Kiwi Property
Annual Report
2015

We are Kiwi Property – 21 years young and the largest listed diversified property company on the NZX.

We own and manage a $2.3 billion portfolio of shopping centres and office buildings across New Zealand.

In our 2015 financial year, we moved to a streamlined corporate structure and launched our new Kiwi Property brand.

Our new logo is all about people and places. It shows the intersection between people (the human brushstroke axis) and places (the structural axis) coming together as one. It's a simple expression of 'X marks the spot' and a reminder for us to put the 'X' in exceptional.

We're passionate about what we do and we work hard to deliver exceptional results.

We have a dedicated team of over 130 employees committed to providing superior risk-adjusted returns for our investors

Our goal is to provide our investors with long-term total returns of >9% per annum, and annual earnings per share growth of >2%

Our shopping centres attract 45 million customers and generate annual sales of $1.29 billion

Our office buildings provide 118,000 sqm of workspace, meeting the demands of both business and government

Results summary.

$89.0m (+13%)
Operating profit[1]

$115.2m (+14%)
Profit after tax

$2.28b
Property assets

33.5%
Gearing[1]

98.4%
Occupancy

4.5 years
Weighted average lease term

9.7% per annum
Total return since inception

1. For definitions refer to the Summary Financial Results on page 13.



Calendar of key dates

(Dates are indicative and may be subject to change)

29 May 2015

› FY15 final dividend payment

31 July 2015

› Annual meeting

Where: Eden Park Stadium
Address: Level 4 Lounge West, South Stand
Gate G Eden Park, Reimers Avenue
Suburb: Kingsland
City: Auckland
Time: 10.00am

20 August 2015

› Bond interest payment

17 November 2015

› FY16 interim result announcement

16 December 2015

› FY16 interim dividend payment

This annual report is dated 15 May 2015 and is signed on behalf of the board by:

MARK FORD
Chair of the Board

JOANNA PERRY
Chair of the Audit and Risk Committee

Contents

Our year of transformation.

APR 2014

New leadership team member
Trevor Wairepo is appointed General Counsel and Company Secretary

MAY

Strategic divestment
Our remaining 50% interest in 205 Queen is sold

JUN

Excellence recognised
ASB North Wharf wins the Supreme Award at the Property Council of New Zealand Rider Levett Bucknall Property Industry Awards

$875m
bank debt refinanced

JUL

Financial position strengthened
We successfully issued
$125m in seven-year bonds

AUG

We meet our investors
Our annual meeting of unit holders is well attended in Auckland

New board member
Jane Freeman is appointed as an independent director

SEP

Milestones achieved
The foundations and transfer beam strengthening works were completed as part of The Majestic Centre seismic upgrade

Kiwi Property launched

OCT

New board member
Mary Jane Daly is appointed as an independent director

Organisational review completed
Gavin Parker is appointed to the newly created Chief Operating Officer role and Stuart Tabuteau is appointed Chief Financial Officer

NOV

Government office project commenced
We begin construction on the
$72m
expansion and refurbishment of 56 The Terrace

Interim result
An interim after tax profit of
$23.8m
recorded

DEC

Investors approve corporatisation
Our investors voted overwhelmingly in favour of our corporatisation proposal

Strategic acquisition
We purchased Apex Mega Centre (subsequently rebranded as Sylvia Park's lifestyle precinct) for
$64m

MCNs convert
$120m of MCNs converted to shares

JAN 2015

FEB

Leading sustainability initiative
New Zealand's largest solar array was commissioned at Sylvia Park

Redevelopment commenced
We began construction of a
$39m
entertainment and dining precinct at LynnMall

MAR

Valuation uplift
We recorded a
$58m
increase in the value of the portfolio to a record

$2.28b

New leadership team member
Christopher Hermann is appointed General Manager Development

Welcome from the chair

Positive transition completed.

Welcome to the first annual report for Kiwi Property. In our first full year of operation as an internally managed entity, we have produced an encouraging and positive result.

The Company posted an after tax profit of $115.2 million for the year ended 31 March 2015, up from $101.3 million in the prior year. Shareholders will receive a final cash dividend of 3.25 cents per share, taking the full-year dividend to 6.50 cents per share, in line with guidance.

The 2015 financial year was another period marked by positive change for Kiwi Property. In December 2014, our investors overwhelmingly approved our proposal to move from a trust to a company structure. As a result of this corporatisation, we changed our name to Kiwi Property and now trade under the ticker code KPG on the New Zealand Stock Exchange.

The internalisation of management in December 2013, coupled with corporatisation in December 2014, is enabling us to deliver ongoing benefits to shareholders, including cost savings. I am pleased to report that we have exceeded our pre-tax net expenditure savings target of $8 million per annum, as projected at the time of internalisation. Our business is now underpinned by both a lower cost management platform and by a strategy that is singly focused on achieving our shareholder goals. Corporatisation also provides the benefit of a streamlined corporate structure and greater protection for our shareholders under the Takeovers Code and Companies Act.

The positive changes made in our business have given us the opportunity to refresh our name and brand, which is proudly front and centre on the cover of this report.

Our new brand identity is an expression of our commitment to create exceptional places and deliver exceptional results for our investors.

Following the establishment of a Remuneration and Nominations Committee, we have developed and implemented a new remuneration framework for employees which is designed to strengthen the alignment between management reward levels and the achievement of our investor goals.

During the year, we further strengthened the Company's governance with the appointment of two new experienced independent directors, Jane Freeman and Mary Jane Daly.

Strategy update

Amidst all this change it is important to note that our objective, which has served investors well for the past 21 years, has not changed. Kiwi Property remains committed to providing investors with a reliable investment in New Zealand property, and we continue to target superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio.

Our strategy to achieve this objective has three core pillars: a firm commitment to maintaining a strong financial position; the active management of our assets to drive investment performance; and a focus on investment decisions that add value for our investors.

Over the course of the year, the management team undertook a range of capital management, divestment and acquisition initiatives consistent with this strategy. Our Chief Executive, Chris Gudgeon, provides a full summary of these activities and our financial results, in the Annual Review commencing on page 9.

Outlook and dividend guidance

The New Zealand economy is growing positively and market conditions, particularly in Auckland, are expected to remain positive through the 2016 financial year for both the retail and office sectors. Supportive factors include above average business and consumer confidence, a strong housing market, positive net migration and employment, and labour income growth.

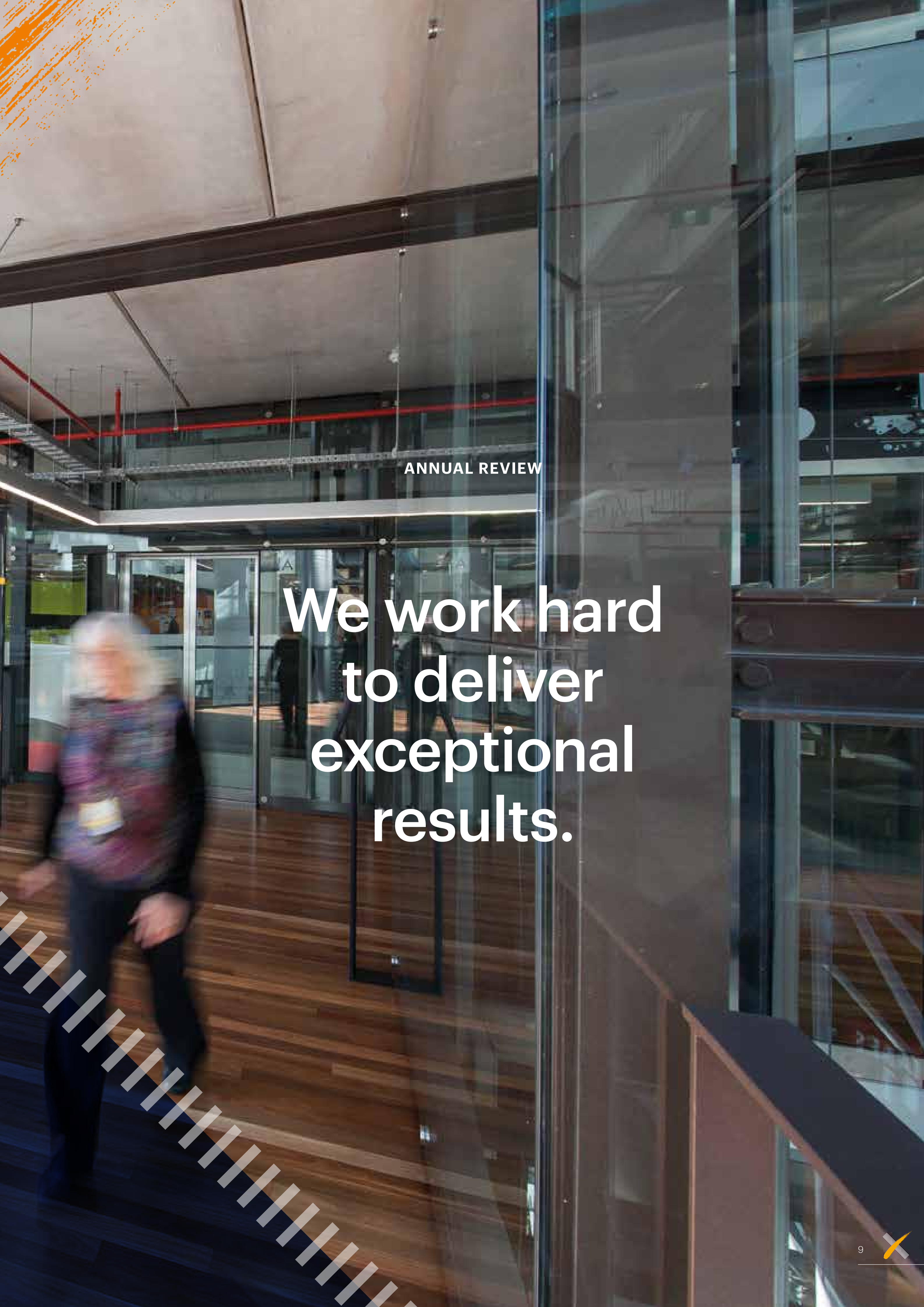
"The positive changes made in our business have given us the opportunity to refresh our name and brand, which is proudly front and centre on the cover of this report."

When we reviewed our strategy last year, we set a goal to deliver long-term total returns to investors of greater than 9% per annum, underpinned by pre-tax distributable earnings per share growth of at least 2% per annum. The Company is well positioned relative to these goals and we project an increased cash dividend of 6.60 cents per share for the 2016 financial year, subject to a continuation of reasonable economic conditions.

Thank you for your support of Kiwi Property. I hope you enjoy reading this annual report.

MARK FORD
Chair


ASB
ALL BLACKS
Succeed on.



ANNUAL REVIEW

We work hard to deliver exceptional results.

Annual review

Absolute focus on investor returns.

Over the past year we remained firmly focused on delivering on our investor objectives as we completed our transition to an internally managed business and rebranded as Kiwi Property.

A year of positive change was capped off with a pleasing 2015 annual result and by achieving our shareholder return goals.

Kiwi Property delivered an operating profit of $89.0 million for the year ended 31 March 2015, up 13.1% on the prior year and a record in our 21 year history. This was driven by positive leasing, rental growth and occupancy outcomes across our portfolio, cost savings delivered through internalisation and corporatisation, and interest savings secured through our capital management initiatives.

In line with strategy, we undertook a number of key initiatives including:

- strengthening our financial position through the issue of $125 million in seven-year senior secured bonds, improving both the term and diversity of our debt capital sources
- recycling capital through the sale of our remaining 50% interest in 205 Queen
- investing over $100 million in Auckland retail assets, in locations favoured with 'Metropolitan Centre' status under the proposed Auckland Unitary Plan, through the $64 million acquisition of Apex Mega Centre (subsequently rebranded as Sylvia Park's lifestyle precinct) and commencement of the $39 million expansion of LynnMall, and
- commencing construction on our $72 million project for the New Zealand Government, with the refurbishment and expansion of our office building at 56 The Terrace secured by a new 18-year lease to the Ministry of Social Development.

Following the internalisation of management, we completed a review to ensure the Company's organisational structure was optimally configured, with the right accountabilities and capabilities to deliver on our corporate objective, goals and strategy. Clearer accountabilities and more effective focus of resources have now been established for the delivery of the key functions of asset management, development management, transactions management and corporate services. Gavin Parker was appointed to the newly created role of Chief Operating Officer, moving from his prior position of Chief Financial Officer, and Stuart Tabuteau, formerly Financial Controller, was appointed to the role of Chief Financial Officer.

We welcomed Christopher Hermann to the role of General Manager Development, combining responsibility for both retail and office development. Also during the year, we appointed Trevor Wairepo to the newly created role of General Counsel and Company Secretary.

In conjunction with corporatisation, we took the opportunity to refresh our name and brand and the new Kiwi Property brand was launched in December 2014. The idea behind our brand – exceptional places and exceptional people – inspires everything we do at Kiwi Property. It speaks to who we are as an organisation: committed, friendly, focused, experienced and passionate.

OBJECTIVE

To provide investors with a reliable investment in New Zealand property, targeting superior, risk-adjusted returns over time through the ownership and active management of a diversified high-quality portfolio.

GOALS

Long-term total returns
>9% per annum

9.7%
Achieved

Pre-tax distributable earnings per share growth
>2% per annum

6.6%
Achieved

STRATEGY

By **maintaining a strong financial position** and conservative gearing with appropriate diversity of debt capital sources, a low cost of capital can be maintained thereby optimising equity returns.

By **intensively managing our property assets** we can optimise income and investment performance.

By maintaining a rigorous approach we can **add value through our investment decisions** to optimise earnings through the strategic acquisition, divestment and development of property assets.

Financial performance

We delivered a very positive operating profit of $89.0 million, up $10.3 million (+13.1%) on the prior year. This record operating profit was driven by improved net rental income performance, cost savings delivered through internalisation of management and corporatisation, and interest savings that resulted from capital management initiatives.

This improved operating result, combined with favourable property valuations, led to a profit after tax of $115.2 million for the year, an increase of $13.9 million (+13.7%) on the previous year.

Despite the Company returning to a tax paying position in the second half of the financial year, distributable income after tax was $79.7 million, up $3.4 million (+4.5%). As noted by the chair, shareholders will receive a final dividend of 3.25 cents per share, taking the full-year dividend to 6.50 cents per share, up from 6.40 cents per share in the prior year.

"Shareholders will receive a full-year cash dividend of 6.50 cents per share, in line with guidance."

Underpinning the result, net rental income rose $6.6 million (+4.4%) to $155.3 million, compared to $148.7 million in the prior year.

Positive contributions resulted from the inclusion of a full year of income from ASB North Wharf, Centre Place and Northlands following completion of development activity in the prior year, another strong performance from our flagship retail asset, Sylvia Park, along with three months of rental income from Sylvia Park's lifestyle precinct following its purchase in December 2014. Another positively contributing factor, resulting from internalisation of management was the absence of property management fees, previously payable to an external manager, which added a further $8.3 million to rental income in the current year. These increases were partly offset by the sale of 205 Queen in June 2014 and reduced income at The Majestic Centre and 56 The Terrace while the refurbishment and strengthening projects take place at those assets.

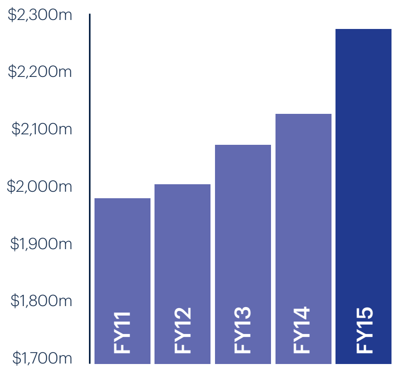
Our net interest expense reduced $4.1 million (-7.4%) as a result of capital management initiatives implemented during the year and the conversion of the mandatory convertible notes in December 2014.

The current tax expense increased $5.4 million, due to the tax credits associated with the tax deductibility of the internalisation payment being available in the prior year.

At year end the Company had total assets of $2.30 billion, up $59.8 million (+2.7%) on the prior year. Shareholder funds rose by $194.1 million (+16.3%) to $1.38 billion, with the conversion of 120 million mandatory convertible notes into shares contributing to this increase. Net asset backing per share rose by 3.4%, from $1.17 to $1.21.

Record operating profit

Record property portfolio value



Summary financial results

Financial performance

For the year ended	Note	**31-Mar-15 $m**	31-Mar-14 $m
Gross rental income		**205.8**	208.2
Property operating expenditure		**(50.5)**	(59.5)
Net rental income		**155.3**	148.7
Property management fee income		**0.4**	0.1
Net interest expense	1	**(51.6)**	(55.7)
Manager's base fees		**–**	(8.1)
Management and administration expenses		**(15.1)**	(6.3)
Operating profit	2	**89.0**	78.7
Fair value change to interest rate derivatives		**(13.1)**	29.1
Fair value change to investment properties		**58.3**	8.5
Loss on disposal of investment properties		**(0.8)**	(3.3)
Insurance and litigation income/(adjustments)		**(6.3)**	52.9
Termination of management arrangements		**–**	(72.5)
Restructuring costs		**(2.1)**	(2.0)
Other non-operating items		**(0.6)**	(0.8)
Profit before tax		**124.4**	90.6
Tax benefit/(expense)		**(9.2)**	10.7
Profit after tax	3	**115.2**	101.3

Distributable income

For the year ended	Note		
Operating profit		**89.0**	78.7
Fixed rental income adjustments		**(4.1)**	(2.6)
Distributable income before tax		**84.9**	76.1
Current tax benefit/(expense)		**(5.2)**	0.2
Distributable income after tax	2	**79.7**	76.3

Dividends

For the year ended	Note	**cps**	cps
Cash dividend		**6.50**	6.40
Imputation credits	4	**0.44**	–
Gross dividend		**6.94**	6.40

Financial position

As at	Note	**$m**	$m
Property assets		**2,275.8**	2,130.2
Total assets		**2,295.6**	2,235.8
Shareholders' funds		**1,382.6**	1,188.5
Gearing ratio	5	**33.5%**	35.2%
Net asset backing per security		**$1.21**	$1.17

Notes

1. Shown net of interest income and interest capitalised.
2. Operating profit before income/(expenses) and tax (operating profit) and distributable income are alternative performance measures used by Kiwi Property to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution.
3. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements, which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.
4. Due to the tax deductibility of the internalisation payment made in December 2013, the Company was in a nil tax paying position for the year ended 31 March 2014. Accordingly, the directors determined there were no imputation credits available to be attached to dividends in respect of the year ended 31 March 2014.
5. Calculated as finance debt (which includes secured bank debt and the $125 million face value of bonds) over total tangible assets (this excludes interest rate derivative assets). The gearing ratio limit is 45%.

$875m
bank debt refinanced

$125m
of seven-year fixed rate bonds issued

6.02%
weighted average cost of debt

33.5%
gearing

Capital management

A key element of our strategy is to maintain a strong financial position and conservative gearing with appropriate diversity of debt capital sources. Over the course of the year, we continued to deliver on our long and successful track record in this regard.

In June, we refinanced $875 million of our bank debt facilities, which led to immediate interest savings and an extension of the weighted average duration of our bank debt. We followed this up in July with the successful issue of $125 million in seven-year fixed rate senior secured bonds, thereby diversifying our debt capital sources while increasing the duration of our funding sources.

In December 2014, the 120 million mandatory convertible notes issued in 2009 converted into 103 million new shares at a conversion price of $1.1696. The $120 million in funds raised under this issuance were used to fund the development of a world-class head office for ASB Bank. This completed development, ASB North Wharf, is now an iconic landmark on the Auckland waterfront, providing investors with a long-term income stream secured by an 18-year lease to a blue-chip tenant.

At 31 March 2015, the Company's weighted average cost of debt was 6.02%, down from 6.27% at 30 September 2014, with a weighted term to maturity of 3.6 years.

At year end our gearing ratio was 33.5%, down from 35.2% a year ago, assisted by reduced bank debt from the proceeds of the sale of 205 Queen and settlement of the Northlands insurance claim, together with improved property portfolio valuations.

Operational performance

Kiwi Property's portfolio of shopping centres and office buildings was valued at $2.28 billion at year end, a record value in our history.

The portfolio benefited from high occupancy rates from our leasing successes, stronger retail sales at our key assets and a general strengthening in market conditions.

Common market factors driving value growth include firming capitalisation rates due to strong investor demand, particularly in Auckland, and a reduction in insurance premiums.

Independent valuations undertaken as at 31 March 2015 resulted in a net gain in the value of the portfolio of $58.3 million (+2.6%), with the weighted average capitalisation rate for the portfolio firming 26 basis points to 6.92%. Overall, portfolio rental rates were assessed to be at market levels.

Our active asset management of the portfolio resulted in net rental income growth for the year of 4.4%, a high occupancy rate of 98.4% and a long weighted average lease term of 4.5 years.

Our retail portfolio, comprising six shopping malls and one large format retail centre, delivered 3.5% comparable income growth over the year (excluding property management fees), with total retail sales up 4.3%.

The value of the retail portfolio increased $58.0 million (+3.9%) to $1.53 billion. The weighted average capitalisation rate has firmed 18 basis points to 6.97%.

The income uplift resulted from a strong effort by the retail management team, who completed 730 new leases and rent reviews over the year, providing a rental uplift of 3.3% and resulting in 99.3% occupancy and a weighted average lease term of 3.4 years.

Sylvia Park, the flagship asset and outstanding performer in the Company's portfolio, increased in value by $31 million (+5.4%) to $601 million, partly reflecting improving rentals following strong sales growth of 6.0% in the past year. The asset's capitalisation rate firmed to 6.25%, consistent with the centre's strong trading history as well as its income growth and redevelopment potential. The growth in value of this asset over the past three years has been an impressive $89 million. Read about our exciting plans for this property on page 32.

We were encouraged to see a sustained improvement in retail sales with all centres posting positive sales growth. Our strategy to evolve the retail mix in our centres to offer greater dining, leisure, entertainment and service options, beyond conventional retail, was rewarded as we saw strong sales growth in the cinema, personal services and food categories.

Consistent with this strategy, we started construction of our $39 million redevelopment of LynnMall in January 2015. The redevelopment responds to customer demand and will see the creation of a new dining and entertainment precinct, significantly adding to the destinational appeal of the centre. Read more about this exciting project on page 31.

Our office portfolio, which comprises five office buildings in Auckland and Wellington, delivered comparable net rental income growth of 2.3% (excluding property management fees) over the year.

Successful leasing outcomes in both Auckland and Wellington have driven significant improvements in our portfolio occupancy and weighted average lease term. Occupancy has lifted to 96.1%, the highest in five years, and the weighted average lease term extended to 7.6 years, the longest in over 10 years.

Auckland office buildings provided a value gain of $33 million, reflecting positive investor demand, low vacancy rates and prospects for rental growth. Positive valuations were again recorded at Vero Centre (+7.4%) and ASB North Wharf (+6.5%). Over the past three years these assets have provided a combined revaluation gain of $79 million.

Wellington office assets reduced in value by $37 million due primarily to the $29.9 million cost increase for the seismic remediation project at The Majestic Centre. This project has been a key focus of the office team throughout the year with two key elements, the transfer beam and foundation works, now structurally complete. Read more about this project on page 43.

Overall, the net effect was that the value of the office portfolio declined marginally by $4.5 million (-0.7%) to $673.0 million and the weighted average capitalisation rate firmed 43 basis points to 6.80%.

PERFORMANCE HIGHLIGHTS

$2.28b
record portfolio value

98.4%
occupancy rate exceeds long-term average

RETAIL

3.5%
comparable rental growth
(excluding property management fees)

$601m
Sylvia Park value exceeds $600 million

99.3%
high occupancy

3.2%
comparable annual sales growth

OFFICE

2.3%
comparable rental growth
(excluding property management fees)

$33m
valuation gain in Auckland office buildings

7.6 years
longest weighted average lease term in over 10 years

96.1%
highest occupancy in five years

Our redevelopment of 56 The Terrace is now well underway, with the building vacated in November 2014 to allow for demolition and construction works to begin. The tower is being extensively refurbished and expanded to accommodate a new 18-year lease to the Ministry of Social Development. Read more about this project on page 45.

By mid-year we expect to conclude new 12-year lease agreements with the New Zealand Government for 8,059 sqm of space in our office building at 44 The Terrace, Wellington, equivalent to 84% of the building's office area. The existing Crown occupiers, Tertiary Education Commission, Commerce Commission and the Energy Efficiency and Conservation Authority, are expected to recommit to the building, all with individual leases commencing in July 2015. New proposed rents would provide an uplift on existing rentals of approximately 23%, achieved from completion of staged floor refurbishments.

The new long-term leases would provide a secure rental return on the $12.6 million project cost to upgrade and refurbish the 28-year old building. The works include refurbishment of base build finishes, the upgrade of building services, and the seismic strengthening of the building to 80% of New Building Standard.

Works would commence on site in June 2015 and would be carried out progressively, while tenants remain in occupation, with final completion by April 2017. In addition to the $8.5 million upgrade cost, a $4.1 million allowance has been made to provide for incentives and leasing costs, including a cash incentive to the Crown equivalent to one year's gross rent. This results in a total development cost of $12.6 million and a book value on completion of the project of $36.1 million. The projected value on completion of the project is $38.4 million resulting in an estimated revaluation gain of approximately $2.3 million.

For further information on our property portfolio, refer to the Property Compendium commencing on page 25.

Strategic acquisition and divestment

A key element of our strategy is to add value through the acquisition, divestment and development of property assets. In the 2015 financial year, we sold our remaining 50% interest in the office building at 205 Queen Street for $56.3 million. This enabled us to pay down debt and provided balance sheet flexibility to look at other value-adding opportunities.

In December, we acquired Sylvia Park's lifestyle precinct, a large format retail centre strategically located opposite our flagship retail asset, Sylvia Park. This asset was acquired for $64.0 million, with a projected initial yield of 7.0% and a projected 10-year internal rate of return of 9.1%. The acquisition expands our retail footprint at this key location and enables us to present our Sylvia Park customers with a broader, complementary and more compelling retail offer.

In March 2015, we completed a formal marketing campaign to sell the southern part of Centre Place, known as Centre Place South, in Hamilton. We are currently negotiating with a number of parties who have expressed interest in buying either Centre Place South or the entire centre.

Sustainability achievements

Sustainability, and in particular our focus on cost minimisation through environmental initiatives, is an important component of our value proposition.

Our key achievements for the year are as follows:

Carbon

- Highest ranked property entity in CDP (Carbon Disclosure Project) on the NZX
- Included for second year running in the CDP NZX50 Climate Disclosure Leadership Index
- Achieved ISO14064-1 and highest level of CDP attainment to be 'Carbon Managed'

Energy

- Achieved first NABERS Energy rating with a 4.5-star Excellent rating for 44 The Terrace, Wellington
- Installed New Zealand's largest solar array at Sylvia Park (see page 36 for details)

Industry

- Continued support of the NZ Green Building Council via participation in NABERSNZ

Our annual environmental programme continues to reap significant rewards. Since 2008, we've made some great savings across our portfolio:

Energy savings

We have saved over 7.7 million kilowatts of energy, which is enough to supply 767 typical New Zealand homes.

Water efficiency

We have saved over 118 million litres of water, enough to fill 2,361 domestic swimming pools

Waste minimisation

We have diverted 377 tonnes of waste from landfills, equivalent to filling 616 jumbo bins

People and remuneration

Following the internalisation of management in December 2013, a new remuneration framework was implemented for all employees.

This framework is designed to attract, retain, motivate and reward individuals to deliver premium performance aligned to our business objectives, strategy, shareholder interests and investment performance. New short-term and long-term incentive schemes were introduced from 1 July 2014.

Post year end, on 1 April 2015, an Employee Share Ownership Plan (ESOP) was established. For details of the incentive schemes and ESOP refer to page 93.

Strategy and outlook

Kiwi Property remains committed to providing investors with a reliable investment in New Zealand property, and we continue to target superior risk-adjusted returns over time through the ownership and active management of a diversified, high-quality portfolio.

Our strategy to achieve this objective has three core pillars: a firm commitment to maintaining a strong financial position; the active management of our assets to drive investment performance; and a focus on investment decisions that add value for our investors.

This third pillar, which focuses on making optimal capital allocation decisions, is particularly important when seeking superior investor returns. In this regard, our investment strategy leads us to favour acquisitions and developments in the Auckland region given its superior prospects for economic, population and employment growth.

We continue to investigate and pursue appropriate retail and office opportunities in this region.

In the retail sector, we are pursuing the organic growth opportunity we have to expand our retail offer at Sylvia Park, given its prime location, and our objective is to position the centre as Auckland's most attractive retail destination. We also continue to target other retail acquisition opportunities in locations favoured by the proposed Auckland Unitary Plan.

In the office sector, we continue to pursue long-term government leases in Wellington while in Auckland we are investigating office development opportunities at Sylvia Park as part of our town centre vision for that site.

As always, our diversified model provides flexibility to allocate capital to individual sector opportunities that have a superior business case at any given point in time and to recycle capital out of appropriate assets at favourable times within the property cycle.

Our intensive asset management strategy for our retail portfolio continues its customer-centric focus on improving shopper experiences while evolving our retail mix to maximise destinational appeal, sales and rental productivity. We are upgrading our digital platform to provide a more compelling connection with shoppers, and are developing new revenue sources through the more effective marketing of brand space opportunities.

We will continue to seek opportunities to joint venture with capital partners in order to diversify our investments over a greater pool of assets as well as generating additional property management fees.

We look forward to successfully completing our exciting dining and entertainment precinct at LynnMall later this year and completing our seismic strengthening programme at The Majestic Centre during the first half of 2016. At the same time, we expect to make good progress on our government office accommodation projects at 56 The Terrace and 44 The Terrace.

Thank you for your continued support of Kiwi Property.

CHRIS GUDGEON
Chief Executive

We're proud of our achievements over the past two decades, and we've learned a lot about who we are as an organisation.

Internalisation of management, corporatisation and the refreshing of our brand have also allowed us to hold a mirror to ourselves and establish a set of values that reflect who we are today.

We're people-people

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

We have a passion for excellence

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

We lead

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

We do what's right

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

Our directors

Mark Ford

CHAIR ACA, FACD (DIP), NSWIT DIP (COMM)

Mark is a professional director based in Australia with extensive property industry experience.

He was previously managing director, head of DB Real Estate Australia, where he managed more than A$10 billion in property funds.

Mark holds the roles of non-executive chairman for Cbus Property Pty Limited and non-executive director of the manager for China Commercial Trust, and he also sits on the investment committee of Cbus Superannuation Fund. Mark's previous directorships include Comrealty Limited, South East Asia Property Company (chair), Property Council of Australia, Deutsche Asset Management Australia and Trafalgar Corporate Group Limited.

Board membership
Non-executive Chair

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

Date of appointment
May 2011

Mary Jane Daly

BCOM, MBA

Mary Jane is an Auckland-based professional director with a strong background in banking and finance.

She was formerly Executive General Manager at State Insurance and, prior to this, she held the roles of Chief Financial Officer for IAG New Zealand, Group Treasurer and Risk Manager at Fonterra, and held positions at the Bank of New Zealand, National Australia Bank and Toronto-Dominion Bank in London.

Mary Jane is an independent director on the board of Airways New Zealand and the New Zealand Green Building Council, and is a Commissioner of the Earthquake Commission.

Board membership
Non-executive member

Other committees
Member of the Audit and Risk Committee

Date of appointment
September 2014

Richard Didsbury

BE

Richard was a joint founder of the business in 1992. His career evolved with Lend Lease and other New Zealand-based property companies.

He is now enjoying the opportunity to contribute to a variety of public initiatives such as serving as chairman of the Committee for Auckland. Richard is also on the boards of Auckland International Airport, SkyCity Entertainment Group and Hobsonville Land Company.

Board membership
Non-executive member

Other committees
Chair of the Remuneration and Nominations Committee

Date of appointment
July 1992

Jane Freeman

BCOM

Jane is an Auckland-based professional director who has extensive retail experience and expertise in the field of customer-driven technology.

Jane has held a number of senior general management roles in major New Zealand businesses including Telecom, ASB Bank, Bank Direct and Clear Communications.

She holds directorships with Foodstuffs North Island, ASB Bank and Delegats Group.

Board membership
Non-executive member

Other committees
Member of the Remuneration and Nominations Committee

Date of appointment
August 2014

Joanna Perry MNZM

MA (CANTAB), FCA

Joanna is an Auckland-based professional director, with extensive business experience.

Joanna is the chairman of the IFRS Advisory Council, deputy chairman of Genesis Energy, chairman of the Investment Advisory Panel of the Primary Growth Partnership and non-executive board member for Trade Me Group, Partners Life, Sport New Zealand and Rowing New Zealand. She is also adviser to the board of Tainui Group Holdings. She was previously a KPMG partner.

Board membership
Non-executive member

Other committees
Chair of the Audit and Risk Committee

Date of appointment
October 2006

Mike Steur

DIP VAL, FRICS, FPINZ, FAPI, MAICD

Mike is based in Sydney, Australia, and has more than 30 years' experience in property, spanning valuation, property management and consultancy within New Zealand, Australia, the Pacific Islands and across Asia.

He was a founding director of Richard Ellis (later CBRE) in New Zealand in 1988.

Mike is now the chair of the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Group Board (London-based) and non-executive director of BWP Management, the responsible entity for the ASX listed BWP Trust.

Board membership
Non-executive member

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

Date of appointment
January 2010

For more information on corporate governance, the board and its committees, refer to the Corporate Governance section commencing on page 85.

Our leadership team


CHRIS GUDGEON


GAVIN PARKER


GORDON BRAY


MILES BROWN


KYLIE EAGLE


DAVID GREENWOOD


JASON HAPPY


CHRISTOPHER HERMANN


DAVID JOHNSON


KARL RETIEF


STUART TABUTEAU


TREVOR WAIREPO

Chris Gudgeon

CHIEF EXECUTIVE BE (CIVIL), MBA, FRICS

Chris is responsible for the leadership, strategic direction and management of the Company. He has been involved in property, investment, development and construction in New Zealand for more than 25 years, commencing with us as Chief Executive in August 2008. Chris was previously General Manager Property with Auckland International Airport and, prior to that, Chief Executive Officer of Capital Properties in Wellington. He is a past president of Property Council New Zealand.

Gavin Parker

CHIEF OPERATING OFFICER

BCOM, GRADUATE DIPLOMA IN BUSINESS, CA

As Chief Operating Officer, Gavin leads the delivery of corporate services for the Company. This includes financial reporting, compliance and risk management, financial management, capital management, information technology, portfolio analysis, legal services and human resources as well as joint responsibility for investor relations and communications. He has more than 20 years' experience in property investment, financial services and funds management. Gavin commenced with us as Chief Financial Officer in 2002 and was appointed to the newly created position of Chief Operating Officer in 2014.

Gordon Bray

MANAGER RETAIL LEASING

Gordon is responsible for specialty store leasing and promotional brand space leasing for our retail assets. He has more than 24 years' experience in the property industry, with a background which includes commercial, retail and industrial sales and leasing, shopping centre management and general management roles. Gordon joined our team in 2000. Prior to this Gordon was a commercial property broker with Barfoot & Thompson.

Miles Brown

HEAD OF TRANSACTIONS BPROP, MBA

Miles manages all acquisition and divestment initiatives across the business. He has more than 20 years' experience in the commercial property industry, including 10 years working in the United Kingdom and Hong Kong. He joined our team as a commercial asset manager in 2003. Prior to this he held corporate property roles with Lucent Technologies and Jones Lang LaSalle.

Kylie Eagle

HEAD OF HUMAN RESOURCES
BCS, GRADUATE DIPLOMA IN BUSINESS

Kylie is responsible for our people management framework, processes and systems, as well as strategic support across all aspects of human resources and organisational development. She has more than 15 years' experience in human resources with specialist expertise in the areas of employee engagement, executive remuneration, leadership development and organisational design. Kylie joined our team in 2011 and prior to this held roles with Vodafone, Deloitte and Goldman Sachs.

David Greenwood

MANAGER PORTFOLIO ANALYSIS
BCOM (FINANCE), BPROP, MPINZ

David is responsible for providing analytical information across our property portfolio, including performance statistics, property modelling and forecasting, feasibilities, new business analysis and the coordination of independent property valuations. David is a registered valuer and has more than 20 years' experience in the areas of property finance, valuation and development. He joined the Kiwi Property team in 2005 and prior to this held roles with Westfield, Darroch Valuations and Westpac.

Jason Happy

NATIONAL FACILITIES MANAGER
BE, MSC (FACILITIES AND ENVIRONMENT MANAGEMENT)

Jason is responsible for delivering facilities management services across the retail and commercial portfolios, ensuring our existing properties and new developments are market-leading performers for operational efficiency. He also manages our Health and Safety and Sustainability programmes. He has more than 20 years' experience in building services engineering and property. Jason joined us in 1998 and prior to this held roles as a consulting engineer, project manager and facilities manager both in New Zealand and in the United Kingdom.

Christopher Hermann

GM DEVELOPMENT BARCH

Chris is responsible for our retail and commercial development activity. He has proven expertise in large scale commercial and retail developments in Australia, with a demonstrated ability to lead and manage development teams successfully through all development phases. Chris commenced with us in March 2015. Prior to this he worked in senior roles with Lend Lease and the Gandel Group, as well as with urban development and planning authorities in New South Wales and Victoria.

David Johnson

GM COMMERCIAL PORTFOLIO BCOM

David is responsible for driving the performance of our office portfolio, including managing our leasing, rent review and capital expenditure programmes. He has more than 25 years' experience in the commercial property industry and joined our team in 2010. Prior to that David held senior roles in the property development sector including Lion Nathan and Symphony Group. David was also previously with us from 1999 to 2004.

Karl Retief

GM RETAIL PORTFOLIO MBA, DIPLOMA IN BUSINESS

Karl leads our retail team. He is responsible for all strategic and operational aspects of the retail portfolio including overall leasing, design, operations and marketing. He has more than 20 years' experience in retail management and, prior to joining us in 2000, held senior retail roles with Farmers/Deka, Sportsgirl NZ and Truworths. Karl was chairman of the New Zealand Council of Shopping Centres between 2011 and 2014 and since 2012 he has been a member of the ICSC Asia Pacific Advisory Board.

Stuart Tabuteau

CHIEF FINANCIAL OFFICER BCOM, BA, CA

Stuart is responsible for all aspects of the finance and accounting function, including financial reporting, taxation and financial control. He has more than 19 years' experience in the property, venture capital, funds management and services industries. Stuart joined us in 2006 as Financial Controller and was appointed Chief Financial Officer in 2014. Prior to beginning with Kiwi Property, Stuart was Financial Controller with Ticketek and held various financial roles with property and venture capital businesses in London.

Trevor Wairepo

GENERAL COUNSEL AND COMPANY SECRETARY LLB, BA, MBA (DISTINCTION), FCIS, CMINSTD

Trevor is responsible for legal and company secretarial services, risk, compliance and insurance. He has more than 15 years' legal experience with listed and unlisted real estate entities including nine years in London. He is a Chartered Member of the Institute of Directors, a Chartered Company Secretary, a Fellow of the Institute of Chartered Secretaries and a United Kingdom and New Zealand qualified solicitor. Trevor joined our team in June 2014 and prior to this he was General Counsel for Precinct Properties.

PROPERTY COMPENDIUM

Exceptional places for exceptional people.

Our portfolio at a glance

We are an active owner of a $2.3 billion portfolio of high-quality shopping centres and office buildings.

What do we own?
(By value)

67% RETAIL

30% OFFICE

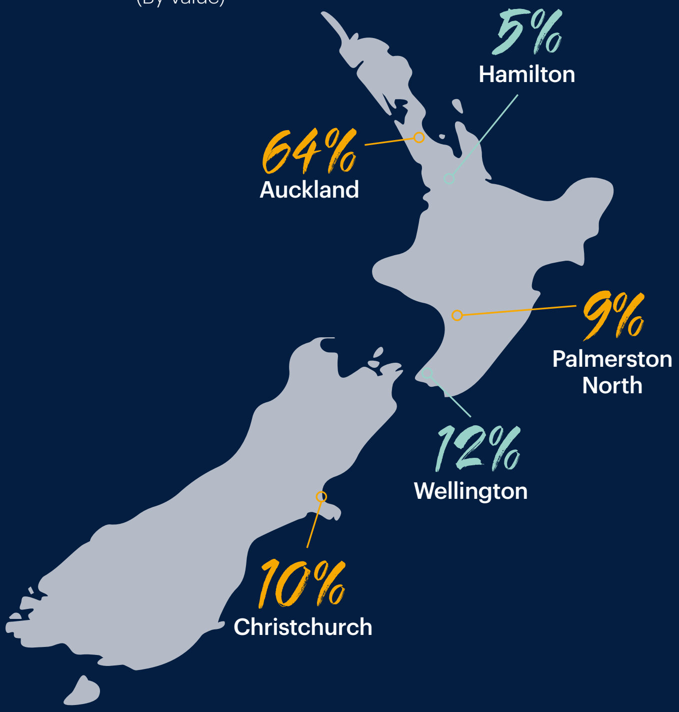
3% OTHER

98.4%

Occupancy
(By core portfolio area)

Our leasing teams have minimised vacancy during the year, improving occupancy to 98.4%.

Where do we invest?
(By value)



4.5 yrs

Weighted average lease term
(By core portfolio gross income)

Our weighted average lease term, a good measure of our security of income, is healthy, at 4.5 years.

Our tenants

800 RETAIL

76 OFFICE

Who are our tenants?

(By core portfolio gross income)

Retail portfolio:

New Zealand chains
31%

Australian and international chains
24%

Department stores
7%

Supermarkets
5%

Independent retailers
5%

Cinemas
2%

TOTAL RETAIL 74%

Office portfolio :

Banking
7%

Government
5%

Legal
4%

Insurance
4%

Consultancy
2%

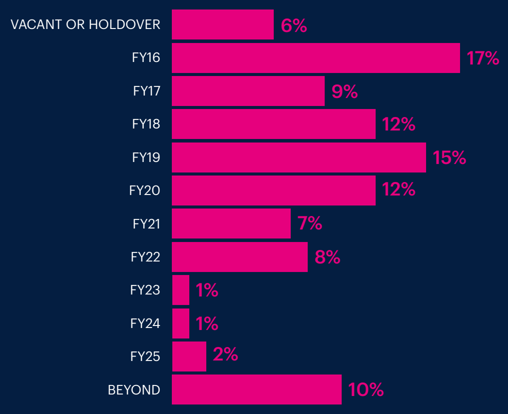
Financial services
2%

Other
2%

TOTAL OFFICE 26%

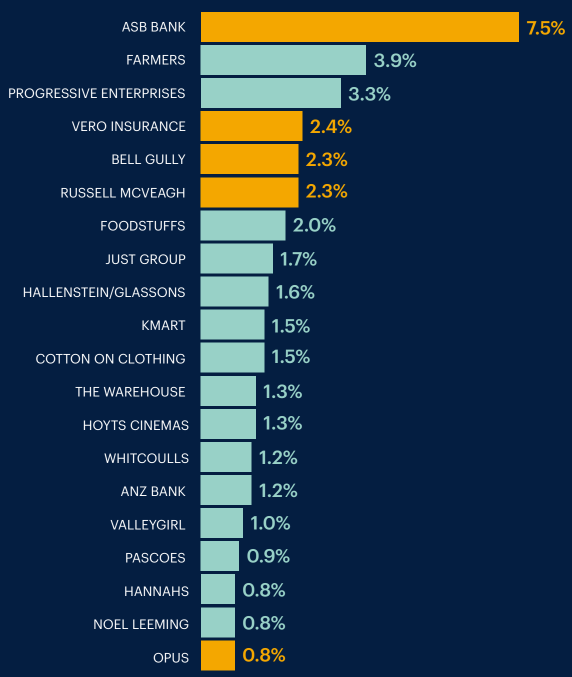
Lease expiry

(By core portfolio gross income)



Top 20 tenants

(By core portfolio gross income)



Our portfolio at a glance

	Location	Valuer	Capitalisation rate (%)	Value ($000)	FY15 net rental income[1] ($000)	NLA (sqm)
Retail portfolio						
Sylvia Park	Auckland	Colliers	6.25	601,000	38,150	72,165
Sylvia Park (Lifestyle)[3]	Auckland	JLL	7.00	64,400	1,284	16,182
LynnMall[4]	Auckland	Colliers	7.00	225,500	16,316	32,054
Centre Place[5]	Hamilton	Colliers	8.32	117,000	8,503	26,906
The Plaza	Palmerston North	JLL	7.25	206,000	15,403	32,444
North City	Porirua	JLL	8.25	97,500	8,034	25,466
Northlands	Christchurch	CBRE	7.38	220,361	18,947	41,513
Total: Retail portfolio			**6.97**	**1,531,761**	**106,637**	**246,730**
Office portfolio						
Vero Centre	Auckland	JLL	6.50	323,000	19,718	39,525
ASB North Wharf	Auckland	CBRE	6.50	175,000	13,776	21,625
The Majestic Centre	Wellington	Colliers	7.75	80,750	6,519	24,529
56 The Terrace[4]	Wellington	CBRE	7.25	70,700	3,032	22,195
44 The Terrace	Wellington	CBRE	8.63	23,500	2,144	10,109
Total: Office portfolio			**6.80**	**672,950**	**45,189**	**117,983**
TOTAL: INVESTMENT PORTFOLIO			**6.92**	**2,204,711**	**151,826**	**364,713**
Adjoining properties	Various	Various		49,562	2,646	
Development land	Auckland	Colliers		21,500	–	
Total: Other properties				**71,062**	**2,646**	
TOTAL: PORTFOLIO				**2,275,773**	**154,472**	

Notes

1. Excludes 205 Queen which was sold during the year.
2. For LynnMall and 56 The Terrace represents the number of carparks available on completion of current development activity.
3. Sylvia Park (Lifestyle) was not valued at 31 March 2015. It is recorded at the independent valuation undertaken at the time of its acquisition in December 2014.
4. The capitalisation rates for LynnMall and 56 The Terrace are the 'on completion' assessed rates.
5. Centre Place was valued as at 31 March 2015 as two separate properties, Centre Place North and Centre Place South. The figures shown represent the consolidated position.

WALT (years)	Occupancy (%)	Tenants (no.)	Carparks[2] (no.)	Major tenants
3.1	99.6	216	4,002	The Warehouse, Hoyts Cinemas, PAK'nSAVE, Countdown, Whitcoulls, Dick Smith, Warehouse Stationery, JB Hi-Fi
4.9	100.0	15	393	Spotlight, Freedom Furniture, Torpedo7
3.4	100.0	125	1,216	Farmers, Countdown, JB Hi-Fi, Noel Leeming
5.2	95.9	104	604	Farmers, METRO by Hoyts, Lido Cinemas, Rebel Sport
2.9	100.0	112	1,251	Farmers, Kmart, Countdown, JB Hi-Fi
3.1	99.1	105	1,080	Kmart, Farmers, Reading Cinemas
3.2	99.5	123	1,870	The Warehouse, PAK'nSAVE, Farmers, Countdown, Hoyts Cinemas
3.4	**99.3**	**800**	**10,416**	

4.8	98.8	35	420	Russell McVeagh, Vero, Bell Gully, Asteron Life, NIB, Goldman Sachs
15.6	100.0	12	97	ASB Bank
6.3	91.7	21	248	Opus Consulting, Ernst & Young, NZ Trade & Enterprise, Cigna Life, Government of Japan
–	–	–	310	Ministry of Social Development (on completion of development)
0.9	87.7	8	–	Commerce Commission, Tertiary Education Commission, Energy Efficiency and Conservation Authority
7.6	**96.1**	**76**	**1,075**	
4.5	**98.4**	**876**	**11,491**	

RETAIL PORTFOLIO

Overview and performance

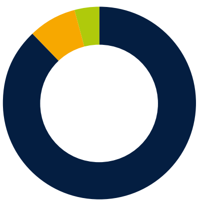
We invest in strong, well-located shopping centres and large format retail in New Zealand's main centres. Our portfolio of retail assets is now worth $1.53 billion, making us a leading owner and manager of New Zealand retail property.

We employ a dedicated team of retail property professionals who manage, market, lease and develop our assets to optimise income and investment performance by ensuring they remain attractive to shoppers and tenants.

Portfolio snapshot	31-Mar-15	31-Mar-14
No. of assets	7	6
Net lettable area	246,730 sqm	229,754 sqm
No. of tenants	800	778
No. of carparks	10,461	10,219
Occupancy	99.3%	99.4%
Weighted average lease term	3.4 years	3.8 years
Valuation	$1.53b	$1.39b
Weighted average capitalisation rate	6.97%	7.17%
Total sales	$1.29b	$1.23b

What do we own?

We invest primarily in dominant regional shopping centres. Recently we have purchased a large format retail centre opposite our largest asset, Sylvia Park.



Where do we invest?

Our assets are located in New Zealand's main centres, with a bias to the largest city, Auckland, where population and growth prospects are greatest.

How have we performed?

Our retail portfolio has delivered positive performance statistics over the past year, from both an operational and investment perspective.

+3.5%
comparable net rental income growth (excluding property management fees)

+3.3%
rent growth from new leases and rent reviews

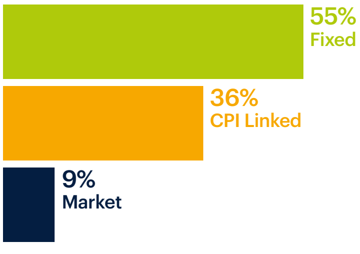
+3.2%
comparable annual retail sales growth

+3.9%
valuation gain

Surety of income

Our retail leases typically provide steady annual rental growth from structured rental increases, either by way of fixed annual increases or CPI-linked increases.

A breakdown, by retail portfolio income, is as follows:



High-quality tenants

Rental income from our portfolio is underpinned by some of Australasia's best known retail brands including Farmers, Countdown, PAK'nSAVE, Kmart, The Warehouse, Hoyts Cinemas, The Just Group, Hallenstein/Glassons, Cotton On Group and Whitcoulls.

Together, these top 10 tenants:

CONTRIBUTE
26%
of retail portfolio income

OCCUPY
49%
of retail portfolio area

Urban chic coming to LynnMall.

We're bringing urban chic to LynnMall with the addition of a new outdoor dining and entertainment precinct, as part of a $39 million redevelopment.

Development works are well underway, with completion expected in November 2015.

After a 14-year absence, movies are coming back to New Lynn with operator, Reading Cinemas, launching into the Auckland market with a state-of-the-art, eight-screen cinema. Reading have committed to a 15-year lease and will be looking to change the face of cinema going with their offer.

In keeping with New Lynn's industrial heritage, the adjoining dining precinct has been named 'The Brickworks', with design features being a nod to the area's rich history. This north facing landscaped laneway will provide a number of dining options. A 500 sqm gastro bar and restaurant by Goode Brothers will reside to the front of the lane offering a substantial menu and incorporating outside seating options. They will be joined by a Union Hospitality Group restaurant presenting a woodfired BBQ offer in relaxed surroundings, the likes of which will be unique in this part of Auckland. The Bodrum Kitchen offer is influenced by the Mediterranean in both the food and the fitout, with a casually sophisticated aura. The uber cool Shaky Isles will provide a relaxed setting for coffee and food, with Hansan rounding out the food offer with a popular Vietnamese influence. The unique food offer at 'The Brickworks' is sure to excite both locals and visitors alike.

Our design concept has been strongly supported by retailers. Including post year-end leasing activity, the development space is now 86% leased by area and 81% leased by budgeted income.

In addition, as part of the redevelopment, 4,000 sqm within the existing centre is also being reconfigured and re-leased. A new Noel Leeming store has already opened at the western end of the centre and Number One Shoes will soon re-open with new premises. We are also targeting new retailers to provide a wider, more exciting retail mix.

LynnMall's net lettable area will increase by 4,700 sqm to approximately 37,000 sqm on completion.

The projected value on completion has increased to $263 million, providing added value of $42 million over the $221 million invested in the centre (acquisition price and subsequent capital expenditure and redevelopment).

Sylvia Park – stronger than ever

Sylvia Park continues to build on its market dominance, with over 12 million shoppers per annum contributing to increasing annual sales, strong rental growth and a rising asset value.

Developed by Kiwi Property in 2007, Sylvia Park enjoys a commanding location on Auckland's motorway network, making it easily accessible from most parts of Auckland, and from outside the region.

Sylvia Park offers over 70,000 sqm of high-quality retail space anchored by The Warehouse, Countdown, PAK'nSAVE and Hoyts Cinemas, along with an extensive range of quality mini-major and specialty tenancies. With over 200 stores, the centre offers a wide and vibrant retail mix.

Centre retail sales have grown by 17% to $422 million per annum over the six years to 31 March 2015, and net income has increased by 32% to almost $36 million per annum.

At Sylvia Park we are continually refining the retail mix to improve dining, leisure and entertainment options, as well as providing facilities and services beyond conventional retail, to better serve our shopper communities.

Sylvia Park offers free Wi-Fi for its customers, and personal services ranging from nail and beauty salons, to masseurs, reflexologists, physiotherapists, dentists and doctors. Public space to sit and relax, parents' facilities and play zones for children have been improved to enhance the shopping experience. On page 36, you can read about our great solar energy solutions, which form part of our long-term sustainability programme.


SALE
NOW ON
wagamama
wagamama
noodle bar

"We are currently evaluating a 20,000 sqm expansion of Sylvia Park."

This year, we strengthened our commitment to Sylvia Park with the acquisition of Sylvia Park's lifestyle precinct (formerly Apex Mega Centre), a 16,200 sqm large format retail centre located immediately opposite our shopping centre. The locality continues to grow in dominance, and expansion of our retail footprint within the precinct enables us to present our customers with a broader, complementary and more compelling retail offer.

Current planning provisions, and Sylvia Park's status as a 'Metropolitan Centre' under Auckland City's proposed Unitary Plan, permit significant expansion across a broad range of town centre uses. The plan allows the centre to be expanded to a total gross floor area of 250,000 sqm including an expansion of the retail, food and beverage, and entertainment component to 120,000 sqm.

We are currently evaluating a 20,000 sqm expansion of the centre's retail offer, in response to the waiting list of retailers seeking stores, with the objective of positioning the centre as Auckland's most attractive retail destination.

The retail expansion project is currently in the pre-development phase (which includes design, consenting and pre-leasing) with construction potentially commencing in 2017 for a possible 2018 completion. The current estimated cost of the potential expansion project is approximately $150 million.

A range of options, including the addition of new international retailers, more specialty retail stores, department stores and further customer parking are currently under consideration.

As well as a retail expansion, we are also investigating the potential development of offices at Sylvia Park as part of our town centre vision for the site. The initial development under consideration is a 7,500 sqm office building, utilising the airspace above the shopping centre and tapping into the rail and bus public transport links onsite and benefiting from the amenities and services at the centre. The current cost estimate for this stage is approximately $45 million.

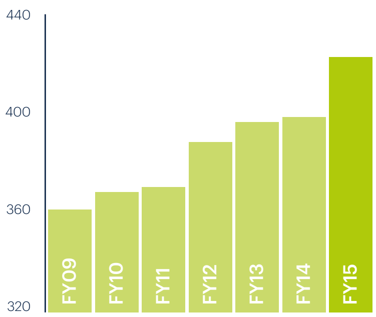
While we remain positive in relation to our retail expansion and office development plans at Sylvia Park, any scheme will ultimately be market led and subject to commercial viability.

As at March 2015, the value of Sylvia Park grew to $601 million, with a capitalisation rate of 6.25% reflecting the centre's strong trading history, its income growth and its redevelopment potential.

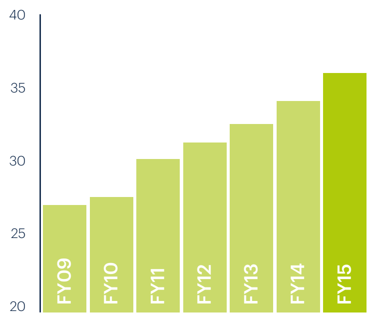
At this value, the centre has provided investors with an overall value gain of $180 million over and above its original development cost and subsequent cumulative capital expenditure.

Kiwi Property is proud to have developed New Zealand's leading shopping centre. Looking ahead, we are enthusiastic and confident about Sylvia Park's future prospects and its ability to continue delivering exceptional outcomes for shoppers, retailers and our investors.

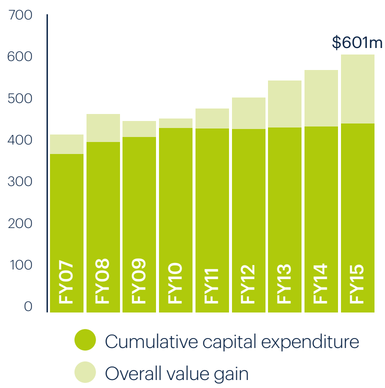
Annual retail sales ($m)



Net income ($m)



Value gain ($m)



New Zealand's largest solar array unveiled at Sylvia Park.

The largest solar array in New Zealand is now in operation at our flagship shopping centre, Sylvia Park.

Covering an area of 3,000 sqm – about the size of 12 tennis courts – the solar array is at least five times bigger than a similar system installed on the roof of the Auckland War Memorial Museum.

Some 1,134 solar panels will generate enough clean and green electricity to power the equivalent of 59 New Zealand homes annually. That equates to around 16% of Sylvia Park's common area energy consumption.

The installation went live on 3 January 2015, producing 190,000 kWh of electricity in its first two months of operation.

Late last year, Sylvia Park also became the first shopping centre in the country to install free electric vehicle chargers for its customers.

It's all part of Kiwi Property's ongoing sustainability programme.

2015 retail portfolio performance

Our retail portfolio delivered 3.5% comparable income growth in the financial year, with comparable retail sales up 3.2% over the year.

Valuations

Our retail portfolio is now valued at $1.53 billion, providing a revaluation gain for the year of $58.0 million, driven by strong performances at our centres which dominate their catchments, Sylvia Park (+$31 million), Northlands (+$14 million), The Plaza (+$10 million) and LynnMall (+$10 million). The weighted average capitalisation rate firmed 18 basis points to 6.97%.

Leasing activity

Overall, rentals achieved through new leasing and rent reviews showed growth of $2.9 million (+3.3%) for the year.

Rent reviews continue to provide consistent uplift due to the predominance of fixed and CPI-linked review mechanisms. The 597 rental reviews completed, representing 75% of tenancies by number, provided an average rental uplift of 3.8%, translating into an additional $2.9 million per annum in base rental.

Our leasing team had another active year, executing 133 leasing deals (including 89 renewals by existing tenants) equivalent to almost 17% of the total number of tenancies in our retail portfolio. Overall, new leases delivered rental growth of 0.2%.

Our leasing activity across the year resulted in the portfolio ending the year in a strong position, with 99.3% occupancy and a weighted average lease term of 3.4 years.

Acquisition

During the year we added to our retail portfolio with the strategic acquisition of Apex Mega Centre (subsequently rebranded Sylvia Park's lifestyle precinct), located immediately opposite Sylvia Park. The centre provides us with the opportunity to provide customers with a broader, complementary and more compelling retail mix in the Sylvia Park locality, and also gives Kiwi Property exposure to the furnishings, lifestyle and homeware sector, a consistently performing retail category in terms of sales growth.

Sales

Our shopping centres delivered total sales of $1.29 billion during the year. This reflects positive total sales growth over the prior year of 4.3%, or 3.2% on a comparable basis, once the effect of redevelopments is removed.

Sales growth was delivered at all our shopping centres and across all key merchandise category groupings.

Sylvia Park once again delivered a particularly strong performance (+6.0%), assisted by the successful implementation of extended trading hours.

On a category basis, it was pleasing to see strong growth in the discretionary spending categories, in particular:

- **Cinemas** +8.0%: an expanded movie offer served to broaden mass appeal with a further contribution resulting from an upgrade of the lux lounges at Hoyts Sylvia Park.
- **Mini-major/specialty stores** +3.8%: strong sales growth in food categories (+5.5%) and retail and personal services (+8.0%), as we continue to strategically evolve our retail mix to address shoppers' desire for a more social and engaging experience.
- **Commercial services** +8.4%: predominantly reflecting sales through our lotto, mobile phone and travel stores.

We are looking forward to a continuation of improved retail sales performance as consumers relax their purse strings after a long period of caution. New Zealand Institute of Economic Research forecasts robust consumer spending, buoyed by improving household incomes, low mortgage rates, strong house prices and net migration.

Focus for FY16

Our retail team has an active year ahead, with the following priorities:

- continue to evolve the retail mix at our centres to maximise productivity
- elevate Sylvia Park to a world-class offering by introducing new flagship retail brands
- advance the digital strategy for our retail portfolio
- launch our new dining and entertainment precinct at LynnMall
- successfully amalgamate Sylvia Park's lifestyle precinct into the retail portfolio and market the centres as a single retail destination with complementary offers, and
- progress planning, leasing and pre-development activities to establish the viability and programme for:
  - a potential retail expansion of Sylvia Park, and
  - the potential construction of a new department store at Northlands.

Category	Total sales $m	Comparable annual variance %
Supermarkets	326.7	+1.3
Department stores	189.2	+2.0
Cinemas	19.2	+8.0
Mini-majors	135.9	+4.6
Specialty	519.6	+3.6
Commercial services	95.2	+8.4
Total sales	**1,285.8**	**+3.2**

Note: Tenants within Sylvia Park's lifestyle precinct do not report sales.

12m customers per year

Sylvia Park

New Zealand's largest shopping centre, Sylvia Park, is located at the heart of Auckland, with unparalleled exposure and accessibility. It draws customers from across the city and beyond, attracting annual sales of more than $400 million. Developed and built by Kiwi Property, this award-winning centre offers quality retail space anchored by The Warehouse, Countdown, PAK'nSAVE and Hoyts Cinemas, along with an extensive range of quality specialty tenancies.

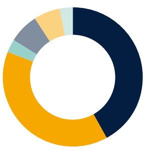
Lease expiry profile (by gross income)

Vacant or holdover	7%
FY16	16%
FY17	6%
FY18	12%
FY19	35%
FY20+	24%

Key property statistics

Centre type	Regional
Date completed	Jun-07
Net lettable area (sqm)	72,165
Tenants (no.)	216
Carparks (no.)	4,002
FY15 net rental income ($m)	38.2
Valuation ($m)	601.0
Capitalisation rate (%)	6.25
10-year internal rate of return (%)	9.25
Occupancy (%)	99.6
Weighted average lease term (years)	3.1
FY15 total sales ($m)	422.1

Tenant diversification (by gross income)



- **42%** New Zealand chains
- **39%** Australian and international chains
- **3%** Department stores
- **7%** Supermarkets
- **6%** Independent retailers
- **3%** Cinemas

15 large format retailers

Sylvia Park (Lifestyle)

Located on a prominent site adjacent to Auckland's southern motorway, Sylvia Park's lifestyle precinct is a large format retail complex constructed in 2011. It provides 15 stores anchored by Spotlight, Freedom Furniture and Torpedo7. Its location immediately opposite our flagship retail asset, Sylvia Park, provides customers with a broader, complementary and more compelling retail offer in this strong retail destination.

Lease expiry profile (by gross income)

Vacant or holdover	0%
FY16	4%
FY17	0%
FY18	16%
FY19	0%
FY20+	80%

Key property statistics

Centre type	Large format
Date acquired	Dec-14
Net lettable area (sqm)	16,182
Tenants (no.)	15
Carparks (no.)	393
FY15 net rental income ($m) (since Dec-14)	1.3
Valuation ($m)	64.4
Capitalisation rate (%)	7.00
10-year internal rate of return (%)	9.12
Occupancy (%)	100
Weighted average lease term (years)	4.9
FY15 total sales ($m)	Sales not reported

Tenant diversification (by gross income)

- **55%** New Zealand chains
- **45%** Australian and international chains

LynnMall

New Zealand's first ever shopping centre, LynnMall, has been servicing Auckland's western suburbs for over 50 years. Since opening in 1963, the centre has continued to evolve and is undergoing redevelopment to incorporate an eight-screen cinema complex and an outdoor dining lane. Together with the existing Farmers department store and Countdown supermarket, the centre provides a compelling and convenient shopping destination in the developing town centre of New Lynn.

Lease expiry profile (by gross income)

Vacant or holdover	4%
FY16	21%
FY17	13%
FY18	17%
FY19	20%
FY20+	25%

Key property statistics

Centre type	Regional
Date acquired	Dec-10
Net lettable area (sqm)	32,054
Tenants (no.)	125
Carparks (no.)	1,216
FY15 net rental income ($m)	16.3
Valuation ($m)	225.5
Capitalisation rate (%)	7.00
10-year internal rate of return (%)	9.97
Occupancy (%)	100.0
Weighted average lease term (years)	3.4
FY15 total sales ($m)	190.8

Tenant diversification (by gross income)

- **45%** New Zealand chains
- **26%** Australian and international chains
- **8%** Department stores
- **11%** Supermarkets
- **10%** Independent retailers

Centre Place

Hamilton City's premier destination for food, fashion and entertainment, Centre Place, was extensively redeveloped in 2013, providing a wide mix of quality national and international retailers, complemented by a good range of indoor and outdoor dining options. The centre is strongly anchored by Farmers department store and features both Lido and METRO by Hoyts cinema complexes.

Lease expiry profile (by gross income)

Vacant or holdover	2%
FY16	9%
FY17	4%
FY18	17%
FY19	12%
FY20+	56%

Key property statistics

Centre type	CBD
Date acquired	Dec-94/Jul-03/Dec-05
Net lettable area (sqm)	26,906
Tenants (no.)	104
Carparks (no.)	604
FY15 net rental income ($m)	8.5
Valuation ($m)	117.0
Capitalisation rate (%)	8.32
10-year internal rate of return (%)	10.59
Occupancy (%)	95.9
Weighted average lease term (years)	5.2
FY15 total sales ($m)	85.0

Tenant diversification (by gross income)

- **50%** New Zealand chains
- **27%** Australian and international chains
- **14%** Department stores
- **6%** Independent retailers
- **3%** Cinemas

100%
occupied for past 3 years

The Plaza

The Manawatu's premium shopping destination is The Plaza, which stands at the heart of Palmerston North's CBD. The centre extends over 32,000 sqm and is anchored by Farmers department store, Kmart and a Countdown supermarket. With over 100 retail shops, the centre provides a wide mix of fashion, food, services and general retailing.

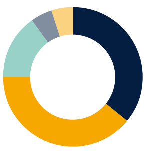
Lease expiry profile (by gross income)

Vacant or holdover	7%
FY16	40%
FY17	12%
FY18	9%
FY19	6%
FY20+	26%

Key property statistics

Centre type	Regional
Date acquired	Aug-93
Net lettable area (sqm)	32,444
Tenants (no.)	112
Carparks (no.)	1,251
FY15 net rental income ($m)	15.4
Valuation ($m)	206.0
Capitalisation rate (%)	7.25
10-year internal rate of return (%)	8.99
Occupancy (%)	100.0
Weighted average lease term (years)	2.9
FY15 total sales ($m)	171.5

Tenant diversification (by gross income)



- **36%** New Zealand chains
- **39%** Australian and international chains
- **15%** Department stores
- **5%** Supermarkets
- **5%** Independent retailers

25
years of operation

North City

Located within Porirua's town centre, North City has been providing high-quality national and international retailing to its catchment for close to 25 years. The two-level, 25,000 sqm centre is anchored by Farmers department store, Kmart and Reading Cinemas and an adjoining New World supermarket under separate ownership.

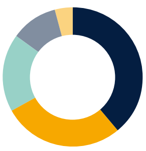
Lease expiry profile (by gross income)

Vacant or holdover	3%
FY16	15%
FY17	26%
FY18	10%
FY19	12%
FY20+	34%

Key property statistics

Centre type	Regional
Date acquired	Dec-93
Net lettable area (sqm)	25,466
Tenants (no.)	105
Carparks (no.)	1,080
FY15 net rental income ($m)	8.0
Valuation ($m)	97.5
Capitalisation rate (%)	8.25
10-year internal rate of return (%)	9.67
Occupancy (%)	99.1
Weighted average lease term (years)	3.1
FY15 total sales ($m)	95.3

Tenant diversification (by gross income)



- **39%** New Zealand chains
- **28%** Australian and international chains
- **18%** Department stores
- **11%** Independent retailers
- **4%** Cinemas

5 major tenants

Northlands

One of New Zealand's largest enclosed shopping centres, Northlands, has been servicing its Christchurch catchment for more than 40 years. The 41,000 sqm centre is embedded in the Christchurch community. Originally constructed in the 1960s, this single-level regional shopping centre has been progressively redeveloped over many years to meet demand and demographic shifts. It provides an outstanding mix of tenants, and serves more than 300,000 customers within a 15-minute driving radius.

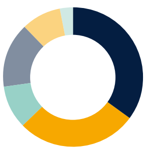
Lease expiry profile (by gross income)

Vacant or holdover	8%
FY16	21%
FY17	8%
FY18	11%
FY19	9%
FY20+	43%

Key property statistics

Centre type	Regional
Date acquired	Mar-94/Mar-98
Net lettable area (sqm)	41,513
Tenants (no.)	123
Carparks (no.)	1,870
FY15 net rental income ($m)	18.9
Valuation ($m)	220.4
Capitalisation rate (%)	7.38
10-year internal rate of return (%)	9.77
Occupancy (%)	99.5
Weighted average lease term (years)	3.2
FY15 total sales ($m)	321.1

Tenant diversification (by gross income)



- **35%** New Zealand chains
- **28%** Australian and international chains
- **10%** Department stores
- **15%** Supermarkets
- **9%** Independent retailers
- **3%** Cinemas

OFFICE PORTFOLIO

Overview and performance

Kiwi Property owns and manages some of New Zealand's best and most recognisable office assets. Our $673 million portfolio is split between New Zealand's two largest centres of business and government, Auckland and Wellington.

Our team of office experts is committed to building quality tenant relationships and strives to offer its clients the best possible level of building accommodation, services and amenities.

Portfolio snapshot	31-Mar-15	31-Mar-14
No. of assets	5	6
Net lettable area	117,983 sqm	143,523 sqm
No. of tenants	76	141
No. of carparks	1,075	1,220
Occupancy	96.1%	95.1%
Weighted average lease term	7.6 years	6.4 years
Valuation	$673m	$675m
Weighted average capitalisation rate	6.80%	7.23%

How have we performed?

Our office portfolio has delivered some pleasing performance statistics over the past year, from both an operational and investment perspective.

7.6 years

longest weighted average lease term in over 10 years

+3.0%

rent growth from new leases and rent reviews

+7.1%

valuation gain from Auckland assets

What do we own?

We invest primarily at the upper end of the office market, in Premium and A-grade office accommodation.

% of office portfolio by value

- **48%** Premium
- **38%** A-grade
- **3%** B-grade
- **11%** Under development*

* Will be A-grade on completion.

Where do we invest?

Our assets are located across Auckland and Wellington, with a bias to Auckland which offers greater population, business and employment growth prospects.

% of office portfolio by value

- **74%** Auckland
- **26%** Wellington

Major milestones achieved in New Zealand's largest seismic strengthening project.

Our complex seismic upgrade works at The Majestic Centre in Wellington reached two major milestones during the year, with the completion of the foundation works and the transfer beam. The tower works are scheduled to complete by the end of the year and final works relating to the upper podium structure are due to complete by mid-2016.

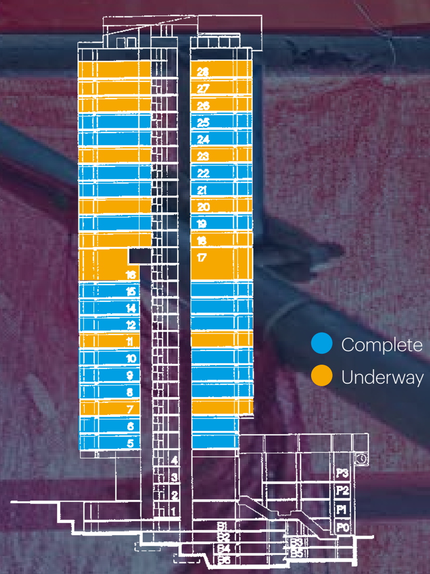
These critical strengthening components involve the addition of over 1,300 cubic metres of concrete, 180 tonnes of reinforcing steel, 457 tonnes of structural steel, 20,000 bolts, 32,000 anchors, and 53.2 kilometres of post-tensioning strand.

This significant engineering feat is being undertaken while the building remains operational and contributing positively to our annual rental income profile.

Wellington tenants are demanding a high level of seismic performance and Kiwi Property's commitment to these strengthening works, targeting a standard equivalent to 100% of New Building Standard for the office tower, has enabled us to secure new long-term lease commitments for around 68% of the building's area, or 16,700 sqm, since work commenced in 2011.

What is completed?

- **Foundations** – 100% structurally complete.
- **Transfer beam** – 100% structurally complete.
- **On-floor and shear core works** – The status of these works at March 2015 is depicted on the right. The shear core works are generally being completed at the same time as on-floor works.



What is still to come?

- **Lobby** – Commenced March 2015
- **Podium south roof, main atrium and the gym upper levels** – Commencing August 2015.

Strong buildings

We are committed to providing our tenants with a safe environment and are working progressively towards a low risk classification greater than 67% NBS for every building in our portfolio. Overall, our portfolio is currently rated as follows (by value):

High-quality tenants

Our tenants comprise a quality mix of blue-chip companies, respected professional service practices and government ministries. Together, the banking, government, legal, insurance and consultancy industries:

CONTRIBUTE
82%
of office portfolio rent

OCCUPY
66%
of office portfolio area

2015 office portfolio performance

Our office portfolio delivered comparable net rental income growth of 2.3% (excluding property management fees) over the year. Auckland assets provided good valuation uplift, however the value of Wellington buildings was negatively impacted by redevelopment costs.

Leasing activity

Successful leasing outcomes in both Auckland and Wellington have driven significant improvements in our portfolio occupancy and weighted average lease term. Occupancy has lifted to 96.1%, the highest level in five years, and the weighted average lease term extended to 7.6 years, the longest tenure in over 10 years.

Vero Centre now has only 490 sqm (1.2% of the building's area) of vacancy. New leases were negotiated during the year for 6,200 sqm of office space (16% of the building's area), with an average lease term of five years.

At The Majestic Centre, 4,200 sqm of new leases (17% of the building's area) were executed during the year, for an average term of 9.7 years. This activity takes total leasing completed in the building since commencement of our seismic strengthening project in 2011 to 16,700 sqm (68% of the building's area). Wellington tenants continue to demand premium seismic performance for their business accommodation, highlighting the strong demand for space.

Valuations

Our office portfolio ended the year with a value of $673 million, a decline over the prior year due to the divestment of 205 Queen and an increase in seismic project expenditure. The weighted average capitalisation rate firmed 43 basis points to 6.80%.

Auckland office buildings provided a value gain of $33 million, reflecting investor demand, low vacancy rates and prospects for rental growth. Positive valuations were recorded at our premium assets Vero Centre (+7.4%) and ASB North Wharf (+6.5%). Over the past three years these assets have provided a combined valuation gain of $79 million.

Wellington office assets reduced in value by $37 million primarily due to the $29.9 million cost increase for the seismic remediation project at The Majestic Centre, as recognised in the September 2014 interim results. Other decreases were recorded for 56 The Terrace (-6.4%), due to a forecast $4.8 million cost increase for the refurbishment project currently underway, and 44 The Terrace (-14.1%), due to impending lease expiries.

Focus for FY16

- Continue the successful leasing programme at The Majestic Centre, aiming for full occupancy on completion of the seismic works
- Successfully conclude the seismic strengthening project at The Majestic Centre in the first half of 2016
- Progress the development works at 56 The Terrace
- Undertake a lobby refurbishment at Vero Centre to maintain 'best in class' status, and
- Execute development and 12-year lease agreements with the Crown at 44 The Terrace and commence an associated $12.6 million refurbishment programme.

After – Artist's Impression

56 The Terrace gets a facelift.

Our redevelopment of 56 The Terrace is now well underway, with the building vacated in November 2014 to allow for demolition and rebuild of the Aurora Chambers building and complete refurbishment of the former Unisys House (tower).

The tower is being extensively refurbished and expanded to accommodate a new 18-year lease to the Ministry of Social Development.

The building is being thoroughly modernised to an A-grade standard, with building services upgraded, new window systems fitted and office floors refurbished. Our project will extend the complex by approximately 10% to 24,700 sqm, providing large and efficient floorplates of up to 1,800 sqm.

Our building contractor, LT McGuinness, is now fully established on site, with demolition of the Aurora Chambers complete and construction of the new structure well underway. Strip-out of the officer tower floors is complete with tenant fitout works commenced on some floors.

The cost of the project is now forecast to be $72 million, an increase of $5 million due to additional strengthening required to be completed within the carpark structure.

Key project facts

Total project cost	$72.0m
Construction completion	July 2016
NBS rating on completion	
› Tower	90%
› Aurora Chambers	100%
Lease start	August 2016
Lease term	18 years
Project yield	~7%

Work in progress

99%

occupied

Vero Centre

Our flagship office asset, Vero Centre, was completed in 2000 and remains one of Auckland's most prestigious office buildings, attracting and retaining some of the country's most respected companies as tenants. The property is a benchmark for quality and has won numerous awards for excellence in design, construction and efficiency.

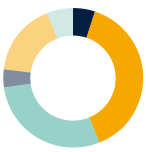
Lease expiry profile (by gross income)

Vacant or holdover	2%
FY16	11%
FY17	7%
FY18	24%
FY19	4%
FY20+	52%

Key property statistics

Building grade	Premium
Date acquired	Apr-01
Net lettable area (sqm)	39,525
Typical floor plates (sqm)	1,200
Carparks (no.)	420
FY15 net rental income ($m)	19.7
Valuation ($m)	323.0
Capitalisation rate (%)	6.50
10-year internal rate of return (%)	9.03
Occupancy (%)	98.8
Weighted average lease term (years)	4.8

Tenant diversification (by gross income)



- **5%** Banking
- **39%** Legal
- **29%** Insurance
- **4%** Consultancy
- **17%** Financial services
- **6%** Other

>15yr

WALT

ASB North Wharf

A showcase of environmental design and innovative office space solutions, ASB North Wharf is an award-winning seven-level office building which was developed by Kiwi Property for ASB Bank and accommodates 'activity-based working' practices. ASB has taken an 18-year lease over all the office space. The waterfront location and striking architecture have made it an instant landmark on the cityscape.

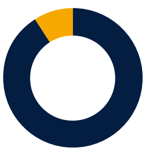
Lease expiry profile (by gross income)

Vacant or holdover	0%
FY16	0%
FY17	0%
FY18	0%
FY19	0%
FY20+	100%

Key property statistics

Building grade	A-grade
Date completed	May-13
Net lettable area (sqm)	21,625
Typical floor plates (sqm)	4,000
Carparks (no.)	97
FY15 net rental income ($m)	13.8
Valuation ($m)	175.0
Capitalisation rate (%)	6.50
10-year internal rate of return (%)	8.57
Occupancy (%)	100.0
Weighted average lease term (years)	15.6

Tenant diversification (by gross income)



- **91%** Banking
- **9%** Other

100%

target NBS on completion

The Majestic Centre

One of Wellington's most recognisable office towers, The Majestic Centre, offers 21 levels of A-grade accommodation with high-quality tenants from the public and private sectors. In 2011, we committed to seismic strengthening works to bring the building to 100% of New Building Standard. Our commitment to these works has delivered strong rewards, with high tenant retention and occupancy during the development works.

Lease expiry profile (by gross income)

Vacant or holdover	1%
FY16	15%
FY17	10%
FY18	3%
FY19	1%
FY20+	70%

Key property statistics

Building grade	A-grade
Date acquired	Mar-94/Dec-97
Net lettable area (sqm)	24,529
Typical floor plates (sqm)	1,000
Carparks (no.)	248
FY15 net rental income ($m)	6.5
Valuation ($m)	80.8
Capitalisation rate (%)	7.75
10-year internal rate of return (%)	9.53
Occupancy (%)	91.7
Weighted average lease term (years)	6.3

Tenant diversification (by gross income)

- **47%** Government
- **10%** Insurance
- **25%** Consultancy
- **18%** Other

18yr

Crown lease

56 The Terrace

As a mainstay accommodation option for the New Zealand Government, 56 The Terrace is presently undergoing comprehensive refurbishment ahead of a new 18-year Crown lease commencing in August 2016. On completion the building will offer over 24,000 sqm of modernised A-grade office accommodation with high seismic resilience.

Lease expiry profile (by gross income, on completion)

Vacant or holdover	0%
FY16	0%
FY17	0%
FY18	0%
FY19	0%
FY20+	100%

Key property statistics

Building grade	A-grade (on completion)
Date acquired	Apr-04
Net lettable area (sqm)	22,195
Typical floor plates (sqm)	1,200
Carparks (no.)	310
FY15 net rental income ($m)	3.0
Valuation ($m)	70.7
Capitalisation rate (%)	7.25
10-year internal rate of return (%)	8.39
Occupancy (%)	–
Weighted average lease term (years)	–

Tenant diversification (by gross income, on completion)

- **98%** Government
- **2%** Other

44 The Terrace

Well located within the Wellington parliamentary sector, 44 The Terrace enjoys good support from government tenants. The building provides 10,000 sqm of efficient office space over 12 levels.

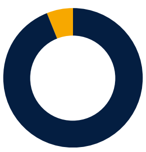
Lease expiry profile (by gross income)

Vacant or holdover	50%
FY16	10%
FY17	37%
FY18	0%
FY19	3%
FY20+	0%

Key property statistics

Building grade	B-grade
Date acquired	Sep-04
Net lettable area (sqm)	10,109
Typical floor plates (sqm)	800
Carparks (no.)	–
FY15 net rental income ($m)	2.1
Valuation ($m)	23.5
Capitalisation rate (%)	8.63
10-year internal rate of return (%)	9.78
Occupancy (%)	87.7
Weighted average lease term (years)	0.9

Tenant diversification (by gross income)



94% Government
6% Other

Financial statements and other information

Contents	Page

Five-year summary

Financial performance

Year ended 31 March

	2011 $m	2012 $m	2013 $m	2014 $m	**2015 $m**
Net rental income	137.8	144.0	135.5	148.7	**155.3**
Property management fee income	–	–	–	–	**0.4**
Net interest and finance charges	(48.2)	(48.7)	(49.7)	(55.7)	**(51.6)**
Manager's base fees	(10.4)	(10.8)	(10.4)	(8.1)	**–**
Manager's performance fees	–	–	(3.0)	–	**–**
Management and administration expenses	(2.8)	(3.2)	(3.0)	(6.2)	**(15.1)**
Operating profit before other income/(expenses) and income tax	76.4	81.3	69.4	78.7	**89.0**
Fair value change to interest rate derivatives	(11.2)	(2.3)	11.7	29.1	**(13.1)**
Fair value change to investment properties	(82.4)	(9.6)	21.0	8.5	**58.3**
Impairment of investment properties	–	(26.9)	–	–	**–**
Termination of management contracts	–	–	–	(72.5)	**–**
Restructuring costs	–	–	–	(2.0)	**(2.1)**
Insurance and litigation income/(adjustments)	–	67.1	16.6	52.9	**(6.3)**
Other non-operating income and expenses	(1.0)	(0.7)	(1.1)	(4.1)	**(1.4)**
Profit/(loss) before income tax	(18.2)	108.9	117.6	90.6	**124.4**
Current tax benefit/(expense)	(8.6)	(13.1)	(10.2)	0.3	**(5.2)**
Deferred tax benefit/(expense)	0.4	(6.6)	2.4	10.4	**(4.0)**
Profit/(loss) after income tax	(26.4)	89.2	109.8	101.3	**115.2**

Dividends

Year ended 31 March

	2011 cps	2012 cps	2013 cps	2014 cps	**2015 cps**
Cash dividend	7.00	7.00	6.60	6.40	**6.50**
Imputation credits	0.88	1.35	1.02	–	**0.44**
Gross dividend	7.88	8.35	7.62	6.40	**6.94**

Financial position

As at 31 March

	2011 $m	2012 $m	2013 $m	2014 $m	**2015 $m**
Assets					
Investment properties	1,984.7	2,008.9	2,076.5	2,130.2	**2,275.8**
Cash and cash equivalents	107.3	62.8	12.0	9.2	**6.2**
Other assets	20.6	88.0	38.0	96.4	**13.6**
Total assets	2,112.6	2,159.7	2,126.5	2,235.8	**2,295.6**
Liabilities					
Interest bearing liabilities	759.0	769.5	681.0	786.5	**766.4**
Mandatory convertible notes	117.6	118.2	118.9	119.7	**–**
Deferred tax liability	99.6	106.8	101.1	93.5	**90.1**
Other liabilities	93.5	92.5	93.4	47.6	**56.5**
Total liabilities	1,069.7	1,087.0	994.4	1,047.3	**913.0**
Total equity	1,042.9	1,072.7	1,132.1	1,188.5	**1,382.6**
Total equity and liabilities	2,112.6	2,159.7	2,126.5	2,235.8	**2,295.6**
Gearing ratio[1]	32.7%	33.8%	31.8%	35.2%	**33.5%**
Net asset backing per security	$1.07	$1.09	$1.14	$1.17	**$1.21**

Property metrics

As at 31 March

	2011	2012	2013	2014	**2015**
Number of core properties	15	12	11	12	**12**
Net lettable area [sqm]	382,132	360,565	338,986	373,277	**364,713**
Occupancy rate [by area]	97.1%	96.2%	97.2%	97.8%	**98.4%**
Weighted average lease term [years]	4.0	3.9	4.3	4.7	**4.5**
Weighted average capitalisation rate	7.99%	7.78%	7.52%	7.19%	**6.92%**

Note

1. For 2010 to 2013, the gearing ratio was calculated as bank debt less MCN proceeds on deposit over total assets (excluding MCN proceeds on deposit). From 2014 onwards, as all MCN proceeds have been utilised, the gearing ratio is calculated as total finance debt (which in 2015 includes the $125 million face value of the bonds) over total tangible assets.

pwc

Independent auditors' report

to the shareholders of Kiwi Property Group Limited

Report on the financial statements

We have audited the group financial statements of Kiwi Property Group Limited (the "Company") on pages 53 to 84, which comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other services for the Group in the areas of other related assurance and advisory services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 53 to 84 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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.

PricewaterhouseCoopers

Chartered Accountants
15 May 2015

Auckland

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Note	**2015 $000**	2014 $000
Gross rental income	2.1	**205,867**	208,189
Property operating expenditure	2.1	**(50,540)**	(59,488)
Net rental income		**155,327**	148,701
Property management fee income		**398**	52
Interest income		**421**	449
Interest and finance charges	2.2	**(52,025)**	(56,185)
Manager's fees	2.2	**–**	(8,058)
Management and administration expenses	2.2	**(15,124)**	(6,276)
Operating profit before other income/(expenses) and income tax		**88,997**	78,683
Other income/(expenses)			
Amortised interest expense on mandatory convertible notes		**(615)**	(781)
Fair value change to interest rate derivatives	3.4	**(13,053)**	29,056
Fair value change to investment properties	3.2	**58,315**	8,539
Loss on disposal of investment properties		**(770)**	(3,314)
Termination of management arrangements	5.2	**–**	(72,500)
Restructuring costs	2.2	**(2,122)**	(2,019)
Insurance income/(adjustment)	2.2	**(5,052)**	49,384
Litigation settlement income/(expenses)	2.2	**(1,296)**	3,547
Profit before income tax		**124,404**	90,595
Income tax benefit/(expense)			
Current tax	2.3	**(5,250)**	252
Deferred tax	2.3	**(3,964)**	10,453
Total income tax benefit/(expense)		**(9,214)**	10,705
Profit and total comprehensive income after income tax attributable to security holders		**115,190**	101,300
Basic and diluted earnings per security (cents)	3.6	**11.49**	9.83

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 2015

	Note	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
Balance at 1 April 2013		914,227	–	217,855	1,132,082
Profit after income tax		–	–	101,300	101,300
Dividends paid	3.6	–	–	(65,080)	(65,080)
Dividends reinvested	3.6	18,721	–	–	18,721
Performance fee reinvested		1,521	–	–	1,521
Balance at 31 March 2014		934,469	–	254,075	1,188,544
Balance at 1 April 2014		**934,469**	**–**	**254,075**	**1,188,544**
Profit after income tax		**–**	**–**	**115,190**	**115,190**
Dividends paid	3.6	**–**	**–**	**(65,800)**	**(65,800)**
Dividends reinvested	3.6	**25,109**	**–**	**–**	**25,109**
Conversion of mandatory convertible notes	3.4	**120,000**	**–**	**–**	**120,000**
Own shares acquired for long-term incentive plan	3.6	**(442)**	**23**	**–**	**(419)**
Balance at 31 March 2015		**1,079,136**	**23**	**303,465**	**1,382,624**

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 2015

	Note	2015 $000	2014 $000
Current assets			
Cash and cash equivalents		**6,182**	9,187
Trade and other receivables	3.1	**7,042**	9,530
Insurance income receivable	2.2	**–**	64,320
Income tax receivable		**–**	1,374
Other investments		**34**	38
		13,258	84,449
Non-current assets			
Investment properties	3.2	**2,275,773**	2,130,174
Property, plant and equipment		**541**	619
Other investments		**27**	134
Interest rate derivatives	3.4	**836**	7,931
Deferred tax asset	3.3	**5,132**	12,527
		2,282,309	2,151,385
Total assets		**2,295,567**	2,235,834
Current liabilities			
Trade and other payables	3.5	**36,982**	34,306
Mandatory convertible notes	3.4	**–**	119,730
Income tax payable		**302**	–
Interest rate derivatives	3.4	**21**	626
		37,305	154,662
Non-current liabilities			
Interest bearing liabilities	3.4	**766,378**	786,500
Interest rate derivatives	3.4	**19,145**	12,582
Deferred tax liability	3.3	**90,115**	93,546
		875,638	892,628
Total liabilities		**912,943**	1,047,290
Equity			
Share capital	3.6	**1,079,136**	934,469
Share-based payments reserve	3.6	**23**	–
Retained earnings		**303,465**	254,075
Total equity		**1,382,624**	1,188,544
Total equity and liabilities		**2,295,567**	2,235,834

For and on behalf of the board, who authorised these financial statements for issue on 15 May 2015.

MARK FORD
Chair of the Board

JOANNA PERRY
Chair of the Audit and Risk Committee

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

Consolidated statement of cash flows

For the year ended 31 March 2015

	2015 $000	2014 $000
Cash flows from operating activities		
Gross rental income	**208,901**	212,214
Property management fee income	**398**	52
Interest income	**422**	428
Property operating expenditure	**(49,104)**	(63,704)
Termination of management arrangements	**–**	(72,500)
Restructuring costs	**(1,963)**	(2,019)
Interest and finance charges	**(48,683)**	(57,198)
Income tax	**(3,320)**	(2,282)
Manager's fees	**–**	(12,390)
Management and administration expenses	**(14,613)**	(6,261)
Goods and Services Tax	**(1,109)**	605
Net cash flows from/(used in) operating activities	**90,929**	(3,055)
Cash flows from investing activities		
Proceeds from disposal of investment properties	**55,853**	46,893
Acquisition of investment properties	**(64,652)**	–
Expenditure on investment properties	**(77,473)**	(108,947)
Interest and finance charges capitalised	**(3,159)**	(4,953)
Compensation for assumption of net liabilities relating to internalisation	**–**	2,043
Insurance income	**59,268**	1,639
Litigation settlement income/(expenses)	**(1,296)**	3,547
Other investment activities	**48**	28
Net cash flows used in investing activities	**(31,411)**	(59,750)
Cash flows from financing activities		
Shares issued	**–**	1,521
Own shares acquired for long-term incentive plan	**(442)**	–
Proceeds/(repayment) of secured bank loans	**(143,500)**	105,500
Proceeds from fixed rate bonds	**122,365**	–
Dividends paid	**(40,946)**	(47,055)
Net cash flows from/(used in) financing activities	**(62,523)**	59,966
Net decrease in cash and cash equivalents	**(3,005)**	(2,839)
Cash and cash equivalents at the beginning of the year	**9,187**	12,026
Cash and cash equivalents at the end of the year	**6,182**	9,187

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

Reconciliation of profit after income tax to net cash flows from operating activities

	2015 $000	2014 $000
Profit after income tax	**115,190**	101,300
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	**(54,738)**	14,692
Non-cash items:		
Amortised interest expense on mandatory convertible notes	**615**	781
Fair value change to interest rate derivatives	**13,053**	(29,056)
Fair value change to investment properties	**(58,315)**	(8,539)
Movement in deferred tax asset	**7,395**	(2,914)
Movement in deferred tax liability	**(3,431)**	(7,539)
Movements in working capital items:		
Trade and other receivables	**2,488**	1,687
Insurance income receivable	**64,320**	(47,745)
Income tax receivable/payable	**1,676**	(3,296)
Trade and other payables	**2,676**	(22,426)
Net cash flows from/(used in) operating activities	**90,929**	(3,055)

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 2015

1. General information

1.1 Reporting entity

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

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

1.2 Basis of preparation

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

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

1.3 Group structure

Internalisation

On 12 December 2013, the Unit Holders of Kiwi Income Property Trust (the 'Trust') approved the internalisation of the management of the Trust. As a result, effective from 13 December 2013, the Trust terminated the fund and property management arrangements that were undertaken by the former manager, KIP NZ Limited (formerly Kiwi Income Properties Limited) and KPM NZ Limited (formerly Kiwi Property Management Limited) respectively and also purchased business assets and assumed certain liabilities of those entities. The assets of those entities were held in a newly formed controlled entity called Kiwi Property Management Limited (formerly Kiwi Property Management (NZ) Limited). With effect from 13 December 2013, Kiwi Property Management Limited became the manager of the Trust and was consolidated as part of the Group until corporatisation on 22 December 2014 when it was amalgamated with the Company (see below). It was determined that the internalisation transaction was a business combination.

Corporatisation

On 22 December 2014, the Trust moved from a unit trust to a company following Unit Holder approval on 15 December 2014. The corporatisation involved the redemption of units in the Trust for shares in the Company and the amalgamation of Kiwi Property Management Limited with Kiwi Property Group Limited. This transition has had no impact on the financial statements as the Company is a continuing entity and security holders have not changed, therefore the comparative information remains unchanged.

Controlled entities

The Company has the following wholly owned subsidiaries as at 31 March 2015: Kiwi Property Holdings Limited (KPHL) and Sylvia Park Business Centre Limited (SPBCL). SPBCL owns Sylvia Park Shopping Centre and Sylvia Park's lifestyle precinct, all other properties are owned by KPHL.

The Company has control over the trust fund operated by Pacific Custodians (New Zealand) Limited as trustee for the Company's long-term incentive plan (for further details refer to Note 3.6). The trust fund is consolidated as part of the Group.

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.

The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition of a controlled entity is the fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration over the fair value of the Group's share of the net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the controlled entity acquired, the difference is recognised directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Joint operations

The Group held a 50% interest in 205 Queen, Auckland from January 2014 until June 2014. The Group determined that its interest constituted a joint arrangement as the relevant decisions about the property required the unanimous consent of both parties. The joint arrangement was classified as a joint operation on the basis that the arrangement was not structured through a separate entity, and the parties had direct rights to the assets and obligations for the liabilities relating to their share of the property in the normal course of business.

Until disposal of the joint operation, the Group's financial statements included its share of assets, liabilities, revenues and expenses on a proportionate basis.

1.4 New standards, amendments and interpretations

There are no new standards, amendments or interpretations that have been issued and effective, or not yet effective, that are expected to have a significant impact on the Group.

Notes to the Consolidated Financial Statements: General information

For the year ended 31 March 2015

1.5 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 which are material to the financial statements are found in the following notes:

Note 1.3	Business combination	Page 59
Note 2.3	Tax expense	Page 63
Note 3.2	Investment properties	Page 65
Note 3.4	Interest rate derivatives	Page 74
Note 3.6	Share-based payments	Page 75

1.6 Accounting policies

Accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the consolidated financial statements.

Other relevant policies are provided as follows:

Measurement of fair values

The Group classifies its fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of all financial assets and liabilities is equivalent to their fair values apart from the fixed rate bonds (refer to Note 3.4 for further details on the fair value of the fixed rate bonds).

Goods and Services Tax

The financial statements have been prepared on a Goods and Services Tax exclusive basis, with the exception of certain receivables and payables which are inclusive of Goods and Services Tax.

1.7 Non-GAAP terminology

The Group presents a subtotal in the consolidated statement of comprehensive income for 'operating profit before other income/(expenses) and income tax' ('operating profit'). Items included in this subtotal are those that relate to the principal revenue-producing activities of the Group. These include revenue generated from investment properties and the related operating costs and finance charges. Items that are not related to operating activities are presented in 'other income/(expenses)'.

Operating profit is considered to be a useful measure for investors as it provides a snapshot of the underlying performance of the Group's properties before other sources of income and expenditure which are not directly related to the day-to-day operations of a property. Operating profit is also used by the Group as the basis for determining distributable income (subject to additional adjustments). The Group's measure of calculating operating profit may differ from other entities' methods and accordingly, may not be comparable to operating profit reported by other entities.

1.8 Significant changes during the year

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

Fixed rate bonds

On 6 August 2014, the Group completed its successful inaugural issue of $125 million of seven-year fixed rate bonds. For further details refer to Note 3.4.

Investment property acquisitions and disposals

In June 2014, the Group completed the sale of its remaining 50% interest in 205 Queen, Auckland for $56.3 million. In December 2014, the Group acquired Sylvia Park's lifestyle precinct (formerly Apex Mega Centre), Auckland for $64.6 million.

Insurance settlement

In November 2014, the Group accepted a $60.1 million full and final cash settlement (net of payments received in the prior year) of its outstanding insurance claims in relation to earthquake damage at Northlands Shopping Centre, Christchurch. For further details refer to Note 2.2.

Mandatory convertible notes conversion

In December 2014, the 120,000,000 mandatory convertible notes converted into 102,599,376 units in the Trust (which subsequently converted into shares in the Company on corporatisation, refer to Note 1.3) at a price of $1.1696 per unit. For further details refer to Note 3.4.

2. Profit and loss information

2.1 Rental income and property operating expenditure

Gross rental income

	2015 $000	2014 $000
Gross lease receipts	**206,976**	210,251
Straight-lining fixed rental increases	**4,125**	2,682
Amortisation of capitalised lease incentives	**(5,234)**	(4,744)
Gross rental income	**205,867**	208,189

Recognition and measurement

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

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

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

The future minimum property operating lease income to be received by the Group is as follows:

	2015 $000	2014 $000
Within one year	**205,094**	212,958
One year or later and not later than five years	**556,782**	607,209
Later than five years	**246,068**	261,025
	1,007,944	1,081,192

Property operating expenditure

	2015 $000	2014 $000
Property management fees paid to KPM NZ Limited (refer to Note 5.2)	**–**	5,819
Other property operating expenditure	**50,540**	53,669
Property operating expenditure	**50,540**	59,488

Notes to the consolidated financial statements: Profit and loss information

For the year ended 31 March 2015

2.2 Expenses

	2015 $000	2014 $000
Interest and finance charges on secured bank loans	**42,037**	50,398
Interest on mandatory convertible notes	**7,747**	10,741
Interest on fixed rate bonds	**5,401**	–
Capitalised to investment properties	**(3,160)**	(4,954)
Interest and finance charges	**52,025**	56,185
Manager's base fees (refer to Note 1.3)	**–**	8,198
Capitalised to investment properties	**–**	(140)
Manager's fees	**–**	8,058
Auditors' remuneration:		
Statutory audit and review of the financial statements	**250**	248
Audit-related services	**11**	11
Benchmarking and advisory services on executive remuneration	**183**	44
Directors' fees	**552**	136
Employee entitlements	**14,447**	4,333
Less: recognised in property operating expenditure	**(4,214)**	(1,231)
Less: capitalised to investment properties	**(1,415)**	(502)
Information technology	**844**	432
Investor related expenses	**577**	606
Occupancy costs	**731**	–
Professional fees	**1,080**	976
Trustee's fees	**394**	523
Other	**1,684**	700
Management and administration expenses	**15,124**	6,276
Internalisation expenses	**577**	2,019
Corporatisation expenses	**1,545**	–
Restructuring costs (refer to Note 1.3)	**2,122**	2,019
Litigation settlement income	**–**	(5,000)
Litigation expenses	**1,296**	1,453
Litigation settlement expenses/(income)	**1,296**	(3,547)

Litigation settlement expenses/(income) represent settlement income received and expenditure incurred in pursuing claims in relation to one of its investment properties.

Insurance income/(adjustment)
Northlands Shopping Centre suffered damage as a result of the 2010 and 2011 Canterbury earthquakes. The Group submitted a number of insurance claims under its material damage insurance. As at 31 March 2014, the Group's estimate of the amount recoverable from insurers was $64.3 million (net of payments received to date).

During the year, the Group accepted a full and final cash settlement totalling $60.1 million (net of payments received in the prior year) resulting in an adjustment of $4.2 million in the consolidated statement of comprehensive income ($5.1 million including costs).

Recognition and measurement

Interest and finance charges
The interest and finance charges on secured 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 mandatory convertible notes and fixed rate bonds is recognised using the effective interest rate method.

To determine the amount of borrowing costs capitalised to investment properties that are being constructed or developed for future use, the Group uses the weighted average interest rate applicable to its outstanding borrowings during the year. For 2015 this was 6.17% (2014: 7.58%).

Employee entitlements
Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Details of the employee entitlements expense in relation to share-based payments is outlined in Note 3.6.

2.3 Tax expense

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

	2015 $000	2014 $000
Profit before income tax	**124,404**	90,595
Prima facie income tax expense at 28%	**(34,833)**	(25,367)
Adjusted for:		
Amortised interest expense on mandatory convertible notes	**(172)**	(219)
Fair value change to interest rate derivatives	**(3,654)**	8,135
Fair value change to investment properties	**16,328**	2,391
Loss on disposal of investment properties	**(216)**	(928)
Insurance income/(adjustment)	**(1,415)**	13,828
Litigation settlement income/(expenses)	**2**	1,356
Depreciation	**5,416**	5,854
Depreciation recovered on disposal of investment properties	**(187)**	–
Deferred leasing costs	**(1,453)**	2,647
Deductible capitalised expenditure	**2,675**	1,956
Prior year adjustment	**215**	549
Other	**995**	1,099
Tax losses utilised/(carried forward)	**11,049**	(11,049)
Current tax benefit/(expense)	**(5,250)**	252
Tax losses carried forward/(utilised)	**(11,049)**	11,049
Depreciation recoverable	**2,462**	(3,629)
Reduction in depreciation recoverable on fixtures and fittings	**–**	14,356
Fair value change to interest rate derivatives	**3,654**	(8,135)
Deferred leasing costs and other temporary differences	**969**	(3,188)
Deferred tax benefit/(expense)	**(3,964)**	10,453
Income tax benefit/(expense) reported in profit/(loss)	**(9,214)**	10,705
Imputation credits available for use in subsequent periods	**2,032**	–

Notes to the consolidated financial statements: Profit and loss information

For the year ended 31 March 2015

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 credit amount represents 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 amount of the provision for income tax.

Key estimates and assumptions: income tax

Deductibility of internalisation payment
Following internalisation (refer to Note 1.3), the Group received a binding tax ruling from Inland Revenue which confirmed that the payments for the termination of the management arrangements were deductible for tax purposes.

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 the split provided by the valuers.

The Group recognises a deferred tax liability in respect of the depreciation expected to be recovered on fixtures and fittings on the sale of investment properties at fair value which requires an assessment to be made of market values attributable to fixtures and fittings. The market values of fixtures and fittings for significant properties have been assessed utilising independent valuation advice and the remaining properties have been assessed with reference to previous transactional evidence and their age and quality.

Depreciation recovered on the PricewaterhouseCoopers Centre (PwC Centre), Christchurch
The impairment of the PwC Centre in the year ended 31 March 2012 (resulting from the 2010 and 2011 Canterbury earthquakes) triggered a potential tax liability of $5.1 million for depreciation recovered. Following the earthquakes, the Government introduced legislation which provides, in certain circumstances, rollover relief for taxpayers affected by the earthquakes where insurance income will be used to acquire or develop replacement property in the Canterbury region. As at 31 March 2015, the Group continues to qualify for this relief. As such no tax is payable in the current year in respect of the depreciation recovered. A deferred tax liability continues to be provided as at 31 March 2015.

3. Financial position information

3.1 Trade and other receivables

	2015 $000	2014 $000
Trade debtors	**2,974**	4,092
Provision for doubtful debts	**(298)**	(507)
Prepayments	**4,366**	5,945
Trade and other receivables	**7,042**	9,530

Recognition and measurement

Trade debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade debtors is reviewed on an ongoing basis and a provision for doubtful debts is made when there is evidence that the Group will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated. There are no overdue debtors considered impaired that have not been provided for.

3.2 Investment properties

Recognition and measurement

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

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

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

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

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

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

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

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.2 Investment properties continued

Investment properties held by the Group are as follows:

	2015					
	Valuer	Ownership interest %	Fair value 31 March 2014 $000	Capital movements 2015 $000	Fair value changes 2015 $000	Fair value 31 March 2015 $000
Retail						
Sylvia Park Shopping Centre	Colliers	100	564,000	6,030	30,970	601,000
Sylvia Park (Lifestyle)	JLL	100	–	64,725	(325)	64,400
LynnMall Shopping Centre	Colliers	100	206,000	9,084	10,416	225,500
Centre Place Shopping Centre	Colliers	100	122,500	2,746	(8,246)	117,000
The Plaza Shopping Centre	JLL	100	196,000	187	9,813	206,000
North City Shopping Centre	JLL	100	96,400	155	945	97,500
Northlands Shopping Centre	CBRE	100	205,322	638	14,401	220,361
			1,390,222	83,565	57,974	1,531,761
Office						
Vero Centre	JLL	100	299,000	1,646	22,354	323,000
ASB North Wharf	CBRE	100	162,200	2,140	10,660	175,000
205 Queen		–	56,300	(56,300)	–	–
The Majestic Centre	Colliers	100	76,600	32,889	(28,739)	80,750
56 The Terrace (formerly Unisys House)	CBRE	100	53,400	22,133	(4,833)	70,700
44 The Terrace	CBRE	100	27,100	271	(3,871)	23,500
			674,600	2,779	(4,429)	672,950
Other						
Adjoining properties	Various	100	45,852	402	3,308	49,562
Development land	Colliers	100	19,500	538	1,462	21,500
			65,352	940	4,770	71,062
Investment properties			2,130,174	87,284	58,315	2,275,773

	2014					
	Valuer	Ownership interest %	Fair value 31 March 2013 $000	Capital movements 2014 $000	Fair value changes 2014 $000	Fair value 31 March 2014 $000
Retail						
Sylvia Park Shopping Centre	Colliers	100	540,000	2,490	21,510	564,000
LynnMall Shopping Centre	JLL	100	204,000	1,815	185	206,000
Centre Place Shopping Centre	Colliers	100	104,900	32,063	(14,463)	122,500
The Plaza Shopping Centre	Colliers	100	196,000	(28)	28	196,000
North City Shopping Centre	CBRE	100	99,500	958	(4,058)	96,400
Northlands Shopping Centre	JLL	100	205,504	12,494	(12,676)	205,322
			1,349,904	49,792	(9,474)	1,390,222
Office						
Vero Centre	JLL	100	273,000	847	25,153	299,000
ASB North Wharf	CBRE	100	–	153,490	8,710	162,200
205 Queen	JLL	50	96,600	(44,047)	3,747	56,300
The Majestic Centre	CBRE	100	61,300	19,932	(4,632)	76,600
56 The Terrace (formerly Unisys House)	Colliers	100	67,000	3,774	(17,374)	53,400
44 The Terrace	Colliers	100	27,100	121	(121)	27,100
			525,000	134,117	15,483	674,600
Other						
ASB North Wharf under construction	CBRE	100	140,101	(140,101)	–	–
Adjoining properties	Various	100	42,456	791	2,605	45,852
Development land	Colliers	100	19,000	575	(75)	19,500
			201,557	(138,735)	2,530	65,352
Investment properties			2,076,461	45,174	8,539	2,130,174

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

	2015 $000	2014 $000
Balance at the beginning of the year	**2,130,174**	2,076,461
Capital movements:		
Acquisition of Sylvia Park's lifestyle precinct (December 2014)	**64,652**	–
Disposal of 205 Queen (50% January 2014, 50% June 2014)	**(56,623)**	(50,207)
Capitalised costs (including fees and incentives)	**83,013**	97,549
Capitalised interest and finance charges	**3,159**	4,954
Amortisation of lease incentives, fees and fixed rental income	**(6,917)**	(7,122)
	87,284	45,174
Fair value change to investment properties	**58,315**	8,539
Balance at the end of the year	**2,275,773**	2,130,174

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.2 Investment properties continued

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

Introduction
All of the Group's investment properties have been determined to be Level 3 (2014: Level 3) in the fair value hierarchy as all significant inputs that determine fair value are not based on observable market data.

Valuation process
All investment properties were valued as at 31 March 2015 (and as at 31 March 2014) (with the exception of Sylvia Park's lifestyle precinct which was valued in December 2014) by independent valuers who are members of the Group's valuation panel and members of the New Zealand Institute of Valuers.

The adopted valuation of an investment property in the retail or office portfolio has been assessed within a range indicated by at least two valuation approaches; most commonly an income capitalisation approach and discounted cash flow analysis. The adopted valuation of a property in the other property portfolio has been assessed within a range indicated by at least two valuation approaches including an income capitalisation approach, discounted cash flow analysis, a sales comparison approach and a residual approach. These approaches contain unobservable inputs in determining fair value which are summarised in the table below.

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

Valuation techniques and inputs
The valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used are as follows:

Class of property	Valuation techniques	Inputs used to measure fair value	Range of significant unobservable inputs 2015	2014
Retail	Income capitalisation approach and discounted cash flow analysis	Gross market rent [per sqm] [1]	$532 – $668	$549 – $652
		Core capitalisation rate	6.3% – 8.3%	6.5% – 8.3%
		Other income capitalisation rate	7.3% – 9.5%	7.1% – 9.0%
		Discount rate	9.0% – 10.4%	9.3% – 10.5%
		Terminal capitalisation rate	6.4% – 8.7%	6.8% – 8.8%
		Rental growth rate [per annum]	–1.5% – 4.2%	–0.7% – 3.5%
		Expenses growth rate [per annum]	2.0% – 3.2%	–5.0% – 3.5%
Office	Income capitalisation approach and discounted cash flow analysis	Gross market rent [per sqm] [1]	$331 – $600	$320 – $592
		Core capitalisation rate	6.5% – 8.6%	6.9% – 8.5%
		Other income capitalisation rate	8.5% – 15.0%	6.9% – 9.5%
		Discount rate	8.4% – 9.8%	9.0% – 9.8%
		Terminal capitalisation rate	6.6% – 8.9%	7.0% – 9.0%
		Rental growth rate [per annum]	1.0% – 4.5%	0.0% – 4.5%
		Expenses growth rate [per annum]	1.9% – 2.8%	0.0% – 2.8%
Other	Income capitalisation approach, discounted cash flow analysis, sales comparison approach and residual approach	Gross market rent [per sqm] [1]	$72 – $197	$41 – $314
		Core capitalisation rate	6.3% – 11.3%	7.8% – 11.5%
		Discount rate	9.0% – 12.5%	9.8% – 12.0%
		Terminal capitalisation rate	7.5% – 12.3%	8.0% – 12.5%
		Rental growth rate [per annum]	0.5% – 3.3%	0.0% – 3.0%
		Expenses growth rate [per annum]	1.7% – 3.1%	0.0% – 4.0%

1. Weighted average by property.

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

Valuation techniques	
Income capitalisation approach	A valuation technique which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived rate of return with subsequent capital adjustments for near-term events, typically including letting up allowances, capital expenditure and the difference between contract and market rentals.
Discounted cash flow analysis	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 ten years. The assessed cash flows are discounted to present value at an appropriate, market-derived discount rate to determine fair value.
Sales comparison approach	A valuation technique whereby the subject property is compared to recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing attributes.
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 holding 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 sustainable net income to derive value.
Other income capitalisation rate	The rate of return which is applied to other, typically short-term or uncontracted, sources of property income to derive value and which is assessed with consideration to the risks in achieving each income source.
Unobservable inputs within the discounted cash flow analysis	
Discount rate	The rate, determined through analysis of comparable, market-related sales transactions, which is applied to a property's future net cash flows to convert those cash flows into a present value.
Terminal capitalisation rate	The rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated future market value.
Rental growth rate	The annual growth rate applied to market rents over an assumed holding period.
Expenses growth rate	The annual growth rate applied to property operating expenses over an assumed holding period.

Sensitivity analysis

The following table shows the impact on the fair value of a change in a significant unobservable input:

Significant inputs	Fair value measurement sensitivity to increase in input	Fair value measurement sensitivity to decrease in input
Gross market rent [per sqm]	Increase	Decrease
Core capitalisation rate	Decrease	Increase
Other income capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase
Terminal capitalisation rate	Decrease	Increase
Rental growth rate [per annum]	Increase	Decrease
Expenses growth rate [per annum]	Decrease	Increase

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.2 Investment properties continued

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

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

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

Key estimates and assumptions: property specific assumptions

LynnMall Shopping Centre, Auckland
In January 2015, the Company commenced construction of a new $39.2 million entertainment and dining precinct which is scheduled to complete in November 2015. Accordingly a residual valuation approach was used to determine fair value. Colliers assessed the fair value of LynnMall at 31 March 2015 at $225.5 million (2014: $206.0 million). The building's 'on completion' value was assessed at $263.0 million with deductions then made for all costs required to complete the development including holding costs and a typical profit margin for risks assumed.

Centre Place Shopping Centre, Hamilton
In March 2015, the Group completed a formal marketing campaign to sell part of the centre known as Centre Place South. Negotiations are ongoing with a number of parties who have expressed an interest in buying either Centre Place South or the entire centre. As a result, the centre has been valued as at 31 March 2015, as two separate properties, Centre Place North and Centre Place South with the consolidated position reported in the financial statements.

Northlands Shopping Centre, Christchurch
At 31 March 2015, Northlands Shopping Centre was independently valued by CBRE. In preparing this valuation, CBRE made an allowance for the cost of outstanding earthquake damage remedial works arising as a consequence of the Canterbury earthquakes. CBRE's valuation of the centre on an 'as is' basis is $220.4 million (2014: $205.3 million, valued by JLL).

The Majestic Centre, Wellington
The Company is currently undertaking works to seismically strengthen the building so as to secure a 'low risk' classification (as defined by the New Zealand Society for Earthquake Engineering). Due to the technical and complex engineering solutions required to complete the works, the estimated cost of the works increased during the year by $29.9 million, to an estimated cost of $83.5 million.

Colliers assessed the fair value of The Majestic Centre at 31 March 2015 at $80.8 million based on a capitalisation rate of 7.75% (31 March 2014: $76.6 million based on a capitalisation rate of 8.00%) after taking into consideration the $24.7 million (31 March 2014: $25.6 million) present value of the estimated costs to complete the strengthening works.

56 The Terrace, Wellington
In November 2013, the Company entered into a development agreement with the New Zealand Government resulting in a new 18-year lease commitment as part of a comprehensive $72 million refurbishment and expansion of the building. Construction commenced in November 2014 and is scheduled to complete in July 2016.

The valuation takes into account the new, long-term government lease in conjunction with the extensive refurbishment. CBRE assessed the fair value of 56 The Terrace at 31 March 2015 at $70.7 million (2014: $53.4 million). A residual valuation methodology was used to determine value. The building's 'on completion' value was assessed at $120.9 million with deductions then made for all costs required to complete the development including holding costs and a typical profit margin for risks assumed.

3.3 Deferred tax

	2015 $000	2014 $000
Deferred tax assets		
Losses carried forward	–	11,049
Interest rate derivatives	**5,132**	1,478
	5,132	12,527
Deferred tax liabilities		
Depreciation recoverable	**(79,623)**	(82,085)
Deferred leasing costs and other temporary differences	**(10,492)**	(11,461)
	(90,115)	(93,546)
Net deferred tax liabilities	**(84,983)**	(81,019)
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	**175**	11,224
Deferred tax asset to be recovered after 12 months	**4,957**	1,303
	5,132	12,527
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	**(824)**	(712)
Deferred tax liability to be recovered after 12 months	**(89,291)**	(92,834)
	(90,115)	(93,546)

Recognition and measurement

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

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

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

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.4 Funding

Interest bearing liabilities

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

	2015 $000	2014 $000
Bank loans	**643,000**	786,500
Fixed rate bonds	**125,000**	–
Unamortised capitalised costs on fixed rate bonds	**(1,622)**	–
Interest bearing liabilities	**766,378**	786,500

Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**6.02%**	6.01%
Weighted average term to maturity for the combined facilities	**3.6 years**	3.4 years

Recognition and measurement

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method whereby the transaction costs are spread over the expected life of the instrument.

Bank loans

The bank loans are provided by ANZ Bank New Zealand, Bank of New Zealand, Commonwealth Bank of Australia and Westpac New Zealand.

During the year, the bank loan facilities were refinanced under a single Senior Facilities Agreement. The committed facilities now total $775 million (31 March 2014: $875 million) and the undrawn facilities available as at 31 March 2015 totalled $132 million (31 March 2014: $88.5 million).

Fixed rate bonds

On 6 August 2014, the Group issued $125.0 million of fixed rate bonds, bearing a fixed interest rate of 6.15% per annum. The bonds mature on 20 August 2021. The issue costs associated with the bonds have been capitalised and are amortised over the term of the bonds using the effective interest rate method. Interest is payable semi-annually in February and August in equal instalments.

As at 31 March 2015, the fair value of the fixed rate bonds is $132.6 million based on their listed market price at balance date and is classified as Level 1 in the fair value hierarchy.

Security

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

Mandatory convertible notes (MCNs)

120,000,000 MCNs were issued in December 2009 at $1.00 each. The MCNs had a coupon rate of 8.95% per annum payable quarterly. On 20 December 2014, the MCNs converted into 102,599,376 units in the Trust at a price of $1.1696 per unit. In accordance with their terms of issue, the conversion price was calculated as a 2% discount to the average of the daily volume weighted average unit price for the 20 business days prior to the conversion announcement date.

The MCNs are presented in the consolidated statement of financial position as follows:

	2015 $000	2014 $000
Liability component of the MCNs		
Balance at the beginning of the year	**119,730**	118,947
Amortised interest costs	**615**	781
Movement in coupon interest accrual	**(345)**	2
Conversion into units	**(120,000)**	–
Balance at the end of the year	–	119,730
Effective interest rate	–	9.58%
Weighted average term to conversion	–	0.7 years

Recognition and measurement

MCNs that contain debt and equity components due to conversion features are accounted for as compound financial instruments. The debt component, representing the present value of the future interest and principal payments discounted at the market rate of interest applicable to similar debt instruments that do not have a conversion feature, is classified as a financial liability. The debt component, less transaction costs, is subsequently measured at amortised cost. The interest expense is recognised in profit or loss using the effective interest rate method. The equity value representing the value of the option component of the instrument is classified as equity on initial recognition. The equity component is not re-measured. The equity component was assessed and deemed to be insignificant.

On conversion, the balance of the liability is converted into shares in the Company and reclassified as equity.

The fair value of the MCNs as at 31 March 2014 was $123.6 million based on their listed market price and was classified as Level 1 in the fair value hierarchy.

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.4 Funding continued

Interest rate derivatives

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

	2015 $000	2014 $000
Interest rate derivative assets – non-current	**836**	7,931
Interest rate derivative liabilities – current	**(21)**	(626)
Interest rate derivative liabilities – non-current	**(19,145)**	(12,582)
Net interest rate derivatives	**(18,330)**	(5,277)

Notional contract amount of active interest rate derivatives	**625,000**	585,000
Range of fixed interest rates of active interest rate derivatives	**2.9% – 6.9%**	2.9% – 7.0%
Weighted average term to maturity of all derivatives	**3.3 years**	2.9 years

Recognition and measurement

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

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

Key estimate: fair value of interest rate derivatives

The fair values of interest rate derivatives are determined from valuations prepared by independent treasury advisers using valuation techniques classified as Level 2 in the fair value hierarchy (2014: Level 2). These are based on the present value of estimated future cash flows based on the terms and maturities of each contract and the current market interest rates at balance date. Fair values also reflect the current creditworthiness of the derivative counterparties. These values are verified against valuations prepared by the respective counterparties. The valuations were based on market rates at 31 March 2015 of between 3.63% for the 90-day BKBM and 3.75% for the 10-year swap rate (2014: 3.12% and 5.03%, respectively).

Capital management

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

3.5 Trade and other payables

	2015 $000	2014 $000
Trade creditors	**26,091**	15,475
Interest and finance charges payable	**6,355**	3,681
Development costs payable	**1,041**	10,179
Employment liabilities	**2,598**	3,208
Rent in advance	**455**	212
Goods and Services Tax	**442**	1,551
Trade and other payables	**36,982**	34,306

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

Share capital

The following table provides details of movements in the Group's issued securities:

	2015 Number 000	2015 Amount $000	2014 Number 000	2014 Amount $000
Balance at the beginning of the year	**1,014,770**	**934,469**	996,463	914,227
Issue of securities:				
Performance fee reinvestment	–	–	1,356	1,521
Dividend reinvestment	**21,530**	**25,109**	16,951	18,721
Conversion of mandatory convertible notes	**102,599**	**120,000**	–	–
Own shares acquired for long-term incentive plan	–	**(442)**	–	–
Balance at the end of the year	**1,138,899**	**1,079,136**	1,014,770	934,469

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 securities 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.

As outlined in Note 1.3, corporatisation was effected on 22 December 2014 at which time units in the Trust were redeemed for shares in the Company.

359,029 shares at a cost of $442,540 are held by Pacific Custodians (New Zealand) Limited (the LTI Trustee) for the Group's long-term incentive plan (refer to the share-based payments section on page 77 for further information).

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2015

3.6 Equity continued

Dividends

Dividends paid during the year comprised:

	Date declared	2015 cps	2015 $000	Date declared	2014 cps	2014 $000
Final dividend	20-May-14			10-May-13		
Cash		3.20	32,473		3.30	32,883
Imputation credits		–	–		0.53	5,281
		3.20	32,473		3.83	38,164
Interim dividend	12-Nov-14			8-Nov-13		
Cash		3.25	33,327		3.20	32,197
Imputation credits		0.26	2,666		–	–
		3.51	35,993		3.20	32,197
Total dividends						
Cash		6.45	65,800		6.50	65,080
Imputation credits		0.26	2,666		0.53	5,281
		6.71	68,466		7.03	70,361

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

On 15 May 2015 the board declared a final cash dividend of $37.0 million to shareholders for the six months ended 31 March 2015. The payment comprises a cash dividend of 3.25 cents per share (cps), together with imputation credits of 0.18 cps. The dividend record date is 26 May 2015 and payment will occur on 29 May 2015. The DRP has been suspended for the final dividend.

Earnings per security

Basic and diluted earnings per security (EPS) are calculated by dividing the post-tax profit for the year by the weighted average number of securities outstanding during the year, adjusted for the conversion of the mandatory convertible notes.

	2015	2014
Basic and diluted EPS (cents)	11.49	9.83
Profit used in the calculation of basic and diluted EPS ($000)		
Profit after income tax	115,190	101,300
Interest expense on mandatory convertible notes (net of tax)	6,021	8,296
	121,211	109,596
Weighted average number of securities used in the calculation of basic and diluted EPS (000)		
Weighted average securities	1,054,624	1,006,703
Estimated number of securities issued on conversion of mandatory convertible notes	–	108,030
	1,054,624	1,114,733

Share-based payments

Long-term incentive plan (LTI plan)

A restricted share LTI plan was introduced for selected senior employees on 15 December 2014 with a vesting date of 31 March 2017. Under the LTI plan, ordinary shares in the Company are purchased on market by Pacific Custodians (New Zealand) Limited (the 'LTI Trustee'). Participants purchase shares from the LTI Trustee with funds lent to them by the Company. The shares vest on 31 March 2017 if absolute and/or relative total shareholder return performance hurdles are met. If the individual is still employed by the Company at the end of the vesting period, the employee is provided a cash amount which must be used to repay the loan and the shares are then transferred to the individual.

Recognition and measurement

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

Key estimates and assumptions: fair value measurement of LTI plan

The fair value of the LTI plan has been determined using a Monte Carlo simulation to model a range of future stock price outcomes for the Company and comparator companies in the NZX Property Index. The inputs used in the measurement of the fair value at grant date were as follows:

Grant date	15 December 2014
Weighted average share price at grant date	$1.232
Risk-free rate	3.5%
Standard deviation of the companies in the NZX Property Index	12% – 21.4%
Correlation between Company share price and other companies in the NZX Property Index	0.25

The volatility and correlation measures were derived from measuring the standard deviation and correlation of returns for listed entities in the NZX Property 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 fair value per share has been assessed at $0.510 at the grant date. The employee entitlements expense relating to the LTI plan for the year ended 31 March 2015 is $23,304 with a corresponding increase in the share-based payments reserve (2014: Nil). The unamortised fair value of the remaining shares at 31 March 2015 is $159,801 (2014: Nil).

Number of shares

359,029 shares were granted under the LTI plan for the year ended 31 March 2015 (2014: Nil).

Outstanding shares at 31 March 2015: 359,029 (2014: Nil). Outstanding shares have a remaining contractual life of two years and are fair valued at $0.510 each at grant date. No shares were exercised, forfeited or have expired during the year.

Notes to the consolidated financial statements: Financial risk management

For the year ended 31 March 2015

4. Financial risk management

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:

Risk	Exposure arising from	Monitoring	Management
4.1 Interest rate risk	Interest bearing liabilities at floating rates	Cash flow forecasting Sensitivity analysis	Interest rate derivatives
4.2 Credit risk	Cash and cash equivalents Trade and other receivables Interest rate derivatives	Ageing analysis Credit ratings Management of deposits	Ongoing checks by management Contractual arrangements
4.3 Liquidity risk	Interest bearing and other liabilities	Forecast and actual cash flows	Active capital management and flexibility in funding arrangements

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.

The Group holds the following financial instruments:

	2015			2014		
	At amortised cost $000	**Fair value through profit or loss $000**	**Total $000**	At amortised cost $000	Fair value through profit or loss $000	Total $000
Financial assets						
Cash and cash equivalents	**6,182**	**–**	**6,182**	9,187	–	9,187
Trade and other receivables	**2,676**	**–**	**2,676**	3,585	–	3,585
Insurance income receivable	**–**	**–**	**–**	64,320	–	64,320
Other investments	**61**	**–**	**61**	172	–	172
Interest rate derivatives	**–**	**836**	**836**	–	7,931	7,931
	8,919	**836**	**9,755**	77,264	7,931	85,195
Financial liabilities						
Trade and other payables	**33,487**	**–**	**33,487**	29,335	–	29,335
Interest bearing liabilities	**766,378**	**–**	**766,378**	786,500	–	786,500
Mandatory convertible notes	**–**	**–**	**–**	119,730	–	119,730
Interest rate derivatives	**–**	**19,166**	**19,166**	–	13,208	13,208
	799,865	**19,166**	**819,031**	935,565	13,208	948,773

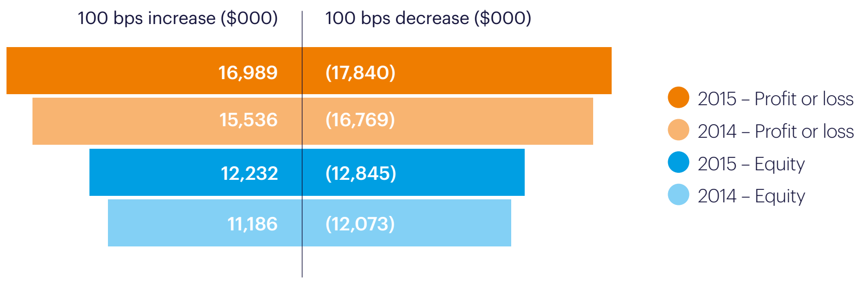
4.1 Interest rate risk

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 costs by exchanging floating rate interest obligations for fixed rate interest obligations. The Group has established a Treasury Management Committee consisting of senior management and external treasury advisors to review and set treasury strategy within the guidelines of its Debt and Hedging Policy.

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

Sensitivity to interest rate movements
The following sensitivity analysis shows the effect on profit or loss and equity if market interest rates at balance date had been 100 basis points higher or lower with all other variables held constant.



4.2 Credit risk

Nature of the risk
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group incurs credit risk in the normal course of business from trade receivables and transactions with financial institutions.

Risk management
The risk associated with trade receivables is managed with a credit policy which includes performing credit evaluations on tenants and imposing standard payment terms. Collateral is obtained where possible. The risk from financial institutions is managed by placing cash and deposits with high credit quality financial institutions only.

Exposure
The maximum exposures to credit risk are outlined in the table on the previous page and are recognised net of any provision for losses on these financial instruments.

Notes to the consolidated financial statements: Financial risk management

For the year ended 31 March 2015

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

Exposure

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

	Statement of Financial Position $000	Contractual cash flows (principal and interest) Total $000	0–6 mths $000	6–12 mths $000	1–2 yrs $000	2–5 yrs $000	> 5 yrs $000
2015							
Trade and other payables	**27,132**	**27,132**	**27,132**	**–**	**–**	**–**	**–**
Interest bearing liabilities	**766,378**	**918,794**	**20,635**	**20,635**	**96,932**	**644,061**	**136,531**
Interest rate derivatives	**18,330**	**20,902**	**2,429**	**2,856**	**6,478**	**8,582**	**557**
	811,840	**966,828**	**50,196**	**23,491**	**103,410**	**652,643**	**137,088**
2014							
Trade and other payables	25,654	25,654	25,654	–	–	–	–
Interest bearing liabilities	786,500	931,983	23,227	23,227	113,454	732,695	39,380
Interest rate derivatives	5,277	6,589	4,546	2,947	917	(1,500)	(321)
Mandatory convertible notes	119,730	8,092	5,414	2,678	–	–	–
	937,161	972,318	58,841	28,852	114,371	731,195	39,059

5. Other information

5.1 Segment information

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

Operating segments have been determined based on the reports reviewed by the Chief Executive to assess performance, allocate resources and make strategic decisions. The presentation of segment information has been realigned to reflect the latest information provided in those reports. Comparative information has been updated to reflect this change.

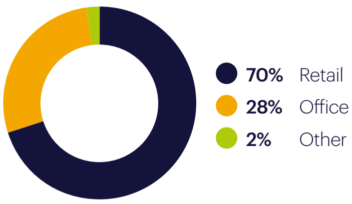
The Group's primary assets are investment properties. Segment information regarding investment properties is provided in Note 3.2.

The Group operates in New Zealand only.

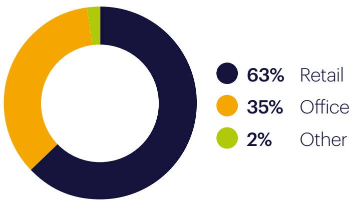
The following is an analysis of the Group's profit by reportable segments:

	Retail $000	Office $000	Other $000	Total $000
2015				
Gross rental income	**142,434**	**59,450**	**3,983**	**205,867**
Less: straight-lining of fixed rental increases	**(955)**	**(3,154)**	**(16)**	**(4,125)**
Less: property operating expenditure	**(35,799)**	**(13,403)**	**(1,338)**	**(50,540)**
Segment profit	**105,680**	**42,893**	**2,629**	**151,202**
2014				
Gross rental income	134,192	69,904	4,093	208,189
Less: straight-lining of fixed rental increases	(750)	(1,925)	(7)	(2,682)
Less: property operating expenditure	(40,588)	(17,421)	(1,479)	(59,488)
Segment profit	92,854	50,558	2,607	146,019

Segment profit 2015



Segment profit 2014



Notes to the consolidated financial statements: Other information

For the year ended 31 March 2015

5.1 Segment information continued

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

	2015 $000	2014 $000
Total profit for reportable segments	**151,202**	146,019
Property management fee income	**398**	52
Interest income	**421**	449
Straight-lining fixed rental increases	**4,125**	2,682
Interest and finance charges	**(52,025)**	(56,185)
Manager's fees	**–**	(8,058)
Management and administration expenses	**(15,124)**	(6,276)
Other income/expenses	**35,407**	11,912
Profit before income tax	**124,404**	90,595

5.2 Related party transactions

Details of transactions between the Group and other related parties are provided below.

Transactions with the former manager

Prior to the internalisation of the Trust on 12 December 2013 (as outlined in Note 1.3), KIP NZ Limited was the former manager of the Trust. Transactions between the Group and the former manager and its related entity KPM NZ Limited in the prior year were as follows:

	2014 $000
Base management fees	8,198
Property management fees	5,819
Leasing, development and facilities management fees	5,965
Expenditure reimbursement	5,305
Termination of fund and property management arrangements	72,500
Payment received for net liabilities assumed by the Group upon internalisation	2,043
Dividends paid on units held	312
Gross rental income paid to the Group in relation to a tenancy at 205 Queen	414

Transactions with the Commonwealth Bank of Australia and ASB Bank Limited

Prior to internalisation, Commonwealth Bank of Australia (CBA) was the ultimate parent company of both the former manager and ASB Bank Limited (ASB). Transactions between the Group, CBA and ASB in the prior year were as follows:

	2014 $000
Total committed revolving credit facility	300,000
Portion of revolving credit facility drawn down at balance date	239,000
Interest incurred under revolving credit facility (inclusive of interest rate derivatives)	13,134
Notional value of active interest rate derivatives at balance date	220,000
Net fair value liability of interest rate derivatives at balance date	4,508
Dividends paid on units held	5,965
Interest received on term deposits	39
Gross rental income paid to the Group in relation to various tenancy relationships	7,017

Transactions with New Zealand Permanent Trustees Limited

Prior to the corporatisation of the Trust (as outlined in Note 1.3), New Zealand Permanent Trustees Limited (the 'Trustee') was paid a fee of $250,000 per annum plus 0.02% per annum of the average gross value of the Trust Fund in excess of $750 million.

The Trustee is paid a fee of $15,000 per annum to act as Bond Trustee. Public Trust (the parent of the Trustee) is paid a fee of $10,000 per annum to act as Security Trustee under the Group's Senior Facilities Agreement as outlined in Note 3.4. Public Trust has a tenancy relationship with the Group at the Vero Centre on normal commercial terms and conditions.

	2015 $000	2014 $000
Total trustee's fees incurred	**394**	531
Proportion of trustee's fees outstanding at balance date (included in trade and other payables)	**–**	137
Gross rental income paid to the Group in relation to the Vero Centre	**213**	216

Key management personnel

Prior to internalisation on 12 December 2013, key management compensation was paid by the former manager. Additional disclosures relating to key management personnel are set out in the remuneration report on page 93. Further details regarding share-based payments can be found in Note 3.6.

	2015 $000	2014 $000
Directors' fees	**552**	136
Short-term employee benefits	**4,666**	1,174
Other long-term benefits	**50**	–
Termination benefits	**206**	–
Share-based payments	**23**	–
	5,497	1,310

Notes to the consolidated financial statements: Other information

For the year ended 31 March 2015

5.3 Commitments

Development and other costs

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

	2015 $000	2014 $000
Development costs at LynnMall Shopping Centre, Auckland	**25,461**	–
Development costs at Centre Place Shopping Centre, Hamilton	**–**	1,015
Development costs at Northlands Shopping Centre, Christchurch	**–**	332
Development costs at ASB North Wharf, Auckland	**–**	415
Development costs at The Majestic Centre, Wellington	**4,107**	1,800
Development costs at 56 The Terrace, Wellington	**30,656**	–
Restructuring costs	**–**	421
	60,224	3,983

Operating leases

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

	2015 $000	2014 $000
Within one year	**546**	501
One year or later and not later than five years	**364**	915
Later than five years	**–**	–
	910	1,416

Ground leases

Ground leases exist over ASB North Wharf and certain adjoining properties. In addition, ground leases also exist over parts of the land at Sylvia Park Shopping Centre, Centre Place Shopping Centre, North City Shopping Centre and Northlands Shopping Centre. The amount paid in respect of ground leases during the year was $1.3 million (2014: $17.7 million, which included the upfront payment of $15.9 million for the initial 90-year ground lease at ASB North Wharf which was capitalised to the investment property). The leases terminate between July 2015 and June 2179. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the overall commitment has not been calculated.

5.4 Subsequent events

On 4 May 2015, the board approved the intention to raise approximately $151.9 million through an underwritten 1 for 9 entitlement offer. The offer will involve the issue of approximately 126.6 million shares.

On 15 May 2015, the board declared a final dividend. For further details refer to Note 3.6.

On 15 May 2015, the Group accepted a settlement of $6.3 million from a third party in relation to a warranty claim associated with one of its investment properties. Due to the timing of the settlement, this settlement income has not been recognised in the financial statements.

Corporate governance

Introduction

The Board is committed to ensuring that the Company maintains best practice corporate governance. The Company's corporate governance framework takes account of the principles, guidelines, recommendations and requirements of the Financial Markets Authority's Corporate Governance handbook, NZX Listing Rules and NZX Corporate Governance Best Practice Code. In addition, the Board has approved policies and practices which aim to reflect best practice corporate governance.

This section of the annual report demonstrates the Company's commitment to best practice corporate governance during the year to 31 March 2015.

Financial Markets Authority's Corporate Governance in New Zealand Principles and Guidelines

The Financial Markets Authority's (FMA) Corporate Governance handbook recommends that boards provide information to show how they meet the nine principles set out in the handbook. The handbook does not impose any new legal obligations. Instead, it sets out the standards of corporate governance that the FMA expects boards to observe and report on to their investors and other stakeholders.

Each of the nine principles are set out below together with information to show how they have been met during the year to 31 March 2015.

Principle 1 – Ethical Standards: Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

The Board is committed to maintaining high ethical standards and an ethical culture. That is, one of trust, transparency, integrity and absolute honesty. Part of this commitment includes adhering to the Code of Ethics that the Board has approved.

The Code of Ethics forms part of every employment contract or consultancy agreement. Failure to comply with the Code of Ethics can result in disciplinary action including, where appropriate, dismissal.

The Code of Ethics requires that directors, employees and consultants uphold the highest ethical standards, act in good faith and in the best interests of the Company and investors at all times and comply with the policies which the Board has approved or endorsed. Directors, employees and consultants must:

- Act properly and efficiently and within the authorities and discretions delegated to them in pursuing the objectives of the Company.
- Avoid putting themselves in a position where they stand to benefit personally (directly or indirectly) or be accused of insider trading, and must not trade in the Company's securities unless they do so in accordance with the Securities Trading Policy.
- Ensure they and the Company are in compliance with all laws and regulations.
- Maintain confidentiality of information at all times.
- Be absolutely honest in all professional activities.

Principle 2 – Board composition and performance: To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Board is structured in such a way, that as a collective group, it has the skills, knowledge, experience and diversity to meet and discharge its role and responsibilities. A profile of each director can be found on pages 20 and 21.

Consistent with the FMA's guidelines, the Board has adopted a Board Charter. It describes the roles, responsibilities, composition, structure and approach of the Board. These include:

- Overseeing the business and affairs of the Company.
- Establishing, in conjunction with management, the Company's strategic direction and financial objectives.
- Reviewing, approving and monitoring of the Company's financial performance, including budgets and forecasts, major capital expenditure, investments and changes to the capital structure.
- Establishing procedures to ensure timely, accurate and compliant financial reporting, together with the approval of the annual and interim financial reports.
- Reviewing and approving the Company's Dividend Policy and the declaration of dividends.
- Appointing the Company's auditors.
- Ensuring accountability to shareholders through appropriate reporting and regulatory compliance.
- Monitoring the auditing, internal control and compliance mechanisms.
- Understanding and ensuring the management of significant operational, business and financial risks to which the Company is exposed.
- Reviewing its own contribution to the Company's performance.
- Ensuring adherence to legislation, regulations and the Listing Rules, including the continuous disclosure regime.
- Delegating day-to-day operations of the Company to the Chief Executive and management, subject to specific limits of authority.

Corporate governance

Delegation to Chief Executive and management

Implementation of strategic objectives for the Company and the day-to-day management of operations is delegated to the Chief Executive. The Chief Executive may sub-delegate functions to management. Decisions reserved for the Board and delegations to the Chief Executive and management are set out in a Delegated Levels of Authority document.

Remuneration and Nominations Committee

The Committee oversees Board and director performance reviews and considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Company and reports its findings to the Board.

The Committee also recommends to the Board, potential candidates for appointment as a director of the Company. To be eligible for selection, candidates must demonstrate the appropriate qualities and experience for the role of director and will be selected on a range of factors, including background, gender, age, professional expertise and qualifications and the needs of the Board at the time.

Principle 3 – Board committees: The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Board has two standing committees to assist in the execution of its duties and allow detailed consideration of complex issues. The committees review matters on behalf of the Board and recommend matters to the Board for decision. Consistent with the FMA's guidelines, each standing committee has adopted a charter.

Each committee is empowered to seek the information it requires from management in pursuing its duties, and to obtain independent legal or other professional advice. The membership and chair of any Board committee will be appointed by the Board.

From time to time the Board may establish other standing or temporary committees to consider or monitor specific projects or issues.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in carrying out its responsibilities under the Companies Act 1993, the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the NZX Listing Rules with respect to accounting practices, policies and controls.

Membership of the Committee will be determined by the Board. The minimum number of members on the Committee is three, with a majority comprising independent directors. The Board ensures that at least one member has an accounting or financial background (as defined by the NZX Listing Rules). The chair of the Audit and Risk Committee cannot also be the chair of the Board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee assists the Board to ensure it has appropriate remuneration policies and practices in place to ensure the Company continues to attract and retain top talent.

Due Diligence Committee

During the year to 31 March 2015, the Board established two Due Diligence Committees to assist in coordinating and overseeing the due diligence in respect of the Simplified Disclosure Prospectus for the offer of $125 million Fixed Rate Senior Secured Bonds and the prospectus for the corporatisation of the Company's predecessor entity, Kiwi Income Property Trust.

Membership of the various committees can be found on page 90.

Principle 4 – Reporting and disclosure: The board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

The Audit and Risk Committee assists the Board with ensuring the quality and integrity of the financial statements and corporate disclosures. This includes, amongst other things:

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

The Board has also approved a Continuous Disclosure Policy which sets out the responsibilities, processes and guidance to be followed by the Company to ensure that it provides, immediately and equally to all investors, fair and full disclosure, of material information (as defined by the NZX Listing Rules) in accordance with the Company's legal obligations and the NZX Listing Rules.

Principle 5 – Remuneration: The remuneration of directors and executives should be transparent, fair and reasonable.

The Remuneration and Nominations Committee assists the Board in the establishment of remuneration policies and practices for, and in discharging the Board's responsibilities in relation to, setting and reviewing the remuneration of directors, the Chief Executive and his direct reports.

The Remuneration Report on page 96 contains further information regarding remuneration including the details of the total remuneration and value of other benefits received by every director and former director during the year to 31 March 2015. No director of any of the subsidiary companies received any remuneration or other benefits in their capacity as a director of those companies except for the indemnity and insurance referred to on page 90.

Page 96 of the Remuneration Report contains (in brackets of $10,000) the number of employees or former employees of the Company, not being directors of the Company, who, during the year ended 31 March 2015, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum.

Principle 6 – Risk management: Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

The Company has policies, procedures and internal controls in place to identify and effectively manage areas of significant business risk, including financial risks. Processes are in place to ensure the business is compliant with approved policies and procedures, as well as relevant legislation, regulations and the NZX Listing Rules, amongst other things. Management processes are also in place to ensure all material risks identified are promptly reported to the Board. Matters reported are assessed and, where appropriate, corrective action is taken to mitigate and monitor the risk.

The Audit and Risk Committee is charged with overseeing the effective operation of the risk management and compliance framework.

Principle 7 – Auditors: The board should ensure the quality and independence of the external audit process.

The Audit and Risk Committee Charter requires the Committee to confirm the independence of the external auditors, including a review of non-audit services provided and related fees.

The Committee recommends to the Board the appointment, removal and remuneration of the external auditors and reviews the terms of their engagement and the scope and quality of the audit.

The Board has approved an External Auditor Independence Policy. The policy requires the Audit and Risk Committee to only recommend to the Board for approval, a firm to be external auditors if that firm:

- Would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgement on all issues encompassed within the auditors' engagement.
- Does not allow the direct compensation of its audit partners to be linked to fees for non-audit services to the Company.

The policy requires the Audit and Risk Committee to pre-approve the general nature of all audit and 'related services' that are to be provided by the external auditor.

The Committee has adopted the following guidelines to ensure that 'related services' provided by the external auditor will not conflict with the independent role of the external auditor:

- The external auditor may not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of valuation services where such valuation forms an input into audited financial information.
- The external auditor may not perform any function of management, or be responsible for making management decisions.
- The external auditor may not be responsible for the design or implementation of financial information systems.
- The external auditor may not perform any internal audit function.

Directors are entitled to and do have access to the external auditors without management present.

Note 2.2 to the Financial Statements on page 62 contains the amounts payable by the Company to the auditor of the Company as audit fees and, as a separate item, fees payable by the Company for other services provided by the auditor of the Company.

Principle 8 – Shareholder relations: The board should foster constructive relationships with shareholders that encourage them to engage with the entity.

Consistent with the FMA's guidelines, the Company maintains a website kp.co.nz, with up-to-date information for investors. This includes information about the Company, its history, people, investment philosophy, property portfolio, NZX announcements and reports. The website also contains various corporate governance documents including the Corporate Governance Policy and Code of Ethics.

The Board encourages investors to take part in annual and special meetings. Time is set aside at every meeting for investors to ask questions.

The Company maintains an active investor relations programme. The programme is customised to suit the needs of the different investor groups. The programme includes briefings for institutional investors, brokers and the media by management following annual and interim result announcements. A recording of each annual and interim result presentation is provided on the Company's website.

Corporate governance

Principle 9 – Stakeholder interests: The board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

The Board recognises the obligations of the Company to all those with whom it has dealings. The Code of Ethics, which the Board has approved, requires integrity in the way the Company deals with its stakeholders. This is a prerequisite for a successful and sustained relationship. Personal contact and a helpful, responsive and professional manner are expected behaviours of the Company's people in dealing with stakeholders.

The Company has an Investment and Management Philosophy which outlines the Company's objectives and approach to achieving these objectives. The philosophy is included on the Company's website.

NZX's Corporate Governance Best Practice Code

The NZX Corporate Governance Best Practice Code (Code) sets out principles to enhance investor confidence through corporate governance and accountability. The Code is composed of flexible principles which recognise differences in corporate size and culture.

In accordance with NZX Listing Rule 10.4.5(i), the governance principles adopted or followed by the Company do not differ materially from the Code.

NZX waivers

In accordance with NZX Listing Rule 10.4.5(f), the following is a summary of waivers granted by NZX in the last 12 months and relied upon in relation to the Company and its predecessor entity, Kiwi Income Property Trust (the Trust). It details the waivers granted to the Trust and its manager (Kiwi Property Management Limited) in relation to Corporatisation and those relied on by the manager on an ongoing basis until Corporatisation was effected in December 2014.

Waivers in relation to Corporatisation

On 12 November 2014, NZX granted the following waivers from the NZX Listing Rules in respect of Corporatisation:

(a) A waiver from Listing Rule 3.4.3 that allowed the directors of the manager to vote, and be counted in the quorum of a meeting of the board of the manager, on the resolutions necessary to consider, progress or give effect to the Corporatisation. The waiver was provided subject to the following conditions:

  (i) The waiver only applied to the resolutions required to take the necessary steps to progress the Corporatisation, to put the Corporatisation proposal before Unit Holders, and to implement the Corporatisation.

  (ii) The waiver only applied to any director of the manager who was considered to be an 'interested' person, within the meaning assigned to that term in section 139 of the Companies Act 1993, because that person was a director of the manager, the Company and/or a related company of the manager or the Company, but not for any other reason.

(b) Waivers from:

  (i) Listing Rule 5.1.1, to the extent that an application for Listing of the Company was otherwise required to be made through a Primary Market Participant acting as an Organising Participant.

  (ii) Listing Rule 5.2.1, to the extent that rule otherwise required that the application for Quotation of the Company's securities be made through a Primary Market Participant acting as Organising Participant.

  (iii) Listing Rule 5.2.2(b), to the extent that rule otherwise required that the application for Quotation under Listing Rule 5.2.1 be submitted with evidence that the Primary Market Participant had sought assurance from NZX that Authority to Act had not been withdrawn in respect of the securities for which quotation was sought.

  The waivers were provided on the condition that the Company made an application for Listing and Quotation in accordance with the Listing Rules as modified by the waivers granted.

(c) Waivers from the requirements of Listing Rules 7.6.5 and 8.3.1 to allow all Unit Holders to vote on the Corporatisation proposal as one group, and to authorise an amendment to the Trust Deed permitting the Trustee and the manager to do everything necessary to effect Corporatisation. The waivers enabled certain Units to then be issued to the Company after the resolutions were passed, on the basis that they were not redeemed and exchanged for shares but continued in existence. This was so that the Trust could become a subsidiary of the Company following Corporatisation in order to facilitate an orderly winding up of the Trust thereafter. The waivers were provided on the condition that all Unit Holders (other than the holders of the Units issued to the Company) would be treated in the same way in relation to the redemption undertaken as part of Corporatisation.

(d) A waiver from Listing Rule 9.2 to allow the Trust to enter into Corporatisation without seeking the approval of Unit Holders by an ordinary resolution in accordance with that rule. As a result of that waiver, no independent review of the Corporatisation proposal was required to be undertaken.

Ruling for conversion of mandatory convertible notes (MCN's)

On 14 October 2014, NZX ruled that the issue of Units on the conversion of the MCNs into Units complied with Listing Rule 7.3.1. The ruling was required to permit the conversion of the MCNs in accordance with their terms on 20 December 2014, as permitted by Listing Rule 7.3.10(b). Prior to conversion, that rule had been amended to only permit conversion where the conversion of the MCNs had been authorised by Unit Holder approval at the time the MCNs were issued. Such Unit Holder approval was not required at the time the MCNs were issued. NZX held that the Trust was required to, and did, comply with Rule 7.3.1 as in force at the time of issue of the MCNs in November 2009 and that conversion of the MCNs was therefore permitted to occur.

Waivers for the governance of the Trust

As disclosed in the 2014 Annual Report of the Trust, the Trust ceased to rely upon a number of standing waivers previously granted by NZX. Until December 2014, the manager relied on certain waivers granted for the purpose of accommodating the Trust's governance structure. These were waivers from:

(a) Listing Rule 3.1.1(a), to the extent that the provisions of Appendix 6 of the Listing Rules include matters covered by Listing Rules from which the Trust and the manager had sought waivers.

(b) Listing Rule 3.4.3, which provides that directors of the manager be permitted to vote in transactions that the manager enters into relating to the day to day operations of the Trust.

Corporatisation was effected on 22 December 2014. At the same time, the Trust was delisted, pursuant to Listing Rule 5.4.1(b), and the above waivers ceased to be relevant.

Diversity

Gender diversity

In accordance with NZX Listing Rule 10.5.5(j), set out below is the quantitative breakdown of the gender composition of the directors and officers (as defined in NZX Listing Rules) as at the balance date and the prior balance date of the Company's predecessor entity, Kiwi Income Property Trust.

	2015				2014			
	Female		**Male**		Female		Male	
	No.	**%**	**No.**	**%**	No.	%	No.	%
Directors	**3**	**50**	**3**	**50**	1	25	3	75
Officers	**1**	**8**	**11**	**92**	1	10	9	90

Diversity policy

The Company's Diversity Policy recognises that diversity helps to:

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

In accordance with NZX Listing Rule 10.4.5(k), the Board has evaluated the performance of the Company with respect to its Diversity Policy. The Board considers that the Company has complied with the policy and that the policy objectives for the year have been achieved. The objectives for the year were as follows:

1. The Board: In accordance with their charter, the Remuneration and Nominations Committee will consider candidates which will ensure the Board maintains an appropriate mix of skills, experience, expertise and diversity. In compiling a shortlist of potential candidates, at least one female director candidate will be included wherever reasonably possible.

   In the year to 31 March 2015 the Committee undertook a process to recommend to the Board the appointment of two new directors. In accordance with the Diversity Policy the Committee sought to increase the gender diversity of the Board. All shortlisted potential candidates were therefore female. Following recommendations from the Committee, the Board appointed two female directors, which resulted in an equal number of female and male directors.

2. Management: The Remuneration and Nominations Committee and/or Chief Executive will have reference to the Diversity Policy in selecting, assessing and presenting candidate recommendations regarding management appointments. The selection process for any management position is to involve a shortlist of potential candidates that includes at least one female candidate wherever possible.

   During the year management undertook executive search processes to identify suitable candidates for the GM Development and the General Counsel and Company Secretary positions. Consistent with the policy, each search sought to identify at least one female candidate so as to provide greater gender diversity to the management team. Each shortlist included at least one female candidate.

Corporate governance

3. All other employees: The selection process for recruitment of all other employees requires that every hiring manager commits to ensuring an awareness of diversity via their recruitment and selection practices.

   Our recruitment process for the year to 31 March 2015 provided an opportunity for raising awareness with hiring managers on the importance and value of a diversified workforce. The objective was, and is, to grow a workforce that is diverse in culture, ethnicity, gender, age, experience, thought and expertise.

4. Diversity knowledge training: The Company commits to undertaking formal diversity training to set the culture and articulate the benefits arising from a diverse workforce and senior management team.

Other information

Changes in the nature of the business of the Company

On 15 December 2014 the unit holders of the Trust were asked to consider a proposal under which the Trust would be effectively converted into, and replaced by, the Company. Unit holders voted in favour of the proposal which was effected through the redemption of units in exchange for shares in the Company on 22 December 2014.

Donations, sponsorship and volunteering

During the year to 31 March 2015 no donations were made by the Company.

The Company is a longstanding corporate sponsor ($10,000 per annum) of Keystone Trust. Keystone is a charitable trust that assists tertiary students from disadvantaged backgrounds to further their education in property industry related fields.

Volunteering within the communities in which we invest and operate is important to the Company. The Kiwi Property Volunteering Programme provides each employee one day's paid leave per 12-month period to enable them to participate in volunteering. Over the past year our staff have supported Ronald McDonald House, The Cancer Society, Christchurch Riding for the Disabled and The Outdoor Education Camp, Motutapu Island.

Directors

As at 31 March 2015 the directors of the company were Mary Jane Daly, Richard Didsbury, Mark Ford, Jane Freeman, Joanna Perry and Mike Steur. No person ceased to hold office as a director of the Company during the year to 31 March 2015.

The Board has determined that as at 31 March 2015 all directors were independent directors as that term is defined in the NZX Listing Rules.

As at 31 March 2015 the directors of the subsidiary companies: Kiwi Property Holdings Limited and Sylvia Park Business Centre Limited, were Chris Gudgeon, Gavin Parker and Trevor Wairepo. During the year to 31 March 2015, Mark Luker ceased to hold office as a director of the subsidiary companies.

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 received an indemnity from the Company and the benefit of insurance, to the extent permitted by law, in respect of liabilities which arise out of the normal performance of their duties as a director of the Company.

In accordance with the constitution of each subsidiary company and section 162 of the Companies Act 1993, the directors of the subsidiary companies received an indemnity from each subsidiary company and the benefit of insurance, to the extent permitted by law, in respect of liabilities which arise out of the normal performance of their duties as a director of each subsidiary company.

Board and Committee meeting attendance

The attendance of directors at Board and Committee meetings during the year to 31 March 2015 is shown in the following table. The table includes the meetings that relate to the predecessor entity, Kiwi Income Property Trust, which occurred during the year. In addition all directors also attended a strategy day with management.

Director	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Due Diligence Committee – Bond offer	Due Diligence Committee – Corporatisation
Number of meetings	13	2	12	4	4
Mary Jane Daly[1]	7	1	n/a	n/a	n/a
Richard Didsbury	12	n/a	9	n/a	n/a
Mark Ford	13	2	12	n/a	4
Jane Freeman[2]	7	n/a	5	n/a	n/a
Joanna Perry	13	2	n/a	4	4
Mike Steur	13	2	11	4	n/a

1. Mary Jane Daly attended all but one Board meeting and all Committee meetings that occurred following her appointment on 11 September 2014.
2. Jane Freeman attended all but one Board meeting and all Committee meetings that occurred following her appointment on 20 August 2014.

Interest register entries

In accordance with section 211(1)(e) of the Companies Act 1993, particulars of the entries in the Interests Register of the Company made during the year are set out below.

Name	Name of company/entity	Nature of interest
Mary Jane Daly	Airways Corporation of New Zealand Limited	Director
	Airways International Limited	Director
	Earthquake Commission	Commissioner
	New Zealand Green Building Council	Director
	TSM NZ Limited[1]	Director
Richard Didsbury	Auckland International Airport Limited	Director and Shareholder
	Brick Bay Development Trust	Trustee
	Brick Bay Investment Trust	Trustee
	Brick Bay Trustee Limited	Director and Shareholder
	Brick Bay Wines Limited	Director and Shareholder
	Committee for Auckland Limited	Director and Shareholder
	Hobsonville Land Company Limited	Director
	Hotech Edge Limited[1]	Shareholder
	Matakana Village Cinemas Limited[1]	Director and Shareholder
	SkyCity Entertainment Group Limited	Director and Shareholder
	Westside Media Limited[1]	Shareholder
	Whisper Cove Beachfront One Limited[1]	Director and Shareholder
	Whisper Cove Beachfront Two Limited[1]	Director and Shareholder
	Whisper Cove Heights Limited	Director and Shareholder
Mark Ford	Bourke Junction No. 1 Pty Limited	Director
	Bourke Junction Nominees Pty Limited	Director
	Bourke Junction No. 2 Pty Limited	Director
	Bourke Junction No. 3 Pty Limited	Director
	CBUS Cumberland Pty Limited	Director
	CBUS Property (Bent Street) Pty Limited	Director
	CBUS Property Commercial Pty Limited	Director
	CBUS Property Cromwell Road Pty Limited	Director
	CBUS Property CBW Pty Limited	Director
	CBUS Property Forbes Street Pty Limited	Director
	CBUS Property Hospitality Operations Pty Limited	Director
	CBUS Property Hospitality Pty Limited	Director
	CBUS Property Industrial Pty Limited	Director
	CBUS Property Lavender Street Pty Limited	Director
	CBUS Property Pty Limited	Director
	CBUS Property Residential Operations Pty Limited	Director
	CBUS Property Retail Pty Limited	Director
	CBUS Property SESP Pty Limited	Director
	CBUS Property SESP (CB3) Pty Limited	Director
	CBUS Property SESP No. 1 Pty Limited	Director
	CBUS Property Warleigh Grove Pty Limited	Director and Secretary
	CBUS Property 140 William Street Pty Limited	Director
	CBUS Property 171 Collins Street Pty Limited	Director
	CBUS Property 35 Spring Street Pty Limited	Director
	CBUS Investment Committee	Member

Corporate governance

Name	Name of company/entity	Nature of interest
Mark Ford continued	Industrial Property No. 1 Pty Limited	Director
	Matelda Oaks Pty Limited	Director
	RPHT Operations Pty Limited	Director
	United Super Investments (Frances Park) Pty Limited	Director
	United Super Investments (8 Exhibition Street) Pty Limited	Director
	United Super Investments (Mitchell Plaza) Pty Limited	Director
	USI (Breakfast Point) Pty Limited	Director
	The Bond Market Pty 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	Delegat Group Limited	Director
	ASB Bank Limited	Director
	Foodstuffs North Island Limited	Director
	Pumpkin Patch Limited[1]	Chairman
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
	Argosy Property Limited	Spouse of Director (Christopher Hunter)
Joanna Perry	The Co-operative Bank Limited[1]	Director
	Genesis Power	Deputy Chairman
	Rowing New Zealand	Director
	JMGP Limited	Director and Shareholder
	Primary Growth Partnership	Member of Investment Advisory Panel
	International Financial Reporting Interpretations Committee[1]	Member
	IFRS Advisory Council	Chairman
	Partners Life Limited	Director
	Partners Group Holdings Limited	Director
	Sport and Recreation New Zealand	Director
	Trade Me Group Limited	Director
	Tainui Group Holdings Limited	Official Adviser
Mike Steur	Royal Institution of Chartered Surveyors Valuation Professional Group	Chairman, Oceania Valuation Professional Group Board Chairman, Global Valuation Professional Group Board
	Beijing SHI HUA DA XIN Real Estate Valuation Co. Limited[1]	Director
	M and D Steur Investments Pty Limited	Shareholder
	BWP Management Limited	Director

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

Remuneration report

Remuneration strategy and framework

The Remuneration and Nominations Committee assists the Board with all strategic aspects of employee remuneration including incentive plans and executive remuneration. It also assists the Board with the development of diversity policies and succession planning for key positions within the Company. For more information on the membership and role of the Committee refer to the Corporate Governance section of this report commencing on page 85.

Following internalisation in December 2013 the Company established a new remuneration framework for all employees. Our new framework is designed to attract, retain, motivate and reward individuals to deliver premium performance aligned to our business objectives, strategy, shareholder interests and investment performance.

Employee remuneration

There are four components to our remuneration framework – fixed annual remuneration, a short-term incentive scheme, a long-term incentive plan and an employee share ownership plan.

The short-term incentive scheme (STI) was introduced on 1 July 2014 for salaried employees. It is a variable pay scheme designed to reward employees for premium performance.

The long-term incentive plan (LTI) for selected employees was introduced on 1 July 2014. The LTI is a share-based plan designed to provide a long-term incentive opportunity to participants. The key objective of the plan is to reward selected employees with Kiwi Property shares if the Company's performance over the long term exceeds certain performance benchmarks.

The employee share ownership plan (ESOP) was introduced in April 2015 for all permanent employees. The objective of the ESOP is to align employee interests with those of shareholders.

Further details of these components are as follows:

Fixed annual remuneration

Fixed remuneration is based on individual responsibilities, performance, experience and market benchmarking.

Description

- Comprises base salary plus benefits.
- Benefits include:
  - Income protection, life and total permanent disability insurance.
  - KiwiSaver company contributions at 3% (where applicable).
- Reviewed annually at 1 April, with reference to market movements.
  - Reviews do not necessitate a remuneration increase.

Purpose

- Rewards employees for job performance.
- Recognises skills, competence, experience level, effort and contribution.
- Forms the primary basis for assessing our market alignment year on year.

Performance measure

- Competence and performance in role.

STI

A variable pay incentive, measuring and rewarding performance over the performance period (usually annually).

Description

- Non-guaranteed remuneration.
  - The level of STI varies with the level/ type of role.
- Applicable to salaried, permanent employees.
- Has two performance measures:
  - a company-related measure, and
  - an individual-related measure.

  Both measures are based on 'stretch' performance goals.
- Measures may change year-on-year to best drive business objectives and performance.
- Incentives are set around market median for target performance, with potential for participants to earn more for premium outcomes.

Purpose

- A mechanism to reward premium performance with premium pay.
- Enables us to differentiate pay outcomes based on performance.
- It is an additional basis for assessing and ensuring our market alignment with comparable roles.

Remuneration report continued

Performance measures

Company performance

- The Company performance measure is based on an Operating Earnings before Interest and Tax (OEBIT) calculation.
- The scheme is designed to drive out-performance of the OEBIT metric.
- The Board determines an annual OEBIT 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 OEBIT out-performance.

Individual performance

- Measures are discussed and agreed between each manager and their direct report, in line with the following principles:
  - Between one and three stretch goals are set which relate to the Company's strategy and its current priorities and the employee's individual role.
  - Measures will be quantifiable, objective and able to be measured by existing systems/reporting in the business.
  - All individual measures and targets are underpinned by the concept of stretch performance (not business as usual). This is consistent with how the Company's measures and targets have been set and is aligned to the Company's goal of paying incentives where 'above and beyond' performance levels have been achieved.

LTI

A share-based plan designed to provide a long-term incentive opportunity to eligible participants.

Description

- Non-guaranteed entitlement to deferred compensation.
- Reflects pay for delivery of sustained results over the longer term.
- Applies to executives and other employees, by invitation.

Purpose

- Ties remuneration outcomes to long-term investment performance.
- Provides strong alignment of employee interests with shareholders' interests.

Performance measures

- The LTI performance hurdles consist of an absolute and relative total shareholder return (TSR), measured independently of each other over the performance period.
- For the 2014 grant, the performance period starts on 1 July 2014 (the plan commencement date) and ends on 31 March 2017.

Absolute TSR hurdle

- Applies to 50% of the LTI grant.
- If this hurdle is achieved, 50% of the 2014 LTI grant will 'vest' on 31 March 2017.
- The hurdle for the 2014 grant is 9% per annum. This means that in order for this 50% of the LTI grant to vest, the Company's TSR must exceed 9% per annum, compounding, over the performance period.

Relative TSR hurdle

- Applies to 50% of the LTI grant, and requires the Company's TSR to be compared with the TSRs of the entities that make up the NZX Property Index (excluding Kiwi Property, referred to as the 'peer group').
- The TSRs of the entities in the peer group over the performance period will be ranked from highest to lowest.
- If Kiwi Property's TSR over the performance period exceeds the TSR of the company ranked at the 50th percentile in the peer group, 50% of this portion of the LTI grant will vest (i.e. 25% of the total LTI grant).
- If Kiwi Property's TSR over the performance period exceeds the TSR of the company ranked at the 75th percentile in the peer group, 100% of this portion of the LTI grant will vest (i.e. 50% of the total LTI grant).
- There is a straight-line progression and apportionment between these two points.

ESOP

A share-based plan designed to assist employee retention and provide a long-term incentive opportunity for all permanent employees.

Description

- Enables all permanent employees to acquire $781 of new shares for $1.
- The shares are held by a trustee for three years and are released to the employee at the end of that period if the employee is still employed by the Company.
- Applies to all permanent employees excluding any employee that is a director of any Kiwi Property company.

Purpose

- Designed to attract, motivate and retain employees and align the interests of employees with shareholders' interests.

Performance measure

Not applicable.

Remuneration report continued

Details of employee and director remuneration

Employee remuneration

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, is the number of employees or former employees of the Company, excluding directors of the Company and the Chief Executive, who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year ended 31 March 2015.

Remuneration includes salary, performance incentive payments, employer's contributions to superannuation, redundancy payments, insurance plans and sundry benefits received in their capacity as employees of the Company.

Employee remuneration

Amount of remuneration ($)	Number of employees
100,000 – 110,000	4
110,001 – 120,000	5
120,001 – 130,000	4
130,001 – 140,000	1
140,001 – 150,000	1
160,001 – 170,000	2
180,001 – 190,000	3
190,001 – 200,000	2
210,001 – 220,000	6
220,001 – 230,000	3
230,001 – 240,000	2
270,001 – 280,000	1
300,001 – 310,000	1
310,001 – 320,000	1
370,001 – 380,000	1
490,001 – 500,000	1
730,001 – 740,000	1

Employee remuneration does not include long-term incentives that have been granted and which have not vested, the total of which was $496,196 as at 31 March 2015.

Chief Executive remuneration

The following information details the nature and amount of the remuneration paid to the Chief Executive during the year ended 31 March 2015.

Remuneration includes salary, performance incentive payments, employer's contributions to superannuation, insurance plans and sundry benefits received by the Chief Executive in his capacity as an employee of the Company.

Remuneration component	
Fixed remuneration and value of benefits	$680,390
Short-term incentive paid	$287,367

Chief Executive remuneration does not include long-term incentives that have been granted and which have not vested, the total value of which was $164,014 as at 31 March 2015.

Director remuneration

The fees paid to non-executive directors during the year ended 31 March 2015 are outlined below. The fees include the amounts paid to non-executive directors that relate to their directorship of the management company of the predecessor entity, Kiwi Income Property Trust.

Director	Duties	Fees
Richard Didsbury	Director	$106,375
	Chair of the Remuneration and Nominations Committee	
Mary Jane Daly	Director [1]	$48,231
	Member of the Audit and Risk Committee [1]	
Jane Freeman	Director [2]	$51,580
	Member of the Remuneration and Nominations Committee [2]	
Mark Ford	Chair	$150,000
	Member of the Audit and Risk Committee	
	Member of the Remuneration and Nominations Committee	
Joanna Perry	Director	$100,000
	Chair of the Audit & Risk Committee	
Mike Steur	Director	$96,250
	Member of the Audit and Risk Committee	
	Member of the Remuneration and Nominations Committee	

1. Appointed on 11 September 2014.
2. Appointed on 20 August 2014.

Shareholder and bondholder statistics

As at 31 March 2015

Shareholder statistics

Twenty largest shareholders

Shareholder	Number of shares	% of total issued shares
Accident Compensation Corporation	111,489,219	9.79
Citibank Nominees (NZ) Limited	73,811,995	6.48
HSBC Nominees (New Zealand) Limited	69,973,006	6.14
Cogent Nominees Limited	61,960,555	5.44
National Nominees New Zealand Limited	46,891,457	4.12
Guardian Nominees No2 Limited (Westpac Wholesale Property Trust)	41,195,873	3.62
Premier Nominees Limited	40,470,697	3.55
HSBC Nominees (New Zealand) Limited	36,330,301	3.19
Investment Custodial Services Limited	36,325,308	3.19
FNZ Custodians Limited	35,649,791	3.13
Custodial Services Limited	29,439,944	2.58
Forsyth Barr Custodians Limited	25,223,884	2.21
Premier Nominees Limited (Armstrong Jones Property Securities Fund)	23,913,474	2.10
MFL Mutual Fund Limited	23,485,692	2.06
JPMorgan Chase Bank	22,247,574	1.95
Forsyth Barr Custodians Limited	15,128,543	1.33
Custodial Services Limited	11,999,081	1.05
Private Nominees Limited	11,331,155	0.99
TEA Custodians Limited	9,799,713	0.86
Forsyth Barr Custodians Limited	8,009,772	0.70
Total	**734,677,034**	**64.51**
Total shares on issue	**1,138,898,858**	

Spread of shareholders

Size of holding	Number of holders	Number of shares	% of total issued shares
1 – 1,000	610	326,944	0.03
1,001 – 5,000	1,915	6,293,319	0.55
5,001 – 10,000	2,403	18,880,563	1.66
10,001 – 50,000	6,064	139,114,756	12.21
50,001 – 100,000	829	57,271,076	5.03
100,001 and over	487	917,012,200	80.52
	12,308	**1,138,898,858**	**100.00**

Shareholder and bondholder statistics continued

Geographical distribution of shareholders

Country	Number of shares	% of total issued shares
New Zealand	921,588,114	80.92
United States	127,382,690	11.18
United Kingdom	31,487,340	2.76
Australia	27,086,896	2.38
Norway	7,157,068	0.63
Japan	6,929,393	0.61
Rest of the world	17,267,357	1.52
Total	**1,138,898,858**	**100.00**

Substantial product holders

In accordance with section 293 of the Financial Markets Conduct Act 2013, listed below are the names and details of all persons who, according to the Company's records and disclosures made, are substantial product holders of the Company as at 31 March 2015. The total number of ordinary shares on issue at 31 March 2015 was 1,138,898,858.

Name	Number of shares held at date of notice	Date of disclosure
Accident Compensation Corporation[1,2,3]	116,507,608	24-Dec-14
ANZ New Zealand Investments Limited[4]	93,007,539	22-Dec-14
AMP Capital Investors Limited and AMP Capital Investors (NZ) Limited[5]	58,241,463	1-Apr-15

1. Nicholas Bagnall, Blair Tallott, Paul Robertshawe, Blair Cooper, Jason Familton and Ian Purdy are listed in the notice as employees and portfolio managers of Accident Compensation Corporation (ACC). Under current ACC investment policies, they have the discretion to exercise control over some or all the rights to vote and acquisition or disposal of some or all of the securities of which ACC is the beneficial owner.
2. Including personal holdings of Ian Purdy, an employee and portfolio manager of Accident Compensation Corporation (notice dated 24 December 2014) 116,564,685 shares.
3. Including personal holdings of Blair Cooper, an employee and portfolio manager of Accident Compensation Corporation (notice dated 24 December 2014) 116,566,137 shares.
4. ANZ New Zealand Investments Limited's relevant interests stated above arise only from the powers of investment contained in its investment management contracts with: The MFL Property Fund, ANZ Wholesale Property Securities Fund and ANZ Wholesale Trans-Tasman Property Securities Fund.
5. The date on which the notice took effect is 31 March 2015.

Some of the above relevant interests comprise a mixture of shares which are legally and/or beneficially held and shares over which voting control is held.

Bondholder statistics

Spread of bondholders

Size of holding	Number of holders	Number of bonds	% of total issued bonds
1 – 1,000	–	–	–
1,001 – 5,000	148	740,000	0.59
5,001 – 10,000	353	3,388,000	2.71
10,001 – 50,000	769	21,155,000	16.92
50,001 – 100,000	84	7,324,000	5.87
100,001 and over	65	92,393,000	73.91
	1,419	**125,000,000**	**100.00**

Directory

Company

Kiwi Property Group Limited

Level 14, DLA Piper Tower
205 Queen Street
PO Box 2071
Shortland Street
AUCKLAND 1140

Telephone:	+64 9 359 4000
Facsimile:	+64 9 359 3997
Website:	kp.co.nz
Email:	info@kp.co.nz

Bond Trustee

New Zealand Permanent Trustees Limited

Level 9
34 Shortland Street
PO Box 1598
Shortland Street
AUCKLAND 1140

Telephone:	+64 9 985 5300
Facsimile:	+64 9 302 3696
Website:	trustee.co.nz
Email:	enquiry@trustee.co.nz

Security Trustee

Public Trust

Level 9
34 Shortland Street
PO Box 1598
Shortland Street
AUCKLAND 1140

Telephone:	+64 9 985 5300
Facsimile:	+64 9 302 3696
Website:	publictrust.co.nz
Email:	info@publictrust.co.nz

Registrar

Link Market Services Limited

Level 7, Zurich House
21 Queen Street
PO Box 91976
AUCKLAND 1142

Telephone:	+64 9 375 5998 or +0800 377 388
Facsimile:	+64 9 375 5990
Website:	linkmarketservices.co.nz
Email:	enquiries@linkmarketservices.co.nz

Auditors

PricewaterhouseCoopers New Zealand

PwC Tower
188 Quay Street
Private Bag 92162
AUCKLAND 1142

Telephone:	+64 9 355 8000
Facsimile:	+64 9 355 8001
Website:	pwc.co.nz

Bankers

ANZ Bank New Zealand
Bank of New Zealand
Commonwealth Bank of Australia
Westpac New Zealand

Valuation panel

Bayleys Valuations Limited (Bayleys)
CBRE Limited (CBRE)
Colliers International New Zealand Limited (Colliers)
Jones Lang LaSalle Limited (JLL)
Savills (NZ) Limited (Savills)

Kiwi Property

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