



Today &

Contents

Introduction	Pg 2
FY23 financial highlights	Pg 4
Letter from the Chair	Pg 6
Letter from the incoming Chair	Pg 10
Chief Executive Officer's report	Pg 14
Spotlight on our strategy	Pg 20
Re-imagining renting with Resido	Pg 24
Creating a connected community at Drury	Pg 26
Bringing mixed-use to life at 3 Te Kehu Way	Pg 28
Leading the way on ESG	Pg 30
Our Board	Pg 34
Executive Team	Pg 36
Financials	Pg 38
Other information	Pg 92
Corporate governance	Pg 94
Remuneration report	Pg 96
Other investor information	Pg 106
Directory	Pg 113



Tomorrow

Challenges &



INTRODUCTION

Responding to today's challenges

As an astute and responsive property company, we've acted decisively to manage our assets and balance sheet as the economic environment has shifted over the last year. Discipline is a hallmark of our approach. Taking our cues from unfolding market dynamics, we've exercised constraint where it made sense to do so, and pursued opportunities where the timing was right.

Our operating performance reinforces our credibility. As does our disciplined use of capital, our focus on strict management and our focus on driving returns for our shareholders.





→ Drury development site



Focused on tomorrow's opportunities

At the same time, we remain firmly engaged with our strategy and our commitment to a pragmatic and well-paced roll-out of key initiatives such as build-to-rent and the development at Drury. The robustness of our approach to our key assets reflects our sure and measured approach to what's ahead. Growing value and maximising potential remain paramount.

At Kiwi Property we have never been afraid to invest in transformative opportunities. In fact, we pride ourselves on planning for tomorrow – without losing sight of where things are at, and what's needed, right now.

Opportunities

FY23 financial highlights

NET RENTAL INCOME

\$203.7m

↑ 13.9%

OPERATING PROFIT BEFORE TAX

\$129.6m

↑ 11.3%



MIXED-USE TENANT SALES

\$1.7b

↑ 28.5%

TOTAL RENTAL GROWTH

5.2%

FY22 4.2%

NET LOSS AFTER TAX

\$227.7m

↓ 201.5%

FINAL DIVIDEND

5.7cps

↑ 1.8%

Note: Refer to the Annual Results Presentation FY23 for the definition and determination of sales and the non-GAAP performance measures net rental income and operating profit before tax. Comparative figures relate to the FY22 period.



Mark Ford, Chair

Letter from the Chair

In FY23, we took several steps to enhance the resilience and performance of the business. These moves have been instrumental in helping the company deliver another good operational performance.

Dear Shareholders,

Welcome to the Kiwi Property annual report for the year ended 31 March 2023 (FY23).

This is my final Chair letter before I retire from the Board at the upcoming Annual Meeting of Shareholders. My time as a director of Kiwi Property has passed quickly, and as I look back on my tenure, I am proud of many of the things we have achieved together. As always though, there is more to do.

The last few years have been challenging – not just for our business but for the property sector as a whole – as we have contended with the impact of COVID-19 and the economic volatility that has followed. The coming financial year has the potential to be similarly disrupted, fuelled by high inflation and living costs. We believe though, that our strategy of creating mixed-use communities at key growth nodes will help the business navigate the current headwinds and promote earnings growth in the period that follows.

In FY23, we took several steps to enhance the resilience and performance of the business. These moves have been instrumental in helping the company deliver another good operational result. Sales, rental income, operating profit, and adjusted funds from operations were all strong, underlining the quality of our portfolio and the strategic and financial value delivered by mixed-use. Clive, our Chief Executive Officer, will provide an overview of our key metrics in his report, which begins on page 14.

Unfortunately, despite this strong operational performance, rising capitalisation rates have negatively impacted the value of our property portfolio, which declined by 4.2% or \$139.3 million in the second half of FY23¹ and contributed to a subsequent full-year net loss after tax of \$227.7 million. These numbers are disappointing however they are not unexpected given the stage of the property cycle and current economic headwinds. By continuing to drive sales, grow rents and diversify our income streams, we will help mitigate further devaluations.

Managing the pace of development

Kiwi Property has a large mixed-use landholding of more than 125 hectares across Sylvia Park, LynnMall, The Base and Drury. The scale and zoning of these assets give us the flexibility to carefully manage the pace of our development programme, making strategic choices about what and when to build based on demand, market fundamentals and the cost of funding.

That flexibility is essential in the current climate, where interest and capitalisation rates are impacting property values and material prices are squeezing margins. We are adopting a disciplined and conservative approach, limiting development to specific strategic opportunities, while holding off on others until the market stabilises.

A clear example of this pragmatism in action is 3 Te Kehu Way. The distinctive new six-level office development at Sylvia Park was completed in March 2023, marking an important milestone in the precinct's strategic evolution. Designed to cater to the requirements of both medical and office tenants, the building enables us to target new customer segments and respond to interest from the wide range of organisations keen to establish a presence at Sylvia Park's growing business hub.

3 Te Kehu Way offers excellent amenities, transport connectivity, sustainability performance and unparalleled access to New Zealand's favourite shopping centre². Geneva Finance, CLC Consulting and the government agency, Rau Paenga will be among those joining the building's previously announced tenants of Tamaki Health, Horizon Radiology, and Regus.

Performing while transforming

While we're focused on delivering for our shareholders today, we're also looking over the horizon at the new and emerging opportunities that will unlock value and fuel future growth. Much of Kiwi Property's success has been built on similar foresight and a long-term approach.

It took some imagination, for example, to look at a run-down block of storage sheds at Sylvia Park and envisage that it could become a world-class mixed-use community. Nonetheless, that belief saw us acquire the initial 24-hectare site in 1995. Today, the precinct is worth over \$1.5 billion, attracts over 14.5 million customer visits a year and generated \$889 million in sales in FY23.

Similarly, the parcel of paddocks we bought at Drury almost a decade ago is evolving into a new city centre. More than 3,000 homes, 117,000 square metres of retail space and 58,000 square metres of office space are expected to be built across Drury East in the future.

Importantly, we continue to look ahead, analysing demographic, economic and social trends and anticipating how these will shape future demand

1. Excluding the gross up of lease liabilities required by NZ IFRS 16.
2. "The Heart of Kiwi Property 2022" Nielsen



for retail, commercial and residential space. Our build-to-rent (BTR) and Drury developments are prime examples of us responding proactively to new opportunities in the market. Given the forecast increase in demand for rental accommodation and the expected growth in the size of the Drury community, we believe that by acting quickly on these projects, we will create value for our shareholders over time.

Change is the only constant

Since joining the Board in 2011, change has been the only constant. Within my first few years as Chair, we proceeded with both the internalisation and the corporatisation of Kiwi Property, two initiatives I'm particularly proud of and which created benefit for shareholders. In a period of rapid growth in the following years, we completed ASB North Wharf, purchased Sylvia Park Lifestyle and entered into 50% joint ventures with Tainui Group Holdings at The Base and Centre Place.

Since then, the rate of change has been similarly quick and while COVID delayed several critical initiatives over the past few years, in the background, the business' transition into the creator of mixed-use communities at strategic growth nodes has gained momentum. By reshaping our portfolio, we will help create a more resilient and higher-performing company that generates better returns for our shareholders.

In parallel, we have become a more diversified business. At Sylvia Park, for example, we now

have a mix of retail and commercial precincts with residential set to follow and ample scope to move into other sectors, such as medical, over time. Not only does this approach allow us to optimise the use and value of our land, it also helps create a critical mass of customers and workers for the businesses on-site. More customers generate more sales and support the case for higher rents and improved valuations.

Passing the baton

At our upcoming Annual Meeting of Shareholders on 28 June, I will pass the baton as Kiwi Property Chair to Simon Shakesheff. He will be familiar to many of our shareholders, having been a director of the company since 2019. Simon has all the experience, knowledge and intellect you could wish for, and I have no doubt he will make a major positive impact.

I would also like to thank Mark Powell for his significant contribution as a director over the past five years, including his integral role as the founding Chair of our Environmental, Social and Governance (ESG) committee.

We are fortunate to have two excellent new directors, Carlie Eve and Peter Alexander, joining the Kiwi Property Board on 23 May 2023. Their expertise in property development and investment, funds management, capital markets, and community creation will be invaluable to the company going forward.



We are clear on our way forward and confident of our ability to turn our strategy into reality. By doing so, we will drive the company's operational results, promote growth in our share price and help create greater recognition within the market of Kiwi Property's underlying value.

Dividend and outlook

The company's share price has unfortunately traded beneath expectations in FY23. This is partly due to market concerns about the decrease in commercial property values being felt across our sector, as well as the risk of a potential future recession. While these factors are beyond our control, we are focused on those that are, including intensively operating our properties and strictly managing our gearing, and balance sheet. Although asset sales and rising interest rate costs have the potential to reduce earnings in the short term, we are taking steps to address this impact and are committed to maintaining our dividend.

To this end, Kiwi Property will pay a fourth-quarter cash dividend of 1.425 cents per share, taking the full-year FY23 dividend to 5.70 cents per share.³ The Dividend Reinvestment Plan will also be reinstated for the fourth quarter dividend. This initiative will contribute to the company's multi-faceted capital management programme, while enabling shareholders to grow their Kiwi Property holdings at a 2% discount⁴ and without transaction costs.

I am also pleased to confirm dividend guidance of 5.70 cents per share for the 2024 financial year, which we expect to be within our target payout range of 90-100% of adjusted funds from operations. This figure provides an attractive dividend yield of 9.5% (based on Kiwi Property's closing share price on 19 May 2023) and allows the company to retain earnings to help fund future growth.

Kiwi Property is operating in a challenging market and it's likely that we will continue to experience economic headwinds in FY24. Nonetheless, we are clear on our way forward and confident of our ability to turn our strategy into reality. By doing so, we will drive the company's operational results, promote growth in our share price and help create greater recognition within the market of Kiwi Property's underlying value.

I want to express my gratitude and appreciation to our shareholders, customers, and employees. Your support and dedication have been instrumental in our success, and I look forward to watching Kiwi Property's continued progress in the years to come. Thank you for the privilege of serving as your Chair.

Mark Ford
Chair

3. Dividend guidance is contingent on the company's FY24 financial result and barring material adverse effects or unforeseen circumstances.

4. Pricing for this dividend based on the volume weighted average share price for the five trading days to 12 June 2023.

Letter from the incoming Chair

I have an ambitious vision for the company, including a focus on driving improved returns for shareholders and positively impacting the communities where we operate.



Kiwi Property is an impressive business with a robust strategy and some of the country's leading real estate assets. It is an honour to be stepping into the Chair role Mark Ford has held so effectively for over a decade. I have an ambitious vision for the company, including a focus on driving improved returns for shareholders and positively impacting the communities where we operate.

I intend to bring a mix of continuity and commitment to the job. I have been a director on the Board since 2019 and know the business, our strengths, and the challenges we must overcome. Kiwi Property is at a pivotal moment in its transformation from a retail and office landlord into a creator of connected mixed-use communities. We must push on to realise the benefits of this evolution while keeping sight of the need to deliver for our investors as we do.

As you will read in this report, Kiwi Property delivered a good operational performance in FY23. The business effectively managed its assets, made progress on its developments at Sylvia Park and Drury, and completed several strategic asset sales. We now have mixed-use assets at three of Auckland's 12 metropolitan centres, placing us in a position to benefit from the forecast growth of these locations over future decades.

In the current market, operational delivery and development potential alone are not enough, however. Effectively managing our capital, gearing and funding pipeline are all vital for the company to be successful over the long term. It is clear we are good at owning, developing and intensifying mixed-use assets. My priority is to ensure we translate our proven capabilities into better returns for our shareholders.

As a good corporate citizen, Kiwi Property has a responsibility to contribute to New Zealand's future. We have committed to a comprehensive Environmental, Social and Governance (ESG) strategy and made excellent progress on this journey. We must keep stretching ourselves to maintain this momentum. I do not believe that we must sacrifice performance to achieve our purpose. Instead, we will strive for an effective balance between people, profit and the planet as we work towards becoming the country's leading creator and curator of mixed-use communities.

I look forward to meeting many of you at the upcoming Annual Meeting of Shareholders. Thank you for your support of Kiwi Property.

A handwritten signature in black ink that reads "SA Shakesheff". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Simon Shakesheff
Chair-elect



→ Vero Centre



→ 3 Te Kehu Way

We're creating connected communities for the people of Aotearoa New Zealand. Places like Sylvia Park, which is transforming into a world-class mixed-use property that combines New Zealand's favourite shopping centre,¹ a growing office hub and opening early FY25, the country's first major build-to-rent apartment development. We're building cities for the future. And we're just getting started.

1. "The Heart of Kiwi Property 2022" NielsenIQ.





Clive Mackenzie, Chief Executive Officer

Chief Executive Officer's report

Shoppers spent a record \$1.7 billion at Sylvia Park, LynnMall, and The Base in FY23, up 28.5% on the year before and 34.8% on FY19, highlighting the strength and resilience of our mixed-use assets.

Kia ora,

Kiwi Property built on its favourable operating performance from the first six months of FY23, with a similarly robust result in the second half of the year, while also taking important steps on our journey to becoming New Zealand's leading creator and curator of mixed-use communities.

Although COVID-19's impact on New Zealand has eased in the wake of the pandemic, the country has experienced sharp increases in inflation and interest rates, and a subsequent economic slowdown.

In response, we acted decisively to strengthen our business and balance sheet in FY23, including recycling capital, actively managing gearing and controlling the pace of our development programme. Adopting this disciplined approach will put the business in the best position to deal with the current period of economic uncertainty. Importantly, these measures aren't just about making Kiwi Property more resilient in the short term. By taking the steps today, we will ensure the company is in a stronger position to take advantage of the opportunities that will emerge as the market stabilises, unlocking value for our shareholders.

\$889.4m

SYLVIA PARK PRECINCT SALES FY23

\$507.8m

THE BASE SALES FY23

Record-setting sales performance

Kiwi Property's operating performance featured several highlights in FY23, however one of the most impressive was the record sales performance of our mixed-use property portfolio. Shoppers spent more than \$1.7 billion at Sylvia Park, LynnMall, and The Base, up 28.5% on last year and 34.8% on FY19. Sylvia Park's performance was particularly strong with sales of \$889 million across the precinct.

This trading result demonstrates the resilience of our mixed-use assets, particularly given the impact of rising living costs on consumers' wallets. Over recent years we've seen a divergence in the retail property sector, with the best centres going from strength to strength, and second-tier centres, in contrast, coming under increasing pressure from e-commerce and store consolidation. We have worked hard to ensure our assets are well placed to benefit from this flight to quality, bringing an exciting range of first-to-New Zealand retailers to market and delivering a new standard of dining, hospitality and entertainment options.

Kiwi Property's net rental income continued its recent upward trajectory, rising 13.9% to \$203.7 million in FY23, where we benefited from the final release of COVID-19 rental abatement accruals. Operating profit before tax increased 11.3% to \$129.6 million, while adjusted funds from operations rose 16.1% to \$116.5 million.

Our property portfolio was almost entirely leased on 31 March 2023, with occupancy sitting at 99.3%. Rental growth was similarly robust, with rent reviews and new leasing up 5.3% and 4.4% respectively, despite the challenging economic environment. Together, these figures reinforce the strength of tenant demand for space in Kiwi Property's mixed-use and office assets, and with our speciality gross occupancy cost ratio (a key measure of tenancy affordability) remaining at a conservative 12.9%, there is scope for the company to drive further rental growth in the future.

Strengthening the balance sheet

Strict capital management is a cornerstone of our business. This commitment has become particularly important considering the rapid rise of interest rates since mid-2021. In FY23, we have undertaken several important initiatives to fortify our balance sheet, increase our hedging and ensure suitable funding for our development programme. Managing our gearing position will be an ongoing focus as we respond to the current economic headwinds and their negative impact on commercial property values.

In addition to the previously reported sales of Northlands Shopping Centre and 44 The Terrace, on 1 May 2023 we added to this list the disposal of Westgate Lifestyle Shopping Centre for \$85.7 million. The sale of our non-core properties and recycling of proceeds is a central pillar of our funding strategy. Not only does this provide our lowest cost of capital,

but it also results in a higher quality and more resilient asset portfolio. Following the Westgate Lifestyle transaction, our gearing ratio now sits at 33.3% on a pro-forma basis.

Capital recycling is just one aspect of our multi-faceted funding and capital management strategy. In March, we overcame a challenging time in the debt markets to complete a successful \$125 million Green Bond issue. The heavily oversubscribed offer enjoyed particularly firm support from retail investors nationwide, highlighting the breadth and depth of support for Kiwi Property, our mixed-use strategy, and strong sustainability credentials.

Right time, right priorities

At Sylvia Park, the sale of 3.2 hectares of land to IKEA is now unconditional, marking an essential step towards our goal of welcoming the exciting retailer to the precinct. In parallel, work is ongoing at Sylvia Park's 295-apartment BTR complex, with the project's towers now up to nine floors high. The development is on track for completion in early FY25, when we expect the effects of rising net migration and falling housing consents to create growth in demand for rental accommodation. Our BTR assets will be launched and marketed under the newly created 'Resido' brand; a fresh and dynamic proposition set to become synonymous with Kiwi Property's residential offering. For more about the progress on Resido and the Sylvia Park BTR development, please go to page 24.

The BTR sector is expanding rapidly in markets such as Australia, where high-quality BTR apartments are attracting differentials of up to 20% compared to traditional rental accommodation. We believe similar trends could flow to the New Zealand market, positioning the asset class to deliver robust returns for Kiwi Property over time.

Elsewhere, we are making major strides at Drury, where stage one earthworks are underway, and civil works are due to follow shortly after. Auckland Council has designated our 53-hectare site as the location of a new metropolitan centre, placing it at the heart of the region's social and economic development. We intend for Drury to be a Green Star Community that sets a high standard for sustainability and urban placemaking. This opportunity will be staged over the next two decades. Turn to page 26 for more information.

We are focused on carefully managing the funding requirements of the Drury development and have a range of options available, including the introduction of capital partners or the sell-down of one or more of the site's 13 residential super-lots and/or large format retail sites.



Enhancing the wellbeing of our communities

The recent Auckland floods and Cyclone Gabrielle provided a sobering reminder of the effects of climate change. Although none of our properties were damaged by these storms, we are taking proactive steps to safeguard against future extreme weather events. Kiwi Property has well-established climate risk assessment and management protocols in place, with a focus on ensuring asset resilience over the long term. More broadly, we recognise that as one of the country's largest property companies, we can lead on environmental sustainability by actively reducing our emissions profile and working with our partners to decrease water, waste, and energy use.

We are committed to being net carbon negative in our operations by 2030 and are proud to have been awarded a score of 81 (out of 100) by the Global Real Estate Sustainability Benchmark (GRESB) for our sustainability efforts last year. 100% of our core office assets have a NABERSNZ rating of 4 stars or above, while our first 6 star Green Star targeted building – 3 Te Kahu Way – is now complete. We recognise that



→ Sylvia Park build-to-rent development site

81 (OUT OF 100)

GLOBAL REAL ESTATE
SUSTAINABILITY
BENCHMARK SCORE

3.2 ha

IKEA LAND SALE NOW
UNCONDITIONAL

sustainability is a core aspect of thriving mixed-use communities and are committed to ensuring that the places we create have a positive environmental and social impact.

In FY23, we also made meaningful progress in our efforts to enhance the wellbeing of people in and around our communities, becoming an official supporter of the Mental Health Foundation and helping to reach tens of thousands of people through initiatives such as Pink Shirt Day and the Better Together Social Connection Campaign.

An overview of our FY23 environmental, social and governance (ESG) highlights is available on page 30 of this report, or if you are interested in further details, please see our standalone FY23 Sustainability Report, available for download at <https://www.kiwiproperty.com/corporate/sustainability/>.

FY24 outlook

New Zealand's short-term economic trajectory is difficult to predict however as the Chair noted, it is reasonable to expect that elevated inflation and interest rates will continue to be a factor in FY24. During this period of volatility and disruption, we will adopt a highly disciplined approach, driving

the operation of our business forward, strictly managing our balance sheet, and being pragmatic in our development programme.

Importantly, our commitment to delivery remains as strong as ever – if not more so. We are focused on growing rents, growing our assets and growing returns for shareholders. Our goal is to perform today while simultaneously transforming Kiwi Property into a faster, more resilient and ultimately more profitable business for the years ahead.

Thank you for your continued support as we continue our strategic evolution. We look forward to rewarding your trust in FY24 and beyond.

Ngā mihi,

Clive Mackenzie
Chief Executive Officer



→ Sylvia Lane

Sustainability has been at the heart of our business for over 20 years. We're passionate about creating spaces that are good for the planet, that bring people together and where everybody feels they belong. Through our focus on mixed-use we're unlocking a vibrant and dynamic new type of property asset where people can live, work, shop and play.





Spotlight on our strategy

Creating value through mixed-use

Through Kiwi Property's mixed-use strategy, we are transforming our business to unlock greater shareholder value. It is all about diversifying our income streams across a broader range of assets, which will help accelerate our earnings growth with lower risk, over time.

Ours is a multi-year journey as we transform our \$3.2 billion asset base from one weighted heavily to retail, into a focused and future-fit portfolio, with world-leading mixed-use communities at its core. We're not just looking to the horizon but taking a disciplined and pragmatic approach to the company's evolution, including an unwavering focus on delivering for our shareholders today and tomorrow.

Mixed-use brings together retail, office and residential on a single integrated site, attracting more people to stay longer and potentially spend more while they do. We call this the mixed-use halo. Research conducted for Kiwi Property calculated that the intensification of Sylvia Park could drive a significant increase in value through greater sales, higher rents and increased gross occupancy costs.

Mixed-use also offers significant flexibility to respond to shifting market dynamics, including changing demographics and lifestyle trends. This optionality is already evident across our portfolio, including our construction of New Zealand's first major BTR development, our expansion into medical office at 3 Te Kehu Way and our plans to create a modern Green Star Community at Drury – one of Auckland's key urban growth hubs.

Controlling the pace of change

The progress on our mixed-use journey has been substantial, anchored in a large strategic landholding that spans around 125 hectares and offers extensive future optionality. We have control over aspects ranging from the timing of projects to the way they are funded, the tenant mix and their sustainability credentials. This certainty enables us to proactively manage costs, maintain high occupancy rates and ensure stable incomes. And by adopting a strong focus on master planning, we can ensure that each new building adds value to those around it, creating more value and a better experience for our tenants, their customers and employees and the communities we serve.

Our strategy has longevity – primarily due to our land holdings – but also our disciplined approach to capital management and our focus on ensuring new developments occur when they create the most value.

We have a development pipeline that has the potential to translate into billions of dollars of additional property assets over the next 10 to 15 years, most of it weighted toward residential and commercial. Importantly though, with only Sylvia Park BTR and Drury Stage One earthworks underway, we have limited exposure to the pressures currently facing the construction sector. We have the land, the time, the skills and the experience to progress our development pipeline when the time is right – but we are in no rush. Taking a responsible and pragmatic approach will enable us to maintain a sound balance sheet, deliver sustained dividend growth and get the best outcome for our shareholders from every project.



A strategy for success

In FY23, we continued to evolve our strategy to reflect the changing operating environment and our ambitious vision for the company. As we enter the new financial year, it now has a clearer focus, stronger bias for action and an even stronger commitment to supporting the success of our stakeholders. Our four strategic priorities are as follows:



1

Lead the market on mixed-use

We will create a competitive point of difference in the New Zealand property market by intensifying our core mixed-use assets and growing connected communities at Sylvia Park, LynnMall, The Base and Drury.

2

Grow with diverse capital sources

We are focused on capital recycling and partnering with a diverse set of investors to grow our assets under management. Kiwi Property has an exciting range of opportunities ahead, and securing the right funding solution for each will be a focus for the company in FY24 and beyond.



→ Sylvia Park – artist's impression

3

Enable partner and customer success

Kiwi Property will only win if our customers do too. We have a vital role in creating the right conditions for our tenants and residents to meet their goals.



4

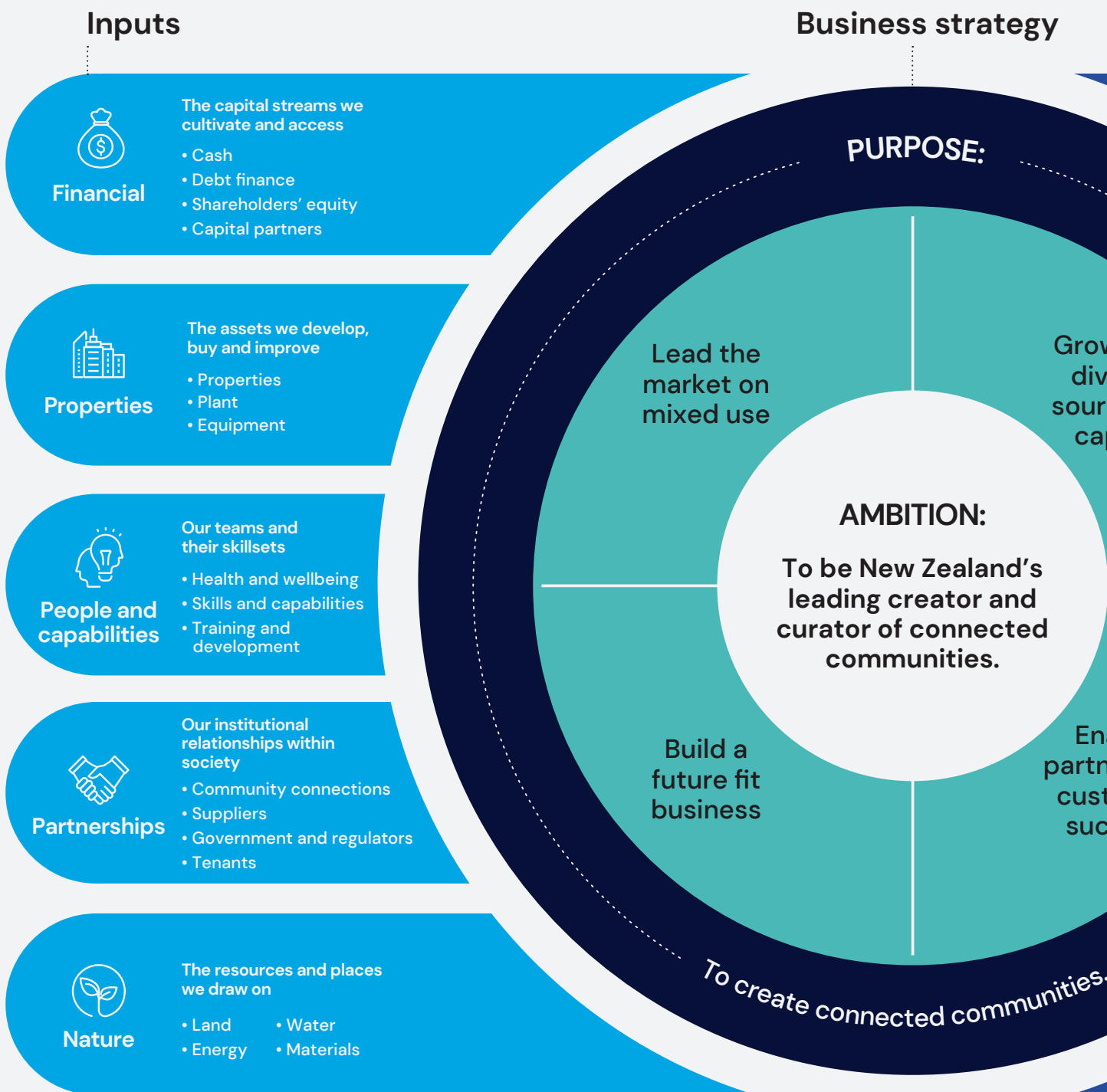
Build a future fit business

The world is changing rapidly around us, and we must change with it. By harnessing data and digital, driving employee engagement and delivering on our ESG ambitions, we will position the business for long-term success.



→ Sylvia Park – artist's impression

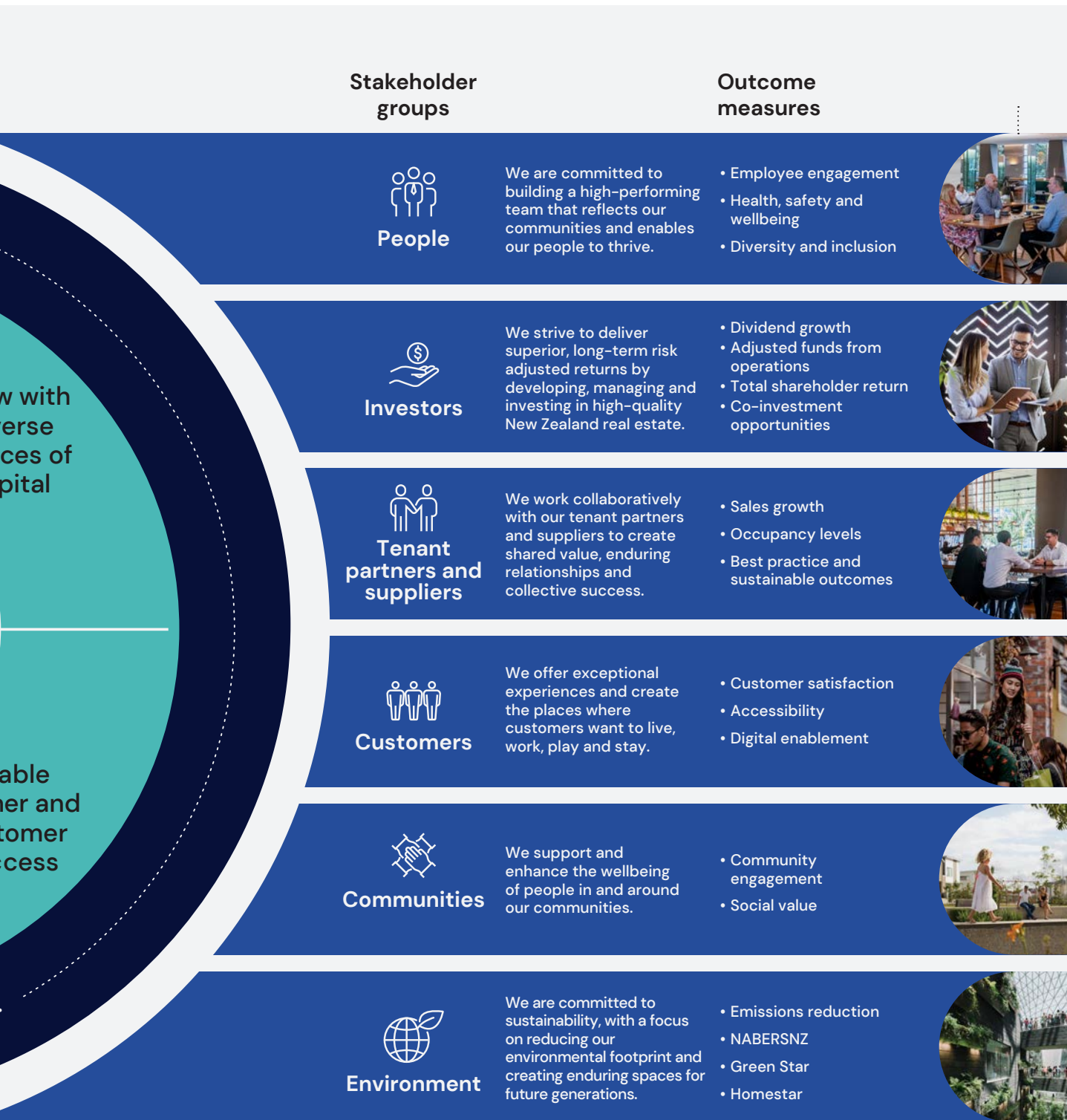
Our value creation model



Kiwi Property uses a range of resources and inputs to deliver our business strategy and create value for our stakeholders, guided by our ambition to be New Zealand's leading creator and curator of connected communities.

Key inputs into our activities are financial capital, properties, people and capabilities, partnerships, and nature. Through the execution of our business strategy, we create value for our stakeholders: people, investors, tenant partners and suppliers, customers, communities, and the environment.

This process of value creation is illustrated in the diagram below.



Re-imagining renting with Resido



Flexibility is one of the strengths of Kiwi Property's mixed-use strategy. As a diversified developer and asset manager, we're not bound to any specific asset class but instead have the freedom to identify and develop new properties based on market thematic, emerging trends, forecast demand and the best returns for shareholders.

Build-to-rent (BTR) is a case in point. We're leading from the front with the creation of New Zealand's first major BTR development at Sylvia Park: a 295-apartment complex due for completion in early FY25. The project is progressing at pace, with the superstructure of the residential towers now up to nine levels high. We are targeting a property-level internal rate of return of 8% for Sylvia Park BTR.

Our approach to BTR isn't limited to developing outstanding residential buildings on our sites. Instead, we're creating an operating platform that leverages our proven asset management, leasing and digital capabilities that could potentially be licensed to third parties. This model has proven highly successful offshore and would enable us to target the growing pool of investors seeking local BTR partners with established operational infrastructure and the ability to scale.

BTR has the potential to drive a significant shift in the traditional rental model, benefitting residents and investors. We're proud to be a first mover in the emerging asset class, but our priority isn't to be at the leading edge – it's to unlock the significant commercial benefit we believe it will deliver while simultaneously mitigating risk.

Poised for growth

BTR is undergoing rapid expansion in several overseas markets, including Australia, where despite the asset class being relatively new, 23,000 BTR apartments are now completed, under construction, or in planning, with a combined value of around \$16.9 billion. If New Zealand followed a similar trend, BTR has the potential to grow quickly in this country. Sylvia Park alone has capacity for around 1,200 BTR apartments, while LynnMall could accommodate a further 600.

That's a significant opportunity however importantly, we'll only move forward with new BTR projects when and where it makes good financial sense to do so. That means ensuring the cost of capital, tenant demand, and return metrics are where they need to be before progressing any new initiative. We believe strongly in the future of BTR, but as with most things in life, timing is critical.

Demand for quality rental accommodation is expected to increase markedly over the coming years, as mounting living costs put home ownership out of reach for many Kiwis. The average New Zealand home now costs 11 times the average household income, and despite a recent cooling of the market, the proportion of Aucklanders living in rental accommodation is expected to jump from 50% to 60% by 2043.¹

1,200

**BTR APARTMENTS COULD
BE BUILT AT SYLVIA PARK**

¹ Source: Statistics NZ and JLL Research and Consultancy.



295

BTR APARTMENTS DUE TO OPEN
AT SYLVIA PARK IN EARLY FY25

A new way of living

BTR isn't just for those who can't afford their own home. For many, it will be a lifestyle choice, enabling residents to access outstanding services, facilities and be part of a connected community. It's these tenants, in particular, who we think will be attracted by our new development at Sylvia Park, which will be the first offering launched under Kiwi Property's dynamic new BTR brand, Resido.

In Resido, we are creating a unique rental experience based on high-quality, professionally designed, built and managed apartments, coupled with outstanding amenities such as gyms, media rooms, co-working spaces, and rooftop barbeque and entertainment areas. Resido apartments will be located within attractive mixed-use precincts that are well connected to schools, jobs and public transport, delivering superior convenience and accessibility.

One of the key differentiators of the new Resido offering will be a focus on using digital and technology to deliver a more seamless experience for Kiwi renters. An intuitive mobile app will allow residents to renew leasing contracts, pay rent, file maintenance requests, book work or leisure amenities or respond to community event invitations. This new approach to resident interaction and service is just one way Resido will stand apart from other rental options and help establish Kiwi Property as a leader in BTR in New Zealand.

Resido

Resido speaks to a new style of renting – one where the residents come first. We're creating spaces that people will call home, with all the peace of mind and freedom that comes with ownership – but without the barriers and burdens of a mortgage.

It's a lifestyle choice that doesn't mean a lack of choice. Resido is about personalising your place and space, while knowing that important concerns like maintenance, security, community and amenities are all taken care of by professionals. There's even the potential option to relocate to another Resido property – if work or circumstances make a change of location more convenient.

Resido resets the renting experience in a way that meets residents' needs at all ages and stages in life, with a high-quality mixed-use community right on the doorstep.



Creating a connected community at Drury



The creation of one of the country's first major Green Star Communities is underway at Drury, south of Auckland, with Stage one earthworks due for completion at the end of 2023 and the civil works required for essential infrastructure, above and below ground, following soon after.

These efforts will create the blank canvas for a new metropolitan centre, designed and built to meet the demanding standards of liveability, economic prosperity, environmental performance and innovation that a Green Star Communities rating requires.

Unlocking the opportunity to build a connected community from the ground up has taken time – and foresight. The acquisition of our site began eight years ago when the rural farmland was purchased by Kiwi Property. It's also taken perseverance as we navigated a consenting process that took more than four years, including re-zoning the land under the Resource Management Act 1991 and lodgement of a Fast-track application under the COVID-19 Recovery Act 2020.

In 2022, our Drury landholding was successfully re-zoned as a metropolitan town centre under the Auckland Unitary Plan, one of just 12 across the greater region, including Sylvia Park and New Lynn. The Drury–Opaheke region is expected to ultimately include 22,000 new homes and a population of 60,000 people, making it around the same size as Napier.

The central Government has already committed \$2.8 billion to fund infrastructure in the area, including extending State Highway 1 from Papakura to Drury and enhancing the rail corridor. As a result of the re-zoning and following the planned earth and civil works to be undertaken in stage one, the gross developed value of that site is expected to increase to over \$200 million, with further value to be unlocked in stage two.

60,000

PEOPLE EXPECTED TO CALL
THE DRURY REGION HOME

Kiwi at the heart

Our ambition is for Kiwi Property's 53-hectare land holding to become the region's geographical, social and economic heart. We have the privilege to shape the character, quality and design of the new urban centre, which will stand for decades. Our vision is to create a thriving transit-oriented mixed-use community that features a compelling retail, residential and office offering, as well as approximately 10 hectares of new parks, cycleways, and walking paths. Our commitment to creating a Green Star Community at Drury underscores how seriously we take this responsibility.

With its convenient transport links and exciting future, Drury is an attractive proposition, even at this early development phase. Fisher & Paykel Healthcare, one of New Zealand's leading companies, has acquired a 105-hectare site to create a campus and innovation precinct at nearby Karaka. This significant move highlights Drury's potential to become a thriving commercial hub and potentially even an emerging centre for research and development south of Auckland.

Sustainability built-in

Green Star Communities are intended to be more resilient, diverse, adaptable and with a lower carbon and ecological footprint than traditional towns. To achieve certification, the planning, design and construction of our Drury development will need to be assessed, with the development evaluated on community engagement, liveability, economic prosperity, environmental impact and innovation.

From early on, sustainability, in its broadest sense, has been at the centre of our vision for Drury. Four years ago, we appointed a community engagement specialist to interface with people living in the area, addressing their concerns and informing residents about upcoming activities. We recognise the scale and pace of change impacting this formerly rural community and are committed to being a good corporate citizen as we play a key part in Drury's evolution.

We're planning several important environmental initiatives, which will continue over the life of the development. One of the most prominent of these projects is expected to be the restoration of the Hingaia Stream that borders our property. We intend to plant thousands of native plants over time, helping to improve water quality and reduce emissions.

Cyclone Gabrielle and the Auckland floods highlighted the potential effects of extreme weather on our developments. Our plan for Drury accounts for climate change risk, while computer stress-test simulations show that the site is well-equipped to deal with torrential storms. It's no surprise then that our Drury landholding was unaffected by the recent weather events, and while we feel fortunate to have avoided damage, we are equally pleased that the future residents at our Drury development can look forward to safe, dry homes.

Drury has the potential to be a cornerstone project for Kiwi Property over the next two decades and perhaps beyond, diversifying our asset base, broadening our geographical footprint, and enabling us to establish another substantial mixed-use community. It took foresight to see Sylvia Park's potential when we purchased the site in 1995, and today, it is one of New Zealand's leading property assets.

Like Sylvia Park, our vision for Drury will take time to realise; however, we have the commitment and the perseverance to make it happen. When we do, the benefits have the potential to be significant, not just for the thousands of people who will one day shop, work or play there, but for Kiwi Property's shareholders, who stand poised to benefit from the revenue and valuation growth that Drury is expected to deliver.

\$205m

DRURY STAGE ONE GROSS
DEVELOPMENT VALUE





→ 3 Te Kehu Way

Bringing mixed-use to life at 3 Te Kehu Way

The delivery of our mixed-use strategy took another step forward in March 2023, following the completion of the striking new 3 Te Kehu Way office development. The building's opening marks a significant milestone in Sylvia Park's continued transition into a connected community where people can live, work, shop and play.

In the post-COVID era, the office's role has evolved to accommodate an increased focus on collaboration and culture. As a result, many organisations are changing how they think about their office networks, including whether they need a large and expensive CBD presence or would be better served by supplementing their downtown corporate headquarters with one or more suburban satellite offices. This 'hub and spoke' model is not only cost-effective, it also offers workers greater flexibility and the benefits of a shorter commute.

Located opposite the landmark ANZ Raranga Tower, 3 Te Kehu Way caters to this trend and has been designed with the requirements of both commercial and medical tenants in mind; the latter of which is a sector of increasing focus for Kiwi Property due to its forecast resilience and long-term growth prospects.

7,236 m²

NET LETTABLE AREA

6 star Green Star

SUSTAINABILITY
RATING TARGETED

Catering to office and medical tenants

3 Te Kehu Way is comprised of two distinct but interconnected buildings. The first caters to office tenants and offers flexible tenant configurations across 1,019 sqm floor plates, excellent amenities, high-quality end-of-trip facilities and abundant natural light.

The development's six-level office building is proving attractive to tenants seeking premises close to public transport and motorway links while offering the benefits of being part of a leading mixed-use community. Committed tenants include the government agency, Rau Paenga, Geneva Finance, hybrid working space provider, Regus, and engineering firm, CLC Consulting.

Next door is a low-rise two-level building geared to the specialist needs of medical services, with the likes of Smile Dental, Horizon Radiology and Tamaki Health medical centre already on board. A separate entrance and lobby give health providers their own 'front door', ensuring patient privacy and discretion.

The opportunity to be part of Sylvia Park's mixed-use community has been a drawcard for potential tenants of 3 Te Kehu Way. As a centre, it is arguably better served for transport than many CBD locations, with a train station on-site and in walking distance, with services every 18 minutes, four bus routes and ramps on and off the Southern Motorway. In addition, 1.3 million Aucklanders – or 91% of the population, are within a 30-minute commute.¹

3 Te Kehu Way is a short walk from the Sylvia Park retail precinct, with its market-leading mix of 250 retail outlets, restaurants, food courts, banking services, personal care services, childcare, a gym and supermarkets. With Sylvia Park also the site for New Zealand's first major build-to-rent apartment development, residential accommodation will soon be included in the community mix.

Strong sustainability credentials

In line with our commitment to sustainable development, 3 Te Kehu Way is targeting a 6 star Green Star design and as built rating by the New Zealand Green Building Council (NZGBC). The leasing programme for 3 Te Kehu Way is progressing well, with the building expected to be fully leased shortly. Fitouts have already commenced and the first tenants are now on site.

1. MacroPlan Dimasi. Drive time shown is off peak.

Leading the way on ESG

Sustainability is a key aspect of Kiwi Property's overarching corporate strategy, ensuring close alignment between our Environmental, Social and Governance (ESG) ambitions and overall business objectives, as we work to deliver on our purpose of creating connected communities.

Our Sustainability Strategy guides us in enhancing the wellbeing of people in and around our assets and addressing our material sustainability topics. It reflects our belief that our long-term success is connected to the success of the communities where we operate.

We have actions and targets associated with each of the strategy's three pillars – Places, People and Partnerships – which are aligned to the United Nations Sustainable Development Goals. An overview is available on the right-hand page, or to find out more, check out Kiwi Property's FY23 Sustainability Report on our website <https://www.kiwiproperty.com/corporate/sustainability/>.



Places



Create spaces that promote wellbeing



Reduce our environmental footprint



Develop sustainable buildings



People



Foster wellbeing in our communities



Embrace diversity



Enable our team to succeed



Partnerships



Partner with others to enhance the wellbeing of our customers

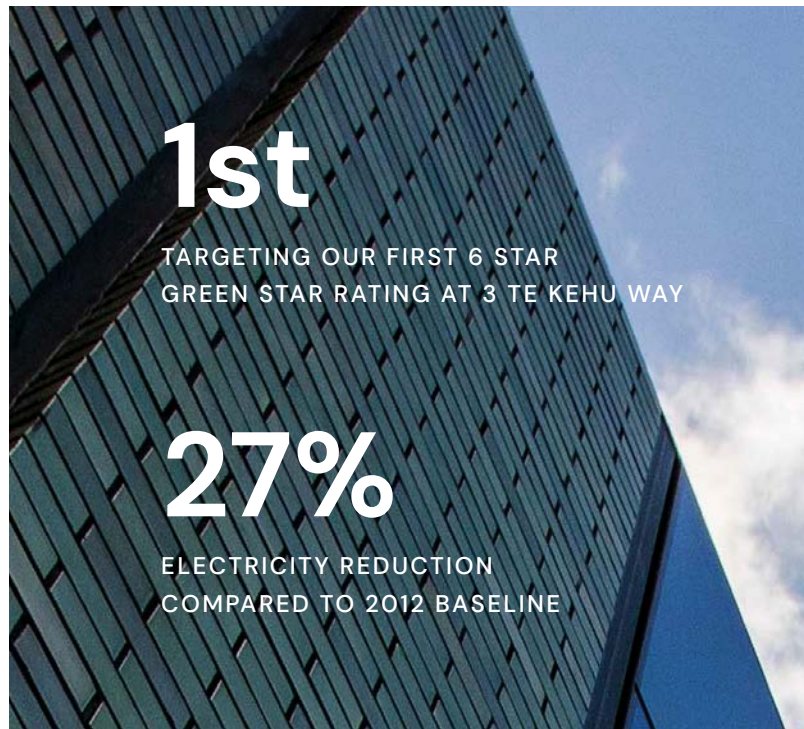


Create shared value with our tenants



Support sustainable procurement

We made significant progress in the delivery of our Sustainability Strategy during FY23, enhancing our environmental performance, building the resilience of our property portfolio, and increasing our social impact.



Places

This pillar of our Sustainability Strategy aims to create places that promote wellbeing while minimising our environmental impact.

Our placemaking and public art initiatives continued during the year, most notably the attractive transformation of the Sylvia Lane dining precinct. These initiatives bring our buildings and spaces to life by creating opportunities for our communities to connect with nature and each other.

We are focused on reducing the portfolio's environmental footprint as we work towards becoming net carbon negative in our operations by 2030. Guided by our Carbon Reduction Roadmap, the expansion of the Sylvia Park rooftop solar array during the year will increase the precinct's solar output to a peak capacity of 1.21 MWp and should produce enough electricity to supply over 50% of the shopping centre's common areas. Our buildings are more water efficient, using 11% less water compared to our 2012 base year. Our waste management programme encourages tenant partners, visitors and customers to reduce waste and increase recycling, with our buildings sending 13% less waste to landfill in FY23 than in 2012. Our portfolio and asset-level climate risk assessments help to ensure we effectively manage and mitigate these risks over the medium to long term.

We achieved our building rating targets, with all eligible office buildings maintaining a minimum 4 star NABERSNZ rating. The 3 Te Kahu Way office development targets a NZGBC 6 Star Green Star rating, which represents 'world leadership' in sustainable buildings. We have set Green Star, Homestar and NABERSNZ rating targets for the homes and town centre buildings in our new Drury community.

People

This strategic pillar aims to foster wellbeing in our communities and create a diverse, equitable, inclusive and high-performing Kiwi Property team.

FY23 was our first year as an official supporter of the Mental Health Foundation, which aims to create a society free from discrimination where all people enjoy positive mental health. We supported a range of campaigns to increase awareness of the Foundation's work including Pink Shirt Day and the Better Together Social Connection Campaign, reaching tens of thousands of Kiwis in the process. All existing assets held a Be.Lab gold rating or higher, in line with our strategic target for accessibility.

Kiwi Property again met our 40:40:20 gender representation target for the Executive Team. We hosted events for our people and our customers to mark days of significance, including the first national Matariki holiday, and are working to better reflect the diversity of the communities we serve in our workforce.

Our employee engagement score rose to 70% in FY23 (FY22: 65%), achieving our target to equal or exceed the national benchmark.¹ The care and support people receive from their leaders and understanding how their work contributes to Kiwi Property's success were key engagement drivers. Working collaboratively with our people, we are developing new corporate values and intend to launch these in early 2024.

1. Culture Amp New Zealand Benchmark (100-200), January 2023.

5.5 star

NABERSNZ RATING FOR ANZ RARANGA,
AN INCREASE FROM FY22 (5 STAR)

70%

KIWI PROPERTY
EMPLOYEE ENGAGEMENT

100%

CORE ASSETS RATED GOLD
OR PLATINUM BY BE.LAB

\$125m

GREEN BOND OFFER
WAS OVERSUBSCRIBED

Partnerships

The Partnerships strategic pillar aims to connect and empower our partners to deliver social and environmental change.

Our partnerships with Be.Lab, Accessibility Tick and the Safe Space Alliance continued during the year, collaborating to enhance our assets to ensure that people from diverse groups and with diverse needs can access and enjoy our places.

We developed an ESG engagement programme to harness our tenants' growing interest in the topic. Working together to reduce our environmental impact and support our communities will help Kiwi Property and our partners achieve our collective sustainability goals. The programme will continue into FY24.

Following the introduction of our Sustainable Procurement Guidelines in FY22, we developed a Sustainable Procurement Action Plan during the year to further integrate ESG considerations into our procurement practices. The Action Plan prioritises decarbonisation, the elimination of modern slavery, and accessibility as areas where our procurement can have the greatest impact across our supply chain.

During the year, we completed a modern slavery risk assessment, which enabled us to understand potential modern slavery risks in our tier-one supply chain and identify opportunities to strengthen our existing risk controls. A Modern Slavery Roadmap guides our efforts to address this complex issue.

Building our portfolio's resilience in a changing climate

Recent extreme weather events have been a sobering reminder of the effects of climate change, and we donated \$10,000 to the Red Cross Disaster Fund to support those affected.

While Kiwi Property's assets were largely unaffected by these events, our objective to become net carbon negative in our operations by 2030 has increased in importance. Ahead of next year's mandatory climate disclosure regime in New Zealand, we continue to take our responsibilities on climate change seriously and are focused on building high-performing, resilient assets that meet society's future needs. A recently completed climate risk assessment will guide our efforts to ensure we are effectively managing and mitigating these risks over the short, medium and long term.

Find out more in the climate-related reporting section of our Sustainability Report, which was prepared with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Our Board



Mark Ford, Chair

Mark is a professional director based in Australia with extensive property industry experience. Mark holds the roles of non-executive director for Dexus Property Group and non-executive director for Prime Property Fund Asia GP Pte. Mark's previous directorships include Cbus Property Pty Limited (Chair), Comrealty Limited, South East Asia Property Company (Chair), Property Council of Australia, Deutsche Asset Management Australia and Trafalgar Corporate Group Limited.

Board membership
Non-executive Chair

Other committees
Member of the Audit and Risk Committee, ESG Committee and the Remuneration and Nominations Committee

Date appointed
May 2011

Date last re-elected
June 2020



Chris Aiken

Chris is an Auckland-based professional director, with a wealth of property experience spanning both the public and private sectors. He is Chair of the Kainga Ora Construction Programme Assurance Panel and was previously a director of both Metlifecare and Piritahi. Prior to commencing his governance career, Chris was Chief Executive of HLC, a subsidiary of Housing New Zealand, responsible for developing large urban communities, including Hobsonville Point.

Board membership
Non-executive member

Other committees
Member of the Remuneration and Nominations Committee

Date appointed
June 2021

Date last re-elected
July 2021



Mary Jane Daly

Mary Jane is an Auckland-based professional director with significant banking, finance and risk experience. She is the Chair of the Fonterra Shareholders Fund and AIG Insurance, and a director of Kiwibank. Mary Jane was also the former Chair of the Earthquake Commission, as well as a former director of Auckland Transport, Cigna Life Insurance New Zealand, Onepath Life, Airways Corporation and the NZ Green Building Council.

Board membership
Non-executive member

Other committees
Chair of the Audit and Risk Committee

Date appointed
September 2014

Date last re-elected
June 2022



Jane Freeman

Jane is an Auckland-based professional director who has extensive retail experience and expertise in the field of customer driven technology. She was previously a director of Foodstuffs North Island, ASB Bank, Delegat Group and Air New Zealand. Prior to her governance career, Jane held a number of senior general management roles in major New Zealand businesses including Telecom, ASB Bank and Bank Direct.

Board membership
Non-executive member

Other committees
Chair of the Remuneration and Nominations Committee

Date appointed
August 2014

Date last re-elected
July 2021



Mark Powell

Mark is a Trans-Tasman professional director based in Auckland and Melbourne. He is the former Chief Executive of The Warehouse Group and has extensive experience in strategy, transformation, mergers and acquisitions, and joint venture management. Mark is a current director of ASX-listed companies JB Hi-Fi Group and Bapcor, as well as Australia's third largest private business 7-Eleven Australia. He previously sat on the Board of Stihl Shop New Zealand and Trinity Lands.

Board membership
Non-executive member

Other committees
Chair of the ESG Committee

Date appointed
October 2017

Date last re-elected
July 2021



Simon Shakesheff

Simon is an Australian-based professional director, with significant property and finance experience covering strategy, mergers and acquisitions, and debt and equity finance. He is a director of Cbus Property, Assembly Funds Management, SGCH (formerly St George Community Housing) and Chair of the Daily Needs Real Estate Investment Trust. Simon previously held a number of executive roles at Stockland, Bank of America Merrill Lynch, UBS, J.P. Morgan and Macquarie Bank.

Board membership
Non-executive member

Other committees
Member of the ESG Committee and the Audit and Risk Committee

Date appointed
November 2019

Date last re-elected
June 2020

Executive Team



Clive Mackenzie
Chief Executive Officer

Clive is responsible for the leadership, strategic direction and management of the Company. He has been involved with property and finance for over 20 years and commenced as Kiwi Property's Chief Executive Officer in July 2018. Clive was previously Senior Vice President – Development, East Coast for Westfield USA, where he was involved in the creation and implementation of transformational strategies to evolve, strengthen and develop the company's real estate portfolio.



Aubrey Cheng
GM Income and Leasing

Aubrey leads our income and leasing team and is responsible for all property-related income, and new revenue initiatives at both our existing assets and development projects. He is charged with developing and maintaining our key client relationships, and driving leasing activity across our mixed-use, office, retail, activate and industrial portfolios. Aubrey has 20 years' property experience and prior to joining Kiwi Property was a founding Director of Match Realty.



Jo Harris
GM People

Jo leads Kiwi Property's people and culture function, with a focus on building an engaged and high performing organisation. Jo joined the company from Waka Kotahi where she worked as Portfolio Change Lead, with responsibility for leading organisational wide culture and transformation initiatives. Prior to this, Jo held a variety of senior HR roles at large organisations in New Zealand and offshore, including Air New Zealand, Vodafone Australia and AAPT.



Angela Henderson
GM Digital

Angela leads Kiwi Property's digital and information technology teams and has overall responsibility for the company's digital transformation strategy. Angela joined Kiwi Property in 2021 and prior to this was GM Digital Strategy and Transformation, and Innovation at Air New Zealand. She has a wealth of experience leading innovative technology teams, and has held senior digital roles at high profile New Zealand organisations including Westpac and Watercare.



Ian Passau

GM Development

Ian leads our development team and is responsible for all development activities and major capital works programmes. He has 30 years' experience in property design, construction and development across a range of asset classes. Prior to joining us, Ian held senior positions in Foodstuffs North Island, Auckland Airport and Arrow International. He is a past president of the Waikato Branch of the Property Council of New Zealand and past member of the Auckland Urban Design Panel.



Steve Penney

Chief Financial Officer

Steve leads the company's finance, capital transactions and legal functions, as well as playing a key role in the development and execution of the company's corporate strategy. He has more than 20 years' finance and investment experience, and prior to joining Kiwi Property was General Manager, Investment, at Stride Property Group. Before that he was Investment Director and Partner at H.R.L. Morrison & Co Limited and Associate Director at PwC.



Linda Trainer

GM Asset Management

Linda has overall responsibility for the strategic and operational aspects across the asset classes, with a view to optimising their investment performance. She has more than 20 years' experience in property, retail, management and marketing. Prior to joining Kiwi Property in April 2018, she was most recently New Zealand Regional Manager at Scentre Group.



→ The Terrace, Sylvia Park

Financials

Five-year summary

Financial performance

FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$m	2022 Restated ¹ \$m	2021 Restated ¹ \$m	2020 \$m	2019 \$m
Property revenue and management fees	259.1	255.9	244.2	243.6	237.5
Total revenue	259.1	255.9	244.2	243.6	237.5
Direct property expenses	(52.8)	(75.4)	(78.3)	(54.5)	(54.6)
Employment and administration expenses	(32.7)	(25.8)	(23.1)	(22.6)	(20.9)
Total expenses	(85.5)	(101.2)	(101.4)	(77.1)	(75.5)
Profit before net finance expenses, other income/ (expenses) and tax	173.6	154.7	142.8	166.5	162.0
Interest income	0.2	0.2	0.3	0.2	0.2
Interest and finance charges	(44.2)	(38.4)	(36.0)	(37.0)	(37.7)
Net fair value gain/(loss) on interest rate derivatives	5.7	18.5	6.3	(9.9)	(11.0)
Net finance expenses	(38.3)	(19.7)	(29.4)	(46.7)	(48.5)
Profit before other income/(expenses) and income tax	135.3	135.0	113.4	119.8	113.5
Net fair value (loss)/gain on investment properties	(352.6)	128.8	109.0	(289.9)	47.7
Litigation settlement income	6.0	-	-	-	-
(Loss)/gain on disposal of investment properties	(3.5)	(3.1)	-	-	0.9
Other (expenses)/income	(350.1)	125.7	109.0	(289.9)	48.6
(Loss)/profit before income tax	(214.8)	260.7	222.4	(170.1)	162.1
Income tax expense	(12.9)	(36.4)	(25.9)	(16.6)	(24.0)
(Loss)/profit after income tax²	(227.7)	224.3	196.5	(186.7)	138.1

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 of the consolidated financial statements for further information.

2 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 consolidated financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

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

FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$m	2022 Restated ¹ \$m	2021 Restated ¹ \$m	2020 \$m	2019 \$m
(Loss)/profit before income tax	(214.8)	260.7	222.4	(170.1)	162.1
Adjusted for:					
Net fair value loss/(gain) on investment properties	352.6	(128.8)	(109.0)	289.9	(47.7)
Loss/(gain) on disposal of investment properties	3.5	3.1	-	-	(0.9)
Litigation settlement income	(6.0)	-	-	-	-
Net fair value (gain)/loss on interest rate derivatives	(5.7)	(18.5)	(6.3)	9.9	11.0
Operating profit before income tax²	129.6	116.5	107.1	129.7	124.5

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 of the consolidated financial statements for further information.

2 Operating profit before income tax is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's performance for the year by adjusting for a number of non-operating items. Operating profit before income tax does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. The reported operating profit before income tax has been extracted from the Company's annual consolidated financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

Five-year summary (continued)

Adjusted funds from operations

FOR THE YEAR ENDED 31 MARCH 2023

	2023	2022	2021	2020	2019
	\$m	Restated ¹	Restated ¹	\$m	\$m
		\$m	\$m		
(Loss)/profit after income tax	(227.7)	224.3	196.5	(186.7)	138.1
Adjusted for:					-
Net fair value loss/(gain) on investment properties	352.6	(128.8)	(109.0)	289.9	(47.7)
Loss/(gain) on disposal of investment properties	3.5	3.1	-	-	(0.9)
Net fair value (gain)/loss on interest rate derivatives	(5.7)	(18.5)	(6.3)	9.9	11.0
Litigation settlement income	(6.0)	-	-	-	-
Reversal of lease liability movement in investment properties	(0.1)	(0.1)	(0.1)	(0.1)	-
Straight-lining of fixed rental increases	(1.2)	(3.0)	-	(1.2)	(2.0)
Amortisation of tenant incentives and leasing fees	7.7	8.3	7.1	7.1	7.0
Rent deferrals received/(rent deferrals) (COVID-19)	0.2	1.5	(1.7)	-	-
Depreciation recovered on disposal of investment properties	0.5	3.6	-	-	4.5
Share-based payment expense ²	1.4	1.2	-	-	-
Depreciation of property, plant and equipment ²	1.1	1.3	-	-	-
Deferred tax (benefit)/expense	(4.8)	13.9	11.3	(5.3)	(3.1)
Funds from operations³	121.5	106.8	97.8	113.6	106.9
Maintenance capital expenditure	(6.6)	(3.0)	(5.3)	(7.5)	(6.9)
Capitalised tenant incentives and leasing fees	(2.2)	(3.4)	(3.1)	(3.9)	(8.4)
One-off costs ⁴	3.8	-	-	-	-
Adjusted funds from operations⁵	116.5	100.4	89.4	102.2	91.6

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 of the consolidated financial statements for further information.

2 Represents non-cash expenses included in the determination of funds from operations with effect from 1 April 2021. No adjustment has been made in respect of prior years.

3 Funds from operations (FFO) is an alternative non-GAAP performance measure used by Kiwi Property to assist investors in assessing the Company's underlying operating performance. FFO is a measure commonly used by real estate entities to describe their underlying and recurring earnings from operations. FFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. FFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia (the Guidelines). The reported FFO information has been extracted from the Company's annual consolidated financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

4 One-off costs comprise expenses incurred in the implementation of software projects and other non-recurring transactions.

5 Adjusted funds from operations (AFFO) is an alternative non-GAAP performance measure used by Kiwi Property. AFFO is a measure commonly used by real estate entities to describe their underlying and recurring cash flows from operations. Broadly, AFFO adjusts FFO by deducting the cost of lease incentives, leasing fees, annual maintenance capital expenditure for sustaining and maintaining existing space and one-off costs. AFFO does not have a standard meaning prescribed by GAAP and therefore may not be comparable to information presented by other entities. AFFO is calculated by Kiwi Property in accordance with the Voluntary Best Practice Guidelines issued by the Property Council of Australia (the Guidelines). The reported AFFO information has been extracted from the Company's annual consolidated financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

Five-year summary (continued)

Dividends

FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$m	2022 Restated ¹ \$m	2021 Restated ¹ \$m	2020 \$m	2019 \$m
Funds from operations	121.5	106.8	97.8	113.6	106.9
Adjusted funds from operations	116.5	100.4	89.4	N/A	N/A
Less amount retained	(27.0)	(12.5)	(8.6)	(58.3)	(7.4)
Cash dividend	89.5	87.9	80.8	55.3	99.5
Payout ratio ²	77%	88%	90%	49%	93%
	cps	cps	cps	cps	cps
Cash dividend	5.70	5.60	5.15	3.53	6.95
Imputation credits	1.13	1.43	1.36	0.79	2.00
Gross dividend	6.83	7.03	6.51	4.32	8.95

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 of the consolidated financial statements for further information.

2 With effect from 1 April 2020, the Group revised its dividend policy to be based on adjusted funds from operations (previously funds from operations).

Financial position

AS AT 31 MARCH 2023

	2023 \$m	2022 \$m	2021 \$m	2020 \$m	2019 \$m
Assets					
Investment properties ¹	3,194.0	3,567.6	3,331.5	3,114.7	3,207.4
Cash and cash equivalents	17.9	11.6	16.0	21.3	9.9
Other assets	26.5	15.3	18.8	20.4	19.1
Total assets	3,238.4	3,594.5	3,366.3	3,156.4	3,236.4
Liabilities					
Interest bearing liabilities	1,131.1	1,135.9	1,049.9	1,009.9	1,001.7
Deferred tax liabilities	103.6	108.5	94.5	83.2	88.5
Other liabilities	70.2	78.5	87.1	91.8	95.3
Total liabilities	1,304.9	1,322.9	1,231.5	1,184.9	1,185.5
Equity					
Share capital	1,664.8	1,663.5	1,661.9	1,661.0	1,449.6
Share-based payments reserve	2.1	2.0	1.9	1.6	0.6
Retained earnings	266.6	606.1	471.0	308.9	600.7
Total equity	1,933.5	2,271.6	2,134.8	1,971.5	2,050.9
Total equity and liabilities	3,238.4	3,594.5	3,366.3	3,156.4	3,236.4
Gearing ratio (finance debt / total tangible assets)	35.0%	31.6%	31.2%	32.0%	31.0%
Net tangible assets per share	\$1.23	\$1.45	\$1.36	\$1.26	\$1.43

1 Includes investment properties classified as held for sale.

Five-year summary (continued)

Property metrics

AS AT 31 MARCH 2023

	2023	2022	2021	2020	2019
Number of core properties	7	8	8	12	12
Net lettable area (sqm)	388,197	400,159	341,914	435,528	436,870
Occupancy	99.3%	99.8%	99.7%	99.5%	99.3%
Weighted average lease expiry (years)	4.4	4.9	5.3	4.9	5.2
Weighted average capitalisation rate	5.84%	5.23%	5.49%	6.11%	5.99%

Property metrics exclude The Plaza, Northlands Shopping Centre, Westgate Lifestyle and Centre Place North which have been reclassified to either 'investment properties held for sale' or 'other properties' as at 31 March 2023, 31 March 2022 and 31 March 2021.

Property metrics as at 31 March 2023 and 31 March 2022 include the adjoining properties located at Sylvia Park. No adjustment has been made in respect of prior years.

Interpretation

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

2023

- Acquired additional properties adjacent to Sylvia Park for \$13.8 million.
- Northlands Shopping Centre, Christchurch, was sold.
- 44 The Terrace, Wellington, was sold.
- A \$125 million bond issue was completed (2029 expiry) to replace the \$125 million bond maturing in September 2023.
- Concluded development of 3 Te Kehu Way at Sylvia Park.
- Westgate Lifestyle was reclassified from 'other properties' to 'investment properties held for sale'.

2022

- Commenced development of build-to-rent scheme at Sylvia Park.
- Commenced development of 3 Te Kehu Way at Sylvia Park.
- Acquired additional properties adjacent to Sylvia Park, Auckland and Drury, South Auckland, for \$38.8 million.
- Entered into a 50:50 joint venture with Tainui Group Holdings in respect of Centre Place North and adjoining properties.
- Provided rental abatements of \$17.4 million as a result of the COVID-19 pandemic.
- A \$150 million bond issue was completed (2028 expiry) following the maturity of the \$125 million bond in August 2021.
- The Plaza was reclassified from 'investment properties held for sale' to 'other properties'.

2021

- Concluded development of Sylvia Park Level 1.
- Acquired additional properties adjacent to Sylvia Park, Auckland and Drury, South Auckland, for \$4.0 million.
- Provided rental abatements of \$19.5 million as a result of the COVID-19 pandemic.
- The Plaza, Northlands and 50% of Centre Place North were reclassified as 'investment properties held for sale'. Westgate Lifestyle and 50% of Centre Place North were reclassified as 'other properties'.

2020

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

2019

- Concluded development of an office tower (ANZ Raranga) and the central carpark at Sylvia Park, Auckland, and Langdons Quarter at Northlands, Christchurch.
- Acquired property adjacent to Sylvia Park, Auckland, for \$25 million.
- Acquired a further 8.6 hectares of land at Drury, South Auckland, for \$9.1 million.
- North City, Porirua, was sold.
- A \$100 million bond issue was completed (2025 expiry).

Consolidated financial statements

FOR THE YEAR ENDED 31 MARCH 2023

Consolidated statement of comprehensive income	Pg 45
Consolidated statement of changes in equity	Pg 46
Consolidated statement of financial position	Pg 47
Consolidated statement of cash flows	Pg 48
Notes to the consolidated financial statements	Pg 50
Independent auditor's report	Pg 87

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 \$000	2022 Restated' \$000
Revenue			
Property revenue	2.1	256,539	254,116
Property management revenue		2,546	1,759
Total revenue		259,085	255,875
Expenses			
Direct property expenses		(52,838)	(75,342)
Employment and administration expenses	2.2	(32,688)	(25,828)
Total expenses		(85,526)	(101,170)
Profit before net finance expenses, other income/(expenses) and income tax		173,559	154,705
Interest income		268	152
Interest and finance charges	2.2	(44,231)	(38,397)
Net fair value gain on interest rate derivatives	3.4.2	5,672	18,496
Net finance expenses		(38,291)	(19,749)
Profit before other income/(expenses) and income tax		135,268	134,956
Net fair value (loss)/gain on investment properties	3.2	(352,626)	128,816
Litigation settlement income	1.3	6,038	-
Loss on disposal of investment properties		(3,494)	(3,124)
Other (expenses)/income		(350,082)	125,692
(Loss)/profit before income tax		(214,814)	260,648
Income tax expense	2.3	(12,888)	(36,375)
(Loss)/profit and total comprehensive income after income tax attributable to shareholders		(227,702)	224,273
Basic and diluted earnings per share (cents)	3.6.3	(14.49)	14.29

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

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 2023

	Note	Share capital \$000	Share-based payments reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 April 2021		1,661,916	1,890	470,980	2,134,786
Profit after income tax		-	-	224,273	224,273
Dividends paid	3.6.2	-	-	(89,440)	(89,440)
Long-term incentive plan	3.6.4	1,519	88	314	1,921
Employee share ownership plan		64	9	-	73
Balance at 31 March 2022		1,663,499	1,987	606,127	2,271,613
Balance at 1 April 2022		1,663,499	1,987	606,127	2,271,613
Loss after income tax		-	-	(227,702)	(227,702)
Dividends paid	3.6.2	-	-	(111,876)	(111,876)
Long-term incentive plan	3.6.4	1,150	168	59	1,377
Employee share ownership plan		125	(52)	-	73
Balance at 31 March 2023		1,664,774	2,103	266,608	1,933,485

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 2023

	Note	2023 \$000	2022 \$000
Current assets			
Cash and cash equivalents		17,878	11,600
Other assets		-	600
Trade and other receivables	3.1	14,662	7,730
Interest rate derivatives	3.4.2	5	-
Investment properties held for sale	3.2	130,189	208,764
		162,734	228,694
Non-current assets			
Investment properties	3.2	3,063,832	3,358,872
Property, plant and equipment		2,261	3,319
Interest rate derivatives	3.4.2	9,595	3,604
		3,075,688	3,365,795
Total assets		3,238,422	3,594,489
Current liabilities			
Trade and other payables	3.5	61,218	62,954
Interest bearing liabilities	3.4.1	125,205	-
Income tax payable		3,832	9,302
Lease liabilities		3,113	1,385
Interest rate derivatives	3.4.2	-	175
		193,368	73,816
Non-current liabilities			
Interest bearing liabilities	3.4.1	1,005,916	1,135,944
Interest rate derivatives	3.4.2	1,575	1,076
Deferred tax liabilities	3.3	103,614	108,462
Lease liabilities		464	3,578
		1,111,569	1,249,060
Total liabilities		1,304,937	1,322,876
Equity			
Share capital	3.6.1	1,664,774	1,663,499
Share-based payments reserve		2,103	1,987
Retained earnings		266,608	606,127
Total equity		1,933,485	2,271,613
Total equity and liabilities		3,238,422	3,594,489

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

For and on behalf of the Board, who authorised these consolidated financial statements for issue on 19 May 2023.



Mark Ford
Chair



Mary Jane Daly
Chair of the Audit and Risk Committee

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2023

	2023 \$000	2022 \$000
Cash flows from operating activities		
Property revenue	263,254	245,222
Property management revenue	2,495	1,702
Interest and other income	268	152
Direct property expenses	(61,817)	(56,348)
Interest and finance charges	(39,974)	(36,859)
Interest costs paid on lease liabilities	(290)	(324)
Employment and administration expenses	(28,235)	(22,337)
Income tax expense	(23,206)	(15,804)
Goods and Services Tax received	471	196
Net cash flows from operating activities	112,966	115,600
Cash flows from investing activities		
Proceeds from disposal of investment properties	193,540	8,293
Acquisition of investment properties	(13,811)	(38,830)
Capital expenditure on investment properties	(162,348)	(81,032)
Interest and finance charges capitalised to investment properties	(10,496)	(3,800)
Acquisition of property, plant and equipment	(88)	(353)
Litigation settlement income with respect to investment properties	6,038	-
Net cash flows from/(used in) investing activities	12,835	(115,722)
Cash flows from financing activities		
Payment of lease liabilities	(53)	(51)
Proceeds from bank loans	1,577,000	966,900
Repayment of bank loans	(1,706,000)	(904,900)
Proceeds from fixed-rate green bonds	123,688	148,158
Repayment of fixed-rate green bonds	-	(125,000)
Settlement of interest rate derivatives	(2,282)	-
Dividends paid	(111,876)	(89,425)
Net cash flows used in financing activities	(119,523)	(4,318)
Net increase/(decrease) in cash and cash equivalents	6,278	(4,440)
Cash and cash equivalents at the beginning of the year	11,600	16,040
Cash and cash equivalents at the end of the year	17,878	11,600

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

Consolidated statement of cash flows (continued)

	2023 \$000	2022 Restated ¹ \$000
Reconciliation of (loss)/profit after income tax to net cash flows from operating activities		
(Loss)/profit after income tax	(227,702)	224,273
Items classified as investing or financing activities:		
Movement in working capital items relating to investing and financing activities	6,266	(1,025)
Non-cash items:		
Net fair value gain on interest rate derivatives	(5,672)	(18,496)
Net fair value loss/(gain) on investment properties	352,626	(128,816)
(Decrease)/ increase in deferred tax liabilities	(4,848)	13,944
Amortisation of lease incentives and fees	7,648	8,303
Straight-lining of fixed rental increases	(1,214)	(3,012)
Movements in working capital items:		
(Increase)/decrease in trade and other receivables	(6,932)	4,110
(Decrease)/increase in income tax payable	(5,470)	6,630
(Decrease)/increase in trade and other payables	(1,736)	9,689
Net cash flows from operating activities	112,966	115,600

¹ Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

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 2023

1. General information

1.1	Reporting entity	Pg 51
1.2	Basis of preparation	Pg 51
1.3	Significant changes during the year	Pg 51
1.4	Group structure	Pg 51
1.5	New standards, amendments and interpretations	Pg 52
1.6	Key judgements and estimates	Pg 53
1.7	Accounting policies	Pg 53

2. Profit and loss information

2.1	Property revenue	Pg 54
2.2	Expenses	Pg 55
2.3	Tax expense	Pg 57

3. Financial position information

3.1	Trade and other receivables	Pg 59
3.2	Investment properties	Pg 60
3.3	Deferred tax	Pg 70
3.4	Funding	Pg 71
3.5	Trade and other payables	Pg 76
3.6	Equity	Pg 76

4. Financial risk management

4.1	Interest rate risk	Pg 80
4.2	Credit rate risk	Pg 81
4.3	Liquidity risk	Pg 82

5. Other information

5.1	Segment information	Pg 83
5.2	Related party transactions	Pg 85
5.3	Key management personnel	Pg 86
5.4	Commitments	Pg 86
5.5	Subsequent events	Pg 86

1. General information

FOR THE YEAR ENDED 31 MARCH 2023

1.1 Reporting entity

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

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

1.2 Basis of preparation

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

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

The consolidated financial statements are prepared on the basis of historical cost, except where otherwise identified. The functional and presentation currency used in the preparation of the consolidated 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 year:

Investment property

During the year ended 31 March 2023, the Group acquired three properties adjoining Sylvia Park for \$13.8 million.

On 5 December 2022, the Group disposed of Northlands and 43 Langdons Road in Christchurch for \$151 million (net of seismic costs).

On 15 December 2022, the Group disposed of 44 The Terrace in Wellington for \$46 million (net of seismic costs).

On 30 March 2023, the Group unconditionally agreed to dispose of Westgate Lifestyle for \$85.7 million, with settlement taking place on 1 May 2023. Refer to note 5.5 for further information.

Litigation settlement

In July 2022, the Group settled claims it had against certain parties regarding engineering services provided in connection with one of its investment properties. As part of the settlement the Group received \$6.0 million.

Interest bearing liabilities

In May 2022, the Group increased its overall bank debt facilities from \$850 million to \$950 million and in November 2022, the Group further increased its overall bank debt facilities by \$50 million to \$1 billion.

On 27 March 2023, the Group issued a \$125 million fixed-rate green bond with a maturity date of 27 September 2029.

1.4 Group structure

Controlled entities

The Company has the following wholly owned subsidiaries:

- Kiwi Property Centre Place Limited
- Kiwi Property Holdings Limited
- Kiwi Property Holdings No. 2 Limited
- Kiwi Property Holdings No. 3 Limited
- Kiwi Property Holdings No. 4 Limited
- Kiwi Property Holdings No. 5 Limited
- Kiwi Property Holdings No. 6 Limited
- Kiwi Property Holdings No. 7 Limited
- Kiwi Property Holdings No. 8 Limited
- Kiwi Property Te Awa Limited
- Sylvia Park Business Centre Limited

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

1.4 Group structure (continued)

Joint ventures

The Group holds a 50% interest in both The Base and The Centre Place unincorporated joint ventures. The Group has determined that its interests constitute a joint arrangement as the relevant decisions about the properties require the unanimous consent of both parties. The joint arrangements have been classified as joint operations on the basis that the parties have direct rights to the assets and obligations for the liabilities relating to their share of the properties in the normal course of business. The Group recognises its share of assets, liabilities, revenue and expenses of the joint ventures.

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

Rental abatements

The International Financial Reporting Interpretations Committee (IFRIC) published an agenda decision in October 2022 regarding the accounting by a lessor when lease payments are forgiven. The decision clarified that IFRS 9 *Financial Instruments* applies to the forgiveness of amounts contractually due for past rent. The forgiveness of lease payments relating to future periods are accounted for as a modification of the lease to which IFRS 16 *Leases* applies.

The Group previously accounted for rental abatements as lease modifications whereby the change in lease payments were recognised on a straight-line basis over the remaining lease term.

Where an abatement is granted retrospectively on uncollected past due rent, the agenda decision requires the abatement to be expensed as an impairment of trade receivables. As a consequence, the Group has retrospectively changed its accounting policy in respect of the forgiveness of past due rent and comparative information has been restated.

Rental abatements of \$1.6 million provided in the current year have been expensed as an impairment of trade receivables.

The following tables summarise the impact of this change in accounting policy on the comparative consolidated financial statements:

	2022 \$000	2022 \$000	2022 \$000
	Restated	Reported	Difference
Consolidated statement of comprehensive income			
Property revenue	254,116	245,070	9,046
Direct property expenses	(75,342)	(57,953)	(17,389)
Net fair value gain on investment properties	128,816	120,473	8,343
Profit and total comprehensive income after income tax attributable to shareholders	224,273	224,273	-

Consolidated statement of cash flows

	2022 \$000	2022 \$000	2022 \$000
	Restated	Reported	Difference
Reconciliation of profit after income tax to net cash flows from operating activities			
Movement in working capital items relating to investing and financing activities	(1,025)	(14,148)	13,123
Net fair value gain on investment properties	(128,816)	(120,473)	(8,343)
Amortisation of lease incentives and fees	8,303	13,083	(4,780)
Net cash flows from operating activities	115,600	115,600	-

There was no impact to the Consolidated Statement of Financial Position as a result of the agenda decision.

1.5 New standards, amendments and interpretations (continued)

Climate-related Disclosures

On 14 December 2022, the External Reporting Board (XRB) published its Climate-related Disclosures standards. The mandatory reporting regime for disclosing risks in the Annual Report under these new standards is for reporting periods beginning on or after 1 January 2023.

The Group currently prepares and discloses climate related risks in its Sustainability Report, with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Disclosures aligned to the new standards will form part of the Annual Report for the year ended 31 March 2024.

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	Page 57
Note 3.1	Provision for doubtful debts	Page 59
Note 3.2	Investment properties	Page 60
Note 3.4.2	Interest rate derivatives	Page 73
Note 3.6.4	Share-based payments	Page 78

1.7 Accounting policies

Accounting policies that summarise the measurement bases used and are relevant to an understanding of the consolidated 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 green bonds (refer to note 3.4.1 for further details on the fair value of the fixed-rate green bonds).

Goods and Services Tax

The consolidated 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.

Property management revenue

Property management revenue is recognised over time as performance obligations are satisfied in accordance with the management contracts.

Litigation settlement income

Litigation settlement income received in connection with investment properties is classified as cash flows from investing activities within the Consolidated Statement of Cash Flows as the proceeds are used to remediate the investment properties.

2. Profit and loss information

FOR THE YEAR ENDED 31 MARCH 2023

2.1 Property revenue

	2023 \$000	2022 Restated' \$000
Gross rental income ²	262,006	258,416
Straight-lining of fixed rental increases	1,214	3,012
Amortisation of capitalised lease incentives	(6,681)	(7,312)
Property revenue	256,539	254,116

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

2 Includes \$42.8 million of property operating expenses recovered from tenants (2022: \$40.8 million).

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

	2023 \$000	2022 \$000
Within one year	234,849	260,294
Between one and two years	197,134	215,509
Between two and three years	163,349	188,712
Between three and four years	139,028	153,445
Between four and five years	112,283	129,441
Later than five years	364,604	443,846
Property operating lease income	1,211,247	1,391,247



Recognition and measurement

The Group enters into 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.

The share of property operating expenses which are recoverable from tenants is recognised as gross rental income from expense recoveries. This is associated with the provision of services relating to the operations of the Group's properties (for example, council and water rates, insurance, utilities, repairs and maintenance, security costs). The Group recognises revenue in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

2.2 Expenses

	2023 \$000	2022 \$000
Interest and finance charges on bank loans	34,759	20,495
Interest on fixed-rate green bonds	19,678	21,378
Interest on lease liabilities	290	324
Interest capitalised to investment properties being developed	(10,496)	(3,800)
Interest and finance charges	44,231	38,397
Auditor's remuneration:		
Statutory audit and review of the consolidated financial statements	267	244
Audit of joint venture financial statements	40	35
Assurance related services ¹	47	44
Remuneration benchmarking	-	24
Agreed upon procedures in respect of a specified remuneration metric	6	6
Agreed upon procedures in respect of asset disposals	19	7
Directors' fees	752	749
Employee entitlements	29,583	25,121
Less: recognised in direct property expenses	(8,325)	(6,451)
Less: capitalised to investment properties being developed	(3,191)	(3,411)
Information technology	5,332	2,801
Investor related expenses	1,153	952
Occupancy costs	471	427
Professional fees	3,732	2,756
Trustees' fees	141	101
Other	2,661	2,423
Employment and administration expenses	32,688	25,828

¹ Assurance related services includes the audits of special purpose financial information in accordance with tenancy agreements (\$45,045) and trustee reporting (\$1,890).

PwC New Zealand was also engaged after the balance date to perform advisory services in respect of future property development funding structures and financial models, and agreed upon procedures in respect of a specified remuneration metric.

2.2 Expenses (continued)



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 green 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 2023 this was 4.69% (2022: 3.95%).

Finance charges also include interest on lease liabilities as outlined in note 3.2.

Employee entitlements

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

2.3 Tax expense

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

	2023 \$000	2022 Restated ¹ \$000
(Loss)/profit before income tax	(214,814)	260,648
Prima facie income tax benefit/(expense) at 28%	60,148	(72,981)
Adjusted for:		
Net fair value gain on interest rate derivatives	1,588	5,179
Net fair value (loss)/gain on investment properties	(98,735)	36,068
Loss on disposal of investment properties	(978)	(875)
Litigation settlement income	1,691	-
Depreciation	13,539	15,108
Depreciation recovered on disposal of investment properties	(473)	(3,637)
Net deferred leasing costs	109	(2,201)
Deferred rent received	(52)	(422)
Deductible capitalised expenditure	2,985	1,065
Prior year adjustment	(212)	173
Other	2,654	92
Current tax expense	(17,736)	(22,431)
Depreciation recoverable	2,654	(7,222)
Net fair value gain on interest rate derivatives	(1,588)	(5,179)
Deferred leasing costs and other temporary differences	3,782	(1,543)
Deferred tax benefit/(expense)	4,848	(13,944)
Income tax expense reported in profit	(12,888)	(36,375)
Imputation credits available for use in subsequent periods	4,301	10,632

¹ Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

2.3 Tax expense (continued)



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.

3. Financial position information

FOR THE YEAR ENDED 31 MARCH 2023

3.1 Trade and other receivables

	2023 \$000	2022 \$000
Trade debtors	9,420	11,829
Provision for doubtful debts	(2,006)	(3,374)
Accrued COVID-19 rent relief ¹	-	(7,370)
	7,414	1,085
Deferred rent	-	195
Prepayments	7,248	6,450
Trade and other receivables	14,662	7,730

¹ Relates to expected abatements and other rent reductions offered to certain tenants as part of COVID-19 rent relief which were not finalised at the reporting date.

The movement in the provision for doubtful debts is as follows:

	2023 \$000	2022 \$000
Opening provision for doubtful debts	3,374	2,620
Increase in doubtful debts allowance recognised in profit or loss during the year	439	1,311
Receivables written off during the year as uncollectible	(135)	(154)
Unused amounts reversed	(1,672)	(403)
Closing provision for doubtful debts	2,006	3,374



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. In determining the provision, the Group applies the simplified approach to measuring expected credit losses prescribed by NZ IFRS 9, which permits the use of lifetime expected credit losses for all trade debtors. To measure the expected credit losses the Group uses a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. Debtors are written off when recovery is no longer anticipated. All overdue debtors considered to be impaired have been provided for at balance date.



Key estimates and assumptions: provision for doubtful debts

The Group's property revenue largely consists of fixed rental obligations due under lease agreements, which are received monthly in advance. Therefore, property revenue and the assessment of the recoverability of tenant debtors have not been subject to a significant level of judgement or estimation prior to the COVID-19 pandemic. Retail trade was unfavourably impacted by COVID-19 due to extended lockdown periods in the year ended 31 March 2022. As a result, the trade debtor balance at this time was relatively high compared to pre-pandemic levels. Judgement is required in determining allowances for expected credit losses on these receivables.

3.2 Investment properties



Recognition and measurement

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

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 measurement

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

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

Investment properties are classified as held for sale when they are actively marketed for sale and their carrying amount will be recoverable principally through a sale transaction rather than continuing use. Investment properties held for sale are carried at fair value. Where a contracted sale price is available, the investment property is carried at that value less associated costs for seismic remediation or rental guarantees, this being the best indicator of fair value. Where no contracted price is available, the fair value is determined by independent registered valuers.

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.

Ground leases

While the majority of the Group's investment portfolio is freehold, the Group has entered into several occupational ground leases of properties or components of properties in its investment portfolio to which NZ IFRS 16 applies. Lease liabilities are initially measured as the present value of the remaining cash flows discounted at the 'incremental borrowing rate', being the property yield for the properties with the benefit of the occupational ground leases. Property yield is used given the long term nature of the leases. The cash flows relating to the ground leases are also included in the fair value of the investment properties and therefore a gross up for the lease liability is recognised in the investment property balance at the amount equal to the lease liability.

The Group is exposed to potential future increases in variable lease payments which are not included in lease liabilities until they take effect. When this occurs a corresponding adjustment is made to the gross up of the lease liability in the investment property balance.

Lease payments are allocated between principal and finance costs. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

3.2 Investment properties (continued)

Investment properties held by the Group are as follows:

	Valuer	Capitalisation rate %	Fair value 31 March 2022 \$000	Capital movements 2023 \$000	Fair value gain/(loss) 2023 \$000	Fair value 31 March 2023 \$000
Mixed-use						
Sylvia Park Precinct ¹	Various	5.75	1,462,577	139,381	(91,634)	1,510,324
LynnMall	CBRE	7.25	251,000	15,130	(60,130)	206,000
The Base ²	JLL	7.00	198,000	953	(2,628)	196,325
			1,911,577	155,464	(154,392)	1,912,649
Office						
Vero Centre	JLL	5.13	545,000	(132)	(60,768)	484,100
ASB North Wharf	CBRE	5.63	258,000	102	(28,102)	230,000
The Aurora Centre	Colliers	5.75	183,900	(384)	(18,516)	165,000
44 The Terrace			55,400	(46,107)	(9,293)	-
			1,042,300	(46,521)	(116,679)	879,100
Other						
Westgate Lifestyle ³			94,600	(94,600)	-	-
The Plaza	JLL	8.50	150,000	3,840	(46,340)	107,500
Other properties ⁴			42,575	(6,148)	(5,352)	31,075
Development land			114,200	13,795	5,005	133,000
			401,375	(83,113)	(46,687)	271,575
			3,355,252	25,830	(317,758)	3,063,324
Gross up of lease liabilities			3,620	(3,072)	(40)	508
Investment properties - non-current			3,358,872	22,758	(317,798)	3,063,832
Investment properties held for sale						
Properties held for sale ⁵			207,421	(45,487)	(34,814)	127,120
Gross up of lease liabilities ⁶			1,343	1,740	(14)	3,069
Investment properties held for sale - current			208,764	(43,747)	(34,828)	130,189
Total investment properties			3,567,636	(20,989)	(352,626)	3,194,021

1 Sylvia Park Precinct was valued "as if complete" at \$1664 billion based on a weighted capitalisation rate of 5.7% (including the as if complete capitalisation rate of Sylvia Park build-to-rent). The deduction of \$153.3 million outstanding development costs for the Sylvia Park build-to-rent development results in an "as is" value of \$1.510 billion net of seismic costs.

2 Represents the Group's 50% ownership interest.

3 Westgate Lifestyle has been reclassified to properties held for sale during the current year.

4 The fair value at 31 March 2022 includes 43 Langdons Road located in Christchurch which was sold during the current year. Refer to note 1.3 for further information. The fair value at 31 March 2023 includes the Group's 50% ownership interest in Centre Place North.

5 The fair value at 31 March 2022 includes Northlands and certain adjoining properties located at Sylvia Park in relation to the sale of land to IKEA. The fair value at 31 March 2023 includes Westgate Lifestyle and the IKEA land, which are carried at contract price. Northlands and 43 Langdons Road was sold during the current year for \$151 million (net of seismic costs). Refer to note 1.3 for further information.

6 The value at 31 March 2023 includes the gross up of lease liabilities associated with Westgate Lifestyle.

3.2 Investment properties (continued)

Valuer	Capitalisation rate %	Fair value 31 March 2021 \$000	Capital movements 2022 Restated ¹ \$000	Fair value gain/(loss) 2022 Restated ¹ \$000	Fair value 31 March 2022 \$000
Mixed-use					
Sylvia Park Precinct ²	Various	1,100,000	310,093	52,484	1,462,577
Sylvia Park Lifestyle ³		86,500	(86,500)	-	-
LynnMall	Colliers	249,000	14,467	(12,467)	251,000
The Base ⁴	JLL	187,500	956	9,544	198,000
		1,623,000	239,016	49,561	1,911,577
Office					
Vero Centre	JLL	500,500	1,031	43,469	545,000
ASB North Wharf	CBRE	260,000	543	(2,543)	258,000
The Aurora Centre	CBRE	181,700	(316)	2,516	183,900
44 The Terrace	CBRE	59,400	(98)	(3,902)	55,400
		1,001,600	1,160	39,540	1,042,300
Other					
Westgate Lifestyle	CBRE	88,500	262	5,838	94,600
The Plaza	CBRE	-	157,264	(7,264)	150,000
Other properties ⁵		190,350	(152,096)	4,321	42,575
Development land		68,300	10,949	34,951	114,200
		347,150	16,379	37,846	401,375
		2,971,750	256,555	126,947	3,355,252
Gross up of lease liabilities		3,545	107	(32)	3,620
Investment properties - non-current		2,975,295	256,662	126,915	3,358,872
Investment properties held for sale					
Properties held for sale ⁶		347,500	(141,999)	1,920	207,421
Gross up of lease liabilities ⁷		8,699	(7,337)	(19)	1,343
Investment properties held for sale - current		356,199	(149,336)	1,901	208,764
Total investment properties		3,331,494	107,326	128,816	3,567,636

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

2 Sylvia Park Precinct was valued "as if complete" at \$1.732 billion based on a weighted capitalisation rate of 5.0% (including the as if complete capitalisation rates for 3 Te Kehu Way and Sylvia Park build-to-rent). The deduction of outstanding development costs for the Sylvia Park build-to-rent development and the 3 Te Kehu Way office development (\$262.7 million in total), together with allowances for profit and risk and stabilisation (\$6.5 million in total), results in an "as is" value of \$1.463 billion.

3 Sylvia Park Lifestyle has been reclassified to Sylvia Park Precinct.

4 Represents the Group's 50% ownership interest.

5 The fair value at 31 March 2021 includes 50% of the Group's ownership interest in Centre Place North, with the remaining 50% included within properties held for sale. On 1 April 2021, the Group disposed of 50% of its interest in Centre Place North as its contribution to the Centre Place North Joint Venture (a 50:50 joint venture between the Group and Tainui Group Holdings). As part of the disposal, the Group received a 50% interest in investment property contributed by Tainui Group Holdings to the Centre Place North Joint Venture, with the balance of the consideration being settled in cash. The fair value at 31 March 2022 includes the Group's 50% ownership interest in the Centre Place North Joint Venture. Certain adjoining properties located at Sylvia Park have been reclassified to Sylvia Park Precinct in the mixed-use asset class above. The adjoining properties associated with the sale of land to IKEA have been reclassified to properties held for sale.

6 The fair value at 31 March 2021 includes The Plaza, Northlands and 50% of Centre Place North and an adjoining property. The 50% share of Centre Place North and adjoining property was disposed of as part of the Centre Place North Joint Venture transaction referred to above. The Plaza has been reclassified to the other properties asset class above as it is no longer being actively marketed for sale. The fair value at 31 March 2022 includes Northlands and certain adjoining properties located at Sylvia Park in relation to the sale of land to IKEA. Northlands is carried at the value determined by external valuation and the IKEA adjoining properties are carried at contract price.

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

3.2 Investment properties (continued)

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

	Mixed-use \$000	Office \$000	Other \$000	Held for sale \$000	Total \$000
Balance at 31 March 2022 excluding gross up of lease liabilities	1,911,577	1,042,300	401,375	207,421	3,562,673
Capital movements:					
Transfers between asset classes	-	-	(101,100)	101,100	-
Acquisitions	13,811	-	-	-	13,811
Disposals	-	(46,399)	-	(151,299)	(197,698)
Capitalised costs (including lease incentives, fees and fixed rental income)	138,484	2,104	14,498	5,082	160,168
Capitalised interest and finance charges	6,456	-	4,040	-	10,496
Amortisation of lease incentives, fees and fixed rental income	(3,287)	(2,226)	(551)	(370)	(6,434)
	155,464	(46,521)	(83,113)	(45,487)	(19,657)
Net fair value loss on investment properties excluding gross up of lease liabilities	(154,392)	(116,679)	(46,687)	(34,814)	(352,572)
Balance at 31 March 2023 excluding gross up of lease liabilities	1,912,649	879,100	271,575	127,120	3,190,444
Gross up of lease liabilities:					
Balance at 31 March 2022	548	-	3,072	1,343	4,963
Capital movements	-	-	(3,072)	1,740	(1,332)
Fair value movements	(40)	-	-	(14)	(54)
Balance at 31 March 2023	508	-	-	3,069	3,577
Balance at 31 March 2023 including gross up of lease liabilities	1,913,157	879,100	271,575	130,189	3,194,021

3.2 Investment properties (continued)

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

	Mixed-use \$000	Office \$000	Other \$000	Held for sale \$000	Total \$000
Balance at the beginning of the year excluding gross up of lease liabilities	1,623,000	1,001,600	347,150	347,500	3,319,250
Capital movements:					
Transfers between asset classes	133,189	-	(8,654)	(124,535)	-
Acquisitions	35,347	-	3,483	-	38,830
Net disposal of Centre Place North	-	-	11,793	(19,800)	(8,007)
Capitalised costs (including lease incentives, fees and fixed rental income) (restated) ¹	72,180	2,463	7,590	2,991	85,224
Capitalised interest and finance charges	1,070	-	2,730	-	3,800
Amortisation of lease incentives, fees and fixed rental income (restated) ¹	(2,770)	(1,303)	(563)	(655)	(5,291)
	239,016	1,160	16,379	(141,999)	114,556
Net fair value gain on investment properties excluding gross up of lease liabilities (restated) ¹	49,561	39,540	37,846	1,920	128,867
Balance at the end of the year excluding gross up of lease liabilities	1,911,577	1,042,300	401,375	207,421	3,562,673
Gross up of lease liabilities:					
Balance at the beginning of the year	473	-	3,072	8,699	12,244
Capital movements	107	-	-	(7,337)	(7,230)
Fair value movements	(32)	-	-	(19)	(51)
	548	-	3,072	1,343	4,963
Balance at the end of the year including gross up of lease liabilities	1,912,125	1,042,300	404,447	208,764	3,567,636

¹ Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

3.2 Investment properties (continued)



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

Introduction

All of the Group's investment properties have been determined to be Level 3 (2022: 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

Except for a small number of non-core residential properties owned by the Group, which are addressed below, all investment properties were valued as at 31 March 2023 (and as at 31 March 2022). All valuations are prepared by independent valuers who are members of the Group's valuation panel and the New Zealand Institute of Valuers.

The non-core residential properties were subject to a kerbside assessment performed by an independent registered valuer that is a member of the New Zealand Institute of Valuers. The valuer is not on the Group's valuation panel. The properties represent less than 1% of the value of the Group's investment properties.

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

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

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

The timing of the cash outflow for these costs has typically been spread over the next two to three years and the overall value deduction reflects the present value of costs over the adopted time horizon. Refer also to the section titled 'seismic' below for further information.

One asset within the Sylvia Park Precinct was valued using the residual approach as at 31 March 2023, being the Sylvia Park build-to-rent (BTR) property, as the development of this property has commenced with construction underway. Under the residual approach, valuers estimate the 'as if complete' value of an asset using the discounted cash flow approach described above. They then deduct remaining project costs to determine the asset's 'as is' or residual value.

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

3.2 Investment properties (continued)

Seismic

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

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

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

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

In some cases the Group has become aware of potential remediation requirements from recent preliminary investigations. In these instances the Group has provided additional provisions to the valuers for inclusion in the valuations, the present value of which is \$48.2 million (2022: \$51.3 million). These provisions are estimated allowances pending the outcome of further investigations.

When estimating such allowances, the Group considers several factors and applies judgement on how those factors may impact future costs. Factors requiring judgement include the function of the impacted area, impact on existing tenants and complexity of remediation works. Costing is assessed based on internal and external evidence of seismic remediation, with consideration given to the nature and relevance of similar properties. Management applies a probability and risk weighting assessment across these inputs to derive a value for estimated allowances. While a change in risk weighting on one factor may not on its own result in a material change in the seismic estimate, it is possible that the risk weighting could change in a combination of factors which could potentially result in a material change in the seismic estimate.

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

Climate change

The Group continues to identify the impact of climate change on the business and its assets. The valuers made no explicit adjustments in respect of climate change matters. However, the Group and valuers anticipate that climate change could have a greater influence on valuations in the future as investment markets place a greater emphasis on this risk and its impacts.

Impact on values at 31 March 2023

For the year ended 31 March 2023, the Group reported a fair value loss of \$352.6 million. The loss reflects expanding capitalisation rates and discount rates consistent with higher risk-free rates and heightened investment uncertainty relative to the prior year, as well as additional allowances for potential seismic remediation costs.

3.2 Investment properties (continued)

Valuation inputs

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

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

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

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

While values increased at 31 March 2022 following the reversal of early impacts of COVID-19 and a general strengthening in metrics from 2021 to 2022, this trend has now started to reverse following rising interest rates locally and globally. This is mainly evident through the capitalisation rate and discount rate metrics, which have expanded, having an effect of decreasing the fair value despite increased market rents.

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs		Sensitivity
		2023	2022	
Mixed-use ¹	Core capitalisation rate	5.5% - 7.3%	5.3% - 6.5%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate	5.8% - 8.0%	5.5% - 9.0%	
	Discount rate	7.3% - 9.3%	7.3% - 8.0%	
	Terminal capitalisation rate	5.8% - 7.3%	5.6% - 6.6%	The higher the market rent and growth rate, the higher the fair value.
	Gross market rent (per sqm) ²	\$385 - \$852	\$372 - \$794	
	Rental growth rate (per annum)	-0.9% - 3.0%	0.0% - 3.0%	
Office	Core capitalisation rate	5.1% - 5.8%	4.5% - 5.8%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	6.5% - 7.5%	6.0% - 6.8%	
	Terminal capitalisation rate	5.4% - 6.3%	4.8% - 6.0%	
	Gross market rent (per sqm) ²	\$572 - \$761	\$505 - \$712	The higher the market rent and growth rate, the higher the fair value.
	Rental growth rate (per annum)	1.5% - 4.2%	0.0% - 3.0%	

¹ Mixed-use excludes adjoining properties located at Sylvia Park.

² Weighted average by property.

These key inputs are explained above.

3.2 Investment properties (continued)

Valuation sensitivity

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

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

31 March 2023	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation (\$000)	1,912,649				
Impact of assumption change (\$000)		76,000	(69,300)	31,400	(33,000)
Impact of assumption change (%)		4.0	(3.6)	1.6	(1.7)
Office					
Actual valuation (\$000)	879,100				
Impact of assumption change (\$000)		44,700	(41,700)	16,400	(16,900)
Impact of assumption change (%)		5.1	(4.7)	1.9	(1.9)

31 March 2022	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
Mixed-use					
Actual valuation (\$000)	1,911,577				
Impact of assumption change (\$000)		94,300	(84,400)	36,400	(36,300)
Impact of assumption change (%)		4.9	(4.4)	1.9	(1.9)
Office					
Actual valuation (\$000)	1,042,300				
Impact of assumption change (\$000)		59,500	(53,900)	19,700	(20,300)
Impact of assumption change (%)		5.7	(5.2)	1.9	(1.9)

3.2 Investment properties (continued)

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

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

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

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

Valuation techniques

Income capitalisation approach	A valuation technique which determines fair value by capitalising a property's core net income at an appropriate, market derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.
Discounted cash flow approach	A valuation technique which requires explicit assumptions to be made regarding the prospective income and expenses of a property over an assumed holding period, typically 10 years. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Residual approach	A valuation technique used primarily for property which is undergoing, or is expected to undergo, redevelopment. Fair value is determined through the estimation of a gross realisation on completion of the redevelopment with deductions made for all costs associated with converting the property to its end use including finance costs and a typical profit margin for risks assumed by the developer.

Unobservable inputs within the income capitalisation approach

Gross market rent	The annual amount for which a tenancy within a property is expected to achieve under a new arm's length leasing transaction, including a fair share of property operating expenses.
Core capitalisation rate	The rate of return, determined through analysis of comparable market-related sales transactions, which is applied to a property's core net income to derive value.
Other income capitalisation rate	The rate of return which is applied to other, typically variable or uncontracted, sources of property income to derive value and that is assessed with consideration to the risks in achieving each income source.

Unobservable inputs within the discounted cash flow approach

Discount rate	The rate, determined through analysis of comparable market-related sales transactions, that is applied to a property's future net cash flows to convert those cash flows into a present value.
Terminal capitalisation rate	The rate which is applied to a property's core net income at the end of an assumed holding period to derive an estimated future market value.
Rental growth rate	The annual growth rate applied to market rents over an assumed holding period.

3.3 Deferred tax

	2023 \$000	2022 \$000
Interest rate derivatives	2,247	659
Depreciation recoverable	93,369	96,023
Deferred leasing costs and other temporary differences	7,998	11,780
Deferred tax liabilities	103,614	108,462



Recognition and measurement

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

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

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

3.4 Funding

3.4.1 Interest bearing liabilities

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

	2023 \$000	2022 \$000
Bank loans – total facilities	1,000,000	850,000
Bank loans – undrawn facilities	(494,000)	(215,000)
Bank loans – drawn facilities – non-current	506,000	635,000
Fixed-rate green bonds – current	125,205	-
Fixed-rate green bonds – non-current	499,916	500,944
Fixed-rate green bonds – amortised cost	625,121	500,944
Interest bearing liabilities	1,131,121	1,135,944

	2023 \$000	2022 \$000
Face value of fixed-rate green bonds – current	125,000	-
Face value of fixed-rate green bonds – non-current	500,000	500,000
Face values	625,000	500,000

	2023	2022
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	5.18%	3.85%
Weighted average term to maturity for the combined facilities	3.8 years	3.4 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 Corporation (New Zealand Branch), Commonwealth Bank of Australia, The Hongkong and Shanghai Banking Corporation (HSBC), MUFG Bank, Ltd (Auckland Branch) and Westpac New Zealand.

In May 2022, the Group increased the overall bank facilities from \$850 million to \$950 million.

In November 2022, the Group increased its bank debt facilities by a further \$50 million to \$1 billion.

The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2023 and 2022 financial years, the Group was in compliance with all of its financial covenants.

Fixed-rate green bonds

On 27 March 2023, the Group raised \$125 million through the issue of a 6.5 year fixed-rate green bond.

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

NZX code	Value of issue \$000	Date issued	Date of maturity	Interest rate	Interest payable	Fair value 2023 \$000	Fair value 2022 \$000
KPG020	125,000	7-Sep-16	7-Sep-23	4.00%	March, September	123,754	125,465
KPG030	125,000	19-Dec-17	19-Dec-24	4.33%	June, December	120,936	125,982
KPG040	100,000	12-Nov-18	12-Nov-25	4.06%	May, November	94,738	99,697
KPG050	150,000	19-Jul-21	19-Jul-28	2.85%	January, July	127,571	135,387
KPG060	125,000	27-Mar-23	27-Sep-29	6.24%	March, September	125,593	-
Fixed-rate green bonds	625,000					592,592	486,531

The fair value of the fixed-rate green bonds is based on their listed market prices at balance date and is classified as Level 1 in the fair value hierarchy (2022: Level 1). Refer to note 1.7 for further information on the fair value hierarchy.

Security

The bank loans and fixed-rate green bonds are secured by a Global Security Deed granted by the Charging Group over all of their assets, together with first ranking registered mortgages over substantially all of the real property (being land and buildings and other fixtures on that land) owned by the Charging Group.

3.4.2 Interest rate derivatives

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

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

	2023 \$000	2022 \$000
Interest rate derivative assets – current	5	-
Interest rate derivative assets – non-current	9,595	3,604
Interest rate derivative liabilities – current	-	(175)
Interest rate derivative liabilities – non-current	(1,575)	(1,076)
Net fair values of interest rate derivatives	8,025	2,353
Notional value of interest rate derivatives – fixed-rate payer – active	320,000	315,000
Notional value of interest rate derivatives – fixed-rate receiver – active ¹	-	40,000
Notional value of interest rate derivatives – fixed-rate payer – forward starting	225,000	50,000
Notional values	545,000	405,000
Fixed-rate payer swaps:		
Weighted average term to maturity – active	1.5 years	1.9 years
Weighted average term to maturity – forward starting	4.7 years	6.6 years
Weighted average term to maturity	2.8 years	2.5 years
Fixed-rate payer swaps:		
Weighted average interest rate – active ²	3.25%	2.94%
Weighted average interest rate – forward starting ²	4.07%	2.67%
Weighted average interest rate	3.59%	2.90%

¹ The Group previously had \$40 million of fixed-rate receiver swaps for the duration of the \$100 million KPG040 fixed-rate green bonds, which were closed out during the current financial year. The effect of the fixed-rate receiver swaps was to convert a portion of the bond to floating interest rates.

² Excluding fees and margins.

3.4.2 Interest rate derivatives (continued)



Recognition and measurement

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

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



Key estimate: fair value of interest rate derivatives

The fair values of interest rate derivatives are determined from valuations prepared by an independent treasury advisor using valuation techniques classified as Level 2 in the fair value hierarchy (2022: 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 2023 of between 5.23% for the 90-day BKBM and 4.30% for the 10-year swap rate (2022: 1.53% and 3.38%, respectively).

3.4.3 Capital management

The Group's capital includes equity and interest bearing liabilities. The Group maintains a strong capital base to ensure investor, creditor and market confidence and to sustain the Group's ongoing activities. The impact of the level of capital on shareholder returns and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position is managed by the Group. The Group is subject to the capital requirement imposed by the Group's Senior Facilities Agreement governing its interest bearing liabilities which requires that total finance debt be maintained at no more than 50% (previously 45%) of the total tangible assets of the Group. Gearing for the Group's fixed-rate bonds is maintained at no more than 45%, with the exception of KPG060 which is maintained at no more than 50%, as governed by the Master Trust Deed between the Group and the Supervisor (Public Trust). However, the Group actively manages its debt to its internal treasury policy which sets a target gearing range of 25% to 35%. In certain market conditions, the Group may temporarily operate outside the internal target gearing range. The Group has complied with its Senior Facilities Agreement capital requirement at all times throughout the year.

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

Dividend payments are based on a range of factors, including with particular reference to the Group's adjusted funds from operations (AFFO), which is the primary basis on which dividend amounts are determined. AFFO is a non-GAAP performance measure used by the Group to determine underlying and recurring cash flows from operations. AFFO is calculated with reference to the guidelines established by the Property Council of Australia. In determining a dividend payment, the Group will have regard to, amongst other things, the solvency requirements under the Companies Act 1993, its banking and green bond covenants and internal financing targets, its future investment plans, current and forecast earnings, operating cash flows, and the economic climate and competitive environment. Having regard to these matters, the Group will target a dividend payout ratio of approximately 90% to 100% of AFFO.

At balance date, the market capitalisation of the Group (being the 31 March 2023 closing share price, as quoted on the NZX Main Board, multiplied by the number of shares on issue) was below the carrying amount of the Group's net assets and shareholders' funds. In considering the difference, the Group notes that 99% of total assets at 31 March 2023 are investment properties which are carried at fair value as detailed in note 3.2.

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

- Broader market and investor sentiment
- Property market segment sentiment, particularly with regard to retail assets
- Effect of leverage of debt funding and including corporate overheads
- The impact of rising interest rates, inflation, supply chain issues and other market factors.

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

3.5 Trade and other payables

	2023 \$000	2022 \$000
Trade creditors	33,018	34,998
Interest and finance charges payable	2,362	1,607
Development costs payable	14,916	18,528
Employment liabilities	5,129	4,640
Rent in advance	3,442	1,301
Goods and Services Tax payable	2,351	1,880
Trade and other payables	61,218	62,954



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:

	2023 Number 000	2023 Amount \$000	2022 Number 000	2022 Amount \$000
Balance at the beginning of the year	1,570,094	1,663,499	1,569,369	1,661,916
Issue of shares:				
Long-term incentive plan – shares issued	997	-	725	-
Long-term incentive plan – shares vested	-	1,150	-	829
Long-term incentive plan – shares forfeited	-	-	-	690
Employee share ownership plan – shares issued	80	-	-	-
Employee share ownership plan – shares vested	-	125	-	64
Balance at the end of the year	1,571,171	1,664,774	1,570,094	1,663,499



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

The Group amended its dividend policy during the financial year ended 31 March 2023 to pay dividends on a quarterly basis (previously paid on a semi-annual basis). Dividends paid during the year comprised:

	Payment date	2023 cps	2023 \$000	Payment date	2022 cps	2022 \$000
Cash		2.850	44,748		2.950	46,289
Imputation credits		0.677	10,632		0.505	7,926
Q4 final dividend	22-Jun-22	3.527	55,380	24-Jun-21	3.455	54,215
Cash		1.425	22,376		-	-
Imputation credits		0.271	4,256		-	-
Q1 interim dividend	21-Sep-22	1.696	26,632		-	-
Cash		1.425	22,376		2.750	43,151
Imputation credits		0.294	4,613		0.752	11,801
Q2 interim dividend	21-Dec-22	1.719	26,989	17-Dec-21	3.502	54,952
Cash		1.425	22,376		-	-
Imputation credits		0.291	4,566		-	-
Q3 interim dividend	23-Mar-23	1.716	26,942		-	-
Total cash		7.125	111,876		5.700	89,440
Total imputation credits		1.533	24,067		1.257	19,727
Total dividends		8.658	135,943		6.957	109,167

The Group operates a Dividend Reinvestment Plan (DRP) which allows eligible shareholders to elect to reinvest dividends in shares. The Board, at its sole discretion, may suspend the DRP at any time and/or apply a discount to which shares are issued under the DRP. The DRP did not apply to the dividend payments shown above.

3.6.3 Earnings per share

	2023	2022
(Loss)/profit and total comprehensive income after income tax attributable to shareholders (\$000)	(227,702)	224,273
Weighted average number of shares (000)	1,570,985	1,569,980
Basic and diluted earnings per share (cents)	(14.49)	14.29

3.6.4 Share-based payments

Long-term incentive (LTI) plans

Performance Share Rights LTI Plan

Participants of the LTI plan are issued Performance Share Rights (PSRs) for service periods of one, two and three years. The number of PSRs that can be exercised and converted into shares in the Company depends on a mix of the Company's shareholder return relative to comparator entities and a return on capital employed metric over a one year performance period. On vesting, the participant is entitled to receive one share upon the valid exercise of each vested PSR they hold.

On 1 April 2022, the LTI plan was changed from an annual tranche vesting approach to a single-point, three-year vesting approach. The previous plan is being progressively phased out (referred to as 'grandfathering') over the 31 March 2023 and 31 March 2024 financial years.



Recognition and measurement

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

Start of performance period	Measurement date	Performance share right price at grant date	Number of performance share rights				Balance at the end of the year
			Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	
2023							
1 April 2022	31 March 2025	\$1.071	-	2,078,057	-	(205,466)	1,872,591
1 April 2022 (grandfathered plan)	31 March 2023	\$1.071	-	996,257	-	(109,408)	886,849
1 April 2021	31 March 2022	\$1.238	1,282,409	-	(320,601)	(379,761)	582,047
1 April 2020	31 March 2021	\$0.888	842,181	-	(421,092)	(18,732)	402,357
1 April 2019	31 March 2020	\$1.455	255,265	-	(255,265)	-	-
Total			2,379,855	3,074,314	(996,958)	(713,367)	3,743,844

Start of performance period	Measurement date	Performance share right price at grant date	Number of performance share rights				Balance at the end of the year
			Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	
2022							
1 April 2021	31 March 2022	\$1.238	-	1,406,681	-	(124,272)	1,282,409
1 April 2020	31 March 2021	\$0.888	1,464,491	-	(444,230)	(178,080)	842,181
1 April 2019	31 March 2020	\$1.455	563,138	-	(281,568)	(26,305)	255,265
Total			2,027,629	1,406,681	(725,798)	(328,657)	2,379,855

3.6.4 Share-based payments (continued)



Key estimates and assumptions: fair value measurement of LTI plan

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

Performance Share Rights LTI Plan

Measurement date	31 March 2025	31 March 2023	31 March 2022
	New plan	Grandfathered plan	
Weighted average performance share right price at grant date	\$1.071	\$1.071	\$1.238
Risk-free rate	3.59%	3.32%	0.22%
Standard deviation of the comparator entities	12.1% - 17.8%	12.1% - 17.8%	14.0% - 22.3%
Correlation between Company share price and comparator entities	27.8% - 65.4%	27.8% - 65.4%	36.4% - 67.8%
Estimated fair value per share	\$0.830	\$0.852	\$1.032

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 2023 is \$1,376,986 (2022: \$1,075,955) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining performance share rights at 31 March 2023 is \$1,098,731 (2022: \$623,106).

4. Financial risk management

FOR THE YEAR ENDED 31 MARCH 2023

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

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

- Interest rate risk
- Credit risk
- Liquidity risk

Financial instruments

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

Risk management

The Board has overall responsibility for establishing and overseeing the Group's risk management framework. The Board has 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 or by exchanging fixed rate interest obligations for floating rate interest obligations. The Group has established a treasury management group consisting of senior management and external treasury advisors to review and set treasury strategy within the guidelines of its treasury policy.

Exposure

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

4.1 Interest rate risk (continued)

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.

An increase in market interest rates gives rise to a favourable impact on profit or loss and equity due to the fair value of the interest rate derivatives increasing by more than the additional interest costs.

	2023		2022	
	100 bps increase (\$000)	100 bps decrease (\$000)	100 bps increase (\$000)	100 bps decrease (\$000)
Impact on interest and finance charges	(1,860)	1,860	(3,600)	3,600
Impact on fair value of interest rate derivatives	10,916	(11,406)	6,124	(6,423)
Net impact on profit/(loss)	9,056	(9,546)	2,524	(2,823)
Net impact on equity	6,520	(6,873)	1,817	(2,033)

4.2 Credit rate risk

Nature of the risk

Credit rate 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 only placing cash and deposits with high credit quality financial institutions.

Exposure

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

The Group is not exposed to any concentrations of credit risk.

4.3 Liquidity risk

Nature of the risk

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

Risk management

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

Exposure

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

Consolidated Statement of Financial Position \$000	Contractual cash flows (principal and interest)						
	Total \$000	0-6 months \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000	>5 years \$000	
2023							
Trade and other payables	47,934	47,934	47,934	-	-	-	
Interest bearing liabilities	1,131,121	1,369,261	155,804	28,613	180,728	716,115	288,001
Net interest rate derivatives	(8,025)	(8,696)	(2,889)	(3,095)	(3,659)	711	236
Total financial liabilities	1,171,030	1,408,499	200,849	25,518	177,069	716,826	288,237
2022							
Trade and other payables	53,526	53,526	53,526	-	-	-	-
Interest bearing liabilities	1,135,944	1,253,909	18,331	18,331	182,850	878,810	155,587
Net interest rate derivatives	(2,353)	(2,262)	1,629	(290)	(1,454)	(2,086)	(61)
Total financial liabilities	1,187,117	1,305,173	73,486	18,041	181,396	876,724	155,526

5. Other information

FOR THE YEAR ENDED 31 MARCH 2023

5.1 Segment information

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

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

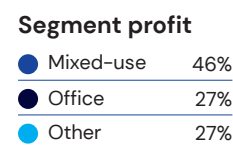
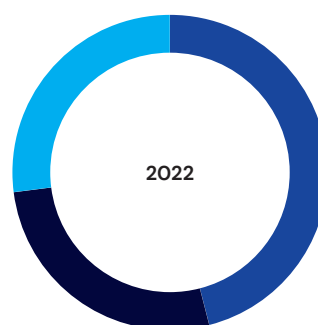
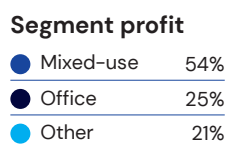
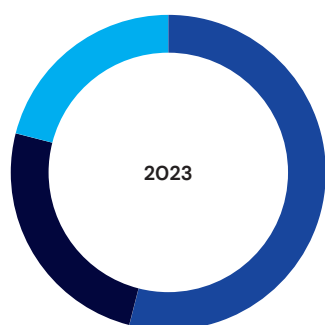
The Group's primary assets are investment properties. Segment information for investment properties is provided in note 3.2. Investment properties held for sale are included in the other segment. The adjoining properties located at Sylvia Park are included in the other segment for the year ended 31 March 2022 and in the mixed-use segment as part of the Sylvia Park Precinct for the year ended 31 March 2023 as they are deemed to be integral to the Sylvia Park Precinct development strategy. The Group operates in New Zealand only.

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

	Mixed-use \$000	Office \$000	Other \$000	Total \$000
2023				
Property revenue	138,280	64,121	54,138	256,539
Less: amortisation of fixed rental increases	(1,009)	(191)	(14)	(1,214)
Less: direct property expenses	(28,523)	(12,610)	(11,705)	(52,838)
Less: ground lease expenses	(68)	-	(275)	(343)
Segment profit	108,680	51,320	42,144	202,144

	Mixed-use \$000	Office \$000	Other \$000	Total \$000
2022				
Property revenue (restated) ¹	124,275	62,753	67,088	254,116
Less: amortisation of fixed rental increases	(2,002)	(829)	(181)	(3,012)
Less: direct property expenses (restated) ¹	(41,635)	(15,291)	(18,416)	(75,342)
Less: ground lease expenses	(63)	-	(312)	(375)
Segment profit	80,575	46,633	48,179	175,387

¹ Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.



5.1 Segment information (continued)

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

	2023 \$000	2022 Restated' \$000
Segment profit	202,144	175,387
Property management fees	2,546	1,759
Increase in rental income resulting from straight-lining of fixed rental increases	1,214	3,012
Interest income	268	152
Net fair value (loss)/gain on investment properties	(352,626)	128,816
Interest and finance charges	(44,231)	(38,397)
Employment and administration expenses	(32,688)	(25,828)
Net fair value gain on interest rate derivatives	5,672	18,496
Litigation settlement income	6,038	-
Loss on disposal of investment properties	(3,494)	(3,124)
Ground lease expenses classified as interest and fair value loss on investment properties	343	375
(Loss)/profit before income tax	(214,814)	260,648

1 Restated to comply with guidance issued by the International Financial Reporting Interpretations Committee (IFRIC) on rental abatements. Refer to Note 1.5 for further information.

The following table is an analysis of the Group's assets and liabilities by reportable segments used during the year:

	Mixed-use \$000	Office \$000	Other \$000	All other segments \$000	Total \$000
2023					
Segment assets	1,907,673	881,935	416,443	32,371	3,238,422
Segment liabilities	32,913	4,896	12,473	1,254,655	1,304,937
2022					
Segment assets	1,726,326	1,043,271	804,247	20,645	3,594,489
Segment liabilities	33,410	7,023	15,627	1,266,816	1,322,876

All assets are allocated to reportable segments other than cash and cash equivalents, interest rate derivatives and property, plant and equipment.

All liabilities are allocated to reportable segments other than interest bearing liabilities, deferred tax liabilities, income tax payable and interest rate derivatives.

5.2 Related party transactions

The Group holds its 50% interests in The Base and Centre Place North through unincorporated joint ventures. Kiwi Property manages the joint venture properties on behalf of the joint ventures and receives management fees in accordance with the Property Management Agreements.

The transactions with the joint ventures and the balances outstanding at 31 March 2023, are outlined in the tables below.

During the year the following income or expense reimbursements were received or receivable from the joint ventures:

	2023 \$000	2022 \$000
Property management fees	1,904	1,977
Expenditure reimbursement	1,793	1,605
Leasing fees	959	821
Development management fees	3	113
Legal fees	99	96
Retail design management fees	42	46
Total related party transactions	4,800	4,658

The following balances were receivable from the joint ventures at balance date:

	2023 \$000	2022 \$000
The Base	-	243
Centre Place North	-	119
Total related party balances	-	362

The following distributions were received from the joint ventures during the year:

	2023 \$000	2022 \$000
The Base	19,160	9,917
Centre Place North	2,973	2,173
Total related party distributions	22,133	12,090

The following contributions were made to the joint ventures during the year:

	2023 \$000	2022 \$000
The Base	-	-
Centre Place North	-	34,363
Total related party contributions	-	34,363

5.3 Key management personnel

	2023 \$000	2022 \$000
Directors' fees	752	749
Short-term employee benefits	4,892	4,348
Other long-term benefits	29	(4)
Termination benefits	-	70
Share-based payments	1,080	941
Key management personnel costs	6,753	6,104

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

5.4 Commitments

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

	2023 \$000	2022 \$000
Development costs at Sylvia Park	113,951	36,540
Development costs at LynnMall	2,937	11,795
Development costs at Northlands	-	377
Drury infrastructure	6,071	1,530
Capital commitments	122,959	50,242

Ground leases

Ground leases exist over ASB North Wharf, The Base, Centre Place North and certain adjoining properties. In addition, ground leases also exist over parts of the land at Sylvia Park and Westgate Lifestyle. The amount paid in respect of ground leases during the year was \$0.3 million (2022: \$0.4 million). The leases terminate between June 2031 and September 2140.

The ground leases are accounted for in line with NZ IFRS 16 as outlined in note 3.2.

5.5 Subsequent events

On 4 April 2023, the agreement to dispose of land at Sylvia Park to IKEA for \$41.4 million (before disposal costs) became unconditional.

On 1 May 2023, the Group disposed of Westgate Lifestyle for \$85.7 million (before disposal costs).

On 5 May 2023, the agreement to purchase land and buildings at Sylvia Park at a net cost of \$22.5 million to the Group became unconditional.

On 19 May 2023 the Board declared a final dividend for the quarter ended 31 March 2023 of 1.425 cents per share (cps) (equivalent to \$22.4 million), together with imputation credits of 0.274 cps. The dividend record date is 7 June 2023 and payment will occur on 21 June 2023.

Independent auditor's report

TO THE SHAREHOLDERS OF KIWI PROPERTY GROUP LIMITED



Our opinion

In our opinion, the accompanying consolidated financial statements of Kiwi Property Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2023;
- 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 and other explanatory information.

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.

Independence

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

Our firm carries out other services for the Group in the areas of audits of special purpose financial information in accordance with tenancy agreements, agreed upon procedures in respect of a specified remuneration metric and asset disposals. After the balance date, we were engaged to provide advisory services in respect of future property development funding structures and financial models. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

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

Description of the key audit matter

Valuation of investment properties

As disclosed in note 3.2 of the consolidated financial statements, the Group's investment property portfolio comprising mixed-use, office and other properties, including assets classified as held for sale, was valued at \$3.2 billion as at 31 March 2023.

The valuation of the Group's property portfolio is inherently subjective as it is determined based on a range of unobservable inputs and assumptions. A small percentage difference in any of the key individual inputs or assumptions used in the property valuations, when aggregated, could result in a material misstatement of the overall valuation of investment properties. Considering the significance of investment property to the Group, we have given this area specific audit focus and attention.

The valuations were performed by independent registered valuers (the valuers). The Group has adopted the assessed values as determined by the valuers.

In determining a property's valuation, the valuers used the two most common approaches to arrive at a range of valuation outcomes from which the valuers derive a point estimate: the income capitalisation approach and the discounted cash flow approach. The capitalisation and discount rates are considered the key unobservable inputs for each approach respectively. These approaches also take into account market rental levels, vacancy rates, letting-up allowances, and the cost of ongoing operating expenses, capital expenditure and other capital payments, including allowances for seismic strengthening works.

Other valuation approaches include the sales comparison approach, deferred land approach and residual approach depending on the nature of the properties.

How our audit addressed the key audit matter

Given the subjectivity involved in determining valuations for individual properties, including alternative assumptions and valuation methods, there is a range of values for an individual property that could be considered reasonable.

In assessing the valuation of investment properties, we held discussions with management to:

- understand the processes and controls in place over the valuation; and
- understand the movements in the Group's investment property portfolio, changes in the condition of each property, and the impact of the current macroeconomic uncertainties on the valuation.

Applying a risk-based approach, we evaluated the valuations for a sample of specific properties. We read the valuation report for these properties, held discussions with the respective valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. Except for the non-core residential properties that were subject to kerbside assessment, the valuer 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 2023. For all properties, we agreed the carrying amount to the external valuation reports.

We assessed the valuers' qualifications, expertise and their objectivity and considered whether there was any bias in determining individual valuations. We carried out procedures, on a sample basis, to test whether property-specific information supplied to the valuers by the Group reflected the underlying property records held by the Group. Our work over the assumptions used in the valuations focused on the largest properties in the portfolio, properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data and those properties with substantial allowances for development or seismic works. We engaged our own in-house valuation specialist to assess the methodologies, and critique and challenge the key assumptions used by the valuers against market evidence and current market conditions on a sample of properties.

Description of the key audit matter

The Sylvia Park build-to-rent (BTR) property was valued under the residual approach, where the valuer estimated the “as if complete” value using a discounted cash flow approach and deducted the remaining project costs estimated by management to determine the residual value.

For those assets classified as held for sale that have contractual offers accepted by the Group, the assets have been held at the contracted sales price, which is considered fair value at balance date.

How our audit addressed the key audit matter

We obtained management’s estimates of costs on the properties with substantial development or seismic works. We compared these estimates to budgets developed by the Group’s project team and approved by the Directors, challenged estimates internally developed by management by evaluating the basis of evidence for assumptions used and where available, agreed the estimates to third party reports.

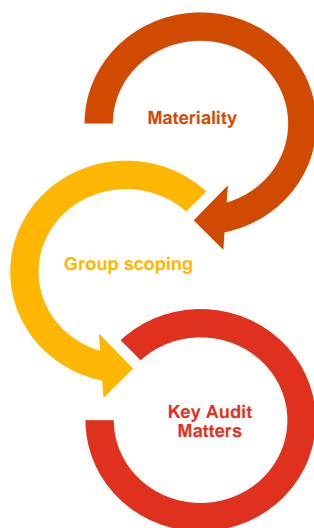
We considered the appropriateness of the application of the residual approach on the valuation of the BTR property including estimates of costs to complete and profit and risk allowance.

For assets held for sale that are under contractual offers, we agreed the carrying amount to the signed sale and purchase agreements.

We considered the adequacy of the disclosures made in the consolidated financial statements.

Our audit approach

Overview



Overall group materiality: \$6,500,000, which represents approximately 5% of profit before tax excluding the net fair value loss on investment properties and net fair value gain on interest rate derivatives.

We chose profit before tax excluding the net fair value gain or loss on investment properties and interest rate derivatives as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, we performed a full scope audit at the consolidated financial information level for the Group.

As reported above, we have one key audit matter, being the valuation of investment properties.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the consolidated financial statements.

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

How we tailored our group audit scope

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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

<https://www.xrb.govt.nz/assurance-standards/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.

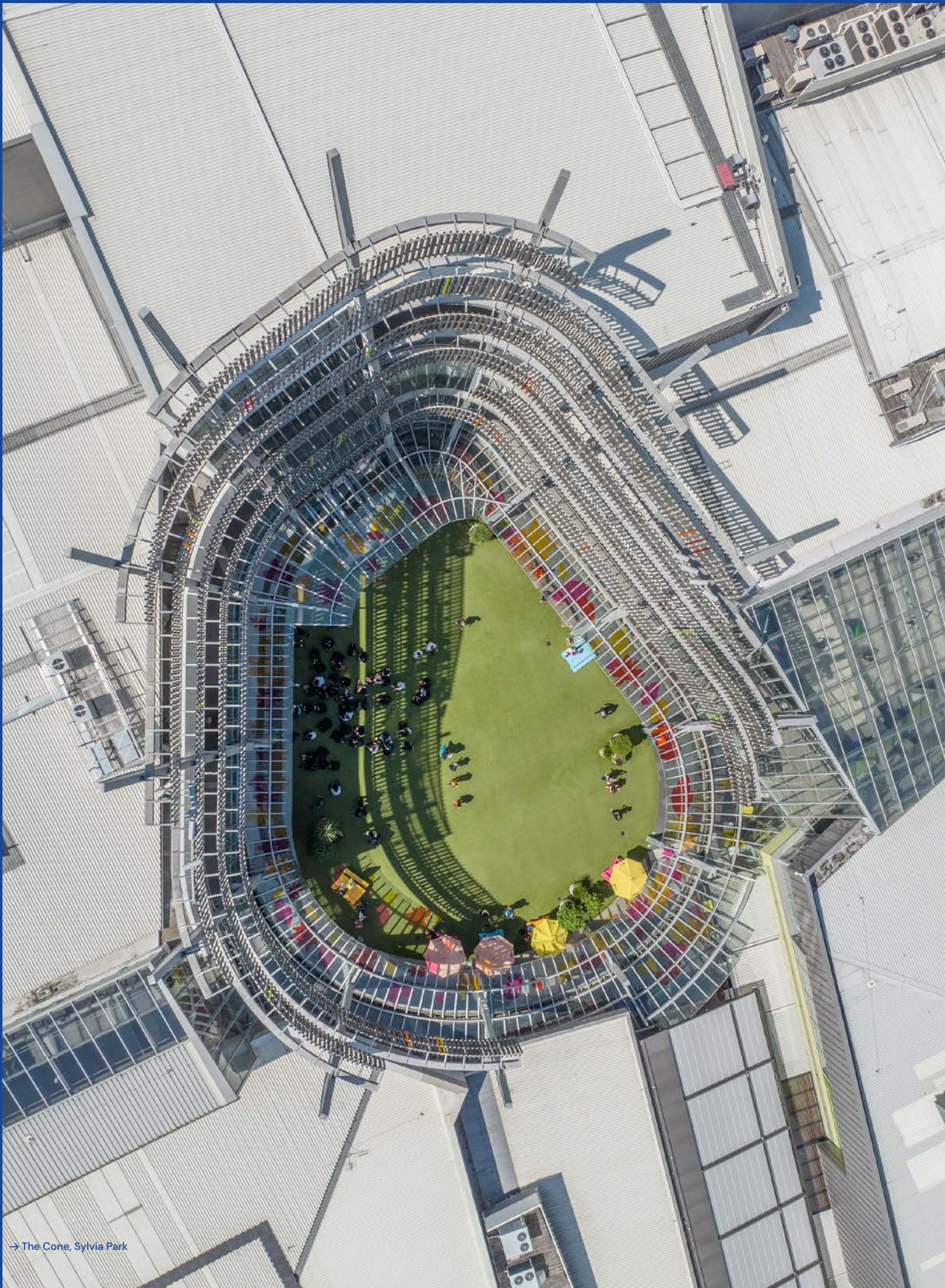
The engagement partner on the audit resulting in this independent auditor's report is Karen Shires.

For and on behalf of:



Chartered Accountants
19 May 2023

Auckland



→ The Cone, Sylvia Park

Other information

Corporate governance

We are committed to the highest standards of corporate governance.

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

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

NZX Code compliance

Kiwi Property has followed the recommendations set out in the NZX Code for the year ended 31 March 2023, except to the extent set out in the Kiwi Property FY23 Corporate Governance Statement, which is available on our website kp.co.nz/about-us/corporate-governance.

This statement is current as at 31 March 2023 and has been approved by the Board.

The corporate governance policies, practices and processes that Kiwi Property adopted or followed for the year ended 31 March 2023 are summarised, or referred to, in the Kiwi Property FY23 Corporate Governance Statement.

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

Director independence

Director independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 31 March 2023, all directors of the Company were independent: Chris Aiken, Mary Jane Daly, Mark Ford, Jane Freeman, Mark Powell and Simon Shakesheff. This assessment is based on the fact that:

- No director is currently, or within the last three years, employed in an executive role by the Company, or any of its subsidiaries, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- No director currently, or within the last 12 months, holds a senior role in a provider of material professional services to the Company or any of its subsidiaries.
- No director currently, or within the last three years, has a material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries.
- No director currently is a substantial product holder of the Company or a senior manager of, or person otherwise associated with, a substantial product holder of the Company.
- No director currently, or within the last three years, has a material contractual relationship with the Company or any of its subsidiaries, other than as a director.
- No director has close family ties with anyone in the categories listed above.
- No director has been a director with the Company for a length of time that may compromise independence.

Corporate governance (continued)

Board committees

The members of the Audit and Risk Committee are Mary Jane Daly (Chair), Mark Ford and Simon Shakesheff.

The members of the Remuneration and Nominations Committee are Chris Aiken, Mark Ford and Jane Freeman (Chair).

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

Diversity and inclusion policy

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

More information concerning the Company's Diversity and Inclusion Policy can be found in the Company's FY23 Corporate Governance Statement, which is available on our website kp.co.nz/about-us/corporate-governance.

Gender diversity

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

	2023			
	Number		Proportion %	
	Female	Male	Female	Male
Directors	2	4	33	67
Officers	3	4	43	57
All employees	116	61	66	34

	2022			
	Number		Proportion %	
	Female	Male	Female	Male
Directors	2	4	33	67
Officers	2	5	29	71
All employees	110	55	67	33

Remuneration report

Message from the Remuneration and Nominations Committee Chair

Dear Shareholders,

I am pleased to present the Remuneration Report for the year ended 31 March 2023 (FY23). This Report sets out Kiwi Property's remuneration strategy and framework, as well as the performance and remuneration outcomes for the Chief Executive Officer (CEO) for FY23, which align to both the Company's strategic objectives and the interests of our shareholders.

Kiwi Property's Board is supported by the Remuneration and Nominations Committee (RNC) to ensure appropriate remuneration governance through policies and practices that enable the Company to attract and retain top talent at all levels of the organisation. The RNC's role and responsibilities are detailed in the Remuneration and Nominations Committee Charter.

Year in review

As described in the Chair's letter and the CEO's report, Kiwi Property delivered strong financial and operating performance in FY23, whilst making good progress on the delivery of long-term strategic initiatives to position the Company for future growth. These results reflect a clear and disciplined focus on the fundamentals and management of capital in a challenging economic environment, whilst also realigning the Company's asset portfolio towards our desired future state.

Our FY23 operating earnings before interest and tax (Operating EBIT), a key internal measure used for determining a component of short-term incentive outcomes, increased by 7.9% to \$172.3 million. In addition, the Company exceeded the FY23 return on capital employed (ROCE) target that forms part of the measures that determine the vesting outcome for long-term incentives.

While financial performance was strong, share price performance and shareholder returns were below expectations. However, total shareholder returns (TSR) were above most of our peers which, in combination with the ROCE outcome, would have resulted in the FY23 transitional long-term incentive vesting in full. In recognition of the negative share price performance over the period, the Board exercised its discretion to reduce the vesting outcome for the relative TSR component of the long-term incentive by 50%. As a result, 87.5% of this long-term incentive grant will vest rather than 100%.

CEO remuneration outcomes

The CEO's remuneration outcomes for FY23 reflect Kiwi Property's performance against its strategic financial and operational performance goals. The CEO's base salary was reviewed and increased at 1 April 2022 following the Board's review of remuneration benchmarking for CEOs in the New Zealand market. This followed no increase in the prior year.

The organisation's Operating EBIT outcome, combined with achievements against our strategic 'one team goals' and the CEO's individual performance targets, resulted in a short-term incentive pay-out of \$425,354 for the CEO for FY23. This outcome is 94% of the CEO's total on-target STI opportunity.

As described in the Remuneration Report in the FY22 Annual Report, the Board made changes to long-term incentives for FY23. These changes included shifting from phased annual vesting over a three-year period to single-point vesting at the end of a three-year period. The Board agreed at the time to make two final grants under the old PSR Scheme terms to the CEO and eligible participants. The first of these grants was made in FY23 and is subject to a one-year performance period from 1 April 2022 to 31 March 2023, and 87.5% of this grant will vest in equal tranches at 31 March 2023 and 31 March 2024. The second and final grant under the old PSR Scheme will be made in FY24.

The first long-term incentive grant under the changes made in FY23 will not be eligible for vesting until 31 March 2025.

Changes for FY24

The Company is making a number of changes to its performance and reward framework for FY24, designed to simplify processes, enhance the link between performance and reward outcomes, and further align executive reward to shareholder interests.

Changes to the STI Scheme

The STI Scheme will be simplified from FY24, with outcomes being based on a combination of Company performance, as measured by Operating EBIT, and individual performance. Operating EBIT will determine the overall amount of funding for the STI Scheme, with individual performance determining outcomes from within the available funding. These changes will allow for greater differentiation of outcomes based on individual performance while ensuring that the total cost of the STI Scheme will be directly linked to the Company's financial performance.

Remuneration report (continued)

Changes to the PSR Scheme

Following the changes introduced for FY23 as described in last year's Remuneration Report, further changes are being made to the PSR Scheme for FY24 to strengthen the alignment between participant reward and shareholder interests. For long-term incentive grants made under the PSR Scheme for FY24, the following performance measures will apply:

- Relative Total Shareholder Return weighted at 30% and compared to a peer group of NZX-listed companies
- Absolute Total Shareholder Return weighted at 30% and compared against post-tax cost of equity
- Return on Capital Employed (ROCE) weighted at 40%

These changes will reduce the weighting on ROCE from 60% to 40% while increasing the total weighting of shareholder return measures from 40% to 60%.

I would like to take this opportunity to thank all the employees at Kiwi Property for their commitment and support throughout the year.

On behalf of the Board and RNC, I invite you to read the Remuneration report and welcome your feedback on our approach to and disclosure of Kiwi Property's remuneration arrangements.¹



Jane Freeman

Chair of the Remuneration and Nominations Committee

¹ The information provided in the Remuneration Report is for information purposes only and should not be relied on as (and is not) an indication (including guidance of any kind whatsoever) or guarantee of the future performance of Kiwi Property. Except as required by law, Kiwi Property undertakes no obligation to provide additional or updated information or revise or reaffirm the information in the Remuneration Report whether as a result of new information, future events, results or otherwise.

Remuneration report (continued)

Remuneration strategy

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

Performance metrics	Remuneration strategy	Remuneration framework
<ul style="list-style-type: none"> Return on capital employed (ROCE) and total shareholder return (TSR). Annual operating earnings before interest and tax (Operating EBIT). Employee job performance and achievement of stretch goals aligned to strategic objectives. 	<ul style="list-style-type: none"> Our remuneration strategy is to drive the achievement of strategic objectives and to focus our people's performance and subsequent remuneration outcomes on the achievement of sustainable returns for shareholders. 	<ul style="list-style-type: none"> Our remuneration framework is designed to attract, retain, motivate and reward our people to deliver performance that is aligned to our investors' interests.

Our remuneration structure

Fixed annual remuneration (FAR)	Short-term incentive scheme (STI)	Performance Share Rights scheme (PSR)	Restricted Share Rights scheme (RSR)
<ul style="list-style-type: none"> FAR is benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market. Benefits include income protection, life and total permanent disability insurance and KiwiSaver company contributions at 3%. 	<ul style="list-style-type: none"> A discretionary, at risk incentive for salaried, permanent employees (by invitation). Company, team and individual-based performance measures, founded on stretch goals. Incentives benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market. 	<ul style="list-style-type: none"> The PSR is a discretionary share plan for officers and employees (by invitation). Reward delivery of sustained results over the long term. Aligns the interests of participants with those of shareholders. The PSR performance hurdles consist of ROCE and TSR targets, measured independently of each other over the performance period. Assists in employee retention objectives. 	<ul style="list-style-type: none"> The RSR is a discretionary share rights plan that automatically vests after three years at no cost to the employee, as long as they are employed by Kiwi Property. At the time of vesting, the Company will issue or transfer to the employee one ordinary share for each vested RSR. Provides our people with an opportunity to take an ownership stake in the business. Assists in employee retention objectives.

As described in the Message from the RNC Chair, for FY24 we are making changes to our remuneration structure to better align remuneration outcomes with investor interests, including:

- Simplifying the STI scheme so that the Company's financial performance determines the total amount of funding available for STI payments, with payments being based solely on individual performance against a set of company wide criteria that are linked to our long-term strategy and shareholder value creation. For the CEO, STI outcomes will reflect performance in the delivery of annual strategic objectives balanced with returns delivered to shareholders.
- The simplified STI scheme will provide the Board with greater discretion on outcomes for the CEO and executives, moving away from the current formulaic approach so that a broader range of factors can be considered by the Board.
- Increasing the proportion of long-term incentive grants under the PSR scheme that are subject to shareholder return measures by introducing an absolute TSR measure alongside the existing ROCE and relative TSR measures.

Remuneration report (continued)

Short term incentive (STI)

The STI Scheme provides eligible employees with the opportunity to be rewarded for good performance, with outcomes under the Scheme based on a combination of company, team and individual components. The STI Scheme requires that the Company's financial performance, measured by Operating EBIT, achieve a minimum level of performance for any payments to be made.

Measures are set each year based on the Company's strategic objectives and to best drive financial and operational performance and the delivery of long-term shareholder value. Incentives are set around the market median for target performance, with potential for participants to earn more for premium performance.

FY23 Performance measures

Company performance

- The Company performance measure is linked to the Company's budgeted operating earnings before interest and tax (Operating EBIT).
- The scheme is designed to drive outperformance of the Operating EBIT metric.
- The Board determines an annual Operating EBIT threshold target that must be achieved before any incentive is paid.
- Once this threshold target is achieved, payment of the Company component commences at 50% and can increase to a maximum of 115% depending on the level of Operating EBIT outperformance.

Team performance

- Our executive employees' team performance portion is measured against the 'one team goals' which are aligned to strategy and approved by the Board for the performance measurement period.
- Other employees' team performance portion is measured against a 'plan on a page' (which are aligned to and may be based on the 'one team goals'), developed by the employee's executive team member for the performance measurement period.

Individual performance

- Our executive team's individual performance is measured against the performance of their team's 'plan on a page'.
- Other employees' individual performance is measured against the goals approved by the employee's team manager.
- Each employee's individual performance measures are discussed and agreed between (as applicable) the Board, CEO and managers with their direct report, in-line with the following principles:
 - Measures will be quantifiable, objective and measurable and balance being achievable yet challenging, and
 - All goals and performance indicators will be agreed at the start of the performance measurement period or as soon as reasonably practicable following the start of the period.

Long term incentive (LTI) scheme

Performance Share Rights (PSR)

The PSR Scheme links a portion of eligible employees' remuneration to the long-term performance of Kiwi Property and creates alignment with the interests of shareholders. Grants made under the PSR Scheme are in the form of performance share rights, which entitles the participant to receive shares in the Company upon the vesting and exercise of those performance share rights. The participant is entitled to receive one share upon the valid exercise of each vested share right they hold.

A grant vests at the end of a three year period, subject to the satisfaction of the performance measures set for the grant and outlined in the table below for FY23, measured independently of each other.

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

Remuneration report (continued)

Component	FY23 grant ¹	Component measure
Return on capital employed (ROCE)	60%	<ul style="list-style-type: none"> The Company's ROCE over the performance period must be within a range of approximately 5.4% to 5.75% for the performance period. The ROCE target is set by the Board in conjunction with the budget approval process. ROCE is calculated as Adjusted Funds from Operations divided by the weighted average share capital over the performance period. If the ROCE outcome meets a minimum of 96% of the target, 50% of this component is eligible to vest. If 100% of the target is met, 100% of this component is eligible to vest. If 103.5% of the target is met or exceeded, the maximum 140% of this component is eligible to vest. Vesting between 96% and 100% and between 100% and 103.5% of the target will occur on a straight-line progression basis.
Relative total shareholder return (TSR) hurdle	40%	<ul style="list-style-type: none"> 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 is eligible to vest. If Kiwi Property's TSR over the performance period exceeds the 75th percentile in the peer group, 100% of this portion of the LTI grant is eligible to vest. There is a straight-line progression and apportionment between these two points.

¹ From 1 April 2023, grants will be subject to 40% ROCE, 30% Relative TSR and 30% Absolute TSR measures.

In FY23, in addition to a grant under the PSR Scheme on the terms above, the first of two transitional grants was made under the prior terms of the PSR Scheme. This grant was made to the CEO and eligible participants in recognition of the change from phased annual vesting to single-point three-year vesting from FY23. This grant was subject to a performance period of one year from 1 April 2022 to 31 March 2023, vesting in equal tranches at 31 March 2023 and 31 March 2024. The performance measures for this grant were ROCE (75%) and relative TSR (25%) as per the grants made under the PSR Scheme in FY22.

Relative weightings of remuneration components for officers

- Officers (as defined by the NZX Listing Rules) of the Company comprise the CEO, Chief Financial Officer, GM Asset Management, GM Development, GM Income and Leasing, GM Digital and GM People.
- The total remuneration package for each of our officers comprises FAR, STI, PSR and RSR.
- The STI for our officers, in the reporting period, was as follows:

	STI % of FAR	% of STI attributed to Company Operating EBIT performance	% of STI attributed to team performance	% of STI attributed to individual performance
CEO	60%	50%	25%	25%
Other officers	40%	50%	25%	25%

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

	LTI % of FAR
CEO	82.5%
Other officers	30%

Remuneration report (continued)

Performance and development

All of our permanent employees participate in performance and development conversations on a quarterly basis. The outcomes of the end-of-year conversations 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 CEO. The Remuneration and Nominations Committee is responsible for reviewing and setting the remuneration of the direct reports of the CEO and advising the Board on the remuneration of the CEO. The Board sets the total pool available for remuneration of our employees at the time the annual budget is approved.

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

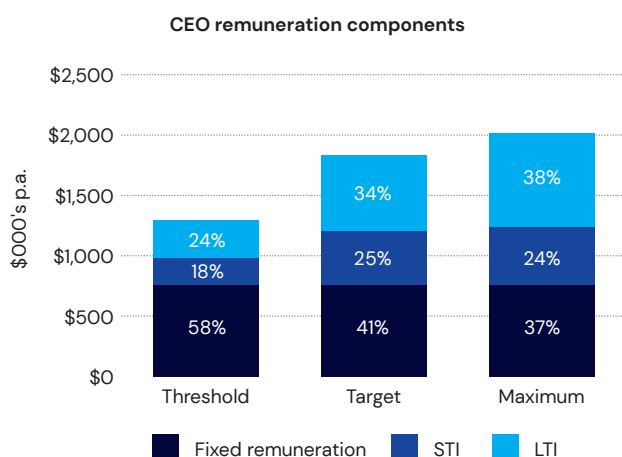
Equal pay

At Kiwi Property, we are committed to follow the principles outlined in our Diversity and Inclusion Policy in all our daily activities including undertaking an annual equal pay review to assess the impact of gender on the pay and participation of women in the workforce, and to ensure unconscious bias does not impact remuneration decisions.

CEO remuneration framework

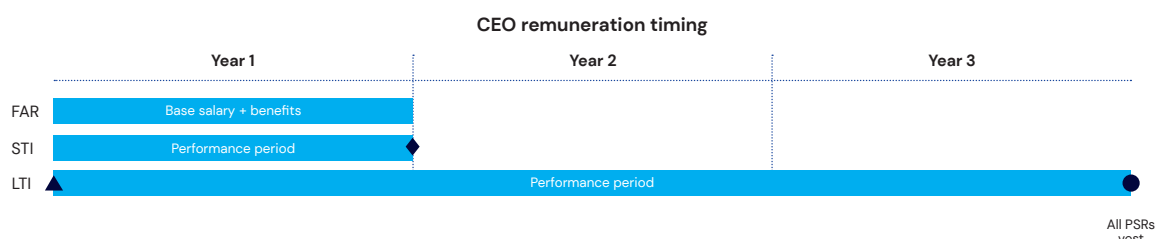
The CEO's remuneration package is structured such that the majority of his remuneration is at-risk through short-term and long-term incentives. The chart below shows the composition of the CEO's total remuneration package at target, which is comprised of:

- Fixed annual remuneration which includes base salary, employer contributions to KiwiSaver and the value of other benefits such as insurances.
- An annual short-term incentive set at 60% of the CEO's FAR.
- A long-term incentive set at 82.5% of the CEO's FAR.



At target, 59% of the CEO's remuneration is at-risk and subject to performance.

The following diagram illustrates the delivery of the CEO's cash and equity remuneration components over time.



Remuneration report (continued)

Remuneration outcomes for the year

Employee remuneration

During FY23, 98 employees, including 6 former employees, received remuneration totalling \$100,000 or more².

Amount of remuneration (from \$ to \$)	Number of employees
100,000 - 110,000	11
110,001 - 120,000	6
120,001 - 130,000	8
130,001 - 140,000	6
140,001 - 150,000	7
150,001 - 160,000	2
160,001 - 170,000	2
170,001 - 180,000	6
180,001 - 190,000	1
190,001 - 200,000	6
200,001 - 210,000	8
210,001 - 220,000	4
220,001 - 230,000	2
230,001 - 240,000	3
240,001 - 250,000	4
250,001 - 260,000	3
260,001 - 270,000	1
270,001 - 280,000	2
280,001 - 290,000	2
320,001 - 330,000	1
330,001 - 340,000	1
340,000 - 350,000	1
350,000 - 360,000	1
380,000 - 390,000	1
390,000 - 400,000	1
430,000 - 440,000	1
500,000 - 510,000	1
550,000 - 560,000	1
590,000 - 600,000	1
620,000 - 630,000	1
660,000 - 670,000	1
810,000 - 820,000	1
1,480,000 - 1,490,000	1
Total employees earning \$100,000+	98

² Includes salary payments, allowances and employer contributions to KiwiSaver, and the value of short-term incentives paid and long-term incentives vested during the financial year.

Remuneration report (continued)

LTI

Performance Share Rights that have been granted, vested or forfeited by participants (being the officers of the Company and other invited employees, but excluding the CEO) are detailed in the following table:

Start of performance period	Measurement date	Total participants	Grant value	Number of rights granted	Number of rights forfeited	Number of rights vested	Number due to vest in FY24
1 April 2019	31 March 2020	11	\$921,798	694,921	(200,035)	(494,886)	-
1 April 2020	31 March 2021	10	\$826,362	1,013,041	(156,182)	(591,441)	(265,418)
1 April 2021	31 March 2022	14	\$1,077,033	951,840	(390,323)	(206,891)	(195,444)
1 April 2022	31 March 2023	12	\$637,559	642,938	(109,408)	Not yet applicable	(233,425)
1 April 2022	31 March 2025	13	\$1,458,411	1,361,213	(205,466)	Not yet applicable	Not yet applicable

Note 3.6.4 of the consolidated financial statements provides further details of the number of shares granted, forfeited and vested.

CEO remuneration

The CEO's employment agreement comprises standard conditions that are appropriate for a Chief Executive Officer in the market. The CEO's remuneration for the year ended 31 March 2023 includes salary, STI payments, LTI entitlements, employer's contributions to KiwiSaver, and the cost of insurance benefits.

The CEO's annual base salary as at 31 March 2023 was \$700,400 and was last reviewed at 1 April 2022. The remuneration he earned for the financial year comprised the following:

Financial year	Base salary	KiwiSaver	Other	Fixed annual remuneration	STI	LTI	Total
FY22	\$680,000	\$20,400	\$29,348	\$729,748	\$378,739 ¹	\$395,345 ²	\$1,503,832
FY23	\$700,400	\$21,012	\$32,762	\$754,174	\$425,354 ³	\$368,756 ⁴	\$1,548,284

¹ STI for the performance period 1 April 2021 - 31 March 2022, which was paid during FY23.

² Represents value of rights eligible for vesting on 31 March 2022, based on the share price as at 31 March 2022.

³ STI for the performance period 1 April 2022 - 31 March 2023, which will be paid subsequent to the date of these financial statements.

⁴ Represents value of rights eligible for vesting on 31 March 2023 (estimate based on the share price at 31 March 2023). The final value will be determined on the actual date the rights are converted to shares, subsequent to the date of these financial statements.

The total CEO remuneration in the table above is based on remuneration **earned** during the financial year. The remuneration on page 102 is based on payments **received** during the financial year.

Performance Share Rights that have been granted, vested or forfeited by the CEO for the year ended 31 March 2023 are detailed in the following table:

Start of performance period	Measurement date	Grant value	Number of rights granted	Number of rights forfeited	Number of rights vested	Number due to vest in FY24
1 April 2019	31 March 2020	\$572,178 ¹	431,353	(107,838)	(323,515)	-
1 April 2020	31 March 2021	\$368,258	451,450	(40,630)	(273,881)	(136,939)
1 April 2021	31 March 2022	\$514,666	454,841	(113,710)	(113,710)	(113,710)
1 April 2022	31 March 2023	\$350,355	353,319	-	Not yet applicable	(154,578)
1 April 2022	31 March 2025	\$768,028	716,844	-	Not yet applicable	Not yet applicable

¹ As disclosed in previous reports, for the performance period commencing on 1 April 2019, the CEO also received a pro-rata LTI grant relating to the period from when he commenced employment to 31 March 2019. The grant value shown comprises \$212,962 (160,548 PSRs) for the pro-rata year ended 31 March 2019 and \$359,216 (270,805 PSRs) for the year ended 31 March 2020.

Remuneration report (continued)




Restricted Share Rights that have been granted, vested or forfeited by the CEO for the year ended 31 March 2023 are detailed in the following table:

Start of performance period	Measurement date	Grant value	Number of rights granted	Number of rights forfeited	Number of rights vested	Number due to vest in FY24
1 April 2019	31 March 2022	\$1,164	916	-	916	-
1 April 2021	31 March 2024	\$1,164	1,076	-	Not yet applicable	Not yet applicable
1 April 2022	31 March 2025	\$1,164	1,086	-	Not yet applicable	Not yet applicable

Breakdown of CEO's pay for performance



The following table provides a breakdown of the CEO's performance measures and outcomes related to the STI and LTI schemes paid, vested or forfeited based on performance measures set during FY23, including details and commentary about the incumbent's performance (using indicators) and actual at-risk remuneration outcomes.

STI outcome (60% of FAR eligibility):

Performance measure	Weighting	Actual outcome	Commentary
Operating EBIT	50.0%		The operating EBIT goal was exceeded.
Team goals	25.0%		Transformational, strategic goals representing a balanced scorecard approach to Kiwi Property's strategy and outlook. This included sustainability, people engagement, funding for future developments and progressing strategies for BTR.
Individual goals	25.0%		Share price and investor relations measures, diversification of property portfolio towards mixed-use, culture and leadership.
Total	100.0%	94.0%	

LTI outcome (70% of FAR eligibility):

The vesting outcome below relates to the transitional grant made in FY23 under the prior terms of the PSR Scheme.

Performance measure	Weighting	Actual outcome	Commentary
ROCE	60.0%		ROCE target was exceeded, resulting in PSRs vesting.
TSR	40.0%		TSR gate was exceeded. In recognition of the negative share price performance over the period, the Board exercised its discretion to reduce the vesting outcome for this component by 50%.
Total	100.0%	87.5%	

Key:



Achieved



Partially achieved



Not achieved

Remuneration report (continued)

Director remuneration

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

At the Company's 2022 annual meeting, shareholders approved a total directors' fee pool of \$854,000 per annum.

As at 31 March 2023, the pool was allocated by the Board as follows:

	Fee	Number of persons holding office	Total fee pool
Chair (including membership of all committees)	\$177,500	1	\$177,500
Director (excluding the Chair)	\$97,000	5	\$485,000
Chair of the Audit and Risk Committee	\$20,000	1	\$20,000
Audit and Risk Committee member	\$11,500	1	\$11,500
Chair of the Remuneration and Nominations Committee	\$20,000	1	\$20,000
Remuneration and Nominations Committee member	\$11,500	1	\$11,500
Chair of Environmental, Social and Governance Committee member	\$20,000	1	\$20,000
Environmental, Social and Governance Committee member	\$11,500	1	\$11,500
Discretionary pool			\$97,000
Total			\$854,000

The fees paid to our directors during the year ended 31 March 2023 are outlined below.

Director	Duties	Fees
Mary Jane Daly	Director	\$116,250
	Chair of the Audit and Risk Committee	
Mark Ford	Chair	\$176,250
Jane Freeman	Director	\$116,250
	Chair of the Remuneration and Nominations Committee	
Mark Powell	Director	\$116,250
	Chair of the Environmental, Social and Governance Committee	
Christopher Aiken	Director	\$107,750
	Member of the Remuneration and Nominations Committee	
Simon Shakesheff	Director	\$119,250
	Member of the Audit and Risk Committee	
	Member of the Environmental, Social and Governance Committee	

Other investor information

Reporting entity

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

Stock exchange listing

The Company's shares are quoted on the NZX under the ticker code KPG and the Company's green bonds are quoted on the NZDX under the ticker codes KPG020, KPG030, KPG040, KPG050 and KPG060.

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 green bonds (KPG020, KPG030, KPG040, KPG050 and KPG060).

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

Changes in the nature of the business

There were no changes to the nature of the Company's business or that of its subsidiaries during the year.

NZX waiver

During the year ended 31 March 2023 NZX did not grant and publish any waivers following an application by the Company and the Company did not rely on any NZX waivers.

NZX disciplinary action

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

Auditor

PricewaterhouseCoopers has undertaken the audit of the consolidated financial statements for the 31 March 2023 financial year.

Deloitte Limited has been appointed as external auditor for the financial year commencing 1 April 2023.

Donations

During the year to 31 March 2023 the Company donated \$10,000 to the New Zealand Red Cross Disaster Fund, \$25,000 to the Mental Health Foundation and \$500 to the Te Kaa Foundation.

Directors of the Company and its subsidiaries

As at 31 March 2023, the directors of the Company were Chris Aiken, Mary Jane Daly, Jane Freeman, Mark Ford, Mark Powell and Simon Shakesheff.

As at 31 March 2023, the directors of the subsidiary companies Kiwi Property Holdings Limited, Kiwi Property Holdings No. 2 Limited, Kiwi Property Holdings No. 3 Limited, Kiwi Property Holdings No. 4 Limited, Kiwi Property Holdings No. 5 Limited, Kiwi Property Holdings No. 6 Limited, Kiwi Property Holdings No. 7 Limited, Kiwi Property Holdings No. 8 Limited, Kiwi Property Centre Place Limited, Kiwi Property Te Awa Limited and Sylvia Park Business Centre Limited, were Clive Mackenzie, Steve Penney, and Trevor Wairepo. 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 on Wednesday, 28 June 2023.

Interest register entries

In accordance with section 211(1)(e) of the Companies Act 1993, listed below are details of the entries made in the Interests Register of the Company during the year, together with the existing entries as at 31 March 2023.

Other investor information (continued)

Name	Name of company/entity	Nature of interest
Chris Aiken	Amberfield Peacocke	Director
	Auckland Light Rail Limited ¹	Director
	Kainga Ora Construction Programme Assurance Panel	Chair
	TLC Modular ²	Advisor
Mary Jane Daly	AIG Insurance New Zealand Limited ¹	Director
	Earthquake Commission ²	Commissioner, Chair
	Fonterra Shareholders Fund	Chair
	Kiwibank Limited	Director
Mark Ford	Dexus Property Group	Director
	Global Apartment Advisors Australia	Consultant
	Prime Property Fund Asia GP Pte Limited	Director
	RREEF China Commercial Trust Management Limited (Manager of China Commercial Trust and a Subsidiary of Deutsche Bank)	Director
	The Ford Family Superannuation Fund	Director
Jane Freeman	Mackersy Northlands GP Limited ¹	Spouse of Director (Christopher Hunter)
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
Mark Powell	7-Eleven Australia	Director
	Bapcor Limited	Director
	Carey Baptist Theological College	Elected board member
	JB Hi-Fi Group Limited	Director
	My Food Bag Limited ¹	Director
	Tahi Electrical Limited	Director
Simon Shakesheff	Assembly Funds Management	Director
	CBUS Property	Director
	HomeCo Daily Needs Real Estate Investment Trust	Chair
	Management Investment Committee of NSW TCorp (formerly NSW Treasury)	Member
	SGCH	Director
	SS & AR Pty Limited	Director

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

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

Directors' holdings of quoted financial products

In accordance with NZX Listing Rule 3.7.1(d), listed below are the directors of the Company who had a relevant interest in quoted financial products of the Company as at 31 March 2023.

Director	Number and type of quoted financial products
Chris Aiken	110,000 ordinary shares in the Company
Mary Jane Daly	9,000 ordinary shares in the Company
Mark Powell	50,095 ordinary shares in the Company
Simon Shakesheff	26,000 ordinary shares in the Company

Shareholder statistics

AS AT 31 MARCH 2023

Twenty largest shareholders

Shareholder	Number of shares	% of total issued shares
Accident Compensation Corporation	154,553,092	9.84%
HSBC Nominees (New Zealand) Limited <O40-016842-230>	132,178,926	8.41%
BNP Paribas Nominees NZ Limited <BPSS40>	104,203,615	6.63%
HSBC Nominees (New Zealand) Limited <HKBN45>	99,400,966	6.33%
Citibank Nominees (NZ) Limited	84,699,614	5.39%
National Nominees New Zealand Limited	76,558,892	4.87%
JPMorgan Chase Bank	67,881,991	4.32%
Premier Nominees Limited	65,988,050	4.20%
New Zealand Depository Nominee	61,540,717	3.92%
FNZ Custodians Limited	45,196,237	2.88%
Custodial Services Limited	39,002,008	2.48%
TEA Custodians Limited	36,741,588	2.34%
JBWere (NZ) Nominees Limited	28,887,383	1.84%
New Zealand Superannuation Fund Nominees Limited	24,185,909	1.54%
Hobson Wealth Custodian Limited	21,923,489	1.40%
Premier Nominees Limited <Armstrong Jones Property Securities Fund>	20,059,300	1.28%
PT Booster Investments Nominees Limited	18,959,642	1.21%
MFL Mutual Fund Limited	18,009,221	1.15%
NZX WT Nominees Limited	16,123,135	1.03%
Cogent Nominees Limited	14,491,233	0.92%
Total	1,130,585,008	71.96%
Total shares on issue	1,571,171,548	

Spread of shareholders

Size of holding	Number of holders	% of total holders	Number of shares	% of total issued shares
1-1,000	914	8.72%	472,106	0.03%
1,001-5,000	1,975	18.85%	6,043,600	0.38%
5,001-10,000	1,892	18.06%	14,568,676	0.93%
10,001-50,000	4,365	41.66%	101,884,682	6.48%
50,001-100,000	772	7.37%	53,566,447	3.41%
100,001 and over	559	5.34%	1,394,636,037	88.77%
Total	10,477	100.00%	1,571,171,548	100.00%

Bondholder statistics

AS AT 31 MARCH 2023

Twenty largest bondholders

Bondholder	Number of bonds	% of total issued bonds
Custodial Services Limited <4>	203,261,000	32.52%
FNZ Custodians Limited	60,618,000	9.70%
Forsyth Barr Custodians Limited <1 Custody>	51,657,000	8.27%
Accident Compensation Corporation <ACC140>	30,000,000	4.80%
HSBC Nominees (New Zealand) Limited	20,592,000	3.29%
Hobson Wealth Custodian Limited	19,169,000	3.07%
BNP Paribas Nominees NZ Limited <BPSS40>	18,771,000	3.00%
Citibank Nominees (NZ) Limited <CNOM90>	18,511,000	2.96%
BNP Paribas Nominees NZ Limited <BPSS42>	17,105,000	2.74%
Cogent Nominees Limited <COGN40>	16,453,000	2.63%
National Nominees New Zealand Limited	14,270,000	2.28%
PT (Booster Investments) Nominees Limited	8,454,000	1.35%
Westpac Banking Corporation	8,305,000	1.33%
JBWere (NZ) Nominees Limited	7,726,000	1.24%
Forsyth Barr Custodians Limited <1 E>	7,473,000	1.20%
Investment Custodial Services Limited <C>	6,518,000	1.04%
Premier Nominees Limited	6,500,000	1.04%
New Zealand Permanent Trustees Limited <NZP 440>	5,076,000	0.81%
FNZ Custodians Limited	4,632,000	0.74%
Public Trust	4,522,000	0.72%
Total	529,613,000	84.74%
Total bonds on issue	625,000,000	

Bondholder statistics (continued)

Spread of KPG020 bondholders (September 2023 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	38	8.62%	190,000	0.15%
5,001-10,000	105	23.81%	1,022,000	0.82%
10,001-50,000	234	53.06%	6,353,000	5.08%
50,001-100,000	25	5.67%	2,141,000	1.71%
100,001 and over	39	8.84%	115,294,000	92.24%
Total	441	100.00%	125,000,000	100.00%

Spread of KPG030 bondholders (December 2024 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	1	0.24%	1,000	0.00%
1,001-5,000	37	8.75%	185,000	0.15%
5,001-10,000	94	22.22%	917,000	0.73%
10,001-50,000	230	54.37%	6,317,000	5.06%
50,001-100,000	26	6.15%	2,162,000	1.73%
100,001 and over	35	8.27%	115,418,000	92.33%
Total	423	100.00%	125,000,000	100.00%

Spread of KPG040 bondholders (November 2025 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	17	6.46%	85,000	0.09%
5,001-10,000	52	19.77%	513,000	0.51%
10,001-50,000	145	55.13%	3,623,000	3.62%
50,001-100,000	18	6.84%	1,478,000	1.48%
100,001 and over	31	11.80%	94,301,000	94.30%
Total	263	100.00%	100,000,000	100.00%

Bondholder statistics (continued)

Spread of KPG050 bondholders (July 2028 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	62	16.71%	310,000	0.21%
5,001-10,000	107	28.84%	995,000	0.66%
10,001-50,000	164	44.20%	3,782,000	2.52%
50,001-100,000	17	4.58%	1,352,000	0.90%
100,001 and over	21	5.67%	143,561,000	95.71%
Total	371	100.00%	150,000,000	100.00%

Spread of KPG060 bondholders (September 2029 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	24	5.97%	120,000	0.10%
5,001-10,000	94	23.38%	904,000	0.72%
10,001-50,000	225	55.97%	6,265,000	5.01%
50,001-100,000	34	8.46%	2,766,000	2.21%
100,001 and over	25	6.22%	114,945,000	91.96%
Total	402	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 2023. The total number of ordinary shares on issue at 31 March 2023 was 1,571,171,548.

Name	Number of shares held at date of notice	Date of notice
Accident Compensation Corporation	148,034,507	14-Jun-21
BlackRock, Inc. ¹	83,745,944	27-Jul-21
ANZ New Zealand Investments Limited ^{2,3}	114,547,273	10-Aug-21

1 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).

2 ANZ New Zealand Investments Limited (ANZ Investments) acts as a manager or investment manager for certain managed investment schemes under investment management contracts. ANZ Investments has a relevant interest in the financial products arising only from the powers of investment contained in the investment management contracts as it has a qualified power to control the exercise of the rights to vote attached to the financial products and a qualified power to acquire or dispose of the financial products. ANZ Investments also has a relevant interest in the holdings of ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited, because all of these companies are related bodies corporate.

3 Including relevant interests held by ANZ Bank New Zealand Limited (ANZ Bank) and ANZ Custodial Services New Zealand Limited (ANZCS). ANZ Bank acts as a discretionary investment management service (DIMS) provider in respect of investment portfolios under a DIMS client agreement. ANZ Bank has a relevant interest in the financial products arising only from the powers of investment contained in the DIMS client agreements as it has a qualified power to control the exercise of the right to vote attached to the financial products and a qualified power to acquire or dispose of the financial products. ANZ Bank also provides a trading and custody service in respect of individual client investment portfolios under a trading service client agreement. ANZ Bank has a relevant interest in the financial products arising only from the powers of investment contained in the trading service client agreement as it has a qualified power to control the exercise of the right to vote attached to the financial products and a conditional power to dispose of the financial products. ANZ Bank also has a relevant interest in the holdings of ANZ Investments and ANZCS, because all of these companies are related bodies corporate. 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. ANZCS has a relevant interest in the financial product as it is the registered holder of the financial products. ANZCS also has a relevant interest in the holdings of ANZ Investments and ANZ Bank, because all of these companies are related bodies corporate.

This annual report is dated 19 May 2023 and is signed on behalf of the Board by:



Mark Ford
Chair



Mary Jane Daly
Chair of the Audit and Risk Committee

Directory

Company

Kiwi Property Group Limited

Level 7, Vero Centre
48 Shortland Street
PO Box 2071
Auckland 1140

T: +64 9 359 4000
W: kp.co.nz
E: info@kp.co.nz

Bond supervisor

Public Trust

Level 16, SAP Tower
151 Queen Street, Auckland

Private Bag 5902
Wellington 6140

T: 0800 371 471
W: publictrust.co.nz
E: cts.enquiry@publictrust.co.nz

Security trustee

New Zealand Permanent Trustees Limited

Level 16, SAP Tower
151 Queen Street, Auckland

Private Bag 5902
Wellington 6140

T: 0800 371 471
E: cts.enquiry@publictrust.co.nz

Registrar

Link Market Services Limited

Level 30, PwC Tower
15 Customs Street West
PO Box 91976
Auckland 1142

T: +64 9 375 5998 or 0800 377 388
W: linkmarketservices.co.nz
E: enquiries@linkmarketservices.co.nz

Auditor

PricewaterhouseCoopers New Zealand

PwC Tower
15 Customs Street West
Private Bag 92162
Auckland 1142

T: +64 9 355 8000
W: pwc.co.nz

Bankers

ANZ Bank New Zealand

Bank of New Zealand

China Construction Bank
(New Zealand Branch)

Commonwealth Bank of Australia

The Hongkong and Shanghai
Banking Corporation

MUFG Bank, Ltd (Auckland Branch)

Westpac New Zealand

