Kiwi Property

ANNUAL REPORT 2016

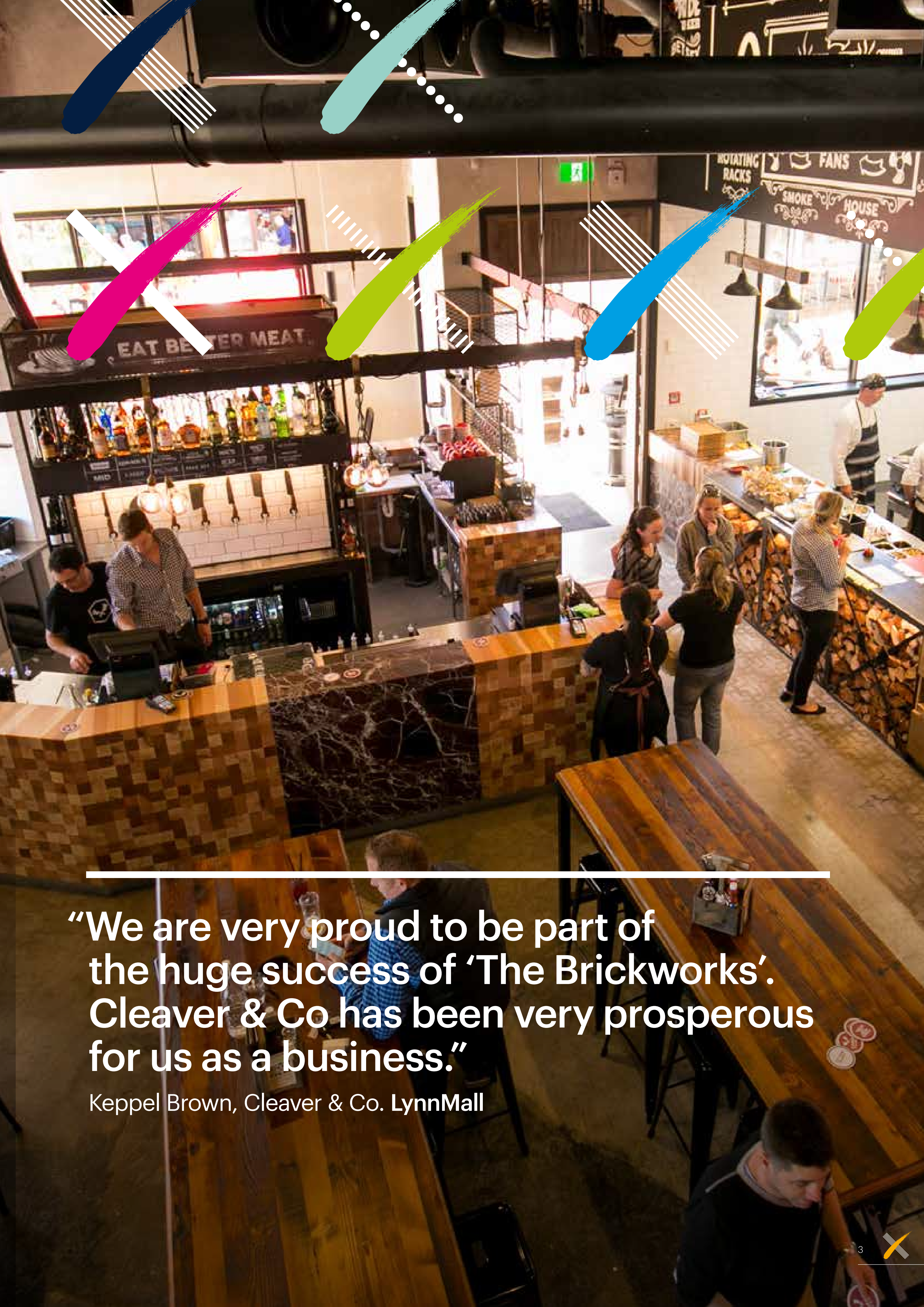
EXCEPTIONAL Places.

EXCEPTIONAL People.

Our vision is for Kiwi Property to be synonymous with New Zealand's best retail and workplace experiences

“With the recent significant upgrades to the lobby area now complete, the building continues to be the benchmark for quality in the New Zealand commercial office market.”

Gary McDiarmid, Chief Executive Officer, Russell McVeagh. **Vero Centre**



“We are very proud to be part of the huge success of ‘The Brickworks’. Cleaver & Co has been very prosperous for us as a business.”

Keppel Brown, Cleaver & Co. **LynnMall**

A record year

$250.8m (+118%)
Profit after tax

Record profit

$99.1m (+7%)
Funds from operations[1]

Record result

6.60 cents per share (+1.5%)
Full-year cash dividend

$2.67b (+$394 million)
Property assets

Highest ever portfolio value

$1.34 (+$0.13)
Net asset backing per share

30.3% (down from 33.5%)
Gearing[1]

10.0% per annum (up from 9.7% per annum)
Total return since inception

1. Refer to the five-year summary on pages 12 and 13 for additional information.

Key contributors

Improved rental income

- Solid performance from our existing assets
- Contributions from recent acquisitions

Interest expense savings from lower borrowing costs and active capital management

Positive asset revaluations

Robust retail sales growth in our shopping centres

Positive property fundamentals attracting strong investor demand

Calendar of key dates

(Dates are indicative only and may be subject to change)

17 JUNE 2016

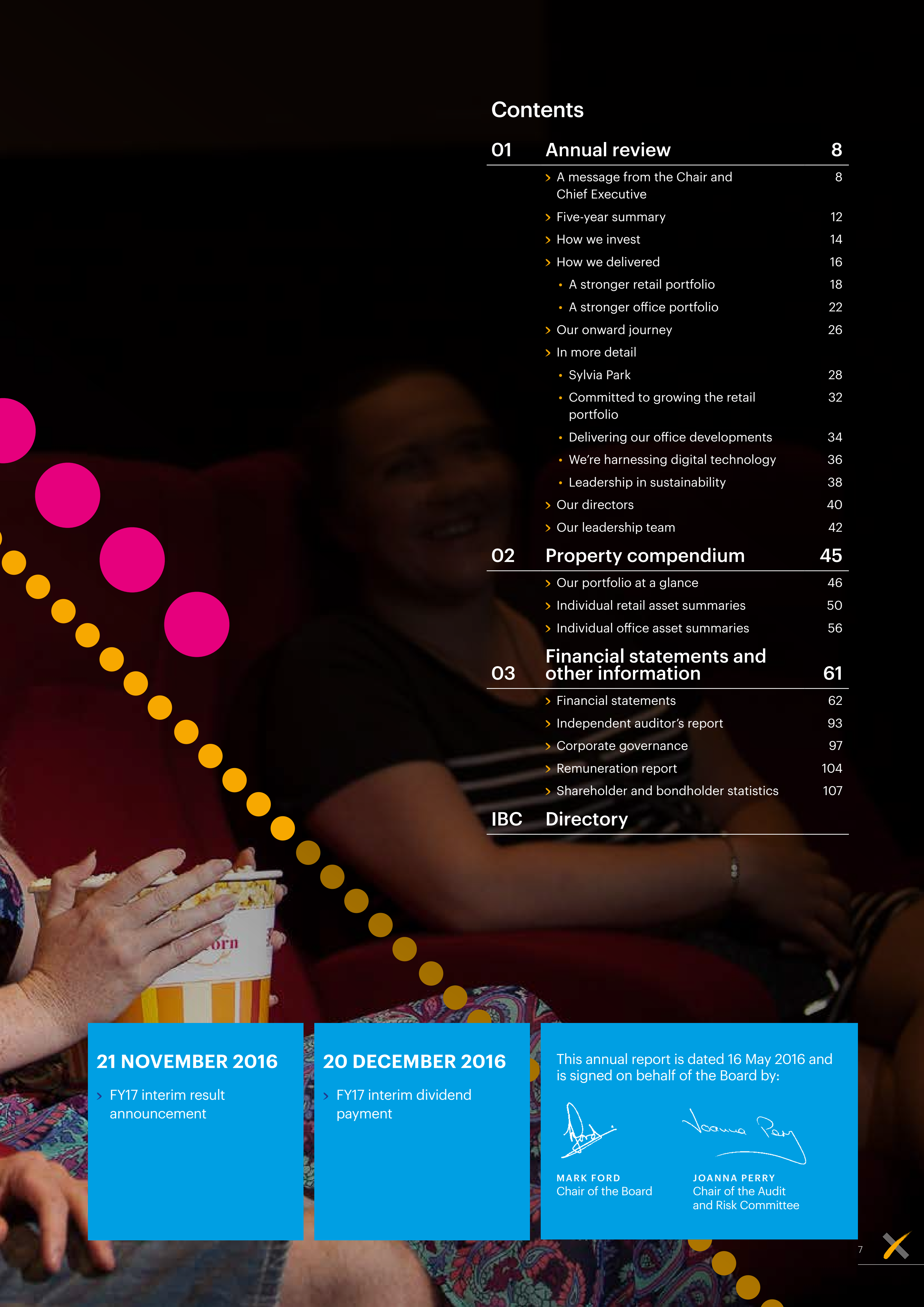
- FY16 final dividend payment

29 JULY 2016

- Annual meeting of shareholders
  Where: Cinema 6, Reading Cinemas, LynnMall 3058 Great North Rd, New Lynn, Auckland
  Time: 10.00am

20 AUGUST 2016

- Bond interest payment



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21 NOVEMBER 2016

› FY17 interim result announcement

20 DECEMBER 2016

› FY17 interim dividend payment

This annual report is dated 16 May 2016 and is signed on behalf of the Board by:

MARK FORD
Chair of the Board

JOANNA PERRY
Chair of the Audit and Risk Committee

Annual review

A strong platform for future growth

Dear shareholders

We are pleased to report to you that Kiwi Property has posted another strong result for the 2016 financial year. Good progress has been made with a number of strategic investments and the Company is positioned with a solid platform for future growth.

Another strong financial result

The Company posted an after-tax profit of $250.8 million for the year ended 31 March 2016, up from $115.2 million in the prior year, driven by a robust operating performance and a significant rise in the value of the property portfolio.

The Company's 'funds from operations' (FFO[1]) for the financial year were $91.1 million, up $6.3 million (+7.4%) on the prior year. This result was underpinned by interest cost savings and solid rental income performance from existing assets, supporting those which were non-income producing while undergoing redevelopment. This is a particularly pleasing result as, in the current year, the Company's effective tax rate normalised relative to the two previous years, which were lower due to the tax deductibility of the internalisation payment made in the 2014 financial year.

Net rental income was up $1.3 million (+0.8%). Positive contributions came from the retail portfolio, which included a full year's income from Sylvia Park Lifestyle, and our Auckland office assets. These favourable performances were partly offset by reduced income at The Aurora Centre (formerly 56 The Terrace), while it undergoes redevelopment prior to the commencement of a new 18-year government lease, and at 205 Queen following the sale of our final 50% interest in the prior year.

At year end, the value of the Company's property portfolio rose to a record $2.67 billion, up $394.1 million on the prior year. The increase reflects the acquisition of Westgate Lifestyle and other capital expenditure, together with a $175.9 million fair value gain.

We are pleased to also report that shareholders' funds have risen by $334.2 million (+24.2%) to $1.72 billion and net asset backing per share has increased by 10.7% to $1.34, assisted by the fair value gain on our investment properties.

We confirm that shareholders will receive a final cash dividend of 3.30 cents per share, taking the full-year cash dividend to 6.60 cents per share, in line with guidance.

Positioned for growth while maintaining a strong balance sheet

To position the Company to fund future investment and development opportunities, including the potential expansion of Sylvia Park, we successfully completed a 1 for 9 entitlement offer in June 2015, raising $148.1 million (net of costs). The proceeds were initially applied to reduce bank debt which, when combined with lower interest rates, has led to a reduction in our interest expense during the year.

In addition, we have continued our capital recycling programme for non-core assets. We have secured a conditional agreement to sell Centre Place – South, in Hamilton, for $46.7 million, which is due to settle in June 2016.

At year end, our gearing ratio was 30.3%, down from 33.5% a year ago, assisted by reduced bank debt from the proceeds of the capital raising, together with improved property valuations. At year end, the Company's weighted average cost of debt was 4.88%, down from 6.02% a year ago and the lowest rate in more than 10 years. The weighted average term to maturity for the Company's debt facilities is 3.9 years.

Investing in line with strategy

We remain keenly focused on delivering on our investment strategy which favours:

- Acquisitions and organic growth opportunities in the Auckland region, given its superior prospects for economic, population and employment growth.

> "The Company posted an after-tax profit of $250.8 million for the year ended 31 March 2016, up from $115.2 million in the prior year, driven by a robust operating performance and a significant rise in the value of the property portfolio."

- Retail acquisition opportunities that can be expected to deliver superior investment performance over time including:
  - dominant regional shopping centres, and
  - retail centres in locations favoured by the Proposed Auckland Unitary Plan.
- Core government office accommodation in Wellington, supported by long-term leases to the Crown.

This strategic focus is evidenced through our investment activities. Highlights for this reporting period include:

- The acquisition of a large format retail centre development nearing completion at Westgate, a new Metropolitan Centre in Auckland's north-west.

1. FFO is an alternative performance measure used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is calculated in accordance with guidelines issued by the Property Council of Australia. Refer to page 12 for additional information.

- The successful completion of 'The Brickworks' dining and entertainment precinct, at a cost of $39.2 million, at LynnMall in the New Lynn Metropolitan Centre.
- Good progress on our proposed retail expansion and office development plans at Sylvia Park.
- Excellent progress on our government office accommodation projects at The Aurora Centre and 44 The Terrace in Wellington. Long-term leases, for 12 and 18 years, are now in place with New Zealand Government tenants for 32,000 sqm of office space in what will become a core Crown office precinct.

You can read more about how we invest on pages 14 and 15.

"On 8 April 2016, we announced the acquisition of a 50% interest in The Base at Te Rapa, Hamilton."

Strategic acquisition

On 8 April 2016, we announced the acquisition of a 50% interest in The Base at Te Rapa, Hamilton, for $192.5 million, giving our investors an ownership stake in New Zealand's largest, single-site retail centre and aligning with our strategy of owning dominant regional shopping centres. The Base dominates its Waikato catchment, and the acquisition includes approximately 6.7 hectares of vacant land suitable for future development.

Kiwi Property will manage the property for this joint venture with Tainui Group Holdings Limited.

The acquisition of the 50% interest will be initially funded through new bank debt facilities. However, we expect to reduce the impact that this will have on gearing following the sale of a number of non-core assets over the next two years as part of our ongoing asset recycling programme.

The acquisition is due to settle on 31 May 2016.

Read more about this acquisition on pages 32 and 33.

Property portfolio

Our portfolio of retail and office assets is now valued at $2.67 billion.

Independent valuations undertaken as at 31 March 2016 resulted in a net gain of $175.9 million (+7.1%). This strong revaluation outcome reflects the high quality of our property portfolio and our intensive asset management approach to driving income and investment performance. The value uplift also reflects firming capitalisation rates and strong investor demand for property, from both domestic and offshore investors, underpinned by economic growth and low interest rates.

The portfolio weighted average capitalisation rate firmed 31 basis points to 6.61% – the firmest in the past 10 years – with capitalisation rates for Sylvia Park and ASB North Wharf at 6.00% and 6.05% respectively.

Portfolio retail sales have shown encouraging growth with discretionary spending improving over the course of 2015, capped off by a very solid month for retail sales in December. Portfolio retail sales grew by 5.8% to $1.36 billion for the year to 31 March 2016, buoyed by improving household incomes, low mortgage rates, strong house prices and positive net migration.

On a day-to-day basis, the active management of our retail and office assets by our skilled and dedicated management team has maintained strong portfolio metrics. During the year 861 new leases and rent reviews were completed over 211,000 sqm of space, or 56% of the portfolio, locking in 3.7% rental income growth.

Portfolio occupancy has been maintained at a solid 98.7% with a weighted average lease term (WALT) of 5.1 years. A key highlight is the extension of our office portfolio WALT to over eight years, the longest in more than a decade.

Read more about the performance of our retail and office assets on pages 18 to 25.

Creating exceptional places to shop and work

Our vision is for Kiwi Property to be synonymous with New Zealand's best retail and workplace experiences.

In our shopping centres we are continually refining our retail mix. In recent years that has meant providing our shoppers with greater diversity of food – including both indoor and outdoor dining options – as well as improving the availability of leisure and entertainment facilities. A great example of this is our highly successful dining lane and cinema development at LynnMall, known as 'The Brickworks' which opened in November 2015. Just one month after opening, retail sales across the whole centre for December 2015 were up 11.9% on December 2014, with like-for-like specialty sales up by 5.2% and foot traffic up 17%. This trend has continued into 2016, with retail sales up on average 20% across the four months since opening and foot traffic continuing to track 17% above the level in the prior year.

Projects like this help to redefine the way communities meet and socialise, and we've been impressed by the enthusiastic response to this project by our West Auckland shoppers.

LynnMall has also been a success for Kiwi Property shareholders. Acquired in December 2010 for $174.5 million, this asset is now worth $269.0 million. After allowing for the further investment of $47.4 million made to improve the centre, the resulting value gain for shareholders has been $47.1 million.

A highlight in the office portfolio has been the successful completion of the $1.7 million Vero Centre lobby refurbishment in February this year, designed to maintain its best-in-class status as a landmark prime office building. The lobby is purposefully designed to serve as an extension of the building community's working environment, providing a variety of high-quality meeting settings in relaxed and inspiring surroundings. Tenant reaction to the refurbishment has been very positive and our ongoing investment in the building has been a key factor in maintaining a near 100% tenant retention rate. Shareholders have benefited with the value of the building increasing by $77.3 million over the past three years to a current value of $358.0 million.

Sylvia Park expansion plans

We are making good progress on our expansion plans for Sylvia Park.

In the last quarter of 2015, we secured the commitment of two international fashion giants, H&M and Zara, to open their first New Zealand stores at Sylvia Park. Both stores are now under construction, at a total cost of $19.2 million, and are on programme to open in spring this year.

The introduction of these two global retailers to the centre is an important first step in our expansion plans and sends a clear signal as to our intentions. Our vision for Sylvia Park is to create a truly world-class retail offer, and our expansion plans feature new international brands, concept stores, additional specialty retail, market-leading food and dining offers, additional carparking and potentially one or more department stores.

Read more about our plans for Sylvia Park on pages 28 to 31, including our plans to develop an office building as part of our town centre vision for the site.

Sustainability

Kiwi Property continues to take a leadership position in the area of sustainability. At its heart, we know our programme of focusing on resource efficiency and making positive social contributions makes good business sense.

Amongst our achievements this year, Kiwi Property was named one of the world's top 113 performing companies for leadership in carbon disclosure, rewarding our efforts to reduce carbon emissions and tackle climate change through resource efficiency.

Read more about our leadership stance on sustainability on pages 38 and 39.

Outlook and dividend guidance

We remain focused on our shareholder goals to deliver long-term total returns greater than 9% per annum, underpinned by pre-tax FFO per share growth of at least 2% per annum. As at 31 March 2016, shareholders have enjoyed a total return of 10.0% per annum since inception 22 years ago, and the pre-tax FFO per share growth for the latest financial period was 5.1%.

As we look forward to the year ahead, Kiwi Property remains well positioned relative to its shareholder goals. The New Zealand economy continues to grow positively and investment property fundamentals remain supportive, particularly in Auckland. We are pleased to project an increased cash dividend for the 2017 financial year of 6.75 cents per share, subject to a continuation of reasonable economic conditions.

Thank you for your support of Kiwi Property. We hope you enjoy reading our 2016 annual report.

MARK FORD
Chair

CHRIS GUDGEON
Chief Executive

Five-year summary

Financial performance

For the year ended 31 March	**2016 $m**	2015 $m	2014 $m	2013 $m	2012 $m
Income					
Property revenue and management income	**208.6**	206.3	208.2	197.1	204.1
Other income	**6.5**	0.4	5.4	1.6	3.5
Insurance income	**–**	–	49.4	16.6	67.1
Net fair value gain on investment properties	**175.9**	58.3	8.5	21.0	–
Net fair value gain on interest rate derivatives	**–**	–	29.1	11.7	–
Total income	**391.0**	265.0	300.6	248.0	274.7
Expenses					
Direct property expenses	**(51.6)**	(50.5)	(59.5)	(61.6)	(60.1)
Interest and finance charges	**(33.5)**	(52.6)	(56.9)	(52.1)	(52.9)
Manager's fees	**–**	–	(8.1)	(13.4)	(10.8)
Employment and administration expenses	**(16.2)**	(15.1)	(6.2)	(3.0)	(3.2)
Net fair value loss/impairment on investment properties	**–**	–	–	–	(36.5)
Net fair value loss on interest rate derivatives	**(17.6)**	(13.1)	–	–	(2.3)
Termination of management arrangements	**–**	(2.1)	(74.5)	–	–
Other expenses	**(0.4)**	(7.2)	(4.8)	(0.3)	–
Total expenses	**(119.3)**	(140.6)	(210.0)	(130.4)	(165.8)
Profit before income tax	**271.7**	124.4	90.6	117.6	108.9
Income tax benefit/(expense)	**(20.9)**	(9.2)	10.7	(7.8)	(19.7)
Profit after income tax[1]	**250.8**	115.2	101.3	109.8	89.2

Funds from operations

For the year ended 31 March	**2016 $m**	2015 $m	2014 $m	2013 $m	2012 $m
Profit after income tax	**250.8**	115.2	101.3	109.8	89.2
Adjusted for:					
Net fair value loss/(gain) on investment properties	**(175.9)**	(58.3)	(8.5)	(21.0)	9.6
Impairment of investment properties	**–**	–	–	–	26.9
Loss on disposal of investment properties	**–**	0.8	3.3	0.3	–
Net fair value loss/(gain) on interest rate derivatives	**17.6**	13.1	(29.1)	(11.7)	2.3
Termination of management arrangements	**–**	2.1	74.5	–	–
Insurance adjustment/(income)	**–**	5.1	(49.4)	(16.6)	(67.1)
Litigation settlement expenses/(income)	**(5.9)**	1.3	(3.5)	–	–
Straight-lining of fixed rental increases	**(2.3)**	(4.1)	(2.7)	(1.3)	(0.6)
Amortisation of tenant incentives	**6.4**	5.6	5.3	4.9	4.6
Deferred tax expense/(benefit)	**0.4**	4.0	(10.5)	(2.4)	6.6
Other one-off items	**–**	–	–	3.4	4.0
Funds from operations[2]	**91.1**	84.8	80.7	65.4	75.5

Dividends

For the year ended 31 March	**2016 $m**	2015 $m	2014 $m	2013 $m	2012 $m
Funds from operations	**91.1**	84.8	80.7	65.4	75.5
Less amount utilised/(retained)	**(7.2)**	(14.5)	(16.0)	0.1	(7.1)
Cash dividend	**83.9**	70.3	64.7	65.5	68.4
Payout ratio	**92%**	83%	80%	100%	91%
Cash dividend (cps)	**6.60**	6.50	6.40	6.60	7.00
Imputation credits (cps)	**1.62**	0.44	–	1.02	1.35
Gross dividend (cps)	**8.22**	6.94	6.40	7.62	8.35

1. The reported profit has been prepared in accordance with New Zealand generally accepted accounting practice and complies with New Zealand Equivalents to International Financial Reporting Standards. The reported profit information has been extracted from the annual financial statements which have been the subject of an audit pursuant to New Zealand Auditing Standards issued by the External Reporting Board.

Financial position

As at 31 March

	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Assets					
Investment properties	**2,669.9**	2,275.8	2,130.2	2,076.5	2,008.9
Cash and cash equivalents	**6.2**	6.2	9.2	12.0	62.8
Other assets	**22.3**	13.6	96.4	38.0	88.0
Total assets	**2,698.4**	2,295.6	2,235.8	2,126.5	2,159.7
Liabilities					
Interest bearing liabilities	**814.2**	766.4	786.5	681.0	769.5
Mandatory convertible notes	**–**	–	119.7	118.9	118.2
Deferred tax liability	**92.3**	90.1	93.5	101.1	106.8
Other liabilities	**75.1**	56.5	47.6	93.4	92.5
Total liabilities	**981.6**	913.0	1,047.3	994.4	1,087.0
Equity					
Share capital	**1,241.1**	1,079.1	934.5	914.2	897.7
Share-based payments reserve	**0.2**	–	–	–	–
Retained earnings	**475.5**	303.5	254.0	217.9	175.0
Total equity	**1,716.8**	1,382.6	1,188.5	1,132.1	1,072.7
Total equity and liabilities	**2,698.4**	2,295.6	2,235.8	2,126.5	2,159.7
Gearing ratio	**30.3%**	33.5%	35.2%	31.8%	33.8%
Net asset backing per security	**$1.34**	$1.21	$1.17	$1.14	$1.09

Property metrics

As at 31 March

	2016	2015	2014	2013	2012
Number of core properties	**14**	12	12	11	12
Net lettable area (sqm)	**374,739**	364,713	373,277	338,986	360,565
Occupancy rate	**98.7%**	98.4%	97.8%	97.2%	96.2%
Weighted average lease term (years)	**5.1**	4.5	4.7	4.3	3.9
Weighted average capitalisation rate	**6.61%**	6.92%	7.19%	7.52%	7.78%

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

2016

- 1 for 9 entitlement offer completed, raising $148.1 million (net of costs).
- Acquisition of Westgate Lifestyle.

2015

- Kiwi Income Property Trust was converted to a company and relaunched as Kiwi Property.
- The final 50% interest in 205 Queen Street, Auckland, was sold.
- Sylvia Park Lifestyle, Auckland, was acquired.
- A $125 million bond issue was completed.
- $120 million of mandatory convertible notes were converted to shares.
- Refurbishment works at The Aurora Centre, Wellington, commenced.

2014

- The management of Kiwi Income Property Trust was internalised. A termination payment of $72.5 million ($52.5 million after tax) was made to the former manager. This payment was tax deductible, therefore reducing the tax payable in 2014 and 2015.
- Following internalisation, all employees employed directly by the Trust.
- The development of our iconic Auckland office building, ASB North Wharf, was completed, together with the redevelopment of Centre Place Shopping Centre in Hamilton.
- Final insurance proceeds for Northlands Shopping Centre's seismic damage were received.
- 50% of 205 Queen Street, Auckland, was sold.

2013

- 21 Pitt Street, Auckland, was sold.
- Seismic remediation works at Northlands Shopping Centre, Christchurch, were progressed following the Canterbury earthquakes. Progress payments were received for insurance settlement as a result of the damage incurred to this centre.

2012

- The PwC Centre, Christchurch, was demolished and written off following the Canterbury earthquakes. Insurance proceeds for this loss were recognised.
- The value of The Majestic Centre was written down at the commencement of seismic strengthening works.

2. FFO is an alternative performance measure used to assist investors in assessing the Company's underlying operating performance and to determine income available for distribution. FFO is calculated in accordance with guidelines issued by the Property Council of Australia.

How we invest

Our vision

For Kiwi Property to be synonymous with New Zealand's best retail and workplace experiences.

Our 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.

Our investment strategy

To deliver on our objective of targeting superior, risk-adjusted returns, we maintain a diversified portfolio of retail and office assets.

A diversified portfolio reduces the volatility of income returns and enables greater consistency of income performance through property cycles – which differ between retail and office sectors. Our diversified model also provides flexibility to allocate capital to individual sector opportunities that have the superior business case at any given time and to recycle capital out of appropriate assets at opportune times within the property cycle.

Our core portfolio is designed to create exposures to property sectors expected to outperform by consistently attracting high levels of demand for space from occupiers.

We have a bias towards the retail sector and specifically regional shopping centres that are dominant within their spending catchments and which are difficult to replicate. We view our specialist in-house retail management capability and our nationwide relationships with retailers across our retail centres as a competitive advantage.

We favour the Auckland region, given its superior prospects for economic, population and employment growth.

Our core portfolio

This leads us to focus on the establishment, growth and enhancement of a core property investment portfolio comprising:

Retail

- Dominant regional shopping centres and large format retail within the Auckland region, in locations favoured by the Proposed Auckland Unitary Plan.
- Outside of Auckland, dominant regional shopping centres in regions with positive prospects for growth.

Office

- In Auckland, prime-grade office with desired attributes in terms of quality, floorplate, services, location and carparking.
- In Wellington, core government office accommodation supported by long-term leases to the Government.

1. Kiwi Property has secured a conditional agreement to sell Centre Place – South, in Hamilton. This is due to settle in June 2016. Kiwi Property has acquired a 50% interest in The Base, in Hamilton. This is due to settle on 31 May 2016.

How we have delivered on our strategy

Sector diversification (by core portfolio value)

69% Retail

31% Office

Auckland retail (by core portfolio value)

We have significantly increased our weighting to the Auckland retail sector in line with strategy:

25% Mar-10

43% Mar-16

Long-term government office leases

Our strategy to focus on core government office accommodation has significantly increased the weighted average lease term of our office buildings on The Terrace in Wellington.

3.1yrs Mar-10

10.7yrs Mar-16

16.6yrs On the completion of The Aurora Centre

Weighted average lease term

Property partnerships

We manage properties for third parties and joint-owners which enables us to diversify our investments over a greater pool of assets and to generate additional property management fee income.

How we delivered in 2016

What we aim to achieve

Shareholder returns

Long-term total returns >9% per annum

Achieved

10.0%

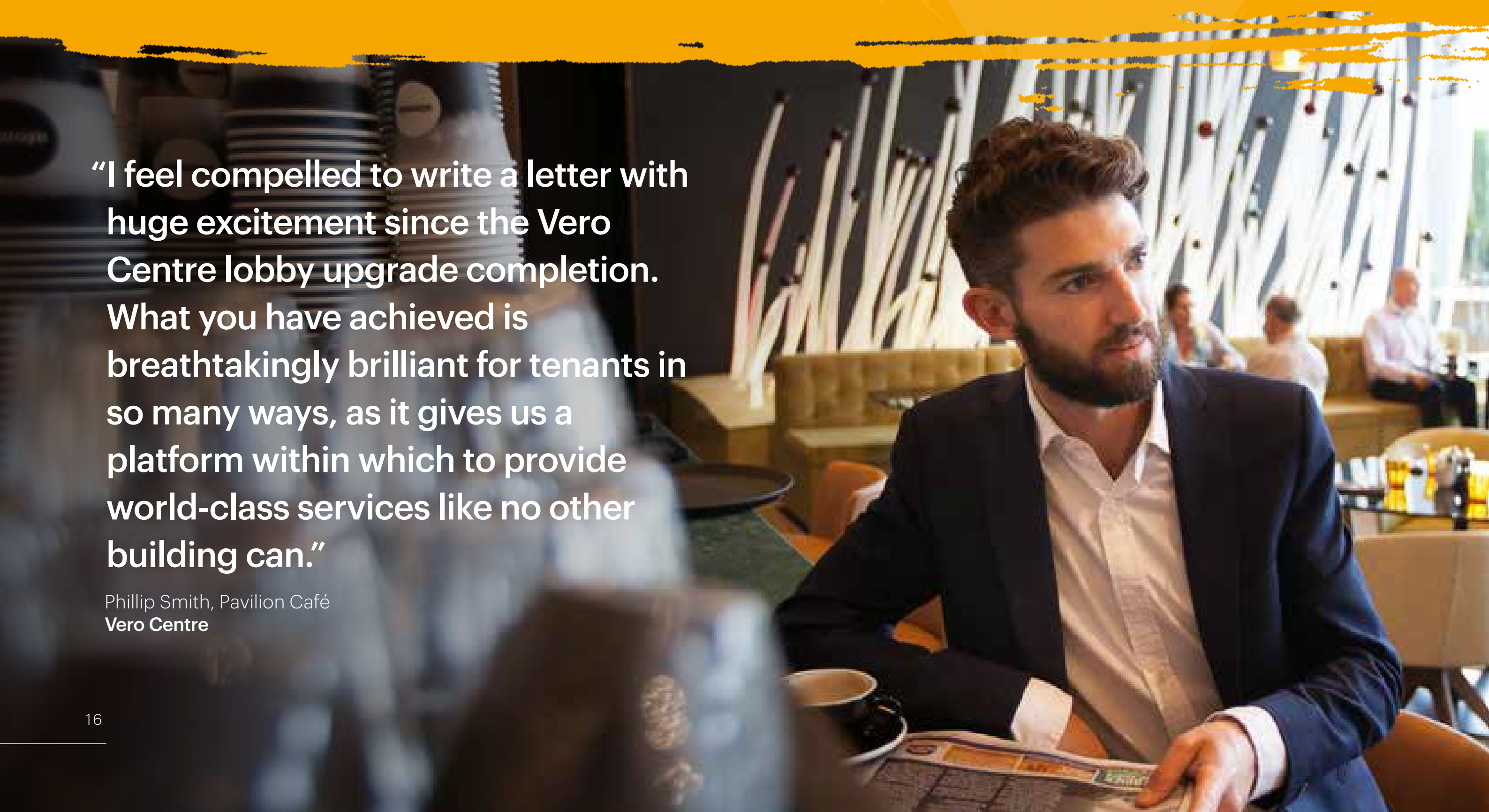
Pre-tax funds from operations per share growth >2% per annum

Achieved

5.1%

Exceptional places

We aim to reward our customers and tenants with exceptional places that contribute positively to their lives.



"I feel compelled to write a letter with huge excitement since the Vero Centre lobby upgrade completion. What you have achieved is breathtakingly brilliant for tenants in so many ways, as it gives us a platform within which to provide world-class services like no other building can."

Phillip Smith, Pavilion Café
Vero Centre

How we delivered on strategy

Maintained a strong financial position

$775m Bank debt refinanced

30.3% Gearing

4.88% Cost of debt – lowest in 10 years

Optimised income and investment performance

861 New leases and rent reviews

+3.7% Average rent increase

+3.9% Like-for-like rental income growth

Add value through investment decisions

ASSET RECYCLING

Conditional agreement for the sale of Centre Place – South for **$46.7 million** (due to settle June 2016)

ACQUIRED

Westgate Lifestyle for **$82.5 million**

ACQUIRED

(post period)

50% interest in The Base for **$192.5 million**

DEVELOPED

$225 million of developments completed or completing in the next year:

- LynnMall
- The Aurora Centre
- 44 The Terrace
- H&M and Zara at Sylvia Park
- The Majestic Centre

Read more about the performance of our retail and office portfolios on pages 18 to 25 and our strategic initiatives on pages 28 to 35.

How we delivered

A stronger retail portfolio

	2015	2016
Assets	7	9
Net lettable area	246,730 sqm	254,158 sqm[1]
Property portfolio value	$1.53 billion	$1.79 billion
Occupancy	99.3%	99.1%
Weighted average lease term	3.4 years	3.9 years[1]
New leases and rent reviews	730	820
Rental growth from new leases and rent reviews	+3.3%	+2.8%
Like-for-like net rental income growth (excluding property management fees)	+3.5%	+3.8%
Annual retail sales	$1.29 billion	$1.36 billion

1 On completion of the development of H&M, Zara and Westgate Lifestyle, settlement of acquisition of the 50% interest in The Base and sale of Centre Place – South later this year, based on 31 March 2016 statistics, the net lettable area will increase to 354,405 and the WALT will extend by 0.2 years to 4.1 years.

Creating exceptional places to shop

How we delivered

2016 retail portfolio performance

Healthy portfolio fundamentals

The active management of our retail assets by our talented and dedicated retail team has resulted in improved rents and the maintenance of a healthy portfolio occupancy rate and weighted average lease term.

At year end, the portfolio was 99.1% occupied, above the long-term portfolio average, with a weighted average lease term of 3.9 years.

Growth in net rental income

Our retail portfolio delivered total rental income growth[1] of 5.9%. Comparable income growth was 3.8%[1], with strong performances from Centre Place, North City and Northlands.

Active leasing

The retail leasing team had a very active year, executing 207 static-centre leasing deals, equivalent to a quarter of the total number of retail tenancies in the portfolio. A further 13 development leases were also executed. This is the highest number of leasing transactions ever completed by the leasing team in a single year, reflecting what had been a high expiry profile within the portfolio.

An additional 613 rent reviews were concluded, representing a further 75% of tenancies by number.

Overall, rentals achieved through new static-centre leasing and rent reviews showed growth of $2.6 million (+2.8%) for the year.

With 88% of the retail portfolio tenants on fixed or CPI-related annual rental increases, the uplift provided through rent review mechanisms underpins growth across the portfolio. Rent reviews in the current year provided an uplift of 3.5%.

The leasing completed at our flagship retail asset, Sylvia Park, was a highlight. The 56 new leases concluded provided a 7% uplift over previous rent levels – a testament to the strength of this asset.

Positive valuation result

Our retail portfolio is now valued at $1.79 billion, providing a revaluation gain for the year of $113.6 million.

Sylvia Park set another record valuation, rising 10.2% to $704 million (after allowances for costs to complete current development works), assisted by securing New Zealand's first retail stores for international fashion giants H&M and Zara. At this value, the centre has provided investors with an overall value gain of $245 million over and above its original development cost and subsequent cumulative capital expenditure. Sylvia Park's capitalisation rate is now 6.0%, the firmest of any regional shopping centre in New Zealand.

At North City, in Porirua, our acquisition of the freehold interest in the land, previously leased from the council, together with positive sales growth and leasing activity, led to the value increasing by 9.6% to $109.5 million.

All other retail assets, other than Centre Place – North recorded positive movements.

Healthy growth in retail sales

Economists forecast that consumer spending would show robust growth across 2015, buoyed by improving household incomes, low mortgage rates, strong house prices and net positive migration – and we are pleased to see that forecast realised.

Our shopping centres delivered total sales of $1.36 billion during the year ended 31 March 2016. This reflects positive sales growth over the prior year of 5.8%, or 3.0% on a like-for-like basis.

Combined retail sales at all our centres, excluding Northlands, grew by a very encouraging 8.4% in aggregate. In contrast, sales at Northlands declined by 2.2% due to the increase in retail floorspace following re-building efforts in Christchurch, which was particularly evident in the supermarkets category.

Sales at our Auckland-based centres, Sylvia Park and LynnMall, recorded robust growth of 7.8% and 7.9% respectively. North City delivered sales growth of 9.9%, led by the centre's Kmart department store, and continued high occupancy.

Our strategy to evolve the retail mix to include more dining, leisure, entertainment and service options is reaping rewards with encouraging sales in those categories.

After several years of consumer spending restraint we are pleased to see an increase in discretionary spending.

1. Excluding property management fees.

Stronger category performers (on a like-for-like basis) during the 2016 financial year include:

+7.4%
Cinemas

+9.6%
Commercial services, predominantly reflecting sales through our mobile phone and travel stores

+14.0%
Music, video and games

+4.2%
Food

+5.0%
Personal services

+9.5%
Outdoor and leisure

+7.7%
Newsagents and books

+5.9%
Department stores

Our portfolio-wide specialty gross occupancy cost ratio, a key measure of rent affordability for specialty retailers, sits at 15.9%.

Year to date, the New Zealand economy is continuing its positive momentum in terms of retail spending. We expect retail sales to trend in line with nominal GDP over the course of the forthcoming year.

How we delivered

A stronger office portfolio

	2015	2016
Assets	5	5
Net lettable area	117,983 sqm	120,581 sqm
Property portfolio value	$673 million	$819 million
Occupancy	96.1%	97.4%
Weighted average lease term	7.6 years	8.2 years[1]
New leases and rent reviews	43	41
Rental growth from new leases and rent reviews	+3.0%	+7.6%
Like-for-like net rental income growth (excluding property management fees)	+2.3%	+4.1%

1. Based on 31 March 2016 statistics, the WALT will extend a further 1.7 years on commencement of the 18-year Government lease at The Aurora Centre in August 2016.

Creating exceptional workplaces

How we delivered

2016 office portfolio performance

Strong portfolio fundamentals

The office portfolio ends the 2016 financial year in the best shape it has been in for more than five years. The active management of our office assets by our talented and dedicated office team has resulted in the highest occupancy rate in over five years and the weighted average lease term (WALT) further extended to the longest tenure in over a decade.

At year end, the portfolio was 97.4% occupied, with a WALT of 8.2 years.

The extended WALT is predominantly driven by three new 12-year Crown leases at 44 The Terrace.

A number of transformational projects which are concluding over the forthcoming year will drive further improvements in these statistics. The conclusion of the refurbishment works at The Aurora Centre and the commencement of the new 18-year government lease in August 2016 will add 1.7 years to the portfolio WALT (based on 31 March 2016 statistics), lengthening it to 9.9 years.

Completion of refurbishment and seismic strengthening works at 44 The Terrace and The Majestic Centre respectively will allow the areas, currently being utilised as decant space, to be leased.

Read more about our office development projects on pages 34 and 35.

Growth in net rental income

Our office portfolio delivered comparable rental income growth of 4.1%[1], driven by the performance of our Auckland-based assets.

Active leasing

The office management team executed 23 new leases during the year, with a WALT of 9.7 years and providing a 12.8% uplift on previous rentals. In addition, 18 rent reviews were concluded, resulting in an uplift of 3.0% from previous rentals.

The highlight within our Wellington portfolio was the execution of three new 12-year leases, to government tenancies, comprising 10 of the 12 floors at 44 The Terrace. Also in Wellington, a further 3,800 sqm of office space was leased in The Majestic Centre. This takes total office leasing within the building since the commencement of the seismic strengthening project to 91% of the building's area, with an average lease term of nine years.

In Auckland, we were delighted to retain top-tier law firm Russell McVeagh in Auckland's pre-eminent landmark office tower, Vero Centre, securing their tenure for a further 12 years over 4,000 sqm of space. Russell McVeagh was an anchor tenant in the original development of the building and has made a significant contribution to Vero Centre's business community since it opened in 2001. The retention of Russell McVeagh is a testament to the quality of the building.

With our commitment to creating exceptional places to work, we are proud of our 90% retention rate for our office tenants. We work hard to ensure our buildings remain competitive and attractive to tenants.

Positive valuation result

All assets in the office portfolio recorded positive valuation movements, with the portfolio value increasing by $58.8 million (+7.7%) to $819.4 million.

The weighted average capitalisation rate firmed to 6.44% – the lowest rate on record for our office portfolio.

Our Auckland assets provided a valuation gain of $40.3 million, benefitting from positive market fundamentals and investor sentiment. Meanwhile, our Wellington assets increased in value by $18.5 million as development projects near completion and the commencement of new long-term government leases becomes imminent.

Vero Centre increased in value by 9.1% to $358.0 million. Our high existing tenant retention rate, improving rents and the weight of international capital searching for premium Auckland assets contributed to a firming of the capitalisation rate for this asset to 6.125%. The firmest office capitalisation rate was achieved at ASB North Wharf, which strengthened to 6.05%, with its value increasing by 6.0% to $187.8 million.

Across the remaining office assets, the benefits of development projects were seen at 44 The Terrace, +14.7% to $35.5 million, The Aurora Centre, +11.2% to $125.9 million and The Majestic Centre, +1.2% to $112.2 million.

1. Excluding property management fees.

Looking forward to FY17

The Auckland office sector has been the last major sector to recover since the downturn but is now forecast to perform relatively strongly in the short term, assisted by low interest rates and strong investor demand.

Lack of new supply of prime office space has driven vacancy rates to record lows and is expected to support continuing growth.

In Wellington, there has been a marked increase in investment activity from both domestic and international investors.

Attractive yields are offsetting risks associated with increasing Prime-grade vacancy and higher leasing incentives.

The office team will be working actively over the coming year to lease the residual space within The Majestic Centre and 44 The Terrace.

Our onward journey

May 2016

Settle the purchase of a 50% interest in The Base

Spring 2016

Open H&M and Zara at Sylvia Park

H&M
ZARA

April-June 2016

Open Westgate Lifestyle

June 2016

Settle the sale of Centre Place – South

We will continue to focus on creating New Zealand's best retail and workplace experiences.

Mid to late 2016

Complete developments at The Aurora Centre, 44 The Terrace and The Majestic Centre

Add value through acquisitions, organic growth and asset improvements, including progressing plans for the expansion of Sylvia Park

Increase the brand presence of Kiwi Property at our physical assets

Enhance customer experiences through digital technology and intensive asset management

Sylvia Park

A world-class town centre development

Our vision for Sylvia Park is to create a truly world-class retail offer with the objective of positioning the centre firmly as Auckland's most attractive shopping centre destination. As part of our town centre vision for the site, we also see the opportunity to develop an office building, in the airspace above the shopping centre, with unique workplace attributes.

The total estimated cost of our current retail expansion and office development plans is approximately $280 million with development potentially proceeding in stages between 2016 and 2021. Whilst we remain positive about the development prospects for Sylvia Park, any scheme will ultimately be market led, appropriately de-risked and subject to commercial viability. We will be targeting an initial yield across all stages in excess of 6% and an internal rate of return of approximately 9%.

Retail

The first stage of our retail expansion is already underway with the construction of the first New Zealand stores for international fashion giants H&M and Zara, at a total cost of $19.2 million. Both stores are on programme to open in spring this year. The introduction of these two global retailers to the centre is an important first step in our expansion plans, and will assist us to attract other new and exciting brands.

Future stages of retail expansion are designed to create a world-class retail offer. Up to 20,000 sqm of new space in a second level fashion galleria will feature:

- New international brands and concept stores including selected retailers from Sylvia Park's current waiting list of specialty tenants.
- A next-generation, relaxed, sophisticated and welcoming 'café court' with eight experiential dining offers.
- Potentially one or more department stores.
- New multi-deck carparks with seamless transition from the surrounding road network.
- Carparking assistance provided by a new user friendly digital wayfinding system, similar to that currently being rolled out in the existing centre.

A total project cost of approximately $180 million is forecast, with construction potentially starting in 2017 with staged completion between 2019 and 2021.

GALLERIA / CAFÉ COURT JUNCTION – IMPRESSION

opening
2019–2021

You may be interested to know ....

ZARA

ZARA opened its first store in 1975 in A Coruña (Spain). It now operates in 88 markets with a network of more than 2,000 stores ideally located in major cities. Its international presence clearly shows that national borders are no impediment to a shared fashion culture. Zara pays special attention to the design of its stores, shop windows and décor, and sites them in the best locations in major shopping areas.

H&M

H & M Hennes & Mauritz AB was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. The H&M Group has more than 4,000 stores in 61 markets including franchise markets. In 2015, sales including VAT were SEK 210 billion and the number of employees is more than 148,000.

up to
20,000 sqm
of new space in fashion galleria

SYLVIA PARK OFFICE – IMPRESSION

Office development with dining lane extension and upgrade

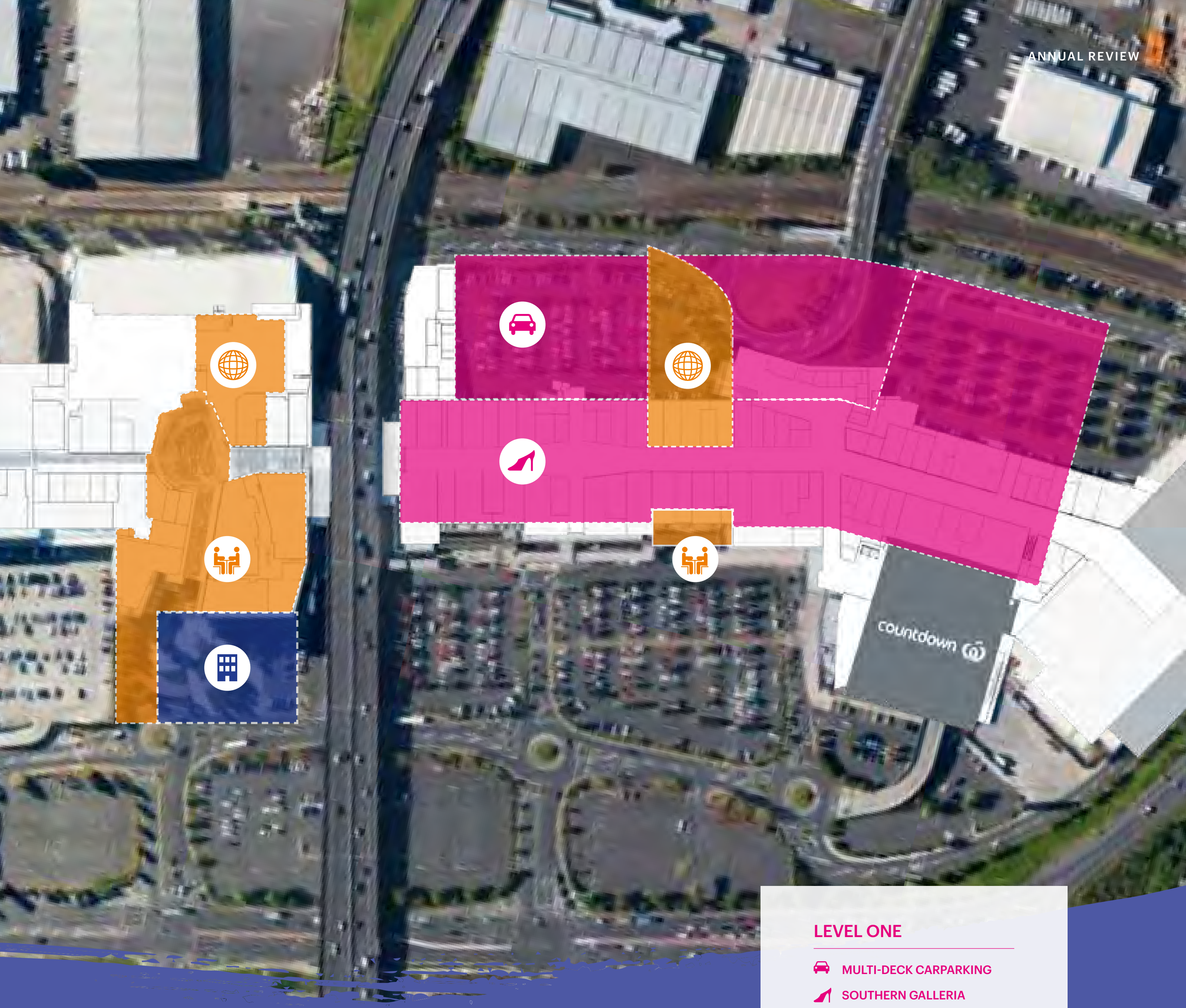
Part of our proposed evolution of Sylvia Park is the development of office accommodation in the airspace above the existing dining lane.

Our proposed office solution at Sylvia Park will offer tenants a truly unique and high-quality working environment in an easily accessible location with excellent rail and bus transport links.

Workers will benefit from the extensive range of amenities and services present at Sylvia Park. Initial tenant response to our development plans has been very positive and negotiations are now at an advanced stage with an anchor tenant to lease approximately one-third of the office space.

Our concept development plans feature:

- An 11,200 sqm office building over nine levels and 700 sqm of ground floor retail.
- Tenant-friendly design including:
  - 'Vertical villages' or inter-floor atria connections between blocks of selected tenancies.
  - Target 5-star GreenStar design rating and NABERSNZ base building 4-star energy rating.
  - Bike parks and end-of-trip facilities.
- A new alfresco dining precinct at ground level integrated with an upgrade and refresh of the existing dining lane, new town square, landscaping, signature dining pavilion and new dining concepts.
- A total project cost of approximately $80 million is forecast. Construction will potentially start in late 2016, dependent on resource consent, anchor tenant pre-commitment and construction pricing. Completion is targeted for 2018.



What makes Sylvia Park great?

- Centrally located within Auckland and benefits from extraordinary accessibility
  - 440,000 people live within a 10-minute drive
  - 1.18 million people live within a 20-minute drive
  - 1.43 million people, or 91%, of Auckland's population live within a 30-minute drive
- Identified under the Proposed Auckland Unitary Plan as a 'Metropolitan Centre' and earmarked as a major node for commercial and residential intensification
- Total trade area retail sales were $11.2 billion as at June 2015, and projected to grow at approximately 4.7% per annum to approximately $23.5 billion by 2031[1]
- Annual retail sales of $455 million with 12.6 million visitors per annum
- Easily accessible by train, bus and road with close to 4,000 on-site car parks

1. MacroPlan Dimasi, April 2016.

Committed to growing the retail portfolio

Over the past 22 years we have built a leading position in New Zealand's retail sector.

Our strategy focuses on owning dominant regional shopping centres and large format retail centres in key locations, and enhancing the investment performance of those assets through active asset management and organic development opportunities.

The Base

On 8 April 2016, we announced the acquisition of a 50% interest in The Base at Te Rapa, Hamilton, for $192.5 million.

This is an outstanding opportunity for our investors to benefit from part ownership of New Zealand's largest single-site retail centre, which comprises an enclosed regional shopping mall and a large format retail centre. The purchase price for the initial 50% interest includes approximately 6.7 hectares of vacant land suitable for future development.

Kiwi Property will manage the property for the joint venture.

Settlement will take place on 31 May 2016.

The Base is located within New Zealand's 'golden triangle' of economic and residential growth (Auckland, Hamilton and Tauranga). Over the next two decades this region is expected to account for the majority of New Zealand's population growth and accommodate approximately 50% of New Zealand's population. Auckland and the Waikato are respectively the fastest and third fastest growing regions in New Zealand.

Key supporting factors for future sales and rental growth include:

- The strong tenant mix and dominant position which the centre enjoys within Hamilton and the Waikato region.
- The centre's easily accessible and high profile location.
- The projected growth in population and retail expenditure within the catchment.
- The ability to expand the centre and improve the retail offer using the adjacent development land.

Key facts about The Base

85,256 sqm
Comprising 31,380 sqm of enclosed mall and 53,876 sqm of large format retail space

6.7 hectares
Of development land

190+
Tenancies

3,343
Carparks

6.63%
Capitalisation rate

6.4%
Initial yield (excluding development land)

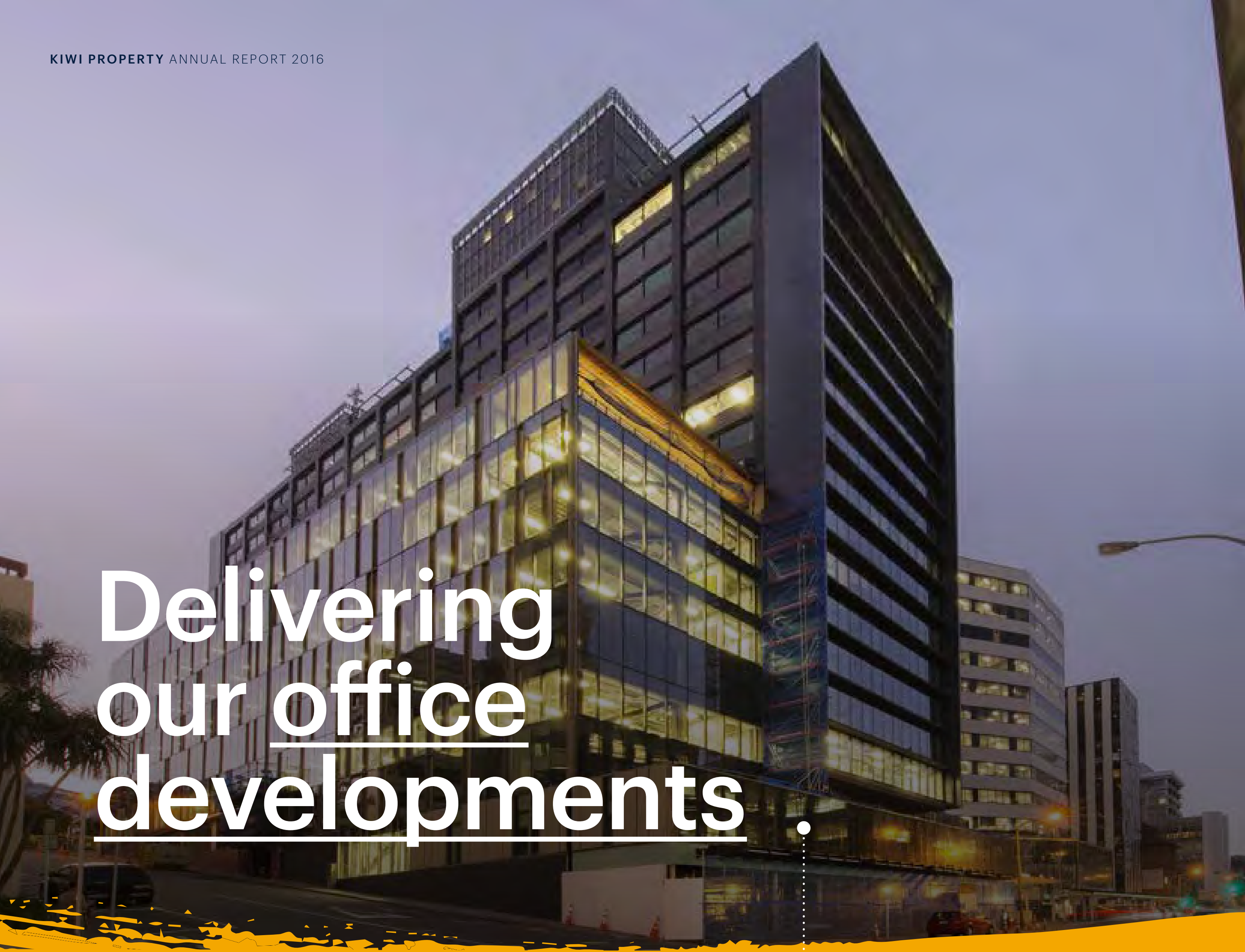
Growing our large format retail portfolio to 96,000 sqm

As part of our broader retail strategy, we have taken advantage of our specialist retail management capability to successfully grow our large format retail portfolio. Large format retail is an important and growing market segment which provides us with asset class diversification and the ability to capture customer demand and develop retailer relationships across a broader spectrum of retail formats.

With the acquisition of Sylvia Park Lifestyle in December 2014, Westgate Lifestyle in September 2015 and more recently our joint venture at The Base, we now have exposure to 96,000 sqm of large format retail space and enjoy relationships with more than 125 retailers.

The 16,500 sqm Sylvia Park Lifestyle Centre is located adjacent to Sylvia Park Shopping Centre, providing us with a complementary and compelling retail offer. Westgate Lifestyle, which is being developed and progressively opened from March 2016, is part of a comprehensively planned town centre development. Westgate is a Metropolitan Centre under the Proposed Auckland Unitary Plan and we believe it will emerge as one of Auckland's favoured large format retail destinations with positive attributes in terms of population growth, household formation and motorway accessibility.

Our recent acquisition of The Base provides a further 53,876 sqm of large format retail space, and a complementary offer to the Te Awa shopping centre that also forms part of The Base.



Delivering our office developments

Good progress has been made on our strategic core government accommodation projects in Wellington. We look forward to delivering these projects later this year.

When taken together, the lease agreements secured at The Aurora Centre and 44 The Terrace mean we have concluded leases with the New Zealand Government for over 32,000 sqm of office space in adjacent buildings. Following completion of the comprehensive upgrades, these buildings will form a core government office precinct conveniently located close to Parliament at the northern end of The Terrace.

32,000 sqm
Office space leased to the New Zealand Government

16.6 years
Combined weighted average lease term

The Aurora Centre

Our development works at 56 The Terrace, or The Aurora Centre as it is now known, are on programme to complete in July 2016.

We've already handed over the refurbished office floors to our tenant, the Ministry of Social Development, who are now undertaking their fitout works.

Our construction crews are on the home straight, completing works within the lobby, lower building levels and the carpark.

The anticipated project cost remains unchanged at $72.0 million, with the Ministry of Social Development to commence its 18-year lease for all of the office space within the building from August 2016.

44 The Terrace

Our $12.6 million upgrade, which commenced in June 2015, is tracking well. Works are being carried out progressively while tenants remain in occupation.

The refurbishment and seismic strengthening works to seven of the 13 levels have been completed and handed over to the tenants. The overall project is on track to complete ahead of programme, in September 2016.

Our commitment to the upgrade works has enabled us to secure new 12-year leases for 10 of the 12 office floors with the Commerce Commission, Tertiary Education Commission and the Energy Efficiency and Conservation Authority.

Key facts

$12.6m
Upgrade in progress

September 2016
Completion date

7
Floors completed to date

The Majestic Centre seismic upgrade

After four years, our seismic upgrade works at The Majestic Centre are nearing completion.

Our construction teams are now completing final works to the podium and shear core below level five, with all works to be completed prior to the end of this calendar year.

Over the past year we have leased a further 3,800 sqm of office space, meaning that a total of 20,147 sqm (91%) has been leased since the inception of the project – a fantastic endorsement of the strengthening project.

To recap on New Zealand's largest ever seismic strengthening project, here's a statistical snapshot of what we have achieved:

171 tonnes
of reinforcing steel added – equivalent to 142 average cars

1,300
cubic metres of concrete added – enough for 10.8 km of garden paths

53.2 km
of post-tensioning strand – similar distance as Wellington to Paraparaumu

54,000
bolts and anchors installed

1,325 tonnes
of structural steel added – equivalent to 106 trolley buses

554,000 labour hours
22 hours a day, with up to 90 builders at a time

We're harnessing digital technology to increase our competitive edge

What we delivered in 2016

- Upgraded our corporate website and unveiled seven new retail websites to enhance the customer experience and ensure they are mobile optimised.
- Introduced an 'augmented reality' Christmas campaign that was experienced by more than 40,000 customers.
- Rolled out stage one of a new carpark management system at Sylvia Park to ensure a hassle free carpark experience.
- Implemented a new purchase order/ accounts payable system to make payment quicker, easier and paper free.
- Launched a new HR recruitment portal to help job seekers connect with us.

What's next in digital?

- Capturing more data about our customers and the implementation of a new customer relationship management system.
- Developing enhanced content and retail offers via our shopping centre websites.
- Integrated carpark management systems to improve the customer journey.
- Installing digital in-centre directory wayfinding boards.
- Implementing enhanced WiFi capabilities.
- Enhancing experiences for our office tenants by introducing ways for them to communicate with others in the building and connect them to their broader community.
- Upgrading our core property management system and integrating our leasing processes.

Better digital experiences for our customers

At work, at home or on the go

On your way to see us

While you shop

While you relax

Tailored for your next visit

Our new websites and mobile functionality are delivering better shopping experiences for our customers and helping them find out more about us.

+22% more visits to our retail websites over the prior year

+24% more time spent on our websites by customers

+60% average increase in time spent on our retail websites on mobile devices

NORTH CITY SHOPPING CENTRE

Delivering big screens to our shopping centres

This year, we renewed and extended our contract with oOh! to deliver media solutions to an expanded number of our shopping centres, and to deliver stunning new state-of-the-art digital formats in select locations.

New formats such as oOh!'s massive digital large-format EVOKE screens – capable of broadcasting high definition, full-motion video – are set to hang from the atria of key Kiwi Property shopping centres such as Sylvia Park.

oOh! will also introduce world-leading, interactive touch-screen digital panels that will feature in select Kiwi Property centres across New Zealand.

"Kiwi Property is one of the best shopping centre owners in the country and is continually investing in improving the retail experience for its customers. We're thrilled to be playing an important part of that experiential journey."

Brendon Cook, Chief Executive Officer
oOh!

Leadership in sustainability

Leadership in sustainability is an important component of our value proposition. We have implemented a number of new initiatives and achieved some great savings. Our leadership position has been further demonstrated in 2016 through the following notable achievements.

1st

We were the only New Zealand company included in the Carbon Disclosure Project (CDP) A-List and one of only 113 worldwide. We were also included in the CDP 2015 NZX 50 Climate Disclosure Leadership Index, along with six other companies.

Our environmental programme continues to deliver

Our environmental programme continues to reap significant rewards, even though we have increased trading hours in our key shopping centres and increased the size of our portfolio. Since 2008 we have made some great savings across the portfolio.

We have saved 7,500,000 kWh of energy – enough to supply 748 typical homes

Our electric vehicle (EV) charging stations at Sylvia Park have been used 1,600 times since they were installed

We have saved 134 million litres of water – enough to fill 2,680 domestic swimming pools

We have diverted 331 tonnes of waste from landfill – equivalent to filling 540 jumbo bins

We reduced our carbon emissions by 904 tonnes – equivalent to 214 return flights from Auckland to London

LED replacement programme

By leveraging our scale and our commitment to sustainability, we have achieved our target of having the majority of the lighting in the common areas of our property assets fitted with low cost, low impact LED lights.

We have now achieved:

- Replacement of nearly 5,000 fittings.
- Energy savings of almost 2,000,000 kWh per annum.

We are looking to further our LED upgrade programme over the coming year.

Waste reduction

We have embarked on an ambitious initiative to enhance our waste recycling programme, thereby dramatically reducing waste to landfill. Our historical efforts have seen us achieve impressive reductions in waste to landfill, however by deploying emerging technology and new approaches we believe significant further gains can be made.

The early results of this work indicate we expect to divert 120 tonnes of food waste to composting annually. Surprisingly, over 20 tonnes of this is expected to be coffee grounds.

New Zealand's largest solar array commended

The Sylvia Park solar array and EV charging stations project was awarded a 'Judges' Commendation' in the 'Impact Renewables' category of the 2015 NZI Sustainable Business Network Awards. There were only 11 commendations awarded alongside the 11 category winners. This is the first year Kiwi Property has entered these awards.

1,134
Solar panels

3,000 sqm
Area covered in solar panels

19%
Of the centre's base building energy is provided for by the array

64
The equivalent number of New Zealand homes that could have been powered by the array's operation

Enhancing our leadership position

We know our programme of focusing on resource efficiency and making positive social contributions makes good business sense. We have a number of exciting activities planned for the coming year which will further enhance our leadership position, including governance, environmental and social initiatives. We look forward to reporting on these activities as they progress.

Health and safety

Kiwi Property has maintained a stringent approach to health and safety, focused on protecting our people and the communities in which we operate from hazards.

We continue to invest in education, training and systems to support safe working environments, and to encourage reporting and reduction of hazards across our portfolio of shopping centres and office assets.

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 Prime Property Fund Asia GP Pte, 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 the 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, and 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 Deputy Chair of the board of Airways New Zealand and Chair of the New Zealand Green Building Council. She is also 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
Member of the Remuneration and Nominations Committee[1]

Date of appointment
July 1992

1. Retired as Chair of the Remuneration and Nominations Committee on 15 February 2016.

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 Delegat Group.

Board membership
Non-executive member

Other committees
Chair of the Remuneration and Nominations Committee[2]

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 and non-executive board member for Trade Me Group, Partners Life, Sport New Zealand and Rowing New Zealand. She is a past chairman of the Investment Advisory Panel of the Primary Growth Partnership. 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 the chair of the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Group Board (London-based), non-executive director of BWP Management, the responsible entity for the ASX listed BWP Trust and an independent director of Dexus Wholesale Property Fund.

Board membership
Non-executive member

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

Date of appointment
January 2010

2. Appointed as Chair of the Remuneration and Nominations Committee on 15 February 2016.

For more information on corporate governance, the board and its committees, refer to the Corporate Governance section, commencing on page 97.

Our leadership team

CHRIS GUDGEON

GAVIN PARKER

MILES BROWN

AUBREY CHENG

KYLIE EAGLE

JASON HAPPY

DAVID JOHNSON

NATASHA LOULANTING

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

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.

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 in 2003 and was the manager of the commercial portfolio before moving into his current role. Prior to this, Miles held corporate property roles with Lucent Technologies and Jones Lang LaSalle.

Aubrey Cheng

MANAGER RETAIL LEASING

BCOM, BPROP

Aubrey leads the retail leasing and promotional sales teams. He is responsible for tenancy mix masterplanning, leasing delivery across both existing centres and our development projects, maintaining retail tenant relationships, and driving additional retail income from new initiatives. Aubrey has 15 years' industry experience encompassing all formats of retail property. Prior to joining us, he was a founding Director of agency and advisory firm Match Realty.

Kylie Eagle

HEAD OF HUMAN RESOURCES

BCS, GRADUATE DIPLOMA IN BUSINESS

Kylie is responsible for our people strategy, ensuring human resource frameworks, processes and systems are in place to support our business objectives. 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.

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. He also manages our health and safety and sustainability programmes. Jason 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.

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 this David held senior roles in the property development sector including Lion Nathan and Symphony Group. He was also previously with us from 1999 to 2004.

Natasha Loulanting

MANAGER – ANALYTICS AND PROJECTS

CA

Natasha leads the team which is responsible for the delivery of property and company performance statistics, modelling and forecasting and new business analysis. This team also contributes to corporate projects and the delivery of investor reporting. Natasha joined Kiwi Property in 2005 as a development accountant. More recently, she has also provided finance, due diligence and project management capabilities for our key corporate activities. Prior to joining Kiwi Property she spent over 10 years working in assurance and transaction services at PwC.

Karl Retief

GM RETAIL PORTFOLIO

DIPLOMA IN BUSINESS, MBA

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 20 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.

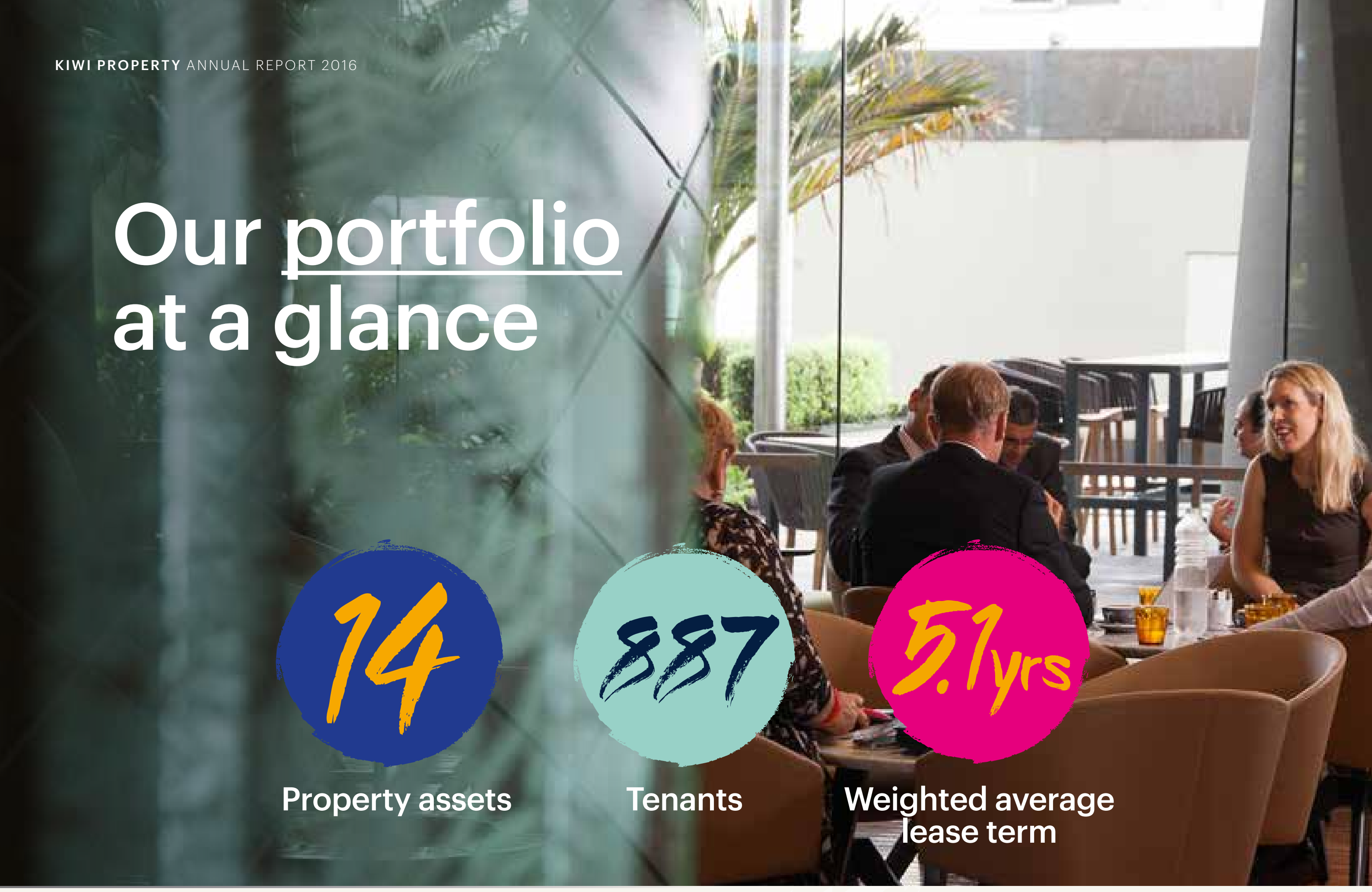
Note: Christopher Hermann left the position of GM Development on 30 April 2016.

Ian Passau has been appointed to the role of GM Development and commences with Kiwi Property in August 2016.


ASB

Property compendium

Kiwi Property is the largest listed property company on the New Zealand Stock Exchange and is a member of the NZX15 Index. We've been around for more than 20 years and we proudly own and manage a $2.67 billion property portfolio, comprising some of New Zealand's best shopping centres and office buildings.



Our portfolio at a glance

14
Property assets

887
Tenants

5.1yrs
Weighted average lease term

374,739 sqm
Net lettable area

11,383
Carparks

$2.67 billion
Portfolio value

6.61%
Weighted average capitalisation rate

98.7%
Occupancy

Our tenants (by core portfolio gross income)

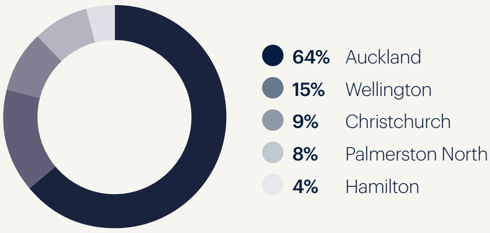
Retail

New Zealand chains	30%
Australian and international chains	25%
Department stores	7%
Supermarkets	5%
Independent retailers	5%
Cinemas	2%
Total retail	**74%**

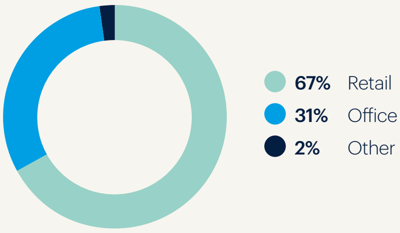
Office

Banking	6%
Legal	5%
Government	4%
Insurance	4%
Consultancy	2%
Financial services	2%
Other	3%
Total office	**26%**

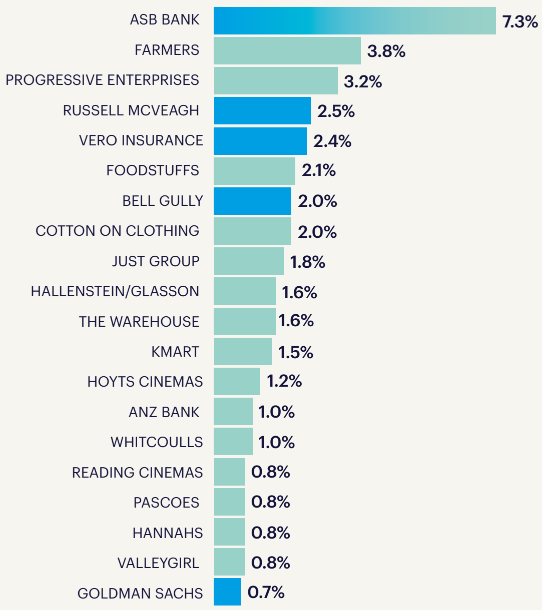
Geographic weighting (by portfolio value)



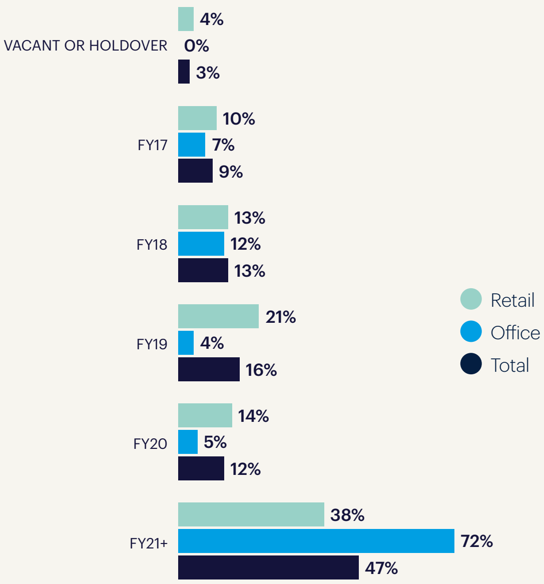
Sector weighting (by portfolio value)



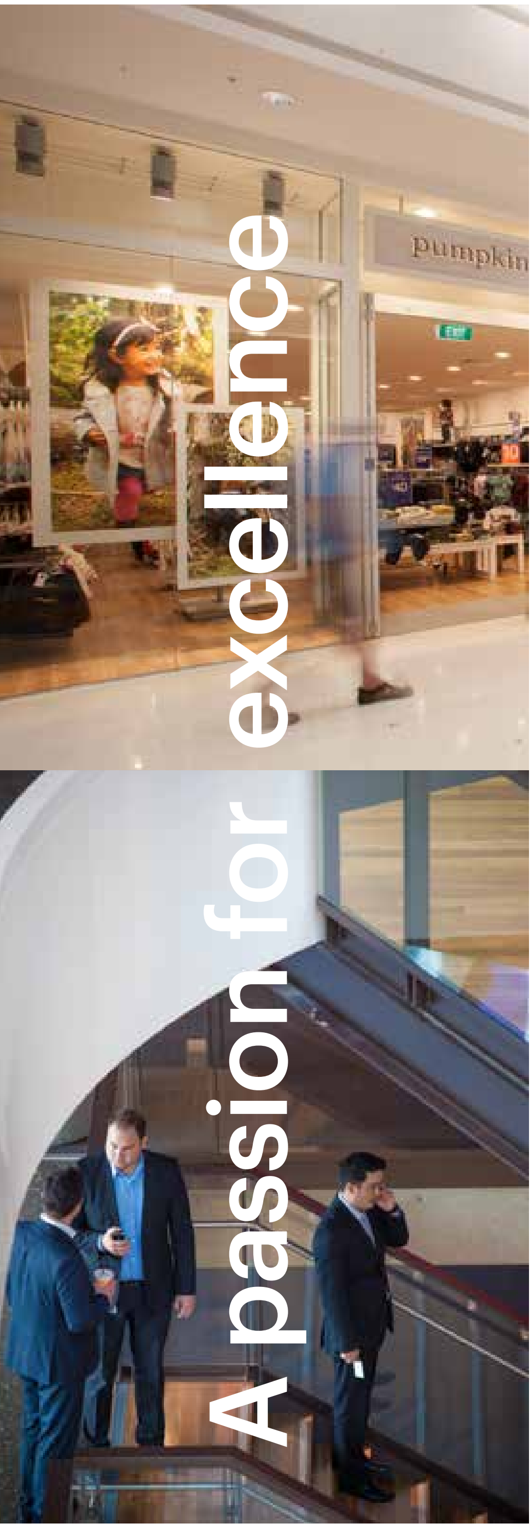
Top 20 tenants (by core portfolio gross income)



Lease expiry (by core portfolio gross income)



Our portfolio at a glance



	Location	Valuer	Value ($m)	Capitalisation rate (%)	10-year IRR (%)
Retail portfolio					
Sylvia Park[1]	Auckland	CBRE	704.0	6.00	8.06
Sylvia Park Lifestyle	Auckland	CBRE	69.8	6.50	8.30
LynnMall	Auckland	Colliers	269.0	6.75	9.62
Westgate Lifestyle[1,2]	Auckland	JLL	70.3	6.75	8.76
Centre Place – North	Hamilton	JLL	65.5	8.75	9.76
Centre Place – South[3]	Hamilton	n/a	46.7	7.25	9.74
The Plaza	Palmerston North	JLL	211.0	7.00	8.88
North City	Porirua	JLL	109.5	7.75	9.17
Northlands	Christchurch	CBRE	243.0	7.25	9.17
Total: Retail portfolio			**1,788.8**	**6.69**	**8.75**
Office portfolio					
Vero Centre	Auckland	CBRE	358.0	6.13	7.64
ASB North Wharf	Auckland	Colliers	187.8	6.05	8.48
The Majestic Centre	Wellington	Colliers	112.2	7.50	9.23
The Aurora Centre[4]	Wellington	CBRE	125.9	6.75	7.76
44 The Terrace	Wellington	CBRE	35.5	7.25	7.98
Total: Office portfolio			**819.4**	**6.44**	**8.08**
TOTAL: INVESTMENT PORTFOLIO			**2,608.2**	**6.61**	**8.54**
Other properties			**61.7**		
TOTAL: PORTFOLIO			**2,669.9**		

Notes

1. The capitalisation rates for Sylvia Park and Westgate Lifestyle are the 'on completion' assessed rates. For more information refer to Note 3.2 of the financial statements on page 79.
2. As at 31 March 2016, the net lettable area and number of tenants represent only those tenants open and trading. The remaining tenancies are programmed to open progressively through to mid-2016. The net lettable area on completion is expected to be approximately 25,800 sqm with 622 carparks.
3. Kiwi Property has secured a conditional agreement to sell Centre Place – South. It is conditional on the consent of Hamilton City Council to the transfer of two ground leases. Settlement is expected to occur in June 2016. Centre Place – South was not independently valued at 31 March 2016. It is recorded at the agreed sale price. The capitalisation rate and 10-year IRR presented is as per the 31 March 2015 independent valuation, which formed the basis of the agreed sale price.

FY16 net rent ($m)	NLA (sqm)	WALT (years)	Occupancy[5] (%)	Tenants (no.)	Carparks (no.)	Key tenants
38.8	68,783	3.6	100.0	209	3,937	The Warehouse, Hoyts Cinemas, PAK'nSAVE, Countdown, H&M (under development), Zara (under development)
4.9	16,536	4.1	100.0	16	393	Spotlight, Freedom Furniture, Torpedo7
16.4	37,227	4.6	98.7	142	1,353	Farmers, Countdown, Reading Cinemas
–	5,205	8.7	100.0	3	–	Harvey Norman (under development), Briscoes, Rebel Sport, Freedom Furniture (under development)
7.8	16,029	3.2	93.2	77	556	METRO by Hoyts Cinemas, Lido Cinemas
	10,933	7.1	98.1	26	–	Farmers
15.8	32,401	4.0	100.0	108	1,251	Farmers, Kmart, Countdown
8.4	25,473	4.1	100.0	105	1,102	Kmart, Farmers, Reading Cinemas
19.8	41,571	3.2	99.1	126	1,716	The Warehouse, PAK'nSAVE, Farmers, Countdown, Hoyts Cinemas
111.9	**254,158**	**3.9**	**99.1**	**812**	**10,308**	
20.8	39,530	5.2	99.4	34	422	Russell McVeagh, Vero, Bell Gully, Asteron Life, NIB, Goldman Sachs
13.6	21,625	14.6	98.8	11	97	ASB Bank
6.4	24,604	7.1	91.9	23	246	NZ Trade & Enterprise, Opus Consulting, Cigna Life, Ernst & Young, Government of Japan, Airways Corporation
-0.7	24,699	–	–	–	310	Ministry of Social Development (under development)
1.9	10,123	10.7	100.0	7	–	Commerce Commission, Tertiary Education Commission, Energy Efficiency and Conservation Authority
42.0	**120,581**	**8.2**	**97.4**	**75**	**1,075**	
153.9	**374,739**	**5.1**	**98.7**	**887**	**11,383**	
2.7						
156.6						

4. At 31 March 2016, The Aurora Centre (formerly known as 56 The Terrace) is being comprehensively refurbished, with an expected completion date of 31 July 2016. The net lettable area and carpark numbers shown represent those expected to be available on completion of this reburbishment.
5. Tenancies vacated for development works are excluded from the occupancy statistics. At 31 March 2016, excludes 800 sqm at The Majestic Centre, all of The Aurora Centre and 1,500 sqm at 44 The Terrace.

Our retail portfolio

7
Shopping centres

10,308
Carparks

3.9 years
Weighted average lease term

2
Large format retail centres

$1.79 billion
Portfolio value

$1.36 billion
Annual sales

254,158 sqm
Net lettable area

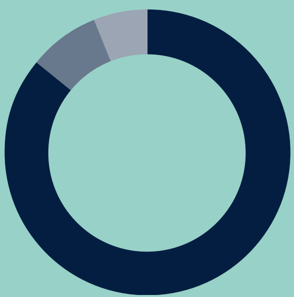
6.69%
Capitalisation rate

Top tenants
Our top 10 tenants occupy 48% of the retail portfolio area and contribute 26% of retail portfolio income

812
Tenants

99.1%
Occupancy

Property type
(by retail portfolio value)

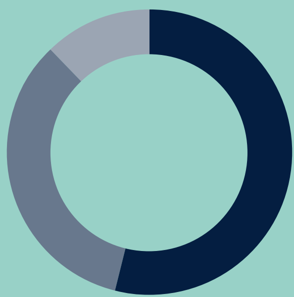


- **86%** Regional centres
- **8%** Large format retail centres
- **6%** CBD centres

Geographic weighting
(by retail portfolio value)

- **62%** Auckland
- **14%** Christchurch
- **12%** Palmerston North
- **6%** Hamilton
- **6%** Wellington

Breakdown of rent review structures
(by retail portfolio gross income)



- **54%** Fixed annual increases
- **34%** CPI-linked increases
- **12%** Market and other reviews

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 $455 million. Developed and built by Kiwi Property, this award-winning centre offers quality retail space anchored by The Warehouse, Hoyts Cinemas, PAK'nSAVE and Countdown, along with an extensive range of quality specialty tenancies. The first stores in New Zealand for international fashion retailers H&M and Zara are scheduled to open in spring 2016.

Sylvia Park Lifestyle

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

Lease expiry profile (by gross income)

	Sylvia Park	Sylvia Park Lifestyle
Vacant or holdover	1%	0%
FY17	6%	5%
FY18	12%	18%
FY19	36%	0%
FY20	9%	32%
FY21+	36%	45%

Key property statistics

Sylvia Park

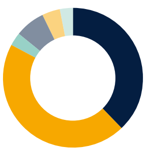
Centre type	Regional
Date completed	Jun-07
Last refurbished	2015-2016
Net lettable area (sqm)	68,783
Tenants (no.)	209
Carparks (no.)	3,937
FY16 net rental income ($m)	38.8
Occupancy (%)	100.0
Weighted average lease term (years)	3.6
Valuation ($m)	704.0
Capitalisation rate (%)	6.00
10-year internal rate of return (%)	8.06
FY16 total sales ($m)	455.2
Specialty sales ($/sqm)	9,700
Specialty gross occupancy cost (%)	14.8

Sylvia Park Lifestyle

Centre type	Large format
Date acquired (constructed 2011)	Dec-14
Last refurbished	n/a
Net lettable area (sqm)	16,536
Tenants (no.)	16
Carparks (no.)	393
FY16 net rental income ($m)	4.9
Occupancy (%)	100.0
Weighted average lease term (years)	4.1
Valuation ($m)	69.8
Capitalisation rate (%)	6.50
10-year internal rate of return (%)	8.30

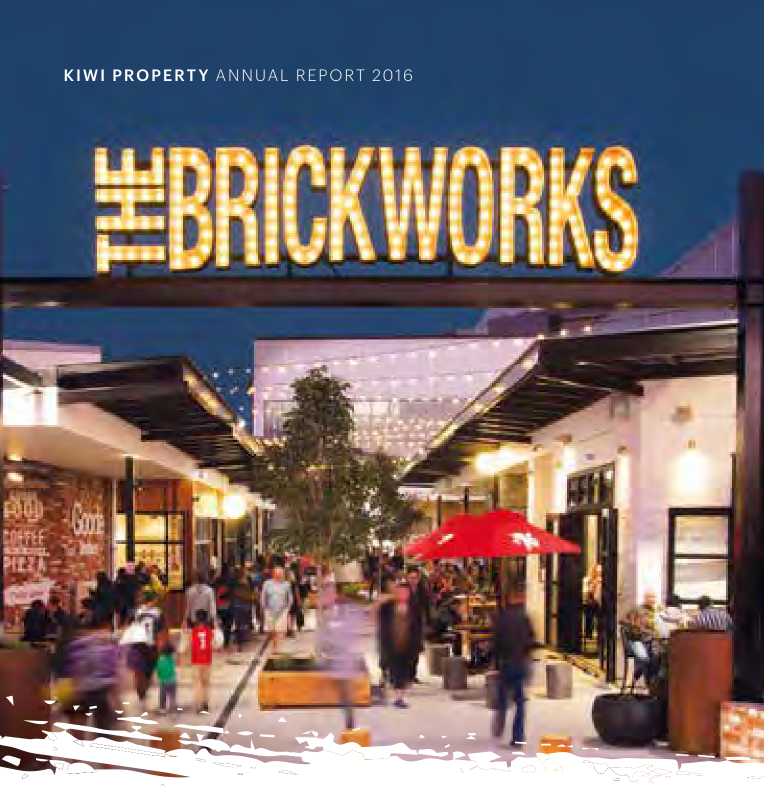
As a matter of course tenants do not report sales.

Tenant diversification (by gross income)



- **38%** New Zealand chains
- **45%** Australian and international chains
- **3%** Department stores
- **7%** Supermarkets
- **4%** Independent retailers
- **3%** Cinemas

- **54%** New Zealand chains
- **46%** Australian and international chains



LynnMall

New Zealand's first-ever shopping centre, LYNNMALL, has been delivering quality retail to Auckland's western suburbs for over 50 years. Since opening in 1963, the centre has continued to evolve. It has recently been expanded to incorporate an eight-screen Reading Cinema complex and an outdoor dining lane. Together with the existing Farmers and Countdown, the centre provides a compelling and convenient shopping destination in the developing town centre of New Lynn.

Westgate Lifestyle

Forming part of the Westgate Town Centre development off the north-western motorway, WESTGATE LIFESTYLE is being developed and progressively opened during the first half of 2016. It will provide 28 large format retail stores on completion, anchored by Harvey Norman, Briscoes, Rebel Sport and Freedom Furniture.

Lease expiry profile (by gross income)

	LynnMall	Westgate Lifestyle
Vacant or holdover	4%	0%
FY17	12%	0%
FY18	15%	0%
FY19	19%	0%
FY20	5%	0%
FY21+	45%	100%

Key property statistics

LynnMall

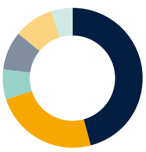
Centre type	Regional
Date acquired (constructed 1963)	Dec-10
Last refurbished	2015
Net lettable area (sqm)	37,227
Tenants (no.)	142
Carparks (no.)	1,353
FY16 net rental income ($m)	16.4
Occupancy (%)	98.7
Weighted average lease term (years)	4.6
Valuation ($m)	269.0
Capitalisation rate (%)	6.75
10-year internal rate of return (%)	9.62
FY16 total sales ($m)	207.6
Specialty sales ($/sqm)	7,100
Specialty gross occupancy cost (%)	16.1

Westgate Lifestyle

Centre type	Large format
Date acquired (constructed 2015-2016)	Sep-15
Last refurbished	n/a
Net lettable area (sqm)[1]	5,205
Tenants (no.)[1]	3
Carparks (no.)[2]	622
FY16 net rental income ($m)	–
Occupancy (%)	100.0
Weighted average lease term (years)	8.7
Valuation ($m)	70.3
Capitalisation rate (%)	6.75
10-year internal rate of return (%)	8.76

1. Represents only those tenants open and trading at 31 March 2016.
2. On completion.

Tenant diversification (by gross income)



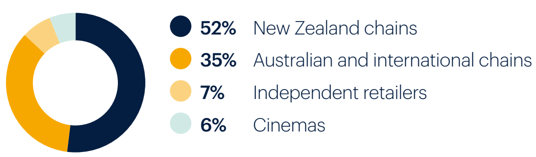
- **46%** New Zealand chains
- **24%** Australian and international chains
- **7%** Department stores
- **9%** Supermarkets
- **9%** Independent retailers
- **5%** Cinemas

- **65%** New Zealand chains
- **33%** Australian and international chains
- **2%** Independent retailers

Centre Place – North

CENTRE PLACE – NORTH is Hamilton CBD's destination for food, fashion and entertainment. The centre features both Lido and METRO by Hoyts Cinema complexes, together with a good range of indoor and outdoor dining options. Complementing these offers, the centre also provides a wide mix of national and international retailing.

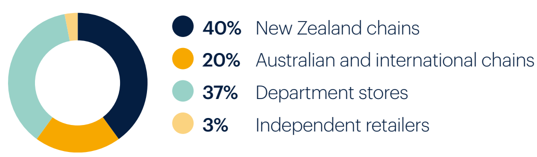
Centre type	CBD
Date acquired (constructed 1985)	Dec-94
Last refurbished	2011
Net lettable area (sqm)	16,029
Tenants (no.)	77
Carparks (no.)	556
FY16 net rental income ($m)[1]	7.8
Occupancy (%)	93.2
Weighted average lease term (years)	3.2
Valuation ($m)	65.5
Capitalisation rate (%)	8.75
10-year internal rate of return (%)	9.76
FY16 total sales ($m)	58.5
Specialty sales ($/sqm)	5,400
Specialty gross occupancy cost (%)	17.1



Centre Place – South

CENTRE PLACE – SOUTH, located adjacent to Centre Place – North in the heart of Hamilton's CBD, was extensively redeveloped in 2013. It is anchored by Farmers and provides a wide mix of national and international retailers. Kiwi Property has entered into a conditional contract for the sale of this centre. The sale is expected to settle in June 2016. On settlement, Kiwi Property will retain management of the centre.

Centre type	CBD
Date acquired (constructed 1994)	Jul-03
Last refurbished	2013
Net lettable area (sqm)	10,933
Tenants (no.)	26
Carparks (no.)	–
FY16 net rental income ($m)[1]	7.8
Occupancy (%)	98.1
Weighted average lease term (years)	7.1
Valuation ($m)	46.7
Capitalisation rate (%)	7.25
10-year internal rate of return (%)	9.74
FY16 total sales ($m)	36.7
Specialty sales ($/sqm)	4,300
Specialty gross occupancy cost (%)	19.9



1. Represents the combined income for both centres.

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, Kmart and Countdown. With more than 100 retail shops, the centre provides a wide mix of fashion, food, services and general retailing.

North City

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

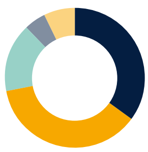
Lease expiry profile (by gross income)

	The Plaza	North City
Vacant or holdover	9%	2%
FY17	15%	20%
FY18	9%	12%
FY19	15%	13%
FY20	9%	9%
FY21+	43%	44%

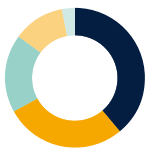
Key property statistics

	The Plaza	North City
Centre type	Regional	Regional
Date acquired (constructed 1986 / constructed 1990)	Aug-93	Dec-93
Last refurbished	2010	2004
Net lettable area (sqm)	32,401	25,473
Tenants (no.)	108	105
Carparks (no.)	1,251	1,102
FY16 net rental income ($m)	15.8	8.4
Occupancy (%)	100.0	100.0
Weighted average lease term (years)	4.0	4.1
Valuation ($m)	211.0	109.5
Capitalisation rate (%)	7.00	7.75
10-year internal rate of return (%)	8.88	9.17
FY16 total sales ($m)	181.3	104.8
Specialty sales ($/sqm)	7,800	6,500
Specialty gross occupancy cost (%)	16.5	16.2

Tenant diversification (by gross income)



- 35% New Zealand chains
- 37% Australian and international chains
- 16% Department stores
- 5% Supermarkets
- 7% Independent retailers



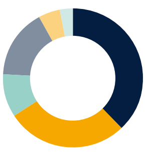
- 39% New Zealand chains
- 28% Australian and international chains
- 18% Department stores
- 12% Independent retailers
- 3% Cinemas

Northlands

One of New Zealand's largest enclosed shopping centres, NORTHLANDS has been servicing its Christchurch catchment for more than 40 years. 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, drawing more than 300,000 customers from within a 15-minute driving radius. It is anchored by The Warehouse, PAK'n SAVE, Farmers, Countdown and Hoyts Cinemas.

Vacant or holdover	10%
FY17	10%
FY18	13%
FY19	9%
FY20	29%
FY21+	29%

Centre type	Regional
Date acquired (constructed 1967)	Mar-94/Mar-98
Last refurbished	2012
Net lettable area (sqm)	41,571
Tenants (no.)	126
Carparks (no.)	1,716
FY16 net rental income ($m)	19.8
Occupancy (%)	99.1
Weighted average lease term (years)	3.2
Valuation ($m)	243.0
Capitalisation rate (%)	7.25
10-year internal rate of return (%)	9.17
FY16 total sales ($m)	315.5
Specialty sales ($/sqm)	8,100
Specialty gross occupancy cost (%)	16.0



38% New Zealand chains
28% Australian and international chains
10% Department stores
16% Supermarkets
5% Independent retailers
3% Cinemas

Our office portfolio

5
Office buildings

1,075
Carparks

97.4%
Occupancy

120,581 sqm
Net lettable area

$819 million
Portfolio value

8.2 years
Weighted average lease term

75
Tenants

6.44%
Capitalisation rate

Property type
(by office portfolio value)

- 44% Premium
- 37% A-grade
- 4% B-grade
- 15% Under development*

Geographic weighting
(by office portfolio value)

- 67% Auckland
- 33% Wellington

*Will be A-grade on completion.

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 has won numerous awards for excellence in design, construction and efficiency. To maintain the building's best-in-class status, the lobby and outdoor spaces were upgraded during the past year.

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. ASB has a lease over all the office space until 2031. The waterfront location and striking architecture have made it a landmark on the cityscape.

Lease expiry profile (by gross income)

	Vero Centre	ASB North Wharf
Vacant or holdover	0%	0%
FY17	14%	0%
FY18	23%	0%
FY19	7%	0%
FY20	4%	1%
FY21+	52%	99%

Key property statistics

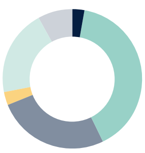
Vero Centre

Building grade	Premium
Date acquired (constructed 2000)	Apr-01
Last refurbished	2016
Net lettable area (sqm)	39,530
Typical floorplate (sqm)	1,200
Carparks (no.)	422
FY16 net rental income ($m)	20.8
Occupancy (%)	99.4
Weighted average lease term (years)	5.2
Valuation ($m)	358.0
Capitalisation rate (%)	6.13
10-year internal rate of return (%)	7.64

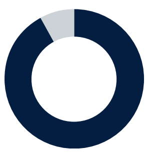
ASB North Wharf

Building grade	A-grade
Date completed	May-13
Last refurbished	n/a
Net lettable area (sqm)	21,625
Typical floorplate (sqm)	4,000
Carparks (no.)	97
FY16 net rental income ($m)	13.6
Occupancy (%)	98.8
Weighted average lease term (years)	14.6
Valuation ($m)	187.8
Capitalisation rate (%)	6.05
10-year internal rate of return (%)	8.48

Tenant diversification (by gross income)



3% Banking
40% Legal
26% Insurance
3% Consultancy
20% Financial services
8% Other



92% Banking
8% Other

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 sector. In 2011, we committed to strengthening works to bring the building's seismic rating to a target of 100% of New Building Standards. Our commitment to these works has assisted with high tenant retention and occupancy during the redevelopment.

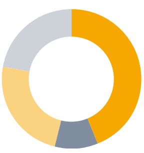
Lease expiry profile (by gross income)

Vacant or holdover	1%
FY17	0%
FY18	2%
FY19	1%
FY20	13%
FY21+	83%

Key property statistics

Building grade	A-grade
Date acquired (constructed 1991)	Mar-94/Dec-97
Last refurbished	2011-2016
Net lettable area (sqm)	24,604
Typical floorplate (sqm)	1,000
Carparks (no.)	246
FY16 net rental income ($m)	6.4
Occupancy (%)	91.9
Weighted average lease term (years)	7.1
Valuation ($m)	112.2
Capitalisation rate (%)	7.50
10-year internal rate of return (%)	9.23

Tenant diversification (by gross income)



44% Government
10% Insurance
24% Consultancy
22% Other

The Aurora Centre

(formerly 56 The Terrace)

As a mainstay accommodation option for the New Zealand Government, THE AURORA CENTRE is presently nearing completion of a comprehensive reburbishment 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.

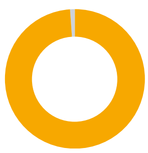
Lease expiry profile (by gross income)

Vacant or holdover	0%
FY17	0%
FY18	0%
FY19	0%
FY20	0%
FY21+	100%

Key property statistics

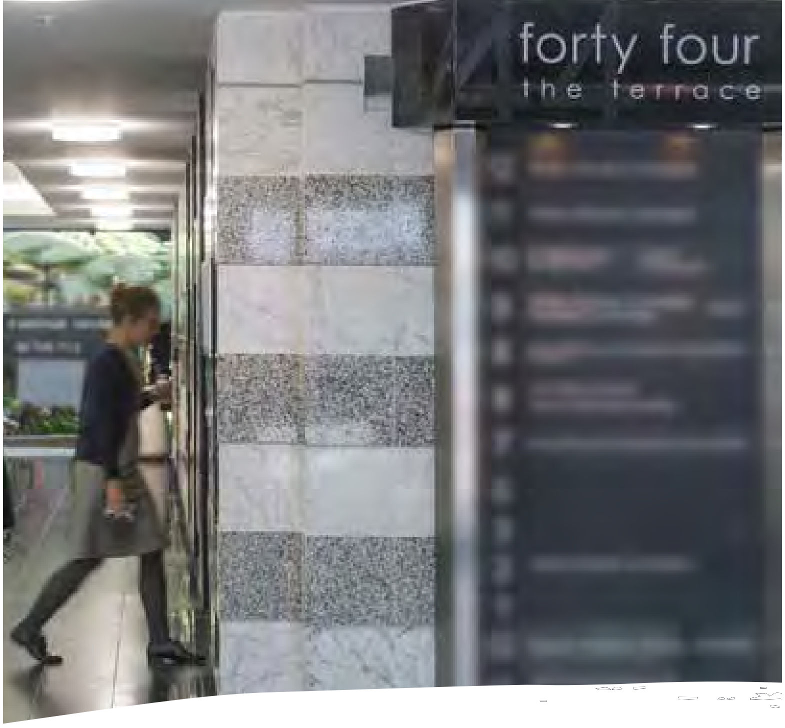
Building grade	A-grade
Date acquired (constructed 1968)	Apr-04
Last refurbished	2014-2016
Net lettable area (sqm)	24,699
Typical floorplate (sqm)	Upper 1,100/Lower 1,800
Carparks (no.)	310
FY16 net rental income ($m)	-0.7
Occupancy (%)	98.2
Weighted average lease term (years)	18.0
Valuation ($m)	125.9
Capitalisation rate (%)	6.75
10-year internal rate of return (%)	7.76

Tenant diversification (by gross income)



99% Government
1% Other

All statistics for The Aurora Centre are presented as if the refurbishment is complete and the new lease has commenced.

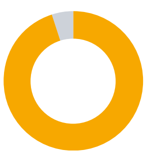


44 The Terrace

Well located within the Wellington parliamentary sector, 44 THE TERRACE provides 10,000 sqm of efficient office space over 12 levels. Ten floors are leased by Government tenants on long-term leases. The building is currently being progressively refurbished and strengthened to a target of 80% of New Building Standards while tenants remain in occupation.

Vacant or holdover	2%
FY17	1%
FY18	0%
FY19	3%
FY20	0%
FY21+	94%

Building grade	B-grade
Date acquired (constructed 1987)	Sep-04
Last refurbished	2015-2016
Net lettable area (sqm)	10,123
Typical floorplate (sqm)	800
Carparks (no.)	–
FY16 net rental income ($m)	1.9
Occupancy (%)	100.0
Weighted average lease term (years)	10.7
Valuation ($m)	35.5
Capitalisation rate (%)	7.25
10-year internal rate of return (%)	7.98



95% Government
5% Other

Financial statements and other information

Contents	Page	Key

Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 $000	2015 $000
Income			
Property revenue	2.1	**208,234**	205,867
Property management income		**355**	398
Interest and other income		**227**	421
Litigation settlement income		**6,300**	–
Net fair value gain on investment properties	3.2	**175,857**	58,315
Total income		**390,973**	265,001
Expenses			
Direct property expenses		**(51,635)**	(50,540)
Interest and finance charges	2.2	**(33,483)**	(52,640)
Employment and administration expenses	2.2	**(16,138)**	(15,124)
Net fair value loss on interest rate derivatives	3.4	**(17,558)**	(13,053)
Loss on disposal of investment properties		**–**	(770)
Restructuring costs		**–**	(2,122)
Insurance adjustment		**–**	(5,052)
Litigation settlement expenses		**(415)**	(1,296)
Total expenses		**(119,229)**	(140,597)
Profit before income tax		**271,744**	124,404
Income tax expense	2.3	**(20,963)**	(9,214)
Profit and total comprehensive income after income tax attributable to shareholders		**250,781**	115,190
Basic and diluted earnings per share (cents)	3.6	**20.15**	11.49

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 2016

	Note	Share capital $000	Share-based payments reserve $000	Retained earnings $000	Total equity $000
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	3.6	120,000	–	–	120,000
Long-term incentive plan	3.6	(442)	23	–	(419)
Balance at 31 March 2015		1,079,136	23	303,465	1,382,624
Balance at 1 April 2015		**1,079,136**	**23**	**303,465**	**1,382,624**
Profit after income tax		**–**	**–**	**250,781**	**250,781**
Dividends paid	3.6	**–**	**–**	**(78,778)**	**(78,778)**
Dividends reinvested	3.6	**14,637**	**–**	**–**	**14,637**
Shares issued - entitlement offer	3.6	**148,069**	**–**	**–**	**148,069**
Long-term incentive plan	3.6	**(713)**	**145**	**–**	**(568)**
Balance at 31 March 2016		**1,241,129**	**168**	**475,468**	**1,716,765**

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 2016

	Note	2016 $000	2015 $000
Current assets			
Cash and cash equivalents		**6,155**	6,182
Trade and other receivables	3.1	**14,625**	7,103
		20,780	13,285
Non-current assets			
Investment properties	3.2	**2,669,920**	2,275,773
Property, plant and equipment		**803**	541
Interest rate derivatives	3.4	**–**	836
Deferred tax asset	3.3	**6,933**	5,132
		2,677,656	2,282,282
Total assets		**2,698,436**	2,295,567
Current liabilities			
Trade and other payables	3.5	**43,986**	36,982
Income tax payable		**6,399**	302
Interest rate derivatives	3.4	**23**	21
		50,408	37,305
Non-current liabilities			
Interest bearing liabilities	3.4	**814,196**	766,378
Interest rate derivatives	3.4	**24,737**	19,145
Deferred tax liability	3.3	**92,330**	90,115
		931,263	875,638
Total liabilities		**981,671**	912,943
Equity			
Share capital	3.6	**1,241,129**	1,079,136
Share-based payments reserve		**168**	23
Retained earnings		**475,468**	303,465
Total equity		**1,716,765**	1,382,624
Total equity and liabilities		**2,698,436**	2,295,567

For and on behalf of the board, who authorised these financial statements for issue on 16 May 2016.

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 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Property revenue		**210,944**	208,901
Property management income		**341**	398
Interest and other income		**227**	422
Direct property expenses		**(50,052)**	(49,104)
Restructuring costs		**–**	(1,963)
Interest and finance charges		**(34,938)**	(48,683)
Income tax		**(14,451)**	(3,320)
Employment and administration expenses		**(15,568)**	(14,613)
Goods and Services Tax		**(1,063)**	(1,109)
Net cash flows from operating activities		**95,440**	90,929
Cash flows from investing activities			
Proceeds from disposal of investment properties		**–**	55,853
Acquisition of investment properties		**(77,902)**	(64,652)
Expenditure on investment properties		**(133,109)**	(77,473)
Interest and finance charges capitalised		**(5,226)**	(3,159)
Insurance income		**–**	59,268
Net litigation settlement income/(expenses)		**1,583**	(1,296)
Other investment activities		**(400)**	48
Net cash flows used in investing activities		**(215,054)**	(31,411)
Cash flows from financing activities			
Proceeds from issue of shares	1.7	**148,069**	–
Own shares acquired for long-term incentive plan	3.6	**(713)**	(442)
Proceeds from/(repayment of) bank loans		**47,500**	(143,500)
Proceeds from fixed rate bonds		**–**	122,365
Settlement of interest rate derivatives	3.4	**(11,128)**	–
Dividends paid		**(64,141)**	(40,946)
Net cash flows from/(used in) financing activities		**119,587**	(62,523)
Net decrease in cash and cash equivalents		**(27)**	(3,005)
Cash and cash equivalents at the beginning of the year		**6,182**	9,187
Cash and cash equivalents at the end of the year		**6,155**	6,182

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

Consolidated statement of cash flows continued

	2016 $000	2015 $000
Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after income tax	**250,781**	115,190
Items classified as investing or financing activities:		
Movements in working capital items relating to investing and financing activities	**(3,035)**	(54,738)
Non-cash items:		
Amortised interest expense on mandatory convertible notes	**–**	615
Net fair value loss on interest rate derivatives	**17,558**	13,053
Net fair value gain on investment properties	**(175,857)**	(58,315)
Movement in deferred tax asset	**(1,801)**	7,395
Movement in deferred tax liability	**2,215**	(3,431)
Movements in working capital items:		
Trade and other receivables	**(7,522)**	2,488
Insurance income receivable	**–**	64,320
Income tax receivable/payable	**6,097**	1,676
Trade and other payables	**7,004**	2,676
Net cash flows from operating activities	**95,440**	90,929

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 2016

Notes to the consolidated financial statements: General information

For the year ended 31 March 2016

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 a reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed with NZX Limited with its ordinary shares quoted on the NZX Main Board and fixed rate bonds quoted on the NZX Debt Market.

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

1.2 Basis of preparation

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

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

1.3 Group structure

Controlled entities

The Company has the following wholly owned subsidiaries: Kiwi Property Holdings Limited (KPHL) and Sylvia Park Business Centre Limited (SPBCL). SPBCL owns Sylvia Park Shopping Centre and Sylvia Park Lifestyle, 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.

1.4 New standards, amendments and interpretations

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

- NZ IFRS 15 Revenue from contracts with customers

  This standard addresses the recognition of revenue from contracts with customers. It specifies the revenue recognition criteria governing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is required to be adopted by the Group in its financial statements for the year ending 31 March 2019. The Group has not yet assessed the impact of this standard.

- NZ IFRS 16 Leases

  This standard replaces the current guidance in NZ IAS 17. NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. The standard is required to be adopted by the Group in its financial statements for the year ending 31 March 2020. The Group has not yet assessed the impact of this standard.

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 are found in the following notes:

Note 2.3	Tax expense	Page 73
Note 3.2	Investment properties	Page 77
Note 3.4	Interest rate derivatives	Page 82
Note 3.6	Share-based payments	Page 86

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 receivables and payables which are inclusive of Goods and Services Tax where relevant.

1.7 Significant changes during the year

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

Entitlement offer

On 11 June 2015, the Group completed a 1 for 9 entitlement offer raising a total of $148.1 million (net of issue costs) through the issue of 126.5 million shares at $1.20 each.

Investment property acquisitions and disposals

On 2 September 2015, the Group secured the acquisition of Westgate Lifestyle, a large format retail centre currently under development in Auckland's north-west, for $82.5 million. Title for the land was secured by an initial payment of $30.0 million on 9 September 2015 with the balance to be paid over the development period through to May 2016. As at 31 March 2016, $36.7 million of the balance had been paid.

On 23 December 2015, the Group secured a conditional agreement to dispose of Centre Place – South, the newly redeveloped portion of its Hamilton CBD shopping centre, to a New Zealand purchaser for $46.7 million. The Group will retain ownership of Centre Place – North and will continue to manage the entire centre. The sale is conditional on the consent of Hamilton City Council to the transfer of two ground leases. Settlement is expected to occur on 30 June 2016.

Litigation settlement

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. The settlement consisted of two tranches, with the final tranche of $4.3 million to be received by 30 June 2016.

1.8 Changes in presentation

The Group has changed the presentation of its consolidated statement of comprehensive income and elected to remove non-GAAP terminology by no longer presenting a subtotal for 'operating profit'. Comparative information has been reclassified to ensure consistency with presentation in the current year. The change has had no impact on reported profit after income tax.

Notes to the consolidated financial statements: Profit and loss information

For the year ended 31 March 2016

2. Profit and loss information

2.1 Property revenue

	2016 $000	2015 $000
Gross rental income	**211,838**	206,976
Straight-lining of fixed rental increases	**2,331**	4,125
Amortisation of capitalised lease incentives	**(5,935)**	(5,234)
Property revenue	**208,234**	205,867

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

	2016 $000	2015 $000
Within one year	**210,599**	205,094
One year or later and not later than five years	**623,874**	556,782
Later than five years	**302,816**	246,068
	1,137,289	1,007,944

2.2 Expenses

	2016 $000	2015 $000
Interest and finance charges on bank loans	31,133	42,037
Interest on mandatory convertible notes	–	7,747
Interest on fixed rate bonds	8,006	5,401
Amortised interest expense on mandatory convertible notes	–	615
Capitalised to investment properties	(5,656)	(3,160)
Interest and finance charges	**33,483**	**52,640**
Auditor's remuneration:		
Statutory audit and review of the financial statements	196	223
Audit of anti-money laundering programme	10	–
Assurance related services	27	27
Attendance and voting procedures at shareholder meetings	4	11
Benchmarking and advisory services on executive remuneration	11	183
Directors' fees	615	552
Employee entitlements	17,292	14,447
Less: recognised in direct property expenses	(4,994)	(4,214)
Less: capitalised to investment properties	(2,379)	(1,415)
Information technology	962	844
Investor related expenses	651	577
Occupancy costs	739	731
Professional fees	1,158	1,080
Trustees' fees	45	394
Other	1,801	1,684
Employment and administration expenses	**16,138**	**15,124**

Recognition and measurement

Interest and finance charges
The interest and finance charges on bank loans are expensed in the period in which they occur, other than associated transaction costs, which are capitalised and amortised over the term of the facility to which they relate.

The interest expense on 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 2016 this was 5.28% (2015: 6.17%).

Employee entitlements
Employee benefits are expensed as the related service is provided. Details of the employee entitlements expense in relation to share-based payments is outlined in Note 3.6.

Notes to the consolidated financial statements: Profit and loss information

For the year ended 31 March 2016

2.3 Tax expense

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

	2016 $000	2015 $000
Profit before income tax	271,744	124,404
Prima facie income tax expense at 28%	(76,088)	(34,833)
Adjusted for non-taxable items:		
Net fair value loss on interest rate derivatives	(1,800)	(3,654)
Net fair value gain on investment properties	49,240	16,328
Loss on disposal of investment properties	–	(216)
Insurance adjustment	–	(1,415)
Litigation settlement income	1,665	2
Depreciation	4,945	5,416
Depreciation recovered on disposal of investment properties	–	(187)
Deferred leasing costs	(1,409)	(1,453)
Deductible capitalised expenditure	2,410	2,675
Prior year adjustment	276	215
Other	213	823
Tax losses utilised	–	11,049
Current tax expense	**(20,548)**	(5,250)
Tax losses utilised	–	(11,049)
Depreciation recoverable	(3,509)	2,462
Net fair value loss on interest rate derivatives	1,800	3,654
Deferred leasing costs and other temporary differences	1,294	969
Deferred tax expense	**(415)**	(3,964)
Income tax expense reported in profit	**(20,963)**	(9,214)
Imputation credits available for use in subsequent periods	**10,659**	2,032

Recognition and measurement

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

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

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

Key estimates and assumptions: income tax

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

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

Depreciation recovered on the PricewaterhouseCoopers Centre (PwC Centre), Christchurch
The impairment of the PwC Centre in the year ended 31 March 2012 (resulting from the 2010 and 2011 Canterbury earthquakes) and the associated insurance recovery triggered a potential tax liability 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 2016, 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 of $5.1 million continues to be provided as at 31 March 2016.

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3. Financial position information

3.1 Trade and other receivables

	2016 $000	2015 $000
Trade debtors	**6,133**	3,035
Litigation settlement receivable	**4,300**	–
Provision for doubtful debts	**(388)**	(298)
Prepayments	**3,959**	4,366
Goods and Services Tax	**621**	–
Trade and other receivables	**14,625**	7,103

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.

Investment properties held by the Group are as follows:

	2016				
	Valuer	Fair value 31 March 2015 $000	Capital movements 2016 $000	Fair value gain/(loss) 2016 $000	Fair value 31 March 2016 $000
Retail					
Sylvia Park Shopping Centre	CBRE	601,000	37,561	65,439	704,000
Sylvia Park Lifestyle	CBRE	64,400	3,338	2,062	69,800
LynnMall Shopping Centre	Colliers	225,500	29,392	14,108	269,000
Westgate Lifestyle	JLL	–	68,300	1,950	70,250
Centre Place Shopping Centre - North	JLL	69,000	127	(3,627)	65,500
Centre Place Shopping Centre - South		48,000	(798)	(502)	46,700
The Plaza Shopping Centre	JLL	206,000	48	4,952	211,000
North City Shopping Centre	JLL	97,500	2,424	9,576	109,500
Northlands Shopping Centre	CBRE	220,361	3,032	19,607	243,000
		1,531,761	143,424	113,565	1,788,750
Office					
Vero Centre	CBRE	323,000	5,256	29,744	358,000
ASB North Wharf	Colliers	175,000	2,158	10,592	187,750
The Majestic Centre	Colliers	80,750	30,156	1,344	112,250
The Aurora Centre (formerly 56 The Terrace)	CBRE	70,700	42,542	12,658	125,900
44 The Terrace	CBRE	23,500	7,454	4,546	35,500
		672,950	87,566	58,884	819,400
Other					
Other properties	Various	49,562	8,800	3,408	61,770
Development land	Colliers	21,500	(21,500)	–	–
		71,062	(12,700)	3,408	61,770
Investment properties		2,275,773	218,290	175,857	2,669,920

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.2 Investment properties continued

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

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

	2016 $000	2015 $000
Balance at the beginning of the year	**2,275,773**	2,130,174
Capital movements:		
Acquisitions (refer to Note 1.7)	**80,317**	64,652
Disposal of 205 Queen (remaining 50% June 2014)	**–**	(56,623)
Capitalised costs (including fees and incentives)	**139,058**	83,013
Capitalised interest and finance charges	**5,226**	3,159
Amortisation of lease incentives, fees and fixed rental income	**(6,311)**	(6,917)
	218,290	87,284
Net fair value gain on investment properties	**175,857**	58,315
Balance at the end of the year	**2,669,920**	2,275,773

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 (2015: Level 3) in the fair value hierarchy because 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 2016 (and as at 31 March 2015), with the exception of Centre Place – South which is subject to a conditional sale and purchase agreement and accordingly is recorded at its agreed sale price (2015: with the exception of Sylvia Park Lifestyle which was acquired in December 2014 and was recorded at the independent valuation prepared at that time). All valuations are prepared by independent valuers who are members of the Group's valuation panel and members of the New Zealand Institute of Valuers.

The adopted 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 2016	2015
Retail	Income capitalisation approach and discounted cash flow analysis	Gross market rent (per sqm)[1]	**$277 – $730**	$532 – $668
		Core capitalisation rate	**6.0% – 8.8%**	6.3% – 8.3%
		Other income capitalisation rate	**6.0% – 9.8%**	7.3% – 9.5%
		Discount rate	**8.0% – 9.8%**	9.0% – 10.4%
		Terminal capitalisation rate	**6.3% – 8.8%**	6.4% – 8.7%
		Rental growth rate (per annum)	**–0.5% – 5.2%**	–1.5% – 4.2%
		Expenses growth rate (per annum)	**1.8% – 7.5%**	2.0% – 3.2%
Office	Income capitalisation approach and discounted cash flow analysis	Gross market rent (per sqm)[1]	**$367 – $642**	$331 – $600
		Core capitalisation rate	**6.1% – 7.5%**	6.5% – 8.6%
		Other income capitalisation rate	**8.3% – 9.0%**	8.5% – 15.0%
		Discount rate	**7.8% – 9.3%**	8.4% – 9.8%
		Terminal capitalisation rate	**6.4% – 8.0%**	6.6% – 8.9%
		Rental growth rate (per annum)	**0.0% – 4.0%**	1.0% – 4.5%
		Expenses growth rate (per annum)	**1.7% – 3.0%**	1.9% – 2.8%
Other	Income capitalisation approach, discounted cash flow analysis, sales comparison approach and residual approach	Gross market rent (per sqm)[1]	**$79 – $296**	$72 – $197
		Core capitalisation rate	**5.8% – 9.8%**	6.3% – 11.3%
		Discount rate	**8.0% – 11.3%**	9.0% – 12.5%
		Terminal capitalisation rate	**6.9% – 10.0%**	7.5% – 12.3%
		Rental growth rate (per annum)	**1.0% – 3.0%**	0.5% – 3.3%
		Expenses growth rate (per annum)	**1.6% – 4.0%**	1.7% – 3.1%

1. Weighted average by property.

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.2 Investment properties continued

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 10 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 finance costs and a typical profit margin for risks assumed by the developer.
Unobservable inputs within the income capitalisation approach	
Gross market rent	The annual amount for which a tenancy within a property is expected to achieve under a new arm's length leasing transaction, including a fair share of property operating expenses.
Core capitalisation rate	The rate of return, determined through analysis of comparable, market-related sales transactions, which is applied to a property's 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	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	Increase	Decrease
Expenses growth rate	Decrease	Increase

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

Sylvia Park Shopping Centre, Auckland
In October and December 2015, the Group commenced projects, with a combined cost of $19.2 million, to construct new tenancies for international retailers Zara and H&M, and to complete various upgrades to the surrounding centre. These projects are scheduled to complete in October 2016. Accordingly, a residual valuation approach was used to determine fair value as at 31 March 2016. The property's 'on completion' value was assessed at $722.5 million and, after deductions for all costs required to complete the projects including holding costs and a typical profit margin for risks assumed, the fair value was assessed at $704.0 million.

Westgate Lifestyle, Auckland
On 2 September 2015, the Group entered into an agreement to acquire a large format retail centre, subsequently named Westgate Lifestyle, for $82.5 million. The centre is being constructed and progressively opened in stages from March 2016 to mid-2016.

At 31 March 2016, construction was sufficiently progressed to enable a reliable fair value to be determined using a residual valuation approach. The property's 'on completion' value was assessed at $85.3 million and, after deductions for all costs required to complete the development including holding costs, the fair value was assessed at $70.3 million.

Centre Place Shopping Centre, Hamilton
As outlined in Note 1.7, the Group has secured a conditional agreement to sell the southern part of the centre known as Centre Place – South. Accordingly, Centre Place – South is recorded at the agreed sale price.

Northlands Shopping Centre, Christchurch
At 31 March 2015 and 2016, Northlands Shopping Centre was independently valued by CBRE. In preparing these valuations, 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 $243.0 million (2015: $220.4 million).

The Majestic Centre, Wellington
The Group 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).

Colliers assessed the fair value of The Majestic Centre at 31 March 2016 at $112.3 million (2015: $80.8 million) after taking into consideration the $4.5 million (2015: $24.7 million) present value of the estimated costs to complete the strengthening works.

The Aurora Centre, Wellington (formerly 56 The Terrace)
In November 2013, the Group 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. At 31 March 2016, CBRE assessed the fair value of the property on an 'as is' basis at $125.9 million, after taking into consideration the $4.8 million present value of the estimated costs to complete the project. At 31 March 2015, CBRE used a residual valuation methodology to determine fair value. The property's 'on completion' value at 31 March 2015 was assessed at $120.9 million and, after deductions for all costs required to complete the project including holding costs and a typical profit margin for risks assumed, the fair value was assessed at $70.7 million.

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.2 Investment properties continued

44 The Terrace, Wellington

In June 2015, the Group secured three new 12-year lease agreements with the New Zealand government at 44 The Terrace. To secure these agreements, the Group is undertaking a $12.6 million refurbishment of the building. Construction commenced in June 2015 and is scheduled to complete in September 2016.

At 31 March 2016, CBRE assessed the fair value of 44 The Terrace on an 'as is' basis at $35.5 million, after taking into consideration the $4.5 million present value of the costs to complete the project. At 31 March 2015, CBRE assessed the fair value at $23.5 million.

Development land

As at 31 March 2016, a portion of the land at Sylvia Park previously designated as development land has now been consolidated and included in the valuation for Sylvia Park Shopping Centre.

3.3 Deferred tax

	2016 $000	2015 $000
Deferred tax assets		
Interest rate derivatives	**6,933**	5,132
Deferred tax liabilities		
Depreciation recoverable	**(83,132)**	(79,623)
Deferred leasing costs and other temporary differences	**(9,198)**	(10,492)
	(92,330)	(90,115)
	(85,397)	(84,983)
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	**6**	175
Deferred tax asset to be recovered after 12 months	**6,927**	4,957
	6,933	5,132
Deferred tax liabilities		
Deferred tax liability to be crystallised within 12 months	**(1,177)**	(824)
Deferred tax liability to be crystallised after 12 months	**(91,153)**	(89,291)
	(92,330)	(90,115)

Recognition and measurement

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

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

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

3.4 Funding

Interest bearing liabilities

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

	2016 $000	2015 $000
Bank loans	**690,500**	643,000
Fixed rate bonds	**125,000**	125,000
Unamortised capitalised costs on fixed rate bonds	**(1,304)**	(1,622)
Interest bearing liabilities	**814,196**	766,378
Weighted average interest rate for drawn debt (inclusive of bonds, active interest rate derivatives, margins and line fees)	**4.88%**	6.02%
Weighted average term to maturity for the combined facilities	**3.9 years**	3.6 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.

The committed facilities totalled $775 million (31 March 2015: $775 million) and the undrawn facilities available totalled $84.5 million as at 31 March 2016 (2015: $132 million).

On 12 November 2015, the $775 million of existing bank debt facilities were refinanced on three, four and five-year terms, extending the weighted average term to maturity by 1.3 years and reducing fees and margins by approximately 20 basis points.

In March 2016, the Group entered into a loan facility for up to $325 million with Westpac New Zealand to fund the acquisition of The Base as outlined in Note 5.4. The facility will commence on 31 May 2016 for a term of up to one year.

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 are listed on the NZX Debt Market and mature on 20 August 2021. Interest is payable semi-annually in February and August in equal instalments.

As at 31 March 2016, the fair value of the fixed rate bonds is $136.9 million (2015: $132.6 million) based on their listed market price at balance date. The fair value is classified as Level 1 in the fair value hierarchy (2015: Level 1).

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.

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).

Fair values	2016 $000	2015 $000
Interest rate derivative assets – non-current	**–**	836
Interest rate derivative liabilities – current	**(23)**	(21)
Interest rate derivative liabilities – non-current	**(24,737)**	(19,145)
Net interest rate derivatives	**(24,760)**	(18,330)

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.4 Funding continued

In conjunction with the 1 for 9 entitlement offer (refer to Note 1.7), interest rate swaps with a face value of $155 million were closed out during the year for a payment of $11.1 million. The net fair value loss on the remaining interest rate derivatives for the year was $17.6 million. The difference between these two amounts represents the movement in the net interest rate derivative liabilities from 31 March 2015 to 31 March 2016.

Notional values, term and interest rates	2016 $000	2015 $000
Notional value of interest rate derivatives – active	**430,000**	500,000
Notional value of interest rate derivatives – forward starting	**165,000**	295,000
Total	**595,000**	795,000
Weighted average term to maturity – active	**2.0 years**	1.8 years
Weighted average term to maturity – forward starting	**5.7 years**	4.6 years
Weighted average term to maturity	**3.0 years**	2.8 years
Weighted average interest rate – active[1]	**3.71%**	4.65%
Weighted average interest rate – forward starting[1]	**4.30%**	4.29%
Weighted average interest rate[1]	**3.88%**	4.51%

1. Excluding fees and margins.

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 advisors using valuation techniques classified as Level 2 in the fair value hierarchy (2015: 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 2016 of between 2.34% for the 90-day BKBM and 2.98% for the 10-year swap rate (2015: 3.63% and 3.75%, 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

	2016 $000	2015 $000
Trade creditors	**20,796**	26,091
Interest and finance charges payable	**4,580**	6,355
Development costs payable	**14,021**	1,041
Employment liabilities	**3,709**	2,598
Rent in advance	**880**	455
Goods and Services Tax	–	442
Trade and other payables	**43,986**	36,982

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 shares:

	2016 Number 000	2016 Amount $000	2015 Number 000	2015 Amount $000
Balance at the beginning of the year	**1,138,899**	**1,079,136**	1,014,770	934,469
Issue of shares:				
Dividend reinvestment	**10,907**	**14,637**	21,530	25,109
Conversion of mandatory convertible notes	–	–	102,599	120,000
Entitlement offer (refer to Note 1.7)	**126,547**	**148,069**	–	–
Employee share ownership plan	**67**	–	–	–
Long-term incentive plan	–	**(713)**	–	(442)
Balance at the end of the year	**1,276,420**	**1,241,129**	1,138,899	1,079,136

Recognition and measurement

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

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

924,916 shares at a cost of $1.2 million are held by Pacific Custodians (New Zealand) Limited (the LTI Trustee) for the Group's long-term incentive plan (2015: 359,029 shares at a cost of $0.4 million). Refer to the share-based payments section on page 85 for further information.

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.6 Equity continued

Dividends

Dividends paid during the year comprised:

	Date declared	2016 cps	2016 $000	Date declared	2015 cps	2015 $000
Final dividend	15-May-15			20-May-14		
Cash		3.25	37,016		3.20	32,473
Imputation credits		0.18	2,050		–	–
		3.43	39,066		3.20	32,473
Interim dividend	17-Nov-15			12-Nov-14		
Cash		3.30	41,762		3.25	33,327
Imputation credits		0.78	9,871		0.26	2,666
		4.08	51,633		3.51	35,993
Total dividends						
Cash		6.55	78,778		6.45	65,800
Imputation credits		0.96	11,921		0.26	2,666
		7.51	90,699		6.71	68,466

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 13 May 2016, the board declared a final cash dividend for the six months ended 31 March 2016 of 3.30 cents per share (cps) (equivalent to $42.1 million), together with imputation credits of 0.84 cps. The dividend record date is 1 June 2016 and payment will occur on 17 June 2016.

Earnings per security

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

	2016	2015
Basic and diluted EPS (cents)	20.15	11.49
Profit used in the calculation of basic and diluted EPS ($000)		
Profit after income tax	250,781	115,190
Interest expense on mandatory convertible notes (net of tax)	–	6,021
	250,781	121,211
Weighted average number of shares used in the calculation of basic and diluted EPS (000)		
Weighted average shares	1,244,613	1,054,624

Share-based payments

Long-term incentive plan (LTI plan)

The Group provides an LTI plan for selected senior employees. Under the LTI plan, ordinary shares in the Company are purchased on market by Pacific Custodians (New Zealand) Limited (the LTI Trustee). Participants purchase shares from the LTI Trustee with funds lent to them by the Company. The number of shares that vest will depend on the Company's absolute total shareholder return as well as its ranking within the peer group of entities in the S&P/NZX All Real Estate Index (for further information on performance hurdles refer to page 105). If the individual is still employed by the Company at the end of the vesting period and the hurdles have been achieved, the employee is provided a cash amount which must be used to repay the loan and the vested 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.

			Number of shares				
Grant date	Vesting date	Share price at grant date	Balance at the beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	Balance at the end of the year
2016							
15 December 2014	**31 March 2017**	**$1.232**	**359,029**	**–**	**–**	**–**	**359,029**
1 April 2015	**31 March 2018**	**$1.260**	**–**	**565,887**	**–**	**–**	**565,887**
			359,029	**565,887**	**–**	**–**	**924,916**
2015							
15 December 2014	31 March 2017	$1.232	–	359,029	–	–	359,029

Notes to the consolidated financial statements: Financial position information

For the year ended 31 March 2016

3.6 Equity continued

Key estimates and assumptions: fair value measurement of LTI plan

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

	2016	2015
Grant date	**1 April 2015**	15 December 2014
Weighted average share price at grant date	**$1.260**	$1.232
Risk free rate	**3.1%**	3.5%
Standard deviation of the entities in the S&P/NZX All Real Estate Index	**8.7% – 21.5%**	12% – 21.4%
Correlation between Company share price and other entities in the S&P/NZX All Real Estate Index	**0.25**	0.25
Estimated fair value per share	**$0.495**	$0.510

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

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

The employee entitlements expense relating to the LTI plan for the year ended 31 March 2016 is $144,809 (2015: $23,304) with a corresponding increase in the share-based payments reserve. The unamortised fair value of the remaining shares at 31 March 2016 is $266,642 (2015: $159,801).

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:

	2016			2015		
	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	**6,155**	**–**	**6,155**	6,182	–	6,182
Trade and other receivables	**10,666**	**–**	**10,666**	2,737	–	2,737
Interest rate derivatives	**–**	**–**	**–**	–	836	836
	16,821	**–**	**16,821**	8,919	836	9,755
Financial liabilities						
Trade and other payables	**39,397**	**–**	**39,397**	33,487	–	33,487
Interest bearing liabilities	**814,196**	**–**	**814,196**	766,378	–	766,378
Interest rate derivatives	**–**	**24,760**	**24,760**	–	19,166	19,166
	853,593	**24,760**	**878,353**	799,865	19,166	819,031

Notes to the consolidated financial statements: Financial risk management

For the year ended 31 March 2016

4.1 Interest rate risk

Nature of the risk

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

Risk management

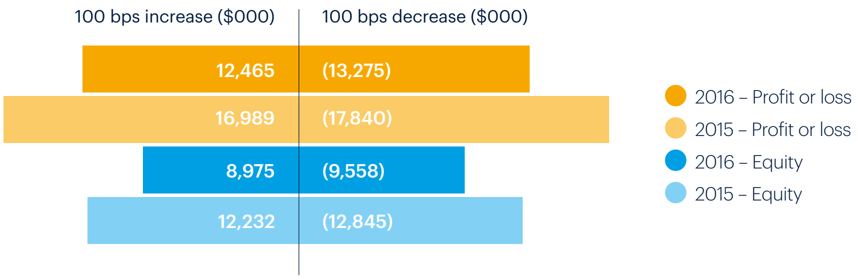
The Group adopts a policy of reducing its exposure to changes in interest rates by utilising interest rate derivatives to limit future interest cost volatility by exchanging floating rate interest obligations for fixed rate interest obligations. The Group has established a Treasury Management Group consisting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

Exposure

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

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	Contractual cash flows (principal and interest)					
	$000	Total $000	0-6 mths $000	6-12 mths $000	1-2 yrs $000	2-5 yrs $000	> 5 yrs $000
2016							
Trade and other payables	**34,817**	**34,817**	**34,817**	**–**	**–**	**–**	**–**
Interest bearing liabilities	**814,196**	**952,991**	**17,298**	**17,298**	**34,509**	**755,874**	**128,012**
Interest rate derivatives	**24,760**	**27,924**	**2,817**	**3,824**	**7,253**	**12,648**	**1,382**
	873,773	**1,015,732**	**54,932**	**21,122**	**41,762**	**768,522**	**129,394**
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

Notes to the consolidated financial statements: Other information

For the year ended 31 March 2016

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.

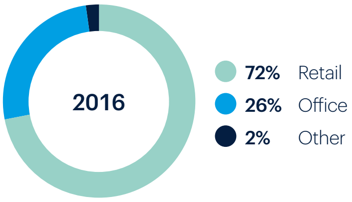
The Group's primary assets are investment properties. Segment information regarding investment properties is provided in Note 3.2.

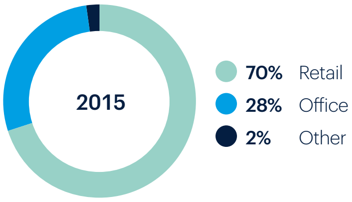
The Group operates in New Zealand only.

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

	Retail $000	Office $000	Other $000	Total $000
2016				
Property revenue	**149,390**	**54,890**	**3,954**	**208,234**
Less: straight-lining of fixed rental increases	**77**	**(2,411)**	**3**	**(2,331)**
Less: direct property expenses	**(37,536)**	**(12,889)**	**(1,210)**	**(51,635)**
Segment profit	**111,931**	**39,590**	**2,747**	**154,268**
2015				
Property revenue	142,434	59,450	3,983	205,867
Less: straight-lining of fixed rental increases	(955)	(3,154)	(16)	(4,125)
Less: direct property expenses	(35,799)	(13,403)	(1,338)	(50,540)
Segment profit	105,680	42,893	2,629	151,202

Segment profit





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:

	2016 $000	2015 $000
Total profit for reportable segments	154,268	151,202
Property management income	355	398
Rental income resulting from straight-lining of fixed rental increases	2,331	4,125
Interest and other income	227	421
Net litigation settlement income/(expenses)	5,885	(1,296)
Net fair value gain on investment properties	175,857	58,315
Interest and finance charges	(33,483)	(52,640)
Employment and administration expenses	(16,138)	(15,124)
Net fair value loss on interest rate derivatives	(17,558)	(13,053)
Loss on disposal of investment properties	–	(770)
Restructuring costs	–	(2,122)
Insurance adjustment	–	(5,052)
Profit before income tax	**271,744**	124,404

5.2 Key management personnel

Additional disclosures relating to key management personnel are set out in the remuneration report on page 104. Further details regarding share-based payments can be found in Note 3.6.

	2016 $000	2015 $000
Director's fees	615	552
Short-term employee benefits	4,965	4,666
Other long-term benefits	(42)	50
Termination benefits	–	206
Share-based payments	145	23
	5,683	5,497

Notes to the consolidated financial statements: Other information

For the year ended 31 March 2016

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:

	2016 $000	2015 $000
Development costs at Sylvia Park Shopping Centre	15,264	–
Development costs at LynnMall Shopping Centre	810	25,461
Acquisition costs for Westgate Lifestyle	14,968	–
Development costs at The Plaza Shopping Centre	3,260	–
Development costs at The Majestic Centre	2,326	4,107
Development costs at The Aurora Centre (formerly 56 The Terrace)	4,629	30,656
Development costs at 44 The Terrace	4,375	–
	45,632	60,224

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:

	2016 $000	2015 $000
Within one year	503	546
One year or later and not later than five years	–	364
Later than five years	–	–
	503	910

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 Centre Place Shopping Centre, The Plaza Shopping Centre and Northlands Shopping Centre. The amount paid in respect of ground leases during the year was $1.1 million (2015: $1.3 million). The leases terminate between November 2026 and March 3007. Due to the duration of the leases and the different methods of calculating the lease payments, the total value of the overall commitment has not been calculated.

5.4 Subsequent events

On 8 April 2016, the Group agreed to acquire a 50% interest in The Base at Te Rapa, Hamilton, from The Base Limited, a subsidiary of Tainui Group Holdings Limited for $192.5 million. Settlement is scheduled for 31 May 2016.

On 13 May 2016, the board declared a final dividend. For further details refer to Note 3.6.

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Independent auditor's report

To the shareholders of Kiwi Property Group Limited

Our opinion

In our opinion, the consolidated financial statements of Kiwi Property Group Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2016, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

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

Our audit approach

Overview

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

For the purposes of our audit, we applied a threshold for overall group materiality of $5.4 million, which represents 5% of profit before tax excluding valuation movements relating to investment properties and interest rate derivatives and one-off litigation settlement income.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $0.5 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have one key audit matter: Valuation of Investment Properties.

Independent auditor's report

Materiality

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

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

Overall group materiality	$5.4 million.
How we determined it	5% of profit before tax excluding valuation movements relating to investment properties and interest rate derivatives and one-off litigation settlement income.
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, profit before tax is the metric against which the performance of the Group is most commonly measured.

Audit scope

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have one key audit matter: Valuation of Investment Properties. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties Refer to note 3.2 of the financial statements. The Group's Investment Properties comprise retail and office portfolios and at $2.7 billion represent the majority of the assets as at 31 March 2016. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area. The valuations were carried out by third party valuers, Colliers International New Zealand Limited, Jones Lang LaSalle Limited and CBRE Limited (the Valuers). The Valuers were engaged by the Group, and performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The Valuers used by the Group are well known firms, with experience in the markets in which the Group operates and are rotated across the portfolio on a two-yearly cycle.	**External valuations** We read the valuation reports for all properties and discussed the reports with each of the Valuers. We confirmed that the valuation approach for each property was in accordance with professional valuation standards and suitable for use in determining the carrying value of Investment Properties at 31 March 2016. It was evident from our discussions with management and the Valuers and our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and desirability as a whole. There was no evidence of management bias or influence on the Valuers. We assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered other engagements which might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised. We carried out procedures, on a sample basis, to test whether property specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. No issues were identified.

Key audit matter	How our audit addressed the key audit matter
In determining a property's valuation, the Valuers take into account property specific current information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalisation rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a granular tenant by tenant level, as well as the qualities of the property as a whole. Comparable market information is available in New Zealand for the Group's properties, other than for some of the Group's significant properties by value, which are unique in New Zealand due to their size. The Valuers take into consideration other market information for these properties in light of this. The Group has adopted the assessed values determined by the Valuers. Five properties (Sylvia Park Shopping Centre, Northlands Shopping Centre, The Majestic Centre, The Aurora Centre and 44 The Terrace) have development work ongoing at 31 March 2016. The costs to complete the developments were taken into account by the Valuers.	**Assumptions** Our work over the assumptions focused on the largest properties in the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier versus market data for the retail and office sectors. We also engaged our own in-house valuation specialist to critique and challenge the work performed and assumptions used by the Valuers. In particular, we compared the valuation metrics used by the Valuers to recent market activity. Where comparable market information was not available in New Zealand, the Valuer has used other information and specific value drivers for the property. In challenging this approach, we considered the comparability of the data used. We challenged management on significant movements in the valuations. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence. We obtained management's estimates of costs to complete on the five properties under development. We compared these estimates to original budgets and external quantity surveyors' reports and consider the estimate to be reasonable based on available information. **Overall valuation estimates** Because of the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent property valuations used by management. The valuations adopted by the Group were all within an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.

Independent auditor's report

Information other than the financial statements and auditor's report

The directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at: **https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx**

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland

16 May 2016

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 2016.

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 2016.

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 page 40.

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 NZX 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 continued

Delegations to the 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.

The 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 recommends 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 principal purpose of the committee is to assist the Board with the proper and efficient discharge of its responsibilities to exercise due care, diligence and skill in relation to the oversight of:

- The integrity of external financial reporting.
- The appointment and performance of external and internal auditors.
- Financial management and internal control systems.
- Accounting policy and practice.
- The risk management framework and the monitoring of compliance within that framework.
- Compliance with applicable laws, regulations, standards, codes of practice and the NZX Listing Rules.
- Related party transactions.

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 committee cannot also be the Chair of the Board.

Remuneration and Nominations Committee

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

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

Membership of the committee is determined by the Board. The committee will comprise a minimum of three directors, with a majority comprising independent directors (as defined by the NZX Listing Rules). The chair, who will be determined by the Board, will be an independent director and cannot also be Chair of the Board.

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

Due Diligence Committee

During the year to 31 March 2016, the Board established one Due Diligence Committee to assist in coordinating and overseeing the due diligence in respect of the 18 May 2015 offer document for the Company's offer of 1 new share for every 9 existing shares in the Company; pursuant to which the Company raised $151.9 million.

Membership of the various committees can be found on page 102.

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 in the NZX Listing Rules) in accordance with the Company's legal obligations and 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 104 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 2016. No director of any of the subsidiary companies received any remuneration or other benefits in their capacity as a director of those companies except the indemnity and insurance referred to on page 102.

Page 106 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 to 31 March 2016, 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.

Corporate governance continued

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 71 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. The Company maintains regular dialogue with the New Zealand Shareholders Association and from time to time conducts roadshows for the benefit of retail investors.

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.

Waivers in relation to the Company's 1 for 9 Entitlement Offer ('Offer').

On 18 May 2015, NZX granted the following waivers from the NZX Listing Rules in respect of the Offer:

(a) A waiver from Listing Rule 7.3.1(a). This meant the Company was not required to obtain shareholder approval for the issue of new shares in connection with the Offer. This waiver was subject to the condition that the issue be conducted in accordance with Listing Rules 7.3.4(a) (read in conjunction with Listing Rules 7.3.4(d) to 7.3.4(h)), except that the Offer need not be renounceable.

(b) A waiver from Listing Rule 7.10.1. This enabled eligible institutional shareholders to be notified of their entitlement prior to the record date, and enable notification to occur by means other than by physical letters of entitlement.

(c) A waiver from Listing Rule 7.10.2 which would have required the institutional entitlement offer to remain open for 12 business days. This waiver was subject to the condition that the Company's announcement of the Offer, and the offer document, clearly stated that a shorter than usual offer period would be available to eligible institutional shareholders under the institutional entitlement offer. The retail entitlement offer was open for 12 business days.

(d) A waiver from Listing Rule 7.10.8 which would have required the Company to notify NZX of the Offer five business days prior to the ex-date for the Offer. This waiver was subject to the condition that the Offer was notified to NZX in accordance with Listing Rule 7.10.8 no later than the ex-date for the Offer.

(e) A waiver from Listing Rule 7.11.1. This enabled the Company to allot the new shares under the institutional entitlement offer and institutional bookbuild nine business days after the close of the institutional entitlement offer, when Listing Rule 7.11.1 would otherwise have required this to have occurred within five business days of the close of the institutional entitlement offer and institutional bookbuild respectively.

(f) A waiver from Listing Rule 7.12.2. This enabled the Company to provide six business days' notice of the record date for the dividend declared in respect of the six months ended 31 March 2015 in order that the record date could be scheduled, and the dividend paid, before any new shares were allotted.

Diversity

Gender diversity

In accordance with NZX Listing Rule 10.4.5(j), set out below is the quantitative breakdown of the gender composition of the directors and officers (as defined in the NZX Listing Rules), together with the Company's Leadership Team, as at balance date and the prior balance date.

	Female				Male			
	2016		2015		**2016**		2015	
	No.	**%**	No.	%	**No.**	**%**	No.	%
Directors	**3**	**50**	3	50	**3**	**50**	3	50
Officers	**0**	**0**	0	0	**6**	**100**	6	100
Leadership Team	**2**	**17**	1	8	**10**	**83**	11	92

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 2016 and following the appointment in 2015 of two directors, both of whom were female, the Committee was not required to undertake a process to recommend to the Board the appointment of any new 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 short-list of potential candidates that includes at least one female candidate wherever possible.

   During the year management undertook a search for a suitable candidate for the position of Manager – Analytics and Projects. Consistent with the policy, the search sought to identify at least one female candidate so as to provide greater gender diversity to the management team. The shortlist for the role included at least one female candidate.

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

   Our recruitment process for the year to 31 March 2016 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 diversity training to set the culture and articulate the benefits arising from a diverse workforce and senior management team.

Corporate governance continued

Other information

Changes in the nature of the business of the Company

There were no changes to the nature of the business of the Company during the year to 31 March 2016.

Donations, sponsorship and volunteering

During the year to 31 March 2016, 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 Buddy Day, Little Sprout and Willowbank Wildlife Reserve.

Directors

As at 31 March 2016 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 2016. Richard Didsbury retired as Chair of the Remuneration and Nominations Committee and Jane Freeman was appointed Chair of the committee on 15 February 2016.

The Board has determined that, as at 31 March 2016, Mary Jane Daly, Richard Didsbury, Mark Ford, Jane Freeman, Joanna Perry and Mike Steur were independent directors as that term is defined in the NZX Listing Rules.

As at 31 March 2016, 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 2016, no director 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 continue to receive 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 continue to receive 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 2016 is shown in the following table.

In addition, all directors attended a strategy day with management. The members of the Audit and Risk Committee, with the exception of Mike Steur who was an apology, also attended a risk management workshop day with management.

Director	Board meetings	Audit and Risk Committee meetings	Remuneration and Nominations Committee meetings	Due Diligence Committee meetings
Number of meetings	13	5	7	5
Mary Jane Daly	12	5	n/a	5
Richard Didsbury	11	n/a	7	n/a
Mark Ford	11	5	6	5
Jane Freeman	12	n/a	7	5
Joanna Perry	13	5	n/a	n/a
Mike Steur	13	4	7	n/a

Interest register entries

In accordance with section 211(1)(e) of the Companies Act 1993, particulars of the entries made in the Interests Register of the Company during the year are set out below, together with the entries made as at 31 March 2016.

Name	Name of company/entity	Nature of interest
Mary Jane Daly	Airways Corporation of New Zealand Limited	Deputy Chair
	Airways International Limited	Director
	Earthquake Commission	Commissioner
	New Zealand Green Building Council	Chair
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
	Hobsonville Land Company Limited	Director
	SkyCity Entertainment Group Limited	Director and Shareholder
Mark Ford	CBUS Property Pty Limited and related entities	Director
	Prime Property Fund Asia GP Pte Limited[1]	Director
	RReef China Commercial Trust Management Limited (Manager of China Commercial Trust and a Subsidiary of Deutsche Bank)	Director
	The Bond Market Pty Limited[2]	Director
	The Ford Family Superannuation Fund	Director
	United Super Investments (8 Exhibition Street) Pty Limited[2]	Director
	United Super Investments (Frances Park) Pty Limited[2]	Director
	United Super Investments (Mitchell Plaza) Pty Limited[2]	Director
	USI (Breakfast Point) Pty Limited[2]	Director
Jane Freeman	Argosy Property Limited	Spouse of Director (Christopher Hunter)
	ASB Bank Limited	Director
	Delegat Group Limited	Director
	Foodstuffs North Island Limited	Director
	Jane Freeman Consulting Limited	Director and Shareholder
	NZ Strong Construction	Spouse of Director (Christopher Hunter)
Joanna Perry	Genesis Energy	Deputy Chairman
	IFRS Advisory Council	Chairman
	JMGP Limited	Director and Shareholder
	National Health Committee[2]	Member
	Partners Group Holdings Limited	Director
	Partners Life Limited	Director
	Primary Growth Partnership	Member of Investment Advisory Panel
	Rowing New Zealand	Director
	Sport and Recreation New Zealand	Director
	Tainui Group Holdings Limited[2]	Official Advisor
	Trade Me Group Limited	Director
Mike Steur	BWP Management Limited	Director
	Dexus Wholesale Property Fund[1]	Director
	M & D Steur Investments Pty Limited	Shareholder
	Royal Institution of Chartered Surveyors Valuation Professional Group	Chairman, Oceania Global Boards

1. Entry added by notice given by the director during the year.
2. 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 97.

Our remuneration 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) is a variable pay scheme designed to reward our salaried employees for premium performance.

The long-term incentive plan (LTI) for eligible executives and employees 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) is designed to align employee interests with those of shareholders by providing all permanent employees with the opportunity to own shares in the Company.

Further details of these components are as follows:

Fixed annual remuneration

Fixed remuneration is based on individual responsibilities, performance, capability and market relativities.

Description

- Comprises base salary plus benefits.
- Benefits include:
  - Income protection, life and total permanent disablement 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, capability and experience level.
- Forms the primary basis for assessing our market alignment year on year.

Performance measure

- Capability 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 and type of role.
- Applicable to salaried, permanent employees.
- Has two performance measures:
  - a company-related measure, and
  - individual-related measures.

  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.

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.
  - 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 eligible executives and 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.

Absolute TSR hurdle

- Applies to 50% of LTI grant.

Hurdle	The Company's TSR must exceed 9% per annum, compounding over the performance period
Vesting date (if hurdle achieved)	Third anniversary of grant

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 S&P/NZX All Real Estate 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 50th percentile in the peer group, 50% of this portion of the LTI grant will vest (i.e. 25% of the total LTI grant).
- If Kiwi Property's TSR over the performance period exceeds the 75th percentile in the peer group, 100% of this portion of the LTI grant will vest (i.e. 50% of the total LTI grant).
- There is a straight-line progression and apportionment between these two points.

ESOP

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

Description

- An annual grant that 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 full-time and permanent part-time 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 by providing an opportunity for employees to own shares in the Company.

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 2016.

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.

Amount of remuneration ($)	Number of employees
100,000 – 110,000	7
110,001 – 120,000	4
120,001 – 130,000	3
130,001 – 140,000	5
140,001 – 150,000	1
150,001 – 160,000	2
160,001 – 170,000	1
170,001 – 180,000	1
180,001 – 190,000	3
190,001 – 200,000	1
200,001 – 210,000	2
210,001 – 220,000	2
220,001 – 230,000	1
230,001 – 240,000	1
240,001 – 250,000	4
250,001 – 260,000	2
260,001 – 270,000	3
300,001 – 310,000	1
320,001 – 330,000	2
330,001 – 340,000	1
400,001 – 410,000	1
780,001 – 790,000	1

Employee remuneration does not include long-term incentives that have been granted and which have not vested. The total value of grants with a vesting date of 31 March 2017 is $496,195. The total value of grants with a vesting date of 31 March 2018 is $845,617.

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 2016.

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	$729,806
Short term incentive paid	$255,676

Chief Executive remuneration does not include long-term incentives that have been granted and which have not vested. The total value of the grant with a vesting date of 31 March 2017 is $164,014. The total value of the grant with a vesting date of 31 March 2018 is $218,942.

Director remuneration

The fees paid to non-executive directors during the year ended 31 March 2016 are outlined below.

Director	Duties	Fees
Mary Jane Daly	Director Member of the Audit and Risk Committee	$90,000
Richard Didsbury	Director Member of the Remuneration and Nominations Committee[1]	$91,719
Mark Ford	Chair Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$150,000
Jane Freeman	Director Chair of the Remuneration and Nominations Committee[2]	$87,031
Joanna Perry	Director Chair of the Audit and Risk Committee	$100,000
Mike Steur	Director Member of the Audit and Risk Committee Member of the Remuneration and Nominations Committee	$96,250

1. Retired as Chair of the Remuneration and Nominations Committee on 15 February 2016.
2. Appointed Chair of the Remuneration and Nominations Committee effective 15 February 2016.

Shareholder and bondholder statistics

As at 31 March 2016

Shareholder statistics

Twenty largest shareholders

Shareholder	Number of shares	% of total issued shares
Accident Compensation Corporation	108,768,189	8.52
HSBC Nominees (New Zealand) Limited	85,472,730	6.70
Citibank Nominees (NZ) Ltd	76,559,384	6.00
HSBC Nominees (New Zealand) Limited	65,208,846	5.11
Forsyth Barr Custodians Limited	62,946,818	4.93
Cogent Nominees Limited	61,007,053	4.78
FNZ Custodians Limited	46,715,834	3.66
Guardian Nominees No2 Limited <Westpac Wholesale Enhanced Cash Fund>	45,176,670	3.54
Premier Nominees Limited <Wholesale Trans-Tasman Property>	44,325,243	3.47
National Nominees New Zealand Limited	43,941,259	3.44
Investment Custodial Services Limited	36,815,355	2.88
JPMorgan Chase Bank	30,538,455	2.39
Custodial Services Limited	30,329,864	2.38
Premier Nominees Ltd <Armstrong Jones Property Securities Fund>	25,833,126	2.02
MFL Mutual Fund Limited	22,277,694	1.75
BNP Paribas Nominees NZ Limited	21,631,264	1.69
TEA Custodians Limited	20,979,405	1.64
New Zealand Superannuation Fund Nominees Limited	19,345,974	1.52
Custodial Services Limited	12,159,361	0.95
Private Nominees Limited	11,910,164	0.93
Total	**871,942,688**	**68.30**
Total shares on issue	**1,276,420,405**	

Spread of shareholders

Size of holding	Number of holders	Number of shares	% of total issued shares
1 – 1,000	648	306,008	0.02
1,001 – 5,000	1,784	5,672,333	0.44
5,001 – 10,000	2,302	17,795,483	1.39
10,001 – 50,000	6,110	139,845,391	10.96
50,001 – 100,000	870	59,675,781	4.68
100,001 and over	501	1,053,125,409	82.51
	12,215	**1,276,420,405**	**100.00**

Shareholder statistics continued

Geographical distribution of shareholders

Country	Number of shares	% of total issued shares
New Zealand	986,980,362	77.32
United States	148,726,264	11.65
United Kingdom	42,213,884	3.31
Australia	38,908,897	3.05
Japan	20,679,226	1.62
Norway	17,116,884	1.34
Rest of the world	21,794,888	1.71
Total	**1,276,420,405**	**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 2016. The total number of ordinary shares on issue at 31 March 2016 was 1,276,420,405.

Name	Number of shares held at date of notice	Date of disclosure
Accident Compensation Corporation[1,2,3]	116,629,903	30-Jul-15
ANZ New Zealand Investments Limited[4]	93,318,390	3-Mar-16

1. Ian Purdy and Blair Cooper 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 30 July 2015) 116,693,321 shares.
3. Including personal holdings of Blair Cooper, an employee and portfolio manager of Accident Compensation Corporation (notice dated 29 July 2015) 116,688,432 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, ANZ Wholesale Trans-Tasman Property Securities Fund and NZ Wholesale NZ Share Fund.

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	143	715,000	0.57
5,001 – 10,000	348	3,338,000	2.67
10,001 – 50,000	754	20,732,000	16.59
50,001 – 100,000	86	7,450,000	5.96
100,001 and over	71	92,765,000	74.21
	1,402	**125,000,000**	**100.00**

Directory

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Bond Trustee

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Security Trustee

Public Trust

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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)

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Kiwi Property

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