

# Annual Report 2021



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**WE BELIEVE  
THE MORE  
CONNECTED  
THE PLACE,  
THE MORE  
CONNECTED  
THE PEOPLE  
WITHIN IT**

”





*Credit: Wright + Associates / Nathan Young.*





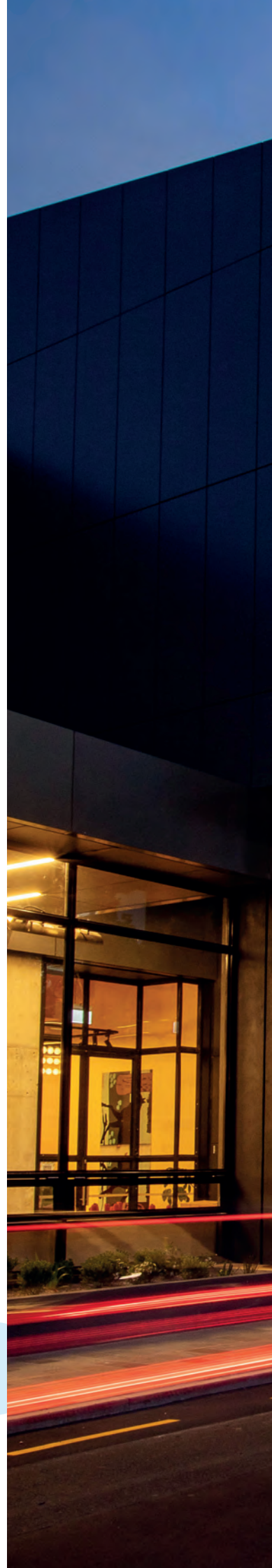
# Contents

<b>01.</b>	<b>Our Year in Review</b>	<b>04</b>
	Letter from the Chair	06
	Chief Executive Officer's Report	12
	Creating Value	16
<b>02.</b>	<b>Financials</b>	<b>18</b>
<b>03.</b>	<b>Other Information</b>	<b>72</b>
	Corporate Governance	74
	Remuneration Report	76
	Other Investor Information	85
<b>04.</b>	<b>Directory</b>	<b>92</b>



# Our Year in Review

01.





The Terrace at Sylvia Park



# Letter from the Chair



**Kiwi Property made important progress on the delivery of its business strategy in 2021, despite the impact of COVID-19.**



## Dear Shareholders,

COVID-19 has had a significant impact on Kiwi Property and the world around us over the past 12 months, causing widespread disruption and accelerating the rate of change in many parts of the economy. As the year has progressed however, New Zealanders have adapted, responding to the pandemic with characteristically Kiwi pragmatism and collective spirit.

The country's low rate of infection, coupled with significant Government intervention, have enabled the retail and office property sectors to perform better than initially predicted. As lockdowns have become more localised and shorter in duration the economic climate has improved. So too has Kiwi Property's performance, contributing to a solid result through the second half of the 2021 financial year (FY21), in particular. Despite the challenging environment, the company is well placed to progress important initiatives throughout the coming year and beyond.

## Delivering on strategy

Kiwi Property made important progress on the delivery of its business strategy in FY21, despite the impact of COVID-19. This strategy is based on three core priorities:

# 01.

## Intensify our mixed-use assets

Kiwi Property's focus on creating mixed-use communities has never been more relevant, or important. The company's large landholdings at Sylvia Park, LynnMall, The Base and Drury are ideally placed to accommodate a broad range of uses, including office, retail, and potentially residential. By owning a group of assets offering complementary economic benefits, we increase income diversity and encourage smoother returns. To this end, we have also taken steps to reduce the company's regional retail exposure, including initiating the sale of The Plaza

and Northlands. Further details of this activity are outlined in the CEO's report.

There is little doubt the pandemic has accelerated several key trends in the property sector. Kiwi Property's mixed-use strategy puts the business in a strong position to respond. A key example can be found in the office segment, where COVID-19 and the rise of remote working has prompted some businesses to re-evaluate their footprint. While a CBD office rightly remains important for many corporates, some others now also want the flexibility to base employees at a suburban location. Assets such as Sylvia Park and LynnMall are ideally placed to accommodate this 'hub and spoke' model, enabling businesses to reduce costs and cut employee commute times, while delivering the culture and collaboration benefits that only a physical office environment can provide.

# 02.

## Grow with third-party capital

Kiwi Property has a large and exciting growth pipeline, including at Drury, where the company's 51 hectare site is set to become the town centre for a thriving new community that is expected to ultimately number around 60,000 people. This pipeline is a source of significant competitive advantage and will unlock value for our shareholders.

Funding the company's exciting growth plans will require an integrated capital solution, including a likely combination of funds management, asset recycling and joint ventures, such as those we have with Tainui Group Holdings at The Base and now also Centre Place North. By leveraging third-party capital, we will be in a strong position to accelerate growth and create additional revenue streams. To this end, Steve Penney has been appointed to the role of General Manager Funds Management. He brings a wealth of investment experience to the role,

following periods at both Stride Property and Morrison & Co and has been tasked with accelerating the delivery of our funds management strategy.

# 03.

## Empower customer success

In order for Kiwi Property to be successful over the long term, so too must our tenants. This has never been more apparent than over the past year when COVID-19 placed many of our retailers and SMEs under significant pressure. We have acted as a partner through this period, helping to safeguard their physical and financial wellbeing. The support provided has evolved in step with the pandemic, including providing rent relief during the initial lockdown, assisting stores to establish click and collect facilities in the weeks that followed and implementing best practice cleaning regimes.

Our commitment to empowering the success of our tenants is not simply a response to COVID-19 though. Given the breadth of the company's footprint we are well placed to aggregate information and services to create value for Kiwi Property and its customers. While the company is still early in its digital journey, we are currently investing in this space and see future potential to provide our tenants with the data to make better decisions, optimise their footprints and respond more quickly to new trends. As our mixed-use communities continue to develop and evolve, digital will ultimately play a key role in delivering connected customer experiences and ensuring a frictionless user journey for those working, playing or even staying at our assets.

## Sustainability

Sustainability has been a priority for Kiwi Property for almost 20 years and today, it is part of the company's DNA. Through a dedicated focus on emissions reduction we have successfully cut our CO<sub>2</sub> output

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**CREATING  
MIXED-USE  
SPACES,  
INSPIRED  
BY THE  
PEOPLE AND  
PLACES OF  
AOTEAROA**

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by 60% compared to the 2012 baseline. In 2020, Kiwi Property was given an 'A' rating by the Carbon Disclosure Project, the only business in New Zealand to achieve this milestone.

This year, we have taken another step forward on our environmental, social and governance (ESG) journey, with the launch of our refreshed sustainability strategy and our commitment to becoming net carbon negative in our operations by 2030. Achieving this ambitious target won't be easy, but we believe strongly that it's the right thing to do. More information about our sustainability strategy and commitments is available at [kp.co.nz/sustainability](http://kp.co.nz/sustainability)

In March, we also launched our Sustainable Debt Framework, enabling the company to green its existing corporate bonds and paving the way for us to issue additional green bonds in the future. As a result, we'll be able to target new pools of capital, including ESG funds and institutional investors with a sustainability mandate. More importantly though, it reflects a broader commitment to embed sustainability into all aspects of Kiwi Property's operations, from finance to development and asset management.

## Board update

Richard Didsbury will resign as a director of Kiwi Property at the company's next annual meeting of shareholders, which will take place in Auckland on 12 July 2021. Richard jointly founded the company in 1992 and has been a member of the Board for the past 28 years. In that time, he has had a profound impact on Kiwi Property and more than any other individual, has shaped the company into what it is today. On behalf of the Board I'd like to thank him for his remarkable contribution to Kiwi Property and wish him well for the future. A search for Richard's replacement is currently underway.

## Dividend

I am pleased to report that Kiwi Property will pay a final cash dividend of 2.95 cents per share for the six-month period ended 31 March 2021. Payment will be made on 24 June 2021. Kiwi Property's total cash dividend for FY21 amounts to 5.15 cents per share, equivalent to 90% of Adjusted Funds from Operations (AFFO).

We will provide AFFO guidance once the sale of The Plaza and Northlands has concluded, however based on current projections, the FY22 dividend is expected

to be no less than 5.30 cents per share, subject to the financial performance of the company and barring material adverse effects or unforeseen circumstances, such as further COVID-19 related lockdowns.

## Outlook

Kiwi Property enters FY22 with good momentum and a clear focus on creating value for our shareholders and other stakeholders. The year ahead has the potential to be decisive for the company, as we advance the delivery of our strategy, reduce our retail exposure and continue on our journey to create mixed-use spaces inspired by the people and places of Aotearoa.

Thank you for your continued support.

Regards,



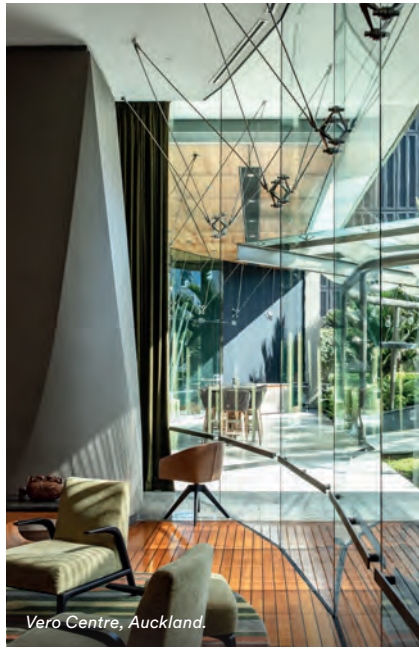
**Mark Ford**  
Chair



3 Te Kahu Way, Sylvia Park. Artist's impression.



Vero Centre, Auckland.



Vero Centre, Auckland.







*Sylvia Park build to rent scheme. Artist's impression.*



# Chief Executive Officer's Report



**Kiwi Property's future lies in the creation of mixed-use communities at our large, strategic land holdings.**



## Introduction

Despite the uncertainty caused by COVID-19 over the past 12 months, Kiwi Property has remained resilient, guided by our mixed-use strategy, which remains as relevant today as it did before the pandemic. Throughout the 2021 financial year (FY21) we've continued to put people first. This approach has helped keep our employees, customers and communities safe, and seen us act as a partner to our tenants, supporting them through the financial and operational challenges caused by COVID-19.

While Kiwi Property did not escape the impact of the pandemic, the decisive steps taken to safeguard our tenants and balance sheet helped the company end FY21 in a robust position. As we enter the 2022 financial year (FY22), we are focused on continuing this trajectory, driving further growth and shareholder value.

## Financial performance

Net profit after tax was \$196.5 million in FY21, up \$383.2 million on the year before, underpinned by growth in the fair value of our assets, which were up \$99.8 million for the full year. Kiwi Property's office assets performed particularly strongly, delivering a 10.2% fair value gain in FY21, while mixed-use was up 1.5%. At 31 March 2021, our property portfolio was valued at \$3.3 billion.

## Operating performance

While Kiwi Property's net profit rose in FY21, not all elements of our financial performance avoided the COVID-19 related headwinds. The cost of asset lockdowns and the associated rent relief measures contributed to a 7.1% reduction in net rental income, which fell to \$173.6 million for the year. While down on the previous year, it is necessary to consider these figures within the context of the significant trading restrictions faced by many of our tenants in the first half of FY21.

The fall in Kiwi Property's net rental income led to a commensurate reduction in operating profit before tax, which decreased 10.3% to \$116.3 million in FY21.

Importantly however, the final six months of the financial year saw the company exceed leasing projections and contain rental abatements.

## Balance sheet

Kiwi Property maintained a strong balance sheet throughout FY21 and ended the year with gearing of 31.2%, comfortably within our self-imposed range of 25-35%. Since the close of the financial year we have refinanced \$700 million of the company's bank debt facilities in order to take advantage of favourable lending rates. As a result of this activity, our weighted average term of debt has improved to 3.5 years (on a 31 March 2021 pro-forma basis).

## Portfolio rebalancing

As the Chair noted, Kiwi Property's future lies in the creation of mixed-use communities at our large, strategic land holdings. By diversifying our portfolio uses, we will create a platform for accelerated growth and help guard against shocks to any particular asset class. With this in mind, we stepped-up our portfolio rebalancing programme in FY21, with the aim of reducing our exposure to regional retail and recycling capital to help fund our growth pipeline. The Plaza was listed for sale in October 2020, with Northlands subsequently also taken to market. We are currently in negotiations for both properties and will provide an update on the outcome of the transactions in due course. While these assets are high-yielding, we believe their sales will enable us to create greater value for the company over the longer term.

## Sylvia Park

The exciting \$277 million Level 1 expansion at Sylvia Park opened on 15 October 2020 and has performed well in the months since. Customer favourites such as Sephora, North Beach and Superdry have all opened new flagship stores at the centre, helping strengthen Sylvia Park's already compelling retail offering. In parallel, 'The Terrace at Sylvia Park' dining precinct has exceeded projections, with restaurants such as

Daruma Sushi and Master Bao attracting a loyal following among Auckland diners.

Elsewhere at Sylvia Park, high profile international brands including JD Sports and Culture Kings have announced they will be opening their first New Zealand stores in the centre's new urban and athleisure precinct, adjacent to Hoyts cinemas. The centre is now home to more than 270 stores and approximately 5,000 free carparks.

## Mixed-use development

Sylvia Park's evolution into a thriving mixed-use town centre is set to take another step forward in October 2021, when construction of a new \$63 million office building gets underway at 3 Te Kehu Way. The 7,450 square metre, six-storey development will target a 6 Green Star rating and has been designed with the flexibility to accommodate a range of tenants, including a specific focus on health and medical services.

Following the success of ANZ Raranga and the growing popularity of the 'hub and spoke' workplace model, we are attracting strong interest in office space at our mixed-use assets including Sylvia Park and LynnMall. We expect this trend to continue, placing Kiwi Property in a unique position to deliver the convenience, amenities and links to public transport sought by today's office workers.

## Centre Place North

At the start of April 2021, we announced a 50:50 joint venture with Waikato-based Tainui Group Holdings (TGH) covering Centre Place North and a number of adjacent properties in Hamilton's central business district, with a combined value of approximately \$71 million. The agreement builds on the relationship that already exists between Kiwi Property and TGH at The Base, and paves the way for the creation of a new mixed-use precinct in Hamilton's CBD. Plans are underway for a new office tower adjacent to Centre Place North, with potential for other uses to be added in the future.

## Drury

Our plans to build a 51-hectare master-planned community at Drury made substantial progress in FY21. As previously outlined, Kiwi Property intends to create a thriving transport-oriented development, featuring a mix of residential, commercial and retail assets, which will cater to the area's 60,000 expected future inhabitants.

Reflecting the potential for our Drury development to unlock housing, jobs and support economic recovery, the Minister for the Environment is currently processing a Fast-track application for the project under the COVID-19 Recovery Act 2020. If successful, the application could enable earthworks to begin at Drury in FY22, up to three years ahead of schedule. This acceleration of the project timeline will help us unlock exciting new opportunities for Kiwi Property and enable us to create a dynamic new destination for people to live, work and play, south of Auckland.

## Build to rent

Build to rent (BTR) accommodation remains a potentially exciting opportunity for Kiwi Property. With more than half of Auckland adults now renting and a well-documented housing shortage in New Zealand, there is a growing demand for quality long-term rental accommodation. BTR has expanded rapidly in the United States, United Kingdom and Australia, and New Zealand has the potential to follow suit.

The asset class has a low correlation to office and retail with lower volatility, helping to further diversify earnings. We are preparing development schemes for BTR at Sylvia Park and LynnMall and are currently working through the consenting process for both projects.

## Outlook

Kiwi Property started FY21 under the cloud of COVID-19 and has experienced significant disruption in the months since. While the pandemic affected the company's operating performance, it also served to galvanise

our people and focus the business on the delivery of our strategy.

We start the new financial year with exciting prospects ahead of us, including Drury, the new office tower at Sylvia Park and potentially BTR. We are focused on realising these and other opportunities in FY22, with an ongoing commitment to delivering for our stakeholders.

Regards,



**Clive Mackenzie**  
Chief Executive Officer



Kiwi Property Drury development. Artist's impression.



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**WE START  
THE NEW  
FINANCIAL  
YEAR WITH  
EXCITING  
OPPORTUNITIES  
AHEAD OF US**

”

OUR PURPOSE

**TO  
BRING  
PLACES  
TO  
LIFE**



HOW WE CREATE VALUE











# Financials

FOR THE YEAR ENDED 31 MARCH 2021

# 02.

# Five-year summary

## Financial performance

FOR THE YEAR ENDED 31 MARCH 2021

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Property revenue and management fees	234.0	243.6	237.5	251.0	239.6
<b>Total income</b>	<b>234.0</b>	<b>243.6</b>	<b>237.5</b>	<b>251.0</b>	<b>239.6</b>
Direct property expenses	(58.9)	(54.5)	(54.6)	(57.2)	(55.6)
Employment and administration expenses	(23.1)	(22.6)	(20.9)	(20.5)	(18.0)
<b>Total expenses</b>	<b>(82.0)</b>	<b>(77.1)</b>	<b>(75.5)</b>	<b>(77.7)</b>	<b>(73.6)</b>
<b>Profit before net finance expenses, other income/(expenses) and tax</b>	<b>152.0</b>	<b>166.5</b>	<b>162.0</b>	<b>173.3</b>	<b>166.0</b>
Interest income	0.3	0.2	0.2	0.3	0.3
Interest and finance charges	(36.0)	(37.0)	(37.7)	(42.6)	(43.2)
Net fair value gain/(loss) on interest rate derivatives	6.3	(9.9)	(11.0)	(2.4)	9.7
<b>Net finance expenses</b>	<b>(29.4)</b>	<b>(46.7)</b>	<b>(48.5)</b>	<b>(44.7)</b>	<b>(33.2)</b>
<b>Profit before other income/(expenses) and tax</b>	<b>122.6</b>	<b>119.8</b>	<b>113.5</b>	<b>128.6</b>	<b>132.8</b>
Net fair value gain/(loss) on investment properties	99.8	(289.9)	47.7	26.5	41.0
Gain/(loss) on disposal of investment properties	-	-	0.9	(7.1)	(1.3)
Litigation settlement expenses	-	-	-	-	(0.8)
<b>Other income/(expenses)</b>	<b>99.8</b>	<b>(289.9)</b>	<b>48.6</b>	<b>19.4</b>	<b>38.9</b>
<b>Profit/(loss) before income tax</b>	<b>222.4</b>	<b>(170.1)</b>	<b>162.1</b>	<b>148.0</b>	<b>171.7</b>
Income tax expense	(25.9)	(16.6)	(24.0)	(27.9)	(28.7)
<b>Profit/(loss) after income tax<sup>1</sup></b>	<b>196.5</b>	<b>(186.7)</b>	<b>138.1</b>	<b>120.1</b>	<b>143.0</b>

<sup>1</sup> 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 profit/(loss) before tax to operating profit before tax

FOR THE YEAR ENDED 31 MARCH 2021

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
<b>Profit/(loss) before income tax</b>	<b>222.4</b>	<b>(170.1)</b>	<b>162.1</b>	<b>148.0</b>	<b>171.7</b>
Adjusted for:					
Net fair value (gain)/loss on investment properties	(99.8)	289.9	(47.7)	(26.5)	(41.0)
(Gain)/loss on disposal of investment properties	-	-	(0.9)	7.1	1.3
Litigation settlement expenses	-	-	-	-	0.8
Net fair value (gain)/loss on interest rate derivatives	(6.3)	9.9	11.0	2.4	(9.7)
<b>Operating profit before income tax<sup>1</sup></b>	<b>116.3</b>	<b>129.7</b>	<b>124.5</b>	<b>131.0</b>	<b>123.1</b>

<sup>1</sup> 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 2021

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
<b>Profit/(loss) after income tax</b>	<b>196.5</b>	(186.7)	138.1	120.1	143.0
Adjusted for:					
Net fair value (gain)/loss on investment properties	(99.8)	289.9	(47.7)	(26.5)	(41.0)
(Gain)/loss on disposal of investment properties	-	-	(0.9)	7.1	1.3
Net fair value (gain)/loss on interest rate derivatives	(6.3)	9.9	11.0	2.4	(9.7)
Litigation settlement expenses	-	-	-	-	0.8
Reversal of lease liability movement in investment properties	(0.1)	(0.1)	-	-	-
Straight-lining of fixed rental increases	-	(1.2)	(2.0)	(2.1)	(2.1)
Amortisation of tenant incentives and leasing fees	7.2	7.1	7.0	7.8	6.7
Amortisation of rent abatements (COVID-19)	5.9	-	-	-	-
Rent deferrals (COVID-19)	(1.7)	-	-	-	-
Other one-off items	-	-	4.5	-	-
Deferred tax expense/(benefit)	11.3	(5.3)	(3.1)	2.5	3.8
<b>Funds from operations<sup>1</sup></b>	<b>113.0</b>	113.6	106.9	111.3	102.8
Maintenance capital expenditure	(5.3)	(7.5)	(6.9)	(4.7)	(8.6)
Capitalised tenant incentives and leasing fees	(3.1)	(3.9)	(8.4)	(11.9)	(16.2)
Capitalised rent abatements (COVID-19)	(15.2)	-	-	-	-
<b>Adjusted funds from operations<sup>2</sup></b>	<b>89.4</b>	102.2	91.6	94.7	78.0

1 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. During the 2018 financial year, the Guidelines amended the method used to derive FFO to include the amortisation of leasing fees. Kiwi Property amended its FFO calculation from 2018 to reflect this change.

2 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, rental abatements and annual maintenance capital expenditure for sustaining and maintaining existing space. 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 2021

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Funds from operations	113.0	113.6	106.9	111.3	102.8
Adjusted funds from operations	89.4	N/A	N/A	N/A	N/A
Less amount retained	(8.6)	(58.3)	(7.4)	(14.1)	(15.5)
<b>Cash dividend</b>	<b>80.8</b>	<b>55.3</b>	<b>99.5</b>	<b>97.2</b>	<b>87.3</b>
Payout ratio <sup>1</sup>	90%	49%	93%	87%	85%
	cps	cps	cps	cps	cps
Cash dividend	5.15	3.53	6.95	6.85	6.75
Imputation credits	1.36	0.79	2.00	1.89	1.92
<b>Gross dividend</b>	<b>6.51</b>	<b>4.32</b>	<b>8.95</b>	<b>8.74</b>	<b>8.67</b>

<sup>1</sup> With effect from 1 April 2020, the Group revised its dividend policy to be based on 90% to 100% of adjusted funds from operations (previously 90% to 100% of funds from operations).

## Financial position

AS AT 31 MARCH 2021

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
<b>Assets</b>					
Investment properties <sup>1</sup>	3,331.5	3,114.7	3,207.4	3,052.0	2,969.4
Cash and cash equivalents	16.0	21.3	9.9	10.7	9.8
Other assets	18.8	20.4	19.1	18.6	16.5
<b>Total assets</b>	<b>3,366.3</b>	<b>3,156.4</b>	<b>3,236.4</b>	<b>3,081.3</b>	<b>2,995.7</b>
<b>Liabilities</b>					
Interest bearing liabilities	1,049.9	1,009.9	1,001.7	913.5	1,030.4
Deferred tax liabilities	94.5	83.2	88.5	91.7	89.2
Other liabilities	87.1	91.8	95.3	82.0	70.0
<b>Total liabilities</b>	<b>1,231.5</b>	<b>1,184.9</b>	<b>1,185.5</b>	<b>1,087.2</b>	<b>1,189.6</b>
<b>Equity</b>					
Share capital	1,661.9	1,661.0	1,449.6	1,432.9	1,272.6
Share-based payments reserve	1.9	1.6	0.6	0.4	0.5
Retained earnings	471.0	308.9	600.7	560.8	533.0
<b>Total equity</b>	<b>2,134.8</b>	<b>1,971.5</b>	<b>2,050.9</b>	<b>1,994.1</b>	<b>1,806.1</b>
<b>Total equity and liabilities</b>	<b>3,366.3</b>	<b>3,156.4</b>	<b>3,236.4</b>	<b>3,081.3</b>	<b>2,995.7</b>
Gearing ratio (finance debt / total tangible assets)	31.2%	32.0%	31.0%	29.7%	34.5%
Net tangible assets per share	\$1.36	\$1.26	\$1.43	\$1.40	\$1.39

<sup>1</sup> Includes investment properties classified as held for sale as at 31 March 2021.



# Five-year summary (continued)

## Property metrics

AS AT 31 MARCH 2021

	2021	2020	2019	2018	2017
Number of core properties	8	12	12	13	14
Net lettable area (sqm)	341,914	435,528	436,870	451,230	474,381
Occupancy	99.7%	99.5%	99.3%	99.6%	98.8%
Weighted average lease expiry (years)	5.3	4.9	5.2	5.3	5.6
Weighted average capitalisation rate	5.49%	6.11%	5.99%	6.11%	6.40%

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

## Interpretation

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

### 2021

- Concluded development of Sylvia Park Level 1.
- Acquired additional properties adjacent to Sylvia Park, Auckland and Drury, South Auckland, for \$4.0m.
- 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).

### 2018

- Acquired 30.6 hectares of land at Drury, South Auckland, for \$32.7 million.
- Acquired property adjacent to Sylvia Park, Auckland, for \$27.1 million.
- 1 for 11 entitlement offer completed, raising \$157 million (net of costs).
- The Majestic Centre, Wellington, was sold.
- A \$125 million bond issue was completed (2024 expiry).

### 2017

- Acquired a 50% interest in The Base, Hamilton, for \$192.5 million.
- Centre Place South, Hamilton, was sold.
- Concluded developments at Westgate Lifestyle, Auckland, 44 The Terrace and The Aurora Centre, Wellington.
- Completed development of H&M and Zara at Sylvia Park, Auckland.
- A \$125 million bond issue was completed (2023 expiry).

# Financial statements

FOR THE YEAR ENDED 31 MARCH 2021

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Consolidated statement of comprehensive income	<b>Pg 25</b>
Consolidated statement of changes in equity	<b>Pg 26</b>
Consolidated statement of financial position	<b>Pg 27</b>
Consolidated statement of cash flows	<b>Pg 28</b>
Notes to the consolidated financial statements	<b>Pg 30</b>
Independent auditor's report	<b>Pg 67</b>
Corporate governance	<b>Pg 74</b>
Remuneration report	<b>Pg 76</b>
Other investor information	<b>Pg 85</b>
Shareholder statistics	<b>Pg 88</b>
Bondholder statistics	<b>Pg 89</b>
Substantial product holders	<b>Pg 91</b>

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# Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 \$000	2020 \$000
<b>Income</b>			
Property revenue	2.1	232,436	241,308
Property management income		1,547	2,314
<b>Total income</b>		<b>233,983</b>	<b>243,622</b>
<b>Expenses</b>			
Direct property expenses		(58,859)	(54,525)
Employment and administration expenses	2.2	(23,087)	(22,556)
<b>Total expenses</b>		<b>(81,946)</b>	<b>(77,081)</b>
<b>Profit before net finance expenses, other income/(expenses) and income tax</b>		<b>152,037</b>	<b>166,541</b>
Interest income		274	180
Interest and finance charges	2.2	(35,959)	(37,014)
Net fair value gain/(loss) on interest rate derivatives	3.4.2	6,305	(9,862)
<b>Net finance expenses</b>		<b>(29,380)</b>	<b>(46,696)</b>
<b>Profit before other income/(expenses) and income tax</b>		<b>122,657</b>	<b>119,845</b>
Net fair value gain/(loss) on investment properties	3.2	99,756	(289,969)
<b>Other income/(expenses)</b>		<b>99,756</b>	<b>(289,969)</b>
<b>Profit/(loss) before income tax</b>		<b>222,413</b>	<b>(170,124)</b>
Income tax expense	2.3	(25,884)	(16,570)
<b>Profit/(loss) and total comprehensive income after income tax attributable to shareholders</b>		<b>196,529</b>	<b>(186,694)</b>
Basic and diluted earnings per share (cents)	3.6.3	12.52	(12.50)

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 2021

	Note	Share capital \$000	Share-based payments reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 April 2019		1,449,646	602	600,632	2,050,880
Loss after income tax		-	-	(186,694)	(186,694)
Dividends paid	3.6.2	-	-	(105,086)	(105,086)
Dividends reinvested	3.6.1	17,534	-	-	17,534
Shares issued - retail and institutional placements	3.6.1	193,714	-	-	193,714
Employee share ownership plan		67	42	-	109
Long-term incentive plan	3.6.4	-	956	92	1,048
<b>Balance at 31 March 2020</b>		<b>1,660,961</b>	<b>1,600</b>	<b>308,944</b>	<b>1,971,505</b>
Balance at 1 April 2020		1,660,961	1,600	308,944	1,971,505
Profit after income tax		-	-	196,529	196,529
Dividends paid	3.6.2	-	-	(34,516)	(34,516)
Long-term incentive plan	3.6.4	883	300	23	1,206
Employee share ownership plan		72	(10)	-	62
<b>Balance at 31 March 2021</b>		<b>1,661,916</b>	<b>1,890</b>	<b>470,980</b>	<b>2,134,786</b>

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 2021

	Note	2021 \$000	2020 \$000
<b>Current assets</b>			
Cash and cash equivalents		16,040	21,252
Trade and other receivables	3.1	11,840	11,932
Investment properties held for sale	3.2	356,199	-
		<b>384,079</b>	<b>33,184</b>
<b>Non-current assets</b>			
Investment properties	3.2	2,975,295	3,114,734
Property, plant and equipment		4,115	4,274
Interest rate derivatives	3.4.2	2,822	4,186
		<b>2,982,232</b>	<b>3,123,194</b>
<b>Total assets</b>		<b>3,366,311</b>	<b>3,156,378</b>
<b>Current liabilities</b>			
Trade and other payables	3.5	53,265	53,523
Interest bearing liabilities	3.4.1	125,664	-
Income tax payable		2,672	1,748
Interest rate derivatives	3.4.2	-	104
Lease liabilities		8,737	1,024
		<b>190,338</b>	<b>56,399</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	3.4.1	924,197	1,009,867
Interest rate derivatives	3.4.2	18,965	26,530
Deferred tax liabilities	3.3	94,518	83,217
Lease liabilities		3,507	8,860
		<b>1,041,187</b>	<b>1,128,474</b>
<b>Total liabilities</b>		<b>1,231,525</b>	<b>1,184,873</b>
<b>Equity</b>			
Share capital	3.6.1	1,661,916	1,660,961
Share-based payments reserve		1,890	1,600
Retained earnings		470,980	308,944
<b>Total equity</b>		<b>2,134,786</b>	<b>1,971,505</b>
<b>Total equity and liabilities</b>		<b>3,366,311</b>	<b>3,156,378</b>

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 21 May 2021.



**Mark Ford**  
Chair



**Mary Jane Daly**  
Chair of the Audit and Risk Committee

# Consolidated statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2021

	2021 \$000	2020 \$000
<b>Cash flows from operating activities</b>		
Property revenue	227,767	245,702
Property management income	1,448	2,138
Interest and other income	274	180
Direct property expenses	(52,960)	(52,768)
Interest and finance charges	(34,258)	(36,566)
Interest costs paid on lease liabilities	(1,072)	(935)
Employment and administration expenses	(21,263)	(21,518)
Income tax expense	(13,663)	(28,822)
Goods and Services Tax received/(paid)	944	(54)
<b>Net cash flows from operating activities</b>	<b>107,217</b>	<b>107,357</b>
<b>Cash flows from investing activities</b>		
Acquisition of investment properties	(4,017)	(25,796)
Expenditure on investment properties	(103,221)	(159,587)
Interest and finance charges capitalised to investment properties	(8,593)	(10,793)
Acquisition of property, plant and equipment	(981)	(966)
<b>Net cash flows used in investing activities</b>	<b>(116,812)</b>	<b>(197,142)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	193,714
Payment of lease liabilities	(124)	(89)
Net proceeds from bank loans	39,000	7,000
Settlement of interest rate derivatives	-	(12,051)
Dividends paid	(34,493)	(87,460)
<b>Net cash flows from financing activities</b>	<b>4,383</b>	<b>101,114</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,212)</b>	<b>11,329</b>
Cash and cash equivalents at the beginning of the year	21,252	9,923
<b>Cash and cash equivalents at the end of the year</b>	<b>16,040</b>	<b>21,252</b>

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



# Consolidated statement of cash flows (continued)

	2021	2020
	\$000	\$000
<b>Reconciliation of profit/(loss) after income tax to net cash flows from operating activities</b>		
Profit/(loss) after income tax	196,529	(186,694)
Items classified as investing or financing activities:		
Movement in working capital items relating to investing and financing activities	(8,903)	6,747
Non-cash items:		
Net fair value (gain)/loss on interest rate derivatives	(6,305)	9,862
Net fair value (gain)/loss on investment properties	(99,756)	289,969
Increase/(decrease) in deferred tax liabilities	11,301	(5,324)
Amortisation of lease incentives, abatements and fees	13,557	6,470
Straight-lining of fixed rental increases	36	(1,193)
Movements in working capital items:		
Decrease in trade and other receivables	92	1,269
Increase/(decrease) in income tax payable	924	(6,927)
Decrease in trade and other payables	(258)	(6,822)
<b>Net cash flows from operating activities</b>	<b>107,217</b>	<b>107,357</b>

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 2021

## 1. General information

1.1	Reporting entity	Pg 31
1.2	Basis of preparation	Pg 31
1.3	Significant changes during the year	Pg 31
1.4	Group structure	Pg 31
1.5	New standards, amendments and interpretations	Pg 32
1.6	Key judgements and estimates	Pg 32
1.7	Accounting policies	Pg 32

## 2. Profit and loss information

2.1	Property revenue	Pg 33
2.2	Expenses	Pg 34
2.3	Tax expense	Pg 35

## 3. Financial position information

3.1	Trade and other receivables	Pg 37
3.2	Investment properties	Pg 37
3.3	Deferred tax	Pg 49
3.4	Funding	Pg 50
3.5	Trade and other payables	Pg 55
3.6	Equity	Pg 55

## 4. Financial risk management

4.1	Interest rate risk	Pg 60
4.2	Credit rate risk	Pg 61
4.3	Liquidity risk	Pg 61

## 5. Other information

5.1	Segment information	Pg 63
5.2	Related party transactions	Pg 64
5.3	Key management personnel	Pg 65
5.4	Commitments	Pg 65
5.5	Subsequent events	Pg 66

# 1. General information

FOR THE YEAR ENDED 31 MARCH 2021

## 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.

Certain comparative figures have been reclassified to accord with current year presentation.

## 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:

### COVID-19 global pandemic

In response to the COVID-19 global pandemic, New Zealand entered a nationwide Alert Level 4 lockdown on 26 March 2020. During Alert Levels 3 and 4 the operations of many of the Group's tenants were restricted to varying degrees, and at Alert Level 2 businesses were able to operate with restrictions remaining in place around social-distancing and mass gatherings. At Alert Level 1, businesses were able to operate with no restrictions around social-distancing and mass gatherings. Auckland experienced additional Alert Level 3 lockdowns in August 2020, February 2021 and March 2021 and tenants were again restricted to varying degrees.

The pandemic resulted in the Group offering rental relief across the majority of the Group's tenants. This rental relief included abatements for rental income payable for the months of April, May and June and in some cases also included rental deferrals (generally for 18 to 24 months). Additional relief was provided for certain Auckland based tenants significantly impacted by the return to Alert Level 3. Certain rental abatements have been accounted for as lease modifications under NZ IFRS, with the change in lease payments amortised over the remaining terms of the leases, while other concessions have been recognised directly as a charge to the Consolidated Statement of Comprehensive Income. Rental abatements relating to the COVID-19 global pandemic were \$19.5 million on a cash basis, with a charge to the Consolidated Statement of Comprehensive Income of \$10.2 million for the year ended 31 March 2021. Rent deferrals recognised in the Consolidated Statement of Financial Position as at 31 March 2021 amounted to \$1.7 million, exclusive of GST.

### Investment property

Following the decision by the Board to divest retail properties from the investment property portfolio, and the subsequent receipt of offers for various properties, a new classification of 'investment properties held for sale' has been recognised as at 31 March 2021. As at 31 March 2021 the retail segment has been removed in alignment with the Group's strategy. Refer to note 3.2 for more information.

During the year ended 31 March 2021, the Group acquired properties in Mount Wellington and Drury for a total of \$4.0 million.

## 1.4 Group structure

### Controlled entities

The Company has the following wholly owned subsidiaries: Kiwi Property Holdings Limited (KPHL), Kiwi Property Holdings No. 2 Limited (KPHL2), Kiwi Property Te Awa Limited (KPTAL), Sylvia Park Business Centre Limited (SPBCL) and Kiwi Property Centre Place Limited (KPCPL). SPBCL owns Sylvia Park and Sylvia Park Lifestyle. KPHL2 owns the development land at Drury. KPTAL owns the Group's 50% interest in The Base. KPCPL, incorporated on 30 March 2021, will hold a 50% interest in The Centre Place unincorporated joint venture which was formed on 1 April 2021. All other properties are owned by KPHL and SPBCL.

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



## 1.4 Group structure (continued)

### Joint venture

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

### Principles of consolidation

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

## 1.5 New standards, amendments and interpretations

There were no new accounting standards impacting the consolidated financial statements for the year ended 31 March 2021.

## 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:

<b>Note 2.3</b>	Tax expense	Page 35
<b>Note 3.1</b>	Provision for doubtful debts	Page 37
<b>Note 3.2</b>	Investment properties	Page 37
<b>Note 3.4.2</b>	Interest rate derivatives	Page 52
<b>Note 3.6.4</b>	Share-based payments	Page 57

## 1.7 Accounting policies

Accounting policies that summarise the measurement basis 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.

### Government grants

The Group received a government grant of \$1.0 million under the COVID-19 wage subsidy scheme in May 2020. The government grant was accounted for under NZ IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance in the financial statements for the six months ended 30 September 2020. The Group voluntarily repaid the grant in January 2021.

# 2. Profit and loss information

FOR THE YEAR ENDED 31 MARCH 2021

## 2.1 Property revenue

	2021 \$000	2020 \$000
Gross rental income <sup>1</sup>	245,005	245,587
Straight-lining of fixed rental increases	(36)	1,193
Amortisation of capitalised lease incentives and abatements	(12,533)	(5,472)
<b>Property revenue</b>	<b>232,436</b>	<b>241,308</b>

<sup>1</sup> Includes \$39.1 million of operating expenses recovered from tenants (2020: \$38.7 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:

	2021 \$000	2020 \$000
Within one year	259,675	243,457
Between one and two years	214,015	207,567
Between two and three years	190,170	173,386
Between three and four years	164,443	152,802
Between four and five years	130,424	126,260
Later than five years	424,673	426,338
<b>Property operating lease income</b>	<b>1,383,400</b>	<b>1,329,810</b>



### 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. Rental abatements provided to tenants are also capitalised to investment properties and amortised over the lease term as a reduction of rental income.



## 2.2 Expenses

	2021 \$000	2020 \$000
Interest and finance charges on bank loans	20,326	23,554
Interest on fixed-rate green bonds	23,154	23,339
Interest on lease liabilities	1,072	935
Interest capitalised to investment properties being developed	(8,593)	(10,814)
<b>Interest and finance charges</b>	<b>35,959</b>	<b>37,014</b>
Auditor's remuneration:		
Statutory audit and review of the consolidated financial statements	249	312
Assurance related services <sup>1</sup>	48	44
Remuneration benchmarking	9	33
Agreed upon procedures in respect of a specified remuneration metric	5	5
Professional services in relation to long-term incentive plan design	-	29
Directors' fees	686	772
Employee entitlements	23,915	23,678
Less: recognised in direct property expenses	(6,856)	(5,888)
Less: capitalised to investment properties being developed	(1,800)	(2,151)
Information technology	1,913	1,534
Investor related expenses	527	617
Occupancy costs	428	448
Professional fees	1,989	1,208
Trustees' fees	110	107
Other	1,864	1,808
<b>Employment and administration expenses</b>	<b>23,087</b>	<b>22,556</b>

<sup>1</sup> Assurance related services includes the audits of special purpose financial information in accordance with tenancy agreements.

Subsequent to year end the auditors were engaged to perform agreed upon procedures in respect of the Centre Place North apportionment statement for approximately \$3,500, which represents the Group's 50% share.

## 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 2021 this was 4.24% (2020: 4.58%).

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

	2021 \$000	2020 \$000
Profit/(loss) before income tax	222,413	(170,124)
Prima facie income tax (expense)/benefit at 28%	(62,276)	47,635
Adjusted for:		
Net fair value gain on interest rate derivatives	1,765	613
Net fair value gain/(loss) on investment properties	27,932	(81,191)
Depreciation	14,232	8,046
Net abatements and deferred leasing costs	2,138	(250)
Deferred rent	474	-
Deductible capitalised expenditure	2,435	3,166
Prior year adjustment	11	12
Other	(1,294)	75
<b>Current tax expense</b>	<b>(14,583)</b>	<b>(21,894)</b>
Depreciation recoverable	(7,864)	5,727
Net fair value gain on interest rate derivatives	(1,765)	(613)
Deferred leasing costs and other temporary differences	(1,672)	210
<b>Deferred tax (expense)/benefit</b>	<b>(11,301)</b>	<b>5,324</b>
<b>Income tax expense reported in profit</b>	<b>(25,884)</b>	<b>(16,570)</b>
<b>Imputation credits available for use in subsequent periods</b>	<b>7,927</b>	<b>11,242</b>

## 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.

As part of the assistance package offered by the Government on 25 March 2020, depreciation allowances have been re-introduced for commercial building structure effective from 1 April 2020.

#### Depreciation recovered on the former PricewaterhouseCoopers Centre (PwC Centre), Christchurch

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

Following the earthquakes, the Government introduced legislation that provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance income will be used to acquire or develop replacement property in the Canterbury region. The legislation requires that the replacement property be available for use by 31 March 2024. As at 31 March 2021, the Group continues to qualify for this relief and a deferred tax liability of \$3.6 million has been provided (2020: \$4.2 million).



# 3. Financial position information

FOR THE YEAR ENDED 31 MARCH 2021

## 3.1 Trade and other receivables

	2021 \$000	2020 \$000
Trade debtors	7,566	6,779
Provision for doubtful debts	(2,620)	(1,030)
Accrued COVID-19 rent relief <sup>1</sup>	(1,478)	-
	3,468	5,749
Deferred rent <sup>2</sup>	1,947	-
Prepayments	6,425	6,183
<b>Trade and other receivables</b>	<b>11,840</b>	<b>11,932</b>

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 balance date.

2 Relates to rental amounts where payment terms have been extended as part of COVID-19 rent relief offered to certain tenants.



### 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 the debtors and the economic environment. Debtors are written off when recovery is no longer anticipated. There are no overdue debtors considered impaired that have not been provided for.

## 3.2 Investment properties



### Recognition and measurement

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

#### Initial recognition - acquired properties

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

#### Initial recognition - properties being developed

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

## 3.2 Investment properties (continued)

### Subsequent recognition

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

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

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 2020 \$000	Capital movements 2021 \$000	Fair value gain/(loss) 2021 \$000	Fair value 31 March 2021 \$000
<b>Mixed-use</b>						
Sylvia Park	JLL	5.50	982,000	86,325	31,675	1,100,000
Sylvia Park Lifestyle	JLL	5.88	74,300	689	11,511	86,500
LynnMall	Colliers	6.63	245,000	9,695	(5,695)	249,000
The Base <sup>1</sup>	CBRE	6.38	198,000	2,807	(13,307)	187,500
			1,499,300	99,516	24,184	1,623,000
<b>Office</b>						
Vero Centre	Colliers	4.75	445,000	438	55,062	500,500
ASB North Wharf	JLL	4.88	238,000	198	21,802	260,000
The Aurora Centre	CBRE	5.50	170,300	(1,656)	13,056	181,700
44 The Terrace	CBRE	5.88	57,100	(178)	2,478	59,400
			910,400	(1,198)	92,398	1,001,600
<b>Other</b>						
Westgate Lifestyle <sup>2</sup>	Colliers	6.00	79,000	298	9,202	88,500
Other properties <sup>3</sup>			170,050	4,404	15,896	190,350
Development land			60,000	8,362	(62)	68,300
			309,050	13,064	25,036	347,150
			2,718,750	111,382	141,618	2,971,750
Gross up of lease liabilities			1,269	2,310	(34)	3,545
<b>Investment properties - non-current</b>			<b>2,720,019</b>	<b>113,692</b>	<b>141,584</b>	<b>2,975,295</b>
<b>Investment properties held for sale</b>						
Properties held for sale <sup>4</sup>			386,100	3,138	(41,738)	347,500
Gross up of lease liabilities <sup>4</sup>			8,615	174	(90)	8,699
<b>Investment properties held for sale - current</b>			<b>394,715</b>	<b>3,312</b>	<b>(41,828)</b>	<b>356,199</b>
<b>Total investment properties</b>			<b>3,114,734</b>	<b>117,004</b>	<b>99,756</b>	<b>3,331,494</b>

1 Represents the Group's 50% ownership interest.

2 Following a change in the Group's strategy to focus on mixed-use and office assets, Westgate Lifestyle has been reclassified from retail to other in the current year.

3 Includes 50% of Centre Place North, which is not held for sale.

4 Includes The Plaza, Northlands, 50% of Centre Place North and an adjoining property. The associated gross up of lease liabilities has also been classified as properties held for sale. The Centre Place North transaction settled on 1 April 2021. Refer to note 5.5 for further information. Conditional offers have been received for The Plaza and Northlands, with settlement dates yet to be determined.



### 3.2 Investment properties (continued)

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

1 Sylvia Park was valued 'as if complete' at \$1.09 billion based on a capitalisation rate of 5.50%. The deduction of outstanding development costs for the Level 1 and south carpark development (\$84.9 million) together with allowances for profit and risk and stabilisation (\$23.2 million) results in an 'as is' value of \$982 million.

2 Represents the Group's 50% ownership interest.

### 3.2 Investment properties (continued)

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

	Mixed-use \$000	Retail \$000	Office \$000	Other \$000	Held for sale \$000	2021 \$000
Balance at the beginning of the year excluding gross up of lease liabilities	1,499,300	480,500	910,400	214,650	-	3,104,850
Transfer from retail to other	-	(97,250)	-	97,250	-	-
Transfer to held for sale	-	(383,250)	-	(2,850)	386,100	-
Capital movements:						
Acquisitions	-	-	-	4,017	-	4,017
Capitalised costs (including lease incentives, fees, abatements and fixed rental income)	99,629	-	3,127	6,058	6,689	115,503
Capitalised interest and finance charges	4,755	-	-	3,838	-	8,593
Amortisation of lease incentives, fees, abatements and fixed rental income	(4,868)	-	(4,325)	(849)	(3,551)	(13,593)
	99,516	-	(1,198)	13,064	3,138	114,520
Net fair value gain/(loss) on investment properties excluding gross up of lease liabilities	24,184	-	92,398	25,036	(41,738)	99,880
<b>Balance at the end of the year excluding gross up of lease liabilities</b>	<b>1,623,000</b>	<b>-</b>	<b>1,001,600</b>	<b>347,150</b>	<b>347,500</b>	<b>3,319,250</b>
Gross up of lease liabilities:						
Balance at the beginning of the year	498	8,656	-	730	-	9,884
Transfer from retail to other	-	(771)	-	771	-	-
Transfer to held for sale	-	(7,885)	-	(730)	8,615	-
Capital movements	9	-	-	2,301	174	2,484
Fair value movements	(34)	-	-	-	(90)	(124)
	473	-	-	3,072	8,699	12,244
<b>Balance at the end of the year including gross up of lease liabilities</b>	<b>1,623,473</b>	<b>-</b>	<b>1,001,600</b>	<b>350,222</b>	<b>356,199</b>	<b>3,331,494</b>

### 3.2 Investment properties (continued)

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

	Mixed-use \$000	Retail \$000	Office \$000	Other \$000	2020 \$000
Balance at the beginning of the year	1,533,500	597,500	893,000	183,389	3,207,389
Capital movements:					
Acquisitions	-	-	-	25,583	25,583
Capitalised costs (including lease incentives, fees and fixed rental income)	138,518	10,589	4,008	3,127	156,242
Capitalised interest and finance charges	6,715	154	-	3,924	10,793
Amortisation of lease incentives, fees and fixed rental income	(2,268)	(1,678)	(1,133)	(198)	(5,277)
	142,965	9,065	2,875	32,436	187,341
Net fair value (loss)/gain on investment properties	(177,165)	(126,065)	14,525	(1,175)	(289,880)
Gross up of lease liabilities	498	8,656	-	730	9,884
<b>Balance at the end of the year</b>	<b>1,499,798</b>	<b>489,156</b>	<b>910,400</b>	<b>215,380</b>	<b>3,114,734</b>



#### 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 (2020: Level 3) in the fair value hierarchy because all significant inputs that determine fair value are not based on observable market data. Refer to note 1.7 for further information on the fair value hierarchy.

##### Valuation process

All investment properties were valued as at 31 March 2021 (and as at 31 March 2020). All valuations are prepared by independent valuers who are members of the Group's valuation panel and members of the New Zealand Institute of Valuers.

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

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 LynnMall, The Base, Centre Place North, The Plaza and Northlands have made deductions for seismic strengthening works. 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 allowances for escalation and profit and risk.



### 3.2 Investment properties (continued)

The timing of the cash outflow for these costs has been spread over the likely remediation period and the overall value deduction reflects the present value of costs over the adopted time horizon.

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

Sylvia Park was valued using the residual approach as at 31 March 2020 and at 30 September 2020 as the Level 1 development was still in progress. Now the development is substantially complete, the residual approach has not been used as at 31 March 2021.

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 (including costs to complete for investment properties being developed), assesses valuation movements since the previous year and holds discussions with the independent valuers to assess the reasonableness of the valuations.

#### Impact of the COVID-19 global pandemic

As at 31 March 2021 the real estate markets to which the Group's investment properties belong continued to be impacted by market uncertainty caused by COVID-19.

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

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

#### Income uncertainty

The pandemic has impacted the income earning potential of the Group's properties during the financial year. The Group leases commercial accommodation to a range of businesses from where they conduct their operations. Restrictions imposed by the Government to combat the pandemic prevented certain businesses from operating out of their premises in the usual manner. In response, the Group worked through a cost sharing programme with each affected tenant whereby the Group forgave a portion of the rent payable by the tenant. In certain cases the Group also deferred rent payable. The percentage of rent forgiven, the duration of the forgiveness period, and the deferral period (where applicable) were subject to negotiation between the Group and the tenant. This programme had a negative impact on the Group's income for the year ended 31 March 2021. Future income may also be impacted as:

- the underlying activity and profitability of many of the Group's tenants may be affected by further restrictions which prevent the population from socialising or accessing goods and services to the extent they could before the pandemic, although the combination of the Government's pandemic management protocols and the eventual roll-out of an effective vaccination programme over time is expected to reduce the need for long-term restrictions, and therefore the need for further cost sharing measures of the same scale.
- border restrictions into New Zealand mean businesses that rely on travel and tourism will continue to be negatively impacted.

## 3.2 Investment properties (continued)

### Investment uncertainty

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

### Valuation uncertainty

The Group's valuers have noted the difficulty in undertaking valuations as a result of income and investment uncertainty and accordingly valuations for the portfolio at 31 March 2020 and 30 September 2020 contained Material Valuation Uncertainty statements as recommended by The New Zealand Institute of Valuers to highlight the difficulties in undertaking valuations in the market prevailing at the time. This implies the valuations were current at the date of the valuation only and that less certainty and a higher degree of caution should be attached to the valuation. In addition, it was recommended that the valuations should be kept under frequent review as the assessed value may change significantly and unexpectedly over a relatively short period of time.

More recently, there has been increased transactional activity across some property sectors. This has enabled valuers of properties within these sectors to conclude valuations with a greater degree of certainty and consequently remove the Material Valuation Uncertainty clauses from the valuations for these assets. Notwithstanding, these valuations still include downgraded statements pertaining to market volatility, elevated risk and uncertainty suggesting that a higher degree of caution should still be exercised when relying upon the valuations.

Investment uncertainty remains for some assets as there have been no transactions of scale in the retail market. Valuations for Sylvia Park, The Base, Centre Place North, The Plaza and Northlands at 31 March 2021 continue to contain Material Valuation Uncertainty statements. In the absence of relevant market evidence, the valuers have adjusted valuation inputs and estimates to reflect the impact of the pandemic on investment property value. The valuers have tended to place greater emphasis on the discounted cash flow approach as this methodology allows them to more explicitly model assumptions and events that are not expected to prevail long into the future.

Until investment property values can be demonstrated to have stabilised post COVID-19, the Group intends to more closely monitor the investment markets to determine if more frequent valuation updates need to be obtained.

### Impact on values at 31 March 2021

To reflect the impact of the pandemic on investment property value, the valuers have generally adopted softer valuation inputs than those adopted prior to the pandemic, including lower growth rates across the near term, lower market rental levels, increased vacancy rates and increased letting-up allowances. The valuers have also made deductions for the costs of estimated rent relief to tenants for occupancy disruption resulting from pandemic-related impacts. This is consistent with the approach taken for the valuations prepared as at 31 March 2020 although the quantum of the deductions is less as at 31 March 2021, with the Alert Level 4 lockdown period having now passed. At 31 March 2020 the valuers also expanded capitalisation and discount rates due to the greater market uncertainty. At 31 March 2021, capitalisation and discount rates contracted with the lesser uncertainty, however these are not back to pre-pandemic levels.

For the year ended 31 March 2021 the Group reported a fair value gain of \$99.9 million (\$99.8 million after accounting for the gross up of lease liabilities).

## 3.2 Investment properties (continued)

### Seismic uncertainty

The Group is committed to upgrading the seismic resilience of its assets to appropriate New Building Standards (NBS). Initial seismic assessments (ISA) have been undertaken across most of the Group's assets excluding those which have been recently constructed and therefore deemed to have met current building code. Where the ISA of a building is below acceptable NBS standards, the Group will generally procure a detailed seismic assessment (DSA) to more accurately verify the NBS rating and assist in the design of remediation solutions to increase the NBS to acceptable levels.

The valuations for certain Group assets therefore contain deductions for costs associated with identified seismic remediation works. The cost deductions are based on quantity surveyor assessments with additional allowances for professional fees and other associated costs. In some instances, valuers add additional allowances for profit and risk.

Cost assessments for seismic works contain some 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 structural plans of a building which can sometimes be found to be inaccurate once more intrusive building investigations are carried out. Therefore, 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.

### Valuation inputs

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

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

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

The table on the following page 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. The retail portfolio has been excluded in the current year in alignment with the Group's strategy.

The impact of COVID-19 has been partially reversed and can be seen in the analysis below through the general strengthening in metrics from 2020 to 2021. This is mainly evident through the capitalisation rate and discount rates metrics, which have contracted (decreased), and the growth rates, which have expanded (increased), having an effect of increasing the fair value. The lower end of the growth rate range for the mixed-use portfolio can still be seen to be negative. These metrics indicate a range across all assets in that portfolio, so don't affect all properties, and typically relate to the early year or years of the cash flow so don't continue across the full discounted cash flow horizon.

### 3.2 Investment properties (continued)

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs		Sensitivity
		2021	2020	
Mixed-use	Core capitalisation rate	5.5% - 6.6%	5.5% - 6.6%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate	5.5% - 6.9%	6.2% - 8.3%	
	Discount rate	7.0% - 8.3%	7.3% - 8.3%	
	Terminal capitalisation rate	5.6% - 6.6%	5.5% - 6.8%	The higher the market rent and growth rate, the higher the fair value.
	Gross market rent (per sqm) <sup>1</sup>	\$381 - \$787	\$371 - \$786	
	Rental growth rate (per annum)	-2.3% - 3.9%	-14.6% - 7.4%	
Retail	Core capitalisation rate	Not applicable	6.6% - 11.3%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Other income capitalisation rate		6.6% - 11.3%	
	Discount rate		8.3% - 10.6%	
	Terminal capitalisation rate		8.1% - 12.3%	The higher the market rent and growth rate, the higher the fair value.
	Gross market rent (per sqm) <sup>1</sup>		\$263 - \$638	
	Rental growth rate (per annum)		-15.3% - 6.5%	
Office	Core capitalisation rate	4.8% - 5.9%	5.3% - 6.4%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	6.5% - 6.9%	6.8% - 7.4%	
	Terminal capitalisation rate	4.9% - 6.3%	5.3% - 6.8%	The higher the market rent and growth rate, the higher the fair value.
	Gross market rent (per sqm) <sup>1</sup>	\$486 - \$670	\$492 - \$668	
	Rental growth rate (per annum)	1.0% - 3.5%	0.0% - 4.0%	

<sup>1</sup> 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 portfolios is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on fair value of investment properties.

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

	Adopted value	Capitalisation rate - 25bp	Capitalisation rate + 25bp	Discount rate - 25bp	Discount rate + 25bp
<b>31 March 2021</b>					
<b>Mixed-use</b>					
Actual valuation (\$000)	1,623,000				
Impact of assumption change (\$000)		78,300	(68,200)	30,100	(29,400)
Impact of assumption change (%)		4.8	(4.2)	1.9	(1.8)
<b>Office</b>					
Actual valuation (\$000)	1,001,600				
Impact of assumption change (\$000)		52,900	(48,100)	19,000	(18,400)
Impact of assumption change (%)		5.3	(4.8)	1.9	(1.8)
<b>31 March 2020</b>					
<b>Mixed-use</b>					
Actual valuation (\$000)	1,499,300				
Impact of assumption change (\$000)		70,100	(63,500)	37,500	(34,900)
Impact of assumption change (%)		4.7	(4.2)	2.5	(2.3)
<b>Retail</b>					
Actual valuation (\$000)	480,500				
Impact of assumption change (\$000)		17,200	(14,800)	8,700	(8,500)
Impact of assumption change (%)		3.6	(3.1)	1.8	(1.8)
<b>Office</b>					
Actual valuation (\$000)	910,400				
Impact of assumption change (\$000)		44,700	(39,800)	16,800	(16,500)
Impact of assumption change (%)		4.9	(4.4)	1.8	(1.8)

### 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

	2021 \$000	2020 \$000
<b>Deferred tax assets</b>		
Interest rate derivatives	4,520	6,285
<b>Deferred tax liabilities</b>		
Depreciation recoverable	(88,801)	(80,937)
Deferred leasing costs and other temporary differences	(10,237)	(8,565)
	(99,038)	(89,502)
<b>Net deferred tax liabilities</b>	(94,518)	(83,217)



#### 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:

	2021 \$000	2020 \$000
Bank loans - total facilities	825,000	825,000
Bank loans - undrawn facilities	(252,000)	(291,000)
Bank loans - drawn facilities	573,000	534,000
Fixed-rate green bonds - current	125,664	-
Fixed-rate green bonds - non-current	351,197	475,867
Fixed-rate green bonds - amortised cost	476,861	475,867
<b>Interest bearing liabilities</b>	<b>1,049,861</b>	<b>1,009,867</b>

	2021 \$000	2020 \$000
Face value of fixed-rate green bonds - current	125,000	-
Face value of fixed-rate green bonds - non-current	350,000	475,000
<b>Face values</b>	<b>475,000</b>	<b>475,000</b>

	2021	2020
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	<b>4.19%</b>	4.35%
Weighted average term to maturity for the combined facilities	<b>2.9 years</b>	3.9 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) and Westpac New Zealand (unchanged from 31 March 2020).

In March 2020, \$361 million of existing bank debt facilities were refinanced.

In May 2021, the Group refinanced \$700 million of bank debt facilities and reduced the overall bank facilities from \$825 million to \$800 million. Refer to note 5.5 for further information.

#### Fixed-rate green bonds

Following the launch of the sustainable debt framework on 31 March 2021, the NZX approved the conversion of the Group's existing fixed-rate bonds to fixed-rate green bonds.

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 2021 \$000	Fair value 2020 \$000
KPG010	125,000	6-Aug-14	20-Aug-21	6.15%	February, August	127,362	129,762
KPG020	125,000	7-Sep-16	7-Sep-23	4.00%	March, September	131,858	127,004
KPG030	125,000	19-Dec-17	19-Dec-24	4.33%	June, December	136,421	128,922
KPG040	100,000	12-Nov-18	12-Nov-25	4.06%	May, November	108,120	101,807
<b>Fixed-rate green bonds</b>	<b>475,000</b>					<b>503,761</b>	<b>487,495</b>

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 (2020: 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 way of a Global Security Deed (the Deed). Pursuant to the Deed, a security interest has been granted over all of the assets of the Group. No mortgage has been granted over the Group's properties, however, the Deed allows a mortgage to be granted if an event of default occurs.

### 3.4.2 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.

	2021 \$000	2020 \$000
Interest rate derivative assets - non-current	2,822	4,186
Interest rate derivative liabilities - current	-	(104)
Interest rate derivative liabilities - non-current	(18,965)	(26,530)
<b>Net fair values of interest rate derivatives</b>	<b>(16,143)</b>	<b>(22,448)</b>
Notional value of interest rate derivatives - fixed-rate payer - active	290,000	245,000
Notional value of interest rate derivatives - fixed-rate receiver - active <sup>1</sup>	40,000	40,000
Notional value of interest rate derivatives - fixed-rate payer - forward starting	50,000	165,000
<b>Notional values</b>	<b>380,000</b>	<b>450,000</b>
Fixed-rate payer swaps:		
Weighted average term to maturity - active	2.6 years	2.3 years
Weighted average term to maturity - forward starting	5.5 years	5.0 years
<b>Weighted average term to maturity</b>	<b>3.1 years</b>	<b>3.4 years</b>
Fixed-rate payer swaps:		
Weighted average interest rate - active <sup>2</sup>	2.98%	3.51%
Weighted average interest rate - forward starting <sup>2</sup>	2.27%	2.74%
<b>Weighted average interest rate</b>	<b>2.87%</b>	<b>3.20%</b>

<sup>1</sup> The Group has \$40 million of fixed-rate receiver swaps for the duration of the \$100 million KPG040 fixed-rate green bonds. The effect of the fixed-rate receiver swaps is to convert a portion of the bond to floating interest rates.

<sup>2</sup> 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 adviser using valuation techniques classified as Level 2 in the fair value hierarchy (2020: 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 2021 of between 0.35% for the 90-day BKBM and 1.97% for the 10-year swap rate (2020: 0.49% and 0.93%, respectively).

### 3.4.3 Capital management

The Group's capital includes equity and interest bearing liabilities. The Group maintains a strong capital base to ensure investor, creditor and market confidence and to sustain the Group's ongoing activities. The impact of the level of capital on shareholder returns and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position is managed by the Group. The Group is subject to the capital requirement imposed by the Group's Senior Facilities Agreement governing its interest bearing liabilities which requires that total finance debt be maintained at no more than 45% of the total tangible assets of the Group. However, the Group actively manages its debt to its internal treasury policy which sets a target gearing range of 25% to 35%. The Group has complied with its Senior Facilities Agreement capital requirement at all times throughout the year.

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

Given the inherent uncertainty created by the COVID-19 global pandemic, the Board adopted a prudent approach to capital management and determined that no final dividend would be paid for the year ended 31 March 2020. Dividend payments resumed with an interim dividend being paid for the half year ended 30 September 2020.

Following the decision that no final dividend be paid for the year ended 31 March 2020, the Group revised its dividend policy. Dividend payments are now based on a range of factors, including with particular reference to the Group's adjusted funds from operations (AFFO), which will be the primary basis on which dividend amounts 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.

The Board also temporarily suspended all non-essential capital expenditure projects until the duration and financial impact of the COVID-19 pandemic became more certain. The Board has subsequently approved a return to normal operations.

At balance date, the market capitalisation of the Group (being the 31 March 2021 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 2021 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 level of uncertainty due to the impact of COVID-19 and its impact on the New Zealand and global economies.

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



### 3.5 Trade and other payables

	2021 \$000	2020 \$000
Trade creditors	31,312	24,264
Interest and finance charges payable	1,316	1,682
Development costs payable	12,824	21,660
Employment liabilities	4,439	4,409
Rent in advance	1,690	768
Goods and Services Tax payable	1,684	740
<b>Trade and other payables</b>	<b>53,265</b>	<b>53,523</b>



#### 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:

	2021 Number 000	2021 Amount \$000	2020 Number 000	2020 Amount \$000
Balance at the beginning of the year	1,569,088	1,660,961	1,432,820	1,449,646
Issue of shares:				
Dividend reinvestment	-	-	11,475	17,534
Retail and Institutional placements	-	-	124,793	193,714
Long-term incentive plan - shares issued	281	-	-	-
Long-term incentive plan - shares vested	-	439	-	-
Long-term incentive plan - shares forfeited	-	444	-	-
Employee share ownership plan - shares vested	-	72	-	67
<b>Balance at the end of the year</b>	<b>1,569,369</b>	<b>1,661,916</b>	<b>1,569,088</b>	<b>1,660,961</b>

563,315 shares at a cost of \$0.8 million are held by Pacific Custodians (New Zealand) Limited (the LTI Trustee) for the Group's long-term incentive plan (2020: 1,064,642 shares, at a cost of \$1.5 million). Refer to note 3.6.4 for further information on share-based payments.

### 3.6.1 Share capital (continued)



#### Recognition and measurement

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

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

### 3.6.2 Dividends

Dividends paid during the year comprised:

	Date declared	2021 cps	2021 \$000	Date declared	2020 cps	2020 \$000
Cash		-	-		3.475	49,790
Imputation credits		-	-		1.070	15,331
<b>Final dividend</b>		-	-	17-May-19	4.545	65,121
Cash		2.200	34,516		3.525	55,296
Imputation credits		0.856	13,423		0.790	12,393
<b>Interim dividend</b>	20-Nov-20	3.056	47,939	15-Nov-19	4.315	67,689
Cash		2.200	34,516		7.000	105,086
Imputation credits		0.856	13,423		1.860	27,724
<b>Total dividends</b>		3.056	47,939		8.860	132,810

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 was suspended and did not apply to the interim dividend paid for the half year ended 30 September 2020.

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

### 3.6.3 Earnings per share

	2021	2020
Profit and total comprehensive income after income tax attributable to shareholders (\$000)	196,529	(186,694)
Weighted average number of shares (000)	1,569,313	1,493,136
<b>Basic and diluted earnings per share (cents)</b>	<b>12.52</b>	<b>(12.50)</b>

### 3.6.4 Share-based payments

#### Long-term incentive plans (LTI plans)

##### Performance Share Rights LTI Plan

In the financial year ended 31 March 2020 the Company introduced a new LTI plan to replace the legacy plan for selected senior employees. Currently both plans have tranches operating. Under the new LTI plan, participants are issued Performance Share Rights (PSRs) for service periods of one, two and three years. The number of PSRs that can be exercised and converted into shares in the Company depends on a mix of the Company's shareholder return relative to 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.

##### Legacy LTI Plan

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



#### Recognition and measurement

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

#### Number of performance share rights (new plan)

Grant date	Measurement date	Performance share right price at grant date	Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
<b>2021</b>							
1 April 2020	31 March 2021	\$0.888	-	1,464,491	-	-	1,464,491
1 April 2019	31 March 2020	\$1.455	1,126,274	-	(281,568)	(281,568)	563,138
<b>Total</b>			<b>1,126,274</b>	<b>1,464,491</b>	<b>(281,568)</b>	<b>(281,568)</b>	<b>2,027,629</b>

#### Number of performance share rights (new plan)

Grant date	Measurement date	Performance share right price at grant date	Balance at the beginning of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
<b>2020</b>							
1 April 2019	31 March 2020	\$1.455	-	1,126,274	-	-	1,126,274
<b>Total</b>			<b>-</b>	<b>1,126,274</b>	<b>-</b>	<b>-</b>	<b>1,126,274</b>

### 3.6.4 Share-based payments (continued)

Grant date	Measurement date	Share price at grant date	Number of shares (legacy plan)				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	
<b>2021</b>							
1 April 2018	31 March 2021	\$1.368	563,315	-	-	-	563,315
1 April 2017	31 March 2020	\$1.383	501,307	-	-	(501,307)	-
<b>Total</b>			<b>1,064,622</b>	<b>-</b>	<b>-</b>	<b>(501,307)</b>	<b>563,315</b>

Grant date	Measurement date	Share price at grant date	Number of shares (legacy plan)				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	
<b>2020</b>							
1 April 2018	31 March 2021	\$1.368	608,068	-	-	(44,753)	563,315
1 April 2017	31 March 2020	\$1.383	513,987	-	-	(12,680)	501,307
1 April 2016	31 March 2019	\$1.466	388,875	-	-	(388,875)	-
<b>Total</b>			<b>1,510,930</b>	<b>-</b>	<b>-</b>	<b>(446,308)</b>	<b>1,064,622</b>



### 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 2021	31 March 2020
Weighted average performance share right price at grant date	\$0.888	\$1.455
Risk-free rate	0.18%	0.98%
Standard deviation of the comparator entities	12.1% - 17.8%	8.5% - 16.7%
Correlation between Company share price and comparator entities	18.2% - 59.9%	16.3% - 56.8%
Estimated fair value per share	\$0.815	\$1.145

##### Legacy LTI Plan

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

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 2021 is \$1,183,304 (2020: \$955,565) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining shares in the legacy LTI plan at 31 March 2021 is \$nil (2020: \$92,522) and the unamortised value of the remaining performance share rights at 31 March 2021 is \$594,130 (2020: \$491,024).

# 4. Financial risk management

FOR THE YEAR ENDED 31 MARCH 2021

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

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

- Interest rate risk
- Credit risk
- Liquidity risk

## Financial instruments

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

## Risk management

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

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

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

## 4.1 Interest rate risk

### Nature of the risk

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

### Risk management

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

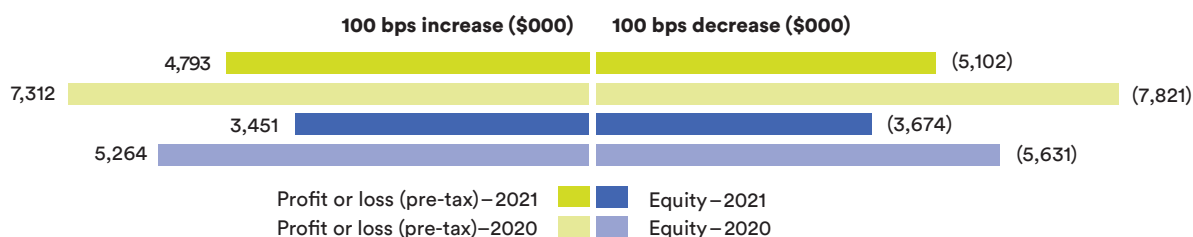
### Exposure

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

## 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.



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

## 4.3 Liquidity risk

### Nature of the risk

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

### Risk management

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

### 4.3 Liquidity risk (continued)

#### Exposure

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

	Contractual cash flows (principal and interest)						
	Consolidated Statement of Financial Position \$000	Total \$000	0-6 mths \$000	6-12 mths \$000	1-2 yrs \$000	2-5 yrs \$000	>5 yrs \$000
<b>2021</b>							
Trade and other payables	44,136	44,136	44,136	-	-	-	-
Interest bearing liabilities	1,049,861	1,139,215	141,637	13,647	148,362	835,569	-
Net interest rate derivatives	16,143	16,901	3,413	3,642	5,407	4,492	(53)
<b>Total financial liabilities</b>	<b>1,110,140</b>	<b>1,200,252</b>	<b>189,186</b>	<b>17,289</b>	<b>153,769</b>	<b>840,061</b>	<b>(53)</b>
<b>2020</b>							
Trade and other payables	45,924	45,924	45,924	-	-	-	-
Interest bearing liabilities	1,009,867	1,145,852	18,534	18,534	156,375	555,846	396,563
Net interest rate derivatives	22,448	24,983	3,095	3,246	6,622	11,644	376
<b>Total financial liabilities</b>	<b>1,078,239</b>	<b>1,216,759</b>	<b>67,553</b>	<b>21,780</b>	<b>162,997</b>	<b>567,490</b>	<b>396,939</b>



# 5. Other information

FOR THE YEAR ENDED 31 MARCH 2021

## 5.1 Segment information

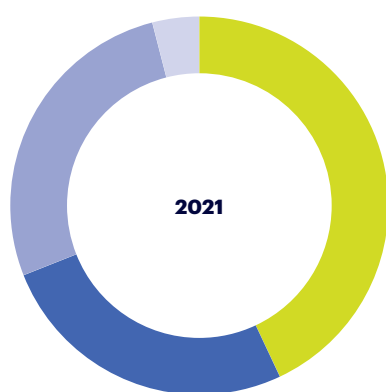
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

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

The Group's primary assets are investment properties. Segment information is provided in note 3.2. As at 31 March 2021 the retail segment has been removed in alignment with the Group's strategy, however the section below is consistent with the reporting during the year. The retail segment included Westgate Lifestyle, Centre Place North, The Plaza and Northlands. The Group operates in New Zealand only.

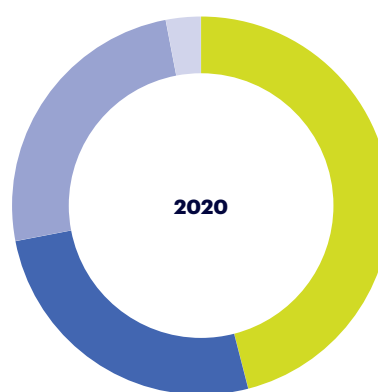
The following table is an analysis of the Group's profit by reportable segments used during the year:

	Mixed-use \$000	Retail \$000	Office \$000	Other \$000	Total \$000
<b>2021</b>					
Property revenue	107,667	57,700	58,667	8,402	232,436
Less: amortisation of fixed rental increases	(1,715)	372	1,386	(7)	36
Less: direct property expenses	(31,694)	(12,759)	(12,454)	(1,952)	(58,859)
Less: ground lease expenses	(60)	(1,067)	-	(69)	(1,196)
<b>Segment profit</b>	<b>74,198</b>	<b>44,246</b>	<b>47,599</b>	<b>6,374</b>	<b>172,417</b>
<b>2020</b>					
Property revenue	109,861	64,109	60,656	6,682	241,308
Less: amortisation of fixed rental increases	61	246	(1,395)	(105)	(1,193)
Less: direct property expenses	(24,917)	(15,418)	(12,709)	(1,481)	(54,525)
Less: ground lease expenses	(60)	(895)	-	(69)	(1,024)
<b>Segment profit</b>	<b>84,945</b>	<b>48,042</b>	<b>46,552</b>	<b>5,027</b>	<b>184,566</b>



**Segment profit**

Mixed-use	<b>43%</b>
Retail	<b>26%</b>
Office	<b>27%</b>
Other	<b>4%</b>



**Segment profit**

Mixed-use	<b>46%</b>
Retail	<b>26%</b>
Office	<b>25%</b>
Other	<b>3%</b>

## 5.1 Segment information (continued)

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

	2021 \$000	2020 \$000
Segment profit	172,417	184,566
Property management fees	1,547	2,314
(Decrease)/increase in rental income resulting from straight-lining of fixed rental increases	(36)	1,193
Interest income	274	180
Net fair value gain/(loss) on investment properties	99,756	(289,969)
Interest and finance charges	(35,959)	(37,014)
Employment and administration expenses	(23,087)	(22,556)
Net fair value gain/(loss) on interest rate derivatives	6,305	(9,862)
Ground lease expenses classified as interest and fair value loss on investment properties	1,196	1,024
<b>Profit/(loss) before income tax</b>	<b>222,413</b>	<b>(170,124)</b>

## 5.2 Related party transactions

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

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

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

	2021 \$000	2020 \$000
Property management fees	1,271	1,397
Expenditure reimbursement	1,328	1,181
Leasing fees	676	957
Development management fees	66	302
Legal fees	181	63
Retail design management fees	21	74
<b>Total related party transactions</b>	<b>3,543</b>	<b>3,974</b>

### 5.3 Key management personnel

	2021 \$000	2020 \$000
Directors' fees	686	772
Short-term employee benefits	4,308	4,535
Other long-term benefits	11	8
Termination benefits	188	-
Share-based payments	848	754
<b>Key management personnel costs</b>	<b>6,041</b>	<b>6,069</b>

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:

	2021 \$000	2020 \$000
Development costs at Sylvia Park	5,894	63,572
Development costs at LynnMall	2,669	5,605
Development costs at The Base <sup>1</sup>	-	1,080
Development costs at Northlands	90	765
Drury infrastructure	5,535	1,913
<b>Commitments</b>	<b>14,188</b>	<b>72,935</b>

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

#### The Base

Under the Group's agreement to purchase 50% of The Base from The Base Limited (TBL), TBL has the right to require the Group to purchase its remaining 50% interest, at a price determined by independent valuation. This right may be exercised within three months of receipt of the independent valuation for the year ended 31 March 2021.

#### Ground leases

Ground leases exist over ASB North Wharf, The Base and certain adjoining properties. In addition, ground leases also exist over parts of the land at Sylvia Park, Westgate Lifestyle, Centre Place North, The Plaza and Northlands. The amount paid in respect of ground leases during the year was \$1.2 million (2020: \$1.0 million). The leases terminate between November 2026 and March 3007.

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

## 5.5 Subsequent events

On 1 April 2021, the Group entered into a 50:50 joint venture with Tainui Group Holdings (TGH) in respect of Centre Place North. Under the terms of the agreement, the joint venture will comprise Centre Place North, 61-65 Bryce Street, 511-523 Victoria Street and land at 10 Ward Street, with a combined value of approximately \$71 million. A new 100-year ground lease has been granted by TGH, with rent pre-paid.

On 9 April 2021, the Group acquired property in Drury for \$4.0 million.

On 18 May 2021, the Group refinanced \$700 million of bank debt facilities and reduced the overall bank facilities from \$825 million to \$800 million. The refinanced facilities comprise a mix of three, four and five year terms. The new weighted term of all debt facilities is 3.5 years (calculated on a 31 March 2021 pro-forma basis).

During May 2021, conditional contracts were received for The Plaza and Northlands. The fair value of these assets at 31 March 2021 reflects the terms of these contracts.

On 21 May 2021 the Board declared a final dividend for the year ended 31 March 2021 of 2.95 cents per share (cps) (equivalent to \$46.3 million), together with imputation credits of 0.505 cps. The dividend record date is 9 June 2021 and payment will occur on 24 June 2021.



## Independent auditor's report

To the Shareholders of Kiwi Property Group Limited

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### 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 2021, 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 2021;
- 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.

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### 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 an apportionment statement, and the benchmarking of remuneration. The provision of these other services has not impaired our independence as auditor of the Group.

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### 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	How our audit addressed the key audit matter
<p><b>Valuation of investment properties including material valuation uncertainty arising from COVID-19</b></p> <p>As disclosed in note 3.2 of the consolidated financial statements, the Group's investment properties comprise mixed-use, office and other portfolios and, including assets classified as held for sale, was valued at \$3.3 billion as at 31 March 2021.</p> <p>The valuation of the Group's property portfolio is inherently subjective and is given specific audit focus and attention due to the existence of significant estimation uncertainty. A minor percentage difference in a single or multiple input assumption could result in material misstatement of the valuation.</p> <p>The valuations were performed by independent registered valuers who performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Property Institute Valuation and Property Standards. The valuers are rotated across the portfolio on a three-yearly cycle. The Group has adopted the assessed values determined by the valuers.</p> <p><i>As disclosed in the consolidated financial statements, at the 31 March 2021 valuation date, the independent registered valuers have included a material valuation uncertainty clause in their reports for five properties (totalling \$1.7 billion in value) as an ongoing result of the COVID-19 pandemic. This clause highlights the difficulties in undertaking valuations due to the absence of relevant transactional evidence that demonstrates current market pricing. Therefore, less certainty and a higher degree of caution, should be attached to the point estimate valuation.</i></p> <p><i>The valuations for the remaining properties include a reference to market volatility and uncertainty associated with COVID-19. This reflects that, while there are still uncertainties, such uncertainties have decreased since the initial COVID-19 period and the uncertainty is no longer considered material.</i></p>	<p>Given the subjectivity involved in determining valuations for individual properties, including alternative assumptions and valuation methods, there is a range of values that could be considered reasonable.</p> <p>We considered the adequacy of the disclosures made in note 3.2 to the consolidated financial statements, Investment properties, which sets out the key judgements and estimates. This note explains that material estimation uncertainty remains in the valuation of certain properties.</p> <p>In assessing the valuation of investment properties, we performed the following procedures.</p> <p><b>External valuations</b></p> <p>We held discussions with management to understand:</p> <ul style="list-style-type: none"> <li>• movements in the Group's investment property portfolio,</li> <li>• changes in the condition of each property,</li> <li>• the controls in place over the valuation process, and</li> <li>• the impact that COVID 19 has had on the Group's investment property portfolio.</li> </ul> <p>For all properties, the carrying value was agreed to the external valuation reports and we held discussions with the valuers. These discussions included the impact that COVID-19 has had on market activity and how the valuers had factored this into their valuations.</p> <p>Applying a risk-based approach, we read and evaluated the valuations of specific properties.</p> <p>The valuers confirmed that the valuation approach for each property was in accordance with accounting standards and suitable for use in determining the carrying value of investment properties at 31 March 2021.</p> <p>We assessed the valuers' qualifications, expertise and their objectivity and we found no evidence to suggest that the objectivity of any valuer was compromised in their performance of the valuations.</p> <p>We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.</p>

Description of the key audit matter	How our audit addressed the key audit matter
<p>In determining a property's valuation, two approaches are generally used to determine the fair value of an investment property: the income capitalisation approach and the discounted cash flow approach, to arrive at a range of valuation outcomes from which the valuers derive a point estimate.</p> <p>The valuers take into account property specific information such as the contracted tenancy agreements and rental income earned by the asset. They apply assumptions in relation to capitalisation rates, discount rates and market rent and the anticipated growth, based on market data and transactions where available.</p> <p>For properties that have development or seismic work ongoing as at 31 March 2021, the costs required to complete the works are estimated by management and adjusted against the value determined by the valuers along with profit and risk and stabilisation allowances.</p> <p>Management verifies all major inputs to the valuations, assesses property valuation movements since prior year and interim and holds discussions with the independent valuers to assess the reasonableness of the valuations, and communicates the results of the process with the Directors.</p> <p>For those assets classified as held for sale that have a contractual offer accepted by the Directors, the assets have been held at the contracted sales price less any associated costs for seismic remediation or rental guarantees, which is considered fair value at balance date.</p>	<p>We carried out procedures, on a sample basis, to test whether property-specific information supplied to the valuers by the Group reflected the underlying property records held by the Group. For the items tested, the information was consistent.</p> <p><b>Assumptions</b></p> <p>Our work over the assumptions used in the valuations focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data. We engaged our own in-house valuation specialist to assess the methodologies and critique and challenge, against market evidence and current market conditions, the key assumptions used by the valuers.</p> <p>We obtained management's estimates of costs on the properties with significant development or seismic works. We compared these estimates to internal budgets developed by the Group's project team and submitted to the Directors for approval, and to external quantity surveyors' reports, where available.</p> <p>We concluded that the assumptions used in the valuations, including adjustments made for the impact of COVID-19, were supportable in light of available and comparable market evidence.</p> <p><b>Assets held for sale</b></p> <p>The sales price and any associated costs for seismic remediation or rental guarantees of assets classified as held for sale that are under a contractual offer have been agreed to the signed sale and purchase agreements.</p>

## Our audit approach

### Overview



Overall group materiality: \$5.8 million, which represents 5% of profit before tax excluding the net fair value gain/(loss) on investment properties and interest rate derivatives.

We chose profit before tax excluding valuation movements relating to investment properties and interest rate derivatives as the benchmark because, in our view, it is a benchmark against which the performance of the Group is commonly measured by users.

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

As reported above, we have one key audit matter, being:

- Valuation of investment properties including material valuation uncertainty arising from COVID-19

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.

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#### **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.

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#### **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.

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#### **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.

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

For and on behalf of:

Chartered Accountants  
21 May 2021

Auckland

# Other Information

# 03







... important thing of all?

**Pōkarekare ana ngā wai o Waiaapu**  
Whiti at the e hine, marino ana ē  
Ka mate i te aroha ē!  
The water of Waiaapu are stormy  
If you cross them, girl, they will be calm  
Come back to me girl  
I am dying in love  
Paraire Hēni Tomoana

*"Lately you have  
advised me to  
Well, I will take the waves,  
rather than  
Rutherford*

**Well, we knocked the bastard off**  
Sir Edmund Hillary

*"Your people do not hate much, do they?"  
"Ah yes, but if you wave to them,  
they'll wave back."  
General Benito Mussolini*

**Hui e, taiki e!**  
**O unity, oh victory!**  
Te Kawa

**New Zealand begins with  
the sea and ends with  
the sea...**  
**The thundering surf is our frontier.**  
George Shadbolt

*... the secrets in our blood...  
Sir Vivian Marsh*



**Ki te kōwhiri, ka mate!**  
Ka kōwhiri ka ora!  
The rain that refreshes  
The parched ground  
Is made up of single drops.  
Keri Hulme

*... surrounded  
... wilderness of ocean,  
... hands  
... to be  
... one place  
... ere Luau... no be.*

**Pangloss's entrance**  
Road sign, Wellington

It's a goal!

**It's the man, you see,  
If you've got it, it never lets you  
You have to be thinking about  
and working for them, all the time.**  
Derek White, Otago

**Do not think your single vote  
does not matter much.  
The rain that refreshes  
the parched ground  
is made up of single drops.**  
Keri Hulme

*... These  
... your eyes are  
... And here  
... they have  
... hope for the  
... future.*

**Don't let your eyes  
And if you see  
other, he will be down at night.**





# Corporate governance

## We are committed to the highest standards of corporate governance.

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

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

There are a total of 33 recommendations.

### NZX Code compliance

Kiwi Property has followed the recommendations set out in the NZX Code for the year ended 31 March 2021 except, to the extent set out in the Kiwi Property FY21 Corporate Governance Statement, which is available on our website [kp.co.nz/about-us/corporate-governance](http://kp.co.nz/about-us/corporate-governance).

This statement is current as at 31 March 2021 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 2021 are summarised, or referred to, in the Kiwi Property FY21 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 2021, all directors of the Company were independent: Mary Jane Daly, Richard Didsbury, Mark Ford, Jane Freeman, Mark Powell and Simon Shakesheff. This assessment is based on the fact that:

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

The Board noted Richard Didsbury's 28 year length of tenure on the Board and that Jane Freeman had previously disclosed her family connection to NZ Strong Construction. The Board concluded that Richard Didsbury's 28 year length of tenure on the Board and Jane Freeman's family connection to NZ Strong Construction did not and does not influence, in a material way, the capacity for each of those directors to bring an independent view to decisions in relation to the Company, act in the best interests of the Company, and represent the interests of the Company's financial product holders generally having regard to the factors described in the NZX Code that may impact director 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 Richard Didsbury, 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 FY21 Corporate Governance Statement, which is available on our website [kp.co.nz/about-us/corporate-governance](http://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:

	2021					
	Number			Proportion %		
	Female	Male	Other	Female	Male	Other
Directors	2	4	-	33	67	-
Officers	2	6	-	25	75	-
All employees	109	55	1	66	33	1

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

# Remuneration report

## Remuneration strategy

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

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

## Our remuneration structure

Fixed annual remuneration (FAR)	Short-term incentive scheme (STI)	Performance Share Rights plan (PSR)	Restricted Share Rights plan (RSR)
<ul style="list-style-type: none"> <li>FAR is benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market.</li> <li>Benefits include income protection, life and total permanent disability insurance and KiwiSaver Company contributions at 3%.</li> </ul>	<ul style="list-style-type: none"> <li>A discretionary, at risk incentive for salaried, permanent employees.</li> <li>Company, team and individual-based performance measures, founded on stretch goals.</li> <li>Incentives benchmarked at either the median or the upper quartile of the market to enable competitiveness in the market.</li> </ul>	<ul style="list-style-type: none"> <li>The PSR is a discretionary share plan for officers and employees (by invitation), with one, two and three-year vesting periods.</li> <li>Reflects reward for delivery of sustained results over the long term.</li> <li>The PSR performance hurdles consist of return on capital employed (ROCE) and total shareholder return (TSR), measured independently of each other over a one-year performance period.</li> <li>Assists in employee retention objectives.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Provides our people with an opportunity to take an ownership stake in the business.</li> <li>Assists in employee retention objectives.</li> </ul>

# Remuneration report (continued)

## Short term incentive (STI)

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

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

## Performance measures

### Company performance

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

### Team performance

- Our executive employee's team performance portion is measured against the 'one team goals' which are aligned to strategy and approved by the Board for the performance measurement period.
- Other employees' team performance portion is measured against a 'plan on a page' which feed into the 'one team goals', developed by the employee's team manager 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 are 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 (the 'Employee's Manager') with their direct report, in-line with the following principles:
  - Measures will be quantifiable, objective and able to be measured by existing systems/reporting in the business, and
  - All goals and performance indicators will be agreed at the start of the performance measurement period or as soon as reasonably practicable following the start of the period.



# Remuneration report (continued)

## Long term incentive (LTI)

### Performance Share Rights

The Company's Performance Share Rights scheme (PSR), entitles the participant to receive shares in the Company once vested and exercised. The participant is entitled to receive one share upon the valid exercise of each Vested Share Right they hold.

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

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

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

Component	LTI grant	Component measure
Return on capital employed (ROCE)	75%	<ul style="list-style-type: none"><li>• The Company's ROCE over the Performance Period must be greater than 96% of the target ROCE set by the Board for the Performance Period.</li><li>• The ROCE target is set by the Board in conjunction with the budget approval process. ROCE is calculated as adjusted funds from operations divided by the weighted average contributed equity over the Performance Period.</li><li>• If the ROCE outcome meets a certain percentage of the target (i.e. 96%), 50% of this target component is eligible to vest. If 100% of the target is met, 100% of this target component is eligible to vest.</li><li>• Vesting between 96% and 100% of the target will occur on a straight-line progression basis.</li></ul>
Relative total shareholder return (TSR) hurdle	25%	<ul style="list-style-type: none"><li>• Requires the Company's TSR to be compared with the TSRs of the entities that make up the S&amp;P/NZX All Real Estate Index (excluding Kiwi Property and CDL Investments New Zealand Limited, referred to as the 'peer group').</li><li>• The TSRs of the entities in the peer group over the performance period will be ranked from highest to lowest.</li><li>• If Kiwi Property's TSR over the performance period exceeds the 50th percentile in the peer group, 50% of this portion of the LTI grant will vest.</li><li>• If Kiwi Property's TSR over the performance period exceeds the 75th percentile in the peer group, 100% of this portion of the LTI grant will vest.</li><li>• There is a straight-line progression and apportionment between these two points.</li></ul>

# Remuneration report (continued)

## Legacy LTI plan

The Company's legacy LTI plan had grants that were subject to vesting in the year ended 31 March 2021. The final vesting date under the legacy plan was 31 March 2021. The hurdles for this scheme have been described in previous reports.

## Relative weightings of remuneration components for officers

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

	STI % of FAR	% of STI attributed to Company operating EBIT performance	% of STI attributed to team performance	% of STI attributed to individual performance
Chief Executive Officer	60%	50%	25%	25%
Other officers	40%	50%	25%	25%

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

	LTI % of FAR
Chief Executive Officer	50%
Other officers	25–27.5%

## Performance and development

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

## Annual remuneration review

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

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

## Equal pay

As part of Kiwi Property's commitment to diversity and inclusion (D&I) we acknowledge and address key D&I concepts including Equal Employment Opportunities, Equitable Pay, Flexibility & Work Life Balance, Accessibility, and Cultural / Rainbow Community sensitivity & celebration. We are committed to follow these principles 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. Kiwi Property provides enhanced primary carer leave to parents by way of a salary top-up while on government paid parental leave.

# Remuneration report (continued)

## Remuneration outcomes for the year

### Employee remuneration

During the year, there were 81 employees, including seven former employees but excluding directors of the Company, who received remuneration and other benefits, totalling \$100,000 or more. Remuneration includes salary, STI payments, LTI payments that have vested, employer's contributions to superannuation, redundancy payments, the cost of providing insurance plans and sundry benefits received (including the cost of fringe benefit tax). Employee remuneration does not include LTIs that have not vested.

Amount of remuneration (from \$ to \$)	Number of employees
100,000 – 110,000	3
110,001 – 120,000	7
120,001 – 130,000	8
130,001 – 140,000	6
140,001 – 150,000	6
150,001 – 160,000	4
160,001 – 170,000	3
170,001 – 180,000	3
180,001 – 190,000	3
190,001 – 200,000	2
200,001 – 210,000	4
220,001 – 230,000	3
230,001 – 240,000	2
240,001 – 250,000	3
250,001 – 260,000	2
260,001 – 270,000	2
270,001 – 280,000	2
290,001 – 300,000	2
300,001 – 310,000	2
320,001 – 330,000	2
330,001 – 340,000	1
340,001 – 350,000	1
370,001 – 380,000	1
400,001 – 410,000	1
410,001 – 420,000	1
440,001 – 450,000	1
460,001 – 470,000	1
470,001 – 480,000	1
510,001 – 520,000	1
580,001 – 590,000	1
840,001 – 850,000	1
1,230,001 – 1,240,000	1
<b>Total employees earning \$100,000+</b>	<b>81</b>

# 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 Chief Executive Officer) as at 31 March 2021 are detailed in the following table:

Grant date	Measurement date	Total participants	Grant value	Number of shares granted	Number of shares forfeited	Number of shares vested
1 April 2019	31 March 2020	11	\$921,798	694,921	(173,730)	(173,730)
1 April 2020	31 March 2021	10	\$826,362	1,013,041	-	Not yet applicable

Under the legacy LTI plan, LTIs that have been granted, vested or forfeited by participants (being the officers of the Company and other invited employees, but excluding the Chief Executive Officer) as at 31 March 2021 are detailed in the following table:

Grant date	Measurement date	Total participants	Grant value	Number of shares granted	Number of shares forfeited	Number of shares vested
1 April 2017	31 March 2020	12	\$1,148,713	556,610	(556,610)	-
1 April 2018	31 March 2021	14	\$1,241,603	608,068	(44,753)	Not yet applicable

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

## Chief executive officer remuneration

Clive Mackenzie took up the role of Chief Executive Officer in July 2018. His employment agreement comprises standard conditions that are appropriate for a Chief Executive Officer in the market. The Chief Executive Officer's remuneration for the year ended 31 March 2021 includes salary, employer's contributions to KiwiSaver and the cost of providing insurance plans and sundry benefits, STI and a PSR grant.

Clive's annual base salary as at 31 March 2021 was \$680,000. He did not receive a salary increase during the reporting period. The remuneration he received for the financial year comprised the following:

Base salary	KiwiSaver	Insurance and other benefits	Fixed annual remuneration	STI payment	PSR vested
\$680,101 <sup>1</sup>	\$20,403	\$44,628	\$745,132	\$382,998 <sup>2</sup>	\$110,534

<sup>1</sup> The CEO's base salary received in the year is higher than the annual base salary as he received annual leave at a higher rate in May 2020 due to back pay in May 2019 which increased his average weekly earnings.

<sup>2</sup> The CEO's STI payment is for measures set during the period 1 April 2019 – 31 March 2020.

Performance Share Rights that have been granted, vested or forfeited by Clive as at 31 March 2021 are detailed in the following table:

Grant date	Measurement date	Grant value	Number of shares granted	Number of shares forfeited	Number of shares vested
1 April 2019	31 March 2020	\$572,178 <sup>1</sup>	431,353	(107,838)	(107,838)
1 April 2020	31 March 2021	\$368,258	451,450	-	Not yet applicable

<sup>1</sup> As disclosed in previous reports, Clive received a pro-rata LTI for the years ended 31 March 2019 and 31 March 2020. For the year ended 31 March 2019, the value of the pro-rata grant was \$212,962 and he was granted 160,548 PSRs. For the year ended 31 March 2020, the value of the pro-rata grant was \$359,216 and he was granted 270,805 PSRs.

On 1 April 2019, Clive was granted 916 Restricted Share Rights with a grant value of \$1,164 and a measurement date of 31 March 2020. No Restricted Share Rights were granted during the year ended 31 March 2021.

# Remuneration report (continued)

## Director remuneration

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

At the Company's 2017 annual meeting, shareholders approved a total directors' fee pool of \$737,500 per annum. Following the appointment of Simon Shakesheff as an independent director on 1 November 2019, the directors' fee pool was increased, by operation of Listing Rule 2.11.3, to \$834,000 plus GST (if any) per annum, for so long as there were seven directors. This increase did not require shareholder approval, as it was made to enable the Company to pay the additional director remuneration not exceeding the average amount then being paid to each of the other independent directors (other than the Chair). Whilst there was an effective increase in the directors' fee pool, there was no change to the allocation to each individual director.

As at 31 March 2021, the pool was allocated by the Board as follows:

	Fee	Number of persons holding office	Total fee pool
Chair (including membership of all committees)	\$172,500	1	\$172,500
Director (excluding the Chair)	\$94,000	5	\$470,000
Chair of the Audit and Risk Committee	\$20,000	1	\$20,000
Audit and Risk Committee member	\$11,500	1	\$11,500
Chair of the Remuneration and Nominations Committee	\$20,000	1	\$20,000
Remuneration and Nominations Committee member	\$11,500	1	\$11,500
Chair of the Environmental, Social and Governance Committee	\$20,000	1	\$20,000
Environmental, Social and Governance Committee member	\$11,500	1	\$11,500
<b>Total</b>			<b>\$737,000</b>

- Environmental, Social and Governance Committee established 1 April 2020.
- The allocation of the total directors' fee pool set out above does not include the fees payable to Mike Steur because he retired from the Board part way through the 2021 financial year.



# Remuneration report (continued)

The fees paid to our directors during the year ended 31 March 2021 are outlined below. The directors took a 20% reduction of fees due to COVID-19 uncertainty for the period of 1 April 2020 to 30 September 2020:

Director	Duties	Fees
Mary Jane Daly	Director	\$102,600
	Chair of the Audit and Risk Committee	
Richard Didsbury	Director	\$94,950
	Member of the Remuneration and Nominations Committee	
Mark Ford	Chair	\$155,250
	Member of the Audit and Risk Committee	
	Member of the Environmental, Social and Governance Committee <sup>1</sup>	
	Member of the Remuneration and Nominations Committee	
Jane Freeman	Director	\$102,600
	Chair of the Remuneration and Nominations Committee	
Mark Powell	Director	\$102,600
	Member of the Audit and Risk Committee <sup>2</sup>	
	Chair of the Environmental, Social and Governance Committee <sup>1</sup>	
Mike Steur <sup>3</sup>	Director	\$23,040
	Member of the Audit and Risk Committee	
	Member of the Remuneration and Nominations Committee	
Simon Shakesheff	Director	\$105,210
	Member of the Audit and Risk Committee	
	Member of the Environmental, Social and Governance Committee <sup>1</sup>	

1 Appointed as a member on 1 April 2020.

2 Ceased to be a member on 1 April 2020.

3 Mike Steur retired from the Board at the Company's annual shareholder meeting on 29 June 2020.

# Remuneration report (continued)

From 1 April 2021, the total directors' fee pool will be allocated as follows:

	Fee	Number of persons holding office	Total fee pool
Chair (including membership of all committees)	\$172,500	1	\$172,500
Director (excluding the Chair)	\$94,000	5	\$470,000
Chair of the Audit and Risk Committee	\$20,000	1	\$20,000
Audit and Risk Committee member	\$11,500	1	\$11,500
Chair of the Remuneration and Nominations Committee	\$20,000	1	\$20,000
Remuneration and Nominations Committee member	\$11,500	1	\$11,500
Chair of Environmental, Social and Governance Committee member	\$20,000	1	\$20,000
Environmental, Social and Governance Committee member	\$11,500	1	\$11,500
<b>Total</b>			<b>\$737,000</b>

# 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 KPG010, KPG020, KPG030 and KPG040.

## Credit rating

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

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

## Changes in the nature of the business

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

## NZX waiver

During the year ended 31 March 2021 NZX did not grant and publish any waivers following an application by the Company and the Company did not rely on any NZX waivers.

## NZX disciplinary action

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

## Auditor

PricewaterhouseCoopers (PwC) has continued to act as the Company's external auditor and has undertaken the audit of the consolidated financial statements for the 31 March 2021 financial year.

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

## Donations

No donations were made by the Company during the year to 31 March 2021.

## Directors of the Company and its subsidiaries

As at 31 March 2021, the directors of the Company were Mary Jane Daly, Richard Didsbury, Jane Freeman, Mark Ford, Mark Powell and Simon Shakesheff. Mike Steur ceased to hold office as a director of the Company during the year.

As at 31 March 2021, the directors of the subsidiary companies Kiwi Property Holdings Limited, Kiwi Property Holdings No. 2 Limited, Kiwi Property Centre Place Limited, Kiwi Property Te Awa Limited and Sylvia Park Business Centre Limited, were Clive Mackenzie, Gavin Parker, and Trevor Wairepo. Steve Cooper ceased to hold office as a director of certain subsidiary companies during the year. 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 Monday, 12 July 2021.

## 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 2021.

# Other investor information (continued)

Name	Name of company/entity	Nature of interest
Mary Jane Daly	Auckland Transport	Director
	Cigna Life Insurance New Zealand Limited <sup>1</sup>	Director
	Earthquake Commission	Commissioner, Chair
	Fonterra Shareholders Fund <sup>2</sup>	Director
	Kiwibank Limited <sup>2</sup>	Director
Richard Didsbury	Auckland City Mission Redevelopment Committee	Chair
	Brick Bay Development Trust	Trustee
	Brick Bay Investment Trust	Trustee
	Brick Bay Trustee Limited	Director and Shareholder
	Brick Bay Wines Limited	Director and Shareholder
	NX2 Hold GP Limited (Northern Express consortium)	Chair
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	Foodstuffs North Island Limited	Director
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
Mark Powell	Auckland University Graduate School of Management <sup>1</sup>	Adjunct Professor
	Bapcor Limited <sup>2</sup>	Director
	Carey Baptist Theological College	Elected Board member
	JB Hi-Fi Group Limited	Director
	Stihl Shop NZ <sup>1</sup>	Advisory Board member
	Tahi Electrical Limited <sup>2</sup>	Director
	Trinity Lands Limited <sup>1</sup>	Director
Simon Shakesheff	Assembly Funds Management	Director
	CBUS Property	Director
	Daily Needs Real Estate Investment Trust <sup>2</sup>	Chair
	Management Investment Committee of NSW TCorp (formerly NSW Treasury)	Member
	SGCH	Director
	SS & AR Pty Limited	Director
Mike Steur <sup>3</sup>	BWP Management Limited	Director
	Dexus Wholesale Property Fund	Director
	Healthcare Wholesale Property Fund	Chair
	M & D Steur Investments Pty Limited	Shareholder

<sup>1</sup> Entry removed by notice given by the director during the year.

<sup>2</sup> Entry added by notice given by the director during the year.

<sup>3</sup> Mike Steur ceased to be a director with effect from 29 June 2020.

# Other investor information (continued)

## 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 2021.

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



# Shareholder statistics

AS AT 31 MARCH 2021

## Twenty largest shareholders

Shareholder	Number of shares	% of total issued shares
Accident Compensation Corporation	159,033,834	10.13%
HSBC Nominees (New Zealand) Limited	139,174,909	8.87%
Citibank Nominees (NZ) Limited	121,051,683	7.71%
HSBC Nominees (New Zealand) Limited	93,785,900	5.98%
JPMorgan Chase Bank	81,802,198	5.21%
National Nominees New Zealand Limited	70,735,498	4.51%
Premier Nominees Limited	56,865,603	3.62%
Cogent Nominees Limited	54,979,007	3.50%
FNZ Custodians Limited	53,654,183	3.42%
BNP Paribas Nominees NZ Limited <BPSS40>	45,680,787	2.91%
New Zealand Depository Nominee	44,506,203	2.84%
New Zealand Superannuation Fund Nominees Limited	35,981,466	2.29%
Investment Custodial Services Limited	30,445,712	1.94%
JBWere (NZ) Nominees Limited	29,639,916	1.89%
Hobson Wealth Custodian Limited	26,200,365	1.67%
TEA Custodians Limited	24,665,559	1.57%
Premier Nominees Limited <Armstrong Jones Property Securities Fund>	24,606,236	1.57%
NZ Permanent Trustees Limited <Group Investment Fund No 20>	22,235,997	1.42%
Forsyth Barr Custodians Limited	20,478,765	1.30%
MFL Mutual Fund Limited	16,913,031	1.08%
<b>Total</b>	<b>1,152,436,852</b>	<b>73.43%</b>
<b>Total shares on issue</b>	<b>1,569,369,100</b>	

## Spread of shareholders

Size of holding	Number of holders	% of total holders	Number of shares	% of total issued shares
1-1,000	938	8.58%	495,311	0.03%
1,001-5,000	2,037	18.63%	6,262,462	0.40%
5,001-10,000	2,030	18.57%	15,555,144	0.99%
10,001-50,000	4,654	42.56%	107,346,245	6.84%
50,001-100,000	770	7.04%	52,915,118	3.37%
100,001 and over	505	4.62%	1,386,794,820	88.37%
<b>Total</b>	<b>10,934</b>	<b>100.00%</b>	<b>1,569,369,100</b>	<b>100.00%</b>

# Bondholder statistics

AS AT 31 MARCH 2021

## Twenty largest bondholders

Bondholder	Number of bonds	% of total issued bonds
FNZ Custodians Limited	47,336,000	9.97%
Custodial Services Limited <4>	38,531,500	8.11%
Forsyth Barr Custodians Limited <1 Custody>	34,485,000	7.26%
Custodial Services Limited <3>	31,516,000	6.63%
Citibank Nominees (NZ) Limited <CNOM90>	27,309,000	5.75%
Custodial Services Limited <2>	24,915,500	5.25%
JPMorgan Chase Bank <CHAM24>	20,015,000	4.21%
Hobson Wealth Custodian Limited	19,725,000	4.15%
Custodial Services Limited <1>	15,714,000	3.31%
Cogent Nominees Limited <COGN40>	15,429,000	3.25%
HSBC Nominees (New Zealand) Limited	12,900,000	2.72%
Custodial Services Limited <18>	12,142,000	2.56%
Investment Custodial Services Limited	11,686,000	2.46%
New Zealand Permanent Trustees Limited <Group Investment Fund No 20>	9,451,000	1.99%
JBWere (NZ) Nominees Limited	7,984,000	1.68%
PT (Booster Investments) Nominees Limited	7,000,000	1.47%
New Zealand Permanent Trustees Limited <NZPT44>	6,791,000	1.43%
Custodial Services Limited <16>	5,869,000	1.24%
TEA Custodians Limited	5,578,000	1.17%
Forsyth Barr Custodians Limited <1 E>	4,811,000	1.01%
<b>Total</b>	<b>359,188,000</b>	<b>75.62%</b>
<b>Total bonds on issue</b>	<b>475,000,000</b>	

## Spread of KPG010 bondholders (August 2021 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	113	10.06%	565,000	0.45%
5,001-10,000	289	25.74%	2,771,000	2.22%
10,001-50,000	601	53.52%	16,344,000	13.08%
50,001-100,000	59	5.25%	4,952,000	3.96%
100,001 and over	61	5.43%	100,368,000	80.29%
<b>Total</b>	<b>1,123</b>	<b>100.00%</b>	<b>125,000,000</b>	<b>100.00%</b>

# 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	42	8.95%	210,000	0.17%
5,001-10,000	108	23.03%	1,049,000	0.84%
10,001-50,000	241	51.39%	6,559,000	5.25%
50,001-100,000	30	6.40%	2,590,000	2.07%
100,001 and over	48	10.23%	114,592,000	91.67%
<b>Total</b>	<b>469</b>	<b>100.00%</b>	<b>125,000,000</b>	<b>100.00%</b>

## 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	0.22%	1,000	0.00%
1,001-5,000	37	8.01%	185,000	0.15%
5,001-10,000	99	21.43%	965,000	0.77%
10,001-50,000	249	53.90%	6,732,000	5.39%
50,001-100,000	27	5.84%	2,212,000	1.77%
100,001 and over	49	10.60%	114,905,000	91.92%
<b>Total</b>	<b>462</b>	<b>100.00%</b>	<b>125,000,000</b>	<b>100.00%</b>

## Spread of KPG040 bondholders (November 2025 maturity)

Size of holding	Number of holders	% of total holders	Number of bonds	% of total issued bonds
1-1,000	-	0.00%	-	0.00%
1,001-5,000	19	6.84%	95,000	0.10%
5,001-10,000	57	20.50%	556,000	0.56%
10,001-50,000	149	53.60%	3,754,000	3.75%
50,001-100,000	19	6.83%	1,584,000	1.58%
100,001 and over	34	12.23%	94,011,000	94.01%
<b>Total</b>	<b>278</b>	<b>100.00%</b>	<b>100,000,000</b>	<b>100.00%</b>

# 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 2021. The total number of ordinary shares on issue at 31 March 2021 was 1,569,369,100.

Name	Number of shares held at date of notice	Date of notice
Accident Compensation Corporation	164,165,904	14-Apr-20
ANZ New Zealand Investments Limited <sup>1,2</sup>	114,003,450	5-Feb-21

1 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.

2 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 21 May 2021 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](http://kp.co.nz)  
E: [info@kp.co.nz](mailto:info@kp.co.nz)

## REGISTRAR

### **Link Market Services Limited**

Level 11, Deloitte Centre  
80 Queen Street  
PO Box 91976  
AUCKLAND 1142

T: +64 9 375 5998 or 0800 377 388  
W: [linkmarketservices.co.nz](http://linkmarketservices.co.nz)  
E: [enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)

## BOND SUPERVISOR

### **Public Trust**

Level 2  
22 Willeston Street  
WELLINGTON 6011

T: 0800 371 471  
W: [publictrust.co.nz](http://publictrust.co.nz)  
E: [cstenquiry@publictrust.co.nz](mailto:cstenquiry@publictrust.co.nz)

## AUDITOR

### **PricewaterhouseCoopers New Zealand**

PwC Tower  
188 Quay Street  
Private Bag 92162  
AUCKLAND 1142

T: +64 9 355 8000  
W: [pwc.co.nz](http://pwc.co.nz)

## SECURITY TRUSTEE

### **New Zealand Permanent Trustees Limited**

Level 2  
22 Willeston Street  
WELLINGTON 6011

T: 0800 371 471  
E: [cstenquiry@publictrust.co.nz](mailto:cstenquiry@publictrust.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

Westpac New Zealand

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