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creating exceptional experiences

Kiwi Property has been creating exceptional experiences for New Zealanders for nearly two and a half decades.

As New Zealand has grown, so too have we, keeping in step with stakeholder demand for exceptional retail and workplace experiences.

Today, we own a $3.1 billion portfolio including some of New Zealand's best known and most loved buildings. In Auckland these include the iconic Sylvia Park, the landmark Vero Centre and ASB's head office building at Wynyard Quarter, and in the Waikato, The Base, in a joint venture with Tainui.

Our property assets are more than their physical presence; they are spaces where New Zealanders can shop, work, connect, live and grow. By ensuring our assets remain attractive and in demand, we are able to provide our investors with a reliable investment in New Zealand property, targeting superior risk-adjusted returns over time.

We are creating exciting places to shop and work. In this Annual Report, we feature many of the experiences we are shaping for our tenants and their customers.

Kiwi Property

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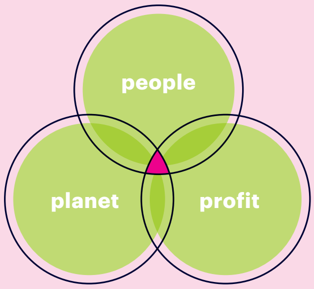

We deliver for our stakeholders by taking a holistic approach to investment management, focusing on people, planet and profit.

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 that perform strongly through market cycles.

Throughout this report you will read how the activities Kiwi Property has undertaken during the 2018 financial year have fulfilled these three elements.

contents

2018 annual reporting suite

In conjunction with this Annual Report, Kiwi Property has released a Property Compendium, Sustainability Report and Annual Results Presentation which form part of our 2018 annual reporting suite.

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

annual meeting

The 2018 annual meeting of Kiwi Property shareholders will be held at 10.00am on Thursday, 7 June 2018.

Level 4, Lounge West, South Stand, Eden Park
Gate G, 42 Reimers Avenue, Kingsland, Auckland

feedback

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

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

exceptional places

to shop

our shopping centres offer a compelling retail mix and exceptional social experiences

The rise of the digital age has brought with it an increasing need for people to connect more in real world environments.

In our shopping centres across New Zealand, we are working tirelessly to deliver exceptional experiences that bring Kiwis together – through improved retail services, exciting family, community and entertainment events, and by delivering in-demand retailers, exciting pop-up attractions and outstanding food choices.

By delivering engaging environments for New Zealanders to shop, we attract high-quality retailers, stay ahead of the competition, generate increased foot traffic and produce high-performing sales environments that ultimately provide better returns for our investors.

On pages 10-15 and 20-25, read examples of how our retail strategy is delivering exceptional new experiences for our shopping centre customers and retail tenants.

Artist's impression

exceptional places

to work

our office buildings connect people beyond a simple place to work

As the lines between work and play continue to blur, businesses are demanding more from their workplaces than ever before.

Kiwi Property partners with our office tenants to create contemporary spaces that are fit for purpose and which focus on productivity, engagement and connectivity.

Concierge services, resort-style end-of-trip facilities and electric bike charging stations are just the start.

By delivering engaging workplace environments, we are meeting the demands of our business tenants and maintaining high occupancy levels in our office buildings, thereby providing reliable returns for our investors.

On pages 16-19, read examples of how our office strategy is delivering exceptional new experiences for our office tenants and customers.

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wonderful spaces

Kiwi Property has been part of the New Zealand landscape since 1993. We've developed best-in-class shopping centres and landmark office towers, and we increasingly see ourselves as town centre investors.

But much more than that, we've created wonderful spaces that New Zealanders can simply enjoy.

Each year, our shopping centres attract over 50 million visitors who spend $1.8 billion on food, entertainment, retail goods and personal services. Our office buildings provide great workplaces for over 6,000 New Zealanders, and we deliver a broad range of programmes to support the prosperity and wellbeing of the communities in which we operate.

Our properties are diverse environments that connect and engage people through great experiences. They are spaces where communities come together.

When we create great experiences, we seek to unite our stakeholders, build brand preference and loyalty, and drive better outcomes for our shareholders.

Today, we proudly own and manage $3.1 billion in direct property investments in a portfolio that comprises some of New Zealand's best retail and office assets. We also manage over $370 million of property on behalf of third parties.

Across our portfolio, we have more than $370 million of development projects underway to deliver even better environments for our tenants and customers.

In this section of the report you can read more about some of the activities we have been working on over the past year.

Find out more about our properties in our Property Compendium which can be found on our website, kp.co.nz/annual-result

sylvia

Sylvia Park: Auckland's retail powerhouse

Sylvia Park continues to be a great New Zealand retail success story. Growing in value by over $285 million since opening in 2006, the centre was last year named New Zealand's favourite shopping centre to visit in a nationwide survey conducted by Nielsen[1].

Since the 2009 financial year, annual retail sales at the centre have grown by nearly $200 million to $551 million and our net income has grown by more than $14 million to over $41 million per annum. Our retailers have seen customer numbers grow to more than 15 million every year.

By bringing the right stores and operators to Sylvia Park, we have created a highly productive retail environment.

We are positioning the centre for the future by constantly evolving our retail mix in response to consumer preferences, focusing on high performing stores and in-demand retailers.

Sylvia Park is currently home to more than 200 retailers. Some of the great names we have introduced to Sylvia Park in recent times include New Zealand's first ever stores for fashion giants H&M and Zara, the homewares retailer Adairs, beauty specialist Kiehls, apparel retailer Seed, and outstanding food merchants including PappaRich and a new Malaysian street food venture, Hawker & Roll.

In the past year, we have added to the shopper experience with the addition of The Grove Dining District. The Grove Dining District provides a contemporary alfresco dining experience featuring ten restaurants and a new landscaped outdoor and entertainment area.

This year we will complete a ~600 space centrally located multi-storey carpark adding further amenity to the centre for our customers.

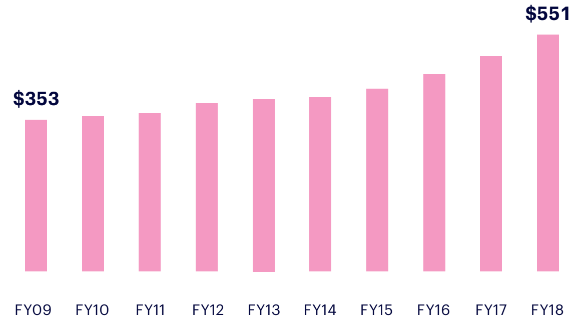
We are thrilled to have recently commenced works on our Galleria retail expansion project. Read more on this exciting project on page 12. It's all part of our commitment to deliver the spaces where New Zealanders want to be.

"Sylvia Park has been a runaway success since we first opened its doors in 2006."

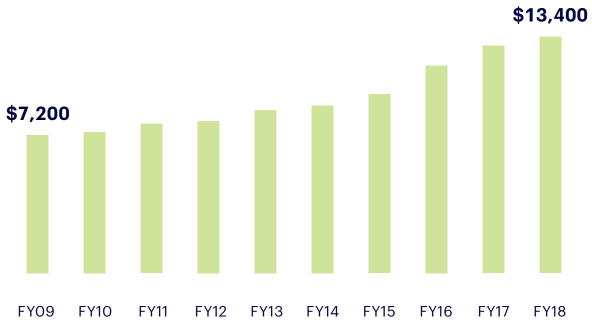
– Chris Gudgeon, Chief Executive

1. In 2017, Sylvia Park was named New Zealand's favourite shopping centre to visit in a nationwide Nielsen survey. The survey was conducted by Nielsen from 20 February to 13 March 2017. Nielsen had a sample size of 2,507 interviews, with a predicted margin error of +/- 2.0% at the 96% confidence level.

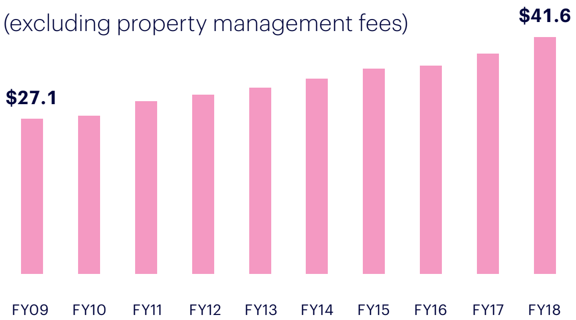
moving annual turnover ($m)



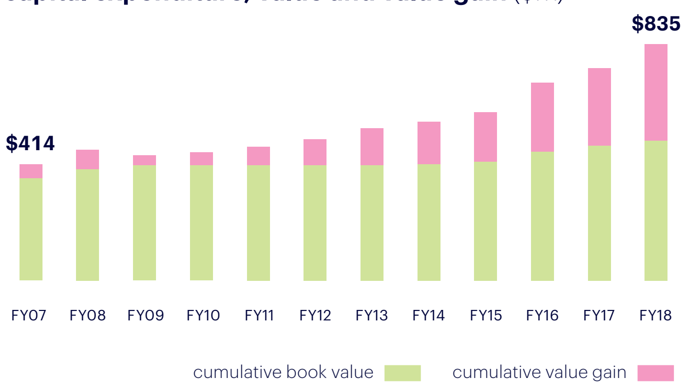
specialty sales productivity ($/sqm)



net operating income ($m)
(excluding property management fees)



capital expenditure, value and value gain ($m)



we're taking sylvia park to the next level

"Our shoppers have been asking for more retail brands in one easy location and we are excited to be able to deliver for them. We expect to bring a host of new to New Zealand brands to Sylvia Park, as well as a great mix of local favourites."

**– Ian Passau,
GM Development**

Artist's impression


Farmers
SYLVIA PARK

eleven years after we first opened its doors, New Zealand's favourite shopping centre is about to get even better. We have given the green light to a $223 million retail expansion at Sylvia Park.

In response to customer demand, our Galleria retail expansion will add approximately 60 new retailers and 18,000 sqm of retail space to the centre. Key features include:

— a new two-level, 8,100 sqm flagship Farmers department store

— new international brands and concept stores, including selected retailers from Sylvia Park's current waiting list of specialty tenants

— a new generation, sophisticated dining precinct delivering quality casual dining and chef-inspired concepts, and

— a new multi-deck carpark, offering approximately 900 carparks, with direct access to the Galleria, taking the total number of carparks at the centre to around 5,000.

Sylvia Park, located 10km south of the Auckland CBD, is New Zealand's largest shopping centre and, on completion of the expansion project, will have total retail floor space of over 90,000 sqm.

This latest retail expansion will further consolidate the centre's position as New Zealand's favourite shopping centre and is the latest in a suite of projects, all contributing to our vision to deliver a world-class town centre at Sylvia Park.

Since opening New Zealand's first H&M and Zara stores in October 2016 we successfully opened The Grove Dining District in December 2017, featuring an expanded range of contemporary dining experiences.

By mid-2018 we will complete construction of our new 10-level office building, bringing approximately 1,000 office workers to the site, and by the end of this year we will complete our new five-level, ~600 space, central carpark building.

project details

We have executed a fixed price lump sum contract for the Galleria project with our builder, Naylor Love, which provides construction cost certainty for our investors. Works commenced in March of this year and we look forward to opening the doors to customers in mid-2020.

The projected value of Sylvia Park on completion of the Galleria project has been assessed by independent valuer CBRE at $1.12 billion.

The project is being debt funded from existing facilities and is expected to provide an initial net incremental income yield on capital expenditure of 5.7%, growing to 6.2% by year three and an internal rate of return in excess of 10%.

Further information about Sylvia Park can be obtained from the centre's website sylviapark.org.

people We will create Auckland's largest enclosed retail centre, delivering a world-class shopping experience while continuing to provide exceptional community programmes including KiwiFit and KiwiBubs.

planet Sylvia Park has a number of environmental programmes in place including rainwater harvesting for grey water, solar panels for electricity generation and recycling programmes for waste management.

During construction of the Galleria, wherever possible, our main contractor will seek to reuse and recycle construction materials, minimise waste, and source local materials and sub-contractors.

profit The Galleria project is expected to provide an initial net incremental income yield on capital expenditure of 5.7%, growing to 6.2% by year three, a developmental margin of $20 million and an internal rate of return in excess of 10%.

Artist's impressions

sylvia park prepares to welcome its first office tenants

Kiwi Property will soon welcome insurer IAG as an anchor tenant to its new No.1 Sylvia Park office building, delivering a new home for IAG's support team and a long-term rental income stream for Kiwi Property. We caught up with **Tim Griffith**, National Property & Administration Manager, to discuss IAG's new life at No.1 Sylvia Park.

Tell us about IAG. Who are you and what do you do in New Zealand?

IAG is the leading general insurance provider in New Zealand. Insurance products are sold directly to customers predominantly under the AMI and State brands, and through intermediaries (insurance brokers and authorised representatives) predominantly under the NZI and Lumley brands. Personal lines and commercial products are also distributed under third party brands by IAG's corporate partners, including large financial institutions (ASB, BNZ, Westpac).

IAG employs about 3,500 staff housed in 81 locations throughout New Zealand.

What attracted IAG to Sylvia Park as a destination for your business?

Location, amenity and access:

— the location – the site is accessible, particularly for staff living in East and South Auckland

— amenity – a shopping centre and gym on site, and

— access to public transport – the site has its own train station and bus links.

How many employees will you house at Sylvia Park and what functions will they perform?

About 350 staff supporting customers with insurance sales, claims management and various other support functions, for example: loss adjusting and motor vehicle assessing.

How would you describe the IAG culture?

At IAG we encourage staff to live our Spirit: Closer, Braver, Faster.

What does workplace flexibility mean at IAG?

Enabling staff to have more choice in where, when, with who and how they will work. Staff may work at our new hubs like Sylvia Park or from home, or a mixture of both. This also extends to flexibility on hours or days of the week worked. Within our office there is a choice of work settings, including normal desks which anyone can use, collaborative spaces and focus areas.

How have your workplace environments changed over time? What has been the biggest driver of change?

We have been operating in an open plan environment for some time, with standard desking and a choice of meeting rooms. Each person has their own desk. We are now moving to an environment where most people will not have a designated desk but work in zones and choose their work setting depending on their work. For example, if working on a detailed document or presentation then you may choose to work in a focus area, or if working on a project you may choose to sit close to other project members around one table.

The drivers of change are:

— to meet the needs of teams that are continually changing in size

— the increasing need to support project activities, and

— recognition that for improved productivity people need more choice in alternative settings to work in.

It is also very inefficient from a cost perspective to have designated desks not being utilised while people are on leave or in lengthy meetings. Generally, we can operate allowing for an 80% desk-to-staff ratio, as long as we have some settings that support peak times of use. Technology through use of WiFi and mobile devices has helped support this new environment.

"Thanks to the hard work of our commercial and development teams, high-quality corporates ANZ and IAG, together with the ground floor retailers, will occupy around 90% of the office building, providing our investors with a predictable, long-term income stream."

– Michael Holloway, GM Commercial, Kiwi Property

Artist's impression of No.1 Sylvia Park

Tim Griffith, National Property & Administration Manager, IAG

What was your inspiration for your fit-out? What did you hope to achieve for the business?

A flexible environment that accommodates changing numbers of staff and enables staff choice. We are an insurance company and at times need to support various events (weather or earthquake) which the more flexible workspace will support.

What are you most looking forward to at Sylvia Park?

Bringing our different teams together, enabling a mix of experiences from our many different brands and staff. Staff who enjoy shopping will be looking forward to having New Zealand's largest shopping experience next to their workspace.

people Our office tenants will enjoy outstanding end-of-trip facilities, bicycle parking and all the amenity of a shopping centre.

Our office tenants will also enjoy exceptional public transport access, with Sylvia Park having its own railway station and bus links.

planet No.1 Sylvia Park has achieved a 5-star Green Star design rating, which means the building is highly resource efficient.

profit Following ANZ's full occupation, the project is expected to yield 7.4% with an internal rate of return in excess of 9.0%.

vero centre – realising suncorp's cut-through vision

Financial services corporate Suncorp New Zealand – best known locally for its Asteron Life and Vero Insurance brands – has been a mainstay tenant at Kiwi Property's Vero Centre since it first opened in 2000. A major shift in business strategy meant an equally major rethink on how it housed its New Zealand head office, leading to a spectacular upgrade of its Vero Centre premises.

Paul Smeaton (CEO) and Catherine Dixon (Executive General Manager, People Experience), Suncorp and Chris Gudgeon, Chief Executive, Kiwi Property

Catherine Dixon, Suncorp's Executive General Manager, People Experience, remembers clearly the hurdles faced by Suncorp New Zealand in bringing its life and general insurance businesses together.

"At the beginning, we still very clearly had a life business and a general insurance business; our Asteron Life business was 'blue' and our general insurance business, being Vero Insurance, was 'red'," she recalled.

"The sense of belonging to one brand had not really come to fruition. We had pulled everyone together but we didn't have a single identity. With our teams still sitting in areas defined by our market brands, we weren't using our space efficiently, so used our lease renewal as an opportunity to really look at the way we work."

That's when Suncorp approached Kiwi Property with a bold vision to bring their united organisation to life, at the same time seeking to change the way many of the Suncorp teams worked to produce higher collaboration, productivity and connectivity.

Suncorp's Vero Centre head office houses around 800 employees, from senior management to those in insurance assessment, support and customer service. In the company's previous environment, teams were assigned spaces within floors, but Suncorp wanted even greater workplace flexibility.

"We wanted to be much more fluid in the way we worked. We recognised that we needed to work differently to create greater collaboration...and one of the ways we could achieve that was by having consecutive office floors connected by an internal staircase," said Ms Dixon.

"The way our people work really does depend on their role: we have those who are in our contact centre where they need a really clear ergonomic work station that is well set up with good technology; those who are a little more fluid, who move around from time to time, such as team leaders; and those people who work far more flexibly.

"We also recognised that not everyone is going to be in the building at the same time. We have assessors and sales teams out on the road and a large number of people who need or want to work flexibly and need to be well connected by technology from home."

Out of this recognition grew a new workplace mandate: improved technology, agile working environments, inter-floor connectivity, and a mix of formal and informal spaces for people to meet and collaborate.

"Kiwi Property's support in achieving this was absolutely critical. They've been a truly fantastic partner to work with, not just providing us with decant space so we could undertake the refurbishment and cut through the floors while still operating, but in trusting and helping to realise our vision, the centrepiece of which is a very beautiful staircase, which allows our people to easily connect and collaborate," she said.

The staircase, is in itself, an engineering spectacle; over 140 tonnes of concrete were removed from four floors, replaced by 40 tonnes of steel.

"Technology was another huge enabler of our workplace vision. With over 800 people working in this building, 300 in different parts of New Zealand and colleagues in Australia, India and the Philippines, technology was key to ensuring a high level of connectivity.

Through this redevelopment we have been able to take away the 'red' and the 'blue' and unite under a single Suncorp brand; our 'go to market' brands are there, but you would be hard placed to tell now who in our office works under which brand. That's exactly what we wanted to achieve," said Ms Dixon.

The final floor was occupied in April 2018. While Suncorp is still getting used to its new environment, Ms Dixon said the immediate feedback was overwhelmingly positive.

"There are a lot more conversations going on within the business, and you see more people naturally congregating in small groups to catch up and to deal with issues, rather than setting up formal meetings," said Ms Dixon.

"Kiwi Property's upgrade to the lobby has also facilitated our shift to more mobile working. Our people use it a lot. You would never go to the lobby without seeing Suncorp people having a meeting with internal and external people," said Ms Dixon

"And our people love all the new facilities, especially those who cycle to work or go to the gym."

How are the staff adapting to an agile working environment?

"We knew that this was going to be a big shift for our people, so we had a change strategy in place to help everyone settle into our new workplace. We also ran development programmes for leaders on how to lead teams who are dispersed or working in new ways. It's a new way of thinking for some," said Ms Dixon.

"It's fair to say that some took to it like ducks to water and others are working their way through it."

What's next for Suncorp?

"There is always a danger that, once things are in place, everyone relaxes and nothing happens after that. We have to be proactive and check how it is going. We have a team of people – our floor champions – plus our real estate and HR people, who are continuing to work with teams to ensure they feel supported in their environment and empowered to continuously improve our workspace culture."

Suncorp have also installed a new system, Serraview, to help employees locate both people and available workstations. It will also allow them to monitor utilisation, and improve the effectiveness of the workspace over time.

Paul Smeaton, Suncorp New Zealand CEO

As founding tenants, Suncorp New Zealand has enjoyed a long and proud association with Kiwi Property and the Vero Centre.

Two years ago, Suncorp New Zealand embarked on a journey to create an inspiring new workplace so our people could thrive.

Our new home is a transformative space that provides our people with different options, depending on how they choose to work. I was thrilled to share our official opening of it last month with Ngāti Whātua Ōrākei, the mana whenua of Tāmaki Makaurau, who brought to life for us their rich history and connection with the area.

I look forward to the next stage of our journey in the Vero Centre.

navigating the new food frontier

Food is fast becoming the new retail frontier as people across the world seek dining experiences to add to their social calendars.

At Kiwi Property, we've been actively addressing the surge in demand for food experiences, reflected by the recent delivery of our dining lanes, The Brickworks and The Grove Dining District, at LynnMall and Sylvia Park. It's also reflected in our remixing efforts across our retail portfolio and in developments, such as the new Langdons Quarter contemporary food precinct at Northlands and the sophisticated casual dining experience within the Galleria retail project at Sylvia Park.

We asked our independent food advisor, **Francis Loughran**, Founder and Managing Director of Future Food, why he believes food is reshaping the shopping centre environment. He had this to say:

Is it possible that the modern lifestyle destination will drop the four-letter word M.A.L.L. as it reinvents itself as a mixed-use offering featuring food, hospitality, entertainment and other experiential asset-growth segments?

Looking across New Zealand and the world, it is clear our shopping centres, malls, retail precincts – whatever you want to call them – are no longer single-purpose shopping malls, they are mixed-use spaces offering so much more than product-focused retail.

Changing customer needs and behaviours bring new opportunities to our lifestyle destinations through food, hospitality and entertainment. The ever-changing demands of consumers is one of the biggest concerns our clients have as they seek to tailor buildings, spaces and experiences fit for the modern lifestyle. Those consumer behaviours are constantly evolving. Reacting and responding to global trends and individual needs, consumers now demand a highly customised lifestyle. As people seek more ways to connect in real time and extend their social experiences, food is a big component of this.

"Reacting and responding to global trends and individual needs, consumers now demand a highly customised lifestyle."

– Francis Loughran, Founder and Managing Director of Future Food

As advisors to the retail industry, we are witnessing a number of important changes in the sector:

The shopping centre is now a food and hospitality destination.

Vegan and vegetarian options are growing fast and millennials are demanding quality and choice – fast food is no longer the go-to food.

Fresh food markets are continuing to grow in New Zealand and overseas.

Entertainment will continue to grow as food and hospitality increases.

The evening economy is growing and will continue to do so.

Home delivery for food will evolve and include more choices in beverages and desserts.

Food tenancies will grow sales by focusing on home, office and venue deliveries.

Shopping centres will be defined by their food and hospitality credibility.

Hospitality groups are now replacing Mum and Pop fast food operators.

Fast food operators are elevating their offer to introduce table service.

Quick service operators will offer table service and alcohol as part of their strive to elevate service and maximise average spend.

Beautiful spaces are now the norm, not the exception.

people Kiwi Property has increased dining and entertainment options for New Zealand shoppers in step with customer demand.

Examples include our new outdoor dining lanes, The Grove Dining District at Sylvia Park and The Brickworks at LynnMall and our development of the new Northlands' food precinct, Langdons Quarter.

planet With an increased food offer comes the potential for increased waste to landfill.

Examples of initiatives we have in place across our portfolio to divert waste from landfill include:

- turning coffee grounds waste to compost, which is used by community gardens for growing fresh fruit and vegetables
- waste sorting to ensure that, where possible, items are recycled, and
- encouraging our retailers to use paper rather than plastic straws.

profit In FY18, one-third of all new lease deals across our shopping centre portfolio were to food tenants. Half of these were new to the portfolio.

food and film: northlands receives an entertainment makeover

Northlands shoppers are in for a treat with the creation of Langdons Quarter, a vibrant new dining and entertainment precinct.

Currently under construction are our 13 new food tenancies, including two new external restaurants, along with a contemporary refurbishment from cinema operator HOYTS.

HOYTS has just unveiled a dazzling refurbishment. We asked **Tyrone Dodds**, General Manager Property and Development for HOYTS, what Northlands moviegoers can look forward to at the new-look HOYTS.

We're excited that HOYTS has agreed to provide an outstanding cinema offer to Northlands' moviegoers for another 15 years – tell us about your exciting new fit-out.

It is a cinema experience unlike anything else available in Christchurch. We have taken cinema-going to the next level! HOYTS Northlands is now a fully-licensed cinema featuring HOYTS powered recliners. Every standard seat in the entire complex is a recliner, so guests can put their feet up, kick back and relax to enjoy their movie.

What do you think will excite your audiences the most about your new fit-out?

We started our design phase with our "EXPERIENCE MORE" brand promise in mind, so have approached the site with comfort and guest experience at the heart of our offer. Our powered recliners are built with more room to relax and more comfort overall, so our guests will love heading to the movies. We have had fantastic feedback from our other recliner sites with guests sharing their love for the new experience, "The new seats are awesome! So comfortable and the best way to watch a movie. Nice work HOYTS!" There really is no better way to experience a movie at the cinema.

Are Kiwi moviegoers any different to global audiences?

Kiwis, like all cinemagoers around the world, love a great movie. What makes New Zealand such a wonderful market is the love and support for local product. We often see Kiwi movies outdo the Hollywood blockbusters at the box office – that is HUGE! It's great to see Kiwi moviegoers get behind local talent. It's actually a very rare thing in many markets.

What's the biggest change to occur in cinemas over the past 20 years?

There have been so many changes but they've all led to industry improvements. Digital cinema changed the way movies could be viewed and allowed for more cinemas to have access to great films. The whole entertainment experience at the cinema has changed, particularly at HOYTS where we have opted to move on from the traditional upright cinema seats and a typical food and beverage option that's just a soft drink and popcorn. Instead, we've stuck to our mission to innovate, create and challenge the normal cinema experience by putting in powered recliner seats more comfortable than anything you can imagine as well as adding in a fully licensed bar with food offering. The cinema has become a complete entertainment experience.

What's driving that change?

Technology has played a huge part in this. The cinema experience we only dreamed of a few years ago is now a reality thanks to innovations in the technology space. It's a very exciting time to be in this industry.

Thinking about the entire cinema experience, what is always a sure-fire hit with moviegoers?

Great movies and great experiences. While we can't control what movies get made, we can make sure our guests have an outstanding experience when they visit us. This is why we are refurbishing our network of cinemas and continually challenging ourselves to create the best experience possible; this includes our customer service as well as our physical cinema space.

"As more Kiwis seek spaces to socialise and interact in their daily lives, we are increasing our food and entertainment offers across our portfolio."

– Greg Tolley, Development Manager, Kiwi Property

What has been the inspiration for your fit-out?

Our guests are always our inspiration; how can we make it a more enjoyable experience – give them more room, more comfort.

What's the best night to visit HOYTS Northlands and why?

That actually isn't an easy answer! The experience is going to be fantastic any day or night of the week, so it truly does come down to what the guest prefers. What we typically see is that our teen market likes the weekend nights, families enjoy the day time as they entertain their children, parents/carers with babies enjoy the weekdays with our Prams at the Pix sessions, our retired or shift-working audience tends to visit during weekdays and of course an opening night of a big blockbuster movie is always popular for those who want to see it before anyone else.

We always aim to provide our audiences with a diversity of content, so any day of the week is a good day to visit us.

What movie are you most looking forward to this year?

There are some outstanding movies coming out this year. I am really looking forward to Deadpool 2 which opened on 17 May just after the completion of the HOYTS Northlands makeover. My kids and I are also looking forward to Incredibles 2 on 14 June.

Tyrone Dodds, General Manager Property and Development for HOYTS

people Northlands' shoppers will now be able to experience a first-class cinema offer, combined with a modernised food offer and outdoor dining options.

planet As part of our redevelopment, we will also be investing $6.8 million in seismic strengthening activities as we seek higher asset performance in a seismically active region.

profit The Langdons Quarter dining precinct is due to open to our customers in November 2018, with 62% of the food offer and dining tenancies committed.

The newly refurbished HOYTS Northlands opened its doors to customers in May 2018.

We are targeting a 6.0% initial yield on non-seismic project cost, and a target 10-year internal rate of return of 8.0%.

fresh, tasty and vibrant: hawker & roll debuts at sylvia park

Having wowed New Zealanders with the Malaysian flavours of his acclaimed Madam Woo restaurants, **Josh Emett** is inspiring Sylvia Park shoppers with his new casual eatery, Hawker & Roll.

In another superb collaboration with business partner and CEO, Fleur Caulton, Hawker & Roll is taking diners by storm with its fresh, tasty and vibrant Malaysian street food-style fare. We caught up with Josh to talk about food, business and his new Sylvia Park venture.

Josh Emett and Fleur Caulton, Hawker & Roll

You've partnered with Fleur Caulton to create the Mayfare Group. What is it that brought you together and keeps you together?

Both Fleur and I are passionate about good food, good cuisine, and excellent service. We both grew up surrounded by food and in restaurants, so it's a space that we both feel very comfortable in and committed to. It's also wonderful working together with Fleur because she's a passionate Kiwi and firmly believes in supporting New Zealand industry whenever possible.

Madam Woo has been a runaway success in New Zealand; what led you to create Hawker & Roll?

Madam Woo is recognised as one of the best restaurants in New Zealand, with the flagship location in Queenstown recently making the Cuisine Good Food Awards Short List for 2017. Fleur and I were eager to adapt the much-loved menu into a format that can reach a broader audience.

What attracted you to Sylvia Park?

When considering a location for our first Hawker & Roll, we wanted it to be Auckland, and Sylvia Park felt like a natural fit because of the new restaurant precinct, The Grove Dining District, which opened in December 2017. With renovations underway, Sylvia Park is set to become New Zealand's leading destination for international retail brands, which is exactly the backdrop we wanted for Hawker & Roll.

What can diners expect at Hawker & Roll?

Guests who dine at Hawker & Roll are welcomed with an energetic and lively atmosphere, surrounded by Asian-inspired décor that creates the perfect backdrop for a relaxed meet up with friends or family. Hawker & Roll offers more options and flavours of the hawker roll currently available at Madam Woo. The menu also includes a variety of healthy sides and add-ons, as well as a selection of grab and go options for those in a rush.

What excites you most about food?

The hawker roll is a crowd favourite; people started raving about it from the moment we opened our doors. But we didn't want to stop there: the hospitality industry is all about being innovative, so we thought, we have this well-loved dish, how can we make it even better? That's the most exciting thing about food to me: how we can always build on what's been done before.

How do you keep your menus fresh and exciting? From where or from whom do you draw your inspiration?

Travel. Each year we take a group of staff from Madam Woo to Malaysia so they can constantly feel re-inspired by the cuisine. It's amazing how getting out of your comfort zone and trying different flavours and food combinations can inspire you in the kitchen.

If you could have a long lunch in one of your restaurants with anyone at all, who would it be?

Roger Federer, he is the man. He has eaten at restaurants I have run before but I have always left him in peace.

What's the biggest business challenge you've faced? What did you learn from it?

Learning how to balance work and home life. It took me a good few years to figure out that you can't have one without the other.

What ingredient are you never without in your own kitchen?

Eggs – a key ingredient in so many things from savoury to sweet. There are always avocados as well.

What's next for the Mayfare Group?

With this new fast-casual format, the idea is to have the Sylvia Park location be the first of many. We're really excited about opening our second Hawker & Roll in Queenstown very soon. Aside from that we always have our heads down and focused on all our businesses to make sure they are running like clockwork.

"Delivering exciting new experiences and great operators is what makes Kiwi Property so successful – we're listening to our customers and delivering."

– Aubrey Cheng, Manager Retail Leasing, Kiwi Property

group

we are kiwi property

our vision

to deliver New Zealand's best retail and workplace experiences

our objective

to provide investors with a reliable investment in New Zealand property through the ownership and active management of a diversified high-quality portfolio

our investment strategy

we invest in a diversified portfolio of retail and office assets that are expected to outperform by consistently attracting high levels of tenant demand

---

our goals

long-term total returns

>9%

per annum

pre-tax funds from operations per share growth

>2%

per annum

---

our strategy enablers

we are active managers

we seek to optimise asset performance through intensive asset management

we add value

we acquire, develop and divest property assets to optimise value

we maintain a strong balance sheet

we focus on maintaining a strong financial position with conservative gearing

---

our values

our people-oriented culture is proudly built on excellence, leadership and doing what's right

we're people-people

we lead

we have a passion for excellence

we do what's right

our core portfolio

we focus on the growth and enhancement of a core investment property portfolio

we have a strong bias to Auckland

we favour Auckland given its superior prospects for economic, population and employment growth

we have a strong retail bias

we target

— prominent regional shopping centres

— large format retail centres

that are in

— the 'golden triangle', predominantly Auckland (in particular locations favoured by the Auckland Unitary Plan) and the Waikato

— regions outside of Auckland with positive growth prospects

our office portfolio

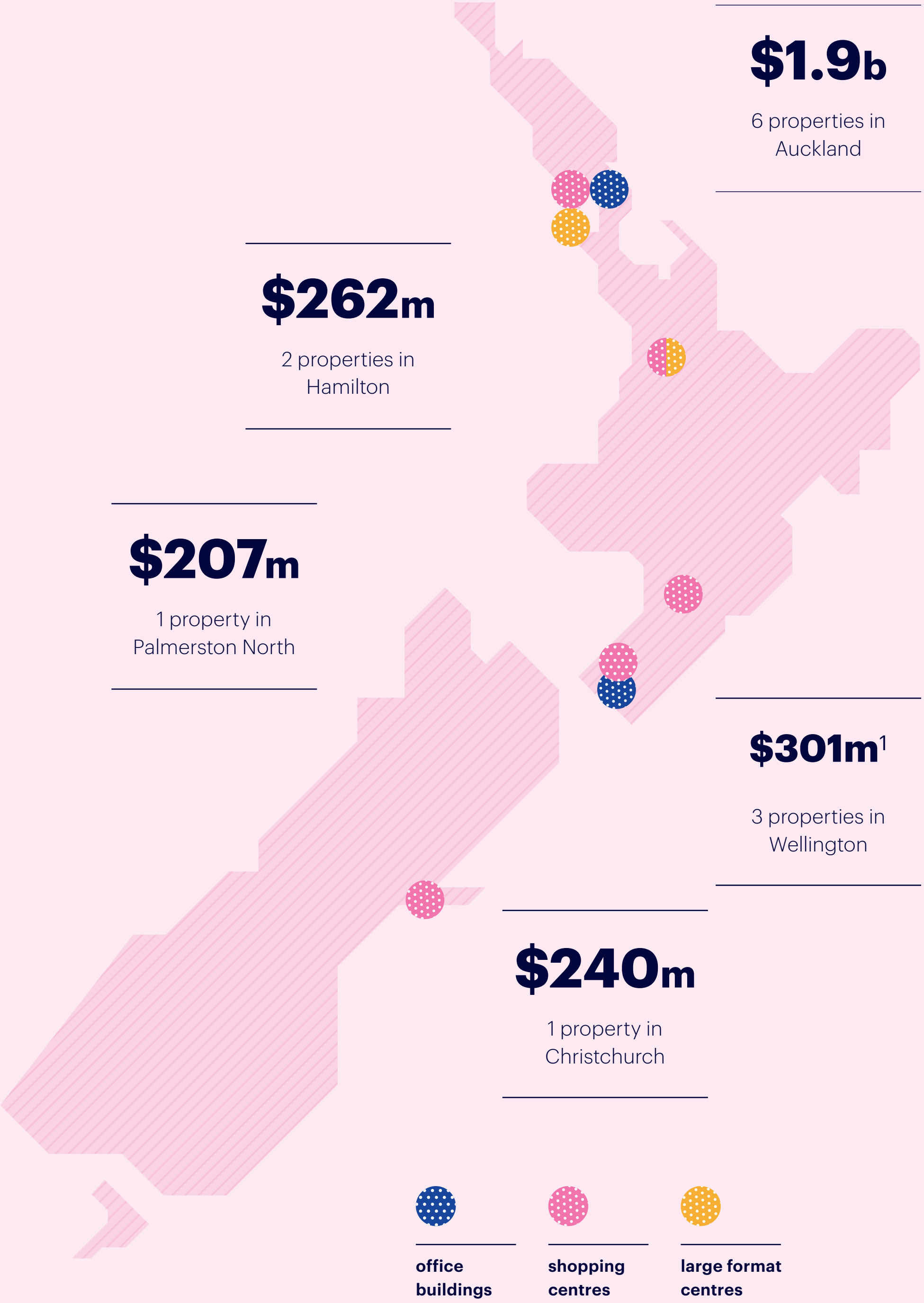
we target

— prime-grade assets in Auckland

— assets in Wellington that attract long-term leases to the Crown

third party management

we also manage properties for third parties and joint owners to diversify our revenue streams and leverage our management platform



in addition to our core portfolio, we hold other properties and development land with a combined value of over $140 million

1. On 11 April 2018, Kiwi Property entered into an unconditional agreement for the sale of North City. The asset is recorded at its net sale price and settlement is expected to occur no later than July 2018.

This annual report is dated 18 May 2018 and is signed on behalf of the board by:

MARK FORD
CHAIR

MARY JANE DALY
CHAIR OF THE AUDIT AND RISK COMMITTEE

KEY DATES

7 June 2018
annual meeting of shareholders

19 June 2018
KPG030 (2024 maturity) bond interest payment

21 June 2018
FY18 final dividend payment

20 August 2018
KPG010 (2021 maturity) bond interest payment

7 September 2018
KPG020 (2023 maturity) bond interest payment

19 November 2018
FY19 interim result announcement

19 December 2018
FY19 interim dividend payment
KPG030 (2024 maturity) bond interest payment

contents

letter from the chair

Mark Ford, Chair

disciplined investment strategy

Dear shareholders

Welcome to our 2018 annual report.

I am pleased to report that Kiwi Property has again delivered a positive result for shareholders and that our property portfolio is in excellent shape and positioned well for the future. It is a direct result of the disciplined and consistent implementation of our investment strategy over many years that puts us in our current position of strength. Property is a long-dated asset class and successful property companies focus on the long term.

As always, we remain focused on our objective of providing investors with a reliable investment in property. We continued to meet our shareholder goals by delivering long-term total returns of 9.3% per annum, in excess of our 9% target. Due to an increased number of shares on issue following the equity raise in July 2017 and the sale of a non-core asset, we were below our target pre-tax funds from operations per share growth of greater than 2%, achieving -2.5% per annum for the latest financial year, compared with +12.5% per annum for the prior year.

Undertaking this equity raise in July 2017 was an important step to assist us with funding our future investment and development opportunities. We were pleased with the support we received from you, our investors, raising net proceeds of $157 million.

In February, we were delighted to give the green light to the previously foreshadowed $223 million Galleria retail expansion of Sylvia Park, following 11 years of outstanding performance and growth at the centre. The proceeds from the equity raise are being applied to funding this development. Our vision for Sylvia Park is the creation of a world-class town centre, offering our customers exceptional retail, dining, entertainment and workplace experiences. This latest retail expansion will consolidate the centre's position as New Zealand's favourite shopping destination.

You can read more about our projects at Sylvia Park, together with a full update on the financial and operating highlights for the year, in the report from our Chief Executive, Chris Gudgeon, commencing on page 38.

target

long-term total returns	pre-tax funds from operations per share growth
>9%	**>2%**
per annum	per annum

achieved

long-term total returns	pre-tax funds from operations per share growth
9.3%	**-2.5%**
2017: 9.7% per annum	2017: 12.5% per annum

people, planet and profit

Your board has maintained a steadfast commitment to environmental, social and governance matters, which we refer to as our focus on 'people, planet and profit' (turn to page 02 to read more).

This year, we are releasing our 2018 Sustainability Report alongside our Annual Report. Like many companies, our sustainability programme began with a focus on implementing environmental initiatives that would reduce operating costs and allow us to tread more lightly on this planet. Today, more than 15 years later, we are increasingly focused on engagement that brings us closer to our communities, builds better social experiences and rewards, produces a strong corporate culture and ensures our investments are enduring. I encourage you to read our Sustainability Report which you can download from our website.

The Sustainability Report is available on our website,
kp.co.nz/annual-result

As always, we are committed to ensuring the Company adheres to best practice corporate governance principles and high levels of ethical standards. During the year, we adopted all of the NZX's best practice recommendations encompassed in the new NZX Corporate Governance Code. You can read more about our corporate governance practices commencing on page 101.

Your board has also continued to focus on the health, safety and wellbeing of our people, as well as the gender and ethnic diversity of our people to ensure we are well placed to serve our customers and the communities in which we operate. You can read more about our people initiatives commencing on page 46.

leadership change

Last July our Chief Executive, Chris Gudgeon, signalled his intention to retire from the position in September 2018, after ten years in the role.

We have conducted interviews of domestic and international candidates in our search for a new Chief Executive to replace Chris. We have been impressed by the high calibre of candidates and look forward to providing you with an update on our selection in the near future.

We are grateful to Chris for his contribution to Kiwi Property over his ten-year tenure and look forward to making the most of his talents in his remaining time with the business.

board changes

We said goodbye this year to Joanna Perry, who had served as an independent director for close to 11 years and we welcomed in her place Mark Powell. Mark is well known in New Zealand and brings with him extensive experience in strategy setting and execution, cultural and digital transformation, property development, mergers and acquisitions and joint venture management in publicly listed companies.

Following Joanna's retirement, Mary Jane Daly was appointed Chair of the Audit and Risk Committee, and Mark Powell was appointed as a Member of the Audit and Risk Committee.

The change in both the board and leadership team is an opportunity to inject fresh ideas into our business, while maintaining a clear focus on our investment objectives and the execution of our business strategy.

FY18 cash dividend

6.85 cents

per share

projected FY19 cash dividend

6.95 cents

per share

dividends

I am pleased to confirm a full-year cash dividend of 6.85 cents per share, up from 6.75 cents in the prior year and in line with guidance.

Our dividend policy is to pay out up to 100% of funds from operations (FFO)[1], our measure of underlying earnings. To provide flexibility, we retain income to smooth dividends through times when earnings are affected in the short term by planned investment or development activity. Our target payout ratio is typically between 85% and 95% of FFO.

We are committed to delivering sustainable and attractive returns to our shareholders.

For some investors, Adjusted Funds From Operations (AFFO)[1] represents an important measure of dividend sustainability. The use of dividend policies based on AFFO is an increasing trend with New Zealand property entities and is common amongst Australian property entities.

In light of this, it is the board's intention to transition to a dividend policy based on AFFO, over time. Over the next few years, the board will be looking to balance the competing priorities of maintaining and gradually increasing cash dividends, while at the same time seeking to grow AFFO to cover those dividends.

We are pleased to advise that for the 2019 financial year, we are projecting an increased cash dividend of 6.95 cents per share, absent material adverse events or unforeseen circumstances.

outlook

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

conclusion

Thank you to my board colleagues and our people for their continued enthusiasm and dedication to delivering exceptional outcomes.

I would also like to thank our investors for your continued support of Kiwi Property. I look forward to being able to share more details on our 2018 annual result at the annual meeting of shareholders, which will be held in Auckland on Thursday, 7 June 2018. Details of the meeting can be found on page 03 of this report.

MARK FORD
CHAIR

1. Funds from operations (FFO) and adjusted funds from operations (AFFO) are non-GAAP financial information and are common investor metrics for property entities. The Company calculates FFO and AFFO in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia. For further information on FFO and AFFO refer to page 65.

the board

MARY JANE DALY
CHAIR OF THE AUDIT AND RISK COMMITTEE

DATE APPOINTED: SEPTEMBER 2014
DATE LAST RE-ELECTED: JULY 2016
BCOM, MBA

Financially savvy
Risk manager
Strategically agile
Skier

RICHARD DIDSBURY
MEMBER OF THE REMUNERATION AND NOMINATIONS COMMITTEE

DATE APPOINTED: JULY 1992
DATE LAST RE-ELECTED: JULY 2017
BE

Entrepreneur
Winemaker
Property developer
Arts patron

MARK FORD
CHAIR OF THE BOARD
MEMBER OF THE AUDIT AND RISK COMMITTEE AND REMUNERATION AND NOMINATIONS COMMITTEE

DATE APPOINTED: MAY 2011
DATE LAST RE-ELECTED: JULY 2017
ACA, FACD (DIP), NSWIT DIP (COMM.)

Property and development savvy
Deal doer
Street wise
Collector of funky t-shirts

JANE FREEMAN
CHAIR OF THE REMUNERATION AND NOMINATIONS COMMITTEE

DATE APPOINTED: AUGUST 2014
DATE LAST RE-ELECTED: JULY 2016
BCOM

Strategist
Coach and mentor
Leader
Fitness enthusiast

MIKE STEUR
MEMBER OF THE AUDIT AND RISK COMMITTEE AND REMUNERATION AND NOMINATIONS COMMITTEE

DATE APPOINTED: JANUARY 2010
DATE LAST RE-ELECTED: JULY 2015
DIP VAL, FRICS, FPINZ, FAPI, MAICD

Extensive property experience
Connected
Forward looking
Boatie

MARK POWELL
MEMBER OF THE AUDIT AND RISK COMMITTEE

DATE APPOINTED: OCTOBER 2017
BSC, MSC, MBA, BTHEOL, MA

Retail leader
Problem solver
Rugby fanatic
Theologian

Comprehensive profiles of our directors can be found on our website, kp.co.nz/about-us/our-people

chief executive's review

Chris Gudgeon, Chief Executive

positioned for growth

Kiwi Property is in excellent shape, with a high-quality portfolio of retail centres and office buildings, a robust balance sheet and an exceptional team of professionals committed to executing a clear investment strategy.

In the 2018 financial year, we continued to grow revenues while improving the quality of our investment portfolio through the sale of non-core assets, strategic acquisitions and the commencement of new development projects.

We have maintained our conservative gearing, executed strongly on capital management initiatives and made ourselves more attractive to investors by securing a corporate credit rating.

We increasingly see ourselves as mixed-use or town centre investors, creating diverse, engaging environments that connect New Zealanders – exceptional places for exceptional people. A strong focus on customer experience inspires our management priorities and investment activities.

Over the next few pages I share with you our highlights of the 2018 financial year.

achieved strong financial result

Net profit after tax[1] was $120.1 million, which is down on the prior year result of $143.0 million, due to lower revaluation gains on our property portfolio this year and the absence of fair value gains on interest rate derivatives experienced in the prior year.

Importantly however we delivered a strong underlying operating result, as measured by our funds from operations (FFO)[2]. FFO again grew to a record result of $111.3 million (up 8.2%) predominantly reflecting growth of 5.2% in rental income to $192.1 million, driven largely by contributions from completed developments and strategic acquisitions.

Our property portfolio value increased to $3.1 billion, with net tangible assets increasing to $1.40 per share, up from $1.39 in the prior year.

As outlined by the Chair, we are pleased to confirm a full-year cash dividend to shareholders of 6.85 cents per share, in line with guidance and up from 6.75 cents per share in the prior year.

This strong result reflects the benefit of our ongoing portfolio enhancement and is underpinned by the focused execution of our investment strategy.

Our Chief Financial Officer, Stuart Tabuteau, provides more in-depth details of our financial result on page 62.

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 the New Zealand Auditing Standards issued by the External Reporting Board.
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 2018 financial year, the Guidelines amended the method used to derive FFO to include the amortisation of leasing fees. Kiwi Property has amended its current year FFO calculation to reflect this change. 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.

our strategic objective

to provide investors with a reliable investment in New Zealand property through the ownership and active management of a diversified high-quality portfolio

FY18 highlights

profit after tax
$120.1m
2017: $143.0m

funds from operations
$111.3m
2017: $102.8m

funds from operations per share
7.84 cps
2017: 7.95 cps

net tangible assets
$1.40 per share
2017: $1.39 per share

outlook for New Zealand shopping centres is robust

The outlook for New Zealand's retail sector remains robust.

Compared to global benchmarks, the New Zealand shopping centre sector is relatively undersupplied, with the amount of retail floorspace per person being one quarter that of the United States and half that of Australia. Particularly in Auckland, the growth in retail floorspace has not kept pace with demand, which has been fuelled by population growth, creating opportunities for strong centres to expand and take market share.

Further underpinning the outlook for retail sales growth more generally is the prospect of continuing economic growth. The latest New Zealand Institute of Economic Research (NZIER) Consensus Forecast projects solid growth in GDP for the next few years, citing increased expectations for household and Government spending and a rebound in consumer confidence that is expected to flow through to solid growth in household spending. NZIER's GDP growth forecast for the year to March 2019 is 3.1%, growing to 3.3% in 2020 before moderating to 2.9% by 2021.

Within Kiwi Property's shopping centres, demand for space from domestic and international retailers is strong, as evidenced by our high 99.6% portfolio occupancy rate. This is because at Kiwi Property we focus on delivering the right mix of in-demand retailers and customer experiences – an approach which delivers positive results for our specialty store operators who have witnessed sales productivity improve 7.1% in the past 12 months from $9,900 per square metre to $10,600 per square metre.

After more than a decade of competition from online sales, we can now say with confidence that the retail sector has room for both online sales and bricks and mortar retail, with the latter's ability to connect people socially becoming an increasingly important differentiator. As online retailers become more sophisticated, their need for an omni-channel presence to capture both online and instore sales has evolved and we are now witnessing more online retailers dovetail their online presence with physical stores. This is a positive outcome for retail property owners, who will have even greater choice when selecting the right tenant mix for their centres.

The natural coexistence of bricks and mortar retail and online retail is borne out with research from global property research firm MSCI, who produced an interesting piece recently on retail property returns in the United States. MSCI's research[1] indicates that total returns from retail property have not been materially impacted from the growth in online when compared against returns from other property classes. The firm's data tracked returns over a 16-year period – during which time online sales grew at 15% per annum from 1% to 9% of total sales.

1. MSCI Research Insights, February 2018.

robust capital management

We continued to maintain a strong and conservative balance sheet and stayed active in our capital management programme.

We were delighted to secure a credit rating during the year, with the Company being assigned a corporate credit rating of BBB (stable) from S&P Global Ratings[3] and an issue credit rating of BBB+ in respect of the Company's fixed-rate senior secured bonds.

During the year, we undertook the following capital management activities:

- raised $161 million of new equity through a fully underwritten pro-rata entitlement offer, providing a net $157 million to reduce bank debt before being applied to value-enhancing projects
- further diversified our sources of debt through the addition of China Construction Bank and HSBC to our pool of lenders, and
- raised $125 million through the issue of seven-year fixed-rate senior secured bonds.

At year end:

- our gearing ratio reduced to 29.7%, down from 34.5% in the prior year, due to the repayment of bank debt from the proceeds of the entitlement offer and the sale of The Majestic Centre, together with the positive valuation gains on our property portfolio
- we maintained a healthy 3.6-year weighted average term to maturity on our debt facilities, and
- we maintained a low weighted average cost of debt of 4.99%.

creating value for the future

development of property assets

We currently have $370 million of developments in progress that will continue to add significantly to both the income performance and quality of our property portfolio.

In our office portfolio, we delivered refurbished premises for the insurer Suncorp New Zealand and law firm, Russell McVeagh, at our landmark Auckland office tower, Vero Centre. The retention of both these tenants on long leases of 12 years has provided income security for the Company and the refurbishments have transformed the working environments for these tenants.

Read more about Suncorp's stunning new fit out on page 18 of this report.

In December 2017, we delivered a $9 million dining precinct at Sylvia Park, known as 'The Grove Dining District'. Created to respond to current consumer demand for food and entertainment, the project opened with ten eateries offering a vibrant array of food, including Josh Emmett and Fleur Caulton's Hawker & Roll, along with Birdie's Bar and Deli, Cleaver & Co, The Little District, Mexico, Better Burger, Garrison's Public House, Casablanca, Wagamama and The Coffee Club.

The project opened 100% leased and will deliver an initial yield of 7.8% growing to 8.2% over the following two years, with a projected 10-year internal rate of return of 10%.

Read more about Josh Emmett and Fleur Caulton's Hawker & Roll venture on page 24 of this report.

The Grove Dining District followed the successful opening of H&M and Zara in 2016, and was the next in a series of projects being delivered at Sylvia Park, all designed to bring to life our vision to create a world-class town centre.

In addition to the dining precinct we undertook the following development activity at Sylvia Park during the year:

- Progressed construction and leasing of our office building referred to as 'No.1 Sylvia Park'. With completion of this project expected by July this year, we are delighted that the building is now 90% leased. The building is anchored by insurance giant IAG and, post balance-date we leased 6,740 sqm, or five whole floors and a part floor to banking group, ANZ. Both of these high-quality tenants have committed to nine-year leases. Attracting tenants of such high calibre to the building is testament to the truly unique and high-quality office solution and working environment the building offers.

  Further testament to the building's quality was confirmation that it has achieved a 5-star Green Star design rating, meaning the building is highly efficient from a resource usage perspective.

maintain a strong balance sheet

we focus on maintaining a strong financial position with conservative gearing

FY18 highlights

gearing **29.7%**

corporate credit rating **BBB (stable)**

weighted cost of debt **4.99%**

FY19 balance sheet focus

We will:

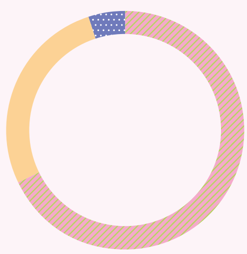
Focus on further diversifying our sources of debt facilities and extending the weighted term of our overall debt facilities.

add value through our investment decisions

we add value through the strategic acquisition, divestment and development of property assets

FY18 investment highlights

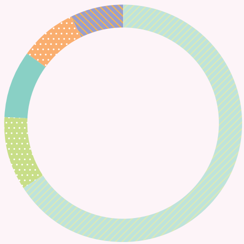
increased our weighting to our preferred sector



sector diversification
by portfolio value

retail	**68%**
office	**27%**
other	**5%**

3. 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 Kiwi Property securities. The rating is 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.



geographic diversification
by portfolio value

Auckland	**66%**
Wellington	**10%**
Hamilton	**9%**
Christchurch	**8%**
Palmerston North	**7%**

FY19 focus

We will:

Continue to progress our developments at Sylvia Park – bringing to life our vision to create a world-class town centre.

Open Langdons Quarter at Northlands to customers in November 2018.

Progress structure planning process for our Drury land with Auckland Council.

Settle the sale of North City.

The cost of the project remains on budget at $80 million. ANZ will progressively take occupation between June and December 2019. Following ANZ's full occupation, the project is expected to yield 7.4% with a projected 10-year internal rate of return in excess of 9%.

Read more about IAG's move to No.1 Sylvia Park on page 16 of this report.

— Progressed construction of a new $36 million multi-deck carpark. This project is on-budget and on-time to complete in November 2018, delivering ~600 additional parking spaces for our customers.

— As noted by the Chair, we were delighted to announce that we were proceeding with our retail Galleria expansion, bringing approximately 60 new specialty retailers, a two-storey Farmers department store, international mini-majors and a further multi-deck carpark adding ~900 car spaces. Construction commenced in March this year and we look forward to opening the doors to customers in mid-2020. The project is expected to provide an initial yield of 5.7%, growing to 6.2% by year three, and an internal rate of return in excess of 10%.

Read more about the history and success of Sylvia Park and our Galleria development plans on pages 10 to 17.

The other major project we commenced during the year was construction of a vibrant new dining and entertainment precinct, to be known as Langdons Quarter, at Northlands in Christchurch. Again, this development is directly in line with our strategy of providing compelling food and dining experiences that respond to customer demand.

The project features a new dining precinct beneath a newly refurbished HOYTS cinema offer, together with seismic strengthening works in that area.

The total cost of our development is $18.8 million (which includes $6.8 million of seismic strengthening works) and is expected to provide a 6% yield on cost (excluding strengthening costs) in the first full year post completion. Construction commenced in January 2018 and is due to complete in November 2018.

Read more about why food is important on page 20 and about our makeover at Northlands on page 22.

Looking to the longer-term horizon, we have progressed our town centre planning for our 51-hectare landholding in Drury, south of Auckland, which we aim to develop over a 20-year timeframe to coincide with predicted population growth, household formation and employment growth in South Auckland.

In conjunction with key infrastructure providers and neighbouring landowners and developers, we are participating in the Auckland Council-led structure plan for the broader Drury/Opaheke precinct. This is a pre-cursor to securing a town centre zoning that will enable us to construct or facilitate retail, commercial and residential development on the land.

transaction activity

Our asset recycling programme of previously identified non-core assets progressed well during the year. The sale of The Majestic Centre settled in December 2017 for $123.2 million and, post balance-date, we secured the sale of North City for $100 million. Settlement is scheduled to occur no later than July 2018.

These sales enable us to pay down debt to provide us with further funding capacity to focus on value-added investment opportunities in line with our core investment strategy.

Kiwi Property assumed management of The Majestic Centre on behalf of its new owner in December 2017 but will no longer manage North City on settlement of the sale.

During the year we acquired a 3.2 hectare property adjacent to Sylvia Park for $27.1 million. When combined with our existing adjacent landholdings at Sylvia Park, this acquisition has enabled us to consolidate a strategic 7.7-hectare landholding adjacent to Sylvia Park.

We have no immediate plans to redevelop the land; however, given our world-class town centre vision for Sylvia Park and Mt Wellington's status as a Metropolitan Centre, it makes good sense for us as a long-term investor to increase our landholdings in this strategic location.

intensive asset management

We are active managers of our property investments, which means we employ dedicated teams to ensure our shopping centres provide the right tenancy mix and attractions for our customers, and that our office buildings remain in high demand from business tenants.

Kiwi Property is now enjoying the benefits of both a stable economy and a sound delivery platform. Continuing demand for quality retail and office property, especially in Auckland, is keeping occupancy high. Economic growth is supporting demand and ongoing rental growth, with improving operating revenues. Investor demand for high quality assets continues to lift property values.

retail portfolio – creating exceptional places to shop

To deliver on our strategy to create exceptional places to shop, we have continued to focus on improving our retail offer and responding to customer preferences by continuing to refine our tenancy mix and by creating exceptional experiences.

This has included re-weighting our retail mix into categories experiencing higher customer demand such as food catering and retail services. We are also focusing on a wide range of initiatives to enhance the retail experience for our customers and retailers, in a continuously changing retail landscape.

The improvement in many of our key metrics during the year reflects this focus.

key metrics

Retail income was up 5.8% (3.1% like-for-like) on the prior year due to full-year contributions from Westgate Lifestyle, The Base and the Zara and H&M developments at Sylvia Park, offset by reduced income at Northlands as a result of development impacted tenancies and vacancies. Further, our income is underpinned by the predominance of fixed and CPI-related rent reviews. Rent reviews completed in the current year resulted in an uplift over prior passing rents of 3.4%.

Our retail portfolio was 99.7% occupied at 31 March 2018, above our long-term average occupancy of 99%, with a weighted average lease term of 3.8 years.

retail sales

Total retail sales grew by 3.4% to $1.8 billion during the year. Our portfolio of seven shopping centres recorded total sales of $1.6 billion, an increase of 3.9%, while attracting more than 50 million shopper visitors.

Particularly strong performances were seen at Sylvia Park, where sales grew by 9.0%, and The Plaza, up by 5.1%. We were pleased to see consistent like-for-like growth of between 2.6% and 3.3% across the majority of our shopping centre portfolio and an overall 7.1% increase in sales productivity for specialty retailers to $10,600 per square metre. Consistent with this, our specialty gross occupancy cost (GOC) was 12.1%, down from 12.4% a year earlier, indicating improved affordability of rents and greater scope for future rental growth.

Against the trend, sales at North City in Porirua declined by 3.9% on a like-for-like basis, but this was expected given the elevated levels of trading experienced during 2017 when other Wellington retail centres were disrupted by the November 2016 Kaikōura earthquake. Like-for-like sales at Northlands were also 1.5% lower but again, this was not unexpected given the redevelopment works currently underway and the opening of new supermarkets within its trading catchment.

experiences

This year we have continued our roll-out of high-speed WiFi in each of our centres. Our customers are able to access this free of charge and the rich data we are gathering from this is enabling us to gain insights into customer behaviour, including dwell times, foot traffic and the way customers move around our centres. Our focus in FY19 is to build a strong data platform to leverage this information to further enhance our customer experiences, provide insights to our retailers, and improve the way we manage the centres.

intensive asset management

we seek to optimise asset performance through intensive asset management

our retail portfolio[4]

9 retail centres

$2.1 billion value

355,000 sqm net lettable area

964 tenants

$136.5 million net operating income

FY18 retail portfolio highlights

99.7% occupancy

3.8 years WALT

+3.3% uplift on prior passing rental from new leasing and rent reviews

$1.8 billion retail sales

>50 million visitors a year

FY19 retail portfolio focus

We will:

Use the customer data we are collecting to further connect with our customers.

Continue the leasing programme for our Galleria development at Sylvia Park.

Finalise our leasing deals at Langdons Quarter.

4. Post balance date, the Company entered into an agreement for the sale of North City. The sale is due to settle no later than July 2018.

our office portfolio

4 office buildings

$831 million value

96,000 sqm net lettable area

59 tenants

$50.3 million net operating income

FY18 office portfolio highlights

99.3% occupancy

10.1 years WALT

+4.4% uplift on prior passing rental from new leasing and rent reviews

FY19 office portfolio focus

We will:

Focus on leasing up vacant and expiring space in the Vero Centre.

Roll-out a pilot of a tenant internet portal within the Vero Centre.

Welcome our first office tenants to No.1 Sylvia Park.

We completed over 2,000 retail activations in our centres. Activations are 'pop up' retail activities that allow retailers to showcase products and brands that create added attractions for shoppers while garnering further income streams for our investors.

We have continued to improve digital wayfinding for easier parking and have partnered with Be. Accessible to provide an accessibility rating for each of our centres.

office portfolio – creating exceptional workplaces

Our office portfolio is in good shape, due in part to recently completed developments and the securing of long lease terms at key assets, including ASB North Wharf, The Aurora Centre and 44 The Terrace. Occupancy sits at 99.3%, with a long weighted average lease term of 10.1 years, providing long-term security of income for our shareholders.

Office rental income was up 3.3% (0.9% like-for-like) on the prior year, with contributions from completed developments at The Aurora Centre and 44 The Terrace, offset by the disposal of The Majestic Centre and reduced income at the Vero Centre largely due to a surrender payment received in the prior year.

Our office assets provided a revaluation gain of $54.3 million, benefiting not only from macro-economic factors such as positive office market fundamentals and investor sentiment, but also property-specific factors such as seismic resilience, strong tenant covenants, long WALT and limited deferred maintenance. The total value of the portfolio is now $831 million.

The Vero Centre alone has contributed $123 million in value gains over the past five years, and when combined with ASB North Wharf, our Auckland assets have contributed $172 million.

Leasing activity was largely limited to that within our premier Auckland office tower, Vero Centre. New leases and rent reviews completed have provided an uplift of 4.4% over prior passing rentals.

At Vero Centre, we have been successful in retaining all key tenants on new long-term leases and have facilitated their requirement for office space efficiency. Good examples of this are key anchor tenants Russell McVeagh and Suncorp who have completed new, inspiring and contemporary fit-outs. A key focus for us in the year ahead will be leasing 5,600 sqm of space, or 14% of the building, that has either become vacant as a result of those tenants reducing their space requirements, or is space due to expire in FY19. Subsequent to balance date, we have completed leasing deals over 1,100 sqm of this vacant space with a weighted average lease term of eight years. With strong enquiry from tenants we are confident in our ability to achieve 100% occupancy in the short term.

We also look forward to the completion of No.1 Sylvia Park and welcoming our first ever office tenants at Sylvia Park.

We continue to sharpen our emphasis on our customers – our tenants and their people – within our office buildings as we position Kiwi Property as the provider of choice for exceptional workplaces. In each of our office buildings we have, or are introducing, first-class end-of-trip facilities, bookable visitor carparks, carpark sharing options, concierge services and more food and beverage choices. An exciting initiative to be rolled out over the next year is a tenant portal, which will connect our tenants within a building and provide online services, including carpark booking and coffee ordering, as well as building maintenance services. These are designed to save our customers time, money or both.

treading more lightly on our planet

We are proud of our leadership position in sustainability. We consider it an important part of our value proposition.

Our corporate social responsibility programme, which we bring together under our 'sustainability' banner, has been in operation for more than 15 years. Like many companies, we began with a focus on implementing environmental initiatives, helping us to tread more lightly on the planet while reducing operating costs.

Today, we are increasingly focused on engagement that brings us closer to our communities, builds better social behaviours and rewards, produces a strong corporate culture and ensures our investments are enduring.

Our sustainability programme was rewarded again in the current year with a number of successes and firsts.

Read more about our current year sustainability highlights commencing on page 50.

For the first time this year, we are releasing our standalone Sustainability Report alongside our Annual Report. If you want to read more about our sustainability programme, you can view this report on our website kp.co.nz/sustainability.

fostering a high-performing culture

We see people and culture as a key enabler to the delivery of our strategy. We have been working diligently to build a highly engaged, diverse and inclusive workforce.

A key focus over the past year has been the preparation for moving into our new corporate home at the Vero Centre, which we did in April of this year. Due to growth in our teams, our Auckland corporate teams had been spread out over three floors in two locations for the past few years. We are excited to have brought everyone together again under one roof and on one floor.

appointment of GM Retail

Subsequent to year end, we were pleased to announce the appointment of Linda Trainer to the role of GM Retail. Linda brings over 20 years' experience in property, retail, management and marketing. She has overall responsibility for developing, championing and delivering the retail portfolio's strategic objectives and goals, and leading the retail team to optimise profitability and investment performance.

Read more about the activities we have been doing with our people on page 46.

reflections on the past decade

As noted by the Chair, I will be finishing my tenure with Kiwi Property this September. I have thoroughly enjoyed working with Kiwi Property; it is a Company built on the strength of its people and the outstanding platform of knowledge and expertise contained within it. I extend a very warm thank you to the board and the entire management team for their considered counsel, indefatigable approach to creating an exceptional company culture, and their determination to deliver outstanding results for all stakeholders.

On page 56, I reflect more on my time at Kiwi Property.

the year ahead

Kiwi Property has performed well in FY18, and we look forward to delivering positive results in the year ahead.

Our key focus for the year ahead will be on progressing our development projects underway at Sylvia Park and Northlands while also progressing our long-term town centre vision for Drury.

We will continue to optimise the performance of our portfolio by seeking ways to improve our tenant and customer experiences, ensuring our assets remain resilient and in demand.

Once again, I thank you for your support of Kiwi Property, and for the support given to me during my time here.

CHRIS GUDGEON
CHIEF EXECUTIVE

creating a strong culture

Our objective is to create a workplace that attracts, engages, develops and retains the best people in the property industry, and for our team to be empowered, inspired and free to be and do their best together, for our customers and investors.

– Kylie Eagle, Head of People and Culture

Kiwi Property has been evolving its people and culture strategy since we were established. Here are some of our achievements for 2018, and an overview of what we will be focused on in the year ahead.

we're people-people

strategic objectives	outcomes this year	our future focus
To create a workplace of the future with new ways of working	With a move to new corporate offices in the Vero Centre in April 2018, we have moved to activity-based work practices, empowering our team to work where and how they choose, with maximum flexibility and minimum constraints, to optimise collaboration, productivity, wellbeing and space.	We will monitor the success of our new workplace through employee engagement and productivity measures, and fine tune where possible to ensure our workplace of the future remains fit for purpose.
	We have embraced digital ways of working with the use of apps for internal communication, employee carparking, pay and leave self-service, performance and development and remote system access.	We will continue to leverage technology and digitisation of the workplace to increase productivity, reduce occupancy costs per employee and increase our sustainable practices.

	strategic objectives	outcomes this year	our future focus
we lead	Build leadership capability at all levels of the organisation as an enabler of our strategic objectives and our culture	In 2017 we launched 'Elevate', the Kiwi Property Leadership Development programme built on developing leaders who are: — real and adaptable — coaches and connectors, and — discoverers and visionaries. 87% of our people leaders participated in leadership training during the 2018 financial year.	Our leadership development focus will continue to develop how our leaders think and learn, rather than what to think and do. We will work on measuring our progress in this area by undertaking an organisational employee survey and comparing our leadership style profile against our starting profile.
we have a passion for excellence	To attract, develop and retain talent	We provide potential for development via experience, exposure and education. — 70% of development via experience, day-to-day tasks, challenges and practice. — 20% of development via exposure to others, work situations and collaboration. — 10% of development via education and structured learning.	Attracting, developing and retaining the best talent in the industry is critical to building a sustainable and high performance organisation. We are working towards ensuring our talent is engaged and career growth occurs through individual learning and development plans and a coordinated approach to talent management.
		To support and build a future pipeline of talent, we have committed to supporting the education, promotion and enablement of careers in the property industry for Māori and Pasifika students. During the 2018 financial year, in conjunction with Keystone Trust, we designed a scholarship programme for Māori and Pasifika students undertaking tertiary study in property.	We look forward to being able to name the first recipient of the Kiwi Property Māori and Pasifika scholarship in 2018.

CHRISTIE ZHAO
COMMERCIAL PROPERTY MANAGER

we do what's right

strategic objectives	outcomes this year	our future focus
Create a culture of inclusion, diversity, health and safety, wellbeing and giving back	***cultural awareness*** We continued to grow employee awareness of New Zealand's cultural diversity through education and celebrations of Diwali, Chinese New Year and Matariki.	We have started the investment to understand what makes workplaces inclusive. Our goal is to broaden and embed diversity and inclusion into our ways of working.
	wellbeing In the 2018 year there were 208 occurrences of employee participation in at least one wellbeing programme. For example, 45 of our people took part in the Auckland Marathon in November 2017.	We will continue our focus on wellbeing.
	diversity During 2017, new diversity objectives were put in place to continue focused work on developing a workforce that is a more reflective representation of the communities and customers we serve. The new objectives focused on sourcing and attracting a broader candidate talent pool and identifying alternative recruitment channels in order to attract and source a greater representation of Māori, Pacific Peoples, Asian and female candidates. We are proud of our achievements during 2018. At 31 March 2017, the representation of women in the leadership team was 17%. At 31 March 2018, this increased to 25% and, post the reporting period, increased further to 36%. Of the 28 new recruits to Kiwi Property during FY18, the ethnicity profiles of these team members are moving us closer to our objective of better reflecting the communities we serve. This can be seen in the table aside where we compare the ethnicity profile of new team members joining the business in FY18 to New Zealand's ethnicity profile from the 2013 census.	We will continue our focus to increase the proportion of women and Māori, Pasifika and Asian ethnicities in senior leadership roles.

	Kiwi Property recruits FY18	New Zealand profile 2013 census
European	89%	74%
Māori	22%	15%
Asian	15%	11%
Pacific Peoples	4%	7%
Middle Eastern, Latin American, African	4%	1%

The statistics add to greater than 100% as some employees identify with more than one ethnic group.

our people highlights

69%

of our people leaders are women

87%

of our people leaders participated in leadership training in FY18

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across our workforce

208

wellbeing courses or activities were undertaken in FY18

across our workforce

212

health and safety related courses were undertaken in FY18

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1 new director

3[1] new leadership team members

16%

rolling annual employee turnover

providing the opportunity to inject fresh ideas into the business

1. The role of Manager Shopping Centres, held by Shelley Jenkin, was elevated to a Leadership Team position on 23 April 2018. Linda Trainer was appointed to the role of GM Retail on 6 April 2018 and commenced with Kiwi Property on 23 April 2018. Rebecca Oliphant was appointed to the role of Strategy Manager and commenced with Kiwi Property on 28 August 2017.

building business resilience

Our aim is to tread lightly on the planet; in doing so, we can create efficiencies across our portfolio while building asset and business resilience.

– Jason Happy, National Facilities Manager

Our sustainability programme has now been in place for over 15 years.

Here is a summary of some of our sustainability achievements for 2018. For more in-depth information you are invited to read our 2018 Sustainability Report. This is available on our website, kp.co.nz/sustainability.

category	current year initiatives	outcomes
waste	— continued to roll out the recent learnings from our Sylvia Park waste trials across the balance of the retail portfolio	— we have reduced waste by a further 4.3% over the year – equivalent to diverting waste from over 221 jumbo bins — **since our 2012 base measurement year, we have diverted 310 tonnes of waste from landfill, the equivalent of filling 507 jumbo bins**
water	— continued to implement operational refinements to achieve further efficiencies	— over the year, we have saved enough water to fill over 101 domestic swimming pools — **since our 2012 base measurement year, we have reduced water consumption by 23 million litres, enough water to fill over 467 domestic swimming pools**
energy	— maintained our continuous improvement approach to reduce energy consumption — upgraded a further 15% of common area lighting to LEDs	— energy usage has reduced 7.9% over the year. This represents enough energy to power over 199 houses for a year — **since our 2012 base measurement year, we have saved enough energy to power 448 houses for a year**

LED replacement project

- since 2016, we have replaced over 9,700 fluorescent lights with energy efficient LEDs. 80% of the portfolio's common area lighting has now been upgraded
- expected to save over 3,300,000 kWh per annum (enough to power 300 homes for a year)
- LED lights typically last 25 times longer than fluorescent lights. As a result, this programme is expected to negate the need for almost 300,000 fluorescent lamps over the life of the LEDs installed
- LEDs also do not contain mercury, which means the programme will prevent the need to dispose of almost 9kg of mercury

category	current year initiatives	outcomes
carbon	— targeted achieving the highest rating of NZX-listed entities in the Carbon Disclosure Project — submitted carbon footprint to CDP for certification	— achieved A- rating in the carbon disclosure project – for the third consecutive year, retained highest CDP rating of any New Zealand listed entity — retained our FSTE4Good rating – one of only five New Zealand entities included in this index — retained the highest level of carbon certification, 'Carbon Managed' – our carbon footprint has reduced by 40% over our 2012 base year
NABERSNZ	— continued our programme to obtain 4-5 star NABERSNZ ratings for all office buildings owned or managed by Kiwi Property by FY20 — 4 star – "excellent" — 5 star – "market leading" — 6 star – (top rating) "aspirational"	— to date ratings have been obtained for: – ASB North Wharf 4.5-star – 44 The Terrace 4.5-star (2017) – The Aurora Centre 5.5-star. This is an exceptional outcome given this was a refurbishment, reflecting investment over time and careful design specifications for the refurbishment.
solar	— derived more energy for base building needs from natural resources	— Kiwi Property is set to become New Zealand's largest commercial user of solar power after signing a non-binding Memorandum of Understanding in 2017 with Meridian Energy to install solar arrays at four shopping centres (in addition to the existing solar array at Sylvia Park)
seismic resilience	— continued our commitment to people safety and asset endurance by continuing our seismic strengthening works programme	— in recent years we have spent over $137 million upgrading our assets to be more resilient in the event of seismic activity — during the current year, works were undertaken at LynnMall, The Plaza, North City and Northlands
tenant engagement	— delivered a retailer awards programme encouraging sustainable shop fitouts	— Kiwi Property sponsored the 2017 New Zealand Retail Interiors Association's first sustainability award. This award used Environmentally Sustainable Design (ESD) criteria developed by Kiwi Property (using a specialist consultant) to assess entrants' submissions. – The inaugural award was won by Lush's Queen Street store. 2degrees' Queen Street store was awarded a highly commended. – The awards evening was well attended, raising both the profile of sustainability in the retail fit out industry and Kiwi Property as a leader in sustainability.

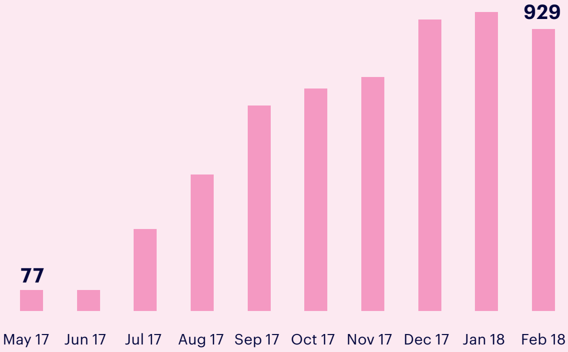
leading trends

Electric vehicles (EV) are one of the major sustainability trends in supporting New Zealand to be a low carbon economy. We are seeking to support these early users, understand how this substantial change will impact on our assets, then ready our assets accordingly.

EV charging at Northlands in partnership with Meridian Energy

category	current year initiatives	outcomes
electric vehicles	— expanded our range of free EV chargers for our customers	— In late 2017, we concluded another agreement with Tesla to add four super chargers at our shopping centre in Palmerston North, The Plaza. This installation forms part of Tesla's ambition to have a super charger highway between Auckland and Wellington. — There are now 26 free electric car charging stations across five of our shopping centres, including eight Tesla super charger stations and 18 charging stations provided in partnership with Meridian Energy. — Usage of our EV stations has risen dramatically over the year (see chart below). Typically, we are now seeing in excess of 900 uses across the portfolio a month with a total plug in time of over 1,100 hours per month. — The typical stay time for an EV is just over 1 hour and 10 minutes, which is around 10 minutes longer than the average customer stay.

ev usage across sylvia park, lynnmall, the plaza and northlands (by month)



our Environmental, Social and Governance (ESG) proposition and risks

Sustainability is an integral part of our value proposition, supporting our profitability, resilience and longevity. As well as adding value to both ourselves and our tenants, our sustainability programme builds resilience by addressing the material environmental, social and governance (ESG) factors for our business. Our key ESG risks are noted below, along with a brief summary of steps we are taking to mitigate those risks (further details of our risk management practices and policies can be found on page 112.

ESG risks		what we are doing
our people	— Failing to ensure we continue to recruit and retain the best people.	— We are focused on creating a great working environment for our people, supporting our employment proposition. — We firmly believe that a diverse team, coupled with a safe and healthy work environment, flexible working arrangements and a positive team culture, will enable innovation, creativity and better business outcomes to flourish.
our communities	— Not remaining a valued part of the communities in which we operate.	— Our assets play an important role in the prosperity of local communities, providing places of economic activity and focal places to work, shop and socialise. — We have numerous community and tenant programmes to support the prosperity of our tenants and businesses and aid local communities to flourish.
our buildings	— Failing to ensure our buildings continue to thrive in future operating environments.	— We build and enhance our properties to meet current and expected future operating environments, as determined by regulation, infrastructure and climatic demands, thereby building resilience.
our environment	— Failing to ensure our environmental performance meets regulatory requirements and operational efficiency demands.	— We actively work to reduce our environmental footprint and resource use through continuously refining our operations and by deploying new economically sustainable technology and practices.
our tenants	— Failing to ensure our buildings remain attractive to work, shop and socialise in.	— We strive to continuously provide our tenants safe, healthy, accessible and desirable buildings that support their business growth in a sustainable manner. — We also strive to continuously provide our customers with sustainable, community focused, safe, healthy and accessible buildings to shop and socialise in.

To address all of the above in an integrated manner, we have an overarching sustainability strategy. A cross-divisional committee, including senior managers, is charged with implementing, monitoring and managing this strategy, ensuring sustainability is woven into our business practices.

Each year, we report our performance against our ESG targets through disclosures made in our Annual Report, our Sustainability Report and our Greenhouse Gas Inventory Document, all of which can be found on our website kp.co.nz/sustainability.

contributing to stronger communities

Our success is linked to the success of the local communities in which we operate. Accordingly, we consider it vital that we play an active role in supporting New Zealanders to prosper.

We do this by not only creating vibrant places to shop and work, but also by creating a strong corporate culture, operating ethically and with high levels of governance, supporting employment and education in our industry, and by giving back to our communities through volunteering, sponsorship and helping community groups to flourish.

employment

Kiwi Property has long been a supporter of New Zealand's charitable Keystone Trust, which has been giving students a hand-up into property related tertiary studies for 20 years.

In 2015, we welcomed Keystone scholarship recipient **James Petherick** to our commercial team on a part-time basis as part of Keystone's scholarship programme. Since then, James has rotated through the facilities management team and is currently working with the retail property team.

Here we talk to James about his experiences with the Keystone Trust and Kiwi Property.

James, you're obviously settling in well to the property sector. What attracted you to the industry in the first place?

I was half way through my final year of high school, when I booked an appointment with the school's careers advisor, where at this stage I still had no idea which career I wanted to pursue. He suggested I explore the property industry as his daughter had done so and found it to be an enjoyable and rewarding career choice. I then spent a few weeks at the Dilworth Trust Board shadowing the Head of Property, where I learnt that there is much more to the property industry than residential real estate agents. It was then I knew this was the industry I wanted to be in.

How did you hear about the Keystone scholarship programme?

Again it was my careers advisor who told me about Keystone; it was a scholarship that provided much more than financial assistance, including the tools needed to be successful in the industry.

How much of a difference has the scholarship made?

It is cliché, but I am not sure where I would be without the Keystone scholarship. They provided me with a buddy in my first year of university which really helped me to find my feet in the new environment, which was completely different to school. The numerous networking events provided by Keystone have allowed me to meet the leaders in the property industry and also helped me get my job here at Kiwi Property.

What has surprised you most about your working life?

The amount of interaction between people; everyone seems to be regularly out of their desks, and at meetings with tenants, contractors, or fellow colleagues, or away at one of our properties.

How would you describe the culture at Kiwi Property?

The culture at Kiwi Property is second to none. The employees really are 'people-people'. When I first started I was a little shy but everyone was so welcoming which made me feel at ease. Everyone always says 'hi' and shows genuine interest in how I am doing which makes me feel appreciated and valued within the organisation. It is the people that I work alongside that really make coming to work that little bit more enjoyable.

What are some of the projects you've been able to work on? Do you have a favourite?

I have been involved with the development of Westgate Lifestyle, The Majestic Centre seismic strengthening project, the Vero Centre lobby refurbishment and many more. However, if I had to choose a favourite it would be the lobby refurbishment at the Vero Centre. I was tasked with selling all the old lobby furniture to Vero Centre tenants, with all proceeds given to charity.

Do you have a view yet on where you would like your career to take you?

Not yet. With the rotations I have done through the different teams at Kiwi Property it has meant that my shortlist of possible career choices continues to grow. I definitely want to pursue the property side of my degree and hope my career can tackle some of the key property issues New Zealand faces.

Thinking about your time at Kiwi Property, what skills have you acquired along the way?

I have acquired time-management skills as I have had to balance my part-time work with Kiwi Property on top of my full-time university studies and my other activities. Furthermore, I have gained a lot of confidence and self-belief – if I truly put my mind to something, anything is possible.

Top: Students from Blockhouse Bay School who won $2,000 from Kiwi Property through 'The Big Hoot' competition.
Bottom: Our team clearing tracks for Cue Haven Community & Management Trusts.

Are there challenges in undertaking full-time study and working in a corporate environment like Kiwi Property? How have you worked through those challenges?

At times, it can be a bit of a balancing act – especially during exam time – but I am a person who likes being busy. At first it was also challenging working on particular tasks by myself without supervision because I was so used to being watched like a hawk at boarding school.

James is now in his final year at the University of Auckland studying a Bachelor of Property and Bachelor of Commerce conjoint, majoring in Accounting and Marketing. As well as being named Property Student of the Year in 2017, he placed third in the Australasian Real Estate Case Competition hosted by the University of Sydney, and also competed in the Cornell International Real Estate Competition hosted by Cornell University (held in New York).

communities

community experiences

Our shopping centres touch the lives of millions of customers every year. We know that, as local gathering places, our centres have an important role to play in strengthening their communities. Our centre management teams develop initiatives to support their local communities. As a result, we support more than 50 grassroots initiatives that promote the provision of local employment, wellbeing and social engagement. Some great examples include:

- KiwiFit – a safe, all-weather community exercise group
- KiwiBubs – a free club created to help Kiwi parents find support, practical advice and friendship
- free childcare for 0-5 year olds for two hours per day at selected centres
- Christmas gift wrapping – with all donations going to local charities, and
- supporting grass root sports through the 'Match Hero' programme at selected centres.

volunteering

Our volunteering programme provides each of our employees one day of paid leave each year to participate in volunteering.

Over the year to 31 March 2018, our people provided 65 days of community service. Some of the causes our team contributed to this year included:

- fundraising for **breast cancer awareness**
- track maintenance, tree planting and path construction for **Cue Haven Community & Management Trusts**, a restoration of former farm land to a native nature reserve
- painting, gardening and meal preparation for **The Lifewise Trust**, an Auckland-based community social development organisation, who develop new ways to solve challenging social issues. They work with families, older people, people with disabilities, and people at risk of homelessness, to turn people's lives around
- food and toy donations for the **Auckland City Mission** Christmas Appeal, and
- tree releasing (freeing trees from overgrown grass) for **Waiheke Resources Trust**, which works towards sustainability for Waiheke Island.

reflections on the past ten years

In a decade of service, our Chief Executive **Chris Gudgeon** has overseen the internalisation, corporatisation, rebranding and growth of Kiwi Property. Chris will retire from the business in September 2018. Here he reflects on his ten years with Kiwi Property.

What first attracted you to Kiwi Property?

Definitely the people. Over a long time Kiwi Property has established a great reputation for good people doing good things in the property sector – being leaders and being unafraid to take a calculated risk. The perfect place to work if you are passionate about property.

What are you most proud of in your time at Kiwi Property?

I am very proud to have been part of a team of people that has grown Kiwi Property from a $2.1 billion business in 2008 into a $3.1 billion business today – with a high-quality portfolio of core property assets that include some of the very best commercial property in New Zealand. Whether it's our iconic Auckland office assets, our Wellington government office precinct or our leading portfolio of shopping centres – our properties are some of the most recognised and envied in the country. Sylvia Park is New Zealand's favourite shopping centre and well on track to becoming a truly world-class town centre.

Other highlights for me have been the development of ASB North Wharf, our investment in LynnMall, the creation of our Wellington government office precinct (44 and 56 The Terrace), our joint venture with Tainui at The Base and the acquisition of our landholdings in Drury, South Auckland.

What's the greatest challenge Kiwi Property has overcome during your time?

At Kiwi Property we negotiated the challenges of the global financial crisis in 2008 reasonably well, but then faced a whole set of new challenges with the Canterbury earthquakes in 2011. Thankfully, the PwC Centre in Armagh Street and our Northlands shopping centre performed well from a life safety perspective but it was an extremely difficult time for our staff and tenants.

Together with all Cantabrians, we faced the initial trauma and dislocation from the quake followed by years of battling through the red zoning, demolition, insurance claims and repairs to a point where thankfully the re-build phase is the main focus.

The quakes have been a sharp reminder that we live in a seismically-active country and have led us to revisit the seismic resilience of all our buildings. In the case of Kiwi Property, this has required us to spend over $137 million on earthquake strengthening nationwide – which has been tough on our shareholders but the right thing to do from a safety perspective.

How would you describe the Kiwi Property culture?

When we separated from our previous parent, Commonwealth Bank of Australia, we took the opportunity to come up with our own set of values uniting around the idea of 'Exceptional People, Exceptional Places' – all trying our best to be the best in the property sector and, in a way that looks after people – be they staff, customers or other stakeholders.

What has internalisation done for the Company?

Internalising management made a lot of sense for Kiwi Property.

To start with, it reduced the cost of management by circa $8 million per annum when we internalised in 2014. Given our growth since 2014, the cost saving to shareholders would be even more today.

Secondly it focuses us exclusively on shareholder returns – which is made real for staff through our short and long-term incentive schemes.

And finally, it has given us greater freedom to express ourselves more creatively through our culture, our brand and our vision.

What have you enjoyed most about the role of Chief Executive?

Working with our talented team to take Kiwi Property forward has been a real privilege. Kiwi Property as a company is in a very strong position with great assets and a balance sheet that enables it to capitalise on some great opportunities going forward.

What's next for you?

After ten very enjoyable years at Kiwi Property it is time to move on and I am looking forward to a change. I am really excited about doing something different – and working out what that might be is a big part of the excitement.

a decade of growth

2008		2018
$2.1b	**total assets** total assets under management have increased	**$3.1b**
Auckland **50%** Wellington **19%** Christchurch **16%** Hamilton **9%** Palmerston North **6%**	**geographic diversification** the geographic weighting of the portfolio has moved to our preferred regions of Auckland and the 'golden triangle'	Auckland **66%** Wellington **10%** Christchurch **8%** Hamilton **9%** Palmerston North **7%**
retail **55%** office **42%** other **3%**	**sector diversification** the sector weighting of the portfolio has moved toward our retail bias	retail **68%** office **27%** other **5%**
850	**number of tenants**	**1,023**
$925m	**retail portfolio sales**	**$1.8b**
$870m	**market capitalisation**	**$1.9b**

our leadership team

CHRIS GUDGEON
CHIEF EXECUTIVE

BE (CIVIL), MBA, FRICS

Leader
Innovator
Problem solver
Sailor

AUBREY CHENG
MANAGER RETAIL LEASING

BCOM, BPROP

Salesman
Relationship builder
Curator
Epicurean

KYLIE EAGLE
HEAD OF PEOPLE AND CULTURE

BCS, GRADUATE DIPLOMA IN BUSINESS

People strategist
Connector
Communicator
Novice surfer

GAVIN PARKER
CHIEF OPERATING OFFICER

BCOM, GRADUATE DIPLOMA IN BUSINESS, CA

Strategist
Implementer
Precisionist
Fisherman

DAVID GREENWOOD
MANAGER PORTFOLIO ANALYSIS

BCOM (FINANCE), BPROP, MPINZ

Analyst
Spreadsheeter
Valuer
Streak runner

JASON HAPPY
NATIONAL FACILITIES MANAGER

BE, MSC (FACILITIES AND ENVIRONMENT MANAGEMENT)

Saver of planets
Innovator
Practical
Paddler

MICHAEL HOLLOWAY
GM COMMERCIAL

BSC (UK), MSC (UK), FRICS

Office visionary
Connector
Numbers geek
Martial artist

SHELLEY JENKIN[1]
MANAGER SHOPPING CENTRES

BPROP

Retail strategist
Partnership builder
CX champion
Intrepid walker

TREVOR WAIREPO
GENERAL COUNSEL AND COMPANY SECRETARY

LLB, BA, MBA

Legal eagle
Mitigator
Straightshooter
Son's golf caddy

STUART TABUTEAU
CHIEF FINANCIAL OFFICER

BCOM, BA, CA

Treasurer
Collaborator
Finance leader
Cyclist

NATASHA LOULANTING
MANAGER PROJECTS AND ANALYTICS

Analyst
Organiser
Precisionist
Sun-loving bookworm

IAN PASSAU
GM DEVELOPMENT

MBA (TECHMGT), BE (CIVIL), NZCE (CIVIL)

Builder
Civil engineer
Visionary
Fisherman

REBECCA OLIPHANT
STRATEGY MANAGER

BA, BCOM (HONS)

Strategist
Innovator
Deal doer
Shopper

LINDA TRAINER[2]
GM RETAIL

DIP BUS

Retail innovator
Enabler
Collaborator
Outdoor junkie

Comprehensive profiles of our leadership team can be found on our website, kp.co.nz/about-us/leadership-team

1. On 23 April 2018, the role of Manager Shopping Centres was elevated to a Leadership Team position.
2. Linda was appointed to the role of GM Retail on 6 April 2018 and commenced with Kiwi Property on 23 April 2018.

financials

delivering on strategy

2018 saw continued revenue growth while improving the quality of our investment portfolio through developments, strategic acquisitions and the sale of non-core assets, resulting in funds from operations growth of over 8%.

	2018 $000	2017 $000
Property revenue	**249,263**	238,136
Less direct property expenses	**(57,168)**	(55,599)
Net rental income	**192,095**	182,537
Property management and other income	**2,027**	1,692
Interest and finance charges	**(42,645)**	(43,236)
Employment and administration expenses	**(20,567)**	(17,987)
Straight-lining of fixed rental increases	**(2,100)**	(2,079)
Amortisation of tenant incentives and leasing fees	**7,873**	6,774
Current tax expense	**(25,414)**	(24,869)
Funds from operations	**111,269**	102,832
Net fair value gain on investment properties	**26,528**	41,037
Net fair value gain/(loss) on interest rate derivatives	**(2,390)**	9,732
Loss on disposal of investment properties	**(7,069)**	(1,345)
Litigation settlement expenses	**–**	(770)
Straight-lining of fixed rental increases	**2,100**	2,079
Amortisation of tenant incentives and leasing fees	**(7,873)**	(6,774)
Deferred tax expense	**(2,463)**	(3,794)
Profit after income tax	**120,102**	142,997

rental income growth

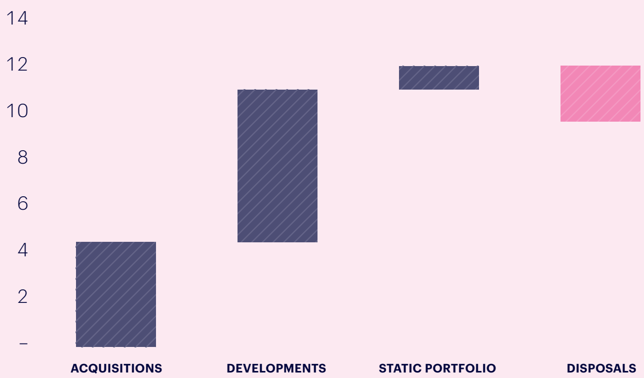
Rental income growth was driven by full-year contributions from prior year acquisitions of Westgate Lifestyle and The Base, combined with completed developments at Sylvia Park, The Aurora Centre and 44 The Terrace. This was partially offset by the disposal of a non-core asset The Majestic Centre. The balance of the portfolio was underpinned by like-for-like rental income growth at Sylvia Park (4.7%), The Plaza (+3.6%), North City (+4.9%) and ASB North Wharf (+4.3%).

net rental income

$192.1m

+5.2% 2017: $182.5 million

rental income growth ($m)



funds from operations

The strong rental income performance resulted in funds from operations (FFO) growth of 8% to $111.3 million. On a per share basis, FFO was down 1.4% due to additional shares on issue following the $157 million (net of issue costs) equity raise to fund our growth initiatives.

funds from operations

$111.3m

+8.2%   2017: $102.8 million

7.84 cps

-1.4%   2017: 7.95 cps

after-tax profit

After-tax profit was 16% lower than the prior year as a result of lower revaluation gains on our property portfolio relative to the prior year as the quantum of capitalisation rate firming stabilises, and the absence of fair value gains on interest rate derivatives experienced in the prior year.

profit after tax

$120.1m

-16.0%   2017: $143.0 million

shareholder returns

Pre-tax FFO per share reduced by 2.5% as a result of the additional shares on issue after the equity raise. Gross dividends increased by 1% and shareholders will receive a final dividend of 3.425 cents per share, taking the full-year cash dividend to 6.85 cents, up 1.5% on the prior year.

pre-tax FFO per share

9.63 cents

-2.5%   2017: 9.87 cents

gross dividend per share

8.74 cents

+0.8%   2017: 8.67 cents

cash dividend per share

6.85 cents

+1.5%   2017: 6.75 cents

strong balance sheet

Our balance sheet remains strong, evidenced by the increase in total assets and net tangible asset backing and the decrease in gearing to 29.7%. During the year, we delivered on a number of important capital management initiatives. We successfully raised $157 million (net of issue costs) through a pro-rata entitlement offer, issued our third seven-year retail bond raising $125 million at a competitive coupon of 4.33% per annum, and further diversified our bank debt funding, adding two new lenders, China Construction Bank and HSBC.

total assets

$3.1b

+3%   2017: $3.0 billion

shareholders' funds

$2.0b

+10%   2017: $1.8 billion

net tangible assets per share

$1.40

+1.4 cents   2017: $1.39

S&P Global Ratings credit rating

BBB+

fixed-rate bonds

gearing ratio

29.7%

-480bps   2017: 34.5%

cost of debt

4.99%

+38bps   2017: 4.61%

five-year summary

financial performance

FOR THE YEAR ENDED 31 MARCH

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Income					
Property revenue and management income	**251.0**	239.6	208.6	206.3	208.2
Other income	**0.3**	0.3	6.5	0.4	5.4
Insurance income	**–**	–	–	–	49.4
Net fair value gain on investment properties	**26.5**	41.0	175.9	58.3	8.5
Net fair value gain on interest rate derivatives	**–**	9.7	–	–	29.1
Total income	**277.8**	290.6	391.0	265.0	300.6
Expenses					
Direct property expenses	**(57.2)**	(55.6)	(51.6)	(50.5)	(59.5)
Interest and finance charges	**(42.6)**	(43.2)	(33.5)	(52.6)	(56.9)
Manager's fees	**–**	–	–	–	(8.1)
Employment and administration expenses	**(20.5)**	(18.0)	(16.2)	(15.1)	(6.2)
Net fair value loss on interest rate derivatives	**(2.4)**	–	(17.6)	(13.1)	–
Termination of management arrangements	**–**	–	–	(2.1)	(74.5)
Other expenses	**(7.1)**	(2.1)	(0.4)	(7.2)	(4.8)
Total expenses	**(129.8)**	(118.9)	(119.3)	(140.6)	(210.0)
Profit before income tax	**148.0**	171.7	271.7	124.4	90.6
Income tax benefit/(expense)	**(27.9)**	(28.7)	(20.9)	(9.2)	10.7
Profit after income tax[1]	**120.1**	143.0	250.8	115.2	101.3

funds from operations

FOR THE YEAR ENDED 31 MARCH

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Profit after income tax	**120.1**	143.0	250.8	115.2	101.3
Adjusted for:					
Net fair value gain on investment properties	**(26.5)**	(41.0)	(175.9)	(58.3)	(8.5)
Loss on disposal of investment properties	**7.1**	1.3	–	0.8	3.3
Net fair value loss/(gain) on interest rate derivatives	**2.4**	(9.7)	17.6	13.1	(29.1)
Termination of management arrangements	**–**	–	–	2.1	74.5
Insurance adjustment/(income)	**–**	–	–	5.1	(49.4)
Litigation settlement expenses/(income)	**–**	0.8	(5.9)	1.3	(3.5)
Straight-lining of fixed rental increases	**(2.1)**	(2.1)	(2.3)	(4.1)	(2.7)
Amortisation of tenant incentives and leasing fees	**7.8**	6.7	6.4	5.6	5.3
Deferred tax expense/(benefit)	**2.5**	3.8	0.4	4.0	(10.5)
Funds from operations[2]	**111.3**	102.8	91.1	84.8	80.7

dividends

FOR THE YEAR ENDED 31 MARCH

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Funds from operations	**111.3**	102.8	91.1	84.8	80.7
Less amount retained	**(14.1)**	(15.5)	(7.2)	(14.5)	(16.0)
Cash dividend	**97.2**	87.3	83.9	70.3	64.7
Payout ratio	**87%**	85%	92%	83%	80%

	cps	cps	cps	cps	cps
Cash dividend	**6.85**	6.75	6.60	6.50	6.40
Imputation credits	**1.89**	1.92	1.62	0.44	–
Gross dividend	**8.74**	8.67	8.22	6.94	6.40

financial position

AS AT 31 MARCH

	2018 $m	2017 $m	2016 $m	2015 $m	2014 $m
Assets					
Investment properties	**3,052.0**	2,969.4	2,669.9	2,275.8	2,130.2
Cash and cash equivalents	**10.7**	9.8	6.2	6.2	9.2
Other assets	**22.8**	20.7	22.3	13.6	96.4
Total assets	**3,085.5**	2,999.9	2,698.4	2,295.6	2,235.8
Liabilities					
Interest bearing liabilities	**913.5**	1,030.4	814.2	766.4	786.5
Mandatory convertible notes	**–**	–	–	–	119.7
Deferred tax liabilities	**95.8**	93.4	92.3	90.1	93.5
Other liabilities	**82.1**	70.0	75.1	56.5	47.6
Total liabilities	**1,091.4**	1,193.8	981.6	913.0	1,047.3
Equity					
Share capital	**1,432.9**	1,272.6	1,241.1	1,079.1	934.5
Share-based payments reserve	**0.4**	0.5	0.2	–	–
Retained earnings	**560.8**	533.0	475.5	303.5	254.0
Total equity	**1,994.1**	1,806.1	1,716.8	1,382.6	1,188.5
Total equity and liabilities	**3,085.5**	2,999.9	2,698.4	2,295.6	2,235.8
Gearing ratio	**29.7%**	34.5%	30.3%	33.5%	35.2%
Net tangible assets per security	**$1.40**	$1.39	$1.34	$1.21	$1.17

1. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.
2. 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 2018 financial year, the Guidelines amended the method used to derive FFO to include the amortisation of leasing fees. Kiwi Property has amended its current year FFO calculation to reflect this change.

five-year summary (continued)

property metrics

AS AT 31 MARCH

	2018	2017	2016	2015	2014
Number of core properties	**13**	14	14	12	12
Net lettable area (sqm)	**451,230**	474,381	374,739	364,713	373,277
Occupancy rate	**99.6%**	98.8%	98.7%	98.4%	97.8%
Weighted average lease term (years)	**5.3**	5.6	5.1	4.5	4.7
Weighted average capitalisation rate	**6.11%**	6.40%	6.61%	6.92%	7.19%

interpretation

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

2018

— Acquired 30.6 hectares of land at Drury in 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 in 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.

2015

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

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

— Sylvia Park Lifestyle, Auckland, was acquired.

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

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

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

2014

— The management of Kiwi Income Property Trust was internalised. A termination payment of $72.5 million ($52.5 million after tax) was made to the former manager. This payment was tax deductible, therefore reducing the tax payable in 2014 and 2015.

— Following internalisation, all employees were employed directly by the Trust.

— The development of our iconic Auckland office building, ASB North Wharf, was completed, together with the redevelopment of Centre Place in Hamilton.

— Final insurance proceeds for Northlands' seismic damage were received.

— 50% of 205 Queen Street, Auckland, was sold.

financial statements

consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018 $000**	2017 $000
Income			
Property revenue	2.1	**249,263**	238,136
Property management income		**1,742**	1,506
Interest and other income		**285**	186
Net fair value gain on interest rate derivatives	3.4.2	**–**	9,732
Net fair value gain on investment properties	3.2	**26,528**	41,037
Total income		**277,818**	290,597
Expenses			
Direct property expenses		**(57,168)**	(55,599)
Interest and finance charges	2.2	**(42,645)**	(43,236)
Employment and administration expenses	2.2	**(20,567)**	(17,987)
Net fair value loss on interest rate derivatives	3.4.2	**(2,390)**	–
Loss on disposal of investment properties		**(7,069)**	(1,345)
Litigation settlement expenses		**–**	(770)
Total expenses		**(129,839)**	(118,937)
Profit before income tax		**147,979**	171,660
Income tax expense	2.3	**(27,877)**	(28,663)
Profit and total comprehensive income after income tax attributable to shareholders		**120,102**	142,997
Basic and diluted earnings per share (cents)	3.6.3	**8.66**	11.10

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 2018

	Note	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
Balance at 1 April 2016		1,241,129	168	475,468	1,716,765
Profit after income tax		–	–	142,997	142,997
Dividends paid	3.6.2	–	–	(85,533)	(85,533)
Dividends reinvested	3.6.1	31,922	–	–	31,922
Long-term incentive plan	3.6.4	(429)	197	114	(118)
Balance at 31 March 2017		1,272,622	365	533,046	1,806,033
Balance at 1 April 2017		**1,272,622**	**365**	**533,046**	**1,806,033**
Profit after income tax		**–**	**–**	**120,102**	**120,102**
Dividends paid	3.6.2	**–**	**–**	**(92,404)**	**(92,404)**
Dividends reinvested	3.6.1	**3,842**	**–**	**–**	**3,842**
Shares issued – entitlement offer	3.6.1	**156,950**	**–**	**–**	**156,950**
Long-term incentive plan	3.6.4	**(478)**	**36**	**33**	**(409)**
Balance at 31 March 2018		**1,432,936**	**401**	**560,777**	**1,994,114**

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 2018

	Note	**2018 $000**	2017 $000
Current assets			
Cash and cash equivalents		**10,697**	9,772
Trade and other receivables	3.1	**14,261**	12,883
		24,958	22,655
Non-current assets			
Investment properties	3.2	**3,051,964**	2,969,365
Property, plant and equipment		**3,764**	1,218
Interest rate derivatives	3.4.2	**658**	2,428
Deferred tax assets	3.3	**4,114**	4,208
		3,060,500	2,977,219
Total assets		**3,085,458**	2,999,874
Current liabilities			
Trade and other payables	3.5	**57,430**	45,464
Income tax payable		**9,290**	7,163
Interest rate derivatives	3.4.2	**627**	198
		67,347	52,825
Non-current liabilities			
Interest bearing liabilities	3.4.1	**913,502**	1,030,358
Interest rate derivatives	3.4.2	**14,725**	17,258
Deferred tax liabilities	3.3	**95,770**	93,400
		1,023,997	1,141,016
Total liabilities		**1,091,344**	1,193,841
Equity			
Share capital	3.6.1	**1,432,936**	1,272,622
Share-based payments reserve		**401**	365
Retained earnings		**560,777**	533,046
Total equity		**1,994,114**	1,806,033
Total equity and liabilities		**3,085,458**	2,999,874

For and on behalf of the board, who authorised these financial statements for issue on 18 May 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 YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Property revenue		**247,835**	236,122
Property management income		**1,727**	1,384
Interest and other income		**285**	186
Direct property expenses		**(58,290)**	(56,672)
Interest and finance charges		**(42,054)**	(42,823)
Employment and administration expenses		**(18,149)**	(14,935)
Income tax expense		**(23,287)**	(24,105)
Goods and Services Tax received		**151**	1,757
Net cash flows from operating activities		**108,218**	100,914
Cash flows from investing activities			
Proceeds from disposal of investment properties		**122,083**	46,141
Acquisition of investment properties		**(59,828)**	(213,944)
Expenditure on investment properties		**(108,877)**	(91,228)
Interest and finance charges capitalised to investment properties		**(3,755)**	(2,626)
Acquisition of property, plant and equipment		**(3,035)**	(857)
Net litigation settlement income		**–**	3,530
Proceeds from other investment activities		**–**	28
Net cash flows used in investing activities		**(53,412)**	(258,956)
Cash flows from financing activities			
Proceeds from issue of shares		**156,950**	–
Own shares acquired for long-term incentive plan		**(633)**	(429)
Proceeds from/(repayment of) bank loans		**(242,500)**	92,000
Proceeds from fixed rate bonds		**123,555**	123,585
Settlement of interest rate derivatives		**(2,724)**	–
Dividends paid		**(88,529)**	(53,497)
Net cash flows from/(used in) financing activities		**(53,881)**	161,659
Net increase in cash and cash equivalents		**925**	3,617
Cash and cash equivalents at the beginning of the year		**9,772**	6,155
Cash and cash equivalents at the end of the year		**10,697**	9,772

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 2018

	2018 $000	2017 $000
Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after income tax	**120,102**	142,997
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	**(2,925)**	907
Non-cash items:		
Net fair value loss/(gain) on interest rate derivatives	**2,390**	(9,732)
Net fair value gain on investment properties	**(26,528)**	(41,037)
Movement in deferred tax assets	**94**	2,725
Movement in deferred tax liabilities	**2,370**	1,070
Movements in working capital items:		
Trade and other receivables	**(1,378)**	1,742
Income tax payable	**2,127**	764
Trade and other payables	**11,966**	1,478
Net cash flows from operating activities	**108,218**	100,914

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 2018

1. general information

FOR THE YEAR ENDED 31 MARCH 2018

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

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

1.3 significant changes during the year

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

entitlement offer

On 17 July 2017, the Group completed a 1 for 11 entitlement offer raising a total of $157.0 million (net of issue costs) through the issue of 118.1 million shares at $1.36 each.

fixed-rate bonds

On 19 December 2017, the Group issued $125 million of seven-year fixed-rate senior secured bonds. For further details refer to Note 3.4.1.

investment property acquisitions and disposals

On 20 September 2017, the Group settled its acquisition of 30.6 hectares of land at Drury in South Auckland for $32.7 million including acquisition costs.

On 13 October 2017, the Group acquired property at 79 Carbine Road and 10 Clemow Drive in Mount Wellington, Auckland for $27.1 million.

On 11 December 2017, the Group settled the sale of The Majestic Centre, Wellington for $123.2 million (before disposal costs). Kiwi Property manages the property on behalf of the purchaser.

On 11 April 2018, the Group entered into an unconditional agreement to dispose of North City for $100 million (before disposal costs). The disposal is due to settle no later than July 2018.

1.4 group structure

controlled entities

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

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

joint venture

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

principles of consolidation

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

1.5 new standards, amendments and interpretations

The following new standards have been published but are not yet effective and have not been early adopted by the Group:

NZ IFRS 9 Financial instruments

This standard will replace NZ IAS 39. NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities through a simplified mixed measurement model. The standard is required to be adopted by the Group in its financial statements for the year ending 31 March 2019. Having completed an assessment of the standard, the impact is immaterial from a profit and loss and net asset perspective, however some presentational changes to the financial statements will be required.

The introduction of the new expected credit losses model, that replaces the incurred loss impairment model, will not have a material financial impact on the provisioning for the Group's trade receivables.

Kiwi Property does not currently apply an accounting policy of hedge accounting under NZ IAS 39. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward if the Group chooses to do so.

NZ IFRS 15 Revenue from contracts with customers
This standard addresses the recognition of revenue from contracts with customers. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is required to be adopted by the Group in its financial statements for the year ending 31 March 2019.

The majority of revenue for the Group is derived from rental income from lease agreements with tenants. Accounting for lease income is scoped out of NZ IFRS 15 as it is within the scope of NZ IAS 17 (and NZ IFRS 16 from the point that standard is adopted). However, certain non-rental income streams, such as property management income, are within scope of NZ IFRS 15. Having completed an assessment of the standard, the financial impact will not be material.

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

As outlined in Note 5.4, the Group has several occupational ground leases of properties/parts of properties in its investment property portfolio. The Group is assessing the impact of NZ IFRS 16 on these ground leases. There is not expected to be a material impact on the overall financial position, however some presentational changes to the financial statements will be required.

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 79
Note 3.2	Investment properties	PG 83
Note 3.4.2	Interest rate derivatives	PG 87
Note 3.6.4	Share-based payments	PG 90

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.

2. profit and loss information

FOR THE YEAR ENDED 31 MARCH 2018

2.1 property revenue

	2018 $000	2017 $000
Gross rental income	**252,193**	242,831
Straight-lining of fixed rental increases	**2,100**	2,079
Amortisation of capitalised lease incentives	**(5,030)**	(6,774)
Property revenue	**249,263**	238,136

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

	2018 $000	2017 $000
Within one year	**238,643**	244,363
One year or later and not later than five years	**741,748**	763,284
Later than five years	**414,261**	465,317
Property operating lease income	**1,394,652**	1,472,964

recognition and measurement

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

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

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

2.2 expenses

	2018 $000	2017 $000
Interest and finance charges on bank loans	**31,618**	35,097
Interest on fixed-rate bonds	**14,777**	10,765
Capitalised to investment properties	**(3,750)**	(2,626)
Interest and finance charges	**42,645**	43,236

Auditor's remuneration:		
Statutory audit and review of the financial statements	**238**	229
Assurance related services	**33**	33
Attendance and voting procedures at shareholder meetings	**4**	4
Benchmarking of executive remuneration	**9**	28
Review of long-term incentive plan	**45**	–
Directors' fees	**704**	652
Employee entitlements	**21,898**	19,417
Less: recognised in direct property expenses	**(6,723)**	(6,083)
Less: capitalised to investment properties	**(3,117)**	(2,058)
Information technology	**1,298**	1,314
Investor related expenses	**670**	700
Occupancy costs	**1,769**	874
Professional fees	**1,590**	1,483
Trustees' fees	**69**	57
Other	**2,080**	1,337
Employment and administration expenses	**20,567**	17,987

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 2018 this was 4.91% (2017: 4.67%).

employee entitlements

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

2.3 tax expense

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

	2018 $000	2017 $000
Profit before income tax	**147,979**	171,660
Prima facie income tax expense at 28%	**(41,434)**	(48,065)
Adjusted for:		
Net fair value gain/(loss) on interest rate derivatives	**(669)**	2,725
Net fair value gain on investment properties	**7,428**	11,490
Loss on disposal of investment properties	**(1,979)**	(377)
Litigation settlement expenses	**–**	(216)
Depreciation	**7,054**	6,953
Deferred leasing costs	**137**	992
Deductible capitalised expenditure	**1,655**	954
Prior year adjustment	**1,317**	(144)
Other	**1,077**	819
Current tax expense	**(25,414)**	(24,869)
Depreciation recoverable	**(2,733)**	(2,108)
Net fair value loss/(gain) on interest rate derivatives	**(94)**	(2,725)
Deferred leasing costs and other temporary differences	**364**	1,039
Deferred tax expense	**(2,463)**	(3,794)
Income tax expense reported in profit	**(27,877)**	(28,663)
Imputation credits available for use in subsequent periods	**13,808**	12,715

recognition and measurement

current tax

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

deferred tax

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

imputation credits

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

key estimates and assumptions: income tax

deferred tax on depreciation

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

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

depreciation recovered on the 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 is available for use by 31 March 2019. As at 31 March 2018, the Group continues to qualify for this relief and a deferred tax liability of $4.2 million continues to be provided.

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 the deferred tax liability is expected to crystallise into a current tax liability in the 2019 financial year.

3. financial position information

FOR THE YEAR ENDED 31 MARCH 2018

3.1 trade and other receivables

	2018 $000	2017 $000
Trade debtors	**10,087**	6,563
Provision for doubtful debts	**(357)**	(147)
Prepayments	**4,531**	4,082
Deposit on development land	–	2,385
Trade and other receivables	**14,261**	12,883

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. Collectability of trade debtors is reviewed on an ongoing basis and a provision for doubtful debts is made when there is evidence that the Group will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated. There are no overdue debtors considered impaired that have not been provided for.

3.2 investment properties

recognition and measurement

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

initial recognition – acquired properties

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

initial recognition – properties being developed

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

subsequent recognition

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

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

lease incentives

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

disposals

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

Investment properties held by the Group are as follows:

	Valuer	Capitalisation rate %	Fair value 31 March 2017 $000	Capital movements 2018 $000	Fair value gain/(loss) 2018 $000	Fair value 31 March 2018 $000
Retail						
Sylvia Park[1]	**CBRE**	**5.38**	**755,000**	**69,497**	**10,503**	**835,000**
Sylvia Park Lifestyle	**CBRE**	**6.25**	**70,900**	**(233)**	**3,333**	**74,000**
LynnMall	**CBRE**	**6.25**	**271,000**	**2,130**	**870**	**274,000**
Westgate Lifestyle	**JLL**	**6.38**	**87,000**	**286**	**2,714**	**90,000**
The Base[2]	**JLL**	**6.25**	**195,000**	**1,512**	**5,988**	**202,500**
Centre Place – North	**JLL**	**8.75**	**66,000**	**554**	**(7,554)**	**59,000**
The Plaza	**Colliers**	**7.00**	**215,500**	**6,529**	**(15,029)**	**207,000**
North City[3]			**110,500**	**4,217**	**(15,567)**	**99,150**
Northlands	**Colliers**	**7.13**	**248,500**	**8,926**	**(17,426)**	**240,000**
			2,019,400	**93,418**	**(32,168)**	**2,080,650**
Office						
Vero Centre	**CBRE**	**5.50**	**381,000**	**8,879**	**30,121**	**420,000**
ASB North Wharf	**Colliers**	**5.63**	**196,250**	**1,318**	**11,432**	**209,000**
The Majestic Centre[4]			**119,400**	**(119,400)**	**–**	**–**
The Aurora Centre	**Colliers**	**6.38**	**140,650**	**4,330**	**7,270**	**152,250**
44 The Terrace	**Colliers**	**6.63**	**41,750**	**2,618**	**5,532**	**49,900**
			879,050	**(102,255)**	**54,355**	**831,150**
Other						
Other properties	**Various**		**57,915**	**29,555**	**5,594**	**93,064**
Development land	**JLL**		**13,000**	**35,353**	**(1,253)**	**47,100**
			70,915	**64,908**	**4,341**	**140,164**
Investment properties			**2,969,365**	**56,071**	**26,528**	**3,051,964**

1. Sylvia Park has been valued at $1.12 billion assuming completion of the office building, central carpark, galleria and southern carpark developments, less costs to complete of $261 million and a $24 million allowance for profit and risk.
2. Represents the Group's 50% ownership interest. Refer to Note 1.4 for further information.
3. On 11 April 2018, the Group entered into an unconditional agreement to dispose of North City for $100 million. The carrying value as at 31 March 2018 represents the net disposal proceeds. The sale is due to settle no later than July 2018.
4. On 11 December 2017, the Group settled the sale of The Majestic Centre for $123.2 million. Refer to Note 1.3 for further details.
The main contractor submitted a final claim for works at The Majestic Centre which exceeded the Company's assessment of the amount due. Post balance date, the arbitration of the claim was settled. The settlement has been reflected in the loss on disposal of investment properties in the statement of comprehensive income.

3.2 investment properties (continued)

	Valuer	Capitalisation rate %	Fair value 31 March 2016 $000	Capital movements 2017 $000	Fair value gain/(loss) 2017 $000	Fair value 31 March 2017 $000
Retail						
Sylvia Park[1]	CBRE	5.88	704,000	39,652	11,348	755,000
Sylvia Park Lifestyle	CBRE	6.38	69,800	168	932	70,900
LynnMall	CBRE	6.38	269,000	2,669	(669)	271,000
Westgate Lifestyle	JLL	6.50	70,250	17,462	(712)	87,000
The Base[2]	JLL	6.50	–	193,528	1,472	195,000
Centre Place – North	JLL	8.63	65,500	3,987	(3,487)	66,000
Centre Place – South			46,700	(46,700)	–	–
The Plaza	Colliers	7.00	211,000	6,582	(2,082)	215,500
North City	Colliers	7.63	109,500	783	217	110,500
Northlands	Colliers	7.25	243,000	2,606	2,894	248,500
			1,788,750	220,737	9,913	2,019,400
Office						
Vero Centre	CBRE	5.75	358,000	7,150	15,850	381,000
ASB North Wharf	Colliers	5.75	187,750	1,286	7,214	196,250
The Majestic Centre	CBRE	7.25	112,250	12,288	(5,138)	119,400
The Aurora Centre	Colliers	6.50	125,900	12,352	2,398	140,650
44 The Terrace	Colliers	6.88	35,500	4,123	2,127	41,750
			819,400	37,199	22,451	879,050
Other						
Other properties	Various		61,770	(5,929)	2,074	57,915
Development land	JLL		–	6,401	6,599	13,000
			61,770	472	8,673	70,915
Investment properties			2,669,920	258,408	41,037	2,969,365

1. Sylvia Park was valued at $840 million assuming completion of the office and dining lane developments less costs to complete of $75 million and an allowance for profit and risk.
2. Represents the Group's 50% ownership interest. Refer to Note 1.4 for further information.

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

	2018 $000	2017 $000
Balance at the beginning of the year	**2,969,365**	2,669,920
Capital movements:		
Acquisitions (refer to Note 1.3)	**59,828**	209,220
Disposal of The Majestic Centre (refer to Note 1.3)	**(128,373)**	–
Disposal of Centre Place – South	**–**	(46,407)
Capitalised costs (including fees and incentives)	**128,882**	101,265
Capitalised interest and finance charges	**3,755**	2,626
Amortisation of lease incentives, fees and fixed rental income	**(8,021)**	(8,296)
	56,071	258,408
Net fair value gain on investment properties	**26,528**	41,037
Balance at the end of the year	**3,051,964**	2,969,365

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 (2017: 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 2018 with the exception of North City which is subject to an unconditional sale and purchase agreement and accordingly is carried at the net disposal proceeds (and as at 31 March 2017). All valuations are prepared by independent valuers who are members of the Group's valuation panel and members of the New Zealand Institute of Valuers.

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

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

valuation inputs

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

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs 2018	2017	Sensitivity
Retail	Core capitalisation rate	**5.4%–8.8%**	5.9%–8.6%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate	**5.4%–15.0%**	5.9%–15.0%	
	Discount rate	**7.0%–9.8%**	7.8%–9.5%	
	Terminal capitalisation rate	**5.9%–9.0%**	6.4%–8.9%	
	Gross market rent (per sqm)[1]	**$281–$682**	$279–$753	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	**-0.2%–5.8%**	-0.7%–4.6%	
Office	Core capitalisation rate	**5.5%–6.6%**	5.8%–7.3%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate	**6.5%–7.5%**	6.8%–8.3%	
	Discount rate	**7.0%–8.3%**	7.4%–8.5%	
	Terminal capitalisation rate	**5.8%–7.3%**	6.1%–7.8%	
	Gross market rent (per sqm)[1]	**$421–$662**	$395–$658	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	**0.0%–3.5%**	0.0%–4.0%	
Other	Core capitalisation rate	**5.0%–11.5%**	5.8%–10.0%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	**7.0%–12.0%**	8.3%–11.0%	
	Terminal capitalisation rate	**5.3%–11.8%**	5.8%–10.5%	
	Gross market rent (per sqm)[1]	**$101–$230**	$133–$265	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	**0.0%–3.0%**	0.0%–3.5%	

1. Weighted average by property.

3.2 investment properties (continued)

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

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

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

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

Valuation techniques	
Income capitalisation approach	A valuation technique which determines fair value by capitalising a property's sustainable net income at an appropriate, market-derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.
Discounted cash flow approach	A valuation technique 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, that is applied to a property's sustainable net income to derive value.
Other income capitalisation rate	The rate of return that is applied to other, typically variable or uncontracted, sources of property income to derive value and that is assessed with consideration to the risks in achieving each income source.
Unobservable inputs within the discounted cash flow approach	
Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value.
Terminal capitalisation rate	The rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value.
Rental growth rate	The annual growth rate applied to market rents over an assumed holding period.

3.3 deferred tax

	2018 $000	2017 $000
Deferred tax assets		
Interest rate derivatives	**4,114**	4,208
Deferred tax liabilities		
Depreciation recoverable	**(87,973)**	(85,240)
Deferred leasing costs and other temporary differences	**(7,797)**	(8,160)
	(95,770)	(93,400)
Net deferred tax liabilities	**(91,656)**	(89,192)

recognition and measurement

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

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

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

3.4 funding

3.4.1 interest bearing liabilities

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

	2018 $000	2017 $000
Bank loans	**540,000**	782,500
Fixed-rate bonds	**375,000**	250,000
Unamortised capitalised costs on fixed-rate bonds	**(1,498)**	(2,142)
Interest bearing liabilities	**913,502**	1,030,358

Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**4.99%**	4.61%
Weighted average term to maturity for the combined facilities	**3.6 years**	3.5 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.

3.4.1 interest bearing liabilities (continued)

bank loans

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

During the year, the Group secured an additional $100 million of three, four and five-year facilities from HSBC and an additional $100 million six-year facility from China Construction Bank and paid down $258 million of shorter dated facilities from existing lenders.

As at 31 March 2018, the committed facilities totalled $917 million (2017: $975 million) and the undrawn facilities available totalled $377 million (2017: $192.5 million).

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 2018 $000**	Fair value 2017 $000
KPG010	125,000	6-Aug-14	20-Aug-21	6.15%	February, August	**135,254**	133,644
KPG020	125,000	7-Sep-16	7-Sep-23	4.00%	March, September	**125,848**	120,860
KPG030	125,000	19-Dec-17	19-Dec-24	4.33%	June, December	**127,403**	–
Fixed-rate bonds	375,000					**388,505**	254,504

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 (2017: 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 by exchanging floating rate interest obligations for fixed rate interest obligations (commonly referred to as interest rate swaps).

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

	2018 $000	2017 $000
Interest rate derivative assets – non-current	**658**	2,428
Interest rate derivative liabilities – current	**(627)**	(198)
Interest rate derivative liabilities – non-current	**(14,725)**	(17,258)
Net fair values of interest rate derivatives	**(14,694)**	(15,028)
Notional value of interest rate derivatives – active	**385,000**	425,000
Notional value of interest rate derivatives – forward starting	**140,000**	220,000
Notional values	**525,000**	645,000
Weighted average term to maturity – active	**2.3 years**	2.4 years
Weighted average term to maturity – forward starting	**4.9 years**	5.4 years
Weighted average term to maturity	**2.9 years**	3.4 years
Weighted average interest rate – active[1]	**3.80%**	3.91%
Weighted average interest rate – forward starting[1]	**3.56%**	3.58%
Weighted average interest rate[1]	**3.74%**	3.80%

1. Excluding fees and margins.

In conjunction with the disposal of The Majestic Centre (refer to Note 1.3), interest rate swaps with a face value of $40 million were closed out during the year for a payment of $2.7 million. The net fair value loss on the remaining interest rate derivatives for the year was $2.4 million. The difference between these two amounts represents the movement in the net interest rate derivative liabilities from 31 March 2017 to 31 March 2018.

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 an independent treasury adviser using valuation techniques classified as Level 2 in the fair value hierarchy (2017: 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 2018 of between 1.96% for the 90-day BKBM and 3.06% for the 10-year swap rate (2017: 2.00% and 3.45%, respectively).

3.4.3 capital management

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

3.5 trade and other payables

	2018 $000	2017 $000
Trade creditors	**29,099**	26,747
Interest and finance charges payable	**2,918**	4,416
Development costs payable	**19,217**	8,902
Employment liabilities	**4,246**	4,020
Rent in advance	**663**	243
Goods and Services Tax	**1,287**	1,136
Trade and other payables	**57,430**	45,464

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:

	2018 Number 000	**2018 Amount $000**	2017 Number 000	2017 Amount $000
Balance at the beginning of the year	**1,299,389**	**1,272,622**	1,276,420	1,241,129
Issue of shares:				
Dividend reinvestment	**2,831**	**3,842**	22,917	31,922
Entitlement offer (refer to Note 1.3)	**118,132**	**156,950**	–	–
Employee share ownership plan	**63**	**–**	52	–
Long-term incentive (LTI) plan	**–**	**(478)**	–	(429)
Balance at the end of the year	**1,420,415**	**1,432,936**	1,299,389	1,272,622

1,378,582 shares at a cost of $2.0 million are held by Pacific Custodians (New Zealand) Limited (the LTI Trustee) for the Group's LTI plan (2017: 1,211,499 shares, at a cost of $1.6 million). Refer to the share-based payments Note 3.6.4 for further information.

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	**2018 cps**	**2018 $000**	Date declared	2017 cps	2017 $000
Cash		**3.375**	**43,856**		3.300	42,123
Imputation credits		**0.980**	**12,735**		0.840	10,722
Final dividend	**19-May-17**	**4.355**	**56,591**	13-May-16	4.140	52,845
Cash		**3.425**	**48,548**		3.375	43,410
Imputation credits		**0.920**	**11,587**		0.940	12,090
Interim dividend	**17-Nov-17**	**4.345**	**60,135**	18-Nov-16	4.315	55,500
Cash		**6.800**	**92,404**		6.675	85,533
Imputation credits		**1.900**	**24,322**		1.780	22,812
Total dividends		**8.700**	**116,726**		8.455	108,345

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

On 18 May 2018, the board declared a final cash dividend for the six months ended 31 March 2018 of 3.425 cents per share (equivalent to $48.6 million), together with imputation credits of 0.97 cents per share. The dividend record date is 6 June 2018 and payment will occur on 21 June 2018.

3.6.3 earnings per security

Basic and diluted earnings per share (EPS) are calculated by dividing the post-tax profit for the year by the weighted average number of shares outstanding during the year.

	2018	2017
Basic and diluted EPS (cents)	**8.66**	11.10
Profit used in the calculation of basic and diluted EPS ($000)	**120,102**	142,997
Weighted average number of shares used in the calculation of basic and diluted EPS (000)	**1,386,649**	1,287,840

3.6.4 share-based payments

long-term incentive plan (LTI plan)

The Group provides an LTI plan for selected senior employees. Under the LTI plan, ordinary shares in the Company are purchased on market by Pacific Custodians (New Zealand) Limited (the LTI Trustee). Participants purchase 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 ranking relative to comparator entities in the S&P/NZX All Real Estate Index. If the individual is still employed by the Company at the end of the vesting period and the hurdles have been achieved, the employee is provided a cash amount which must be used to repay the loan and the relevant number of shares are then transferred to the individual.

recognition and measurement

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

3.6.4 share-based payments (continued)

Grant date	Measurement date	Share price at grant date	Number of shares: Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
2018							
1 April 2017	31 March 2020	**$1.383**	**–**	**534,691**	**–**	**(42,623)**	**492,068**
1 April 2016	31 March 2019	**$1.466**	**459,785**	**–**	**–**	**(70,910)**	**388,875**
1 April 2015	31 March 2018	**$1.260**	**448,375**	**–**	**–**	**(75,472)**	**372,903**
15 December 2014	31 March 2017	**$1.232**	**303,339**	**–**	**(291,201)**	**(12,138)**	**–**
			1,211,499	**534,691**	**(291,201)**	**(201,143)**	**1,253,846**
2017							
1 April 2016	31 March 2019	$1.466	–	459,785	–	–	459,785
1 April 2015	31 March 2018	$1.260	565,887	–	–	(117,512)	448,375
15 December 2014	31 March 2017	$1.232	359,029	–	–	(55,690)	303,339
			924,916	459,785	–	(173,202)	1,211,499

key estimates and assumptions: fair value measurement of LTI plan

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

Measurement date	**31 March 2020**	31 March 2019	31 March 2018
Weighted average share price at grant date	**$1.383**	$1.466	$1.260
Risk-free rate	**2.2%**	2.1%	3.1%
Standard deviation of the entities in the S&P/NZX All Real Estate Index	**8.9%-14.6%**	8.4%-15.2%	8.7%-21.5%
Correlation between Company share price and other entities in the S&P/NZX All Real Estate Index	**0.28**	0.20	0.25
Estimated fair value per share	**$0.508**	$0.502	$0.495

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

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

The employee entitlements expense relating to the LTI plan for the year ended 31 March 2018 is $190,148 (2017: $196,569) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining shares at 31 March 2018 is $330,508 (2017: $246,456).

4. financial risk management

FOR THE YEAR ENDED 31 MARCH 2018

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 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.

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

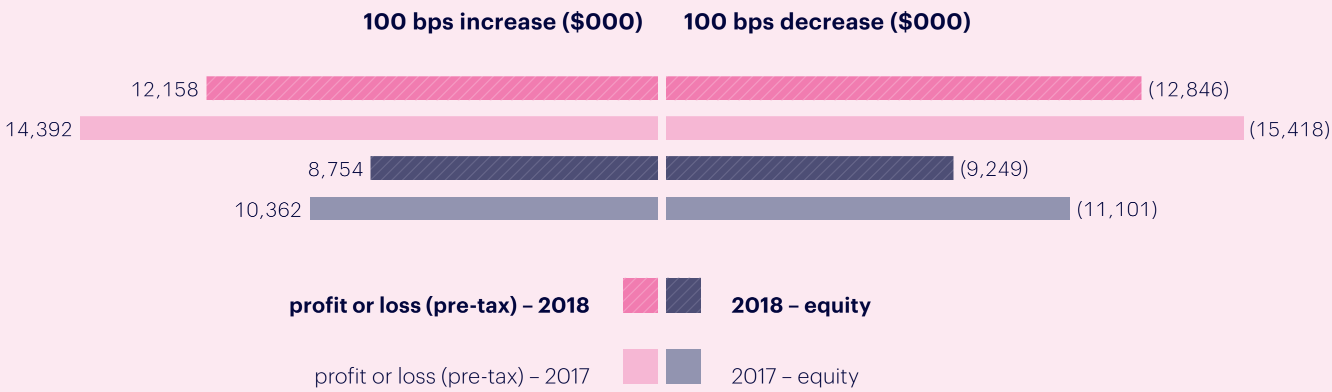
The Group adopts a policy of reducing its exposure to changes in interest rates by utilising interest rate derivatives to limit future interest cost volatility by exchanging floating rate interest obligations for fixed rate interest obligations. The Group has established a treasury management group consisting of senior management and external treasury advisors to review and set treasury strategy within the guidelines of its debt and hedging 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 3.4.2. 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 statement of financial position best represent the Group's maximum exposure to credit risk and are recognised net of any provision for losses on these financial instruments.

4.3 liquidity risk

nature of the risk

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

risk management

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

exposure

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

		Contractual cash flows (principal and interest)					
	Statement of financial position $000	Total $000	0-6 mths $000	6-12 mths $000	1-2 yrs $000	2-5 yrs $000	> 5 yrs $000
2018							
Trade and other payables	**48,316**	**48,316**	**48,316**	**–**	**–**	**–**	**–**
Interest bearing liabilities	**913,502**	**1,050,527**	**18,577**	**18,577**	**291,548**	**460,277**	**261,548**
Net interest rate derivatives	**14,694**	**19,132**	**4,427**	**4,002**	**6,207**	**4,401**	**95**
Net financial liabilities	**976,512**	**1,117,975**	**71,320**	**22,579**	**297,755**	**464,678**	**261,643**
2017							
Trade and other payables	35,649	35,649	35,649	–	–	–	–
Interest bearing liabilities	1,030,358	1,169,812	19,211	19,211	293,512	837,878	–
Net interest rate derivatives	15,028	16,872	4,084	3,984	6,485	3,736	(1,417)
Net financial liabilities	1,081,035	1,222,333	58,944	23,195	299,997	841,614	(1,417)

5. other information

FOR THE YEAR ENDED 31 MARCH 2018

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.

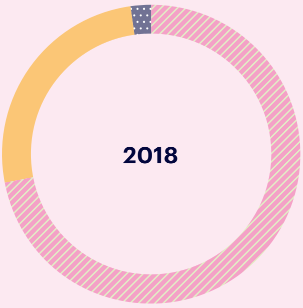
Operating segments have been determined based on the reports reviewed by the Chief Executive to assess performance, allocate resources and make strategic decisions.

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

The Group operates in New Zealand only.

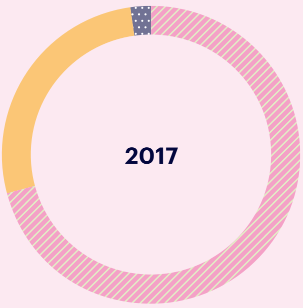
The following is an analysis of the Group's profit by reportable segments:

	Retail $000	Office $000	Other $000	Total $000
2018				
Property revenue	**177,831**	**67,018**	**4,414**	**249,263**
Less: straight-lining of fixed rental increases	**811**	**(2,876)**	**(35)**	**(2,100)**
Less: direct property expenses	**(42,312)**	**(13,680)**	**(1,176)**	**(57,168)**
Segment profit	**136,330**	**50,462**	**3,203**	**189,995**
2017				
Property revenue	169,385	64,909	3,842	238,136
Less: straight-lining of fixed rental increases	213	(2,253)	(39)	(2,079)
Less: direct property expenses	(40,605)	(13,875)	(1,119)	(55,599)
Segment profit	128,993	48,781	2,684	180,458



segment profit

retail	**72%**
office	**26%**
other	**2%**



segment profit

retail	**71%**
office	**27%**
other	**2%**

5.1 segment information (continued)

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

	2018 $000	2017 $000
Segment profit	**189,995**	180,458
Property management income	**1,742**	1,506
Rental income resulting from straight-lining of fixed rental increases	**2,100**	2,079
Interest and other income	**285**	186
Litigation settlement expenses	**–**	(770)
Net fair value gain on investment properties	**26,528**	41,037
Interest and finance charges	**(42,645)**	(43,236)
Employment and administration expenses	**(20,567)**	(17,987)
Net fair value gain/(loss) on interest rate derivatives	**(2,390)**	9,732
Loss on disposal of investment properties	**(7,069)**	(1,345)
Profit before income tax	**147,979**	171,660

5.2 related party transactions

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

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

	2018 $000	2017 $000
Property management fees	**1,252**	969
Expenditure reimbursement	**515**	597
Leasing fees	**814**	529
Development management fees	**169**	114
Legal fees	**68**	92
Retail design management fees	**88**	57
Total related party transactions	**2,906**	2,358

5.3 key management personnel

	2018 $000	2017 $000
Directors' fees	**704**	652
Short-term employee benefits	**5,288**	5,637
Other long-term benefits	**–**	40
Termination benefits	**–**	158
Share-based payments	**36**	197
Key management personnel costs	**6,028**	6,684

Additional disclosures relating to key management personnel are set out in the remuneration report on page 118. Further details regarding share-based payments can be found in Note 3.6.4.

5.4 commitments

development and other costs

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

	2018 $000	2017 $000
Development costs at Sylvia Park	**185,152**	43,859
Development costs at LynnMall	**1,819**	–
Development costs at The Plaza	**5,111**	2,430
Development costs at North City	**–**	2,609
Development costs at Northlands	**8,042**	2,020
Development and leasing costs at Vero Centre	**261**	3,775
Development costs at 44 The Terrace	**45**	2,192
Development and other commitments	**200,430**	56,885

The Base

Under the Group's agreement to purchase 50% of The Base from The Base Limited (TBL), TBL has the right to require the Group to purchase its remaining 50% interest, at a price determined by independent valuation, between 2018 and 2021.

Drury development land

The Group is committed to the purchase of 8.5 hectares of additional development land in Drury, South Auckland at a price to be determined by independent market valuation.

5.4 commitments (continued)

operating leases

The Group has commitments for lease payments under operating leases in effect at balance date but not recognised as liabilities, payable as follows:

	2018 $000	2017 $000
Within one year	**54**	614
One year or later and not later than five years	**2**	–
Later than five years	**–**	–
Operating lease commitments	**56**	614

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 $1.1 million (2017: $1.1 million). The leases terminate between November 2026 and March 3007. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the overall commitment has not been calculated.

5.5 subsequent events

On 18 May 2018, the board declared a final dividend. For further details refer to Note 3.6.2.

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 2018;
- 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 significant accounting policies.

our opinion

In our opinion, the consolidated financial statements of Kiwi Property Group Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, its consolidated financial performance and its consolidated 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.

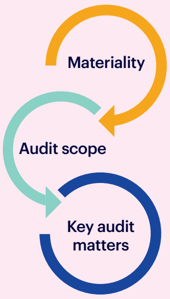
We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 other related assurance services comprising the audits of special purpose financial information in accordance with tenancy agreements, voting procedures over the annual shareholders' meeting, the benchmarking of executive remuneration and review of the long-term incentive plan. The provision of these other services has not impaired our independence as auditor of the Group.

our audit approach

overview

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



Overall group materiality: $6.2 million.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $0.6 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have one key audit matter: Valuation of investment properties.

materiality

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

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

Overall group materiality	$6.2 million.
How we determined it	5% of profit before tax excluding valuation movements relating to investment properties and interest rate derivatives.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is reflective of the metrics against which the performance of the Group is most commonly measured.

audit scope

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

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

key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter: Valuation of investment properties. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Refer to note 3.2 of the consolidated financial statements. The Group's investment properties comprise retail and office portfolios and at $3.1 billion represent the majority of the assets as at 31 March 2018. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, location and the expected future rental income for each respective property. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area. The valuations were carried out by third party valuers, Colliers International New Zealand Limited, Jones Lang LaSalle Limited and CBRE Limited (the Valuers). The Valuers were engaged by the Group, and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The Valuers used by the Group are well known firms, with experience in the markets in which the Group operates and are rotated across the portfolio on a three-yearly cycle. In determining a property's valuation, the Valuers take into account property specific information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rates and current market rent and anticipated growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole. Comparable market information is available in New Zealand for the Group's properties, other than for some of the Group's significant properties by value, which are unique in New Zealand due to their size. The Valuers take into consideration other market information for these properties in light of this. The Group has adopted the assessed values determined by the Valuers. For properties that have development work ongoing at 31 March 2018, the costs to complete these developments were taken into account by the Valuers.	**External valuations** We read the valuation reports for all properties and discussed the reports with each of the Valuers. We 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 2018. It was evident from our discussions with management and the Valuers and our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole. We assessed the Valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised. We carried out procedures, on a sample basis, to test whether property-specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. For the items tested, the information was consistent. **Assumptions** Our work over the assumptions focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data for the retail and office sectors. We also engaged our own in-house valuation specialist to critique and challenge the work performed and assumptions used by the Valuers. In particular, we compared the valuation metrics used by the Valuers to recent market activity. Where comparable market information was not available in New Zealand, the Valuer has used other information and specific value drivers for the property. In challenging this approach, we considered the comparability of the data used. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. We obtained management's estimates of costs to complete on the properties under development. We compared these estimates to budgets and external quantity surveyors' reports and consider the estimates to be reasonable based on available information. **Overall valuation estimates** Because of the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable for an individual property to evaluate the independent property valuations used by management. If we find an error in a property valuation or determine that the valuation is outside the reasonable range, we would evaluate the error or difference against overall materiality to determine if there is a material misstatement in the consolidated financial statements. The valuations adopted by the Group were all within our acceptable ranges. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.

information other than the financial statements and auditor's report

The directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will 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 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:

PricewaterhouseCoopers

Chartered Accountants
18 May 2018

Auckland

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 which 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 32 recommendations.

NZX Listing Rule 10.4.5(i) requires Kiwi Property (and other listed entities) to either comply with each recommendation or explain why a recommendation was not complied with. The NZX Code also requires Kiwi Property to report on how we complied with the recommendations set out in the NZX Code that we have adopted for the year ended 31 March 2018.

NZX Code compliance

Kiwi Property has followed the recommendations set out in the NZX Code for the year ended 31 March 2018 except, and to the extent, set out in the following pages. This statement is current as at 31 March 2018 and has been approved by our Board.

The NZX Code was published on 10 May 2017 and came into effect on 1 October 2017. Accordingly, this is Kiwi Property's first period of reporting against the NZX Code. While the NZX Code did not exist for part of the Company's reporting period, nevertheless reporting is required by the NZX Code for the entire 12-month reporting period.

In prior years, Kiwi Property adopted governance principles which did not differ materially from the NZX Corporate Governance Best Practice Code; the predecessor to the current NZX Code. In prior years we also reported against the principles, guidelines and recommendations set out in the Financial Markets Authority's (FMA) Corporate Governance Handbook. That handbook applied to listed and unlisted entities. In February 2018 the FMA published an updated handbook. The updated handbook makes clear that it does not apply to Kiwi Property and other NZX-listed entities and instead only applies to unlisted entities. As such we no longer report against the principles, guidelines and recommendations set out in the handbook.

The corporate governance policies, practices and processes that Kiwi Property adopted or followed for the year ended 31 March 2018 are summarised or referred to in this and the following pages.

need more?

We provide a range of policies and disclosures on our website, kp.co.nz/about-us/corporate-governance, including:

Audit and Risk Committee Charter

Board Charter

Code of Ethics

Constitution

Corporate Governance Statement

Diversity and Equal Employment Opportunity Policy

Dividend Policy

External Auditor Independence Policy

Investment and Management Philosophy

Market Disclosure Policy

Master Trust Deed (in relation to our bond programme)

Remuneration and Nominations Committee Charter

Remuneration Policy

Securities Trading Policy

Sustainability and Responsible Investment Statement

high ethical standards

principle 1 – Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

recommendation 1.1 – The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics). The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy. The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:

(a) acts honestly and with personal integrity in all actions;

(b) declares conflicts of interest and proactively advises of any potential conflicts;

(c) undertakes proper receipt and use of corporate information, assets and property;

(d) in the case of directors, gives proper attention to the matters before them;

(e) acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law;

(f) adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);

(g) adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and

(h) manages breaches of the code.

Our Board is committed to maintaining high ethical standards and an ethical culture based on trust, transparency, integrity and absolute honesty.

code of ethics

Our Code of Ethics underpins our employment contracts and our consultancy agreements. It's so important to us that failure to comply with the Code of Ethics could result in disciplinary action, including dismissal.

Our Code of Ethics requires our directors, employees and consultants to:

— act properly and efficiently and within the authorities and discretions delegated to them

— avoid putting themselves in a position where they stand to benefit personally (directly or indirectly) or could be accused of insider trading

— ensure they and the Company comply with all laws and regulations

— maintain confidentiality at all times, and

— be absolutely honest.

The Code of Ethics and our Fraud and Corruption Policy set out our procedures for reporting and managing any breach of ethics, including unethical behaviour.

Our people can access our Code of Ethics and all of our other policies via our intranet. This is communicated to our people.

Our people undertake regular training to help maintain high ethical standards and an ethical culture. During the year ended 31 March 2018, this included training on bribery and corruption, conflicts of interest and fraud. Ethics training was undertaken in April 2018.

our values

our behaviours are underpinned by our values

we're people-people

We're approachable and welcoming. We're willing and able. We're all for people. Ultimately what we build, improve and protect are places for people.

we lead

We take a leadership stance. We're always innovating. We set new benchmarks to lead the way. We're open minded and available to embrace new ideas and feedback. We lead by example, always mindful that our investors rely on us.

we have a passion for excellence

We create exceptional places and experiences for investors, our people, tenants and customers. We're creators of wealth and returns. We aim for excellence in everything we do and strive for continuous improvement.

we do what's right

Integrity lies at our heart. We bring honesty and reciprocal respect to all our dealings. We're honest and transparent. We've earned the trust of our investors, tenants and customers, and we work hard to never take it for granted.

our responsible business practices

We are committed to transparency and fairness in dealing with all of our stakeholders and ensuring adherence to applicable laws and regulations.

Confidential information: Under our Confidential Information Policy, all our people have a responsibility to ensure that all confidential information is properly protected and secured.

Conflicts of interest: The Company has in place a Conflicts of Interest Policy to ensure that all actual, apparent and potential conflicts of interest between the Company and any of its directors, employees and contractors are identified and managed appropriately. The Company recognises the importance of identifying and managing appropriately conflicts of interest to demonstrate its commitment to conducting its business ethically and with integrity.

Compliance: Under our Compliance Policy, the Company is committed to ensuring that it conducts its business in a lawful manner while also complying with the Company's values, Code of Ethics and other policies.

Fraud and Corruption: The Company's Fraud and Corruption Policy encourages, enables and protects our people to report fraud, corruption, unethical behaviour, auditing and accounting irregularities, maladministration, false expense claims and substantial waste of the Company's funds or resources.

Knowledge of fraud, corruption, error, breach of law, compliance failure, concealed practice or unethical behaviour, which may be detrimental to the interests of the Company, can be reported to the Company's anonymous and independent Whistle-Blower hotline. Alternatively, it can be reported to any layer of management, people and culture, the Chair of the Board or the Chair of the Audit and Risk Committee, or to a dedicated internal 'fraud' email address.

Furthermore, our policy provides that no person who, in good faith, reports fraudulent, corrupt or unethical behaviour shall suffer harassment, retaliation or adverse employment consequences. Any person who retaliates against someone who has reported a violation in good faith will be subject to disciplinary action which may include dismissal.

gifts and entertainment

Our Gifts and Entertainment Policy sets out the principles, process and roles and responsibilities for accepting, declining, giving, seeking approval for and reporting gifts and entertainment. The objectives of this policy include providing fair, consistent and transparent guidelines in relation to gifts and entertainment and maintaining a culture of trust, transparency, integrity and honesty.

recommendation 1.2 – An issuer should have a financial product dealing policy which applies to employees and directors.

Our Securities Trading Policy sets out the principles and processes to be followed in relation to trading shares and other securities of the Company. The policy provides that our people must not use their knowledge of the Company or its business to engage in trading securities of the Company for their benefit or the benefit of anyone else. The policy applies to the Company's directors and employees.

Our people are required to obtain consent before trading Company securities.

diverse skills and knowledge

principle 2 – Board composition and performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

recommendation 2.1 – The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

Our Board Charter sets out the roles, responsibilities, composition, structure and approach of the Board. The Charter provides that the Board's responsibilities include:

— overseeing the business and affairs of the Company

— establishing, alongside the leadership team, the Company's strategic direction and financial objectives

— ensuring accountability to shareholders through appropriate reporting and regulatory compliance

— managing the appointment and succession of the Chief Executive, and reviewing the remuneration and performance of the Chief Executive

— monitoring the appointment, performance and remuneration of the direct reports to the Chief Executive, and

— monitoring its own contribution to the Company's performance.

The Board Charter also provides that responsibility for the implementation of strategic objectives for the Company and the day-to-day management of operations is delegated to the Chief Executive. The Chief Executive may delegate functions and authorities to others.

Specific delegations of authority to the Chief Executive and others are set out in the Company's Delegated Authorities schedule.

recommendation 2.2 – Every issuer should have a procedure for the nomination and appointment of directors to the board.

selection and appointment

The Remuneration and Nominations Committee assists the Board with identifying potential candidates for appointment as directors of the Company. The Remuneration and Nominations Committee Charter outlines the process to be followed by the Committee in identifying and recommending potential candidates for appointment.

Shareholders are notified each year by a NZX notice of their right to nominate a candidate for election as a director at that year's annual meeting of the Company. The notice is also published on the Company's website.

All directors are elected by shareholders or appointed by the Board. Pursuant to the Company's Constitution, any director appointed by the Board retires at the next annual meeting of the Company but is then eligible for election by shareholders. Independent search firms may be retained to identify suitable candidates for directorships.

The number of directors is determined in accordance with the Company's Constitution. The Constitution provides that the minimum number of directors is three and the maximum is eight.

The Company's Constitution also provides that the minimum number of independent directors (as defined in the NZX Listing Rules) shall be two except where there are eight directors then the minimum shall be three independent directors or one third of the total number, whichever is greater.

retirement and rotation

In each year, one third of directors must retire from office and may offer themselves for re-election at the annual meeting of shareholders. Directors to retire are those who have been longest in office since they were last elected or deemed elected.

independence

Independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 31 March 2018, all directors were independent. This assessment is based on the fact that:

— All directors are non-executive directors, who are not substantial shareholders.

— All directors are free of any business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement.

— No directors have been employed or retained to provide material professional services by the Company within the previous three years.

— No director is a director, partner or senior executive or material shareholder of a firm which provides professional services to the Company.

— No director is a material supplier to the Company or has any other material contractual relationship with the Company other than as a director of the Company.

— No director controls, or is an executive or other representative of an entity, which controls 5% or more of the Company's voting securities.

recommendation 2.3 – An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

The Company has a written agreement with each director setting out the terms and conditions of their appointment.

recommendation 2.4 – Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.

Our Board is structured in such a way that, as a group, it has the skills, knowledge, experience and diversity to meet and discharge its roles and responsibilities.

The Board currently comprises the following directors, each with their own specialist skill sets, including but not limited to:

Mark Ford (Chair) – extensive property industry experience.

Mary Jane Daly – a strong background in banking, finance and insurance.

Richard Didsbury – a career in business and property.

Jane Freeman – extensive experience in retail and customer-driven technology.

Mark Powell – extensive experience in retail and strategy setting and execution.

Mike Steur – more than 30 years of property experience.

During the year ended 31 March 2018, Joanna Perry ceased to be a director with effect from 30 September 2017 and Mark Powell was appointed as a director with effect from 1 October 2017.

As at 31 March 2018, no director owned any of the Company's shares or other financial products.

Further information on each of our directors can be found on page 36 of this report and on the Company's website, kp.co.nz/about-us/our-people

recommendation 2.5 – An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

We value and support diversity in all forms, be it gender, ethnicity, sexual orientation, age, physical abilities, family status, religious beliefs or other ideologies.

The Company targets a diverse workforce that reflects the individuals and communities that make up New Zealand.

Our Diversity and Equal Employment Opportunity Policy (DEEO) recognises that diversity and equal employment opportunities help us to:

— attract, retain and provide development opportunities to employees from a wide range of backgrounds which in turn broadens the Company's perspective, thinking and decision making as well as our innovative capability
— connect with, reflect and understand the communities and markets in which we operate, allowing us to better meet the needs of our tenants and customers
— improve employee engagement and productivity by harnessing each individual's uniqueness, and
— achieve a competitive advantage by improving our reputation and optimising Company performance.

Our DEEO Policy requires the Company to, every year:

— set measurable objectives for achieving increased diversity and ensuring equal employment opportunities within the Company (the DEEO Policy stipulates that such objectives will, at a minimum, address gender diversity), and
— assess its current diversity objectives and its progress in achieving those objectives.

Prior to the NZX Code coming into force, our DEEO Policy required diversity objectives to be set and assessed every two years and, did not expressly state that such objectives should, at a minimum, address gender diversity. More balanced gender diversity was already a key focus of the Company's diversity efforts, and the Company was satisfied that review and assessment of its gender diversity objectives every two years ensured sufficiently regular focus on this important issue.

To align with recommendation 2.5 of the NZX Code, the Company updated its DEEO Policy with effect from 8 September 2017 to provide for annual consideration and assessment of its diversity objectives and to stipulate that such objectives must, at a minimum, address gender diversity.

The Board has evaluated the performance of the Company against the DEEO Policy and considers that the Company has complied with the policy.

diversity objectives

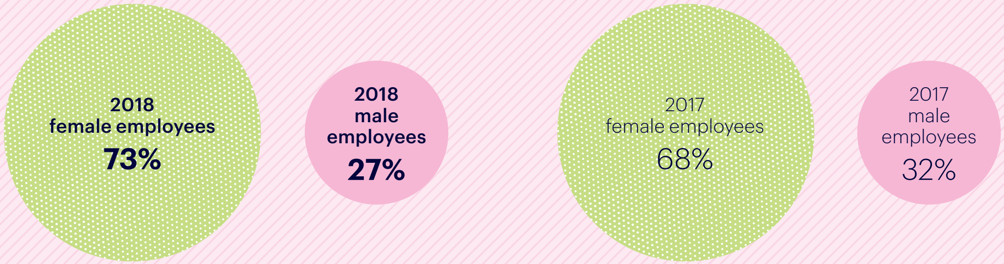
The current objectives are:

the Board	In compiling a short-list of potential candidates, at least one female director candidate and one director candidate from the ethnic groups of either Māori, Asian or Pacific Peoples will be included, wherever possible.
leadership team	The short-list identifying potential candidates for a leadership team position will include at least one female candidate and one candidate from the ethnic groups of either Māori, Asian or Pacific Peoples, wherever possible.
all other roles	The hiring manager commits to ensuring an awareness of gender and ethnic diversity via their recruitment and selection practices, and include one candidate from the ethnic groups of either Māori, Asian, or Pacific Peoples, wherever possible.
diversity and inclusion learning and development	The Company commits to providing ongoing learning and development initiatives to continue to grow our people's understanding of diversity and the benefits arising from a culture that supports and promotes a diverse and inclusive workforce and leadership team.
pay equity	The Company commits to undertaking an annual pay equity 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.

gender diversity

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

	2018				2017			
	number		**proportion %**		number		proportion %	
	female	**male**	**female**	**male**	female	male	female	male
directors	**2**	**4**	**33**	**67**	3	3	50	50
officers[1]	**1**	**4**	**20**	**80**	0	6	0	100
leadership team[1,2,3]	**3**	**9**	**25**	**75**	2	10	17	83
all employees	**126**	**47**	**73**	**27**	113	54	68	32



ethnic diversity

Our ethnic diversity at the current and prior balance dates was as follows:

	2018	2017
European	**75%**	77%
Māori	**10%**	9%
Asian	**9%**	8%
Middle Eastern, Latin American, African	**5%**	5%
Pacific Peoples	**5%**	4%
not disclosed	**5%**	6%

The statistics add to greater than 100% as some employees identify with more than one ethnic group.

1. At 31 March 2018, the role of GM Retail was vacant so accordingly excluded from these statistics. Linda Trainer was appointed to this role on 6 April 2018 and commenced with Kiwi Property on 23 April 2018. Post the appointment of Linda, the officers of the Company comprise two females and four males (33% female, 67% male).
2. On 23 April 2018, the role of Manager Shopping Centres was elevated to a leadership team position. This role is held by Shelley Jenkin.
3. Post the appointment of Linda and the inclusion of Shelley, the leadership team comprises five females and nine males (36% female, 64% male).

> **recommendation 2.6** – Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Our Board Charter requires our directors to undertake regular training to educate and update themselves on how to appropriately and effectively perform their duties as directors.

New directors take part in a comprehensive Company induction programme.

During the year ended 31 March 2018, our directors undertook training and attended workshops regarding the Company's operations including in relation to strategy, risk management, insurance and the Company's new takeover response manual.

> **recommendation 2.7** – The board should have a procedure to regularly assess director, board and committee performance.

Prior to the NZX Code coming into force, we did not have a formal procedure in place setting out the basis on which director, Board and committee performance would be regularly assessed. We did not consider it necessary to have such a procedure in place, as the Company's existing policy was to conduct regular reviews of the performance of individual directors and the Board (with the assistance of an external facilitator, where the Board considered that such external input would be appropriate). The last Board performance assessment was completed in the year ended 31 March 2017 and was facilitated by an independent consultant.

In response to the NZX Code, we have developed and subsequently adopted on 15 February 2018 a formal procedure setting out the basis on which director, Board and committee performance would be regularly assessed. The procedure provides that a formal performance review (facilitated by an independent party) will be carried out in respect of the Board, each standing committee and each director at least once every three years, whilst informal performance reviews of the Board, each standing committee and each director will be carried out annually except in any year in which a formal performance review is undertaken.

> **recommendation 2.8** – The Chair and the CEO should be different people.

The Chief Executive is not a director of the Company.

In recognition of the importance of independent views and the Board's role in supervising management, the Company's Board Charter prohibits the Chair from also holding the position of Chief Executive.

effective delegation of duties

principle 3 – Board committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

To assist in the execution of its duties and consider complex issues, our Board has two standing committees. On behalf of the Board and, subject to the terms of each committee's charter, these committees review matters and make recommendations to the Board for decision.

> **recommendation 3.1** – An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.

> **recommendation 3.2** – Employees should only attend audit committee meetings at the invitation of the audit committee.

The Audit and Risk Committee (ARC) has a written charter approved by the Board which is reviewed every two years.

The principal purpose of the ARC is to assist the Board to exercise due care, diligence and skill in relation to:

- the integrity of external financial reporting
- the appointment and performance of external and internal auditors
- financial management and internal control systems
- accounting policy and practice

- the risk management framework and the monitoring of compliance within that framework
- compliance with applicable laws, regulations, standards, codes of practice and the NZX Listing Rules, and
- related party transactions.

The Chair and membership of the ARC is determined by the Board. The ARC must have a minimum of three directors, with a majority comprising independent directors. The ARC must also be comprised solely of non-executive directors. The ARC Chair cannot also be Chair of the Board.

At least one member must have an accounting or financial background, and all other members should be financially literate and have an understanding of risk management activities, given the specialised functions of the ARC.

The current members of the ARC are Mary Jane Daly (Chair), Mark Ford, Mark Powell and Mike Steur. All members are non-executive directors and the Chair of the ARC is an independent director and not the Chair of the Board.

At the invitation of the ARC, management and other employees may attend an ARC meeting.

recommendation 3.3 – An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

recommendation 3.4 – An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

The Remuneration and Nominations Committee (RNC) has a written charter approved by the Board which is reviewed every two years.

The principal purpose of the RNC is to assist the Board with appropriate remuneration policies and practices. It also assists with planning Board composition and ensuring there is an appropriate mix of skills, experience, expertise and diversity. Specifically, this committee assists with, amongst other things:

- the establishment of remuneration policies and practices to ensure the Company continues to attract and retain top talent at all levels
- discharging the Board's responsibilities around setting and reviewing the remuneration of directors, the Chief Executive and direct reports to the Chief Executive
- planning our Board's composition, including succession planning to ensure that there is an appropriate mix of skills, experience, expertise and diversity
- evaluating the competencies required of prospective directors (both executive and non-executive), including requirements of the NZX Listing Rules, and
- identifying prospective directors and establishing their degree of independence.

The Chair and membership of the RNC is determined by the Board. The RNC must have a minimum of three directors, with a majority comprising independent directors. The RNC Chair must be an independent director and cannot also be Chair of the Board.

RNC members are expected to have an appropriate level of knowledge and understanding of remuneration practice, as well as legal and regulatory requirements relating to remuneration.

The current members of the RNC are Jane Freeman (Chair), Richard Didsbury, Mark Ford, and Mike Steur. All members are non-executive directors and the Chair of the RNC is an independent director and is not the Chair of the Board.

At the invitation of the RNC, management and other employees may attend a RNC meeting.

recommendation 3.5 – An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

temporary committee: due diligence committee number 1

During the 2018 financial year, a committee was established to coordinate and oversee the due diligence in respect of the Company's 1 for 11 entitlement offer of ordinary shares dated 19 June 2017. This committee operated under terms of reference, not a written charter, which were set out in a due diligence planning memorandum.

The directors who were members of this committee were Mary Jane Daly (Chair), Mark Ford and Mike Steur.

temporary committee: due diligence committee number 2

During the 2018 financial year, a committee was established to coordinate and oversee the due diligence in respect of the Company's offer of $125 million of fixed-rate senior secured bonds issued on 19 December 2017. This committee operated under terms of reference, not a written charter, which were set out in a due diligence planning memorandum.

The directors who were members of this committee were Mary Jane Daly (Chair) and Mike Steur.

board and committee meeting attendance

The table below sets out the attendance details for each Board and committee meeting held during the year.

committee	board	audit and risk committee	remuneration and nominations committee	due diligence committee 1	due diligence committee 2
number of meetings	7	4	5	6	5
Mary Jane Daly	7	4	n/a	6	5
Richard Didsbury	6	n/a	4	n/a	n/a
Mark Ford	7	4	5	5	n/a
Jane Freeman	6	n/a	5	n/a	n/a
Joanna Perry[1]	4	2	n/a	n/a	n/a
Mark Powell[2]	3	2	n/a	n/a	n/a
Mike Steur	7	4	5	5	5

recommendation 3.6 – The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

On 8 September 2017, the Board formally adopted a Takeover Response Manual. The Manual details the steps to be followed to prepare and implement a response to a takeover offer, as well as matters to consider including communications with shareholders and other stakeholders, amongst other things. The Manual also includes the option for the Board to establish a takeover committee.

reporting integrity

principle 4 – Reporting and disclosure

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

recommendation 4.1 – An issuer's board should have a written continuous disclosure policy.

The Company is committed to providing immediately and equally to all investors fair and full disclosure of material information in accordance with the NZX Listing Rules.

Our Market Disclosure Policy sets out the responsibilities, processes and guidance that reflect this commitment.

A management Disclosure Committee has been established to help the Company meet its continuous disclosure obligations. The Committee comprises the Chief Executive, the Chief Operating Officer, the Chief Financial Officer and the General Counsel and Company Secretary.

All directors and employees are responsible for reporting immediately to any member of the Disclosure Committee any information that they consider to be or likely to be material information. In addition, the Board will consider at each Board meeting whether there is any information, arising from matters discussed at the meeting or otherwise, that may require disclosure in accordance with the Market Disclosure Policy.

recommendation 4.2 – An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

As noted on page 101, all of the Company's key corporate governance documents are available on the Company's website (including its Code of Ethics, Board Charter, Audit and Risk Committee Charter, Remuneration and Nominations Committee Charter and all other documents which the NZX Code recommends should be made available on our website).

Following the NZX Code coming into effect, the Company's Remuneration Policy and Diversity and Equal Employment Opportunity Policy were both made available on the Company's website in February 2018. Prior to the NZX Code coming into effect, there was no requirement or general expectation that either of those policies would be publicly disclosed, and the Company had considered it unnecessary to make those policies publicly available. The Company considered that appropriate remuneration and diversity disclosures were made in its annual reports.

recommendation 4.3 – Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured.

We are committed to ensuring that our financial reporting is balanced, clear and objective.

The Audit and Risk Committee helps to ensure our financial reporting is balanced, clear and objective. This includes, amongst other things:

— reviewing and reporting to our Board on annual and interim financial statements, related stock exchange announcements and all other financial information published or released to the market, and
— assisting our Board to review the effectiveness of the internal control environment, including the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Management accountability for the integrity of the Company's financial reporting is reinforced by the certification from the Chief Executive, Chief Operating Officer and Chief Financial Officer in writing that, to the best of their knowledge:

— the Company's financial statements present a true and fair view in all material respects
— accounting policies have been appropriately applied, and
— they have assessed the security controls over the financial information and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.

This certification was provided for the financial statements contained in this annual report.

The Board receives regular reports on the financial and non-financial performance of the Company including health and safety, major projects, capital and treasury management, risk and compliance management, people and culture, as well as reports from the external and internal auditors.

We provide non-financial disclosure at least annually through various channels, including via our annual report and the suite of documents released alongside it. Disclosure of our key financial risks and management of those risks can be found on pages 91 and 92. Pages 53 and 112-115 summarise our material environmental, social and governance risks, amongst others, together with our approach to managing them.

Details of how we measure various operational and non-financial targets are also detailed in our Sustainability Report. This report is available on our website kp.co.nz/sustainability.

1. Joanna Perry attended all Board and Audit and Risk Committee meetings that occurred prior to her retirement which was effective 30 September 2017.
2. Mark Powell attended all Board and Audit and Risk Committee meetings that occurred following his appointment on 1 October 2017.

transparent remuneration

principle 5 – Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

recommendation 5.1 – An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

At the 2017 annual meeting of Kiwi Property, shareholders approved a $17,500 (+2.4%) increase in the directors' fee pool from $720,000 to $737,500 per annum, plus GST (if any).

Disclosure of how the Board has allocated the directors' fee pool and the remuneration paid to directors during the year ended 31 March 2018 can be found in the remuneration report commencing on page 118.

recommendation 5.2 – An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

Our Remuneration Policy sets out the various remuneration components for directors, officers and other employees.

Further information about our remuneration strategy and policies is set out in the remuneration report.

These pages also provide details of the:

— relative weightings of remuneration components and relevant performance criteria for the directors and officers of the Company, and

— numbers of employees and former employees who received remuneration and other benefits above $100,000 per annum.

recommendation 5.3 – An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.

Detailed disclosure of the remuneration arrangements in place for the Chief Executive (including disclosure of the Chief Executive's base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance based payments) can be found in the remuneration report.

sound risk management

principle 6 – Risk management

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

recommendation 6.1 – An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed.

risk management framework

We are committed to managing effectively the risks we face in achieving our objectives. We believe risk management is a critical business discipline that helps us achieve our objectives by reducing uncertainty, increasing the likelihood of achieving our objectives, minimising losses, and providing greater freedom to plan and use resources for innovation and managed risk taking.

We have adopted as our risk management framework the New Zealand and Australian Risk Management Standard (AS/NZS ISO 31000:2009). The framework provides risk management principles which we have also adopted.

Our Risk Management Policy includes our risk management principles. The key objectives of this policy are to ensure:

- we manage effectively the risks we face in achieving our objectives, and
- our people are aware of and meet their responsibilities to identify, evaluate and treat the risks that may prevent or restrict us from achieving our objectives.

In addition to our risk management framework and policy, we have also adopted a risk management strategy. Our strategy is designed to increase our risk management performance and our risk management maturity. Our strategy includes initiatives in relation to seven areas of risk management: governance, culture, assessment and measurement, management and monitoring, reporting and insights, data and technology and risk appetite.

Our Board is ultimately responsible for ensuring that the Company manages effectively the risks we face in achieving our objectives. The Audit and Risk Committee assists the Board in this respect by overseeing our risk management framework, policy and strategy.

In 2018 our Board attended a risk workshop with management. At this workshop the Board provided feedback and guidance to management in relation to the risk management strategy initiatives for the year ended 31 March 2018.

Our Board and Audit and Risk Committee receive from management regular risk management reports. These reports include:

- a summary of our risk register
- assessments of any new risks or re-assessments of existing risks, and
- details of our key risks, including the expected trend for each key risk until the next reporting period.

risk register and key risks

Our risk register contains all of the risks that we have identified as being a risk to us achieving our objectives. Each risk on our risk register:

- is classified into one of four groups: strategic, operations, financial and compliance
- includes an assessment of that risk's impact to the business, likelihood of occurrence and its overall rating
- has a risk owner, and
- has details of how we manage that risk.

As at 31 March 2018, our key risks included, among others:

- breach of operating and working protocols resulting in death or serious harm
- failure to recognise and respond to competitive dynamics
- lack of capacity of our people and adverse organisational culture (ability to attract, retain and develop our people)
- non-compliance with legal (including regulatory) or financial obligations
- inability of information systems to adequately protect critical data and infrastructure from theft, corruption, unauthorised usage, viruses or sabotage, and
- failure to manage and deliver projects in line with business cases – on time, to specification and on budget.

Further information in respect of our financial risks is contained in pages 91 and 92.

During the 2018 financial year, our risk assessment process comprised consideration of new and existing risks to achieving our objectives. This included identification and assessment of each risk's impact, likelihood and overall rating, allocating the risk to one or more owners and specifying how we manage that risk. This process was undertaken on a regular basis at the time each risk management report was prepared. The results of this process were included in each risk management report. The Board and the Audit and Risk Committee reviewed the reports and provided feedback and guidance to management in respect of the results of the risk assessment process. Our risk register was then updated to include any new risks or changes to the assessment of any existing risks.

Kiwi Property therefore confirms that it has carried out a robust risk assessment process for the 2018 financial year.

recommendation 6.2 – An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

health and safety management

People save people. We take this to heart, which is why we regard health and safety as everyone's concern. We look to advance our health and safety practices through active participation by our people, striving to deliver healthy and injury-free places of work. This is our health and safety vision.

governance

Our Board recognises that effective governance of health and safety is essential for our continued success and the wellbeing of our people. Our Health and Safety Charter sets out our Board's commitment, responsibilities and approach to health and safety governance. Our Board has determined that health and safety shall be governed by the Board as a whole, as opposed to a committee of the Board.

Our commitment to healthy and injury-free places of work is reflected in our Health and Safety Policy. The objectives of our policy are:

- the prevention of work related injuries or illnesses, and
- the promotion of safe work practices.

Our Health and Safety Charter and Policy are supported by our Health and Safety Manual. Our Manual sets out the roles and responsibilities for our management of health and safety as well as our standard processes, procedures and documents including our health and safety training and qualification requirements.

Health and safety is a formal agenda item for all regular Board meetings. At these meetings, our Board receives from management health and safety reports. These reports contain health and safety performance information which include a summary of serious incidents, serious harm incidents and non-serious incidents that occurred during the period, comparisons against the prior period and the results of our health and safety audits. These reports also include updates on our health and safety assurance and enhancement activities.

Our Board also receives health and safety training and undertakes site visits to see our health and safety management in practice.

Health and safety leadership is provided by our Health and Safety Leadership Committee. The committee's work includes considering the effectiveness of our health and safety documentation and practice as well as reviewing incident reports and the action taken in response to those incidents. The committee members include, amongst others, the Chief Executive, Chief Operating Officer, GM Commercial, GM Development, GM Retail, General Counsel and Company Secretary, Head of People and Culture, and National Facilities Manager. During the 2018 financial year, the committee met five times.

The engagement of our people with health and safety is supported by our Health and Safety Committee. The committee's work includes providing a forum for our people, through our Health and Safety Representatives, to participate in improving health and safety at our places of work. The committee members include the Head of People and Culture, Health and Safety Representatives, Health and Safety Systems Co-ordinator and Facilities Portfolio Manager. During the 2018 financial year, the committee met six times.

Our people who are site safety managers support the work undertaken by our Health and Safety Committee. Our site safety managers assist in reviewing and updating regularly the health and safety risks for their sites, provide health and safety information to our people, undertake investigations of health and safety incidents and notify WorkSafe of any notifiable events, amongst other things.

In addition, our Health and Safety Systems Co-ordinator helps to manage and oversee our health and safety systems.

assurance

Assurance in respect of our health and safety management is provided through regular health and safety site audits. These involve a physical site inspection and a review of health and safety documentation and practice at that site.

In addition, assurance has also been provided through the ACC Workplace Safety Management Practices (WSMP) audit. The ACC audit standards have 10 elements and each element comprises a number of requirements that need to be met. These requirements are assessed according to one of three performance levels: primary, secondary and tertiary.

Our most recent ACC WSMP audit was undertaken on 27 September 2016. We achieved a tertiary performance level in respect of a number of audit elements including commitment to safety management practices, planning, review, and evaluation and protection of our people from on-site work. Overall our performance level was assessed at secondary. This level recognises that we have adopted and demonstrated good standards of workplace health and safety practice. We have not subsequently undertaken a WSMP audit because ACC discontinued the scheme on 1 April 2017. However, in 2017 we arranged an independent health and safety audit of our documentation and practices. The results of the audit confirmed that we continued to adopt and demonstrate good standards of workplace health and safety practice.

health and safety risks

Our health and safety risks are assessed using the same risk assessment methodology that we use to assess all other risks. Health and safety risks are identified for each site and each risk is then assessed in terms of its impact, likelihood, its overall rating and how we will manage that risk. This information is recorded in a health and safety risk register for each site.

As at 31 March 2018, our key health and safety risks included:

- working at heights – such as a fall from the roof of a building
- hazardous substances – such as an injury or illness from being exposed to a hazardous substance, and
- electricity – such as an electric shock from electrical equipment.

health and safety performance

We believe our commitment to health and safety and the engagement and participation of our employees to improve health and safety is reflected in the health and safety performance in respect of our employees.

	2018	2017
deaths	**–**	–
occupational diseases	**–**	–
medical treatment injuries	**4**	4
first aid injuries	**12**	20
all injuries	**16**	24
workforce injury rate[1]	**9%**	14%

1. All injuries / total number of employees.

audit quality and independence

principle 7 – Auditors

The board should ensure the quality and independence of the external audit process.

recommendation 7.1 – The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures: (a) for sustaining communication with the issuer's external auditors; (b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired; (c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and (d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.

The Audit and Risk Committee (ARC) assists the Board with ensuring the quality and independence of the external and internal audit processes.

The ARC Charter and the External Auditor Independence Policy provide the framework for our relationship with our external and internal auditors.

The ARC Charter requires the Committee to, amongst other things:

— review and recommend to the Board the appointment, replacement and fees of the external and internal auditors

— confirm and ensure the independence of the external auditors in accordance with our External Auditor Independence Policy

— review the external and internal audit plans, and

— review and assess the performance of the external and internal auditors.

The ARC is required by our External Auditor Independence Policy to only recommend to the Board a firm to be appointed as external auditor if that firm:

— would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgement on all issues within their engagement, and

— does not allow the direct compensation of its audit partners to be linked to fees for non-audit services to the Company.

The External Auditor Independence Policy also requires the ARC to pre-approve the nature of audit and non-audit related services that are to be provided by our external auditor. The following guidelines ensure that any related services will not conflict with the independent role of the external auditor:

— The external auditor may not have any involvement in the production of financial information or preparation of financial statements that might be perceived as auditing their own work.

— The external auditor may not perform any function of management, or be responsible for making management decisions.

— The external auditor may not be responsible for the design or implementation of financial information systems.
— The external auditor may not perform any internal audit function.

Note 2.2 to the financial statements on page 77 details what was paid by the Company to the external auditor as audit fees and, as a separate item, for other services.

Our External Auditor Independence Policy contains the procedures to be adopted by the Board and also management to sustain communication with the external auditors. The policy provides that:

— directors are entitled to direct access to the external auditors without management present, and
— management is entitled to direct access to the external auditor without directors present.

For the 2018 financial year our external auditor was PricewaterhouseCoopers. The NZX Listing Rules require the lead external audit partner to be changed every five years. In accordance with these rules, the lead external audit partner changed from Sam Shuttleworth to Jonathan Skilton with effect from the start of the 2018 financial year.

recommendation 7.2 – The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

Sam Shuttleworth of PricewaterhouseCoopers, our external auditor, attended the annual meeting of shareholders in 2017 to answer questions from shareholders in relation to our external audit.

A representative of PricewaterhouseCoopers will attend our annual meeting in 2018.

recommendation 7.3 – Internal audit functions should be disclosed.

For the 2018 financial year, KPMG was our internal auditor.

Our internal auditor provides assurance in respect of the risks impacting our business. This assists the Board, ARC and management in:

— managing risks
— improving the efficiency and effectiveness of internal control systems
— monitoring compliance with policies and procedures and regulatory requirements, and
— providing assurance over the operating effectiveness of internal controls.

The internal auditor was appointed by the Board and reported against the internal audit plan on a three-monthly basis.

keeping our investors informed

principle 8 – Shareholder rights and relations

The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

recommendation 8.1 – An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

We seek to ensure our shareholders understand our activities by communicating effectively with them and giving them ready access to clear and balanced information. To assist with this, the Company:

— maintains a website, kp.co.nz
— provides shareholders with annual and interim reports and webcasts of its annual and interim results (available live and archived on our website)
— provides information to the media and briefings with research analysts, and
— holds an annual meeting of shareholders in which shareholder participation is encouraged.

All the Company's NZX announcements are automatically published on our website. Our website, which is regularly updated, also contains:

— information about our people, our property portfolio and our investment philosophy
— our sustainability activities and achievements, and our annual sustainability report

- key financial information and the annual and interim reports
- key dates, and
- key corporate governance documents (as outlined on page 101).

Investors can also direct questions and comments through the Company's website.

recommendation 8.2 – An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

communications

electronic communications with investors

We encourage all investors to receive communications from us electronically. Communicating electronically is faster, better for the environment and more cost-effective. To date, ~69% of our investors have told us that they prefer we communicate with them this way.

We understand that this does not suit everyone, so printed copies of reports are provided to shareholders who have not opted to receive documents electronically or who request a printed copy.

investor relations programme

Our investor relations team coordinates an active investor relations programme, customised to suit the needs of different investor groups. The programme includes:

- The Company's annual meeting which all shareholders have the right to attend. We encourage investors to take part in the annual meeting as it provides an opportunity for shareholders to air their views and ask questions of the Board and management.
- An annual report (which is published annually in May) and interim report (which is published annually in November) and includes an overview of operations and financial results for the year/period. We encourage investors to access these reports online to assist with our commitment to the environment. It is also faster and more cost-effective.
- Each six months, the annual and interim results are webcast to analysts and key institutional investors. A recording of each annual and interim result presentation is provided on the Company's website. Briefings are provided to institutional investors, brokers and the media by management following annual and interim result announcements.
- The Company maintains regular dialogue with the New Zealand Shareholders Association and, from time to time, conducts roadshows for retail investors.
- Management meets with investors throughout the year.
- Our investor relations team manages investor queries on a daily basis.

recommendation 8.3 – Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.

As an issuer that is obliged to comply with the NZX Listing Rules, the Company must obtain the approval of its shareholders (by way of an ordinary resolution or, if required, a special resolution) before entering into any transaction which would change the essential nature of its business.

recommendation 8.4 – Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.

The Company's Constitution provides that voting by shareholders will be by voice or by show of hands, as determined by the Chair, unless a poll is demanded. The Company's Constitution also provides that a shareholder entitled to attend and vote at a meeting may appoint a proxy to attend and vote on their behalf.

To respect the principle of one share one vote, a poll was demanded in respect of the resolutions at the Company's 2017 annual meeting, in accordance with the Company's Constitution, and voting was by poll. A poll will also be demanded at the Company's 2018 annual meeting.

recommendation 8.5 – The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.

The Company's 2017 annual meeting took place on 28 July 2017. Notice of that meeting was posted on the Company's website on 13 July 2017 in accordance with the requirements of the Companies Act 1993.

The Company's 2018 annual meeting will take place on 7 June 2018. Notice of that meeting was posted on the Company's website on 4 May 2018.

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.

kiwi property's vision and objectives are linked to remuneration structures

our vision	performance metrics	remuneration strategy	remuneration framework
To deliver New Zealand's best retail and workplace experiences	— Long-term total shareholder returns of >9% per annum — Annual operating earnings before interest and tax — Employee job performance and achievement of 'stretch' goals aligned to strategic objectives	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, superior returns	Our remuneration framework is designed to attract, retain, motivate and reward our people to deliver exceptional performance that is aligned to our investors' interests

our remuneration structure

fixed annual remuneration (FAR)	short-term incentive scheme (STI)	long-term incentive plan (LTI)	employee share ownership plan (ESOP)
— base salary that is competitively benchmarked at the median of 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 and individual based performance measures, founded on 'stretch' goals — incentives benchmarked at market median	— a discretionary share-based plan, with a three-year vesting period, for executives and employees (by invitation) — reflects reward for delivery of sustained results over the long term — the LTI performance hurdles consist of an absolute and relative total shareholder return, measured independently of each other over the three-year performance period — assists in employee retention objectives	— a discretionary share-based plan, with a three-year vesting period that is designed to align our people's interests with those of our shareholders — an annual grant that enables our permanent employees to acquire $781 of new shares for $1 — provides our people with an opportunity to take an ownership stake in the business — assists in employee retention objectives

STI

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

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

performance measures

company performance

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

— The scheme is designed to drive out-performance 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 out-performance.

individual performance

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

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

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

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

LTI

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

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

relative weightings of remuneration components for officers

— Officers (as defined by the NZX Listing Rules) of the Company comprise the Chief Executive, Chief Operating Officer, GM Commercial, GM Development, GM Retail and the Strategy Manager.

— The total remuneration package for each of our officers comprises FAR, STI and LTI.

— The STI potential for our officers is as follows:

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

— The LTI potential for our officers is as follows:

	LTI % of FAR
Chief Executive	30%
other officers	25-27.5%

performance and development

All of our people participate in a formal performance and development review every six months. The outcomes of the end-of-year review 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 and Chief Operating Officer. The Remuneration and Nominations Committee is responsible for reviewing and setting the remuneration of the direct reports of the Chief Executive and advising the Board on the remuneration of the Chief Executive and Chief Operating Officer. The total pool available for remuneration of our employees is set by the Board 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.

pay equity

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

remuneration outcomes for the year

employee remuneration

During the reporting period there were 73 employees and former employees, excluding directors of the Company and the Chief Executive, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more.

Remuneration includes salary, short-term incentive payments, long-term incentive 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 long-term incentives that have not vested.

amount of remuneration ($)	number of employees	amount of remuneration ($)	number of employees
100,000 – 110,000	7	250,001 – 260,000	2
110,001 – 120,000	9	260,001 – 270,000	2
120,001 – 130,000	3	270,001 – 280,000	2
130,001 – 140,000	4	290,001 – 300,000	2
140,001 – 150,000	5	300,001 – 310,000	2
150,001 – 160,000	3	320,001 – 330,000	1
160,001 – 170,000	4	330,001 – 340,000	1
170,001 – 180,000	4	340,001 – 350,000	1
180,001 – 190,000	1	360,001 – 370,000	1
190,001 – 200,000	3	370,001 – 380,000	1
200,001 – 210,000	3	380,001 – 390,000	1
210,001 – 220,000	3	410,001 – 420,000	1
220,001 – 230,000	2	910,001 – 920,000	1
240,001 – 250,000	3		
total employees earning $100,000+			73
employees included but no longer employed by Kiwi Property			5

LTI

LTIs that have been granted, vested, or forfeited by executives (being the officers of the Company and other members of the Company's leadership team, but excluding the Chief Executive), as at 31 March 2018, 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
15 December 2014	31 March 2017	10	$496,195	269,837	(64,260)	205,577
1 April 2015	31 March 2018	12	$845,617	449,416	(192,983)	not applicable yet
1 April 2016	31 March 2019	11	$786,408	359,373	(70,910)	
1 April 2017	31 March 2020	11	$883,362	427,760	(42,623)	

Note 3.6.4 of the financial statements on pages 89 and 90 provides further details of the number of shares granted, lapsed and exercised.

employee share ownership plan (ESOP)

The ESOP was launched in 2015 and provides our people with an opportunity to take an ownership stake in the business. Permanent full-time and part-time employees (excluding directors) are eligible to participate in the ESOP. Shares are purchased and held in trust for employees during a holding period of three years, at which point the shares vest.

shares held on behalf of employees	2016	2017	2018
shares issued during the year	50,820	52,820	76,857
shares forfeited during the year	(3,025)	(4,448)	(7,293)
total shares held on behalf of employees	47,795	48,372	69,564

chief executive remuneration

Chris Gudgeon took up the role of Chief Executive in August 2008. His employment agreement comprises standard conditions that are appropriate for a Chief Executive in the market. The Chief Executive's remuneration for the year ended 31 March 2018 includes salary, a short-term incentive payment, a long-term incentive payment (where vested), employer's contributions to KiwiSaver, the cost of providing insurance plans and sundry benefits. It does not include long-term incentives that have not vested. The Chief Executive's remuneration is detailed in the following table:

	2017	2018
fixed annual remuneration (including KiwiSaver and value of benefits)	$743,583	$746,483
short-term incentive paid (including KiwiSaver)	$367,774	$297,988

The basis of the Chief Executive's STI is set out on pages 119 and 120. His target for the year was $257,364 (2017: $256,394), with a maximum payable of $407,096 (2017: $393,680) plus KiwiSaver.

LTI

Long-term incentives that have been granted and vested to the Chief Executive as at 31 March 2018 are set out in the following table:

grant date	measurement date	grant value	number of shares granted	number of shares vested
15 December 2014	31 March 2017	$164,014	89,192	85,624
1 April 2015	31 March 2018	$218,942	116,470	not applicable yet
1 April 2016	31 March 2019	$219,728	100,412	
1 April 2017	31 March 2020	$220,598	106,931	

First NZ Capital was appointed by the Board to act as the Recognised Independent Party (RIP) for the purposes of the 15 December 2014 LTI grant made to the Chief Executive by Kiwi Property. Their assessment was as follows:

— Absolute performance hurdle: First NZ Capital concluded that Kiwi Property's annualised TSR exceeded the TSR hurdle and therefore 50% of the LTI Plan Shares were eligible for vesting.

— Relative performance hurdle: First NZ Capital concluded that Kiwi Property's TSR ranked above the 50th percentile of the peer group, however ranked below the 75th percentile. Based on a progressive vesting scale it was assessed that 46% of the LTI Plan Shares were eligible for vesting.

This resulted in the vesting of 85,624 shares in respect of the 15 December 2014 LTI grant.

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. The Board has allocated the pool as follows:

	fee	number of persons holding office	total fee pool
Chair (including membership of all committees)	$165,000	1	$165,000
Director (excluding the Chair)	$92,000	5	$460,000
Chair of the Audit and Risk Committee	$20,000	1	$20,000
Audit and Risk Committee member	$10,000	2	$20,000
Chair of the Remuneration and Nominations Committee	$16,250	1	$16,250
Remuneration and Nominations Committee member	$8,125	2	$16,250
discretionary pool[1]	$40,000	n/a	$40,000
total			**$737,500**

The fees paid to our directors during the year ended 31 March 2018 are outlined below:

director	duties	fees
Mary Jane Daly[2]	Director Chair of the Audit and Risk Committee	$106,353
Richard Didsbury	Director Member of the Remuneration and Nominations Committee	$98,872
Mark Ford	Chair Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$161,766
Jane Freeman	Director Chair of the Remuneration and Nominations Committee	$121,391
Mark Powell[3]	Director Member of the Audit and Risk Committee	$51,000
Mike Steur	Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$108,872
Joanna Perry[4]	Director Chair of the Audit and Risk Committee	$55,353

1. Of the $40,000 discretionary pool, $15,000 was paid for additional responsibilities during the year.
2. Mary Jane Daly was appointed chair of the Audit and Risk Committee on 1 October 2017.
3. Mark Powell was appointed as a director, effective 1 October 2017.
4. Joanna Perry retired as a director, effective 30 September 2017.

other shareholder 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 and KPG030.

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 and KPG030).

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 18 May 2018 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 waivers

The following is a summary of waivers granted by NZX during the year ended 31 March 2018 and relied on by the Company.

- Waivers in relation to the Company's 1 for 11 Entitlement Offer (Offer). Capitalised terms below have the meanings given to them in the Offer Document dated 19 June 2017 (which is available on the Company's website at kp.co.nz/investor-centre).
  - On 16 June 2017, NZX granted the Company a waiver from Listing Rule 7.11.1 in respect of the Offer, subject to certain terms and conditions, to enable the Company to allot the New Shares under the Institutional Entitlement Offer and Institutional Bookbuild eight Business Days after the close of the Institutional Entitlement Offer.
  - In relation to the Offer, the Company relied on the NZX class waiver for accelerated entitlement offers, dated 13 June 2017. The following is a summary of each aspect of the class waiver relied on by the Company:
    - Waiver from Listing Rule 7.3.1(a), permitting the Company to not obtain Shareholder approval for the issue of New Shares in connection with the Offer. This waiver is subject to the condition that the issue be conducted in accordance with Listing Rule 7.3.4(a) (read in conjunction with Listing Rules 7.3.4(d) to 7.3.4(h)), except for the requirement in Listing Rule 7.4.3(a) that the Offer is renounceable (provided that New Shares not taken up by Eligible Shareholders are offered under the Bookbuilds and that such Bookbuilds are undertaken in accordance with the Offer Document).
    - Waiver from Listing Rule 7.10.1, enabling Eligible Institutional Shareholders to be notified of their Entitlement prior to the Record Date and enabling notification to occur by means other than physical letters of entitlement.
    - Waiver from Listing Rule 7.10.2, to the extent it would otherwise require the Institutional Entitlement Offer to remain open for 12 Business Days, subject to the condition that the Company's announcement of the Offer, and this Offer Document, clearly state that a shorter than usual offer period will be available to Eligible Institutional Shareholders under the Institutional Entitlement Offer.
    - Waiver from Listing Rule 7.10.8, to the extent it would otherwise require the Company to notify NZX of the Offer five Business Days prior to the ex-date for the Offer, subject to the condition that the Offer is notified to NZX in accordance with Listing Rule 7.10.8 no later than five Business Days before the ex-date for the Offer.

NZX disciplinary action

There has been no action taken by NZX in relation to the Company and the NZX has not exercised any of its powers set out in Listing Rule 5.4.2 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 2018 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.

In accordance with our External Auditor Independence Policy, the Company requires the audit partner to rotate every five years. A new partner was appointed for the 2018 financial year.

donations, sponsorship and volunteering

During the year, the Company donated shopping centre gift vouchers totalling $1,240 to the New Zealand Breast Cancer Foundation.

The Company is a longstanding corporate sponsor (currently $10,000 per annum) of Keystone Trust. Keystone is a charitable trust that assists tertiary students from disadvantaged backgrounds to further their education in property industry-related fields.

Volunteering within the communities in which we invest and operate is important to the Company. For details of our volunteering over the past year, refer to page 55.

directors of the Company's subsidiaries

As at 31 March 2018, 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 Chris Gudgeon, Gavin Parker and Trevor Wairepo.

During the year to 31 March 2018, no director ceased to hold office as a 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 shareholders will be held at 10.00am on Thursday, 7 June 2018 at Eden Park, Auckland.

interest register entries

In accordance with section 211(1)(e) of the Companies Act 1993, details of the entries made in the Interests Register of the Company during the year are set out over the page, together with the existing entries as at 31 March 2018.

name	name of company/entity	nature of interest
Mary Jane Daly	Airways Corporation of New Zealand Limited	Deputy Chair
	Airways International Limited	Director
	Auckland Transport[1]	Director
	Cigna Life Insurance New Zealand Limited	Director
	Earthquake Commission	Deputy Chair
	New Zealand Green Building Council[2]	Chair
Richard Didsbury	Auckland International Airport Limited[2]	Director and Shareholder
	Auckland City Mission Redevelopment Committee[1]	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	Trustee
	NX2 Hold GP Limited (Northern Express consortium)	Chair
	SkyCity Entertainment Group Limited	Director and Shareholder
Mark Ford	CBUS Property Pty Limited and related entities	Director
	Dexus Property Group	Director
	Prime Property Fund Asia GP Pte Limited	Director
	RREEF China Commercial Trust Management Limited (Manager of China Commercial Trust and a Subsidiary of Deutsche Bank)	Director
	The Ford Family Superannuation Fund	Director
Jane Freeman	Argosy Property Limited	Spouse of Director (Christopher Hunter)
	ASB Bank Limited[2]	Director
	Foodstuffs North Island Limited	Director
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
Joanna Perry[3]	Genesis Energy	Deputy Chairman
	IFRS Advisory Council	Chairman
	JMGP Limited	Director and Shareholder
	Partners Group Holdings Limited	Director
	Partners Life Limited	Director
	Regional Facilities Auckland	Deputy Chair
	Rowing New Zealand	Director
	Sport and Recreation New Zealand	Director
	Trade Me Group Limited	Director

name	name of company/entity	nature of interest
Mark Powell[4]	Carey Baptist Theological College[1]	Elected board member
	JB Hi-Fi Group Limited[1]	Director
	Massey Business School[1,2]	CEO in residence
	Stihl Shop NZ[1]	Advisory board member
	The Halls Group Limited[1]	Director
	Trinity Lands Limited[1]	Director
	Venn Foundation NZ[1]	Chair
Mike Steur	BWP Management Limited	Director
	Dexus Wholesale Property Fund	Director
	Healthcare Wholesale Property Fund[1]	Chair
	M & D Steur Investments Pty Limited	Shareholder

1. Entry added by notice given by the director during the year.
2. Entry removed by notice given by the director during the year.
3 Joanna Perry ceased to be a director with effect from 30 September 2017.
4. Mark Powell was appointed director with effect from 1 October 2017.

shareholder statistics

AS AT 31 MARCH 2018

twenty largest shareholders

shareholder	number of shares	% of total issued shares
HSBC Nominees (New Zealand) Limited	169,456,648	11.93
Citibank Nominees (NZ) Limited	119,963,124	8.45
Accident Compensation Corporation	112,575,287	7.93
HSBC Nominees (New Zealand) Limited	99,847,929	7.03
Premier Nominees Limited <Wholesale Trans-Tasman Property>	77,451,464	5.45
JPMorgan Chase Bank	61,874,708	4.36
Cogent Nominees Limited	58,089,859	4.09
FNZ Custodians Limited	46,537,838	3.28
Investment Custodial Services Limited	35,794,096	2.52
BNP Paribas Nominees NZ Limited	33,806,052	2.38
National Nominees New Zealand Limited	33,342,976	2.35
Premier Nominees Ltd <Armstrong Jones Property Securities Fund>	27,098,134	1.91
Forsyth Barr Custodians Limited	22,982,819	1.62
Custodial Services Limited	22,914,836	1.61
New Zealand Superannuation Fund Nominees Limited	22,397,695	1.58
MFL Mutual Fund Limited	21,788,512	1.53
JBWere (NZ) Nominees Limited	18,407,772	1.30
New Zealand Permanent Trustees Limited	15,130,966	1.07
Private Nominees Limited	14,791,636	1.04
TEA Custodians Limited	12,228,151	0.86
total	**1,026,480,502**	**72.29**
total shares on issue	**1,420,414,825**	

spread of shareholders

size of holding	number of holders	% of total holders	number of shares	% of total issued shares
1-1,000	666	5.94	307,626	0.02
1,001-5,000	1,719	15.34	5,309,175	0.37
5,001-10,000	2,018	18.00	15,347,989	1.08
10,001-50,000	5,515	49.21	124,831,269	8.79
50,001-100,000	816	7.28	55,431,971	3.90
100,001 and over	474	4.23	1,219,186,795	85.84
total	**11,208**	**100.00**	**1,420,414,825**	**100.00**

geographic distribution of shareholders

size of holding	number of shares	% of total issued shares
New Zealand	1,032,246,481	72.67
United States	177,896,418	12.52
United Kingdom	63,915,934	4.50
Australia	63,196,498	4.45
Norway	21,223,789	1.49
Japan	16,690,627	1.18
rest of the world	45,245,078	3.19
total	**1,420,414,825**	**100.00**

bondholder statistics

AS AT 31 MARCH 2018

spread of KPG010 bondholders (August 2021 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1-1,000	–	–	–	–
1,001-5,000	131	9.92	655,000	0.52
5,001-10,000	324	24.55	3,097,000	2.48
10,001-50,000	708	53.64	19,536,000	15.63
50,001-100,000	89	6.74	7,561,000	6.05
100,001 and over	68	5.15	94,151,000	75.32
total	**1,320**	**100.00**	**125,000,000**	**100.00**

spread of KPG020 bondholders (September 2023 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1-1,000	–	–	–	–
1,001-5,000	46	7.90	230,000	0.18
5,001-10,000	113	19.41	1,102,000	0.88
10,001-50,000	318	54.64	9,317,000	7.45
50,001-100,000	47	8.08	4,169,000	3.34
100,001 and over	58	9.97	110,182,000	88.15
total	**582**	**100.00**	**125,000,000**	**100.00**

spread of KPG030 bondholders (December 2024 maturity)

size of holding	number of holders	% of total holders	number of bonds	% of total issued bonds
1-1,000	–	–	–	–
1,001-5,000	42	8.05	210,000	0.17
5,001-10,000	111	21.26	1,082,000	0.87
10,001-50,000	284	54.40	7,865,000	6.29
50,001-100,000	36	6.90	3,062,000	2.45
100,001 and over	49	9.39	112,781,000	90.22
total	**522**	**100.00**	**125,000,000**	**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 2018. The total number of ordinary shares on issue at 31 March 2018 was 1,420,414,825.

name	number of shares held at date of notice	date of disclosure
Accident Compensation Corporation[1,2]	104,473,105	29-Apr-16
ANZ New Zealand Investments Limited[3,4]	147,407,526	20-Nov-17
Blackrock, Inc and related bodies corporate[5]	71,147,019	19-Mar-18

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

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

directory

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BANKERS

ANZ Bank New Zealand
Bank of New Zealand
China Construction Bank (New Zealand)
Commonwealth Bank of Australia
The Hongkong and Shanghai Banking Corporation
Westpac New Zealand

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