered on disposal of investment properties	**(4,539)**	-
Deferred leasing costs	**307**	530
Deductible capitalised expenditure	**1,228**	378
Prior year adjustment	**-**	1,317
Other	**982**	(128)
Current tax expense	**(15,661)**	(12,144)
Depreciation recoverable	**5,233**	(2,353)
Net fair value loss on interest rate derivatives	**513**	529
Deferred leasing costs and other temporary differences	**(1,025)**	131
Deferred tax benefit/(expense)	**4,721**	(1,693)
Income tax expense reported in profit	**(10,940)**	(13,837)
Imputation credits available for use in subsequent periods	**15,689**	12,123

key estimates and assumptions: income tax

depreciation recovered on the PricewaterhouseCoopers Centre (PwC Centre), Christchurch

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

Following the earthquakes, the Government introduced legislation that provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance income will be used to acquire or develop replacement property in the Canterbury region. The legislation required that the replacement property be available for use by 31 March 2019. As at 30 September 2018, the Group continues to qualify for this relief and a deferred tax liability of $4.2 million continues to be provided.

In August 2018, the Minister of Revenue announced that the Government will extend the depreciation rollover relief relating to the Canterbury earthquakes for a further five years through to 31 March 2024. The legislation is currently going through the Parliamentary approval process. It is anticipated that the replacement property currently expected to be developed by the Group in the Canterbury region will not be available for use by 31 March 2019, therefore, should the legislation not be passed, the deferred tax liability will crystallise into a current tax liability in the 2019 financial year.

2.2 earnings per share

	6 months 30 Sep 18	6 months 30 Sep 17
Total comprehensive income after income tax attributable to shareholders ($000)	**48,284**	47,857
Weighted average number of shares (000)	**1,425,451**	1,354,305
Basic and diluted earnings per share (cents)	**3.39**	3.53

3. financial position information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

3.1 investment properties

Investment properties held by the Group are as follows:

	Valuation 31 Mar 18 $000	**Capital movements $000**	**Book value 30 Sep 18 $000**
Retail			
Sylvia Park	835,000	**56,923**	**891,923**
Sylvia Park Lifestyle	74,000	**12**	**74,012**
LynnMall	274,000	**5,420**	**279,420**
Westgate Lifestyle	90,000	**13**	**90,013**
The Base[1]	202,500	**995**	**203,495**
Centre Place – North	59,000	**572**	**59,572**
The Plaza	207,000	**2,489**	**209,489**
North City	99,150	**(99,150)**	**-**
Northlands	240,000	**11,948**	**251,948**
	2,080,650	**(20,778)**	**2,059,872**
Office			
Vero Centre	420,000	**5,208**	**425,208**
ASB North Wharf	209,000	**530**	**209,530**
The Aurora Centre	152,250	**(126)**	**152,124**
44 The Terrace	49,900	**(169)**	**49,731**
	831,150	**5,443**	**836,593**
Other			
Other properties	93,064	**946**	**94,010**
Development land	47,100	**1,506**	**48,606**
	140,164	**2,452**	**142,616**
Investment properties	3,051,964	**(12,883)**	**3,039,081**

1. Represents the Group's 50% ownership interest.

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

	6 months 30 Sep 18 $000	12 months 31 Mar 18 $000
Balance at the beginning of the period	**3,051,964**	2,969,365
Capital movements:		
Acquisitions	**-**	59,828
Disposal of The Majestic Centre	**-**	(128,373)
Disposal of North City (refer to Note 1.3)	**(98,993)**	-
Disposal of other properties	**(639)**	-
Capitalised costs (including fees and incentives)	**85,840**	128,882
Capitalised interest and finance charges	**4,244**	3,755
Amortisation of lease incentives, fees and fixed rental income	**(3,335)**	(8,021)
	(12,883)	56,071
Net fair value gain on investment properties	**-**	26,528
Balance at the end of the period	**3,039,081**	3,051,964

key estimates and assumptions: investment properties

valuation process

All investment properties are presented at their 31 March 2018 independent valuations, adjusted for capital expenditure over the period as appropriate.

3.2 funding

3.2.1 interest bearing liabilities

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

	30 Sep 18 $000	31 Mar 18 $000
Bank loans – total facilities	**917,000**	917,000
Bank loans – undrawn facilities	**(390,000)**	(377,000)
Bank loans – drawn facilities	**527,000**	540,000
Fixed-rate bonds – Aug-21 (KPG010)	**125,000**	125,000
Fixed-rate bonds – Sep-23 (KPG020)	**125,000**	125,000
Fixed-rate bonds – Dec-24 (KPG030)	**125,000**	125,000
Unamortised capitalised costs on fixed-rate bonds	**(1,109)**	(1,498)
Interest bearing liabilities	**900,891**	913,502

Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**4.97%**	4.99%
Weighted average term to maturity for the combined facilities	**3.3 years**	3.6 years

bank loans

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

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

security

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

3.2.2 interest rate derivatives

The Group is exposed to changes in interest rates and uses interest rate derivatives to mitigate these risks by exchanging floating-rate interest obligations for fixed-rate interest obligations (commonly referred to as interest rate swaps).

The following tables provide details of the fair values, notional values, term and interest rates of the Group's interest rate derivatives.

	30 Sep 18 $000	31 Mar 18 $000
Interest rate derivative assets – non-current	**80**	658
Interest rate derivative liabilities – current	**(247)**	(627)
Interest rate derivative liabilities – non-current	**(16,359)**	(14,725)
Net fair values of interest rate derivatives	**(16,526)**	(14,694)

In conjunction with the disposal of North City (refer to Note 1.3), interest rate swaps with a face value of $20 million were closed out during the period for a payment of $1.1 million. The fair value change to the remaining interest rate derivatives for the period was a loss of $2.9 million. The difference between these two amounts represents the movement in the net interest rate derivative liabilities from 31 March 2018 to 30 September 2018.

	30 Sep 18 $000	31 Mar 18 $000
Notional value of interest rate derivatives – active	**360,000**	385,000
Notional value of interest rate derivatives – forward starting	**170,000**	140,000
Notional values	**530,000**	525,000

Weighted average term to maturity – active	**3.3 years**	2.3 years
Weighted average term to maturity – forward starting	**6.0 years**	4.9 years
Weighted average term to maturity	**4.2 years**	2.9 years

Weighted average interest rate – active[1]	**3.76%**	3.80%
Weighted average interest rate – forward starting[1]	**2.96%**	3.56%
Weighted average interest rate[1]	**3.50%**	3.74%

1. Excluding fees and margins.

key estimate: fair value of interest rate derivatives

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisers using valuation techniques classified as Level 2 in the fair value hierarchy (31 March 2018: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. These values are verified against valuations prepared by the respective counterparties. The valuations were based on market rates at 30 September 2018 of between 1.91% for the 90-day BKBM and 2.90% for the 10-year swap rate (31 March 2018: 1.96% and 3.06%, respectively).

4. other information

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

4.1 segment information

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

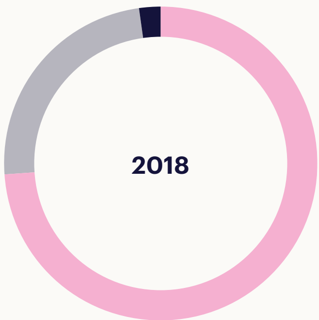
Operating segments have been determined based on the reports reviewed by the CEO to assess performance, allocate resources and make strategic decisions.

The Group's primary assets are investment properties. Segment information regarding investment properties is provided in Note 3.1.

The Group operates in New Zealand only.

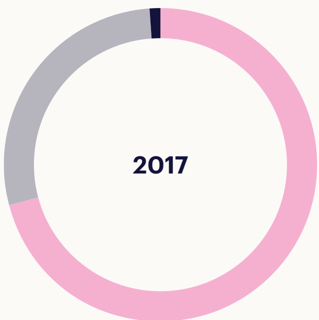
The following is an analysis of the Group's profit by reportable segments:

SIX MONTHS ENDED 30 SEPTEMBER	Retail $000	Office $000	Other $000	Total $000
2018				
Property revenue	**85,878**	**28,436**	**2,606**	**116,920**
Less: straight-lining of fixed rental increases	**(274)**	**(1,060)**	**(70)**	**(1,404)**
Less: direct property expenses	**(20,506)**	**(5,829)**	**(687)**	**(27,022)**
Segment profit	**65,098**	**21,547**	**1,849**	**88,494**
2017				
Property revenue	85,717	35,443	1,913	123,073
Less: straight-lining of fixed rental increases	1,349	(1,721)	27	(345)
Less: direct property expenses	(20,189)	(7,205)	(607)	(28,001)
Segment profit	66,877	26,517	1,333	94,727



segment profit

retail	**74%**
office	**24%**
other	**2%**



segment profit

retail	**71%**
office	**28%**
other	**1%**

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

	6 months 30 Sep 18 $000	6 months 30 Sep 17 $000
Segment profit	**88,494**	94,727
Property management income	**1,025**	861
Rental income resulting from straight-lining of fixed rental increases	**1,404**	345
Interest and other income	**104**	161
Interest and finance charges	**(18,405)**	(22,386)
Employment and administration expenses	**(11,097)**	(10,123)
Net fair value loss on interest rate derivatives	**(2,929)**	(1,891)
Gain on disposal of investment properties	**628**	-
Profit before income tax	**59,224**	61,694

4.2 commitments

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

	30 Sep 18 $000	31 Mar 18 $000
Development costs at Sylvia Park	**160,801**	185,152
Development costs at LynnMall	**1,825**	1,819
Development costs at The Plaza	**3,396**	5,111
Development costs at Northlands	**7,179**	8,042
Development and leasing costs at Vero Centre	**-**	261
Development costs at 44 The Terrace	**45**	45
Commitment to purchase development land	**8,145**	-
Commitments	**181,391**	200,430

4.3 subsequent events

On 29 October 2018, the Group settled its acquisition of 8.6 hectares of additional development land at Drury, Auckland, for $9.0 million.

On 12 November 2018, the Group issued $100 million of fixed-rate bonds, bearing a fixed interest rate of 4.06% per annum. The bonds mature on 12 November 2025. Interest is payable semi-annually in May and November in equal instalments.

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

On 16 November 2018, the board declared an interim cash dividend for the six months ended 30 September 2018 of 3.475 cents per share (cps) (equivalent to $49.7 million), together with imputation credits of 0.93 cps. The dividend record date is 4 December 2018 and payment will occur on 19 December 2018.

independent review report

TO THE SHAREHOLDERS OF KIWI PROPERTY GROUP LIMITED

report on the interim financial statements

We have reviewed the accompanying financial statements of Kiwi Property Group Limited (the "Company") and its controlled entities (together the "Group") on pages 14 to 27, which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date and a summary of significant accounting policies and selected explanatory notes.

directors' responsibility for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and International Accounting Standard 34 (IAS 34) and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34 and IAS 34. As the auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of audit, other assurance and executive remuneration benchmarking services. The provision of these other services has not impaired our independence.

conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

who we report to

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
16 November 2018

Auckland

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Kiwi Property

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